



Violation of Accountant Professional Ethics in the Case of PT. Indofarma Tbk

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Abstract. *The code of professional ethics is an important rule for a profession that aims to improve quality and maintain the dignity of the profession. Where an accountant must uphold ethical principles so as to build trust for users of accounting services. The many business competitions that occur today, give rise to violations of professional ethics. This violation is a very serious problem for the ethical standards of the accounting profession, one of which was found in violations at PT Indofarma Tbk which engineered its financial statements. By creating receivables, payables, and down payments for the purchase of fictitious medical devices, so that it seemed as if the company's target had been achieved. This case study review will later end with recommendations that are in line with the company's expectation*

Keywords: *Accountant, Professional Ethics, Violation*

1. INTRODUCTION

Ethics are principles, values, and norms used to regulate the behavior and actions of every individual in society. Ethics can help each individual to determine their behavior to be in accordance with morals and integrity. Business ethics are principles, values, and norms used to regulate the behavior and actions of individuals in a business context. Business ethics can also be said to be moral standards set in a business relationship. Such as the relationship of how individuals in a company can interact ethically, which means that every action, policy, or behavior towards fellow employees, customers, business partners and the general public must be carried out with applicable moral standards or moral principles (Kinanti, Heni, 2024).

The code of ethics of the profession as a form of important norms for a profession and as a form of behavior that is free from coercion in any form from outside. The code of ethics aims to improve the quality of the profession and maintain the dignity of the profession. The code of ethics of an accounting profession in Indonesia must follow the regulations set by the Indonesian Institute of Accountants (IAI). The relationship between ethics and accounting is very closely connected. Where an accountant must always uphold ethical principles in carrying out his duties, so that he can build trust for users of accounting services. The most important demand for an accounting profession is to be able to adapt to the increasingly dynamic changes of the times (Andriyana and Trisnaningsih, 2022). The large number of business competitions that occur today

actually give rise to many violations of professional ethics. This violation is certainly a very serious problem for the ethical standards of the accounting profession. Professional ethics are violated for various reasons, such as an accountant's lack of understanding of the applicable rules. The forms of violations of the accounting profession's ethics that often occur are violations of ethical principles, violations of professional standards, violations of laws and regulations, and violations of professional behavior. Violations of professional ethics are also often found in Indonesia, one of which is in the case of PT. Indofarma Tbk. PT. Indofarma Tbk is in the spotlight of the public. Because it engineered its financial reports. By creating receivables, payables, and down payments for the purchase of fictitious medical devices, so that it seems as if the company's target has been achieved. Based on this description, the author explains about "Violations of the Accounting Profession's Ethics in the Case of PT. Indofarma Tbk."

2. LITERATURE REVIEW

What Is Ethics

The meaning of "ethics" comes from ancient Greek. The word "ethos" in the singular form refers to habits or actions carried out by a human being, including customs, manners, character, mood, mindset, and frame of mind. Meanwhile, in the plural, "etha" means customs. The Greek philosopher Aristotle has used this moral philosophy as the meaning of ethics. Thus, the history of ethics can be interpreted as a science that studies general behavior that has been carried out or a science that studies customs (Muthalib, Manullang et al., 2023).

In the General Dictionary of the Indonesian Language, ethics is defined as the science that studies the principles of morals. Meanwhile, the Great Dictionary of the Indonesian Language explains that ethics focuses on the study of good and bad related to moral rights and obligations. In the book "Business Ethics" by Muthalib, Manullang, and colleagues (2023), there are several aspects that underlie ethics, namely:

- a. Values.
- b. Norms.
- c. Social culture, which is formed through social development and the development of scientific and technological progress.
- d. Religious, where religion has a strong connection with morality and becomes the main motivation for ethical behavior. Each religion that is embraced will have moral values that become a guide to life for all. a person who believes in it.

e. Policy or policy maker , meaning who the stakeholders are and how the rules when applied will affect ethics and codes of conduct.

In ethics, it is closely related to the accounting profession, the accounting profession as a professional is obliged to have a sense of responsibility in recording financial reports, and an accountant is obliged to have a sense of responsibility for several tasks that he does directly related to financial reports, the financial reports are for individuals or for certain institutions or organizations (Andriyana and Trisnaningsih, 2022).

