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The Role of Good Corporate Governance and Whistleblowing System Mechanisms on Fraud Disclosure
(Empirical Study on Banking Sub-Sector Companies Listed on The Indonesia Stock Exchange In 2015-2020)

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Abstract
This study aims to determine the effect of the Role of Good Corporate Governance Mechanism measured through the Independent Audit Committee and Managerial Ownership, as well as the Whistleblowing System on Fraud Disclosure in Banking Sub-Sector Companies listed on the Indonesia Stock Exchange in 2015-2020. The source of this research data uses quantitative secondary data, research data comes from the annual report of banking industry companies listed on the Indonesia Stock Exchange in 2015-2020. In sampling for this study used a purposive sampling method. The data analysis techniques used are multiple linear regression and hypothesis testing using t-statistical tests that have been processed on SPSS 25 to test regression coefficients. Based on the results of partial research, it was found that the Independent Audit Committee had a negative and significant effect on banking fraud disclosure, managerial ownership had a positive and significant effect on banking fraud disclosure, while the Whistleblowing System did not have a significant effect on banking fraud disclosure.

Keywords: Good Corporate Governance Mechanism, Independent Audit Committee, Managerial Ownership, Whistleblowing System, Fraud Disclosure

1. Introduction

Research conducted by Meliana & Hartono (2019) also supports research conducted by ACFE in 2019. Meliana and Hartono took statistical data from OJK audit reports on banks in 2017 and 2018 which identified as many as 57 indicated banks *fraud* during 2017, as well as 36 banks in 2018. Based on the results of the analysis, it was found that almost 50% *fraud* Banking occurs in state banks and 80% of actor's *fraud* Banking is at the management level. Financial motives are the main reason perpetrators commit banking crimes. Weak internal banking supervision, low internal control and customer trust in the banking industry are used as opportunities to launch crimes by perpetrators. Therefore, a Mechanism device is needed *Good Corporate Governance* as a procedure or rule of the game and is a clear relationship between the party who makes the decision and who supervises the decision (Peruno, 2015). As part of the company's organ, Mechanism *Good Corporate Governance* consists of 5 components, namely the Board of Commissioners, Board of Directors, Audit Committee, Managerial Ownership and Institutional Ownership. In order to maintain public trust by applying the principles *Good Corporate Governance* Well, then the application of a good mechanism is required anyway.

In this study, the Role of the Independent Audit Committee is used in its role to supervise banking operations, Managerial Ownership owned by the Management consisting of the Board of Commissioners and Directors of outstanding shares in the bank representing the *Good Corporate Governance Mechanism*, as well *as the Whistleblowing System* as a reporting forum and part of the form of management control over Fraud Disclosure (*fraud*) in banking industry companies. According to Arens et al. (2010) in Mardani et al. (2020), the Audit Committee is a number of members appointed by the company's board of commissioners who are responsible, including one of them assisting independent auditors from management. Most audit committees consist of three to five or sometimes as many as seven people with the composition of other parties who are not part of the company's management. Hartono &; Nugrahanti (2014) explained that the audit committee plays a role in helping to carry out the main duties and responsibilities to ensure the principles of *Good Corporate Governance*, especially transparency and *disclosure* applied run consistently and adequately (Riska Ratna, 2019). Evidenced in research by Gulo (2020) states that the Audit Committee partially has a significant effect on fraud disclosure. This shows that the composition of an independent audit committee will help detect potential fraud, thus affecting the intensity of fraud disclosure in an organization.

Managerial Ownership is the percentage of share ownership by management of outstanding shares in the company. The management who is also a shareholder will try to work optimally and not only prioritize their own interests when owning shares in the company. In fact, the management will always strive to improve the performance and value of the company, but with the ownership of shares, this can increase the performance and value of the management company (Majid Pracihara, 2016). Evidenced by research conducted by Ismiyanti & Prastichia (2015) which states that managerial ownership has a significant effect on the occurrence of disclosure of internal *fraud* cases. This shows that an increase in managerial ownership can reduce the number of internal *fraud cases,* so that it will reduce the intensity of cases disclosed by the company.

Whistleblowing System as a means provided by the company for employees and other than employees to report all forms of fraud that can harm the company. In the Guidelines for the Violation Reporting System of the National Committee on *Governance Policy* (2008) there are several items that can be implemented in banking such as committing to report every time they find or see any violations, having a policy on the protection of whistleblowers, having an independent unit that manages the *whistleblowing system*, as well as having a special media for the submission of violation reports. With this platform, it is expected to increase the intensity of disclosure on *fraud* in banking. This is in line with research by Utami et al. (2019) which states that the more effective the implementation of *the whistleblowing system*, it will help the supervision carried out by the audit committee in order to reduce fraud that occurs.

