



Whistleblowing Mechanisms and Audit Response: The Moderating Role of Audit Committees

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Abstract

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Whistleblowing mechanisms are increasingly relied upon to surface misconduct signals that may reshape auditors' risk assessments, yet the strength of audit response varies across firms. This article asks how whistleblowing system quality translates into observable audit responses and whether audit committees condition that relationship. Using a systematic literature review of peer-reviewed studies published between 2020 and 2024, the study consolidates evidence on reporting-channel design, audit outcomes (fees, effort, reporting, and internal control evaluations), and governance oversight. The synthesis indicates that credible and timely allegations are most consistently associated with risk repricing and targeted assurance expansion, while weak investigative follow-through dilutes report informativeness. The discussion organizes findings into an evidence pathway linking allegation credibility, investigation and remediation documentation, and audit committee information governance. Overall, engaged audit committees strengthen escalation and remediation processes, enabling more precise audit adjustments, whereas limited involvement increases uncertainty and encourages broader, conservative audit responses. Practical implications and research priorities are identified.

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1. Introduction

Whistleblowing mechanisms have become a central element of organizational control because they surface misconduct signals that are often invisible to routine monitoring and formal reporting. Evidence from field settings suggests that the practical performance of integrity hotlines can diverge meaningfully from their “policy-on-paper” design, particularly in how promptly and consistently organizations triage reports, investigate allegations, and communicate outcomes to relevant overseers (Soltes, 2020). Large-scale archival evidence also indicates that internal whistleblowing systems generate substantial reporting volume and that variation in how firms review and resolve reports is economically consequential, implying that mechanism quality is not only about existence but also about responsiveness and follow-through (Stubben & Welch, 2020). These insights motivate a closer focus on how whistleblowing infrastructures translate into governance actions, rather than treating whistleblowing as a binary compliance feature.

For external auditors, whistleblowing is not merely an ethics or compliance issue; it can reshape risk assessments and the nature of audit work. Research shows that whistleblowing allegations are associated with higher audit fees and more adverse internal control opinions, consistent with auditors pricing elevated engagement risk and expanding procedures when credible misconduct signals emerge (Kuang et al., 2021). Related evidence further suggests spillover effects: whistleblowing allegations at peer firms can prompt auditors to increase fees and intensify internal control scrutiny even for non-accused clients in the same industry,

reflecting heightened perceived litigation and misstatement risk (Zhou, 2023). At the regulatory level, whistleblower provisions can also function as deterrence mechanisms by increasing the expected probability that fraud is reported and sanctioned, thereby changing firms' incentives and potentially the informational environment in which audits operate (Berger & Lee, 2022).

However, audit responses to whistleblowing signals are unlikely to be uniform because the informational value of whistleblowing is filtered through human judgment, organizational incentives, and escalation pathways. Studies on audit professionals' whistleblowing intentions indicate that reporting-related decisions depend on behavioral control, organizational support, and moral considerations, implying that even within audit settings, willingness to act on wrongdoing signals can vary with context (Mansor et al., 2021). Complementary cross-cultural evidence among professional accountants shows that perceived organizational support and perceived personal costs can shape internal reporting preferences, reinforcing the broader idea that "speaking up" dynamics are contingent and can influence whether misconduct signals are surfaced, clarified, or suppressed before they reach assurance processes (Horiguchi et al., 2024). In practical terms, these patterns suggest that the audit consequences of whistleblowing may hinge on whether allegations are treated as credible, escalated appropriately, and linked to remediation evidence in ways that auditors can evaluate.

Audit committees are positioned to be the key governance link between whistleblowing mechanisms and audit response because they oversee financial reporting integrity, internal control remediation, and the external auditor

relationship. Yet direct, practice-based evidence indicates that audit committee involvement in whistleblowing can be less active than governance codes and regulations often assume, with committees frequently relying on management and internal audit for information and process execution (Khemakhem et al., 2023). This gap is theoretically important: if audit committees are passive, whistleblowing signals may be filtered, delayed, or insufficiently escalated, potentially dampening timely audit adjustments; conversely, if committees are independent, diligent, and engaged, they can strengthen escalation protocols, demand remediation evidence, and encourage auditors to recalibrate procedures based on credible allegations. Accordingly, this article develops an integrative explanation of how whistleblowing mechanism attributes (for example, accessibility, anonymity options, investigative independence, and feedback loops) connect to audit responses (for example, audit fees, internal control opinions, and audit effort), and why audit committee oversight may condition these linkages.

