THE EFFECT OF WHISTLEBLOWING SYSTEM TOWARD FRAUD DETECTION WITH FORENSIC AUDIT AND INVESTIGATIVE AUDIT AS MEDIATING VARIABLE

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KEYWORDS
Whistleblowing System, Fraud Detection, Forensic Audit, Investigative Audit

ABSTRACT
Facing the latest industrial era, the development of the digital economy opens up new possibilities as well as increases the risk of fraud. These changes certainly have a significant impact on the development of accounting. On the other hand, these phenomena and situations have resulted in increasingly fierce business competition, the demands of this competition can change business behavior towards unfair/cheat competition which is a form of economic crime. This study aims to determine the effect of whistleblowing system toward fraud detection with forensic audit and investigative audit as a mediating variable. This study used primary data to obtained important information from the respondents by using purposive sampling method. The object research is 56 auditors in the Inspectorate of Banten Province. Smart PLS 3 was used to analyze the research purpose, that consist are descriptive statistics and hypothesis tested. The result of this study indicates that first, whistleblowing system partially have a positive significant effect on the forensic audit. Second, whistleblowing system partially has a positive significant effect on the investigative audit. Third, whistleblowing system partially has a positive significant effect on the fraud detection. Forth, investigative audit partially have a positive significant effect on the fraud detection. Fifth, forensic audit partially have a positive significant effect on the fraud detection. Therefore, it can be explained that the implementation of a whistleblowing system will encourage and increase employee participation in reporting violations that affect the fraud detection in the organization, with the results obtained from this research.

INTRODUCTION
The development of the accounting in the 4.0 industrial revolution has brought changes for accountants. Facing the latest industrial era, the development of the digital economy opens up new possibilities as well as increases the risk of fraud. These changes certainly have a significant impact on the development of accounting. On the other hand, these phenomena and situations have resulted in increasingly fierce business competition, the demands of this competition can change business behavior towards unfair/cheat competition which is a form of economic crime.

In the government sector, Covid-19 pandemic is a big risk that threatens, because the risk of fraud is also getting wider. We should be aware of the fraud potential in the cost of handling Covid-19, as reported by the CEC website, the cost of handling COVID-19 in 2020 was recorded at Rp. 695.20 T. With this large budget allocation, we must be more vigilant in conducting checks and balances in expenditures, because vulnerabilities can occur in recording receipts, distribution of aid and misappropriation of aid/grants from the public or private sector given to the task force and all government agencies (n,n, 2020).
Indonesia Corruption Watch (ICW) monitored the trials of corruption cases from January 2020 to December 2020. As a result, the total state losses caused by corruption in 2020 reached Rp 56.7 trillion and Indonesia Corruption Watch (ICW) noted that in 2020 there were at least 1,218 cases at the Corruption Court, High Court, and Supreme Court with a total of 1,298 defendants (Guritno, 2021a).

The corruption case of the Covid-19 social assistance fund for the 2020 fiscal year ensnared the former Regent of Mamberamo Raya, namely Dorinus Dasinapa, which caused a state loss of Rp 3.1 billion. The process of the alleged corruption case began when the Mamberamo Raya Regency Government refocused the budgets of five Regional Apparatus Organizations (RAO) with a value of Rp. 23 billion. From the results of the BPKP audit, it was found that the alleged budget cuts of Rp 3.1 billion were then followed up by the Papuan Police. IDR 2 billion is used by Dorinus Dasinapa for election interests. In post-Covid-19 Indonesia, the Corruption Eradication Commission (CEC) has also arrested Social Minister Juliari Batubara, CEC named Juliari a suspect in the corruption of Covid-19 social assistance on July 28, 2021, in which Juliari Batubara committed corruption amounting to Rp. 32.2 billion. From the social assistance corruption, of which Rp. 29.2 billion was obtained from several companies providing basic necessities for the Covid-19 social assistance. Apart from Juliari, the CEC has also appointed two commitment-making officials at the Ministry of Social Affairs, namely Adi Wahyono and Matheus Joko Santoso. This proves that the vulnerability of fraud in government institutions during the Covid-19 pandemic is very high, because the government allocates a (special) large budget enough to prevent and handle the Covid-19 pandemic for affected residents. The funds come from budget relocations of ministries and agencies (K/L) whose priority use can still be deferred. The disbursement of social assistance funds of Rp. 62 trillion shows the government's seriousness in preventing and handling the Covid-19 outbreak (Guritno, 2021b).

