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THE INFLUENCE OF PROFESSIONAL AND BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY ON CORPORATE GOVERNANCE IMPLEMENTATION AND FRAUD MITIGATION: EMPIRICAL EVIDENCE FROM ACCOUNTING MANAGERS AND PUBLIC ACCOUNTANTS IN JAKARTA*

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Abstract: The aim of this research is to empirically examine the influence of professional and business ethics and corporate social responsibility on corporate governance implementation and fraud mitigation among Accounting Managers and Public Accountants in Jakarta. Sample size is 47, consisting of Accounting Managers and Public Accountants participating as teaching staff and students at Magister Akuntansi (Master in Accounting Program) and Pendidikan Profesi Akuntan (Accounting Professional Education Program) at Tarumanagara University and Trisakti University in Jakarta. Data was collected using questionnaires, and path analysis is used to test the hypotheses.

The study results are as follows: 1) the influence of professional and business ethics and corporate social responsibility, both partially and simultaneously, on corporate governance implementation are significant; 2) the corporate governance implementation is positively and significantly related to fraud mitigation and serves as a mediator of the relationship between professional and business ethics and corporate social responsibility; 3) the influence of professional and business ethics, corporate social responsibility and the implementation of corporate governance, both partially and simultaneously, fraud mitigation are significant.

Keywords: ethics, corporate social responsibility, corporate governance, internal control and fraud.

INTRODUCTION

Today's business issues confronting companies are unique and unprecedented. Managing the environmental, social and economic impacts on the bottom line of business is prominent on every manager's agenda. In recent times, corporate responsibility has become an executive level business issue due to increasing pressure from the spectrum of stakeholders, sustainability-related shareholder resolutions, increasingly demanding...
business-to-business buyers and consumers averse to buying products that come from socially or environmentally convicted sources (Sunny Misser, 2006).

David Finneren and Emma Rachmawaty (2003) propose that Indonesian corporations, having tight family and friendship bonds, have long traditions of serving social objectives. However, the realization of an unsustainable future and the evolution of CSR on a global scale as a means to identify and implement solutions are generating boardroom reflection and operational repercussions worldwide. In spite of natural distinctions in business culture and CSR definitions, leading companies are responding - Indonesia is no exception.

Pressures on corporations to establish and maintain high standards of internal governance are accelerating. As society witnesses the growing influence of corporations in driving economic, environmental, and social change, investors and other stakeholders expect the highest standards of ethics, transparency, sensitivity, and responsiveness from corporate executives and managers. Governance systems are increasingly expected to extend beyond their traditional focus on investors to address diverse stakeholders. The independence of board members, executive participation in external partnerships, compensation and incentive schemes, and integrity of auditors are under increasing scrutiny. Effective corporate governance depends on access to relevant, high-quality information that enables performance tracking and invites new forms of stakeholder engagement. The proliferation of corporate governance initiatives—the Cadbury Commission and the Turnbull Report in the United Kingdom (UK), the King Report in South Africa, Brazil’s innovative New Stock Exchange, OECD’s Guidelines for Multinational Enterprises and Corporate Governance Principles, and the World Bank’s Corporate Governance Forum—attest to rising expectations for high standards of corporate behavior.

In Indonesia, the Ministry of Government Enterprise (Meneg BUMN) has declared a decision letter which instructs all government enterprises to implement GCG practice within two years. In 2004 year, only 60% of them have implemented GCG practice. Moreover, the Jakarta Stock Exchange has also obliged public listed companies to implement GCG practice (Sukrisno Agoes, 2004). Several factors which could pursue the implementation of GCG in Indonesia are corruption culture, law income per capita and internal control weaknesses. In spite of this, some public listed companies have successfully implemented GCG practice, for example PT. Astra International Tbk.

The starting point for reform in Asia is therefore very different from the starting point in Europe or North America. Asian governments, corporate leaders, investors, and regulators realize that corporate-governance practice will not change overnight, so patience is needed. Getting companies to comply with the new rules is a daunting prospect requiring greater transparency and better enforcement, not to mention a cultural upheaval in boardrooms. New corporate-governance laws and codes are important because they set the stage for change. But given the vast differences in ownership structures, business practices, and enforcement capabilities, merely adopting new requirements and mass from North America or Western Europe would be a mistake. Nonetheless, the temptation to do so – promoted partly by investors, foreign-aid donors, and international organizations – conflicts the region as a whole.

