

## Is Whistleblowing an Ethical Practice?

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### ABSTRACT

Whistleblowing is susceptible to risks and ethical dilemmas in practice. It is not easy for members of an organization to become whistleblowers. The purpose of this study is to prove whether whistleblowing intention is a form of ethical practice. The empirical quantitative method was used for this study. The research samples were employees and auditors at the East Java Inspectorate. The use of Partial Least Square analysis techniques followed the collection of data through the distribution of questionnaires. The study results inform that whistleblowing intention was an ethical practice that was perceived and experienced by the whistleblower. Ethical sensitivity does not affect whistleblowing intention. In contrast, moral ethics, professional ethics, and ethical confidentiality affect whistleblowing intention. Ethical sensitivity has no effect because respondents believe that it is highly dependent on the sensitivity of the whistleblower's attitude toward making decisions. The results of this study have contributed to strengthening the creation of a good whistleblowing system with definite legal protection guarantees provided by organizations and the state.

### ABSTRAK

Whistleblowing rentan dengan risiko dan dilema etis di dalam praktiknya. Tidak mudah bagi anggota organisasi untuk menjadi whistleblower. Tujuan penelitian ini adalah untuk membuktikan apakah whistleblowing intention merupakan bentuk praktik etis. Metode penelitian kuantitatif empiris digunakan dalam penelitian ini. Sampel penelitian adalah karyawan dan auditor pada inspektorat Jawa Timur. Penelitian ini menggunakan teknik analisis Partial Least Square dan memperoleh datanya melalui penyebaran kuesioner. Hasil penelitian menginformasikan bahwa tindakan whistleblowing intention merupakan praktik etis yang dirasakan dan dialami oleh whistleblower. Hasil penelitian juga menginformasikan bahwa sensitivitas etis tidak berpengaruh terhadap whistleblowing intention, namun moral etis, profesional etis dan confidentiality etis berpengaruh terhadap whistleblowing intention. Sensitivitas etis tidak berpengaruh karena responden meyakini bahwa sensitivitas sangat bergantung kepada kepekaan sikap whistleblower untuk mengambil keputusan. Hasil penelitian ini memiliki kontribusi bagi penguatan terciptanya whistleblowing system yang baik dan kepastian jaminan perlindungan hukum yang diberikan oleh organisasi dan negara.

### 1. INTRODUCTION

Cases of financial statement fraud and other forms of financial crime, also known as white-collar crimes, are still a severe problem in Indonesia (Azhari & Nuraini, 2019; Haqq & Budiwitjakson, 2020; Khusnah, 2020; Triyanto, 2020). This white-collar crime is generally carried out using corruption and fraudulent accounting practices detrimental to the company and the state. In Indonesia, white-collar crime does occur not only in private-sector companies but also in public-sector services. According to the results of a survey by ACFE in 2020 explaining that the average loss of fraud cases most

often occurs in private companies, with losses of \$220,000 or 37 percent. Followed by public companies with losses of \$190,000 or 36 percent, the third largest loss is in government with a loss of \$ 170,000 or 18 percent then the last is on non-profit companies with a percentage rate of 4 percent (Association of Certified Fraud Examiners, 2020). ACFE shows that non-profit companies tend to have more anti-fraud controls, so they have fewer losses than other companies. These institutions tend to have three weaknesses: the lack of implementation of internal control, lack of management review, and lack of a whistleblower system role (Miller, 2017).

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Cases of corruption and financial fraud in the regional government are still under public scrutiny and attention throughout 2017-2021. Fraud practices of financial statements, fraudulent financial transactions, and corrupt practices are often referred to as fraudulent accounting practices or financial crimes (Brand, 2020; Hechanova & Manaois, 2020). Accounting fraud occurs not only in the process and cycle of financial statements and reporting but also in using gaps and weaknesses in the company's internal control that impact the company's financial losses. Prevention of accounting fraud cannot rely only on the role of internal and external auditors. The responsibility for maintaining the company's assets cannot only be borne by accountants but also by employees who are members of the company (Balleisen, 2017; Kenny, 2019). In 2016, the ACFE reported that 43.5 percent of fraud in large companies was known from the information provided by whistleblowers. The results of the ACFE Indonesia Chapter 2019 survey report information that the media reports from individuals who know of fraud were 38.9 percent, and this was the largest number compared to using internal audit media and management reviews. ACFE Indonesia Chapter also reports that the main source of disclosure of fraud is employees who are willing to become whistleblowers 50.2 percent (ACFE, 2019).

