

## A Call for Character and Integrity

When children are small, the messages they get are very clear: “Stop telling on your brother;” “I don’t want to hear about it;” and “Don’t be a tattletale!”



Teenagers think nothing of looking the other way, when they see a classmate leaning over to cheat off someone else’s paper. And college students who refuse to “tell” or “rat” on others are viewed as having



character and integrity and being trustworthy. Did you happen to see the highly acclaimed movie, *Scent of a Woman*?

All of these experiences during the early years pave the way to a culture that reveres *keeping one’s mouth shut* and *minding one’s own business*, when

it comes to corporate wrongdoing in a “grown-up world.” The bottom line is few people want to be known as a “snitch.”

Organizations have long sought ways to get employees to share information that might point to corporate fraud. This is nothing new. The False Claims Act, a U.S. law that legitimated the concept of whistleblowing, was created in 1863 — more than a century ago — to combat fraud by suppliers to the federal government during the Civil War. Under the act, which has been strengthened over the years by revisions and other legislation, whistleblowers are protected from wrongful dismissal. However, the literature is rich with data about whistleblowers who have suffered

reprisals and have lost everything at the hands of their employers, as a result of telling what they knew. Clearly, the messages are mixed.

How, then, do business executives and boards create a corporate culture that applauds workers who have the conscience and courage to come forward with evidence of goings-on that might be injurious to the organization and its stakeholders? What can corporate leaders do to encourage employees to make internal controls their business, to become good corporate citizens, and to speak out about corporate shenanigans? How does an organization change from having its collective head in the sand to one that demonstrates corporate accountability at its best, where each and every employee is committed to the greater good?

Although establishing a “whistle-friendly” and accountable corporate culture is easier said than done, the value of exposing fraud sooner, rather than later, is incalculable. Executive management and boards who take a hard look at the *risk of not knowing what’s going wrong* discover that whatever it might take to shift the corporate culture is well worth the investment.

There are at least seven steps business leaders can take to ensure messages are clear about individual and corporate responsibility and accountability:

1. Set an ethical tone at the top.
2. Promote strong and effective internal controls.
3. Establish a whistleblower policy.
4. Prevent reprisals.
5. Provide ethics and fraud training for staff.
6. Implement a confidential tips hotline.
7. Create a culture of doing the right thing.

### SET AN ETHICAL TONE AT THE TOP

The tone at the top of an organization might appear to be a “soft” issue. However, few c-level and board responsibilities are as critical to ethical and responsible operations as is the tone at the top. *As the front office goes, so goes the rest*, and behavior and principles modeled by the boss will be mimicked and expected throughout the ranks. Far more powerful than what is stated or preached are the actions demonstrated and



reinforced by those at the top. For example, a boss who is careless about cost-containment and turns a blind eye to extravagant spending will set the tone for a spendthrift culture throughout the organization. On the same token, when management and the board demonstrate a strong commitment to efficiency, effectiveness, and economy; and zero-tolerance for fraud and collusion; and consistently pursue organization-wide buy-in for ethical behavior, they are building a

team that is well positioned to stand strong against those who would endanger the corporate good.

### PROMOTE STRONG AND EFFECTIVE INTERNAL CONTROLS

Although management clearly owns the organization's system of internal control, controls are everybody's business — from the mailroom to the boardroom. A core responsibility of internal auditing is to ensure the controls that are in place are adequate to mitigate the risks. However, when management recognizes that everyone plays a role in the process, and taps the internal auditors to coach employees on how they can help ensure the system of control is strong, an organization can become a fortress against fraud.

### ESTABLISH A WHISTLEBLOWER POLICY

Having an official policy in place will define processes, promote involvement, and help ensure procedures are followed appropriately if and when an incident occurs. Typically, the policy should include general information regarding the organization's code of ethics and/or code of conduct and the scope and purpose of the policy; an overview of reporting responsibilities, a retaliation-safeguard clause, procedures for reporting violations, the investigative process, a good-faith clause, confidentiality provisions, when and how the audit committee is involved, and procedures for handling violations.

### PREVENT REPRISALS

Every effort should be made to protect the identity of and prevent reprisals against those who blow the whistle. Legislation has gone a long way to protect whistleblowers. The Public Interest Disclosure Act of 1999 in the U.K. is internationally recognized as a benchmark for public-interest whistleblowing. The equivalent legislation in Northern Ireland is the Public Interest Disclosure Order of 1999. Various private and non-profit organizations and resource centers dedicated to



this issue around the world include Public Concern at Work in the U.K., the Open Democracy Advice Centre in South Africa, the U.S. Government Accountability Project, the Information Clearing House Japan, Public Interest Speak-up Advisers in Japan, Whistleblowers Australia, and Transparency International.

### IMPLEMENT A CONFIDENTIAL TIPS HOTLINE

Whistleblower hotlines have received much attention recently around the world. In addition to hotlines within companies, governmental agencies, and other organizations, there are external hotlines that also provide for confidential reporting of fraud. Often the internal auditors are involved in the establishment and/or management of the hotline. Hotline information should be made available to all staff, including the hotline number and process, confidentiality, what types of things are and are not investigated, what is required prior to an investigation, and what can be expected if improper activities are substantiated.



