

## **Implementation of Good Corporate Governance, Internal Audit, and Whistleblowing System Against Fraud Prevention**

**Dinda Ashilah<sup>1</sup>, Yuha Nadhirah Qintharah\*<sup>2</sup>, Diana Fajarwati<sup>3</sup>**

<sup>1,2,3</sup> Universitas Islam 45 Bekasi

### **Abstract**

*The purpose of this study is to see whether or not there is an effect of the implementation of good corporate governance, internal audit, and whistleblowing system on fraud prevention. The size of the board of commissioners, independent commissioners, managerial ownership, and institutional ownership are used as proxies for good corporate governance. This research is a quantitative research using secondary data obtained indirectly. This research was conducted through the company's official website and the Indonesia Stock Exchange (IDX) by accessing the official website of the Indonesia Stock Exchange (IDX), namely [www.idx.co.id](http://www.idx.co.id). The number of samples in this study were 11 BUMN companies for the 2017-2021 period. The data analysis technique in this study used multiple linear regression analysis. The results of this study indicate that the variable size of the board of commissioners and the whistleblowing system has a positive and significant effect on fraud prevention. Independent commissioners, managerial ownership, institutional ownership, and internal audit have no effect on fraud prevention.*

**Key words: Good Corporate Governance, Internal Audit, Whistleblowing System, Fraud Prevention**

### **INTRODUCTION**

Fraud is a problem that needs to be prevented for public and private sector companies, especially in Indonesia. There are various cases of fraud that have occurred in Indonesia, and the Joint Life Insurance Company (AJB) Bumiputera 1912 is one of the fraud cases due to the deflated bag problem which was only discovered in 2010. This is the only life insurance company with a joint business entity that violating the Decree of the Minister of Finance. (KMK) number 504 of 2004 related to solvency owned by insurance companies. At the time of this fraud case, the AJB Bumiputera company only had a solvency of 82 percent. Jaka Irwanta as an insurance policy holder and the grandson of one of the founders of AJB Bumiputera stated that the fraud case experienced was

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**IJBQR, Volume 01 Issue 01, 2023**



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because the management at branch offices carried out illegal actions that harmed the company such as embezzling customer funds and reporting insurance claims that were not in accordance with the amount paid to customers. . The mistakes made by the management became even worse because OJK made AJB Bumiputera like a Limited Liability Company (PT). In fact, as a life insurance company incorporated as a joint venture, it does not have capital like a Limited Liability Company (PT). In 2016 then became the culmination of the case experienced by AJB Bumiputera because OJK took over the company. OJK considers that the insurance company AJB Bumiputera has been 'sick', so a statutory manager is applied to the company (CNN, 2018).

Factors that cause fraud is due to intentional or unintentional. If the intentional factor occurs, it will be a very bad source of problems so that it can harm a company or agency caused by fraud perpetrators (Fahmi & Syahputra, 2019). The types of fraud can take the form of corruption (either in the form of illegal gifts, bribery, economic extortion, kickbacks, and conflicts of interest), manipulated company reports and misappropriation of assets (Muhammad Rizqi Saifuddiin & Wiyono, 2021).

Implementing good corporate governance can help avoid fraud by ensuring that the principles that have been established for the application of these mechanisms can be a good means of preventing fraudulent behavior by someone. With the application of the governance mechanism, it can be used to become one of the variables that will be examined in this study (Marciano, 2021).

In addition to Good Corporate Governance, another way to overcome the potential for fraud is by implementing an internal audit, because the existence of an internal audit within a company is considered to be able to help companies prevent fraud by conducting inspections and evaluations of internal controls so as to reduce the potential for fraudulent actions by management. A knowledgeable internal audit can find evidence of fraud and use it to investigate fraud cases. One of the responsibilities that internal auditors must have is to determine the number of errors in a company and guard against all forms of fraud that may take place within a company (Fahmi & Syahputra, 2019).

The application of the whistleblowing system can also be used to prevent fraud. Whistleblowing system is one way in which fraudulent activities that will or have been carried out, including those suspected of involving workers or anyone related to the company where the employee works, can be reported or submitted. The implementation of a good whistleblowing system will be a very powerful and impactful strategy and can be used to support the implementation of good corporate governance, which reports on fraudulent actions to help maintain company security and can improve the quality of the company (Sakinah & Ponirah, 2019).

