

The implementation of a whistleblowing system as an anti-corruption initiative in Indonesian government institutions

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Abstract: Whistleblowing is viewed as a powerful tool to identify corruption. Apart from motivation, behaviour, and the rights of whistleblower protection, as success factors of whistleblowing programs, current research argues that it is hard to expect the emergence of whistleblowers if channels to report wrongdoing do not exist. Hence, the purpose of this study is to explore and explain the provision of whistleblowing policy and the range of whistleblowing systems and their channels as an anti-corruption initiative in Indonesian government institutions. The research utilised content analysis from secondary data and analysed primary data obtained through online survey completed by government auditors working in Indonesian government institutions. Indonesia has at least 618 government institutions, whereby the researcher chose the most “valuable” sample based on a hierarchy of 104 institutions from central government and provincial level; it excludes government institutions at the district and municipal level, 44 questionnaires were returned and usable (42% response rate). The research found that from these institutions, just a few have had a policy that aligned with international best practice, some were not even backed up by a policy at all. It appears that many institutions have built a whistleblowing system for lip service only; they do not provide a comprehensive policy to protect the witness, handle the report, or guarantee an investigation. Research outcomes are expected to encourage the Indonesian government to extend whistleblowing provisions in their institutions. This study can be useful as well for government institutions to get a general idea of the common content of whistleblowing policies.

Keywords: Whistleblowing Systems, Audit, Corruption, Government Institution

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Introduction

As a developing country, Indonesia was once referred to as an Asian tiger due to its fantastic economic growth (Basri & Hill, 2011; Hill, 2000). Yet, it is a paper tiger, with the typical problems faced by many developing countries within the middle-income trap (Mohamad et al., 2021). After an initial period of rapid economic growth, they have experienced a sharp slowdown and national productivity, thus entrapping them in the developing status for an extended period with no sign of moving on to developed country status (Aswicahyono & Hill, 2015). It has been argued that the root cause of this situation is corruption (Hamilton-Hart, 2001; King, 2000; Olken, 2007; Pertiwi & Ainsworth, 2021; Schwarz, 1999).

These views have been reinforced by White (2006), who explained that the losses suffered by the government and the people of Indonesia due to corruption are enormous. It is believed to be the primary cause of stunted foreign investment that is needed to support the economy. Corruption has also resulted in economic disparities and the clogging of distribution of resources to those in need. The Indonesian government certainly has been pursuing many anti-corruption initiatives but its effectiveness to reduce corruption is still far from successful; many anti-corruption strategies have been applied by the government from one regime into another, yet they have had no significant impact on the corruption indices.

A prominent anticorruption strategy that was initiated by Klitgaard (2008) stated that corruption is a function of addition and subtraction between monopoly, discretion, and accountability (C

= M + D - A). Based on this theory, increasing accountability, minimising discretionary authority over government policies and reducing monopolies in business and economic activities are believed to be remedies for the issue of corruption (Klitgaard, 2019).

From this notion, the role of whistleblowing procedures that have been recognised as to increase accountability and transparency in the utilisation of public funds becomes relevant. This premise is supported by several studies showing that some major financial scandals in modern global markets were first noticed and reported by insiders, i.e. the whistleblower (Dungan et al., 2019; Near & Miceli, 2008).

Whistleblowing system provides an alternative solution to the complex phenomenon of corruption. It increases accountability and transparency in the workplace, thereby reducing opportunities for officials to release discretion on particular government policies (Taylor, 2019). This also increases the employees' perception that their actions are observed by other employees in the office, hence, those who want to violate the rules will recalculate all the risks they may incur before committing a violation. It also widely opens opportunity for witness to report wrongdoings with sufficient evidence to relevant authorities, either internally or externally (Brough et al., 2021).

Literature Review

Understanding Corruption in Indonesia

How to understand corruption in Indonesia might be better achieved through discussing the 32 years of Soeharto's era as the second president because he built a country full of corruption, and the consequent problems were inherited by the national leaders post-Soeharto (Schwarz, 1999). For three decades, from the early 1970s until the late 1990s, Indonesia experienced a significant economic transformation, going from one of the poorest countries in the world to becoming middle-income country. The Indonesian government in this period also was successful in surviving the oil price crisis in the 1980s by optimising the manufacturing sector and non-oil exports. However, in September 1997, the economic crisis was sudden, breaking down all the government optimism.

In an instant, the Indonesian economy collapsed. Starting with the collapse of the exchange rate, it then triggered very high inflation. Afterwards, the manufacturing sector fell, revenue declined, unemployment rose, and eventually the poverty rate increased dramatically. The public and investors lost confidence in the government, and an IMF bailout was the last option available, which was a very bitter pill to be swallowed by the people of Indonesia (Sharma, 2003). Soeharto's 32-year rule then ended when he was overthrown in March 1998 (Mohamad et al., 2021).

According to Brown (2006), this sudden economic downfall was related to the failures of the bureaucracy and the legal infrastructure in curtailing corruption and introducing effective corporate governance. Claessens et al. (1999) described how, at the peak of Soeharto era, almost all of the Indonesian economic sector was overseen by Soeharto's cronies. The Soeharto family business empire collectively controlled assets worth US\$24 billion, and it was considered as the largest stockholder in Indonesia.

Claessens et al. (1999) further explained that the interlocking relationships with the major Indonesian corporations created strict barriers for other business-people to enter the market, increased business uncertainty, reduced accountability, and escalated monopoly practices. This concentrated family control eventually shaped the legal system and brought the country to its worst level of corruption in 1996 (Tadjoeddin, 2019). An irritating fact for Indonesians is that up until now, Soeharto and his family have been acquitted for their corruption cases in many trials due to their ability to influence the judicial and political system. Thus, their fortune from the corruption remains untouchable (Schwarz, 1999).

