

Whistleblowing Systems as an Initial Effort to Prevention and Detection of Fraud

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Abstract—Fraud is a factor that has a negative impact on the financial condition of a business entity. In practice, fraud is often found in the form of abuse of interest or a conflict of interest, corruption, bribery, illegal gratuities and others. Fraud often occurs in government agencies and private institutions, especially in Indonesia. This study aimed to determine the employee's understanding of PT Pertamina (Persero) TBBM Baubau about Whistleblowing Systems as an effort to prevent and detect of fraud, and to understand the process, handling and protection of whistleblower and reported. The Data collection was done by using survey method through questionnaire. Determination of the number of samples using the Slovin formula but PT Pertamina Persero TBBM Baubau gives a limit to the number of respondents who filled out the questionnaire, namely a number of 35 respondents. This is a policy given by the company so that researchers can continue the research. The data analysis using qualitative descriptive. The result of this study showed that the majority of employees understand the meaning of fraud in the sector of State-Owned Enterprises (SOEs). Employees agree that fraud is unlawful acts. Therefore, the role of the whistleblowing system is needed as an effort to prevent and detect fraud in an agency. Moreover, most employee hope the real support from the government to protect whistleblowers. In addition, most respondents stated that there is a need for real support from the government to protect whistleblowers.

Keywords—*Perception; Whistleblowing Systems; Fraud*

I. INTRODUCTION

Fraud is a factor that has a negative impact on the financial condition of a business entity. In practice, fraud is often found in the form of abuse of interest or a conflict of interest, corruption, bribery, illegal gratuities and others. Fraud often occurs in government agencies and private institutions, especially in Indonesia. Fraud happens to both these institutions provide a very adverse impact on the financial side, especially on the country's revenue. Fraud that occurs in the government environment including state/local enterprises, the government is obliged to carry out supervision of all aspects of any risks that have the potential to cause losses to the country. Fraud is unlawful act that is done intentionally for a specific purpose (manipulation or misrepresentation of another party) and carried out by people from within or outside the organization to obtain personal benefits or groups and can directly or indirectly harm others [1]. There are 3

general elements which make the cause of fraud, namely opportunity, pressure and rationalization. These three elements are often known as The Fraud Triangle [2]. Perpetrators of fraud will use its perception for doing the fraud.

Perception is the cognition process which is used by someone to interpret and understand the world around it [3]. In order that, perception also as a process of influence someone's behavior to choose, organize, and interiorize all inputs of information in order to create the picture of the world that has meaning [4,5]. Thus, perception can be interpreted as a process which is done by someone in understanding the phenomena that occur around it based on their own knowledge and it is used as someone's base in behaving. One of the efforts to prevent or minimize the practice of violations in the form of fraud, the development of a system called whistleblowing system.

Whistleblowing as a disclosure made by employees regarding information that is believed to contain violations of law, regulations, practical guidelines or professional statements, or relating to procedural errors, corruption, abuse of authority, or public harm and workplace safety [6]. The concept drafted by the National Committee on Governance Policy states there are two key words relating to whistleblowing systems, namely the whistleblower and violations. In practice these two words are paired into reporting violations and then referred to as whistleblowers. Violation reporters can come from employees of the organization itself (internal parties). However, there is no closure of the reporter from external parties (customers, suppliers, society).

The requirement of a whistleblower is to have information, evidence, or an accurate indication of the occurrence of a violation reported by good faith and not a personal complaint of a particular company policy or based on bad will or slander so that the information revealed can be traced or followed up. The purpose of this violation reporting system is to reveal violations or disclosures of unlawful acts, unethical or immoral acts or other acts that can harm the organization or stakeholders, which are carried out by employees or organizational leaders to other organizations or institutions that can take action for the violation. This disclosure is generally done confidentially.

The effectiveness of whistleblowing and following up was occurred and becomes some important things in whistleblowing act that is done in the private sector and also government. Besides, the protection of whistleblower also becomes consideration. If in a county there is a strong rule of law, sufficient, and be able to protect the whistleblowers to their actions that they have done it. Exactly, the good cooperativeness can be manifested maximally. Whistleblower is always understood as witness of the reporter who someone gives a report or evidence of a criminal act to law enforcement in a criminal justice process [7]. However, to call as the whistleblower, a particular witness has to at least fulfill two characteristics. They are (1) Whistleblower informs or reveals the report to authorized authority or to the mass media or public, and (2) an “insider” whistleblower is a person who reveal the allegation infractions and crimes which is occurred in work place.