Based on the description and results of *the research gap* from previous studies that have examined the relationship between these variables to *fraud* disclosure, there are still inconsistencies in the results between studies. Therefore, the author wants to retest using variables that have been used previously against Banking industry companies. Therefore, the researcher conducted a study entitled **"The Role of *Good Corporate Governance* Mechanisms and *Whistleblowing Systems* on Fraud Disclosure against Banking Sub-Sector Companies on the Indonesia Stock Exchange for the 2015-2020 Period".**

2. Research Methods

The object of this study is a banking sub-sector company listed on the Indonesia Stock Exchange (IDX) for the 2015-2020 period in order to obtain empirical evidence by analyzing the influence of the Mechanism *Good Corporate Governance* by examining the variables of the Independent Audit Committee and Managerial Ownership, and *Whistleblowing System* as an independent variable (independent variable) against Fraud Disclosure (*fraud*) as the dependent variable (dependent variable). In this study, the authors used data sourced from *website* Indonesia Stock Exchange (IDX) at www.idx.co.id and *website* official banking industry related companies. The company data used is a banking sub-sector company listed on the Indonesia Stock Exchange (IDX) for 6 years, namely the period 2015-2020 with a documentation method carried out by looking at the annual report (*annual report*) Banking industry companies, also using literature study methods (*library research*) by studying books, journals, scientific articles and other supporting sources that have topics or relationships with objects and variables in this study.

In this study, the type of data used by the author is a type of secondary data, namely data that is not directly obtained and processed by the author, but data that has been processed by related parties and then obtained by the author through publications that have been carried out by the banking industry on the company's website and the Indonesia Stock Exchange (IDX) website in www.idx.co.id with A quantitative approach that aims to scientifically examine the influence, relationship, and significance between variables and objects of research by developing and using systematic models, theories and hypotheses related to the phenomena that occur. In this study, the population used by researchers is as many as 41 banking industry companies listed on the Indonesia Stock Exchange in the 2015-2020 period. According to Duli (2019, p. 56) population is a generalized area consisting of objects and subjects that have certain qualities and characteristics set by researchers to be studied and then drawn conclusions.

In this study, the determination of the sample uses *purposive sampling* techniques carried out by taking samples from the population based on consideration of certain criteria. The criteria set by the author are as follows: (1) Banking Sub-Sector Companies *listed* on the Indonesia Stock Exchange for the 2015-2020 Period; (2) Banking Sub-Sector Company that presents the Internal Fraud Case Information table in the annual report during the 2015-2020 Period; (3) Banking Sub-Sector Companies that have consecutive incidents of *Internal* Fraud Cases during the 2015-2020 Period.

Descriptive Statistical Analysis Aimed at providing an overview and viewing a profile of the object under study through sample or population data. This analysis is used to describe a data through *the median*, mean, *standard deviation, minimum value, as well as maximum value.*

Hypothesis Testing (t-test) The t-test is a test carried out on the regression coefficient partially, this test is carried out to determine the significance of the role partially between the independent variable and the dependent variable by assuming that other independent variables are considered constant. The hypotheses used in this study are:

H0: $\beta1 = 0$, meaning that the Independent Audit Committee variable does not have a significant effect on the Fraud Disclosure variable.

Ha: $\beta1 \neq 0$, meaning that the Independent Audit Committee variable has a significant effect on the Fraud Disclosure variable.

H0: $\beta2 = 0$, meaning that the Managerial Ownership variable does not have a significant effect on the Fraud Disclosure variable.

Ha: $\beta2 \neq 0$, meaning that the variable Managerial Ownership has a significant effect on the variable Disclosure of Fraud (*fraud*).

H0: $\beta3 = 0$, meaning that the *Whistleblowing System* variable does not have a significant effect on the Fraud Disclosure variable.

Ha: $\beta3 \neq 0$, meaning that the *Whistleblowing System* variable has a significant effect on the Fraud Disclosure variable.