Previous research conducted by (Trijayanti et al., 2021), become a replica in this study, the reason being that the variables used in the previous research were relatively small in influencing the dependent variable. This is due to the fact that variables other than the previous research can also have an effect on preventing fraud. Therefore, the good corporate governance variable will be used to replace one of the variables in previous research, namely the audit committee. Because if a company implements effective good corporate governance, it can help company management in preventing fraud.

### LITERATURE ANALYSIS AND METHODOLOGY

The agency theory used in this study explains the relationship that occurs between the principal and the agent. Agency theory tries to overcome the problems that occur in the principal-agent relationship caused by conflicting goals. Principals and agents are two people who are the center of attention in agency theory. The assumption is that principals and agents are rational individuals, acting only in their own economic interests (Raharjo, 2015). The agency theory used in this study explains the relationship that occurs between the principal and the agent. Agency theory tries to overcome the problems that occur in the principal-agent relationship caused by conflicting goals. Principals and agents are two people who are the center of attention in agency theory. The assumption is that principals and agents are rational individuals, acting only in their own economic interests (Anindyajati, 2021).

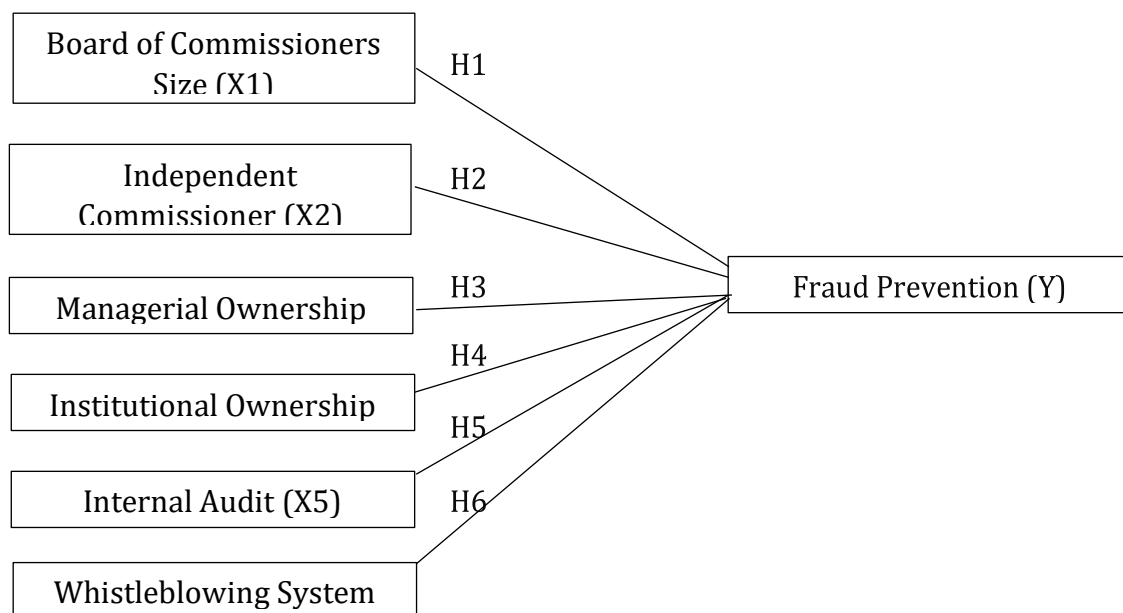


Figure 1. Hypothesis Framework

### **Board of Commissioners Size**

The size of the board of commissioners is tasked with providing observations, symptoms, and guidance to those who manage the company or management. Better managerial oversight is made possible by the company's board of commissioners, if the management supervisor is better it will affect the possibility of fraudulent actions occurring and a competent board of commissioners will be able to reduce fraud (Anggrarini & Taufiq, 2018). Based on what is done by (Wicaksono & Chariri, 2015) the number of commissioners in a company has a good impact in preventing fraud. The first hypothesis of this research is:

H1: the size of the board of commissioners has a positive effect on fraud prevention.