The development of the whistleblowing system is increasingly encouraged in the government sector. It is considered to be able to help improve the government system in an effort to prevent, detect and tackle cases of corruption. Even proof of the government's seriousness in the effort to develop a whistleblowing system in the government sector, namely the establishment of the Corruption Eradication Commission (KPK), the Institute of Government Goods / Services Procurement Policy (LKPP), the Financial Transaction Reporting and Analysis Center (PPATK), the National Commission on Human Rights (Komnas HAM), and others that functioned to receive reports of alleged fraudulent practices that occurred in the government. At present there are several government agencies such as the KPK, PPATK, and the Financial Services Authority (OJK) which already have a reporting system (whistleblowing system) that works directly with the Witness and Victim Protection Agency (LPSK). Therefore, whistleblowers do not need to worry about their security in an effort to implement the whistleblowing system, this security gives encouragement to whistleblowers to report alleged fraud in the government sector. Like the existing research concluded that most employees of the PT ASABRI (Persero) Jakarta have understood the meaning of fraud in the State-Owned Enterprises Sector, so it making easier to implement a whistleblowing system [8].

But in the private sector until now there has been no official institution that can receive reports of alleged fraud and whistleblowing as in the government sector. Some SOEs companies that have implemented whistleblowing systems such as Pertamina, PT. Garuda Indonesia, and so on. But it is different from private companies that still do not have a whistleblowing system, these companies are more functioning of the company's internal audit team to follow up on reports of alleged fraud that occur within the company. Pertamina is one of the companies which designed and implement a whistleblowing system as one of control mechanisms for the company running. This system was set up in 2008 and launched on August 12th 2008. This system is one of the parts that is set up to implement Pertamina Clean, which is intended to build and create a good business ethics in Pertamina. The understanding of employees towards the whistleblowing system is the main thing in the process of implementing the

system maximally. Therefore, the authors want to know the employees understanding of PT Pertamina Persero TBBM Baubau towards whistleblowing systems as an initial effort to prevent and detect fraud.

II. METHOD

A. Population And Sample

This research is a descriptive study using survey methods. Descriptive research is a research conducted with the main objective to provide an objective description or description of a situation and accurately explain the phenomenon or characteristics of an individual, situation, or group. Descriptive research with survey methods is used by researchers to describe a thing that is considered important by the researcher. This research was conducted at PT. Pertamina Persero TBBM Baubau to describe the understanding of employees regarding fraud and also the role of whistleblowing system as a prevention and detection of fraud. The population is all employees of PT. Pertamina Persero TBBM Baubau which amounted to 85 employees. Determination of the number of samples using the Slovin formula but PT Pertamina Persero TBBM Baubau gives a limit to the number of respondents who filled out the questionnaire, namely a number of 35 respondents. This is a policy given by the company so that researchers can continue the research.

B. The Data Collection And Analysis

Technique in data collections are field research and library research. Field research is a research that the data retrieval process is carried out directly to the research object studied. The researcher carried out this technic because the researcher wanted to know directly from the research object and certain information that was obtained by survey which was distributed questionnaires of the research to the respondents. The distribution of the questionnaire was the open and close combination where the researcher gave the alternative answers which was chosen from the options. However, that did not restrict the respondents to give their answer based on their own perception/argument that could be written in one of options in the certain questionnaire. The next technique was library research which was used in this research. This technique is research technique which is done by library observing from Literatures that supports such as books, scientific works, articles, etc. to support the theory in the research.

The questionnaires had been filled, and then they were processed to obtain the information which was contained in them. The process of this data was to help the process of data analysis which subsequently be carried out. The stages in processing the data, there are (1) editing stage, (2) the stage of input the data (3) tabulation stage [9].

III. RESULTS AND DISCUSSION

Questionnaires distributed and returned and can be processed are as many as 35 copies. The majority of respondents were 77.14% male and the respondents female were 22.86%. The age range of each respondent is 21-30 years

at 17.14%, range from 31 to 40 years by 40%, age range 41 - 50 years is 28.57%, and the age range > 50 years is 14.29%. From these data explained that male respondents were more than females, and respondents who had the age range of 31-40 years dominated the respondents in this study.

Respondents who had positions as workers were 42.86%, respondents as administrators were 25.71%, respondents as field operators were 7%, and respondents as managers were 11.43%. This can provide an illustration that the employee who is accepted to work the majority directly gets the first position class, that is the worker, but also can get a high position if he previously had a position or experience in a previous working agency. The last, working period of respondents from 6-10 years has the highest number of 48.57%. While the working period of respondents who have the lowest number is the working period of tahun 5 years at 22.86%, the remaining 28.57% is the respondents who have a working period of 10 years.

