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WHISTLEBLOWING: A PANACEA FOR FRAUD PREVENTION AND DETECTION IN NIGERIAN PUBLIC COMPANIES

¹Emeka-Nwokeji, N. A.

¹Accountancy Department
Chukwuemeka Odumegwu Ojukwu
University,
Igbariam - Nigeria

²Okeke, P. C.

²Bursary Department
Chukwuemeka Odumegwu Ojukwu
University,
Igbariam - Nigeria

³Ojimba, D. C

³ Business Administration Department
Chukwuemeka Odumegwu Ojukwu University,
Igbariam

ABSTRACT

As a result of high level of fraud and corruption in Nigerian public companies, local and foreign investors turn their back on our capital market and this affects the foreign investment of the country and the economy as a whole. This study examines whistleblowing as a necessary condition for fraud prevention and detection in Nigerian public companies. Survey design was used. Population of this study consists of employees of public companies with registered office in Anambra. Out of 132 questionnaires distributed, 98 were properly filled and returned representing 74% response rate which is considered appropriate. Data collected for the study were analysed using descriptive statistics. One sample t-test was used for testing hypotheses one and three while hypothesis three was tested using Pearson product moment correlation coefficient. Analysis provides evidence that whistleblowing programme is significant in reducing fraudulent activities in public companies; that there is significant relationship between whistleblowing legislation and fraud prevention and detection in public companies. The result also shows that basic elements of whistleblowing have not been properly established in public companies. The study recommends that management should establish effective whistleblowing programme by embedding whistle-blowing arrangement awareness in the culture and the framework of its code of conduct. Employee and stakeholders should be involved in the development and review of company's whistle blowing programme. There is also urgent need for our policy makers to pass the long awaiting whistle-blower's protection bill, with protective measures included.

KEYWORDS: *Fraud, Whistleblowing, Capital Market, Fraud Prevention, Fraud Detection.*

1. INTRODUCTION

Fraud remains a considerable problem for every business no matter its size and complexities. It is a phenomenon that eats into the twin variables of productivity and profit. People often wonder why so much fraud occur and why it is not caught sooner in order to limit losses. Fraud constitutes a purposeful disregard for organizational system and a deliberate attempt to violate that system for personal gain, and most companies' systems are not developed to stop this.

The exact magnitude of losses to fraud is difficult to determine. The reason for this as noted by Olujobi (1999:28) is that 'frauds are rarely reported for prosecution in our country'. Also Nwaze (2006) noted that one fundamental source of worry on the issue of fraud in Nigeria is paucity of accurate statistics. With the above situation, there is no way to develop meaningful statistics for fraud. Nevertheless, an insight into the extent of fraud is given in a 2007 studies by Association of Certified Fraud Examiners (ACFE) on its report to the nation on the occupational fraud and abuse. It shows that companies lose 6% of their annual revenue because of fraud and abuse. Also Nwaze (2006:267) cites a report of Financial Institutions Training Center (FITC) on fraud and forgeries in the Nigeria banking industry 1st - 3rd quarter of 2005. The report shows a total of 827 cases involving total sum of ₦4,877,384,061 and various types of fraud regularly encountered in the Nigeria banking industry. Moreso, in our own contemporary Nigeria which ranked 130th on the list of the world's 180 most corrupt nations by the Transparency International, Corruption Perception Index -CPI (Ajaero, 2009:18), most people seize every opportunity to commit fraud. As a result of high level of fraud and corruption in Nigeria, many investors simply turn their back on the country and this affects the foreign investment on the country and the economy as a whole. The above studies indicate that fraud has reached a pandemic level and is costly and debilitating to organizational performance.

The ugly situation will not be allowed to continue. Our economy and indeed our capital market need urgent recovery from adverse effects of fraud. Prevention and detection of fraud are crucial to growth and prosperity of any organization. It is vital that all government agencies, companies and individuals redouble their efforts to confront this most debilitating social sickness called fraud. Thus for organizations to survive, in today's complex and competitive market, they must be proactive in the fight against fraud.

Previous attempt to fight the hardheaded monster have seen companies identify and assess fraud risks, design antifraud controls and incorporate antifraud measures into their business operations. This also saw the emergence of variety of auditing standard – Statement on Internal Auditing Standard

(SIAS 3) published by Institute of Internal Auditors; Statement on Auditing Standards (SAS 99) which supersedes SAS 82 and SAS 52 published by American Institute of Certified Public Accountant, and International Standards on Auditing (ISA 240) published by International Federation of Accountants etc (Coderre,2009); all of which require that auditors plan and perform audits in a manner that reduces risk of fraudulent activities going undetected.