Implementation of good corporate governance (GCG) practice in Indonesia has shown positive progress, despite overall lack of support from the government and general public. A Corporate Governance Code was revised by the capital market authorities in
2000/2001. Pursuant to an IMF recommendation, both the World Bank and ADB have contributed resources to support the establishment of a National Committee for Corporate Governance (NCCG) in 2000 as well as a number of subsequent programmed, workshops and forums on CG. NCCG issued a 'Code of Best Practice' in 2001 that has contributed meaningfully to the foundation for capital market and corporate implementation of CG in Indonesia. Both the JSX and BAPEPAM have been persistent in efforts urging business adoption and compliance to maximize shareholder value through improved application of principles related to transparency, accountability, trustworthiness, responsibility and equity. The guidelines also encourage a sense of social responsibility, environmental protection, shareholder rights, moral norms and legal compliance (David Finneren and Emma Rachmawaty, 2003).

There are several regulations from the capital market authority that oblige the public listing company to have Independent Commissioner, Audit Committee and Corporate Secretary, such as Circulation Letter of Ketua Baepam No.SE-03/PM/2000 dated May 5, 2000 and Circulation Letter of JSX Director No.SE/005BEJ/09-2001 juncto Decision Letter No.KEP 339/BEJ/07-2001 dated July 20, 2001, Regulation 1A.

In addition to that, the Indonesian Institute of Accountant (IAI) plays a very important role in the implementation of GCG in Indonesia. IAI has updated the PSAK (Indonesian GAAP) in 2002 and SPAP (Indonesian GAAS) in 2001 following the US GAAP & GAAS and International Accounting and Auditing Standards. For example, the auditing standard suggested the public accounting firms to use the risk analysis approach in auditing their client, and should evaluate the client internal control (COSO) as a tool to determine the materiality, audit risk and scope of the audit.

IAI also has ‘Badan Peradilan Profesi Kompartemen Akuntan Publik’ to act as a Justice Board if there is any complaint from the user of audit report in relation to any disobedience to the auditing standard. The Ministry of Finance, after the Enron Gate and Osborne Oxley Act., has issued a decision letter stating that a company can be audited by the same public accounting firm for no more than five (5) consecutive years, and after three (3) consecutive years the signing partner should be changed.

Ethical regulations are important for business activities, because its endorsement to meet demands of business stakeholders, to enhance business performance, to comply with legal requirements, to prevent or minimize harm and to promote personal morality.

The discussions in the above paragraph lead to the following research problem and questions: (1) How considerable is the influence of professional and business ethics and corporate social responsibility, both partially and simultaneously, on corporate governance implementation?; (2) How important is corporate governance implementation as a positive fraud mitigation factor and as a mediator of the relationship between professional and business ethics and corporate social responsibility? (3) How considerable is the influence of professional and business ethics, corporate social responsibility, and corporate governance implementation, both partially and simultaneously, on fraud mitigation?

The objectives of the study are to examine the empirically influence of professional and business ethics and corporate social responsibility on corporate governance implementation and fraud mitigation among Accounting Managers and Public Accountants in Jakarta. To state them more specifically, the objectives of the study are:

1. To investigate the influence of professional and business ethics and corporate social responsibility, both partially and simultaneously, on corporate governance implementation among Accounting Managers and Public Accountants in Jakarta.
2. To investigate corporate governance implementation as a positive fraud mitigation factor and as a mediator of the relationship between professional and business ethics and corporate social responsibility among Accounting Managers and Public Accountants in Jakarta.

3. To investigate the influence of professional and business ethics, corporate social responsibility, and corporate governance implementation, both partially and simultaneously, on fraud mitigation among Accounting Managers and Public Accountants in Jakarta.

**Professional and Business Ethics**

Ethics concerning what is right and wrong, good and bad, and harmful and beneficial regarding decisions and actions in organizational transactions. According to Laura Nash, business ethics is the study of how personal moral norms apply to the activities and goals of commercial enterprise.

In the other word, ethics is a conception of right and wrong conduct. It tells us whether our behavior is moral or immoral with fundamental human relationships or a guide to moral behavior. The shifting emphasis on business ethics is the application of general ethical ideas to business behavior.

The following are the six core ethical values that the Josephson Institute associates with ethical behavior: (1). Trustworthiness; (2). Respect; (3). Responsibility; (4). Fairness; (5) Caring; and (6). Citizenship.

