

WHISTLEBLOWING MECHANISM AND INTERNAL AUDIT EFFECTIVENESS IN NIGERIA

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ABSTRACT

The aim of the study is to ascertain the relationship between whistleblowing mechanism and internal audit effectiveness in Nigeria public sector. The correlational research design was employed. Data were sourced by the use of questionnaires. The Pearson Product Moment Correlation Coefficient analysis technique was used to test the hypothesis. The result revealed that there is a significant relationship between whistleblowing mechanism and internal audit effectiveness in Nigeria public sector. Based on the findings the study recommended that due to the significant influence of whistleblowing mechanism on internal audit effectiveness in Nigeria public sector, It needs to train, educate and develop her staff about risks/threats awareness and identification of whistleblowing.

Keywords: *whistleblowing, internal audit effectiveness, financial control, public sector.*

INTRODUCTION

The public sector refers to governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver public programmes, goods, or services (Institute of Internal Auditors - IIA, 2011). The Nigerian public sector includes the federal government, the thirty-six (36) state governments, the seven hundred and seventy-four (774) local governments, all government corporations, commissions and institutions (Omolehinwa & Naiyeju, 2011). With the rapid growth of the public sector coupled with concerns over organizational control and supervision (Abu-Azza, 2012); the importance of internal audit had correspondingly increased as a factor in enhancing the quality of public sector management (Unegbu & Kida, 2011) but which can only be relied upon as a governance mechanism if it is adjudged effective (Barac, Cootzee & Van Staden, 2016). Relatedly, whistleblowing has become a global trend in corporate internal monitoring aimed at effectively increasing transparency and encouraging disclosures to enhance the internal audit effectiveness of public companies. The advanced countries, have been able to successfully create a structure that promotes the act of whistle blowing through laid down laws and principles (Krambia-Kapardis, 2024). These countries consider whistle blowing as a fundamental apparatus for combating corruption and encouraging good governance, accountability and transparency in the public sector (Alleyne & Pierce, 2024). The United Kingdom takes the lead in creating this avenue, while other countries such as the United States of America, Australia, Romania, and others later adopt the practice. A survey conducted by Transparency International Perception Index chart of 2024 places Nigeria in the 140th position out of 180 countries. The survey shows that Nigeria scores below acceptable average. However, the figures show an improvement in the average score of Nigeria to be incremental compared to what it was before the introduction of whistle blowing incentives in the Nigeria public sector. Hence, swift actions and mechanisms are required to check this menace (Moyo, 2024). Whistle blowing becomes imperative and advantageous as a last resort not just for exposing undetectable wrongdoing but also for preventing it (Moyo, 2024). Whistle blowing awareness serves as a catalyst for the improvement of both internal organizational processes and the external whistle blowing legal system (Pillay, 2012). Whistleblowing is a critical weapon for combating corruption and corporate crime because it gives a bottom-line evaluation of wrongdoing, recovers pilfered funds, and establishes active control over civic and company properties (Okafor, Adebisi, & Opara, 2020). Whistle blowing is not peculiar to Nigeria. Over fifty countries of the world have enacted national laws of whistle blowing in one form or the other to

address the issue of corruption. Some include the United States of America (USA), the United Kingdom (UK), Canada, Australia, Ireland, Jamaica, India, Switzerland, Netherlands, South Africa, New Zealand, India, South Korea, Singapore, Ethiopia, Ghana, and Uganda. Kenya and Rwanda are in the process of enacting whistle blowing laws.

At present, there is no legislation of National Assembly backing Whistle-Blowing Policy in Nigeria. Adeyemo (2015) opined that, in the event that a person wants to whistle-blow, protection for the identification of whistleblowers can be found in 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. However, if the identify is for any reason compromised, there is no system in place which offer further protection. Numerous studies examining the role of whistle blowing in Nigeria have concentrated on anticorruption plans that protect whistle blowers or on whistle blowing as an instrument designed for fighting exploitation in the Nigerian administrative system, including Okafor & Ndubuisi (2024), Egboh & Akobundu (2024). While whistle blowing may be useful in averting corporate crime, there is a lack of data to support this claim. It is against the foregoing background that this study examined whistle blowing and internal audit effectiveness in Rivers State, Nigeria.

H₀₁: there is no significant relationship between internal whistleblowing and financial control in Nigeria public sector.

LITERATURE REVIEW

2.1 Theoretical framework

This work study contextualized the research by adopting the following literatures and theories:

Institutional theory

The institutional theory suggests that organizations are both influenced by and can influence the society in which they operate and organizations are also shaped by wider cultural, social and symbolic elements that comprise its environment. This theory clarifies how organizational practices and structures are shaped through changes brought about by pressure.