### PROVIDE TRAINING ON ETHICS AND FRAUD FOR STAFF

Organizations committed to creating an enterprise-wide culture that is fraud-averse, communicative, internal-control savvy, and ethical do not achieve their goals overnight. Such a culture is the result of senior management's and the board's diligence and determination to make it happen. A formalized training process will help ensure that all employees have a clear understanding of the organization's code of ethics, what are considered to be appropriate and ethical operations, how the staff can help prevent corporate fraud, how the whistleblower hotline works, and the types of behavior that absolutely will not be tolerated.

### CREATE A CULTURE OF DOING THE RIGHT THING

The dynamics of behavior in the workplace are fascinating. "Sticking together" may be viewed as good, even when the activity is "evil." What is the force that has the power to influence an organization's collective view of acceptability? What is the psychology of wrongdoing? Although regulators

### RESOURCES

- GAP: [www.whistleblower.org](http://www.whistleblower.org)
- ICJ: [http://www.foi-asia.org/Toppage/about\\_ICJ.html](http://www.foi-asia.org/Toppage/about_ICJ.html)
- ODAC: <http://www.opendemocracy.org.za>
- OECG : <http://oecg.org>
- PCaW: <http://www.pcaw.co.uk>
- PISA: <http://www006.upp.so-net.ne.jp/pisa>
- TI: <http://www.transparency.org>
- Whistleblowers Australia: <http://www.whistleblowers.org.au>

and legislators set guidelines that address the consequences of misbehavior, the rules themselves do not touch on the real cause. Government cannot legislate morality, a healthy conscience, or a burning desire to do the right thing.

Human theorists have grappled with these concepts for centuries. Today's complex workplace calls on organizational psychologists and professional organizations to help build awareness, share information, and provide guidance. For example, the Open Compliance and Ethics Group (OCEG) in the U.S. has developed a framework with universal guidelines for integrated compliance and ethics programs that enhance the character and ethical culture of an organization; incorporate effective governance, compliance, risk management, and integrity into all business practices; and measure effectiveness and performance.



A key internal resource, the internal auditors, can perform assessments of an entity's ethical culture. Because they are integral to their organization, internal auditors are in a position to know about undocumented trends, unofficial processes, and unspoken expectations. If red flags are raised, the internal auditors can call them to the attention of executive management and the board, and make recommendations for improving the corporate conscience.

If workers in your organization are unclear about what is and is not acceptable behavior, whether or not management is willing

to stand tall for corporate accountability, and why they should blow the whistle if they know unscrupulous activity or conduct is taking place, then it's time to ask the question, "Are we sending mixed messages to employees and other stakeholders, or are we clearly promoting character and integrity throughout our organization?"

## Getting from Here to There

Shifting the culture of an organization from one that frowns on whistleblowing to one that embraces it requires an uncompromising commitment of those at the top — commitment to a code of ethics that clearly delineates what is acceptable and what is not; commitment to ensuring ethical guidelines are followed from the front office to the bottom of the organization; commitment to the protection of those who blow the whistle; and commitment to ensuring those who break the rules are dealt with swiftly and appropriately. The board's role is to be the guardian of this commitment.

Once the commitment is made, evidence of management "walking the walk" is critical to successfully changing the culture's landscape. The first time someone blows the whistle on unethical or fraudulent behavior is the true test. If the issue is dealt with appropriately, the whistleblower is protected, and the actions taken against the perpetrator are well publicized throughout the organization, the fear of stepping forward with information will immediately dissipate. When employees see the process work as it is supposed to, even when the misbehavior occurs at a high level within the organization, the message that there are no gaps between the rules and the application of the rules becomes crystal clear. At this point, fear of reprisals — the key factor in keeping silent — becomes a non-issue.

Every year, people all over the world witness wrongdoing on the job that may jeopardize the health, safety, or lives of others. They may see managers at a nuclear facility violate a safety code, a chemical company dump hazardous waste unlawfully, or a food processing plant attempt to sell contaminated and dangerous meat to consumers.

Most employees remain silent. Others choose to bear witness, speak out, and make a difference by blowing the whistle on unethical conduct in the workplace. The Government Accountability Project's (GAP's) definition is a composite from state, federal, and international cases: A

whistleblower is an employee who exercises free speech rights to challenge corporate and government abuses of power that betray the public trust.

Blowing the whistle may include:

- (a) Reporting wrongdoing or a violation of the law to the proper authorities such as a supervisor or an inspector general, or by way of a hotline.
- (b) Refusing to participate in workplace wrongdoing.
- (c) Testifying in a legal proceeding against a fraud perpetrator.
- (d) Leaking evidence of corporate wrongdoing to the media.

Source: [www.whistleblower.org](http://www.whistleblower.org)

TONEattheTOP



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Assistant VP, Corporate Marketing & PR:  
Trish W. Harris, [tharris@theiia.org](mailto:tharris@theiia.org)  
+1-407-937-1245

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The Institute of Internal Auditors  
Corporate Marketing & PR  
247 Maitland Avenue  
Altamonte Springs, FL 32701-4201 USA  
Fax: +1-407-937-1101

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