

# Internal Whistleblowing Intentions of Accounting Students in South Africa: The Impact of Fear of Retaliation, Materiality and Gender

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**KEYWORDS** Whistleblowing Intentions. Materiality. Retaliation. Gender. Accounting Students. South Africa

**ABSTRACT** This study examined the perception of accounting students about whistleblowing. In addition, the study investigated the impact of the strength of retaliation and materiality on internal whistleblowing intention of accounting students. Also, the study investigated if there are significant gender differences. Two hundred and two questionnaires were collected from final year accounting students in two universities in the Gauteng province in South Africa in a survey through the use of self-administered questionnaires. The results indicate that accounting students have a favourable view of whistleblowing. The results also indicate that the whistleblowing intention becomes weaker as the threat of retaliation becomes stronger. In addition, the results indicate that whistleblowing intention increases with materiality. There are no significant gender differences. Recommendations on how to improve whistleblowing by accounting students are suggested.

## 1. INTRODUCTION

According to Chung et al. (2004), and Zhang et al. (2009), wrongdoings by corporate executives abound (for example, Enron, WorldCom, Anderson, Tyco). In some cases, corporate executives internal to the corporation blew the whistle on their superiors. In other cases, these executives did not and assisted in covering up the wrongdoings of their superiors. Firms such as Enron, Worldcom and accounting firm Anderson collapsed because of these unethical practices leading to investment losses, job losses and imprisonment of some employees.

The Open Democracy Advice Centre (2013) points out that corruption and fraud cost South Africans in excess of R100-billion each year. The audit firm BDO report (2010) notes that South Africa boasts the world's second highest incidence of corporate fraud and corruption. Global Financial Integrity (2010) calculates that R185-billion of money has illegally left South African shores since 1994. Transparency International (2012) ranks South Africa in the 69<sup>th</sup> position out of 174 countries in the Corruption Perceptions Index (CPI). The CPI of South Africa was 54 out of 178 countries in 2010 and 64 out of 183 countries in 2011. This suggests an increasing level of corruption in South Africa.

Miceli and Near (2005) note that the most effective stakeholder that can reduce the occur-

rence of unethical behaviour in organisations is the employee. One of the ways that employees can use to reduce unethical practices in organisations is whistleblowing. Kaplan and Schultz (2007) point out that whistleblowing as an internal organisational structure is important to preventing organisational wrongdoings and questionable acts. Nayir and Herzing (2012) note that the management of organisational wrongdoing is of growing concern globally, since these acts can be detrimental to financial wellbeing. This suggests that whistleblowing is of critical importance to the survival and continued existence of organisations globally.

Kenett et al. (2011) point out that there is the need to understand the decision making process and predict the likelihood that employees will blow the whistle on fraudulent activities. Mustapha and Siaw (2012) note that following the worldwide corporate scandals in Europe and America, public scrutiny of accountants decisions have increased. Liyanarachchi and Adler (2010) point out that accountants are likely to witness serious wrongdoings at their workplace, thus presenting them with a difficult choice of whether or not to blow the whistle. Learning more about factors associated with whistleblowing in an accounting context is vital to understanding the complexity of whistleblowing as a phenomenon and to empower it as a mechanism for uncovering serious wrongdoings.

According to Chiu (2003), Appelbaum et al. (2006), Ahmad (2011) and Nayir and Herzing (2012), an employee's intention to report individual or organisational misconduct is a complex phenomenon that may be based on several organisational (ethical climate, size of organisation and job level), situational (materiality or seriousness/severity of wrongdoing and the status of the wrongdoer), personal factors (religious values, moral standards, the individual's locus of control and fear of retaliation) and individual demographics (gender, age and tenure). This study focuses on retaliation, materiality and gender.

Previous empirical studies are inconclusive about the impact of these factors on whistleblowing intentions. For instance, Miceli and Near (1989) find that whistleblowers are willing to blow the whistle again if they feel that they have been effective in bringing about change regardless of whether they suffered retaliation. Keenan (1995) and Liyanarachchi and Newdick (2008) find that fear of retaliation positively impacts on whistleblowing intention. Ahern and McDonald (2002) find that the severity of the offence has a positive impact on whistleblowing whereas Orbe and King (2000) find otherwise. Mustapha and Siaw (2012) find that gender does not have a significant impact on the probability of blowing the whistle. Dworkin and Baucus (1998) and Sims and Keenan (1998) however find that women are less likely than men to engage in whistleblowing acts. Mesmer-Magnus and Viswesvaran (2005) find that female employees appear to be slightly more likely to actually blow the whistle.

