

## WHISTLEBLOWING SYSTEMS AND AUDIT EFFECTIVENESS IN PUBLIC SECTOR GOVERNANCE

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### **Abstract**

This study aims to analyze the role of whistleblowing systems in improving audit effectiveness in public sector governance through a literature review approach. The method used is a literature review, reviewing various scientific sources such as journals, academic books, and institutional reports relevant to the topic. The results of the study indicate that the implementation of effective whistleblowing systems can strengthen the oversight function by providing a secure, anonymous, and reliable channel for reporting violations. This system contributes to early fraud detection, increased transparency, and fostered accountability within public sector organizations. Furthermore, audit effectiveness is also influenced by supporting factors such as whistleblower protection, an ethical organizational culture, and management commitment to follow-up on reports. Therefore, optimal integration of whistleblowing systems can be a strategic instrument in strengthening audit quality and realizing good governance.

**Keywords:** Whistleblowing Systems, Audit Effectiveness, Public Sector, Governance

### **INTRODUCTION**

In the context of public sector governance, which increasingly demands transparency and accountability, the existence of an effective oversight mechanism is crucial. One important instrument in strengthening this oversight system is the public sector audit. Audits not only serve as a means of verifying compliance with applicable regulations and standards, but also as a means of evaluating performance and controlling potential irregularities. However, audit effectiveness often faces various challenges, such as limited access to information, the presence of collusive practices, and an organizational culture that does not support transparency. These conditions mean that auditors are

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not always able to comprehensively identify various forms of fraud or abuse of authority that occur within public sector organizations.

Amid these limitations, the whistleblowing system has emerged as a mechanism that can complement the audit function in detecting and preventing fraud. A whistleblowing system is a means that allows individuals, both inside and outside the organization, to report suspected violations, fraud, or unethical practices securely and confidentially. This system allows information previously difficult for auditors to access to be revealed, thereby increasing the opportunity for early detection of various forms of irregularities (Handajani et al., 2023). Thus, the whistleblowing system has the potential to be a significant source of information to support the effectiveness of public sector audits.

The implementation of a whistleblowing system in public sector organizations also has broad implications for the quality of governance. This system serves not only as a detection tool but also as a preventative measure, as its existence can create a deterrent effect for parties intent on committing fraud. Furthermore, a whistleblowing system encourages the creation of a more open and integrated organizational culture, where every individual feels a responsibility to maintain compliance with norms and regulations (Kang, 2022). This aligns with the principles of good governance, which emphasize transparency, accountability, participation, and the rule of law.

However, the effectiveness of a whistleblowing system depends on various factors. One key factor is the level of trust the whistleblower has in the system, including guarantees of protection for their identity and safety. Without adequate protection, individuals tend to be reluctant to report violations for fear of retaliation or other negative consequences. Furthermore, support from top management and the organization's commitment to seriously follow up on reports are also crucial factors in determining the success of this system's implementation (Sudjono, 2023).

In practice, the integration of the whistleblowing system and the audit function still faces various challenges. Not all public sector organizations have a well-structured system for managing incoming reports and linking them to the audit process. In fact, in some cases, information obtained from the whistleblowing system is not optimally utilized by auditors due to a lack of coordination or clear procedures. This situation indicates that while the whistleblowing system has great potential to improve audit effectiveness, its implementation still requires strengthening in terms of policies, procedures, and human resource capacity.

Furthermore, the dynamic development of information technology also presents both opportunities and challenges in the implementation of whistleblowing systems (Lee & Liu, 2025). On the one hand, technology enables the development of more accessible, faster, and more secure reporting systems. On the other hand, the risk of system misuse and the need for high data security are issues that require serious attention. Therefore, public sector organizations need to ensure that the systems they use are not only effective in collecting information but also capable of maintaining the integrity and confidentiality of the data received.

Within this framework, it is important to examine in more depth the relationship between whistleblowing systems and audit effectiveness in supporting public sector governance. This research is relevant because it can provide an understanding of the extent to which whistleblowing systems contribute to improving audit quality and the factors that influence this relationship. Furthermore, the research findings are expected to provide practical recommendations for public sector organizations in optimizing the role of whistleblowing systems as part of a comprehensive internal control system (Azinogo & Erasmus, 2025).

With increasing public demands for clean and corruption-free governance, efforts to strengthen oversight mechanisms are becoming increasingly urgent. Whistleblowing systems and audits are two complementary instruments in achieving these goals. Therefore, a thorough understanding of their interaction will be invaluable in formulating effective strategies to improve the quality of public sector governance. This research is expected to provide both academic and practical contributions to the effort to realize a more transparent, accountable, and integrated government.

