



Transparent whistleblower policies are essential to good risk management

In relation to preventing misconduct, most agencies are well intentioned and endeavour to react well to events and patterns of misconduct and inappropriate behaviour. However, good intentions and principles without proper systems will not result in change and reaction should be the last resort.

It is well accepted that occurrences of fraud come to light more often through anonymous/confidential information from staff members than any other source, including regulators, auditors and the media. The *Whistling While They Work* Australian research project established that employee reporting was the single most important method by which wrongdoing in or by organisations was brought to light. This is also supported by the UK Department for Business, Innovation and Skills who maintain that employees are often the first people to witness any type of wrongdoing within an organisation and play a crucial role in protecting the public interest by sharing information.

To encourage reporting, many organisations have implemented internal reporting mechanisms. Some organisations make claims that their system is anonymous or at least confidential. Unfortunately, the reality is that staff members have a lack of trust in organisational systems and tend not to believe the claims of anonymity. This lack of trust of internal systems is a global phenomenon.

While employees can play a critical role in detection of misconduct, it is well established that most employees remain silent due to fear of some sort of retaliation. Instead of reporting, many employees develop an “ethical blindness” to protect themselves. The most common reason cited that deters employees from speaking out and sharing what they know is the ‘shoot the messenger’ phrase. In short, employees are afraid to report. It is said that if an employee has a mortgage, they are more likely to remain silent.

A 2015 and a 2017 Independent Broad-based Anti-Corruption Commission (IBAC) report found that while most employees knew how to report corruption, their confidence in the levels of protection provided to them was moderate. In fact, more than half of the respondents could neither agree nor disagree that the protections for people who have reported corruption are adequate. Almost 6 out of 10 stated they would be victimised or harassed by people associated with the organisation if they reported. Interestingly almost 6 out of 10 respondents also stated that they would report if they could do so anonymously.

The *Whistling While They Work* project also found that in cases involving reports relating to workplace and public interest concerns, up to 54% of reporters said they felt they were treated badly by their management or colleagues, leaving them unlikely to ever blow the whistle a second time. The same project found that even though organisations may have good intentions to protect employees, most organisations are finding it difficult to realise their own goals of having processes which provide strong staff support and protection.

An effective way for public sector leaders to minimise and manage misconduct is to provide trusted external whistleblowing systems with the opportunity to remain anonymous. This approach is endorsed in the 2019 Australian Securities and Investments Commission [Whistleblower Policies](#) regulatory guide which states that transparent whistleblower policies are essential to good risk management and corporate governance. The guide further states that whistleblower policies help:

1. provide better protections for individuals who disclose wrongdoing (disclosers);
2. improve the whistleblowing culture of entities and increase transparency in how entities handle disclosures of wrongdoing;
3. encourage more disclosures of wrongdoing; and
4. deter wrongdoing, promote better compliance with the law and promote a more ethical culture, by increasing awareness that there is a higher likelihood that wrongdoing will be reported.

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