These previous efforts and precautions that organization have taken to detect, deter, and prevent fraud seem to overlook the practice of designing and maintaining effective and visible antifraud programme that will encourage an inbuilt system or personnel to raise alarm when fraud indicators are perceived. Commenting on the efficacy of whistle blowing practice, Rezaee and Riley (2010:19) opined that "effective antifraud programme in the workplace environment, whistle blowing policies and procedures of encouraging and protecting employees who report suspicious behaviours... can significantly reduce fraud."

Whistleblowing is a term that has found its way into the auditing literature. Establishing whistleblowing procedure is one of the requirements of Sarbanes – Oxley's Act (SOX) of 2002 also known as Public Company Accounting Reform and Investors Protection Act. SOX requires company's audit committee to establish whistleblowing procedure for the receipt, retention and treatment of public company complaints. SOX generally apply only to United States companies but numerous multinational public and private companies are complying with the regulations voluntarily. Whistleblowing entails reporting or revealing wrongdoings or improper conducts within an organization, to those in authorities or to the public. In the view of Rezaee and Riley (2010) whistleblowing means that an individual with knowledge of wrongdoing including financial statement fraud informs those in authority to remedy the wrong of the situation. Whistleblowing occurs when an employee raises concern to the employer or external regulator about fraud or other illegality that affect others like workers or members of the public.

According to the 2006 study by Association of Certified Fraud Examiners (ACFE) cited in Coenen (2006), 34% of frauds are detected through tips from an employee, vendors, customers or anonymous person. This supports the ideas of having anonymous hotlines available for people to report frauds. If people are willing to report suspected fraud to the company, it makes sense to make it as easy as possible to report the suspicious behaviour. Implementation of whistleblowing policies in an organization reinforces ethical behaviour among staff and employees and provides an opportunity that encourages staff to plan their part in improving the overall effectiveness and success of the organization.

The remainder of this paper is organized as follows. Section 2 reviews the existing studies in the area of whistleblowing, fraud prevention and detection. Section 3 describes sources and method of collecting data, and the empirical methods used to test the hypotheses. Section 4 provides empirical analysis and discussion of findings. Section 5 concludes the study.

STATEMENT OF PROBLEM

Fraud has increasingly become a serious problem for businesses, government and investors. There is no economic system in the world that is able to escape the growing complexity of fraudulent activities (Hawes cited in Nwaze 2006: 4). Citizens no longer have confidence to invest in public companies. The view of the AICPA, ACFE and the IIA is that organizations are subject to fraud risks. Large fraud has led to the downfall of organizations, massive investment losses, significant legal costs, incarceration of key individuals and erosion of confidence in capital markets. Meanwhile SOX 2002 requires corporations through their audit committee to establish procedures that encourages employees to raise concerns regarding fraud (whistle blowing). Whistle blowing reduces fraud risks. The realisation that somebody is watching is a sufficient deterrent to unscrupulous staff who might nurse the ambition of committing fraud. Despite these and many other benefit of establishing a system that encourages report of unethical conduct, there is lack of empirical evidence on effect of whistleblowing as a panacea for fraud prevention and detection. This created gap for this paper which attempt to empirically answer the broad question of whether whistleblowing has effect on prevention and detection of fraud in public companies.

OBJECTIVES OF THE STUDY

The main objective of the study is evaluating whistleblowing as a panacea for fraud prevention and detection in Nigerian public companies. Specifically, the study determines

1. determine whether whistleblowing programme is significant in reducing fraudulent activities;
2. examine whether there is relationship between whistleblowing legislation and fraud prevention and detection;
3. ascertain the extent to which basic elements of whistleblowing have been established in public companies;
4. identify the challenges of whistleblowing in public companies in Nigeria.

HYPOTHESES OF THE STUDY

1. Whistleblowing programme is not significant in reducing fraudulent activities.

2. There is no significant relationship between whistleblowing legislations and fraud prevention and detection in organisations.
3. Basic elements of whistleblowing have not been properly established in public companies.