Furthermore, a thorough review of the empirical literature revealed that no study has investigated the determinants of the whistleblowing intention of accounting students in South Africa. Mbatha (2005) focused on the aspects of whistleblowing in the South African Labour Law. Holtzhausen (2007) studied whistleblowing and whistleblowing protection in the South African Public service. Perks and Smith (2008) examined employee perception of whistleblowing in the workplace in South Africa. Pillay et al. (2011) explored whistleblowing in the South African National Government departments.

Based on inconclusive empirical literature and the dearth of South Africa studies on whistleblowing in the academic environment, the objectives of the study are:

- (1) To investigate the perception of accounting students about whistleblowing.
- (2) To investigate the impact of the strength of retaliation on whistleblowing intention of accounting students.
- (3) To investigate the impact of materiality on the whistleblowing intention of accounting students.
- (4) To investigate if there is gender differences in objectives 1, 2 and 3.

In this respect, this study extends previous studies on whistleblowing particularly with respect to accounting students. Accountants are expected to exercise sensitive moral judgements and maintain public trust (Cruz et al. 2000). Corruption is a major problem in the South African society and accounting students are potential future leaders in both private and public institutions. Therefore understanding the factors that can impact on their intention to blow the whistle is significant for business and government organisations. Pillay et al. (2012) point out that investigating whistleblowing intent is important to organizations because unethical behaviour can be exceptionally costly to organizations. Thus whistleblowing can help to reduce the high rates of corruption in South African business and political environments.

## Literature Review

### *Definition of Whistleblowing*

The term whistleblowing does not have one clear universal definition. According to Firtko and Jackson (2005) whistleblowing may seem to be a taken-for-granted term that has a clear meaning and little room for interpretation. However, various definitions have been given to the term by different researchers. According to Rongine (1985), one of the first definitions of whistleblowing was the one by consumer activist Ralph Nader in 1972. Nader defines whistleblowing as "an act of a man or woman who, believing that the public interest overrides the interest of the organization he serves, blows the whistle that the organization is in corrupt, illegal, fraudulent or harmful activity"

Miceli and Near (1992) describe whistleblowing as the disclosure by organisation members (former or current) of the illegal, immoral or illegitimate practices under the control of their employers, to persons or organisations that may

be able to effect action. Wilmot (2000) defines whistleblowing as the public exposure of organisational wrongdoing. Dawson (2000) gives a more detailed definition by defining whistleblowing as a deliberate voluntary disclosure of individual and organisational malpractice by a person who has had privileged access to data, events or information about an actual, suspected or anticipated wrongdoing within an organisation that is within its ability to control. This is consistent with the definition of Ahern and McDonald (2002) that define whistleblowing as any reporting of misconduct in the workplace. Greene and Latting (2004) note three criteria appear to be consistent in the definitions of whistleblowing (1) the act of notifying powerful others of wrongful practices in an organisation (2) motivated by the desire to prevent unnecessary harms to others and (3) the action of an employee or former employee who has privileged access to information.

According to Chung et al. (2004) and Ahmad (2011), whistleblowing can be internal or external. Internal whistleblowing is the reporting of wrongdoings to sources within the organisation that can bring change. External whistleblowing happens when the complaint recipient is outside the organisation. Most whistleblowers are internal whistleblowers, who report misconduct on a fellow employee or superior within their company. Kaplan and Schultz (2007) argue that internal whistleblowing is generally preferred to external whistleblowing. Managers prefer that whistleblowers use internal channels rather than external channels so that the firm's dirty linen is not aired in public. Callahan et al. (2002) argue that where internal whistleblowing is more ethical than external whistleblowing. External whistleblowing is not only disloyal to the firm but can also trigger destructive side effects. Zhang et al. (2009) note that disclosing information inside to a company to external parties breaches obligations to the organisation, violates the written or unspoken contract. Ahmad et al. (2011) point out that by rectifying corporate problems internally, management can ensure that confidential information stays confidential and encourages organisational accountability and learning. David (2005) notes that when internal reporting occurs, companies have the option to deal with the situation on their own terms and in their own time. Internal disclosures can also make the company aware of potentially

damaging conditions before they become a crisis. Finally, internal whistleblowing handled in an ethical and compassionate way by managers signals other employees that it is safe for them, too, to become the eyes and ears of the company.

