

CHAPTER I

INTRODUCTION

A. Background

A public accounting firm is an organization of public accountants that obtains a license in accordance with Indonesian law No.5 of 2011. In essence, the public accounting firm is an organization that has a role in providing audit services as described in Indonesian law No.5 of 2011 Articles 3 and 4 related to types of services and restrictions on the provision of services to public accounting firms. However, in practice, an organization will not be separated from the various problems that arise. As this time, there are many violations involving the field of accounting. The Governance Policy National Committee in 2008 explains that there are several acts/violations that can be reported such as corruption, fraud, dishonesty, unlawful acts, violations of tax regulations, violations of ethical guidelines, acts that can cause financial or non-financial losses, and violations of the company's standard operating procedures. Moreover, one example of a major violation that occurred was the disclosure of a fraud case in the form of manipulation of PT Garuda Indonesia's financial statements in 2019.

It was explained by Anjani (2020) that the case of manipulation of the financial statements of PT Garuda Indonesia had become a public discussion in 2019. On December 31, 2018, it was written in the report that PT Garuda Indonesia (Persero) Tbk earned a net profit of USD 809.85

thousand or around 33 billion. Even though, it is known that PT Garuda suffered a deep loss in 2017 reaching Rp 3 trillion. In addition, based on the 2018 financial report, it was also found that there a cooperation agreement between PT Garuda Indonesia and a WiFi installation service provider company, Mahata Aero Technology, amounted to USD 239 million. However, the collaboration could not be included in the 2018 Financial Position Report (LPK) because this cooperation was for 15 year and the funds had not been received by Garuda until the end of 2018. As a result, Garuda Indonesia's 2018 financial statements are considered not in accordance with the Financial Accounting Requirements (PSAK).

It is widely known that if there is a violation in an organization or company, it is likely to cause harm to the organization or company. It can be in the form of financial or non-financial losses which can impact internal and external parties of the company. It can be seen in the most famous case of Enron and Worldcom. Both companies were eventually destroyed by the disclosure of various violations and illegal acts that occurred in them. In the case of Enron, there was a conflict of interest in its management and unhealthy business practices, one of which was the manipulation of the company's financial statements on the income statement. An increase in net income of \$100 million from the previous period that does not account for the imposition of a special accounting fee of \$1 billion actually causes the actual result for the period to be a loss of \$644 million. (Wardhana, 2019) If seen from the number of cases related to violations such as manipulation,

fraud, and unethical actions that occurred especially in Indonesia. Therefore, a system that can help eradicate and disclose unethical acts and violations that occur is highly needed. One of the most effective systems is to implement a Whistleblowing system. Whistleblowing is the act of reporting an organizational action or decision that deviates from the regulations and laws carried out by a member of the organization to other parties such as the government, mass media, or related parties (Safitri & Dwita, 2019). There are several examples of cases in Indonesia that can prove that whistleblowing is a system that can eradicate and reveal unethical behavior that occurs within a company, namely: firstly, the cases of financial report manipulation in 2018 by PT Garuda Indonesia (Persero) Tbk.; secondly, the case of uncovering a corruption scandal committed by a tax official named Gayus Tambunan which was revealed by a commissioner general named Susno Duadji.

Related to whistleblowing, this topic has become the most talked about topic. This makes it an interesting topic for further research. According to the National Commission on Governance Policy (KNKKG), in the Guidelines for the Violation Reporting System, whistleblowing is the disclosure of violations or acts that are against the law, unethical or other actions that can harm the organization or stakeholders, which are carried out by employees or organizational leaders to the leadership of the organization or other agencies that can act on the violation. Basically, whistleblowing is not a new phenomenon in the world of accounting. Whistleblowing has been

around for a long time and is used by many organizations or companies, especially by accounting firms in various countries. Whistleblowing is widely applied and used in the field of accounting because it can assist organizations or companies in uncovering various violations and actions or behaviors that occur. This can be seen and proven from previous research on whistleblowing which has been widely researched before. Some previous research mentions various factors that can encourage individuals to become whistleblowing, including independence commitment (Safitri & Dwita, 2019), team norm (Latan et al., 2018), perceived behavior control (Kuncara W. et al., 2017), personal responsibility (Putriana et al., 2018), and group cohesion (Alleyne et al., 2019). Chen (2019) revealed that there are two methods of whistleblowing behavior: one is internal whistleblowing, in which problems are reported by superior management and leadership within the company and the other one is external whistleblowing, which involves professionals or organizations, the media, government agencies or both.