After Soeharto's authoritarian regime was overthrown in March 1998, B.J. Habibie continued for a short while; afterwards, Abdurrahman Wahid, Megawati, and Susilo Bambang Yudhoyono ruled Indonesia as elected presidents, respectively, with the current president being Joko Widodo. None of the recent presidents since 1998, have built a political dynasty or private business empire

as Soeharto did, but corruption itself still exists. In every single presidency, massive corruption cases always appear, with some remaining unsolved even today (Tadjoeddin, 2019).

Since the end of the Soeharto regime, political reforms marked an increasing democratic period, for example, Indonesia now limits the presidential term to two periods. President Susilo Bambang Yudhoyono was the first president to hold the two-term presidency following the political reforms in 1998. However, during his time in office, Yudhoyono's government was not free from corruption scandals. The two most prominent corruption scandals were probably the Ham-balang and e-ID (electronic ID, e-KTP) cases; at least five ministers were convicted. Yudhoyono's party chairman, Anas Urbaningrum was also sentenced to jail. Rumours also mentioned that his youngest son, Edhie Baskoro, was involved in these corruption cases (Fealy, 2011; Hakim, 2016; Mietzner, 2014).

The current president is Joko Widodo, known as Jokowi. The public had high expectations of the newly elected president. However, since the candidature, he has been influenced greatly by other political figures. For example, his appointment as a presidential candidate relied heavily on Megawati, the former president and the chairwoman of PDI-P party; hence his political policies appear to have been steered by Megawati and her acquaintances. One example was the process of electing the National Police chief, where Jokowi hesitated to revoke General Budi Gunawan's nomination, a former aide of Megawati, even after the Corruption Eradication Commission (*KPK, Komisi Pemberantasan Korupsi*) had warned of the potential allegation about Gunawan and some other corruption cases (Quah, 2016). Further, Arif Budi Sulisty, a member of Jokowi's extended family, is currently entangled in a US\$4.40 million tax evasion case, his allegation is still ongoing in the court, though Jokowi has declared that he will not intervene in the trials, the public doubts this claim (Halim & Parlina, 2017).

Why can corruption be that rampant in Indonesia and seem so hard to eradicate? Budiman et al. (2013) reviewed the perception amongst senior government employees that might provide a general rationalisation for the systematic and rampant corruption in Indonesia. The study revealed that due to the collectivist culture, Indonesians tend to be likely to deny responsibility, social weighting and appeal to higher loyalties. However, Cameron et al. (2009) repudiates this point of view. The cultural and social structure towards corruption, based on their research, could be more complex than the former hypothesis. Their results show that Indonesians appeared to have a relatively low tolerance for corrupt behaviour compared to their counterparts in Singapore, which is consistently ranked as a low corruption country.

From this discussion of corruption in Indonesia, we could conclude that further research is worthwhile to conduct so that we can take advantage of the Indonesian case.

Theories and Definitions of Corruption

It is crucial first to examine the various definitions of corruption and how corruption affects economic development. The current trend is to consider corruption as evil, bad and a negative deterrent to the national growth, even though some scholars still consider that corruption on many occasions has some benefit to economic development, the debate is mainly due to the different perception of what corruption is (Alatas, 1990; White, 2006).

According to White (2006), corruption theories can be divided into two major categories: corruption based on a moralist approach and corruption based on a functionalist approach. Moralists see corruption as "black and white", it is a simple "right or wrong action. This definition was also used by Alatas (1990), who stated that corruption is simply stealing and cheating. Meanwhile, the functionalist approach considers corruption as much a more grey area, instead of "black and white" only. It argues that corruption depends on the situation and conditions surrounding the corruption case itself.

Understanding corruption could also be attempted through the Klitgaard equation of corruption. Klitgaard (1988) noted that corruption (C) equals monopoly (M) plus discretion (D) minus accountability (A): $C = M + D - A$. Based on the Klitgaard equation, Sherlock (2002) explained that corruption becomes systemic when government officials have monopolistic control over state resources (monopoly), while at the same time access to those resources is restricted to a few people (discretion), and control mechanisms are weak or non-existent (accountability). Some

economic scholars, such as Hamilton-Hart (2001), Jain (2001) and Lane (2005), proposed the concept of the principal-agent model in an effort to better understanding the nature of corruption together with its relationship amongst numerous definitions of corruption. The principal-agent model explains that corruption occurs when a person or entity acts as an agent on behalf of another person (or entity), the principal permits the agent to conduct some action based on the principal interest.

Finally, we should also understand and propose the possibilities of division on some terms relating to corruption. Plenty of terms are used interchangeably with corruption, such as fraud, white-collar crime, embezzlement, bribery, kickbacks, commission, collusion, irregularities, theft, defalcation, cash larceny, and so forth. According to Singleton et al. (2006), they have different definitions according to criminal law. Further, Singleton et al. (2006) differentiates some of those terms, for example, theft is similar to larceny, as the criminal takes goods illegally unnoticed by the owner of the goods. While in embezzlement, the offender initially controls the funds or finances legally under the liable agreement with the various parties involved, but then the ownership status of the goods is changed into his or her possession only. The main feature of embezzlement is fiduciary of duty to take care of and to protect the treasury, the embezzlers certainly breach that fiduciary of duty in doing so.

Corruption and fraud can be similar or different depending on the definitions being used. Some experts said, as discussed above, that corruption is one main branch of fraud, while others say it is just a fraudulent act involving government employees. Meanwhile, others used these terms concurrently in their explanation. Such arguments that try to define corruption are presumably to demonstrate an attempt to provide a solid foundation for understanding such a complex phenomenon (Gillespie & Okruhlik, 1991). Deflem (1995) highlighted that the intense debates often indicate how difficult it is to ascribe a clear-cut meaning to the term.

From the literature review discussed earlier, it can be concluded that the fight against corruption requires a multi-dimensional solution. A comprehensive method consisting of short-term and long-term strategies is needed to address this multifaceted problem. Those who determined to combat corruption also need to realise that a one size fits all strategy is less likely to be formulated.