## **RESEARCH METHOD**

This research employed a literature review method with the aim of in-depth examining the relationship between the whistleblowing system and audit effectiveness in public sector governance. Data were obtained from various secondary sources, such as scientific journal articles, academic books, official agency reports, and publications relevant to the research topic. The literature collection process was conducted systematically through scientific databases and trusted sources using keywords related to the whistleblowing system, internal audit, and public sector governance. The selected literature was then screened based on the criteria of relevance, credibility, and currency to ensure the quality of the information used in the research.

Next, the collected data was analyzed using qualitative descriptive analysis techniques with a thematic synthesis approach. The researchers identified, compared, and integrated findings from various sources to identify patterns, research gaps, and conceptual relationships between the whistleblowing system and audit effectiveness. The results of the analysis are presented in a systematic narrative format to provide a comprehensive understanding of how the implementation of a whistleblowing system can support improved audit quality and strengthen public sector governance. This approach is expected to provide theoretical contributions and serve as a basis for further research and policymaking in the field of public oversight.

## **RESULT AND DISCUSSION**

### **The Impact of Whistleblowing on External Audit Quality in the Public Sector**

The impact of whistleblowing on external audit quality in the public sector is an increasingly relevant issue in the context of transparent and accountable governance. Whistleblowing, which refers to the act of reporting violations, fraud, or irregularities by individuals inside or outside the organization, plays a crucial role in strengthening the oversight system and early detection of practices inconsistent with the principles of good governance. In the public sector, where state resources must be managed responsibly, the existence of a whistleblowing mechanism is a strategic instrument for improving the effectiveness of external audits. This is because external audits often face limitations in accessing sensitive or hidden internal information, making whistleblower reports a significant source of additional information (Hanum & Trinanda, 2026).

External audit quality is fundamentally determined by the auditor's ability to detect and report material misstatements, whether caused by errors or fraud (Fitrianti et al., 2024). In this context, whistleblowing directly contributes to improving audit quality by providing relevant, accurate, and timely information. Information disclosed by whistleblowers often includes operational details not reflected in formal documents, such as financial statement manipulation practices, budget misappropriation, or conflicts of interest. With this information, external auditors can expand the scope of testing, improve audit procedures, and deepen their analysis of high-risk areas. Consequently, auditors are more likely to identify irregularities, ultimately improving the quality of audit results.

Furthermore, an effective whistleblowing system also promotes the integrity of public sector organizations. When employees know there is a safe

and protected reporting channel, they are more likely to report violations without fear of repercussions. This creates a more transparent and accountable organizational environment, minimizing the opportunity for fraud (Potipiroon, 2024). In such an environment, external auditors can work more efficiently because inherent and control risks are lower. In other words, whistleblowing not only helps detect problems but also serves as a preventative mechanism that strengthens internal control systems.

The influence of whistleblowing on external audit quality can also be viewed from the perspective of auditor independence and professionalism (Kang, 2023). Information from whistleblowers can serve as a basis for auditors to maintain an attitude of professional skepticism in carrying out their duties. Professional skepticism is a key element of a quality audit, as it encourages auditors to not accept information at face value without adequate verification. When auditors receive a whistleblowing report, they are compelled to conduct further investigations, examine evidence more thoroughly, and question existing assumptions. This strengthens the audit process and reduces the likelihood of audit failure due to a lack of due care.

However, the effectiveness of whistleblowing in improving external audit quality depends heavily on the design and implementation of the whistleblowing system itself. A system that does not guarantee the confidentiality of whistleblowers' identities or provides adequate legal protection can hinder individual participation in reporting violations. Furthermore, if reports are not properly managed or not followed up seriously, trust in the system will decrease. Under these conditions, whistleblowing's potential contribution to audit quality is suboptimal. Therefore, commitment from the government and relevant institutions is needed to ensure that the whistleblowing system is designed comprehensively, including a report verification mechanism, whistleblower protection, and integration with the external audit process.

On the other hand, there are challenges that must be considered in utilizing whistleblowing as a source of audit information. One major challenge is the potential for inaccurate or personally motivated reports (Al-Karawi & Ghodrati, 2024a). External auditors must be able to sort and evaluate the credibility of the information received to avoid being misled. This requires auditors to possess high competency in risk analysis and evidence assessment. Furthermore, coordination between external auditors and internal parties managing the whistleblowing system is also crucial. Without proper

coordination, valuable information may not be effectively communicated to auditors (Limba et al., 2025).

Furthermore, in the public sector context, the influence of whistleblowing on external audit quality is also closely related to the level of public accountability. When reports of violations are followed up transparently and audit results are publicly published, public trust in government institutions increases. Quality external audits, supported by information from whistleblowers, can provide a more accurate picture of the government's financial condition and performance. This ultimately strengthens the government's legitimacy in the eyes of the public and encourages better governance.