**Ethical Principles**

1. Responsibilities In carrying out their responsibilities as professional, members should exercise sensitive professional and moral judgments in all their activities.

2. The Public Interest Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism.

3. Integrity To maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of integrity.

4. Objectivity and Independence A member should maintain objectivity and be free of conflicts of interest in discharging professional responsibilities. A member in public practice should be independent-in fact and appearance when providing auditing and other attestation services.

5. Due Care A member should observe the profession’s technical and ethical standards, strive continually to improve competence and quality of service, and discharge professional responsibility to the best of the member’s ability.

6. Scope and Nature of Service A member in public practice should observe the principles of the *Code of Professional Conduct* in determining the scope and nature of services to be provided.

In carrying out their respective duties, external auditors follow auditing standards and a code of ethics, while internal auditors follow the Standard for Professional Practices, and accounting/financial managers, as professionals, follow a set of professional ethics.

Business ethics deals with what is “right and wrong” in organizational decisions, behavior, and policies. Business ethics provides principles and guidelines that assist
people in making informed choices that balance economic interests and social responsibilities.

Corporate Social Responsibility

Raymond Luchkow and Graham Stephens 2004 argued that Corporate Social Responsibility is increasingly important as organizations seek to attract both investors and customers. Forest companies invest considerable effort to capture and address relevant social concerns. Differences can emerge between stakeholders and forest companies where there is no shared definition or recognition of values. Sustainability reporting offers a common reporting structure that captures shared values of both society and the firm. These values include human resource principles, environmental stewardship, product accountability, climate change, ethical leadership, and sharing of information with those who need it. This area is where sustainability reporting may provide the greatest value to the forest product value chain.

Keith Davis and Robert Blomstrom said that the corporate Social Responsibility "Means that a corporation should be held accountable for any of its actions that affect people, their communities and their environment. It implies that harm to people and society should acknowledge and corrected if at all possible. It may require a company to forgo some profits if the social impacts seriously hurt some of its stakeholders or if its funds can be used to have a positive social impact."

Ali Darwin (2006): Corporate Social Responsibility (CSR) is mechanisms for organizations to voluntarily integrate social and environmental concerns into their operations and their interaction with their stakeholders, which are over and above the organization's legal responsibilities. In an Indonesian context, Regulation no. 40 on Corporation, 2007, Chapter V, Article 74, on Social and Environmental Responsibilities, states, amongst others: (1) Holdings whose area of business exploit and/or are connected to natural resources are required to exercise Social and Environmental Responsibility.; (2) Social and Environmental Responsibilities as specified in article (1) are considered obligatory for the holdings specified, budgeted and financed as holding costs, implemented with respect to reasonability.; (3) Holdings not conforming to requirements as stated in article (1) will face penalties as specified in relevant regulations.

Corporate Governance Implementation

Global Reporting Initiative, 2002 stated the resources on corporations to establish and maintain high standards of internal governance are accelerating. As society witnesses the growing influence of corporations in driving economic, environmental, and social change, investors and other stakeholders expect the highest standards of ethics, transparency, sensitivity, and responsiveness from corporate executives and managers. Governance systems are increasingly expected to extend beyond their traditional focus on investors to address diverse stakeholders. The independence of board members, executive participation in external partnerships, compensation and incentive schemes, and integrity of auditors are under increasing scrutiny. Effective corporate governance depends on access to relevant, high-quality information that enables performance tracking and invites new forms of stakeholder engagement.

The proliferation of corporate governance initiatives—the Cadbury Commission and the Turnbull Report in the United Kingdom (UK), the King Report in South Africa,
PREVIOUS STUDY OR RESEARCH

Tuanakotta, in his 2007 study states that in general, there are no differences between fraud in the private and government sector. The motive is the same, the modus operandi is similar, and its mitigation and detection are also very much alike. Differences in the two sectors are in magnitude and typology, or types of fraud perpetrated. Additionally, there exists, what in the private sector is known as fraud against the company and fraud for the company.

Silaban and Pasaribu, in their 2006 study state that the implementation of GCG on companies has shown no increase in a company’s performance, including in terms of social responsibility. There are two main drawbacks. The first is the lack of social pressure demanding corporate social responsibility. The second is the lack of appreciation for the need of corporate social responsibility among Indonesian businessmen. It is further explained that most, if not all, companies in Indonesia utilize their annual reports to forward information to debt holders and shareholders.

