

PROCEEDING

*Call for Paper – 3rd International Seminar on Accounting Society
“The Review and Outlook of The Economy after Covid 19 Pandemic”*

**BYSTANDER EFFECT, WHISTLEBLOWING SYSTEM,
ORGANIZATIONAL CULTURE AND INTERNAL CONTROL
TO THE PREVENTION OF FRAUDULENT FINANCIAL
STATEMENTS**

Adellia Kartika Zulkarnain*), Shinta Ningtiyas Nazar

Accounting Department Pamulang University

**Email: adelliak1704@gmail.com*

ABSTRACT

This study aims to determine the effect and empirical evidence on the effect of bystander effect, whistleblowing system, organizational culture and internal control on the onset of financial statement fraud. The sampling technique used in this research is purposive sampling. The data used is time series data for the period 2016-2020, which is sourced from questionnaires that have been filled out by active students of Pamulang University. The results of this study used descriptive statistical methods, classical assumption tests, multiple linear analysis tests and hypothesis tests using the SPSS version 26. Based on the partial test results, it was found that the bystander effect had a significant effect on preventing financial statement fraud and whistleblowing system, organizational culture and internal control had no significant effect on financial statement fraud prevention. The test results simultaneously state that the bystander effect, whistleblowing system, organizational culture and internal control have a significant effect on the prevention of financial statement fraud.

Keywords: Bystander Effect, Whistleblowing System, Organizational Culture, Internal Control, Prevention Of Financial Statement Fraud

1. INTRODUCTION

In research published by the Association of Certified Fraud Examiners (ACFE) (Survai Fraud Indonesia, 2019), with reference to questions discussing the frequency, loss, and duration of fraud, there are 3 forms of fraud, namely corruption, misuse of wealth (assets) of countries and companies, as well as fraudulent financial statements. Based on the survey results, with a total of data collected and meeting the criteria as many as 239 out of 256 respondents showed that corruption is the most common form of fraud in Indonesia. The survey results show a total of 167 respondents chose corruption, with a percentage of 69.9%. 50 respondents chose the misuse of state and company assets/wealth as much as 20.9%. And another 9.2% chose financial statement fraud, which was voted on by 22 respondents.



Figure 1. 1: The Most Common Fraud in Indonesia

Source: (Indonesia Fraud Survey, 2019)

Based on the diagram data, it shows that the biggest loss due to fraud comes from corruption. However, in the journal (ACFE Indonesia, 2016) it is stated that the low losses due to financial statement fraud, allegedly because in Indonesia various financial statement frauds have not been widely revealed, such as information fraud crimes on the stock exchange, and crimes due to tax information fraud.

On this basis, researchers are interested in what causes someone to hide information related to fraud. If you look closely, the number of frauds occurs due to ineffective prevention. Looking at several cases that occurred, such as the case of Garuda Indonesia, Ltd and Tiga Pilar Sejahtera, Ltd engineered financial statements, so that researchers assumed there were parties who did not report, or there could be no reporting facilities, as well as organizational culture that supports fraud, and low internal control, so that fraud can occur. Thus, the authors assume that these variables have an influence, which will be explained in this study. This research will be divided into 5 parts, where part 1 is for introduction, part 2 is for literature review, part 3 is for research methods, part 4 is for research results and part 5 is for research conclusions.

2. Literature Review

Theoretical Foundation

For literature pertaining to this study, the authors use as the basis of the literature as a basis for understanding the use of modeling in research methods that will be in use. One of them performed by Asiah & Setyorini (2017), The research stated that bystander effect and whistleblowing system have a positive effect on financial statements due to more prosocial behavior encourage fraudulent financial statements. Then the researcher Fachrunisa et al., (2015) stated that a good organizational culture would not opens the slightest opportunity for individuals to commit corruption, because A good organizational culture will form organizational actors to have a sense of belonging (a sense of belonging) and a sense of identity (a sense of pride as part of an organization). With a strong internal control system and supported by a control environment, risk assessment, control activities, information and communication and monitoring of internal control, it can reduce the risk

PROCEEDING

*Call for Paper – 3rd International Seminar on Accounting Society
“The Review and Outlook of The Economy after Covid 19 Pandemic”*

or error as well as errors in preparing financial statements, so that the quality according to the rules and can be accounted for (Laksmi & Sujana, 2019).

