

Effective Whistle-blowing Mechanism and Audit Committee in Nigerian Banking Sector

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Abstract A good done to others and clandestine acts revealed are investments that will surely ripen at the fullness of time. Whistle-blowing occupies vital role in combating fraud and corruption practices and other illegal activities in an entity. This study examines effective whistle-blowing mechanism and audit committee in Nigerian banking sector. The study employed a multi-variate regression technique as tool of analysis. A logistic regression analysis is used to estimate the relationships proposed in hypotheses. The study predicts that the Nigerian banking sector with more independent, meeting, expert, and diligent audit committees are likely to establish effective whistle blowing mechanism. The study finds a strong association between effective whistle blowing mechanism in Nigerian banking sector and audit committee independence, audit committee financial expertise, and audit committee meeting. The result of findings reveals that whistle blowing mechanism in Nigerian banking sector needs to be strengthened. Finally, the audit committee should be given the oversight duties in order to achieve desirable goals and objectives.

Keywords: *whistle-blowing, internal audit, audit committee, codes of practice*

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1. Introduction

The objective of this paper is to examine effectiveness of whistle-blowing and audit committee efficiency in Nigerian banking sector and to show some empirical evidence about the response of whistle-blowing reports by internal auditors. Motivation for this study comes from the vital roles of whistle-blowing in combating corruption practices, illicit exercises as well as fraud and of audit committee effectiveness in whistle-blowing activities. The Committee of Sponsoring Organizations explicitly advocated for whistle-blowing in the context of efforts related to maintaining an effective control environment within organizations [36].

Besides, Council of Europe Civil Law Convention on corruption recommended whistle-blowing mechanism in 1999; International Labour Organization supported this crusade in 2009. Before this action of the International Labour Organization, Organization for Economic Cooperation and Development wrote about whistle-blowing protection and advocated for its demonstration in both private and public companies [33]. Ponemon ([35]: 118) states that whistle-blowing mechanism plays "an essential role as a preventive and detective control, if the organization explicitly incorporates reporting mechanisms that disclose incidents of wrongdoing into its internal control structure."

However, whistle-blowing mechanism has received very low attention within accounting research and in our contemporary period. From previous literature, it is obvious

that there are different concepts about whistle-blowing mechanism. For instance, Vandekerckhove [40] asserts that in an enterprise across the world, law, education, culture as well as practice gives a strong message that employees should turn a blind eye to illicit activities or wrongdoing and should not raise their concerns internally or externally. The results of this culture are that it discourages normal, decent people from questioning wrong doing that they come across in their jobs. It encourages workers to be guided exclusively by their own short-term interests and goals but undermines any sense of mutual interest between the workforce, the firm and those it serves. De Maria [10] argues that even though the use of whistle-blowing is a central marker in any Organization, the take up rates are significantly low. The reality of whistleblowers would provide little justification for government or senior public sector managers to think 'proactively' about how to manage whistle blowing cases [5].

The private sector has been criticized for having high rates of corruption, which has almost become a norm. Matters such as bribery, corruption, issues of arbitrary retrenchment, recruitment of under qualified staff, financial statement manipulation, income smoothing, mismanagement of funds and over working of staff, poor work environment, monopolizing price and product etc has become order of the day in the private sector. Often times, failure to bribe or comply with such terms can make the case remains pending for years. In contrast, one can expect prompt service where there is bribery [20]. Such delay result into poor quality of services rendered in turn would affect the overall performance of the

organization. Unless organizations foster a culture that declares and demonstrates that it is safe and to raise a genuine concern about wrongdoing, employees will assume that they face victimization, losing their job or damaging their career. The consequence is that most employees will stay silent where there is a threat—even a grave one; this silence can mean that those in charge of the organization place their trust on the people who operate them. This means that they deny themselves what can be the fail-safe opportunity to deal with a serious challenge before it causes real damage.

