



# WHISTLE-BLOWING AS A FRAUD PREVENTION STRATEGY IN NIGERIA

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## ABSTRACT

*This study examines the effectiveness of whistle-blowing as a fraud prevention strategy. Using the survey method of data gathering, a total of eighty (80) copies of likert-scale questionnaire were distributed to respondents. A total of seventy (70) copies of questionnaire were retrieved for the purpose of data analyses using chi-square, to test our hypotheses. Our study reveals that whistle-blowing is a good fraud prevention strategy, the public has a positive perception towards whistle-blowing and that there is protection for whistle-blower in Nigeria. It is therefore recommended that whistle-blowing be encourage and given the needed legal teething in Nigeria in order to serve as catalyst for fraud prevention.*

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## INTRODUCTION

### 1.1 BACKGROUND TO THE STUDY

Whistle-blowing strategy has been used by several organisations over the years in both public and private sectors to bring to the attention of the public and concern stakeholders in the event of fraud or suspected fraud. But whether it has aided fraud prevention is yet another contentious issue begging for adequate explanation.

Kirklees Council (May 2012) in the United Kingdom (UK), opined that employees will often be the first to notice if there is something seriously wrong within their workplace. Sometimes it may seem difficult to speak up because of feelings of disloyalty, or because of a fear of harassment or victimisation. They asserted that they expect the highest standards of behaviour and that all employees have a responsibility to voice any concerns they have, normally with their manager or assistant director by way of whistleblowing. They maintained that this whistleblowing procedure is independent and confidential. According to Kirklees Council (May 2012), It can be anonymous if you wish and also make sure that you will not be victimised or suffer disadvantage if you report your genuine concerns.

Whistleblowing is a strategy which allows employees to bring to the attention of those who can make a difference any practice which they believe or suspect is unlawful, serious breach of the organisation's policies, procedures and rules that falls substantially below established standards of practice and amounts to improper conduct.

Daft (2006), argued that organisations can no longer rely solely on codes of conduct and ethical structures to prevent all unethical behaviour, but have to depend to some degree on individuals who are willing to blow the whistle if they detect illegal, dangerous or unethical activities. However Borrie and Dehn (2003) lament the rapid advances in the transformation of the modern organisation for making it increasingly impracticable for most organisations to have the necessary checks and controls in place, and this makes it easier for employers and employees to act in ways that compromise their professional integrity. Perks and Smith (2009) submitted that Whistle-blowing is contrary to the tradition that an employee does not question a superior's decisions and acts, especially not in public. What is at stake is the employee's right to speak out in cases where they think the organisation or management is engaging in an unacceptable practice.



## 1.2 STATEMENT OF THE RESEARCH PROBLEM

An attempt by employees to come up with whistle-blowing in the event of suspected fraud has not yielded positive results in Nigeria over the years. For instance, thisdaylive newspaper had reported that the former Central Bank of Nigeria (CBN) governor, Mallam Sanusi Lamido Sanusi raised alarm between the year 2013-2014 that certain amount of money was not remitted to the designated account in CBN by the Nigeria National Petroleum Corporation (NNPC), this became a subject of public debate and caused a lot of controversy, however instead of proper accountability and probity to be done by the concern authorities and anti-graft agencies, it resulted in accusations and counter accusations among the parties involve.

According to thisdaylive newspaper, the federal government even went as far as accusing the whistle-blower of mere politicking rather than face the issue with sincerity of purpose. The whistle-blower was subsequently suspended till retirement. However on the international scale, Federation of International Football Association (FIFA), reported that a front-line member of the Federation of International Football Association (FIFA), in the year 2014 also raised alarm that the process of the award of hosting rights of the FIFA World Cup for 2018 and 2022 to Russia and Qatar respectively was fraudulent and that certain members accepted bribes. But when asked to come forward with evidence, he became defiant and declined to mention those culpable.