### **Independent Commissioner**

At the general meeting of shareholders, the shareholders elect a board of commissioners, which is responsible for observing the managers in carrying out the company's management processes properly and correctly. The selected board of commissioners must be independent and competent to make accurate observations (Rahmawati, 2013) in (Amelia & Hernawati, 2016). Based on what was done by (Amelia & Hernawati, 2016) independent commissioners can help prevent fraud. The second hypothesis of this research is:

H2: Independent commissioners have a positive effect on fraud prevention.

### **Managerial Ownership**

Managerial ownership is the total share of the business held by the employees of the company, namely the executive committee, management of the company, someone who owns the company. If management owns shares, it will change its interests as shareholders. However, if management does not own shares, there will be potential to put yourself first. Management will try to realize an increase in company performance and make a company's risk smaller (Nugroho & Darsono, 2015). Based on what is done by (Kartika & Sudarno, 2014) managerial ownership is capable of preventing fraud. The third hypothesis of this research is:

H3: managerial ownership has a positive effect on fraud prevention.

### **Institutional Ownership**

Shares held by institutional investors, banks, governments, and other institutions in a company can be called institutional ownership. With shares by these institutions, the company gets more supervision in its management, so it can prevent the intention to

commit fraud (Riandani & Rahmawati, 2019). Based on research conducted by (Riandani & Rahmawati, 2019) institutional ownership helps companies prevent fraud. The fourth hypothesis of this research is:

H4: institutional ownership has a positive effect on fraud prevention.

### Internal Audit

Internal audit is an independent function whose task is to test the company's operational actions, evaluated, and corrected by internal audit, an internal audit must have competence in the field of auditing, accounting, and finance (Nurchayono & Sukhani, 2017); (Qintharah, 2014). If an internal audit company is implemented properly, fraudulent actions can be prevented, especially company reports that were distorted by management (Trijayanti et al., 2021). Based on research conducted by (Trijayanti et al., 2021) internal audit has a good and beneficial impact in preventing fraud. The fifth hypothesis of this study is:

H5: internal audit has a positive effect on fraud prevention.

### Whistleblowing System

According to Elias (2008), a whistleblowing system is a report submitted by employees of a company, both in the present and in the past, about immoral or illegal acts that occur as a result of employee control and can lead to unwanted behavior (Larasati & Surtikanti, 2019). Based on research conducted by (Suputra, 2021) the whistleblowing system has a positive effect on fraud prevention. The sixth hypothesis in this study is:

H6: whistleblowing system has a positive effect on fraud prevention.

## RESEARCH METHOD

Quantitative methods are used in this study which place a strong emphasis on the researcher to evaluate hypotheses based on variables that have been numerically quantified with a view to doing so. State-owned enterprises listed on the Indonesia Stock Exchange (IDX) between 2017 and 2021 constitute the population of this study. Purposive sampling is a sampling technique.

**Table 1. Sample Selection Criteria**

	Sample Selection Criteria	Amount
1.	State-owned companies listed on the IDX	20
2.	State-owned companies that are not listed on the IDX in the 2017-	(8)

	2021 period	
3.	Companies that do not report fraud	(1)
4.	Number of state-owned companies that meet the research sample criteria	11
5.	Number of research samples (11x5 years)	55

Source: Processed Data (2022)

Only 11 of the 20 BUMN listed on the Indonesia Stock Exchange (IDX) can be used in this study, according to the criteria for selecting the sample. Because 1 company did not record any fraud, and 8 companies in the 2017–2021 period were not listed on the IDX.

### Fraud

In Webster's New World Dictionary states that fraud consists of various kinds of human ingenuity in planning something to get more personal gain compared to other parties in the wrong way (Larasati & Surtikanti, 2019). Fraud prevention as defined by BPKP (2008) is an integrated method that is used to reduce the factors that cause disasters, namely by providing opportunities, encouragement, and rationalization. There are several methods in implementing fraud prevention, namely establishing anti-fraud policies, setting standards on prevention, creating organizations with superior management, creating efficient business management strategies, and supporting fraudulent actions that occur (Wulandari & Nuryanto, 2018).

