Issues of Morality and Whistleblowing in Short Prevention Accounting

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This study aims to examine the effect of morality and whistleblowing variables on the prevention of fraud in village fund accounting. This was done in Buleleng Regency, Bali-Indonesia Province with the consideration that this district is the widest and has demographics with very heterogeneous characteristics, so it is interesting to examine this object. The sample used was 57 villages from 129 villages in Buleleng Regency. The technique of determining the sample is done randomly. And hypothesis testing uses multiple linear regression analysis. The results of this study are that morality and whistleblowing have a significant positive effect on fraud prevention of village fund accounting. This shows that the variables of morality and whistleblowing have an essential role in preventing fraud.

Keywords: Morality, whistleblowing, fraud prevention, village accounting

Introduction

The allocation of village funds is part of village financial management, which is described in more detail through the village budget. Village financial management is carried out by the Village Government (Laksmi and Sujana, 2019). Village financial management must be based on the principles of transparency, accountability, participation and be carried out in an orderly and disciplined budget. That has been stated in the Minister of Home Affairs Regulation No. 113 of 2014 concerning Village Financial Management (Atmadja and Saputra, 2017). In village financial management, there is an agency relationship between the Village Government as the agent and the Central Government and the Regional Government as the principal (Syaiifullah, 2017).
The granting of large village fund allocations has consequences for the occurrence of fraud committed by certain parties (Saputra et al., 2019), especially those who have been trusted by the community. Fraud is an action carried out by a person or a group illegally, whether intentionally or unintentionally to obtain profits, assets, and so on. Therefore, it can harm other people or certain parties (Aini et al., 2017; Haleh et al., 2018).

The occurrence of fraud is often triggered by individual motivation or often called morality. The most likely in cheating are people who are in direct contact with finance and policy (Kurniawan & Firmansyah, 2018). As released by Indonesia Corruption Watch, the most corrupt sector in 2018 was the village fund. This raises the public's attention towards the inspectorate. Supervision by the regional inspectorate is needed to minimise corruption in the village budget. According to ICW, there were 49 cases of fraud in the village budget in infrastructure that cost the state Rp.17.1 billion. In addition, there were also 47 cases of corruption in non-infrastructure village funds that cost the country Rp 20 billion. Most of these cases occurred because of the morality of the perpetrators. Meanwhile, disclosure of corruption cases in this village is dominated by whistleblowing (Baykalova et al., 2018).

Whistleblowing is an action taken by a person or several employees to divulge fraud either committed by the company or its supervisor to other parties (Liyanarachchi & Newdik, 2009). The primary motivation for whistleblowing is moral motivation to prevent harm to the company or organisation. As happened in Bali recently related to cases of corruption of village funds committed by the village head of Baha, Badung Regency and corruption committed by the village head of Dauh Puri kelod, Denpasar. The emergence of the case was due to a report to the relevant authorities regarding irregularities in the management of village funds and reports on the use of village funds. The whistleblowers in the case were the hamlet head and village government staff in the villages. Based on the case, whistleblowing and morality are not only for investigating fraud and reporting it but also useful for providing a deterrent and motivating effect (Chow et al., 2001) for other village administrators not to commit fraud and jointly supervise in the framework of prevention (Saputra et al., 2019).

Regarding morality in the context of preventing fraud, Aranta (2013), Puspasari and Dewi (2015), Atmadja and Saputra (2017), Laksmi and Sujana (2017), Mulia et al. (2017), and Sumendap et al. (2019), Atmadja, et al. (2018) state that morality is very influential in preventing fraud. Other research conducted by Kurniawan (2013) states that morality affects cheating, which means that the higher the morality, the lower the level of fraud that occurs. However, these results are different from the research from Arjani et al. (2017) which states that morality does not have a significant effect on community awareness and apparatus in managing village income. This can be interpreted that morality does not have a direct influence in preventing fraud. Research by Dewi et al. (2017) also states that morality has no effect on fraud prevention.
Research on whistleblowing and fraud prevention was conducted by Atmadja et al. (2019), who found that whistleblowing did not have a significant effect on fraud prevention of village funds. However, research produced by Widiyarta et al. (2017) states that whistleblowing has a considerable influence on fraud prevention in village financial management.