Besides, existing studies have issues related to the whistle-blower, in various perspectives such as organization behavior, ethics, as well as psychology [2,27,30,31]. While many studies have examined whistle-blowing from the area of the whistle-blower, there is little empirical evidence from the perspective of the receiver of the whistle-blowing. They have confirmed that whistle-blowers have the choice of choosing between internal or external parties (or, both) as beneficiaries of whistle-blowing. However, most whistle-blowers prefer internal parties as the initial receivers of their information [35].

Therefore, this paper offers empirical evidence about the effective whistle-blowing and audit committee effectiveness in Nigerian banking sector using secondary data from the central bank of Nigeria. Specifically, the study addresses the following questions: Is there any significant impact of audit committee independence on effective whistle blowing mechanism in Nigerian banking sector? Is there any significant impact of audit committee meeting on effective whistle blowing system in Nigerian banking sector? Is there a significant impact of audit committee financial expertise on effective whistle blowing mechanism in Nigerian banking sector?

The results and recommendations of this paper may be essential to scholars, practitioners as well as academics, by providing relevant empirical data about an issue of importance to auditors and accountants. More importantly, the data offer empirical grounding for future research questions related to whistle-blowing mechanism and audit committee. The study will no doubt be more current and extensive with research published and unpublished works of authors on the subject matter in order to find out what has been written on other study, magazine, newspaper and the internet works will be consulted for information on the research title. Finally, current information will be gathered which will be gotten from the case study and annual financial report.

2. Conceptual Review

Whistle-blower can be traced to the whistle a referee utilizes to indicate an illegal or foul play. US civic activist, Ralph Nader, is said to have coined the phrase, but he put a positive spin on the term in the early 1970s to prevent the negative connotations occurred in other words such as "informers" and "snitches". However, the term developed originally from Bobbies (British police officers, and later American police officers) blowing their whistle to alert the public to criminals. Later private business owners would use their own whistles to alert and inform the police of thievery and other criminal activities [42].

2.1. Whistle-blowing Mechanism

Researchers have showed that there is no definite or legal or general or common definition of whistle blowing. There are numerous definitions of whistle-blowing from different authors and scholars. For instance, the International Labour Organization [19] sees whistle-blowing as "the reporting by employees or former employees of illegal, irregular, dangerous or unethical practices by employers." The United Nations Convention Against Corruption [39] refers to whistle-blowing as information from any individual who reports in good faith as well as on reasonable grounds to the proficient authorities any fact in issues concerning offences established in line with this Convention. The Council of Europe Civil Law Convention on Corruption [8] refers to whistle-blowing as information disclosed by employees who have reasonable grounds to suspect corruption as well report in good faith their suspicion to responsible persons or those who are charged with responsibilities or authorities.

To, the U.K.'s PIDA [38], whistle-blowing is any disclosure of fact" which, in the reasonable belief of the employees making the disclosure, tends to show one or more of the following..." (the provision continues by listing a series of acts, including in relation to the commission of criminal offences). Near and Miceli ([30]: 5) say whistle-blowing is the disclosure of illicit, immoral, or illegitimate practices to individuals or organizations that may be able to effect action. Ponemon ([35]: 128) noted internal auditors or audit committee are natural outlets for whistle-blowers. In fact, ICAN [17] stipulates that one of duties and responsibilities of audit committee is to review and ensure that adequate whistle-blowing procedures are put in place. The purpose of this, is detect, prevent and report illegal activities and fraudulent practices. Therefore, whistle-blowing is defined as the reporting suspicions of illicit or irregular behavior to those who are charged with responsibility [18]. Ponemon [35] notices that whistle-blowing mechanism established for purposes of remediation, control, or prevention, an internal channel for communicating wrongdoing.

2.2. Characteristics Common to Whistle-blowing Concepts

To this end, the following are major characteristics common to whistle-blowing concepts above. These include: the disclosure of wrongdoings connected to the workplace; a public interest dimension, such as the reporting of illicit offences, unethical practices, and so on, rather than a personal grievance; and the exposure of wrongdoings via designated channels and/or to designated authorities.

