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DIREKTORAT PENELITIAN DAN PENGEMBANGAN



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Foreword

Whistleblowing system is one of the means used to mitigate fraud in an organization. The system is adopted in public sector to complement the ethical infrastructure in detecting violations of the code of ethics and actions that inflict the state/local finance loss. To date, most government agencies in Indonesia have implemented a whistleblowing system. In fact, in 2016, the ACFE in “Indonesian Fraud Survey”, stated whistleblowing system as the most effective media for preventing fraud in the government sector affected by fraud.

The implementation of a whistleblowing system faces various obstacles and challenges. Even though an agency already has a whistleblowing system, it does not mean that fraud can be automatically prevented. There are many things that affect the implementation of whistleblowing systems, two of them are attitudes and perceptions of individuals within the agency. Some people argue that being a whistleblower will put themselves in an unfavorable situation. Parties suffering loss or accused organizations will fight and even pose threats or take revenge actions. Several studies related to cases affecting individual behavior to be a whistleblower are presented in three articles in Journal TAKEN Volume 4 Number 2 December 2018. The articles entitle "Elements Which Trigger Employee's Intention To Disclose Fraud Via A Whistleblowing System: A Case Study, Factors Affecting Intention of Whistleblowing: An Analysis of the Moderated Model of Whistleblowing Channel" and "Self-Efficacy and Controllability as a Whistleblowing Intention Predictors of Financial Managers in Educational Institutions". Institutions/organizations should consider factors that will influence somebody to implement or use a whistleblowing system to run the whistleblowing system effectively.

Various efforts were taken by the government to prevent corruption, but how about the impact of less corruption on people's welfare? The article entitled "Does less corruption reduce income inequality in Indonesia?" seeks to analyze the impact of short-term and long-term corruption on the level of economic inequality in Indonesia.

The last article entitled "Unqualified Opinion and Level of Corruption: The Triangulation Approach" tries to provide empirical evidence that the Unqualified Opinion stated by the BPK does not relate to the level of corruption. The researcher uses a combination method between qualitative and quantitative/triangulation (mixed method) using 31 provinces in Indonesia as the research sample.

We would like to thank the authors for contributing ideas and thoughts through the articles. In addition, we also express our gratitude to the reviewers and other parties who have helped publish this journal. We look forward to receiving ideas and thoughts through articles related to the governance & accountability of state finance from the journal readers and observers of state finance.

We hope that the articles presented in the December 2018 edition would add to the readers' insight and knowledge also become a reference, both for subsequent research and policy formulation.

Chief Editor

A handwritten signature in blue ink, appearing to be 'Gunarwanto', written in a cursive style.

Gunarwanto, S.E., M.M., Ak., CA

ELEMENTS WHICH TRIGGER EMPLOYEE'S INTENTION TO DISCLOSE FRAUD VIA A WHISTLEBLOWING SYSTEM: A CASE STUDY

Putri Anggraini and Ramadhan Nugraha Putra

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 4 (2) 2018: 105-124

Fraud is very liquid; thus, it could occur both in public sector and private institutions. The consequences of fraud could be very damaging such as the loss of assets and the ruin of a company's reputation. BPK as one of the governmental institutions in Indonesia is obliged to implement a whistleblowing system as a means to detect any fraudulent activities. It is believed that an effective whistleblowing system is likely to be credible and secure so that all employees could disclose misconducts without any hesitation. Therefore, this study aims to contribute to the novelty of the whistleblowing system which has been implemented in BPK. There are several elements to be considered in setting up a whistleblowing system namely, secrecy of the tipsters' identity, incentives, whistleblowers' protection, accessibility, training of ethical program, power owned by the addressee, the perpetrators and the potential whistleblowers, management's support as well as their response to the tips given by the employees. A questionnaire and descriptive statistical analysis are used to rank the elements from the most important to the least essential items in a whistleblowing system from the perspective of the employees in BPK. The result shows that BPK's employees consider the whistleblowers' protection as the most critical element in the system; whereas, rewards is the least factor which triggers them to blow the whistle. Those elements, however, are integral parts which complement each other in establishing an effective whistleblowing mechanism.

KEYWORDS:

whistleblowing;
fraud; employee's
intention.

FACTORS AFFECTING INTENTION ON WHISTLEBLOWING: AN ANALYSIS ON MODERATED MODEL OF

Astia Putriana , Bambang Hariadi, and Yeney Widya Prihatiningtias

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 4 (2) 2018: 125-142

The purpose of this study is to examine and to provide empirical evidence of the effect of personal responsibility, personal cost and education on whistleblowing intention, as well as the impact of whistleblowing channel in influencing personal cost on whistleblowing intention. The populations of this study are civil servants (ASN) from financial department and procurement services department in Banjarmasin municipal government. The sample of this study are 104 respondents, obtained using saturated sampling technique. Questionnaire data of this study is analyzed using the Partial Least Squares (PLS). The result shows that civil servants consider their personal responsibility as they intend to blow the whistle. Yet, the study finds that personal cost and education have no effect on civil servant's whistleblowing intention. The study also finds that whistleblowing channel is unable to moderate the effect of personal cost on whistleblowing intention. These findings help to obtain an insight regarding the policy that can improve whistleblowing intention.

KEYWORDS:

personal
responsibility;
personal cost;
whistleblowing
channel; intention
on whistleblowing.

SELF-EFFICACY AND CONTROLLABILITY AS WHISTLEBLOWING INTENTION PREDICTORS OF FINANCIAL MANAGERS IN EDUCATIONAL INSTITUTIONS

I Wayan Yeremia Natawibawa, Gugus Irianto, and Roekhudin

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 4 (2) 2018: 143-163

KEYWORDS:

self efficacy;
controllability;
whistleblowing
intention.

Whistleblowing policy is considered as an effective technique in an investigation audit that is useful for the organization to avoid losses due to fraud. However, employees who intend to report fraud encounter ethical dilemma. Whistleblowing is a behavior that respects honesty, but is also a behavior that can possibly compromise organizational loyalty. The objective of this research is to analyze factors influencing whistleblowing intention of financial managers in school organization by understanding the action based on decomposed theory of planned behavior (DTPB). Data were collected through questionnaires that were distributed to financial managers of school organizations, particularly principals, vice-principals, administration heads, treasurers, and financial administration employees of public senior high schools, vocational high schools, and Islamic high schools in Malang City. Research population comprised of 214 persons. Response rate was 89.72%, or there were 192 questionnaires that were duly completed. The analysis method employed was multiple regression. Two independent variables were observed in this research, namely self-efficacy and controllability, while only one dependent variable was examined, namely whistleblowing intention. Result of the research shows that self-efficacy and controllability have positive effect on whistleblowing intention, entailing that whistleblowing intention of employees will increase when they possess self-confidence and strong intention to conduct whistleblowing.

DOES LESS CORRUPTION REDUCE INCOME INEQUALITY IN INDONESIA?

Azwar Iskandar

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 4 (2) 2018: 165-184

KEYWORDS:

corruption; income;
inequality; ARDL;
economy.

It is widely believed that corruption is a cause of income inequality and a barrier to successful its eradication. It undermines the efforts of developing countries, including Indonesia to alleviate income inequality. It is also argued that the increased inequality caused by corruption worsens the position of the poorest people in a society as it reduces public resources available for social spending of government. In addition, corruption might have a negative impact on the quality and quantity of public services, such as education and health services. This study designed to know the long run and short run impacts of corruption on inequality of income. The study uses secondary data from World Bank and Transparency International then Auto Regressive Distributed Lag (ARDL) and dynamic Error Correction Model (ECM) during the year of 1995-2017. The results of study indicate that corruption has significant effects on the level of income inequality both in the short and long run. The negative implication of corruption on citizens' life is a major disaster in the economy and harmful to the growth and development of the people in Indonesian particularly, and the economy in general. The simple Pearson correlation findings also indicate that corruption has significant distributional consequences by affecting government expenditures. Therefore, the raise of corruption increases income inequality as it reduces the effectiveness of government spending on education, health and final consumption for society. Thus, it can be concluded that for the Indonesian context, an increased inequality due to corruption has worsened the position of the poorest as less resources available for social spending.

UNQUALIFIED OPINION AND LEVEL OF CORRUPTION: THE TRIANGULATION APPROACH

Ronald Tehupuring

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 4 (2) 2018: 185-204

Corruption cases that occur in almost all provinces throughout Indonesia potentially bring financial harm to the government, drawing public attention in the last few years. A large number of provinces where such cases occur have received Unqualified Opinion. As a result there is a discrepancy between the public's perception and the findings of the BPK, Indonesia's supreme audit institution. The public is assured that government institutions or agencies that have received unqualified opinion are free from potential corruption. On the other hand, there are still potential corruption found that can cause financial harm to the state. Meanwhile, the government (BPK) has not conducted any audit on the financial reports to detect corruption. This inconsistency between public perception and the perception of the government, in this case the BPK, is referred to as an expectation gap. This study aims to prove that an unqualified opinion does not relate to level of corruption. The research method uses a combination of qualitative and quantitative/triangulation approach (mixed method). The study collects samples from 31 provinces throughout Indonesia. The result of this study indicates that an unqualified opinion represents the good governance of an organization. However, such opinion does not necessarily guarantee that the institution is free from potential corruption. The reason is that a BPK audit is not designed to detect corruption, but rather to determine the fairness of information presented in financial reports. Result of quantitative testing conducted during the study also confirms the result of the qualitative testing, and thus it can be affirmed that an unqualified opinion does not significantly relate to corruption level.

KEYWORDS:

audit opinion;
corruption level;
triangulation
approach.



ELEMENTS WHICH TRIGGER EMPLOYEE'S INTENTION TO DISCLOSE FRAUD VIA A WHISTLEBLOWING SYSTEM: A CASE STUDY

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ABSTRACT

Fraud is very liquid; thus, it could occur both in public sector and private institutions. The consequences of fraud could be very damaging such as the loss of assets and the ruin of a company's reputation. BPK as one of the governmental institutions in Indonesia is obliged to implement a whistleblowing system as a means to detect any fraudulent activities. It is believed that an effective whistleblowing system is likely to be credible and secure so that all employees could disclose misconducts without any hesitation. Therefore, this study aims to contribute to the novelty of the whistleblowing system which has been implemented in BPK. There are several elements to be considered in setting up a whistleblowing system namely, secrecy of the tipsters' identity, incentives, whistleblowers' protection, accessibility, training of ethical program, power owned by the addressee, the perpetrators and the potential whistleblowers, management's support as well as their response to the tips given by the employees. A questionnaire and descriptive statistical analysis are used to rank the elements from the most important to the least essential items in a whistleblowing system from the perspective of the employees in BPK. The result shows that BPK's employees consider the whistleblowers' protection as the most critical element in the system; whereas, rewards is the least factor which triggers them to blow the whistle. Those elements, however, are integral parts which complement each other in establishing an effective whistleblowing mechanism.

KEYWORDS:

whistleblowing; fraud; employee's intention

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INTRODUCTION

The saying of “no one would win when fraud occurs” is a reality. Both a fraud perpetrator and an organization are likely to tackle adverse consequences of the fraudulent activities (Albrecht et al., 2014; Lowe et al., 2015). When most organizations would suffer a significant loss as a result of stolen assets, expensive investigation process and reputation damage, the wrongdoers would have to face an embarrassment towards society and a loss of public trust. Unfortunately, fraudulent behaviour among employees, managers and the company's third parties is extensive and needs to be rigorously curtailed. This is shown by the fact that the total number of fraud cases increase year by year (ACFE, 2016; Albrecht et al., 2014; KPMG, 2012; Lee & Fargher, 2013).

Some say that it is the auditors' responsibility to detect fraud in a client's organization. Nevertheless, Albrecht et al. (2014) claim that auditors are rarely present when the funds are stolen, bribery is conducted, or fraud is committed. The authors argue that it would be hard for them to detect fraud when the fraudsters commit and conceal the fraud as well as convert the stolen assets. It is probably because of the nature of the auditors' work-cycle, for instance, they would just spend a few weeks working in the organization during an audit period, but they would stop as the audit period ends. Furthermore, auditors would not recognise the perpetrators' unusual behaviour, such as driving luxurious cars or living an extravagant lifestyle. Therefore, it is usually co-workers, managers and other employees who are in the best position to detect fraud in the first place (Albrecht et al., 2014; Apaza & Chang, 2011; Dasgupta & Kesharwani, 2010; Lewis & Trygstad, 2009; Lowe et al., 2015). Consequently, managers of the organizations need to formulate a sufficient mechanism to

detect fraud as early as possible before the amount of loss becomes too material.

This awareness highlights the necessity of receiving tips and complaints from staff and managers when they have a knowledge or a suspicion that fraud is happening in the organization (Albrecht et al., 2014; Lowe et al., 2015). Besides, Pittroff (2014) believes that the invaluable information given by the other employees would prevent a huge detriment in the organization. Therefore, most governmental institutions across the world established mandatory obligations for public organizations as well as private institutions to implement a whistleblowing system. Pittroff (2014) also argues that a whistleblowing system is a crucial tool in the process of successful fraud detection in both private and public sector organizations.

Key Elements of a Whistleblowing System

A whistleblowing system is a means to accommodate the tips and complaints which are made by current or former workers of an institution as well as to bring the perpetrators to the light (Apaza & Chang, 2011; Dasgupta & Kesharwani, 2010). The authors claim that employees would disclose some red flags to a person or an organization that could follow up their tips optimally (or an addressee). The mechanism, however, may have some challenges to overcome such as the employees' hesitancy due to possible retaliation or they may distrust the addressee (Lee & Fargher, 2013). These issues could indirectly cause the whistleblowing system to fail.

There are some factors to be considered that would trigger and/or weaken employees' intention to utilise a whistleblowing system, such as (1) power to influence the participants who are potential whistleblowers and the addressee (Pittroff, 2014), (2) power of

the suspected wrongdoers (Gao et al., 2014; Pittroff, 2014; Robinson et al., 2012), (3) anonymity and confidentiality (Albrecht et al., 2014; Alleyne et al., 2017; Lee & Fargher, 2013; Pittroff, 2014), (4) incentives or rewards (Alleyne et al., 2017; Dasgupta & Kesharwani, 2010; Rose, et al., 2018; Yeoh, 2014), (5) tipsters' protection (Apaza & Chang, 2011; Lewis & Trygstad, 2009; Parker, et al., 2017; Pittroff, 2014), (6) management's support (Alleyne et al., 2017; Kastiel, 2015; Lee & Fargher, 2013), (7) accessibility (Kastiel, 2015; Lee & Fargher, 2013), (8) training of ethical programs (Alleyne et al., 2017; Robinson et al., 2012), as well as (9) action or follow up from the addressee (Lee & Fargher, 2013; Lowe et al., 2015).

To our best knowledge, no prior studies have evaluated those elements altogether as an integral factor in setting up the system. Thus, to distinguish this study from the previous ones, the authors will, firstly, examine the elements simultaneously. Secondly, while most of the studies related to whistleblowing were conducted in developed countries, the authors will focus on a developing country which is Indonesia (World Bank, 2017). Indonesia is chosen because as a developing country, Indonesia is struggling to eradicate fraudulent activities among employees and managers who sit in a high or low managerial level, both in public and private sectors. Based on the Association of Certified Fraud Examiners or ACFE's report (2016), Indonesia has the second highest number of fraud cases among countries in the Asia-Pacific region with 42 cases, just below China with 64 occurrences. Indonesia, additionally, was ranked 96 out of the 180 countries with the highest number of corruption cases (Transparency International, 2017). Lastly, many studies related to the implementation of whistleblowing are concentrated on private companies; then, this study will focus on the public sector organization. Apaza and Chang (2011), moreover, argue that whistleblowing



Figure 1. Historical of Indonesia's Corruption

Index 1995-2018

Source: Trading Economics (2018);

Transparency International (2017)

is an essential means in improving government's transparency and accountability.

The Implementation of Whistleblowing System in the Supreme Audit Board of the Republic of Indonesia or *Badan Pemeriksa Keuangan Republik Indonesia* (BPK)

Corruption in the public sector in Indonesia is perceived as high. Transparency International (2017) reported that Indonesia's Corruption Perception Index 2017 was scored 37 points out of 100, on a scale of 0 (highly corrupt) to 100 (very clean) as stated in figure 1.

Therefore, in Indonesia, there is a regulation regarding the implementation of a whistleblowing system in the public sector, which is *Instruksi Presiden Republik Indonesia Nomor 2 Tahun 2014*. The law urges governmental institutions in Indonesia to set up a whistleblowing system. However, it does not precisely regulate the elements which should exist in setting up the whistleblowing mechanism to promote the effectiveness of the scheme, such as the tipsters' reward and protection.

One of the governmental organizations which are mandated to implement the whistleblowing system based on the *Instruksi Presiden Republik Indonesia Nomor 2 Ta-*

hun 2014 is the Supreme Audit Board of the Republic of Indonesia or *Badan Pemeriksa Keuangan Republik Indonesia* (BPK). BPK is the only supreme audit institution which has a mandate to audit the use of the state finance in Indonesia independently (Article 1 of Law Number 15 Year 2006). BPK's auditors, therefore, should uphold their independence, integrity and professionalism in conducting an audit to deliver high-quality audit reports (Code of Ethics in BPK, 2016).

After conducting financial report audits, BPK should issue an opinion regarding the auditees' financial statement. The opinion which clarifies that the auditees present a true and fair financial statement, in all material respects, is an unqualified opinion. This opinion is considered an achievement by the governmental institutions in Indonesia. Consequently, governmental departments try their best to produce an adequate financial statement accountably and transparently to gain the unqualified opinion from BPK. The demand for the unqualified opinion creates a gap which could trigger illegal conducts performed both by the auditees and the auditors. The possible fraud could take place, such as bribery from the auditees to the auditors, to urge BPK in issuing an unqualified opinion for the auditees.

Due to the inherent characteristic of audit engagement between auditors and auditees as well as possible fraud which could occur, in term of cost, the potential consequences of the wrongdoing could be the damage of BPK's reputation and the loss of public trust to BPK. Consequently, BPK should implement an effective whistleblowing system to detect any fraudulent activities from the beginning. Since an early fraud detection is believed would lessen tremendous loss in the future which could be suffered by an organization (Pittroff, 2014).

BPK has implemented a whistleblowing sys-

tem since 2011 through the Decree of the Secretariat General of BPK Number 507/K/X-XIII.2/12/2011 about Whistleblowing System in BPK (*Keputusan Sekretaris Jenderal Nomor 507/K/X-XIII.2/12/2011*). The regulation stated that every employee in BPK is obliged to report any red flags that they know or aware to the addressee which are the *Inspektorat Utama BPK*, the Human Resources Department and the *Direktorat Utama Binbangkum* or abbreviated as *Satuan Tugas Kepatuhan Internal (Satgas)*. BPK also provides some channels that can be used by the tipsters to convey the information to the addressee. Besides, the rule ensures that the whistleblowers would be protected, given appreciation as well as informed any action or follow up taken by the addressee.

Therefore, the purpose of this study is to identify some factors which drive employees' intention to whistleblow their tips as well as rank the elements to which are the most favourable to the least important based on the point of view of BPK's officials. The authors, then, will elaborate each element in detail. The authors believe that some factors should be more reinforced than the others to trigger employee's intention in utilising the whistleblowing system. By having knowledge about that, BPK could review and redesign the whistleblowing system which has been implemented since 2011. Thus, the function of whistleblowing mechanism in BPK would be useful in detecting fraud earlier.

LITERATURE REVIEW

The Damage of Fraud

Nowadays, fraud is not a novel concept in business. Society comprehends that it is an intentional action taken by one individual to deceive, cheat and get an advantage of another (Albrecht et al., 2014). The scholars

argue that once fraud happens, it could reduce a company's income on a dollar-for-dollar basis. It means that the company's net income will decrease by \$1 for every \$1 of fraud. The global financial crisis which happened in late 1999, such as the Enron scandal, became a notorious example of fraud.

Eradicating fraud is a paramount challenge for most companies (Lowe et al., 2015). Fraud is likely to occur because anybody could conduct a fraudulent activity, as long as she or he has an opportunity, pressure and rationalisation (Albrecht et al., 2014). The scholars also emphasise that there is no such thing as a little fraud. When fraud is detected, it is essential to respond to it seriously because if the wrongdoers are allowed to continue, they could become braver and cause greater financial damage (ACFE, 2016; Lewis & Trygstad, 2009). Thus, an early mechanism for fraud detection is a fundamental element for an organization. However, the increasing number of fraud cases is undeniable. In the private sector, for instance, the percentage of individual frauds, as well as collusive frauds, rose by 82% and 71% respectively during 2012 (KPMG, 2012). Besides, the ACFE (2016) explains that most firms might lose approximately 5% of their annual revenue because of fraud. Moreover, the ACFE's survey which was conducted from January 2014 to October 2015, revealed that from 2,410 fraud cases, the total loss exceeded \$6.3 billion. Indonesia Corruption Watch (ICW), furthermore, states that public sector organizations also suffer severe damage of fraud. ICW (2017) declares that the number of fraud cases increased by 20% from 2016 to 2017. Additionally, the amount of state loss rose by 353% from 2016 (Rp1,450 trillion) to 2017 (Rp6,562 trillion).

Pittroff (2014) also discovers that most organizations implement a whistleblowing sys-

tem to comply with the law and to prevent of reputational damage although they are not convinced that it is a valuable resource of tips and complaints. From these facts, it could be concluded that the implementation of the current whistleblowing system may not be as effective as expected.

Whistleblowing System: Its Challenges and Key Elements

An early fraud detection scheme should be carried out not only by top management but also by all the co-workers since they are in the best position to detect fraud and to provide tips and complaints (Apaza & Chang, 2011; Albrecht et al., 2014; Dasgupta & Kesharwani, 2010; Lewis & Trygstad, 2009; Lowe et al., 2015). Lowe et al. (2015), moreover, assert that lower-level organizational members are often the individuals who could detect a fraudulent act in the first place. Thus, both private and public sector organizations should implement a whistleblowing system to accommodate tips and complaints from employees and third parties.

Dasgupta and Kesharwani (2010) as well as Near and Miceli (1985, p.4, as cited in Pittroff, 2014) define that a whistleblowing as a disclosure given by members of an organization, both current and former employees, about some suspected red flags of fraudulent activities to an addressee that could follow up the information and stop the illegal practices. While Apaza and Chang (2011) as well as Lee and Fargher (2013) argue that an effective whistleblowing system is a mechanism that could cause an organization to investigate the tips received, trigger an institution to strengthen its internal control system, stop the wrongdoing in a reasonable time frame as well as minimize the loss caused by fraud. It is believed that a whistleblowing system could be an initial and the most common fraud detection scheme in some regions, such as United States, Canada,

Asia-Pacific, Latin America and the Caribbean as well as Europe (ACFE, 2016).

However, many institutions may confront distrust from the employees to engage in a whistleblowing system (Gao et al., 2014). Furthermore, Alleyne et al. (2017) claim that whether employees would use a whistleblowing mechanism depends on their personal decisions about the cost of reporting. Yeoh (2014) also believes that the personal, social and financial cost heavily related to some consequences of disclosing the complaints. Fear of retaliation, as well as a sanction from management and co-workers, could hold someone's intention to blow the whistle (Albrecht et al., 2014; Alleyne et al., 2017). Besides, a hostile environment in an organization, where there is no support from the top management and that a tipster is perceived to be disloyal, would create silence and pressure among the staff to reveal any suspected misconducts (Alleyne et al., 2017; Yeoh, 2014).

Albrecht et al. (2014), moreover, highlight that there are four possible problems which should be addressed when a company applies a whistleblowing system. First, fraud is liquid and abstract (KPMG, 2012). It means that no one could detect that fraud is happening without future investigations. Thus, it might be impossible for a worker to ensure that fraud is occurring in the company. Second, informants are likely to hesitate to come forward since they are afraid of the negative impacts or reprisals that they may encounter as a whistleblower. The employees, thirdly, sometimes are intimidated by the fraudsters, especially if the wrongdoers are managers who have a higher position than them. Lastly, it is challenging to distinguish the motivation of the tipsters. They could report the fraud symptoms honestly and fairly on behalf of the companies' interests. Nevertheless, they may have hidden intentions such as revenge or envy of their

colleagues. In addition, Pittroff (2014) assumes that the information given could jeopardise the companies' reputation if it reaches outside the firms.

Consequently, it is prominent to set up a whistleblowing system which is equipped with adequate elements that could trigger employees' intention as well as gain their trust to blow the whistle. Drawing from previous research, several factors are contributing to an effective whistleblowing system, namely:

1. Power to influence the participants

Pittroff (2014) suggests that the effectiveness of a whistleblowing system, which is to discontinue an illegal activity, may rely on a power relation between tipsters and an addressee. The tipsters are employees of an organization who are likely to blow the whistle, whereas an addressee is a person or an institution who receives complaints given by the whistleblowers as well as clarifies the misconducts. The scholar states that an addressee should be perceived as a credible and trustworthy party to gain reliance from employees on using the system. Primarily, if the tipsters are low-level employees who have no power resource, they would depend on an addressee that has enough authority to be able to reinforce justice as well as penalise the wrongdoers.

Apaza and Chang (2011), Gao et al. (2014) as well as Yeoh (2014), moreover, explain that an addressee could be an internal or external party in an organization. The scholars argue that low tier staff would prefer an external whistleblowing system since it is likely to have a stronger procedural safeguard. On the other hand, upper-level managers would choose internal reporting channel since they

concern about the damage of company's reputation because of the adverse publicity. Yeoh (2014), besides, finds that most whistleblowers would disclose some red flags to their supervisor, but they would go external if the supervisors fail to address the tips adequately. In this study, however, the authors will not differentiate the internal and external addressee since BPK has an internal addressee that is the *Satgas* (Decree of the Secretariat General of BPK Number 507/K/X-XIII.2/12/2011). Also, as a governmental institution in Indonesia, the authors expect that it is unlikely BPK would have an external administered whistleblowing system.

2. Power of the suspected wrongdoers

It is believed that staff may hesitate to report any fraudulent activities when they are aware that they are the only person aside from the fraudster who know that the illegal conduct is happening in an organization (Robinson et al., 2012). The statement is supported by Pittroff (2014) who argues that some suspected fraudsters who are in the high level of management could threaten the tipsters not to disclose their knowledge about the red flags.

Moreover, fear of reprisal would lessen employees' intention to uncover any illegal conducts (Robinson et al., 2012). Retaliation could take a different form of harmful activities against the whistleblowers. In our setting, retaliation could take place when an employee understands that his or her supervisor involves in fraudulent activity; then, the supervisor knows the individual's awareness. In such a situation, the supervisor possesses a power to negatively revenge the staff such as giving a poor performance, making the staff work overtime or intimidating them. In the public sector organizations, one

possible retaliation that may be encountered by the whistleblowers, who are perceived as disloyal, is they could be transferred to unfavourable provinces where are located far away from the employees' home base.

3. Anonymity and confidentiality

Albrecht et al. (2014) explain that anonymity is when a whistleblowing mechanism conceals tipsters' identity. It means that the whistleblowers do not oblige to inform their identity to the addressee. The anonymous reporting, then, would lessen the possible retaliation such as sanctions from managers or verbal threats from other co-workers (Alleyne et al., 2017; Lee & Fargher, 2013). The authors also state that anonymity would create an effective whistleblowing mechanism since it increases the disclosure from the employees via the whistleblowing system.

However, many organizations may be unwilling to implement the anonymous reporting system because it could hinder the future investigation. In this regard, the addressee is unable to obtain further information from the whistleblowers, and the credibility of the complaint is lower if the tipsters remain anonymous. The addressee, consequently, would encounter difficulties to terminate the misconduct since the lack of evidence and limited information gained from the tipsters.

Therefore, the whistleblowing systems may favour confidentiality, whereby the addressee knows the identity of the whistleblower but does not reveal the information publicly (Pittroff, 2014). Nevertheless, this mechanism could encounter employees' hesitancy due to possible retaliation or distrust the addressee (Lee & Fargher, 2013). These issues could indirectly cause the whistleblowing system to fail.

Consequently, the confidential-reporting mechanism must be supported by a highly credible and trusted addressee to increase employees' willingness to blow the whistle.

4. *Incentives or rewards*

Firms could encourage their employees to disclose any unlawful activities that they know by offering them some incentives or rewards (Alleyne et al., 2017; Dasgupta & Kesharwani, 2010; Rose et al., 2018). The scholars also contend that incentives could increase the perceived benefits as well as reduce financial and emotional costs involved in a whistleblowing activity. Moreover, Alleyne et al. (2017) state that incentives could drive the whistleblowers to reveal the tips internally rather than externally.

Nevertheless, Dasgupta and Kesharwani (2010) as well as Yeoh (2014) highlight that some ethicists may criticise the reward system. They believe that the introduction of rewards will not affect someone's intention to blow the whistle. The moral value and altruistic concern would motivate the employees to inform any illegal conducts regardless of any incentives involved. Even lawyers, who have an obligation of confidentiality to clients' interests, have a role as law enforcers and oblige to disclose any clients' wrongdoing on behalf of justice (Parker et al., 2017).

Yeoh (2014), additionally, claims that a suitable amount of financial rewards or an appropriate time to give the incentives to the whistleblowers is another problem. The reward mechanism may not work when the financial settlement is too low or too late given to the tipsters since they may lose their job and find difficulties to find another one because of the

employers' reprisal.

5. *Tipsters' protection*

Fear of retaliation has an enormous influence on the effectiveness of the whistleblowing system (Apaza & Chang, 2011). The authors point out that most tipsters would not come forward since they are afraid of retaliation; thus, the organizations should provide a whistleblower protection law. Without any strong regulation, the tipsters could experience severe consequences even the whistleblowing system effectively solves the damage of fraud.

Moreover, Lewis and Trygstad (2009), as well as Parker et al. (2017) insist that disclosing any illegal conducts is a form of democratic right owned by a member of an organization. Hence, the freedom to speak should be protected legally under a rigid regulation. On the other hand, Pittroff (2014) analyses that statutory regulation to protect whistleblowers may not necessarily lead to an effective whistleblowing system if the management is not convinced of the benefits of the whistleblowing mechanism. Consequently, without any support from the management, the weak law enforcement would not safeguard the whistleblowers from reprisal. In this regard, incentives regulation as explained before could be a better solution to increase employees' awareness of utilising a whistleblowing system.

6. *Management's support*

Alleyne et al. (2017) find that perceived organizational support could positively influence the employees' whistleblowing intentions. The authors believe that upper-level management should create an atmosphere or a culture where ethical

behaviour is the responsibility of every member of the organization. The decision to inform any illegal conduct via the whistleblowing system, then, could be perceived as an acceptable and ethical practice without any different perception or moral ambiguity.

Besides, Lee and Fargher (2013) reiterate that the ethical environment built by management would positively be related to the extent of whistleblowing disclosure. The scholars, moreover, said that supportive management could encourage anonymous reporting since it simplifies open communication. Also, Kastiel (2015) stresses the importance of "tone at the top" which means managers could be role models who set a culture of corporate governance by encouraging the use of the whistleblowing hotline without hesitation.

7. Accessibility

An effective whistleblowing system should provide easy access for potential whistleblowers. It means that the accessibility of the whistleblowing system should be available to the employees and they should be made aware of how to use the system (Kastiel, 2015). The scholar believes that when access to whistleblowing is restricted, it would be harder for the officers to report potential wrongdoing. Besides, the system could be run through a hotline service or secure web access which is supported by sufficient technology and direct reporting.

Furthermore, Lee and Fargher (2013) argue that secure and trusted hotline services could increase the credibility of a whistleblowing system. The implementation of highly used of technology in the reporting channel may be considered expensive for an institution. However, it also signals management's commitment to have an effective whistleblowing

mechanism.