Based on the differences in the results of research by previous researchers and referring to cases that occur in village government related to village funds, the researcher wants to examine the variables of morality, whistleblowing and fraud prevention. The researcher places more emphasis on managing village funds that should be transparent, accountable and participatory. This research was conducted in Buleleng Regency, Bali Province because it is the largest district, and most of the people are still unfamiliar with the development of regulations and policies related to village funds.

**Study Literature**

In agency theory, there is an agency relationship in the contractual form between the principal and agent to perform services on behalf of the principal, which involves the delegation of decision-making authority to the agent. Asymmetry of information is a major problem in the relationship between principals and agents, so the product of this problem is inaccurate financial reporting or in this case is in making budget realisation reports as a form of accountability for the use of village funds (Saputra et al., 2018).

Fraud is any intentional fraud attempt, which is intended to take the property or rights of another person or party (Koletar, 2003). In relation to the audit context of financial statements, fraud is defined as an intentional misstatement of financial statements (Arens, 2008). Fraud refers to a deviant and unlawful act (Scaturo, 2018) carried out intentionally to deceive or give a false image or interpretation to certain parties, both from within and outside the organisation (Atmadja & Saputra, 2017).

According to Bertens (1993), morality has a meaning which is the same as "moral". We are talking about "the morality of an action," meaning that the moral aspect of the action is good or bad. Morality is the moral/whole nature of principles and values relating to good and bad. Morality can come from a source of tradition, religion or an ideology or a combination of several sources. Morality refers to personal or cultural values, codes of ethics or social customs that distinguish between right and wrong, so morality in an apparatus plays a significant role as a holder of commitments for governance and development by the constitution (Atmadja & Saputra, 2017; Fitri et al., 2019).

The whistleblowing system is one of the ways that can be used to prevent fraud (Fraud) (Boynton, 2006) states that whistleblowing is generally done in secret (confidential). The
disclosure must be made in good faith and is not a personal complaint about a particular company policy (grievance) or based on lousy will or slander (Tuanakotta, 2012).

**Research Methods**

**Research Model**

This study examines the effect of morality and whistleblowing on the prevention of village fund accounting fraud. Therefore, the research model can be described as follows:

![Figure 1. Research Model](image)

**Research Design**

The research design used in this study is a survey method. Research on the effect of morality and whistleblowing on fraud prevention of village fund accounting will be conducted a survey of village heads who receive village funds in Buleleng Regency. This research uses quantitative or positivistic methods.

**Sampling Method**

The population in this study is the village head in Buleleng regency, Bali with the widest area of the village and has a very different demographic distribution of villages, with a total of 129 villages (Central Bureau of Statistics, 2018). To get a sample that can describe and reflect the population in this study, then determining the number of samples using the Slovin formula (Atmadja, et al., 2014, pp. 79-80).
Information:

\[ n = \frac{N}{1 + N \cdot e^2} \]

- \( n \) = Number of samples
- \( N \) = Number of population
- \( e \) = Percent allowance for inaccuracy due to sampling errors that can still be tolerated.

From this population with an inaccuracy rate of 10%, then a minimum sample size according to the Slovin formula can be determined as follows:

\[ n = \frac{129}{1+129 \cdot 0.01} = 57 \]

From the results of calculations using the Slovin formula, a sample of 57 village heads in Buleleng Regency, Bali was used. The sampling technique used in this study was using random sampling, which is the method of selecting samples from the population proportionally by taking into account the strata that exist in a population (Sugiyono, 2009, pp.118-119). From the number of questionnaires distributed, 57 tabs can be tabulated.