Ethics The Intellectual Interprise

Ethics in the context of intellectual endeavor can be understood as a crucial foundation for developing better science and civilization. In addition, ethics is the only science that studies human behavior, especially in assessing the good or bad of an action. Each individual has a unique set of ethical beliefs or principles. In the study of ethics as an intellectual endeavor, the focus is on the structure of these ethical beliefs. Each ethical belief consists of two elements. The first element is the subject, which is the basis of the belief. In the context of ethics, the subject generally refers to a person's actions, for example the death penalty, adultery, lying, and so on. The second element is the predicate, which explains what is stated about the subject. For example, the term "wrong" functions as an ethical predicate. So do meanings such as "injustice", "badness", "goodness", "must be implemented", and "regarding the truth that must be implemented". In the assessment here means the expression of our beliefs, for example "falsifying bookkeeping is wrong", where "falsifying bookkeeping" is an action or practice that is the subject. Typically, the subject of ethical beliefs is an action or practice, but sometimes it can also refer to a system or institution (Ronald F Duska and Brenda Shay Duska, 2018:35).

Social Practice, Institutions and System

Social Practice

Social ethics can be understood as a principle or rational critical thinking regarding the obligation of each individual to be responsible. to be part of humanity. According to this view, social ethics also discusses the role of individuals who will later become a community group , meaning that each person or each individual , instills in themselves to have a sense or action that prioritizes the interests of others over personal interests. Understanding social ethics includes life behavior that is manifested in the form

of rules, or behavior, which can arise from within the traditions of society or from religious teachings recognized in the community (Jannah, Zuhdi, 2021). Social ethics also includes relationships between humans, through direct treatment or through several institutions such as family, society, and the state. In addition, social ethics involves critical behavior regarding theory, views on world development and responsibility for human survival. (Jannah, Zuhdi, 2021).

Institutions

Institutions can be defined as institutions, institutions, or entities formed based on laws, customs, or habits. In addition, the term institution can also refer to buildings used as places for associations or organizations. An example of government ethics is applied ethics which has a very important role in regulating management within the government itself. This is as one segment of practical jurisprudence or philosophy of law which has the meaning that in regulating government it will certainly be related to the management of government institutions and the preparation of rules made by members of the government. In government ethics, it is inseparable from what is called bad problems such as the absence of transparency and honesty in the scope of government, for example bribery , corruption in politics , corruption in the police , legislative ethics , regulatory ethics , conflicts of interest , open government , legal ethics (Ismail, 2017: 11-12). Thus, government ethics plays a crucial role in ensuring integrity and transparency in government affairs.

System

Ethics as a system is a collection of moral values and norms that serve as guidelines in regulating the behavior of individuals and groups. In addition, ethics can also be interpreted as a moral philosophy that discusses what goodness will be felt by each individual and society. Ethics are significant because they affect how a person plans in decision making and how a person is in their survival. In the context of information systems, ethics refers to a collection of values that set standards of right and wrong in the process of collecting, storing, and presenting data. This system is tasked with regulating and coordinating various social activities, so that society can operate effectively.

Why Study Ethics

Based on the explanation above, ethics has a very important role in providing legitimacy to various actions and deeds, by considering the perspective of community morality that must be agreed upon. Here are some of the basic reasons why studying ethics is important, according to Ronald F. Duska and Brenda Shay Duska (2018):

- a. Some people who have inadequate beliefs about complex issues will only make a simple view. Ethics learning will provide each individual's view in solving problems comprehensively by referring to relevant principles.
- b. A deep understanding of ethics provides benefits such as how to weigh and make decisions regarding conflicts of principle and explain why certain attitudes are more necessary than others.
- c. Reflection on ethics will provide more knowledge and precision when dealing directly with issues of morality.
- d. The first reason for studying ethics is to understand the context behind the values of our opinions.
- e. The final reason for studying ethics is as a learning medium for recognizing the basic ethical principles that must be implemented in behaving in everyday life.

Being Ethics: How To Determine What To Do

Business ethics can be implemented by compiling a clear code of ethics that includes the basic principles of business ethics. This code of ethics should provide concrete guidance on how to apply these principles in everyday situations. Business ethics can be determined by considering several things, such as:

1) Honesty

Honesty is a key principle in business ethics. Honesty can be the key to a company's success because it reflects the quality of the company that influences consumer loyalty.

