

Transparency and Accuracy: How Forensic Audits and Whistleblowers Create a Fraud-Free Business Environment

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ABSTRACT

This study aims to investigate the critical roles of forensic audits and whistleblowers in creating a business environment free from fraudulent practices. Through an in-depth analysis of their respective contributions, this research seeks to provide a better understanding of how transparency and accuracy can form the foundation for establishing a more ethical and fraud-free business environment. The research method used in this article is qualitative. This type of research falls under a literature review study by examining 10 relevant journals discussing how forensic audits and whistleblowers contribute to creating a fraud-free business environment. The selection of these ten articles was carried out through a filtering process using inclusion and exclusion criteria. The study was compiled through a literature review, with sources accessed from various platforms, including national and international journal websites such as Google Scholar, PubMed, ScienceDirect, ProQuest, and Wiley. The results of this study indicate that transparency and accuracy are two main pillars in maintaining the integrity of the business environment. These principles are not only ethical guidelines but also the foundation for ensuring a business's long-term success and sustainability. Forensic audits and whistleblowers are two key factors that play a vital role in fostering a fraud-free business environment.

Keywords: Forensic audit; Fraud; Whistleblower

1. Introduction

Transparency and accuracy are fundamental pillars in preserving the integrity of the business environment. These principles are not merely ethical guidelines but essential foundations for ensuring a company's long-term sustainability and success (Dianto, 2023; Roza & Muhammad, 2020). In the face of increasingly complex and sophisticated fraud risks, businesses must adopt effective strategies to prevent, detect, and manage potential fraud. Two critical elements in creating a fraud-free business environment are forensic audits and whistleblowing systems (Alleyne et al., 2021; Simbolon & Kuntadi, 2022).

In today's era of globalization and business complexity, the challenges related to corporate security and integrity are becoming more intricate. Fraud, whether internal or external, poses significant threats to financial stability and organizational reputation (Hartini, Abdullah, & Wawo, 2023; Lay, 2019). Therefore, companies must establish a robust framework for fraud prevention and mitigation. Forensic audits serve not only to assess compliance with policies and regulations but also as a vital defense mechanism against ethical violations and fraudulent behavior (Kristanti & Kuntadi, 2022; Wati, 2019). The accuracy of data generated

through forensic audits empowers decision-makers with reliable information and reassures stakeholders that the business operates with integrity and accountability (Dilshad et al., 2020; Ulimsyah, 2021).

Meanwhile, the role of whistleblowers is gaining greater significance as an internal tool to uncover fraud. Whistleblowers provide critical insights from within organizations and contribute significantly to fraud detection (Sari, 2023; Safitri & Rani, 2022). A strong and legally protected whistleblowing system encourages ethical behavior and strengthens corporate governance (Said et al., 2023). The 2020 ACFE Report to the Nations found that whistleblowing accounted for 22.6% of initial fraud detection, making it the most common method for uncovering occupational fraud (ACFE, 2020). Systems that protect whistleblower identity and ensure secure, anonymous, and independent reporting are crucial for fraud prevention (Hertati & Puspitawati, 2023; Yuwono, 2018).

Despite the proven importance of forensic audits and whistleblowers, organizations still face challenges in their implementation. These include the need for cultural transformation, clearer reporting mechanisms, and comprehensive internal controls (Kuswati, 2023; Murtiningrum, 2023). Recognizing forensic audits and whistleblowing not just as compliance tools but as strategic investments can significantly enhance long-term resilience against fraud (Priyadi, Hanifah, & Muchlish, 2022).

Therefore, this study aims to investigate the critical roles of forensic audits and whistleblowers in establishing a fraud-free business environment. By analyzing their combined impact, this research seeks to offer a deeper understanding of how transparency and accuracy can serve as the foundation for ethical business practices and effective risk mitigation.

2. Literature Review

Transparency as the Foundation of Trust

Transparency is a critical aspect of maintaining stakeholder trust. By providing clear and open access to financial, operational, and policy-related information, transparency paves the way for effective accountability and oversight (Brennan & Kelly 2020; Sari, 2023). Stakeholders such as investors, employees, and customers are more likely to trust organizations that embrace transparent practices (Dilshad et al., 2020; Hertati & Puspitawati, 2023).