**Data Analysis Technique**

To test the hypotheses carried out in this study used multiple regression analysis models, with the following equation formula:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon_i \]

**Results and Discussion**

**Validity and Reliability Test**

Based on the results of the validity test, it was found that all items of all variables are valid. It was shown from the correlation value \( r \) for each valid item that is greater than the value of \( r \) table 0.211. While the reliability test can be seen that all the variables used are reliable with each having a Cronbach Alpha coefficient value greater than 0.6. With these results, it can be continued to the next research stage. After obtaining the research instrument is valid and reliable, then proceed to multiple linear regression analysis by testing the classical assumptions first.
Table 1: Reliability Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient Alpha</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 (Morality)</td>
<td>0.883</td>
<td>Reliable</td>
</tr>
<tr>
<td>X2 (Whistleblowing)</td>
<td>0.776</td>
<td>Reliable</td>
</tr>
<tr>
<td>X3 (Fraud Prevention)</td>
<td>0.835</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Normality Test

Based on the results of the normality test, the significance value of the Kolmogorov-Smirnov one-sample test was 0.069, greater than α (0.05). In accordance with the results of the test, a decision is made that the data are normally distributed (assumptions are met).

Table 2: Normality Test Results

<table>
<thead>
<tr>
<th>Information</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>1.404</td>
</tr>
<tr>
<td>Significance</td>
<td>0.069</td>
</tr>
</tbody>
</table>

Multicollinearity Test

Based on the multicollinearity test results found that all VIF values of each independent variable are less than 10 with a tolerance value of more than 0.1, which means that between independent variables there is not a strong correlation or there is no multicollinearity (assumptions are met).

Table 3: Multicollinearity Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 (Morality)</td>
<td>0.827</td>
<td>1.210</td>
</tr>
<tr>
<td>X2 (Whistleblowing)</td>
<td>0.858</td>
<td>1.166</td>
</tr>
</tbody>
</table>

Heteroscedasticity Test

This test aims to test whether the regression model has a residual variance that is relatively the same or not. A good regression model is a model that has the same relative homogeneous variety. From the test results with the glacier test in table 2.3, it was found that the significance value of the influence of each variable on absolute residuals is greater than 0.05, which means that the assumption of heteroscedasticity is fulfilled (homogeneous residual variations).
Table 4: Heteroscedasticity Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Fraud Prevention (Y)</th>
<th>t count</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 (Morality)</td>
<td>-0.201</td>
<td>0.842</td>
<td></td>
</tr>
<tr>
<td>X2 (Whistleblowing)</td>
<td>-0.340</td>
<td>0.735</td>
<td></td>
</tr>
</tbody>
</table>

**Multiple Linear Regression Test (Hypothesis Test)**

Based on the results of multiple linear regression tests to test the research hypothesis, it is concluded that the variables of morality and whistleblowing have a significant effect on the prevention of fraud in village fund efficiency with a significance value of 0.013 and 0.000 < $\alpha$ (0.005), respectively. The results are made as follows.

$$Y = 9.0682 + 0.0492 X1 + 0.1540 X2 + \varepsilon$$

Table 5: Hypothesis Test Results with Multiple Linear Regression

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>T count</th>
<th>Significance</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constanta</td>
<td>9.0682</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1 (Morality)</td>
<td>0.0492</td>
<td>2.530</td>
<td>0.013</td>
<td>Significant</td>
</tr>
<tr>
<td>X2 (Whistleblowing)</td>
<td>0.1540</td>
<td>4.010</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>R²</td>
<td>= 0.2458</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>= 0.1973</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F count</td>
<td>= 7.40</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Std Error of the Estimate</td>
<td>= 2.8511</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Discussion**