Pricewaterhouse Coopers (2006) proposes that organizations can create value by strategically integrating GRC (General Counsel Roundtable) into their businesses (see figure below) to form an ethical and operational backbone against which the business is managed, such that:– Governance activities include setting business strategy and objectives, determining risk appetite, establishing culture and values, developing internal policies and monitoring performance.

Many business leaders view an integrated approach to GRC as a business enabler and value driver - a belief that has profound implications. The research shows that business leaders perceive significant revenue, reputation and employee retention benefits flowing from an integrated approach. Furthermore, respondents believe that an integrated approach could decrease cost of capital and insurance significantly.

The exogenous variables of the study construct include professional and business ethics and corporate social responsibility, while corporate governance implementation and fraud mitigation are treated as the endogenous variables.

This theoretical framework is based on the accounting theory, auditing, professional and business ethics literatures. The theoretical framework for the analysis in this study is presented in Figure 1. The purposes of this theoretical model are to show the testable relationship among the study constructs. Hypothesized antecedents to corporate governance implementation and fraud mitigation.

Hypotheses Development

Hypothesis 1: The professional and business ethics and corporate social responsibility have significant influence as partial and simultaneous on corporate governance implementation.

Hypothesis 2: The corporate governance implementation is positively related to fraud mitigation and serves as mediator of the relationship between professional and business ethics and corporate social responsibility.

Hypothesis 3: The professional and business ethics, corporate social responsibility, and corporate governance implementation have significant influence as partial and simultaneous on fraud mitigation.
METHODOLOGY

Hypothesis testing will be accomplished by operating and measuring the study construct variables. Constructs are measured on a 5 point Likert scale and will be provided in the heading of each page of instruments. In each case, research variables are score on a scale of 1 for “Strongly Disagree” to 5 as “Strongly Agree”. And, the size of samples used in this research is consistent with such determination by Sekaran (2003), whereas the population is exceeding 55, the sample should be above 48. Sufficient sample size conducted for this research.

This research applied technical sampling as simple random probability method to Accounting Managers and Public Accountants participate as teaching staff and student at Magister Akuntansi (Master in Accounting Program) and Pendidikan Profesi Akuntan (Accounting Professional Education Program) at Tarumanagara University and Trisakti University in Jakarta.

The demographic profile of the samples, that there are more male than females, 68.1% of the respondents were male and the rest were females. About 44.7% of the respondents were below 25 years old while about 36.2% of them were 25 to 34 years old, about 14.9% were 35 to 44 years old and the remaining were in the age group of 45 years old. In terms of professional and institutional backgrounds, most of the respondents were public accountants (51.1%) and about 48.9% were accounting or financing managers, while most of the respondents were Tarumanagara University (51.1%) and about 48.9% were Trisakti University.

The survey method conducted by this research, and for the sake of analyzing data, both character of quantitative and qualitative found necessary. Primary data obtained from Accounting Managers and Public Accountants participate as teaching staff and student at Magister Akuntansi (Master in Accounting Program) and Pendidikan Profesi Akuntan
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(Accounting Professional Education Program) at Tarumanagara University and Trisakti University in Jakarta and its surrounding by providing them with such questionnaires, where seriousness of respondent in replying questions demanding. Secondary data obtained by other sources related to this research such as journal, literature, reports of related/relevant institutions. A validity of a social result of this research is determined by measuring related instruments. If measuring instrument applied is not valid and inconceivable therefore results obtained in this research will not depict situation truthfully. To overcome these weaknesses two kinds of examination are necessary for testing the validity and reliability of the seriousness of respondent at present (Sekaran, 2003).

Data analysis used in this research consists of descriptive analysis and path analysis. Descriptive analysis aimed to see population characteristics where on the other hand path analysis is one of the multivariate data analysis techniques (Hair et.al, 2006).

RESULT

Hypothesis 1

Hypothesis 1 concerns a possible significant influence as partial and simultaneous professional and business ethics and corporate social on corporate governance implementation. Formally stated the hypothesis is as follows:

Hypothesis 1: The professional and business ethics and corporate social responsibility have significant influence as partial and simultaneous on corporate governance implementation.

