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The Influence of Internal Audit, Whistleblowing System and Surprise Audit on Fraud Prevention at BRI Regional Audit Offices

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ABSTRACT

This research was conducted at BRI Regional Audit Office Bandung. The purpose of this study is to determine how much influence internal audit, whistleblowing system and surprise audit partially and simultaneously have on fraud prevention. The theories used in this study are agency theory and pentagon fraud theory. The population in this study is all BRI Regional Audit Office Bandung workers. This study used nonprobability sampling techniques using purposive sampling techniques. The sample of this study was all auditors of BRI Regional Audit Office Bandung, which was 41 respondents and data collection using questionnaires. This research uses a quantitative approach with descriptive and verifiative methods. The statistical tests used are validity tests and reliability tests, classical assumption tests, multiple linear regression analysis, correlation coefficient analysis, determination coefficient analysis and hypothesis tests. The results of the analysis were processed using the IBM SPSS Statistics 26 program. The correlation results show that internal audit, whistleblowing system, surprise audit and fraud have a very strong relationship with positive direction. Meanwhile, the results of multiple linear regression analysis show that internal audit, whistleblowing system and surprise audit have a significant effect on fraud prevention both partially and simultaneously.

Kata Kunci: Internal audit, whistleblowing system, surprise audit, fraud

INTRODUCTION

National development aims to build Indonesian people as a whole. This is intended to achieve a just and prosperous Indonesian society based on Pancasila and the 1945 Constitution in order to achieve the goals, the implementation of development must always pay attention to harmony, harmony and balance (1). Various elements of development include the economic and financial fields, including increasing trade and investment activities both at home and abroad (2). Indirectly, we must pay attention to all economic factors that play a very dominant role and are important to be encouraged optimally in order to provide real performance for people's lives. In this case, one of them is in the banking sector (3).

The development of the economy in the current era of globalization and digitalization encourages the banking sector to be in a competition and causes a straight comparison with existing technological developments (4). Increasing competition and technological developments in the banking sector cause companies to try hard and use various strategies to survive (5). This situation results in opportunities for violations such as fraud or fraud committed by internal bank actors, external bank parties, or carried out jointly between internal bank and external bank parties (6)

In recent years, various types of fraud still occur committed by internal bank actors, external parties or carried out jointly between

internal bank and external parties (7). Management takes seriously the frequency of events and potential losses incurred due to operational risks and the company's reputation (8). The causative factor for fraud in the company is caused by the internal audit and internal control systems that are not optimal and ineffective (9).

The highest number of fraud acts within BRI nationally were carried out by permanent employees, namely in 2021 there were 191 cases and in 2022 there were 388 cases. Meanwhile, fraud was carried out by non-permanent employees, namely in 2021 there were 17 cases and in 2022 there were 5 cases, with a total of 208 cases and 395 cases, respectivelym (10).

The number of frauds that occur within the BRI Regional Audit Office Bandung, management tries to take a stand on employees who commit fraud, including by asking fraudsters to take responsibility by replacing the nominal that has been harmed and dismissing the employee or dishonorably terminating employment (11). The role of management and internal auditors of BRI Regional Audit Office Bandung is to analyze data to find out the fact of errors or errors that occur during bank operations (12).

The purpose of this research is to know and analyze and find empirical evidence of internal audit, whistleblowing system, surprise audit and fraud at BRI Regional Audit Office Bandung, the influence of internal audit on fraud prevention (13), the influence of whistleblowing system on fraud prevention, the effect of surprise audit on fraud prevention, and the influence of internal audit, whistleblowing system and surprise audit on fraud prevention (14).

Preventing fraud is an essential aspect of organizational governance, particularly within auditing departments (15). Extensive research identifies several crucial elements that significantly enhance fraud prevention efforts (16). Internal audit functions are pivotal, acting as a "firewall" and making considerable contributions to thwarting fraudulent activities. The overall effectiveness and strength of internal audit procedures further enhance fraud prevention initiatives (17). Incorporating fraud risk assessments, robust internal controls, and executing thorough internal audits have all proven to reduce the chances of fraud (18).

Another indispensable tool in fraud prevention is a whistleblowing system. Studies show that such systems facilitate fraud reporting, improve early detection, and serve as a critical oversight mechanism (19). The existence of a whistleblowing system, combined with skilled human resources, greatly impacts the success of fraud prevention strategies (20). Moreover, the intermediary role of forensic and investigative audits in linking whistleblowing systems to fraud prevention has been investigated (21).