The efforts to detect and prevent fraud are activities that should be carried out in earnest by both management and internal audit in the central and regional government sectors. The process of law enforcement in the judicial sector has not been running effectively, it can be seen from the many cases of law violations that occur in both the private and government sectors. Disclosure of fraud and corruption can be assisted by an investigative audit. An investigative audit is a special audit carried out with regard to indications of criminal acts of corruption, abuse of authority, and non-smooth development (Amrizal, 2004). Therefore, in Indonesia, regulations regarding whistleblowing have been regulated in Law Number 13 of 2006 concerning Protection of Witnesses and Victims and Circular Letter of the Supreme Court Number 4 of 2011 concerning the Treatment of Whistleblowers and sanctions for perpetrators who cooperate. With these rules, the whistleblowing system is very important for the organization, so an effective whistleblowing system is needed which is expected to increase employee participation in reporting fraud (Saud, 2016).

The anti-fraud strategy in its implementation is in the form of detection and prevention. Detection and prevention is part of the fraud control system that contains steps to identify and find fraud within an agency, which at least includes a Whistleblowing policy, investigative audit, and forensic audit. In carrying out acts of detection, disclosure and audit investigative aimed at minimizing fraud, skills and competencies are something that must
be mastered and possessed by the auditor. The competence of auditors significant effect in detecting fraudulent financial statements. To prevent fraudulent actions, it can be done by understanding the risks that exist, observing fraud trends and paying attention to fraud symptoms that have the potential to cause fraudulent actions (Gusnardi, 2011).

The existence of whistleblowing will encourage the organization to conduct forensic audits. This description indicates a positive relationship between whistleblowing and forensic audits. Research that is in line with this description is research conducted by (Ulimsyah, 2021), (Rahmida & Urumsah, 2020), and (Panjaitan, 2018) which states that the implementation of the whistleblowing system has proven to have a significant effect on forensic audit.

On the other hand, the existence of a whistleblowing system can encourage organizations to conduct investigative audits. This description indicates a positive relationship between whistleblowing and investigative audit. This is in line with research conducted by (Ulimsyah, 2021), (Rahmida & Urumsah, 2020), and (Abyan & Nurwulan, 2019), which states that the whistleblowing system has an effect on investigative audits.

The Whistleblowing System is part of the internal control system in preventing irregularities and fraud practices and strengthening the implementation of good governance practices (Governance, 2008). The Whistleblowing System is quite effective for detecting fraud, where almost most government agencies have the system to reduce corruption. An effective, transparent and accountable Whistleblowing System will encourage and increase the participation of employees to report suspected fraud. This is in accordance with research conducted by (Rahmida & Urumsah, 2020), (Wardhani, 2018) and (Naomi, 2015), which state that the whistleblowing system has a significant effect on fraud detection.

The investigative audit in the process will use appropriate investigative capabilities, techniques, and tools in order to collect the expected evidence, thus making investigative audits an effective method of detecting fraud (Tuanakotta, 2013). This research is in line with research conducted by (Rahmida & Urumsah, 2020), (Syahputra & Urumsah, 2019), and (Fauzan, Purnamasari, & Gunawan, 2015) which stated that investigative audits proved effective in fraud detection.

