

# Influence of Whistleblowing Systems, Effectiveness of Internal Audits and Good Government Governance on Fraud Prevention

(Survey on Provincial and District Government / City of Gorontalo-Indonesia)

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**Abstract:-** Fraud prevention is an integrated effort that can suppress the factors that cause fraud. To be able to prevent or reduce fraud, especially those that occur in local government, it is necessary to implement a whistleblowing system, the effectiveness of internal audits and good government governance. This study aims to find out how much influence whistleblowing system, effectiveness of internal audits and good government governance on fraud prevention in provincial governments, districts / cities gorontalo-Indonesia. The research method used in this study is a survey method with a descriptive verifiive approach using primary data. The sampling technique used in this study is saturated sampling or census. The statistical analysis used in this study is a classic assumption test, multiple linear regression analysis, and coefficient of determination with the help of the SPSS for Windows program. The results showed that partially whistleblowing systems, the effectiveness of internal audits and good government governance affect fraud prevention. The magnitude of the influence of whistleblowing system on fraud prevention is 32.0% and the effectiveness of internal audits on fraud prevention shows a value of 66.7% and the influence of good government governance on fraud prevention with a value of 35.1%. Based on the value of the coefficient of determination or the number R square is 0.549 (54.9%) which means that the 54.9% level of fraud prevention that occurs can be explained by the variables of the whistleblowing system, the effectiveness of internal audits and good government governance, while the remaining 45.1% is explained by other causal factors outside this regression model.

**Keywords:-** WBS, GGG, Internal Audit, Preventive Fraud.

## I. INTRODUCTION

In the declining economic conditions and the lack of optimal impact of regulations made by the Indonesian government today, making fraud (fraud) committed by individuals in an agency, both the private sector and the government sector itself has become a frequent thing. Fraud or often called fraud is done in a variety of ways that continue to grow. Vijay S. (2011:14) identifies fraud such as theft fraud, intentional fraud, profitable fraud by deception or deception, fraud involving theft of funds or information or possibly unauthorized use of other assets.

Faced with the possibility of fraud, the best course of action is to try to avoid or prevent it. There are several comprehensive efforts in combating fraud, namely: prevention, detection when symptoms of fraud have been found, investigations when it has been believed fraud is or has occurred, and legal action. While fraud prevention can be done by: fostering, maintaining, and maintaining the mental / moral employees always be honest, disciplined, loyal, ethical, and dedicated and build an efficient and effective internal control system (STAN, 2007).

Fraud that occurs in the environment of public sector organizations is still common and sometimes difficult to overcome. Fraud is usually not only committed by employees at the bottom level, but can also be done by the board of directors (top management) both individually and together. Fraud includes unlawful acts and violations of other laws and regulations committed with the intention to cheat. Such acts are done intentionally for the benefit or loss of an organization by insiders or also by persons outside the organization (SPAI, 2004: 63).

Current conditions reflect that the prevention of fraud carried out by the internal supervision apparatus of the Gorontalo provincial government is still in the public spotlight, because there are still many audit findings that are not detected by the inspectorate as internal auditors, but are found by external auditors as published in a June 2015 press release on the website of the Gorontalo Provincial Representative Financial Examiner Agency. Some of the BPK findings spread in districts / cities and provinces of Gorontalo-Indonesia including the existence of balances of earth tax receivables and rural and urban buildings have not been entirely reconciled at the tax office, Procurement of Vehicles of the Echelon II Department of Both projected and district / city is not in accordance with the standard of facilities and exceeds the standard of unit prices, grant spending and social assistance in the form of money has not been fully implemented according to the provisions, management and accountability of cash in the treasurer of expenditure is not adequate, the management of fixed assets in districts / cities and Gorontalo-Indonesia province has not been implemented in an orderly manner, capital participation of district / city and provincial governments Gorontalo has not been based on local regulations, the installment sales receivable bill has not been entirely equipped with the name of the person in charge and Land Assets have not been accompanied by proof of ownership and have not been presented reliably.

A whistleblower is considered the most effective person who is able to detect early everything related to indications of fraud (fraud) in an organization. This provides an opportunity for organizations to take earlier corrective and mitigation measures necessary to secure assets, reputations, and risks of losses that may arise.

Public service institutions, especially government agencies in Indonesia, have started implementing reporting systems to receive reports from employees or whistleblowers. The state itself has prepared various statutory devices including LPSK (Witness and Victim Protection Agency) to carry out such protections. The Supreme Court Circular issued based on the regulation of Article 10 of Law No. 13 of 2006 concerning the protection of witnesses and victims.