The fraud prevention variable calculates the number of cases reported in the period.

### Board of Commissioners Size

The size of the board of commissioners in a company is one way to make observations, symptoms, and guidance to those who manage the company or management. Better managerial oversight is made possible by the company's board of commissioners, if the management supervisor is better it will affect the possibility of fraudulent actions occurring and a competent board of commissioners will be able to reduce fraud (Anggrarini & Taufiq, 2018).

The variable size of the board of commissioners is calculated based on the total board of commissioners in the company.



### Independent Commissioner

In the general meeting of shareholders, the shareholders elect a board of commissioners, which is responsible for observing the managers in carrying out the company's management properly and correctly. The selected board of commissioners must be independent and competent to make accurate observations (Rahmawati, 2013) in (Amelia & Hernawati, 2016).

The independent commissioner variable is measured by the formula:

$$\frac{\text{Number of independent commissioners}}{\text{Total board of commissioners}}$$

### Managerial Ownership

Managerial ownership is the total share of the business held by the company's employees, namely the executive committee, company management, someone who owns the company (Nugroho & Darsono, 2015).

The managerial ownership variable is measured by the formula:

$$\frac{\text{Number of shares owned by management}}{\text{Number of shares outstanding}} \times 100\%$$

### Institutional Ownership

Shares held by institutional investors, banks, government, and other institutions in a company can be called institutional ownership (Riandani & Rahmawati, 2019). Institutional ownership variable is measured by the formula:

$$\frac{\text{Shares acquired from institutional}}{\text{Number of company shares outstanding}} \times 100\%$$

### Internal Audit

Internal audit is a company's operational actions that will be tested, evaluated, and corrected by the external evaluation function, an internal audit must have competence in the field of auditing, accounting, and finance (Nurchayono & Sukhani, 2017); (Qintharah, 2014).

Internal audit variables are measured by the formula:

$$\frac{\text{Number of financial expert members}}{\text{Number of members}} \times 100\%$$

**Whistleblowing System**

According to Elias (2008), a whistleblowing system is a report submitted by employees of a company that details every illegal, unethical, or immoral act that has occurred as a result of employee control which may result in an unwanted action (Larasati & Surtikanti, 2019).

The whistleblowing system variable is measured by the formula:

$$\frac{\text{Number of WBS items carried out by the company}}{\text{Number of WBS items according to KNKG}} \times 100\%$$

**RESEARCH AND RESULTS**

Table 2 shows the results of the descriptive statistical tests used to measure the minimum value, maximum value, average value, and standard deviation of the research variables.

**Table 2. Descriptive Statistical Test**

	N	Minimum	Maximum	Mean	Std. Deviation
UDK	55	5,0000	9,0000	6,327273	1,3615697
KI	55	,3330	,7780	,524236	,1197700
KM	55	,0014	,0625	,009283	,0087903
KIN	55	,8230	,9990	,944091	,0473440
AI	55	,0548	,1789	,095455	,0351878
WBS	55	,5880	,8820	,746709	,0678958
PF	55	1,0000	101,0000	34,03934	24,0265171
Valid N (listwise)	55				

Source: Secondary Data Processed (2022)

Table 2 of the descriptive statistics yields values for the board size variable, which includes a min of 5,000 and a max of 9,000 as well as a mean of 6.327 and a standard deviation of 1.36. Independent Commissioner, the min value is 0.333 and the max is 0.778, the mean is 0.524, and the standard deviation is 0.119. Managerial ownership values min 0.001 and max 0.062, mean 0.009 and standard deviation 0.008. Institutional ownership values max 0.823 and min 0.9999, with a mean of 0.944 and a standard deviation of 0.047. The internal audit min value is 0.054 and the max is 0.178, with 0.095 as the mean and 0.035 as the standard deviation. The variable whistleblowing system has a min value of 0.588 and a max of 0.882, with an average of 0.746 and a standard deviation





of 0.067. The fraud prevention variable can range from 1 to 101,000, with a median of 34.03 and a standard deviation of 24.02. This is in accordance with the fraud reported by the company, namely 1 reported fraud case and a maximum of 101 cases.

