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Auditor's Professionalism and Moral Intensity for Whistleblowing Actions on Public Accounting Firms View

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Abstract: This study examines the influences of auditor's professionalism and moral intensity on the auditor's whistle blowing actions in public accounting firms in Indonesia. It involved auditors who worked at 25 public accounting firms. Non-probability or non-random sampling technique with convienience method was employed in the study. It is found that both auditor's professionalism and moral intensity have a partially significant effect on whistleblowing actions of public accounting firms in Indonesia.

Key words: Auditor's professionalism, moral intensity, whistleblowing, public accounting, firms

INTRODUCTION

When auditing a financial statement, an auditor does not solely work for the benefit of the client but alsofor the interest of other parties who are concerned about the statement. To maintain the trust of clients and other users of financial statements, auditors are required to have good competence. Therefore, the auditors should improve their performance in order to produce reliable audit products for parties which need them. For improving their performance, auditors should have professionalism in carrying out audits over financial statements. According to auditor's professionalism is reflected by five aspects: dedication to the profession, social obligation, self-reliance, trust toward the regulations of the profession and relationships with colleagues (Herawaty, 2009). With high professionalism, the independence of auditors will be assured. Besides being required to have professionalism, auditors must be able to analyze situations including characteristics which are issues in situations affecting their perceptions or views in making decisions; this is commonly known as moral intensity (Suryanto, 2016a, b). Audit professionalism and moral intensity are two important aspects in the work of auditors. Not only do they reflect fairness or financial statements they also expose fraud in the statements. One way to disclose violations and restore public trust is by doing whistleblowing. Whistleblowing is the action of reporting done by members of an organization either active or inactive regarding violations, illegal or immoral acts to parties from inside or outside the organization.

Whistleblowing is a complex process involving personal and organizational factors. In Indonesia, research on the intentions of doing whistleblowing among accounting students has been carried out, who explore participant's perceptions of whistleblowing and their intentions to do whistleblowing. Conducted research on whistleblowing which involved bachelor studentsto explore factors affecting intentions to do whistle blowing based on Theory of Planned Behavior (TPB) (Ghani *et al*., 2010).

This research involved auditors working in public accounting firms in Indonesia who have been registered in Indonesian institute of certified public accountants. Auditors were selected as participants of the study because it is likely that they deal with ethical issues/dillemas when carrying out their professional responsibilities.

MATERIALS AND METHODS

Problem formulation: Based on the discussion, the research prolem is formulated into the following research questions: does high professionalism affect auditors to do whistleblowing? Does high moral intensity affect auditor to do whistleblowing?

Theory of Planned Behavior (TPB): Is an extension of Theory of Reasoned Action (TRA) developed. Developed the theory by adding a construct not available in TRA which is perceived behavioral control (Ajzen and Fishbein, 1975). TPB aims to predict and understand the

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impact of behavioral intentions as well as to identify strategies to change behaviors and explain the human behaviors. In the theory, it is assumed that humans are rational; they will use available information in a systematic way and understand the impact of their behaviors prior to realizing/doing the behaviors. In general, a person is said to be a professional if she/he has three criteria: having skills to carry out duties in accordance with her/his expertise, completing tasks by adhering to professional standards in the profession and obeying the stated professional ethics. Profession and professionalism can be distinguished conceptually. Profession refers to types of jobs that meet certain criteria while professionalism is an important individual attribute, not depending whether certain jobs belong to a profession or not (Herawaty, 2009). In other words, professionalism means that auditors should carry out their tasks with rigor and seriousness. As professionals, auditors should avoid negligence and dishonesty. Defines professionalism as individual's responsibility to behave more than just obeying laws and regulations existing in the society (Arens *et al*., 2008).

The achievement of professional competence will require high standard of general education and specific educaton, trainings, professional tests on relevant subjects and working experience (Mulyadi, 2002). To achieve professionalism, some steps can be taken: auditor quality control, peer review, continuous professional education, the improvement of law awareness and the improvement of adherence to the code of professional conduct. Institute of Indonesia chartered accountants has the authority to set standards and rules that must be obeyed by all members, including members of public accounting firms operating as independent auditors. The requirements are formulated by committes established by Institute of Indonesia chartered accountants. There are three main areas in which Institute of Indonesia chartered accountants set the standards containing rules which are aimed at improving the professional conduct/behavior of auditors: auditing standard, standard of compilation and review of financial statements and other attestation standards.

Moral intensity can be attibuted to the concept of control behavior perception in the theory of planned behavior. The control behavior perception refers to an individual's belief that her/his perceptions result from her/his self-control over the perceptions of behaviors (Astrie and Wahyono, 2015). Proposing a different view, defined moral intensity as a construct which covers characteristics developed from issues related to major moral issues in a situation that might affect individual's perceptions of ethical issues/aspects and behavioral intentions the individuals have (Kreshastuti and Prastiwi, 2014).