The 2019 ACFE Indonesia survey results also proved that the whistleblower's role in fraud disclosure is enormous and effective. The role of complaints by whistleblowers is recognized to have a significant influence on disclosing the occurrence of fraudulent financial statements and other financial crime practices compared to the role of implementing internal and external audits in companies (Kate et al., 2019; Trongmateerut & Sweeney, 2013). However, in practice, an individual who wants to take whistleblowing intention experiences an ethical dilemma. Generally, whistleblowers are individuals still in the closest circle of fraud perpetrators in the same organization, not limited to their profession as internal auditors or non-auditor but as ordinary employees too. Therefore, a dilemma occurs when the whistleblower must provide the information he realizes will cause colleagues, superiors, or people they know to be charged as the perpetrators (Joneta, 2016; Latan et al., 2019; Lindblom, 2007).

This phenomenon occurs because there are allegations of fraud and financial crimes that whistleblowers inform. The role of the whistleblower as a source of information is hazardous to the threat and danger of his position,

career, and even his life safety. It is not easy for an organization or company members to decide on a whistleblower in a case of fraud or financial crime (Khanifah & Amjadallah Atieq, 2019; Kuperberg & Dauber, 2021).

Many cases of corruption and financial reporting fraud in the local government sector have been revealed because of the role of whistleblowers. Whistleblowing is considered an act that is more effective in uncovering the occurrence of fraudulent financial statements and corruption within the local government environment. The complex bureaucracy has the potential to be a substantial obstacle to finding and revealing financial fraud committed by unscrupulous local government employees. Data from the trend of monitoring reports on corruption case enforcement in 2020, East Java has the second most cases after Central Java involving regional officials in Indonesia. The high number of cases in East Java has attracted the attention of the public and anti-corruption community organizations (Alamsyah, 2020).

Efforts to reveal and ensnare perpetrators of corruption and financial crimes in East Java can be optimized by increasing the role of whistleblowers. However, whistleblowing intention issues are ethical decency and the guarantee of legal protection for the lives and careers of organizational members (Lee et al., 2020; Mbago et al., 2018). Ethical practices can be psychological pressure and social and ethical dilemmas that are considered for organizational employees to have whistleblowing intentions (Vandekerckhove, 2018; Zhou et al., 2018). The role of the whistleblower to provide information on disclosing fraud or other forms of financial crime is believed to be risky and a dilemma.

Whistleblowers are members of the organization of criminals with psychological and structural power relations in daily activities that trigger ethical dilemmas. Previous studies have proven a relationship between ethical factors and whistleblowing intention. However, the results of these studies have not consistently proven that ethical factors affect whistleblowing intention (Miller, 2017; Nawawi & Salin, 2019; Nayır et al., 2018). This study aims to test whether whistleblowing is an ethical practice empirically. The novelty of this research lies in using ethical variables with question indicators on each variable that describe ethical practices and dilemmas that occur in whistleblower intention. The contributions of this research are to provide support and confidence for whistleblowers that what they do is vulnerable to ethical dilemmas. The state's role in

providing strong and clear legal protection guarantees is very important.

## **2. THEORETICAL FRAMEWORK AND HYPOTHESES**

### **Ethical Sensitivity**

Whistleblowers generally know that the fraud process is occurring, and the awareness of the appropriateness value they have seen becomes the impetus to take an attitude that the fraud and financial crimes they see are actions that harm the organization (Brand, 2020). In this condition, the whistleblower is faced with his sensitivity to reporting the fraudulent act. The decision to be willing to disclose the occurrence of fraud is a form of whistleblower's ethical sensitivity, which is a dilemma that is difficult to avoid (Valentine & Godkin, 2019; Zhou et al., 2018). This ethical sensitivity arises because of the individual's sensitivity when he sees a discrepancy contrary to ethical principles that are believed to be a form of ethical or unethical behavior.

