

Abstract

Whistleblowing is an effective method to preventing and detecting fraud. Whistleblowing reports, if properly investigated, will facilitate early detection of fraud. Although critical, investigative decisions represent a relatively unexplored component of the whistleblowing process. So far the whistleblowing literature shows that a number of whistleblowing studies focus on aspects of the whistleblower. In addition to whistleblowers, report recipients are responsible for initially deciding whether to follow-up on reports alleging fraud. Research examining from the perspective of the recipient of the complaint, such as aspects of prosocial behavior that have an impact on the effectiveness of whistleblowing is scant.

This study aims to broaden the discussion of whistleblowing by investigating a model of prosocial behavior consisting of the internal auditor mindset, ethical leadership, and the status of a person who commits fraud. Furthermore, this study examines the interaction of these three variables on the intention to investigate fraudulent complaints regarding whistleblowing information by report recipients. This study used an experimental design of 2x2x2 mixed design (between subject and within-subject) involving 96 internal auditors working at Inspectorate Offices throughout Central Java Province as research subjects. The experimental subjects were manipulated in the form of mindset of internal auditors (investigative and general auditor), ethical leadership (high and low) and the status of the person who committed fraud (high and low). Data were analyzed using two-way ANOVA.

The results of the study show the main effect test of the three independent variables influences the intention to investigate fraud complaints. Internal auditors tend to be more likely to respond to and investigate fraud complaints when the auditor is in an investigative auditor's mindset compared to the general auditor. Internal auditors tend to be more likely to respond to and investigate fraud complaints when the auditor is in high ethical leadership compared low ethical leadership. Concerning the effect of the status of the person who committed the fraud, internal auditors experienced a lower bias tendency in the case of a person with high status. In this case, an internal auditor who behaves prosocially will consider the negative consequences he faces, such as when he acts as a whistleblower. The results of the interaction test show that there is an interaction effect between the mindset of the internal auditors and ethical leadership. Furthermore, there is interaction between ethical leadership and the status of the perpetrators, while the mindset of the internal auditors and the status of the perpetrators of fraud do not significantly.

Keywords : Internal Auditor Mindset, Ethical Leadership, Wrongdoer Status, Prosocial Behavior, Whistleblowing Allegations