



Corruption Prevention Network

## Special Hot Line Edition

# CPN E-News Update



Welcome to the Corruption Prevention Network special Hot Line edition of News Update. The CPN News Update is designed to keep you abreast of all the latest Corruption Prevention news.

CPN News Update provides a collection of current news, events and publications from various government and non-corporate organisations. This latest edition being the exception to the rule. If you would like to contribute to the Corruption Prevention Network News Update please email Sarah at [sarah.dimech \[at\] uts.edu.au](mailto:sarah.dimech@uts.edu.au)

### Special Hot Line Edition – What’s it all about?

Over the last few months a number of CPN subscribers have been asking the questions, how can a help line, help me and who is the best provider of such a service for my organisation as well as how it might compare with an internally managed service?

In response to these questions, the CPN Committee decided in December 2004, to dedicate a whole edition of CPN News Update on this topic. We began by inviting those firms who have hot line services to write an article for the News Update, describing their services and how they are beneficial for organisations. One of our members also volunteered to write on the advantages and disadvantages of setting up your own hotline within the organisation. In response, the CPN received five articles in total.

The CPN continues to remain neutral on the subject of hot lines, so we are leaving it up to you to decide which arrangement best suits your organisation.

As part of our neutral stance, the below articles have been listed in alphabetical order by company name and not by any order of preference.

We hope you enjoy the special edition.

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## **What makes whistleblowing systems work?**

### *The keys to a successful whistleblowing system*

Recent times have seen global attitudes towards whistleblowing change from passive to proactive. The establishment of the Truth and Reconciliation Commission in South Africa in April 1996, for example, facilitated a change in the attitude of corporations in South Africa towards whistleblowing leading to the introduction of Tip-offs Anonymous in hundreds of companies in South Africa by Deloitte South Africa.

While in South Africa it was the Truth and Reconciliation Commission, for the rest of the world it was Enron.

Australia is not an exception in this post-Enron era. The old ethos of 'don't dob in a mate' has been overtaken in the workplace by the increasing desire of employees to work in a fair and honest environment. Subsequently, Australia has seen the introduction of legislation and regulatory standards by the Australian Government who are sending out a strong message to Australian corporations that whistleblowers should be protected and adequate whistleblower protection programs should be put into place. One of the key steps in implementing a whistleblower protection program is to introduce an independent whistleblower hotline through which complaints can be made.

But if an organisation's idea of establishing a whistleblowing system is to simply set up an internal telephone number for employees to call, then they are bound to fail.

### **Reasons why whistleblowing systems fail**

There are several reasons why whistleblowing systems fail:

1. *Lack of anonymity* – one of the biggest impediments for whistleblowers to report misconduct is the fear of retribution. If employees have to report misconduct through an internal channel that doesn't guarantee anonymity, then they are less likely to blow the whistle. Employees want to alert their organisation to misconduct but not at a personal expense.
2. *Culture* – an organisation's culture is set by the CEO and senior management. If management sets a poor example in relation to misconduct, then employees are less likely to speak out for two reasons: firstly, fear of being chastised by management; and secondly, if management has a culture of misconduct then they are unlikely to act on a whistleblower's report, especially if it relates to the management team.
3. *Purpose of the hotline* – Management need to clearly communicate to employees the purpose of the hotline. Employees need to understand that the hotline is for the reporting of serious workplace misconduct and not to be used as a channel for general complaints.
4. *Policies* – if policies in relation to acceptable behaviour and ethics are not abundantly clear within an organisation then employees will be uncertain about what constitutes misconduct and whether to make a report.
5. *Lack of awareness* – if the existence of the whistleblowing system is not communicated effectively or continually reinforced then employees are less likely to use it or know how to access it.