The ethical sensitivity of internal auditors and employees of the organization is the ability to realize ethical or moral values in an ethical decision (Eka & Adhitya, 2018; Miller, 2017). Ethical sensitivity is the ability to know the ethical problems that occur. A whistleblower's ability to behave ethically is strongly influenced by the individual's conscious sensitivity to ethical decisions. Attitudes and behaviors that are important in assessing ethical behavior are the awareness of individuals that they are moral agents.

Individual awareness can be assessed through the ability to be aware of ethical values in a decision. The results of the research by Valentine & Godkin (2019) inform that an employee's ethical sensitivity motivates them to intend to do whistleblowing. Furthermore, Badrullhuda et al. (2020) stated to do whistleblowing. On the other hand, even though employees have high ethical awareness, when they do not see any follow-up on the reports given, they tend to reduce their intention to do whistleblowing. In government agencies, ethical sensitivity is very high because the bureaucratic environment and organizational culture involved are more sensitive than people who work not in government agencies (Su, 2020; Tumuramy & Ntayi, 2018). Ethical sensitivity is a natural sensitivity that exists in every individual, obtained from his awareness of reading and seeing whether the act is appropriate (Latan et al., 2019).

### **Moral Ethics**

The whistleblower's ethical dilemma is also related

to moral principles (Lindblom, 2007; Watts & Buckley, 2017). Awareness and firmness in moral principles in the form of being kind to co-workers in the organization, being fair, and believing in the values of decency and truth that are integrated into ethical actions. It is difficult and dilemmatic for whistleblowers to ignore these moral principles and avoid providing information on known fraudulent acts. In contrast, the whistleblower's quick response in providing informed decisions is a form of moral responsibility to improve self-quality. Whistleblowers realize that fraudulent acts that have occurred and have been known to are forms of crime and wrong actions, so ethically, whistleblowers are required to be able to provide information on disclosing the fraud to protect the organization's losses. This ethical moral dilemma becomes an obstacle for organizational employees to carry out whistleblowing (Khusnah, 2020; Putra & Wirasedana, 2017).

Moral ethics is the basis for an individual to examine socio-moral problems and determine the actions to be taken (Berger et al., 2017; Palumbo & Manna, 2020). According to Valentine & Godkin (2019), a person's ability to handle and examine ethical dilemmas is influenced by ethical morals. So, the higher the moral ethic in a person, the more intention he will be to take whistleblowing actions. It has been proven by research by Eka & Adhitya (2018), which states that moral ethics influence the intention to take whistleblowing actions.

### **Ethical Professional**

Employees of the organization carry out and are responsible for their main duties and functions according to the job description that has been determined. The internal accounting profession carries out jobs in specialized accounting departments. Meanwhile, the special work to examine financial statements is carried out by the internal auditor profession. However, this does not mean that employees in general fields are unprofessional. A professional attitude refers to the obedience and skill of all organization members in carrying out their main duties and functions with the knowledge and experience they have gained. This condition creates a professional form in the organization as an integral part of attitudes and behavior in the organization (Khanifah & Amjadallah Atieq, 2019).

The ethical dilemma of the whistleblower profession occurs when awareness of the occurrence of fraud in the organization is considered unethical. Ethical assessment is carried out based on

knowledge and professional experience to provide information on the disclosure of fraud and financial crimes that will harm colleagues in the organization (Putra & Wirasedana, 2017). Whistleblowers realize that fraud committed by members of the organization is believed to be a form of error and crime that harms the organization. But on the other hand, the perpetrators of fraud are members of organizations who are known closely as colleagues or superiors and subordinates in the organization where they work.

A person with an ethical professional always adheres to the code of ethics and ethical norms in his work environment. Ethical professionals who are inherent in their work attitudes and behavior make decisions. The attitudes shown will give organizational members confidence in the profession that is inherent in them. Badrulhuda et al. (2020) and Eka & Adhitya (2018) proved that professional organization members influence whistleblowing significantly.