Conceptual Framework

Whistle-Blowing

According to the Federal Ministry of Finance, the whistle-blowing programme is designed to encourage anyone with information about a violation of financial regulations, mismanagement of public funds and assets, financial malpractice, fraud and theft to report it. Adeyemo (2015) stated that, the act of whistle-blowing is the disclosure of the behaviour of a company, or those who are placed in a position of responsibility, that is illegal, immoral or could be categorized as a serious wrongdoing. First Bank of Nigeria (FBN) (2016) opined that, whistle-blowing is the act of reporting an observed/perceived unethical misconduct of employees, management, directors and other stakeholders of an institution by an employee or other person to appropriate authority. It is an early warning system that enables an organization to find out when something is going wrong in time to take necessary corrective action.

Concept of internal audit effectiveness

Internal audits effectiveness is an efficient and adaptable management technique that enables an accurate assessment of financial records and the adoption of measures to improve its efficiency and effectiveness (Ali, Selamat, Gloeck, & Heang, 2010). Consequently, internal audit effectiveness (IAE) has been seen as crucial for organizations survival and growth (Al Mahmood, 2023).

Empirical Review

AminuHammayo, Shittu & Bello (2022). The study investigates the determinants of internal audit effectiveness in Nigeria's federal public service with reference to 28 self-accounting public sector

organizations operating in the North East geo-political zone, one of six such zones recognized for political expediency. Primary data was obtained from 139 valid responses out of 148 questionnaires administered on internal auditors of such organizations. Partial least square SEM technique of multiple regressions was employed for data analysis. The finding of this study revealed that the quality of internal audit work; competence; and management support were most dominant with positive significant contribution on internal audit's ability to meet its objectives while independence and information and communication technology (ICT) conversely showed negative insignificant influence. The study recommends an improvement of operational standards; compliance with Internal Audit's minimum entry requirement; its recognition as an independent organizational function; and provision of required resources by relevant government offices (OAGF; OHSF; NITDA). Clark (2013) wrote on external whistle-blowing in the public service: a necessarily messy practice, argues that external whistle-blowing should not be practiced, and recommends the strengthening of the internal reporting mechanisms to limit external disclosures made in the public service. Dorasamy (2013) conducted a study on good governance and whistle-blowing: a case of a Higher Education Institution (HEI) in South Africa. The study seeks to examine the extent to which employees are encouraged to blow the whistle at higher education institutions, despite legislation which protect disclosure in good faith. Questionnaires were administered to all employees of Durban University of Technology in South Africa. The findings show that employees are of the opinion that practices relating to whistle-blowing have not encouraged whistle-blowing in the institution.

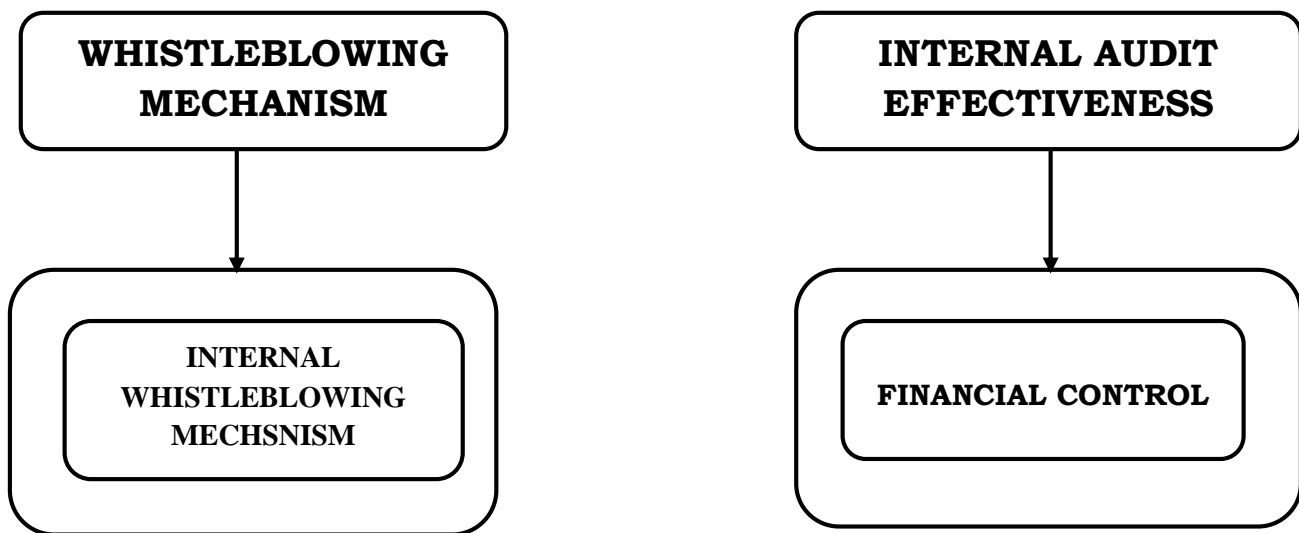


Fig. 2.1: Conceptual Framework of whistleblowing mechanism and internal audit effectiveness in Nigeria public sector.