Perks and Smith (2009) maintained that in whistleblowing, what is at stake is employee's right to speak out in cases where they think the organisation or management is engaging in an unacceptable practice. But in the Nigeria context, what becomes of the employees in terms of job security, public acceptance and of course the potential long run spillover effect of blowing the whistle in situations where organisations are suffering from bureaucratic red-tapism and organisations code of conduct do not encourage whistleblowing. On the other hand, many serious scandals and disasters that have occurred all over the world in recent years might have been prevented or lessened if employees had come forward to expose problems to regulators or the media. This study is designed to explore the relevance of whistle-blowing as a strategy for fraud prevention in Nigeria. Therefore, the following questions will be used to address these problems:

1. How does whistle-blowing strategy aid fraud prevention?

2. What is the perception of the public towards whistle-blowing strategy?

3. To what extent are whistle-blower protected in Nigeria?

## 1.3 OBJECTIVES OF THE STUDY

The general objective is to ascertain the effectiveness of whistle-blowing in fraud prevention. The specific objectives are to:

1. Establish the effect of whistle-blowing on fraud prevention;
2. Ascertain public perception towards whistle-blowing; and
3. Determine the extent to which whistle-blower are protected in Nigeria.

## 1.4 HYPOTHESES

For the purpose of this study, the following hypotheses will be tested:

H<sub>01</sub>. Whistle-blowing is not a good fraud prevention strategy.

H<sub>02</sub>. The public has a negative perception towards whistle-blowing.

H<sub>03</sub>. There is no protection for whistle-blower in Nigeria.

## LITERATURE REVIEW

### INTRODUCTION

This session will be used to review relevant and related literatures on whistle-blowing as a tool for fraud prevention.

### CONCEPTUAL FRAMEWORK

Near and Miceli (1987), defined whistle-blowing as the disclosure by organisation members (former or current) of illegal, immoral or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action. Barker and Dawood (2004) recommended that organisations should implement an effective internal system for employees to raise concerns and to facilitate the process of whistle-blowing internally. Meanwhile Robbins and Judge (2006) encourage ethical training to implement an ethical organisational culture. They asserted that the training should be given to new employees as part of orientation, as well as to existing employees. This training should be given on a periodic basis to help employees recognise ethical dilemmas and to make them aware of the ethical issues underlying any action they take.

Sangweni (2005) pointed out several initiatives that have been undertaken in South Africa by government to promote accountability and fight



corruption within the public sector. These include legislation on the Promotion of Access to Information Act and the Protected Disclosure Act. This Act aims to protect persons from victimisation when they expose corruption and unethical practices while government has also hosted various anti-corruption conferences. Perks and Smith (2009) opined that whistle blowing often involves a decision to be made among conflicting moral, legal, economic, personal, family, and career demands and choices. According to Meng and Fook (2011), the fact that many countries have enacted legislations to protect whistleblowers exemplifies the importance of whistle-blowing in promoting good governance within both the public and private institutions. They argued that Malaysia also showed its commitment in eradicating corporate fraud, corruption and misbehaviour through the enactment of the Whistleblower protection ACT 2010 (WPA 2010), maintaining that there is still a bridging gap between whistleblower protection and good corporate governance practices in Malaysia compared to England and the United States.

However, The Central Bank of Nigeria (CBN) recently introduced a new Code of Corporate Governance and Whistle Blowing guidelines, directing banks to formulate whistle-blowing policies and acquaint employees and stakeholders of same. The policies are to contain mechanisms, including assurances of confidentiality that would encourage stakeholders to report any unethical activity to the bank and/or the CBN. Over and above this, banks are expected to render reports on quarterly basis on compliance with regards to whistle-blowing policies.

Whistleblower protection mechanisms and assurances of confidentiality is a means of promoting accountability by allowing for the disclosure by any person of information (internal and external) about misconduct, whilst at the same time protecting the person against sanctions of any form.

Transparency international maintained that whistleblowers are important players in national and global efforts to fight corruption. They risk their careers and sometimes their personal safety to expose wrongdoing that threatens public health and safety, financial integrity, human rights, the environment, and the rule of law. By disclosing information about such misdeeds, whistleblowers have helped save countless

lives and billions of dollars in public funds while preventing emerging scandals and disasters from worsening. Many serious scandals and disasters that have struck Europe in recent years might have been prevented or lessened if employees had come forward to expose problems to regulators or the media. Inadequate whistleblower laws can inhibit people from taking this step.