Forensic audit need to have the skills to determine obtaining evidence in order to present findings and explanations in a way that can be used to support administrative, civil or criminal actions. This description indicates a positive relationship between forensic audits and fraud detection. Research that is in line with this description are researchers who argue that forensic audits have a positive effect on fraud detection, including (Rahmida & Urumsah, 2020), (Syahputra & Urumsah, 2019), (Wuysang, Nangoi, & Pontooh, 2016), (Mamahit & Urumsah, 2018), (Fauzan et al., 2015), and (Enofe, Omagbon, & Ehigiator, 2015). However, this is in contrast to research conducted by (Akenbor & Ironkwe, 2014)
LITERATURE REVIEW

The grand theory of this study uses the fraud pentagon theory and agency theory. Theory Fraud Pentagon includes five elements that cause fraud, namely pressure, opportunity, rationalization, competence, and arrogance. The fraud pentagon theory adds an element of competence, which means the same as capability in the fraud diamond theory, and arrogance into the three elements of the fraud triangle theory. Arrogance is an attitude of superiority to the authority possessed and assumes that someone who has power in the organization will control the internal control in the organization (Crowe, 2011). A high egoism can encourage someone to commit fraud because she or he assumes that his or her actions will not be detected.

Agency theory is a theory that studies the relationship between two conflicting economic actors, namely the principal and the agent. According to Jensen & Meckling (1976) agency theory is a combination of economic theory, decision theory, sociology and organizational theory. This agency relationship causes two problems, namely Information asymmetry occurs because management has more knowledge about information about the actual financial position and operating position of the organization and Conflict of interest occurs because of differences in objectives, this is because management does not always act in the interests of the owner. As a result of unbalanced information, it can cause problems, such as moral hazard arises when the agent fails to carry out the things that have been agreed upon in the employment contract. And, adverse selection, a decision taken by the agent where the principal does not know whether the decision is based on the information he has obtained or as a dereliction of duty.

There will be disputes if the agent does not carry out the principal's orders for his own benefit. The agents in power in the organization as decision makers have an interest in maximizing their profits with the policies issued. Disputes or differences in interests that occur can trigger conflicts between the interests of the agents who run the organization and the principals in carrying out their operational activities. Insufficient information owned by principals compared to agents who are more related to the organization, gives rise to information asymmetry, where the agent will act according to his own wishes in order to obtain compensation by increasing profits. Based on the description above, it can be concluded that agency theory is a form of condition or situation that can lead to fraud. Where the agent has enough information or what is called information asymmetry and vice versa the principal. In this situation, agents can take advantage of fraud by manipulating financial statements. So it is necessary to have the competence of an auditor to prevent and detect fraud.

The researchers want to know whether whistleblowing system able to determine the effect of whistleblowing system toward fraud detection with forensic audit and Investigative audit as a mediating variable.

METHOD RESEARCH

This type of research was quantitative research. The population in this study were all auditors in Inspectorate Banten Province, which consisted of 56 auditors. This study use an
endogenous variables namely fraud detection, two mediating variable namely forensic audit and investigative audit, and one exogenous variable namely whistleblowing system.

The data collection method was carried out by distributing questionnaires to all auditors in Inspectorate Banten Province. The number questionnaires obtained was 67 copies distributes and only 56 copies of questionnaire could be processed.

RESULT AND DISCUSSION

Table 1. Statistic Hypothesis Test

| Hypothesis                          | Original Sample (O) | T Statistics (|O/STDEV|) | P Values | Description |
|-------------------------------------|---------------------|----------------|-----------|------------|
| Whistleblowing System → Forensic Audit | 0.395               | 3.215*         | 0.001**   | Accepted   |
| Whistleblowing System → Investigate Audit | 0.294               | 2.755*         | 0.006**   | Accepted   |
| Whistleblowing System → Fraud Detection | 0.161               | 2.102*         | 0.036**   | Accepted   |
| Investigate Audit → Fraud Detection | 0.488               | 4.656*         | 0.000**   | Accepted   |
| Forensic Audit → Fraud Detection    | 0.388               | 3.456*         | 0.001**   | Accepted   |

Based on the results of testing the research hypothesis in the table above, it is obtained t-count on all research hypotheses > 1.96 and p-value on all research hypotheses < 0.05. This shows that H₀ is rejected and the research hypothesis is proven or can be accepted.