Organizations will be more effective according to Xu, Yin, Ziegenfuss, and Douglas (2008) if every employee gets opportunities and opportunities and rewards from every disclosure of fraud that has been disclosed in an organization. Similarly, the results of research by Zhang, Julia, and Ki-Kwan Chiu (2008) that the application of whistleblowing system can be done optimally with the support of managers in an organization that seeks to build every employee character so that it can have an effect on the improvement of an organization.

In addition to whistleblowing system variables that can determine fraud prevention, the effectiveness of internal audits also has an important role in the prevention and detection of fraud (Pusdiklatwas BPKP, 2008: 36). Meanwhile, according to Amrizal (2004), internal auditing

aims to assist the company leadership (management) in carrying out its responsibilities by providing analysis, assessment, advice, and comments about audited activities and finding irregularities, both as a result of deliberate misstatement (fraud) and not. According to the report "2002 Report to Nation on Occupational Fraud and Abuses" states that the internal activities of auditors can suppress 35% of fraud. This is where one of the importance of the role of an internal auditor, with the duties and authority possessed by the internal auditor can play a role in the detection and prevention of fraud in the institution where he works.

Furthermore, the implementation of good government governance can form a better quality of government or public services become better, which has implications for improving the quality of life, corruption becomes lower, and the government becomes increasingly concerned with the interests of the community through policies made by the government. Research conducted by several researchers including Leny Nofiantia, Novie Susanti Susenob (2014) that by implementing good government governance will also automatically improve the performance of local governments, because according to Matthew (2014) because every program made in accordance with the available budget based on the performance to be achieved.

The objectives in this study are: (1) to find out the influence of whistleblowing system, the effectiveness of internal audit and good government governance partially affect fraud prevention in Gorontalo local government, (2) to find out the influence of whistleblowing system, effectiveness of internal audit and good government governance simultaneously affect fraud prevention, this research is expected to provide benefits for developers. A theory for the next researcher. For the Inspectorate is expected to be a source of information and thought as a consideration in conducting the necessary improvements and corrections, so as to show an optimal performance system.

## II. LIBRARY REVIEW

### 2.1 Whistleblowing System

#### 2.1.1 The Concept of a Whistleblowing System

The National Committee on Governance Policy (2008:3) defines a whistleblowing system as a system of disclosure of acts of violation or disclosure of acts that are against the law, unethical or immoral acts, or other actions that can harm the organization or stakeholders, committed by employees or organizational leaders to the leadership of other institutions / organizations that can take action for such violations. These disclosures are generally done in secret.

Government diamond performance can be achieved if whistleblowing can be done effectively. There are 5 important things according to Apaza and Chang (2017) in dealing with whistleblowing, namely; disclosures that are confidential; disclosure through mass media; there is evidence obtained; the response obtained by the perpetrator and legal protection for whistleblowers. Related to

Whistleblowing has also been stated by Dimar (2014); Boatright (2000); Nature (2014); Agusyani (2016); Sagara (2013) that whistleblowing is a voluntary act of non-public information, in moral protest, by a member or former member of an organization.

*Whistleblowing System* Is a mechanism for the submission of complaints of certain alleged criminal acts that have occurred or will occur involving employees and others committed in the organization in which he works, where the complainant is not part of the perpetrator of the crime he reported. The importance of the Whistleblowing System has also been explained by Albrecht (2006) in his book entitled *Fraud Examination* states that the system of strengthening the organization with whistleblowing system is important so that organizational employees avoid behavior that can harm the organization.

### 2.1.2 Whistleblowing System Measurements

In the Whistleblowing System Guidelines published by KNKG (2008), the whistleblowing system indicator consists of 3 aspects, namely:

#### 1. Structural Aspects

Structural aspects are aspects that contain elements of the whistleblowing system infrastructure. This aspect contains 4 elements, namely:

- a. Statement of Commitment.
- b. Whistleblower Protection Policy
- c. Whistleblowing System Management Structure

#### 2. Operational Aspects

The operational aspect is an aspect related to the mechanisms and procedures of the whistleblowing system..

## 2.2 Effectiveness of Internal Audit

### 2.2.1 Concept of Effectiveness of Internal Audit

Effectiveness as an organization's ability to successfully calculate its output and operations to various internal and external constituents (Gregory & Ramnaravan, 1983), furthermore Dittenhofer (2001) states that effectiveness as an achievement of goals and objectives using the measure of factors provided to determine these achievements, furthermore Arena and Azzone (2009) states that effectiveness as the ability to obtain results consistent with the objectives of the goal. n target. Maulina Elsa Judhistira (2013) defines effectiveness as achieving goals appropriately or choosing the right goals from a series of alternatives or ways and determining the choice of several other options. Effectiveness can also be interpreted as a measurement of success in achieving predetermined goals.

