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## Application and Study of GRC (Governance, Risk, Compliance) Financial Management Agency in Indonesia Non-Banking

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**Abstract:** The purpose of this research is the phenomenon with the dynamics and complexities faced by the Non-Banking Financial Management Agency in Indonesia in achieving the goals and mandates set, to encourage awareness that the implementation of GHG (Governance, Risk, Compliance) is a must. With the implementation of integrated GHGs, it is expected to achieve principled performance through handling uncertainty and acting with integrity within the Indonesian non-banking Financial Management Agency. To achieve this goal, several methodologies have been established, namely conducting a perception survey through questionnaires, reviewing guidelines and policy documents relevant to the integrated GHG system, interviews with leaders, and the Delphi Method to obtain an agreement on the proposal for the Integrated GHG Implementation Plan Phase. Phase 1 of the study is the foundation for second stage and third stage. After the integrated GHG guide/manual is formulated in the second stage, in the third stage the integrated GHG target will be formulated along with a plan for its achievement by taking into account the current conditions in the Financial Management Agency in Indonesia. Financial non bank in Indonesia,. This is indicated by the high perception (generally stating that they have developed) on various aspects of the GHG sector currently at financial non bank However, based on the documentation, there are still document gaps as the basis for implementing integrated GHGs. For this reason, as part of the integrated GHG implementation along with its development plan according to risk mitigation and compliance.

**Keywords:** Integrated GHG, Principled Performance, Risk Management, Compliance

### INTRODUCTION

In line with the VUCA situation faced by various organizations in various sectors, in carrying out the mandate of Law no. 34 of 2014 concerning the financial management of Hajj, the Financial Management Agency in Indonesia also faces complexities and risks that can hinder the achievement of the objectives of the Indonesian Financial Management Agency. In the context of

GHG implementation, currently Financial non bank in Indonesia has implemented the elements of Governance, Risk Management, and Compliance separately with the enactment of 3 (three) regulations that are used as references, namely: Financial non bank in Indonesia 3-2018 Regarding Compliance Policy, Implementation of Good Corporate Governance, Code of Ethics, and Pact Integrity of Financial Management Agency in Indonesia; Financial non bank in Indonesia 3-2019 concerning Standard Operational Guidelines for Compliance Programs; PKBP 5-2019 regarding Guidelines for Corporate Risk Management. However, with the dynamics and emerging needs, it is deemed necessary to have a mechanism capable of integrating governance, risk management, and compliance practices into intertwined and synergistic practices. With the integration of Governance, Risk Management, and Compliance (GRK) it is hoped that the implementation of each component will be more efficient and effective and able to support the development of the Financial Management Agency in Indonesia as an institution that has high credibility and provides value for the people.

As part of this initiative, it is necessary to first assess the readiness of the Financial Management Agency in Indonesia to implement integrated GHG. With the assessment carried out, it is hoped that the gaps identified in the current GHG implementation in the Financial Management Agency in Indonesia can be described so that they can formulate the right formula to support the integrated GHG implementation in the Indonesian Financial Management Agency. Integrated GHG, GRC is an acronym for Governance, Risk, and Compliance which was later adopted as an acronym for GHG (Governance, Risk, and Compliance) in Indonesia. The term governance is used to replace the term governance to accommodate a wider scope. The National Committee on Governance Policy – KNKG (2019) stated that the term governance has a narrower meaning which only regulates the relationship between internal parties in the organization. Meanwhile, the term governance refers to the arrangement of a wider variety of stakeholders (internal and external). Conceptually, the idea of GHG was first proposed in 2003 by the Open Compliance and Ethic Group (OCEG). Based on the definition issued by OCEG, the purpose of implementing integrated GHG is to achieve principled performance through handling uncertainty and acting with integrity which is the foundation of the organization. Currently, organizations are faced with a VUCA (Volatility, Uncertainty, Complexity, Ambiguity) situation which has led organizations in various sectors to face very fast dynamics. The integrated GHG approach (Governance, Risk Management, Compliance) is believed to be one of the tools that can keep the organization growing and sustainable. However, it is often difficult for organizations to implement GHG in an integrated manner. Often, the implementation of GHG in organizations is still found to be silo, which is reflected in weak coordination, conflicts of interest, and unclear accountability. gaps, and cost inefficiencies. Of course, this causes the implementation of GHG does not provide added value for the organization.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency theory is an approach that can describe the concept of earnings persistence which is closely related to the issues to be discussed in this study. The latest research quote by Jensen and Meckling (1976) Sugiyanto dan Ety. (2018) states that the agency relationship is a contract, in which the principal consisting of one or more people binds an agreement with the agent to carry out a number of services. on behalf of the principal which includes delegating some decision-making power to the agent. Agents in this case are company management and principals are stakeholders such as investors, or in other words, principals are shareholders who provide facilities and funds to run the company while agents are company managers who have an obligation to manage what is mandated by shareholders. to him. The principal will get results in the form of dividends while the agent gets a salary, bonus, and various other compensations. Agency conflict arises because the agent has interests that are different or contradictory to the

principal. Agency theory can cause a conflict of interest between the principal and the agent in the company.