The Prospect of the Audit Profession and Whistleblowing System as Anticorruption Instruments in Indonesia

Based on the Klitgaard anti-corruption formula, $C = M + D - A$, increasing accountability (A) together with the attempt to lessen the other two components, monopoly (M) and discretion (D), could help a country lower its corruption level (Klitgaard, 1988). This point of view is also supported by Sherlock (2002). As part of the political reforms, the Indonesian government post-Soeharto established many agencies that aimed at eradicating corruption explicitly. These initiatives sent a strong message to the public that the government was making serious efforts to provide such mechanisms to increase accountability and disincentives to corruption.

Since its independence, Indonesia has applied numerous anti-corruption programs, yet it seems to have had no significant effect on the level of corruption, which is persistently viewed as a high-profile problem in all levels of government bureaucracy. Hamilton-Hart (2001) added that the Indonesian government's effort to curb corruption through a reinforcement of the state audit institutions, such as the Supreme Audit Board of Republic of Indonesia (*BPK-RI, Badan Pemeriksa Keuangan Republik Indonesia*) and the Inspectorate General in each ministry and local government, could send a strong message that the government is seriously fighting corruption. The watchdog institution when functioning properly could also increase accountability by providing legal evidence and the number of losses from government officials' corrupt acts.

In addition, auditors can also play an active role ability in detecting and investigating corruption in government financial transactions and acting as a significant deterrent for corruption by suppressing opportunity factors, or at least acting as a strong psychological factor of deterrence.

Olken (2007) studied the correlation between audits and grassroots monitoring with corruption cases in Indonesian government infrastructure projects. The study set up a randomised field experiment on reducing corruption in over 600 Indonesian village road projects. He found that

increasing government audits reduced missing expenditures. By contrast, increasing grassroots participation in monitoring the projects had little impact, it reduced missing expenditures only in situations with limited free-rider problems and limited local elite intervention. Olken (2007) concluded that increasing accountability by traditional top-down monitoring (i.e. government audit and public participation) could reduce corruption cases significantly, even in a highly corrupt environment.

Corruption as a secretive deed, relying on concealment, repudiation, and trust treachery, are contradictory to accountability. As noted by Hogan et al. (2008) external auditors who can detect and investigate suspicious financial transactions leading to corrupt acts can help prevent and significantly reduce corruption by minimising opportunities for potential perpetrators to commit their crimes.

In practice, however, the government auditor role has not been exploited to its full potential, the auditor most often tends to do the clerical tasks, focusing on compliance with procedure while overlooking the objective of procedures. Their audits have often found only an insignificant misuse of funds, while major systemic failures resulting in large losses to the public funds remained unidentified. Whether the auditor can actually help society to reduce corruption is still an open and important question.

An alternative approach to reducing corruption is a whistleblowing system. Some of the largest financial scandals in the modern globalised market were first noticed and reported by insiders, i.e. a member of an organisation who spotted the wrongdoing and dared to “blow the whistle” (Near & Miceli, 2008). The idea behind the insider approach is that the organisation members are the people who know the organisation business process very well, and they can identify any unethical behaviour directly in their daily working activity, with less effort and cost, which is usually incurred when the organisation hires external monitoring systems.

Obviously, this approach has potential drawbacks as well, for example, Paul & Townsend (1996) stated that people might perceive whistleblowers as disloyal traitors and troublemakers who sell out their organisation for personal gain. Given these debates, whether the whistleblowing system can have a significant impact in reducing corruption is debatable.

This study differs from much of the prior literature by utilising more traditional corruption measurements, such as empirical work based on perceptions of corruption. In this sense, it is related to the papers by Lee and Fargher (2013) and Hassink et al. (2007) who examined the implementation of whistleblowing in the code of ethics and whistleblowing policies of companies.

A quantitative content analysis was performed by analysing publicly available data on several channels such as the internet, handbooks of Indonesian government institutions, and others printed media to explore how whistleblowing policy is currently implemented in government institutions in Indonesia and its impact on controlling corruption. This study slightly differs from Lee and Fargher (2013) and Hassink et al. (2007) which rely on the information from texts available in the document policies, while this study employs a set of questions to confirm such information from the public documents to improve the analysis results.

The majority of research in whistleblowing has focused on the private sector in developed countries (Bashir et al., 2011) and few published studies have discussed whistleblowing in Indonesia. For example, Trimulyono (2011) described the current practice of witness and whistleblower protection law and the obstacles and challenges in the implementation of the law. Another study by Nurhidayat and Kusumasari (2017) set recommendations on the whistleblowing policies formulation in Indonesia based on the existing state regulations and international best practice whistleblowing policies. However, the study did not explicitly mention how Indonesian organisations stipulate the existing national law and apply the policy.

Four studies have gathered valuable data on the whistleblowing intentions among public and private sector employees in Indonesia. Latan et al. (2016) focused on whistleblowing from the perspective of public accountants, and found they are influenced by perceived organisational support, team norms, and perceived moral intensity regarding their intention to become whistleblowers. Suyatno et al. (2017) investigated variables such as attitude, subjective norm, and perceived behavioural affected the intention of employees in the Indonesian Directorate General of Taxation to report bribery on the existing channels in the organization. Erwin and Ramsay

(2015) studied the factors that would encourage and discourage Indonesian employees to become whistleblowers, and the business environment in the Indonesian financial companies that affect whistleblowing activity. Lastly, Winardi (2013) examined the theory of planned behaviour, i.e. the attitude toward whistleblowing, the subjective norm, and the perceived behavioural control to provide empirical evidence on the lower-level government employees' intention to file a formal report for any wrongdoing they witnessed in their institution.

From this small amount of research in Indonesia, most have discussed whistleblower motivations and intentions, protection of the whistleblower, the development of whistleblowing systems in the private sector, and the development of whistleblowing regulations, mainly from the discipline of law and business management. This research is the first study that investigates and evaluates the implementation of whistleblowing policies in the Indonesian public sector and the government auditing point of view.