According to the International Internal Auditor (2012) the effectiveness of internal audits is the level (including quality) of the objectives for which internal audit activities are established, furthermore Dittenhofer (2001) states the effectiveness of internal audits contributes to the effectiveness of each audit and its general organization. According to Mihret & Yismaw (2007) that audit effectiveness is a dynamic process that results from the influence of each factor and influences each other among all,

and the effectiveness of internal audit means the extent to which the internal audit department meets its objectives.

From several definitions of internal audit effectiveness it can be concluded that the effectiveness of internal audits is the level (quality) of the achievement of its objectives or the extent to which the internal audit department meets its objectives through a dynamic process. The effectiveness of internal audits in the public sector should be evaluated by the extent to which it impacts effective and efficient services, as this drives the demand for improved internal audit services (Gansberghe, 2005). One measure of the effectiveness of internal audits is the extent to which managers seek internal audits to assist them in managing their business (Australian National Audit Office, 2012:18), and Sawyer and Dittenhofer (2001) state that determining the effectiveness of internal audits can be done by evaluating the quality of internal audit procedures.

### 2.2.2 Measurement of Effectiveness of Internal Audit

The dimensions of internal audit effectiveness according to the Ippf International Internal Auditor (2012) consist of basic measures, service to stakeholders, knowledge of business, and technical. But the measurements used for the concept of effectiveness of internal audits in this study use dimensions according to Cohen & Sayag (2012), the dimensions used are audit quality (quality audit), auditee' evaluation (auditee evaluation), added contribution of internal audit (additional contribution of internal audit).

### 2.2.3 Good Government Governance

#### 2.2.3.1 Concept of Good Government Governance

*The Australian National Audit Office and Department of the Prime Minister and Cabinet* (2006) said public sector governance includes a range of responsibilities and practices, policies and procedures, carried out by the executives of an agency, to provide strategic direction, ensure objectives are achieved, manage risks, and use resources responsibly and with accountability.

Good governance is the most important central issue in the management of public administration today. This is in line with Sedarmayanti (2012) which states that there are demands of the community (Principal) to the government (Stewart) to carry out good governance in line with the increasing level of knowledge and education of the community, in addition to the influence of globalization. Conceptually according to him that good governance contains two understandings, namely; 1). Values that uphold the will of the people, and values that can improve the ability of the people in achieving goals (national, independence, sustainable development and social justice); and 2). The functional aspect of effective and efficient government in the implementation of its duties to achieve organizational goals.

### 2.2.4 Good Government Governance Measurements

In the World Bank (1999) it is stated that a number of characteristics of good governance of government are strong civil society and participation, open, predictable policy

making, responsible executives, professional bureaucracy and the rule of law. Meanwhile, in the Asian Development Bank (1999) itself affirmed that there is a general consensus on good government governance based on four elements: namely (1) accountability; (2) transparency; (3) predictability; and (4) participation. It is also in line with Loina (2003) the main principles underlying good governance, namely; accountability, transparency and community participation.

Some of the components and principles that surround good government governance include (1) accountability; (2) transparency; (3) predictability; and (4) participation. In line with BPKP (2003;40) the principles of good governance are (1) Transparency (transparency); (2) participation; (3) accountability, (4) independence (independency) and (5) responsibility.

## 2.3 Fraud Prevention

### 2.3.1 Fraud Prevention

The concept of cheating in an organization according to Arenset., al (2014) is "the intentional use of deceit, a trick or some dishonest means to deprive another of his money, property or legal right, either as a cause of action or as fatal element in the action itself".

It can be interpreted that cheating is a deliberate act to deceive or lie, a trick or dishonest means to take or lose money, property, legitimate rights belonging to others either because of an action or the fatal impact of the act itself.

Based on the description that has been made to provide information that fraud is an act that can degrade the reputation of the organization. Because cheating is very difficult to predict (Pedneault, 2010). Cheating is a greed committed by a person or group in an organization that flows little by little in the organization that will ultimately damage the organization itself (Koletar, 2003).

The importance of fraud prevention is also in line with the opinion of James (2015) who said that fraud prevention can also be seen from the internal controls used as one of the forces in detecting fraud and can further provide resistance to individuals who make fraud. Similarly, every worker is always at odds with the prevention of fraud committed by internal auditors (Joseph Wells, 2017).