### **The key to a successful whistleblowing system**

For a whistleblowing system to work effectively to help identify misconduct in the workplace, it must have the following elements:

1. *Anonymity* – employees must be assured that they can report suspected incidents of misconduct without fear of retribution. An effective system must conceal the identity of a whistleblower. While this may lead to a proportion of mischievous reports, these can be easily verified through a follow up investigation of the incident.
2. *Independence* – employees feel more comfortable about reporting misconduct to an independent third party who is not in any way related to the organisation or the party or parties involved in the misconduct.
3. *Accessibility* – employees need to have several different channels through which they can report misconduct, i.e. via the telephone, email, online or via mail. This ensures all employees – blue collar, white collar, office bound or remote – can anonymously make a report using the channel that suits them.

4. *Follow up procedures* – incidents reported through to the whistleblowing system must be followed up and corrective action taken where necessary. Whistleblowers should be provided with feedback on actions taken in relation to their reported matter. This will demonstrate the benefit of the system and encourage further reporting of misconduct.
5. *Holistic approach* – a whistleblowing system cannot be implemented in isolation, it must be part of a holistic approach to fraud prevention within the entire organisation.

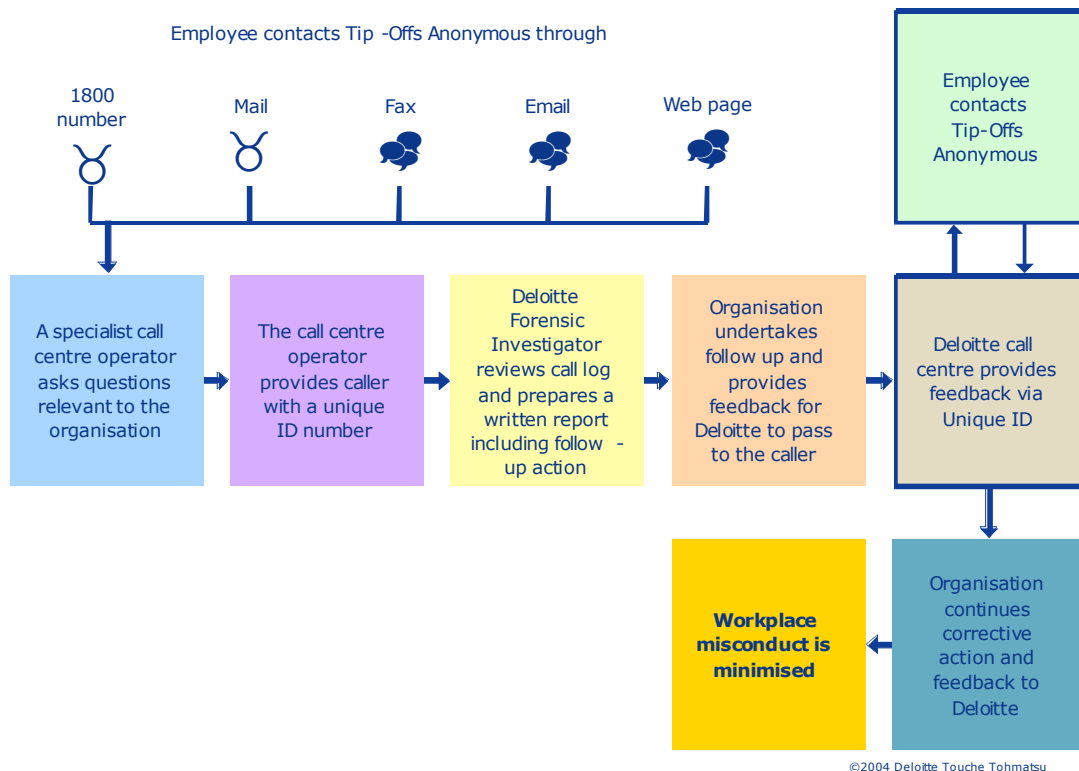
### **Cost vs. Benefit**

The cost of implementing an independent whistleblowing system, such as Tip-offs Anonymous, that can detect misconduct before it's too late, is negligible compared to the cost of reputation damage or the potential fate of corporate collapse.