Factors Affecting Bystander Effect

According to social psychology researchers Bibb Latane and John Darley in Liyanti, (2017), the bystander effect is caused by two main things, namely the diffusion of responsibility because of the presence of others, and the need to act in measures that are considered correct and socially acceptable.

Whistleblowing System

Made et al., (2021) states that a good handling of the whistleblowing system is expected to increase the awareness of government employees who must continue to maintain their integrity. Whistleblowing system can be used by any company to develop a manual system for reporting violations in each company. However, a whistleblower does not stop reporting crimes to higher authorities, such as directly to the board of directors, commissioners, head of office or to public authorities outside the competent organization and the mass media.

Organizational Culture

The causes of crime in organizations can be caused by pathology socio-cultural that adheres to a culture of consumerism and materialism so that it justifies all means to achieve the goal which was written in Priyanto & Aryati (2016).

Internal Control

In Laksmi & Sujana, (2019) states that the fraud in financial management can be minimized and prevented taking into account the internal control system. Control system Internal is a process that is carried out to provide confidence in the achievement of the reliability of financial statements and compliance with the law (Adi et al., 2016).

3. DATA AND RESEARCH TECHNIQUE ANALYSIS

This type of research is causal quantitative research with using primary data obtained from questionnaires and measured indicators using a Likert scale of 1-5, and using the SPSS (Statistical Package for Social Sciences) program for windows. This study aims to analyze the causal relationship used to explain the effect of the independent variable, namely the bystander effect, whistleblowing system, organizational culture, internal control, against dependent variable, namely the prevention of fraud. And conducted at Pamulang University in 2021 with gave a questionnaire to Pamulang University students as respondents to get data.

PROCEEDING

Call for Paper – 3rd International Seminar on Accounting Society
 “The Review and Outlook of The Economy after Covid 19 Pandemic”

Table 3.1 : Variable Operation

Variabel	Indicator	Skala	Questionnaire Number
Bystander Effect (X ₁).	1. Social influence	Interval	1-3
Draf :	2. Resistance	Interval	4-7
This fraud occurs because of the bystander effect, namely someone who knows there is an act of fraud but chooses to remain silent and in himself deliberately lets it or does not want to be involved in the case, which can disrupt his working position.	3. Spread of responsibility	Interval	8-9
Source : (Asiah & Setyorini, 2017)			
Whistleblowing System (X ₂).	1. Application effectiveness	Interval	1-4
Draf :	2. How to report violations.	Interval	5-8
Whistleblowing system is a forum for a whistleblower to report fraud or violations committed by internal parties of the organization. This system really requires the participation of all elements of the organization in the disclosure and reporting process.	3. Benefits of the whistleblowing system.	Interval	9-10
Source : (Wardana et al., 2017)			
Organizational Culture (X ₃)	1. Innovation and Risk Taking	Interval	1-2
Draf :	2. Attention to detail	Interval	3-5
Preventive measures implemented through a well-developed work culture will result in good organizational fundamental values such as upholding honesty and integrity, respecting and quality work as well as excellent service and respect for openness and transparency.	3. Orientation	Interval	6-9
Source : (Zelmiyanti & Anita, 2015)	4. Aggression	Interval	10-11
	5. Stability	Interval	12-13

PROCEEDING

Call for Paper – 3rd International Seminar on Accounting Society
“The Review and Outlook of The Economy after Covid 19 Pandemic”

Advanced table of operational variables

Variabel	Indicator	Skala	Questionnaire Number
Internal Control (X ₄)	1. Control environment	Interval	1-2
Draf :	2. Management Risk Assessment	Interval	3-4
Internal control includes an organizational structure, methods, and measures that are coordinated to maintain organizational wealth, check the accuracy and reliability of accounting data, and encourage efficiency and compliance with established company policies.	3. Control Activities	Interval	5-9
Source :	4. Accounting Information and Communication System	Interval	10-11
(Aisyah, 2017)	5. Monitoring	Interval	12
Prevention of Fraud (X ₅)	1. Honest Culture and High Ethics	Interval	1-4
Draf :	2. Management Responsibilities To Evaluate Fraud Prevention	Interval	5-10
Fraud is defined as a type of unlawful act that is carried out intentionally to obtain something by deceiving and can cause harm, so prevention is very much required by the company.	3. Supervision by the Audit Committee	Interval	11
Source :			
(Gunayasa & Erlinawati, 2020)			