### 2.3.2 Fraud Prevention Measurements

Albrecht (2014:308) considers that effective fraud prevention involves two basic activities: (1) taking stages to create and maintain an honest and ethical culture and (2) assess the risk of fraud and develop concrete responses to reduce risk and eliminate the chance of fraud. Therefore, to prevent fraud, two important approaches can be discussed including (1) creating an honest and ethical culture.. Important elements that must be considered in carrying out fraud prevention are; (a) ensure that top management provides examples of appropriate conduct, (b) hires appropriate employees, (c) communicates a number of expectations from all positions in the structure of the

organization and requests written confirmation of periodic acceptance of expectations, (e) creates a positive work environment and develops and maintains effective policies to deal with fraud when it actually occurs.

## 2.4 Framework of Thought

### 2.4.1 The Impact of Whistleblowing System on Fraud Prevention

In research conducted by Agusyani and Wahyuni (2016) showed the results that whistleblowing system is very effectively used in preventing fraud. In addition, another study revealed by Angie Ash (2016) that disclosures by members of the organization about illegal, immoral or unauthorized practices can prevent fraud. Similarly, Thüsing & Forst (2016) argues that whistleblowing is essential in a Country to practice whistleblowing systems, so that employees in an organization that often commit fraud can be suppressed to a minimum.

Alam (2014) in his research stated that whistleblowing system is one way to take good measures in the prevention and detection of fraud in the public sector in Indonesia. Mei Soon and Manning (2017) reveal that whistleblowing systems must be able to pay more attention to the whistleblower in order for the detection of fraud in organizations to be overcome. Tyge and Kummer (2015) in their research suggested that whistleblowing system is one of the variables that can affect fraud detection.

Research conducted by Gladys Lee, Neil Fargher (2013) in his research stated that whistleblower disclosure rates have a positive association with fraud detection and prevention. In line with the research conducted by Pamungkas, Ghozali, Achmad. (2017) that whistleblowing system positively affects the prevention of fraud in financial statements. Similarly, Nurul Alfian, Subhan, Runik Puji Rahayu (2018) in his research stated that whistleblowing system can be one of the strategies for early detection of fraud in banking business activities, as well as that with surprise audit and whistleblowing system can provide a deterrent effect for violators so as to reduce the number of audit findings.

### 2.4.2 The Effectiveness of Internal Audits on Fraud Prevention

Suginam (2016) shows that internal auditing of the company has a large role in a company to control and evaluate the activities of the company's activities, especially in the prevention of fraud. It is also emphasized that in preventing fraud in an organization not only depends on internal audits but all elements in an organization can be together in preventing fraud in an organization so that overall it can increase shareholder value, investor confidence, creditors, a good image of the government and society, so that the company can run in the long run. Research conducted by Perry and Bryan (1997) states that the implementation of effective internal audits can improve fraud detection and prevention to fraud makers that can automatically improve organizational performance.

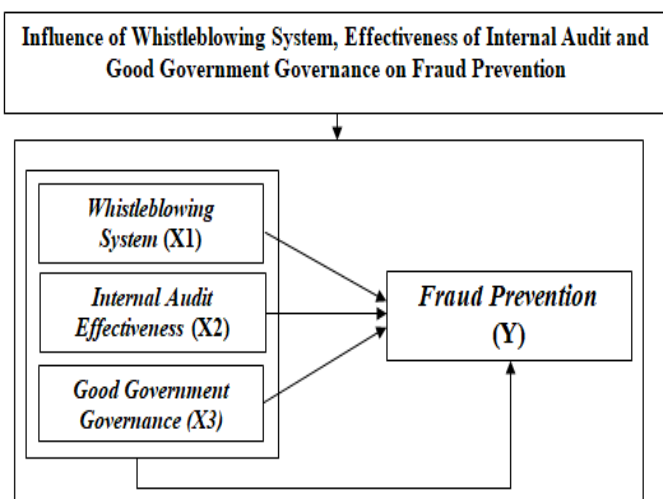
Daniela and Alexandra (2014) show that the role of internal audits in an organization is very effective in preventing and detecting fraud. It further posits that internal auditors are not enemies of an entity but rather a function of assistance offered to the head of the entity so that an organization can better manage its activities. While research conducted by Lisa, Perry, Barry J. Bryan, (1997) states that the responsibility of internal auditors has a positive influence in detecting and preventing fraud.

The results of a study conducted by Maria da Conceição (2014) found that internal audits play an important role in preventing fraud and corruption in public administration, as well as emphasizing that internal audits can contribute well to preventing the risk of corruption and related violations in public sector organizations. Paul Coram and Colin Ferguson (2014) found that the internal audit function in an organization is very effective in preventing and detecting fraud in an organization.