By using statistical program LISREL 8.71 for Windows the hypotheses H1 was tested. Results of testing H1 hypothesis indicates that the professional and business ethics have significant influence on corporate governance implementation has parameter estimation value = 0.52 and t value = 4.69 > t table = 1.96 at the level of confidence 95%, which indicates that the professional and business ethics have significant influence on corporate governance implementation is significant. Similarly, the result indicates corporate social responsibility has significant influence on corporate governance implementation has parameter estimation value = 0.29 and t value = 2.48 > t table = 1.96 at the level of confidence 95%, which indicates that corporate social responsibility has significant influence on corporate governance implementation is significant.

The value of coefficient determinant is 0.49. It means both variables simultaneously influence professional and business ethics and corporate social responsibility 65% on corporate governance implementation, and the remaining 51% are influenced by the other variables that were not included in this research model (Table 1).

Hypothesis 2

Hypothesis 2 concern a possible significant related fraud mitigation and serves as mediator of the relationship between professional and business ethics and corporate social responsibility. Formally stated the hypotheses are as follows:

Hypothesis 2: The corporate governance implementation is positively related fraud mitigation and serves as mediator of the relationship between professional and business ethics and corporate social responsibility.

By using statistical program LISREL 8.71 for Windows the hypothesis H1 was tested. The results indicate that the indirect effect of professional and business ethics to fraud mitigation via corporate governance implementation has the parameter coefficient
0.28 and \( t_{value} = 3.38 > t_{table} = 1.96 \) at the level of confidence 95\%, which indicates that variable has significant influence, while the indirect effect of corporate social responsibility via corporate governance to fraud mitigation has the parameter coefficient 0.15 and \( t_{value} = 2.81 > t_{table} = 1.96 \) at the level of confidence 95\%, which indicates that variable has significant influence. The value of coefficient determinant is 0.63 it means through corporate governance as mediating variable was and the remaining 36\% was influenced by the other variables that were not included in this research model. (Table 1)

**Table 1. Summary of Results for Hypotheses H1 to H3**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variables</th>
<th>Parameter Estimation</th>
<th>( t_{critical} )</th>
<th>( p_{value} )</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>PBE ( \rightarrow ) CGI</td>
<td>0.54</td>
<td>4.69</td>
<td>&lt; 0.05</td>
<td>( H_0 )</td>
</tr>
<tr>
<td></td>
<td>CSR ( \rightarrow ) CGI</td>
<td>0.29</td>
<td>2.48</td>
<td>rejected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( R^2 )</td>
<td>0.49</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second</td>
<td>Indirect effect PBE ( \rightarrow ) FM via CGI</td>
<td>0.28</td>
<td>3.38</td>
<td>&lt; 0.05</td>
<td>( H_0 )</td>
</tr>
<tr>
<td></td>
<td>Indirect effect CSR ( \rightarrow ) FM via CGI</td>
<td>0.15</td>
<td>2.21</td>
<td>rejected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total effect CGI ( \rightarrow ) FM</td>
<td>0.51</td>
<td>4.86</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>( R^2 )</td>
<td>0.63</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third</td>
<td>PBE ( \rightarrow ) FM</td>
<td>0.20</td>
<td>2.04</td>
<td>&gt; 0.05</td>
<td>( H_0 )</td>
</tr>
<tr>
<td></td>
<td>CSR ( \rightarrow ) FM</td>
<td>0.33</td>
<td>3.84</td>
<td>rejected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CGI ( \rightarrow ) FM</td>
<td>0.51</td>
<td>4.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>( R^2 )</td>
<td>0.76</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Hypothesis 3**

Hypothesis 3 concern a possible significant influence as partial and simultaneous professional and business ethics, corporate social, and corporate governance implementation on fraud mitigation. Formally stated the hypothesis is as follows:

Hypothesis 3: The professional and business ethics, corporate social responsibility, and corporate governance implementation have significant influence as partial and simultaneous on fraud mitigation.