A. The Understanding of Respondents Regarding Fraud in the Sector of State-Owned Enterprises (SOEs)

Most respondents understand the meaning of fraud in the State-Owned Enterprises (SOEs) sector, namely 77.14%. The remaining 22.86% of respondents stated that they did not know the meaning of fraud in the State-Owned Enterprises (SOEs) sector. This result is in accordance with existing research show that almost all respondents understand the meaning of fraud in the public sector as much as 81% [10]. The following is a description of the respondent's answers to the Table 1.

TABLE I. QUESTION 1 DO YOU KNOW THE MEANING OF FRAUD IN THE SOES SECTOR?

Answers	Frequency	Percentage
Yes	27	77.14
No	8	22.86
TOTAL	35	100.00

B. Perceptions About Fraud As An Unlawful Acts

Most of the respondents stated that fraud is an unlawful act in the amount of 82.86%. While the remaining 14.29% of respondents stated that others and a small percentage of respondents 2.86% answered that not all frauds violated the law. These results are in line with existing research state that almost all acts of fraud are unlawful acts totaling 97% of respondents, while the rest answer others [11]. It shows that there is no significant difference between the public sector and the SOE sector in understanding fraud as a violation of the law, so that it can be concluded that fraud is an unlawful act. The following is a description of the respondent's answers to the Table 2.

TABLE II. QUESTION 2 ACCORDING TO YOU, IS FRAUD AN UNLAWFUL ACTS?

Answers	Frequency	Percentage
Yes	29	82.86
No	1	2.86
Others	5	14.29
TOTAL	35	100.00

Based on Table 3, almost all respondents totaling 97.14% stated agreed if the corruption perpetrator was given the maximum penalty. While the remaining 2.86% choose others. No respondents who choose corruption were not punished severely. The results of the study were not in line with the answers in existing research state that the most of respondents answered were agreed and others answered that they had to pay the appropriate penalty [12]. Whereas a small number answered did not have to be given the maximum punishment.

TABLE III. QUESTION 3 DO YOU AGREE IF THE CORRUPTION PERPETRATOR IS GIVEN THE MAXIMUM PUNISHMENT?

Answers	Frequency	Percentage
Yes	34	97.14
No	0	0.00
Others	1	2.86
TOTAL	35	100.00

C. Understanding About Examples of Fraud Cases

Most respondents stated that receiving gifts for work visits included gratuities, namely 60%. Whereas 17.14% of respondents stated that this was not a fraud in the form of gratification. While the remaining 22.86% of respondents think differently. Some respondents expressed their opinion that this could not be said to be an act of fraud in the form of gratuity, if the purpose of giving the prize was clear. This can be classified as giving souvenirs or thanks for the services provided. The following is a description of the respondent's answers to the Table 4.

TABLE IV. QUESTION 4 IN A CONDITION IF YOU RECEIVE A GIFT AFTER MAKING A VISIT TO A PARTICULAR AREA, COULD IT BE SAID TO BE A FORM OF GRATUITY FRAUD?

Answers	Frequency	Percentage
Yes	21	60.00
No	6	17.14
Others	8	22.86
TOTAL	35	100.00

D. Perception About the Occurrence of Fraud

Most of respondents with a total of 62.86% state the opportunity is the main cause of fraud, 17.14% of respondents answered the non-fulfillment of needs that led to fraud, and 11.43% of respondents answered someone who has the authority and power to potentially commit fraud. The remaining 8.57% answered others that caused fraud to occur with reasons outside the choice of the question. The results of the study are in accordance with existing research that almost half of respondents answered that opportunities were the main cause of fraud in the public sector [13]. The following is a description of the respondent's answers to the Table 5.

TABLE V. QUESTION 5 ACCORDING TO YOU, WHAT IS THE REASON FOR SOMEONE TO COMMIT A FRAUD?

Answers	Frequency	Percentage
Opportunity	22	62.86
Non-fulfillment of needs	6	17.14
Has the authority and power	4	11.43
Others	3	8.57
TOTAL	35	100.00

E. Perception About the Role of Whistleblowing As An Efforts to Prevention and Detection Of Fraud

Most of respondents totaling 71.43% stated that whistleblowing can effectively prevent fraudulent acts from occurring at agencies. While a number of 17.14% of respondents answered that whistleblowing cannot effectively prevent fraud. The remaining 11.43% gave another answer, one respondent gave the reason that whistleblowing could prevent fraud but was not effective. The results are in accordance with existing research states that 67% or more of the respondents answered that whistleblowing can effectively detect fraud in the public sector [14]. The following is a description of the respondent's answers to the Table 6.

