ABSTRACT

Objective – The purpose of this study is to know the influence of ethics and locus of control toward do whistleblowing intention with auditor and non-auditor profession as a moderating variable.

Methodology/Technique – Model analysis used in this study is multiple linear regressions and based on the results of the questionnaire of 123 respondents; consist of 52 auditor respondents and 71 non auditor respondents.

Findings – This study proves that ethics significantly give positive effect on the intention of doing whistleblowing, whereas locus of control significantly gives negative effect to the intention no whistleblowing. This study also proves that auditor and non-auditor profession can moderate the influence of ethics and locus of control to do whistleblowing intentions.

Novelty – The study contribute literature with its original data.

Type of Paper: Empirical

Keywords: Ethics; Locus of control; Profession of Auditor and Non-Auditor; Whistleblowing Intention.

JEL Classification: J21, M41, M42.

1. Introduction

Corruption is one of the unresolved issues for government agencies. Based on Corruption Perception Index (CPI, 2016), Indonesia is ranked 90 of 176 countries. According to the score, Indonesia’s score increased from previous years. The graph illustrates the increase as can be seen in Figure1:

Based on the table it can be said that Indonesia CPI score from year to year are improving, but still far from the "clean" state, such as Denmark and New Zealand. Those two countries are the countries with the least corruption cases with a CPI score for both is 90. It shows that Indonesia is still too far to be said anticorruption country.

The efforts to reduce the level of corruption in Indonesia have been carried out by the Indonesian government through the issuance of Presidential Instruction (Instruksi Presiden) of the Republic of Indonesia.
Number 17 of 2011 about the action for the Prevention and Combating of Corruption in 2012. The instruction contains the application of the whistleblowing system in some government agencies in 2012.

In line with the Presidential Instruction issued by the President of the Republic of Indonesia in 2012, Ministry of Empowerment of State Apparatus and Bureaucratic Reform also issued Ministerial Regulation (Permen) No. 52 of 2014 about Guidelines for Integrity Development Zone towards a Region Free of Corruption from Corruption and Bureaucracy area Clean Environment and Serving in Government Agencies Bureaucracy region Clean and Serve in Environment Government Agencies. In the ministerial regulation, it is said that the strengthening of supervision is one of the levers to produce a clean government and free of corruption, collusion and nepotism. One indicator of the strengthening of supervision that is the implementation of the whistleblowing system. A measurement indicator of whistleblowing system is based on several conditions as follows:

- The unit of work has implemented a whistleblowing system;
- The unit of work has evaluated the application of the whistleblowing system; and
- The unit of work followed up the evaluation results of the application of the whistleblowing system.

Whistleblowing system has been known as one of the systems used to blow up a corruption action or report actions that indicate corruption or other fraudulent acts committed by members of an organization. The whistleblowing system has been implemented in several government agencies, such as the Corruption Eradication Commission (Komisi Pemberantasan Korupsi/ KPK) and the Ministry of Finance (Menteri Keuangan).

Based on the performance management evaluation results conducted by the Ministry of Empowerment of State Apparatus and Beaufrocracy Reform to all ministries/ agencies and the provincial government it is found that the Ministry of Finance and the Corruption Eradication Commission have topped with "A" predicate and value up to 80. From the evaluation result, it can be seen that the ministries/ institutions with the best performance management are the ministries/ agencies that have implemented the whistleblowing system in the management component.

Some studies have shown that there are several factors that affect person’s intention in doing whistleblowing. These factors are divided into two factors, namely the external factors and internal factors. In this research, it will be examined internal factors that can affect person's intention in doing whistleblowing, i.e. ethics and locus of control.

Ethics is a specification of culture and what is considered ethical in a culture can be considered unethical in other places. Forte (2005) conducting research on managers and executives in the United States found that there was no significant relationship between locus of control and reasoning on the whistleblowing intention.
However, Chiu (2003) who conducted a similar study to the manager in China found that there was a positive correlation between ethical considerations and whistleblowing intentions by inserting locus of control variable as a moderating variable. Shaub (1994) also showed that the geographic location and culture will affect individual ethical perspective. By considering that, the authors are interested to make a same research in Indonesia, especially in Riau.