### THEORETICAL FRAMEWORK

**Shareholder Theory:** Friedman (Shareholder Theory) argued that employees DO have SOME obligations to their employers. If you work for someone (public or private organisations), they have almost certainly hired you for a specific purpose: Namely, to help out that business, and serve their interests. In short, when you are hired by an employer, you enter into some form of contract with that employer; to the effect that you agree to work toward the interests of the business, and in return they will compensate you accordingly. Hence where there is fraud or organisational anomaly within the knowledge of employee, he/she should not hesitate to raise alarm. This study will therefore be anchored on Friedman (Shareholder Theory).

### METHODOLOGY

The analyses of data in this research will be done by chi-square, while likert scale questionnaire will be used to generate data.

### MODEL SPECIFICATION

$$\chi^2 = \sum_{i=1}^r \sum_{j=1}^c (o_{ij} - e_{ij})^2 / e_{ij}$$

Where  $o_{ij}$  = observed frequency in the  $i$ th row and  $j$ th column

$e_{ij}$  = expected frequency in the  $ij$ th cell

$$e_{ij} = (\text{ith row total} \times \text{jth column total}) / \text{grand total}$$

### DECISION RULE

*Reject  $H_0$ : if  $\chi^2_{\text{calculated}} > \chi^2_{\text{tabulated}}$*

*Don't Reject  $H_0$ : if  $\chi^2_{\text{calculated}} < \chi^2_{\text{tabulated}}$*

### DATA PRESENTATION, ANALYSES AND INTERPRETATION

A total of eighty (80) copies of likert-scale questionnaire were distributed to respondents, but seventy (70) were return completed.



## DEMOGRAPHIC ANALYSES OF RESPONDENTS

### Sex Distribution

Table 1.0

Sex	Respondents	Percentage (%)
Male	45	64
Female	25	36
Total	70	100

Source: field survey, 2021.

### Age Distribution

Table 1.1

Age	Respondents	Percentage (%)
25-30	30	43
31-35	15	21
36 and above	25	36
Total	70	100

Source: field survey, 2021.

### Educational Qualification

Table 1.2

Qualifications	Respondents	Percentage (%)
WASCE	-	-
OND/NCE	-	-
B.Sc./B.A	65	93
M.Sc./Ph.D.	5	7
Others	-	-
Total	70	100

Source: field survey, 2021.

## TEST OF HYPOTHESES

$H_{01}$ . Whistle-blowing is not a good fraud prevention strategy.

Table 1.3a

Items/ Questions	SA $O_{ij},(e_{ij})$	A $O_{ij},(e_{ij})$	U $O_{ij},(e_{ij})$	D $O_{ij},(e_{ij})$	SD $O_{ij},(e_{ij})$	Total
1	11,(14.2)	16,(11.8)	6,(11)	21,(21)	16,(12)	70
2	6,( 14.2)	0,(11.8)	15,(11)	38,(21)	11,( 12)	70
3	11,(14.2)	16,(11.8)	6,(11)	16,(21)	21,( 12)	70
4	20,(14.2)	15,(11.8)	15,(11)	15,(21)	5,(12)	70
5	23,(14.2)	12,(11.8)	13,(11)	15,(21)	7,(12)	70
Total	71	59	55	105	60	350

Source: field survey, 2021.



Table 1.3b

$O_{ij}$	$e_{ij}$	$(O_{ij}-e_{ij})^2$	$(O_{ij}-e_{ij})^2 / e_{ij}$
11	14.2	10.24	0.72
16	11.8	17.64	1.49
6	11	25	2.27
21	21	0	0
16	12	16	1.33
6	14.2	67.24	4.74
0	11.8	139.24	11.8
15	11	16	1.45
38	21	289	13.76
11	12	1	0.08
11	14.2	10.24	0.72
16	11.8	17.64	1.49
6	11	25	2.27
16	21	25	1.19
21	12	81	6.75
20	14.2	33.64	2.36
15	11.8	10.24	0.87
15	11	16	1.45
15	21	36	1.71
5	12	49	4.08
23	14.2	77.44	5.45
12	11.8	0.04	0
13	11	4	0.36
15	21	36	1.71
7	12	25	2.08
<b><math>\chi^2</math> calculated =</b>			<b>70.13</b>

Source: author's computation

$\chi^2$  tabulated, d.f = (r-1)(c-1), level of significant= 0.05

$\chi^2$  tabulated 16, 0.05 = 26.296

Decision: Reject the null hypothesis and accept alternate hypothesis. That is on the average, whistle-blowing is a good fraud prevention strategy.