**2.4.3 The Effect of Good Government Governance on Fraud Prevention**

Gusnardi (2008) examined about corporate governance against fraud prevention, the optimal role of the implementation of corporate governance can prevent fraud, if associated with the public sector, the better the implementation of local government governance, the better in preventing losses to local governments. It is also important to note that the good government management component of accountability and transparency is very effective for efforts to avoid fraud (Santoso, 2008).

Gopal and Yajulu (2013) in their research stated that good corporate governance can strengthen fraud prevention measures, corruption and malpractice in an organization. Ari-Salminen and Norrbacka (2010) in their research also explained that Finnish public administration is very effective in preventing corruption. To be able to see the importance of whistleblowing system, effectiveness of internal audit and good government governance in preventing fraud in local governments. Research framework models on the influence of whistleblowing systems, effectiveness of internal audits and good government governance on fraud prevention can be structured as follows:



**III. RESEARCH METHODS**

This study aims to test hypotheses that explain phenomena in the form of relationships between variables. The type of research used is *explanatory* research because it aims to get clarity of phenomena that occur empirically and try to get answers (verifikative) causal relationships between variables through hypothesis testing. Explanatory research refers to a theory or hypothesis that will be tested as the cause of the occurrence of phenomena. Cooper and Schindler (2006:154) mentions that research explains causal relationships between variables.

The type of data in this study is primary data. Perimer data according to Sekaran (2009: 77) is data collected for research from the actual place of occurrence of the event. The basis for the selection of primary data in this study is because based on the opinion of Sekaran (2009: 77) the type of information related to employee perception and attitude is best obtained through interviews, by observing the events of people and objects or by disseminating questionnaires is a type of primary data. Observation is a cross section where the information obtained is the result of data collection done at a certain time.

In this research data analysis models and techniques use multiple regression approaches. Before analyzing multiple regressions first conducted a test of the quality of research instruments, data normality tests and classical assumption tests, which use SPSS (Statistical Package for SocialScienci) software. Based on the proposed hypothesis, the regression analysis model in this study can be formulated as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

**3.1 Hypothesis Testing**

Testing this hypothesis aims to test the effect of independent variables on dependent variables. This hypothesis is tested using multiple regression analysis.

**a. Simultaneous Test (Test F)**

Simultaneous test, which is a statistical test for regression coefficients that simultaneously or together affect Y. This test uses the F test, namely:

$$F_0 = \frac{R^2 (n-k-1)}{k (1-R^2)}$$

Simultaneously the entire statistical hypothesis is formulated as follows:

$H_0: \rho_{YX_1}, \rho_{YX_2}, \rho_{YX_3}$	= 0	This means that <i>whistleblowing</i> system, effectiveness of internal audit and good government governance do not have a simultaneous effect on fraud prevention in gorontalo local governments.
$H_1: \rho_{YX_1}, \rho_{YX_2}, \rho_{YX_3}$	$\neq$ 0	This means that <i>whistleblowing</i> system, effectiveness of internal audit and good government governance have an effect simultaneously on fraud prevention in gorontalo local governments.

**b. Partial Test (Test t)**

Partial test (t test), aims to show how far the influence of partially independent variables on dependent variables. Partially the hypothesis of research to be tested is formulated into the following hypothesis:

H<sub>1</sub>: ≠ This means that whistleblowing system, effectiveness of internal audits and good government governance partially affect fraud prevention in gorontalo local government.

H<sub>0</sub>: = This means that whistleblowing system, effectiveness of internal audits and good government governance partially affect fraud prevention in gorontalo local governments.

**IV. RESULTS OF RESEARCH**

**4.1 Research Results**

Residual normality testing is done to meet the regression assumption that the residual estimated value of the regression model must be normal distribution. In this study the normality test used the Kolmogorov-Smirnov test. The results of the residual normality test calculation of the estimated equation obtained using SPSS are as follows:

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		70
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	4.20526234
Most Extreme Differences	Absolute	.065
	Positive	.065
	Negative	-.050
Test Statistic		.065
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

**4.1.1 Multiple Regression Analysis**

To find out the influence of whistleblowing system, effectiveness of internal audits and good government governance on fraud prevention, double regression analysis is carried out. The results of calculations using the SPSS application obtained regression coefficients and constant values as in the following table:

Regression Coefficient Results

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.072	9.270		.116	.908
	WBS	.320	.151	.249	2.115	.038
	EAI	.667	.258	.293	2.590	.012
	GGG	.351	.153	.314	2.294	.025

a. Dependent Variable: Pencegahan Kecurangan  
 a. Dependent Variable: Y (**Fraud Prevention**)

Regression equations that explain the influence of whistleblowing systems, the effectiveness of internal audits and good government governance on fraud prevention are as follows:

$$Y = 1.072 + 0.320 X_1 + 0.667 X_2 + 0.351 X_3$$

The whistleblowing system variable regression coefficient (X<sub>1</sub>) of 0.320 explains the magnitude of the change in fraud prevention score due to the influence of the whistleblowing system. Positive signs indicate the direction of the relationship is directly proportional (in line). So when there is an increase in the variable score of the whistleblowing system then the fraud prevention score will increase by 0.320 assuming other factors are constant (unchanged). So the better the whistleblowing system, the better fraud prevention.