3. Results and Discussion

3.1. Descriptive Statistical Analysis

The descriptive analysis test aims to provide an overview or description of the data of the object under study and can be seen through the number of samples, minimum value, maximum value, average value (*mean*), and the standard deviation of each variable. The results of statistical testing descriptive analysis of data from the study are as follows:

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IND_KA	50	.29	.75	.5362	.13028
KPM	50	.00	1.00	.7800	.41845
WBS	50	.36	.73	.5310	.09464
PGKPN_FRAUD	50	.17	1.00	.7765	.23332
Valid N (listwise)	50				

Descriptive statistics show the minimum value, maximum value, mean, and standard deviation of each variable. In Table 1, there are independent variables, namely Fraud Disclosure and independent variables, namely the Independent Audit Committee, Managerial Ownership, and *Whistleblowing System*. As for table 1 with a total sample of 50 samples obtained from observations with a total of 9 banking industry companies that have met the criteria in the study. From the results of the data analysis above, it can be concluded as follows:

The Independent Audit Committee variable has a *mean* value of 0.5362 and a standard deviation value of 0.13028. It can be concluded that the standard deviation value is less than the *mean value*. This shows that the variables of the Independent Audit Committee are heterogeneous. From the average value of the Audit Committee, it proves that the majority of companies already have independent parties as parties that maintain independence in the implementation of the supervisory function of the Audit Committee in the Banking. It also has a minimum value of 0.29 and a maximum value of 0.75.

The Managerial Ownership variable has a *mean* value of 0.7800 and a standard deviation value of 0.41845. Then it can be concluded that the standard deviation value is less than the *mean* value. This shows that the variables of Managerial Ownership are heterogeneous. Managerial Ownership variables measured using dummy variables show that the majority of companies have managerial ownership owned by management, including the board of commissioners and board of directors in banking. And has a minimum value of 0.00 and a maximum value of 1.00.

The Whistleblowing *System variable* has a *mean* value of 0.5310 and a standard deviation value of 0.09464. Then it can be concluded that the standard deviation value is less than the *mean value*. This shows that the Whistleblowing System variables *are heterogeneous and proves that* the Whistleblowing System items have been implemented in banking in accordance with *the* KNKG guidelines. It also has a minimum value of 0.36 and a maximum value of 0.73.

Disclosure of Fraud as a dependent variable has a mean value of 0.7765 and a standard deviation value of 0.23332. Then it can be concluded that the standard deviation value is less than the mean value. This shows that the dependent variable of Fraud Disclosure is heterogeneous and that the majority of internal *fraud* Disclosure has been disclosed by banks along with disclosures of cases that have been resolved by banks in the *annual report*. And has a minimum value of 0.17 and a maximum value of 1.00.

3.2. Hypothesis Testing Results

The partial test (t) aims to test how far the influence of the independent variable on the dependent variable individually explains the variation in the test by performing a significance level of 5% (sig 0.05).

Table 2. Partial Test

Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.265	.317		3.989	.000
	IND_KA	-.849	.268	-.474	-3.171	.003
	KPM	.244	.068	.437	3.589	.001
	WBS	-.422	.373	-.171	-1.131	.264

H1: Independent Audit Committee has a significant negative effect on *fraud* disclosure

The results show that t count - 3.171 > 1.67866 t table with sig value 0.003 < 0.05 which can be concluded that the Audit Committee variable has a negative relationship with a significant influence on Fraud Disclosure in banking companies. Therefore, the hypothesis of H0 is rejected and Ha is accepted, which means that there is a significant influence between the audit committee on the disclosure of fraud in banking companies.

H2: Managerial Ownership has a significant negative effect on Fraud Disclosure

The results show that t count 3.589 > 1.67866 t table with sig values 0.001 < 0.05, it can be concluded that H0 is rejected and Ha is accepted which means that there is a significant influence between Managerial Ownership on fraud disclosure in banking companies.

H3: *Whistleblowing System* has a significant negative effect on *fraud* disclosure

The results show that t count – 1.131 < 1.67866 t table with sig value 0.264 > 0.05, then it can be concluded that H0 is accepted and Ha is rejected, this states that the *Whistleblowing*

System has no significant relationship and influence on fraud disclosure in banking companies. The table t is obtained with a significance of 0.05 as follows: (Appendix 7) t table = t (k-1; n-k) = t (4-1; 50-4) = t (3; 46) t table = 1.67866

3.3. Discussion

The Effect of the Independent Audit Committee on Fraud Disclosure

Based on the results of the analysis with the t test, it shows that a negative t count was obtained – 3.171 > 1.67866 t table with a sig value of 0.003 < 0.05. The value indicates that the H1 hypothesis is accepted, meaning that the Audit Committee has a relationship with a significant negative influence on fraud disclosure in banking companies. The negative relationship in the Audit Committee variable is measured by the composition of independent members of the Audit Committee which means that there is a disoriental relationship between the composition of independent members of the Audit Committee and the total Fraud Disclosure *as* measured by the number of internal *fraud* cases disclosed and resolved by banks. That is, the greater the composition of Audit Committee members who come from independent parties, *it will reduce the number of* internal and resolved fraud cases so that it will reduce the number of fraud disclosures *in* banks. This is because the existence of many independent audit committees in the banking industry as the party that oversees the company's operations puts significant pressure on the management in handling fraud problems and cases in the internal banking, so that *fraud can be detected early so that it has an impact on decreasing* fraud cases *disclosed to the public.*

The results of this study are in line with research conducted by Gulo (2020) on the Audit Committee which has a significant negative effect on Fraud Disclosure. The financial expertise possessed by the audit committee will help detect potential fraud that may or has occurred through the examination of financial statements. Companies must also increase the number of audit committee staff, so that they are more effective in disclosing fraud as early as possible and fraud cases can be minimized.