4. RESEARCH RESULTS AND DISCUSSION

This study examines the assessment of Pamulang university students on fraud prevention. The respondent criteria used are active students at Pamulang University. Due to the pandemic, the questionnaire was distributed online.

Table 4. 1: Research Sample Data

No.	Information	Amount	Percentage
1	Obtained Questionnaire	126	100%
2	Questionnaire that cannot be processed	2	1.59%
3	Processable questionnaire	124	98.41%

Source: Edited by the author, 2021

Based on the data in table 4.1 above, it shows that there are 126

PROCEEDING

Call for Paper – 3rd International Seminar on Accounting Society
 “The Review and Outlook of The Economy after Covid 19 Pandemic”

questionnaires obtained, and 2 questionnaires that cannot be processed (1.59%), so that the data that can be processed are 124 questionnaires (98.41%).

Research Results

Table 4. 2: Descriptive Statistics Test Results

Descriptive Statistics								
	N	Range	Minimum	Maximum	mean	Std. Deviation	Variance	
Bystander Effect (X)	124	28	7	35	24.35	5.021	25,206	
Whistleblowing System (X)	124	40	10	50	20.85	6,995	48,928	
Organizational Culture (X)	124	27	13	40	27.06	7.398	54,737	
Internal Control (X)	124	27	12	39	26.64	6,860	47.062	
Fraud Prevention (Y)	124	41	11	52	36.33	8.265	68.304	
Valid N (listwise)	124							

Source: Data processed using SPSS 26

Based on the analysis table using descriptive statistics, it can be seen that, the standard deviation value, which is smaller than the mean value, indicates that the data on the variables is increasingly gathering at its mean value, and is homogeneous.

Classic Assumption Test Results

a. Normality Test Results

Table 4. 3: Normality Test Results

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		124
Normal Parameters, b	mean	.0000000
	Std. Deviation	7.78655122
Most Extreme Differences	Absolute	.060
	Positive	.060
	negative	-.056
Test Statistics		.060
asymp. Sig. (2-tailed)		.200c,d
a. Test distribution is Normal. b. Calculated from data. c. Lilliefors Significance Correction. d. This is a lower bound of the true significance.		

Source: Data processed using SPSS 26

Based on table 4.4 above, it shows that the value of Asymp, Sig. (2-tailed) is 0.200 which has a value greater than the error rate of 0.05, this means that the regression model is normally distributed so that the normality test is met.

PROCEEDING

Call for Paper – 3rd International Seminar on Accounting Society
“The Review and Outlook of The Economy after Covid 19 Pandemic”

b. Heteroscedasticity Test Results

Table 4. 4: Heteroscedasticity Glejser Test Results

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	17.012	2.580		6.593	.000
Bystander Effect (X ₁)	-.083	.084	-.083	-.988	.325
Whistleblowing System (X ₂)	-.095	.064	-.132	-1.485	.140
Budaya Organisasi (X ₃)	-.109	.081	-.161	-1.353	.179
Pengendalian Internal (X ₄)	-.155	.086	-.212	-1.801	.074

a. Dependent Variable: ABS

Source: Data processed using SPSS 26

The basis for decision making on the results of the Glejser heteroscedasticity test is, if the significance value (Sig.) between the independent variable and the absolute residual is greater than 0.05, then there is no heteroscedasticity problem. Based on table 4.5 above, it is known that the significance value of the Bystander Effect is 0.284, the Whistleblowing System is 0.214, Organizational Culture is 0.716, and Internal Control is 0.074. From this value, it is known that there are no symptoms of heteroscedasticity.