2.3. Internal and External Whistle-blowers

Read and Rama [36] identify two types of whistle-blower in an organization, namely: internal and external whistle-blower. Internal whistle-blowers are habitually more aware of unethical acts but may be in threat of consequences of blowing the whistle, namely: loss of job or being ostracized within the organization. While external

whistle-blowers are whistleblowers external to the organization who may have less to threat from the consequences of whistle-blowing but may not have as much at stake about the absence of unethical acts in a particular organization, or may not be aware of the extent of unethical acts.

2.4. Call for Effective Whistle-blowing Arrangement

Having seen the meanings and types of whistleblower, the next activity is to ensure effective whistle-blowing mechanism. A lot of researchers have proposed best mechanism to make the system works. For instance, National Audit Office [28] which examined the systems, structures and behaviours in place to enable effective whistle-blowing arrangements, states that for whistle-blowing arrangement to work, the culture of an entity needs to support and permit the systems, structures and behaviours through which it can work effectively. This is in line with ICAN [17] which states that firms should state its policy on whistle-blowing arrangement within the framework of its code of conduct. This is done by: instructing every worker to make known their concerns about illicit or unethical activities/behavior in the organization and ask question if there are doubts. It also adds that the firm will not tolerate any action taken by employee in the firm against a worker who has whistle blown in good faith his/her concerns about unethical or illegal behavior while disciplinary action would be taken against any worker who knowingly makes a fallacious report. For this to work there must pay action to: the importance of whistle-blowing awareness throughout the firm; embedding whistle-blowing arrangement awareness in the culture, systems, procedures and the role of audit committee to ensure the allegation is true or not [18].

Furthermore, Ponemon [35] suggests that the first ethical responsibility of auditor or audit committee acting as recipients of whistle-blowing reports is to establish if the accusation is true or false. Determining the reliability of whistle-blowing reports is important because frivolous and unwarranted reports could have dysfunctional results. Chartered Institute of Internal Auditors [6] is of opinion that the responsibility for determining and operating effective whistle-blowing arrangements lies with audit committee and the executive, reporting to the board. However, looking at the possible conflicts of interest the executive will need to delegate the day-to-day operations to a body that is considered to be independent. In addition to this, Internal audit's independence from the executive and objectivity give it the potential to be involved in whistle-blowing arrangements.

Audit committee as well as internal audit should therefore either offer assurance to the board or play an integral part in the process of effective whistle-blowing in their firms.

Besides, where internal audit is involved in the arrangements for whistle-blowing the board must ensure the following:

- there is a separate, independent mechanism to offer assurance on the effectiveness of the whistle-blowing mechanisms;
- internal audit's major duties and assurance roles are not compromised

- Internal audit is properly resourced in terms of staffing and skills

Internal audit's role can include promoting whistle-blowing best practice, testing and monitoring systems and advising on change where it is needed.

2.5. Effective Whistle-blowing Mechanism and Audit Committee

Having realized outcomes of internal auditors in detecting, preventing corruption and fraud, audit committee are being called upon to demonstrate these functions. ICAN [17] states that parts of audit committee's duties are to "oversee management's process for the identification of significant fraud risks across the company and ensure that adequate prevention, detection and reporting mechanisms are in place". This renders solution to statements made by CIIA [6] that it believes that it is not the task of internal audit to detect or prevent corrupt activities directly, internal auditors habitually come into custody of critically sensitive data that is substantial to the entity and poses significant potential outcomes. This information has possibility to exposures, uncertainties, threats, fraud, illegal activities, waste and mismanagement, abuse of power, and misconduct that threatens public health or other wrongdoings. These events may negatively impact the firm's reputation, competitiveness, image, success, viability, market values, intangible assets, and investments, or earnings.