Whistleblowers are appreciated by some organisations. Macey (2007) points out that whistleblowers are now thought as an integral part of corporate governance that is supposed to result in better monitoring and control of management misconduct. Tip-offs from inside by whistleblowers are now regarded as the most common method of fraud detection. Bowen et al. (2010) and Ahmad et al. (2011) point out that whistleblowing will allow the organization to rectify public wrongdoing internally and prevent them from encountering any further damage. In some countries, whistleblowing is seen as cultural or organisational dissent and whistleblowers are often punished. According to Chiu (2003), ethics are cultural specific. Although Western research into whistleblowing shows that the average whistleblower can be regarded as a model employee, this situation is not unequivocal. Whistleblowing is considered as unacceptable and unethical behaviour by many model Chinese employees. This is because it breaks down the ties between employer and employees especially as loyalty is considered an important element in the employment relationship. Greene and Latting (2004) point out that over 90% of whistleblowers are made to end their careers early, or were blacklisted, treated as insane, lost their life savings through lawsuits, their marriage or even lives. Nayir and Herzig (2012) explain out that whistleblowing is perceived as a negative act in Turkey. Complaining openly about ethical misconduct such as bribery is not common. Whistleblowing is referred to an act of disloyalty that may damage the image of companies. Studies such as Mesmer-Magnus and Viswesvaran (2005) and Miceli et al. (2009) have shown that whistleblowers often suffered serious reprisals from their employees in response to their actions. According to Zhang et al. (2009), some people consider whistleblowing as "tattling" or "ratting" and would never approve of it.

In South Africa, according to the National Anti Corruption Forum (2013) one of the key obstacles faced in the fight against corruption is the fact that individuals are often too intimidated to speak out or blow the whistle on cor-

rupt and unlawful activities they observe occurring in the workplace. A large cause of the problem is that in South Africa whistle-blowers can be confused with “*impimpis*” - apartheid era informants who informed on their comrades with often devastating consequences. This historical context has allowed some to stigmatise whistle-blowing as an activity to be despised rather than encouraged.

In summary, whistleblowing has its advantages and disadvantages, thus it will be of significance to understand how accounting students perceive whistleblowing.

### *Theoretical Framework of Whistleblowing*

Lachman (2008) notes that whistleblowing is an ethical dilemma. The ethical theories that can be used to support whistleblowing include Kantian (duty), virtue and utilitarianism. Hooker (2002) and Bowie (2002) point out that Kantian ethics is a deontological ethical theory based on the idea of moral duty. It asserts that a good will is the only intrinsically good thing and that an action is only good if performed out of duty, rather than out of practical need or desire. According to Preston et al. (2002) morality is the reasons for whistleblowing because people generally want to do the good moral thing. The whistle blower would do this based on Kant's theory.

Dobson (2007) points out that the ‘virtue’ in virtue-ethics is defined as some desirable character trait, such as courage, that lies between two extremes, such as rashness and cowardice. Thus the ‘virtuous’ agent” is involved in a continual quest to find balance in decision-making. Such an agent does not apply any specific rules in making decisions, but rather attempts to make decisions that are consistent with the pursuit of a particular kind of excellence that in turn entails exercising sound moral judgement guided by such ‘virtues’ as courage, wisdom, temperance, fairness, integrity, and consistency. According to Hursthouse (2012), virtue ethics is currently one of three major approaches in normative ethics. Faunce (2004) points out that virtue ethics, emphasizing techniques promoting an agent's character and instructing their conscience, has become a significant mode of discourse in modern ethics. Whistleblowers, whose complaints are reasonable, made in good faith, in the public interest, and not vexatious, are practicing those obligations of professional conscience foundational to virtue based ethics.

Suikkanen (2009) notes that consequentialist (utilitarian) have two main elements. The first is the axiological element where agents options can always be ranked in term of how much aggregate value their consequences have. The second which is the normative element stipulates that an act is right if and only if the agent does not have an option that would have a higher evaluative ranking. Thus whether an act is morally right depends on the consequences or the goodness of the consequences. Lachman (2008) notes that the ethical theory of consequentialism (utilitarian) provides a powerful justification for whistleblowing: maximizing the human benefit and minimizing the harm.

Other theories that justify whistleblowing are the standard theory and the complicity theory. According to Davis (2003), the standard theory (developed by De George) is not about whistleblowing as such but about justified whistleblowing. Webber (2011) notes that the Standard theory takes five factors into considerations when thinking of whistle blowing: (1) The firm in question will harm the public or employees if left to their own devices. (2)The employee has discussed the problem in question with his or her immediate superior. (3) The superior hasn't helped, and there's no other way of dealing with the issue internally. (4)The employee has hard, physical evidence to prove the case. (5) The employee believes that by whistle blowing significant positive changes will be implemented. Vorton (2010) notes that the Complicity theory (developed by Davis) takes into consideration the following factors on whistleblowing. (1) What the whistleblower will reveal derives from your work for an organization (2) The whistleblower is a voluntary member of that organization (3) The whistleblower believes the organization though legitimately is engaged in serious moral wrong doing (4) The whistleblower believes that his/her work for that organization will contribute more or less directly to the wrong if (but only if) he/she does not publicly reveal what you know.