This research is expected to contribute to the existing theory by seeking positive relationships amongst anti-corruption strategies, the audit profession, and the whistleblowing system. It aims to provide a framework for studying the fight against corruption using a whistleblowing system in a developing country with middle-high economic growth like Indonesia, and also to show how the audit profession can help curb corruption, and be useful to policymakers and other researchers. Furthermore, being a middle-income country with a large amount of territory and high population density, the Indonesian scenario may be used to produce a model that could eventually be adopted in other countries. To fulfil the objectives, the study will therefore be designed to provide explanations to the following research questions:

RQ1: What are the whistleblowing policies currently implemented in government institutions in Indonesia?

RQ2: How do the government auditors optimise the use of whistleblowing systems to limit corruption in Indonesia?

RQ3: To what extent do whistleblowing systems have an impact on limiting corruption in Indonesia?

Methods

The overarching objective of this research project is to identify and examine the implementation of the whistleblowing system in Indonesia to reduce corruption. As described above, previous research such as Hassink et al. (2007), Lee and Fargher (2013a), Moberly and Wylie (2011a), Paul and Townsend (1996) were mainly focused on the implementation of whistleblowing for fraudulent acts in the private sector in developed countries, with limited or no attention being given to the practice in the public sector in the developing country context, more specifically in Indonesia.

Data Collection and the Proposed Framework

Primary and secondary data were collected to answer the current research questions through the use of mixed research methods. Mixed method online questionnaires were used to collect both quantitative and qualitative data, the research also used content analysis. This helped in depicting a more complete picture of the current research issue. The overall research design of this study is explained briefly below.

Step 1. The Government Official Websites Content Analysis

This stage was intended to classify data population based on three categories (subsamples). In this stage, the study classified government institutions in Indonesia into three main categories: those with explicit disclosure of a whistleblowing system (subsample 1); those with a system to accept complaints but not clearly referred to as a whistleblowing system (subsample 2); and those that have not implemented a whistleblowing system yet (subsample 3).

The first phase aims to map Indonesian government institutions based on their current and diverse web-based whistleblowing systems. The result could also provide information for the government and encourage them to increase the implementation rate of web-based whistleblowing systems within their institutions.

Step 2. Online Questionnaire Stage

The current study was conducted in the Indonesian context. The subjects of the study were government institutions in Indonesia, ranging from the central government to local governments, i.e. provincial and municipal (or district) institutions. There are more than 618 government institutions that are the subjects of this study.

Government institutions were selected by annual budget size and institution hierarchy. Government institutions in Indonesia basically adhere to a hierarchical structure, starting from those at the village head level (*kelurahan*), sub-districts of villages (*kecamatan*), municipal districts (*Kabupaten or Kotamadya*), and provincial government level municipalities, with a total of 34 provinces in Indonesia. Then, there are also the ministries and government bodies of the central government at the top.

Hence, the sample of the current study started with 104 central and provincial government institutions. The rationale for such a selection is straightforward: the largest and highest levels of government institutions are more likely to have established codes in regards to anti-corruption. They also tend to devote more resources to developing and implementing procedures for addressing allegations of wrongdoing. The central government includes the ministerial level, specialised agencies, such as the Supreme Audit Institution, Central Bank, Financial Service Authority, and so forth.

Data Analysis and Research Results

Step 1. Content Analysis of the Official Government Websites

The first phase of this study examines information available publicly on the websites of Indonesian government institutions. The purpose of this phase is to identify how the whistle-blowing system was implemented in the Indonesian government institutions. Indonesia has 618 government institutions in total, which includes the central and regional governments. The central government includes the ministries and special bodies, such as the Audit Board, the Central Bank and Parliament. The local government is divided into provinces, districts, municipalities and local parliament. An institution is classified as having a whistleblowing system if it disclosed procedures for reporting wrongdoings.

An Excel spreadsheet was used as a guiding instrument to classify the implementation of the whistleblowing system in each institution. The table mainly consists of the abbreviation or short name of the institution, the full name of the institution both in Indonesian and English language, the contact address both in email and postal address and a subsample column.

The subsample was divided into three categories. First, an institution that explicitly discloses that they have a whistleblowing system or other similar names. On many occasions, the institution named their website with different terms such as “*pengaduan masyarakat*” (public complaint) but then they explained that this system serves similar functions to a whistleblowing system. In this case, the procedures were categorised as a whistleblowing system, and the institution fell into the first subsample. The second subsample was the institution that accommodated a complaint report but did not mention clearly that their system was a whistleblowing system. Some institutions simply put a “contact us” page to accommodate this. Some other institutions have a separate public complaint homepage with a feature slightly similar to a whistleblowing system, but usually had incomplete information. Lastly, institutions that did not provide any information regarding whistleblowing policies or public complaints channels on their website fell into the third subsample.

The study found that only 31 institutions have a web-based whistleblowing system, which was only 5% of the total research subjects. They are part of the first category. In addition, there are 229 institutions which have provided a channel to accept complaint on their website, but they did not explicitly mention that the channel is part of their whistleblowing policy. This constituted 37% of the total research subjects. While the rest of the institutions accounted for 358 entities or 58%, of the population, did not have any system to accept whistleblowing or at least a complaint. The preliminary research results successfully classified 618 government institutions in Indonesia into three different categories based on their website content. The results also reveal that of the 31

institutions that have implemented a web-based whistleblowing system, none of them provide services in foreign languages; it only available in Indonesian language.

Further analysis shows that most of the local government institutions have not implemented a whistleblowing system on their websites. Only three local government institutions at the district and municipal level (10%) have had a web-based whistleblowing system; none of the local government at the provincial level has implemented a web-based whistleblowing system (0%), while the central government institutions, in general, have provided a whistleblowing systems on their websites (28 institutions, 90%). This study also found that many government institutions in Indonesia provided other channels to facilitate complaints from employees and the general public, such as a hotline (telephone) options, short message services (SMS/text), email, paper mail, and direct (in person) reporting.

Data collection at this stage also yielded some other relevant information from websites that were useful for further research steps, such as telephone and facsimile numbers, official email addresses, postal addresses and person or division in charge of the whistleblowing system (or the public complaint procedure). Contact details would be useful for the online questionnaire stage to initiate communication with prospective respondents. The data of each person responsible for the whistleblowing would also be useful for the next research stage. The data provided a basis for answering research questions related to the role of internal auditor in managing the whistleblowing system.