Many believe that if HIH had an independent whistleblower system in place then the insurer may not have collapsed.

However it must be recognised that on its own, a whistleblowing system will not entirely eliminate fraud or misconduct. An organisation must have a holistic approach to fraud prevention that begins with a clear understanding of an organisation's culture and ethics and attitude to misconduct; the development of policies and guidelines that clearly outline what constitutes misconduct; the policies must be lived and breathed by management; and once identified, corrective action must be taken - misconduct cannot be swept under the carpet.

## The Deloitte Tip-offs Anonymous process



For information on Deloitte's Tip-offs Anonymous service please visit:  
[www.tip-offsanonymous.com.au](http://www.tip-offsanonymous.com.au)



The cost of fraud should be a major concern for every organisation. Prevention is better than cure, and the prevention of fraud is less expensive than the cost of fraudulent behavior.

It is possible to significantly reduce the costs associated with fraud through early detection, particularly due to the fact an investigation may be conducted promptly, minimising losses and preserving valuable evidence.

Internal fraud not only reduces an organisation's profit, it can decrease its competitiveness, lead to loss of jobs and even the failure of the business. Fraud

is often discovered by employees. However, employees are frequently discouraged from reporting such conduct for fear of reprisal by their colleagues or by management. An anonymous reporting hotline through which employees can report suspected cases of fraud without such fear is an important part of an organisation's fraud prevention strategy.

A whistle-blowing hotline is an anonymous channel through which your employees can report suspected cases of fraud and misconduct. Hibis Corporation Pty Limited has introduced the Hibis Hotline as an early warning system and a low cost deterrent to fraud, corruption and misconduct, as well as unethical and inappropriate behaviour.

As a deterrent to those considering committing fraud, hotlines should be actively promoted throughout an organisation, and embraced by upper management as a risk management tool. This sends a clear message to employees that the reduction of fraud within the organisation is a priority, and that the reporting of fraudulent activity is encouraged.

Outsourcing a hotline is important in maintaining credibility in the eyes of the caller. An anonymous caller may be fearful of providing details to a company representative. However, they will often be willing to open up if the call is answered by an independent party. Furthermore, many hotline callers have previously reported their concerns to management and were unsatisfied with the outcome.

Subscribers to the Hibis Hotline have access to a centralised toll free telephone number which will be disseminated to all staff. This enables employees to anonymously report incidents of fraud 24 hours a day, seven days a week. As an alternative to the toll free number, an email address specific to the organisation will be provided for those employees to provide information.

An anonymous caller typically feels threatened and is in an emotionally charged state, causing them to leave out important details. Through the Hibis Hotline, a professionally trained interviewer will ask questions that assist the organisation in gaining sufficient information to investigate the allegation. Qualified interviewers are critical to the hotline, as there may be no second chance to speak to the caller.

Every call to the Hibis Hotline is answered by an experienced investigator who is trained in gathering information which is relevant to any subsequent investigation. In addition, confidentiality and protection for those making disclosures is assured with the Hibis Hotline and our investigators validate any allegation for available evidence before reporting to a nominated company representative or committee.

The early detection of fraud as well as swift follow up action is imperative to all organisations. Hibis is a fraud risk management consultancy specialising in the prevention, detection and investigation of corporate fraud. Rather than simply acting as an answering service for complaints of misconduct, the Hibis Hotline includes follow up support from our investigators. This support takes the form of recommendations on corrective action to prevent further incidents, as well as advice on how to proceed with an investigation.

Should further investigation services be required, Hibis investigators are able to assist. Our investigators are able to attend any location, metropolitan, rural, interstate or overseas, to conduct an investigation on behalf of our clients. Further, Hibis provides specialist services to investigate matters involving computer forensics, asset tracing, intellectual property protection, due diligence and anti-money laundering.

Please contact Guy Underwood (02) 9086 4301 or Chris Frost (02) 9086 4309 to discuss how the Hibis Hotline can assist your organisation.