2. REVIEW OF RELATED LITERATURE

Conceptual Review Fraud

Fraud has received a considerable attention in auditing literature. Fraud is committed when someone purposely lies about an important fact and someone else loses money because of that lie. Fraud is an intentional and deliberate effort by the perpetrators to deceive others which result in harming the victim and the perpetrator securing unfair/ unlawful gain. Fraud has been an increasingly important issue particularly for members of audit profession. One of the central outcomes of fraud is financial loss. No wonder in the minds of the investing public, the accounting and auditing profession is inextricably linked with fraud deterrence and fraud detection. The large scale corporation scandals at the WorldCom – 2002 and Enron – 2001 have emphasized not only the importance of audit but also the devastating effects fraud can have on a company and its auditors. Corporate fraud continues to fascinate the masses, yet companies as a whole have not been terribly effective in significantly decreasing the occurrence and cost of fraud. In the view of Coenen (2008), understanding the root causes of fraud and learning about the most effective fraud protection technique are critical to reducing incidence of corporate fraud.

Why Do People Commit Fraud – The Fraud Triangle

Fraud triangle is being used to explain the reasons for persons committing fraud. It is a term that is used to describe the nature of fraud. Fraud triangle was developed by the famous Criminologist, Cressey while doing his doctoral in the 1950s. It suggests that three attributes must be present for fraud to occur. The America Institute of Certified Public Accountants has referred to those attributes as fraud risk, factors or conditions for fraud. The fraud triangle consists of Pressure, Opportunity and Rationalization. When there is Pressure / Incentive / Motivation and Opportunity arises and a fraudster has justification for the fraud, fraud will occur (Coenen, 2008; Coderre, 2009; Vona, 2008; Rezaee & Riley, 2010).

Types of Fraud: There are many different types of fraud and many ways to characterize and catalogue fraud. The most common category of fraud relevant to accounting in the view of Rezaee and Riley, (2010: 6)

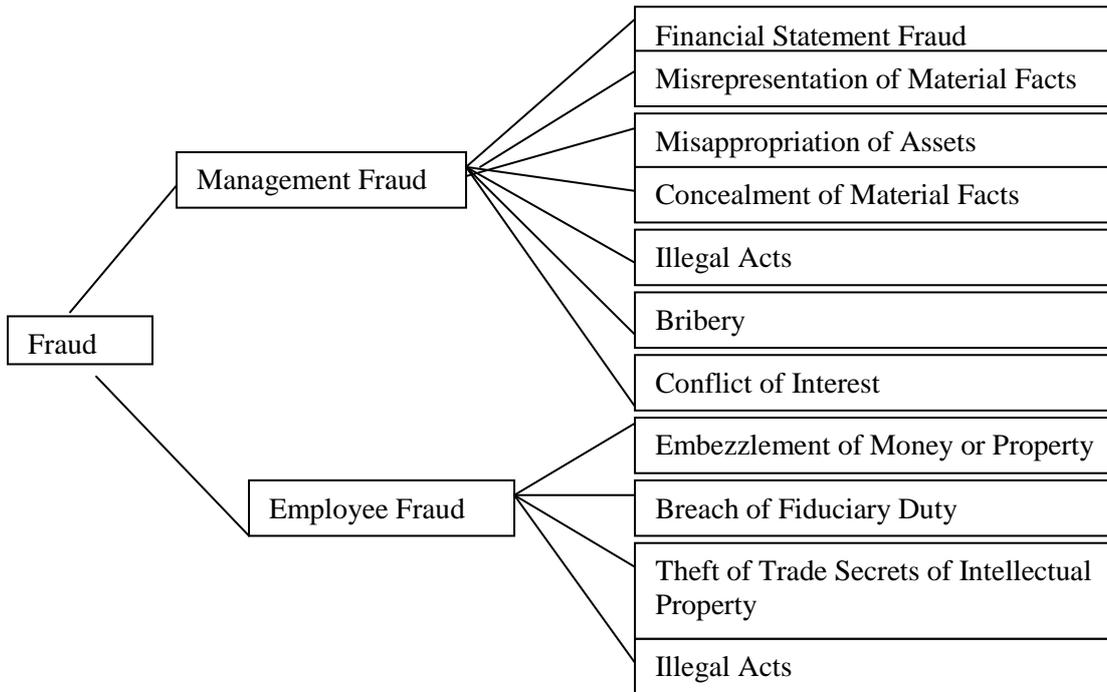


Fig 1 Types of Fraud

Fraud Prevention and Detection

Fraud prevention and detection are related but different concept. Fraud prevention means putting in place policies, procedures, training and communication which reduce opportunity to commit fraud. There are many precautions that companies can take to prevent fraud. With appropriate steps and procedures to prevent fraud, then fraud losses in companies will be minimal. Fraud preventive techniques are the first line of defense in minimizing fraud risk. One key to prevention of fraud is promoting from the board down throughout the organization an awareness of fraud risk, management programme, including types of fraud that may occur. An effective fraud preventive framework includes three core components: **Fraud Education:** This offers employees the opportunity to learn about fraud, how to identify it and how to report it. **Fraud Investigation:** This focused on taking action when controls fail and employee commit and conceal fraud. **Fraud Prevention:** This is aimed at assessing a company’s risk and evaluating the control procedures. It includes evaluating, designing and implementing controls that proactively prevents fraud. Lack of or weakness in preventive controls increases the risk of fraud and places a greater burden on detective.