In this regard, the research results showed that 16 institutions (52% of the sample, out of 31) assigned their internal audit department (inspectorate) to manage a whistleblowing system. An institution formed a unit to handle the whistleblowing system, while another institution outsourced a third-party accounting firm to manage its whistleblowing system. Two institutions appointed their public relations department, and another two institutions named their public complaint directorate to manage the whistleblowing system. The remaining nine institutions (29%) did not provide sufficient information regarding this, most of them directed all contact and communication to the head office.

A closer observation of the layout and website contents revealed that there are some similarities on several web-based whistleblowing systems. In general there are three groups of institutions that have similarities in layout and content of the website. The first group consisted of 10 institutions, the second and third group consisted of two institutions (four institutions in total). Given the fact that there are no specific formal guidelines from the national regulation, this could indicate that some institutions adopted a “copy-paste” approach. The decision of many institutions to use this approach can imply the efficiency of policy and system development. This method also indicates a uniformity of format, thus creating the impression of cohesiveness between government institutions. Although, it can also imply that government institutions are reluctant to adjust the content of their policies to the circumstances of individual institutions.

Step 2. Online Questionnaire Stage

The second research stage elaborated on the provision of a whistleblowing system in the sample institutions using an online questionnaire. Respondents were selected from the research subjects, which includes 618 government institutions in Indonesia, the sample was selected based on purposeful sampling (also known as judgmental sampling), whereby the most ‘valuable’ sample was chosen based on the hierarchy. In this case, it consists of the rank of the institution, from the central government (70 institutions) to the provincial level (34 institutions), excluding the lowest level of the hierarchy, which include government institutions at the district and municipal level (514 institutions). This option is taken on the assumption that the central and provincial government will have a larger total budget, human resources, and range of political influence compared to the district and municipal government, which makes it more likely that corruption might happen.

104 questionnaire requests were sent to respondents, 44 responses were received; this yielded a response rate of approximately 42%. This response rate compares favourably with other studies in the same setting, which have indicated that the average response rate to questionnaire surveys in Indonesia tends to be low, ranging between 20% and 50%. Saunders et al. (2009) added that the likely response rate from internet-mediated questionnaires varies, from 11% or lower, and the low

response rate is one of the disadvantages. Kumar (2014) mentioned that the common response rate in questionnaires is between 20 and 50%.

The data were collected using online questionnaire tools provided by Bristol University. The study chose respondents based on the institution and considered one questionnaire for one institution, regardless of how many people who would fill in the questionnaire.

The current study was developed based on the coding system from Hassink's study of whistleblowing provision in various private companies in Europe and Moberly's study of whistleblowing in US private companies (Hassink, et al., 2007; Moberly & Wylie, 2011a). The coding system focuses on: (1) general content, scope and tone; (2) nature of violations to be reported; (3) officials or bodies to whom wrongdoing should be reported; (4) reporting guidelines and formalities; (5) confidentiality and anonymity; (6) protection from retaliation; and (7) investigation details. The next section will present the findings.

Type of Whistleblowing Channels that are Currently Ubiquitous

The most popular channel for whistleblowing is the web-based whistleblowing system in 26 out of 34 institutions (77%). Email, telephone (hotline) and traditional post-mail were the most popular with the remaining eight institutions, with the percentage of 56% for all of the three channels. The results are consistent with the first phase of current research where only 31 institutions can be categorised as having a web-based whistleblowing system; the difference in numbers (26 to 31) is possibly due to the fact that some institutions have not stated explicitly that their website was intended for whistleblowing.

This finding is slightly different from previous studies. Moberly & Wylie (2011) found that direct reporting to the corporate audit committee (55%) and hotline channels (47%) were the most popular means of whistleblowing in the US. The finding confirmed another study conducted by Weaver et al. (1999), that revealed that nearly 51% of the Fortune 1000 companies in 1999 employed ethics hotlines to accommodate whistleblowing. Apart from the prevalence of the internet in recent times, the difference might arise due to the cultural difference between the US and Indonesia. The US represents a individualistic society in which people in general are inclined to speak up and tolerate openness, while Indonesia is more collectivist, where people are more comfortable with indirect communication that is possible through use of the internet (Hofstede et al., 2010).

The Development of Whistleblowing System in Indonesia

Of the total respondents, all 34 institutions revealed the date when their system was first introduced to employees and the public. The oldest whistleblowing system among the sampled institutions was the provincial government on Kalimantan Island which launched the system on 1 September 1999. Another provincial government on Java Island followed afterwards, the local government launched the system on 1 April 2000.

Meanwhile, the Corruption Eradication Commission (Komisi Pemberantasan Korupsi/KPK) launched its whistleblowing system in 2009 (KPK, 2010). Since its establishment, the KPK Whistleblowing System (KWS) was applauded by many observers and anticorruption organisations, such as Indonesian Corruption Watch (ICW), which is a powerful tool to detect corruption cases in Indonesia (Schütte, 2012). Since then, KPK has fully exploited its whistleblowing systems to collect information about corruption from the public and develop cases based on initial input from this system.

From then on, the system became very popular and was implemented by many government institutions. It seems that the success of KPK in using its whistleblowing system to detect, investigate, and trial many prominent corruption cases had triggered the proliferation of a whistleblowing system among government institutions in Indonesia. The increasing trend in the development of whistleblowing systems since 2009 supports this statement. The research result showed that in ten years, from 1999 to 2009, only six institutions launched their whistleblowing system. Subsequently, in less than a decade, from 2009 until 2016, the whistleblowing system was introduced by 28 sampled institutions in this study (82% of 34 institutions).