Profession can strengthen or weaken the ethical factor and locus of control in influencing the person's intentions to do whistleblowing. Zarefar (2014) conducted research about the ethics of auditors and non-auditors. The research conducted by Zarefar in 2014 stated that the ethics of auditors and non-auditors are different. In the research, it is said that the ethics of auditors are higher than the non-auditor. According to the background, the researchers want to examine the influence of ethics and locus of control to the intention of doing whistleblowing with the profession of auditors and non-auditors as a moderating variable.

2. Literature Review

2.1 Ethics

Ethics is a specification of culture, so what is considered ethical in one culture may be considered unethical in other places. This research will examine the ethics of the Civil Servants (PNS). Standards of good ethical have been set in the ethical code of civil servants. The Ethics code of civil servants is broadly regulated in Government Regulation No. 42 in 2004. Although every government agency has a code of ethics respectively, but the ethics code that applied to each of these institutions should not be contrary to the ethical standards that have been regulated in the PP No.42 in 2004. In other words, the conducted ethic code at each institution should refer to the regulation.

2.1.1 Ethics Audit

Standard 2110 of the International Professional Practice Framework (IPPF) 2013 about governance explains that the internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organization.
- Ensuring effective organization performance management and accountability.
- Communicating risk and control information to appropriate areas of the organization, and
- Coordinating the activities of and communicating information among the board, external and internal auditors and management.

The concept and practice can be extended easily to useful to the subject of professional and social ethics. Audit of social work ethics should focus on what is currently considered to be essential or core of knowledge in the profession. The social work literature demonstrates two fields of key knowledge that should form the basis of the audit: (1) the understanding level of a social worker with the ethics associated with risk in a practice setting, based on empirical trend data on actual ethics complaints and lawsuits that submitted to social workers, ethics committee and the findings of the court and disposition; (2) The agency procedures and arrangements are to handle ethical issues, dilemmas and decisions. (Gambrill & Pruger, 1997; Reamer, 1999 on Reamer, 2000)

2.2 Locus of Control

The concept of Locus of control (control center) was first proposed by Rotter (1966), an expert on social learning theory. Locus of control is one of personality variables, which is defined as an individual's belief on can be capable or not to control the own destiny (Kreitner and Kinicki, 2014). Robbins and Judge (2007) define the locus of control as a level where the individuals believe that they are decisive of their fate.
Individualists with an internal locus of control believe that their receive as a reward, a more meaningful value or effect on them because they believe that they have control over the reward; to increase or decrease the reward they will receive, they change their behavior. On the other hand, the individuals with external locus of control tend to not change their behavior because they do not believe that changing their behavior will have an effect on the reward they will receive. Simply put, when someone interprets the consequences of their behavior is controlled by luck, fate, or anyone else, this shows that the confidence is determined by an external locus of control (locus only means the location). Conversely, if someone interprets their own behavior and personality characteristics as responsibility for the consequences of behavior, they have internal confidence of locus of control (Rotter, 1966).

2.3 Profession

Profession can strengthen or weaken the ethical factor and locus of control in influencing the person's intentions to do whistleblowing (Zarefar, 2014). The code of ethics in every profession has different levels. An organization with other organizations certainly have ethical standards. The closer a profession to the public, the more important the ethical standards to be considered.

In this research, we separate profession consisted of auditor and the non-auditor. We want to know whether there is an influence or not between the level of ethics on auditors and non-auditors toward whistleblowing intention.

2.4 Whistleblowing Intention

According to Near and Miceli (1985), whistleblowing is a disclosure by members of organizations who are still active or have reached retirement age will be their behavior is illegal, immoral, or other illegal practices that carried out by members of other organizations to the side who able to corrective actions. Fraudulent behavior in an organization, if it is not disclosed and not corrected or any further sanctions will harm the organization that concerned with financial and also damage the entire organization (Thiesen, 1998).

A behavioral intention is subjective probability that a person has an alternative probability of certain behaviors will be selected (Hunt and Vitell, 1986 in Chiu, 2002). The theory of planned behavior (Ajzen, 1991) showed that behavioral intention is a good prediction of actual behavior. The dependent variable of this research is the intention of whistleblowing, refers to the probability of an individual to be actually involved in whistleblowing behavior.

According to Ponemon (1994), there are three points influencing the decision making process for someone to become a whistleblower. The first is to have the ethical sensitivity of a problem, such as cheating/fraud. Second, the person must have ethical competence to define and to develop strategies to address the known issues. Third, the whistleblower must have the courage to implement the planned strategy.