People are only as honest as the controls allow.

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*PRICEWATERHOUSECOOPERS* '

### **Whistleblowers ..... a new corporate Early Warning System ?**

Informants and 'whistleblowers' have been effectively used by law enforcement officers since the days of the Bow Street Runners in 18<sup>th</sup> century England. The informant is a highly, valued investigative tool, providing 'evidence' of crimes where sometimes no information previously existed.

In the 21<sup>st</sup> century, fraud and corporate corruption are becoming amongst the most significant operational risks facing corporations and government bodies. Dishonest behaviour within an organisation can undermine operating effectiveness and reliability, with serious cases severely damaging organisations' reputations.

Recent international examples of suspected corporate corruption and fraud such as WorldCom, with Australian examples such as OneTel and HIH, have caused massive corporate collapses and ongoing distrust in corporate management. If insider information was available at an earlier stage, perhaps some of the financial carnage may have been spared (or at least punitive active may have been swifter). Further, if protection for an insider was guaranteed, perhaps more information would be forthcoming to minimise the impact of this corporate 'misbehaviour'.

The humble whistleblower is the new fraud and corruption detection tool. Through a whistleblower protection program, an organisation can demonstrate its commitment to good corporate governance and provide for the establishment of a company culture that promotes a high degree of ethics and belief in its stated corporate values. It can also mean that corporate fraud schemes are detected and dealt with more quickly.

#### *Influencers on private sector organisations*

The principal influencer for the protection of whistleblowers and their disclosures is coming primarily from the US Sarbanes-Oxley Act. In July 2002, the Sarbanes-Oxley Act was enacted in the United States “in the wake of many corporate scandals that costs billions of dollars and sapped investors’ confidence in corporate governance and securities markets.” (Sarbanes-Oxley *Whistleblowers: A New Corporate Whistleblower Protection Program.*)

Sarbanes-Oxley requires organisations to develop a whistleblower protection program. So what does a Whistleblower Protection Program look like ? An effective whistleblower program will “allow a company to identify illegal conduct before it occurs or before it becomes catastrophic, correct the conduct internally, increase accountability, build confidence in the company among shareholders, employees and consumers, preclude the wrongdoing from becoming a major focus of government enforcement agencies ... or the media.” (GAP, *Whistleblowers: A New Corporate Early Warning System.*)

#### In Australia, **Australian Standard 8004-2003**

provides a prescriptive approach to managing whistleblower’s disclosures, and details the essential elements of an effective whistleblower protection program. It covers entities listed as “a corporation, government agency, not-for-profit or other entity engaged in business activity or transacting with other entities in a business-like setting”. Although many Australian jurisdictions provide legislative protection to whistleblowers – ‘*Whistleblowers Protection Act*’ in Victoria and South Australia; ‘*Public Interest Disclosure Act*’ in Western Australia, Tasmania and South Australia, and the New South Wales ‘*Protected Disclosures Act*’ – these merely related to disclosures concerned with public sector organisations. Private sector organisations, where all the corporate collapses have occurred and most financial damage done, are not legislatively required to protect whistleblowers and/or their disclosure protection.

“A whistleblower protection program is an important element in detecting corrupt, illegal or other undesirable conduct ... within an entity, and as such, is a necessary ingredient in achieving good corporate governance”.  
(AS 8004-2003 – Whistleblower Protection Programs for Entities)

However, AS 8004-2003 represents best practice in this area. It also details the elements of an effective whistleblower protection program. Such a program includes establishing:

- A Whistleblower Protection Officer
- A Whistleblower Investigations Officer
- An internal reporting line
- An external reporting line
- Regular training for all relevant personnel
- Mechanism for appeals

It is strongly recommended that the Whistleblower Protection Officer and the Whistleblower Investigations Officer are two distinct appointments, operating independently of each other. The reporting medium generally consist of hotlines or '1800' telephone numbers, email addresses and web addresses which will allow instantaneous 'complaint lines'. For the old fashioned amongst us, the standard postal disclosure would still be available.