## Integrated GHG

GRC is an acronym for Governance, Risk, and Compliance which was later adopted as the acronym GRK (Governance, Risk, and Compliance) in Indonesia. The term governance is used to replace the term governance to accommodate a wider scope. The National Committee on Governance Policy – KNKG (2019) stated that the term governance has a narrower meaning which only regulates the relationship between internal parties in the organization. Meanwhile, the term governance refers to the arrangement of a wider variety of stakeholders (internal and external). Conceptually, the idea of GHG was first proposed in 2003 by the Open Compliance and Ethic Group (OCEG). Based on the definition issued by OCEG, the purpose of implementing integrated GHG is to achieve principled performance through handling uncertainty and acting with integrity which is the foundation of the organization.

1. Although it looks like a simple concept, the implementation of integrated GHG in the organization is more than the elaboration of the Three Letters: G, R, K. In practice in the organization, the implementation of GHG needs to go beyond the barriers between governance, risk, and organizational compliance functions. GHG implementation in practice will cover other key areas, including:
2. Internal audit, Legal, Finance, Information Technology (IT), Human Resources (HR), Line of business, Executive Board, and Supervisory Board.
3. Therefore, integrated GHG is a collection of various capabilities (HR, process, technology, and information) that are integrated to achieve business goals in a reliable manner (governance), overcome uncertainty (risk), and act with integrity (compliance).
4. ISO-based integrated GHG

In practice, organizations often experience difficulties in integrating the GHG concept. Often organizations have various kinds of reference systems/guidelines/guidelines (which could be a regulatory requirement). For this reason, GHG integration must be based on the spirit that an integrated GHG system will provide added value to the organization where the system/guidelines/guidelines can be more effective and efficient.

5. One of the references that can be used as a reference for the integration of the GHG system is the integration based on ISO (International Organization for Standardization). In the context of GHG implementation. ISO has released ISO 37000/DIS, ISO 31000:2018 Risk Management Principles and Guidelines, and ISO 37301: Compliance Management System. Although they can be used independently and separately, the three ISO references within the GHG scope are basically mutually compatible and therefore become a cohesive reference for implementing integrated GHGs (Alijoyo, 2021). The ISO-based GHG scope standards are compatible because each standard or guideline has a similar generic structure based on the four-phase PDCA (Plan-Do-Check-Act) cycle.
6. The use of an ISO-based integrated GHG system will provide many benefits for the organization including (Alijoyo, 2021):
7. Helping organizations provide clarity on the working relationship between governance, risk management, and compliance functions so that integrated GHG practices become more effective and efficient;

Each ISO-based standard/guideline can be implemented as a management system so it can be measured, determined, tracked, and partially audited. This will enable the organization to choose the most effective and efficient entry way to integrated GHG; Each ISO-based standard/guideline is well recognized as an international reference compared to country-specific references regulations. This will allow the organization communicate integrated GHG practices in

an easier way to all interested parties, whether internal employees or partners from anywhere in the world. In building human competence, it is easy for organizations to find training and development partners as there are many providers offering training services related to ISO. In obtaining independent assurance, it is easy for organizations to engage ISO auditors and independent consultants either for certification purposes or for internal purposes. Implementation of organizational governance, ISO 31000 as a reference for implementing organizational risk management, and ISO 37301 as a reference for implementing organizational compliance management are interconnected and therefore support GHG integration. It can also help the organization to select the option to start with the ISO standard/guideline for a specific GHG scope and then start integrating with the ISO standard/guideline for the GHG scope. ISO keeps updating their standards/guidelines regularly. Therefore, ISO users can have assurance that their references (in this case the GHG scope) are always up-to-date, contextual and relevant from time to time.

