7 REASONS TO IMPLEMENT A WHISTLEBLOWER HOTLINE
WhistleBlower Security Inc. was incorporated in 2005 for the parent company, The Walker Group. The Walker Group began in 1968 in the chemical manufacturing sector, where it quickly became an industry leader in product innovation with a focus on environmental sensitivity. Fostering innovation while maintaining a strict policy of environmental responsibility positioned the Walker Group to develop their own in-house code of ethics and conduct, which eventually grew recognition amongst their stakeholders.

With a success history of internal reporting database development as well as an effective corporate ethics policy, it became evident that the Walker Group was well positioned to offer their WhistleBlower Secured™ model to organizations who are seeking to take their operations to the next level.

WhistleBlower Security Inc. is a Canadian based global provider of customized ethics reporting services dedicated to safeguarding businesses against risk, and committed to promoting a culture of integrity, collaboration and transparency for our employees and clients. WhistleBlower’s 24/7/365 hotline, reporting and analytic solutions are combined with advanced security and data management to equip organizations with the tangible tools that will deter and prevent ongoing fraud. For more information, visit whistleblowersecurity.com.
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Anonymous Hotline | First Line of Defense

The importance of ethics has been highly spotlighted lately with publicized scandals of major organizations and business leaders. No organization wants to wake up to find itself suddenly exposed to an unexpected liability or unwelcome scrutiny. That vulnerability is more significant with the increase in occupational fraud stimulated by today’s tough economy. Resources are stretched and revenues are shrinking – the losses from abuse and fraud are just too great to ignore.

Now more than ever, it’s important to mitigate risk. All organizations, from publicly traded companies, to non-profit groups face many challenges maintaining proper controls. One of the simplest and most cost effective ways to accomplish this is by implementing an anonymous, third-party hotline.

Fraud costs everyone more if it’s ignored. No organization is immune to fraudulent or unethical behaviour, and no organization can afford the costly consequences. And beyond the direct financial impact, organizations can face regulatory violations or noncompliance issues. Public organizations face penalties for failing to meet SEC obligations, and non-profit entities could face the loss of government funding.

Whistleblower tips are the most common method of detecting fraud and abuse. It is well known that employees are a valuable source of information for discovering potential fraud, and according to the ACFE’s 2014 Report to the Nations, that number sits at just over 40% of all reported cases. Participants in the report estimated that 5% of revenues are lost to fraud. Yet many organizations still have not bothered to establish a hotline. Read on to find out why your organization would benefit from implementing an anonymous ethics reporting program.
The Whistleblower

Effective ethics reporting tools help support cultures of integrity and responsibility within the workplace.

**whistle-blow-er**

noun
noun: whistleblower

a person who informs on a person or organization engaged in an illicit activity.

During the past 50 plus years, attitudes towards whistleblowing have evolved considerably from the early days of the “company man” atmosphere where loyalty to the organization was the ruling norm. Today, outrage over corporate misconduct has created a more encouraging climate for whistleblowing.

The attitude towards whistleblowing has progressively morphed from “snitch” and “lowlife” to “savior” and someone who “informs”. Not only are tips by whistleblowers the most common detection method, almost half of the cases in the 2014 ACFE report were uncovered through an employee tip.
Why Implement a Whistleblower Program?

There are plenty of reasons for implementing an anonymous, third-party hotline. Whistleblowers want to know where to go, how to avoid supervisors, and that they can remain anonymous. An anonymous hotline removes many of the obstacles to reporting inappropriate behaviour and gives employees, suppliers, and vendors the ability to raise genuine concerns about illegal or unethical behaviour. As well, they reduce the risk of individuals going elsewhere with their concerns, potentially damaging an organization’s reputation and causing further financial harm.

A whistleblower hotline should…

• Encourage employees to bring knowledge of ethical and legal violations to an internal authority so that action can be taken immediately to resolve the problem.

• Be accessible organization wide, including availability to vendors and suppliers. It’s not just employees who observe misconduct.

• Meet regulatory requirements – specifically applicable to publicly traded organizations.

• Have an option to provide anonymity to anyone wishing to report concerns.

• Minimize the organization’s exposure to the damage that can occur when employees circumvent internal mechanisms.

• Be cost-effective and live 24/7/365.

• Let employees and stakeholders know the organization is serious about adherence to codes of conduct…and serious about them!

Let’s get to it!
Ethical & Legal Violations

A proactive detection measure, like an ethics hotline, is vital in catching unethical behaviour early & limiting financial loss.

If there is no effective mechanism in place for employees to report their suspicions of ethical or legal violations, those violations can grow quite significantly over time to a point where the organization could face worldwide scandal. The malfeasances at Enron are a good example of this and what can happen if unethical practices are not discovered and dealt with early on.