## **So what can PricewaterhouseCoopers provide ?**

Positioned within our Investigations and Forensic Services practice, our Whistleblower Management team has developed whistleblower protection programs for an array of clients across many industries. Our approach is fourfold:

### **Policy Review**

PricewaterhouseCoopers will review client's Whistleblower Protection Policy and Procedures, if any, to ensure that it is consistent with best practice. If such a policy does not exist we can assist in drafting a policy and procedures.

### **Independent hotline**

We will tailor, implement and independently manage appropriate methods of receiving whistleblower disclosures for client's needs, including a dedicated telephone line which will be answered by our experienced investigators.

Each disclosure received will be assessed, recorded in a secure database and reported to the appropriate level of the clients' management with recommendations for further action.

Management of the hotline by PricewaterhouseCoopers will provide client staff and others with confidence that the process is independent, impartial and that information will be properly secured by an organisation that has a global reputation for integrity in provision of Investigations and Forensic Services.

### **Communication & Training**

The key to any successful disclosure hotline is an effective staff awareness and communication program. PricewaterhouseCoopers will develop and deliver a comprehensive staff awareness and communication program including advice

on appropriate communication tools and the delivery of training sessions, including on line training, for all staff.

In consultation with our client we will draft appropriate promotional material including posters, brochures and tactile cards. In addition we will assist in drafting appropriate promotional material accessible on your intranet. In all these materials a statement assuring staff of confidentiality will be prominently displayed.

### **Call Response**

Feedback to those who use the whistleblower service is critical to its perception within the company. When assisting callers our investigators attempt to establish rapport and trust. Although some callers may wish to remain anonymous, all callers will be encouraged to identify themselves.

The information being supplied by callers will be assessed by the investigator receiving the call. Information will be taken and questions asked in order to determine the veracity of the information being received. At the conclusion our investigator will forward the report to the client who will review the information received and make an initial determination as to its veracity. Our opinion in this regard will be outlined in the communication with the client. In any event all information received will be communicated to the client.

For further information about PricewaterhouseCoopers Whistleblower programs, you can contact:

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### **References**

Australian Standard 8004-2003 – Whistleblower Protection Programs for Entities

United States Government Accountability Project (GAP), Sarbanes-Oxley Whistleblowers: A New Corporate Early Warning System (November 2004)



## The STOPline...Protecting your Assets, People and Reputation

STOPline provides a holistic solution to the needs of clients, employees and other stakeholders through the provision of an independent, secure and confidential hotline (includes telephone, email, fax and postal communications) for corrupt and improper behaviour. *Our services have been recognised in local, state and federal government bodies as well as the private sector (e.g. Telstra)*

The **benefits** of the STOPline to you are:

- ✦ **Recognition by all stakeholders of your commitment to good corporate governance** through the implementation of an independent external hotline.
- ✦ **A heightened level of confidentiality** for concerned employees.
- ✦ **Capacity for a substantial reduction on the level of occupational fraud, misconduct** and unsafe work practices of employees. *Fraud has been estimated at more than \$5 Billion in Australia and 6% of revenue in the USA.*
- ✦ Ability to **comply with** and exceed the requirements of **Standards Australia's AS 8004-2003 "Whistleblower Protection Programs for Entities"**.
- ✦ Ability to **comply with** the external reporting requirements of **Standards Australia's AS 8001-2003 "Fraud and Corruption Control"**.
- ✦ Satisfaction of **CLERP 9 (Corporations Act) legislation**.
- ✦ Capacity to **satisfy the relevant requirements of the Australian Stock Exchange's "Principles of Good Governance and Best Practice Recommendations."**

- ✚ **Support of State Whistleblower legislation.**
- ✚ Capacity to demonstrate **satisfaction of** the relevant requirements of the **Sarbanes – Oxley Act.**
- ✚ **No real or perceived conflicts of interest.** The provision of whistleblowing systems is STOPline’s core business and does not conflict with other forensic accounting or internal or external auditing services.
- ✚ Capacity to **effectively manage anonymous disclosures** including the provision of feedback to anonymous and overt complainants.