Forensic auditing serves as a primary tool for achieving the desired level of transparency. It is not merely a process of examination, but a systematic approach to identifying potential fraud risks and developing appropriate prevention strategies (Simbolon & Kuntadi, 2022). Regular forensic audits enable organizations to ensure that their operations align with ethical standards and comply with regulatory frameworks (Ramadhan & Mulyati, 2022; Kristanti & Kuntadi, 2022).

Forensic Audit: A Pillar of Accuracy

Accuracy of information is a key element in building trust. Without reliable and accurate data, the information presented by a company can be misleading and detrimental to stakeholders (Kassem & Higson, 2022). Forensic auditing ensures that financial records, business transactions, and other key data are thoroughly verified for precision and truthfulness (Roza & Muhammad, 2020).

Furthermore, forensic audits offer in-depth insights into potential weaknesses in a company's internal control systems. By identifying loopholes and deficiencies, organizations can take corrective actions to enhance the accuracy and security of their information systems (Kuswati, 2023). Thus, forensic audits not only serve as tools for detecting existing fraud but also act as preventive measures to reduce the risk of future fraud (Priyadi, Hanifah, & Muchlish, 2022; Dianto, 2023).

The Role of Whistleblowers in Enhancing Transparency and Accuracy

While forensic auditing plays a vital role in maintaining accuracy and transparency, whistleblowers hold an equally important position in detecting and reporting potential fraud. Often, whistleblowers have direct access to information that may remain hidden during formal forensic audits (Wati, 2019; Yuwono, 2018). These individuals provide valuable internal disclosures that can expose harmful practices within the organization (Lay, 2019; Sari, 2023).

In many cases, whistleblower reports serve as the initial trigger for launching forensic investigations (Murtiningrum, 2023). Their revelations can serve as early indicators of fraud that require deeper exploration through audits. Therefore, establishing safe and effective reporting channels for whistleblowers is essential in strengthening corporate integrity (ACFE, 2020; Ulimsyah, 2021). A secure whistleblowing system must ensure confidentiality, independence, and legal protection for informants, which in turn fosters a culture of openness and ethical accountability (Alleyne et al., 2021; Safitri & Rani, 2022).

3. Methodology

This research adopts a qualitative method. Qualitative research can be described as an approach applied in the natural setting of the research subject, where the researcher functions as the primary instrument. Data collection is conducted using triangulation techniques (Ramadhan & Mulyati 2022), data analysis is deductive, and the study aims to produce detailed and in-depth findings. This type of research falls under a literature review study, examining ten journals that discuss the role of forensic audits and whistleblowers in creating a fraud-free business environment.

The selection of these ten articles was conducted through a screening process using inclusion and exclusion criteria. The literature for this study was obtained from various sources, including national and international journal platforms such as PubMed, ProQuest, Wiley, ScienceDirect, Elsevier, and Google Scholar. The criteria applied in this research include:

1. Selecting journal articles from national and international sources,
2. Considering prior studies that used either qualitative or quantitative approaches, and
3. Focusing on publications within the last five years, from 2019 to 2023.

4. Results

In exploring the relationship between transparency, accuracy, and fraud prevention in the business environment, it can be concluded that forensic audits and the role of whistleblowers play a crucial role in establishing a strong and fraud-free business foundation. Forensic audits, as an in-depth examination process, provide accurate financial and operational information essential for sound decision-making (Dianto, 2023). Through a thorough evaluation of internal practices, forensic audits offer deeper insight into the potential risks of fraud and ethical violations that could harm the company.