Often, employees are the first to know of organizational irregularities before upper management becomes aware of them. If employees have an anonymous means of reporting irregularities, management can find out about them sooner and take corrective action before they escalate.
Accessibility

Your employees aren’t the only people with eyes on the organization. Incidents of misconduct can be observed by contractors, vendors, customers and members of the public. The problem is, internal systems often sit behind firewalls, completely inaccessible to non-employees. And there’s a pretty good chance your employees, who would prefer to use your internal system from home, can’t. An external third-party hotline increases accessibility to anyone who needs to report a concern.

Having a program in place that is accessible via phone, email, mail, fax, and web, offers all parties many different options for reporting possible wrongdoing. Because let’s face it - it’s not easy to initiate a conversation that involves negativity. Let all your stakeholders choose their best method for bringing forth their concerns.
Regulatory Requirements

Today, regulatory requirements stipulate that publicly traded organizations are mandated to have a whistleblower policy and procedure in place, to meet the US requirements of Sarbanes Oxley and Canada’s Multi-Lateral Instrument 51-110. These regulatory requirements state that a publicly traded organization must address and manage:

- The receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters
- The confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters

Nonprofit organizations have much to lose as well in the event of fraud or abuse. The threat of the loss of government funding can shut down a not-for-profit for good. Although the average amount lost to fraud in a typical nonprofit is less than a for-profit entity, the damage can be far greater given the nature of the business.

Private organizations, varying in size, also can’t afford to be penalized for violating rules and regulations, such as FDA. The cost of fighting potential legal battles and protecting the brand could become more than a private entity can handle and the prospect of going out of business is that much greater. According to one study, 33% of all business failures was due to employee fraud or theft.
Anonymity

One of the most important aspects of a hotline is that it provides anonymity to the greatest extent possible.

Let’s face it. It’s not easy to give voice to ethical concerns that have been building up in your conscience. Your employees more than likely sit on their concerns for a very long time before deciding to bring them to light. A strong ethics reporting program gives all incident reporters the option to be completely anonymous. It’s human nature to worry about being blamed or having fingers pointed at you.

By providing anonymity, you show your employees and stakeholders that you encourage them to come forward with their concerns, you respect their choice of privacy, and that you acknowledge their effort to start a tough conversation.

The reverse is also true. Many countries require their whistleblowers to come forward in an “un-anonymous” fashion. A global third-party ethics hotline should be versatile and be customizable to differing global regulations.
Minimize Damaging Exposure

Let past scandals be a lesson for today’s business practices. The focus on ethics in the workplace and the demand for ethics and compliance regulations soured as a result of the very highly publicized corporate accounting scandals of the early 2000s we know today as Enron, Tyco, and WorldCom.

Scandals like these are not limited to North America. Organizations the world over can be the subject of highly publicized scrutiny due to fraudulent activity that has been ignored and left to fester.

By implementing a third-party ethics reporting system where anyone can report on wrongdoing, and where the organization has the chance to seriously investigate and mitigate further risk, the “I wasn’t aware of it” plea, as used by CFOs and CEOs of previously unfortunate entities, can be eliminated.
Cost-Effectiveness

If your organization is using, or thinking about using, an internally run ethics reporting program, there are significant costs associated with establishing and maintaining its infrastructure, reporting tools, and staffing. With an internal structure, all of these costs are sustained by the business itself.

There’s a significant reduction in the cost of implementing an external third-party hotline. The financial investment is small compared to the potentially disastrous financial repercussions associated with malfeasance that could go undiscovered because employees are hesitant to use an internal program.

“51% of tips are from organizations with hotlines

ACFE 2014 Report to the Nations on Occupational Fraud & Abuse
Adherence to Codes

Promote a culture that encourages employees to participate in the organization's values and motivates them to do the right thing and make the right decisions.

By implementing an anonymous third-party ethics reporting program, as the organization, you are letting employees and stakeholders know that you are serious about the adherence to Codes of Conduct and Codes of Ethics and you have a zero tolerance policy.

When an organization implements an unbiased third-party hotline it sends a strong message that all reports of misconduct will be taken seriously. This also helps organizations avoid the perception of impropriety when dealing with complaints.
BUILD AN ETHICAL WORKPLACE

Comprehensive services provide everything you need to implement your ethics reporting program

Oversight into your operations, wherever they are in the world

Limit exposure to risk | protect your organization and your employees

Certification to ensure your team is educated, protected and secure

Education to provide tools to support your employees

Assessment and Consulting to enable you to define your needs for reporting, education and training

Enhance relationships and encourage transparency within your organization

WhistleBlower Security supports your efforts to create a more transparent, accountable and ethical work environment.

Learn about the customized service platform we can provide for your business and how to become WhistleBlower Secured™

GET IN TOUCH WITH US!

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