## STOPline Capabilities

### Our people are your strength

Our people are not only our most important resource they are also where we differentiate ourselves from our competitors. The diverse and impressive backgrounds of our three Directors, Bob Falconer APM (former WA Commissioner of Police...see picture), Wayne Bruce and Allan Pocock APM and other staff are available on [www.stopline.com.au](http://www.stopline.com.au).

All of our caller interviewers are former police internal investigators and serious crime investigators as well as senior police managers. Their prior investigative backgrounds have provided them with the skills to elicit detailed and accurate information from callers. Their managerial experience is important in relation to understanding the human dynamics within organisations and the complexity of supervision and management. They also have superior life and interpersonal skills.

Contrary to the assertions of some competitors and commentators that anonymous whistleblowers “only make one call” we have had numerous cases where sources have made further contact on multiple occasions with more and better particulars. We see this as testimony to the skills of our people and the trust callers place in our process.

### Our service is our core business

STOPline’s core business is the provision of totally independent hotline services for whistleblowers.

STOPline will aid in protecting your assets, people and reputation owing to the real and perceived independence and security of a conduit for staff to report fraud, theft, corrupt and/or improper conduct. This includes bullying, sexual

harassment, and unsafe work practices including breaches of security when already established conduits are not considered practicable.

Our business focus eliminates potential conflicts of interest and allows the very important element of independence to be strongly promoted to stakeholders.

### **Lead from the front**

While your organisation may already be recognised as a leader in its field, STOPline provides the opportunity to be a leader in the adoption of good corporate governance practices.

STOPline provides the:

- Capacity to satisfy the whistleblower sections of **Corporate Law and Economic Reform Program (Audit and Corporate Disclosure) Act 2004 (CLERP 9)**.

Under Part 9.4AAA, any officer or employee of the company or contractor supplying goods or services, or contractor's employee can qualify for protection when making a disclosure. The legislation allows disclosures to be made to ASIC, the company's auditor or member of the audit team, a company director or senior manager or a person authorised by the company to receive such disclosures (e.g. STOPline).

While some may have difficulty with disclosing their identity to ASIC, senior management or the company's auditor, the disclosure of one's identity to STOPline can achieve compliance with the legislation while remaining anonymous to the company.

- Capacity to **satisfy the relevant requirements of the Australian Stock Exchange's "Principles of Good Governance and Best Practice Recommendations"**

The Australian Stock Exchange (ASX) has recently highlighted the intent to proactively address issues not adequately explained under the "if not, why not".

The ASX Good Governance Principles have based some of their expectations on the Australian Standards 8000 series.

- Ability to comply with and exceed the requirements of Standards Australia's **AS 8004-2003 "Whistleblower Protection Programs for Entities"**.

- Ability to comply with the external reporting requirements of Standards Australia's **AS 8001-2003 "Fraud and Corruption Control"**.

The Australian Standards AS 8000 series have highlighted the most recent recommendations with respect to whistleblowers. AS 8001 and AS 8004 recommend best practice includes the use of an external reporting line such as STOPline.

- Ability to support relevant **State Government Whistleblower legislation**
- Satisfaction of the related requirements of the **USA Sarbanes - Oxley Act** (e.g. Sec 301)

The implications of the Sarbanes-Oxley Act have been significant in the USA and around the world. Its influence is not only felt by US companies and subsidiaries but also those non US issuers within the USA. Sarbanes-Oxley is also influencing the direction of corporate governance legislation in the European Union.

### **Keep costs in check**

Hotline services **are recognised** as a key component of any fraud control and awareness program.

While it is impossible to eliminate all occupational fraud and abuse, the potential to impact the "bottom line" is enormous. Fraud is conservatively estimated to cost over \$5 Billion in Australia.