The results of this study also support the results of research conducted by Maisaroh (2021) which states that the Audit Committee as measured by the Composition of Independent members of the Audit Committee has a significant negative relationship with Fraud Disclosure. This significant negative influence shows that the need for an audit committee that has at least 3 audit committee members from Commissioners and independent parties who at least come from 1 person from outside the banking company will make supervision of the course of corporate governance principles run optimally without any good influence on the company's management and other parties in carrying out their duties.

This is done so that the Audit Committee is free from the influence of subjectivity of related parties, so that fraud disclosure can be detected as early as possible and fraud cases can be suppressed in banking companies. Because based on the independence of the Audit Committee members who act as parties who are considered free from relationships and relationships with both internal and external parties, the company in carrying out its supervisory function can reduce fraud cases as early as possible.

The Effect of Managerial Ownership on Fraud Disclosure

Based on the results of the analysis with the t test shows that t count positive 3.589 > 1.67866 t table with a sig value of 0.001 < 0.05. The value indicates that the H2 hypothesis is accepted, meaning that Managerial Ownership has a significant influence with a positive relationship to fraud disclosure in banking companies. A positive relationship in the variable of Managerial Ownership as measured by dummy measurement of ownership of the number of outstanding shares in the bank owned by members of the Board of Directors and members of the Board of Commissioners in banking companies. That is, the more shares owned by the management, it will increase disclosure of fraud cases in banking companies, *and vice versa if the share ownership owned by management has a low percentage, it will reduce disclosure of fraud cases in banking companies*. This is because with no common interests with stakeholders, the management does not work wholeheartedly in uncovering and detecting *fraud* cases in banking.

The results found that there is a unidirectional relationship between managerial ownership owned by members of the Board of Directors and members of the Board of Commissioners in banking companies with total fraud disclosure as measured by the number of internal *fraud* cases disclosed and resolved by banks. This is because with managerial ownership, members of the board of directors and commissioners have the ability to monitor the management of management in the company, so that the position and ownership of outstanding shares in the company can have a large contribution to internal control in banking so that fraud can be disclosed and followed up as early as possible. This result is related to research by Jensen & Meckling (1976) which states that management has an interest in maintaining its position and maximizing compensation received from the company. Management will always pursue its interests because of information asymmetry, where managers know more company information than shareholders. Therefore, as part of banking shareholders, management tends to expose fraud cases that occur because they have an interest in outstanding shares in Banking (Subiyanto et al., 2021).

Share ownership by management who do as parties who know more about the company's condition will certainly try to maximize all existing possibilities to improve the company's image, so that the performance of the management will increase so that the disclosure of banking *fraud* cases will also increase. This is a form of banking responsibility to stakeholders. That is, the more shares owned by the management, it will increase disclosure of fraud cases in banking companies, *and vice versa if the share ownership owned by management has a low percentage, it will reduce disclosure of fraud cases in banking companies.*

The results of this study support the results of research conducted by Prayuda (2020) which proves managerial ownership has a positive and significant influence on the disclosure of financial statement fraud. This can be seen from some companies that have a high percentage of managerial ownership. This can happen when managerial ownership is getting bigger, the possibility of management to fulfill the wishes of the *principal* who is also himself is getting bigger too. The results of this study are not in line with research conducted by Ismiyanti &; Prastichia (2015) which states that managerial ownership has a significant negative effect on *fraud* disclosure. This is because managerial ownership can reduce the probability of *fraud*. And does not support the results of research that has been carried out by Amalia (2017) which states that managerial ownership has a significant negative effect on fraud, this is because managerial ownership can minimize fraud because managerial interests and shareholders who were originally not in line become in line. Because with share ownership, managers will be more enthusiastic in increasing banking *value* so as to motivate managers to work for the benefit of the principal.

