

ETHICS

By

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Introduction

The word “ethics” keeps on being thrust into the spotlight again and again and again. In the last 20 years, the world has been subject to spectacular collapses, near collapses and scandals. Companies such as Enron, WorldCom, Barings and BCCI come to mind. Some individuals may argue that these occurrences were due to a failure of risk management, whilst others may argue otherwise. The root problem may have been the culture within the organizations and the attitude that “We can get away with it” or “No one will ever find out”.

The worrying thing is somewhere in the headlines, auditors are mentioned and criticized. Internal Auditors have a Code of Ethics/Code of Conduct much like the Samurai Warrior Code and are bound by a moral duty to maintain professional integrity and independence.

Honesty

Mike Comer (a leading authority on Corporate Fraud) and Director of COBASCO (email address: comer@btinternet.com) makes a comparison between honesty and pregnancy in his book entitled Corporate Fraud III:

“Honesty is like pregnancy. Just like a woman cannot be a little bit pregnant or not a little bit pregnant, an individual cannot be a little bit dishonest or a little bit honest. Statistics show that 25% of people lie all the time and 25% don’t lie all the time and the rest can go either way.”

Ethics depends on perception. Some individuals may see something as right whilst others may see it as wrong. To quote the popular saying “One man’s meat is another man’s poison.”

Listed below are some case studies where the ethics of all the parties concerned can be called into question. These are hypothetical examples only.

Case 1: The Kinder Surprise Auditor

In this example, a “wet behind the ears” Kinder Surprise internal auditor has recently undertaken an audit on Corporate Governance within a small organization. As part of this audit, the auditor concerned has benchmarked, the organization’s Fraud Policy against what they have perceived to be an example of Best Practice. They have made the recommendation that the Fraud Policy can

be improved and have listed some key areas. The report has been passed through Audit Committee and all is well. After a couple of months, the internal auditor receives an email from his Head of Internal Audit states that he wants to have a copy of the Fraud Policy to pass to the Company Secretary. The internal auditor's ethical programming has been set in motion and they start thinking about morality and this leads to panic. A phone call is made to the Fraud consultancy concerned asking them if they can provide some kind of statement which states that the fraud policy can be benchmarked and reference made to say the titles, because the auditor believes in the fact that credit should be given to where credit is due. The email that is sent back states this and is also extended to the auditor's employers. This is provided in case, the auditor's Head of Department tries to bully that individual into parting with the document. This email is then sent to the Head of Department (who is clearly not happy as his moneymaking ideas may have just gone out of the window). To cut a long case study short, both auditor and Head of Department reach a compromise, and a skeleton fraud policy is found and the Kinder Surprise Auditor examines it and takes excerpts from the Best Practice Fraud Policy and shapes it into a Fraud and Corruption Response Plan. Unbeknownst to the Head of Department, the Internal Auditor makes a contribution to the Fraud Consultancy's favorite charity as they have taken excerpts from their Fraud Policy (as stated in the organization's guidelines on borrowing material) and they also have something posted on the organization's website about how their fraud policy has helped them.

Analysis

Who was ethical? Many individuals may question the Kinder Surprise auditor's actions. They were maybe wrong in making the phone call, they have been wrong in using the Best Practice Fraud Policy as a benchmark. But we do not know the pressures that this individual may have faced. How did they acquire such a Fraud Policy? It may be because; they actually subscribe to the consultancy.

Some individuals may criticize the Head of Department. We do not know the circumstances. The individual may have assumed that the Fraud Policy was a free fraud policy. The individual may have been one of those individuals that is only interested in making money.

Fortunately, in this case, all parties acted ethically and the problem was resolved by negotiation. Whatever, individuals may think of the Head of Department, they took a risk and placed great faith in the Kinder Surprise Auditor and made that person feel that that they actually made a little contribution. They actually made that auditor feel special.

Case 2: We are the elite!

In many organizations, there is a “loyal dog that basically looks up to their boss and will do nearly whatever their master asks of them.

In this case, a supposed recruitment consultant (Mr. X) rings up an organization and asks to speak to a specific individual. Failing to find this individual, they ask to speak to this person’s colleagues. Alarm bells ring and the person taking the call, asks for details from the caller who subsequently ”backed off”. Supposedly a phone call is made to the Head of Department asking them if they want to join a rival consultancy. The recruitment consultant then proceeds to ring up the reception area and then obtains numbers of employees. These individuals are contacted with the line, “One of your former colleagues gave me your number”. These individuals then contact the Head of Department notifying them of the problem. All individuals within the department are then informed to treat phone calls with caution. Mass hysteria sets in with each individual within the department suspecting their colleagues. It doesn’t help that the Head of Department issued a statement saying that the culprit would be found and reprimanded and the self-proclaimed “Head of Secret Police could be heard yelling “Sabotage!” The Head of Department even went further to actually approach the “loyal dog” (Droopy) and blame them as the recruitment consultant had initially asked to speak to them.

Later a statement was issued to the organization stating that the department was the subject of a possible hostile bid by a rival and this showed how valuable the department was to the organization. Droopy was not happy with being blamed so he put on his Sherlock Holmes’ hat and grabbed his magnifying glass and rang up some recruitment consultants and asked if they had ever heard of the mysterious Mr. X and his company. It transpired that no one had ever heard of Mr. X and the company that he supposedly worked for, never had any records of him ever working there. After the statement re: the possible poaching of staff was released Mr. X mysteriously disappeared much like planes and ships do in the mysterious Bermuda Triangle.

Analysis

The question that presents itself is, was this a hostile bid or a political ploy. Only Mr. X and possibly the Head of Department may know. The funny thing is that only individuals lower down the chain were contacted. If this indeed a ploy by the Head of Department, there are other ways they could have gone about it. Moreover, if you really want to demonstrate your value, you should let your customers do your talking for you, not resort to tricks that hurt others.

Case 3: Gossip

In this case, a manager has recently left an organization. The individual that has replaced them proceeds by creating a rumor that this individual is trying to pinch a member of staff (Droopy) and has offered them a partnership in their new organization. This joke or rumor, whether malicious or innocent in origin then gathers speed and gets out of control like a raging fire with Senior Managers actually believing and saying that Droopy cannot be trusted and is going to leave the organization. Droopy has to prove his innocence once again. The individual who started the rumor states that the whole thing was just a joke.

Analysis

Poor Droopy, he should go and join an organization where he is valued. Seriously, organizations should have policies in place to prevent gossip like this. In this case, it could be deemed to be malicious whistleblowing. Strangely enough the manager is never reprimanded.

Whistleblowing

Whistleblowing procedures are good in theory and in practice need to be properly administered like medicine. It is sad to note that sometimes, the whistleblower themselves is shot. People do not trust them; they sometimes have to give up their job and can't find another one. Sometimes no one commends them for what they did as it takes a lot of guts for a person to "blow the whistle" and do what they think is the right thing. For example, it may not be a good idea to give an individual who is suspected of bullying responsibility for writing a Whistleblowing policy.

Conclusion

Ethics depends on culture and may be affected by society, upbringing etc. It is a matter of perception and depends on an individual's principles.

In the TV series Babylon 5, Captain John Sheridan (a soldier with a good reputation) notices that the President of Earth is actually engaging in some questionable practices and leads a campaign against him to restore order. Who is ethical and who is not? Is it John Sheridan and his allies or are the people fighting under the President of Earth ethical? It's all a matter of perception. John Sheridan is fighting for what he believes is a just cause. The people in Earthforce may be criticized but they are fighting on that side because they are loyal to their leader and believe in the chain of command.

Sometimes no matter what you do, people will always criticize you.