To this end, it is imperative and obvious audit committee has to be independent, objectives and avoid conflict of interest in order to ensure effective whistle-blowing mechanism.

2.6. Audit Committee and Its Qualitative Characteristics

Companies and allied matters Acts [7] section 334 states responsibilities and duties of audit committee as follows: overseeing management process for the identification of significant fraud risk across the company as well as ensuring adequate prevention, detection and reporting mechanisms of any fraudulent acts. Another section of the Act (section 359) states that company's Article of association may stipulate the objectives and functions of the audit committee which include: authorizing the internal auditor to carry out investigations into activities of the company which may be of interest or concern to the committee. Baxter and Cotter [1] assert that the nature, quality as well as independence of audit committee influence the committee's efficiency and effectiveness in carrying out her duties and responsibilities as stated above.

2.7. Audit Committee Independence and Whistle-blowing in Nigerian Banking Sector

The listing requirements of Nigerian code of corporate governance established by SEC, demands that audit committees of listed firms be comprised of at least three members and the majority of whom must be independent

members. This view is consistent with the agency perspective, in that, independent audit committees provide greater monitoring of managerial discretions including risk-taking activities by managers.

In addition, independent audit committee members are likely to view their service on an audit committee as a means of enhancing their reputational capital [14,15]. The preservation of reputational capital serves as a motivation for higher quality monitoring. It is, therefore, expected that an independent audit committee provides effective monitoring and helps strengthen internal controls, and detect and prevent fraud.

Besides, Emeh and Appah [13] state that an audit committee has to be independent from management so as to be able to enforce effective monitoring on any form of irregularity. Therefore, for audit committee to be effective, independence of audit committee is must. Ofo [32] states that the directors on the committee need not only to be non-executive directors but also to be independent non-executive directors; in order to explain this statement Ofo [32] defines independent directors as those directors that do not hold special business interest with the bank and do not represent any stakeholder or shareholder's interest. SEC code [33] views an independent director as a non-executive director that:

- is not a company's substantial shareholder and whose shareholding does not up to 0.1% of the firm's paid up capital;
- is not representing a shareholder who has the capacity to control or significantly influence management;
- is not a significant customer or supplier to the firm or group;
- is not related with the company or its management that may impair the ability of the directors to make unbiased judgment.

The preceding argument leads to the first hypothesis which tests the assertion that a more independent audit committee is likely to set up effective whistle-blowing mechanism in Nigerian banks.

Hypothesis H_1 : There is significant impact of audit committee independence on effective whistle-blowing in Nigerian banking sector.

2.8. Audit Committee Financial Expertise and Effective Whistle-blowing in Nigerian Banks

According to Sarbane-Oxley Act [37] requires the presence of at least one financially knowledgeable director on the audit committee while the New York Stock Exchange (NYSE) listed company manual also requires that all members of the audit committee be financially knowledgeable. The Listing Requirements of Nigerian code of corporate governance given by SEC also mandates that at least one audit committee member must be read and understand financial report [17,18]. Audit committee members with financial and accounting knowledge expertise demonstrate a better understanding of auditing issues and risks, as well as the whistle-blowing procedures proposed to address and detect corrupt practices and encourage spending on hotlines arrangements, training

and organizing seminar programmes on awareness of whistle-blowing mechanism such as compliance to professional code of conduct [11].

Consequently, the audit committee members with financial backgrounds have the experience and training to understand the risk management activities such as technological threat, strategic risks and business risks, it is expected that firms with at least one financially knowledgeable director on their audit committees to engage more actively in risk management process.

In addition, companies and allied matters Act 359 require all members of audit committee to have basic financial literacy as well as be able to read and understand financial statements. It states that one at least should be financially literate as well as having knowledge of accounting or financial management. Section 334 requires audit committee to ensure development of a comprehensive internal control framework for the company. It states that audit committee, in its knowledge and expertise, should preserve auditors' independence by setting clear living, effective policies and code of conduct (inclusive policy on whistle-blowing) for employees. This would enhance audit committee to check mate fraudulent acts.