Using a systematic literature review, this study synthesizes peer-reviewed evidence on whistleblowing infrastructures, auditor responses to whistleblowing-related signals, and audit committee oversight dynamics to clarify what is known, where findings converge or conflict, and which boundary conditions remain underexplored. By organizing prior results into a coherent governance-to-audit pathway, the review aims to refine conceptual expectations about when whistleblowing mechanisms trigger substantive audit responses and when governance frictions weaken that transmission, thereby informing both audit

committee practice and future research on credible reporting, escalation, and assurance outcomes.

2. Literature Review

Whistleblowing mechanisms are typically framed in the governance literature as information channels that reduce agency problems by lowering the cost of reporting misconduct and increasing the likelihood that wrongdoing is detected and escalated. Empirical evidence distinguishes between the existence of a reporting channel and its operational efficacy, showing that hotline design and day-to-day practices shape whether allegations are captured, investigated, and translated into corrective action (Soltes, 2020; Stubben & Welch, 2020). In this stream, whistleblowing is not treated as a standalone control; rather, it interacts with other monitoring functions (internal audit, compliance, and board oversight) that determine signal credibility and investigation quality.

A complementary line of research examines how whistleblowing-related signals affect external audit judgments and pricing. Whistleblowing allegations can function as risk markers that trigger more conservative audit planning, greater effort, and higher fees, particularly when allegations appear substantiated or plausibly linked to control failures (Kuang et al., 2021). Even when allegations are not directed at a focal client, auditors may respond to heightened perceived risk after whistleblowing events at peer firms, suggesting that whistleblowing information can influence auditors' broader risk perceptions and benchmarking behavior (Zhou, 2023). At the institutional level, evidence that whistleblower protection and incentive frameworks

deter accounting fraud supports the view that whistleblowing alters the expected costs of misreporting, thereby changing the audit environment in which managers, governance bodies, and auditors interact (Berger & Lee, 2022).

The audit committee literature adds a critical moderating lens. Audit committees shape how whistleblowing signals are filtered, escalated, and converted into auditable remediation evidence, and their monitoring quality is associated with higher reporting quality and firm value, consistent with stronger oversight and reduced information risk (Almaqoushi & Powell, 2021). Qualitative evidence also indicates that audit committee involvement in whistleblowing can vary widely, with committees sometimes relying heavily on management or internal audit for case visibility and follow-up, which may delay escalation to auditors or narrow the scope of audit-relevant communication (Khemakhem et al., 2023). In parallel, behavioral evidence on auditors' whistleblowing intentions highlights that professional responses to wrongdoing signals depend on organizational context and perceived support, which implies that governance arrangements can shape whether whistleblowing information is acted upon decisively or treated as peripheral (Mansor et al., 2021).

Finally, adjacent fraud and assurance research suggests that whistleblowing is often embedded within broader anti-fraud capabilities rather than operating as a single “silver bullet”. For example, studies that examine whistleblowing alongside forensic accounting capabilities and audit technologies show that the effectiveness of fraud detection and response depends on complementary skills and systems, implying that audit committees may strengthen whistleblowing-to-audit pathways

most when they coordinate multiple assurance resources (Achmad et al., 2024). Likewise, evidence from financial-sector settings links corporate governance and whistleblowing systems to fraud disclosure outcomes, reinforcing the importance of oversight structures in determining whether reporting channels produce timely, actionable information (Handajani et al., 2023). Together, these streams motivate an integrated model in which whistleblowing mechanism quality influences audit response, but the magnitude and consistency of that influence are conditioned by audit committee oversight.