**Table 3. Normality Test**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		55
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	1,73986254
	Most Extreme Differences	
	Absolute	,111
	Positive	,111
	Negative	-,087
Test Statistic		,111
Asymp. Sig. (2-tailed)		,087 <sup>c</sup>

Source: Secondary Data Processed (2022)

Table 3 shows the results of the normality test carried out in this study, and it can be observed that the Asymp value is statistically significant. Sig > 0.050. The value of Sig asymp in Table 3 is 0.087 > 0.050, which is a higher value than the test criteria. The test results show that the data follow a normal distribution.

**Table 4. Multicollinearity Test**

Model		Collinearity Statistics	
		Tolerance	VIF
1	UDK	,616	1,622
	KI	,728	1,374
	KM	,968	1,033
	KIN	,728	1,374

AI	,767	1,304
WBS	,831	1,203

Source: Secondary Data Processed (2022)

The multicollinearity test has provisions in determining the test results, namely the tolerance value must be greater than 0.10 and the VIF value must be less than 10. In this study the test results for multicollinearity have met these requirements, it can be seen in table 4 the tolerance value exceeds 0.10 and VIF value is less than 10.

**Table 5. Heteroscedasticity Test**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-5,677	3,501		-1,622	,111
UDK	,213	,124	,271	1,715	,093
KI	2,315	1,301	,259	1,779	,081
KM	2,402	15,371	,020	,156	,876
KIN	4,436	3,291	,196	1,348	,184
AI	-7,110	4,314	-,233	-1,648	,106
WBS	1,259	2,148	,080	,586	,560

Source: Secondary Data Processed (2022)

The heteroscedasticity test with the glejser test has criteria for the test results, namely the value of sig. must be greater than 0.050. It can be seen from table 5 above that the value of sig. from the heteroscedasticity test of this study all independent variables were greater than 0.050. This means that it can be stated that this research is free from heteroscedasticity.

**Table 6. Autocorrelation Test**

Model Summary <sup>b</sup>					
Model	R	R	Adjusted R	Std. Error of the	Durbin-

		Square	Square	Estimate	Watson
1	,690 a	,47 6	,410	1,84540 29	1,880

Source: Secondary Data Processed (2022)

As can be seen in table 6, the DW value was determined to be 1.880 using the autocorrelation test. The autocorrelation test resulted in  $d_u = 1.813$ ,  $d_l = 1.334$ , and  $4 - d_u = 2.187$  based on the comparison of the Durbin-Watson table values. The conditions for the Durbin-Watson autocorrelation test can be satisfied if  $d_u \leq d_l$  or  $4 - d_u \leq d_u$ . Therefore, the Durbin-Watson value range is 1.813 to 2.187, with values falling between  $1.813 < 1.880$ . That there is no relationship between the residuals of individual observations and other observations indicates that the data are free of autocorrelation.

**Table 7. Multiple Linear Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficient	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-19,943	6,613		-3,016	,004
UDK	,978	,235	,554	4,163	,000
KI	4,271	2,458	,213	1,738	,089
KM	8,003	29,037	,029	,276	,784
KIN	9,434	6,217	,186	1,517	,136
AI	-7,728	8,149	-,113	-,948	,348
WBS	8,942	4,057	,253	2,204	,032

Source: Secondary Data Processed (2022)

The following regression equation model is derived from the Unstandardized Coefficients column in table 7 above which contains the results of multiple linear regression analysis.

$$PF = + 1UDK + 2 KI + 3KM + 4KIN + 5 AI + 6WBS + \epsilon$$

The value of multiple linear regression testing can be seen in table 9 beta section, then the results can be arranged as follows:

$$PF = -19,943 + 0.978 + 4.271 + 8.003 + 9.434 - 7.728 + 8.942 + \varepsilon$$

**Table 8. Coefficient of Determination (R2)**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,690 a	,476	,410	1,84540 29

Source: Secondary Data Processed (2022)

Adjusted R Square, based on the table of determination coefficient findings, is 0.410, or 41%. That is, the independent factors included here accounted for 41% of the fraud variance 59% of the variance was not taken into account as it could be explained by factors outside the scope of this investigation.

