

Five steps towards a credible and efficient whistleblowing service

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A whistleblowing service is a tool that allows companies to monitor their guidelines on business ethics, their codes of conduct. It provides a means of obtaining information on irregularities that should be acted upon at an early stage. Whistleblowers act in the best interest of the company. The whistleblower must be able to trust the company's whistleblowing service; that there is no risk of retaliation against members of staff and that reports can be submitted anonymously. Management has a responsibility to deal with any information obtained through whistleblowing in an appropriate and confidential manner and ensure that innocent individuals are protected from harm by incorrect whistleblowing reports.

In this White Paper we emphasise five important steps that should be considered in the implementation of a company whistleblowing service.

Facts:

Offering a channel for whistleblowing tip-offs is an excellent way of detecting fraud. More than 40% of all fraud and bribery offences are discovered through tip-offs. On average companies lose 5% of their revenue due to fraud, most commonly misappropriation of company assets, followed by corruption and false accounting. Companies that operate a whistleblowing service will discover crimes on average 50% earlier than others, which results in considerable cost savings and diminished company risk.

Global study commissioned by the Association of Certified Fraud Examiners, 2014

Today the code of conduct constitutes a key steering document in companies, and is often the first document a new CEO or members of staff and suppliers are asked to sign up to.

The code of conduct may well be based on the UN Global Compact international guidelines on responsible business.

It should appear relevant and realistic to the company and its suppliers; it should be easy to comprehend, and worded so as to create pride and commitment to the company's business aspirations. The code may well be supplemented with cases of ethical dilemmas to illustrate the practical application of the guidelines, and policies on areas that are of particular importance or pose a particular risk to the company.

Strong support is vital and it is therefore important that the management team and board are involved in the development of the code. The subsequent step is regular communications and discussion of

the code throughout the organisation. There are a number of ways of doing this, such as via interactive e-learning platforms or in games.

However, having a code of conduct in place is not enough; it must also be monitored. The most efficient way of achieving this is through a credible whistleblowing service.

The need for whistleblowing services in companies is driven partly by increased expectations on ethical business conduct, partly by tightened anti-corruption legislation which is making management teams increasingly responsible for taking pre-emptive action to prevent corruption in companies.

***Lesson 1:** The company code of conduct must be easy to embrace and take pride in. Management involvement, anchoring of the code and follow-up on deviations are important for making it trustworthy.*

A whistleblower is acting in the best interest of the company; whistleblowing for one's own direct gain is rare. The whistleblower is acting on perceived unethical behaviour or a potential danger. The whistleblower must be able to trust the company whistleblowing service and the way the submitted information is dealt with.

It is important to make it clear that whistleblowers must act in good faith, even if they will not be asked to prove that the information is correct. Honest suspicion is sufficient.

Whistleblowers are primarily encouraged to be open about their identity, but the option of submitting reports anonymously must be offered. The option of anonymous reporting is used frequently and has proved vital for obtaining business-critical tip-offs.

Information about alleged offenders must be handled appropriately. As long as this does not hinder the investigation, the accused must be informed of the whistleblowing report and given a chance to respond to it.

If you are offering whistleblowing services in markets with inadequate legislation or poor observance of the rule of law, it is especially important to consider how the identities of alleged offenders, and of whistleblowers who choose to be open about their identities can be protected.

EU countries have national guidelines on the processing of personal data and whether the service must be registered with the national data protection agency. It is important that you are aware of these regulations before launching the service.

The whistleblowing policy states that members of staff acting in good faith must not be subjected to retaliation. It clarifies the process for investigating whistleblowing cases, including who should be on the whistleblowing team, how to process the information, and how to protect the alleged offender.

Lesson 2: Ensure your whistleblowing policy is prepared for correct processing of whistleblowing cases.

A whistleblowing service is a channel for sensitive information regarding business matters as well as personal data. It is therefore of vital importance that the information is processed in a secure way. For this reason we consider whistleblowing services that allow reports to be submitted via e-mail doubtful, since information submitted this way cannot be protected. We recommend a closed, externally hosted web-based solution in which all information is encrypted and password-protected and where the information is passed directly from the whistleblower to the company. Translation of reports should be possible within the closed system if required by the company.

We further recommend reports that are submitted openly, eg in conversation with a workplace manager, to be entered on the same secure system used for online submissions. This way all reports will be kept together.

In some cases there may be rationale for offering whistleblowing over the phone. In such cases it is important that the company considers the telephone service from a safety perspective, since this will involve external parties such as telephone operators and interpreters. Reports submitted over the phone should also be entered and kept together with reports submitted via other channels.

For many whistleblowers the ability to remain anonymous is essential. A service provided by an independent third party is a reassuring solution for safeguarding the anonymity of whistleblowers. Several of the companies we have been in contact with, with internal whistleblowing solutions through which members of staff may contact eg the HR director or chief legal counsel, have stated that they are not receiving business-critical tip-offs. The reason for this may be that the whistleblower lacks confidence that the service is sufficiently secure.

The organisation surrounding the whistleblowing service must be efficient and well thought-through. Starting with a small team is often a good idea; however, the team should consist of at least two individuals to minimise the risk of incorrect processing of cases, eg if the report concerns a member of the team.

Lesson 3: A secure whistleblowing service increases the chance of obtaining business-critical tip-offs. An independent third-party solution is a safe option for both the company and the whistleblower.

“External operation of the system enhances credibility, both amongst employees and externally.”

**Einar Lundgren, Transparency International,
May 2014**

A straightforward and user-friendly reporting channel makes it easy for the whistleblower to submit a report and instils confidence in the service.