METHODOLOGY

This study adopted correlational research design as it seeks to obtain the relationship between whistleblowing mechanism and internal audit effectiveness. The sample size of this study was taken from three government agencies in Rivers State which includes; the Rivers State Internal Revenue Service (RIRS), Rivers State Police, and Rivers State Economic Advisory Council. The source of data was the administration of questionnaires to each of the selected staff. The structured questionnaire employed a four modified form with 1= Strongly Agree (SA), 2= Agree (A), 3= Disagree (D), 4= Strongly Disagree (SD) to measure all items.

The study is concerned with two variables: whistleblowing mechanism and internal audit effectiveness. whistleblowing mechanism is the independent (predictor) variable while internal audit effectiveness is the dependent (criterion) variable. The dimensions used for whistleblowing

mechanism is internal whistleblowing. The measures of internal audit effectiveness is financial control.

Tale 3.1 Tabulation of Operational measures of variables

Statement	Nature of variable	Proxies
Whistleblowing Mechanism	Independent Variable	Internal whistleblowing
Internal Audit Effectiveness	Dependent Variable	Financial Control

The data analysis technique used in the study includes the Pearson Product Moment Correlation Coefficient (rho) which was used to test the stated hypotheses at a 0.05 level of significance, using the Statistical Package for Social Sciences (SPSS) version 23.

Model specification

Functional Form

$$FC = f(IWB) \text{ -----(i)}$$

Mathematical Form

$$FC = \alpha_0 + \beta_1 IWB \text{ -----(iii)}$$

Econometric Form

$$FC = \alpha_0 + \beta_1 IWB + e_1 \text{ -----(v)}$$

Where;

IWB = internal whistleblowing

FC = financial control

β_1 = coefficient of the parameter estimates

α_0 = constant term

e_1 = error term

RESULTS AND DISCUSSION

Table 4.1: Questionnaire administration and response rate

Response rate Response	Frequency	Percentage (%)
Responded	75	90
Not responded	8	10
Total	83	100

Table 4.1 above shows that the study sought to get information from all the 83 sampled respondents, however, out of the 83, only 75 respondents returned the questionnaires fully completed making a response rate of 90%, while 8 questionnaires were not completed, making the percentage of those who never responded to 10%.

Table 4.2: Summary of Demographic Analysis

S/N	Variables	Frequency	Percentage (%)
1.	Gender		
	Male	48	64
	Female	27	36
	Total	75	100
2.	Age		
	18-25	14	18.6
	26-35	35	46.4
	36-35	20	26.8
	46 and above	6	8
	Total	75	100
3.	Marital Status		
	Single	39	52
	Married	36	48
	Divorced	-	0
	Widowed	-	0
	Total	75	100
4.	Education Qualification		
	SSCE/NECO/GCE	23	31
	OND/NCE	26	35
	B.Sc/B.Ed/BA/HND	22	29
	MSC/MBA	3	4
	PhD	1	1
	Total	75	100

Table 4.3: Descriptive statistics of research based on respondent responses on Internal Whistleblowing

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Internal Whistleblowing helps in improving financial control.	75	2	4	3.57	.681
For financial control to be relevant in an organisation, internal whistleblowing is a vital ingredient that must be embedded in it.	75	1	4	3.77	.649
Internal whistleblowing enhances reported issues to be resolved in organizations.	75	1	4	3.08	.983
It is a developmental activity which helps the management in identifying, analyzing, processing and planning changes needed in organizational financial control.	75	1	4	2.52	1.277
Valid N (listwise)	75				

The above table presents the mean score standard deviation of respondent with the grand mean score and standard deviation of 3.77 and 1.277 respectively.

Table 4.4: Descriptive statistics of Financial Control based on respondent responses

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Financial Control is a material value that should be accounted for.	75	1	4	3.04	1.045
Financial control measures inclusion in the organizational standard will amount to internal audit effectiveness.	75	1	4	2.95	.985
When there is effective financial control system, the organization will produce a productive result	75	1	4	3.37	.969
If financial control is not effectively done, there will be no internal effectiveness.	75	1	4	3.05	1.038
Valid N (listwise)	75				

The above table presents the mean score standard deviation of respondent with the grand mean score and standard deviation of 3.37 and 1.045 respectively.

Statistical Test of Hypotheses

H0₁: there is no significant relationship between internal whistleblowing and financial control.