By using statistical program LISREL 8.71 for Windows the hypotheses H3 was tested. Results of testing H3 hypothesis indicates that the professional and business ethics have significant influence on fraud mitigation has parameter estimation value =0.51 and \( t_{value} = 4.86 > t_{table} = 1.96 \) at the level of confidence 95\%, which indicates that the professional and business ethics have significant influence on fraud mitigation is significant. Similarly, the result indicates corporate social responsibility has significant influence on fraud mitigation has parameter estimation = 0.20 and \( t_{value} = 2.07 > t_{table} = 1.96 \) at the level of confidence 95\%, which indicates that corporate social responsibility has significant influence on fraud mitigation is significant. Finally, as also indicated corporate governance implementation has significant on fraud mitigation has beta value = 0.33 and \( t_{value} = 3.89 > t_{table} = 1.96 \) at the level of confidence 95\%, which indicates that corporate social responsibility has significant influence on fraud mitigation is significant (Table 1).
The value of coefficient determinant is 0.76. It means both variables simultaneously influence professional and business ethics, corporate social responsibility and corporate governance implementation 76% on fraud mitigation, and the remaining 24% are influenced by the other variables that were not included in this research model.

**DISCUSSION**

Several elements of the EBP are similar to those of the GCG, among others independency of integrity, furthermore external auditors, internal auditors and management accountants are to exhibit a high degree of professionalism, additionally, in the performance of their respective duties, they are to uphold auditing standards (for external- and internal-auditors) and the code of ethics. Therefore, the result of the first hypothesis analysis, which shows that the EBP has a significant and positive effect on the application of the GCG is in accordance with the aforementioned frame of thought, in addition to existing theories and prior studies.

The influence of CSR on the application of GCG is both significant and positive, indicating that many of Indonesia's companies who have gone public, are performing their social responsibilities, and reporting the realization of CSR in their annual reports (these include, among others: PT. Sampurna Tbk., PT. LippoBank Tbk., PT. BEJ Tbk., PT. Kaltim Coal Tbk., PT. Astra Internasional Tbk.)

With the imminent realization of article 74, Regulation no. 40 on Limited Holdings, which necessitates companies to apply CSR, it is hoped that more companies in Indonesia will implement CSR. The simultaneous effect of EBP and CSR are positive and significant on the implementation of GCG. This implies that should professionals and managers carry out their business and professional services in an ethical way while also implementing CSR, the implementation of GCG in Indonesia will become better. This is in accordance with existing theories and previous studies.

The influence of the implementation of GCG on fraud mitigation is both positive and significant. This implies that if GCG were to be well implemented, incidences of fraud would become lower, while fraud mitigation would become easier to implement. This is in accordance with other studies by OECD, KPMG, etc. which concluded that in countries where GCG is well implemented, incidences of fraud are low, and investors are more confident in investing in those countries. Furthermore, should the elements of GCG (transparency, accountability, fairness) be well implemented, the possibility of fraud would be lower.

It is clearly shown here that the simultaneous effects of said elements are greater than their partial effect. This implies that when professionals, in carrying out their duties, follow business and professional-ethics, while companies implement both CSR and GCG effectively, and incidences of corruption can be lowered while fraud mitigation will work better.

**CONCLUSION**

Hypotheses were formulated to test the theoretical framework of the study. There are 3 hypotheses to be tested. The normality and reliability test have been done. The Summary of hypotheses Tests and Significant Path Coefficient are presented below:
1. The professional and business ethics have significant influence on corporate governance implementation, and the corporate social responsibility has significant influence on corporate governance implementation. The both variables simultaneously influence professional and business ethics and corporate social responsibility 65% on corporate governance implementation.

2. Indirect effect of professional and business ethics to fraud mitigation via corporate governance implementation has significant influence, while the indirect effect of corporate social responsibility via corporate governance to fraud mitigation has significant influence. The role of corporate governance as mediating variable has significant influence.

3. The professional and business ethics, corporate social responsibility and corporate governance implantation have significant influence on fraud mitigation. They are simultaneously influence professional and business ethics, corporate social responsibility, and corporate governance implementation 76% on fraud mitigation.

4. Fraud can be thwarted when companies implement GCG effectively, conduct ethical business practices, and implement CSR effectively.

5. If professionals (external auditors, internal auditors, management accountants) carry out their duties while adhering to professional ethics, GCG will become easier to implement and incidences of fraud will become lower.

**Recommendation for Future Research**

The future research may try to examine a broader spectrum of antecedents and outcome of corporate governance implementation such as accountability and transparency. In addition, the domain of some constructs of corporate social responsibility, such as sustainability reporting or concerning about ecology issues. Those are needed to construct better theoretical model and results regarding to environmental accounting. We hope future researchers will seek to modify and extend the research model here and identify alternative paradigms.

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