### *The Theory of Planned Behaviour*

Ajzen's theory of planned behaviour (1991) argues that the intentions of individuals will determine the actual behaviour towards something. Attitude is evaluative in that it leads to a judgment on the object and behavioural inten-



tion is the immediate predictor of the actual behaviour. The underlying assumptions of the theory are that: much human behaviour is planned and therefore preceded by intention towards that behaviour. Human beings are rational and make systematic use of information available to them when making decisions (Arjen 1991). Park and Blenkinsopp (2008) and Zhang et al. (2009) note that in the whistleblowing concept, whistleblowing intention is an individual's probability of choosing whistleblowing under certain circumstances. Therefore, an individual's whistleblowing intention can be strongly predictive of his or her final behaviour.

#### ***Whistleblowing Protection in South Africa***

According to the National Anti Corruption Forum (2013) South Africa's transition to democratic rule has been characterised by high levels of crime, including wide-spread corruption. Several initiatives have been under taken to promote accountability and fight corruption. These efforts include legislation such as the Promotion of Access to Information Act and the Protected Disclosures Act. The Protected Disclosure Act 26 of 2000 has the following purposes: (1) to make provision for the procedures in terms of which employees (in both the private and the public sector) may disclose information regarding unlawful or irregular conduct by their employers or other employees in the employ of their employers (2) to provide for the protection of employees who make a disclosure, which is protected in terms of the Act recognises the value of and need for whistleblowing in South Africa (Government Gazette 2000).

#### ***Fear of Retaliation***

A whistleblower may face the personal retaliation of his bosses if he blows the whistle. According to Latimer and Brown (2008) whistleblowers may become a victim of reprisals, retaliation and harassment if seen as a traitor. Rehg et al. (2008) define retaliation as undesirable action taken against a whistleblower in direct response to the whistleblowing (who reported wrongdoing internally or externally). Keenan (2002) defines retaliation (reprisal) as taking an undesirable action against an employee or not taking a desirable action because that employee disclosed information about a serious problem.

Negative consequences suffered by whistleblowers after whistleblowing are referred to as retaliation. Cortina and Magley (2003) and William et al. 2005 note that retaliation may be informal or unofficial (that is, ostracism, being treated as "personal non grata, leper or verbal threats. Retaliation can also be formal or official (that is, selective downsizing, unfavourable job evaluation. The ultimate act of retaliation is dismissal. In addition, some whistleblowers have gone to prison or lost their lives. Armstrong (2002) finds that 90% of whistleblowers who disclose their identity lost their jobs or were demoted. In addition, 26% were referred to psychiatric or other medical treatment, 8% became bankrupt and 17% lost their homes. A study by Attree (2007) finds that nurses fear negative consequences of raising concerns, such as being labelled a troublemaker or being seen as disloyal by colleagues. Whitehead and Barker (2010) note that reprisal for whistleblowing remains a major concern for nurses. Previous studies have shown mixed findings on the relationship between fear of retaliation and whistleblowing. Mesmer-Magnus and Viswesvaranam (2005) show that threat of retaliation negatively impacts on the intention to blow the whistle. However, Miceli and Near (1989) find that whistleblowers are willing to blow the whistle again if they feel that they have been effective in bringing about change regardless of whether they suffered retaliation. Rehg et al. (2008) find that where whistleblowers both experienced retaliation and blew the whistle to parties outside, the perceived retaliation almost always occur before external reporting and rarely occurred afterward. This suggests that retaliation does not necessarily discourage outside reporting.

According to Liyansrachchi and Newdick (2008), retaliation may vary in terms of their severity or strength and this may impact on the decision to blow the whistle by the employee. Penalty or strong retaliation involves disciplinary consequences such as threats to person or property, lawsuits, job termination. This is considered a stronger form of retaliation. Weak retaliation is related to affiliation. Other individuals are the subject of retaliation and not the whistleblower. Liyanarachichi and Adler (2010) point out that potential whistleblowers may evaluate not only the possibility of retaliation but also the strengths of such measures when deciding to blow the whistle.

H1 the stronger the strength of retaliation, the less likely will an individual blow the whistle.