### **The Auditor's Role in Following Up on Whistleblowing Reports**

The auditor's role in following up on whistleblowing reports has become increasingly crucial in the context of modern organizational governance, which demands high levels of transparency, accountability, and integrity. Whistleblowing, as a whistleblowing mechanism, provides an opportunity for individuals both inside and outside the organization to disclose unethical practices, fraud, or legal violations that may go undetected through standard oversight procedures (Khemakhem et al., 2023). In this regard, the auditor holds a strategic position as an independent party responsible for ensuring that every report received is followed up objectively, systematically, and professionally.

The auditor serves as the initial evaluator of the credibility of the whistleblowing report. This stage is crucial because not all reports have the same level of validity (Duong et al., 2025). The auditor must be able to make an initial assessment by considering supporting evidence, consistency of information, and the report's relevance to organizational risks. Throughout this process, the auditor is required to maintain professional skepticism to avoid prematurely accepting or rejecting the report. This initial evaluation also includes identifying the potential impacts that could arise if the report is proven to be true, both financially and operationally, and on the organization's reputation.

Furthermore, auditors are responsible for designing appropriate investigative procedures. Investigating whistleblowing reports requires a different approach than routine audits, as they often involve systematically concealed elements of fraud. Auditors must determine effective evidence-gathering methods, such as document examination, interviews with relevant

parties, and analysis of financial and non-financial data. In this context, the auditor's ability to use technology-based audit techniques, such as data analytics, becomes increasingly important to identify patterns of anomalies that are not readily apparent (Jácome et al., 2025).

In carrying out the investigative process, auditors must also uphold the principle of confidentiality. The whistleblower's identity must be protected to prevent retaliation that could harm them professionally or personally (Al-Karawi & Ghodrati, 2024b). This protection is not only the responsibility of the organization in general but also part of the auditor's professional ethics. Failure to maintain confidentiality can undermine trust in the whistleblowing system and hinder future reports.

Furthermore, auditors play a role in ensuring that the investigation process is conducted independently and free from conflicts of interest. In some cases, whistleblowing reports may involve parties holding strategic positions within the organization, including upper management. This can put pressure on auditors, both directly and indirectly. Therefore, auditors must possess strong integrity and adequate institutional support to maintain their independence. The involvement of the audit committee or supervisory board is often necessary to ensure that auditors can carry out their duties without interference (Kontogeorgis, 2025a).

After the investigation is complete, the auditor is responsible for preparing a comprehensive and objective audit report. This report must include key findings, supporting evidence, and conclusions regarding the veracity of the whistleblowing report. Furthermore, the auditor must provide constructive recommendations to address weaknesses in the internal control system that may have contributed to the violation. These recommendations may include procedural improvements, increased oversight, or the implementation of more sophisticated technology to prevent recurrence.

The auditor's role extends beyond preparing the report; it also includes monitoring the follow-up to the recommendations. The auditor must ensure that management actually implements the suggested improvements. This monitoring process is crucial to ensuring that the investigation results are not merely formal documents but actually have a tangible impact on improving organizational governance. In this regard, the auditor serves as a change agent, encouraging continuous improvement.

Furthermore, the auditor also plays an educational role in raising organizational awareness of the importance of a whistleblowing system. Auditors can provide input to management on designing an effective reporting

system, including ease of access, guarantees of anonymity, and clear follow-up mechanisms. Thus, auditors function not only as responders to reports but also as strategic partners in building an organizational culture of transparency and integrity (CA et al., 2025).

In the public sector context, the role of auditors in following up on whistleblowing reports is increasingly crucial because it directly relates to the use of public resources and public trust. Public sector auditors must be able to ensure that any indication of irregularities is handled seriously and transparently. This impacts not only the efficiency of budget use but also the legitimacy of public institutions in the eyes of the public.

### **Strategic Recommendations for Optimizing the Whistleblowing System and Audit Effectiveness**

Strategic recommendations for optimizing the whistleblowing system and improving audit effectiveness are becoming increasingly crucial in the context of public sector governance, which demands high levels of transparency, accountability, and integrity. A whistleblowing system serves not only as a channel for reporting violations but also as an internal control instrument capable of early risk detection. However, the effectiveness of this system is highly dependent on policy design, organizational culture, and its integration with the audit function (Zafar et al., 2025). Therefore, a comprehensive strategic approach is needed to ensure that the whistleblowing system operates optimally and contributes significantly to audit quality.