On the other hand, fraud detection involved activities designed to identify fraud that has occurred or is occurring. Companies often cannot prevent occurrences of fraud as there are people who are always motivated to commit fraud. Thus effective detective procedures and techniques should be put in place so as to detect as quickly as possible any fraud that could not be prevented. Well designed and well

implemented fraud detection procedure increases the likelihood that fraud will be discovered and appropriate action taken. Nevertheless, taking all precaution does not guarantee that companies will not become victim of fraud but it reduces the chances. No wonder it has been affirmed that fraud prevention in as absolute sense is a misnomer and utopian, in fact no such paradise exists in our planet (Nwaze, 2006). Supporting this view, Golden, Skalak and Clayton (2006: 14) asserts that:

Absolute fraud prevention is a laudable but unattainable goal, no one can create an absolutely insurmountable barrier against fraud, but many sensible precautionary steps can and should be taken by organizations to deter fraudsters and would-be fraudsters. While fraud cannot be completely prevented, it can and should be deterred.

Whistleblowing

Whistleblowing entails revealing wrongdoing or improper conduct within an organization to those in authority or to the public. When it is implemented in an organization, it reinforces ethical behaviour among employees. To blow the whistle is to alert a third party that someone has done or is doing something wrong. Literally, whistleblowing means that one makes noise to alert others to unethical behaviour/wrongdoing. By blowing whistle one alerts the company to the fact that its stakeholders are being wrongfully harmed. According to the Chartered Institute of Personnel and Development, whistleblowing occurs when a worker raises a concern about danger or illegality that affects others, for example, members of the public. This means that the unethical conduct or wrongdoing does not affect the whistleblower personally. It is therefore

important to note that complaint or normal grievance in which an individual is personally affected is not the same thing with whistleblowing in which the reporter is not personally affected. Rohde-Liebena (2006) enumerated activities which are similar to but not Whistleblowing. They are complaints and grievances, remonstrations, espionage, informant / witness, defamation and denunciation.

Establishing Whistleblowing Programme

Establishing whistleblowing Programme involves designing and implementing whistleblowing policies and procedures in an organization. Whistleblowing programme encompasses a wide range of activities including compliance with laws and regulations, training and education put in place to prevent fraud and detect it when it does occur. They are procedures to be followed by whistleblower, management and auditors in the course of uncovering fraud. In recent years, there has been rapid increase of fraud perpetrated against public. The nature and scope of much of this fraud is varied as seen under types of fraud. Accordingly, it has become necessary to design whistleblowing programme to encourage employees to blow whistle for any unethical conduct. Establishing effective complaint handling procedure involve putting in place a methodical approach which organizations can use to register complaints and channel to the appropriate groups for action. Complaint handling procedures facilitate disclosures, encourage proper individual conduct and alert the audit committee to potential problems before having serious consequences. It enables an organization to deal with whistleblowers complaints swiftly and efficiently. Section 3(1) of SOX among other things requires the company audit committee to establish whistleblowing procedures for the receipt, retention and treatment of public company complaints regarding questionable accounting or auditing matters. This creates the need for a process that accepts confidential complaints from anonymous sources with a high degree of assurance that confidentiality will be preserved.

Establishing effective complaint handling process calls for a well-defined communication and reporting protocols in place. The effective complaint handling process includes but not limited to: Establishing hotlines and communicate the existence of those lines to employees; putting in place such channel as e-mail, Fax or Voice mail. Putting process in place that guarantees that these complaints are heeded and dealt with appropriately. Thornton (2006) enumerated the steps of an effective complaint-handling process to include: Receive the complaint; analyze the complaint; investigate the complaint; resolve the complaint; report the resolution of the complaint; retain the necessary documentation. Employees are often the first to realize that something seriously wrong has occurred or about to occur, but they may not express their

concern because they feel that speaking up would be disloyal to the company or colleagues. They may also fear harassment or victimization. To encourage employees to blow the whistle, companies must put in place procedures for employees to raise concerns about malpractice. Those established procedures are called whistleblowing programme. It is only by establishing a comprehensive programme will organizations be able to ensure that, when the whistle does blow, someone has the wherewithal to stop the train, get out and investigate.