1. Whistleblowing System Have a Positive and Significant Effect on the Forensic Audit

The coefficient value of whistleblowing system against forensic audit is 0.395, and the value of t – statistics is 3.215 > 1.96 and p-value of 0.001 < 0.05, then H₀ is not rejected. This result shows that whistleblowing system positive effect and significant effect to the forensic audit at a significance level of 5%.

Whistleblowing system is a means to report violations that can provide convenience for whistleblower to report any fraud indication. There are indications fraud reported to the organization. It becomes a warning early that there are indications of action taking place fraud within an organization, therefore convenience and protection from whistleblowing system can increase the individual in report any possible fraudulent acts within the organization, this things will make it easier for an
organization to carry out forensic audits, through reports reported via whistleblowing system.

In line with the concept stated above, empirically several studies have previously proven the Whistleblowing System have a positive effect on the Forensic Audit. Like the research conducted by (Ulismyah, 2021), (Rahmida & Urumsah, 2020), and (Panjaitan, 2018) which stated that Whistleblowing System proven to show significant positive results on the Audit forensic.

2. Audit Whistleblowing System Have a Positive and Significant Effect on the Investigative Audit

The coefficient value of whistleblowing system on investigative audit is 0.294, and the T-value statistics is 2.755 > 1.96 and p-value is 0.006 < 0.05, then h0 is not rejected. This result shows that whistleblowing system have a positive and significant effect to the investigative audit at a significance level of 5%.

Whistleblowing system can help government auditors to perform investigative audit activities, because reports that come into whistleblowing system is an early indication of a violation or fraud. The report can be followed up and it is hoped that with whistleblowing system can reduce the possibility happening fraud, because with this system it makes it easier for employees to report indications of fraud within the organization by guaranteeing the confidentiality of personal data reporter. In addition, the application whistleblowing system is expected to reduce the level of action fraud that occurs in the organization, which can prevent the organization from losses arising from actions of fraud (Near & Miceli, 1986).

Empirically, several previous studies have proven the Whistleblowing System have a positive effect on the Investigative Audit. Those are research conducted by (Ulismyah, 2021), (Rahmida & Urumsah, 2020), (Abyan & Nurwulan, 2019), which states that the application of Whistleblowing System proven to show significant positive results on the Investigative Audit.

3. Whistleblowing System Have a Positive and Significant Effect on the Fraud Detection

The coefficient value of whistleblowing system to fraud detection is 0.161, and the value of t – statistics is 2.102 > 1.96 and p-value is 0.036 < 0.05, then h0 is not rejected. This result shows that whistleblowing system positive effect and significant to fraud detection at the 5% significance level.

Whistleblowing system is an effort to make it easier for everyone in reporting violations that occur within the organization, to prevent losses experienced by the organization, which are adjusted to the rules respective organizations (Semendawai, 2011). The implications of the results of this study are if whistleblowing system implemented, it will make it easier for whistleblower for report any indications fraud. With more and more reports coming in from whistleblower, the greater the possibility of action fraud occur and be detected through system.
In line with the concept stated above, empirically several studies have previously proven the Whistleblowing System have a positive effect on the Fraud Detection. As the results of research conducted by (Rahmida & Urumsah, 2020), (Wardhani, 2018) and (Naomi, 2015) which states that Whistleblowing System significant effect on Fraud Detection.

4. Investigative Audit Have a Positive and Significant Effect on the Fraud Detection

The coefficient value of the Investigative audit variable on fraud detection is 0.488, and the value of t – statistics is 4.656 > 1.96 and p – value of 0.000 (very close to zero) < 0.05, then H0 is not rejected. These results indicate that the Investigative Audit has an effect positive and significant to Fraud Detection at the 5% significance level.