**Table 9. Model Feasibility Test (Test F)**

ANOVA					
A <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	148,263	6	24,711	7,25	,000
Residual	163,465	48	3,406	6	<sup>b</sup>
Total	311,728	54			

Source: Secondary Data Processed (2022)

The criterion for the F test results is that the significant value must be less than 0.050. It can be seen in table 9 regarding the results of the F test of this study, which is getting a result of 0.000, where these results have met the testing criteria for the F test. So in this study, each independent variable has the influence of the dependent variable.

**Table 10. Partial Significance Test (t-test)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-19,943	6,613		-3,016	,004
UDK	,978	,235	,554	4,163	,000
KI	4,271	2,458	,213	1,738	,089
KM	8,003	29,037	,029	,276	,784
KIN	9,434	6,217	,186	1,517	,136
AI	-7,728	8,149	-,113	-,948	,348
WBS	8,942	4,057	,253	2,204	,032

Source: Secondary Data Processed (2022)

Table 10 shows the results of the t-test that examines the relationship between the two variables and the success of fraud prevention.

**Variable Size of the Board of Commissioners**

With a t-count of 4.163 > 2.012 for the board size variable, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted with a significance level of 0.000 < 0.050. Based on the results of the study, the larger the board of commissioners, the more effective it is in preventing fraud. With an increase in the number of commissioners, it can anticipate a corresponding increase in supervisory efficiency and can reduce cases of fraud. Fraud in an organization can be kept to a minimum if there is adequate oversight. Based on the provisions made by the OJK, a public company must have at least two commissioners on its board of directors. In this study, the minimum value of five boards of commissioners is used to determine whether the size of the board of commissioners in BUMN for the 2017-2021 period has complied with the rules imposed by the Financial Services Authority.

The results of this study are supported by research conducted by (Wicaksono & Chariri, 2015), (Azizah, 2018), and (Kusumawardhany, 2021) which state that the size of the board of commissioners affects fraud prevention.



### **Independent Commissioner Variable**

T-count of independent commissioners  $1.738 < 2.012$  with a significance level of  $0.089 > 0.050$ , we can conclude that  $H_0$  is accepted and  $H_2$  is rejected. This means that the hypothesis ( $H_2$ ) shows that the results of independent commissioners have no effect on fraud prevention.

According to Alba Tallatov in (Gumelar, 2019) in recent years there has been a phenomenon related to the function of the position of an independent commissioner. Some people are now not involved in the administration of BUMN. This problem occurs when the role of independent commissioners in state-owned companies begins to be sold to certain organizations for their political purposes. Because of this, independent commissioners in charge of state-owned companies are not familiar with the commercial operations or the technology that is formed. With this phenomenon, independent commissioners in state-owned companies are considered less effective in carrying out supervisory actions so that loopholes for committing fraud will still exist. This means that independent commissioners have not been able to reduce the number of frauds because they fail to solve agency problems. Research by (Amelia & Hernawati, 2016) which claims that independent commissioners have an effect on fraud prevention is directly contradictory to the findings of this study. However, this study is in line with research (Septriani & Desi Handayani, 2018) and (Kusumaningsih & Wirajaya, 2017) which claim that independent commissioners have no effect in preventing fraud.

### **Managerial Ownership Variables**

$H_0$  is approved and  $H_3$  is rejected because the managerial ownership variable has a t-count value of 0.276 which indicates that  $t\text{-count} < t\text{ table}$  ( $0.276 < 2.012$ ) with a significant value of  $0.784 > 0.050$ . This means that the hypothesis ( $H_3$ ) shows that managerial ownership has no effect on fraud prevention. It can be concluded that the application of managerial ownership in BUMN companies in the 2017-2021 range has not been able to prevent fraud. Because, according to descriptive data, the average value of management ownership in BUMN is only 0.92%. The small percentage of ownership held by management discourages them from acting in the best interests of all shareholders and gives them incentives to maximize their personal profits at the expense of the company.

The findings of this study corroborate the findings (Kurniawan et al., 2020) and (Anisa, 2012), both of which conclude that management ownership has no role in preventing fraud. Data from (Kartika & Sudarno, 2014) shows that managerial ownership does affect fraud.