Legislation for Supporting and Protecting Whistleblowers

In terms of legislation, UK have the public Interest Disclosure Act 1998. USA – The False Claim Act and Sarbanes-Oxley SOX 2002. Most countries in the world have enacted legislations related to whistleblowing. Nevertheless, there is no specific legislation that directly deals with whistleblowing in Nigeria (Adeyemo, 2015). Some statutory provisions include: Central Bank of Nigeria (CBN) revised code of corporate governance for banks. Nigerian Stock Exchange (NSE) whistleblowing portal (X-Whistle). S.39 (1) of the Economic Financial Crimes Commission (Establishment) Act 2004 and S.64 (1) Independent Corrupt Practices and Other Related Offences Act 2000. Whistleblower Protection Bill that has been before the legislatures. However, these statutory framework failed to provide recourse in the case a whistleblower faces serious disciplinary sanction, unfair dismissal or suffer discrimination.

In order to design and implement an effective whistleblowing mechanism, there is need to consider provision of support and protection to whistleblowers as a critical element. The notoriety and recognition associated with such famous whistleblower as Cynthia Cooper of WorldCom, Coleen Rowley of the FBI, Sherron Watkins of Enron among others had led to greater understanding of the need for both blowing the whistle and protecting those with the courage to come forward to report inappropriate behaviour. The support and protection of whistleblowers is the most important element of any whistleblowing policy. However as noted by Roberts, Olsen and Brown (2009), there was ample evidence that this is one area where organizations are currently falling down. In an organization where there is lack of support and protection for whistleblowers, frauds are often concealed rather than detected. Most of the recent legislation on whistleblowing contained provision forbidding an employer to retaliate against employees for reporting violation to public authorities.

Empirical Studies on Need / Effect of Whistleblowing Policy

There are a number of reasons why implementing a whistleblowing is beneficial. Masons (2008: 2)

identifies the following as reasons why implementing whistleblowing policy is beneficial.

- Having the whistleblowing should enable an organization to deal with a concern internally and in an appropriate manner, rather than publicly. Publicity about a malpractice can severely harm an organization's reputation and funding potential and have similar impact on other organizations in the same sector.
- A whistleblowing should encourage a climate of open communication which enables staff to voice concerns at the earliest opportunity and thus avert a larger issue in future. Also, if the employees concerns are misplaced, then the misunderstanding can be addressed sooner rather than later.
- Knowing that an organization has a clear Programme on whistleblowing and is serious about dealing with malpractice should act as a deterrent to those who may be considering an illegal or unethical practice.
- Whistleblowing provides organization with timely, accurate and sufficient evidence with which to prosecute employee involved in unethical practice.
- Having whistleblowing within an organization enable them eradicate unethical conduct, improved working condition and effectiveness.

On the issue of effective action, Coenen (2008) noted that if no action is taken, it sets a bad precedent for other employees. Continuing, he asserts that when employees perceive that fraud is being detected and corrective action taken, there can be a general deterrent effect. When fraud is uncovered through whistleblowing and investigation of reports leads to criminal prosecution, the whistleblower provides the corroborated evidence to substantiate the allegations. A fully investigated case with well-organized evidence is much more appealing to law enforcement agencies than a case with many allegations but little substantive evidence uncovered. Erin, Ogundele, & Ogundele (2016), investigate the effects of whistle-blowing on the quality of financial reporting in the Nigerian banking sector using survey design. The empirical findings show that whistle-blowing adoption has a positive significant relationship on the quality of financial reporting in the Nigerian banking sector. Taiwo (2015), examined the possible effects of whistle blowing practices on organizational performance in the public sector using descriptive survey research design. The study shows that there is a significant relationship between whistle blowing practices; that there is a relationship between disclosure of unethical practices and the performance; that respondents disagreed that employees feel confident

