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Literature Review: The Influence of the Whistleblowing System on Fraud Prevention in Local Governments

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Abstract: This study aims to analyze the influence of the whistleblowing system on fraud prevention in the public sector, particularly in local governments. The literature review was conducted by examining various research findings from the past five years. The results indicate that the whistleblowing system has the potential to reduce fraud risks through secure and confidential reporting channels. However, its effectiveness is highly dependent on whistleblower protection, organizational culture, and robust internal controls. Some studies also found that the whistleblowing system does not always have a significant impact on fraud prevention if not supported by other critical factors. Therefore, optimal fraud prevention requires synergy between the whistleblowing system, internal controls, and an integrity-based organizational culture.

Keywords: whistleblowing system, fraud prevention, public sector, organizational culture, internal control.

INTRODUCTION

Local governments have a strategic role in realizing clean, transparent, and accountable governance as an effort to improve community welfare through quality public services. In a decentralized government system, local governments are given the authority to manage resources and budgets independently. However, this decentralization also brings great challenges in the form of increased risks of irregularities, including fraud that can harm state finances and reduce public trust in the government (CCB Indonesia, 2024). Therefore, fraud prevention is an important priority for local governments in ensuring the realization of good *governance*.

One of the strategies that is widely applied to strengthen supervision and prevention of fraud in the public sector is through the implementation of the *whistleblowing system* (WBS). Whistleblowing is the act of reporting alleged law, ethical, or moral violations that can harm the organization and the public, committed by individuals from within the organization to the authorities both internally and externally. This reporting system plays an important role as a

means of early detection of fraudulent practices. With a secure and confidential internal reporting mechanism, individuals who intend to commit fraudulent acts will rethink because of the potential for reporting by colleagues or subordinates (KNKG, 2021).

The concept of a *whistleblowing system* is also closely related to the *Fraud Hexagon* theory put forward by Vousinas (2019). This theory explains that fraud can occur due to six main factors, namely pressure, *opportunity*, *rationalization*, capability, arrogance, and collusion. Of the six factors, *opportunity* is the most controllable aspect through organizational policies, including the implementation of a violation reporting system. In other words, *the whistleblowing system* plays a role in closing the opportunity for fraud by strengthening internal control and increasing employee ethical awareness.

Several previous studies have examined the influence of *whistleblowing systems* on fraud prevention, but the results still show inconsistencies. Research conducted by Isbandi et al. (2025) and Mersa et al. (2021) shows that the implementation of the *whistleblowing system* has a positive and significant effect on fraud prevention in government agencies. An effective reporting system has been proven to be able to increase transparency and detect deviant behavior early on. However, different results were found by Anlilua et al. (2023) who stated that *the whistleblowing system* did not have a significant influence on fraud prevention. This difference is suspected to be due to the factor of trust in the system, weak protection for whistleblowers, and low awareness of employees in reporting violations. The same thing was expressed by Yulientinah et al. (2024) who highlighted that there are still many employees who are reluctant to become *whistleblowers* due to the uncertainty of security guarantees and legal protection, so that the effectiveness of the system is less than optimal.

The inconsistency of the results of the study shows that there is a *research gap* that needs to be studied further. Most previous studies have focused on the direct influence of the *whistleblowing system* on fraud prevention, but not many have comprehensively reviewed the structural, operational, and whistleblower protection aspects as described in the guidelines of the National Committee for Governance Policy (KNKG, 2021). In addition, some research is still oriented towards the private sector or central institutions, while the context of local government has different bureaucratic and organizational cultural characteristics. This raises questions about the extent to which *the whistleblowing system* is effective in the context of local governments that have complex levels of hierarchy, work culture, and internal oversight.

Based on the background and gaps of the research, this article aims to conduct a literature review on the influence of *the whistleblowing system* on fraud prevention in local governments. Through an examination of the results of recent research in the last five years, this article seeks to provide a more comprehensive understanding of the role of *the whistleblowing system* in supporting clean and integrity local governance.

METHOD

This study uses literature studies as a research method. Information was obtained through the analysis of writings from books, scientific journals, and publications related to the research topic. The reference search stage is carried out to obtain sources relevant to the research topic. Literature search is done using search engines such as Google Chrome by accessing <http://sinta.ristekbrin.go.id> and <http://scholar.google.com> sites. Keywords used in searches include "*whistleblowing system*" and "fraud prevention", as well as other variations related to the research topic. The search results were limited to publications in the last 5 years, then the essence of these sources was taken as supporting material in this study.

RESULT AND DISCUSSION

The Effect of System Whistleblowing on Fraud Prevention in the Government

The whistleblowing system has proven to play a significant role in efforts to prevent *fraud* in the organization, especially local governments. *Whistleblowing systems* provide a channel for members of organizations to report alleged violations, fraud, or unethical behavior safely and confidentially. With this system, the potential for *fraud* can be suppressed because each individual feels supervised and the opportunity to commit fraud becomes smaller.

The whistleblowing system plays a role in suppressing several risk factors, such as opportunity, collusion, and arrogance. Effective reporting channels can narrow the chances of *fraud*, reduce the possibility of collusion between perpetrators, and suppress the sense of immunity from the law in individuals who have positions or power (Taufik, 2019). The implementation of an effective whistleblowing system can affect several key aspects in *Fraud Hexagon*, including:

1. *Opportunity*: The existence of an easily accessible reporting channel makes the chances of committing fraud even smaller, as every action can be monitored and reported.
2. *Rationalization*: The reporting and transparency culture built through *whistleblowing systems* reduces the tendency of individuals to justify deviant behavior.
3. *Capability*: This system helps organizations identify high-skilled individuals who have the potential to commit *fraud*, so that oversight can be improved.
4. *Collusion*: *The whistleblowing system* makes it difficult for collusion to occur, because there is a possibility of internal parties reporting illegal cooperation between employees.
5. *Arrogance*: The existence of supervision and the possibility of reporting makes individuals who feel they have power think more before committing fraud.
6. *Pressure*: A reporting system can also be a means to identify the pressure experienced by employees, so that organizations can take preventive steps.