c. Multicollinearity Test Results

Table 4. 5: Multicollinearity Test Results

Model	Coefficients ^a					Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
	B	Std. Error	Beta				
1 (Constant)	21,258	4.443		4.785	.000		
Bystander Effect (X)	.422	.144	.257	2,926	.004	.970	1.031
Whistleblowing System (X)	-.104	.110	-.088	-.949	.344	.864	1.158
Organizational Culture (X)	.203	.139	.181	1,459	.147	.482	2,073
Internal Control (X)	.055	.148	.046	.374	.709	.493	2,029

a. Dependent Variable: Fraud Prevention (Y)

PROCEEDING

Call for Paper – 3rd International Seminar on Accounting Society
 “The Review and Outlook of The Economy after Covid 19 Pandemic”

Source: Data processed using SPSS 26

Based on table 4.6 above, it can be seen that the all independent variables have a tolerance value above 0.10 and the Variance Inflation Factor (VIF) value is far below the number 10. Thus, in this model there is no problem in the multicollinearity test.

Hypothesis Test Results

Table 4. 6: ANOVA Test Results (F Test)

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	943,907	4	235,977	3,765	.006b
	Residual	7457,537	119	62.668		
	Total	8401.444	123			

a. Dependent Variable: Fraud Prevention (Y)
 b. Predictors: (Constant), Internal Control (X1), Bystander Effect (X2), Whistleblowing System (X3), Organizational Culture (X4)

Source: Data processed using SPSS 26

Based on table 4.6 above, the results of the ANOVA (Analysis of Variance) then the f table value is calculated as follows:

$$\begin{aligned}
 F \text{ table} &= F(k ; n - k) \\
 &= F(4; 124 - 4) \\
 &= F(4; 120) \\
 &= F 2.45
 \end{aligned}$$

From the results of the study, it can be concluded that the value of Fcount is 3.765 > Ftable of 2.45 and obtained a significant value of 0.006b < 0.05 significant level. So that H5 is accepted, which means Bystander Effect, Whistleblowing System, Organizational Culture, Internal Control, have a simultaneous effect on Fraud Prevention.

Table 4. 7: Individual Parameter Significance Test Results (t Test)

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	21,258	4.443		4.785	.000
	Bystander Effect (X1)	.422	.144	.257	2,926	.004
	Whistleblowing System (X2)	-.104	.110	-.088	-.949	.344
	Organizational Culture (X3)	.203	.139	.181	1,459	.147
	Internal Control (X4)	.055	.148	.046	.374	.709

a. Dependent Variable: Fraud Prevention (Y)

Source: Data processed using SPSS 26

In this study using a two-way test, with the calculation of t table as follows:

$$\begin{aligned}
 t \text{ table} &= t(a/2 : nk-1) \\
 &= t(0.05/2 : 124-4-1) \\
 &= 0.025 : 119 \\
 &= 1.98010 (1.98)
 \end{aligned}$$

Then the value of t table is 1.98010 and the significant level of used is 0.05. Based on the table above, it is known as follows:

PROCEEDING

*Call for Paper – 3rd International Seminar on Accounting Society
“The Review and Outlook of The Economy after Covid 19 Pandemic”*

1. The Bystander Effect (H1) is accepted, which means the Bystander Effect has a partial significant effect on the prevention of financial statement fraud.
2. The Whistleblowing System (H2) is rejected, which means that the Whistleblowing System has no significant effect on the prevention of financial statement fraud.
3. Organizational Culture (H3) is rejected, which means that Organizational Culture has no significant effect on the prevention of financial statement fraud.
4. Internal Control (H4) is rejected, which means that internal control has no significant effect on the prevention of financial statement fraud.