to report unethical practices within the organization to external bodies. Onakoya (2016), develop a conceptual framework on whistleblowing reporting attitude of bank employees in Nigeria. Analysis of data among other things provided evidence that Leadership has a positive effect on employees' trust to encourage whistleblowing attitude; Organizational culture and ethical climate has a positive effect on employees' loyalty for whistleblowing attitude and support structures has a positive effect on employees' perceived reward toward whistleblowing attitude. Fasua & Osifo (2017), examined effective whistle-blowing mechanism and audit committee in Nigerian banking sector. The study shows a strong association between effective whistle blowing mechanism in Nigerian banking sector and audit committee independence, audit committee financial expertise, and audit committee meeting. In a study on whether there is a link between whistleblower involvement and the outcomes of enforcement actions, Call, Martin, Sharp, & Wilde (2017) find that whistleblower involvement is associated with higher monetary penalties for targeted firms and employees and with longer prison sentences for culpable executives. Also analysis suggest that whistleblowers are a valuable source of information for regulators who investigate and prosecute financial misrepresentation. Bowen, Call, & Rajgopal (2010), document evidence on the characteristics and economic consequences of firms subject to whistle-blowing allegations of corporate financial misdeeds. Analysis shows that firms subject to whistle-blowing allegations were characterized by unique firm-specific factors that led employees to expose alleged financial misdeeds; Whistle-blowing announcements were associated with a negative 2.8 percent market-adjusted five-day stock price reaction; firms subject to whistle-blowing allegations were associated with further negative consequences including earnings restatements, shareholder lawsuits, and negative future operating and stock return performance. As large frauds come to light seemingly one after another in public companies, the investing public lost confidence in both in the financial reports and capital market. Regulations were implemented to help restore public trust and investor's confidence. The regulations are meant to prevent and reduce fraud. Regulations according to Paulson (2006) are aimed at improving the integrity, safety and efficiency of capital market while maintaining their global competitiveness. Continuing he is of the view that in order to inspire investor's confidence, regulations should be considered fair and balance. However, Coenen (2008: 192) noted that regulation is not necessarily the answer to fraud problem. Culture and tone at the top send message down the line that either support or discourages raising concern against unethical practices.

3. METHOD

This study adopted survey research design as it deals with getting detailed and factual information direct from the respondent. The population of this study consists of employees of public companies with registered office in Anambra state namely: Cutix Plc; Premier Breweries Plc and Adswitch Plc. It is believed that finding from this population will be reliable for subsequent generalization to the entire public companies in Nigeria. Considering that the population is small and assessable there is no need to take a sample. Thus the sample is the same as the population. To this end 132 questionnaire was administered. The questions were in form of likert scale ranging from very little extent to very large extent, irrelevant to very relevant, strongly disagreed to strongly agreed, there are also YES or NO and fill in option. The value ranking starts from 1 through 4. The minimum value is 1 and the maximum is 4. A mean score of 2.5 points and above were considered significant. Out of 132 questionnaires distributed, 98 were properly filled and returned representing 74% response rate. Data collected for this work were analyzed using descriptive statistics while one sample t-test and Pearson Product Moment Correlation Coefficient were used in testing the three hypotheses formulated for this study.

4. EMPIRICAL ANALYSIS

Descriptive statistics on **Table 1** in the Appendix provides information on the mean and standard deviation on whether whistleblowing programme can significantly reduce fraudulent activities. The table shows that 3 of the 5 aspects of whistleblowing Programme had mean values of 3.1429, 3.2143 and 3.1071 which were higher than

the cut-point of 2.5, indicating that the respondents on the average accepted that these were relevant in reducing fraudulent activities. The other two aspects had mean values less than 2.5 meaning that they were perceived by the respondents as irrelevant in reducing fraudulent activities. **Table 2** in the Appendix shows the mean and standard deviation on whether there is a connection between whistleblowing legislation and fraud prevention and detection in organisations. The mean values for the 2 items were more than 2.50 which indicated that the respondents agree that there is relationship between whistle blowing legislation and fraud prevention and detection in organisations. **Table 3** in the appendix Table 1 shows the mean values and standard deviations of 8 elements of whistleblowing in public companies. Out of the total 8 elements, "Appropriate investigation and action in response to employees' report" which had mean value of 3.2857, was the only element of whistleblowing established in the public companies under study while the rest had mean values less than the cut-point of 2.5 which is an indication that the respondents perceived them as not being established in the companies. Following from this, only 1 (12.5%) of the listed whistleblowing elements was established in the companies while 7 representing 87.5% were not. **Table 4** shows mean and standard deviations on perceived challenges of whistleblowing in Public companies.

Hypotheses Testing

This section is devoted to testing the three (3) Hypothesis formulated for the study in order to help the researcher in deciding whether to accept or reject null or alternative hypothesis.

