

The Effect of Organizational Culture, Whistleblowing System, and Surprise Audit on The Prevention of Financial Statement Fraud with Anti-Fraud Awareness as A Moderating Variable (Empirical Study at the Regional Inspectorate Offices of Serang City and Serang Regency)

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Keywords : Organizational Culture, Whistleblowing System, Surprise Audit, Anti-Fraud Awareness, Financial Statement Fraud Prevention.

Abstract: Financial statement fraud prevention plays a crucial role in ensuring transparency and accountability in the management of public finances. This research seeks to investigate the influence of organizational culture, whistleblowing systems, and surprise audits on financial statement fraud prevention, with anti-fraud awareness incorporated as a moderating variable. The study employed a quantitative approach using primary data gathered through questionnaires distributed to internal auditors at the Inspectorates of Serang City and Serang Regency. A saturated sampling method was applied, allowing all members of the population to participate as respondents. The data were processed using multiple linear regression and Moderated Regression Analysis (MRA). The results demonstrate that organizational culture and whistleblowing systems have a positive and significant influence on financial statement fraud prevention, whereas surprise audits show a significant negative effect. In addition, anti-fraud awareness was not found to significantly moderate the relationships between organizational culture, whistleblowing systems, surprise audits, and financial statement fraud prevention. These findings emphasize the need for government institutions to strengthen organizational values, improve whistleblowing practices, and reinforce internal control measures to support fraud prevention efforts. The novelty of this research lies in examining anti-fraud awareness as a moderating variable from the perspective of regional government internal auditors.

Introduction

Financial statement fraud remains a major concern because it reduces the reliability of financial information and may lead stakeholders to make inappropriate decisions. Fraud involves intentional acts of deception to obtain personal benefits and can be committed through the manipulation of financial reports (Arifin, 2020; Basmar & Sulfati, 2022). Financial statement fraud is relatively rare compared to other forms of occupational fraud, accounting for only 5% of reported cases. Nevertheless, ACFE (2024) reported that this type of fraud causes the greatest median financial loss. These findings highlight that even though financial statement fraud occurs less frequently, it can significantly affect an organization's financial condition and reputation.

Several cases in Indonesia demonstrate the impact of fraud and weaknesses in financial oversight. The case of PT Asuransi Jiwasraya (Persero) revealed financial statement manipulation that resulted in estimated state losses of approximately IDR 16.8 trillion (Kompasiana, 2024). Similar issues have also emerged in local governments. Audit findings by the Audit Board of Indonesia (BPK) identified fictitious official travel expenditures amounting to IDR 85.19 million within the Serang City Government (SatelitNews, 2024). In addition, weaknesses in regional asset management led to untraceable government assets valued at more than IDR 10.7 billion (Banten Raya, 2024). Furthermore, allegations of corruption involving PT Serang Berkah Mandiri in Serang Regency highlighted the importance of effective internal control and supervision mechanisms in public sector organizations (Radar Banten, 2024). These cases indicate that fraud prevention remains a critical issue, particularly within government institutions.

Previous studies have identified organizational culture, whistleblowing systems, and surprise audits as important mechanisms for preventing fraud. Organizational culture promotes ethical values and integrity among employees (Septiani et al., 2023), while whistleblowing systems facilitate the reporting of misconduct and function as an early warning mechanism (Olivia & Lastanti, 2022). Surprise audits may also reduce opportunities for fraud by increasing the likelihood of detection (Urip Wardoyo et al., 2022). In addition, anti-fraud awareness is considered an important behavioral factor that encourages individuals to recognize and prevent fraudulent activities (Ibrahim et al., 2023).

However, previous findings remain inconsistent. Several studies found that organizational culture, whistleblowing systems, and surprise audits positively influence fraud prevention (Efendi et al., 2024; Hanifah & Clyde, 2022; Adi Suputra, 2021). In contrast, other studies reported insignificant or negative effects (Dewi et al., 2022; Jeandry & Mokoginta, 2021; Putra et al., 2024). These inconsistencies indicate a literature gap and suggest the need for further investigation into factors that may strengthen fraud prevention mechanisms.