The importance of transparency in business practices is also reflected in the role of whistleblowers. Whistleblowers, by giving voice to competent insiders, become a key pillar in detecting and reporting potential fraud within a company (Hertati & Puspitawati, 2023). Their presence not only protects informants but also establishes a mechanism capable of exposing and addressing fraudulent activities swiftly and effectively. However, the effective implementation of forensic audits and support for whistleblowers comes with certain challenges. A corporate culture that supports transparency and encourages reporting must be thoroughly instilled. Companies must also ensure that whistleblowers are protected and

guaranteed safety, considering the potential risks they may face after revealing fraud (Priyadi et al., 2022).

In a global context, forensic audit practices and support for whistleblowers also play a critical role in maintaining investor confidence and regulatory compliance. Strict law enforcement and regulation can help create a safer business environment and send a positive signal to stakeholders that the company is committed to transparency and accuracy (Dilshad et al., 2020).

Overall, forensic audits and the role of whistleblowers are not merely reactive measures against fraud but are integral to fostering a business culture centered on integrity and long-term sustainability. The two complement each other in building a fraud-free business environment, where transparency and accuracy serve as the main foundations for business growth and continuity.

Table 1. Summary of Literature on the Role of Forensic Audit and Whistleblowing in Preventing Fraud in Business Environments

Title/Author	Objective	Research Method	Findings
The Influence of Organizational Culture, Individual Morality, Internal Control, and Whistleblowing System on Preventing Accounting Fraud – Kuswati (2023)	To determine the effect of organizational culture, individual morality, internal control, and whistleblowing system on the prevention of accounting fraud using a quantitative descriptive approach	Quantitative research. The population included Civil Servants (from rank I to IV) in government agencies of Pemalang Regency.	Data were collected via questionnaires and direct observation. Findings: organizational culture had no significant effect; individual morality had a positive effect; internal control had a negative effect; and whistleblowing system had a positive effect on fraud prevention.
The Effect of Internal Audit, Internal Control, and Whistleblowing System on Fraud Prevention – Murtiningrum (2023)	To build a hypothesis about the relationships between variables for future research.	Qualitative descriptive approach and literature review using online platforms such as Google Scholar.	Internal audit significantly affects fraud prevention; the stronger the internal control, the better the prevention. Whistleblowing system and internal control both significantly influence fraud prevention.
Whistleblowing as a Governance Improvement Strategy – Sari (2023)	To examine and describe the critical role of the whistleblowing system as a corporate governance strategy.	Qualitative approach using library research, systematically synthesizing prior studies.	Whistleblowing is effective in preventing various types of fraud in large companies. Strong structure and institutions make whistleblowing a key governance mechanism.
The Effect of Forensic Accounting, Whistleblowing System, and Organizational Culture on Fraud Prevention (Forensic Accounting Literature Review) – Simbolon & Kuntadi (2022)	To reinforce theoretical frameworks concerning variable relationships.	Qualitative and library research method using offline and online sources like Google Scholar.	Forensic accounting, whistleblowing system, and organizational culture all positively influence fraud prevention.
The Effect of Forensic Audit, Investigative Audit, and Auditor Competence on Fraud Disclosure – Kristanti &	To identify early indicators and disclosure of fraud.	Qualitative library research using sources from Mendeley, Google Scholar, and other online platforms.	Forensic audit, investigative audit, and auditor competence all positively and significantly affect fraud disclosure.