### **Institutional Ownership Variables**

If the t-count for the institutional ownership variable is 1.517, then the hypothesis H0 is accepted and the alternative hypothesis H4 is rejected because the significance level of the t-table comparison is 0.136 more than the 0.050 level. Consequently, the fourth hypothesis (H4) indicates that the existence of institutional ownership has no effect on the effectiveness of the measures taken to reduce the likelihood of fraud.

Institutional ownership as a method to build strong good corporate governance is not in accordance with agency theory because it has not succeeded in reducing agency difficulties that can lead to fraud. A large amount of institutional capital was invested in state-owned companies in 2017–2021, although this did not have a significant impact on the effectiveness of the company's anti-fraud measures. As a result, it seems that holding a large number of institutional shares in companies is not enough to prevent fraud. It is possible to commit fraud in a corporation because as stated by (Salim, 2017), external institutional shareholders have not yet played an active role in monitoring fraudulent activities within the company. The findings of this study corroborate the findings (Priswita & Taqwa, 2019), which found that institutional ownership has no effect on fraud prevention measures. While other studies have found that institutional ownership does have an influence on fraud prevention (Riandani & Rahmawati, 2019), this finding contradicts these findings.

### **Internal Audit Variable**

The internal audit variable obtained a t-count value of -0.948, which means that t-count <t-table (-0.948 <2.012) with a significant value of 0.348> 0.050 then H0 is accepted and H5 is rejected. This means that the hypothesis (H5) shows that the results of internal audit have no effect on fraud prevention.

The average score for the internal audit of BUMN in the study year was only 0.095 or 9.5%, indicating that the quality of internal audit is still quite poor. The more effective the internal audit, the less likely it is that fraud will occur. The more efficient internal audit is, the less likely it is that fraudulent activities will occur and cause harm to the organization if internal audit is not able to uncover fraud risks. The findings of this study contradict other findings that found internal audit to have an influence on fraud prevention (Fahmi & Syahputra, 2019). However, the findings of this study are consistent with (Zelmiyanti & Anita, 2015) and (Utami, 2018), which conclude that internal audit has no effect on fraud prevention fraud.

### **Variable Whistleblowing System**

With a t-count of  $2.204 > 2012$ , for the whistleblowing system variable, then  $H_0$  is rejected and  $H_6$  is accepted, with a significance level of  $0.032 < 0.050$ . Based on the results of the hypothesis ( $H_6$ ) confirms the good and substantial impact of the violation reporting system in reducing fraud cases.

The organization's violation reporting system will encourage employees and other insiders to report misconduct in the hope of receiving a favorable reaction. The National Committee on Governance Policy (2008) determined that there should be at least six components, divided into the broad categories "structure", "operational", and "maintenance", in an effective violation reporting system. In BUMN companies registered in 2017-2021, the implementation of the whistleblowing system is quite good because it has met the categories determined by the KNKG, the implementation of the whistleblowing system in all BUMN for the 2017-2021 period exceeds six items classified into three aspects. The results of this study indicate that company members implement a customer reporting system to prevent and minimize fraud. Similar findings that can be used to support the results of this study are research conducted by (Hariawan et al., 2020), (Trijayanti et al., 2021) and (Suputra, 2021).

### **CONCLUSION AND RECOMMENDATIONS**

The results of the tests that have been carried out can be concluded that there are only two variables that affect fraud prevention, namely the size of the board of commissioners and the whistleblowing system. The four variables have no effect on fraud prevention, namely independent commissioners, managerial ownership, institutional ownership, and internal audit.

The limitation faced during the preparation of this research is that the proxy used to reflect GCG has not been able to reflect the implementation of corporate management as a whole. The limitation of this research is that the research sample only has 11 companies, this is relatively small and is caused by the fact that there were only 20 state-owned companies in the research year and only 11 companies could be used as research samples.

Given the limitations of the current study, the recommendation for future research is to add more research samples to improve and improve the accuracy of the data. It is also recommended for further research to expand the sector of companies listed on the IDX so that all company sectors can be tested. Additional variables or other proxies can also influence many aspects of the study.

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