### Ethics of Confidentiality

The whistleblower's risk of revealing the perpetrator of a crime is the safety of his life and career in the organization. Therefore, the organization's employees always consider this risk when deciding to become a whistleblower. Guarantees and legal protections that are certain and clear for whistleblowers affect the ethical confidentiality conduct of whistleblowing (Azhari & Nuraini, 2019). The whistleblower assesses and considers his decision to carry out whistleblowing by looking at whether the organization and law enforcement officers can protect his safety and career. If the results of the whistleblower's consideration consider that the safety of himself and his career is not guaranteed because of the weak legal protection provided, the organization's employees have the potential to be unwilling to become whistleblowers

(Lee et al., 2020).

On the other hand, if the guarantee of legal protection to maintain personal and career safety is clear and strong, the potential for employees to be willing to become whistleblowers is getting stronger. To eradicate fraud and corruption in any serious organization, ethics to provide the best legal protection for whistleblowers is a form of good ethical action. Whistleblowers will feel protected and have confidence as a form of confidential ethics to provide information on the disclosure of fraud in the organization (Mbago et al., 2018).

Concerns about being ostracized, shunned, and even ridiculed by members of the organization, the risk of personal and family life threatened, and work career paths inevitably arise when members of the organization decide to become whistleblowers. The certainty of legal protection and guarantees provided by management and the state for whistleblowers will reduce the sense of concern for whistleblowing. This statement is supported by the results of research by Lee et al. (2020) and Azhari & Nuraini (2019), which state that the certainty of legal protection is a form of ethical confidentiality for someone to do whistleblowing. Based on the problem phenomena that have been described, the research question is whether whistleblowing is an ethical practice and the theoretical basis used, the conceptual framework is presented in Figure 1 and the hypothesis of the research that have been developed as follows:

- H<sub>1</sub>: Ethical sensitivity affects whistleblowing intention.
- H<sub>2</sub>: Moral ethics affects whistleblowing intention.
- H<sub>3</sub>: Professional ethics affects whistleblowing intention.
- H<sub>4</sub>: Ethical confidentiality affects whistleblowing intention.

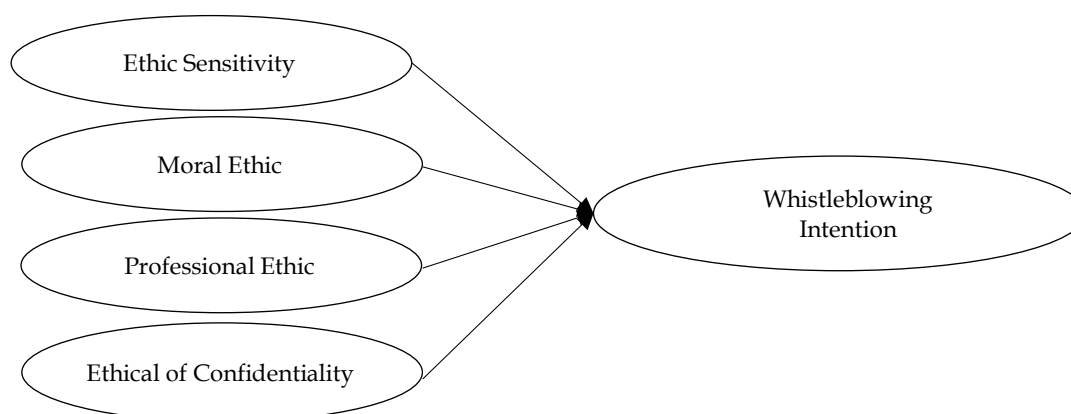


Figure 1. Conceptual framework

### 3. RESEARCH METHOD

The population of this study consists of all employees and auditors of the East Java Inspectorate, with a total of 80 potential respondents. The sampling technique was a saturated sample, and the data analysis technique was Partial Least Square (PLS). The model of causality or influence between research variables was used in this study. The PLS model was chosen because this study examines the causality relationship between the independent and dependent variables. The other reason for using the PLS model was because the variables have one or more indicators and measure the non-indicator variable. The outer model test (measurement model) was used to measure the reflective and formative indicators. This study only uses reflective indicators based on the loading factor > 0.70 as the standard. However, if the loading factor value is 0.50-0.60, it is considered sufficient (Latan & Ghazali, 2017).