The Importance of Whistleblowing for the Sampled Institutions

Of 33 institutions (out of 34 total respondents) that were willing to answer this question, all agreed that the whistleblowing system was important for their institution in order to fight corruption and other financial misconduct. Only one institution chose not to fill in the answer. Due to the sensitivity of corruption issues in Indonesia, we argued that it was wise to give respondents the freedom to remain silent or not answer some questions that were naturally sensitive and could cause discomfort when they were forced to answer questions. On the other hand, some questions were naturally unavoidable to ask the respondent if we want to find answers to the research questions. Thus, we decided to keep some sensitive questions, such as the question in this section, with the awareness that some respondents might be reluctant to answer.

This question was only addressed to the 34 institutions that already have a whistleblowing system. It seems that the whistleblowing system has become an integral part of the anticorruption campaign in most government institutions in Indonesia. Although many of these departments did not have the ideal whistleblowing policies yet, this amount has at least shown encouraging developments in the provision of a whistleblowing system in Indonesia.

Location of the Full Code

The provision of a whistleblowing system in Indonesian government institutions was on a voluntary basis. Therefore, the application of a whistleblowing system was not mandatory; likewise, disclosure of whistleblowing policies for the public interest was not required. This was different from the application of whistleblowing systems in other regions, for instance, in the US. Since the introduction of the Sarbanes Oxley Act, public and private organisations under US law were obliged to establish a grievance procedure to accommodate public reports on questionable accounting or auditing issues, especially for public companies (Moberly & Wylie, 2011; Wolfe et al., 2014). They were also required to provide a whistleblowing policy to the public. Organisations could choose three different ways to either put policies on their website, be presented as part of their annual report (usually in the exhibit part), or deal personally with the person asking for the policies (Lee & Fargher, 2013b).

Based on feedback from the online questionnaire, this research found that most government institutions in Indonesia provided much information about whistleblowing policies on their website. 26 institutions (76% out of 34) stated that they disclosed their whistleblowing policies on the website. 11 institutions indicated they did not expose their whistleblowing policy to the public but provided policies based on demand. On the other hand, seven institutions undisclosed the information from the public and provided the data for internal use only. Respondents might choose more than one answer. Those trends above were slightly different from previous studies. Moberly & Wylie (2011) found that 85% of US-listed companies placed their policy documents on the website, 42% provided the materials on demand and 6% put it in their annual reports. Meanwhile Hassink et al. (2007) exhibited that out of 24 sample institutions, 17 of them (71%) exposed whistleblowing policy for the public interest on their website.

Scope and Applicability of the Policy

29 institutions (85% out of 34) who claimed to have a whistleblowing system stated that their whistleblowing policies included all employees either as subjects or as objects of reporting. Interestingly, five institutions (15%) did not include 'all employees' within the scope of their whistleblowing policies. This is interesting because the terms 'all employees' might facilitate universal coverage for the policy. Although none of the two previous studies yielded 100% for this question either, Moberly and Wylie (2011) generated 98%, while Hassink et al. (2007) produced a slightly lower figure by 96% of their sample. Various possible reasons were argued to explain this condition. For example, Hassink et al. (2007) described that a small number of their sample institutions (4%) limited their policy to employees in a senior managerial position.

Tone of Policy

The tone of the policy was how the organisation expected its employees to act when employees see wrongdoings. Although it was not compulsory in the national level regulation, it is noticeable

that more than a half of the institutions (56%) made strong statements such as ‘employees must ...’ or ‘it is the employee obligation to ...’ 41% of government institutions in Indonesia also encouraged employees to report violations, while 44% of institutions sent more neutral messages to their employees by stating that their employees ‘can or may file a report’ when employees witness their colleagues commit violations. Respondents were permitted to choose more than one option, too.

In this case, the significant difference in results were found from two previous studies. Hassink et al. (2007), which examined Financial Times Stock Exchange (FTSE) Eurotop-100 found that 66% of the sampled institutions used authoritative tone such as “must”, “should” or “are expected to” when reporting violations. 36% used a moderate statement like “employees are encouraged to report”, while other 13% of policies used neutral tone such as “can” or “may”. Moberly & Wylie (2011) researched listed companies in the US, which showed a very high number (97%) of the respondents who required their employees to report any violations they witnessed. It indicated that the US companies recognised the importance of whistleblowing for their internal control system. Another portion of the sample, 36%, used moderate tone like “encourage” (Moberly & Wylie, 2011b). Both studies recorded the percentage that could exceed 100% in total because some institutions wrote different types of statement on their policy. For example, some stated more authoritative message for financial misconduct, while at the same time had an encouraging or neutral tone for ethical behaviour, thus resulted in various tones in the same institution.

The Nature of the Violations to be Reported

The employee who witnesses wrongdoing would possibly examine the regulation to find out what kind of violation that the organisation wanted to know before they decided to become a whistleblower (Vandekerckhove, 2010). In this regard, the questionnaire asked whether the institution provided a general example of violations such as the statement of ‘the violation of law/regulation/code of ethics.’ In general, almost 80% of respondents stated that they gave a general example of violations. Four institutions refused to answer this question. Three other institutions stated explicitly that their whistleblowing policy did not provide general examples of the violation. It seemed that their procedures are more straightforward; each violation was specified in their policies.

Most government institutions specified that corruption was the object of reporting in their whistleblowing policies; 25 of the 34 institutions (74%) indicated that their regulation was aiming at this misconduct. The most common violations mentioned afterwards in the policies were financial reporting problems (62%), conflict of interest (62%), and theft/misappropriation/misuse of government institution assets (59%), all three of those violations were closely related to the axiom of *Korupsi, Kolusi dan Nepotisme* (KKN) in Indonesia.

Officials or Bodies Whose Receive Reports

The research result shows that 88% of the sampled institutions appointed their internal audit department (inspectorate general), for receiving the reports so that the auditor could follow up the report and take appropriate action immediately. This strategy is expected to increase the accountability of public entities. This finding also confirmed the preliminary research results that most government institution (52%) assigned their inspectorate general to handle the web-based whistleblowing system. This ultimately showed the important role of the internal audit department in managing the whistleblowing system and implementing the government anticorruption programs.