Surprise audits also play a vital role in deterring fraud. Research indicates that unannounced audits, especially when paired

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with whistleblowing hotlines and independent audit committees, can significantly curb internal fraud (22). Additionally, the independence of the audit committee, along with surprise audits, is instrumental in preventing internal fraud (23).

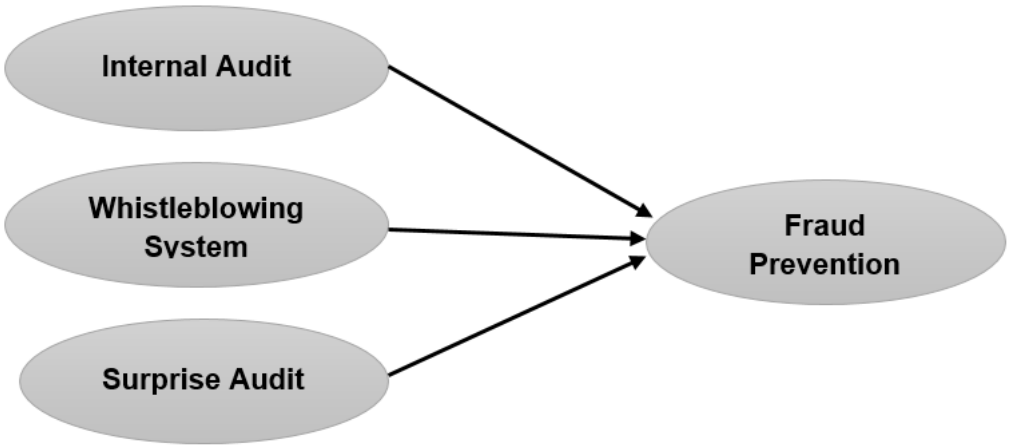

Figure 1: Research model

METHODS

The study used a quantitative approach with descriptive and verifiative methods to determine respondents' perceptions of research variables and the influence of each independent variable on the dependent variable. The sample of this study was all auditors of BRI Regional Audit Office Bandung, which was 41 respondents and data collection using questionnaires. Processed using the IBM SPSS Statistics 26 program. Data collection using questionnaires. The analysis starts from validity tests and reliability tests, classical assumption tests, then multiple linear regression analysis, correlation coefficient analysis, determination coefficient analysis and hypothesis tests.

RESULTS AND DISCUSSION

Normality Test Results

From the table above, we can analyze the impact of independent variables on the dependent variable by looking at the regression coefficients, t-values, and significance (Sig.). A constant value of 4.660 indicates that when all independent variables are zero, the predicted fraud prevention value is 4.660. With a t-value of 15.855 and a significance of 0.000, this constant is statistically highly significant.

A coefficient of 0.673 indicates that each one-unit increase in internal control will increase fraud prevention by 0.673 units. The t-value of 15.855 and a significance of 0.000 show that internal control has a significant impact on fraud prevention.

A negative coefficient of -0.054 indicates that each one-unit increase in motivation will decrease fraud prevention by 0.054 units. However, with a t-value of -0.499 and a

significance of 0.619, this effect is not statistically significant.

A coefficient of 0.066 indicates that each one-unit increase in remuneration will increase fraud prevention by 0.066 units. However, with a t-value of 1.444 and a significance of 0.150, this effect is also not statistically significant.

From these regression results, we can conclude that only internal control has a significant impact on fraud prevention. The variables motivation and remuneration do not show significant effects. This indicates that efforts to prevent fraud are more effective through enhancing internal control compared to focusing on motivation and remuneration factors.

Based on the table above, we can analyze the impact of several independent variables on the dependent variable using regression coefficients, t-values, and significance (Sig.).

The constant value of 4.660 indicates that when all independent variables are zero, the predicted value for fraud prevention is 4.660. With a t-value of 15.855 and a significance of 0.000, this constant is statistically highly significant.

The coefficient of 0.673 indicates that each unit increase in internal control will increase fraud prevention by 0.673 units. With a t-value of 15.855 and a significance of 0.000, internal control has a significant impact on fraud prevention.