Table 1: Testing Hypothesis One - whistleblowing programme is not significant in reducing fraudulent activities.

Dimensions of Whistleblowing and aspects of frauds	Mean	Std. Dev	df	t-cal	t-crit	P-Val
Providing accurate evidence for prosecuting employees involved in unethical practice	3.1429	.93152	97	3.652	2.50	.000*
Tone at the top prevent fraudsters from recycling their nefarious activities in companies	3.2143	1.06657	97	3.544	2.50	.000*
Raising concern at the earliest opportunity reduces embezzlement	3.1071	.99403	97	3.232	2.50	.000*
Providing a written formal whistleblowing policies prevent illegal act	2.0000	.98131	97	-2.696	2.50	.000*
Continuous upgrade of whistleblowing process reduce misappropriation of assets	2.0714	.97861	97	-2.317	2.50	.000*

***Significant at 1%**

Source: Authors computation using SPSS Software

The above one sample t-test shows that at 27 degrees of freedom and 0.05 level of significance, the calculated t-values were all greater than the table t-value of 2.50 and their corresponding P-values of .000 which shows that the result is statistically significant. The obtained mean values for 3 of the

items were significantly greater than the test value of 2.50. The null hypothesis is rejected and it was therefore concluded that whistleblowing programme is significant in reducing fraudulent activities.

Table 2: Testing Hypothesis Two - There is no significant relationship between whistleblowing legislations and fraud prevention and detection in organisations

		Fraud Prevention and Detection
Legal provision of support and protection to whistleblowers and Overall Whistleblowing Legislation/Regulation	Obtained r	.922
	Table r	2.056
	P-value	.000*
	N	96

***P<0.05 (Significant)**

Source: Authors computation using SPSS Software

Using Pearson’s Product Moment Correlation, a high positive significant relationship was found between having whistleblowing legislation and fraud prevention and detection. Obtained r (26) = .922 and table r (26) = 2.056. The coefficient of determination (r^2) = .850, shows that a very high proportion of

variance in fraud prevention and detection in companies was due to the variance in having legislation. Therefore an increase in the provision of legislation for whistleblowing will lead to greater increase in fraud prevention and detection.

Table 3: Testing Hypothesis Three – Basic elements of whistleblowing have not been properly established in public companies.

	Mean	Std. Dev	df	t-cal	t-crit	P-val
Clear statement of Management commitment to the concept of whistleblowing	2.0714	1.08623	97	-2.088	2.50	.066
Credible mechanism for safeguarding confidentiality and anonymity to whistleblowing	1.8571	.97046	97	-3.505	2.50	.092
Provision of support and protection against retaliation to person who report suspected fraud	1.5357	.96156	97	-5.306	2.50	.076
Employees are encouraged to raise concern to those that can effect action	2.2143	1.13389	97	-1.333	2.50	.059
Appropriate investigation and action in response to employees report	3.2857	.93718	97	4.436	2.50	.001
Effective complaint handling process	2.1429	1.00791	97	-1.875	2.50	.063
Credible fraud risk management	2.1071	1.10014	97	-1.890	2.50	.072
Safe mechanism for reporting misconduct	1.7500	1.00462	97	-3.950	2.50	.085

***P>0.05 (Insignificant)**

Source: Authors computation using SPSS Software

Using one sample t-test, at 27 degrees of freedom and 0.05 level of significance, the calculated t-values were all less than the table t-value of 2.50 and their corresponding P-values shows that the result is not statistically significant at 5%. The obtained mean values for 7 items of whistleblowing were significantly less than the test value of 2.50, it was therefore concluded that basic elements of whistleblowing have not been properly established in public companies.

DISCUSSION OF FINDINGS

The study provides empirical evidence that whistleblowing programme is significant in reducing fraudulent activities in public companies. Whistleblowing programme by providing accurate evidence needed by public companies for prosecuting fraudsters among other things is an effective fraud prevention and detective technique.

It was also discovered that there is significant relationship between whistleblowing legislation and fraud prevention and detection in public companies. Awareness of the legislation deter people from committing fraud. It was also gathered that there is greater compliance to whistleblowing when there is legislation. Most importantly legal provision of support and protection to whistleblowers makes the Programme more effective.

Basic elements of whistleblowing have not been properly established in public companies. The result revealed that the basic elements that are necessary for whistleblowing to successfully encourage reporting of wrongdoing are not established. Those basic elements include clear statement of Management commitments to concepts of whistleblowing; credible mechanism for safeguarding confidentiality and anonymity;

provision of support and protection against retaliation to person who report suspected fraud; credible fraud risk management among others. However, the study showed that most companies take appropriate investigative and action in response to fraud issues.