### ***Materiality (The Severity of the Offence)***

According to Mesmer- Magnus and Viswesvaean (2005), Vadera et al. (2009) and Ahmad et al. (2011), the characteristics of the wrongdoing have significant implications in the decision to blow the whistle. Shawver (2008) notes that organizational members may react differently in choosing to whistleblow for various types of inappropriate behaviours. These characteristics include the type of wrongdoing and the perceived severity of the wrongdoing. Severity of the offence can be viewed as financial consequences (Mceli and Near 1985). Ayers and Kaplan (2005) and Kaplan and Schultz (2007) find that the seriousness of the wrongdoing relates to the reporting of the wrongdoing. Orbe and King (2000) however identify substantial evidence suggesting that numerous severe incidences by nurses in Australia are being under reported. Shawver (2008) finds that accounting professionals are more likely to blow the whistle on situations involving higher materiality value when they are guaranteed jobs and assured anonymity.

H2 Individuals are more likely to blow the whistle for unethical actions involving higher materiality values.

### ***Gender and Whistleblowing Intention***

The literature is inconclusive about the impact of gender on whistleblowing intentions and ethics. Studies such as Roger and Smith (2001) and Abdolmohammadi et al. (2003) find no significant gender difference in the ethical reasoning of male and female accounting students and accountants. Mustapha and Siaw (2012) find that gender does not have a significant impact on the probability of blowing the whistle by accounting students. Dworkin and Baucus (1998) and Sims and Keenan (1998) find that women are less likely than men to engage in whistleblowing acts because men tend to occupy higher status positions than women in organisations. This is consistent with the results of Ahmad et al. (2012) that men internal auditors have higher internal whistleblowing than their female counterparts. Liyanarachi and Adler (2010) also find

that among early career accountants, male accountants are more likely to whistleblow than female accountants. Mesmer- Magnus and Viswesvaran (2005) find that female employees appear to be slightly more likely to actually blow the whistle but sex does not impact on whistleblowing intentions.. Venezia (2008) also finds that female accounting students possess higher levels of ethical reasoning than males. Near and Miceli (1996) and Reh et al. (2008) find no relationship between gender and retaliation.

H3 There is no gender difference in the perceptions of whistleblowing by accounting students.

H4 There are no gender differences on the impact of retaliation and materiality on whistleblowing intentions of accounting students.

## **RESEARCH METHODOLOGY**

This study focused on final year accounting student of two universities (names withheld to respect confidentiality agreement) in the Gauteng province in South Africa. Data was collected through the use of self-administered questionnaires in a survey. Thirty questionnaires were distributed to accounting students of the universities in a pilot study. The results of the pilot study led to some modifications to the questionnaire. The population of final year accounting students in the two universities was 331 (181 in the first university and 150 in the second university). Raosoft sample size calculator gave a minimum recommended sample size of 179. However, 250 (136 in the first university and 124 in the second university) questionnaires were distributed in class during actual data collection with the assistance of accounting lecturers and two hundred and nineteen returned. The completion of the questionnaire was voluntary. The assistance of the lecturers ensured a high response rate. The questionnaire cover letter contained a short explanation of the purpose of the study and that the data collected is confidential and the anonymity of the participants ensured.

### **Measurement of Variables**

The gender of the respondents was measured by dichotomous variable "1" for male and "2" for female. To measure the perception of whistleblowing, a seven-point Likert scale ranging from "1" strongly disagree to "7" strongly agree was

used. The perception of whistleblowing was measured by nine variable adapted from previous studies such as Mustapha and Siaw (2012). Strength of retaliation was measured using three vignettes. The three vignettes focused on strong and weak retaliation. Vignettes are brief descriptions of hypothetical situations that are presented to respondents who often then answer a series of questions based on the information given. Vignettes are used in survey research because they attempt to make the decision-making process seem real, they lend insight into the response, judgment and communication process and they allow for analysis of respondents' judgments by varying the situations (Morrison et al. 2013). Patel (2003) points out that the vignette approach provides a more realistic context for the respondents because the respondents themselves are placed in the position of character portrayed in a hypothetical situation. The vignettes were adapted from similar studies such as Chiu (2003), Liyanarachchi and Newdick (2008). Materiality was measured using two vignettes about the size of the fraud (R1, 000,000 and R500). This is consistent with previous empirical studies such as Shawver (2008). The intention to blow the whistle was measured by a seven-point Likert scale ranging from "1 very unlikely to "7" very likely. This is consistent with studies such as Liyanarachchi and Newdick (2008) and Park and Blenkinsopp (2009).