Correlations

		INTERNAL WHISTLEBLOWING	FINANCIAL CONTROL
INTERNAL WHISTLEBLOWING	Pearson Correlation	1	.941**
	Sig. (2-tailed)		.000
	N	75	75
FINANCIAL CONTROL	Pearson Correlation	.941**	1
	Sig. (2-tailed)	.000	

N	75	75
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** . Correlation is significant at the 0.05 level (2-tailed).

Table above reveals a Pearson correlation coefficient of 0.941. This result indicates that there is a strong degree of linear relationship between internal whistleblowing and financial control. This is because the correlation coefficient is greater than 0.50 i.e., $r = 0.941$ Since the significant value (p-value) of 0.000 is less than 0.05, we therefore reject the null hypothesis one (H_{01}) and accept alternate hypothesis one. The conclusion is that there is a significant relationship between internal whistleblowing and financial control of public sector in Rivers State, Nigeria.

Discussion of Findings

The aim of this study is to ascertain the relationship existing between whistleblowing and internal audit effectiveness in Nigeria public sector. The hypothesis (H_{01}) stated that there is no significant relationship between internal whistleblowing and financial control and this was tested at 5% significance level using Pearson Product Moment Correlation analytical techniques. The result from the analysis showed r value= 0.941 and p-value of 0.000 while the alpha value was 0.05. Therefore, following the decision rule the null hypothesis was rejected and the alternate hypothesis accepted. Internal whistleblowing is seen as an exercise in organizations and does not require much cost. The analysis has shown that internal whistleblowing should be regarded as a vital exercise in the organization. Though, the amount spent might not yield returns immediately. The internal whistleblowing could also increase the efficiency and effectiveness of internal audit and lead to the betterment of the organization. This is in line with the findings of Bond and Manyanya (2003). Hence, there is a significant relationship between internal whistleblowing and financial control in Rivers State, Nigeria.

SUMMARY, CONCLUSIONS AND RECOMMENDATION

Summary of Findings

The study investigated the effect of whistleblowing mechanism on internal audit effective in Rivers State, the method of data collection was primary data collection and Pearson's product moment correlation analytical technique was used to test the level of significance and relationship between the dependent and independent variables. Based on the data presented and analyzed, it can be summarize that, there is a strong and significant correlation between whistleblowing mechanism and internal audit effective in Rivers State, Nigeria.

Conclusion

The objectives and empirical findings showed that whistleblowing mechanism have significant relationship with the internal audit effectiveness in public sector in Rivers State, Nigeria. The hypothesis drawn were tested and verified to identify the different dimensions among the variable analyzed. The study therefore concludes that whistleblowing mechanisms should be effectively utilized to combat illicit activities and corruption in the public sector, and internal whistle blowing mechanisms should be encouraged more in public sector.

Recommendations

Based on the findings from the research, the following recommendations are made:

- i. There is a strong relationship between whistleblowing mechanism and internal audit effectiveness in public sector in Rivers State implies that public organizations in Nigeria state should place emphasis on whistleblowing, irrespective of any costs associated with undertaking such initiatives.
- ii. Nigerian public sector needs to be strengthened, hence it needs to train, educate and develop her staff about risks awareness and identification of whistleblowing.
- iii. Those who are charged with responsibilities should live by good labeling and modeling.

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QUESTIONNAIRE

Instruction: Please, answer the following questions sincerely and objectively to ensure statistical validity of the instrument.

SECTION A

Demographic Data

Name of the Organization: _____

Gender: Male Female

Age: 18-25 26-35 36-45 46 and above

Marital Status: Single Married Divorced Widowed

Educational Qualification: SSCE/NECO/GCE OND/NCE B.Sc/B.Ed/BA/HND

MSC/M/BA Ph.D

Others specify: _____

INSTRUCTION:

Please rate your level of agreement to the following statement of a scale of 1-4, where 4= Strongly Agree (SA), 3= Agree (A), 2 = Disagree (D), and 1 = Strongly Disagree (SD).

SECTION B

RQ1: What is the relationship between Internal Whistleblowing and Financial Control and Reported Issues Resolved?

S/No.	INTERNAL WHISTLEBLOWING	SA	A	D	SD
1.	Internal Whistleblowing helps in improving financial control.				
2.	For financial control to be relevant in an organisation, internal whistleblowing is a vital ingredient that must be embedded in it.				
3.	Internal Whistleblowing enhances reported issues to be resolved in organisations.				
4.	It is a developmental activity which helps the management in identifying, analyzing, processing and planning changes needed in organizational financial control.				

S/No.	FINANCIAL CONTROL	SA	A	D	SD
1.	Financial Control is a material value that should be accounted for.				
2.	Financial control measures inclusion in the organizational standard will amount to internal audit effectiveness.				
3.	When there is effective financial control system, the organization will produce a productive result				
4.	If financial control is not effectively done, there will be no internal effectiveness.				