Whistleblowing intention indicators include anonymity which explains the existence of a well-structured system intending to conceal or disguise the whistleblower’s identity. Furthermore, independence describes the sense of comfort felt by the reporting party, transparency of information, the existence of good information distribution media, support from all members of the organization, speed of reaction to reports given, easy access to information, and a high participatory role. Valentine & Godkin (2019) used the indicators to measure ethical sensitivity. The instruments modified by the researchers are described as ethics sensitivity, morals ethics according to norms and laws, sensitivity to the value of truth, sensitivity to good things, ability to distinguish right from wrong, self-perception of ethical actions, confidence, and sensitivity to help, able to be wise with positive self-characteristics and self-sensitivity to the

organizational environment.

Ethical morals are employees’ attitudes toward the organization or fellow employees in ethical behavior (Gholami et al., 2015). The indicators used in measuring this variable were adapted from Yeoh (2014) and modified by the researcher. The variable consists of ethical judgments about justice, ethical judgments about truth, morally acceptable ethical judgments, ethical morals acceptable to families, traditionally accepted ethical judgments, culture, avoiding breaking promises made, violating written agreements, and consistently assessing ethical issues.

Professional ethical indicators are the level of professional commitment and pride in the profession, the knowledge possessed, experience and practice of auditing, independent attitude, judging based on objective evidence, professional considerations, individual perceptions of their profession, and understanding of the professional code of ethics. Ethical confidentiality indicators in this study include respect for human dignity and encouraging organizational employees to take whistleblowing actions, the certainty of legal protection, protection of personal, family, and property, protection of career certainty in the organization, self-confidence, organizational regulations that protect employees, accommodative state of law, the courage of opinion, and disclosure of information and adaptive legal norms.

### 4. DATA ANALYSIS AND DISCUSSION

There were 80 questionnaires distributed for collecting the data of this study, and 68 questionnaires were returned and filled out completely. The remaining 12 questionnaires were not returned due to the potential respondents’ busy schedules and assignments outside the city.

**Table 1.** Demographic characteristics

Data Identity	Number of Respondents
Questionnaires distributed	80
Not returned	12
Filled out completely, consisting of the following:	68
Gender	
Male	42
Female	26
Degree	
S1 degree	44
S2 degree	24
Working Experience	
Work < 5 years	8
Work > 5 years	60

Source: Processed data, 2022

Based on Table 1 demographic data, 42 male and 26 female respondents with a formal education level of an undergraduate degree, 44 respondents with a master's degree are 24 respondents completed filling out the questionnaire completely. Sixty respondents have worked for more than five years, and eight have less than five years of experience. This data indicates the adequacy of knowledge and experience as auditors and employees who work in the East Java inspectorate. This demographic data informs that the gender representation and education level of the respondents are well represented.

### Validity Test

The validity test consists of two types: the convergent validity test and the discriminant validity test. Latan & Ghazali (2017) stated that a statement item is valid if the outer loading value is above 0.70; however, statement items with an outer loading value of 0.50 to 0.60 can also be accepted or considered to be valid. Table 2 has informed that through the results of the outer loading validity test, 33 statement items passed the outer loading test with an outer loading value > 0.70. A good AVE value is > 0.50. This value indicates good convergent validity (Latan & Ghazali, 2017).

**Table 2.** Outer loading value

Ethic Sensitivity		Moral Ethic		Professional Ethic		Ethical of Confidentiality		Whistleblowing Intention	
ES2	0.811	ME1	0.869	PE3	0.837	EC1	0.823	WI1	0.901
ES3	0.834	ME2	0.781	PE4	0.879	EC3	0.775	WI2	0.814
ES4	0.778	ME3	0.698	PE5	0.863	EC4	0.728	WI3	0.811
ES6	0.787	ME4	0.823	PE6	0.790	EC5	0.912	WI4	0.834
ES7	0.724	ME5	0.781	PE7	0.881	EC6	0.719	WI6	0.862
ES8	0.775	ME6	0.689	PE8	0.931	EC8	0.889	WI7	0.857
ES9	0.727	ME8	0.871					WI8	0.886

Source: Processed data, 2022

Table 3 shows that the endogenous and exogenous variables have good convergent validity values, and it can be concluded that the statement items have passed the validity test. Table 3 also informs that the correlation value (bold number) of

each variable with the variable itself has the greatest value compared to the correlation value with other variables. It can be concluded that this research has met the discriminant validity test.