There are many adopters of ISO based series in the world, it is much easier and practical for organizations to benchmark either to get a faster learning curve or to enrich continuous improvement. The National Committee on Governance Policy – KNKG (2019) stated that the term governance has a narrower meaning which only regulates the relationship between internal parties in the organization. Meanwhile, the term governance refers to the arrangement of a wider variety of stakeholders (internal and external). An ISO-based integrated GHG system will provide many benefits for organizations including the concepts of governance, risk management and compliance:

Conceptually, the idea of GHG was first proposed in 2003 by the Open Compliance and Ethic Group (OCEG). Based on the definition issued by OCEG, the purpose of implementing integrated GHG is to achieve principled performance through handling uncertainty and acting with integrity which is the foundation of the organization. GHG concept. Often organizations have various kinds of reference systems/guidelines/guidelines (which could be a regulatory requirement). For this reason, GHG integration must be based on the spirit that an integrated GHG system will provide added value to the organization where the system/guidelines/guidelines can be more effective and efficient. One of the references that can be used as a reference for the integration of the GHG system is the integration based on ISO (International Organization for Standardization). In the context of GHG implementation. ISO has released ISO 37000/DIS, ISO 31000:2018 Risk Management Principles and Guidelines, and ISO 37301: Compliance Management System. Although they can be used independently and separately, the three ISO references within the GHG scope are basically mutually compatible and therefore become a cohesive reference for implementing integrated GHGs (Alijoyo, 2021). The ISO-based GHG scope standards are compatible because each standard or guideline has a similar generic structure based on the four-phase PDCA (Plan-Do-Check-Act) cycle.

## METHODS

The type of research that will be used in this thesis is a quantitative research. Quantitative research is a type of research that produces findings that can be achieved or obtained using statistical procedures or other means of measurement (V. Wiratna Sujarweni, 2019). There are many adopters of ISO based series in the world, it is much easier and practical for organizations to benchmark either to get a faster learning curve or to enrich continuous improvement. The National Committee on Governance Policy – KNKG (2019) stated that the term governance has a narrower meaning which only regulates the relationship between internal parties in the organization. Meanwhile, the term governance refers to the arrangement of a wider variety of stakeholders (internal and external). An ISO-based integrated GHG system will provide many

benefits for organizations including the concepts of governance, risk management and compliance:

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**Figure 1.** Framework for Reviewing the Readiness of Integrated GHG Implementation Documents

The review of documents (Policies, Guidelines, SOPs, Work Instructions, and other relevant documents) related to integrated GHG implementation is divided into four phases of integrated GHG implementation, namely plan-do-check-act. Interviews with leaders to get an idea of the leadership's readiness and commitment to integrated GHG implementation. After the documents are collected, the data is then analyzed using the following approach:

Phase 1: Plan	Phase 2: Do	Phase 3: Check	Phase 4: Act
Integrated Management System, Policy, and Management Leadership & Commitment Planning	Support Operation	Monitoring and Review	Improvement
2 Testing aspect 14 Indicator 27 Parameter	2 Testing aspect 14 Indicator 34 Parameter	1 Testing aspect 4 Indicator 18 Parameter	1 Testing aspect 2 Indicator 5 Parameter

**Figura 2.** Analysis Data

Collected data on integrated GHG practices at the Financial Management Agency in Indonesia, assessed the gap with the integration analysis criteria according to the ISO Handbook Integrated Use of Management System Standard for ISO 37000 (governance of Organization) standards, ISO 31000 (Risk Management Guidelines), and ISO 37301 ( Compliance Management System) and using the Delphi Method to obtain proposal agreements.

**Phase 2: Integrated GHG System Infrastructure Design.** Based on the results of a study on the readiness for integrated GHG implementation in the Financial Management Agency in Indonesia, the identified gaps will be formulated in the form of proposed policy concepts & guidelines. Standard, the mapping of each clause refers to the PDCA cycle proposed by Alijoyo (2021), as well as the Delphi Method to obtain an agreement on the proposal.

**Stage 3: Integrated GHG Implementation Plan.** The stage 1 study is the foundation for the second and third stages. After the integrated GHG guidance/manual is formulated in the second stage, in the third stage the integrated GHG target will be formulated along with a plan for its achievement by taking into account the current conditions in the Financial Management Agency in Indonesia.

## RESULT AND DISCUSSION

### Statistical Analysis Results Description

Descriptive statistics are statistics that describe (describe) data as seen from the minimum value, maximum value, mean, and standard deviation of each variable. Results and discussion of phase studies Collected data on integrated GHG practices at the Financial Management Agency in Indonesia, assessed the gap with the integration analysis criteria according to the ISO Handbook Integrated Use of Management. Review of documents (Policies, Guidelines, SOPs, Work Instructions, and other relevant documents) related to integrated GHG implementation is divided into four phases of integrated GHG implementation, namely plan-do-check-act, which is tested with criteria in each phase. Obtained result as following:

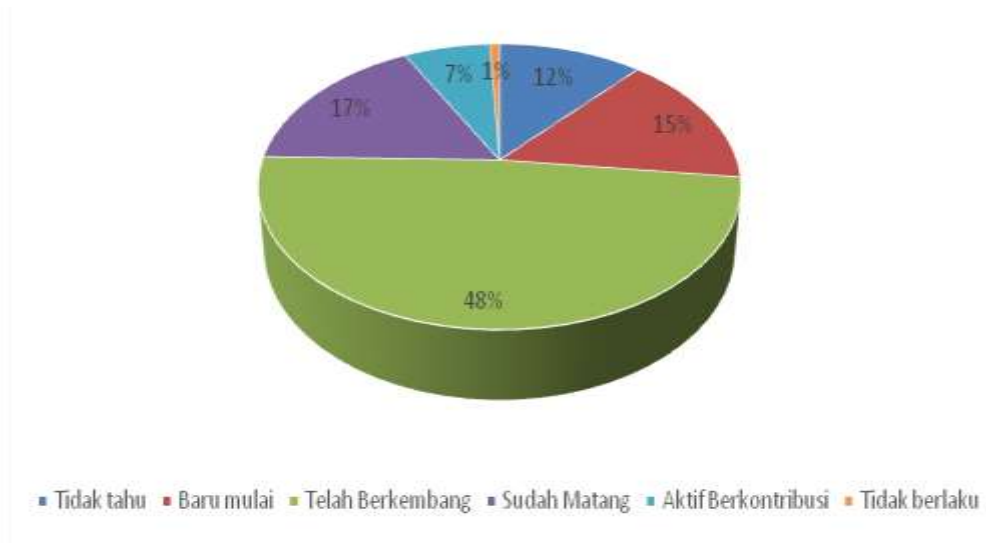
**Table 1.** GRC Terintegration

Phase	Number of Criteria	Number of Criteria	Number of Criteria	Not Fulfilled
Plan	27	32	30	27

Do	34	50	30	34
Check	18	50	30	18
Act	5	30	30	35

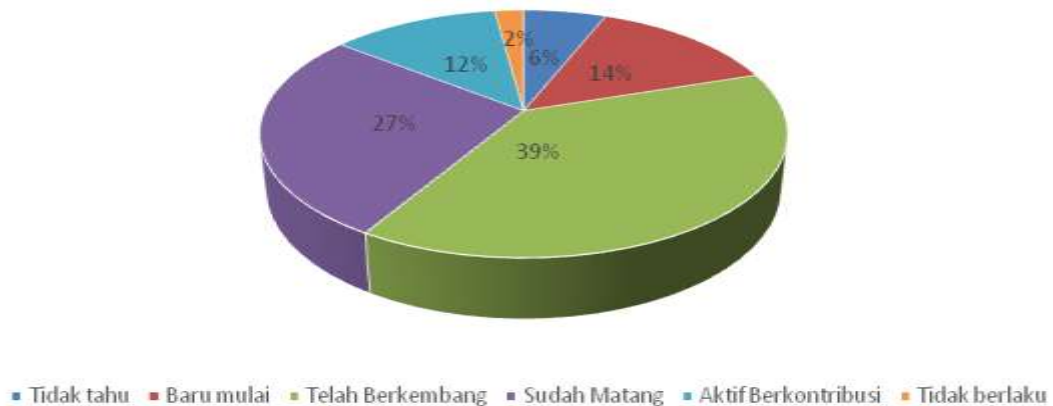
### Results and discussion of phase 1 studies

Collected data on integrated GHG practices at the Financial Management Agency in Indonesia, assessed the gap with the integration analysis criteria according to the ISO Handbook Integrated Use of Management. Review of documents (Policies, Guidelines, SOPs, Work Instructions, and other relevant documents) related to integrated GHG implementation is divided into four phases of integrated GHG implementation, namely plan-do-check-act, which is tested with criteria in each phase. Obtained result as following: Perception Questionnaire Results Questionnaires were given to all financial non bank in Indonesia personnel with 30 questions to obtain information on perceptions of PT Sinar Sosro's employees regarding integrated GHG practices. The results of the questionnaire collection are as follows:



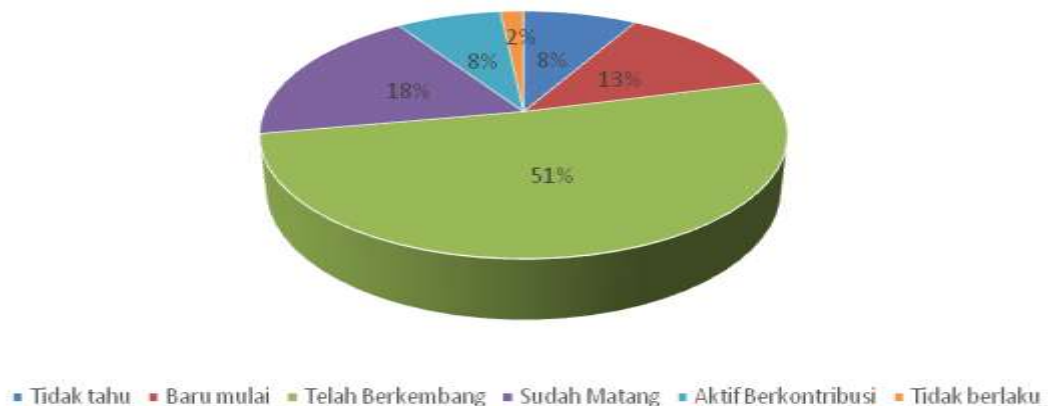
**Figurar 3.** Kuesioner test– Aspek GRC Intergration

Based on Figure 3, most respondents believe that integrated GHG practices are well developed (48%) and even mature (17%). Sinar Sosro. On the other hand, there are still quite a number of respondents (15%) who think that integrated GHG practices are just starting to develop, even many respondents (12%) do not know about Integrated GHG at financial non bank. It can be concluded that although integrated GHG practices are believed to have developed and mature, but still not able to provide significant benefits for the creation of principled performance at Financial non bank.



**Figurar 4.** Kuesioner test– Aspek GRC Intergration6 Governansi

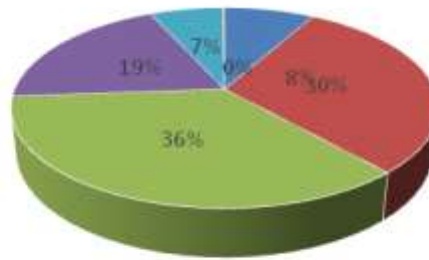
Based on Figure 4, most respondents perceive that the practice of governance is well developed (39%) and mature (27%). . On the other hand, there are still quite a lot of respondents (14%) who think that governance practices are just starting to develop and there are even respondents (6%) who do not know about governance practices at financial non bank in Indonesia. It can be concluded that although the practice of governance is believed to have developed and matured, its benefits for the creation of principled performance still need to be improved.



**Figurar 5.** Kuesioner test– Aspek GRC Intergration Risk management

Based on Figure 5, most of the respondents believe that the practice of Risk Management is well developed (51%) and even mature (18%). However, only a small proportion of respondents (7%) acknowledge that Risk Management has actively contributed to the creation of principled performance at financial non bank in Indonesia. On the other hand, there are still quite a number of respondents (13%) who think that risk management practices are just starting to develop and there are even respondents (8%) who do not know about risk management practices at financial non bank. and mature, but still has not provided significant benefits for the creation of principled performance at financial non bank.





■ Tidak tahu ■ Baru mulai ■ Telah Berkembang ■ Sudah Matang ■ Aktif Berkontribusi ■ Tidak berlaku

**Figur 6.** Kuesioner test– Aspek GRC Intergration

Based on Figure 6, most of the respondents believe that the practice of Compliance Management is well developed (36%) and even mature (19%). However, only a small proportion of respondents (7%) acknowledge that Compliance Management has actively contributed to the creation of principled performance at financial non bank in Indonesia. On the other hand, there are also many respondents (30%) who think that compliance management practices are just starting to develop, and there are even respondents (8%) who do not know about compliance management practices at financial non bank. Compliance Management at financial non bank so this must be clarified again. Another thing that also needs attention is that the practice of Compliance Management is considered to have not provided significant benefits for the creation of principled performance at financial non bank

## CONCLUSIONS

Based on the results of the studies in stages 1, 2, and 3, several conclusions can be drawn as follows: There is an adequate environment in the implementation of integrated GHG at financial non bank in Indonesia This is indicated by a high perception (generally stating that it has developed) on various aspects in the GHG sector that currently exist in financial non bank in Indonesia It is necessary to take steps to increase the effectiveness of integrated GHG implementation through the establishment of accountability clarity, target setting, preparation of guidelines and manuals, improvement of infrastructure and resources, mechanism for distributing documents and information, as well as regular monitoring & review mechanisms that ensure continuous improvement activities. leadership at financial non bank in Indonesia who has carried out good initiatives to improve the implementation and effectiveness of integrated GHGs at PT Sinar Sosro, to the parties involved to make the study program stages 1, 2, and 3. , the researcher hopes that there are still shortcomings and have not met the expectations of the interested parties. This good initiative can be useful in order to make financial non bank in Indonesia in managing a sustainable business and always mitigating risks.

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