Ethical rewarding of whistle-blowers

INDEPENDENT service provider Whistle Blowers is receiving increasing numbers of calls from companies seeking advice on offering rewards for information that leads to fraud convictions.

Dale Horne, who heads the operation, believes this is because of publicity surrounding rewards of hundreds of millions of dollars in the US, where whistle-blowing is encouraged.

But Horne says local companies considering going this route need to think carefully about the potential consequences for both themselves and their employees.

He says whistle-blowing is the most effective means of rooting out wrongdoing in the corporate domain – a fact underscored by the 2014 Report to the Nations on Occupational Fraud and Abuse carried out by the Association of Certified Fraud Examiners.

Based on 34 615 global cases (including South Africa) from October 2013 to December 2013, the report showed that over 42 percent of all cases were the result of a tip-off. But less than 11 percent of companies provided rewards for whistle-blowers.

"The crux is that companies need to closely examine the motives of those reporting wrongdoing for cash.

"There is always the chance of a get-rich-quick scheme that could backfire. The company intending to pay rewards must consider elements such as how the informer would communicate the information, who would the information be communicated to, how he or she will be guaranteed protection, how the value of the reward will be determined, the grounds on which rewards will be paid out, how the rewards would be paid, for example, because it could take some years for a particular matter to be finalised.

Horne says any investigations that include information for reward should be handled by a registered investigation body.

"If rewards are offered, these should be totally independently administered from the management of the whistle-blowing programme."

The good news is that most informants don’t do this for a reward. The AFI study noted that at any company, 25 percent of employees are dishonest. 25 percent are honest and the rest could go either way, depending on the organisation’s culture.

Therefore, Whistle Blowers concentrates on the aspects of ethics and bringing the majority into the crime-fighting fold.

"Our experience shows that people don’t come forward to give information for money generally, but because it’s the right thing to do.

"Ultimately, the aim should be to create a culture of honesty in an organisation.

"We encourage an ethical solution to a problem where employees speak up to protect their employment and companies," Horne says.

"Trust, rather than money, is actually the chief determinant of whether an employee will blow the whistle.

"Whistle Blowers has systems in place to protect an informant’s identity. Our primary focus is to provide absolute security so that whistle-blowers keep coming back and don’t fear reprisals.

"Companies should protect identities rather than just providing rewards," he says.

Horne cautions that there is no formal legislation in South Africa that protects the identity of someone providing information for a reward.

Instead, legislation such as the Protected Disclosures Act provides for legal protection of whistle-blowers only provided that a disclosure is made in good faith.

"If a whistle-blower accepts a reward, he waives his right to protection – with potentially serious consequences," he warns.

WARNING: Dale Horne, MD of Whistle Blowers, says companies need to closely examine the motives of those reporting wrongdoing for cash.