Therefore, the preceding argument generates the following hypothesis:

Hypothesis H_2 : There is significant impact of proportion of audit committee members with accounting and finance qualifications on whistle-blowing in Nigerian banking sector.

2.9. Audit Committee Meeting and Whistle-blowing in Nigerian Banks

According to Deloitte [9], the extent of the audit committee's involvement in whistle-blowing matters varies significantly by firms and any institutions. It states that in some companies, cyber security risk and whistle-blowing are tasked directly to the audit committee, while in others; there is a separate risk committee. Companies for which technology forms the backbone of their business often have a dedicated cyber risk committee that centers exclusively on cyber security mechanism. Regardless of the formal structure adopted, the rapid pace of technology and data growth, and the attendant risks highlighted by recent security breaches demonstrate an increasing importance in understanding cyber security as a substantive, enterprise-wide business risk.

Therefore, audit committees should be aware of cyber security trends, regulatory developments and major threats to the organization, as the risks associated with intrusions can be severe and pose systemic economic and business consequences that can significantly affect shareholders. Engaging in regular dialogue with technology-focused organizational leaders will help the committee better understand where attention should be concentrated?

2.10. Theoretical Base for the Study

Researchers and scholars have confirmed that whistle-blowing lacks theoretical framework [25,26,31]. However, Near and Miceli [29] stated that researchers can draw from the study on behavioural theories that are to

some extent similar to the mechanism of whistle-blowing. The theoretical framework underpinning the current paper is derived from pro-social behaviour study along with ethical climate theory. Pro-social behaviour hypothesis elucidates the behaviour of whistleblowers as persons while, the climate in the entity that sustains whistle-blowing can be best explained by ethical climate theory.

2.11. Prosocial behaviour Theory

The pro-social hypothesis of whistle-blowing has provoked much empirical and conceptual study on whistle-blowing [3,4,12,25,26,29]. Exclusively, Brief and Motowidlo ([4]: 711) refers to pro-social behaviour as behaviour which is (a) carried out by a member of an entity, (b) directed toward a person, group, or entity with whom he or she interacts while performing his or her organizational duty, and (c) carried out with the intention of promoting the welfare of the person, group, or entity toward which it is directed.

With reference to whistle-blowing, it is classified as a positive social behaviour [24] whereby, the whistleblower engages in action to stop the wrongdoing within the entity with the intention of promoting persons within and outside the entity. Dozier and Miceli [12] explains that whistle-blowing is a kind of pro-social behaviour as the act entails both selfish (egoistic) as well as unselfish (altruistic) motives on the side of whistleblowers. In other words, whistleblowers' acts are not purely altruistic but to a certain extent the actors may also have motives to achieve personal gain or glory.

Specifically, the pro-social approach of whistle-blowing is based on Latane and Darley's [20] work on the bystander intervention model. The model proposes that a bystander will respond by helping in an emergency situation. According to Latane and Darley [20], the decision process for whistle-blowing behaviour goes through five steps and each step is critical in making the whistleblowing decision. The five steps are: (1) the bystander must be aware of the event; (2) the bystander must decide that the event is an emergency; (3) the

bystander must decide that he or she is responsible for helping; (4) the bystander must choose the appropriate method of helping; and (5) the bystander implements the intervention. These are the five processes in ethical decision-making for the would-be whistleblower and in doing so highlight the ethical dilemmas inherent in the decision to whistle-blow [3].