3. Methods

This study applies a systematic literature review design to synthesize peer-reviewed evidence on (i) whistleblowing mechanism characteristics, (ii) audit responses to whistleblowing-related signals, and (iii) the audit committee's moderating role in shaping that linkage. A structured search was conducted across major academic databases commonly used in accounting, auditing, and corporate governance research (for example, Scopus and Web of Science), with Google Scholar used as a supplementary index to reduce omission risk. The search was restricted to journal articles published between 2020 and 2024. Search strings combined key terms and synonyms for the focal constructs, including whistleblowing (hotline, reporting channel, speak-up), audit response (audit fees, audit effort, audit reporting, internal control opinions), and audit committee (oversight, monitoring, governance). Only peer-reviewed journal articles written in

English and directly examining at least one core construct were retained; editorials, dissertations, conference papers, and non-refereed reports were excluded.

Records were screened in two stages. First, titles and abstracts were reviewed to remove duplicates and non-relevant studies. Second, full-text screening applied eligibility criteria focused on conceptual fit (explicit measurement or theorization of whistleblowing mechanisms, audit outcomes/responses, and/or audit committee oversight) and methodological transparency (clear sample definition, measures, and analysis). A standardized extraction form was used to capture publication details, theoretical framing, study context, variable definitions and proxies, empirical approach, and key findings. Study quality was assessed using a concise appraisal checklist emphasizing clarity of research questions, construct validity, analytical rigor, and completeness of reporting, with lower-transparency studies weighted less in the synthesis.

Evidence was synthesized using thematic coding and structured mapping. Findings were organized into mechanism-level themes (channel design and implementation), audit-level themes (risk assessment, pricing, reporting, internal controls), and governance-level themes (audit committee independence, expertise, involvement, and information flow). Moderation was identified when studies reported interaction effects, systematic differences across audit committee attributes, or theory-consistent patterns linking audit committee oversight strength to variation in audit responses. The final synthesis integrates these themes into an explanatory pathway describing when whistleblowing signals are more likely to translate into observable audit responses and when governance frictions weaken that transmission.

4. Results and Discussion

Across the reviewed studies, three consistent patterns emerge regarding how whistleblowing mechanisms translate into observable audit responses. First, the operational quality of whistleblowing channels matters as much as their formal existence. Field evidence shows that hotline availability, responsiveness, and follow-up practices can deviate materially from written policies, creating uneven “signal reliability” for governance actors and auditors (Soltes, 2020). Complementing this, large-scale evidence from internal reporting providers indicates that firms differ substantially in how extensively and how quickly reports are reviewed and closed, implying that whistleblowing mechanisms vary in their capacity to produce timely, decision-useful information (Stubben & Welch, 2020). In practice, this helps explain why some allegations prompt immediate, audit-relevant escalation while others remain trapped in compliance workflows with limited audit impact.

In addition, when whistleblowing signals are credible or substantiated, the dominant audit response documented in the literature is risk repricing and targeted assurance expansion. Evidence indicates that firms subject to whistleblowing allegations face higher audit fees, consistent with auditors incorporating elevated engagement risk into pricing decisions and increasing planned effort. Importantly, audit reporting responses appear more discriminating than fee responses: adverse internal control opinions are more likely when allegations are substantiated, suggesting auditors differentiate between the mere presence of allegations and evidence that points to control breakdowns (Kuang et al., 2021). This distinction supports an interpretation that auditors treat allegations as an initial risk indicator,

then adjust the intensity and direction of procedures as corroborating information becomes available through management representations, internal audit work, remediation documentation, and other audit evidence.

A further nuance in the results is that auditors' responses can extend beyond the accused firm through risk contagion and benchmarking. Evidence that whistleblowing events at peer firms are associated with heightened auditor responses for non-accused clients implies that whistleblowing can alter perceived industry risk, potentially raising baseline skepticism and prompting broader reassessment of control and reporting risks (Zhou, 2023). This "spillover" dynamic is especially relevant for audit committees because it implies that the committee's information-sharing practices and remediation discipline can influence whether the external auditor views the firm as an outlier with strong governance (and therefore lower incremental risk) or as part of an industry pattern that warrants additional audit scrutiny.