8. Training of ethical programs

Robinson et al. (2012) argue that organizations should facilitate the training of ethical programs for all of their employees. The training could strengthen the workers' awareness of the importance to participate in reporting fraud actively. The scholars assert that the training programs could help the staff to understand the potentially severe detriment of financial statement fraud. In this regard, by strengthening employees' moral and ethical value, they would be aware that they should report any fraudulent activities regardless of the wrongdoers' position in the organization.

Additionally, Alleyne et al. (2017) argue that the training course could solve the ethical dilemma and reinforce moral value among employees. By enhancing the ethical value and dignity, every member of an organization would disclose any fraudulent activities since it becomes everyone's responsibility to safeguard the organization's assets as well as reputation.

9. Management's responsiveness

How management or addressee responses to the tips and complaints given by the whistleblowers is a significant factor that could influence an employee's intention to blow the whistle (Alleyne et al., 2017). Management's response would also determine the perceived acceptable ethical behaviour in a company. If the management does not appropriately follow up any tips given by the tipsters; then, the other organization's members would neglect their responsibility to report any misconducts since it may be useless.

Moreover, the actions taken by an addressee is an essential determinant in whistleblowing effectiveness since it informs that appropriate action will be made to address the unethical issue and offers reassurance to the whistleblowers that they will be protected from retaliation (Miceli & Near, 1992 as cited in Lowe et al., 2015). Robinson et al. (2012) also believe that an adequate response from management, such as giving severe penalties to the wrongdoers and protecting the tipsters from retaliation, would provide a warning to fraudsters that the companies

will not tolerate any unlawful actions and will forbid future wrongdoers from committing fraud.

RESEARCH METHODS

The authors develop a questionnaire to assess the perception of BPK's employees on which of the factors that are significant in convincing them to report any red flags through a whistleblowing mechanism in BPK. The questionnaire consists of close-

Table 1. Key Elements of a Whistleblowing System (Research Variables)

Variables	Question Type	Indicators	Scale
Power position of whistleblowers	Close-ended question		Likert
	Close-ended question		Likert
Power position of fraudsters	Open-ended question	- Anonymity - Confidentiality - Others (short answer)	
Power position of addressee	Close-ended question		Likert
Information of the whistleblowers' identity	Close-ended question		Likert
	Open-ended question	- Anonymity - Confidentiality	
	Close-ended question		Likert
Incentives/rewards	Open-ended question	- Financial reward - Acknowledgement - Additional leave/free holiday - Others (short answer)	
Whistleblowers' protection	Close-ended question		Likert
Management's support	Close-ended question		Likert
	Open-ended question	Short answer	
	Close-ended question		Likert
Accessibility	Open-ended question	- Hotline - Website - Information box (paper based) - Others (short answer)	
	Close-ended question		Likert
Ethical training program	Open-ended question	- Once a year - Twice a year - More than twice a year	
Management's response	Close-ended question		Likert

Source: Processed from various sources

ended as well as open-ended questions. The close-ended questions include ten items, while short-answer questions comprised of six points. Likert scale analysis, moreover, is used to measure the answers from the respondents for the ten close-ended questions, by categories:

1. Very unlikely to influence/very poor
2. Unlikely to influence/poor
3. Neutral/average
4. Influencing/good
5. Very influencing/very good

The inspected variables are elaborated in table 1.

For the data analysis in this study, the authors use descriptive statistical analysis to rank the

most crucial element to the least favourable factor that could trigger BPK employees' intention to utilise the whistleblowing system. After that, the short-answer questions are analysed and grouped based on the most answers given by the respondents. Data processing produces tabulation containing the elements of the whistleblowing system, number of respondents, percentage and additional information which are gained from the open-ended questions.

Population and Sample

The population of this study is all of BPK's employees. The authors are not differentiating the role and responsibility as well as the managerial position of respondents since the authors believe that every member of BPK could be a potential whistleblower. Therefore, simple random sampling is used since every individual in the population would gain the same probability being chosen as a sample. In the questionnaire, the

Table 2. Respondents' Background and Their Role in BPK

Variables	Indicators
Gender	- Male - Female
Age	- 20-30 years old - 31-40 years old - 41-50 years old - More than 50 years old
Role in BPK	- Auditor - Administration officer
Managerial position in BPK	- Team member (<i>Administrasi Umum, Anggota Tim Junior, Anggota Tim Senior</i>) - Team leader (<i>Ketua Tim Junior, Ketua Tim Senior, Pejabat Eselon IV</i>) - Controller (<i>Pengendali Teknis, Pejabat Eselon III</i>) - Others
Working tenure in BPK	- 0-5 years - 5-10 years - 11-15 years - 16-20 years - More than 20 years
Educational background	- Diploma (DI/DIII) - Undergraduate (S1/D4) - Postgraduate (S2) - Doctorate (S3)

Source: Authors

authors also developed several questions regarding respondents' identity to indicate the various background as well as different roles of the respondents in BPK, as seen in table 2.

Table 2 shows that the authors try to identify respondents' identity by taking into account their gender, age, working tenure, educational background as well as different roles and responsibilities that they have in BPK. By having various respondents with different background and managerial position in BPK, the result of analysis could be generalised and applied toward upper-level managers as well as low-level employees.

RESULT AND DISCUSSION

From July to August 2018, the authors have distributed 775 questionnaires to BPK's employees. Table 3 indicates that the 775 questionnaires have been distributed to BPK's employees. During the two months of collecting period, the authors received 10% reply from the respondents which are 79 answers. The respondents' details, as seen in table 4.

From table 4, it can be concluded that female and male respondents share proportions which are 48% and 52%, respectively. Then, most of the respondents are auditors who are

Table 3. Distribution of Questionnaire

BPK's Office	Number of Questionnaire
Head office in Jakarta	382
BPK's Representative Office	393
Total	775

Source: Author's data processing and analysis

among 30 to 40 years old and have been working in BPK for about 5 to 10 years. They are likely to be team members or lower level

employees who may have the best position in detecting any illegal misconducts earlier (Albrecht et al., 2014; Apaza & Chang, 2011; Dasgupta & Kesharwani, 2010; Lewis & Trygstad, 2009; Lowe et al., 2015). Whereas, senior officers who have 11 to more than 20 years of working experience in BPK also participated in this study. They may have a role as team leaders in audit teams or high-level managers who could significantly support and become champions for the implementation of the whistleblowing mechanism in BPK.

Table 4. Information of Respondents' Background and Roles in BPK

Variables	Number of Questionnaire	%
Gender		
Female	38	48%
Male	41	52%
Age		
20-30 years old	10	13%
31-40 years old	57	72%
41-50 years old	12	15%
Role in BPK		
Auditor	62	79%
Administration Officer	17	22%
Managerial Position in BPK		
Team member	59	75%
Team leader	17	22%
Controller	1	1%
Others	2	3%
Working Tenure		
0-5 years	7	9%
5-10 years	43	54%
11-15 years	21	27%
16-20 years	3	4%
More than 20 years	5	6%
Educational Background		
S1/D4	52	66%
S2	27	34%
Total	79	100%

Source: Author's data processing and analysis

The authors, then, investigate the awareness of the respondents that BPK has implemented a whistleblowing system since 2011. The result shows that 66% of them understand that a whistleblowing mechanism exists in BPK. The last 34%, unfortunately, do not

■ Are you aware that BPK has implemented a whistleblowing system?

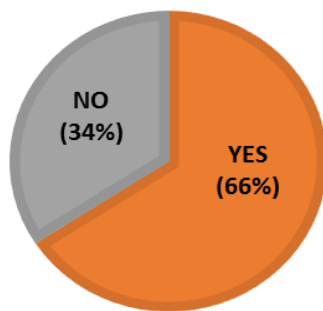


Figure 2. Employees' awareness of the whistleblowing system in BPK

Source: Author's data processing and analysis

comprehend that BPK has implemented a whistleblowing system for about seven years as shown in figure 2. The authors, moreover, find that none of the respondents has utilised a whistleblowing mechanism in BPK, as shown in figure 3.

Furthermore, the result of the descriptive statistical analysis, as well as answers to the open-ended questions, are elaborated in table 5. Based on the table 5, it can be summarised that BPK's employees consider the whistleblowers' protection as the most critical component which should be strengthened in a whistleblowing mechanism (mean 4.684). By having a rigid whistleblowers' protection regulation, it would lessen their hesitation in disclosing any unlawful activity to the addressee. Consequently, fear of reprisal from the supervisor and possible bully as disloyal from other co-workers are the biggest challenges that BPK should overcome to run an effective whistleblowing system.

Management's support is the second most crucial element in a whistleblowing mechanism in BPK (mean 4.582). In this regard,

the upper-level managers should set a tone at the top that disclosing any fraudulent activities to the addressee is acceptable and ethical behaviour. Additionally, many respondents demand moral support from their supervisor as well as the transparent process

■ Have you ever disclose any misconducts via the whistleblowing system?

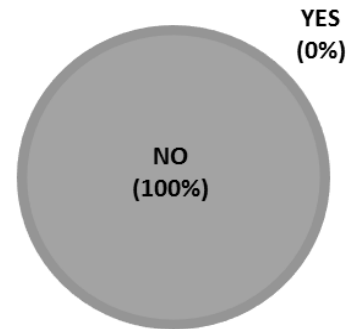


Figure 3. The utilisation of the whistleblowing system in BPK

Source: Author's data processing and analysis

in every step taken to terminate the fraudulent activities reported by them.

Moreover, assertive respond and follow up toward the tips given by the whistleblowers is the third factor which could influence BPK's employees to disclose any wrongdoing (mean 4.455). Severe punishment to the fraudsters would create a deterrent effect, signalling that BPK is seriously combating any wrongful conducts among employees and preventing any fraud to reoccur in the future.

Fourth, many respondents prefer anonymity (58%) over confidentiality (39%) when it relates to the secrecy of the whistleblowers' identity. It means that BPK's employees choose not to disclose their identity to the addressee. On the one hand, anonymity could increase the disclosure through an effective whistleblowing system (Lee & Faragher, 2013). On the other hand, Pittroff (2014) argues that anonymity could reduce the credibility of the complaints as well as hinder future investigation conducted by the addressee. Nevertheless, the limitations

Table 5. The Crucial Elements of a Whistleblowing Mechanism based on the Perspective of BPK's Employees

Rank	Elements of Whistleblowing System	Mean	Additional Information	Number of Response	%
1	Whistleblowers' protection	4.684			
2	Management's support	4.582			
3	Management's response/follow up	4.456			
4	Information of the whistleblower's identity	4.418	Anonymity	46	58%
			Confidentiality	31	39%
			Blank	2	3%
5	Power position of addressee	4.405			
6	Ethical training program	4.392	Once in a year	47	59%
			Twice in a year	19	24%
			More than twice in a year	5	6%
			Blank	8	10%
7	Accessibility	4.380	Hotline	15	19%
			Website	42	53%
			Information box (paper based)	13	16%
			Others	7	9%
			Blank	2	3%
8	Power position of fraudsters	4.063	Anonymity		
9	Power position of whistleblowers	3.987	Confidentiality		
10	Incentives/rewards	3.684	Financial reward	15	19%
			Acknowledgement	23	29%
			Additional leave/free holiday	5	6%
			Others	9	11%
			Blank	27	34%

Source: Author's data processing and analysis

caused by an anonymous reporting mechanism could be managed if the whistleblowing system requires adequate evidence given by the tipsters when they disclose any misconducts. The evidence would help the addressee to follow up and inspect the potential fraud optimally.

Power position owned by the addressee, the whistleblowers as well as the potential fraudsters, furthermore, are the fifth (mean 4.405), the eighth (mean 4.063) and the ninth (mean 3.987) essential elements which could be considered by the potential tipsters as factors that could escalate the personal costs when they blow the whistle. As mentioned before, potential tipsters especially who are low-level staff would rely on a credible and trusted addressee to protect them from retaliation of the potential wrongdoers

(Pittroff, 2014).

Sixth, most of BPK's officers believe that ethical training program which is conducted at least once a year is an essential factor in establishing an effective whistleblowing system (mean 4.392). The training programs not only reinforce ethical behaviour and value among the employees but also clarify any moral ambiguity in the organization. A false paradigm about "being a whistleblower means being disloyal to employers" would vanish over the time. Moreover, ethical training would help the staff to comprehend the severe consequences of fraud (Robinson et al., 2012). Regular ethical training programs would also create awareness among the employees in BPK that a whistleblowing mechanism exists as a secure media to disclose and prevent any wrongdoing on behalf of justice

and altruism.

Many respondents also believe that secure access to the whistleblowing mechanism would increase their intention to whistleblow (mean 4.380). They choose a website, hotline service and information boxes as the means to disclose the tips and complaints, which are 53%, 19% and 16%, respectively. Other respondents also reckon that email and text message could be used to communicate information about illegal activities that they suspect is happening in BPK. As Lee and Fargher (2013) state that a secure hotline channel would increase anonymity and cause deterrent effects toward potential perpetrators. Nevertheless, to run a website as a media of communication between an addressee and potential whistleblowers could be costly for an institution, but it also points out management's commitment and support in establishing an effective whistleblowing system.

The least important factor in influencing BPK's employees to blow the whistle is rewards or incentives (mean 3.684). Accordingly, Dasgupta and Kesharwani (2010) state that awards will not affect someone's intention to disclose any wrongdoing since it is the moral value that motivates the employees to distinguish the right and wrong matter. The result contradicts to Alleyne et al. (2017) who believe that rewards mechanism could increase disclosure via a whistleblowing system.

Nevertheless, if BPK's employees could receive any rewards for their bravery in disclosing any wrongful conducts, they may prefer to obtain acknowledgment or honour from their employers and colleagues (29%), financial rewards (19%) and additional leave or vacation (6%). While, the other 34% of respondents do not disclose their opinion regarding the preferred rewards, the 11% of them mention that they would like to be ro-

tated to their home-based, gained promotion and being informed of every progress taken by the addressee in following up the fraud case as well as acquired financial bonuses.

CONCLUSION

To sum up, there are ten elements to be considered when an institution sets a whistleblowing mechanism. Those factors could trigger employees' intention in disclosing any illegal conducts, such as bribery, to the addressee. BPK as one of the governmental institutions which are obliged to set up a whistleblowing system should take into account these elements as well. Nevertheless, one factor may be more important to be strengthened than the others; thus, the authors rank these items based on the perspective of BPK's employees.

The most crucial elements that the management should count is the protection to the potential whistleblowers. Next, the upper-level management should set a tone at the top by legally, morally and financially supporting the tipsters who blow the whistle publicly. After that, management or the addressee should objectively follow up any tips and complaints given by the whistleblowers. Also, an anonymous reporting mechanism could increase the disclosure through a whistleblowing system. Many respondents, additionally, state that ethical training program could establish an ethical environment as well as strengthen moral value among the staff. Besides, the respondents would examine the power position owned by the addressee, the possible wrongdoers and themselves as potential tipsters as factors that will increase or decline reasonable personal cost to blow the whistle.

Most of BPK's employees, moreover, prefer website and hotline service as a means of

communication to deliver any information regarding red flags. The methods of communication also increase anonymity and likelihood of an effective whistleblowing system. Lastly, rewards and incentives such as acknowledgement, promotion and bonuses are the least criteria which could trigger a potential whistleblower to come forward in BPK.

Although the result of the descriptive statistical analysis shows that the most crucial component in a whistleblowing system in BPK is the whistleblowers' protection and the least important factor to be considered is the rewards mechanism, these elements complement each other to establish an effective whistleblowing system, as shown in figure 4.

In other words, even the whistleblowers' protection is the most prominent element; but, it could not make a whistleblowing system becomes effective without any support from the management, a credible addressee, se-

cure access to the system, regular training of ethical program or an acknowledgement given to the potential tipsters. As described in figure 4, all of the elements are an integral factor in a whistleblowing mechanism, where the management support as the centre of the system. Meaning that every factor in the whistleblowing system could exist by the support and commitment from the management to gain the benefit from the system. The advantage of a whistleblowing system may not be acquired in a short period, but an effective whistleblowing mechanism is the most effective and universal tool in the fraud detection scheme to prevent tremendous loss such as the damage of BPK's reputation towards the public in the future.

Implication

Our proposed study would contribute to management in BPK to revisit the whistleblowing mechanism which has been implemented since 2011. Then, BPK's manage-



Figure 4. Key Elements in an Effective Whistleblowing System

Source: Authors

ment could reformulate an effective whistleblowing system in the organization. Arguably, effective whistleblowing should be perceived as a credible and secure system; thus, the employee would disclose any wrongdoing without any hesitation. Since Apaza and Chang (2011), Albrecht et al. (2014), Dasgupta and Kesharwani (2010), Lewis and Trygstad (2009) as well as Lowe et al. (2015) state that it is usually the employees who have the best position in detecting fraud in the first place; hence, it is essential to consider their perception of what factors should be put in place to strengthen the whistleblowing system in BPK.

Limitation

The limitation of this study is the limited data which has been used and analysed; thus, future research with various data from more respondents and different organizations could give a broader knowledge about the elements which are crucial in setting up an effective whistleblowing system. Furthermore, the study is conducted in BPK; the authors do not ensure if the result could be applied in other governmental institutions or private sectors because of the different characteristics of every organization.

Moreover, the authors do not examine the personal value, moral intensity, cultural background or working tenure of the respondents which may or may not influence their decision to report some red flags via the whistleblowing system. The next study may need to consider those factors through a focus discussion group or a case study setting.

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APPENDIX

Result from Descriptive Statistics

	Power position of whistle-blowers	Power position of fraudsters	Power position of addressee	Information of the Whistle-blower's identity	Insentives/ rewards	Whistle-blowers' protection	Management's support	Accessibility	Training of ethical program	Management's response/ follow up
Mean	3.987	4.063	4.405	4.418	3.684	4.684	4.582	4.380	4.392	4.456
Standard Error	0.106	0.101	0.064	0.082	0.116	0.053	0.069	0.063	0.063	0.059
Median	4.000	4.000	4.000	5.000	4.000	5.000	5.000	4.000	4.000	4.000
Mode	4.000	4.000	4.000	5.000	4.000	5.000	5.000	4.000	4.000	4.000
Standard Deviation	0.940	0.896	0.567	0.727	1.032	0.468	0.612	0.562	0.564	0.526
Sample Variance	0.884	0.804	0.321	0.528	1.065	0.219	0.375	0.315	0.318	0.277
Kurtosis	-0.034	0.556	-0.810	6.023	-0.657	-1.388	0.388	-0.803	-0.810	-1.402
Skewness	-0.828	-1.003	-0.266	-1.863	-0.402	-0.805	-1.184	-0.175	-0.220	-0.090
Range	3.000	3.000	2.000	4.000	4.000	1.000	2.000	2.000	2.000	2.000
Minimum	2.000	2.000	3.000	1.000	1.000	4.000	3.000	3.000	3.000	3.000
Maximum	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000
Sum	315.000	321.000	348.000	349.000	291.000	370.000	362.000	346.000	347.000	352.000
Count	79.000	79.000	79.000	79.000	79.000	79.000	79.000	79.000	79.000	79.000
Confidence Level (95.0%)	0.211	0.201	0.127	0.163	0.231	0.105	0.137	0.126	0.126	0.118



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FACTORS AFFECTING INTENTION ON WHISTLEBLOWING: AN ANALYSIS ON MODERATED MODEL OF WHISTLEBLOWING CHANNEL

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ABSTRACT

The purpose of this study is to examine and provide empirical evidence of the effect of personal responsibility, personal cost and education on whistleblowing intention, as well as the impact of whistleblowing channel in influencing personal cost on whistleblowing intention. The populations of this study are civil servants (ASN) from financial department and procurement services department in Banjarmasin Municipal Government. The sample of this study are 104 respondents, obtained using saturated sampling technique. Questionnaire data of this study is analyzed using the Partial Least Squares (PLS). The result shows that civil servants consider their personal responsibility as they intend to blow the whistle. Yet, the study finds that personal cost and education have no effect on civil servant's whistleblowing intention. The study also finds that whistleblowing channel is unable to moderate the effect of personal cost on whistleblowing intention. These findings help to obtain an insight regarding the policy that can improve whistleblowing intention.

KEY WORDS:

personal responsibility; personal cost; whistleblowing channel; intention on whistleblowing

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INTRODUCTION

The prevalence of fraud occurring all over the world, whether in the business or public sectors, have further garnered organization towards placing a better focus on the efforts of not only answering and dealing with every occurrence, but also to detect and prevent any fraudulent practices (Nurhidayat & Kusumasari, 2018). Indonesia is a nation which places a great deal of attention towards cases of fraud. This is due to the results founded in a survey conducted by Transparency International Indonesia in 2016 that places Indonesia as the 90th most corrupt country, among 176 countries.

The government have been continuously implementing various attempts in order to intensify their efforts in preventing fraudulent practices. Several efforts include internal control, establishing good governance, and even various technical mechanisms related to state administration which are free from corruption, collusion and nepotism (Sina, 2008; Widyastuti, 2015; Meikhati & Rahayu, 2015). Preventive efforts have been further focused on encouraging whistleblowers as the main means that most effective in preventing fraudulent practices in the governmental sector, which happens to be the sector suffering the most from fraudulent practices (ACFE, 2016). Brewer and Selden (1998) discovered through their research that whistleblowing is very useful in stimulating substantial changes and facilitating reforms within the government.

Basri et al. (2017) realized that whistleblowing may minimize acts of fraud and prevent all the problems and losses associated with fraud. Furthermore, whistleblowing may also boost employee morale, work efficiency and also minimize the negative stigma surrounding an organization (Nurhidayat & Kusumasari, 2018). Unfortunately, the reality shows that this is

not proportionate towards the number of individuals intention to report cases of fraud. Meng and Fook (2011) found that people were still fearful and thus resisted the urge to report acts of fraud. The National Committee on Governance Policy, in a publicized note stated that a total of 52% or even more of employees were aware of violations being committed but are reluctant to report these incidents (Semendawai et al., 2011). This means that employee awareness in reporting acts of fraud is still considered very low and thus are in need to be strengthened in order to be capable of preventing further and larger losses caused by acts of fraud.

The low number of participation in whistleblowing is unsurprising, especially when there is no clear law ground that regulates one's obligation to report in acts of fraud. Existing legislation in Indonesia only regulates matters on witness and victim protection stated in Law Number 13 Year 2006 (Suratno, 2017). This is why there are still many factors which hinder those willing to report acts of fraud. This is also why it is very important to pinpoint and promote what may urge an individual to do whistleblowing action voluntarily.

There are still numerous other researches on the intention on whistleblowing (Ayers & Kaplan, 2005; Septianti, 2013; Hakim, 2017; and Alleyne et al., 2017). Variables which have been frequently studied include personal responsibility according to the Graham Model (1986). Education on whistleblowing is also a variable that is more intensely studied (Ghani et al., 2013; Cho & Song, 2015; Caillier, 2017). Results from previous studies still show inconsistencies in the results. Thus motivating researchers to examine the influence of personal responsibility, personal cost and education on the intention on whistleblowing. Aside from that, this study wishes to test moderator variables assumed to being the

causes behind the inconsistencies found in previous studies, which are the reporting channels. This is urgent due to the enhancement of government in eradicating and preventing acts of fraud by implementing an anonymous reporting channel via website.

THEORETICAL REVIEW

This study utilizes the prosocial theory, the social learning theory and the utilitarian ethics theory as its basic. All three theories are relevant in the context of whistleblowing due to their capability in covering the individual, situational and organizational aspects affecting one's intention to become a whistleblower. The prosocial theory rises from the perception that every individual is inherently supportive towards acts which are an improvement and benefit society, such as whistleblowing (Eisenberg & Mussen, 1989). But surprisingly, this social act is not always automatically identified as an altruistic act which serves the interests of the many over one's personal interests, but must also be put under consideration in relation to the selfishness of humans (Leeds, 1963). These factors include personal responsibility and risks benefits (personal cost) associated to whistleblowing (Graham, 1986; Schultz, 1993; Septianti, 2013; Hakim, 2017). These variables are the individual and situational factors which influence one's intentions to become a whistleblower (Hakim, 2017)

Alleyne et al., (2017), by using the Graham Model perfected by Schultz (1993) as their basic, examined factors influencing the whistleblowing behavior of accounting employees in Barbados. Results show that individuals wished to become whistleblowers when they realized that it was their responsibility. Furthermore, the thought of retaliation from those they report is a main obstacle for one intending to become a

whistleblower. Hakim (2017) also conducted a similar research by examining the influence of personal costs on the intention of Tax Services employees in the North Malang and Kepanjen area to become whistleblowers. Results showed that personal costs did not prove to be a significant influence on their intention to report acts of fraud. Septianti (2013) also found similar results when examining employees of Indonesian Transaction Reporting and Analysis Center (PPATK) and the possibility of their intention to become whistleblowers, and found that personal costs did not affect their intentions.

The social learning theory is also relevance to be utilized as a basic for this study. This is due to this theory, first initiated by Bandura (1971), stating that an individual's actions are influenced by the process of learning, whether by observation or direct experience. Bandura (1971) states that each individual is an agent of change, fully participating in their environment and also influencing their environment and thus also influence the individual. The presence of education on whistleblowing within organizations portrays the presence of interaction between the individual and organizational environment. The individual would observe the environment as an inseparable part of themselves has stimulated for the creation of a workplace environment which is both ethical and free from acts of fraud, and thus further push others to become whistleblowers. This is the organizational factor which may influence the intention to become whistleblowers (Cho & Song, 2015). Cho and Song (2015) conducted a study on civil servants from the federal government of the United States of America and discovered that education on whistleblowing proved to increase one's intention to do whistleblowing action. The latest research conducted by Caillier (2017) also presented similar results showing that one's intention to become a

whistleblower increases when one thoroughly understands the act of whistleblowing.

The utilitarian ethics theory is also a basic of this study. This is due to, according to Cavanagh et al. (1981), the political behavior of individuals as being ethical, and thus whistleblowing as being one of them is the result of a utilitarian calculation as the best method to produce the best results. One would always strongly consider the best choice of action in order to optimize satisfaction and avoid the serious consequences from a certain political act, which must also include the channel to report the act. This too is the situational factor which may influence one's intention to become a whistleblower (Gao et al., 2015).

One will tend to choose a reporting channel capable of reducing every possibility of retaliation. Gao et al. (2015) discovered that the intention to do whistleblowing action increases when the reporting channel is managed by an external party, rather than by an internal party. This too is in line with the results from a study by Kaplan et al. (2012) which states that the reporting channel may become a predictor or moderator variable.

The Effects of Personal Responsibility On The Intention To Do Whistleblowing

In line with the prosocial theory, personal responsibility is one of the factors considered when doing whistleblowing action as form of a prosocial act (Dozier & Miceli, 1985). Personal responsibility refers to individual consideration to report on violations influenced by the sense of personal responsibility over co-workers, profession or organization colleague (Graham, 1986). Individuals will basically evaluate the size of the responsibility of reporting in acts

of fraud that they are aware of, and thus influence whether to become a whistleblower (Miceli et al., 1991).

The effects of the diffusion of responsibility often result in individuals rejecting to conduct certain prosocial acts due to perceiving such acts can be conducted by others, not only their personal responsibility (Batson, 2011). Because of this, there is an urgency to evaluate the level of responsibility become urgent because it's expected to have an effect on the effectiveness of whistleblowing (Gao & Brink, 2017). An evaluation on personal responsibility is often associated to one's organizational role (Schultz et al., 1993) and sense of moral obligation (Curtis, 2006). Ayers and Kaplan (2005) explain that organizational roles are influenced by one's organizational commitment, whereas the sense of moral obligation is influenced by each individual's moral sense on what is right and wrong. Any individual that considers the act of whistleblowing as their own responsibility in order to save and protect the company will be inclined to become a whistleblower. Whereas on the other hand, one who considers the act of whistleblowing as not being a part of their responsibility will be inclined to remain silent.

Ayers and Kaplan (2005) also Robinson et al. (2012) discovered that personal responsibilities as being one of factors put into consideration before one becomes a whistleblower. Alleyne et al. (2017) carried out a research in Barbados and found results showing that personal responsibility clearly does influence an accountants intention to do whistleblowing action. Thus making reach the first hypothesis as follows:

H1: Personal responsibility positively influences the intention of civil servants to do whistleblowing action.

The Effect of Personal Cost On The Intention To Do Whistleblowing

The prosocial theory states that an individual is inherently supportive towards acts to repair and serve social interests (Batson, 2011). This is due to being strongly related to altruism (Leeds, 1963). But the prosocial theory stresses that the act of helping others is always accompanied by considerations of the benefits and risks likely to be received. This is what is commonly considered as personal cost (Schultz et al., 1993).

Personal cost is what an individual considers and weighs when reporting breaches or becoming a whistleblower, influenced by the possibilities of retaliation from those they report (Graham, 1986). These acts of retaliation are forms of revenge committed by those being reported of having conducting fraud, but also possess the capability of retaliating against the whistleblower, for example by intimidating, exclusion, dismissal, etc (Zhuang, 2003).

The fear of retaliation is a significant factor in influencing one's intention to report fraud (Iskandar & Saragih, 2018). The decision to report fraud will always be a very risky decision (Bhal & Dadhich, 2011). If the management's attitude towards whistleblowers proves to be dismissively ignorant, hostile and even resentful, then it will force individuals to reach the rationalization of becoming mere inactive observers. One who experiences a lower possibility for retaliation due to being a whistleblower will increase the probabilities for them to report fraud, whereas the higher possibility of retaliation against whistleblowers, the lower the chances for those to report instances of fraud (Kuncara et al., 2017).

Ayers and Kaplan (2005) also Alleyne et al., (2017) revealed that the consideration of personal cost became the rasionalization for

someone to just be an observer. Those who also experience a larger possibility of suffering from retaliation will also tend to remain silent. Based on that, the second hypothesis is as follows:

H2: Personal cost negatively influences the intention of civil servants to do whistleblowing action.

The Effects of Education On The Intention To Do Whistleblowing

Social learning theory states that one must study through a process of observation and direct experience (Bandura, 1971). The learning process will influence individuals to behave according to what they have observed. So too is the process for reporting acts of fraud. Basri et al. (2017) states that it is highly unlikely for an employee to report an act of fraud when they do not possess sufficient knowledge on whistleblowing. Cho and Song (2015) explain that knowledge of whistleblowing is obtained through an educational process which helps employees in observing and recognizing the support from their organizations. Thus the knowledge of whistleblowing will influence individuals to report fraud (Caillier, 2017).

Education is strongly connected with the process of learning, which is the process of obtaining knowledge, expertise, professional behavior, values, trust, emotion and feeling (Jarvis et al., 2003). Education in the form of ethical trainings which is part of ethical behavior is the solutions in dealing with the complex matters within an organization (Stead, Worrell, & Stead, 1990). A demoralizing work environment may be prevented and employee awareness on acts of fraud may be increased when the organization intensely educates employees.

The presence of sufficient education in the form of socialization and trainings is deemed

to be able to increase the intention of employees to do whistleblowing action (Sheler, 1981; Frisque & Kolb, 2008, Cho & Song, 2015). Cho and Song (2015) also stress on the existence of education as a roadmap for future whistleblowers to understand the reporting mechanisms if they find fraud. Park et al. (2008) also states that the different public preferences on being anonymous whistleblowers according to each country caused by the effectiveness of education and trainings on trans-cultural unethical practices. Cho and Song (2015) also Caillier (2017) revealed that education on whistleblowing strongly effect one's intention to become to do whistleblowing action. Sufficient knowledge on whistleblowing obtained through education will help employees in observing and understanding the support from their organizations, and thus further urge employees to take the decision of reporting in cases of fraud. Based on that, the third hypothesis is as follows:

H3 : Education positively influences civil servants to do whistleblowing.