The next most popular recipient were dedicated channels, such as a hotline and special whistleblowing website. 56% of the institution implemented this application to receive the reports. Some institutions provided a channel that facilitated employees and the public to report violations directly to the top-level officials or political leader in the institution, such as the board of directors, head of state bodies or ministries, directorate general, echelon 1, or head of local government (governor). It accounted for 35% of the sampled institution. Ten institutions (29% of the respondents) appointed compliance or ethics officer to receive employees report. The same proportion of samples delegated responsibility to direct or indirect supervisor to receive employees report. This was different from what happened in the US and Europe. In the US, 75% of sampled institutions

appointed employee's supervisor as the recipient of the reports (Moberly & Wylie, 2011b), while 73% sampled institutions in Europe used organisational hierarchies as the most common contact for reporting violations (Hassink, et al., 2007).

Reporting Guidelines and Formalities

Of the total respondents, 91% of institutions stated that violations should be reported in sufficient detail, comprehensive information was needed as a prerequisite for further investigation. That is quite reasonable, however, because investigators will remain in the dark if they do not know details of the case such as who the suspect is, what crime they committed, when it happened, etc. It would be challenging to investigate the case further if the report only explained general facts. Despite the percentage of respondents who stated that the violations should be reported in sufficient detail is very high, more than 90%, further research showed that only 79% of respondents specified what should be included in the report. Information about what information is expected by government institutions, general guidelines on how to report, basic rules of 5W + 1H (what, when, where, who, why and how) can be found on some web-based whistleblowing system of the government institutions. This additional information was obtained from the preliminary research.

More than half of respondents (59%) included a special reporting form on the website and their internal regulations to assist employees or external parties who wanted to become whistleblowers. Another feature provided by institutions to facilitate reporting is the checklist for the criteria of wrongdoings, where slightly more than half of the sample (53%) claim that they have this facility.

Protection from Retaliation and Qualification for Protection

The whistleblowing initiatives in Indonesia now seem to be going backwards. This is due to the weak protection offered by government agencies, even in those which already have whistleblowing provision. Only a few institutions' policies contain a guarantee that there will be no retaliation (29%), and only nine institutions (27%) stated that retaliation and/or considering retaliation "will not be tolerated". Only 24% of institutions would be willing to give any guarantee of protection for a whistleblower who has very little evidence. Unsurprisingly, 23 institutions (68%) stated that reports must be based on a "reasonable belief" or be made in good faith.

Whistleblowers' counterparts in Europe and the US enjoy a more comfortable guarantee as reflected in Hassink et al.'s (2007) study that found 79% business entities in European countries in their sample clearly stated that their reporting system was confidential. In addition, Moberly & Wylie (2011) found nearly 91% of their sampled US organisations promise that they will not retaliate against the employee, with 30% of them even guaranteeing a punishment for those who take revenge on the whistleblower.

The combination of factors ranging from weak protection to complicated requirements for witness protection, as mentioned above, can cause fear, discomfort and ultimately weaken the motivation of employees in Indonesia who want to become whistleblowers.

Handling the Allegation

Guarantees that reports will be handled seriously are also needed to convince the potential whistleblower that his or her actions are not fruitless. Most institutions in the sample in this study (85%) clearly stated that reported violations would be treated confidentially. Most (91%) also specified the requirements for a definite follow up were that the violations should be reported in sufficient detail to allow an investigation.

Besides that, specific details were required for a proper handling report (79%), and more than half (59%) provided a special reporting form to assist their employee once they needed to set up an initial report. Meanwhile, most (85%) promised that reported violations would be treated confidentially, though only a few clearly stated the violations could be reported anonymously (59%).

Anonymity of the Whistleblower

Most local governments did not guarantee the protection for the whistleblower, while the central government institutions were one step ahead. Many of the central government institutions

promised to protect the anonymity of the whistleblower as well as protect them from retaliation and other potentially harmful effects caused by the action.

Nevertheless, in total only 59% (20 institutions) guaranteed the anonymity of the complainant. Meanwhile, 32% of respondents stated firmly that their institution discourages anonymous reporting, though the majority stated that they would treat the reported violations confidentially. This finding is consistent with other studies, as Moberly & Wylie (2011) and Hassink et al. (2007) stated that only 56% and 64% of organisations promoted anonymous reporting, respectively.

According to Miceli et al. (2013) there are arguments among scholars regarding the value of anonymous reporting. Anonymity can cause some serious problems such as data protection issues, follow-up action, and halting the investigation process (Miceli et al., 2013; Miceli & Near, 1992). However, organization members are more likely to speak up when they have the option of anonymity (Miethe, 1999; Sunstein, 2005). In the Indonesian context, we believe that the reluctance of many institutions to ensure anonymity is quite disappointing since it could offer an additional shield for the complainant from retaliation.

Guarantee of the Investigation

Investigation or serious treatment of a report was guaranteed in 85% of the total sample. Most of the institutions required their managers and other employees to cooperate in the investigation (74%). Other notable points were the requirement to keep a complaint log (62%) and the assurance that the decision process of whether or not to investigate was clearly described. Several institutions also prohibited their employees from starting an investigation on their own (18%).

The Role of Internal Auditors in Investigating Corruption Cases in the Institution

The last question in this questionnaire delved deeper into this topic by directly asking about the role of auditors, both internal and external, in responding to actual corruption cases that occur in their institutions. Qualitative content analysis was used to analyse this open-ended question and classify the responses under a similar theme. Research results found that the role of government auditors in controlling corruption was most often referred to by respondents was to follow up and investigate corruption cases using several audit techniques, such as inspection of documents and physical verification, observation, computation and analytical procedures. This role was mentioned 33 times by respondents in the questionnaire. Auditors can also play a significant role in preventive measures before the corruption happen. Respondents discussed it 13 times in total.

The Best Practices of Whistleblowing Policies

This study aimed to make a categorical framework based on international best practice whistleblowing policies amongst government institutions. Table 1 shows the basic structure of the whistleblowing policy.

