

Moral  
dilemmas in  
the workplace  
Why blow the  
whistle?

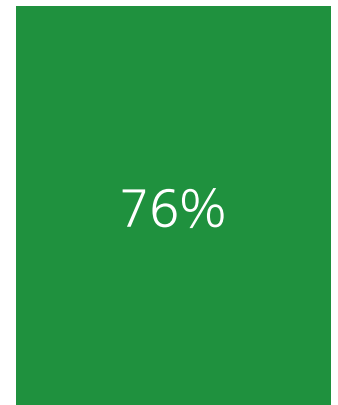




## What motivates whistle-blowers to report externally?



Big enough crime



Keeping quiet would cause harm to people

This article elaborates on fraud questions through looking at a number of whistle-blower reports that include the following:

- In what way does an organisation's fraud risk management plan become alive through the implementation of a whistle-blowing hotline?
- Are the reports received via such a hotline of any value to the organisation?
- What would induce employees to use such an independent facility to report unethical behaviour?

People generally report matters to a hotline in instances where:

- They observe the behaviour as wrong.
- They believe that someone should do something about it.
- They feel an obligation that it should be them who should say something.

According to the Ethics Resource Centre ("Inside the Mind of a Whistle-blower"), whistle-blowers are motivated to report for a number of reasons:

- It is perceived as a "big-enough crime".
- Keeping quiet would cause harm to people.
- The problem is ongoing.
- Keeping quiet would cause further harm.
- The company didn't do anything about the internal report – and thus it is reported externally.
- Keeping quiet would get them into trouble.

The following detail on the first six motivators is based on disclosures received via the Deloitte whistle-blowing facility.

The independent hotline could be used to monitor these risk areas, to identify trends and to action improvement in the tone and culture of the organisation. An effective hotline is used by employees, motivated by their moral obligation to the employer and greater society. The specific ethics and hotline awareness initiatives required in different organisations should be tailored to address those motivators that will ensure that whistle-blowing forms part of the detection and prevention of occupational crime in the workplace.

### A big-enough crime

A whistle-blower alerted a financial institution via the Deloitte independent facility that cheque fraud on a specific account was going to take place later the same day. The same account had been used for fraud amounting to over R80 000. The extremely agile financial institution was able to put an alert out to their branches and was able to prevent further fraud of about R27 million.

However, it isn't always merely the value of the potential loss that determines the size of the crime. In another instance, the moral dilemma of the crime motivated the whistle-blower to report it as a big-enough ethical crime. The issue was that the organisation was paying for entertainment (including prostitutes) through its events budget.

It is vital to establish the absolute taboos in one's organisation, in the minds of one's employees, in order to establish a peer-managed ethical culture.

### Keeping quiet would cause harm to people

A manufacturing entity had put internal controls in place to mitigate the risk of defective products reaching consumers, stating that a production run should be stopped until all deficiencies have been pinpointed and the causes have been eliminated. The whistle-blower in this case noticed that a supervisor did not follow this rule, but rather completed the production run and prepared for distribution without a final cause analysis.

This kind of report plays a significant role in preventing reputational damage to an organisation, since the internal investigation can be actioned prior to the public being affected.



70%

Problem was ongoing

### The problem is ongoing

When people continue to bend and break rules, one of two things happen – other people start doing it too or someone feels the obligation to act and report the matter. If your organisation has a strong ethical culture, the second response is more likely.

According to the 2013 South African Business Ethics Survey (conducted by the Ethics Institute of South Africa), people in organisations with a strong ethical organisation culture are far more likely to report issues than people in organisations with a weak culture (71% versus 48%).

In one case, where an organisation had a very effective hotline in place (a strong ethical culture), a whistle-blower reported a matter that related to two instances where a person in a supervisory position circumvented independence policies and presented false facts to the employer in order to enable a transaction that was not allowed under company policy. Further dubious behaviour described in the disclosure indicated a bigger ongoing problem. Even in the absence of direct financial loss, the whistle-blower felt strongly that the matter should be investigated.

65%

Keeping quiet would cause further harm

### Keeping quiet would cause further harm

In some instances, investigations stop short of eliminating the cause, and they only address the one instance of wrongdoing. It is vitally important to correct the wrongdoing and put measures in place to prevent recurrence.

A whistle-blower alerted his/her employer of a specific branch where second-hand vehicle parts were being used in new vehicles. By demonstrating immediate action and zero tolerance, the organisation could use these reports to its advantage and could uphold its reputation with its customers.

65%

Company didn't do anything about internal report

### The company didn't do anything about the report – and thus it is reported externally

In some instances, employees feel that they do not have a voice within their organisation. A standard question that Deloitte Tip-offs Anonymous poses to whistle-blowers is whether the matter has been reported internally. Unfortunately, the line manager as the first line of defence is often not an option for whistle-blowers.

A specific retailer mitigated the risk of having excessive cash at paypoints by implementing a rule that cashiers should request interim collection. In one reported instance, this request was made, but the supervisor did not follow through. Later on the same day, an armed robbery happened, which resulted in big cash losses. From the disclosure, it appeared as if the cashier rather than the supervisor was being held accountable.

According to the latest ACFE Report to the Nations on Occupational Fraud and Abuse, 18.9% of cases occur as a result of an override of internal controls. Employees are very aware when controls are overridden, especially by supervisors – these examples should be used in fraud awareness sessions to demonstrate that employees have alternative communication channels at their disposal.

56%

Keeping quiet would get them into trouble

### Keeping quiet would get them into trouble

In this category, the regulatory obligation of reporting is often at stake. Organisations create different reporting channels for potential money laundering transactions, amongst others through the independent hotline.

In another instance, a whistle-blower alleged that a student account, owned by a person in their mid-twenties, was being used for transactions of hundreds of thousands of rands.

The actual cases reported to a hotline in the categories of fraud, corruption, money laundering, breach of company policy or procedure and health and safety matters are clearly of value to the subscribing organisations. However, additional activity on the facility often relates to human-resource-related matters. The South African business ethics survey (Ethics Institute of South Africa) indicates a slight reduction, from 2009 to 2013, in the already-negative risk areas of staff feeling uncomfortable with approaching superiors with ethical matters and having a lack of trust in HR to solve HR-related problems.

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