The Effect of Whistleblowing Channels' Moderation On The Correlation Between Personal Cost And Intention To Do Whistleblowing Action

The theory of utilitarian ethics states that individual willing to conduct a political act will thoroughly evaluate the possibilities in order to avoid any fatal consequences towards themselves and all those related (Cavanagh et al., 1981). One of the alternatives which must be put into consideration are the reporting channels (Park et al., 2008). The reporting channels must provides maximum benefit and minimum risks (Hakim, 2017).

Retaliation is a factor that has a correlation with the intention to report fraud (Mesmer-

Magnus & Viswesvaran, 2005). Not all people in an organization would deem whistleblowing as an act of heroism; some would see as traitors (Hersh, 2002). Andrade (2015) even went on to say that most individuals in an organization consider employees who blow the whistle as people who are disloyal towards the organization.

Near and Miceli (2016) states that retaliation tends to correlate with lack of support from the managers or the working culture of the organization itself. As a consequence, individuals who find themselves facing this issue would report a fraud only if he or she is able to determine that a reporting channel is able to protect him or herself from possible retaliation. Conversely, a person would tend to remain quiet if he or she observes that the available reporting channels are not profitable enough to him/her in avoiding retaliation.

Gao et al. (2015) found that reporting channels can serve as moderation variables. Miceli and Near (1985) also Ayers and Kaplan (2005) in their studies have found that whistleblowers prefer to pursue an anonymous reporting channels, as they are seen to offer a greater assurance of security. People tend to report a fraud if they can correctly choose a reporting venue that minimizes the risk of retaliation directed towards them. Conversely, a person would tend to stay quiet if he or she observes that the available reporting channels cannot sufficiently reduce the possibility of retaliation. Based on this, hypotheses four can be stated as follows:

H4 : Reporting channels moderates the effect of personal cost on the intention of civil servants to do whistleblowing action.

Figure 1 illustrates the research model.

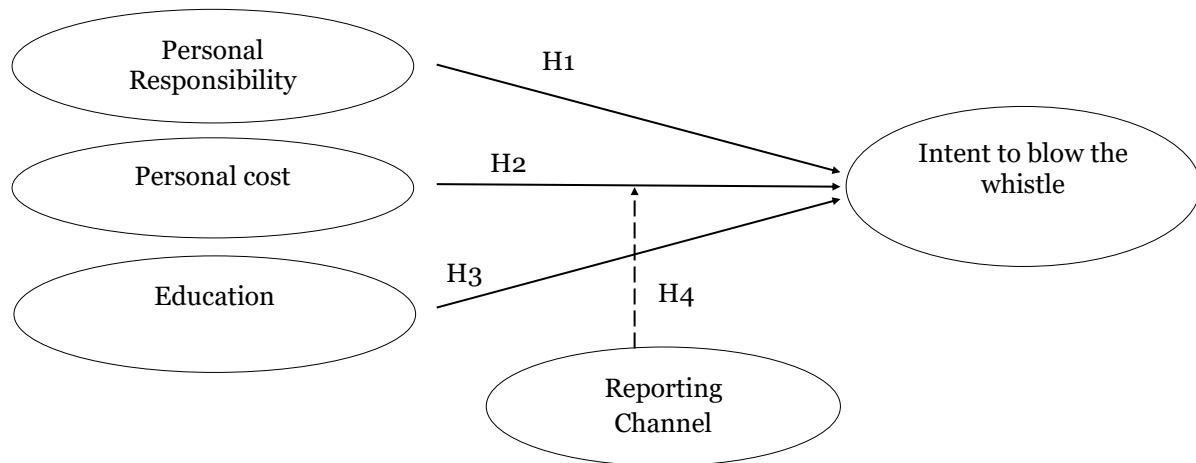


Figure 1. Research Model
Source: Author's analysis

RESEARCH METHOD

This study is a quantitative research. A quantitative approach is used to test a theory by measuring variables using figures and analyzed using statistics.

Research Population And Sample

This study selects civil servants employed at the Local Government Agencies (Organisasi Perangkat Daerah - OPD) in the Banjarmasin Municipal Government as the research object and respondents. This selection is based on the grounds that: (1) based on the 2016 ACFE survey, the government is the sector most adversely affected by corruption; (2) the Banjarmasin Municipal Government is intensively solidifying the role of whistleblowers in identifying violations occurring within the Banjarmasin municipal government, as evidenced by the launching of a whistleblowing system application on the official website of the Banjarmasin government in 2016; and (3) data from the National Civil Service Agency (Badan Kepegawaian Nasional - BKN) obtained by KPK, the Indonesian anti-corruption body in 2018, shows that Banjarmasin is among the 14 municipalities that have the most civil servants involved in corruption.

The population of this study are 155 civil servants working within the financial units of the local government agencies and 23 civil servants in the Procurement Service Unit (ULP) working groups under the Banjarmasin municipal government. The selection of the financial units and ULP working groups was based on the fact that the financial and procurement units are two of the three administration areas that are most targeted for fraud (ACFE, 2016).

Selection of samples for this study employs a census or saturated sampling method, namely the use of all population as research sample. The reason is that the authors found it difficult to determine a definite quantity and valid population. However, during preliminary observation, the author received information that each of the local government units has on average 1 to 3 people working there, although some of these units is staffed by more than three people. As such, the author assumed that 40 local government units have civil servants working in the financial department and an additional 40 to 143 (23 people of ULP working group). Taking into account the opinion of Arikunto (2012), if the author finds that the quantity of research population may be less than 100, then preferably the sample is taken from the entire number of population. This measure

was also influenced by the challenge found during earlier researches in collecting data, namely low response rate, while the author desires a high response rate to mitigate questionnaires that are unusable for the purpose of the research, such as due to not being filled out completely.

Data used in the quantitative approach of this study is primary data collected through questionnaires filled out by respondents. The data were collected using a survey technique using a self-administered method, whereby questionnaires were distributed directly to the respondents preceded by instructions on how to fill out the questionnaires (Hartono & Abdillah, 2015). The data collection process occurred over a period from 21 June to 3 August 2018.

Operating Definition And Measurement of Variable

Intention on whistleblowing is defined as a person's tendency to be actually involved directly in the act of whistleblowing (Chiu, 2002). The measurement of the variable refers to the research by Septianti (2013) and Hakim (2017). The measuring of this variable uses three types of occupation fraud hypothetical cases developed by Septianti (2013) and adapted to the Indonesian context. Indicator of this variable is the likelihood of reporting financial fraud relating to reimbursement, bribery and corruption. The variable is observed by looking at the scores obtained from respondents relating to the probability of their involvement in whistleblowing of the three hypothetical cases.

Personal responsibility is defined as the psychological condition of a sense of responsibility to respond to principal problems related to work, social responsibility and severity of the problem (Graham, 1986). The measuring of this variable uses three types of occupational fraud hypothetical cases deve-

loped by Septianti (2013) and adapted to the Indonesian context. Indicators for this variable are the different roles within an organization, namely treasury, senior staff at a goods/service procurement service unit, and senior internal audit staff. The variable is observed by looking at scores obtained from respondents relating to different roles within the organizations in the three hypothetical cases.

Personal cost is defined as a response received by an individual following implementation of an action (Graham, 1986). The measuring of this variable uses three types of occupational fraud hypothetical cases developed by Septianti (2013) and adapted to the Indonesian context. Indicators for this variable are retaliation in the form of postponement of promotion, removal from a goods/service procurement unit, and threats of termination of employment or put in jail. The variables are observed by looking at the scores obtained from respondents relating to the severity of these three kinds of retaliation in the three hypothetical cases.

Education is a process by which knowledge, know-how, behavior, values, belief, emotion and feeling is acquired (Jarvis et al., 2003). The measurement of this variable uses an instrument developed by Cho and Song (2015). The variable has three indicators to facilitate measurement, namely knowledge of the purpose of internal control (inspectorate), availability of anonymous reporting channel, and rights as whistleblower.

Reporting channels are a range of alternative means to file reports by which a potential whistleblower can file a report on fraud (Park et al., 2008). The measurement of this variable refers to the research conducted by Park et al. (2008) that has been modified to conform to the Indonesian context by Hakim (2017). The authors also further modified the

variable to suit the context of a municipal government. Reporting channels in this study is reporting channel that is implemented internally and anonymous in Local Government Agencies of the Banjarmasin Municipal Government. Internal reporting channel includes structural reporting channel such as superior, chief executive, and inspectorate. Anonymous reporting channels includes reporting channels via whistleblowing system which is implemented on Banjarmasin Municipal Government website that enables reporting using pseudonym and anonymous.

Data Analysis Techniques

The quantitative data analysis technique used in this study is the Partial Least Square (PLS) technique aided by the SmartPLS 3.0 program software. Reasons behind the use of the PLS method are because (1) the method is ideal for testing the predictive effect of the correlation among latent variables within the model; (2) PLS may be applied to data not distributed normally and the samples need not to be large; and (3) the results remain solid despite the occasional abnormal and missing data. Data analysis is done by: (1) observing and analyzing outer model feasibility; and (2) interpreting inner model data analysis results.

Hypothesis test is done by observing path coefficient scores with 5% significance. For hypothesis H1 to H3, if the t-statistic rates are >1.64 with the coefficient direction in line with the expected direction then the hypothesis is accepted, but if it is proven otherwise then the hypothesis is rejected. For hypothesis H4 with moderated variables, if the t-statistic rate is >1.96 , then the hypothesis is accepted, but if it is proven otherwise then the hypothesis is rejected.

RESULT AND DISCUSSION

Data on respondents' profile, which includes sex, age, last education and length of service as civil servant, are presented in table 1. Table 1 shows that respondents who are female civil servants predominates, compared to their male counterparts. The above table also shows percentage by age of the respondents. Respondents older than 40 years old predominates. This demonstrates that the majority of respondents of the research working in the financial department and ULP working group are people of mature age.

Respondent participation by last education is predominated by those with Bachelor education (S1), followed by respondents with Diploma 3, high school, and Master degrees. There are no participants with a Doctoral degree in this study. Based on such composition, it can be concluded that bachelor degree holders predominates civil servants. Respondents of this study is predominated by people who have served as civil servants for more than 12 years, followed by those who served for 7-9 years.

The study conducts an outer model test prior to testing its hypotheses. The outer model test employs a convergent validity test, discriminant validity test and reliability test. Result of the test as presented in table 2 shows that the model has passed these various tests. The parameter used in the convergent validity test is a required factor loading value of greater than 0.7, AVE value of greater than 0.5, and communality value of greater than 0.5 (Hartono & Abdillah, 2015). However, Sholihin and Ratmono (2013) states that indicators that have a factor loading value of less than 0.4 must be removed from the model, while indicators with factor loading value between 0.4 and 0.7 are still acceptable.

Table 1. Classification of Respondents' Profile

No	Criteria	Description	Number of Respondents	Percentage (%)
1	Sex	Male	35	33.65
		Female	66	63.47
		Not specified	3	2.88
	Total		104	
2	Age	20-25 years old	0	0
		26-30 years old	8	7.69
		31-35 years old	34	32.69
		36-40 years old	21	20.19
		>40 years old	39	37.5
		Not specified	2	1.93
Total		104		
3	Last Education	Doctoral	0	0
		Master	8	7.69
		Bachelor	42	40.38
		Diploma 3	22	21.15
		High school	14	13.46
		Not specified	18	17.32
Total		104		
4	Length of Service as Civil Servant	1-3 years	1	0.96
		4-6 years	3	2.88
		7-9 years	39	37.5
		10-12 years	15	14.42
		>12 years	44	42.31
		Not specified	2	1.92
Total		104		

Source: Author's data processing and analysis

Table 2. Result of Convergent Validity Test

Variable	Indicators	Factor Loading	AVE	Communality	Description
Education on Whistleblowing (EW)	EW 1	0.780	0.678	0.678	Valid
	EW 2	0.813			Valid
	EW 3	0.874			Valid
Whistleblowing Channel (WGC)	WGC 1	0.832	0.549	0.549	Valid
	WGC 2	0.851			Valid
	WGC 3	0.776			Valid
	WGC 4	0.420			Valid

Source: Author's data processing and analysis

Next, the authors conducts a discriminant validity test, the output of which is presented in table 3. A construct is deemed to pass the discriminant test if the cross loading value is greater than 0.7 in one variable. Meanwhile, indicators that have a value between 0.4 and 0.7 can still be accepted (Hartono & Abdillah, 2015). In table 3, all of the indicators that have passed the discriminant validity test are shown.

The authors then tested the validity of formative construct. The parameter used to assess the validity of formative construct is VIF value < 2,5 (Sholihin & Ratmono, 2013). Result of the formative construct validity test in table 4 shows that all of the constructs have passed the test.

Table 3. Result of Discriminant Validity Test

Variable	EW	WGC	Description
EW1	0.780	0.449	Valid
EW2	0.813	0.467	Valid
EW3	0.874	0.386	Valid
WGC1	0.445	0.832	Valid
WGC2	0.500	0.851	Valid
WGC3	0.241	0.776	Valid
WGC4	0.308	0.420	Valid

Source: Author's data processing and analysis

Further, the reliability test is also performed to establish consistency of the measurement tool in measuring a concept (Hartono & Abdillah, 2015). The reliability test is done by examining two parameters, namely the Cronbach's alpha and composite reliability values. The rule applied based upon the statement of Hair et al. (2008) in Hartono and Abdillah (2015) is that the value of Cronbach's alpha or composite reliability is greater than 0.7. A Cronbach's alpha and composite reliability value of 0.6 is also still acceptable. Result of the reliability test is presented in table 5.

As shown in table 5, Cronbach's Alpha and composite reliability value is above 0.7. As

Table 4. Result of Formative Construct Validity Test

Variabel	Indica-tor	VIF	Descrip-tion
Personal Responsibility (TP)	TP 1	1,238	Valid
	TP 2	1,853	Valid
	TP 3	1,713	Valid
Personal Cost (PC)	PC 1	1,293	Valid
	PC 2	1,301	Valid
	PC 3	1,129	Valid
Intention to Blow the Whistle (NW)	NW 1	1,207	Valid
	NW 2	1,305	Valid
	NW 3	1,230	Valid

Source: Author's data processing and analysis

Table 5. Result of Reliability Test

Variable	Composite Reliability	Cronbach's Alpha	Remarks
EW	0,863	0,775	Reliable
WGC	0,821	0,768	Reliable

Source: Author's data processing and analysis

such, it can be concluded that the whole construct used in this study has passed the reliability test.

The author then conducted the hypotheses test. The test is done using a path coefficient score with 5% significance. For the H1 to H3 hypothesis, if t-statistics value > 1.64 and coefficient direction is in line with the predetermined direction, then the hypothesis is accepted. If otherwise, the hypothesis is rejected. For hypothesis H4, if t-statistics value > 1.96, the hypothesis is accepted. A summary of the result of the hypothesis test is presented in table 6.

Based on table 6, the construct of personal responsibility affects positively to the intention of whistleblowing. Beta (β) value is positive at 0.566 and t-statistics value of personal responsibility construct on the inten-

Table 6. Result of Hypothesis Testing

Hypothesis	Construct	Original Sampel	T-statistic	Decision
H1	TP → NW	0.566	5.398	Accepted
H2	PC → NW	0.112	1.139	Rejected
H3	EW → NW	0.060	0.448	Rejected
H4	WGC*PC → NW	-0.033	0.620	Rejected

Source: Author's data processing and analysis

tion to blow the whistle is 5.398 or >1.64 . Given such result, hypothesis 1 is accepted; personal responsibility does have a positive influence on the intent to do whistleblowing action. Personal cost construct has a negative effect on whistleblowing. Beta (β) value is positive at 0.112 and T-statistics value of the personal cost construct on the intention to blow the whistle is 1.139 or <1.64 . Given such result, hypothesis 2 is rejected; personal cost does not have an effect on the intention to do whistleblowing.

In line with the personal cost construct, the test result shows that the construct of education on whistleblowing has a positive effect on the intention to do whistleblowing. Based on table 6, it can be seen that beta (β) value is positive at 0.060 and t-statistic value of whistleblowing education construct is 0.448 or <1.64 and therefore hypothesis 3 is rejected. The result establishes that education on whistleblowing does not have an effect on the intention to blow the whistle.

Table 6 shows that beta (β) value is negative at -0.033 and t-statistic value is 0.620 or <1.96 . Based on the result, hypothesis 4 is rejected; reporting channel cannot moderate the influence of personal cost on the intention to blow the whistle.

Personal Responsibility Has A Positive Effect On The Intention To Do Whistleblowing

The variable of personal responsibility is empirically proven to positively affect the intention of civil servants to do whistleblow-

ing. Result from this research is consistent with earlier researches by Curtis (2006), Robinson et al. (2012) and Alleyne et al. (2017). This indicates that personal responsibility is a factor that a person considers before blowing the whistle. The finding of this study supports the prosocial theory, which states that whistleblowing is a prosocial action that is a person's effort to help others accompanied by certain considerations.

Miceli et al. (2008) states that the possible diffusion effect of responsibility does not exist in whistleblowing cases. This is due to the fact that potential whistleblowers are not outsiders. They have sufficient time to consider the situation. This study indicates that civil servants working in the financial department of Banjarmasin Municipal Government Agencies and procurement working groups would be prone to do whistleblowing as they have a notion that they have a personal responsibility to contribute in the prevention of fraud in their working environment.

Personal Cost Does Not Effect The Intention To Do Whistleblowing

The personal cost variable is empirically proven to have no effect on a civil servant's intention to do whistleblowing. This means that personal cost is not a consideration for a potential whistleblower to report fraud. This finding does not accommodate the prosocial theory which states that a person essentially supports social interest, oftentimes with certain considerations including the benefit

and risks, or which can also be referred to personal cost (Schultz et al., 1993).

Result of this study shows inconsistency with the research by Park et al. (2005), which found that personal cost is not an aspect considered when reporting a fraud. Park et al. (2005) assumes that based on the condition of the South Korean Government renowned for its corruption, civil servants who are respondents of the research would feel that retaliation targeted towards whistleblowers would be certain. As such, civil servants would tend to stay quiet as a result of having such view.

The author argues that social influence is large enough in framing a civil servant's behavior. This has been proven in the result of research conducted by Latan et al. (2018), which found that social group norms in Indonesia is still strong and thus affects the intention to do whistleblowing. Alleyne et al. (2013) states that the extent to which a person adopts a certain behavior depends on the inherent norms of the group where such person lives. This concept is founded upon the context of ethical decision making relating to subjective norms introduced by Ajzen (1991). Social influences such as group norms may shape a person's perception of the severity of the violation being observed (Hooks et al., 1994) as it is capable of conveying a logic thought whether or not to blow the whistle.

Additionally, power distance that probably remains high within government organizations have contributed to this inconsistency of result. Hofstede (1980) sets forth that power distance imply inequality. Research conducted by The Hofstede-Insights (2018) found that Indonesia still scores high in terms of power distance.

Tsui and Windsor (2001) states that the higher the power distance is in a country, the

higher the tolerance level to unethical business practices. Power distance makes it necessary for certain boundaries to be applied in dealing with the public, including within the organization. Referring to the organizational context, subordinates tend to readily obey orders from a superior despite wanting to refuse. This is also believed to occur in the whistleblowing context. Terzi (2011) finds that whistleblowing is an action seldom adopted in environments where power distance is high. This is due to the fact that whistleblowing can create tension within the organization (Mitchell & Sikka, 2004). Alleyne et al. (2013) stipulates that society with a high power distance tend to value a person based on wealth, status and power, even if such attributes are gained through actions that are not ethical. This is often used by civil servants to justify their tolerance of fraud and lack of courage to report fraudulent acts.

Education Does Not Effect on Intention To Do Whistleblowing

Education on whistleblowing has no effect on the intention of a civil servant to report fraud. Those research result is not consistent with an earlier study conducted by Cho and Song (2015), which states that the existence of education on whistleblowing is believed to be able to increase a person's tendencies to do whistleblowing. Result of this research does not support the social learning theory, which supposes that a person learns through observation and direct experience, which ultimately would affect their behavior.

The gap between the result of this research and the earlier studies is also indicated to be the caused by the fact that education relating to whistleblowing, whether with regard to the urgency to become a whistleblower, whistleblowing system, recognition given to whistleblowers, until the probability to follow up from fraud reported is still low.

The argument is sustained by descriptive statistical evidence (in Appendix 1), showing that almost half of the respondents are still doubtful and only somewhat agree that the organization where they work provides education to civil servants the presence of anonymous reporting channel. This might serve as one of several factors that render education still unable to positively affect a civil servant's intention to do whistleblowing.

Young (2017) tested the influence of the presence of education as represented by persuasive messages to bring a change of behavior among individuals from remaining passive to having the courage to do whistleblowing. Result of such research shows that persuasive messages are indeed capable of changing the behavior of individuals from being an observer to become a whistleblower. However, this condition is prominent only among employees who are familiar with non-ethical, improper, or even fraudulent conduct in the organization.

Considerations and assessment of personal factors of the individuals within an organization prior to education should also be taken into account in efforts to encourage these individuals to do whistleblowing. This is because organizations play an urgent role in framing belief and developing resilience of their employees to commit to doing what they consider as morally right (Sekerka, Bagozzi & Charnigo, 2009). Mannion and Davis (2015) states that it would be very naïve to assume that all potential whistleblowers need to be fully motivated only with a matter of conscience. Many of them may also be motivated by personal perception problem, such as work related grievances and personality conflicts. This emphasizes that understanding the characteristics of individuals in organizations is an aspect that needs to be prioritized in understanding the reasons that drive

individuals to be willing to report fraud before focusing on education in general.

Reporting Channel Does Not Moderate The Influence of Personal Cost On Intention To Do Whistleblowing

Result from the testing of the moderation effect of reporting channel shows that reporting channel is not capable of moderating personal cost on the intention to do whistleblowing. The result of the present research differs from that of an earlier study by Gao et al. (2015), which stipulated that reporting channel is able to serve as a predictor variable of moderation. The result is also inconsistent with the theory of utilitarian ethics, which states that a person who desires to undertake political action such as whistleblowing will be seriously evaluating the best choices to be able to avoid fatal consequences for him or herself or any related party.

Kaplan et al. (2012) conducted a research relating to the effect of reporting channel in enhancing intention to report fraud. Kaplan et al. (2012) found that availability of internal reporting channels may augment an intention to report fraud relatively if compared to the treatment received previously by the whistleblower only if experience shows that there is no retaliation directed towards the whistleblower. This means that a bad experience of a whistleblower in the past will serve as a restraint to a potential whistleblower's effort to report a fraud, thus reporting channel has no effect in weakening the effect of personal cost within a whistleblower.

Hakim (2017) also proved that reporting channel is not capable of moderating the influence of personal cost on the intention of tax office employees to report fraud. This is due to the fact that rules on whistleblowing that apply at the Directorate General of Tax

lacks elaboration in explaining the level of security and certainty on follow up actions. This lack of information would ultimately prevent the obtainment of a full understanding by the respondents of the characteristics of the available reporting channels.

Berry (2004) states that there are other factors that influences the decision made by a potential whistleblower to report fraud in addition to the availability of reporting channel, both of which still have some significant risks. The presence of a staff rotation system in the government is believed to be another reason why reporting channels do not serve to moderate the effect of personal cost on the intention to do whistleblowing. Staff rotation is regulated by Government Regulation Number 11 of 2017 on Civil Service Management as a means to acquire a dynamic workforce in terms of talent mapping, succession and career planning. However, the staff rotation system has had a boomerang effect as civil servants assume that there is a high probability that he or she will have to work with the person whom they have reported. If the perpetrator being reported is a current coworker within the same regional government agency, there is a possibility that that person will at some point in the future become a supervisor or occupies an important function within another unit (such as the Inspectorate) and may obstruct the whistleblower's work as part of retaliation. As such, personal cost is deemed to be an unavoidable consequence if one intends to report a fraud within the government (Park et al., 2005).

Consistent with the descriptive statistics (Appendix 2), lack of information relating to the available whistleblowing channel, such as on safety assurances and possible follow up action taken, has been the cause for civil servant not receiving adequate information to make informed decisions in using the

reporting/whistleblowing channel to report fraud. Result of the descriptive statistics of the anonymous whistleblowing channel indicator is also low. This shows that available whistleblowing channels is still not capable of strengthening civil servants' intention to report fraud. Indeed, thus far the reality is that elaboration of the relevant regulations into the technical details of the fraud reporting system, both the internal and the anonymous systems, is yet to be intensively conducted to civil servants in Banjarmasin Municipal.

Nayir and Herzig (2012) affirms that one should not forget that whistleblowing is complex action and involves a process. Available whistleblowing channels cannot serve as a sole stimulus without taking into account other aspects. Karatuna and Basol (2018) states that the process can be mediated by establishing satisfaction in communication between subordinates and supervisors, thus ultimately achieving synergy. This finding shows that civil servants have evaluated that the whistleblowing channel applied in the Banjarmasin municipal government, both through its internal as well as anonymous reporting systems, is still not able to reduce risks that arise to an individual when reporting fraud.

CONCLUSION

Based on the results generated by this study, it can be concluded that personal responsibility is an aspect taken into consideration by the civil servants of the Banjarmasin Municipal Government before reporting a fraud. When a civil servant realizes that whistleblowing is a personal responsibility, he or she will be more motivated to undertake such course of action. In addition, personal cost is a factor

that is not taken into account by respondents when they intend to report fraud. This is due to the existence of the effect of social norms that can alter a civil servant's view point with regard to whistleblowing, and the tendency of civil servants to play it safe and obey their supervisors (power distance).

Education has not been able to affect the intention of civil servants to report fraud. This is suspected of being caused by the lack of education and dissemination. Whistle-blowing channel is also unable to moderate the effect of personal cost on the intention to do whistleblowing. The staff rotation system adopted by the government give rise to the perception of assured retaliation as a result of the whistleblowing action, and thus even when an anonymous reporting channel has been established, civil servants would tend to remain quiet.

The study is limited in terms of response rate, which has been less optimal that expected by the authors in order to cover all respondents through a census method (saturated sampling). The further authors need to consider the most appropriate time for the research, particularly as the research studied objects that have similar characteristics. The research further also can improve the research models by considering the addition of other variables that are believed to influence a person's intention to do whistleblowing, such as type of personality, religiosity, or commitment of the organization. The study is also impeded in its quantitative approach. The further research can implement a qualitative approach using questionnaires containing open-ended questions or interviews to explore in more detail the reasons for a civil servant to engage or not to engage in whistleblowing activity.

The study indicates a theoretical implication that the application of the prosocial theory

has been proven in this study, while studies on social learning and utilitarian ethics theories needs to be repeated. The result provides a description of the factors that affect civil servants' intention to blow the whistle. In terms of practice, findings from this study implies that a civil servant should well understand his or her role in safeguarding the organization from fraud that can have a detrimental effect. Civil servants are expected to maintain their commitment to be continually aware of their environment, especially relating to actions that may constitute fraud.

The result of this study can serve as consideration for the government, both at the national and local level, to increasingly promote policies that can enhance government employee's intention to report fraud. This study shows that the role of personal responsibility of civil servant to prevent fraud is a driving force for whistleblowing. This means that the emphasis of a civil servant's role within the organization should not only be confined to the fulfillment of his or her normal work but also in preventing fraud is important to be applied. This can be manifested through intensive dissemination and the design of a whistleblowing program that take into account the definition of civil servants' responsibilities at the work place.

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(Badan Kesatuan Bangsa dan Politik) that has assisted in the administrative process and directed the author to the desired respondents, (2) respondents of the research, who are civil servants of the financial department of all regional government units and Procurement Services Units (ULP) within the Banjarmasin Municipal Government, who have set aside time to complete the questionnaire, and (3) other persons whom the author cannot individually mention.

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APPENDICES

Appendix 1. Descriptive Statistics of Education Variable on Whistleblowing

Item	Frequency of Answers							Mean	Deviation Standard
	STS (1)	TS (2)	ATS (3)	N (4)	AS (5)	S (6)	SS (7)		
EW1	0	0	0	5,77	20,19	60,58	13,46	5,82	0,73
EW2	0	0	0	17,31	31,73	39,42	11,53	5,45	0,91
EW3	0	2,88	2,88	14,42	25	39,42	15,38	5,41	1,17

Source: Author's data processing and analysis

Appendix 2. Descriptive Statistics of Reporting Channel Variable

Item	Frequency of Answers							Mean	Deviation Standard
	STS (1)	TS (2)	ATS (3)	N (4)	AS (5)	S (6)	SS (7)		
SP1	0	0	0	15,38	30,77	47,11	6,73	5,45	0,83
SP2	0	0	0	5,77	21,15	56,73	16,35	5,83	0,76
SP3	0	0	0,96	4,81	26,92	50	17,31	5,78	0,82
SP4	0	2,88	10,57	24,04	19,23	29,80	13,46	5,03	1,33
SP5	0	0	10,57	24,04	20,19	28,84	16,35	5,16	1,26

Source: Author's data processing and analysis





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SELF-EFFICACY AND CONTROLLABILITY AS WHISTLEBLOWING INTENTION PREDICTORS OF FINANCIAL MANAGERS IN EDUCATIONAL INSTITUTIONS

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ABSTRACT

Whistleblowing policy is considered as an effective technique in an investigation audit that is useful for the organization to avoid losses due to fraud. However, employees who intend to report fraud encounter ethical dilemma. Whistleblowing is a behavior that respects honesty, but is also a behavior that can possibly compromise organizational loyalty. The objective of this study is to analyze factors influencing whistleblowing intention of financial managers in school organization by understanding the action based on decomposed theory of planned behavior (DTPB). Data were collected through questionnaires that were distributed to financial managers of school organizations, particularly principals, vice-principals, administration heads, treasurers, and financial administration employees of public senior high schools, vocational high schools, and Islamic high schools in Malang City. Study population comprised of 214 persons. Response rate was 89.72%, or there were 192 questionnaires that were duly completed. The analysis method employed was multiple regression. Two independent variables were observed in this study, namely self-efficacy and controllability, while only one dependent variable was examined, namely whistleblowing intention. Result of the study shows that self-efficacy and controllability have positive effect on whistleblowing intention, entailing that whistleblowing intention of employees will increase when they possess self-confidence and strong intention to conduct whistleblowing.

KEYWORDS:

self efficacy; controllability; whistleblowing intention

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INTRODUCTION

Potential abuse in financial management may arise in any organization, and educational institutions are not exempt. The Association of Certified Fraud Examiners (ACFE), an anti-fraud organization, disclosed in its Report to the Nation that education ranks sixth among the 23 sectors in terms of sectors with the most corruption cases, with 132 cases occurring in 2016. Of the 132 cases 34.1% involved billing, 13.6% involved cash larceny, 17.4% involved cash on hand, 7.6% were cases of check tampering, 31.8% were cases corruption, 15.9% involved expense reimbursement, 5.3% were financial statement frauds, 17.4% were non-cash cases, 7.6% were payroll cases, 1.5% register disbursement cases, and 25% skimming cases.

Fraud in financial management remain frequently occurring in Indonesia's education sector. Indonesia Corruption Watch (ICW), a non-governmental organization dedicating itself to monitor and report to the public corruption cases occurring in the country, reports that schools are educational institutions that are particularly prone to corruption. In the period between 2005 and 2016

there were 93 cases where education budget was abused by schools (CNN Indonesia, 2016). Loss incurred due to corruption in schools within such time span was as high as 136 billion Rupiah, with 65 principals and 27 school treasurers being named as suspects in graft probes (Koran Jakarta, 2018).