The regression coefficient of the internal audit effectiveness variable (X<sub>2</sub>) of 0.667 indicates the magnitude of the change in fraud prevention (Y) due to the effect of the internal audit effectiveness variable on fraud prevention. Positive signs indicate the direction of the relationship is directly proportional (in line). So when there is an increase in one unit of internal audit effectiveness variable score, the Fraud Prevention score will rise by 0.667 assuming other factors are constant (unchanged). So the better the effectiveness of internal audits, the prevention of fraud will increase and the better.

The regression coefficient of the good government governance (X<sub>3</sub>) variable of 0.351 indicates the magnitude of the change in fraud prevention (Y) due to the effect of good government governance variables on fraud prevention. Positive signs indicate the direction of the relationship is directly proportional (in line). So when there is an increase in one unit of good government governance variable score, the fraud prevention score will rise by 0.351 assuming other factors are constant (unchanged). So the better the good government governance, the prevention of fraud will increase and the better.

**4.1.2 Partial Test (Test t)**

To see the influence of whistleblowing systems on fraud prevention, the statistical hypotheses used are as follows:

H<sub>01</sub>: β<sub>1</sub> = 0 No influence of whistleblowing system on fraud prevention

H<sub>a1</sub>: β<sub>1</sub> ≠ 0 There is an influence of whistleblowing systems on fraud prevention.

Determination of the test results (Acceptance / Rejection of H<sub>0</sub>) can be done by comparing thitung with ttabel or can also be seen from the value of its significance. The number of errors with an error rate of 5% and db= n-k-1 = 70-3-1=66 is 1,996.

The results of the statistical calculation of the test on hypothesis testing are summarized in the following table:

**Test Results for Variable Whistleblowing System (X1)**

Hypothesis	t <sub>count</sub>	Sig (p)	t <sub>table</sub>	α	decision	Description
H <sub>01</sub> :β1 = 0	2,115	0,038	1,996	5%	H <sub>0</sub> rejected	Significant

Source: SPSS processing results

The calculation results showed that t-count was greater than the value of the ttable (t = 2.115 > 1,996), then the results of the H<sub>0</sub> test were rejected. This result is also indicated by a statistical test significance value (p-value) of 0.038 smaller than the acceptable error rate of 5%. So it can be concluded that there is a significant influence of whistleblowing system on fraud prevention..

H<sub>02</sub>:β2 = 0 There is no effect of the effectiveness of internal audits on fraud prevention.  
 H<sub>a2</sub>:β2 ≠ 0 There is an effect of the effectiveness of internal audits on fraud prevention.

The results of the statistical calculation of the test on hypothesis testing are summarized in the following table:

Next to look at the effectiveness of internal audits on fraud prevention, the statistical hypotheses used are as follows:

**Test Results for Internal Audit Effectiveness Variables (X2))**

Hypothesis	T <sub>Count</sub>	Sig (p)	t <sub>table</sub>	A	Decision	Description
H <sub>02</sub> :β2=0	2,590	0,012	1,996	5%	H <sub>0</sub> rejected	Significant

Source: SPSS processing results

The calculation results showed that t- calculate greater than the value of the ttable (t = 2,590 > 1,996), then the results of the H<sub>0</sub> test were rejected. This result is also indicated by a statistical test significance value (p-value) of 0.012 smaller than the acceptable error rate of 5%. So it can be concluded that there is a significant influence on the effectiveness of internal audits on fraud prevention.

H<sub>02</sub>:β3 = 0 There is no influence of good government governance on fraud prevention.  
 H<sub>a2</sub>:β3 ≠ 0 There is an influence of good government governance on fraud prevention.

The results of the statistical calculation of the test on hypothesis testing are summarized in the following table:

Next to look at the effect of good government governance on fraud prevention, the statistical hypotheses used are as follows:

**Good Government Governance X3 test results**

Hypothesis	T <sub>count</sub>	Sig (p)	t <sub>table</sub>	A	Decision	Description
H <sub>02</sub> :β2=0	2,294	0,025	1,996	5%	H <sub>0</sub> rejected	Significant

Source: SPSS processing results

The calculation results showed that t-count was greater than the value of ttable (t = 2,294 > 1,996), then the results of the H<sub>0</sub> test were rejected. This result is also indicated by a statistical test significance value (p-value) of 0.025 smaller than the acceptable error rate of 5%. So it can be concluded that there is a significant (meaningful) influence of good government governance on fraud prevention.