**Table 3.** AVE value and correlation values between variables

	AVE	ES	ME	PE	EC	WI
Ethic Sensitivity (ES)	0.605	<b>0.859</b>				
Moral Ethic (ME)	0.618	0.540	<b>0.864</b>			
Professional Ethic (PE)	0.738	0.489	0.819	<b>0.918</b>		
Ethical of Confidentiality (EC)	0.603	0.459	0.657	0.726	<b>0.824</b>	
Whistleblowing Intention (WI)	0.807	0.481	0.715	0.772	0.719	<b>0.789</b>

Source: Processed data, 2022

### Reliability Test

The reliability test is carried out with the composite reliability and Cronbach's alpha tests. Table 4 informs that the composite reliability value was > 0.70, which

satisfied the composite reliability test. Furthermore, Table 4 shows that the value of Cronbach's alpha is > 0.70. It can be concluded that all reflective construct indicators are reliable.

**Table 4.** Results of the reliability test

Variables	Composite Reliability	Cronbach's Alpha
Ethic Sensitivity (ES)	0.902	0.902
Moral Ethic (ME)	0.865	0.865
Professional Ethic (PE)	0.944	0.944
Ethical of Confidentiality (EC)	0.857	0.857
Whistleblowing Intention (WI)	0.967	0.967

### Evaluation of Structural Model

The structural model is evaluated based on R-Square

(R<sup>2</sup>), effect size, cross-validation redundancy (Q<sup>2</sup>), as well as the model fit of the research model. Table 5

presents the results of the structural model evaluation.

**Table 5.** Evaluation of structural model

	Effect Size ( $f^2$ )	R-Square ( $R^2$ )	Predictive Relevance ( $Q^2$ )
Ethic Sensitivity (ES)	0.018		
Moral Ethic (ME)	0.359	0.637	0.437
Professional Ethic (PE)	0.374		
Ethical of Confidentiality (EC)	0.377		

Notes: the endogenous variable is Whistleblowing Intention (WI)

Source: Processed data, 2022

The four exogenous variables used in this study are ethical sensitivity ( $X_1$ ), moral ethics ( $X_2$ ), professional ethics ( $X_3$ ), and ethical confidentiality ( $X_4$ ), and the endogenous variable is whistleblowing intention. Table 5 shows the R-Square ( $R^2$ ) value of 0.637, meaning that the variable whistleblowing intention variance was explained by about 63.7% by the ethical sensitivity, moral ethics, professional ethics, and ethical confidentiality variables. Other variables outside of this study influence the remaining 36.3%.

The effect size test ( $f^2$ ) can be used to assess the effect of the exogenous latent variable on the endogenous variable. The interpretation is that an  $f^2$  value of 0.02 has a small effect, a value of 0.15 has a moderate effect, and 0.35 has a large influence (Latan & Ghozali, 2017). Table 6 shows that ethical sensitivity has a moderate impact on whistleblowing intention, while moral ethics, professional ethics, and ethical confidentiality greatly impact it.

Furthermore, the Stone Geisser test ( $Q^2$ ),

predictive relevance, was used to measure how the model and its parameter estimation generate the observed value. A larger  $Q^2$  value  $> 0$  indicates the model has predictive relevance, while a  $Q^2$  value  $< 0$  indicates that the model has no predictive relevance. The  $Q^2$  of this model is 0.437, meaning that the path model has predictive relevance.

**Hypothesis Testing Results**

The results of hypothesis testing are shown in Table 6. The table shows that the value of the coefficient on the ethical sensitivity variable was positive on the 0.172 coefficient. It means a positive relationship exists between ethical sensitivity and whistleblowing intention. Greater ethical sensitivity can cause a higher whistleblowing intention. Then, in the p-values, the ethical sensitivity variable has a value of 0.115, greater than 0.05, so it can be stated that ethical sensitivity has no significant effect on the whistleblowing intention. Therefore,  $H_1$  is not supported.

