

# The Implementation Of Whistleblowing System as Fraud Detection (A Case Study At Kantor Pengawasan Pelayanan Bea Cukai X)

T A Salsabila<sup>1\*</sup>, I B Anom Yasa<sup>2</sup>, L N Chandra H<sup>3</sup>

<sup>1</sup> D4 Managerial Accounting, Accounting, Politeknik Negeri Bali

<sup>2</sup> Accounting, Politeknik Negeri Bali

<sup>3</sup> Accounting, Politeknik Negeri Bali

\* [tasyaalya85@gmail.com](mailto:tasyaalya85@gmail.com), [ibanomyasa@gmail.com](mailto:ibanomyasa@gmail.com), [nyomanchandrahandayani@pnb.ac.id](mailto:nyomanchandrahandayani@pnb.ac.id)

**Abstract:** This research aims to provide a further understanding on the matter of mechanism of whistleblowing system and application of whistleblowing system as fraud detection. The data used are primary data such as interviews about application of the whistleblowing system, and secondary data in the standard operating procedure of public services for public complaints at KPPBC Tipe Madya Pabean. The method used is a qualitative method as a case study. The conclusion of this research are the mechanism of the whistleblowing system KPPBC X has been implemented in accordance with standard operating procedure and whistleblowing system can detect fraud/violations that has been proven by the receipt of various complaints.

**Keywords:** whistleblowing system, whistleblower, fraud/violation, KPPBC X

## Introduction

The sustainability of Covid-19 pandemic has effected in various which made many people became pessimistic about future of national economic conditions. This made human resources feel depressed. As a result, they took various deviant actions, specifically fraud. Fraud generally occurs because of pressure, encouragement, and rationalization (Paranoan, 2019). Fraud is divided into several categories, which are asset misappropriation, fraudulent financial statements, corruption, fraud based on frequency, fraud based on conspiracy, and fraud based on uniqueness (Mulford, 2014). Various acts of fraud are also supported by the synergy between the secrecy and silence by the parties involved. Reported from Federal Bureau of Investigation, potential value of fraud cases related to Covid-19 reached 5 (five) millions USD or equivalent to Rp 79,4 billion. This potential fraud appears because the flow of using funds in pandemic situation is unknown (Rahma, 2020). Fraud can also happen in various business sectors, both the government sector, the private sector, and community organizations are also involved in it (Spink, 2017).

Based on the result of the pre-survey at the Kantor Pengawasan dan Pelayanan Bea dan Cukai X (KPPBC X), there was an increase in the number of complaints, specifically in 2020 which reached 174 complaints, especially fraud complaints. If the increase in the number of complaints is linked with the start of the Covid-19 pandemic in Indonesia, it indicates that the fraud is the impact of the pandemic conditions. The existence of a lockdown system and the implementation of health protocols affect the time and cost required in logistic delivery, and the export and import of commodities has intensified the occurrence of fraud. The regulations of whistleblower protection have also been implemented in Indonesia which are regulated in the UU RI Nomor 31 tahun 2014 concerning the Protection of Witnesses and Victims and the SE Mahkamah Agung Nomor 4 tahun 2011. However, the existing regulations in Indonesia have not been fully able to encourage employees to disclose fraud they know. The reasons for their unwillingness to disclose fraud/violations is because they don't believe that management will take corrective action and if they do that, it can endanger their work (Institute of Business Ethics, 2018). The bystander effect is a situation where someone who knows a fraud but chooses to be silent and intentionally leaves it alone or does not want to be involved in the case, which can disrupt his working position (Dewi et al., 2018).

As a step to prevent and internal control, it requires a fraud detection system, i.e the whistleblowing system. Whistleblowing system is a compliance tool that is used to early detect cases of ethical deviation (Satyasmoko and Sawarjuwono, 2021), which one is fraud. According to the result of a study by the (Association of Certified Fraud Examiners, 2020), 43% of fraud cases were detected through complaint channels, 15% through internal audit, and 12% through management reviews. The fraud action is based on a person's intentions and plans, according to the theory of planned behaviour (Masdiantini et al., 2021). Whistleblowing is a one form of prosocial organizational behaviour because it provides benefits to others without prioritizing personal interests (Indahsari, 2016). Whistleblowing is an effort to disclose fraud cases either in private or public organization, besides that the whistleblowing system should be able to guarantee the confidentiality of identity and give protection to the whistleblower. It will be able to change the mindset of a bystander to become a whistleblower. Based on the phenomena and result of previous researches, the whistleblowing system is very interesting to study, including the mechanism and implementation of the whistleblowing system in KPPBC X as a fraud/violations detector. Because not all companies or institutions implement it optimally, even there are still many which have not implemented it yet (Abdullah and Hasma, 2017).