### Social Desirability Bias Issues

Because the study focused on obtaining sensitive information on ethics from the respondents, the issue of social desirability bias needs to be addressed and controlled. Grimm (2010) defines social desirability bias as the tendency of research subjects to give socially desirable responses instead of choosing responses that

are reflective of their true feelings. This bias interferes with the interpretation of average tendencies as well as individual differences. To reduce social desirability bias, the researcher assured the respondents of the confidentiality of information obtained. The questionnaire also ensured the anonymity of the respondents by removing question relating to the name of the respondent.

### Data Analysis

Data was analysed using descriptive statistics, the T-test and ANOVA.

## RESULTS AND DISCUSSION

Two hundred and fifty questionnaires were distributed to accounting students in class and two hundred and nineteen questionnaires were returned. The response rate was 87.6%. Males accounted for 47.5% and females 52.5%. The Cronbach's alpha for the perception of whistleblowing, for the intention to blow the whistle (retaliation) and intention to blow the whistle (materiality) are 0.75, 0.79 and 0.71 respectively indicating high reliability.

### Perception of Whistleblowing

Table 1 depicts the responses of final year accounting students about whistleblowing. As shown by the table most of the respondents have a favourable view of whistleblowing. Most of the respondents agree that a whistleblower is a hero and whistleblowing upholds moral, ethical practices and professionalism. In addition, there is a high level of agreement that whistleblowing enhances public interest and can help to reduce corruption, fraud and mismanagement.

**Table 1: Perception of whistleblowing**

<i>Measures</i>	<i>Mean</i>	<i>Standard deviation</i>
I think that a whistle blower is a hero	5.64	0.972
Whistleblowing upholds moral, ethical practices and professionalism	6.04	0.846
As a future accountant or business executive, ethical value is important	6.43	0.827
I will likely blow the whistle if I really need to do so	5.58	0.719
Whistleblowing in the workplace is a way for an employee to do his/her duty	5.08	1.606
A whistle blower is a responsible corporate citizen	5.44	1.736
Whistleblowing enhances public interest	6.66	1.343
Whistleblowing can help to decrease corruption, fraud or mismanagement	6.07	1.211
Whistleblowing encourages ethical behaviour	6.15	1.153
Reporting a wrongdoing would help to prevent serious harm to the organisation	5.98	1.150

The findings are consistent with the results of a similar empirical study by Mustapha and Siaw (2012).

### Retaliation

Three vignettes were used to measure strong retaliation. Table 2 depicts the descriptive statistics for strong retaliation. The first vignette relates to loss of job by the auditor has a mean of 4.74. The second vignette relates to non-recommendation for promotion has a mean of 4.58 and the third vignette loss of bonus for the year has a mean of 4.47. The overall mean for the three vignettes is 4.60. The results indicate that even in the event of a strong retaliation, there is a strong likelihood of whistleblowing intention.

**Table 2: Descriptive statistics for strong retaliation**

<i>Strong retaliation</i>	<i>Mean</i>	<i>Standard deviation</i>
SR 1	4.74	0.878
SR 2	4.58	0.927
SR 3	4.47	0.618
<i>Total</i>	4.60	0.940

Table 3 depicts the ANOVA for the three vignettes that were used to measure strong retaliation. The results ( $F=0.675$ , sig. 0.510) shows that there are no significant differences in the mean scores of the three vignettes.

**Table 3: ANOVA for strong retaliation**

	<i>Sum of squares</i>	<i>Mean square</i>	<i>F</i>	<i>Sig</i>
<i>Between Groups</i>	5.093	2.547	.675	.510
<i>Within Groups</i>	1526.985	3.770		
<i>Total</i>	1532.078			

Three vignettes were used to measure weak retaliation. The mean results for the three vignettes as depicted by Table 4 are 5.54, 5.69 and 5.70 respectively. The average mean for the three vignettes is 5.61.

**Table 4: Descriptive statistics for weak retaliation**

<i>Weak retaliation</i>	<i>Mean</i>	<i>Standard deviation</i>
WR 1	5.54	0.582
WR 2	5.69	0.963
WR 3	5.60	0.792
<i>Total</i>	5.61	0.511

The ANOVA results ( $F=0.356$ ;  $Sig=0.700$ ) as depicted by Table 5 do not indicate any significant differences in the mean scores of the three vignettes. The results indicate that even in the event of a weak retaliation, there is a strong likelihood of whistleblowing intention. The average mean of weak retaliation (5.61) compared to that of strong retaliation (4.60). This indicates that the whistleblowing intention becomes stronger as the threat of retaliation becomes stronger. Thus the stronger the strength of retaliation, the less likely will an individual blow the whistle. The T-test was used to investigate if there are significant differences in the mean scores of strong retaliation and weak retaliation. The results as depicted by Table 6 ( $t=8.315$ ;  $Sig=0.00$ ) indicate that there are significant differences. The results are consistent with previous empirical studies on retaliation and whistleblowing such as Keenan (2005) and Mesmer-Magnus and Viswesvaranam (2005) and Liyanarachchi and Newdick (2008).