The investigative audit will use investigative skills, techniques and tools to collect the expected evidence to make an investigative audit become an effective method of detecting fraud (Tuanakotta, 2013). To prove that action fraud exists and does occur, an investigative audit is conducted. When the auditor conducting an investigative audit has the expertise of a forensic accountant and performs investigative audit procedures in obtaining sufficient and appropriate evidence in accordance with the case examined, which complies with applicable procedures, the investigative audit carried out to detect fraud will be effective. The description indicates that there is a positive relationship between investigative audits and fraud detection.

In line with the concept stated above, empirically several studies it has been proven that the Investigative Audit have a positive effect on the Fraud Detection. Like the research conducted by (Rahmida & Urumsah, 2020), (Syahputra & Urumsah, 2019), and (Fauzan et al., 2015) which states that the Investigative Audit has proven to be effective in Fraud Detection.

5. Forensic Audit Have a Positive and Significant Effect on the Fraud Detection

The coefficient value of the forensic audit variable on fraud detection is 0.388, and the value of t – statistics is 3.456 > 1.96 and p – value is 0.001 < 0.05, then H0 not rejected. These results indicate that the forensic audit has a positive and significant effect to fraud detection at the 5% significance level.

The techniques used in forensic audits have led specifically to detect presence fraud. This technique in detecting fraud is more in-depth and reaches to the search for who is the perpetrator fraud. An investigative audit can be used as a method effective in detecting fraud because the investigative audit is in the process of checking adapted to the case being examined and the evidence collected must be sufficient and appropriate. It is especially when this audit is used for litigation proceedings, which would require the auditor to find valid evidence in the eyes of the law (Dewi & Ramantha, 2016).

The effectiveness of conducting an investigative audit is also highly dependent on the resources or auditors who carry out investigative audits such as government auditors...
who must be prepared with adequate technology knowledge and equipment. Therefore, the auditor must have additional competence in carrying out investigative audits, namely knowledge of the principles investigative auditing principles, practices and techniques, including ways to obtain evidence from whistleblower. Knowledge of the application of laws, regulations and other provisions related to investigative audits; ability to understand the concept of confidentiality and protection against resources; as well as the ability to use computer equipment, software and system effectively to support the investigative audit process \(\text{(PerMenPANRB, 2013)}\). This Case will support fraud detection, which can reduce the possibility of fraud occurring fraud. As stated in research conducted by Maulidi \(\text{(2017)}\), that effective investigators' skills and knowledge contribute to addressing fraud in public sector.

Based on the analysis results show that forensic audit has a positive effect on the fraud detection. As stated by Imbir, Onibala, & Pongoh \(\text{(2015)}\), by utilizing analytical and innovative skills, forensic auditors can easily detect fraudulent acts in budgeting by internal parties organization. In line with the concept stated above, empirically several studies previously, it has been proven that the Forensic Audit have a positive effect on the Fraud Detection. Like the research conducted by \(\text{(Syahputra & Urumsah, 2019)}\), \(\text{(Wuysang et al., 2016)}\), \(\text{(Mamahit & Urumsah, 2018)}\), and \(\text{(Enofe et al., 2015)}\), \(\text{(Imbir, Onibala, & Pongoh 2015)}\), and \(\text{(Fauzan et al., 2015)}\).

CONCLUSION

The conceptual model of this study explains the effect of the whistleblowing system toward fraud detection with forensic and investigative audits as a mediating variable. Whistleblowing system is one form of implementation the principles of good public governance, especially the principles of transparency and accountability. Whistleblowers play an important role in exposing unethical government behavior and making government more transparent and accountable to the public. Therefore, it can be explained that the implementation of a whistleblowing system will encourage and increase employee participation in reporting violations that affect the fraud detection in the organization, with the results obtained from this research.

Further research can be done by expanding the scope of research and adding various variables relevant to the problem and it is recommended applies to do a survey method through an interview or directly involved in employee activities.

REFERENCES


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Vol. 3, No. 4, February 2022

Andi Priyadi, Imam Abu Hanifah, Munawar Muchlish | http://devotion.greenvest.co.id

145–154.


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First publication right:
Devotion - Journal of Community Service

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