## Method

This research is a qualitative research with a case study approach. Qualitative research is particularly suited both to identify causality and to cover fine descriptive distinctions (Katz, 2015). This research uses a case study approach by using KPPBC X as the object of research (Sugiarto, 2015), a case studies is one of qualitative research's method that study and/or to find meaning, investigate process also to get an understanding from individuals, society, institutions, etc. during a certain period. Qualitative data analysis emphasizes more on the process of data collection and the approach used in research, not after completion of data collection (Satori and Komariah, 2014). Therefore, the most effective data analysis technique for researchers is discussion through interviews and documentation, as well as understanding related taxation rules and related literacy through documentation studies in carrying out tax reviews.

In this study researchers describe data analysis techniques based on the results of researchers' analysis. The first step is through the collection of data interview. The first step is through the collection of data observation. Further data collection is the study of documentation through the search of books, journals and legislation in accordance with the research topic and data collection including tracing standard operating procedures for public complaints at KPPBC Tipe Madya Pabean. For check the data validity, researchers conducting interviews to respondents. Researchers use the triangulation method to check on what the respondent tells in an interview either against what the author observes on-site or what is written in documents (Natow, 2020). This stage also helps researchers to reduce the required data. The third stage is conducting data presentation in the form of general description, narrations, and manuscripts. And the last stage is to contemplate and conclude the combination of relevant bits of pieces of knowledge, value of observations, and in-depth interview.

## Results and Discussion

### 1. The Whistleblowing System Mechanism at KPPBC X

The whistleblowing system at the Ministry of Finance was implemented in 2012 on the basis of Peraturan Menteri Keuangan Nomor 103/PMK.09/2010 and Keputusan Menteri Keuangan Nomor 149/KMK.09/2011. KPPBC X as one of the institutions under auspices of the Ministry of Finance also implements a whistleblowing system. The whistleblowing system at KPPBC X has been implemented in accordance with standard operating procedures (SOP), both for complaints that come in through the SIPUMA and NON-SIPUMA channels. SIPUMA is a web-based complaint channel that is directly managed by the Directorate of Internal Compliance of the Directorate General of Customs and Excise (DJBC) which means it directly examines and analyzes all complaints/reports that receive the system.

The suitability of the complaint will be assessed, whether it can be forwarded and followed up at the complaint locus level (kantor wilayah atau kantor pelayanan). The assessment is based on the completeness elements of the 4W + 1H requirements as well as the materials and information given by the whistleblower. The appropriate complaints are then forwarded in stages to the DJBC work environment which is the locus of complaints, first through the regional office (kantor wilayah), then forwarded to the service office (kantor pelayanan). Meanwhile, the NON-SIPUMA channel is managed

by the Internal Compliance Unit of each working environment (kantor wilayah dan kantor pelayanan). So that the complaint channel owned by DJBC's work environment depends on the readiness of each work environment. KPPBC X has its own complaint channel, it is a NON-SIPUMA channel which can be accessed either through Website, e-Mail, Phone & Fax, Whatsapp, or direct complaints by visiting the office. In general, the handling of complaints from the NON-SIPUMA channel is almost the same as the SIPUMA channel.

First stage, the incoming complaints will be forwarded to the head of the Internal Compliance section to determine whether the party who violates, whether the executor/functionary. If the violator is the executor, then the head of the internal compliance section will sign the draft of Confirmation Service Memorandum/Summons to be distributed to the reported party. If the violator is the functionary, then the head of the internal compliance section will forward it to the head of the office for inspection and sign the draft of Confirmation Service Memorandum/Summons to be distributed to the reported party. Furthermore, the reported parties and witnesses will be investigated and questioned by the internal compliance investigation team, so that valid evidence is collected. Based on that evidence, it will be determined which booth was violated and recommendations of appropriate punishment through the draft Memorandum of the Follow-Up Service to the relevant unit. It is also distributing an official letter containing the results of the handling complaint/answer to the whistleblower.