Title/Author	Objective	Research Method	Findings
Kuntadi (2022)			
Whistleblowing's Effectiveness in Preventing Fraud through Forensic and Investigative Audit – Ulimsyah (2021)	To analyze the impact of forensic audits on the efficiency of whistleblowing systems, and whistleblowing's role in investigative audits and fraud prevention.	Descriptive analysis and path analysis with 135 respondents in AMOS program.	Whistleblowing systems significantly and positively impact both forensic and investigative audits and fraud prevention. Forensic audit has a strong direct positive effect on fraud prevention.
The Influence of Forensic Audit, Investigative Audit, and Professionalism on Fraud Prevention (Empirical Study at BPKP Banten) – Roza & Muhammad (2020)	To analyze simulations of forensic audits, investigative audits, and professionalism in fraud prevention.	Population: 75 internal and external auditors at BPKP Banten; data collected via questionnaire.	Forensic and investigative audits positively affect fraud prevention. Auditor professionalism also plays a key role. Better implementation leads to more optimal prevention.
The Influence of Organizational Culture, Role of Internal Audit, Internal Control, and Whistleblowing on Fraud Prevention (Empirical Study on Rural Banks in Magelang) – Wati (2019)	To examine the effect of organizational culture, internal audit role, internal control, and whistleblowing on fraud prevention in Rural Banks.	Quantitative study using Likert-scale questionnaires from 72 respondents in 10 rural banks in Magelang.	Organizational culture and internal control positively influence fraud prevention. Internal audit role has no significant effect. Whistleblowing negatively influences fraud prevention.
The Effect of Whistleblowing System in Preventing Fraud – Lay (2019)	To determine whether the whistleblowing system is effective in preventing fraud.	Qualitative research using descriptive approach and literature study. Data sourced from annual reports of companies with established whistleblowing systems.	Whistleblowing systems at PT Garuda Indonesia and PT Jasa Marga are functioning well and effectively reduce fraud, evidenced by declining violation reports over the past four years.

5. Discussion

Simbolon and Cris Kundati (2022), Putra (2023), Kuswanti (2023), and Murtiningrum (2023) explained that mediating variables help explain the relationship between internal audit, individual morality, and forensic accounting in fraud prevention. They also noted the benefits of implementing a whistleblower system, stating that the presence of an effective whistleblowing system raises concerns about misconduct, thereby serving as a deterrent. The implementation of a whistleblowing system is intended to prevent fraud within government institutions, giving employees greater incentives to report fraud, thus contributing to its prevention.

In previous studies by Lay (2019), Roza and Muhammad (2020), and Kristanti and Kuntadi (2022), which examined PT Garuda Indonesia, it was found that the whistleblowing system had a positive impact on fraud prevention and was functioning effectively. This was evidenced by a noticeable decrease in the number of whistleblower reports over a four-year period. Forensic audit was also shown to have a significant and positive impact on fraud prevention.

Sari (2023) stated that the use of whistleblowing is effective in preventing various types of fraud in large corporations that could threaten governance and harm the company. Strong institutional structures and frameworks have transformed whistleblowing into a tool that is likely to strengthen good corporate governance mechanisms.

Ulimsyah (2021) and Wati (2023), in their prior research, stated that investigative controls have a direct and significant impact on reporting systems such as whistleblowing. The importance of such reporting systems plays a key role in preventing fraud within companies. Furthermore, audit quality has a significant positive effect on the integrity of financial reporting, particularly when engaging Big Four auditors. Previous research also indicates that a whistleblowing system that supports a strong organizational culture has a notable impact on preventing fraud.

6. Conclusion

Based on the findings from a review of 10 journals on forensic auditing and whistleblowers in creating a fraud-free business environment, it is clear that the roles of forensic audits and whistleblowers have a positive and significant impact on transparency and accuracy. Therefore, to support fraud prevention, one of the most effective mechanisms for preventing and controlling fraud is through the use of the whistleblowing system (WBS). Transparency and accuracy are also two fundamental pillars in maintaining the integrity of a business environment. These principles are not only ethical standards but also the foundation to ensure the long-term success and sustainability of a business. Forensic auditing and whistleblowers are two key factors that play an essential role in creating a fraud-free business environment. Based on the researcher's direct experience, there were limitations encountered during this study, and these could serve as factors for future researchers to consider when completing their studies. This research, as it is, does have shortcomings that need to be addressed by future researchers. Some of the limitations of this study include: 1) the research is purely qualitative based on library research, and therefore does not reflect the current state of the subject matter, and 2) there is a need to extend the period of searching through various journals to gather more references, for example, by including research from the past 10 years. Based on the conclusions above, this article suggests that there are many other factors influencing fraud prevention beyond forensic accounting, whistleblowing systems, internal controls, and organizational culture across all types and levels of organizations or companies. Therefore, further studies are needed to explore other factors that may affect fraud prevention besides the variables examined in this article.

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