Found that moral intensity is various and that it affects individual's decision making. Moral intensity is multidimensional and its elements include characteristics of moral issues. Jones identified six elements of moral intensity affecting decision making: social consensus, the magnitude of consequences, probability of effect, temporal immediacy, proximity and concentration of effect (Jones and Pandlebury, 1992).

Defined whistleblowing as an act of disclosure of infringements, actions against the law, unethical actions, or other actions that may be detrimental to organizations as well as the stakeholders, commited by employees or leaders of organizations to leaders of other organizations so that legal actions can be taken to address the infringements. Generally, it is done confidentially. Meanwhile, Keraf (2008) defined whistleblowing as actions done by an individual or some employees to disclose fraud committed by companies or superiors to other parties. Defined whistleblowing as the disclosure done by members of organizations (either former or active members) of illegal/immoral practices without the legitimation of leaders to individuals or organizations in order to obtain corrective actions (Elias, 2008). Therefore, the practice or act can be committed by employees or the management of companies. The reporting of fraud is usually done by subordinates or employees, commonly known as whistleblower. Mentioned that according to Regulation No. 71 of 2000, a whistleblower is a person who give information to law enforcement authorities or the commission regarding the occurrence of corruption (Sulistomo and Prastiwi, 2011).

A whistleblower is different from a reporter complainer. An individual is called a reporter/complainer if she/he has seen unethical acts in her/his life. On the other hand, a whistleblower is an individual who reports the occurance of fraud in the operating of organizations, either done by colleagues or by superiors. Stated that whistleblowing can occur from within (internal) or outside (external) of organizations (Elias, 2008). Internal whistleblowing occurs when an employee finds a fraudulent act done by other employees; then, the employee reports the act to her/his superiors. Meanwhile external whistleblowing happens when an employee finds a fraudulent act done by a company; then, the employee informs the public because the act would bring disadvantages to the public.

Based on the background of research: Outlined in the previous chapter, this research employs a descriptive qualitative design. A descriptive study does not aim to accept or reject hypotheses; rather, the study generates analyses which describe the phenomena being investigated. View that qualitative research is an approach to reveal certain secrets, done by collecting data in natural

settings using a systematic process; it is accountable, so that it does not lose its scientific nature. Qualitative research is a set of actions or processes to obtain data/information from natural settings related to certain issues. Proposed that qualitative research aims to understand phenomena experienced by research subjects in natural settings such as behaviors, perceptions, motivations, actions, etc., wholistically and in the forms of descriptions (Moleong, 1989). Data of the research were obtained from two sources: primary data and secondary data sources. Primary source is the source that directly provide data to researchers while secondary source is the source that does not directly provide data to researchers; data are obtained through an intermediary medium (Sugiyono, 2006). In this study, the primary data were obtained from a questionnaire and interviews with various parties related to the research as well as observations of internal audits implemented at the time of the research. Meanwhile, the secondary data were documents related to the research topic, both from organizations and information published on the internet.

This research employed non-probability or non random sampling. Thus, population elements do not have the same opportuinity to be selected as samples. The selection of the samples was based on convenience sampling. This method selects samples from population elements (individuals or events) whose data are easy to be collected by researchers (Indriantoro and Supomo, 2002). In the fieldwork, the researcher directly visited the subjects to obtain primary data. The data collection method is described in the following sections: participants of the study were interviewed either individually and in groups. In the interviews, guiding questions were used to collect data from the participants, who were auditors working at public accounting firms in Indonesia. Observation is a data collection method conducted by directly observing research subjects. The use of this method requires researchers to directly observe participants without making intervention to events involving the participants. Documentation is a data collection method done by analyzing notes and documents of organizations or individuals selected as research subjects. The subjects of this study were auditors working at public accounting firms in Indonesia who had been registered in Institute of Indonesia chartered accountants. The auditors were selected as participants because they are professionals who directly face ethical dilemmas when carrying out their work responsibilities. After the random technique was done, 25 public accounting firms were selected as research samples to represent public accounting firms in Indonesia. Data analysis was done by searching and sistematically compiling data obtained from the field, by organizing the data into categories, units, doing synthesis, constructing patterns, selecting important elements which will be investigated and making conclusions which are understandable both for the researcher and other individuals (Sugiyono, 2006). Stages of data analysis of this study include: collecting data related to research subjects; the data collection was conducted using the technique which has been described in the previous section; data obtained were analysed and systematically compiled so that they can be used as a basis for discussions and problem solving; analysing data and comparing the data to theories of functions and effectivity of internal audits, especially in organizations; doing further analysis of the participant's professionalism and moral intensity in their work responsibilities and their effects on whistleblowing actions; making temporary conclusions based on the results of the data analysis. If there were invalid/less valid data, field verifications were done so that valid evidence was obtained. Thus, the conclusions can be credible; making conclusions and suggestions.