2.12. Data Analysis Method

Data obtained were analyzed in simple descriptive statistics presented in the tables. This study focuses on whistle-blowing in Nigerian banking sector: an appraisal of audit committee's effectiveness using a multi-variate regression analysis method. The model captures the degree of relationship the explanatory variables exert on the dependent variable. This is consistent with previous studies [6,13,16,22,23].

$$WHBL = f(ACI, ACTE, ACFE) \quad (1)$$

This can be re-specified in a regression form thus:

$$WHBL_{it} = \beta_0 + \beta_1 ACI_{it} + \beta_2 ACTE_{it} + \beta_3 ACFE_{it} + \varepsilon$$

Where:

$WHBL_{it}$ = Whistle-blowing mechanism

β_0 = Intercept at time 0

ACI_{it} = Audit committee independence of i^{th} bank at time " t ".

$ACTE_{it}$ = Audit committee technological expertise or audit committee meeting to discuss technological advancement and dynamic changes of i^{th} bank at time " t ".

$ACFE_{it}$ = Audit committee financial expertise of i^{th} bank at time " t ".

ε = Error term.

The apriori signs are: $\beta_1 < 0$, $\beta_2 < 0$, $\beta_3 > 0$.

Operationalization of variables

The variables used in this study are operationalised as shown in the below table:

Table 1.

S/N	Variables	Operational definition	Source	Apriori sign
	Dependent variable:			
1	Whistle-blowing mechanism/reporting	The relative proportion of amount expensed on development of hotline, seminars, workshop training staff on whistle-blowing mechanism arrangement and creation of its awareness in financial statements and its contributions	the Institute of Chartered Accountants (ICAEW), [16]	Ve
	Independent variables:			
2	Audit committee independence	Proportion of independent non-executive directors on audit committee where independent directors whose shareholding, directly or indirectly, does not exceed 0.1 % of the company paid up capital	Emeh & Appah, [13]	Ve
2	Audit committee meeting	Number of audit committee meeting for the year to discuss issues related to risk management mechanism and whistle-blowing mechanism	Emeh & Appah, [13]	-ve
3	Audit committee financial expertise	Proportion of audit committee members who have accounting or financial management knowledge	Emeh & Appah, [13]	-ve

Source: Researcher's compliance, 2016.

This section contains the analysis and result presentation of the data collected from the Nigerian Stock Exchange.

Data presentation analysis

Table 2. Descriptive Statistics

	WHBL	ACFE	ACI	ACME
Mean	0.607042	0.21524	0.25365	1.65714
Median	0.600000	0.16667	0.33333	0
Maximum	1.000000	0.8	0.5	6
Minimum	0.300000	0	0	0
Std. Dev	0.165895	0.191949	0.18876	1.98469
Skewness	1.400021	0.8638	-0.1033	0.5927
Kurtosis	4.067403	3.80226	1.61763	1.73271
Jarque-Bera	26.56461	15.8733	8.5472	13.1741
Probability	0.000002	0.00036	0.01393	0.00138
Observations	105	105	105	105

Author's computation, 2016

From the [Table 2](#) above shows the descriptive statistics for sample companies. An examination of the result reveals that WHBL showed a mean value of 0.60 therefore

indicating that on the average only 60% of sample banking sector disclose their level of engagement in whistle-blowing activities. This further shows 1.0000 and 0.30000, explained in the maximum and minimum values respectively.

The standard deviation measuring the spread of the distribution stood at a value of 0.166. The Jarque Bera statistics stood at a value of 26.7 with an associate probability of 0.00 thus, indicates that the variables are normally distributed when measure at critical level. This implies that the possibility of outlier does not exist in the distribution. An additional investigation tested at 5% critical level.

The mean values of the explanatory variables are positive. Two of the explanatory variables namely: Audit committee financial expertise (ACFE) and Audit committee meetings (ACME) exhibited positive skewness, while Audit committee independence was negatively skewed. The Jarque-Bera probabilities with $p < 0.05$ is an indication that all the variables are normally distributed.

The result in [Table 3](#) shows that about 28% of systematic variations in the dependent variable are clarified by the independent variables. This value later reduces to 23% when the R-squared statistics is later adjusted. It shows that audit committee financial expertise (ACFE), audit committee independence, and audit committee meeting exhibited a positive relationship with whistle-blowing mechanism (WHBL). In terms of overall significance, the independent variables had a combined significance with WHBL which is reflected in the Prob. (F-statistics) of 0.000029. The Durbin- Watson value of 2.11 is an indicating of the absence of auto-correlation.