2) Obey the law

A businessman who in his life obliged to obey and comply with the valid laws of those who refer on governance and society.

3) Keeping promises

A businessman is obliged to keep his promises.

4) Protecting the environment

Companies must be responsible for the environmental impacts generated by their activities and strive to reduce these impacts.

5) Avoiding bribery and corruption

Bribery and corruption can damage a company's reputation and violate applicable laws.

The Basic Of Ethical Theory

Ethical theory explains how a person's good deeds and bad deeds. According to Muthalib, Manullang et al. (2023) there are 3 theories of business ethics, here are the theories and explanations:

Deontology Theory

In English, the word "deontology" comes from the Greek words "deon," meaning duty, and "logos," meaning science or theory. When asked in a specific concrete situation how to do it, the answer from this theory is to do what is obligatory and based on the assessment of morality and applicable norms. The theory of deontology is the embodiment of actions that have an assessment of the goodness or badness of a person seen from the action itself, in the context of whether the action is in harmony or not. This means that if an action that has goodness for the action itself that comes from within a person is obliged to be done by himself or others, and vice versa if an action that has badness in terms of morality or behavior is obliged not to be done or avoided by himself or others.

Teleological Theory

The meaning of "teleology" comes from the Greek words "telos," meaning purpose, and "logos," meaning science or theory. This theory differs from deontology theory, teleology theory in answering its questions about how to do actions in certain situations by considering the direction and results of the actions taken. Likewise, teleological ethics has an assessment of the goodness or badness of an action, regarding the direction and consequences produced. An action is considered good if it has a good purpose and produces positive results. Therefore, when asked how to have actions in certain conditions, teleological ethics suggests choosing actions that produce good impacts .

Theory of Virtue

There are also differences in the theory of virtue ethics, this theory in carrying out actions will discuss the results of a person's actions. The theory of virtue is based on moral values that are based on general moral responsibility. On the other hand, this theory highly emphasizes the development of moral behavior of each individual. As explained by Aristotle, in social life, experience is an important influence in moral judgment. This moral value arises from emulating and following the lives of famous figures in dealing directly and responding directly to the problems of their lives. From there we can learn in terms of developing and experiencing certain moral judgments. As for the model of moral judgment, this moral judgment does not take the form of commands or prohibitions, but moral judgment takes the form of an act or real moral behavior that is practiced in the form of rules in the form of prohibitions and commands, but in the form of real moral examples practiced by certain figures in social life. When we emulate these famous figures, we are better able to recognize and learn the meaning of values and moral virtues, for example having a sense of loyalty to others, having a sense of trust, having a sense of honesty to others, having a sense of sincerity to others, having a sense of readiness to make sacrifices, having a sense of compassion, having a sense of generosity to others, and others.

Ethical Dilemmas

Ethical dilemma according to Arens and Loebbecke (1995:74), " The situation that will be faced by someone regarding how decisions in terms of behavior are appropriate and appropriate for what has been done " . To become a leader or a public official, this ethical dilemma is often experienced when they will decide to implement or not implement, act or not act, carry out or deny, and so on. The selection of this kind of ethical dilemma is closely related to the actions of high-ranking officials or officials in fulfilling their work whether they already have the principles of competence, integrity, accountability, and transparency. There are also actions that must be possessed by high-ranking officials or officials of justice and impartiality and prioritizing public affairs or interests rather than personal interests. The original nature of this ethical dilemma is very subtle, many consider it very simple, unconsciously, very vague, some consider it very ordinary. However, such as the example of an official who does not have the ability to resist incitement for personal use in the context of a position that benefits himself, this is a real thing that exists ethical dilemma even if it is very difficult to overcome. From

several issues in terms of violations and abuse of power , such as the issue of personal interests carried out by an official indicates that this ethical dilemma issue should not be considered a simple issue. In overcoming this ethical dilemma, it is necessary to develop the expertise and quality of an official in providing services to the general public, and minimizing between public interests and personal interests becomes something very important, because it refers to the integrity of leadership.