Lembaga Pendidikan and Pemberdayaan Kepala Sekolah (LPPKS) or the Indonesian Education and School Principal Empowerment Institution, of the Ministry of Education and Culture stated that there are three types of problem that often arises in a school's financial management. These problems include financial abuse by schools for self-enrichment, or what is known as corruption, significantly manipulated school financial reports, and improper spending of budgets, such as the misappropriation of funds intended for the procurement of books by the school manager (LPPKS, 2013). The top ten cases of corruption by object of corruption are presented in table 1. The object most targeted for corruption are funds intended for rehabilitation and procurement of school facilities and infrastructure or *madrasah* (Islamic boarding schools). This is due to the significant size of the funds for such procurement, thus providing greater opportunities

Table 1. Corruption in Education by Object of Corruption

No.	Object of Corruption (Top 10)	Number of Cases	State's Losses (Billions)
1.	School/madrasah rehabilitation funds and facilities/ infrastructure procurement	47	115.9
2.	School/madrasah operating funds	33	12.8
3.	Teacher salary/benefits	12	11.0
4.	School/madrasah construction/deconstruction	12	10.9
5.	School book/lesson books funds	10	43.3
6.	Block grants	5	7.2
7.	Scholarship funds	5	3.5
8.	Higher education operating funds	2	6.4
9.	Sub-national education funds (Porseni, teachers training)	2	2.7
10.	Salary taxes and teachers benefits	1	23.0

Source: Handayani (2009)

for the offence to be committed (Handayani, 2009).

One issue or impediment in the effort to eradicate corruption in the education sector is that it is not easy to uncover instances of fraud in the financial management of education institutions. According to ICW's Public Service Monitoring Division Coordinator, corruption in schools is systemic. Corruption in school not only benefit the teachers and the school; there are many who stand to gain by concealing such practice. A hurdle that stems from the school's internals is its poor budgetary management (Indonesia Corruption Watch, 2010).

An effective means by which to uncover illegal activities within the organization is whistleblowing by staff members. Crook (2000) defines whistleblowing as an action by a staff member who discloses his/her concern relating to fraud, illegal conduct, or other unethical behaviour to a party outside the organization for reasons that prevent him/her from disclosing the issue internally. The National Committee for Governance Policies, or Komite Nasional Kebijakan *Governance* (KNKG), defines whistleblowing as a disclosure of an offense or an unlawful, unethical/immoral act, or other type of conduct that may adversely affect the organization or other stakeholders, committed by an employee or management of the organizations, to the organization's management or other institutions that can take action against the offense. The disclosure is usually made in confidence (Tuanakotta, 2010). Crook (2000) states that some fraud cases are able to be discovered through whistleblowing, as also stated by Suryono and Chariri (2016), who report that early detection of fraud will be more effective if the entity adopts a whistleblowing mechanism. Whistleblowing is an internal control mechanism to prevent violations within the organization and therefore plays a crucial role in encouraging any staff member who have knowledge of a fraud be-

ing committed within the organization to disclose such offence (Zakaria, 2015).

Even though whistleblowing is seen as an effective tool in uncovering fraud within an organization, whistleblowing inherently gives rise to a dilemma. On the one hand, whistleblowing is an action that upholds honesty, but on the other hand it is conduct that can be considered as a disloyalty towards one's organization (Waytz et al., 2013). Some whistleblowing would be deemed as heroes, while others may have to face retaliation from their community, as whistleblowing is considered as a form of treachery (Waytz et al., 2013).

A whistleblower can become a target of retaliation from the organization's management, especially when the allegation that they communicate is found to be substantiated (Rothschild & Miethe, 1999). A survey of 233 whistleblowers in the United Kingdom and the United states found that 84% of them lost their jobs within three months after they have exposed the occurrence of fraud within their organizations (Crook, 2000). Most of the whistleblowers had to endure adverse situations as a result of their action, namely retaliation, being shot at, duress and, oftentimes ostracism (Waytz et al., 2013). Not infrequently, whistleblowers who have brought the organization's deficiencies into light would have to deal with the resentment of their managers and would instead be made as the scapegoat and may have to bear the blame (Rothschild & Miethe, 1999). A research conducted by Rothschild and Miethe (1999) has found that among the acts of retaliation suffered by whistleblowers from their supervisors or colleagues include loss of employment or forced retirement, receiving negative performance reviews, more severe scrutiny of their work by their supervisor, criticism from or avoidance by their peers, and blacklisted from receiving other tasks within their area of work. Another effect usually suffered by a whistleblower is severe

depression or anxiety (84%), feeling of isolation (84%), distrust of others (78%), deterioration of physical health (69%), significant downturn of financial condition (66%), and relationship issues with family (53%) (Rothschild & Miethe, 1999).

Given the fear for their personal safety and the safety of their family members and other kinds of risks faced by whistleblowers if they were to disclose fraud that occur at their workplace, the organization or agency would miss out on vital information that would otherwise allow the fraud to be discovered. Whistleblowing can be a dangerous endeavor for an employee who may be aware of a fraud, corruption, or illegal practice. They often fail to raise their concern of their workplace. An independent survey of 4,000 workers shows that 33% of the respondents have witnessed unethical conduct committed in their organization, 56% have heard of people lying to their supervisors, 41% have observed falsification in accounting, 35% have witnessed theft, and 31% have seen drug and alcohol abuse. However, 54% of employees who were aware of such malpractices did not make any report due to fear of reprisal (Crook, 2000).

With the dilemma faced by whistleblowers, it is important for an organization to establish a whistleblowing policy to gain an understanding of the factors that may affect the intention of its members to become whistleblowers. This should be achieved by referring to behavioral theories in order to ensure that the system and policies formulated can run effectively. A number of experts have developed useful behavioral theories to explain the actions and behavior of individuals along with their influencing factors, including a person's motivation to blow the whistle. A renowned figure in the development of behavioral theory in 1980 is Icek Ajzen known as the *theory of reasoned action* (TRA). TRA postulates that a behavior is created due to an individual's intention or

desire to adopt a conduct a behavior. Behavior is a real action that is carried out. According to TRA, such behavioral intention is determined by attitude towards behavior and subjective norms. Attitude is an evaluation of belief or affect that may be positive or negative of an individual when he or she has to perform a particular intended behavior. Meanwhile, subjective norm is the perception of a person towards social pressure (belief of others) that would affect the intention to perform or not to perform a behavior being contemplated (Jogiyanto, 2007).

Upon further development of the theory, Ajzen (1991) developed the TRA by adding a perceived behavioral control (PBC), as a determinant of the behavioral intent, into the model. Perceived behavioral control is defined as an individual's perception on the ease or difficulty by which to perform a behavior. Perceived behavioral control is reflected by past experiences and resource availability, such as funds, expertise, time, collaboration with other parties, and existing opportunities. According to Ajzen (1991), intention to manifest a behavior can be predicted with reasonably high accuracy through attitude toward behavior, subjective norms, and perceived behavior control. The more attracted attitude and subjective norm are towards a behavior, and the larger the perceived behavioral control, then the stronger a person's intention to perform the contemplated behavior. This theory developed by Aijzen (1991) is called the theory of planned behavior (TPB). The theory constitute an extension of TRA make up for the limitation of the original model with respect to behavior whereby a person has incomplete control over his or her intention. In other words, a person believes on the existence of factors that can drive or impede the performance of a behavior. As in the TRA, the central factor in TPB is the individual's intention to perform a certain behavior. Intention is assumed to be a motivational factor that influences behavior that indicates how hard a

person's effort is to perform a behavior (Ajzen, 1991). A person who believes that he or she does not possess the resources or opportunity to perform a behavior is in a condition that would not form a strong behavioral intention (Jogiyanto, 2007).

In 2002, Ajzen decomposed perceived behavioral control variable into two sub-variables, namely self-efficacy and perceived controllability. This theory is known as *decomposed theory of planned behavior* (DTPB). Self-efficacy, sometimes also referred to as belief in one's self, relates to the ease or difficulty by which to perform a behavior (Ajzen, 2002). On the other hand, controllability constitute the belief of other people that they have control over such behavior, i.e. the performance or non-performance of such behavior is reliant upon them (Ajzen, 2002).

Some researchers use variables that are existing within the DTPB to test factors that influence a person's intention to become a whistleblower. A number of researchers have studied the effect of self-efficacy on the intention to report a wrongdoing. Research conducted by Wei et al. (2016), Sharif (2015), MacNab and Worthley (2008), as well as Sama (2014) have found that self-efficacy has an impact on a person's intention to become a whistleblower. However, a study conducted by Hartono and Cahaya (2017) has found that self-efficacy shows no effect on the intention to blow the whistle. Hartono and Cahaya (2017), who observed civil servants working at the police office in the Special Region of Yogyakarta (DIY), argue that to address corruption, efforts should not only rely on one's personal capability, but should be undertaken collaboratively with the support of the entire society. Orhan and Ozyer (2016), who studied students in Turkey, opine that from a cultural perspective in Turkey, whistleblowing constitutes an objectionable action. A person with high self-efficacy would not seek to be involved in

whistleblowing, as such action would expose negative situation. Exposure of a negative occurrence within the company would bring about negative consequences.

Some researchers have also studied the effect of controllability on intention to blow the whistle, such as Curtis and Taylor (2009), Chiu (2002), Fitriyah and Nagara (2017), Ahmad (2011), Ghani (2013), and Ahmad et al. (2012). The study by Curtis and Taylor (2009) established that controllability has an effect on intention to blow the whistle. Findings from research by Chiu (2002) proves that controllability moderates the relationship between ethical evaluation and the intention to blow the whistle. Results from studies conducted by Fitriyah and Nagara (2017), Ahmad (2011), Ghani (2013), and Ahmad et al. (2012) find that controllability does not bear influence on the intention to blow the whistle. According to Ahmad et al. (2012), when a situation is not under the control of the person, this would not affect his or her decision whether or not to blow the whistle.

It was found in earlier studies that reports from studies are still not unanimous on this matter. A number of studies have successfully proven DTPB as a predictor of an individual's intention to blow the whistle, but other studies have found that DTPB cannot serve as such predictor. The present study aims to retest the variables embodied in DTPB, namely efficacy and controllability of intention to blow the whistle using financial managers in public high schools/Islamic high schools/vocational schools throughout Malang City, comprising of their principal, vice principal, head of administrative affairs department, school treasury, and financial administration staff as respondents.

In the management of their finances, schools adopt implements a separation of duties among the authorizer, chief accountant, and treasurer (Mulyasa, 2009). The authorizer is

the official conferred with the authority to exercise actions that generate income and expenditure of budget. The chief accountant is the official with the authority to test and instruct payment for any action carried out based on the affirmed authority. The principal plays a role in overseeing the schools finances and the authorizer, and is delegated with the functions of a chief accountant to instruct payment. The principal, however, is not allowed to undertake a treasurer's functions as he or she has the obligation to effect internal supervision (Mulyasa, 2009). Further, one responsibility of the head of the administration department pursuant to the Decrees of the Director General of Elementary and Secondary Education (Dirjen Dikdasmen) No. 260 and 261 of 1996 is to be accountable for the management of school finances. The treasurer is the official authorized to receive, maintain, and spend monies or other negotiable documents and are required to prepare calculations and accountability reports (Mulyasa, 2009). The primary duties of a school's treasurer under the LPPKS is to handle the schools financial administration including its routine financial affairs/UYHD (money that must be accounted for)/BOPS (School Library Operational Assistance), Dana BOS (School Operating Assistance Funds), school committee funds, and funds from other sources. The treasurer directly reports to the head of the administration department. The school's treasurer, aside from being assigned with treasury duties, is also assigned with the functions of a chief accountant to validate entitlement to payment (Mulyasa, 2009). With the organizational structure of large schools, the school's treasurer may be assisted by several financial staff members to ensure the effective management of the schools finances.

The present study takes as its research subject high schools and high school equivalents, as they are provided with more facilities compared to junior high schools and elementary schools or their equivalents, as sti-

pulated under Regulation of the Minister of Education Number 24 of 2007. This is consistent with the fact presented by Handayani (2009) that rehabilitation funds and facility and infrastructure budget of schools/Islamic boarding schools are objects that are most frequently targeted for corruption.

RESEARCH METHOD

Population and Sampling Methods

The population of the present research is the entire financial managers of schools, including the principal, vice principal, head of administration department, school treasurer, and financial administrators in public high schools, Islamic high schools, and vocational schools in Malang City, comprising of 214 respondents. All members of the population are used as samples.

The present research is a causal study, namely one which explains the presence or lack of influence from an independent variable on a dependent variable (Sekaran, 2013). The research elaborates the influences of independent variables, namely self-efficacy and controllability on a dependent variable, namely whistleblowing intention. Data used in this research are primary data derived from questionnaire responses.

Variables and Measuring of Variables

The present research features two independent variables, namely self-efficacy and controllability, and one dependent variable, which is the intention to uncover fraud or whistleblowing intention.

Belief in one's self or self-efficacy is defined as the ease or difficulty by which a person performs a behavior (Ajzen, 2002). The present research utilizes the variable of self-

efficacy based upon the concept put forward by Sharif (2015), MacNab and Worthley (2008), also Hsu and Chiu (2004). Measurement of self-efficacy as a variable indicator uses the five-point Likert-type scale, namely 'strongly disagree' (STS), 'disagree' (TS), 'neutral' (N), 'agree' (S), and 'strongly agree' (SS). The indicators established by Sharif (2015) are:

1. Ability to report fraud/violation.
2. Conviction that one is able to report fraud/violation despite advise from a friend to refrain from doing so.
3. Conviction that one can report fraud/violation despite being in a situation that impede people from doing so.
4. Conviction that one can report fraud/violation despite the management team is against such course of action.

The indicator according to the concept put forward by MacNab and Worthley (2008) is to figure out a solution when a problem arises. Indicators based on the concept of Hsu and Chiu (2004) are:

1. If there is willingness, reporting a violation (whistleblowing) is easy to do.
2. For me, reporting a violation (whistleblowing) is easy.
3. There are many things that create a conviction of one's ability to report a violation (whistleblowing).
4. Assumption that I am always able to report a violation (whistleblowing).
5. If it is up to myself, I am convinced that I will be able to report a violation (whistleblowing).
6. If one is willing to try, one would tend to be able to report a violation (whistleblowing) immediately.

Controllability involves people's belief that they have control over such behavior; that to

perform or not to perform a behavior is dependent on their will (Ajzen, 2002). The present research uses the variable of controllability based upon the concept of Curtis and Taylor (2009), Ahmad (2011), and Hsu and Chiu (2004). Measuring the variable indicator of controllability is by using the five-point Likert-type scale, namely 'strongly disagree' (STS), 'disagree' (TS), 'neutral' (N), 'agree' (S), and 'strongly agree' (SS). The indicators established by Curtis and Taylor (2009) are:

1. A work is something that is performed.
2. In various work, a person can achieve what they want to achieve.
3. If one knows what one wants to achieve from a work, that he or she can find work that provides what they want.
4. An employee that is not satisfied with the decision of the management would feel that they need to do something.
5. Finding a work that is desired is a matter of luck.
6. Many people are capable of doing their job if they are willing to put effort into it.
7. Promotion relates to luck.

Indicators according to Ahmad (2011) are:

1. Earning money is a matter of luck.
2. Many people are capable of performing their work if they are willing to try.
3. In order to get a good job, one needs to have a family member or friend holding a high position.
4. Promotion is given to employees with good work performance.

Indicators according to Hsu and Chiu (2004) are:

1. Large number of controls.
2. Full control.

3. It is up to one's self whether to control one's action.
4. A strong capability to control one's actions.
5. Very few events that cannot be controlled which impedes the carrying out of action.

The dependent variable presented in this study is *whistleblowing intention*. Intention is defined as a desire to perform a behavior, while behavior is an actual action performed (Jogiyanto, 2007). Therefore, whistleblowing intention is the intention to disclose fraud/violation within the organization to a person capable of exercising corrective actions with respect to such fraud/violation. The study uses the whistleblowing intention variable based on the concept put forward by Poespito (2017), Bagustianto and Nurkholis (2014), and Park and Blenkinsop (2009). The indicators according to Poespito (2017) are:

1. I feel proud when I am able to report a fraud/violation that I actually witness and is substantiated.
2. I am interested to become a person who is capable of reporting and proving a fraud/violation that I actually witness and is substantiated.
3. I want to be involved as a whistleblower, namely a person who will not stand for fraud and therefore wants to report such offense in order for the situation to be resolved.

Indicators according to Bagustianto and Nurkholis (2014) are:

1. The intention to blow the whistle.
2. The desire to try to blow the whistle.
3. A plan to blow the whistle.
4. Great effort to conduct internal whistleblowing.
5. Great effort to conduct external.

Indicators according to Park and Blenkinsop (2009) are:

1. Will report the violation to the responsible authority outside the organization.
2. Will use a reporting channel outside the organization.
3. Will inform an external agency regarding the fraud/violation.
4. Will inform the public regarding the fraud/violation.
5. Will report the fraud/violation to the appropriate person within the organization.
6. Will make use of the appropriate reporting channels for fraud/violation within the organization.
7. Will report the fraud/violation to upper management.
8. Will inform his/her direct supervisor regarding the fraud/violation.

The study employs multiple linear regression to identify the link between the independent variables and the dependent variable. The author conduct statistical analysis with the help of the SPSS statistics software version 24. The general model for the regression equation can be formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Note:

Y	=	Whistleblowing Intention
α	=	Constant
X1	=	Self Efficacy
X2	=	Controllability
ε	=	Error

The regression analysis performed would yield α and β values that would complement the regression model mathematical equation above. Prior to the analysis, a reliability and

validity test is conducted using the SPSS statistics software version 24.

- A variable is considered as reliable if it provides a value of Cronbach Alpha > 0.70 (Nunnally, 1994 in Ghazali, 2016).
- Validity test is performed using Confirmatory Factor Analysis (CFA). The Confirmatory Factor Analysis is used to test whether a variable has unidimensionality or whether the indicators used can conform a variable (Ghozali, 2016). The testing tool used to measure the extent of intercorrelation between the variables and whether or not a *Kaiser-Meyer-Olkin Measure of Sampling Adequacy* (KMO MSA) factor analysis can be performed. The expected value should be > 0,50.

Following the validity and reliability test, a regression analysis can be performed.

Classical Assumption Test

Following a multiple linear regression analysis is performed that yields a regression equation model, the next step would be to conduct a classical assumption test. The classical assumption test is aimed to provide a certainty that the regression equation obtained possess accuracy in its estimate, is not biased, and is consistent. Some classical assumption tests are as follows:

1. Multicollinearity Test

A multicollinearity test is intended to test whether in a regression model there is found a correlation among independent variables. A good regression model should lack any correlation between its independent variables (Ghozali, 2016). Multicollinearity can be seen from (1) tolerance and its opposite, and (2) variance inflation factor (VIF). Both of these measurements show which individual independent variable is explained by the other variables. In

simple terms, which individual independent variable is explained by the other independent variables. In simple terms, each independent variable becomes a dependent (bound) variable and digress from the other independent variable. *Tolerance* measures the variability of the selected independent variable that is not explained by the other independent variables. As such a low tolerance value means a high VIF value (as $VIF = 1/Tolerance$). The cutoff value generally used to indicate multicollinearity is the a value of tolerance of ≤ 0.10 or equal to a VIF value of ≥ 10 (Ghozali, 2016).

2. Heteroscedasticity test

Heteroscedasticity test has the purpose of testing whether in a regression model there is a variance inconsistency of the residuals of one observation with another. If the variance of the residual of one observation with that of another is constant, such condition is known as homoscedasticity, whereas if they are different it is called heteroscedasticity. A good regression model is one which is homoscedastic, or where heteroscedasticity does not occur (Ghozali, 2016). Detection of heteroscedasticity can be done by looking whether there is a certain pattern in the SRESID and ZPRED scatterplot graphs, where the Y axis and predicted Y axis, and the X axis is the residual (Y predicted – Y actual) which has been ‘studentized’ (Ghozali, 2016). The basis of this analysis is that if there is a certain pattern, such as points that form a certain regular pattern (wavy, expanding then contracting), then it would indicate that heteroscedasticity has occurred. If there does not exist a clear pattern, and the points are spread above and below 0 at the Y axis, then heteroscedasticity has not occurred (Ghozali, 2016).

Table 2. Distribution and Return of Questionnaires

No.	Process	Total
1.	Number of questionnaires distributed	214 copies
2.	Number of questionnaires returned	192 copies
3.	Number of incomplete questionnaires	0 copies
4.	Number of questionnaires used for the study	192 copies
5.	Response rate	89.72%
6.	Response rate of questionnaires usable for the study	89.72%

Source: Author's data processing and analysis

3. Normality Test

Normality test is intended to test whether in a regression model the distorter variables or residuals have a normal distribu-

tion (Ghozali, 2016). One way to look at normality of residuals is to look at the histogram graph that compares between the observed data and the distribution that comes close to the normal distribution

Table 3. Respondents Profile

No.	Item	Description	Number	Percentage
1.	Position	Principal	19	9.90%
		Vice President	87	45.31%
		Head of Administration Unit	29	15.10%
		School Treasurer	22	11.46%
		Financial Administrative Staff	35	18.23%
		Total	192	100%
2.	Sex	Male	85	44.27%
		Female	107	55.73%
		Total	192	100%
3.	Age	< 30 years old	15	7.81%
		30 – 40 years old	48	25%
		> 40 years old	129	67.19%
		Total	192	100%
4.	Length of Service With- in the Organization	< 3 years	15	7.81%
		3 – 5 years	19	9.90%
		6 – 10 years	45	23.44%
		> 10 years	113	58.85%
		Total	192	100%
5.	Latest Education	SMA/MA/SMK	18	9.38%
		Diploma 1	2	1.04%
		Diploma 2	1	0.52%
		Diploma 3 / Sarjana Muda	14	7.29%
		Diploma 4 / Undergraduate	104	54.17%
		Graduate	48	25%
		Post-Graduate	5	2.60%
		Total	192	100%

Source: Author's data processing and analysis

(Ghozali, 2016). A more reliable method is by looking at the normal probability plot that compares cumulative distributions of a normal distribution. A normal distribution would form a straight diagonal line, and plotting of residual data would then be compared with the diagonal line. If the residual data distribution is normal, then the line that represents the actual data would follow the diagonal line (Ghozali, 2016). If data is spread around the diagonal line and follows the direction of that line or if the histogram graph shows a normal distribution pattern, then the regression model meets the assumed normality. If data is spread far from the diagonal line and/or do not follow the direction of the diagonal line or the histogram graph does not show a normal distribution pattern, then the regression model fails to meet the assumed normality (Ghozali, 2016).

Hypothesis Test

Hypothesis test in this study is done by looking at the t value. Statistic hypothesis can be formulated as follows:

1. First hypothesis testing

H₁: Effect of self-efficacy on whistleblowing intention

H₀: $\beta_1 \leq 0$ means that self-efficacy does not positively influence whistleblowing intention

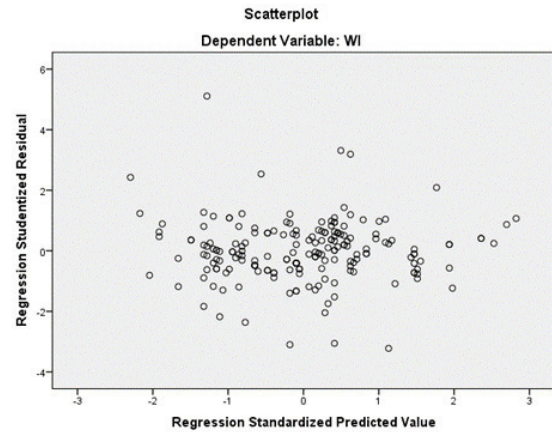


Figure 1. Heteroscedasticity Test

Source: Author's data processing and analysis

H₀: $\beta_1 > 0$ means that self-efficacy positively influences whistleblowing intention

H₀ is rejected when test result shows that $t \leq \alpha$ (0.05), thus it can be concluded that there is positive influence rendered by self-efficacy on whistleblowing intention.

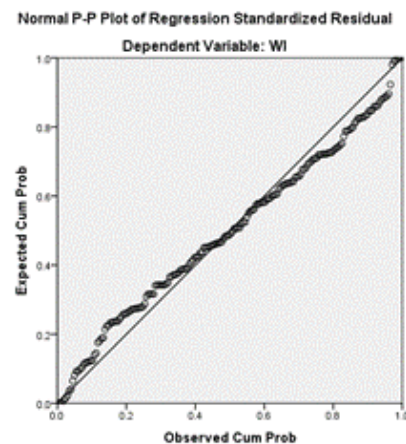


Figure 2. Normality Test

Source: Author's data processing and analysis

Table 4. Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.	Collinearity Tolerance	VIF Statistics
	B	Standard Error					
Constant	6.953	4.639		1.499	0.136		
Self-Efficacy	0.813	0.081	0.598	9.989	0.000	0.748	1.338
Controllability	0.271	0.093	0.174	2.906	0.004	0.748	1.338

Source: Author's data processing and analysis

2. Second hypothesis testing

H2: The effect of controllability on whistleblowing intention

H₀: $\beta_2 \leq 0$ means that controllability does not positively influence whistleblowing intention

H₀: $\beta_2 > 0$ means that controllability positively influences whistleblowing intention

H₀ is rejected when test result shows that $t \leq \alpha$ (0.05), thus it can be concluded that there is positive influence rendered by controllability on whistleblowing intention.

RESULT AND DISCUSSION

A total of 214 questionnaires were distributed to respondents in 25 schools between April 2018 and May 2018. Distribution and return rate of questionnaires is presented in table 2. A questionnaire return rate of 89.72% constituted a good return rate as it was higher than 50%, and the returned questionnaires were fully completed by the respondents. An overview of respondents is presented in table 3. In table 3 it can be clearly seen that largest group of respondents in terms of position are principals and vice principals, totaling 106 people or 55.21% of the total 192 respondents. As such, respondents in this study are dominated by officials in charge of a schools finances carrying out

Table 6. Determination Coefficient

R	R Square	Adjusted R Square	Standard Error of the Estimate
0.702	0.493	0.488	6.52876

Source: Author's data processing and analysis

the tasks of authorizers and chief accountants. The majority of respondents in this study have more 10 years of service. In terms of the age and service period of the respondents, a majority of them are significantly experienced in their area of work. By education, the respondents of this study mostly hold a bachelors degree, or a total of 104 people representing 54.17% of respondents. The group with the second highest total are those with a graduate degree (S2), totaling 48 respondents or 25%. Respondents with degrees ranging from Diploma 1 to PhD total 174 people or 90.62%. It can be concluded that the majority of respondents in this study are of high education background. The quality of education of the human resources is a material aspect that determine the quality of a school as an educational institution.

Result of Classical Assumption Test

1. Multicollinearity Test

The multicollinearity test is presented in table 4. The result of such test indicates that there is no multicollinearity in the regression model. In table 4 it is apparent that the tolerance value of the two independent variables, namely self-efficacy and controllability, are not lower than 0.10, meaning that there is no correlation

Table 5. Multiple Regression Test

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
	B	Standard Error			
Constant	6.953	4.639		1.499	0.136
Self-Efficacy	0.813	0.081	0.598	9.989	0.000
Controllability	0.271	0.093	0.174	2.906	0.004

Source: Author's data processing and analysis

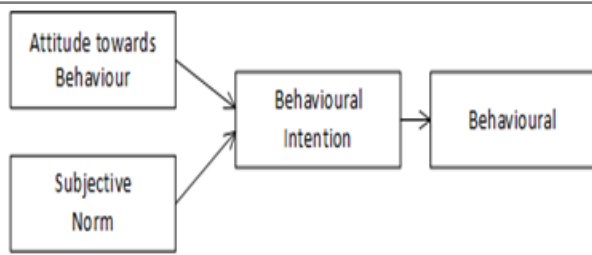


Figure 3. Theory of Reasoned Action
Source: Jogiyanto (2007)

among independent variables whose value are more than 95%. Result of calculation of Variance Inflation Factor (VIF) value also indicates that there is no single independent variable that has a VIF value of more than 10. As such it can be concluded that there exists no multicollinearity among the independent variables in the regression model.

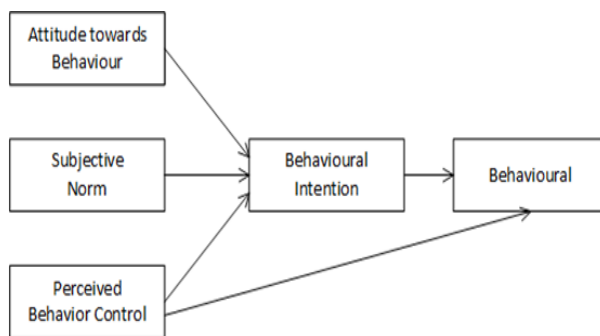


Figure 4. Theory of Planned Behavior
Source: Jogiyanto (2007)

2. Heteroscedasticity Test

Heteroscedasticity test is presented in figure 1. The scatterplot graph shows that the points are spread randomly above and below 0 at the Y axis. The test result shows that there is no heteroscedasticity in the regression model.

3. Normality Test

Normality test is presented in figure 2. Data as presented in figure 2 appears to be spread along the diagonal line and follows the direction of the diagonal line. Those indicates that the normality assumption has been satisfied.

Result of Hypothesis Test

The result of multiple linear regression analysis is presented in table 5. The first hypothesis postulates that self-efficacy has positive influence on whistleblowing intention. Significance value below 5% is 0.000 and coefficient with a positive value, and thus the first hypothesis is accepted.

The second hypothesis postulates that controllability has positive influence on whistleblowing intention. The hypothesis can be supported if the coefficient is of positive value with a significance value below 5%. Significance value is below 5%, namely 0.004 and coefficient is of a positive value, and as such the second hypothesis is accepted. It can be seen in table 5 that the largest standardized beta coefficient value is 0.598. This shows that the independent variable of self-efficacy constitute an independent variable with dominant influence on whistleblowing intention.

Table 6 shows that the magnitude of adjusted R^2 is 0.488, meaning that 48.8% variations of whistleblowing intention can be explained by variations of the two independent variables, namely self-efficacy and controllability. The remaining 51.2% is explained by other causes outside the model.

In the theory of reasoned action (TRA), an actual course of action taken by a person can be predicted from his or her prior intention towards such behavior, thus the person's intention has an important role in the manifestation of an individual's behavior. The positive or negative outlook of an individual towards a behavior and the individual's perception towards such behavior do not necessarily impact directly on the individual's actual conduct, but they do, however, have a direct impact on their intention to perform a behavior that ultimately would affect the actual action of the individual. Figure 3 shows TRA as developed by Ajzen (1980). Further,

Ajzen (1991) renewed the theory and thus TRA has developed into the theory of planned behavior (TPB). A new element in TPB is the introduction of a new variable, namely perceived behavioral control (PBC). Ajzen (1991) is of the view that a person's desire to perform a certain behavior and their actual actions are affected by individual perceptions on the ease or difficulty by which to perform a behavior, as reflected by desires in the past and availability of resources.

Figure 4 illustrates TPB as developed by Ajzen (1991). Ajzen (2002) further decomposed PBC into self-efficacy and controllability, making Ajzen's (2002) theory to be known as decomposed theory of planned behavior (DTPB). These two variables in the decomposed theory of planned behavior are believed to be the determinant of a person's intention to perform a behavior. In accordance with the general rule as prescribed by Ajzen (2002) on the theory of planned behavior, the higher the control of perceived behavior that constitute the master variable of the two sub-variables, namely self-efficacy and controllability, the stronger the individual's intention to perform a behavior. In the case of whistleblowing, self-efficacy and controllability are proven to be able to affect the intention of financial managers in schools to disclose violations. The effectiveness of policies and whistleblowing system is closely linked with self-efficacy and controllability possessed by the potential whistleblower.