**Table 5: ANOVA for weak retaliation**

	<i>Sum of squares</i>	<i>Mean square</i>	<i>F</i>	<i>Sig</i>
<i>Between groups</i>	1.632	0.816	.356	.700
<i>Within groups</i>	927.404	2.290		
<i>Total</i>	929.037			

**Table 6: t- test results for strong and weak retaliation**

	<i>F</i>	<i>Sig</i>	<i>t-value</i>	<i>Sig</i>
	34.801	0.00	8.315	.000

### Materiality

Two vignettes were used to measure materiality. One vignette involved a big sum of R1, 000,000 and the other vignette involved a small sum of R500

Table 7 depicts the summary of the descriptive statistics for materiality. The means for the

**Table 7: Descriptive statistics on materiality**

	<i>Size</i>	<i>Mean</i>	<i>Standard deviation</i>
<i>Materiality</i>	Big	5.96	1.088
	Small	3.70	1.041



big amount and small amount are 5.96 and 3.70 respectively. Table 8 depicts the results of the t-test. The results ( $t=11.831$ ;  $Sig=0.000$ ) indicate that there are significant differences in the two mean scores. The results indicate that whistleblowing intention increases with materiality. Thus accounting students are more likely to whistleblow for unethical actions involving higher materiality values. The findings of this study

are consistent with the results of some studies on materiality and whistleblowing intention such as Ayers and Kaplan (2005) and Kaplan and Schultz (2007)

**Table 8: t- test results of materiality**

<i>F</i>	<i>Sig</i>	<i>t</i>	<i>Sig</i>
99.395	.000	11.831	0.000

**Table 9: Mean results for male and female respondents on the perception of whistleblowing**

<i>Measures</i>	<i>Gender</i>	<i>Mean</i>
I think that a whistle blower is a hero	Male	5.42
	Female	5.86
Whistleblowing upholds moral, ethical practices and professionalism	Male	5.86
	Female	6.22
As a future accountant or business executive, ethical value is important	Male	6.28
	Female	6.57
I will likely blow the whistle if I really need to do so	Male	5.52
	Female	5.64
Whistleblowing in the workplace is a way for an employee to do his/her duty	Male	5.02
	Female	5.83
A whistle blower is a responsible corporate citizen	Male	5.31
	Female	5.57
Whistleblowing enhances public interest	Male	5.73
	Female	5.58
Whistleblowing can help to decrease corruption, fraud or mismanagement	Male	6.08
	Female	6.06
Whistleblowing encourages ethical behaviour	Male	6.05
	Female	6.22
Reporting a wrongdoing would help to prevent serious harm to the organisation	Male	5.83
	Female	6.13

**Table 10: t-test results for male and female respondents on the perception of whistleblowing**

<i>Measures</i>	<i>t</i>	<i>Sig</i>
I think that a whistle blower is a hero	3.366	0.148
Whistleblowing upholds moral, ethical practices and professionalism	2.656	0.157
As a future accountant or business executive, ethical value is important	1.429	0.162
I will likely blow the whistle if I really need to do so	1.013	0.990
Whistleblowing in the workplace is a way for an employee to do his/her duty	1.362	0.718
A whistle blower is a responsible corporate citizen	1.918	.0360
Whistleblowing enhances public interest	1.642	0.522
Whistleblowing can help to decrease corruption, fraud or mismanagement	1.098	0.922
Whistleblowing encourages ethical behaviour	1.845	0.399
Reporting a wrongdoing would help to prevent serious harm to the organisation	1.256	0.297

**Table 11: Mean results for male and female respondents on strong and weak retaliation**

<i>Strong retaliation</i>	<i>Gender</i>	<i>Mean</i>	<i>Weak retaliation</i>	<i>Gender</i>	<i>Mean</i>
<i>Vignette 1</i>	Male	4.70	<i>Vignette 1</i>	Male	5.58
	Female	4.78		Female	5.52
<i>Vignette 2</i>	Male	4.51	<i>Vignette 2</i>	Male	5.63
	Female	4.65		Female	5.75
<i>Vignette 3</i>	Male	4.50	<i>Vignette 3</i>	Male	5.53
	Female	4.43		Female	5.67
<i>Average</i>	Male	4.57	<i>Average</i>	Male	5.58
	Female	4.62		Female	5.64

### Gender Differences

Tables 9 and 10 depict the mean results by gender and the results of the t-test on the perception of whistleblowing. The results indicate that there are no significant gender differences in the perception of whistleblowing.