This research is grounded in the Theory of Planned Behavior (TPB) proposed by Ajzen (1991), which suggests that an individual's actions are shaped by personal attitudes, social influences, and perceived control over behavior. Within the context of this study, anti-fraud awareness is considered a factor that may enhance the effectiveness of organizational culture, whistleblowing mechanisms, and surprise audits in reducing the risk of financial statement fraud.

Existing studies have predominantly examined financial statement fraud prevention in private sector organizations, banking institutions, state-owned enterprises, and government agencies. In contrast, limited attention has been given to the role of internal government auditors, particularly those working in regional inspectorates, in preventing financial statement fraud. Furthermore, the moderating role of anti-fraud awareness has received

limited attention in previous studies. This research examines the impact of organizational culture, whistleblowing systems, as well as surprise audits in preventing financial statement fraud, while also exploring whether anti-fraud awareness strengthens these relationships among internal auditors working in the Inspectorates of Serang City and Serang Regency.

Furthermore, this research enriches the existing literature on fraud prevention in the public sector by providing empirical insights into the importance of anti-fraud awareness in supporting efforts to prevent financial statement fraud. Practically, the findings are expected to assist inspectorates and local governments in improving internal control and fraud prevention strategies.

Research Method

This research followed a quantitative research approach to investigate the effect of organizational culture, whistleblowing systems, and surprise audits in preventing financial statement fraud. In addition, the research examined the moderating effect of anti-fraud awareness on these relationships. The research setting was the Inspectorates of Serang City and Serang Regency.

The target population comprised all internal auditors employed by both inspectorates. Given the limited number of auditors, a saturated sampling method was utilized, allowing every member of the population to participate as a respondent.

Data were gathered through questionnaires administered directly to the respondents. The instrument was designed to measure five constructs, namely organizational culture, whistleblowing systems, surprise audits, anti-fraud awareness, and the prevention of financial statement fraud. Responses were measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

The data obtained were analyzed using IBM SPSS Statistics version 29. Several analytical procedures were conducted, including descriptive analysis, validity and reliability assessments, and classical assumption testing covering normality, multicollinearity, and heteroscedasticity. To test the proposed hypotheses, multiple linear regression and Moderated Regression Analysis (MRA) were employed to evaluate both the direct relationships among variables and the moderating role of anti-fraud awareness. The proposed hypotheses were examined using multiple linear regression and Moderated Regression Analysis (MRA) presented as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where Y refers to financial statement fraud prevention, X_1 represents organizational culture, X_2 represents whistleblowing system, and X_3 represents surprise audit.

To test the moderating effect of anti-fraud awareness, the following MRA model was employed:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \beta_5 (X_1 \times Z) + \beta_6 (X_2 \times Z) + \beta_7 (X_3 \times Z) + \varepsilon$$

Anti-fraud awareness is represented by Z, whereas $X_1 \times Z$, $X_2 \times Z$, and $X_3 \times Z$ refer to the interaction variables formed between the independent variables and the moderator. The research framework underlying the research and the expected relationships among the variables are depicted in Figure 1.

Result and Discussion

The direct relationships between organizational culture, whistleblowing systems, surprise audits, and financial statement fraud prevention were examined using multiple regression analysis. The findings are presented in Table 1.

Table 1. Multiple Regression Result

Variable	B	t-value	Sig.	Conclusion
BO	0.451	3.023	0.004	Supported
WBS	0.274	3.029	0.003	Supported
SA	-0.289	-2.382	0.020	Not Supported

Source : Processed SPSS output, 2026.

The regression results show that organizational culture exerts a positive and statistically significant influence on prevention of financial statement fraud ($p = 0.004$). This implies that a strong organizational culture promotes ethical conduct, integrity, and adherence to established regulations, which contribute to more effective fraud prevention. In the context of the Theory of Planned Behavior (Ajzen, 1991), this finding reflects the role of subjective norms, where organizational values and expectations shape individual behavior. The result is consistent with the findings reported by Efendi et al. (2024), Putra et al. (2021), and Putri and Rachman (2024).