Self-efficacy, or the belief a person has in his/her ability to perform a behavior, has a positive impact on the intention to become a whistleblower. The stronger the belief of such person his or her ability to perform a certain behavior, the higher their intention to perform such behavior. The result of this study is consistent with the result of the study conducted by MacNab and Worthley (2008), Sharif (2015), and Wei et al. (2016). Self-efficacy refers to the belief subscribed by a person of his or her ability to achieve a be-

havior (Wei et al., 2016). Individuals with high self-efficacy have a larger tendency to refuse gifts, demonstrate a stronger commitment, are more diligent and effective in developing solutions to problems and plot strategies (MacNab & Worthley, 2008). The present study shares similar results as the study conducted by Sharif (2015) in proving that self-efficacy is a major contributor to whistleblowing intention. MacNab and Worthley (2008) who conducted a study on professionals in Canada and the United States report that high self-efficacy will be able to affect the willingness and consistency of a person to become a whistleblower. Sama (2014) also stipulated that self-efficacy constitute one of the main variables in whistleblowing.

With regard to the link between self-efficacy and whistleblowing, self-efficacy would enable a person to be resilient in difficult situations that can potentially create stress that are associated with the act of whistleblowing (MacNab & Worthley, 2008). A number of surveys have established that there are adverse effects experienced by whistleblowers as a consequence of their action. Most of them have found themselves in extremely difficult situations. With people with particularly low self-efficacy, the feeling of inability within one's self to deal with the risk of whistleblowing would be stronger. This condition can result in the low intention of such individual to blow the whistle in the first place. Conviction to carry out an action will increase if the individual's perception of the risk arising from such action is reduced.

Policymakers and whistleblowing systems need to reinforce the conviction of potential whistleblowers regarding the importance of whistleblowing policies and systems within educational institutions, namely to prevent material loss as a result of irregularities in the management of the school's finances. To develop the self-confidence of employees for doing whistleblowing action, they need to be

informed of procedures in place that provide protection to whistleblowers. Crook (2000) stipulates that employees often are aware of a wrongdoing occurring within their organizations, but are reluctant to report such violation due to fear of being victimized because their disclosure of the incident. This indicates that individuals need to have a strong self-conviction that he or she can blow the whistle or disclose a wrongdoing within their organization without having to feel fear. The makers of whistleblowing policies can build the confidence of members of their organization to perform whistleblowing responsibly, namely by designing a whistleblowing system that can guarantee the security and anonymity of the informant. If such features are in place, the whistleblower can have the self-confidence to present evidence of fraud that may be happening within the organization through the whistleblowing system provided without any fear of possible reprisal.

Controllability has the meaning of a belief or perception as to what extent a behavior is performed by one's own free will. Controllability has a positive impact on the intention to blow the whistle. The stronger the willingness or awareness of a person towards a behavior, the stronger the intention to perform such behavior. The result of the present study is consistent with Curtis and Taylor (2009) who studied auditors and proved that controllability fully affects whistleblowing intention. Policymakers and whistleblowing systems of schools need to raise the awareness of people within their organizations in order for them to give their attention to the state of their institution. The attention shown by people to their organization would make them more sensitive to indications of irregularities in the financial management of the organization. They will have awareness of the importance of implementing whistleblowing policies and system effectively.

One of the means that can be pursued to build employees' awareness is to assign them

responsibility or give them trust, such as involving workers in the preparation of the organization's strategies or vision and mission. Lack of employees concern to their environment would have the effect of increasing the possibility of fraud occurring in the organization's financial management. If a person cares about his or her organization, then such person would also continually strives to assist the organization to achieve its vision and mission and ensure that it avoids losses, which among others are caused by fraud in financial management.

The makers of whistleblowing system and policies in schools need to raise the awareness of employees on the importance of having a whistleblowing system and policies in place as a tool to prevent the organization suffering loss due to fraud. As stipulated by Winardi (2013), low level employees within government institutions are potential whistleblowers as they are actively involved in the operational and technical activities. Winardi (2013) postulates that employees have detailed knowledge on how their organization works and they are the people that are most likely to uncover corruption at their workplace. To raise the awareness of school employees on the importance of having a whistleblowing system and policy in their organization, persons in charge of preparing whistleblowing systems and policies need to educate employees on the importance of having such system and policies as a form of internal control to avoid loss caused by fraud.

The result of this study is useful for developing a behavior theory, namely the *decomposed theory of planned behavior* to be used as a predictor of whistleblowing intention among financial managers in educational institutions. Whistleblowing policies constitute a way to implement organizational governance and is also a form of investigative audit designed by the organization to prevent loss due to fraud in educational institutions. This study has proven that *decom-*

posed theory of planned behavior can be taken into consideration as a means to enhance the effectiveness of whistleblowing policy in schools. The two variables present in the decomposed theory of planned behavior, namely self-efficacy and controllability, are important variables to be used as predictors of whistleblowing intention by the makers of whistleblowing system and policy in schools to allow such system and policy to function effectively.

CONCLUSION

This study has found that both of the variables in the decomposed theory of planned, namely self-efficacy and controllability, have a positive influence on the whistleblowing intention of financial administrators in schools. The higher the self-efficacy and controllability of an employee, therefore the intention of such employee to blow the whistle is also stronger. As such, the makers of whistleblowing policies need to pay attention to two elements when designing such system and policy, namely self-confidence and awareness of employees on the importance of having a whistleblowing system and policy in place to allow such system and policies to function effectively.

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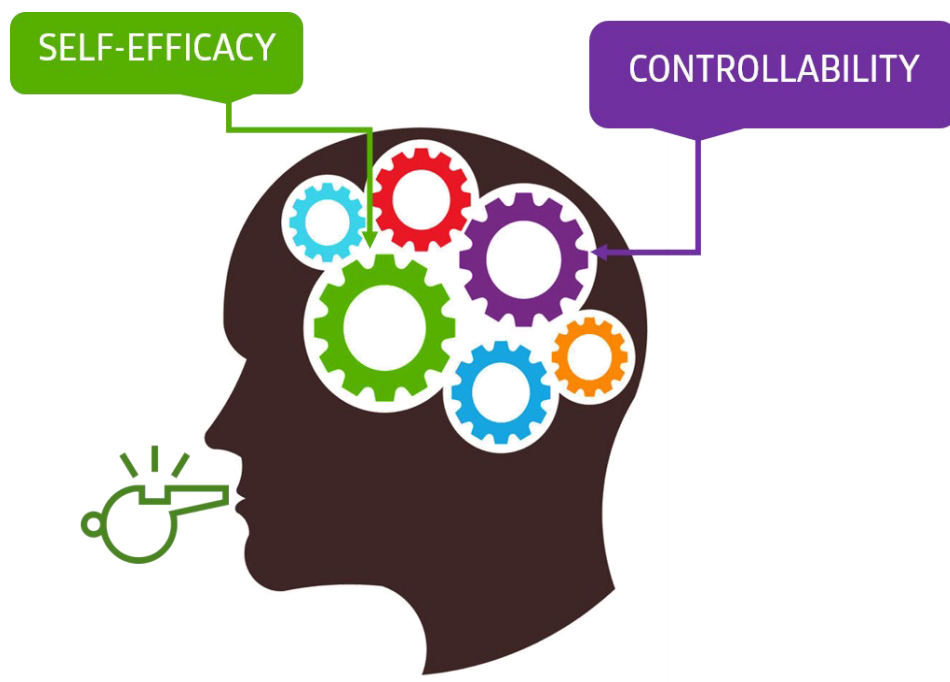
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DOES LESS CORRUPTION REDUCE INCOME INEQUALITY IN INDONESIA?

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ABSTRACT

It is widely believed that corruption is a cause of income inequality and a barrier to successful its eradication. It undermines the efforts of developing countries, including Indonesia to alleviate income inequality. It is also argued that the increased inequality caused by corruption worsens the position of the poorest people in a society as it reduces public resources available for social spending of government. In addition, corruption might have a negative impact on the quality and quantity of public services, such as education and health services. This study designed to know the long run and short run impacts of corruption on inequality of income. The study uses secondary data from World Bank and Transparency International then Auto Regressive Distributed Lag (ARDL) and dynamic Error Correction Model (ECM) during the year of 1995-2017. The results of study indicate that corruption has significant effects on the level of income inequality both in the short and long run. The negative implication of corruption on citizens' life is a major disaster in the economy and harmful to the growth and development of the people in Indonesian particularly, and the economy in general. The simple Pearson correlation findings also indicate that corruption has significant distributional consequences by affecting government expenditures. Therefore, the raise of corruption increases income inequality as it reduces the effectiveness of government spending on education, health and final consumption for society. Thus, it can be concluded that for the Indonesian context, an increased inequality due to corruption has worsened the position of the poorest as less resources available for social spending.

KEYWORDS:

corruption; income; inequality; ARDL; economy

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INTRODUCTION

Corruption is a cause of income inequality also an obstacle to successful its eradication. It could destroy the efforts of developing countries, including Indonesia, in order to alleviate income inequality. Corruption's relation to inequality are abundant and common. In the public sector, corruption delays and diverts economic growth and deepens income inequality. Alternatively, income inequality invites corruption as it weakens economic, political and social institutions. Corruption is one of the major determinants of income inequality. Combating corruption is therefore a crucial part in the income inequality reduction process. High levels of corruption worsen the poor's living conditions by distorting the entire decision making process related with public sector programs. Corruption deepens income inequality by hindering productive agendas for instance education and health care at the expense of larger capital intensive projects which can offer better opportunities to extract illegal incomes (Ndikumana, 2006).

The relationship between corruption and income inequality has been a subject of investigation by many researchers. Since recently, in both research directions, a growing attention has been reached to measure the more exact channels, through which corruption and income inequality impulse for growth could be generated (Yusuf, 2013). An increasing number of empirical studies e.g. Mauro (1997), Keefer (2004), and Mo (2001) present persuasive evidence regarding the detrimental effects of corruption on various economic variables such as the income inequality.

Corruption is a common global issue. The Corruption Perception Index (CPI), published annually by Transparency International (TI) since 1995, has been widely credited for raising the issue of corruption to

the international policy agenda. The CPI ranks approximately 180 countries/territories based on how corrupt their public sector is perceived, allotting scores between 0 and 100, where 0 indicates that a country is perceived as highly corrupt, while 100 denotes it is perceived as very clean. According to the CPI 2017, Indonesia ranks 96th, with a score of 37; being perceived as more corrupt than other Asia Pasific countries such as Japan (ranking 20th, with a score of 73), Taiwan (ranking 29th, with a score of 63) and Malaysia (ranking 62th, with a score of 47), but less corrupt than Thailand, Mongolia, Vietnam, and the Philippines. No country has received a perfect score (100). More than 70% of countries score below 60, showing a serious corruption problem in the world (Transparency International, 2017).

Corruption does not only influence the growth of income but also distribution of income. The advantages of corruption tend to increase in better-connected individuals, most of whom come from high income groups (Gupta et. al., 2002). As stated by Johnston (1989), corruption prefers 'have' rather than 'have not' especially if the stakes are large. The load of corruption falls disproportionately on low-income individuals. Individuals belonging to low income groups pay a higher proportion of their income than people belonging to high income groups. As Tanzi (1998) stated, corruption harms the redistributive role of government. Because only connected individuals are better off getting the most profitable government projects, the government is less likely to be able to increase income distribution and make the economic system fairer. Corruption diverts government expenditure from projects that benefit low-income individuals such as education and health for, defense projects that create opportunities for corruption for example (Chetwynd et al., 2003). Corruption reduces the effectiveness of social assistance (Dartanto & Nurkholis, 2013) and less cor-

rupt environment is a necessary condition for the public spending to have effect on enrollment rates (Suryadarma, 2012).

However, there are only limited empirical studies such as Li et al. (2000), Gupta et al. (2002), also Chong and Calderon (2000a & 2000b) analyze the corruption's effects on income inequality. Using data from mixed country groups, namely, low, medium, and high income, Li et al. (2000) also Chong and Calderon (2000a) observe an inverse U-shaped relationship between income inequality and corruption. They reveal a positive relationship between income inequality and corruption in high-income countries and negative relationship in low-income countries. Gupta et al. (2002), in contrast, using smaller country samples, discover a positive and linear relationship between them. Chong & Calderon (2000b) and Gupta et al. (2002) both study the effects of corruption on poverty and income inequality. As Chong & Calderon (2000b) say, increasing income inequality due to increased corruption does not necessarily mean that poverty also increases. If, for instance, income at the higher end of the distribution grows faster than income at the lower end of the distribution, income inequality increases while poverty decreases. Both Chong & Calderon (2000b) and Gupta et al. (2002) found a positive and linear relationship between corruption and poverty. Meanwhile, using panel data from African countries, Gyimah-Brempong (2002) investigates the effects of corruption on economic growth and income inequality. The research findings disclose that corruption reduces economic growth through a decrease on investment of physical capital, directly and indirectly. Also, the findings show that increasing corruption is correlated positively with income inequality.

There is an argument that the increased inequality caused by corruption worsens the position of the poorest in society by reduc-

ing the resources available for social spending. In addition, corruption might have a negative impact on the quality and quantity of public services, such as education and health services. A study of the Philippines shows that corruption affects education outcomes by reducing test scores, lowering school rankings and reducing satisfaction ratings (Azfar & Gurgur, 2005). In public health services, corruption is proven to be responsible for the delay in the provision of treatments, increasing the waiting times for patients and discouraging the use of clinics (Azfar & Gurgur, 2005). Some studies have concluded that investing more funds in social programs will not bring the intended results unless corruption is addressed (Suryadarma, 2012). A study in Africa on corruption and income inequality advises that the well-being of the majority of citizens in African countries could be improved by the usage of domestic resources which is corruption-free and without recourse to asking for external aid (Gyimah-Brempong, 2002).

Although several studies provide evidence of how corruption might increase inequality, an empirical study on Latin America concludes that, in the Latin American context at least, lower corruption is associated with higher income inequality (Dobson & Ramlogan-Dobson, 2010). One of the reasons for this is the existence of a large informal sector in Latin America, composed in great part by the poorest, and to which anti-corruption policies will impose an important cost.

Murphy et al. (1991, 1993) presented a theoretical framework discussing how corruption affected income inequality and growth. This framework was modified by Li et al. (2000) in their paper; "Corruption, income distribution and growth". The framework assumes an economy where one can engage in one out of three economic activities. First, a person can produce a good for the market, at the output of α . Second, the person can produce

a subsistence good, at the output of $\gamma < \alpha$. This good cannot be subjected to rent-seeking behavior, that is, it cannot be stolen or confiscated. However, that is not the case for the market output, which can be subjected to rent-seeking behavior. Further on, the third activity that a person can engage in is rent-seeking. It is denoted by β and it is the maximum amount at which he can produce. The overall return from production (including rent-seeking) will fall under the circumstances of an increase in rent-seeking activities. The ratio of people engaging in market production and rent-seeking activities are denoted by “ n ”, and the income per capita by “ y ”. The equilibrium in this economy is established by the populations accumulated engagements in either production of a good (α), subsistence production ($\gamma < \alpha$) or rent-seeking (β). Therefore the allocation of labor will depend upon α , γ , and β .

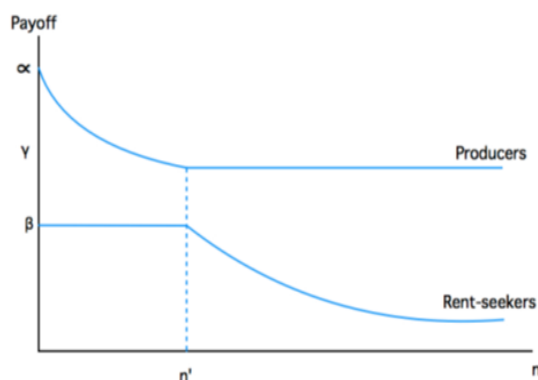


Figure 1. Payoff to production and rent-seeking, $\beta < \gamma$
Source: Murphy et al., (1993)

In Case 1, $\beta < \gamma$, which correspond to figure 1. Under these circumstances property rights are well preserved and the society does not suffer from any corruption. The return for producers are higher than for rent-seekers, additionally the return for subsistence producers are also higher than for rent seekers.

As we assume that individuals want to maximize their own output, under this situation each individual will produce goods and there are no subsistence producers or rent-

seekers. The ratio of people engaging in rent-seeking activities is, $n=0$, and the return for rent-seekers is diminishing. However, n changes, let say $n > 0$, the market production can be described by $\alpha - n\beta$ (diminishing). We assume the Gini coefficient to be zero. No corruption and well preserved property rights lead to the highest possible output (per capita), denoted by α .

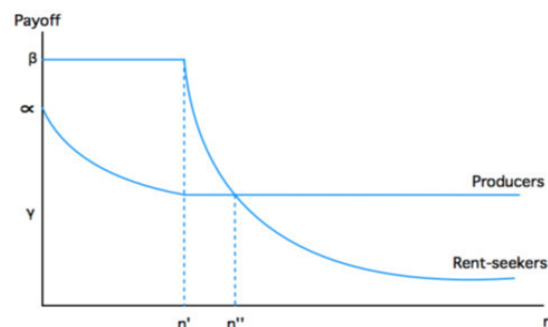


Figure 2. Payoff to production and rent-seeking, $\beta > \alpha$
Source: Murphy et al. (1993)

In Case 2 correspond to figure 2 where, $\beta > \alpha$. Property rights are poorly preserved and therefore due to the greater return for rent-seekers, people rather engage in rent-seeking activities than anything else. This is an extreme corrupt society. Figure 3 shows that there can only be one equilibrium, at the point where the return from production has gone down to γ and that it is equal to the output from rent-seekers. This is when rent-seekers are crowding themselves out i.e.,

$$\gamma = \frac{(\alpha - \gamma)}{n} \text{ which in equilibrium is } n'' = \frac{(\alpha - \gamma)}{\gamma}$$

given that $n'' > n'$. In equilibrium all individuals' income is the same as subsistence production γ , hence, the equilibrium is not where the market productivity is, at α^2 .

The number of rent-seekers will increase over time and accordingly the number of producers will decrease, i.e. $\alpha - n\beta = \gamma$. As the number of individuals interacting in rent-seeking activities increase, the market output will decrease. The Gini coefficient has a likelihood of being high, as higher Gini coeffi-

cient as closer to being completely equal.

In Case 3, $\gamma < \beta < \alpha$. This last case we refer to an intermediate level of corruption which consist of three equilibria as shown in figure 3, those are (a) The first equilibrium refers back to Case 1 where all people choose to produce in accordance with output α . (b) Second equilibrium comes from Case 2, where people choose among production (α), subsistence production (β), and rent-seeking activities (γ). This is encountered under the circumstances where income per capita is pushed down to γ , and equilibrium based upon $n = \frac{\alpha}{\gamma} - 1$.

(c) The third equilibrium, where people either engage in market production or rent-seeking. The output is denoted by β . It is Observed that in this equilibrium there is no people engaging in subsistence production. The equilibrium is based upon

$$\alpha - \beta n = \beta, \text{ or } n''' = \left(\frac{\alpha - \beta}{\beta} \right) \text{ given that } n''' < n'.$$

This occurs since new entries of rent seekers will force the return of the producers on the market down to the same return as the rent-seekers, and that is before any initiated crowding out. However, this last equilibrium is not stable, nor desirable as it push n beyond n'' . Consequently, it implies a rising

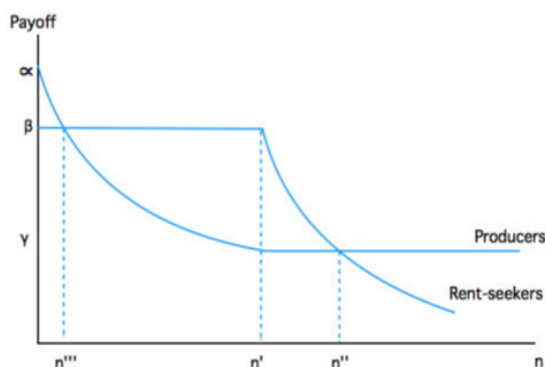


Figure 3. Payoffs to production and rent-seeking, $\gamma < \beta < \alpha$

Source: Murphy et al. (1993)

return to rent-seekers. Therefore there is only two stable equilibria, one where $n=0$ and another where $n=n''$. In accordance with the former, less people will engage in rent-seeking activities than what is shown in case 2. Additionally the income level β is higher than in case 2, but still lower than case 1. Concluding case 3, one can see that the variation in income will vary more than in case 1, however, not as much as in case 2. Countries which have a low corruption level will have a lower level of income variation than countries with an intermediate or high level of corruption. The Gini coefficient is higher than in case 1 but not as high as in case 2.

The empirical implications of the modified model this study find that the best situation is case 1, where property rights are well preserved and no existing corruption. This is under the conditions of β placed below γ . It will lead to the highest possible per capita output, denoted by α . Anti-corruption beliefs, i.e. legal system or cultural impacts may also affect an important role (North, 1991). Hence, the hypothesis states that a high level of corruption imply high income inequality. The impact of corruption on income inequality is positive. This study will be addressed to prove it. In doing so, the study will answer the research question; does less corruption reduce inequality level?

Although the connection between corruption and income inequality is frequently noted, the question of whether a short and long-run relationship exists between them has obtained less attention especially for Indonesia case as a developing country. In other words, most of the studies which have investigated the link between them may conclude on causality in models that only show correlation. Therefore, the policy recommendation for fight against especially for income inequality and corruption may simply be wrong. Taking it to the limit, particularly for Indonesia, how good is it to try to decrease corruption by im-

plementing anti inequality strategies if the high inequality level is simply caused by high corruption and not the other way around? As the author stated above, based on the Survey of Transparency International for CPI in 2017, Indonesia laced on the group of worst level of the corrupted countries in the Asia Pacific. On the other side, for the last of decades, Statistics of Indonesia reported that Indonesia's Gini coefficient, income inequality' indicator of a country, rose from 0.376 in 2007 increased to 0.402 in 2015 (the upper the Gini coefficient means the distribution of income is more unequal). Although Indonesia is worse than Thailand, Laos, Vietnam, and Cambodia in income inequality, Indonesia is better than China and Philippines. The latest World Bank report revealed that only 20% of Indonesians were benefited from the growing economic wealth in the last decade, whereas 205 million citizens or 80% of Indonesians were left behind. Moreover, The World Bank also reported that Indonesia has one of the highest wealth concentrations in the world and been increasing faster than other countries. The richest citizens or 10 percent of Indonesians possess approximately 77 percent of the country's wealth. One percent of the richest Indonesians own the half of the country's assets. However, the income tax from these assets sometimes is at a lower rate than worker income, likewise for its tax compliance (The Jakarta Post, 2018).

When looking at the Gini Ratio trend, an indicator of income inequality in a country (table 1), Indonesia's Gini Coefficient rose from 0.37 in 2007 to 0.40 in 2015. From table 1, we also may suggest that inequality levels in Indonesia do not necessarily correlate with the levels of property, but rather an unequal distribution of wealth towards higher income earners.

Meanwhile, the World Bank's 5.3 percent Gross Domestic Product (GDP) forecast for the 2018-2020 period indicates that Indonesia will have an accelerating growth from the estimated 5.1 percent (y/y) growth pace in 2017. Nevertheless, the forecast is not as confident as the government's 5.4 percent (y/y) growth target that was set in the state budget of year 2018. One of the main reasons why the World Bank in 2018 requires a robust jump to 5.3 percent (y/y) GDP growth for Indonesia and beyond is due to the nation's household consumption is projected to improve on the back of rising wages. In the meantime, rising commodity prices are also expected to boost the Southeast Asia's largest economy. Indonesia remains as one of the big commodity exporters in the world. Although the 5.3 percent (y/y) growth pace is not as high as President Joko Widodo once promised during his campaign in 2014, Indonesia becomes one of the few Asian economies which is not expected to see sliding economic growth in the future years. Malaysia's economic growth, for instance, is projected to slide almost one percent between 2017

Table 1. Indonesian Poverty and Inequality Statistics

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Relative Poverty (% population)	16.6	15.4	14.2	13.3	12.5	11.7	11.5	11.0	11.1	10.9
Absolute Poverty (in millions)	37	35	33	31	30	29	29	28	29	28
Gini Coefficient (Gini Ratio)	0.376	0.368	0.367	0.378	0.388	0.413	0.406	0.414	0.402	0.394

Source: Statistics of Indonesia (BPS, 2018)

(5.8 percent) and 2020 (4.7 percent) (Indonesia-Investments, 2018).

The apparent paradox of this increasing economic growth with high levels of corruption and inequality raises issues of concern among various studies on whether corruption is beneficial or harmful to growth and under what conditions do channels influence inequality. Therefore, the dominant literature such as Mauro (1995), Keefer & Knack (1997), and Gupta et al. (2002) report empirical evidence confirming that corruption is far more destructive in contexts where corruption is higher as a result of growth - blocking patterns of accumulation. They go further to state that corruption reduces investment and its consequences, economic growth.

However, the results of these studies are confused. First, they failed to provide a clear transmission mechanism in which corruption hampers economic growth. Second, this type of research is very interesting in cross-country panel data analysis ignoring the specificities of unique country contexts. Although there are quite a number of country-specific case studies such as the study of Aliyu and Elijah (2008), Ajie and Wokekoro (2012), Adenike (2013), and Uma and Eboh (2013), this study is not far from certain imperfections. Since most of these studies have failed to pay great attention to other channels of transmission mechanisms through corruption that affect economic growth such as income inequality, which causes a potential bias for endogeneity and missing variables.

The main objective of this study is to know the long run and short run impact of corruption on inequality of income. The findings of this study will be necessary to be able to get a clear picture of the extent of the problem of corruption and income inequality in Indonesia and shall analyze and determine the con-

nection or contribution of corruption to the problem of increasing inequality in Indonesia. The findings shall also be useful to policy makers and the general public not only for the purpose of creating awareness of the adverse effects of corruption, economic growth and income growth of the poor but also to utilise the data in policy formulation and implementation.

RESEARCH METHOD

This study may have a comprehensive effort on this topic for the economy of Indonesia and it will contribute to the study of corruption and inequality literature in several ways: (i) using a comprehensive measure of corruption and inequality; (ii) structural break unit root test; (iii) the ARDL bounds testing approach to cointegration for long run relationship between the variables in the presence of structural breaks; and (iv) Error Correction Mechanism (ECM) for short run impacts.

The aim of this study is to know the long and short run relationship between corruption and income inequality in case of Indonesia using annual frequency data from the Transparency International and World Bank over the period of 1995-2017. In addition to the focus variables of corruption and poverty, the author also includes three control variables in model. First, this study includes the variable of GDP per capita because it is highly correlated with poverty and income inequality. Second, this study also includes the inflation rate as other control variable. Inflation is another classic variable in the development literature theorized to harm growth. Regardless of how it is measured, inflation has consistently been shown to harm growth (Levine & Renelt, 1992). Inflation may be particularly significant in the literature stu-

dying inequality's effects on subsequent growth since inflation rises inequality (Li & Zou, 2002). Last, the author uses poverty as other control variable. Poverty is clearly about more than insufficient income. It is also connected to the access to and quality of public services vital to the poor for instance health, education, water, infrastructures and sanitation. It is also about insufficiency of opportunities, access to information, voice and lack of representation (Chetwynd et al., 2003). The general functional form of the model is as follows:

$$IE_t = f(CPI_t, GDP_t, INF_t, POV_t)$$

In this equation, IE is income inequality measured by Gini index (%), CPI (Corruption Perception Index) is index denotes the level of corruption where countries with a higher Corruption Perception Index score are perceived as having less corruption, GDP is economic growth measured by GDP per capita growth (annual %), INF illustrates the consumer price index (2010 = 100), and POV is poverty measured by poverty headcount ratio at national poverty lines (% of population). The author has converted all the series into natural logarithm (Ln) for consistent and reliable results. The log-linear specification provides better results because the conversion of the series into logarithm reduces the sharpness in time series data (Shahbaz, 2012).

Especially for CPI, over the 1995 to 2011 period, the CPI ranks countries/territories on a scale of 0 to 10, with 0 indicating highly corrupt (most corrupt) and 10 indicating very clean (least corrupt). During 2012, the CPI scores countries from 0 to 100 instead of 0 to 10 scale. This study utilizes the CPI, which is provided and accumulated by Transparency International. It is the far broadest index available and it is matching our intentions with this study as the author is only interest-

ed in the perceived level of corruption in a country. The author is not targeting any specific form or measure of corruption. The CPI index currently contains data from approximately 180 countries and has been recorded since 1995. For making interpretation more natural also for the sake of simplicity, the author follows the same procedure as Wei (2000) and Li et al. (2000) by taking 10 minus the Corruption Perception Index (inverting). Therefore, a higher score now stands for a higher level of corruption.

This study first tested the unit root of all the variables using both the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests. After checking for the unit root, this study can then employ either the Johansen & Juselius (1990) or the Engle Granger cointegration test if the series of each variable is integrated of the same order. If the author finds that the variables used in this study are not all integrated of the same order and hence, the author will employ the ARDL approach to test for cointegration as Johansen method for testing for cointegration requires the variables to be integrated of the same order. If not the predictive power of the models tested would be affected.

The ARDL approach as developed by Pesaran et al. (2001) overcome these problems as ARDL can be applied irrespective of whether the variables are I(0) and/or I(1). More importantly, Johansen approach is not suitable for studying cointegration for small sample time series as in this study. ARDL on the other hand provides robust results even in small samples (Pesaran & Shin, 1999) and this is advantageous as income inequality data is only available for annual data and the period available are also limited for many emerging economies like Indonesia. Another benefit of ARDL is that it lets the optimal lag lengths for the variables to differ, while the Johansen approach requires that all variables in the model to have the same number

of lags. For this study, AIC (Akaike Information Criterion) has been used to determine the optimal lag lengths for the ARDL model. Eventhough using Schwarz Bayesian Criterion (SBC) provided smaller standard errors for some of our models tested under the ARDL, the author found that in some models, SBC ran the models with ARDL (0,0,0,0) such that no ECM statistical output was produced. This is due to the SBC's method of choosing the minimum lag possible and accordingly, the author finds that AIC is more suitable for the study.

The initial step in ARDL is to investigate empirically the existence of long run relationship among the variables. Then, the calculated F-statistic is compared against the upper and lower critical bound provided by Pesaran et al. (2001) which correspond to the assumptions that the variables are I(0) and I(1) respectively. If the calculated F-statistics exceeds the upper critical bound (UCB). Then the series are cointegrated; if it is below the lower critical bound (LCB), there is no cointegration. If the calculated F-statistics is between the UCB and the LCB, then decision about cointegration is inconclusive and knowledge of the cointegration rank of the forcing variables is required to continue further.

The ARDL cointegration test is analyzing the following hypotheses:

H₀: $\delta_1 = \delta_2 = \delta_3 = \delta_4 = 0$ i.e there is no long run relationship between the variables,

H_a: $\delta_1 \neq \delta_2 \neq \delta_3 \neq \delta_4 \neq 0$ i.e there is cointegration or long run relationship between the variables.

In the second step, once cointegration between the variables has been established, the long run coefficients and the error correction term (ECT) can be estimated. The ARDL cointegration procedure allows cointegrating

relationship to be estimated by OLS once the lag order is selected. The model can be identified as follows.

$$\Delta IE = a_0 + \sum_{i=1}^k b_i \Delta CPI_{t-1} + \sum_{i=1}^k c_i \Delta GDP_{t-1} + \sum_{i=1}^k d_i \Delta INF_{t-1} + \sum_{i=1}^k e_i \Delta POV_{t-1} + \delta_1 LCPI_{t-1} + \delta_2 LGDP_{t-1} + \delta_3 LINF_{t-1} + \delta_4 LPOV_{t-1} + \mu_t$$

Where IE is inequality, CPI is corruption, and GDP is growth, INF is inflation, and POV is poverty. Δ is the first difference of the logged variables and u_t is the residual term. This equation is a standard vector auto regression (VAR) model in which a linear combination of lagged-level variables are added as proxy for lagged error terms. The coefficients b_i , c_i , d_i and e_i represent the short run effects while all δ_j (for $j=1 \dots 4$) represents the long run effects.

