

UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF WHISTLEBLOWING
INTENTION BY INTERNAL AUDITOR
IN INDONESIAN LOCAL GOVERNMENT**

HALIM DEDY PERDANA

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ABSTRACT

Internal auditors are in the key position to have a sound knowledge of the internal activities in their workplaces. The relevance of internal auditors to blowing the whistle can also be seen from their unique position in an organization. Whistle-blowing is the disclosure of information related to corrupt, illegal, fraudulent, or hazardous activities being committed to or by public or private sector organizations that are of concern to or threaten the public interest to individuals or entities believed to be able to effect action. Internal auditors of local government asserted that whistle-blowing can cause substantial changes and facilitate reforms in government.

The unique position of an internal auditor allows internal auditors to know more about their organizations than anyone else. Such a gap could be due to some researchers arguing that the reporting made by internal auditors is role-prescribed, hence the act of reporting is not considered whistle-blowing. In reality, however, the more pressing matter for internal auditors is to decide whether or not to blow the whistle should they discover the wrongdoing. Internal auditors may face situations that involve a conflict of interests while executing dual-role duties. In Indonesia, the central government has regulations on whistleblowing, especially for civil servants and internal auditors. However, it is not supported by the local government. It is not all local governments have regulations regarding whistleblowing. So, many local governments do not have a whistleblowing system. Internal auditors in Indonesian local governments should have information about fraudulent activities and are regulated to blow the whistle if they find out about it. There is still little whistleblowing carried out by internal auditors of local governments due to many factors.

This study aims to 1) examine factors that influence Indonesia's internal auditor local government whistle-blowing intentions, 2) identify the other factors that precipitate Indonesia's local government internal auditors to blow the whistle, and 3) describe government initiatives in the whistle-blowing system and regulation. The experimental design was used to answer the first question, Focus Group Discussion (FGD), and interview to resolve the second question. The last question used use analysis of whistleblowing system website and regulation in Java represented by Central Java and Outside Java represented by East Nusa Tenggara. The subject of this study used 100 internal auditors in each region for the experimental tests, 8 internal auditors in focus group discussion, and 2 heads of internal auditors in in-depth interviews.

Leadership can motivate followers by giving rewards in describing the intention to blow the whistle. Machiavelli approved by the auditor can be used in weighing the intention to whistle-blow. Besides that, the high or low status of wrongdoers can affect one's intention to do whistle-blowing. The level of seriousness of wrongdoing is also a reason for internal auditors to reveal wrongdoing or fraud. This is related to the impact caused by the phenomenon. Finally, the Theory of Planned Behaviour (TPB) as a grand theory in this research has the relationship between attitudes towards an action (in this case whistle-blowing which is reward, and seriousness of wrongdoing), intention to blow the whistle to act influenced by perceived behavioural control (leadership style and status of wrongdoers) and subjective norms (Machiavelli). An internal auditor in the local government ensures that the whistle-blowing system runs effectively. In addition, there are local wisdom factors in the form of local culture that affects whistle-blowing intention. With the strong kinship and brotherhood in East Nusa Tenggara, the value of local wisdom is still attached to internal auditors. Further research can be done by linking the relationship between the existence of local wisdom on the whistle-blowing intention of internal auditors.

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