

# Whistleblowing: A Governance Mechanism Against Fraud and Abuses

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## Introduction

The governance of charities is a very important trust mechanism for the benefits of the charities and public. Any scandal in the charity sector can significantly erode the confidence and trust of the public in charities. One drastic consequence of lapses in governance is that the beneficiaries of charities will suffer as the charities will not be able to garner support and continue to function effectively to meet their needs and concerns.

In this article, we will explore the use of whistleblowing as a governance mechanism against wrong doings by members of a charity.

## What is whistleblowing?

The concept of whistleblowing has its roots as part of a civic responsibility of individuals to protect and benefit the public good arising from abuses of government funds. In the 2020 Global Study on Occupational Fraud and Abuse<sup>1</sup>, it was reported that “tips<sup>2</sup> were the most common way occupational frauds were discovered” and on average it contributed to 43% of the detection of occupational fraud. Interestingly, external audit would detect on average only 4% of occupational fraud.

The 2017 amendment to the Code of Governance for Charities and IPC has recommended that charities falling within the Enhanced Tier is required to put in place a whistleblowing policy and to disclose the existence of such policy in its Annual Report.

## What does the whistleblowing policy entail?

A whistleblowing policy (hereafter “the Policy”) will generally comprise of the following key elements: 1) importance of whistleblowing for the charity in combating wrong doings; 2) scope of the whistleblowing; 3) confidentiality, 4) protection of the whistleblower, 5) procedure for reporting, 6) handling of the whistleblowing, and 7) protection for the individuals being reported on.

### 1. Importance of Whistleblowing

The Policy must explain the importance of whistleblowing and a charity’s firm commitment to stand by it. A well written and implemented purpose statement sends

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<sup>1</sup> 2020 Global Study on Occupational Fraud and Abuse , page 19.

<sup>2</sup> “Tips” as a form of whistleblowing.

a strong message on the tone from the top on a charity's serious stand against wrong doings.

## *2. Scope of the Whistleblowing*

It is useful to specify examples of the scope of the Policy as otherwise, the broadness of the Policy could cover all kinds of complains against the charity and often whistleblowings include staff grievances or complains by individuals about poor services provided by a charity. This is not the scope of whistleblowing. A charity should have the relevant channels to deal with staff grievances and service improvements.

## *3. Confidentiality*

It is important to maintain confidentiality for the whistleblower, the matters raised and the individuals who may be affected. This ensures that the necessary due process of investigation can be carried out. This will necessitate that the case of the whistleblowing to be confined to a small group of need-to-know individuals.

## *4. Protection of the Whistleblower*

A whistleblower acts out of loyalty and with good intention for the greater good of the charity and the public. Therefore, it is imperative that a bona fide whistleblower should be protected against harassment or victimization and possibly retaliation or reprisal. It is important to remind the whistleblower that the report should be bona fide with evidence and specifics. This is to prevent any poison letters which will require resources and efforts to investigate, and which can result in suspicion, low morale and a hostile workplace. In fact, the Policy would usually include a warning that malicious allegations may result in disciplinary action against the whistleblower who is an employee.

## *5. Procedure for Reporting*

The procedure for reporting should be simple and with assurance that the report will be viewed by relevant reviewing authorities in an effective and expeditious manner. The whistleblowing can be made to a dedicated communication channel like an email or a hotline or letters to specific individuals for whistleblowing purpose in the charity.

Whistleblowers should be encouraged to provide their identities for follow up. The whistleblowing policy needs to assure the whistleblower that the report is only reviewed by those listed as reviewing authorities. The relevant reviewing authority should acknowledge the receipt of the report to assure the whistleblower that actions will be taken.

## *6. Handling of the Whistleblowing*

The Policy provides the procedure for handling the whistleblowing. It includes the initial acknowledgement of the report, a review of the seriousness of the issues raised

and the prescription of subsequent follow-up actions, and finally the steps in closing the case.

A particular challenge in whistleblowing is when the report is given anonymously and it is difficult or impossible to contact the whistleblower. Anonymous report should not be automatically dismissed. The following are considerations on how an anonymous report will be handled:

- The seriousness of the issues raised;
- The credibility of the concerns; and
- The likelihood of confirming the allegations from other credible sources.

Given the content of the report, the relevant reviewing authority will set up the necessary investigation panel and to bring the case to a close through a thorough investigation. All whistleblowing cases should be closed ultimately.

It is important to have a target timeline to investigate the case and to close it with the whistleblower. For example, a target of within 2 to 3 weeks may be a good timeline unless the case is very complex and requires much more efforts.

The existence of whistleblowing cases and their respective closures should be reported to the Audit Committee or the Board on a periodic basis (eg. quarterly) for accountability but without jeopardizing the ongoing investigation of existing cases. This should also include an affirmative statement that there are no whistleblowing for the period if this is the case.

#### *7. Protection for the individuals being reported on*

The reputation of the individuals being reported on can be significantly affected even if subsequently he or she is found innocent of any wrong doings. Discretion and care must be accorded to protect the individuals being reported on. The maxim of presumption of innocence until proven to have committed wrong-doings must be upheld at all times.

### **Conclusions**

As Singapore continues to mature and seek out mechanisms for better governance in the charity sector, whistleblowing is an effective governance mechanism to allow stakeholders to report wrong doings. Charities will do well to have an effective whistleblowing policy.

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### **Resources Available on Whistleblowing**

A Guide for Charities and Institutions of a Public Character – Whistle-Blowing Policy and Procedures by the Institute of Internal Auditors

[https://www.charities.gov.sg/PublishingImages/Resource-and-Training/Guides-Templates-Awards/Guides/Documents/Whistle%20Blowing%20Policy%20and%20Procedures\\_IA%20\(Sep%202017\).pdf](https://www.charities.gov.sg/PublishingImages/Resource-and-Training/Guides-Templates-Awards/Guides/Documents/Whistle%20Blowing%20Policy%20and%20Procedures_IA%20(Sep%202017).pdf)

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