The dynamic error correction model (ECM) is derived from the ARDL model through a simple linear transformation where the ECM incorporates the short run dynamics along with long run equilibrium, without losing the long run information. Through the t-statistic of the ECM, the causality in the earlier step will be tested and confirmed. Meanwhile the coefficient of the ECM shows the speed of adjustment of the dependent variable towards its long run equilibrium. The endogeneity or exogeneity of the variable is tested through the ECM, and the same equation is used with each proxy of corruption as well as poverty in turn being the dependent variable. The hypothesis is tested by the ECM as follows: H₀: The variable is Exogenous; and H_a: The variable is Endogenous.

RESULT AND DISCUSSION

The descriptive statistics of sample data collected from World Bank and Transparency International as shown in table 2. The unit root test provides guidance to ascertain whether ARDL is applicable or not because it is only applicable to the analysis of variables that are integrated of order zero [I(0)] or order one [I(1)], but not applicable when higher order of integration such as I(2) variable is involved. Testing the stationarity of the variables is important to avoid spurious regression. Thus, the Augmented Dickey-Fuller (ADF) of Dickey & Fuller (1981) and Phillips-Perron (PP) test by Phillips & Perron (1988) technique were used to investigate the stationarity of the variables. The ADF and PP test results are showed in table 3.

The null hypothesis of the unit root problem is rejected at the first difference. This shows that most variables are found to be stationary at 1st difference implying that variables are integrated at I(1) and the variables used in this study are not all integrated of the same order, hence the author may employ the ARDL approach to test for cointegration.

After having confirmed the stationarity of the variables, the next step of the analysis was to test for cointegration among the variables. Therefore, ARDL bounds testing approach is employed to test for the existence of long run relationship. However, in order to do this, it is important to identify an appropriate lag length to calculate the F-statistics. The ARDL model is sensitive to the lag order. In addition,

optimum lag order would be helpful in reliable and consistent result in the analysis. Thus, the Akaike Information Criterion (AIC) is considered to obtain the optimum lag length. The choice of this criterion is based on the stricter penalties imposed by AIC. This AIC provides better and consistent results compared to other lag length criteria (Uddin et al., 2013). Based on the lag selection criteria test, the AIC maximum lag length of 1 was selected and employed in the estimation of ARDL model (1,0,0,0,0), as shown in table 4.

After stationary tests among variables and choosing lag optimum for model, then the variables were tested for cointegration by applying ARDL bound testing approach for testing the Null that there is no long-run (LR) relationship among the variables. The computed F-statistic is compared with upper and lower critical bounds generated by Pesaran et al. (2001) to test for the existence of cointegration. The null hypothesis is $H_0: \lambda_j = 0$, (where $j = 1, 2, \dots, 4$) in equation (4). This implies no long run relationship among the variables, against the alternative hypothesis, $H_1: \lambda_j \neq 0$, implying the existence of long run relationship among the variables.

The results in table 5 showed that the computed F-statistic (3.55) is greater than the upper bound (3.52) at 10% level of significance with unrestricted intercept and no trend (Upper bound is 3.52 and Lower bound is 2.45). This implies that there is evidence to reject the null hypothesis of no long run relationship among the variables. Hence,

Table 2. Descriptive Statistics of Sample Data

Variables	Unit of Measuring	Minimum	Maximum	Mean	Std. Dev.
Inequality (IE)	%	0.28	0.41	0.37	0.03
Corruption (CPI)	0-10	1.70	3.70	2.57	0.65
Growth (GDP)	%	-14.35	6.56	3.06	4.13
Inflation (INF)	%	19.39	142.18	77.90	38.77
Poverty (POV)	%	4.00	58.00	10.20	11.44

Source: Transparency International and World Bank (WDI, 2018)

Table 3. Results of the ADF and PP test

Level				
Variables	ADF Test		PP Test	
	t-statistic	Prob.*	t-statistic	Prob.*
IE	-0.465457	0.4874	-0.432705	0.5003
CPI	-1.626007	0.0966***	-1.707635	0.0827***
GDP	-1.010231	0.2685	-1.034192	0.2594
INF	4.015510	0.9999	3.544102	0.9996
POV	-3.971922	0.0005*	-4.158296	0.0003*
1 st Difference				
IE	-2.749158	0.0120*	-2.793527	0.0111**
CPI	-4.373333	0.0001*	-4.293229	0.0002*
GDP	-4.361624	0.0002*	-4.361624	0.0002*
INF	-5.298057	0.0000*	-2.217773	0.0287**
POV	0.042843	0.6810	-1.745454	0.0768***

* Significance at 1 % level, ** Significance at 5 % level, *** Significance at 10 % level.

MacKinnon (1996) one-sided p values.

Source: Author's data processing and analysis

the alternative hypothesis is accepted that there is long run equilibrium relationship among income inequality, corruption, growth, inflation and poverty.

The Error Correction Model (ECM) associated with ARDL was estimated to show the short and long run effect of corruption on the income inequality level. In addition to the fact that ECM comprises the short run transitory effects and the long run relationships, the speed of adjustment of the dependent variable to changes in the independent variables is also determined within the framework.

The results of the ECM in table 6 showed the short effect of corruption on income inequality. From the p-value (Prob.) of error correction (ECM(-1)) in that table (where 1%, 5%, and 10% as significance level), the author can

conclude that in the short-run both income inequality and corruption are endogenous. That is all these variables are dependent on other variables, which helps the author to argue that there is dynamic relationship among income inequality, corruption, growth, inflation and poverty in short-run. The lagged ECM terms for model have the expected negative sign. Moreover, the coefficient of the ECM (-1) in table 6 is the speed of adjustment of poverty level to shocks in exogenous variables in the model. The negative and statistically significant of the coefficient of the Error Correction (ECM) indicates a stable process of adjustment to the long run equilibrium.

In the short run, the results show that corruption is significant in 1% significance level (Prob. <0.01, t=42.39) and it has a positive

Table 4. Model Selection Criteria

Model	LogL	AIC*	BIC	HQ	Adj. R-sq	Specification
1	54.217962	-10.715103	-10.583620	-10.998843	0.996881	ARDL (1, 0, 0, 0, 0)

Source: Author's data processing and analysis

Table 5. Result of Bounds Testing

Estimation Model	$IE = f(CPI, GDP, INF, POV)$	
Test Statistic	Value	K
F-statistic	3.559432***	4
Null Hypothesis :	No long-run relationships exist	
Critical Value Bounds		
Significance	Lower Bound	Upper Bound
10%	2.45	3.52
5%	2.86	4.01
1%	3.74	5.06
Decision :	Reject the Null Hypothesis	

*** Significance at 10 % level

Source: Author's data processing and analysis

effect on the level of income inequality level in Indonesia. A 1% change in corruption, other things being equal, will change the level of inequality by 0.44% in the same direction. The argument for a positive correlation between income inequality and corruption level is as in highly unequal societies similar to Indonesia, the well-connected or rich have

larger resources to purchase influence illegally. With increased inequality in a society, more pressure will be exerted by the poor for redistributive measures such as progressive taxation. This leads to an added incentive for the well-connected or rich to employ political corruption for combating such measures and preserving the status quo. Given that high-

Table 6. Results of the Error Correction Model (ECM) for Short Run

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(IE)	-0.128097	0.028044	-4.567703	0.0447**
CPI	0.445548	0.010510	42.39128	0.0006**
D(GDP)	-0.050960	0.011422	-4.461664	0.0467**
D(INF)	-0.018209	0.011234	-1.620812	0.2465
POV	0.025922	0.006201	4.180169	0.0527***
ECM (-1)	-1.463392	0.246071	-5.947030	0.0271**
C	0.803456	0.008921	90.06506	0.0001
R-squared	0.999938	Mean dependent var		0.392222
Adjusted R-squared	0.999750	S.D. dependent var		0.018157
S.E. of regression	0.000287	Akaike info criterion		-13.42297
Sum squared resid	1.65E-07	Schwarz criterion		-13.26957
Log likelihood	67.40337	Hannan-Quinn criter.		-13.75400
F-statistic	5337.972	Durbin-Watson stat		2.120169
Prob(F-statistic)	0.000187			

* Significance at 1 % level, ** Significance at 1 % level, *** Significance at 1 % level

Source: Author's data processing and analysis

inequality societies are more likely to insufficiently provide basic public services to the poor, the poor in turn will also depend on forms of corruption, albeit petty corruption, to secure these services.

Economic growth (proxied by GDP) is also significant (Prob. <0.05, $t=-4.46$) in the short run but it has a negative impact. This means that a 1% increase in economic growth will decrease the level of income inequality by 0.05%. This is in line with the expectation of negative relationship between growth and inequality where an increase in economic growth is expected to reduce poverty and income inequality. The negative relationship between inequality level and economic growth in Indonesia is worthy of concern. This serves as evidence that growth in the economic activities, aggregate incomes or outputs has trickled down to the bottom poor people. Nevertheless, this condition must be a serious attention for government, because this also means that the structural shift in the process of Indonesia's economic growth does follow the common assumption in the economic theory. The theory says that when an economic growth process creates movement of labor from low productivity agriculture to the high productivity industrial sector, it will improve the income and welfare of the labor force and cause a client in the inequality of income. In the other side, the poverty rate has a positive significance effect on

income inequality by 0.02%.

In the long run from table 7, only corruption that has a significant effect on the level of income inequality in 1% significance level. This implies that in the long run, there is positive relationship between corruption and income inequality. In the long run, the coefficient of corruption effect implies that 1% increase in corruption would increase the income inequality by 0.38%. This result complements the findings of both Chong and Calderon (2000b) and Gupta et al. (2002) on the positive association between corruption and income inequality. Moreover, the evidence of this association lends weight to the theoretical basis for the relationship between income inequality and corruption proposed by Murphy et al. (1991). Figure 4 demonstrates the relationship between corruption and inequality. The figure is based on the regression result in table 7. A higher growth in the corruption means the country has a higher rate of income inequality.

In the society and governmental context, corruption is perceived as a function of motivations and opportunities. In the face of increasing inequality, society is likely to react by demanding redistribution of income and higher levels of progressive taxation (Meltzer & Richard, 1981). As the redistribution pressure rises, elites will have a stronger motivation to buy political influence and

Table 7. Results of ARDL Estimation Based on AIC for Long Run

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CPI	0.386977	0.019541	19.802972	0.0003*
GDP	0.016209	0.062318	0.260105	0.8116
INF	0.009272	0.022100	0.419563	0.7030
POV	0.011711	0.051174	0.228837	0.8337
C	0.676641	0.199861	3.385557	0.0429

* Significance at 1 % level

Source: Author's data processing and analysis

exercise political corruption to influence decision making in an attempt to preserve their privileges (Glaeser et al., 2003). According to some studies, this effect of inequality on motivating corruption is greater in more democratic societies (Jong-Sung & Khagram, 2005). According to Kaufmann & Vicente (2005), political corruption or lobbying to ensure legal processes aimed at private gain, what the authors call 'legal corruption', is more likely to arise when there is low inequality, high (initial) income and accountability—understood by the authors as population's awareness of corruptible behaviour by the elite is low. In the same economic conditions, if accountability is high, a successful insurrection would surface and there is nothing the elite can do to stay in power, so not even legal corruption may arise. However, when there is high inequality and the income is low, which implies that the population might not have the power to threaten the elite with a successful insurrection, the elite opts for cheapest illegal forms of corruption (Kaufmann & Vicente, 2005).

The result of ARDL above have shown that corruption among others affect income inequality. This could be labeled as the direct impact of corruption on inequality. However, corruption may also affect inequality indirectly through its impact on variables such as social spending. As this study stated before from previous findings that corruption deepens income inequality by hampering productive programs such as education, health care, water, infrastructures, housing and sanitation, corruption distorts the redistributive role of government. Since only the better-connected persons gain the most profitable government projects, it is less possible that the government is capable of improving the distribution of income and making the eco-

nomie system more equitable. It diverts government spending away from projects that benefit mostly low income individuals such as education and health to, for example, defense projects that create opportunities for corruption. This is an argument that the increased inequality caused by corruption worsens the position of the poorest in society by reducing the resources available for social spending. Well-targeted social programs are believed to transfer relatively more income to the poor and reduce the incidence of poverty. In reality, it is quite conceivable that much of the benefits of social programs accrue to the middle and higher-income groups.

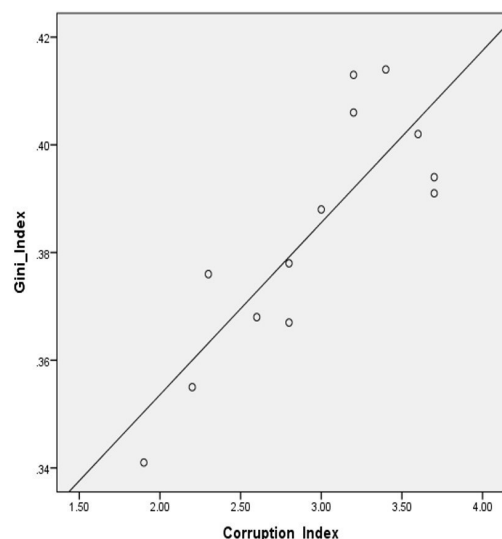


Figure 4. Scatter Plot of Relationship between Corruption Index and Inequality

Source: Author's data processing and analysis

To determine whether data supports the role of social spending in alleviating inequality and how corruption can affect the inequality through social spending, then social spending is correlated by simple Pearson Product Moment Coefficient of Correlation estimation¹ on corruption index. For this matter, the author uses several broad proxies. These are government or public spending (expenditure) on education (% of GDP), health (% of GDP), and final consumption (% of GDP)² from World Bank Data.

¹Estimated by IBM SPSS Statistics Version 22

²Measured by general government final consumption expenditure (formerly general government consumption) includes all government current expenditures for purchases of goods and services (including compensation of employees). It also includes most expenditures on national defense and security, but excludes government military expenditures that are part of government capital formation.

Table 8. Pearson Correlation Results

Variable	CPI	Health	Education	Final Consumption
CPI	1	-0.917 (0.000)*	-0.464 (0.061)***	-0.837 (0.000)*
N		17	16	22

* Significance at 10 % level, *** Significance at 10 % level

Source: Author's data processing and analysis

The results in table 8 shows that higher corruption tends to have lower levels of social spending. Of the three correlations, they are statistically significant at 1 percent level for health and final consumption spending and 10 percent level for education spending. Corruption is statistically significant in negative sign on health, education and final consumption spending of government. A 1% change in corruption index, other things being equal, will change the level of health spending by 0.91%, level of education spending by 0.46%, and level of final consumption by 0.83% in the opposite direction. This implies that increasing corruption will decrease the total spending of government for social services. Whereas the previous section stated that higher social spending increases the income growth of the poor. Together these results show that corruption not only reduces income growth of the poor directly, but also indirectly through lower social spending for health, education and final consumption expenditure (formerly general government

consumption) includes all government current expenditures for purchases of goods and services. These results indicate that corruption leads to higher income inequality by reducing the effectiveness of government spending for society. These are supported by a study using data from 21 OECD countries for the period 1998 to 2011 by Jajkiewicz and Drobiszova (2015). The authors show that, due to corruption, government expenditure on defense and general public services increased, while public expenditure on education, health, culture and religion declined. The implication of this corrupt practice on inequality, especially when the sector most affected is education, is the prevention of economic growth considering the positive relationship between investing in education and economic development.

In order to have better understanding of the relation between corruption and all broad proxies, this study plotted them visually on scatter plot graphs. Figure 5 shows a nega-

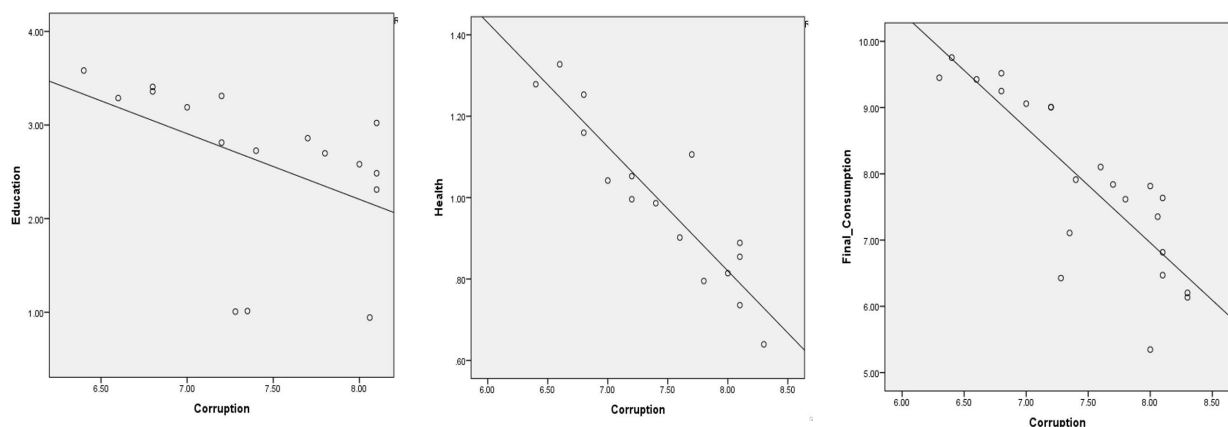


Figure 5. Plot of Relationship between Corruption and Government Spending for Education, Health, and Final Consumption

Source: Author's data processing and analysis

tive correlation between corruption and government spending for education, health, and final consumption.

CONCLUSION

The results from the above analysis indicated that corruption affects income inequality in Indonesia both in short run and long run. Corruption is a very complex phenomenon that has been connected with variety factors such as economic, legal, cultural and demographic. Any anti-corruption campaign will not succeed if it concentrates on a single perceived cause at the expense of others. Furthermore, lots of the corruption forms will take, and the pervasiveness with which it will manifest itself, are dependent on country-specific conditions. Thus, it makes policy prescriptions for anti-corruption efforts difficult and perhaps fundamentally misguided. Nonetheless, by enhancing further evidence to the relationship between income inequality and corruption, this study may propose insight of how certain corruption forms may come about, and a possible explanation of why certain factors previously thought to underlie corruption. Also, which of the factors that have inspired anti-corruption measures but have not been supported by empirical research. In the short run, the results show that corruption is significant in 1% significance level (Prob. <0.01, $t=42.39$) and it has a positive effect on the level of income inequality level in Indonesia. A 1% change in corruption, other things being equal, will change the level of inequality by 0.44% in the same direction. This study also results the possible long-term economic consequences of pronounced income inequality. The impact of corruption on income inequality is considerable that 1% increase in corruption index would increase the income inequality by 0.38%.

For citizens' life, the negative implication of corruption becomes a main disaster in the economy and harmful to the growth and development of the citizens particularly and the economy generally. For the effectiveness, sustainability and management of this disaster, government should initiate policies that will decrease the level of corruption significantly. Therefore, it will bring influence on the standard of living of the citizens positively regarding the quality and efficient education, sound management of natural resources, provision of good health facilities as well as other infrastructures that will transcend to the growth of the economy. Also, the leading Indonesia's Corruption Eradication Commission (Komisi Pemberantasan Korupsi), abbreviated as KPK, as a government agency established to fight corruption, and all institutions related need to join hands with the fast growing economies to stop the corrupt officials from getting away with it by imposing reasonable sanctions that will serve as a deterrent to others. This may be informed of arresting and conviction of several individuals that are found guilty of the offence. Anti-corruption efforts need to be strengthened and sustained. This will help in eradicating high level of income inequality among the people.

The empirical evidence presented in this study shows that corruption has significant distributional consequences by affecting government expenditures. High and rising corruption has increased poverty by reducing the level and effectiveness of growth and social spending (health as well as education). All ARDL estimation results and Pearson correlation findings suggest that the adverse distributional consequences of corruption can be mitigated by: (1) efficient spending on education, health and other public services; (2) effective targeting of social programs; and (3) a low level of inequality in the access to education.

This study has contributed to knowledge by empirically investigating the impact of corruption on income inequality in Indonesia where it was found that high level of corruption has led to an increase in the level of income inequality in Indonesia. The study therefore also suggested that for national sustainable development and disaster management (corruption and income inequality), the KPK and the other ministries linked should join hands together with the fast growing economies to stop the corrupt officials from getting away with their corrupt practices.

The author believes that with a larger sample size the evidence becomes more reliable and the probability of any error will decrease. The author only reaches a dataset of annually based, hopefully more data will become more accessible and a greater data sets can be constructed. As greater dataset are conducted accurately one can start looking at cross regional regressions for each region depending upon legal origin and possibly achieve greater significance in each group of countries. Valuable information and conclusions can be drawn from both the regression model with and without dummies. Suggestions for further research that could be of use and give even better results is to continue using new and greater datasets as they become available and using other model to catch the corruption as a consequences of inequality condition. The difficulties with measuring and defining corruption will sustain however without trying to change either the method of measuring or the definition one can compare newer research with previous for a greater understanding.

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UNQUALIFIED OPINION AND LEVEL OF CORRUPTION: THE TRIANGULATION APPROACH

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ABSTRACT

Corruption cases that occur in almost all provinces throughout Indonesia potentially bring financial harm to the government, drawing public attention in the last few years. A large number of provinces where such cases occur have received Unqualified Opinion. As a result there is a discrepancy between the public's perception and the findings of the BPK, Indonesia's supreme audit institution. The public is assured that government institutions or agencies that have received unqualified opinion are free from potential corruption. On the other hand, there are still potential corruption found that can cause financial harm to the state. Meanwhile, the government (BPK) has not conducted any audit on the financial reports to detect corruption. This inconsistency between public perception and the perception of the government, in this case the BPK, is referred to as an expectation gap. This study aims to prove that an unqualified opinion does not relate to level of corruption. The research method uses a combination of qualitative and quantitative/triangulation approach (mixed method). The study collects samples from 31 provinces throughout Indonesia. The result of this study indicates that an unqualified opinion represents the good governance of an organization. However, such opinion does not necessarily guarantee that the institution is free from potential corruption. The reason is that a BPK audit is not designed to detect corruption, but rather to determine the fairness of information presented in financial reports. Result of quantitative testing conducted during the study also confirms the result of the qualitative testing, and thus it can be affirmed that an unqualified opinion does not significantly relate to corruption level.

KEYWORDS:

audit opinion; corruption level; triangulation approach

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INTRODUCTION

Article 1 paragraph 1 of Indonesian Law Number 17 of 2003 on State Finance stipulates that state finance constitute all the rights and obligations of the state that can be assigned with monetary value, as well as any money or asset that can be made as the property of the government in relation to the exercise of such rights and obligations. Further, Article 2 stipulates that state finance include (a) the state's right to collect taxes, issue and distribute currency, and provide loans; (b) the state's obligation to provide public service in governance and pay payment demands from third parties; (c) state revenue; (d) state expenditures; (e) local government revenue; (f) local government expenditure; (g) state assets/local government assets that are self-managed or managed by other parties, in the form of money, securities, receivables goods, as well as other rights that can be valued with money, including state/local own source assets that are in state-owned enterprises and local government owned enterprises; (h) assets of other parties controlled by the government used in the execution of governance or to maintain public order; and (i) assets of other parties acquired using facilities provided by the government. As such all matters relating to income and expenditure of the government is formulated in the State Budget (ABPN) at the central level and the Local Government Budget (ABPD) at the local government level.

The State Budget and the Local Government Budget as the financial representation of the national/local government needs to be managed properly by the government as they will be reported to the people, in order to bring improvements to the delivery of public service with the ultimate goal of creating prosperity for the people. However, during the last few decades, financial management by the central/local governments has

received criticism from the public. The critical comments has come not only from within the country but also from the international community. The cause is that the management of central/local finances and the use of public funds by public sector organization cannot be reported effectively. As a consequence the public cannot enjoy the welfare optimally. One form of criticism that has been directed from outside the country at the financial management by the central/local government can be viewed from the ranking of countries that suffer from problems in their financial management that in turn create corruption risk.

Based on data from the Transparency Index (TI) that ranks countries by their corruption prevalence, the 2016 Corruption Perception Index (CPI) places Indonesia in 90th place out of 176 countries, giving it a score of 37. Compared to other ASEAN countries, Indonesia's score is below Singapore (85), Brunei Darussalam (58), and Malaysia (49). Indonesia does, however, score higher than Thailand (35), which consistently outscored Indonesia for the last five years. The 2016 scoring uses a ranking system derived from 13 different data sources, namely the African Development Bank Governance Ratings 2015, Bertelsmann Foundation Sustainable Governance Indicators 2016, Bertelsmann Foundation Transformation Index 2016, Economist Intelligence Unit Country Risk Ratings 2016, Freedom House Nations in Transit 2016, Global Insight Country Risk Ratings 2015, IMD World Competitiveness Yearbook 2016, Political and Economical Risk Consultancy Asian Intelligence 2016, Political Risk Services International Country Risk Guide 2016, World Bank-Country Policy and Institutional Assessment 2015, World Economic Forum Executive Opinion Survey (EOS) 2016, World Justice Project Rule of Law Index 2016, and Varieties of Democracy (VDEM) Project 2016.

Table 1. Enforcement Against Corruption 2016-2017

Year 2017		Year 2016	
Number of cases	576	Number of cases	482
Number of suspects	1,298	Number of suspects	1,101
Value of state loss	Rp. 6.5 T	Value of state loss	Rp. 1.47 T
Value of bribes	Rp. 211 B	Value of bribes	Rp. 31 M

Source: Indonesia Corruption Watch (2016-2017)

Data from the Indonesian non-governmental organization Indonesia Corruption Watch (ICW) shows that enforcement against corruption cases during the last two years (2016-2017) experiences an increase, both in terms of the number of suspects indicted and the value of state loss or bribery involved. Table 1 presents prosecution of corruption cases during the last two years (2016-2017) in detail.

Table 1 shows that the number of prosecution of corruption cases during a two year period (2016-2017) has increased by 94 cases, with an increase in the number of suspects by 197 people. As a result the total loss suffered by the state identified increased by 5.03 trillion rupiah and bribery value by 180 billion rupiah. Corruption cases has garnered significant attention from the public as it renders a detrimental effect on the country's economic stability and affects prosperity. Corruption is a form of fraud that benefits the perpetrator and harms public interest.

Tehupuring and Lingga (2017) find that most fraud or corruption are committed because there were opportunities. Opportunities are created through weak legislations and bureaucracy and moral degradation of the perpetrators of corruption. Weak legislations and bureaucracy is reflected in a number of findings that point to ineffective internal control systems and failure to comply with regulations. According to Indonesia Audit Board's (BPK) findings on 2016 Local Government Financial Reports (LKPD) with respect to internal control systems, in 537 of

the reports there appear to be 6,053 weaknesses in the local government's internal control systems, namely (1) 2,156 issues with their accounting control and reporting system, (2) 2,657 issues with budget expenditure control systems, and (3) 1,240 issues with their internal control structures (BPK RI, 2017_b). Meanwhile, BPK findings relating to non-compliance with the legislations show that there are 6,115 issues of non-compliance, consisting of losses, potential losses, and shortfalls in revenue (having financial impact) totaling 3,784 issues with a value of 2.08 trillion rupiah, and administrative irregularities (not having financial impact) totaling 2,331 issues (BPK RI, 2017_b). These findings would impact audit opinions on local governments.

From BPK's 2017 audit of Local Government Financial Reports, it was found that out of a total of 542 reports for 2017, BPK gave 411 unqualified opinions (76%), 113 qualified opinions (21%), and 18 disclaimers opinions (3%). At the government level, an unqualified opinion was received by 33 out of the 34 provincial governments (97%), 298 out of 415 district governments (72%), and 80 out of 93 municipal governments (86%) (BPK RI, 2018). Meanwhile, in 2016 qualified opinions were given to 375 regional government financial reports (70%), qualified opinions given to 139 reports (26%), and disclaimer opinions to 23 reports (4%) (BPK RI, 2017_b). At the government level, unqualified opinions were achieved by 31 out of 34 provincial governments (91%), 272 out of 415 district governments (66%), and 72 out of 93

municipal governments (77%). Those description shows that more unqualified opinions were achieved by local governments than any other opinions.

Detailed description of the BPK audit result in 2017 and 2016 shows that financial reports of local government on average have been presented fairly in all material respect, in terms of conformity with accounting standards, adequate disclosure, compliance on law and regulations, and effectiveness of internal control system. Tehupuring and Lingga (2017) states that an effective internal control system should have at least four features, namely (1) protection of local government assets from potential misappropriation, (2) promotion of efficiency of local government's management policies, (3) assurance that accounting information has been presented accurately, and (4) compliance with the applicable systems and procedures or regulations.

There are four types of audit opinions rendered by the BPK for local government financial reports: Unqualified Opinion, Qualified Opinion, Adverse Opinion, and Disclaimer Opinion. Qualified opinions are given to financial reports that are free from any material misrepresentation (BPK RI, 2017_b). This means that auditor believes, based on the evidence collected, the government has implemented generally applied accounting principles, and if there is any errors, it is deemed to be immaterial and it does not significantly impact decision making (BPK RI, 2017_b). As a form of the local government's accountability in managing the local government's finances, an unqualified opinion is an implementation of good governance thus unqualified opinion will be important concern to local government.

The attainment of an unqualified opinion by an entity does not guarantee that the

management of state finances is faultless and free from corruption. According to Gunarwanto (2017), the public basically sees audit opinions as a measure of the governments accountability and as an assurance that the state's finances is managed honestly and free from corruption. In fact, the purpose of rendering audit opinions is not to give assurance as to whether or not corruption exists within an entity. Prior to an audit being conducted by the BPK as an external auditor, the government would have already established an internal control mechanism to facilitate oversight and guidance to ensure that the management of state finances is in line with the applicable regulations and to mitigate any irregularities. Further, monitoring of the effectiveness of the internal control mechanism is a mandate given to Government Internal Control Officers (Aparat Pengawasan Internal Pemerintah - APIP) as internal auditors. The APIPs are the first line of defense in the safeguarding and supervision of government's budget management.

The different perceptions of the public and the government (BPK) concerning unqualified opinion and its link with corruption level has caused the coining of the term *expectation gap*. The term becomes an important public concern when corruption in local governments are uncovered. Figure 1 shows a list of corruption cases occurring within local governments throughout 2016.