Furthermore, the study identified some of the challenges that can inhibit establishment of whistleblowing in public companies. It was discovered that employees who do not believe that their report will be taken seriously are far less likely to report wrongdoings. Desire to protect one's career and avoid work place conflict are among the various factors that can hinder whistleblowing from achieving its purpose.

5. CONCLUSION AND RECOMMENDATIONS

Public companies and indeed the economy at large need urgent recovery from adverse effect of fraud thus the study on implementation of whistleblowing as a fraud prevention and detection tool could not have come at a better time than now. Tips from employees are most effective way of preventing and detecting fraud; that otherwise would go unnoticed in a company and should be encouraged in the organizations. Proactively preventing fraud, investigating suspicions of fraud and punishing those who commit fraud are among fraud preventive measures.

Establishing an effective whistleblowing programme is necessary oxygen that can breathe fresh life in to the capital market. It is in this regard that the study recommends that management should commit themselves to establishing effective whistleblowing programme by embedding whistleblowing awareness in the culture and the framework of its code of conduct. By creating an atmosphere of openness and trust, providing effective complaint handling process, good employees can be assured that their company is interested in eradicating unethical and illegal practices. When employees are encouraged to raise concern, chances of a company becoming victim of fraudulent activities will be reduced to the barest minimum. The findings also provide justification for companies to prosecute fraudsters, when employees know that management is serious in the fight against fraud and is ready to prosecute fraudsters, they are less likely to engage in unethical conduct. Human resource policies benefit an organization most when staff are involved in their creation and briefed of their use. This point to the need for employee and stakeholders to be involved when whistleblowing programme is being developed or reviewed and also provide training on fraud awareness. There is also urgent need for our policy makers to pass the long awaiting whistleblower protection bill, with protective measures included for whistleblowers as this would assist in fraud prevention and detection.

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APPENDIX

Table 1: Means and standard deviations of responses on whether whistleblowing programme can significantly reduce fraudulent activities.

Aspects of Whistle Blowing Programme	N	Mean	Std. Deviation
Providing accurate evidence for prosecuting employees involved in unethical practice	98	3.1429	.93152
Tone at the top prevent fraudsters from recycling their nefarious activities in companies	98	3.2143	1.06657
Raising concern at the earliest opportunity reduces embezzlement	98	3.1071	.99403
Providing a written formal whistleblowing policies prevent illegal act.	98	2.0000	.98131
Continuous upgrade of whistleblowing process reduce misappropriation of assets.	98	2.0714	.97861

Source: Authors Computation

Table 2: Mean and standard deviations on whether there is connection between Whistleblowing Legislation and fraud prevention and detection.

	N	Mean	Std. Deviation
Legal provision of support and protection to whistleblowers makes whistleblowing Programme more effective.	98	2.6714	.97861
There is more compliance to whistleblowing Programme when there is legislation	98	2.8429	.89087

Source: Authors Computation

Table 3. Means and standard deviations on extent whistleblowing programme is established in public companies

Elements of Whistleblowing Programme	N	Mean	Std. Deviation
Clear statement of Management commitment to the concept of whistleblowing	98	2.0714	1.08623
Credible mechanism for safeguarding confidentiality and anonymity to whistleblowing	98	1.8571	.97046
Provision of support and protection against retaliation to person who report suspected fraud	98	1.5357	.96156
Employees are encouraged to raise concern to those that can effect action	98	2.2143	1.13389
Appropriate investigation and action in response to employees report	98	3.2857	.93718
Effective complaint handling process	98	2.1429	1.00791
Credible fraud risk management	98	2.1071	1.10014
Safe mechanism for reporting misconduct	98	1.7500	1.00462

Source: Authors Computation

Table 4: Mean and Standard Deviations on perceived challenges of whistleblowing programme in Public companies

	N	Mean	Std. Deviation
Taking reprisal action against whistleblower	98	3.3929	.83174
Labeling whistleblower as gossipers	98	3.0714	.94000
Negative and prejudicial view of management about whistleblower	98	3.4643	.79266
Lack of trust in the internal system	98	3.1786	.77237
Fear of alienation from peers	98	2.0714	.76636
Desire to protect one's career and avoid workplace conflict	98	2.9286	.97861
Lack of credible investigation	98	2.9643	1.10494
Misguided union solidarity	98	2.1071	.99403

Source: Authors Computation