The Effect of *Whistleblowing System* on Fraud Disclosure

Based on the results of the analysis with the t test shows that t count negative -1.131 < 1.67866 t table with a sig value of 0. 264 > 0.05. This value shows that the H3 hypothesis is rejected, meaning that the *Whistleblowing System* has no significant relationship or influence on *fraud* disclosure in banking companies. The absence of a relationship *in the Whistleblowing* System variable is caused by the measurement between the number of items that have been implemented by the company and the number of items determined by the KNKG in the Violation Reporting System guidebook which consists of 3 aspects, namely structural, operational, and maintenance aspects with a total of 22 items that have not been implemented perfectly by banks during the observation period, this causes no significant effect on Fraud Disclosure *as* measured by the number of internal *fraud* cases disclosed and resolved by banks.

This is *because the Whistleblowing System is not the only means or forum for employees to report* internal fraud cases, in the observation period researchers found that the anti-fraud strategy unit also took part in fraud disclosure because the Whistleblowing System *in banking includes various forms of violations that can be reported such as violations and does not focus only on* Internal *fraud* only. The results of this study are in line with Maisaroh's research (2021) which states that the *Whistleblowing System* does not have a significant effect on Sharia Commercial Bank *fraud disclosure*. This is because no matter how perfect the delivery mechanism in the *whistleblowing system* is, it is still significantly not enough to reduce the possibility of banking *fraud*. This is because *a well-created and implemented whistleblowing system* will not be effective unless accompanied by active participation, both from employees and external parties in reporting fraud or other known violations. Thus, the *whistleblowing system* that has a function to create a fear or deterrent effect for fraud actors cannot succeed because in fact witnesses to *fraud* acts are passive in reporting violations that they know.

The results of the study are also in line with research conducted by Atmadja et al. (2019) which proves that *whistleblowing* variables do not have a significant influence on *fraud disclosure*. This situation is because *the Whistleblowing system is* a violation reporting system that is still relatively new to be implemented in Indonesia. In order to encourage the creation *of Good Corporate Governance and provide benefits for improving the quality of* Good Corporate Governance implementation in Indonesia, the KNKG (National Committee for *Governance Policy*) issued Guidelines for the Whistleblowing System (SPP)(WBS) in 2008, which can be used to develop a whistleblowing system. This guide was compiled as a manifestation of the results of a survey by the international organization *Institute of Business Ethics* in 2007. The three aspects of the KNKG guidelines are still not mandatory to follow, but the KNKG hopes that the guidelines can be used as a reference by companies in Indonesia to implement a *whistleblowing system* in order to realize *Good Corporate Governance* in companies, especially the banking industry (Alfian et al., 2018).

The results of the study are not in line with research by Gulo (2020) which states that the whistleblowing system variable *partially has a significant negative influence on fraud disclosure, this is because* the whistleblowing system *which is one part of the internal control system has efforts to detect signs of* fraud early/quickly. The *more effective the whistleblowing system in the banking industry,* the *more effective fraud detection is also from reports through* the whistleblowing system *to minimize the* possibility of *fraud* that will occur. The results of this study are not supported by the research of Utami et al. (2019), this is because Utami mentioned that the whistleblowing system *as a moderating variable has a significant negative effect on the disclosure of fraud cases, it can be seen that the more effective the implementation of* the whistleblowing system*, it will support supervision by the audit committee to reduce and reduce fraud*) in the banking industry.

4. Conclusion

Based on the results of research and discussion that have been described in the previous chapter, it can be concluded that regarding the research conducted is that the variable of the Independent Audit Committee has a negative relationship with a significant influence on Fraud Disclosure in banking companies. That is, the more the composition of Audit Committee members sourced from independent / external parties, it should reduce the number of internal *fraud cases and those that have been resolved so that it will reduce the number of* cases / occurrences of internal fraud and cases that have been resolved, so that it will reduce the number of *Fraud Disclosure* (fraud) Banking. Managerial ownership has a positive relationship with a significant influence on Fraud Disclosure in banking companies. This proves that the greater the managerial ownership, the members of the board of directors and commissioners as part of the management have a great ability and share to better monitor the management of the management in the company as a form of internal control in banking so that violations that are proven to be *fraud* can be disclosed to the public. Thus, increasing banking *fraud* disclosure.

The Whistleblowing System has no significant relationship or influence on *fraud* disclosure in banking companies. The absence of a relationship *in the Whistleblowing* System variable is caused by the measurement between the number of items that have been implemented by the company and the number of items determined by the KNKG in the Violation Reporting System guidebook which consists of 3 aspects, namely structural, operational, and maintenance aspects with a total of 22 items that have not been implemented perfectly by banks during the observation period, this causes it does not have a significant influence on Fraud Disclosure *(fraud)* as measured by the number of *internal fraud cases disclosed and resolved by banks. because* the Whistleblowing System *is not the only means or place for employees to report* internal fraud cases.

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