3. METHODS

In research in i study case *study is* the choice of research method with use observation literature secondary , like book academic, article scientific, And publication other Which relevant. Objective from This case study is to analyze, investigate and consider various factors and components that influence each other. This case study examines more deeply the violation of the ethics of the accounting profession in the case of PT. Indofarma Tbk . This case study use various types of scientific data like Google Scholar, Scopus, and Springer to collect relevant references And latest.

4. RESULTS AND DISCUSSION

PT. Indofarma Tbk (INAF) is a State-Owned Enterprise (BUMN) engaged in the pharmaceutical industry, including generics, medical equipment and machines . With its good and well-known performance, in fact PT. INAF was dragged into a case that was detrimental to the state. The PT. INAF case began with the obligation to pay employee salaries/wages which was delayed in March 2024, this was because PT. INAF did not have sufficient company operational funds. Added to this in 2023, the condition of PT. INAF's financial report in quartile III had 2 cash flows that were in the negative. There is also PT. INAF's very large debt, PT. INAF officially filed a PKPU to PT. Foresight Global as the lender, on March 28, 2024 the PKPU submitted by PT. INAF was finally granted by the judge. Another problem faced by PT. INAF is the decline in share prices *year to date* by up to 70%. The shares are one of the shares monitored by the IDX radar. Further information from the IDX explains that PT. INAF is under monitoring due to experiencing *unusual market activity* (UMA) (Madewi A, 2024).

To pay off debts and pay all employee rights of PT. I NAF, one of the emergency steps taken by the President Director of PT. INAF with the initials AP who served in 2019-2023 was to manipulate the financial report of PT. INAF in 2020, namely by creating receivables/payables and down payments for the purchase of medical equipment

products fictitiously or unreal as if the company's target had been met. The President Director of PT. INAF did not do it alone but was assisted by a subsidiary of PT. INAF, namely PT. IGM. The role of the Director of PT. IGM with the initials GSR who served in 2020-2023 was to sell Panbio (antigen test kits) to PT. Promedik (a subsidiary of PT. IGM) which in fact PT. Promedik did not have the ability to purchase Panbio, thus harming PT. IGM. GSR ordered the initials CSY as Head of Finance of PT. IGM who served in 2019-2021 to create a financial report of PT. IGM appears healthy by making fictitious discount claims with the initials BBE as Finance Manager of PT. INAF served in 2020-2021, playing a role in seeking non-bank funding and entrusting funds to vendors who appear to be transfer errors, the funds collected are not only used to cover budget shortfalls, but are also used for CSY's personal interests. (Puspadini M, 2024).

Head of Legal Information Section named Syahron Hasibuan stated that the initials AP, GSR and CSY were suspects who had caused the state a loss of Rp. 371,000,000,000, - (three hundred and seventy one billion rupiah) this figure was the result of calculations by the Audit Board of Indonesia (BPK). Yeliandriani as the new President Director of PT. INAF emphasized that the legal case that ensnared the former president director and two subsidiary officials would not hinder the company's efforts to rise from the slump. PT. INAF is committed to carrying out a major restructuring, both in terms of finance and business. The goal is to save the company and restore public trust. The case of violation of the code of ethics for accountants at PT. INAF is the first step to clean up BUMN from dirty practices. This is also real evidence that the government is serious about making BUMN a pillar of a clean and transparent economy. (CNN Indonesia, 2024).

5. CONCLUSION

The code of professional ethics is an important rule for a profession that aims to improve the quality and maintain the dignity of the profession. Professionals are required to have an ethical attitude in the concept of professional ethics (Andriyana and Trisnaningsih, 2022). In the case of PT. Indofarma Tbk, this has violated the ethics of the accounting profession because it deliberately engineered financial reports, made mistakes in investing and failed corporate governance as factors that allow corruption to occur.

From the explanation of the material above, it is concluded that violations of the ethics of the accounting profession not only have an impact on the company's financial statements but also have an impact on improving the quality of the profession and

maintaining the dignity of the profession for public trust in terms of norms or moral values. With the existence of *ethics the intellectual enterprise* or ethics as an intellectual effort that makes accountants strive and continue to have good norms or moral values, especially honest, law-abiding and responsible in doing business. Violation of the ethics of the accounting profession in the case of PT. Indofarma Tbk, it is important to maintain good professional standards and high ethics in order to prevent engineering of the company's financial statements and maintain public trust, especially investors.

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