Khoerunnisa et al. (2023) stated that the implementation of a good whistleblowing system, supported by an effective internal control system, is able to prevent *fraud* in the management of village funds. The results of their research confirm that villages that have implemented both systems consistently, tend to experience a decrease in fraud cases. This is in line with the findings of Putri et al. (2023) that *the whistleblowing system* has a positive influence on fraud prevention efforts in the management of village funds in Sijunjung Regency. This shows that the existence of a whistleblowing system as part of the supervision mechanism between village officials can cause fear for village officials to commit fraud in the management of village funds.

Islamiyah et al. (2020) also proved that *the whistleblowing system* has a positive influence on *fraud* prevention. They highlight that the presence of effective reporting channels can increase employee awareness and courage to report fraudulent acts, thereby strengthening a culture of integrity and transparency in the work environment. Thus, *the whistleblowing system* not only functions as an early detection tool, but also as a preventive measure that encourages the creation of good governance. In line with research conducted by Nurrahma, Abdullah, and Nadirsyah (2022) in the North Aceh local government, it shows that the intention to whistleblow has a positive influence on fraud prevention efforts. These results confirm that the higher the willingness of employees to report fraudulent acts, the greater the chance of fraud being revealed in government agencies.

Management support and protection for whistleblowers are very important so that *the whistleblowing system* runs optimally. Without a guarantee of protection, many individuals are reluctant to report for fear of intimidation or threats from the reported party (Khoerunnisa et al., 2023). Therefore, the aspect of whistleblower protection is a key factor in the success of this system in preventing *fraud*. Research by Peby Anlilua and Sari Rusmita (2023) within the

West Kalimantan Provincial Inspectorate Office shows that *the whistleblowing system* does not always have a significant effect on *fraud* prevention. In the study, the internal control system and organizational culture actually had a stronger and more significant influence. These findings show that the effectiveness of the *whistleblowing system* is greatly influenced by supporting factors, such as an organizational culture that encourages honesty, protection of whistleblowers, and management's commitment to following up on reports. This statement is supported by Indriyani (2023) research which states that *whistleblowing* has no effect on fraud prevention at the Cirebon Regency Inspectorate.

Some reasons why *whistleblowing systems* are not always effective include:

1. Lack of protection for whistleblowers so that employees are reluctant to report fraud for fear of intimidation or threats from the reported party (Anlilua & Rusmita, 2023).
2. Organizational culture that does not support openness or there is still a permissive attitude towards violations.
3. Lack of socialization and trust in the system means that employees are not sure their reports will be followed up fairly and confidentially.

Fadilah and Solomon (2023) in their research within the Cabinet Secretariat highlighted the importance of optimizing the implementation of the whistleblowing system (WBS) in an effort to improve employee integrity and reduce the potential for corruption and fraud. Their results show that even though WBS has been implemented, its effectiveness is still not optimal. This is due in part to the lack of an independently managed complaint channel and a lack of evaluation of existing whistleblowing policies. The low level of reporting in the bureaucratic environment is often influenced by the lack of security for reporters and the lack of optimal socialization about the benefits and mechanisms of the WBS itself.

Other research has also shown that a *whistleblowing system* will be more effective if integrated with a strong internal control system and an organizational culture that upholds integrity (Islamiyah et al., 2020; Widiyarta et al., 2017). Thus, *the whistleblowing system* is not the only determining factor, but must go hand in hand with other factors in *Fraud Hexagon* such as pressure, rationalization, and capability.

From the literature review that has been conducted, it can be concluded that *the whistleblowing system* has great potential in supporting *fraud prevention*, but its effectiveness is highly dependent on the support of the organizational environment, whistleblower protection, and strengthening other aspects of *the Fraud Hexagon*. Without these supporting factors, *the whistleblowing system* can be less than optimal in preventing fraud in the organization.

CONCLUSION

Based on the results of literature studies and empirical research, *the whistleblowing system* is indeed recognized as one of the efforts to prevent *fraud*. However, some studies show that *the whistleblowing system* does not always have a significant effect on *fraud* prevention. On the other hand, internal control systems and organizational culture have been proven to have a stronger and more positive influence in preventing cheating. Thus, effective *fraud* prevention requires synergy between strong internal controls, a good organizational culture, and the implementation of a *whistleblowing system* supported by the protection and commitment of all elements of the organization.

Limitations of the Research

This research has several limitations that need to be considered. First, the scope of the literature sources analyzed is limited to a certain number of articles and the database used does not cover all sources that may be relevant, so the results of the study may not cover all aspects

related to the whistleblowing system and fraud prevention. Second, this study is a literature study so that it does not involve primary data or direct empirical testing, so the findings are more conceptual and need to be further tested in the field context. Third, some of the data and information required for in-depth analysis is difficult to obtain or not yet fully available, thus limiting the depth of discussion in certain aspects.

Research Suggestions

Based on the results of the research and existing limitations, it is suggested that further research can expand the scope of data sources by using more diverse databases and combining quantitative and qualitative research methods to obtain a more comprehensive and valid picture. In addition, follow-up research should explore contextual and situational factors that affect the effectiveness of whistleblowing systems, such as organizational culture, whistleblower protection, and management support. Researchers are also encouraged to research the long-term impact of the implementation of the whistleblowing system in various sectors, especially in local governments, in order to provide policy recommendations that are more applicable and on target.

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