## **2. The Implementation of Whistleblowing System as Fraud Detection at KPPBC X**

### **2.1 Whistleblowing System Principal**

The Ministry of Finance established a whistleblowing system for reporting various deviant actions by guaranteeing the whistleblower confidentiality. There must be 4 (four) elements in the government's whistleblowing system (Musmulyadi, 2020), consisting of the existence of a whistleblower, adequate facilities with a high level of security, completion handling of complaints, and guarantee of the whistleblower confidentiality. The implementation of the whistleblowing system at KPPBC X has to comply with four elements, but if there is any complaint that does not include the whistleblower identity (anonymous letter) will become a constraint in handling complaints. These constraints are the difficulties in communicating, confirming, and clarification in following up on complaints. Previous research by Nurharjanti (2020), suggests that effective whistleblowing at least must comply with 4 (four) elements, consisting of anonymity, independence, accessibility, and follow-up. The Whistleblowing system at KPPBC X has also complied with all of these elements, although not fully implemented. The element that is not fully implemented is anonymity, because the complaints submitted through SIPUMA channel must complete the 4W + 1H elements, so that they can be investigated and analyzed further by the Directorate of Internal Compliance of DJBC, which will then be anonymized when forwarded to the work environment, including to KPPBC X. So as a whistleblowing system, the SIPUMA channel is not completely anonymous. Beside that, there are also whistleblowers who submit their complaints without their real identity (anonymous) to the NON-SIPUMA channel which is owned by KPPBC X. However, this is not a problem for the internal compliance section which handles the complaints, because all incoming complaints will be followed up, regardless of whether the complaint is proven or not. So it can be said that the whistleblowing system at KPPBC X has implemented the principle of anonymity, although not completely.

### **2.2 Whistleblower Protection System**

Parties who know of fraud should immediately disclose this matter, especially with the existence of a whistleblowing system that has been applied to companies/institutions, including at KPPBC X. However, it is not easy to become a whistleblower because we will be faced with the consequences of threats in the form of suspension, revenge, demotion, being excommunicated from the workplace (Malek, 2015). Therefore, it is necessary to guarantee the confidentiality of identity and security provided by the company/institution as a form of protection to the whistleblower. The guarantee provided is a security from the threat in the form of physical protection or career continuity (Utami and Hapsari, 2017). KPPBC X provides protection to the whistleblower in the form of guaranteeing the confidentiality of the whistleblower identity which is generally regulated in PMK-103 Tahun 2010 Pasal 12. The article states that the unit that handles complaints and the Inspectorate General is obliged to provide protection to whistleblowers. The existence of protection for whistleblowers will increase their intentions to disclosure (Guthrie and Taylor, 2017), therefore requires a systematic and comprehensive protection.

In addition to provide protection to whistleblowers, companies/institutions should provide

rewards as an appreciation to the whistleblowers for their intention and courage to do whistleblowing which can help companies/institutions in disclosing the fraud that occurred in them (Astuti, 2020). KPPBC X has not given compensation/award to the whistleblower, it is because there has been no proven complaint, the complaint is only on behalf of Customs and Excise and the regulation for compensation/award have not been implemented. However, based on research by (Azzahrah and Hadinata, 2021), using a role stimulation experiment on accounting study program students who act like members of the organization, with the conclusion that organizational members will be motivated to do whistleblowing if there is a reward. In line with the reinforcement theory proposed by Skinner that a person's behaviour or actions are shaped by a positive stimulus, in the form of rewards. Therefore, it is important for companies/institutions to determine the best right of reward to be implemented within the organization/institution, but adapted to the company/institution needed, because of the possible consequences, including the occurrence of false reports (Teichmann and Falker, 2019). It is better if the reciprocity given to the whistleblower is more of an appreciation because the reward will actually make all parties compete to find fault with others.

2.3 Result of the Implementation of the Whistleblowing System at KPPBC X

The Whistleblowing system was established as an effort to increase the courage of parties who know of fraud/violation to report these indications. The existence of complaints recorded into the whistleblowing system of KPPBC X, both SIPUMA and NON-SIPUMA shows that the system has been working and functioning well in detecting fraud/violations. Based on observations, it was found that KPPBC X classified complaints into 3 (three) types, fraud, systems & procedures deviation (operational), and violations of the employee code of ethics (non-operational). This is the following number of complaints according to the classification of complaints recorded into whistleblowing system KPPBC X from 2017-2021:

**Table 1.** Complaints Based on the Classification for 2017-2021

| <b>Complaint Classification</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Fraudulence                     | 0           | 0           | 14          | 153         | 101         |
| Systems & Procedures            | 5           | 2           | 27          | 13          | 24          |
| Attitude & Behaviour            | 7           | 4           | 7           | 8           | 1           |
| <b>Total of Complaints</b>      | <b>12</b>   | <b>6</b>    | <b>48</b>   | <b>174</b>  | <b>126</b>  |

Source: Secondary data of KPPBC X (2017-2021)