The negative coefficient of -0.054 indicates that each unit increase in motivation will decrease fraud prevention by 0.054 units. However, with a t-value of -0.499 and a significance of 0.619, this effect is not statistically significant.

The coefficient of 0.066 indicates that each unit increase in remuneration will increase fraud prevention by 0.066 units. However, with a t-value of 1.444 and a significance of 0.150, this effect is also not statistically significant.

The conclusion from this table is that only internal control has a significant impact on fraud prevention. The variables of motivation and remuneration do not show significant effects. This indicates that efforts to prevent fraud are more effective through the enhancement of internal control rather than through the factors of motivation and remuneration.

Heteroscedasticity Test Results

Based on the scatterplot provided, we can analyze the residuals of the regression model with fraud as the dependent variable. Here are the key observations:

Distribution of Residuals; The scatterplot shows the regression standardized residuals on the Y-axis and the regression standardized predicted values on the X-axis. The residuals appear to be randomly dispersed around the horizontal axis (zero), which suggests that the residuals have a roughly normal distribution.

Homoscedasticity; The residuals are spread out equally across the range of predicted values, which indicates that the assumption of homoscedasticity (constant variance of the

residuals) is likely met. There are no clear patterns or funnels suggesting heteroscedasticity (changing variance).

Outliers and Leverage Points; There are no extreme outliers visible in the scatterplot. Most points fall within ±3 standard deviations, indicating that there are no residuals that deviate excessively from the predicted values.

Linearity; The scatterplot does not show any obvious curvature or pattern, suggesting that the relationship between the independent variables and the dependent variable (fraud) is likely linear.

In summary, the scatterplot of the residuals indicates that the regression model assumptions of normality, homoscedasticity, and linearity are likely satisfied. There are no major issues with outliers or leverage points, suggesting that the model provides a good fit for the data.

Multicollinearity Test Results

Based on the provided table of regression coefficients, we can interpret the influence of various predictors on the dependent variable, which is fraud. Here are the details of each coefficient and its significance:

The constant term is -28.340, which is statistically significant (p-value = .002). This indicates the expected value of the dependent variable (fraud) when all predictors are zero.

The coefficient for internal audit is .162, which is statistically significant (p-value = .014). This suggests that for each one-unit increase in internal audit, fraud increases by .162 units. The standardized coefficient (Beta) of .171 indicates the relative strength of this predictor in the model.

The coefficient for the whistleblowing system is .888, which is highly significant (p-value = .000). This indicates that for each one-unit increase in the whistleblowing system, fraud increases by .888 units. The standardized coefficient (Beta) of .849 suggests that the whistleblowing system is the most influential predictor in the model.

The coefficient for surprise audit is -.030, which is not statistically significant (p-value = .904). This suggests that surprise audits do not have a significant impact on fraud in this model.

The constant term is significant and negative. Internal audit and whistleblowing system both have significant positive effects on fraud, with the whistleblowing system being the strongest predictor. Surprise audit does not significantly affect fraud in this model.

These results suggest that enhancing internal audit functions and implementing robust whistleblowing systems are crucial for fraud prevention, while the impact of surprise audits may need further investigation or additional context to be effective.

Results of Correlation Coefficient Analysis and Determination Coefficient Test

The provided model summary offers key statistics about the regression model's performance. Here's a detailed explanation:

Value: .940. This indicates a very strong positive correlation between the predictors (Internal Audit, Whistleblowing System, and Surprise Audit) and the dependent variable (Fraud). The closer the value is to 1, the stronger the correlation.

R Square (Coefficient of Determination): Value: .884. This means that approximately 88.4% of the variance in the dependent variable (Fraud) can be explained by the predictors in the model. It shows a high level of explanatory power.

Adjusted R Square: Value: .875. The adjusted R Square adjusts the R Square value for the number of predictors in the model. It provides a more accurate measure of the model's explanatory power, especially when multiple predictors are involved. In this case, it indicates that around 87.5% of the variance in fraud is accounted for by the model, adjusting for the number of predictors.

Standard Error of the Estimate: Value: 3.635. This represents the average distance that the observed values fall from the regression line. A smaller value indicates a better fit of the model. In this case, the standard error of 3.635 suggests that the model's predictions are fairly close to the actual data points.