A person who performs a whistleblowing act is referred to as a whistleblower. To become a whistleblower is not an easy thing, so not many people want to do whistleblowing. It is because there are possible consequences for the complainant from a brand that doesn't like it (Indayani & Yunisdanur, 2020). Being a whistleblower has a very high dilemma, so those who want to become whistleblower must have confidence that the actions taken have positive consequences for themselves and their environment (Mulfag & Serly, 2019). The disclosure of a corruption case at

the Directorate General of Taxes of the Ministry of Finance of Indonesia was the case when the term complainant or whistleblower first became known in Indonesia. This case was revealed by a senior police officer who at that time served as the head of the Criminal Investigation Agency (BARESKRIM) named Commissioner General Susno Duadji. Susno Duadji is known as a high-ranking officer in the Indonesian National Police who popularized the term "lizard versus crocodile" in the midst of a dispute between the Corruption Eradication Commission and the National Police Headquarters in July 2009. In this case, Susno exposed a tax mafia who worked as an employee at his institution named Gayus Tambunan. However, many people think that the disclosure of this case can tarnish the reputation of the Indonesia National Police because it uncovers violations within the institution itself. As a result, because of that Susno was later revoked from his position. Not long after that, Susno was countersued in court as a suspect in the disclosure case that he was currently handling. The judge sentenced him to three years and six months, a fine of Rp. 200 million, as well as compensation for state financial losses of Rp. 4 billion. Apart from being a major monument related to whistleblowers in Indonesia, this case is an example of evidence of the successful implementation of whistleblowing within an organization or company (A'tho, 2018).

What has been done by Susno Duadji in the case of corruption in his institution is the right action because it has been taught in the Qur'an that a person is recommended to have the courage to uphold the truth of the

violations that occurred around him. This has been explained in QS. Al-Maidah verse 8, which means:

يَا أَيُّهَا الَّذِينَ آمَنُوا كُونُوا قَوَّامِينَ لِلَّهِ شُهَدَاءَ بِالْقِسْطِ وَلَا يَجْرِمَنَّكُمْ شَنَا نُ قَوْمٍ عَلَىٰ أَلَّا تَعْدِلُوا ۗ اعْدِلُوا هُوَ أَقْرَبُ لِلتَّقْوَىٰ وَاتَّقُوا اللَّهَ ۚ إِنَّ اللَّهَ خَبِيرٌ بِمَا تَعْمَلُونَ

“Those who always uphold (the truth) for the sake of Allah, bear witness with justice. And never, your hatred of a people, encourage you to act unjustly. Be fair, because justice is closer to piety. And fear Allah, verily Allah is Knowing of what you do” (Maidah (5): 8).

In this verse, Allah SWT commands believers to be fair in upholding the truth even though giving that testimony will be detrimental to oneself, their mother, and their family. Furthermore, the verse explains that hatered should not encourage dishonest or unfair testimony, even against opponents. As Allah SWT has promised, someone who has done good according to Allah's commands will get peace, prosperity, and happiness in this world and the hereafter.

Although currently there is an increase in several companies related to whistleblowers, there have been several cases that ended up ensnaring a whistleblower as a suspect in Indonesia. The case of Daud Ndakularak who reported the alleged corrupt practice of APBD cash fund management in East Sumba Regency to the East Sumba Police ensnared him as a suspect. Another case also happened to Stanley Handri Ering who reported allegations of corruption by the Chancellor of the University of Manado to the North Sulawesi High Prosecutor's Office and the KPK in 2011, where in the end he was reported back and was sentenced to 5 months in prison

(Tahir, 2019). Based on the two cases, there are many consequences that can be accepted as a whistleblower. However, for now, Indonesia has implemented regulations regarding Whistleblowing as written in Law No.31 of 2014 concerning the amendments to Law No.13 of 2006 concerning the protection of witnesses and victims (Kresna, 2021). In accordance with the provisions of Article 4 of the UUPSK, the protection of witnesses and victims aims to provide a sense of security to witnesses and/or victims in providing information in every criminal justice process (LPSK, 2010).

It can be concluded that if successful whistleblowing is implemented in a company or organization, then a whistleblower is needed to uncover all unethical actions in his company. To become a whistleblower, must have high intentions to be able to report unethical acts that occur. As explained by Ajzen (1991) in Theory Planned Behavior (TPB), there are three factors that explain an individual's intention to perform certain behaviors, such as whistleblowing, namely, attitudes towards behavior, subjective norms, and perceptions of behavioral constraints. In addition to these three factors, there are several other factors that can influence an individual's intention to perform whistleblowing actions, namely personal responsibility. As explained by Setyorini & Faizal (2020) in Graham's model of principled organizational dissent, there are three components related to accounting intentions to conduct whistleblowing, one of which is personal responsibility. The responsibility to report significantly affects

whistleblowing intentions and the perception of the seriousness of the problem affects whistleblowing indirectly through feelings of responsibility to report. The research by Alleyne et al., (2019) shows that personal responsibility affects the interest to do whistleblowing on internal auditors in Barbados. In addition, another study Setyorini & Faizal (2020) proves that personal responsibility has a positive influence on whistleblowing intentions.

Another thing that can play an important role in an individual's intention to take whistleblowing action is independence commitment. Independence itself can be interpreted as an impartial attitude in conducting tests, evaluating examination results, and preparing financial reports (Safitri & Dwita, 2019). With this, the auditor cannot work for the benefit of one party only but works for the public interest. In addition, as stated by Safitri & Dwita, (2019) if an auditor has a commitment and can act independently in carrying out the audit, it will certainly be easier to do whistleblowing if there are indications of fraud because of the high attitude of independence held by the auditor.