3. Research Methodology

This research uses linear regression model. In this linear regression, it also added interaction variables measured by the absolute value of the difference between X1 and X2 which are called by the test of the absolute value of the difference. The linear regression model used in this research is:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 |X_1 - X_2| + \beta_4 |X_1 - X_2| + \varepsilon \]

Explanation:

\[ Y \quad = \quad \text{Whistleblowing intentions} \]
\[ \alpha \quad = \quad \text{Constant value} \]
\[ \beta \quad = \quad \text{Variable Coefficient} \]
\[ X_1 \quad = \quad \text{Ethics} \]
\[ X_2 \quad = \quad \text{Locus of control} \]
\[ X_3 = \text{Profession} \]
\[ |X_3 - X_1| = \text{Interaction measured by the absolute value of the difference between the X1 and X3} \]
\[ |X_3 - X_2| = \text{Interaction measured by the absolute value of the difference between the X2 and X3} \]
\[ \varepsilon = \text{Error} \]

The intention of whistleblowing is a dependent variable that is measured with the use cases developed by Schultz et al., (1993). There are two independent variables used in this research, namely Ethics and Locus of Control. Measurements for ethical considerations is the Multidimensional Ethics Scale (MES) developed by Reidenbach and Robin (1988). While for the variable locus of control it was measured by using an instrument that is developed by Spector (1988), the Work Locus of Control Scale (WLCS). The profession as a moderating variable is divided into two processes, namely the auditing profession and the non-auditors profession. Model of hypothesis can be seen in the figure 2 below.

![Figure 2. Model of Hypothesis](image)

4. Results

This research used SPSS system version 22 to process data by using multiple linear regression model. From regression tests that have been conducted, it showed that the ethics have a positive effect to whistleblowing intentions. From these results it can be concluded that the higher an employee ethics, the greater the intention of these employees to do whistleblowing.

From the same test, it showed that the locus of control negatively affect the conduct of whistleblowing intentions. From these results it can be concluded that the lower the locus of control value of an employee, the greater the intention to do whistleblowing. The lower value locus of control someone reflects that someone has an internal locus of control. Therefore, it can be concluded that an employee with an internal locus of control has the greater intention to do whistleblowing compared to employees who have an external locus of control.

The third results obtained from this research stated that the profession of auditors and non-auditors may moderate the influence of ethics and locus of control on someone’s intention to do whistleblowing. The following is a summary of the results of research models.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>39.883</td>
<td>.000***</td>
</tr>
<tr>
<td>Ethics</td>
<td>1.289</td>
<td>.004**</td>
</tr>
<tr>
<td>Locus of Control (LOC)</td>
<td>-.841</td>
<td>.060*</td>
</tr>
<tr>
<td>Moderating (Ethics, Profession)</td>
<td>1.890</td>
<td>.000***</td>
</tr>
</tbody>
</table>

Table 1. Summary of Research Result
Atika Zarefar and Arumega Zarefar

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderating (LOC, Profession)</td>
<td>-2.028</td>
<td>.001***</td>
</tr>
<tr>
<td>R square = .281</td>
<td>Adj R square = .257</td>
<td>F sig. = .000***</td>
</tr>
</tbody>
</table>

*** 1% significant level  
**  5% significant level  
*  10% significant level

5. Discussion

Based on the model of summary, it can be discussed that the regression results used in this research show that the Ethics and Locus of Control can influence intention to do whistleblowing. The result also showed that Auditor and non-Auditor profession can moderate ethics and locus of control toward whistleblowing intention.

The adjusted R square is 25.7%. These results can explain that the influence of ethics and locus of control with the profession of auditor and non-auditor as a moderating variable indicates the effect of 25.7%, while the rest is influenced by outside variables factors.

6. Conclusion

From the research that has been presented, it can be concluded that the ethics and locus of control, influence the intention of an employee to take a decision do or not to whistleblowing within the organization. From this research also can be concluded that the profession of auditors and non-auditors may moderate the influence of ethics and locus of control on the intention to do whistleblowing in an organization.

References


Zarefar (2014). Effect of Ethics on Intention to Conduct Whistleblowing with Locus of Control as a Moderating Variable. Universitas Indonesia: Jakarta.