Table 3. Regression Analysis

Dependent Variable: WHBL				
Method: Least Square				
Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	15.84061	21.06158	0.752109	0.4538
ACFE	20.86374	44.29101	0.47106	0.6387
ACI	31.98543	44.84941	0.713174	0.4775
ACME	0.584304	3.86676	0.151109	0.8802
AR(1)	0.36468	0.098193	3.713576	0.0003
R-squared	0.283554	Mean dependent var		88.2692
Adjusted R-squared	0.231314	S.D. dependent var		69.9996
S.E of regression	61.372	Akaike infor criterion		11.1456
Sum squared residual	361586.1	Schwarz criterion		11.349
Log likelihood	-571.5706	Hannan-Quinn criter		11.228
F-statistic	5.427831	Durbin-Watson stat		2.11434
Prob(F-statistic)	0.000029			
Inverted AR Root	0.36			

Author's computation, 2016

2.13. Analysis of Diagnostic Tests

Table 4.

	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	443.59	4.94429	NA
ACFE	1961.69	2.29205	1.259521
ACI	2011.47	2.99245	1.550927
ACM	14.9518	1.92044	1.453941

Researcher's computation, 2016.

The variable inflation factor was utilized to check for multicollinearity. The rule of thumb indicates that they must be below the benchmark of 10. Therefore all the centered VIFs are below 10. The researcher now concludes that there is never an issue of multicollinearity in the model.

Table 5. Heteroskedasticity Test

Hereroskedasticity Test:			
Breusch-Pagan-Godfrey			
F-statistic	0.97517	Prob. F(6,97)	0.4463
Obs*R-squared	5.91636	Prob. Chi-Square(6)	0.4326
Scaled explained SS	32.5858	Prob. Chi-Square(6)	0

Source: Researcher's Computation, 2016.

The table above reveals the F-statistic and Obs*R-squared values of 0.97517 as well as 5.91636 with p-values of 0.4463 together with 0.4326 respectively show the absence of heteroskedasticity in the model since the F-statistic and Obs*R-squared values and P-values of 0.4463 and 0.4326 are higher than the critical values at 5% level of significance. Therefore, the researcher now can reach the conclusion that there is never presence of Heteroskedasticity in the model.

2.14. Autocorrelation Test

Table 6. Breusch-Godfrey Serial Correlation LM Test

Breusch-Godfrey Serial			
Correlation LM Test:			
F-statistic	1.48891	Prob. F(2,94)	0.2309
Obs*R-squared	3.19344	Prob. Chi-Square(2)	0.2026

Source: Researcher's computation, 2016.

The Table 6 reveals the F-statistic and Obs*R-squared values of 1.48891 as well as 3.19344 with p-values of 0.2309 and 0.2026 respectively show on presence of autocorrelation in the model since the F-statistic and Obs*R-squared value with p-values of 0.2309 and 0.2026

are higher than the critical values at 5% level of significance. Therefore, the researcher concludes that there is never presence of autocorrelation in the model.

2.15. Hypotheses Testing

HYPOTHESIS 1

Hypothesis₀: There is no significant impact of audit committee independence on whistle-blowing mechanism in Nigerian banking sector.

Hypothesis₁: There is significant impact of audit committee independence on whistle-blowing in Nigerian banking sector.

In considering the variables individually, Audit committee Independence revealed a positive relationship with whistle-blowing in Nigerian banking sector as revealed by the positive coefficient value of 31.98543. This implies that audit committee independence can impact on whistle-blowing in Nigerian banking sector.

HYPOTHESIS 2

Hypothesis₀: There is no significant impact of audit committee meeting on whistle-blowing in Nigerian banking sector.