In addition to perceived behavior control, personal responsibility, and independence commitment. This study adds one other variable, namely the team norm variable as the dependent variable. The team norm variable was added in this study because there was a research gap or research weakness Alleyne et al. (2019) which made the previous researcher provide suggestions to the next researcher who would expand to add the team norm

variable. By adding team norms in this study it can expand the research model for investigated leader-follower schemes within groups, as well as the influence of team norms on group cohesion and error reporting in the context of audit teams. In addition, theoretically with the addition of team norms as the dependent variable in this study, it has indirectly implicated or supported the theory of planned behavior related to one of the factors which can influence the individual's intention to show a behavior namely the subjective norm factor. This subjective norm factor is formed because of support from outside the individual himself such as support from the norms that apply in his organization, so that from there will arise positive or negative perceptions of individuals. Latan et al. (2018) explained that team norms are informal rules adopted by groups to regulate and regulate the behavior of group members. Thus, team norms can be in line with the theory of planned behavior and can influence group cohesion because every rule in the group is followed. So that it has a tendency to form social bonds with its group to achieve a stronger goal.

In addition to the factors above, there is one factor that is no less important, namely group cohesion. Cohesion itself has been defined as the tendency of group members to create a social bond that results in group members uniting to achieve goals. In this study, group cohesion was used as a moderating variable to determine the effect of the independent variable on the dependent variable by strengthening the influence between the variables. Besides that, there is a moderating variable in this study because

seen from previous research Alleyne et al. (2019), there are still results that are not in accordance with the hypothesis stated. Therefore, further research is needed to find out the results of influence of group cohesion relationship. And it is known if group members with high cohesion tend to be cooperative and generally maintain the integrity of their group more, whereas group members with low cohesion tend to be independent and pay less attention to other group members (Safitri & Dwita, 2019).

From the background of the problems described above, the researcher is interested in conducting further related analysis of perceived behavior control, personal responsibility, independence commitment, and team norm on whistleblowing intentions by using group cohesion as a moderating variable. This research is entitled “WHISTLEBLOWING INTENTIONS OF PUBLIC ACCOUNTANTS IN JAKARTA: TESTING THE EFFECT OF GROUP COHESION AS A MODERATING VARIABLE”. This study refers to the research Alleyne et al. (2019) “Does group cohesion moderate auditors’ whistleblowing intentions?”. In Alleyne's research, he examined "testing the moderating effect of group cohesion on the relationship between several individual characteristics and whistleblowing intentions in Barbados public accounting firm (KAP). The individual characteristics or aspects examined in this study are desired moral approval, attitudes, perceived behavioral control, personal responsibility for reporting, independence commitment and personal cost of reporting. And this research still uses some of the same factors as previous

studies, namely perceived behavioral control, personal responsibility, independence commitment and group cohesion. However, with a different object, namely a public accounting firm (KAP) in DKI Jakarta.

B. Research Question

Based on the background above, the researcher proposed several research questions as follow:

1. Does perceived behavior control have a positive effect on auditor's whistleblowing intention?
2. Does personal responsibility have a positive effect on auditor's whistleblowing intention?
3. Does independence commitment have a positive effect on auditor's whistleblowing intention?
4. Does team norm have a positive effect on group cohesion intention?
5. Does group cohesion strengthen the positive effect of perceived behavior control on auditor's whistleblowing intention?
6. Does group cohesion strengthen the positive effect of personal responsibility on auditor's whistleblowing intention?
7. Does group cohesion strengthen the positive effect of independence commitment on auditor's whistleblowing intention?

C. Research Objectives

Based on the research questions above, the research objectives are as follow:

1. To obtain empirical evidence about the positive effect of perceived behavior control on auditor's whistleblowing intention.
2. To obtain empirical evidence about the positive effect of personal responsibility on auditor's whistleblowing intention.
3. To obtain empirical evidence about the positive effect of independence commitment on auditor's whistleblowing intention.
4. To obtain empirical evidence about the positive effect of team norm on group cohesion.
5. To obtain empirical evidence if group cohesion strengthens the positive effect of perceived behavior control on auditor's whistleblowing intention.
6. To obtain empirical evidence if group cohesion strengthens the positive effect of personal responsibility on auditor's whistleblowing intention.
7. To obtain empirical evidence if group cohesion strengthens the positive effect of independence commitment on auditor's whistleblowing intention.

D. Significance of The Study

This research is expected to provide the following benefits:

1. Practical Benefit

This research is expected to be useful as a source of information for public accountants that aims to increase employee intentions in whistleblowing and is expected to add insight both theoretically and practically.

2. Theoretical Benefit

Theoretical benefits, this research is expected to be able to provide additional information for students in understanding whistleblowing and can assist students in making further research.