As shown in figure 1, in 2016 the West Java Province experienced the highest number of corruption compared to other provinces. Conversely, North Maluku showed no occurrence of corruption. However, the audit on the West Java Province yielded an unqualified opinion. Additionally, unqualified opinions were gained by not only West Java, but by almost all provinces in the country, except for Bangka Belitung,

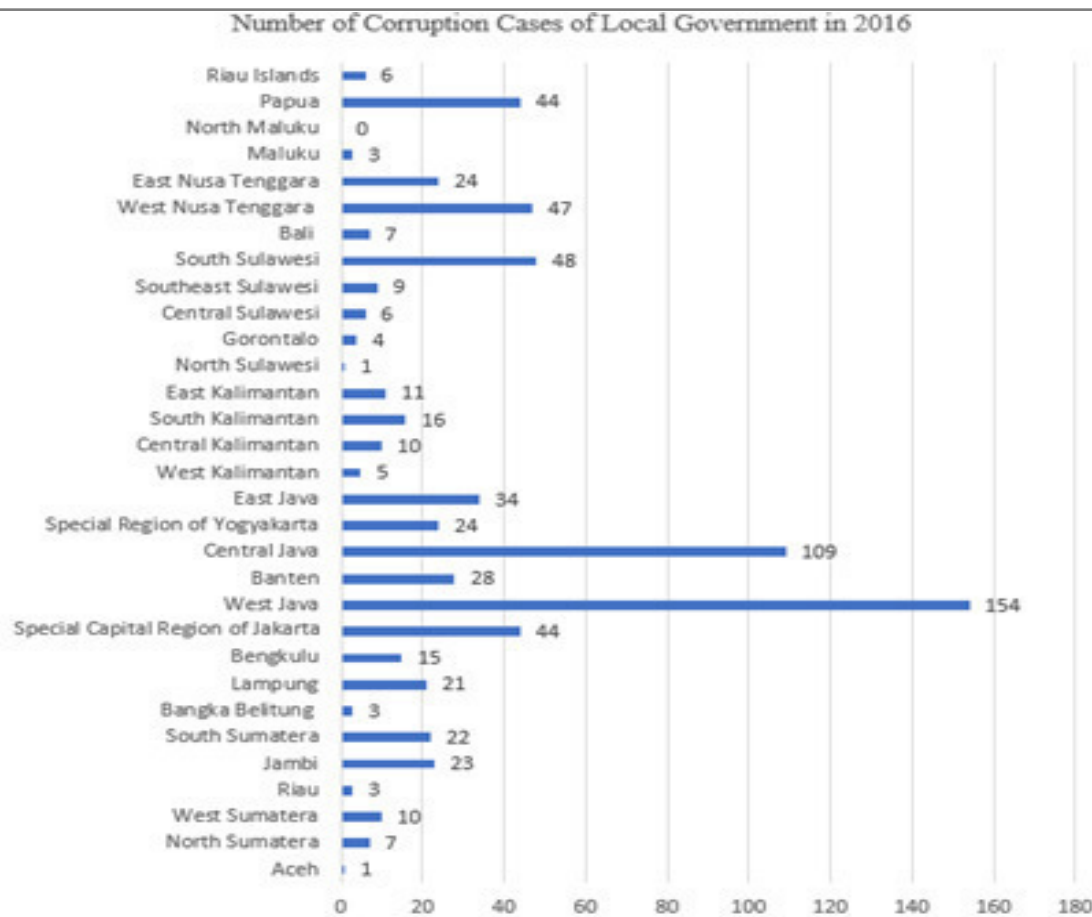


Figure 1. The Number of Local Government Corruption Cases in 2016

Source: Indonesia State Prosecutors' Office (2017)

Bengkulu, and DKI Jakarta. This shows that although a local government may receive an unqualified opinion, corruption cases are still sometimes found. As such, although the public assumes that an entity whose financial report has received an unqualified opinion should be free from corruption, the fact is that potential corruption are still found in these entities.

Studies conducted in Indonesia present inconsistent findings relating to the effect of audit opinions on corruption levels. Rini and Damiati (2017) analyzed findings from audits on governments and the level of corruption in provincial governments in Indonesia. The study sampled 18 provincial governments within a period between 2011 and 2014. Sampling was done using purposive sampling method and analyzed using multiple linear regression. Indicators

used to determine corruption level is the number of corruption cases that has been ruled upon by the court. Findings from the study show that audit opinions and audit findings have no correlation with corruption levels. However, follow up actions based on audit findings has negative and significant effect on corruption levels.

Ismunawan (2016) tested the effect of non-financial and financial factors on corruption levels of local governments in Indonesia. The sample of the study is 50 district/municipality governments in 2013. The sampling method was purposive sampling and analyzed using multiple linear regression. Indicator of corruption level used was the corruption perception index. Findings from the study showed that transparency, audit opinion, capability of internal auditors and reliance of government

funds have an effect on corruption levels. Meanwhile, local expenditure and finances do not render any significant impact on corruption levels.

Masyitoh et al. (2015) tested the effect of audit opinions, audit findings, and follow ups on audit results on the perception of corruption towards regional government between 2008 and 2010. The research sample comprised of district/municipal government within such period. Sampling method was purposive sampling and analyzed using multiple linear regression. Indicator of corruption level used was the corruption perception index. The result shows that audit opinion given by BPK has negative impact on corruption perception, the better audit opinion obtained, the lower corruption perception of local government. The research found that non-compliance with regulatory provisions has a positive and significant effect on corruption perception. Meanwhile, findings on weaknesses in internal control systems do not render any significant effort on perception of corruption.

Rini and Sarah (2014) conducted a study on audit opinions and disclosures in district government financial reports and its correlation with corruption in Indonesia. The research looked into the financial reports of district governments in 2011. The research was done using a qualitative method by building a checklist comprising of disclosure items contained in the report based on the most current Government Accounting Standards (SAP) and correlating such list with corruption levels. Result from the research shows that the quality of financial reports has improved as evidence by the upgraded audit opinions on the district financial reports. Meanwhile, it appears that disclosure of local government financial reports does not correlate with audit opinions rendered by the BPK.

Heriningsih and Marita (2013) studied the effect of audit opinions and financial performance of local governments on the government's corruption level. The sample used in the study was municipal and district governments on the island of Java within the period between 2008 and 2010. The sampling method employed was *purposive sampling* and analyzed using multiple linear regression. The indicators used to mark corruption levels was the corruption perception index. Findings from the study shows that audit opinions and financial performance of local governments (independence ratio, activity ratio, and growth ratio) do not significantly influence corruption levels.

The above-described background condition has motivated the author to undertake the study in unqualified opinions and corruption level: a triangulation approach. The objective of the study is to prove that an unqualified opinion received by a government institution does not correlate with corruption levels. The approach employed in this study is the triangulation approach (mixed method), entailing that the author uses both qualitative and quantitative means to answer the researchable question. The purpose of this selection is to obtain a more accurate and comprehensive outcome.

THEORETICAL REVIEW

Audit on Financial Reports of Local Governments

The agency theory stipulates that the principal and agent are engaged in a contractual relationship. This means that the principal confers complete trust upon the agent to manage its business activities and act in the best interest of the principal. However, the agent does not always act in

the interest of the principal. Therefore, the principal as the owner of the business establishes a supervisory function through audits performed on the agent's financial reports to prevent and curtail behavior that is not consistent with the provisions of the contract (Jensen & Meckling, 1976). In regards to the public sector, the legislature is the representation of the people conferred with the authority to supervise the government's actions in managing and delivering services to the people. This entails that the public expects public service to be delivered in a more effective and efficient manner when compliance in the payment of taxes is in accordance with the prevailing laws and regulations. However, as an agent, the government may carry out actions that are not consistent with the best interest or expectation of the people. As such, to reduce occasions where the government (agent) fails to act in accordance with the interest of its people, a supervisory function is needed in the form of audit on the financial reports of the public sector.

Audit of the public sector's financial reports plays an important role in enhancing the management the state's/local administration's finances to be more effective. In effect this requires that state's finances must be managed properly, in compliance with the applicable regulations, efficiently, economically, effectively, transparently, and accountably, while duly upholding the principles of equity and suitability (Law Number 17 of 2003, Article 3 paragraph 1). Additionally, state financial audits comprises of audit on the state's financial management and audit of their accountability of the state's finances (Law Number 15 of 2004, Article 2 paragraph 1). Bourn (2017) reports that audit of the public sector plays an important part in strengthening and promoting sustainable improvements for the benefit of the people, both as users of the public service and as taxpayers.

Law Number 17 of 2003 on State Finance and Law Number 32 of 2004 on Regional Government provide that financial reports of lower tier governments is a form of their accountability of the realization of the local government budget of all local governments. Indonesia's government accounting standards dictates that components of a financial report that are presented must follow the requirements of Government Regulation Number 71 of 2010, which sets forth accounting standards that serve as indicators to assess the financial reports of regional governments.

Financial reports are prepared with the purpose of providing relevant and accurate information on the financial condition of and the transactions undertaken by the reporting entity during the relevant reporting period (one year). As such, stakeholders would use the financial report in the process of making decisions. These stakeholders may include (1) the public, (2) parliamentary members, oversight bodies, and audit institutions, (c) organizations that grant or play a role in the process of granting donations, investment, and loans and (d) the government (SAP, 2010).

This study is focus on the local government due to a number of important reasons: (1) the 2016 Annual Report of Indonesia Public Prosecution Service states that of the country's 34 provinces, 31 are involved in corrupt practices, not including North Maluku, and (2) corruption occurring at the local level almost all are found in provinces that exhibit good governance.

Process of Formulating Audit Opinions at the BPK

Formulation of audit opinion is a part of the overall audit of local government financial reports conducted by the BPK. Article 23 E of Indonesia's 1945 Constitution provides

that audit of the state's financial management and accountability is performed by the BPK. According to Law Number 17 of 2003 on State Finances and Law Number 32 of 2004, before a local government submits its financial report to the local house of representatives, the report must be audited by BPK. The audit performed by BPK on the financial report is meant to convey a positive sign to the public with regard to the government's responsibility to maintain the public's well-being by ensuring that the report fulfills the established criteria, thereby ensuring that the decisions that have been made are accountable and transparent.

Article 2 of Law Number 15 of 2006 on the Indonesia Audit Board (BPK) is an independent state institution that audits the

financial management and financial accountability of the state. Additionally, BPK RI (2017_a) define the institution as a state institution charged with auditing the financial management and audit of the state as referred to in Indonesia's 1945 Constitution. Therefore, the BPK is an independent institution that is responsible for auditing the financial management and accountability of the state/local governments, also referred to as an external auditor.

BPK's audit includes financial audit, performance audit, and special purpose audit (BPK RI, 2017_a). The purpose of a financial audit is to provide an opinion on the fairness of a financial report. Meanwhile, the purpose of a performance audit is to draw a conclusion on the economy, efficiency

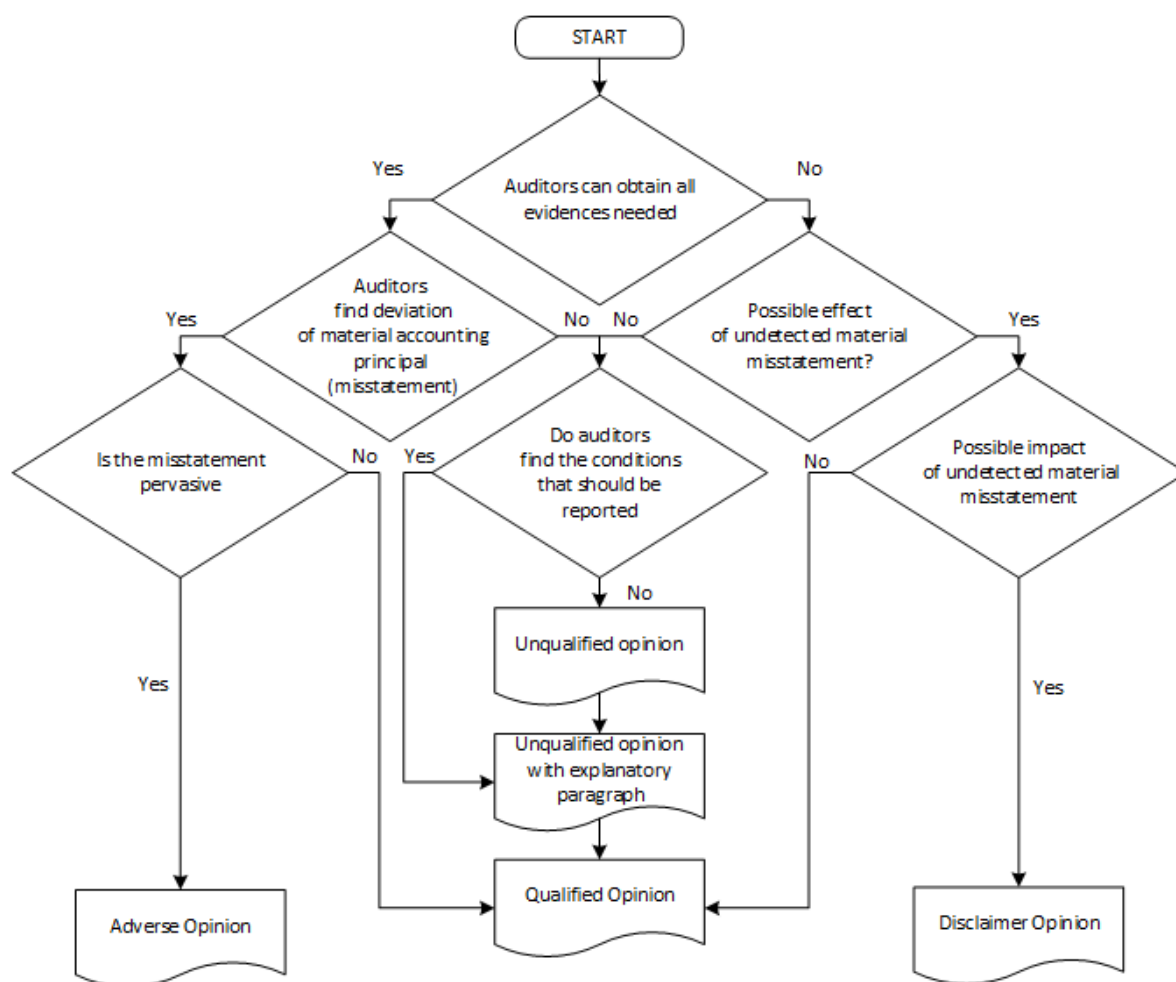


Figure 2. BPK Audit process

Source: BPK RI (2013)

and/or effectiveness of the management of state finances, and to provide recommendations on how to improve such aspects. Special purpose audits are meant to produce conclusions based on the set objective of the audit. Special purpose audits can be in the form of a compliance audit and investigative audit (BPK RI, 2017_a). In broad terms, the audit process of the BPK on local government financial reports can be described in figure 2.

The output of local government financial audit by BPK is audit opinion. Audit opinion are opinion issued by auditors on the relevant entity's financial report. Moreover, an audit opinion is a professional statement of a conclusion drawn from an audit on the fairness of the information presented in the

financial report (Law Number 15 of 2004). A flowchart of the process by which a BPK audit opinion is formed is shown in figure 3.

Law Number 15 of 2004 stipulates that a BPK audit opinion is based on the criteria of (i) conformity with government accounting standards, (ii) sufficiency of disclosure, (iii) compliance with the laws and regulations, and (iv) effectiveness of internal control system. Consistent with Law Number 15 of 2004, the State Finances Auditing Standards (SPKN) Number 01 of 2017 states that purpose of financial audits is to gain reasonable assurance so that the auditor can give an opinion that the financial report fairly presented, in all material aspects, conformity with the applicable accounting standards, adequate disclosure, compliance

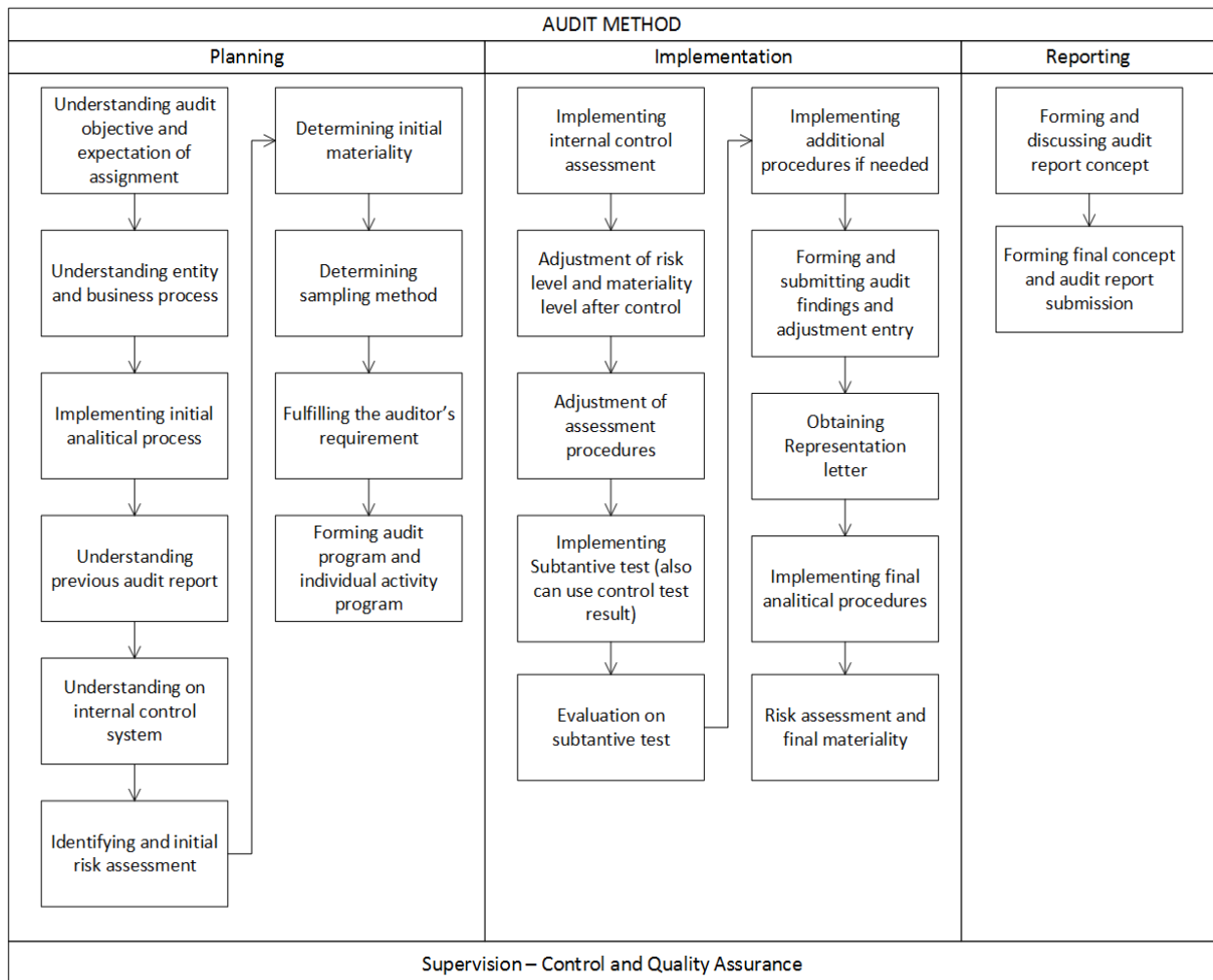


Figure 3. BPK Opinion Formulation Process

Source: BPK RI (2013)

with the laws and regulations, and effectiveness of internal control system.

RESEARCH METHOD

This study uses a combination of qualitative and quantitative methods (mixed method). This particular method is also often referred to the triangulation method. The purpose of the use of such method is to obtain a more comprehensive explanation of the issue being researched. Therefore, the triangulation method is expected to elucidate the phenomena in a comprehensive way. The qualitative approach was applied by indirectly studying the issues through mass media, journals, as well as other literatures that are relevant to this study. On the other hand, the quantitative approach was done by compiling the Report's Summary (Ikhtisar Hasil Pemeriksaan Semester), data on corruption cases maintained by the Public Prosecution Service of the Republic of Indonesia for all provinces in Indonesia, and data on regional gross domestic product through the Central Bureau for Statistics, covering the analysis year of 2016.

This study employs a theory review, namely the agency theory, which is a concept that entails the audit of the local government's financial reports and formulation of BPK audit opinions as a rule of thumb (benchmark) in answering the researchable question (qualitative approach). Conversely, the quantitative method is used to supplement the qualitative method. This method is applied by forming research variables in reflecting the issues being researched. The study uses as independent variables the opinions from BPK audits of the financial reports of all provincial governments in Indonesia, and corruption levels as dependent variables. Additionally, the study also utilizes a control variable,

namely the economic growth of the relevant local region, to control the correlation between the BPK audit opinion and the corruption level. This is done to control the research model from other factors that also influence corruption levels and to exclude them from this study, and thus helping in mitigating bias in interpreting the conclusions (Cooper & Schindler, 2014; Hartono, 2014).

The study uses Ordinary Least Square (OLS) to test the research's hypothesis. The purpose is to minimize error or residue (Gujarati & Porter, 2009). The OLS method adopts a number of classical assumptions that need to be tested. The test performed on these assumptions is the normality test. The purpose of this test is to provide elaboration on the distribution of residual samples in the research. A good model is the model that has a normal residue distribution. The rule of thumb of a normality test is where the *kolmogorov-smirnov* significance value ($K-S > 0.05$). This study only uses the normality test since the testing of the research hypothesis is a correlation test rather than a causality (regression) test that requires multicollinearity and heteroscedasticity tests. Once the regression model has passed the normality test, the researcher proceeded to conduct a hypothesis test. Algifari (2015) states that the steps involved in a correlation coefficient test are as follows:

1. Formulate a hypothesis.
2. The distribution applied in testing correlation is t-distribution. T-table (t-critical) value is determined based on the significance level (α) used and the degrees of freedom ($d.f = n - 2$), the amount of which is dependent on the sample.
3. T value is determined using the following formula:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

4. Decision is made by comparing the value of the calculated t to the t -table. If $t < t$ -table, then the decision of the test is to accept hypothesis zero (H_0), which states that X does not correlate with Y . Conversely, if the calculated $t > t$ -table, the test decision is to reject hypothesis zero (H_0).
5. Conclusion is drawn based upon the decision made.

Table 2 shows a summary of the operating definition of the variables.

RESULT AND DISCUSSION

Qualitative Approach

Audit opinion and corruption level

BPK RI (2017_b) states that an audit opinion is an opinion rendered by auditors pertaining to an entity's financial report. Meanwhile, Law Number 15 of 2004 states that an audit opinion is a professional statement that embodies the auditor's conclusion regarding

the fairness of information represented in a financial report. Based on such definition, an audit opinion is an entire audit process conducted on the local government financial report (LKPD) by BPK. Its purpose is to given sufficient confidence to the stakeholders on the conformity of the information contained in the financial report with the established criteria.

An unqualified opinion received by an entity (in this case a local government) does not necessarily entail that its management of public funds is clean and free from corruption. The public essentially views these opinions as a measurement by which to assess government accountability, and as a guarantee of the proper management of state finances free from corruption. In fact, the rendering of audit opinions is not to convince whether corrupt practices exist or not in an institution. More fundamentally than the audits performed by the BPK as an external auditor, there are internal control mechanisms that are established by the government to oversee and direct the management of state finances in accordance

Table 2. Operating Definition of Variables

No.	Research Variables	Variable Measurement	Scale
1.	Corruption Abuse of public office for personal gain in contradiction with the law (Liu & Lin, 2012) and the illegal sale of government property, bribery for government projects, and embezzlement of government funds (Shleifer & Vishny, 1993; Svenson, 2005).	1. <u>Total Corruption Cases in Local Gov.</u> X 100% Total Population (10,000) (Adapted from research by Rini & Damiaty, 2017; Liu & Lin, 2012) 2. Natural Logarithm (NL) of Audited Court-Awarded Monetary Compensation for Corruption (Developed by Author)	Ratio
2.	Audit Opinion Opinion rendered by auditors on an entity's financial report (BPK, 2017)	Value 1 = Unqualified Opinion Nilai 0 = Non - Unqualified Opinion (Adapted from research by Rini & Damiaty, 2017; Masyitoh et al., 2015)	Nominal
3.	Regional Economic Growth Economic growth of a region is measured through Gross Regional Domestic Product (PDRB), the total added value produced by all of the business units in a specific region, or constituting the total value of end goods and services (net) produced by all of the economic units (BPS, 2017)	1. Natural Logarithm (NL) of total Gross Regional Domestic Product (PDRB) based on Prevailing Prices (Adapted from Masyitoh et al., 2015; Liu & Lin, 2012) 2. Natural Logarithm (NL) of total Gross Regional Domestic Product (PDRB) at Constant Prices (Adapted from Masyitoh et al., 2015; Liu & Lin, 2012)	Ratio

Source: Masyitoh et al., (2015); Liu & Lin (2012), Rini & Damiaty (2017)

with applicable regulatory provisions and to mitigate any irregularities that may occur. Going further, monitoring of the effectiveness of the internal control systems is the responsibility of the Government Internal Auditors (APIP). APIPs are the first line of defense to safeguard and oversee the use of state budget/local budget (APBN/APBD) by the government (Gunarwanto, 2017).

As elaborated above, it can be clearly understood that a BPK audit on the financial report of an entity is not designed to detect potential or actual corruption, thus there is no correlation between an unqualified opinion and corruption level. This means that even though an entity may have received an unqualified opinion, this does not ensure that that entity is free from potential corruption. However, if the BPK does find a potential corruption, BPK can conduct an investigative audit.

Quantitative Approach

Primary test result

The study employs a quantitative method to enhance accuracy of the elaboration achieved

result of the quantitative method testing to test the correlation between unqualified audit opinion and corruption level. The test comprises of descriptive statistical test (average), assumption of normality, and hypothesis test.

Table 3 shows descriptive statistics on 31 local governments as samples to test the correlation of BPK audit opinion with corruption level. The reason behind such sampling is that of all 34 provincial governments, only 31 had data on corruption cases reported in the Indonesia Public Prosecution Service annual report for 2016. The author further grouped the local economic growth and corruption level variables into two categories, namely (1) local economic growth of samples that received unqualified opinions and non-unqualified opinions, and (2) corruption level for samples that received unqualified opinions and non-unqualified opinions. The average local economic growth of regions that received unqualified opinions is 26.05, while that of regions receiving non-unqualified opinions is 28.31. Further, the corruption level of regions that received

Table 3. Descriptive Statistics of Total Corruption Cases

Variable	N	Audit Opinion	
		Unqualified	Non-Unqualified
Local Economic Growth	31	26.05	28.31
Corruption Level	31	0.24	0.21

Source: Author's data processing and analysis

through the qualitative method. The study uses corruption level, local economic growth and audit opinions on local government financial reports for 2016. This is due to the fact that the corruption levels reported in the annual report of the Indonesia Public Prosecution Service is only for 2016. Additionally, the reported level of corruption is only for the provincial governments, thus the author took into account the availability of data for the study. The following is the

unqualified opinions is 0.24, while corruption level of those that received non-unqualified opinions is 2.24. Of the 31 research samples, there are 3 local governments that received non-unqualified opinions, namely (1) Bangka Belitung Islands, (2) Bengkulu, and (3) DKI Jakarta.

Table 4 shows the result of the normality test. The test shows that the kolmogorov-

Table 4. Result of Normality Test

Variables	Kolmogorov-Smirnov
Audit Opinion	0.094
Regional Economic Growth	

Source: Author's data processing and analysis

Table 5. Result of Hypotheses Test

Variable	Pearson Correlation Coefficient	t-statistics	Significance
Audit Opinion	0.032	0.172	0.863
Local Economic Growth	0.403	2.371	0.025

Source: Author's data processing and analysis

smirnov significance value (K-S) is 0.094 > 0.050. This indicates that residual correlation of audit opinions and a region's economic growth with corruption levels is distributed normally. As such, the research model has passed the normality test, and thus the research can proceed to the hypothesis test.

Table 5 presents the result of the hypothesis test on the correlation of audit opinions with corruption levels. Result of the study shows that the values of the Pearson correlation coefficient, t-statistics, and significance in the audit opinion is 0.032, 0.172, and 0.863, respectively. Result of the study shows that an audit opinion does not significantly affect corruption level. Audit opinions are merely opinions issued by the auditors on the financial report of an entity (BPK RI, 2017). BPK serves as an external auditor tasked with performing audit on an entity's financial report (central or local government). Result of the audit on the financial report is incorporated into an audit opinion, which can be unqualified opinion, qualified opinion, adverse opinion, or disclaimer opinion.

Law Number 15 of 2004 stipulates that a BPK audit opinion is based on the criteria of (i) conformity with government accounting standards, (ii) adequate disclosure, (iii) compliance with the laws and regulations,

and (iv) effectiveness of internal control system. As explained in the preceding paragraph, an audit performed by BPK on a local government's financial report is not designed to detect corrupt practices. Such audit is only to provide reasonable assurance on the part of the auditor to render an opinion that the financial report fairly presents, in all material respects, conformity with accounting standards, adequate disclosure, compliance with the laws and regulations, and effectiveness of internal control system. Therefore, an unqualified opinion does not constitute a guarantee that an entity (local government) is free from corruption.

Table 5 sets forth the result of a hypotheses test on the correlation of local economic growth as the control variable to corruption level. Result of the research indicates that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth are 0.403, 2.371, and 0.025, respectively. The result indicates that local economic growth correlates positively and significantly with corruption level. Local economic growth that is measured by the region's gross domestic product is added value generated by all business units within such region, or the total value of end goods and services (net) produced by all the region's economic units (BPS, 2017). This finding shows that when a region's economic

growth increases, opportunities are created for people to engage in corrupt practices. These opportunities are taken by people due to the availability of resources possessed by an entity and weaknesses in the regulations and bureaucracy.

Result of Sensitivity Test on Corruption Levels Using Audited Court-Awarded Compensation as Proxy

The sensitivity test performed in this study uses a proxy, or a different indicator, to explain corruption levels. The indicator used is the compensation ordered to be paid by the actors in corruption cases pursuant to the ruling of the court, and which compensation has undergone an audit process. The compensation is a representation of the state loss as a result of the corrupt practice, thus allowing it to serve as an indicator in explaining corruption levels. The following is the result of quantitative testing to test the correlation of unqualified audit opinion with corruption levels. The test comprises of a descriptive statistics test (mean), normality assumption, and hypothesis test.

Table 6 shows descriptive statistics on 31 local governments as samples to test the correlation of BPK audit opinion with corruption level. The descriptive statistics on table 6 shows that the average local economic growth of regions that receive unqualified opinion is 26.05, while for those that receive non-unqualified opinions average local growth is at 28.31. Further, corruption level among regions with unqualified opinions is 20.47, while corruption level among regions that have received non-unqualified audit opinions is 22.71. This result shows that the average economic growth of regions that receive non-unqualified opinions is higher than the figure for regions that have been given

qualified opinions. This also applies to corruption levels, namely that corruption level among regions that have received non-unqualified opinions is higher than the level of regions that have received qualified opinions.

Table 6. Descriptive Statistics

Variable		N	Audit Opinion	
			Unqualified	Non-Unqualified
Local	Economic	31	26.05	28.31
Growth				
Corruption Level		31	20.47	22.71

Source: Author's data processing and analysis

Table 7 presents the result of the normality test. Normality test shows that the kolmogorov-smirnov significance value (K-S) is $0.074 > 0.050$. This demonstrates that residual correlation of audit opinions and local economic growth with corruption level is normally distributed. As such, the research model has passed the normality test, and thus can proceed to the hypotheses test.

Table 8 demonstrates the result of the hypotheses test on the correlation of audit opinion with corruption level. Result of the research shows that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth are -0.149, -0.811, and 0.423 respectively. The result shows that an audit opinion has no significant correlation with corruption level. This finding is consistent with the finding from the primary test where the author used a proxy or different corruption level indicator. As such, the author concludes that even using different corruption level indicator, the result of the research remains robust.

Result of testing of the control variable of local economic growth shows that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth

Table 7. Result of Normality Test

Variable	Kolmogorov-Smirnov
Audit Opinion	0.074
Regional Economic Growth	

Source: Author's data processing and analysis

are 0.581, 3.844, and 0.001. This finding shows that local economic growth correlates positively and significantly with corruption level. This finding is consistent with findings from the primary test.

Result of Sensitivity Test Using Local Economic Growth as Proxy Through Gross Local Domestic Product at Constant Price

The sensitivity test conducted in this study uses a proxy or a different indicator to explain local economic growth. The indicator used is gross local domestic product based on a constant price. the following is the result of the quantitative method test to test the correlation between unqualified opinion with corruption level. The test comprises of descriptive statistics test (average), normality assumption and hypotheses test.