**Table 6.** Results of hypothesis testing

Relationship	Coefficient	Standard Deviation	t-statistics	p-values
Ethic Sensitivity (ES) → Whistleblowing Intention	0.172	0.178	0.704	0.115
Moral Ethics (ME) → Whistleblowing Intention	0.592	0.159	2.331	0.017
Professional Ethics (PE) → Whistleblowing Intention	0.617	0.163	2.195	0.009
Ethical of Confidentiality (EC) → Whistleblowing Intention	0.685	0.181	2.593	0.006

Source: Processed data, 2022

Table 6 inform that the value of the coefficient of the moral ethics variable on the dependent variable is positive at 0.592. It means a positive relationship exists between ethical morals and whistleblowing intention. The moral ethics variable has a p-value of 0.017, which is smaller than 0.05. It can be stated that moral ethics have a significant positive effect on whistleblowing intention. Therefore,  $H_2$  is supported.

Table 6 also reveals that the coefficient value of the professional ethics variable is positive at 0.617. It shows a positive relationship between professional ethics and whistleblowing intention. The professional ethics variable has a p-value of 0.009, which is smaller

than 0.05. Thus, professional ethics has a significant positive effect on the positive. Therefore,  $H_3$  is supported.

Last but not least, Table 6 presents that the value of the coefficient on the ethical confidentiality variable is positive at 0.685. It means that there is a positive relationship between ethical confidentiality and whistleblowing intention. The ethical confidentiality variable has a p-value of 0.006, less than 0.05. So it can be stated that ethical confidentiality has a significant positive effect on the whistleblowing intention. Therefore,  $H_4$  is supported.

## Discussion

### *Ethical Sensitivity Affects Whistleblowing Intention*

Ethical sensitivity does not significantly affect the intention to take whistleblowing actions because most respondents think that ethical sensitivity arises from actions taken after reporting from the whistleblower. Respondents may perceive that the risk of sensitivity to providing information when asked to do whistleblowing is not commensurate with the expectation of the speed and clarity of disclosure of fraud that occurred within the organization.

Distrust and pessimism cause ethical sensitivity to be weak. So that no matter how big the ethical sensitivity possessed by the organization's employees, it will not influence them to intend to do whistleblowing. Although in practice, the whistleblower knows the process of fraud and financial crime that occurs within the organization, if the knowledge and experience of the whistleblower report that has been provided are not immediately followed up, it will tend to be passive and apathetic to the occurrence of the fraud and financial crime problems. Ethical sensitivity is employees' sensitivity because they see a discrepancy contrary to the principles believed to be a form of ethical and unethical behavior. The ethical sensitivity of auditors in the East Java Inspectorate is a form of the ability to realize ethical or moral values in an ethical decision that does not depend on the size of the fraud and financial crime but rather on the speed and seriousness of following up after the report from the whistleblower.

This study's results align with research conducted by Badrulhuda et al. (2020), which informs that ethical sensitivity does not affect the intention to do whistleblowing. The results of this study do not support the opinion of Valentine & Godkin (2019), who informed that an employee's ethical sensitivity affects the intention to do whistleblowing.

### *Ethical Morals Affect Whistleblowing Intention*

The East Java Inspectorate auditor's awareness and belief in ethical morals is a form of being ethical by upholding the ethical norms in the organizational environment. A good attitude and mutual respect for the rights and obligations of each organization member is a belief in the value of appropriateness and truth that is integrated into the moral principles of the East Java Inspectorate auditor. The higher the ethical morals possessed and believed by the auditor, the stronger and more confident to show the value of appropriateness and truth. Therefore, when the auditor has strong ethical and moral principles, he

will tend to have a strong intention to take whistleblowing intention.

Auditors believe whistleblowing is an ethical dilemma inherent in decision-making attitudes to provide information on fraud and financial crimes. In government agencies, ethical morale is very high because the bureaucratic environment and organizational culture involved are more sensitive than people who work not in government agencies (Su, 2020; Tumuramye & Ntayi, 2018). However, the auditor also believes that the known truth must still be informed to law enforcement as a form of moral responsibility towards himself and the organization. It is difficult and dilemmatic for auditors to ignore the moral principles that they have believed. Further, it will avoid providing information on fraudulent and financial crimes that they have known.

The results of this study also inform that auditors who carry out whistleblowing intentions are strongly influenced by ethical decisions, which are believed to be a form of moral responsibility to improve self-quality in the organization. The results of this study support Eka & Adhitya (2018), who state that the ethical morals of employees in organizations affect the whistleblowing intention.