Based on the results of the research above, it is stated that hypothesis one can be accepted, then it is produced that morality is positively significantly influential in preventing fraud in village fund accounting. This means that morality, as part of human behaviour has a vital role in the organisation. Individual morality in the organisation if it is good morals and shows a commitment to preventing fraud, then corruption will not occur, especially in village administration. This study is in line with the results of research from Aranta (2013), Puspasari and Dewi (2015), Atmadja and Saputra (2017), Laksmi and Sujana (2017), Mulia, et al. (2017), and Sumendap, et al. (2019), Atmadja, et al. (2018) which states that morality is an essential thing that needs to be considered and controlled to prevent fraud. Morality in the scope of this study can be interpreted as an attitude or personality to address a particular decision. The conclusion from the results of testing this hypothesis means that the higher the morality of management the lower the tendency for accounting fraud or the higher the stage of management
morality the more management pays attention to the wider and universal interests rather than
the interests of the company alone, especially personal interests.

In this study, it can be interpreted that morality plays a vital role in preventing accounting fraud,
especially with the scope of village government that only has limited human resources in
financial management. In addition, the capacity of the village apparatus that still needs to be
increased to make the role of morality significant in realising a clean village government. This
is related to the relationship between the leader or village head with the apparatus and staff to
establish harmonious relationships and synergise with other communities to supervise and
participate in village financial management, especially when preparing village budgets
(Saputra, 2019). Every person who deals with village finances within the scope of village
government either directly or indirectly must have a good mental or moral to avoid being
caught up in the corruption that ultimately leads to legal channels. Morality is more controlled
by each individual (Lau & Moser, 2008). There is not any system that can control morality so
that the behaviour of everyone in the village government must work together to create a
transparent, accountable and participatory government. Therefore, in essence, the morality of
the village apparatus is very important in preventing fraud in any form that exists in village
governance, especially in financial management.

The second hypothesis can be accepted, which states that whistleblowing has a significant
positive effect on fraud prevention in village financial management. This study supports the
results of research from Widiyarta et al. (2017) which states that the importance of
whistleblowing in a public organisation. However, not only in public organisations, every
organisation or company needs whistleblowing because everyone has the potential to commit
fraud or become a whistleblower. As in the case that occurred in Bali, especially in the Village
of Dauh Puri Kelod, Depasar, which ensnared the head of his village. In that case, the
whistleblower was the village head. The hamlet head suspected various irregularities that
occurred in the use of village funds and various reports of village activities indicated
fictitiously.

Whistleblowers mentality need to be owned by everyone in the organisation because this can
effectively prevent various frauds in the organisation (Ahmad & Ahmad, 2017). For example,
perpetrators of fraud will feel afraid or uneasy in committing fraud due to the existence of this
whistleblowing (Magnus & Viswesvaran, 2005). Moreover, this system is used as a guideline
for internal control systems. It will have an impact on increasing fraud prevention (Masaki,
2018) in the management of village funds in the Regency of Buleleng, which certainly supports
theories from the literature that have been presented previously. One effort that can prevent
fraud is by reporting by members of the organisation. However, the results of this study do not
support the research of Atmadja et al. (2019); in his research he stated that whistleblowing does
not have a significant effect, but it has a positive effect, which means that this whistleblowing
is not yet familiar to the ears of the rural community and village government but needs to be done to prevent fraud and it has been proven that whistleblowing is effective in preventing fraud.

**Conclusion and Suggestions**

Based on the research results above, it can be concluded that morality and whistleblowing have a significant positive effect on the prevention of fraud in village fund accounting. This means that the morality of the village apparatus directly influences the prevention of fraud. Similarly, the whistleblowing system also has a positive effect on fraud prevention. This shows that this system is needed by the village level government to fortify its organisation from various frauds.

Further research can be done by expanding the scope of research and adding various variables relevant to the problem. The variable in question is the local cultural variable in each region. As in Bali, the culture of *Tri Hita Karana* can be raised, or other local cultures. Or it can be synergised with other fields of science such as government, politics, psychology, and so forth. By adopting variables such as village regulations, village-owned enterprises, original village income, the behaviour of village officials or apparatus awareness of applicable laws.
REFERENCES