Hypothesis₁: There is significant impact of audit committee meetings on whistle-blowing in Nigerian banking sector.

The relationship between audit committee meetings (ACTE) and whistle-blowing in Nigerian banking sector showed a positive association. This was supported with positive coefficient value of 58%. This implies that a unit change in audit committee meetings can impact 58% on the level of whistle-blowing..

HYPOTHESIS 3

Hypothesis₀: There is no significant impact of audit committee financial expertise on whistle-blowing in Nigerian banking sector.

Hypothesis₁: There is significant impact of audit committee financial expertise on whistle-blowing in Nigerian banking sector.

Audit committee financial expertise was found to have a positive impact on the whistle-blowing. This was further explained by coefficient value of 20.86374, therefore indicates that audit committee financial expertise has the tendency of increasing the level of whistle-blowing mechanism.

3. Summary, Interpretation of Findings, Conclusion and Recommendation

The results of the regression analyses for the different attributes of audit committee and effective whistle-blowing in Nigerian banking sector on the whole revealed a number of puzzling findings. The results of the study showed that qualitative characteristics of audit committee, that is, Audit committee independence (ACI), audit committee meeting (ACM), and audit committee financial expertise (ACFE) exhibited a positive relationship with whistle-blowing compliance. This implies the entire independent variables move in the same direction with whistle-blowing in Nigerian banking sector. The positive relationship between the variables as revealed in the results of the study is in tandem with the findings of Deloitte (2015) and Stark and Fortaine (2016).

3.1. Summary

This study examined effective whistle-blowing and audit committee in Nigerian banking sector. Hypotheses are developed based on the premise that banks that have more independent, expert, and financial expertise audit committees are likely to set up a stand-alone risk management committee and whistle-blowing. In addition, audit committees that have more members who are knowledgeable are also likely to help in strengthening governance and internal control environment within their firms. The study finds that the establishment of whistle-blowing mechanism in Nigerian banking sector is associated with strong audit committee structures.

Specifically, the results show that banking sector with more independent audit committees are likely to set up sound whistle-blowing mechanism effectively because these independent directors seek to protect their reputations as expert monitors. Thus, establishing a risk management mechanism demonstrates their commitment to and awareness of improved internal control environment. Further, financial institution with more members on their audit committees are also likely to improve because failure to do this cannot only reduce profitability but can also kill the firms' mission and its existence. Audit committees that meet more frequently are also likely to enhance level of oversight of risk management activities and processes. Therefore, more diligent and technological knowledgeable audit committees are likely to support formal risk management procedures including an establishment of sound whistle-blowing systems.

3.2. Conclusion

The major function of the audit committee is to oversee the whistle-blowing mechanism in corporate which has abilities to hamper organizational goals and objectives even reduce shareholders' wealth reflected in financial reporting. According to SEC (2002), audit committees should be champions of corporate ethics. This study examines whether the three variables—the number of audit committee meetings (where threats issues are discussed), the independence of audit committee members, and the number of engaged financial experts—are related to whistle-blowing mechanism in Nigerian banking sector. The empirical results provide some evidence to support the three primary hypotheses.

The conclusions are summarized such as:

1. Meeting frequency of the audit committee is associated with whistle-blowing in Nigerian banking sector;
2. Number of audit committee members who are independent does significantly affect whistle-blowing mechanism in Nigerian banking sector;
3. Financial expertise of audit committee is significantly associated with whistle-blowing system in Nigerian banking sector.

3.3. Recommendation

The study revealed a strong support for an association between effective whistle-blowing system in Nigerian banking sector and audit committee independence, audit committee financial expertise, and audit committee

technological expertise. The results of findings showed that whistle-blowing mechanism in Nigerian banking sector needs to be strengthened. Finally, it disclosed that Nigerian banking sector needs to train, educate and develop her staff about risks/threats awareness and identification. Those who are charged with responsibilities should live by good labeling and modeling.

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