5. Conclusion

Bystander Effect affects the Prevention of Fraud in Financial Statements

Based on the results of the first hypothesis test (H1), it can be concluded that the bystander effect affects the prevention of financial statement fraud. The results of research such as previous research conducted by Asiah & Setyorini (2017) that the influence of observers has a significant effect on financial reporting. However, the results of researchers Asiah & Setyorini (2017) used the fraud variable as the dependent variable, in contrast to this study which used the prevention variable as the dependent variable. If we examine, the results of the study say that if the bystander effect exists, then prevention will increase. Normally, how vulnerable is it to harm if any or many people who remain silent tend not to care about the offence. After the researchers studied it further, it turned out that this result could have occurred due to the influence of the pandemic. Currently, students study online, there is no interaction in the campus environment, there is no interaction which means they don't know it or there is no definite incident. With no direct interactions or transactions, and changes in all habits and lifestyles that are currently carried out digitally, so as to increase the prevention of harm. This is in line with the journal issued by Dharmesti & Djamhuri, (2019) that the application of technology can prevent fraud.

Whistleblowing System affects the Prevention of Fraud in Financial Statements

Based on testing the second hypothesis (H2), the Whistleblowing System has no significant effect on the prevention of financial statement fraud. The results of this test are similar to the research conducted by Prasasthy & Hutnaleontina (2021) and Gunawan et al. (2020), namely employee perceptions of the whistleblowing system have no effect in preventing fraud. There are several things that cause the whistleblowing system to not work properly, one of which is the lack of intention in the whistleblower to carry out whistleblowing without a specific intention such as a desire for revenge or to get a reward that will benefit himself. In addition, there is still a lack of strong rules that protect and discuss the follow-up to complaints made. So that fraud prevention can be overcome through the whistleblowing system, the organization must socialize it massively and there is a need for commitment from the leadership regarding fraud prevention.

Organizational Culture affects the Prevention of Fraud in Financial Statements

Based on the third hypothesis (H3), organizational culture does not guarantee that fraud does not occur in the organization. These results are in line with the results of research conducted by Santini & Wati (2021), where organizational culture does not significantly affect the prevention of financial statements. In this study, it is stated that if there is pressure and intimidation from leaders to certain employees or employees, then the organizational culture is not able to prevent fraud. And organizational culture will be unethical when there are incentives and pressures that direct someone to act fraudulently. The encouragement and pressure can come from the leader, as well as partners. Therefore, organizational

PROCEEDING

Call for Paper – 3rd International Seminar on Accounting Society
“The Review and Outlook of The Economy after Covid 19 Pandemic”

culture is not able to prevent fraud if there is pressure and intimidation from leaders and partners.

Internal Control affects the Prevention of Fraud in Financial Statements

Based on the results of the fourth hypothesis test (H4), internal control is not able to minimize the tendency of fraud in the financial statements.

This is the same as research conducted by Sechitafki (2021) and according to the journal Amrizal (2015) published on the bpkp.go.id website, it is explained that internal control in accordance with the fraud prevention function is trying to eliminate the causes of fraud. Because the prevention of fraud will be easier to overcome than to overcome when the fraud has occurred. Internal control has no effect on fraud prevention if internal control does not exist or is weak or its implementation is ineffective (loose).

Bystander Effect, Whistleblowing System, Organizational Culture, and Internal Control have a simultaneous effect on the Prevention of Fraud in Financial Statements.

Based on this analysis the fifth hypothesis (H5) accepted. According to these results, the entity is expected to pay more attention to and re-monitor the influence of observers, the whistleblowing system, organizational culture, and internal control within the organization so that fraud prevention can be increased effectively and efficiently, this is the same as research conducted by Anandya & Werastuti (2020) and according to the journal Asiah & Setyorini (2017).