One key recommendation is to strengthen the regulatory framework and internal policies that clearly and firmly govern the whistleblowing system. Organizations need to establish standard operating procedures that cover reporting mechanisms, verification processes, and transparent and accountable follow-up on reports. This regulatory clarity is crucial to provide legal certainty and a sense of security for whistleblowers, thereby encouraging active participation from all elements of the organization (Kontogeorgis, 2025b). Furthermore, the policy must accommodate the principles of whistleblower protection, including guarantees of identity confidentiality and protection from retaliation.

Furthermore, strengthening an organizational culture that supports integrity and openness is a determining factor in the successful implementation of a whistleblowing system. An ethical organizational culture will create a conducive environment for individuals to report violations without fear. In this regard, organizational leaders play a crucial role as role models in upholding

ethical values and integrity. Leadership's commitment to transparency and accountability will send a strong signal to all members of the organization that reporting violations is valued and protected, not the opposite.

Furthermore, the integration of the whistleblowing system with internal and external audit functions needs to be strengthened. Information obtained from whistleblower reports can be a valuable source of data in the audit process, particularly in identifying high-risk areas requiring special attention. Auditors need to develop mechanisms to systematically process and analyze whistleblowing reports so they can be used as a basis for risk-based audit planning (Muhyidin et al., 2025). Thus, audits are not merely reactive to findings but also proactive in preventing potential fraud and irregularities.

The use of information technology is also a strategic recommendation that cannot be ignored. A digital-based whistleblowing system allows for easier, faster, and more secure reporting. Digital platforms can be equipped with anonymity features, data encryption, and report status tracking, thereby increasing whistleblower confidence in the system. Furthermore, data analytics technology can be utilized to identify recurring violation patterns and provide auditors with deeper insights in their evaluations. Integration between a whistleblowing system and a technology-based audit system will create synergy that can improve the efficiency and effectiveness of oversight.

The next recommendation is to improve the capacity and competency of human resources, both for whistleblowing system managers and auditors. System managers need to have the ability to handle reports professionally, including conducting initial investigations and maintaining the confidentiality of information. Meanwhile, auditors need to be equipped with analytical skills and a deep understanding of risk-based audit techniques and the utilization of data from the whistleblowing system. Continuous training and competency development are key to ensuring that these two functions operate optimally and support each other (Maiviza & Kusumah, 2025).

Furthermore, regular monitoring and evaluation mechanisms for the effectiveness of the whistleblowing system are essential. Organizations must have clear performance indicators to measure the success of the system, such as the number of reports received, the rate of report resolution, and the impact of report follow-up on improving governance. This evaluation focuses not only on the quantity of reports but also on the quality of their handling and their contribution to increased accountability. The evaluation results can be used as a basis for continuous system improvement and development.

Transparency in communicating the results of report follow-up is also a crucial aspect in building trust in the whistleblowing system. While the identity of the whistleblower must remain confidential, the organization can provide general information regarding the type of violation reported and the steps taken. This transparency will demonstrate the organization's commitment to following up on each report seriously and professionally, thereby encouraging more individuals to participate in the system (Maiviza & Kusumah, 2025).

Furthermore, collaboration between various parties, including internal auditors, external auditors, and supervisory agencies, needs to be strengthened to improve oversight effectiveness. A whistleblowing system can serve as an information bridge connecting various supervisory functions, creating a more integrated control system. This collaboration also enables the exchange of information and best practices that can improve overall audit quality. Finally, it's important to maintain the perspective that a whistleblowing system is not just a tool for detecting violations, but also part of a broader prevention strategy. By integrating this system into an organization's risk management and governance framework, a whistleblowing system can act as an early warning system that helps organizations identify and manage risks more effectively. In this context, auditing no longer functions solely as a verification tool but also as a strategic partner in creating transparent, accountable, and high-integrity governance.

## **CONCLUSION**

Research on whistleblowing systems and audit effectiveness in public sector governance shows that a well-designed whistleblowing system plays a crucial role in improving the quality of oversight and accountability. These systems enable individuals to report fraud or irregularities securely and anonymously, thereby expanding the sources of information available to auditors in detecting potential fraud that may be unreachable through conventional audit procedures. With strong organizational support, whistleblower protection, and clear follow-up mechanisms, whistleblowing systems can strengthen the integrity of the audit process and promote transparency in the management of public resources.

Furthermore, audit effectiveness in the public sector is influenced not only by auditor competence but also by a supportive control environment, including an ethical culture and a responsive reporting system. Integration between whistleblowing systems and the audit function creates synergy that aids in the prevention and early detection of irregularities. This ultimately

contributes to increased public trust in government institutions, as the oversight process is more transparent and accountable. Therefore, the implementation of effective whistleblowing systems is a key element in strengthening clean and integrated public sector governance.

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