The hypotheses tested are as follows:  
 H<sub>01</sub>:β1 = β1 = 0 There is no simultaneously significant influence of *whistleblowing systems*, the effectiveness of internal audits and good *government governance* on fraud prevention.  
 H<sub>a1</sub>: ada β1 ≠ 0 There is a simultaneous significant influence of *whistleblowing systems*, the effectiveness of internal audits and good *government governance* on fraud prevention.

**4.3 Simultaneous Hypothesis Test (Test F)**

The F test is used to test the overall regression coefficient to determine the meaning of the relationship between independent variables and dependent variables. The criterion of significance, if F<sub>count</sub> is greater than ftable then the double regression equation is declared significant.

The statistical value of the F test is obtained in the Anova table of SPSS results with the results as the following table:

**Anova for significance test**

ANOVA <sup>a</sup>						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1609.059	3	536.353	29.011	.000 <sup>b</sup>
	Residual	1220.212	66	18.488		
	Total	2829.271	69			
a. Dependent Variable: PF						
b. Predictors: (Constant), GGG, EAI, WBS						

The calculation showed the value of  $F_{count}$  of 29.011 with a significance of 0.000. This value will be compared to the value of  $F_{table}$ . From table F obtained the value of  $F_{table}$  with  $db_1 = 3$  and  $db_2 = 70-3-1 = 66$  of 2.74.

$F_{count}$  is greater than  $F_{table}$  ( $29,011 > 2.74$ ) and the significance value of 0.000 is less than 0.05. So it can be concluded that simultaneously whistleblowing system, effectiveness of internal audit and good government governance affect fraud prevention..

**4.4 Determination Coefficient Test**

The magnitude of the simultaneous influence of whistleblowing system, effectiveness of internal audit and good government governance affect fraud prevention can be seen the correlation value and coefficient of determination ( $R^2$ ). The table below is the result of the calculation of the coefficient of determination for the regression equation obtained as follows:

**Regression Results**

**Model Summary<sup>b</sup>**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754 <sup>a</sup>	.569	.549	4.300
a. Predictors: (Constant), GGG, EAI, WBS				
b. Dependent Variable: Prevention of Fraud				

When viewed from the level of whistleblowing system relationships, the effectiveness of internal audits and good government governance simultaneously affects fraud prevention and falls into a strong category (closely) with a large correlation of 0.754 or 75.4%, while the value of Adjusted R square ( $R^2$ ) is 0.549 (54.9%) which means that the 54.9% level of fraud prevention that occurs can be explained by the whistleblowing system variable, The effectiveness of internal audits and good government governance while the remaining 45.1% is explained by other causative factors outside this regression model.

**V. DISCUSSION**

**5.1 The influence of whistleblowing systems against fraud prevention**

The results of statistical testing have shown the support of the hypothesis that has been built, where the hypothesis ( $H_a$ ) is stated whistleblowing system as measured by three dimensions, namely structural aspects,

operational aspects and aspects of care that can affect fraud prevention in gorontalo local government.

This result is evidenced by the  $t_{count}$  where the result of  $t$  calculated  $2.115 > t_{table} 1.996$  with a significant value of  $0.038 <$  from 0.05, directly whistleblowing system contributes 32.0% to fraud prevention in the regional government of Gorontalo province. So overall the whistleblowing system relationship has a positive and significant effect in improving fraud prevention in the regional government of Gorontalo-Indonesia province.

*Whistleblowing* desperately requires great courage for every employee to pass on information or highlight their concerns about malpractice, mismanagement or misconduct that occurs in their organization. This means is an independent means formed in the disclosure of facts as an effort by the organization leadership to provide convenience for employees or others in reporting any employee activities that can harm the organization (Grant (2012).

This research is supported by Gregorand Gerrit (2016) that the application of whistleblowing is important for every country to practice whistleblowing system, so that employees in an organization that often commit fraud can be suppressed to a minimum. Alam (2014) in his research also stated that whistleblowing system is one way to take good measures in the prevention and detection of fraud in the public sector in Indonesia. Mei Soon and Manning (2017) revealed that whistleblowing systems should be able to pay more attention to whistleblowers so that prevention and detection of fraud in organizations can be overcome. Tyge and Kummer (2015) in their research suggested that whistleblowing system is one of the variables that can affect the prevention and detection of fraud.