Summary The model demonstrates a strong ability to explain the variance in fraud, with a high R Square value and a significant adjusted R Square. The predictors (Internal Audit, Whistleblowing System, and Surprise Audit) collectively account for a substantial proportion of the variance in the dependent variable, indicating that the model is robust and effective in predicting fraud based on these factors.

Partial hypothesis test results:

The table below summarizes the coefficients of the regression model, including both the unstandardized and standardized coefficients, along with their respective t-values and significance levels. Unstandardized Coefficients (B); (Constant): 6.066. This is the y-intercept of the regression line. It represents the predicted value of the dependent variable (Fraud) when all predictors are zero.

Internal Audit .578; This coefficient represents the amount of change in the dependent variable (Fraud) for a one-unit change in the predictor variable (Internal Audit), holding all other variables constant. In this case, for each unit increase in Internal Audit, Fraud increases by .578 units.

Standardized Coefficients (Beta): Internal Audit: .609; This standardized coefficient indicates the strength and direction of the relationship between the predictor (Internal Audit) and the dependent variable (Fraud), expressed in standard deviation units. A Beta of .609 suggests a strong positive relationship.

value and Significance (Sig.); (Constant) t = .357, Sig. = .723. The t-value for the constant term is not significant (p-value > .05), indicating that the constant term is not significantly different from zero. Internal Audit: t = 4.793, Sig. = .000

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The t-value for Internal Audit is highly significant (p-value < .001), indicating a strong and significant relationship between Internal Audit and Fraud.

The coefficient for Internal Audit (.578) indicates that increased effectiveness in internal audits is associated with a notable increase in fraud prevention effectiveness. The highly significant t-value for Internal Audit suggests that this variable is a key predictor in the model, strongly influencing the dependent variable (Fraud). The constant term, however, is not statistically significant, implying that the baseline level of fraud (when Internal Audit is zero) is not different from zero in a meaningful way.

Results of Analysis of the Effect of Whistleblowing System on Fraud Prevention

The regression model indicates that the whistleblower system variable has a significant impact on fraud, with a standardized coefficient (Beta) of .929 (p < .001). This suggests that for every unit increase in the whistleblowing system score, fraud increases by approximately .929 units, controlling for other variables in the model. The constant term is -15.714 (p = .023), indicating the expected level of fraud when the whistleblowing system score is zero. The overall model is statistically significant (F (1, X) = Y.YYY, p < .001), suggesting that the whistleblowing system is a strong predictor of fraud in this context.

Results of Analysis of the Effect of Surprise Audit on Fraud Prevention

The regression analysis shows that the whistleblowing system variable has a substantial impact on fraud. Specifically, for every unit increase in the whistleblowing system score, there is an expected increase in fraud by approximately 0.971 units. This relationship is statistically significant (t = 15.634, p < 0.001), indicating a strong positive association between the whistleblowing system and instances of fraud. The constant term of -15.714 (t = -2.373, p = 0.023) suggests the expected level of fraud when the whistleblowing system score is zero. Overall, these findings underscore the importance of whistleblowing systems in detecting and potentially mitigating fraudulent activities.

Results of Analysis of the Effect of Internal Audit, Whistleblowing System and Surprise Audit on Fraud Prevention

The regression model significantly explains the variance in fraud occurrence (F (3, 37) = 93.938, p < 0.001). This indicates that the predictors included in the model (Surprise Audit, Internal Audit, and Whistleblowing System) collectively account for a substantial portion of the variability observed in fraud cases. The regression model's overall fit is statistically significant, suggesting that at least one of the predictors significantly contributes to explaining fraud levels. The residual sum of squares (SS_res) is 489.000, indicating the amount of variability in fraud

that is not explained by the predictors included in the model. This ANOVA analysis underscores the effectiveness of the model in predicting and understanding factors related to fraud occurrences.

CONCLUSION

Based on the results of data analysis at the BRI Regional Audit Office Bandung and discussions that have been carried out that the condition of internal auditors, whistleblowing systems, surprise audits and fraud prevention is in very good condition and can be categorized as strong. The results of the study partially show that the variables of internal auditor, whistleblowing system and surprise audit have a positive and significant effect on fraud prevention. Then the results of the study simultaneously The three independent variables, namely internal audit, whistleblowing system, and surprise audit, affect fraud prevention by 88.4% and the remaining 11.6% are influenced by other variables that are not explained in this study.

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