STOPline empowers employees to be part of the internal control processes of the entity and minimise losses.

The Australian Compliance Institute's recent survey found that 60% of respondents have no whistleblower program but believe their organisation would benefit from doing so. It also found that 80% of respondents believe employees would be more likely to report unethical behaviour if they could do so anonymously.

**To understand more on how STOPline can assist your corporate governance program, call Bob Falconer (pictured) or Wayne Bruce on 03 9882 4550, email [waynebruce@stopleveline.com.au](mailto:waynebruce@stopleveline.com.au) or go to [www.stopleveline.com.au](http://www.stopleveline.com.au)**



# Managing ‘reporting hotlines’ internally

by

Irene Agosti

Rail Infrastructure Corporation

and

CPN Committee Member

I’ve been responsible for 2 reporting hotlines in my time over several years.

I’ve found that a friendly customer oriented response gets the best results. After all, the idea is to encourage people to report corrupt conduct and/or seek advice on ethical issues – that’s preventative!

Some of the benefits of effectively managing a hotline internally are that you can:

- Handle and refer matters quickly and expediently
- Handle matters professionally because you have a good understanding of the framework, process and how the organisation operates
- Manage costs effectively
- Develop the skills and experience of internal staff
- Build and tap into intelligence obtained through the matters reported.

As with many ongoing tasks, the better your prepare initially, the more seamless your operation.

Some tips

1. Make sure whoever answers calls is equipped to handle all possibilities. Experience in customer service could be considered a minimum - teamed with a background in fraud or corruption prevention would be ideal.
2. Develop a “cheat sheet” if necessary that lists all the referral points.
3. If it’s a “hotline” then it should provide a 24 hour service. If it’s not possible to staff the line 24 hours a day consider using an answering machine or voicemail out of hours to give callers an opportunity to leave a message.

4. Get the outgoing message on the answering machine/voicemail right! This is worth it even if this means writing a well considered short “script” and bringing in a professional “voice”.
5. Develop a “customer service guarantee” and communicate the standards to involved staff – even just a few brief pointers. For example, one standard might be that all messages are responded to within 24 hours. Make sure you have a contingency plan for when regular staff are not available.
6. Clearly and simply communicate the existence of your service and what it does, to all potential customers, through available means eg Telstra white pages, brochures, Statement of Business Ethics for stakeholders and the public; newsletters, memos, e-mails, phone lists and Codes of Conduct for employees.
7. Develop an easy to use recording mechanism for the calls that come in. Some organisations record details of all calls while others only document the relevant ones. Such information can highlight significant fraud risks or general subjects/issues that employees could use more information about. (Around Christmas I get a lot of calls from employees about accepting gifts from contractors.) A mechanism that enables you to interrogate for statistics, particularly in high volume environments, is best.
8. Make sure that investigations are sufficiently resourced to handle the reports that come in. It is no use encouraging people to call a hotline if allegations appear to be acted upon too slowly or not at all.
9. Don’t just set up your hotline and forget about it. Monitor how the hotline is going. For example, are you receiving a reasonable number of calls for the size and scope of your organisation? What sort of calls are you receiving?
10. Use the valuable information obtained through the line to direct your other efforts such as increasing employee awareness in various areas, fraud risk assessment and handling of investigation matters.

### **Some challenges**

1. Diplomatically steering unrelated calls to their rightful “owner”. Some callers will have a gripe or love a chat.

2. Staffing the line with appropriate staff particularly if your area is small. Sometimes an “everyone pitches in” approach is required.
3. Making sure that referral points get back to the person making enquiries in a timely manner. Unfortunately, if they don’t this may reflect badly on your area and lead to repeat calls even though you may not have any direct control. Good communication with the areas involved regarding your standards is fundamental.
4. Addressing investigation matters in a timely manner. Communicating details of your hotline internally and/or externally is likely to generate more traffic. Be prepared!

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