RESULTS AND DISCUSSION

Problem solution: After conducting interviews and observations and collecting documents related to the research topic, both from organizations and from the internet, the researcher analysed the collected data and compared them to the available theories. Nest, the data were further analysed to examine the effect of auditor's professionalism and moral intensity on whistle blowing. In the theory of planned behavior which has been outlined in the previous study, it is explained that a task is carried out because it gives benefits to individuals. Also, the task is related to the individual's responsibility, regardless the task is enjoyable or not. An auditor will be motivated by the dedication and idealism of her/his peers, those having commitment and enthusiasm. Has proved in his study that the higher the professionalism of auditors, the higher the auditor's intention to do whistle blowing (Sagara, 2013).

The significant effect of dedication on the intention to do whistleblowing can be related to the responsibility that auditor's have. There is a responsibility related to what should be prioritized in the work/audit. It can also be associated with factors affecting the satisfaction of auditor's performance which emphasizes the individual role and dedication toward the profession as an auditor. From the interviews and observations as well as the analysis, it is obvious that auditors who have high professionalism have high comittment to their profession

or task; thus, they tend to have more courage to do whistleblowing. This finding is consistent/study (Suryanto, 2016a, b) proving that professionalism can influence the action of whistleblowing. Professionalism is a component of social identity of an individual which is the idea of how the individual classifies her/himself based on her/his profession. Auditor professional can create a fraud warning system by presenting accounting reporting transparent and accountable is one of the real form of efforts to prevent fraud and whistle blowing (Ghani *et al*., 2010).

Defined professional identity as an individual's strength with regard to the individual's involvement in a profession. Professional identity represents attitudes in the theory of planned behavior. Attitude is an internal psyschological state which drives an individual to do or not to do an action. One of the attitudes of auditors to show their professional identity is by adhering audit standards and professional ethics set in the professional standard of public accountants and professional ethics code of public accountants. Identified that moral intensity affecting individual's decision making varied (Jones and Pandlebury 1992). Study indicated that moral intensity has a significant influence on moral decision making (Novius and Arifin, 2011). Investigated the components of moral intensity which are social consensus, the magnitude of consequences, probability of effect, temporal immediacy, proximity and concentration of effect (Dewi and Wayan, 2008).

The results of the analysis indicate that moral intensity has an effect on the intention of auditors to do whistleblowing. The phenomena in the working environment of auditors show that there are factors of moral intensity which are multidimensional; the components are characteristics of moral issues which can affect auditor's perceptions and actions to do whistleblowing. Such moral intensity factors align with (Jones and Pandlebury, 1992) research which has identified that there are six elements of moral intensity, affecting the process of decision making: magnitude of consequences which is defined as the number of losses (or benefits) generated by moral acts. Based on the interviews and observations as well as other data, it is found that auditors always consider the consequences of moral actions related to their job. Social consesnsus which is defined as the social agreement level whether an action is considered right/appropriate or not. An auditor always has a discussions with her/his colleagues prior to taking an action. Probability effect which refers to the function of the probability, reflecting that actions can bring advantages and drawbacks which can be predicted. An auditor always has a future/forward thinking in relation to the actions she/he does. The auditos has positive perceptions if the auditor believes that whistleblowing could bring benefits both for her/himself, companies/organizations and the society. Temporal immediacy which is the distance or time between the event and the beginning of consequences of certain moral actions (the short time indicates greater readiness). An auditor has moral intensity in facing predictions of probabilities which will happen from existing conditions. Thus, the auditor has prepared her/himself prior to do whistleblowing. Concentration of effect which is the infers function of the number of people affecting and being affected by actions done by an auditor, who has the highest feeling of interest that the auditor will do amoral actions which produce high concentration effects. Proximity which is a feeling of closeness (social, cultural, psychological or physical) possesed by moral agents to the perpetrators of crime (benefits) of particular actions. This closeness construct and moral reasongs intuitively cause a person to be more concerned with people who are close (social, cultural, psychological or physical) than others who are far. An auditor, prior to making decision, will consider whether the decision will affect her/his co-workers. The results of this study align with the research by Lai and Chen (2011). Which investigated the relationship of moral intensity and the action of whistleblowing. The study indicates that moral intensity affects the action of whistleblowing by using the organizational commitment as a moderating variable. Lai's research supports (Jones and Pandlebury, 1992) study, indicating that strong moral intensity significantly affects moral intention. This study is also consistent with the study by Shawver (2011) which examined the influence of moral intensity on the intention of whistleblowing. In the research, moral intensity is proved to influence the moral intention to report infringements in the profir management.

CONCLUSION

Based on the research, the following conclusions can be proposed: the significant influence of work dedication toward intensity of whistleblowing might be related to the responsibility which auditors have. This aligns by Ghani *et al*. (2010) research which proved that professionalism can influence whistleblowing actions. Based on the analysis, it is found that moral intensity can affect auditor's actions of whistleblowing. Phenomena in the working environments of auditors reflect factors of moral intensity which are multidimensional; the components are characteristics of moral issues which can influence auditor's perceptions and actions to do

whistleblowing. This finding is consistent by Lai and Chen (2011) research which examined the relationship of moral intensity and infringement reporting actions. It also supports (Shawver, 2011) study proving that moral intensity affects the intention of reporting.

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