The review also indicates that auditors do not only react to explicit whistleblowing allegations; they appear to price and respond to adjacent integrity signals that proxy for ethical infrastructure quality. For example, evidence that auditors incorporate the quality of a client's code of ethics into audit fee judgments suggests that ethics-related governance mechanisms can function as risk cues, even when they do not take the form of a specific allegation (Duong et al., 2022). This matters for whistleblowing research because robust speak-up systems and credible ethics programs are often complements. Where ethics infrastructure is substantive rather than symbolic, auditors may perceive lower "control environment

uncertainty,” which can temper the marginal audit response to a whistleblowing signal if the firm can demonstrate disciplined triage, independent investigation, and documented remediation.

Regarding the moderating role of audit committees, the most defensible synthesis is that audit committees influence whistleblowing-to-audit pathways through information governance and remediation governance. Qualitative evidence suggests audit committees may vary widely in their direct involvement, with some committees relying heavily on management or internal audit for visibility and follow-up (Khemakhem et al., 2023). When committees are less engaged, whistleblowing information is more likely to be filtered, delayed, or communicated to auditors in a way that is incomplete or overly sanitized. Under such conditions, auditors may default to conservative responses (higher fees, expanded testing) because the uncertainty surrounding allegation handling remains unresolved. Conversely, when audit committees actively oversee the intake process, demand investigation independence, and monitor remediation timelines, whistleblowing signals can be converted into auditable evidence more efficiently, enabling auditors to calibrate procedures to verified risks rather than generalized concerns.

The synthesis also points to an important boundary condition: the audit committee’s moderating influence is likely strongest when the whistleblowing mechanism produces specific, traceable issues that can be tied to financial reporting assertions or internal control components. Soltes (2020) and Stubben and Welch (2020) imply that report specificity, investigative documentation, and closure discipline shape whether issues can be translated into an audit plan that targets

relevant assertions and controls. In other words, an engaged audit committee cannot fully compensate for a weak mechanism that yields vague, non-actionable reports, but it can materially improve the escalation and evidentiary pathway when allegations are actionable.

Finally, taken together, the reviewed results support a pathway interpretation: whistleblowing mechanisms affect audit response primarily via (1) the credibility and timeliness of the allegation signal, (2) the firm's capacity to produce verifiable investigation and remediation evidence, and (3) the audit committee's oversight intensity in ensuring that evidence is complete, independent, and promptly shared with the external auditor when financially relevant. The discussion also implies a research gap that future empirical work can address more directly: many studies observe audit outcomes (fees, control opinions) following whistleblowing events, but fewer isolate the internal governance "transmission" factors, such as committee escalation protocols, internal audit involvement, and documentation quality, that would explain cross-firm variation in audit responses. Building on emerging governance-effectiveness measures, future research could test whether stronger audit committee effectiveness is associated with more timely remediation evidence and more precisely targeted audit responses, rather than uniformly higher audit effort (Qaderi et al., 2024).

5. Conclusion

This review indicates that whistleblowing mechanisms influence audit outcomes primarily when they function as credible, timely, and auditable

information channels rather than symbolic compliance tools. Across the literature, higher-quality reporting systems are more likely to generate actionable allegations with documented investigation trails, which strengthens the informational basis for auditors to recalibrate risk assessments and tailor audit procedures. In this sense, the linkage between whistleblowing and audit response is best understood as a transmission process that depends on how allegations are captured, verified, and converted into evidence suitable for assurance work.

A consistent implication is that audit committees play a pivotal moderating role by shaping both information governance and remediation governance. When audit committees actively oversee whistleblowing intake, ensure investigative independence, and require clear remediation milestones, whistleblowing signals are less likely to be filtered or delayed and more likely to reach auditors in a form that supports precise risk adjustment. Conversely, limited committee engagement can widen uncertainty around allegation handling, which may encourage conservative audit responses such as higher pricing and broader assurance expansion due to unresolved information risk.

Despite growing evidence on audit fees, control opinions, and related outcomes following whistleblowing events, important gaps remain. Future research could more directly test the internal “mechanisms of moderation” by examining escalation protocols, documentation quality, internal audit involvement, and the timing of audit committee interventions, rather than relying mainly on outcome proxies. Additional work is also needed to clarify boundary conditions across institutional settings, industry risk profiles, and varying whistleblowing designs, with

particular attention to whether stronger audit committee oversight leads to more efficiently targeted audit responses and faster remediation, not merely greater audit effort.

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