REFERENCES

- ACFE Indonesia. (2016). Survei Fraud Indonesia 2016. *Auditor Essentials*, 1–60.
- Amrizal. (2015). Pencegahan Dan Pendeteksian Kecurangan. *Pengantar Auditing*, 5(Internal Audit), 1–17.
- Anandya, C. R., & Werastuti, D. N. S. (2020). Pengaruh Whistleblowing System, Budaya Organisasi dan Moralitas Individu Terhadap Pencegahan Fraud pada PT. Pelabuhan Indonesia III (Persero) Benoa Bali. *Jurnal Ilmiah Akuntansi Dan Humanika*, 10(2), 185. <https://doi.org/10.23887/jiah.v10i2.25933>
- Asiah, N., & Setyorini, D. (2017). *Pengaruh Bystander Effect dan Whistleblowing Terhadap Terjadinya Kecurangan Laporan VI*.
- Ayu, D. G., & Mayliza, R. (2016). Pengaruh Budaya Organisasi, Kompensasi Non Finansial Dan Job Insecurity Terhadap Turnover Intention Pt. Parit Padang Pekanbaru. *Jurnal Online Mahasiswa Fakultas Ekonomi Universitas Riau*, 4(1), 806–815.
- Dharmesti, A., & Djamhuri, A. (2019). Peran Teknologi Informasi dalam mengantisipasi Kecurangan Akuntansi (Studi Kasus pada PT XYZ Tbk). *Jurnal Ilmiah Mahasiswa FEB*, 1–10. <https://jimfeb.ub.ac.id/index.php/jimfeb/article/view/6232>
- Gunawan, B., Hanjani, A., & Humairoh, N. A. (2020). Meninjau Aspek Pencegahan Fraud: Studi Kasus di KPP Pratama Sukabumi. *Jati: Jurnal Akuntansi Terapan Indonesia*, 3(2), 94–104. <https://doi.org/10.18196/jati.030230>
- Ismail, F. F., & Sudarmadi, D. (2019). Pengaruh Sistem Informasi Akuntansi Dan Sistem Pengendalian Internal Terhadap Kinerja Karyawan. *JSMA (Jurnal Sains Manajemen Dan Akuntansi)*, 3(1), 1–13. <https://doi.org/10.37151/jsma.v1i1i2.5>
- Liyanti, L. (2017). Seminar Nasional Budaya Urban Kajian Budaya Urban di Indonesia dalam Perspektif Ilmu Sosial dan Humaniora: Tantangan dan Perubahan. *Sekolah*

PROCEEDING

*Call for Paper – 3rd International Seminar on Accounting Society
“The Review and Outlook of The Economy after Covid 19 Pandemic”*

- Islam Terpadu Dan Ruang Negosiasi Identitas Kaum Urban Muslim*, 98–108.
- Made, N., Sanjani, W., Nyoman, D., & Werastuti, S. (2021). *Peran Komitmen Organisasi , Perspektif Budaya Tri Hita Karana , dan Whistleblowing System dalam Pencegahan Fraud*. 11(1).
- Prasasthy, L. P. A. A., & Hutnaleontina, P. N. (2021). *Pengaruh Persepsi Karyawan mengenai Whistleblowing System , Sistem Pengendalian Internal dan Moralitas terhadap pencegahan fraud pada pt . seafood inspection*. e-ISSN 2798-8961, 70–83.
- Priyanto, A., & Aryati, T. (2016). Analisis Pengaruh Budaya Organisasi Dan Sistem Pengendalian Internal Terhadap Pendeteksian Dan Pencegahan Fraud. In *Jurnal Informasi, Perpajakan, Akuntansi, Dan Keuangan Publik* (Vol. 11, Issue 2, pp. 89–104). <https://doi.org/10.25105/jipak.v11i2.4571>
- Laksmi, P.S.P, & Sujana, I. K. (2019). Pengaruh Kompetensi SDM, Moralitas dan Sistem Pengendalian Internal Terhadap Pencegahan Fraud Dalam Pengelolaan Keuangan Desa. *E-Jurnal Akuntansi*, 26, 2155. <https://doi.org/10.24843/eja.2019.v26.i03.p18>
- Santini, N. K. M., & Wati, N. W. A. E. (2021). Pengaruh Efektivitas Pengendalian Internal, Budaya Organisasi dan Ketaatan aturan Akuntansi terhadap kecenderungan kecurangan Akuntansi dalam pelaporan pendapatan untuk pajak Hotel. *Hita Akuntansi Dan Keuangan Universitas Hindu Indonesia*, April, 223–241.
- Sechitafki, A. M. (2021). Pengaruh Sistem Pengendalian Internal dan Good Corporate Governance Terhadap Pencegahan Fraud. *STIE PASIM SUKABUMI*, 2(1), 123–144.
- Survai Fraud Indonesia. (2019). *Survai Fraud Indonesia 2019*. *Survai Fraud Indonesia Fraud Indonesia*, 76.