Based on Table 4.1, the total of complaints changes every year. In 2017 and 2018 the total changes in complaints were not so significant both in systems & procedures deviation as well as attitudes and behaviour violations. This is because the types of fraud complaints have not been classified, so that the fraud complaints have not been recorded into the whistleblowing system at KPPBC X. The calculation of fraud complaints began in 2019, so that occurred the significant increase of total complaints from the previous year, which reached 48 complaints. A very drastic increase of complaints occurred in 2020 which reached 174 complaints, especially fraud complaints which reached 153 complaints, compared to the previous year 2019 which only amounted to 14 complaints. If the increase of complaints is associated with the start of the Covid-19 pandemic in Indonesia, it indicates that the fraud is the impact of the pandemic conditions. The examples of fraud complaints are illegal fees with the charge requesting mode in handling logistics/delivery goods and handling people who are detained at the airport. Then, in 2021 the fraud complaints still looked very high with 101 complaints, although it has decreased by 52 complaints from the previous year. Comparison fraud complaints with systems & procedures deviation and attitudes & behaviour violations in 2020 and 2021, have very significant differences. The complaints of systems and procedures deviations are often received by KPPBC X are the procedures for handling logistics/delivery goods and complaints of system errors in the customs and excise. Meanwhile, attitudes and behaviour complaints that have been reported are employee codes of ethics and integrity, but the most frequently reported is employee code of ethics in serving for service users.

The various types of complaints listed in table 4.1 above were obtained from data recorded on the whistleblowing system KPPBC X, both through the SIPUMA and NON-SIPUMA channels. This is the following number of complaints according to the channel of complaints recorded into whistleblowing system KPPBC X from 2017-2021:

**Table 2.** Complaints Based on the Channel for 2017-2021

| Complaint Channel          | 2017      | 2018     | 2019      | 2020       | 2021       |
|----------------------------|-----------|----------|-----------|------------|------------|
| SIPUMA                     | 12        | 5        | 5         | 4          | 1          |
| E-mail                     | 0         | 1        | 3         | 5          | 1          |
| Letter                     | 0         | 0        | 0         | 1          | 0          |
| Website                    | 0         | 0        | 40        | 9          | 3          |
| Phone                      | 0         | 0        | 0         | 19         | 16         |
| Whatsapp                   | 0         | 0        | 0         | 136        | 105        |
| Direct Complaint           | 0         | 0        | 0         | 0          | 0          |
| <b>Total of Complaints</b> | <b>12</b> | <b>6</b> | <b>48</b> | <b>174</b> | <b>126</b> |

Source: Secondary data of KPPBC X (2017-2021)

Based on table 4.2, it is shows that every year there are always a complaints received through the SIPUMA channel, when seen from the 5 (five) years (2017-2021) ago, the complaints received through SIPUMA channel has decreased, even in 2021 there is only 1 (one) complaint received. Whistleblowers can also use other media in their complaints, either via email, letter, website, telephone, whatsapp, and can come directly to the relevant customs and excise office. KPPBC X also has its own website for public complaints whose use is almost the same as SIPUMA channel. In 2019, the complaints received through the office website were 40 complaints, but decreased in the following years. Meanwhile, complaints received via WhatsApp increase drastically to 136 complaints in 2020 and 105 complaints in 2021. Based on the data recap for the past 5 years (2017-2021), it can be seen that the whistleblower did not take advantage of visiting the office directly to convey their complaints, it means the direct complaints were not interesting for the whistleblower because of the comfort and safety reason.

## Conclusion

The whistleblowing system mechanism at KPPBC X is shown by the existence of a complaint management mechanism through standard operating procedure, both for complaints through the SIPUMA and NON-SIPUMA channels. Complaints through the SIPUMA channel will first be entered at the central of DJBC, then managed by the Directorate of Internal Compliance DJBC for further analysis on the feasibility of complaints that can be forwarded/followed up at the work environment/complaint locus (kantor wilayah or kantor pelayanan). The complaint locus will also follow up on complaints received from the Directorate of Internal Compliance DJBC, including for KPPBC X. Meanwhile, complaints through the NON-SIPUMA channel are followed up directly by the Internal Compliance Section (KI) of KPPBC X Rai as the first recipient. The implementation of the whistleblowing system at KPPBC X has been able to detect the indications of fraud/violation that are proven by the receipt of various complaints. In addition, the existence of complaints showed that people already have the courage to report indications of fraud/violations they know about. Furthermore, the implementation of the whistleblowing system will be able to encourage compliant behaviour because the risk of fraud/violation detection is much higher.

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