**5.2 Effect of Effectiveness of Internal Audits on Fraud Prevention**

To be able to improve fraud prevention in local governments, the effectiveness of internal audits is needed. The results of the analysis showed that the effectiveness of internal audits had an effect on fraud prevention as evidenced by the value of  $t$  calculated  $2,590 > t_{table} 1.996$  with a significant value of  $0.012 <$  from 0.05. The effectiveness of internal audits contributed 66.7% to fraud prevention to the regional government of Gorontalo province. So overall the effectiveness of internal audits has a positive and significant effect in improving fraud prevention in the provincial government of Gorontalo.



Based on the recapitulation of respondents' answers per variable dimension, namely the quality of internal audits, audit evaluations and additional contributions of internal audits. It falls into a pretty good category. The overall score of respondents' answers on each demensi and indicators of the effectiveness of internal audits in gorontalo local governments has not been able to achieve the expected 100% peresentase. So that between the ideal level expected and actual conditions there is a gap that still needs a better change. This gap shows that the effectiveness of internal audits in gorontalo local governments has not reached the ideal level..

The effectiveness of internal auditing is a level of achievement of the objectives upon which internal audit activities are established. According to Dittenhofer (2001) stated that the effectiveness of internal audits contributes to the effectiveness of each auditee in particular and the organization in general. Mihret & Yismaw (2007) said that the effectiveness of an audit is a dynamic process resulting from the influence of each factor and influencing each other among them, and the effectiveness of internal audit means the extent to which the internal audit department meets its objectives.

The effectiveness of internal audits is very important in an organization to prevent fraud because in an organization there are often cases of abuse, abuse, theft, and fraud so that it can harm an organization (Amrizal, 2004: 2).

According to research, Andreas, Theresa (2014) shows that the more effective the role of internal audits, the more fraud prevention can be carried out. Fraud prevention can be done if an internal audit has been able to identify the possibility of fraud. Conversely, when an internal audit is unable to identify the possibility of fraud, fraud will occur and create losses for the organization.

### 5.3 The Effect of Good Government Governance on Preventing Fraud

*Good Government Governance* is a variable that can improve fraud prevention in local governments as the results of an analysis that shows that good government governance affects fraud prevention as evidenced by the value of  $t_{\text{count}} 2,294 > t_{\text{table}} 1.996$  with a significant value of  $0.025 < 0.05$ . Direct good government governance contributes 35.1% to fraud prevention to the regional government of Gorontalo province. So overall Good Government Governance has a positive and significant effect in improving fraud prevention in the regional government of gorontalo-indonesia province.

Based on the recapitulation of respondents' answers per variable dimension, namely transparency, participation, accountability, independency and responsibility, it falls into the category of good. The overall score of respondents' answers on each demensi and good government governance indicators in gorontalo local governments has not been able to achieve the expected 100% peresentase. So that between the ideal level expected and actual conditions there is a gap that still needs a better change. This gap shows that good

government governance in gorontalo local government has not reached the ideal level.

## VI. CONCLUSION

Based on the results and discussion of research that has been outlined, it can be concluded that the whistleblowing system significantly affects the prevention of fraud recorded with the results of the test where the results of  $t_{\text{count}}$  of 2,115  $> t_{\text{table}} 1,996$  with a significant value of  $0.038 < 0.05$ , directly the whistleblowing system contributes 32.0% to fraud prevention in the gorontalo provincial government. So overall the whistleblowing system relationship had a positive and significant effect in improving fraud prevention in the regional government of Gorontalo province.

The effectiveness of internal audits has a positive and significant effect in improving fraud prevention in the district / city government of gorontalo province supported by several dimensions including the quality of internal audits, audit evaluation and additional contributions of internal audits the more effective internal audits can be overcome.

The results of the analysis showed that the effectiveness of internal audits had an effect on fraud prevention as evidenced by the value of  $t_{\text{count}} 2,590 > t_{\text{table}} 1.996$  with a significant value of  $0.025 < 0.05$ . Directly the effectiveness of internal audit contributed 66.7% to fraud prevention in gorontalo provincial government. So overall the effectiveness of internal audits has a positive and significant effect in improving fraud prevention in the provincial government of Gorontalo.

Furthermore, the results of the analysis showed that good government governance had an effect on fraud prevention as evidenced by the value of  $t_{\text{count}}$  calculated 2,294  $> t_{\text{table}} 1.996$  with a significant value of  $0.025 < 0.05$ . Good Government Governance directly contributes 35.1% to fraud prevention to the regional government of Gorontalo province. So overall Good Government Governance has a positive and significant effect in improving fraud prevention in the regional government of Gorontalo-Indonesia Province.

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