TABLE VI. QUESTION 6 ACCORDING TO YOU, WHAT THE WHISTLEBLOWING SYSTEM EFFECTIVELY TO PREVENT FRAUD IN AN AGENCY?

Answers	Frequency	Percentage
Yes	25	71.43
No	6	17.14
Others	4	11.43
TOTAL	35	100.00

F. Implementation of Whistleblowing System in PT Pertamina Persero TBBM Baubau

Whistleblowing system built by Pertamina is complementary to the existing company control mechanism. Reporting is attempted to be carried out using an internal control system that is in force so far, only if the mechanism is not available, it can go through this system. According to Pertamina, the form of the report can vary, it can take the form of short messages via cell phones, telephone, letters, e-mails, mailboxes, sites, and faxes. After the report, Pertamina will send a pin to the reporter. This pin is then used by the reporter to check the progress of its reporting. Pertamina will follow up the report by conducting a data search and investigation. The cases reported mostly are fraud and besides that most of them are only analyzes not based on errors that do exist.

Furthermore, there are two ways to deal with it, which can be done by applying an existing internal control system and can also be carried out by a third party specifically handling the whistleblower system at Pertamina. Further explained by a source from Pertamina, if the person who made the mistake is positioned below the ranks of the directors, then the person responsible for handling is the director. Meanwhile, if the person who made the mistake is positioned above the director, but under the commissioner, then the responsibility of handling it is carried out by the commissioner.

In a whistleblowing system built by Pertamina, there are sanctions given to the reported party if proven guilty of wrongdoing or violation. These sanctions can be in the form of termination of employment, demotion of rank, warning letter, verbal warning. As for rewarding the complainant, Pertamina does not give it because the company is worried that the reward will be made as a whistleblower motivation, not for the development and progress of the company.

Some of the efforts made by Pertamina in order to succeed in the implementation of the whistleblowing system, namely

Pertamina conducts socialization to its workers in the form of education and training, which includes business ethics and whistleblower reporting. This process aims to make employees have the same vision and mission of the organization, understood the corporate culture and the code of ethics that have been established, and introduce the mechanism and work system of the organization so that employees are able to achieve organizational goals. In addition, management also printed a pocket book to socialize the system.

Another important thing is about the size of the value or it can not be considered someone made a mistake. Pertamina's experience states that the size is determined by the company or organization itself. The extent to which these values are considered important or must be enforced, also depends on the company or organization. Pertamina itself uses a measure of business ethics and the code of conduct of the company itself. This limit is not determined before there is a whistleblower, but can be implemented simultaneously. This is also to build good business ethics and a conducive work environment.

On the other hand, Indonesia does not have specific provisions regarding procedures and mechanisms for disclosure of facts by whistleblowers. So far the mechanism used is still based on witness protection as stipulated in Law No. 13 of 2006 concerning Protection of Witnesses and Victims. Therefore, respondents expect real government support for whistleblower protection.

IV. CONCLUSION

Based on the results and discussion of the research that has been described, it can be concluded that the employees perception of PT. Pertamina Persero TBBM Baubau towards whistleblowing system as an effort to prevent and detect fraud is that most employees understood the meaning of fraud in the sector of State-Owned Enterprises (SOEs). Employees agree that fraud is an unlawful acts and one of the element causes fraud is the opportunity. Therefore, respondents agree that whistleblowing system have a role in early prevention and detection of fraud.

The implementation of the whistleblowing system still needs to be thoroughly disseminated to all employees of PT. Pertamina so that all employees have the same understanding of whistleblowing systems. In addition, researchers hope the government can consider more severe penalties for perpetrators of fraud. This is felt to be able to provide a deterrent effect for perpetrators of fraud so as to eliminate fraud practices in Indonesia in the future. The protection of whistleblowers is expected through regulations that regulate, in addition to regulations related to witness and victim protection.

ACKNOWLEDGMENT

This research would not have been possible without the support of the Academic Community of Muhammadiyah University of Buton, especially special thanks to Mrs. Ernawati Malik, S.E., M.Ak, Dean of Faculty of Economic, and La Ode Haniru, S.H., M.H, Dean of Faculty of Law. We

are also grateful to all of those with whom we have had the pleasure to work during this and other related projects. Each of the Branch Manager of PT. Pertamina Persero TBBM Baubau has provided us extensive personal and professional guidance and taught us a great deal about whistleblowing system in its organization, and thanks for all respondents whom give us the best experience for more knowing about their understood.

Nobody has been more important to us for finished this research than the Committee of ICBESS 2018 who had given us a chance to join, learn and explore our knowledge on this conference. We hope we could always contribute for each conference, especially we could published our paper.

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