The whistleblower is informed about the objective of the whistleblowing service: to report on serious misconduct and breach of the company code of conduct. On the actual submission form, the whistleblower should have the opportunity to describe his/her case and should only have to answer questions that are of relevance to the investigation. Having the option of submitting reports in the local language is often helpful for whistleblowers.

It is important to think through the choice of reporting channels so that the service can be accessed by those you want to reach. Submit-

ting reports via the phone is a good solution if members of staff do not have access to the internet or if they are not used to expressing themselves in writing. However, we are seeing a trend towards reporting in writing as this is more secure, and as internet use is expanding and the number of smartphones soaring.

Another important aspect is to include functionality so that the company can go back and post follow-up questions to anonymous whistleblowers. This can be achieved eg by providing the whistleblower with a personal PIN for further dialogue on the case.

The whistleblowing service should also be simple to use for the company. The processing of reports must be hassle-free and secure. It should facilitate access to historical data and statistics by the management team and board. We therefore recommend a system in which all reports are stored in one place regardless of submission channel – online, via phone, or reporting in a face-to-face meeting. It must be possible to index the reports to generate company-relevant statistics and data for decision-making purposes.

Most tip-offs originate from members of staff; however, according to the Association of Certified Fraud Examiners, 50% originate from other informants. We recommend inviting other stakeholders such as customers and suppliers to the service.

***Lesson 4:** A user-friendly reporting channel, which allows follow-up questions to be posted also to anonymous whistleblowers, may be vital for the investigation process.*

Positive roll-out of the service is essential for generating commercial benefit. Support for the objective of the service, that the management team and board welcome tip-offs on company code of conduct deviations and are committed to taking action, is important.

The whistleblowing service should be perceived as a natural part of monitoring the company code of conduct. It is also useful to point out that a whistleblowing service provides all members of staff, as well as potential external stakeholders, with a means of reporting breaches of the company code

of conduct. As a rough guide, based on feedback from companies, around one or two whistleblowing reports per 1,000 members of staff are received annually.

The whistleblowing service is part of the company profile, both internally towards members of staff and externally in customer, investor, supplier and media relations. For this reason it is often communicated through internal and external websites, corporate presentations and sustainability reports.

Consider who should be the visible sponsor of the whistleblowing service at launch. Our advice is that this should be the company CEO, even if he or she will not be managing the service. This lends gravitas and credibility to the service.

When launching the service it is also important to ensure that all key target groups are informed, and that messages and channels are adapted to their needs. Trade union representatives are often informed at an early stage in the process.

A well-supported whistleblowing service also constitutes a response to social media. It provides an internal channel that members of staff can use anonymously if they feel they have not been listened to or are unable to use regular company communication channels.

This allows the management to handle information internally which could otherwise find its way into the public domain and potentially harm the business.

Lesson 5: A well-supported whistleblowing service safeguards high standards of business ethics and a transparent business environment. Positive roll-out of the service and recurring information on its objectives are the key to success.

“Establishing a whistle-blowing function that members of staff can trust is a key sustainability tool for the board. It is important that irregularities... can be reported anonymously, eg through an independent external third party.”

**Leif Johansson, chairman, Ericsson and AstraZeneca
Quote from *Sustainable Profit* by the founders
of the Whistleblowing Centre, WhistleB**

The importance of credibility to the whistleblowing service cannot be over-emphasised. It is vital for obtaining business-critical tip-offs. In addition, a credible service is what will increase the ethical profile of the company.

A whistleblowing service is an important tool for risk management. It captures problems at an early stage which could otherwise escalate. New guidelines on whistleblowing issued by the Council of Europe in 2014 state that it may be a point in the company's favour if a member of staff chooses not to use the internal whistleblowing service and instead broadcasts the information externally.

“The most powerful weapon against fraud is not an algorithm or a checklist but a whistleblower.”

The Economist, March 2014

For a successful whistleblowing service you will need

- a well-prepared whistleblowing policy for correct processing of whistleblowing cases
- a secure service for reporting and case handling
- a user-friendly service, both for whistleblowers and the company
- a positive and correct roll-out of the service
- a service that provides relevant information for management and board decision-making

Checklist for a credible whistleblowing service

Would you like an evaluation of your current service, or review key issues prior to the launch of a service?

Please use our template for evaluation of whistleblowing services with our compliments.

A credible whistleblowing service is key to obtaining business-critical tip-offs.

Anonymous reporting

- Can reports be submitted anonymously, and followed up in anonymous dialogue between the company and the whistleblower?
- Do you offer a reporting channel through an external service provider to protect the identity of the whistleblower?
- Is it possible to seal the information passed between the whistleblower and company in a closed system?

Data protection

- Is data transferred and stored in a secure way, eg using encryption and password protection?
- Is reporting via e-mail excluded (due to data security risks)?

Convenience

- Do you offer whistleblowers a straightforward reporting channel that is available 24/7 in their local language?
- Do whistleblowers have easy access to information about the service and the purpose of the service?

The investigation process

- Is there a whistleblowing policy to ensure that the investigation process is secure and confidential and that whistleblowers who choose to blow the whistle openly are protected?

Adaptation of legislation

- Does the service comply with any national laws and regulations on whistleblowing in the countries where the service is being offered?

Follow-up

- Are relevant statistics on eg number of reports by time period, trouble spots, or geographical location easily accessible?

About the Whistleblowing Centre

We are offering a new generation whistleblowing service for a new generation. The service is based on security and convenience for both the user and the company. We are a fast-growing business with market

coverage in more than 50 countries. We are part of TripleB, a consultancy business with more than 15 years' experience with supporting global and local operators on sustainability and business ethics.

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