### *Professional Ethics Affect Whistleblowing Intention.*

The East Java Inspectorate auditor is a profession that is attached to its main duties and functions within the organization. Considerations and ethical codes attached to the auditor profession demand professional behavior in their work activities. Auditors with ethical professionals always comply with their work environment's code of ethics and ethical norms. Ethical professionals inherent in their work attitudes and behavior cause high confidence to have the intention to do whistleblowing. Auditors with a strong ethical professional attitude make decisions to provide information on fraud and financial crimes that they know are getting stronger.

The ethical profession of auditors is the value given to their ability to carry out their work based on the knowledge gained from formal and non-formal education and auditing experience. Therefore, professional skills will not be formed without the ethical attitude inherent in the government auditor profession. Auditors with professional skills will have a good ethical attitude based on their professional considerations. They will have a strong whistleblowing intention. The results of this study are supported by Badrulhuda et al. (2020) and Eka & Adhitya (2018), who found in their research results that professional members of the organization have a significant influence on whistleblowing intention.



#### *Ethical Confidentiality Affects Whistleblowing Intention*

The results of this study inform that the auditors of the East Java Inspectorate feel confident that there is a definite guarantee of legal protection when carrying out whistleblowing intentions. Reforming anti-corruption laws to prevent fraud and serious financial crimes from the state has proven to increase the auditor's confidence that their family and career are protected. The auditor's high ethical confidentiality has reduced the auditor's concerns and fears over the threat to their safety. So when the auditor has a strong ethical confidentiality attitude, the tendency to whistleblowing intention is very high.

The auditors of the East Java Inspectorate believe that the state should provide legal protection by issuing a clear legal protection law for whistleblowers. The auditor also wants a guarantee of legal protection issued and provided by the institution or organization for the continuation of his career, position, and work. In addition, the existence of legal protection for the security and safety of family or close people is also an indicator of ethical confidentiality desired by the auditor

This study's results support research by Lee et al. (2020) and Azhari & Nuraini (2019), which state that the certainty of legal protection as a form of ethical confidentiality affects whistleblowing intention. Strong and secure legal protection can increase someone's courage to do whistleblowing.

#### **5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS**

This study aims to prove whether whistleblowing intention is an ethical practice. The variables of ethical sensitivity, ethical morals, professional ethics, and ethical confidentiality were used to determine their effect on whistleblowing intention. This study succeeded in proving that ethical morals, ethical professionals, and ethical confidentiality had a significant positive effect on whistleblowing intention. The results of this study prove that whistleblowing intention is an ethical practice. Whistleblowers often run into ethical practices and dilemmas when they intend to provide information on fraud and financial crimes. The moral principle of the East Java inspectorate auditor to believe that fraud is detrimental to members of the organization is a form of ethical propriety in acting when they know of fraud and financial crimes.

The East Java inspectorate auditor profession is formed from the ethical attitude inherent in their knowledge and experience as an auditor. Auditors with professional skills will have a good ethical

attitude based on their professional considerations. They will have a strong whistleblowing intention. In addition, the results of this study also concluded that whistleblowers need a definite security guarantee and legal protection. The auditor decides to carry out whistleblowing if there is a certainty of legal protection for himself, his family, and his career in the organization.

The theoretical implication of this research informs that ethical practices and ethical dilemmas met by auditors and employees in organizations are a form of necessity experienced when doing whistleblowing intentions. Becoming a whistleblower is difficult because they often experience ethical dilemmas. The whistleblower should improve the understanding of science and theory of ethics and fraud to be precise in making decisions. The practical implication is that organizations and the state must provide legal protection for whistleblowers. Weak laws that ensnare perpetrators of fraudulent practices, financial crimes, and legal protection for whistleblowers have hampered the submission of complaints.

The small scope of respondents in the East Java inspectorate and the lack of information gathering with respondents through in-depth interviews are limitations in this study. Further research is recommended to conduct direct interviews with whistleblowers to obtain in-depth information on the relevance of practices and ethical dilemmas suffered by whistleblowers. Qualitative research methods such as case study, phenomenology, or ethnomethodology are highly recommended for whistleblower ethical practice research because they relate to respondent behavior and organizational culture.

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