Table 1. The basic structure of the whistleblowing policy, adapted from Hassink et al. (2007) and Moberly & Wylie (2011).

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1. Location of the full policy
 2. Policy applicable to ...
 3. Tone of policy, the assertiveness of the policy to encourage whistleblowing
 4. Other common issues related to the implementation of whistleblowing in the institution
 5. Nature of the violations to be reported
 6. Official or bodies to whom wrongdoing may be reported
 7. Reporting guidelines and formalities
 8. Protection from retaliation and qualification for protection
 9. Confidentiality and anonymity
 10. Investigation details and institution response to the report of whistleblowing
-

Conclusion

The objective of this study is to understand and explore the implementation of a whistleblowing system in Indonesian government institutions, its effectiveness on reducing corruption in Indonesia, and how the government audit profession optimises a whistleblowing system for controlling

corruption in Indonesia. As reflected in the research objectives mentioned above, this study is expected to contribute to existing knowledge by outlining the potential of a whistleblowing system to reduce the level of corruption in a specific country, in this case, Indonesia. The findings of this research could also have implications for audit practices since the whistleblowing systems that is widely applied in the developed countries is an integral part of the audit cycle or internal control assessment. Furthermore, being a middle-income country with a large amount of territory and high population density, the Indonesian scenario may be used to produce a model that could eventually be adopted in other countries. Finally, the significance of this study also arises from the fact that it focuses on a much-neglected topic in anticorruption studies. The whistleblowing system is argued to be the most effective tool for detecting corruption and other financial misconducts, yet research and its application to eradicate corruption in Indonesia remain low. The conclusion of this article are discussed in separate subsection under the heading of each research question, as follows.

Research Question #1 “What is the whistleblowing policy currently implemented in government institutions in Indonesia?”

The research findings reveal that Indonesia still lags behind other countries in the implementation of whistleblowing system and the development of whistleblowing regulation. It can be seen from several factors, such as the absence of national policies that mandates the implementation of a whistleblowing system. Only a few government institutions have web-based whistleblowing channels, of which 618 institutions surveyed only thirty-one institutions (5%) have it. Further data collection through online questionnaires show that only 77% of the sample (34 out of 44) had at least one whistleblowing channel, while the remaining 23% does not have it.

Besides that, protection for the whistleblower in Indonesia is weak, as only ten institutions (30%) claimed that their policies contained a general statement of protection. Eleven institutions (32% of respondents) considered anonymous reporting an obstacle to follow up on reports and requesting further information from the whistleblower. The combination of factors ranging from weak protection to complex requirements for witness protection can cause fear, discomfort, and ultimately weaken the motivation of organisation member in Indonesia who want to become whistleblowers.

The factors mentioned confirm that whistleblowing policies in Indonesia, in general, still lags behind other countries both in the same region such as Singapore and Malaysia, as well as other developed countries such as mainland European countries and the US.

Research Question #2 “How do government auditors optimise the use of whistleblowing systems for limiting corruption in Indonesia?”

According to the online questionnaire, most government institutions in Indonesia (88%) assigned their internal audit department, or better known as the Inspectorate in Indonesia, as the officials or bodies to whom wrongdoing may be reported. By doing so, the government would like to ensure that the reports were adequately dealt with, i.e. properly assessed, investigated and actioned promptly, by the internal auditor. Furthermore, in handling reports, if it is deemed necessary to follow up the report with a more detailed examination, all respondents stated that their internal audit department would carry out the work.

Following specific information provided by whistleblowers may also speed up and simplify the investigation process of corruption cases. This may result in better outputs compared to regular audit. Another advantage is the whistleblowing system might establish a sense of being watched among employees, thus it will improve the quality of the internal control system within the organisation. The findings confirm that government auditors in Indonesia managed to optimise the use of whistleblowing system to facilitate its work in investigating financial misconducts in their workplace. It also confirms the significant contribution of the auditor as the operator of the system to reduce corruption in Indonesia.

Research Question #3 “To what extent do whistleblowing systems impact corruption limitation in Indonesia?”

This study relied upon the participants responds in the close and open ended questionnaire, thus the perceptions of respondents to the importance of the whistleblowing system in their institution are important and the first thing to establish. In this case, most respondents in the online questionnaire (33 out of 34 institutions) agree that the whistleblowing system is essential for the detection and prevention of corruption. Further, the research result revealed that a web-based whistleblowing system could reduce the frequency of interactions between employees and the public, thus reducing the likelihood of corrupt behaviour. A whistleblowing system might also benefit government institutions in terms of fostering courage among employees and the public to report when witnessing corrupt practices around them. The overall findings confirm that the whistleblowing system has a significant impact on controlling corruption in government institutions.

The findings from current research can contribute to a better understanding of anti-corruption initiatives, particularly in a middle-income country like Indonesia. The findings are expected to be relevant to practitioners, academics, and policymakers in various ways. It will contribute to the existing literature two-fold. Firstly, this study extends prior evidence through a systematic review of whistle-blowing policies of a government institution in Indonesia, and to seek the reasons why the institutions have not implemented a whistleblowing system if they have not been implemented yet. Secondly, given that the whistleblowing systems in Indonesia are still immature, it is not clear who should follow up the whistleblower reports. We elaborate on how current practice deals with this question and how the government audit profession in Indonesia will contribute to improving this situation.

This study could provide a framework for studying the fight against corruption using a whistleblowing system in a developing country with a middle-high economic growth like Indonesia, how the audit profession can help a nation to curb corruption and be useful to academic policymakers and other researchers. Furthermore, being a middle-income country with a large number of scattered land territories and high population density, the Indonesian scenario may be used to produce a model that could eventually be adopted in other countries.

The whistleblowing system that is currently implemented in most developed countries is part of the internal control system, for example, in the US, based on the Sarbanes Oxley Act 2002. On the other hand, by law and professional standards, the auditor is obliged to review the entity's internal control in each audit engagement, it makes sense if then the auditor will utilise whistleblowing system to enhance their audit report. Therefore, the findings of this research could also have further implications for audit practices.

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