

The Influence of Whistleblowing System toward Fraud Prevention in Sri Lanka: With Special Reference to Internal Auditors of Sri Lanka

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Abstract

The problem of fraud has never been fully resolved. The rise of an increasingly complex business world has contributed to the emergence of fraudulent acts such as corruption, misappropriation of assets, and financial statement fraud. This fraud happens across a range of industries, including the public, private, and even community organizations. Fraud often occurs because the perpetrators aim to profit, either for themselves or a group. The economic impact of fraud has become more significant, with companies losing billions of dollars each year to fraud. This has led to increased pressure on organizations to improve their fraud detection and prevention efforts. A whistleblowing system is an effective mechanism that allows employees or other individuals to report misconduct or illegal activities within an organization without fear of retaliation. Numerous empirical studies have been conducted to investigate the impact of whistleblowing systems on fraud detection and prevention. However, researchers have paid too little attention to identifying the whistleblowing system for fraud prevention in the Sri Lankan context. This study aimed to examine the implementation of whistleblowing mechanisms and fraud prevention and to ascertain how fraud prevention is impacted by the whistleblower system at private sector companies in Sri Lanka. The study focuses on internal auditors employed by private companies in Sri Lanka. Data were collected through the distribution of questionnaires to internal auditors in the selected private companies in Sri Lanka. In this study, descriptive analysis, correlation analysis, multicollinearity, normality, homoscedasticity, and regression analysis are used to analyze the data. Data coding and analysis are performed using SPSS software. Research results suggest that there is a significant positive impact of the whistleblowing system on fraud prevention in Sri Lankan private sector companies. The findings of this study contribute to enhancing whistleblowing applications and combating fraud in companies.

Keywords: Whistleblowing system, Whistleblower, Fraud Prevention, Fraud Triangle