The analysis also reveals that the whistleblowing system significantly and positively contribution to financial statement fraud prevention ($p = 0.003$). An effective whistleblowing mechanism facilitates the early identification of fraudulent activities and improves organizational monitoring. From the perspective of the Theory of Planned Behavior, the availability of reporting channels and protection mechanisms can increase perceived behavioral control, encouraging individuals to report unethical conduct. This finding supported by previous research conducted by Hanifah and Clyde (2022), Triantoro et al. (2020), and Urip Wardoyo et al. (2022).

Conversely, surprise audit demonstrates a significant negative relationship with prevention of financial statement fraud ($p = 0.020$). This finding implies that a higher frequency of surprise audits does not automatically lead to better fraud prevention outcomes within the inspectorate setting. One possible reason is that surprise audits tend to focus more on administrative compliance than on identifying fraud-related risks. As a result, audit activities may uncover procedural weaknesses without effectively addressing potential fraud. This outcome is in line with the findings of Putra et al. (2024), who concluded that surprise audits were less effective in supporting fraud prevention efforts.

To further investigate the role of anti-fraud awareness as a moderating variable, Moderated Regression Analysis (MRA) was employed. This analysis was conducted to examine whether anti-fraud awareness strengthens the relationships between organizational culture, whistleblowing systems, surprise audits, and financial statement fraud prevention. Table 2 presents the results of the MRA.

Table 2. Moderated Regression Analysis Result

Interaction Term	B	t-value	Sig.	Conclusion
X1_Z	-0.007	-0.297	-0.161	Not Moderating
X2_Z	-0.009	0.529	-0.341	Not Moderating
X3_Z	-0.26	-1.310	-0.636	Not Moderating

Source : Processed SPSS output, 2026.

The findings of the moderation analysis show that anti-fraud awareness does not significantly influence the relationship between organizational culture and financial

statement fraud prevention ($p = 0.873$). This implies that organizational culture already plays an important role in supporting fraud prevention initiatives, leaving little room for anti-fraud awareness to provide an additional effect. Within the inspectorate environment, values such as integrity, accountability, and professionalism may already be deeply integrated into auditors' daily practices and decision-making processes.

In the same manner, anti-fraud awareness was not found to moderate the effect of the whistleblowing system on financial statement fraud prevention ($p = 0.734$). This finding implies that the success of whistleblowing system is primarily determined by factors such as the reliability of reporting channels, management support, and protection provided to whistleblowers. As a result, differences in individual levels of anti-fraud awareness do not appear to substantially alter the contribution of whistleblowing systems to fraud prevention.

The interaction effect between surprise audits and anti-fraud awareness was also statistically insignificant ($p = 0.527$). This outcome indicates that greater awareness of fraud issues does not enhance the ability of surprise audits to prevent fraudulent activities. One possible explanation is that surprise audits are often conducted with an emphasis on administrative compliance rather than the detection of fraud-related risks. Consequently, even auditors who possess a high level of anti-fraud awareness may not achieve better fraud prevention outcomes when the audit approach is not fully focused on risk-based fraud detection.

Taken together, these findings demonstrate that anti-fraud awareness does not serve as a moderating factor in the relationships between organizational culture, whistleblowing systems, surprise audits, and financial statement fraud prevention. The results indicate that organizational practices and internal control measures exert a stronger influence on fraud prevention than individual awareness-related factors.

Conclusion

This research investigated the roles of organizational culture, whistleblowing systems, and surprise audits in preventing financial statement fraud, while also assessing whether anti-fraud awareness strengthens these relationships. The findings reveal that organizational culture and whistleblowing systems contribute positively to fraud prevention efforts. Conversely, surprise audits were found to have a negative and significant association with financial statement fraud prevention. In addition, anti-fraud awareness did not significantly influence the relationships between the independent variables and fraud prevention.

These results highlight the importance of fostering a strong organizational culture and maintaining effective whistleblowing mechanisms to support fraud prevention within public sector institutions. At the same time, the findings suggest that the current implementation of surprise audits may require further refinement, particularly by placing greater emphasis on identifying fraud risks rather than merely ensuring administrative compliance.

Several limitations should be considered when interpreting the findings. The study focused exclusively on internal auditors from the Inspectorates of Serang City and Serang Regency and relied on data collected through questionnaires. Future studies may benefit from expanding the research scope to different organizations or regions and incorporating other factors that could contribute to the effectiveness of financial statement fraud prevention.

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