**H<sub>02</sub>. The public has a negative perception towards whistle-blowing.**

Table 1.4a

Items/ Questions	SA $O_{ij},(e_{ij})$	A $O_{ij},(e_{ij})$	U $O_{ij},(e_{ij})$	D $O_{ij},(e_{ij})$	SD $O_{ij},(e_{ij})$	Total
6	0,(1.67)	20,(21.67)	0,(6.67)	40,(28.33)	10,(11.67)	70
7	5,(1.67)	20,( 21.67)	10,(6.67)	25,(28.33)	10,(11.67)	70
8	0,(1.67)	25,( 21.67)	10,(6.67)	20,(28.33)	15,(11.67)	70
Total	5	65	20	85	35	210

Source: field survey, 2021.



Table 1.4b

<i>Oij</i>	<i>eij</i>	$(Oij-eij)^2$	$(Oij-eij)^2 / eij$
0	1.67	2.79	1.67
20	21.67	2.79	0.13
0	6.67	44.49	6.67
40	28.33	136.19	4.81
10	11.67	2.79	0.24
5	1.67	11.09	6.64
20	21.67	2.79	0.13
10	6.67	11.09	1.66
25	28.33	11.09	0.39
10	11.67	2.79	0.24
0	1.67	2.79	1.67
25	21.67	11.09	0.51
10	6.67	11.09	1.66
20	28.33	69.39	2.45
15	11.67	11.09	0.95
<b><math>x^2</math> calculated =</b>			<b>29.82</b>

Source: author's computation

 $x^2$  tabulated, d.f = (r-1)(c-1), level of significant= 0.05 $x^2$  tabulated 8, 0.05 = 15.507

Decision: Reject the null hypothesis and accept alternate hypothesis. That is on the average, the public has a positive perception towards whistle-blowing.

H<sub>03</sub>. There is no protection for whistle-blower in Nigeria.

Table 1.5a

Items/ Questions	SA <i>Oij,(eij)</i>	A <i>Oij,(eij)</i>	U <i>Oij,(eij)</i>	D <i>Oij,(eij)</i>	SD <i>Oij,(eij)</i>	Total
9	5,(2.5)	15,(17.5)	5,(2.5)	30,(30)	15,(17.5)	70
10	0,(2.5)	20,(17.5)	0,(2.5)	30,(30)	20,(17.5)	70
Total	5	35	5	60	35	140

Source: field survey, 2021.

Table 1.5b

<i>Oij</i>	<i>eij</i>	$(Oij-eij)^2$	$(Oij-eij)^2 / eij$
5	2.5	6.25	2.5
15	17.5	6.25	0.36
5	2.5	6.25	2.5
30	30	0	0
15	17.5	6.25	0.36
0	2.5	6.25	2.5
20	17.5	6.25	0.36
0	2.5	6.25	2.5
30	30	0	0
20	17.5	6.25	0.36
<b><math>x^2</math> calculated =</b>			<b>11.44</b>

Source: author's computation

 $x^2$  tabulated, d.f = (r-1)(c-1), level of significant= 0.05 $x^2$  tabulated 4, 0.05 = 9.488



Decision: Reject the null hypothesis and accept the alternate hypothesis. That is on the average, there is protection for whistle-blower in Nigeria.

10. *Thisdaylive Newspaper*; Non-Remittance of \$49.8 Billion. Available at [www.thisdaylive.com](http://www.thisdaylive.com)

## CONCLUSION

The purpose of this study was to examine the effect of whistle-blowing as a fraud prevention strategy. The study concludes that whistle-blowing is a good fraud prevention technique and that the public has a positive perception towards whistle-blowing. Consequently, it is recommended that whistle-blowing be encourage and given the needed legal teething in Nigeria in order to serve as catalyst for fraud prevention.

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