Table 9 demonstrates that descriptive statistics total sample to test the correlation of BPK audit opinions with corruption levels is 31 local governments. The descriptive statistics on table 9 shows that the average

local economic growth of regions that receive unqualified opinion is 25.77, while for those that receive non-unqualified opinions local economic growth is at 27.99. Further, corruption level among regions with unqualified opinions is 0.24, while corruption level among regions that have received non-unqualified audit opinions is 0.21. This result shows that the average economic growth of regions that receive non-unqualified opinions is higher than the figure for regions that have been given qualified opinions. Conversely, the average corruption level among regions that have achieved unqualified audit opinions is higher than that shared among regions with non-unqualified opinions.

Table 10 presents the result of the normality test. Normality test shows that the kolmogorov-smirnov significance value (K-S) is $0.093 > 0.050$. This demonstrates that residual correlation of audit opinions and local economic growth with corruption level is normally distributed. As such, the research model has passed the normality test, and thus can proceed to the hypotheses test.

Table 11 demonstrates the result of the hypotheses test on the correlation of audit opinion with corruption level. Result of the study shows that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth are

Table 8. Result of Hypotheses Test

Variable	Pearson Correlation Coefficient	t-statistics	Significance
Audit Opinion	-0.149	-0.811	0.423
Local Economic Growth	0.581	3.844	0.001

Source: Author's data processing and analysis

Table 9. Descriptive Statistics

Variable	N	Audit Opinion	
		Unqualified	Non-Unqualified
Local Economic Growth	31	25.77	27.99
Corruption Level	31	0.24	0.21

Source: Author's data processing and analysis

0.032, 0.172, and 0.863, respectively. The result shows that an audit opinion has no significant correlation with corruption level. The finding of this study is consistent with the primary finding.

Result of testing of the control variable of local economic growth shows that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth are 0.409, 2.413, and 0.022. This finding shows that local economic growth correlates positively and significantly with corruption level. This finding is consistent with findings from the primary test.

Result of Sensitivity Test Using Gross Local Domestic Product at Constant Price as Proxy for Local Economic Growth and Audited Court Awarded Compensation as Proxy for Corruption Level

Table 10. Result of Normality Study

Variable	Kolmogorov-Smirnov
Audit Opinion	0.093
Local Economic Growth	

Source: Author's data processing and analysis

The sensitivity test performed in this study uses a proxy or different indicator used in the primary test. The indicator used to reflect local economic growth is gross local domestic product at constant price, while indicator to reflect corruption level is audited court-awarded monetary compensation. The following is the result of the quantitative method test to test the effect of unqualified audit opinion on corruption level. The test comprises of descriptive statistics test

(average), normality assumption, and hypotheses test.

Table 12 demonstrates that descriptive statistics total sample to test the correlation of BPK audit opinions with corruption levels is 31 local governments. The descriptive statistics on table 12 shows that the average local economic growth of regions that receive unqualified opinion is 25.77, while for those that receive non-unqualified opinions local economic growth is at 27.99. Further, corruption level among regions with unqualified opinions is 20.47, while corruption level among regions that have received non-unqualified audit opinions is 22.72. This result shows that the average economic growth of regions that receive non-unqualified opinions is higher than the figure for regions that have been given qualified opinions. This also occurs with corruption level, namely that corruption level among regions that have receive non-unqualified audit opinions is higher than that shared among regions with unqualified opinions.

Table 13 presents the result of the normality test. Normality test shows that the kolmogorov-smirnov significance value (K-S) is $0.065 > 0.050$. This demonstrates that residual correlation of audit opinions and local economic growth with corruption level is normally distributed. As such, the research model has passed the normality test, and thus can proceed to the hypotheses test.

Table 14 demonstrates the result of the hypotheses test on the correlation of audit opinion with corruption level. Result of the research shows that the values of Pearson

Table 11. Result of Hypotheses Test

Variable	Pearson Correlation Coefficient	t-statistic	Significance
Audit Opinion	0.032	0.172	0.863
Local Economic Growth	0.409	2.413	0.022

Source: Author's data processing and analysis

Table 12. Descriptive Statistics

Variable	N	Audit Opinion	
		Unqualified	Non-Unqualified
Regional Economic Growth	31	25.77	27.99
Corruption Level	31	20.47	22.72

Source: Author's data processing and analysis

Table 13. Result of Normality Test

Variabel	Kolmogorov-Smirnov
Audit Opinion	
Regional Economic Growth	0.065

Source: Author's data processing and analysis

Table 14. Result of Hypotheses Test

Variable	Pearson Correlation Coefficient	t-statistics	Significance
Audit Opinion	-0.149	-0.811	0.423
Regional Economic Growth	0.583	3.864	0.001

Source: Author's data processing and analysis

correlation coefficient, t-statistic, and significance of local economic growth are -0.149, -0.811, and -0.423, respectively. The result shows that an audit opinion has no significant correlation with corruption level. The finding of this study is consistent with the primary finding.

Result of testing of the control variable of local economic growth shows that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth are 0.583, 3.864, and 0.001. This finding shows that local economic growth correlates positively and significantly with corruption level. This finding is consistent with findings from the primary test.

CONCLUSION

The study is a development of a research model based on corruption cases that occur among government institutions. As such, the study has been conducted to address the public's question on the correlation of corruption cases with the rendering of

unqualified audit opinion for government institutions using the triangulation approach. Result of this study is expected to make a number of contributions in terms of theory, methodology and policy.

Results from this study can contribute to the theory that the disparity between the public's and the government's (BPK) expectations can be addressed through a theory review, namely that the public views unqualified audit opinions as an indicator to assess whether or not an institution is free from corruption. A theory review on the purpose of the audits can address this expectation, namely that audits by BPK are not designed to detect corruption, but rather to determine the fairness of information contained in a financial report. To detect fraud (corruption), a forensic or investigative audit can be performed. A forensic or investigative audit is a form of special-purpose audit. A special purpose audit is essentially an agreed upon test, review or procedures, and the result from such audit is then incorporated in a report that consists of findings, conclusions, and recommendations.

This study's contribution to methodology relates to the triangulation approach (mixed method). This is intended to provide a comprehensive explanation on the issues being researched. Based upon the qualitative approach, the result of this study elaborates a number of theory reviews to answer the phenomena being studied. The theory review is used by the author as basis in reviewing the research problem with the aim of drawing an accurate conclusion. The result of the test using quantitative approach supports the results from the qualitative approach, namely that an unqualified opinion cannot be made as an indicator to decide whether or not an institution is free from corruption. The quantitative approach is implemented by collecting data comprising of figures that represent the research variables, which are then analyzed. As such this study is expected to yield a more accurate and comprehensive decision making as it uses a triangulation method.

This study contributes to government policies, in that audit opinions issued by the BPK, particularly unqualified opinions, to government institutions do not guarantee that the management of state/local government finances is free from corruption. To mitigate fraud (corruption), regulators have designed internal control systems. The intention of such measure is to effect control and procure that the management of state finances to be in line with the applicable regulations. However, in reality instances of fraud (corruption) still occur. This indicates that internal control systems have not been implemented in an effective manner. Therefore, the role of the government, specifically Government Internal Auditors, or APIPs, is to enhance effectiveness of such systems in order to mitigate fraud (corruption).

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AUTHOR GUIDELINES

General Requirements

This journal broad scope provides a platform to publish primary and secondary research (review articles) in areas of accounting (public sector accounting), auditing, governance and accountability of state finances, public administration policy related to state finances, and state finance law. The article should be free from plagiarism and written accordingly under the guidelines from JTAKEN. The article has never been published in any others publication media or publishing houses, either in printed or electronic form. The article can be written both in English or Bahasa Indonesia, but preferably in English.

Submission

1. The paper used by the author should be prepared in A4 paper.
2. The article published in TAKEN should be accompanied by Curriculum Vitae (CV) & Statement of Authenticity and Copyright Release. Template is available online at jurnal.bpk.go.id.
3. The article should be submitted online via journal website (jurnal.bpk.go.id).
4. The length of the article around 20-25 pages, including figure, graphic, or table.

The Article Guidelines

1. Research Article Structure

a. Article Title

- Briefly describe the substance of article, no more than 15 words, 18 point Calibri, UPPERCASE, bold, centered, exactly 16 point line spacing, 0 point spacing before and after.
- Article in Bahasa Indonesia, titled in Bahasa Indonesia, followed by translation title in English.
- Translation title uses 16 point Calibri, italic, UPPERCASE, bold, centered, exactly 16 point line spacing, 0 point spacing before and after.

b. Authors

- This line consists of the author's name (full name with no abbreviations) and the author's affiliation along with the address and email address.
- Authors' name is written using 11 point Calibri and centered below the title
- If the author is more than one person, they should be separated with a comma (,).
- If the address more than one, it should be marked with an asterisk (*) and followed by the current address.
- Author's address and email using 10 point Calibri, exactly 15 poin spacing, 0 poin spacing before and after.

c. Abstract and keywords

- The abstract should concisely inform the reader about the research purpose, its background, methods, findings, and value or conclusion.
- For article using Bahasa Indonesia, abstract is written in two languages (Bahasa Indonesia and English). The abstract in English is presented first, written in italic, while abstract in Bahasa Indonesia is written not in italic.
- An abstract consists of no more than 200 words in English and 250 words in Bahasa.
- Abstract using 10 point Georgia and single line spacing.
- Keywords in abstract consist of 3-6 words, separate with a semicolon (;).

d. The body of article

The body of article consists of introduction, research method, result and discussion and conclusion. The body of article is written as follows:

- Using 11 point Georgia, exactly 15 point line spacing, before 8 point and after 8 point, 2 cm for top and inside margin and 2.5 cm for bottom and outside margin.
 - Foreign terms should be written in italic.
-

- Abbreviations should be followed with explanation when the first time mentioned except for the unit of measurement.

e. Introduction

The introduction must contain (shortly and consecutively) a general background, objective, literature review (state of the art) as the basic of the brand new research question, statements of the brand new scientific article, main research problems, and the hypothesis (optional). The introduction contains previous similar research and the differences with the present research as well as the contributions given.

f. Research Method

In general, research methods include framework, data collection method, data analysis method, location and time of research. The research method describes the type, data source, and variable definition. The method also provides detailed descriptions so that other authors can assess and duplicate the procedure.

g. Result and Discussion

This part consists of the research results and how they are discussed. Research results can be presented in table or figure followed with information that easy to understand. In the discussion section it is stated that there is a relation between results and basic concepts or the research hypothesis so that it can be seen its suitability and contradiction with other research. The discussion also explains the limitation of the research and its implications both theoretically and by application.

h. Conclusion

This is the final part containing conclusions and advices. The conclusions will be the answers of the hypothesis, the research purpose and the research findings. The advices are based on the result of the analysis and conclusion made and also associated with further ideas from the

research.

i. References

- Author must cite the publications on which the article work is based. Cite only items that the author have read.
- Primary references should be $\pm 40\%$ -80% from all references cited.
- References should be taken from the last ten years.
- The references use Georgia 11 point in indentation special hanging paragraph format, exactly 15 point line spacing, 8 point before and after, the upper and right borders are 2 cm each, while the left and bottom borders are 2,5 cm each.
- All references must be written in American Psychological Association (APA) style and listed in alphabetical order. The references should use a reference management software such as Mendeley, End Note, Zotero, etc.

j. Appendices/Acknowledgements

Appendix (es) can be included if necessary. Author can only write essential acknowledgments for those who have contributed in the research.

2. Non research (review) article structure consists of article title, authors, abstract and keywords, introduction, result and discussion, conclusion, references, appendices/acknowledgements.

3. Heading

Heading should be made in three levels. Level four cannot be accepted.

- Heading level 1: UPPERCASE, left aligned, bold, 18 point Calibri, exactly 15 point line spacing, 8 point spacing before and after.
 - Heading level 2: *Capitalize Each Word*, left aligned, bold, 11 point Georgia, exactly 15 point line spacing, 8 point spacing before and after.
 - Heading level 3: *Sentence Case*, left aligned, bold, italic, 11 point Georgia, exactly 15
-

point line spacing, 8 point spacing before and after.

- Heading level 4 is not recommended.

4. Table

- Table placed left aligned.
- Table title placed above the table, left aligned, 10 point Calibri, exactly 15 point line spacing.
- Table content using 9-10 point Calibri, exactly 12 point line spacing, 0 point spacing before and after.
- Footnotes below the table using 9 point Calibri.
- Number of table is identified using Arabic numerals (1, 2, 3,...).
- "Table" and "Number" written in bold, while table title written in normal format.
- Source and information placed below the table, left aligned, italic, 9 point Calibri.

5. Figure

- Figure can be a graphic, matrix, picture, diagram, and others, placed centered in page.
- Figure title written below the figure, using 10-11 point Calibri, exactly 15 point line spacing, left aligned. "Figure" and "Number" written in bold, while the content written in normal format.
- Footnotes below the figure using 9 point Calibri.
- Number of figure is identified using Arabic numerals (1, 2, 3,...).
- Source and information placed below the figure title, left aligned, italic, 9 point Calibri.
- Figure should be in black and white with extension .jpg or .tif. If it is made in color to explain meaning, it must provide the respective high resolution figure minimum 300dpi.

6. Citation Format

Authors should ensure that every reference cited in the text appears in references and vice versa. All references cited should follow APA referencing style and the formatting guide as follows:

- References to previous research must be made in text with a year-old system on one of two forms, for example: Andrianto (2007) or (Andrianto, 2007).
- If the reference used is more than one, it should be mentioned together with the arrangement in the order of date, for example: (Mardisar & Sari 2007; Solomon, 2010; Muljono, 2012).
- If there are more than 2 (two) authors, then the author's name must be followed by "dkk" for article in Bahasa Indonesia or "et al." for article in English.

There are two types of references, those are electronics and non-electronics sources. The reference examples are as follows:

a. Book

1) Without the author's name

Employment the professional way: A guide to understanding the Australian job search process for professionally qualified migrants. (2000). Carlton, Australia: Australian Multicultural Foundation.

2) One author

Saidi, M. D. (2011). *Hukum keuangan negara*. Jakarta: Raja Grafindo Persada.

3) Two authors

Cooper, D. R., & Schindler, P. S. (2001). *The definition of disability in Australia: Moving towards national consistency*. Canberra, Australia: Australia of Health and Welfare.

4) Three to five authors

Guerin, M., Labor, K., Morgan, B., Reesman, L., & Willingham, P. (2005). *Introduction to chemical engineering*. New York, NY: McGraw-Hill.

5) Six or more authors

List the first six authors,.....and ended

the last author without "&".

Rodgers, F. H., Choi, M. J., Angeli, L. L., Harland, A. A., Stamos, J. A., Thomas, S. T., . . . Rubin, L. H. (2009). *Website usability for the blind and low-vision user*. Mason, OH: Thomson South Western.

b. E-book

1) Articles written in English

Speed, H. (2004). *The practice and science of drawing*. Retrieved from <http://www.gutenberg.org/etext/14264>.

2) Articles written in Bahasa Indonesia

DeHuff, E. W. (2011). Taytay's tales: *Traditional Pueblo Indian tales*. Diakses dari <http://digital.library.upenn.edu/women/dehuff/taytay/taytay.html>.

c. Books published by organizations or institutions

Ministry of Health Malaysia. (2011). *AIDS prevention manual*. Putrajaya, Malaysia: Pelanduk Publication.

d. Journal Article

1) Printed Edition

Gumanti, T.A. (2001). Earnings management dalam penawaran saham perdana di Bursa Efek Jakarta. *Jurnal Riset Akuntansi Indonesia*, 4(2), 165-183.

Journal with volume

Parker, G., & Roy, K. (2001). Adolescent depression: A review. *Australian and New Zealand Journal of Psychiatry*, 35, 572-580.

2) Online Edition

Article written in English

Without DOI/Digital Object Identifier:

Banham, G. (2001). Transcendental philosophy and artificial life. *Cultural Machine*, 3. Retrieved from <http://www.culturemachine.net/index.php/cm/article/view/286271>.

DOI format:

Kharismawati, I. (2017). Thermoacoustic refrigerator system

performance using the pvc (polyvinyl chloride) stack by power input variation. *Jurnal Neutrino*, 9(2), 32-28. doi: 10.18860/neu.v9i2.4073.

Article written in Bahasa Indonesia

Without DOI:

Aisyah, R. H. I., & Minarno, N. B. (2014). Model design of local government policy in controlling the finance of the state to build good governance. *Academic Research International*, 5(1), 351-358. Diakses dari <http://search.proquest.com/docview/1515638207?accountid=86413>.

DOI Format:

Anindyawati, T. (2009). Prospek enzim dan limbah lignoselulosa untuk produksi bioetanol. *Berita Selulosa*, 44 (1), 49-56. doi: 10.25269/jsel.v44i01.149.

e. Thesis/Dissertation

1) Unpublished thesis/dissertation

Santini, S. N. (2008). *Research methods for business: A skill building approach*. (Unpublished master's thesis). University of Malaya, Kuala Lumpur, Malaysia.

2) Thesis/dissertation from online database

Biswas, S. (2008). *Dopamine D3 receptor: A neuroprotective treatment target in Parkinson's disease*. Retrieved from ProQuest Digital Dissertations. (AAT 3295214).

f. Magazine

For magazines that are published monthly, the date of publication consists only of year and month. But for magazines that are published weekly, the exact date of publication is provided.

Martinez-Conde, S., & Macknick, S. L. (2007, August). Windows on the mind. *Scientific American*, 297(2), 56-63.

g. Newspaper

1) Printed Edition

Scultz, S. (2005, December 28). Calls made to strengthen state energy policies. *The Country Today*, p.11.

2) Online Edition

Tempo. (2014). Menkeu paparkan manfaat harga BBM naik ke investor. Retrieved from <https://bisnis.tempo.co/read/news/2014/11/26/090624626/menkeu-paparkan-manfaat-harga-bbm-naik-ke-investor>.

Parker-Pope, T. (2008, May 6). Psychiatry handbook linked to drug industry. *The New York Times*. Retrieved from <http://www.nytimes.com>.

h. Internet Documents

Dawson, J., Smith, L., Deubert, K., & Grey-Smith, S. (2002). *Trek 6: Referencing, not plagiarism*. Retrieved from <http://www.academicworld.com/referencing-not-plagiarism.html>.

7. The Editorial Board and Managing Editor reserves the right to amend, refine the article as long as it does not alter the substance of the article. The article which is inappropriate with the JTAKEN writing guidelines will be returned to the author before the reviewing process.

PUBLISHING WITH JTAKEN: STEP BY STEP

The author submits the article via Open Journal Systems (OJS) on jurnal.bpk.go.id page. To make submission, the author must have a user account and registered as a user.

User Registration

- a. Registration process is started by clicking "register with this site" button on the register page.

Figure 1. JTAKEN Home Page for Registration

- b. Authors are required to fill out a form that includes language, username, password and profile.

Figure 2. Author Registration Form Page

- c. Click "Confirmation" to get your username and password sent to author's email. Next on "register as" section, click the "reader" and "author" then click "register" to complete registration.

Figure 3. Author Registration page

Article Submission

These are the following steps to make an online submission for the article:

- a. After log in you will be directed to your Author's User Home Page. To start the submission, click "New Submission".



Figure 4. Page "New Submission"

- b. Article submission consists of five steps, including start, upload submission, enter metadata, upload supplementary files, and confirmation. At the first step, the author can download the Curriculum Vitae (CV), and Statement of Authenticity and Copyright Release. Besides, the author can give comments to the Editor before click "Save and continue".

Home > User > Author > Submissions > **New Submission**

Step 1. Starting the Submission

1. **START** 2. UPLOAD SUBMISSION 3. ENTER METADATA 4. UPLOAD SUPPLEMENTARY FILES 5. CONFIRMATION

Encountering difficulties? Contact Veronika Dewi P for assistance (021 25549000 ext 3311).

Submission Language

This journal accepts submissions in several languages. Choose the primary language of the submission from the pulldown below.

Language * English

Submission Checklist

Indicate that this submission is ready to be considered by this journal by checking off the following (comments to the editor can be added below).

- ☐ Please read carefully. The journal only accepts articles that meet the JTAKEN's format and style. Any articles written in different format will NOT be reviewed.
- ☐ Due to the need for correspondence, all authors' personal contacts are required. Please provide e-mail address, and phone/mobile number.
- ☐ Submission articles supported with supplementary documents including and can be downloaded here:
 - **Author CV**
 - **Statement** of Originality and copyright transfer (Rp6000.00 stamp duty); and

Figure 5. "Starting the Submission" page

- c. The second step is uploading the article file. This page provide instructions to submit the article. The type of uploaded is Microsoft Word.

Step 2. Uploading the Submission

1. **START** 2. **UPLOAD SUBMISSION** 3. ENTER METADATA 4. UPLOAD SUPPLEMENTARY FILES 5. CONFIRMATION

To upload a manuscript to this journal, complete the following steps.

1. On this page, click Browse (or Choose File) which opens a Choose File window for locating the file on the hard drive of your computer.
2. Locate the file you wish to submit and highlight it.
3. Click Open on the Choose File window, which places the name of the file on this page.
4. Click Upload on this page, which uploads the file from the computer to the journal's web site and renames it following the journal's conventions.
5. Once the submission is uploaded, click Save and Continue at the bottom of this page.

Encountering difficulties? Contact Veronika Dewi P for assistance (021 25549000 ext 3311).

Submission File

File Name	132-622-1-SM.docx
Original file name	2. Contoh Submission Artikel.docx
File Size	28KB
Date uploaded	2018-02-05 03:45 PM

Replace submission file Browse... No file selected. Upload ENSURING A BLIND REVIEW

Save and continue Cancel No file selected.

Figure 6. "Uploading the Submission" Page

- d. After that, the author must fill the article metadata. Metadata is information about the submitted articles, including author information, article title and abstract, indexation, and references that has been used. Author can change metadata during the article review process. The more complete metadata, the easier the author's indexing/citation process will be. Some points that must be considered in filling metadata are:
- Author whose name consists of one word have to fill in his/her name in last name. First name can be filled with repetitions of last name or filled with dots or hypens.
 - If the author is more than one person, then click the "Add Author" button to add Author's information.
 - By clicking the up and down arrows (↑ ↓), articles with multiple authors can be arranged by the author's order. The arrow will change the author's position of the first, second, and so on.
 - At the end of each author column, author can find the delete function.
 - The author has to write abstract using the language according to the article written.
 - List the "keywords" in keywords column at the indexing section and separated with a semicolon.
 - Fill in all references or bibliography that become references to journal articles. Then click "Save and Continue" to proceed to the next step.

Last Name *
nita

Email *
vdewip@gmail.com

ORCID ID
ORCID iDs can only be assigned by the ORCID Registry. You must conform to their standards for expressing ORCID iDs, and include the full URI (eg. <http://orcid.org/0000-0002-1825-0097>).

URL

Affiliation
(Your institution, e.g. "Simon Fraser University")

Country
Indonesia

Bio Statement
(E.g., department and rank)

Add Author

Figure 7. Page to add author

Title and Abstract

Title *
Contoh Submission Artikel

Abstract *
Abstrak
Abstrak menyajikan secara singkat dan padat mengenai latar belakang, tujuan, metode penelitian dan kesimpulan atau temuan utama dari penelitian ini. Abstrak berdiri sendiri, dalam arti tidak ada kutipan di dalamnya. Abstrak ditulis dalam dua bahasa, yaitu bahasa Indonesia paling banyak 250 kata, dan abstrak dalam bahasa Inggris, paling banyak 200 kata (Georgia, 10point, spasi 1). Apabila naskah menggunakan bahasa Indonesia, maka abstrak didahulukan dalam bahasa Inggris ditulis dengan huruf cetak miring (*italic*), sedangkan abstrak dalam bahasa Indonesia ditulis tidak dengan huruf cetak miring, dan sebaliknya.

Indexing
Provide terms for indexing the submission; separate terms with a semi-colon (term1; term2; term3).

Keywords
Kata Kunci: tiga sampai enam kata dan dip

Language
id

Figure 8. "Title, Abstract, Keywords, and Reference" Page

- e. On the fourth step, author must upload supporting documents such as research instruments, re-search data, figures, or tables if needed. The author also uploads the required supporting documents such as Curriculum Vitae (CV), Statement of Authenticity and Copyright Release. Then click "Save and Continue" to proceed to the next step.

Home > User > Author > Submissions > **New Submission**

Step 4. Uploading Supplementary Files

1. START 2. UPLOAD SUBMISSION 3. ENTER METADATA 4. **UPLOAD SUPPLEMENTARY FILES** 5. CONFIRMATION

This optional step allows Supplementary Files to be added to a submission. The files, which can be in any format, might include (a) research instruments, (b) data sets, which comply with the terms of the study's research ethics review, (c) sources that otherwise would be unavailable to readers, (d) figures and tables that cannot be integrated into the text itself, or other materials that add to the contribution of the work.

ID	TITLE	ORIGINAL FILE NAME	DATE UPLOADED	ACTION
No supplementary files have been added to this submission.				

Upload supplementary file **Browse...** No file selected. **Upload** ENSURING A BLIND REVIEW

Save and continue Cancel

Figure 9. "Uploading Supplementary Files" Page

- f. On the final step, the summary of all files uploaded will be displayed. To complete the article submission, click "Finish Submission".

Home > User > Author > Submissions > **New Submission**

Step 5. Confirming the Submission

1. START 2. UPLOAD SUBMISSION 3. ENTER METADATA 4. UPLOAD SUPPLEMENTARY FILES 5. **CONFIRMATION**

To submit your manuscript to Jurnal Tata Kelola & Akuntabilitas Keuangan Negara click Finish Submission. The submission's principal contact will receive an acknowledgement by email and will be able to view the submission's progress through the editorial process by logging in to the journal web site. Thank you for your interest in publishing with Jurnal Tata Kelola & Akuntabilitas Keuangan Negara.

File Summary

ID	ORIGINAL FILE NAME	TYPE	FILE SIZE	DATE UPLOADED
622	2. CONTOH SUBMISSION ARTIKEL.DOCX	Submission File	28KB	02-05

Finish Submission Cancel

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara registered in:

Figure 10. "Finish Submission" Page

Monitoring The Submitted Article

After doing the five steps, the author can see the status of article by clicking "active submission" on the user home page. On this page, you can see the status of the article is "awaiting assignment" (waiting for assignment). Furthermore, the progress status of the article can be seen on this page too.

The Steps Passed By Each Submitted Article Are:

- 1) Awaiting Assignment: the submitted article is waiting to be examined by the editor or section editor. The author cannot delete or cancel submissions from the system if the article is proposed in this status.
- 2) Queued for Review: the article is in the queue for review process. The author will receive a notification about the results of the review decision.
- 3) Queued for Editing: the review process has been completed and the article is in editing process.
- 4) In review: the article is in the review process which will result in a decision:
 - a) Revision required: articles need minor revision by the author and must be sent back to the editor.
 - b) Resubmit for review: articles need major revision and reviewers need to review again.

Both of those decisions can be changed to accepted or declined.

- c) In editing: accepted article without revision and in editing process.
- 5) Decline: if the article is rejected, the article will be automatically removed to archive. If the author wants the article to be accepted then the author has to resubmit the article according to the advice of the reviewer.



Figure 11. "Active Submissions" page

The Revision of Article

Article that has been reviewed and need to be revised, will be sent back to the author. The author will receive notification and some notes via email. Some steps to revise the article are:

- Click the article title on the "Active Submission" page, then click the "Review" button.



Figure 12. "Review" page

- Next, the author must download the article file from the "editor version" on the "Review" page.
- After that, the author revises the article according to editor's notes and uploads again through the "Upload author version". Editor will automatically receive a notification if the article has been sent/uploaded.

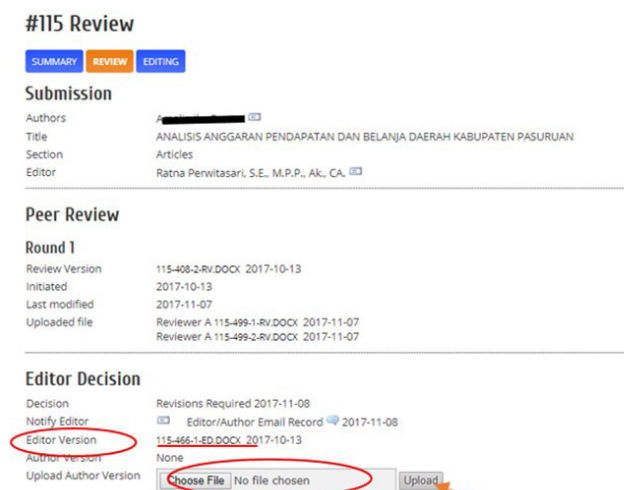


Fig. 13 Downloading and uploading revised article

Copyediting

After the author has finished their revised article and stated accepted (Accept Submission), the next step is copyediting. The author will accept an e-mail/notification from editor to review the article. Some steps to see copyediting result are:

- Click the article title that will be revised on "Active Submission" page. Then click the "Editing" page.
- The author can see and download files from the Editor on the "Initial Copyedit" section and re-checks the article. The author can accept/reject any changes made by the editor in this step.
- The author uploads the article file again on "author copyedit" section. Click on the "e-mail" icon to send a notification e-mail to journal editor.

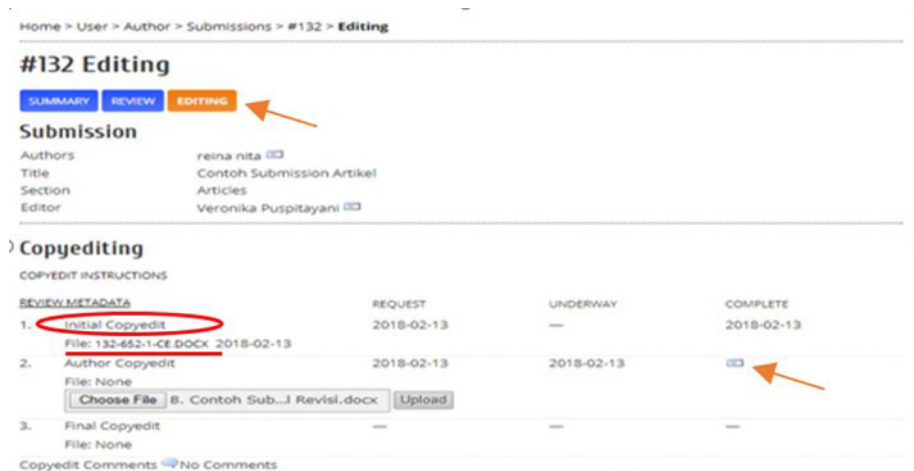


Figure 14. "Copyediting" page

Proofreading

The next step after copyediting is proofreading. The author will receive an e-mail/notification from layout editor informed that the layout already finished and uploaded the galley. The author can do proofread at following these steps:

- Click the selected article title on "Active Submission" page. Then click "Editing" page.
- The author can see if the intial galley already correct by click "view proof" on galley format in "proofreading" section.
- The author can write suggestions and add comments on the proofreading corrections feature. After checking the view proof, the author must review the article metadata by clicking "review metadata".
- The author will finish the process by clicking "complete". This is the last step before the article published. When the journal has been published, the author will receive a notification.

REVIEW METADATA

1. Initial Copyedit
File: 132-652-1-CE.DOCK 2018-02-13

2. Author Copyedit
File: 132-654-1-CE.DOCK 2018-02-13

Choose File No file chosen

3. Final Copyedit
File: None 2018-02-13

Copyedit Comments No Comments

Layout

Galley Format
1. PDF (Bahasa Indonesia) VIEW PROOF 132-657-1-PB.PDF 2018-02-13

Supplementary Files
FILE None

Layout Comments No Comments

Proofreading

REVIEW METADATA

REQUEST

UNDERWAY

COMPLETE

1. Author
2. Proofreader
3. Layout Editor

2018-02-13

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2018-02-13

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YES

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Proofreading Corrections No Comments PROOFING INSTRUCTIONS

Figure 15. "Proofreading" page

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