Tables 11 and 12 depict the mean results by gender and the results of the t-test on strong and weak retaliation. The results indicate that there are no significant gender differences in the strength of retaliation and whistleblowing intention.

**Table 12: t-test results for male and female respondents on retaliation**

	<i>F</i>	<i>Sig</i>	<i>t-value</i>	<i>Sig</i>
<i>Strong Retaliation</i>	1.217	.268	1.774	0.52
<i>Weak Retaliation</i>	1.321	.257	1.373	0.39

Tables 13 and 14 depict the mean results by gender and the results of the t-test on the materiality. The results indicate that there are no significant gender differences in the perception of whistleblowing. The results indicate that there are no gender differences in the perception of whistleblowing. In addition, the results reveal that there are no significant gender differences in retaliation and materiality and intention to blow the whistle by final year accounting students. Mustapha and Siaw (2012) find that gender does not have a significant impact on the probability of blowing the whistle by accounting students. Near and Miceli (1986) and Rehg et al. (2008) find no relationship between gender and retaliation.

**Table 13: Mean results for male and female respondents on materiality**

	<i>Gender</i>	<i>Mean</i>	<i>Standard deviation</i>
<i>Big</i>	Male	5.77	1.065
	Female	6.13	0.922
<i>Small</i>	Male	3.47	1.008
	Female	3.90	1.070

**Table 14: t-test results for male and female respondents on materiality**

	<i>F</i>	<i>Sig</i>	<i>t-value</i>	<i>Sig</i>
	1.314	.254	1.925	.057

### CONCLUSION

This study examined the perception of whistleblowing by accounting students in South Africa. The study also investigated the impact of the strength of retaliation and materiality on whistleblowing intention of accounting students. Furthermore, the study investigated whether there are gender differences for the three objectives. The results indicate that accounting students have a favourable view of whistleblowing. There is a high level of agreement that whistleblowing enhances public interest and can help to reduce corruption, fraud and mismanagement. The results also indicate that the whistleblowing intention becomes weaker as the threat of retaliation becomes stronger. Thus the stronger the strength of retaliation, the less likely will an individual blow the whistle. Furthermore, the results indicate that whistleblowing intention increases with materiality. Thus accounting students are more likely to whistleblow for unethical actions involving higher materiality values. There are no significant gender differences.

### RECOMMENDATIONS

Ethics education is already part of the accounting study in universities. There is however the need to reinforce ethics education by inviting accountants of companies and government establishment to give practical talks to students about the importance of ethics and whistleblowing. Students should also be made aware that not blowing the whistle can lead to complicity and this can lead to punishment. Accounting students need to be informed of the Protected Disclosures Act and the protections that the Act gives to whistleblowers

### LIMITATIONS OF THE STUDY

Factors that can influence whistleblowing intentions include organisational, individual, demographic and situational. The study focused only on some situational and demographic variables. Further studies can examine the impact of organisational variables such as ethical climate, individual variables such as ethical judgment on the whistleblowing intention of accounting students. This study focused on internal whistleblowing intentions. In addition, other

studies can investigate the variables that can impact on external whistleblowing intentions of accounting students.

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**APPENDIX**

**Vignette 1: Fear of Retaliation**

You are the internal auditor of a firm (WALE Ltd) that is involved in the building of low-cost houses for people in a municipality in South Africa. The firm has a subsidiary named AKIN Ltd. You have audited the Accounts of the subsidiary (Akin Ltd). You report directly to the Principal Internal Auditor of Wale Ltd who also reports to the Group Chief Internal Auditor. During the auditing of Akin Ltd, you discovered a series of bogus (inflated or falsified) invoices that have been paid to one of the contractors. You report this to the Principal Internal Auditor who said he would report it to the Group Chief Internal Auditor. After a few days you asked the Principal Internal Auditor what happened to your findings but he told you to forget about it. You demand further action, but the Principal Internal Auditor informs you that if you disclose the findings, you will lose your job.

**Given the hypothetical situation above, indicate the likelihood that you will report the observed violation to the next higher level in your organisation**

Very unlikely                  Unsure                  Very likely  
1                  2                  3                  4                  5                  6                  7

**The Principal internal auditor tells you that if he discloses the findings, the subsidiary (Akin ltd) would be closed down. Two of your very good friends work with Akin Ltd. Given the hypothetical situation above, indicate the likelihood that you will report the observed violation to the next higher level in your organisation**

Very unlikely                  Unsure                  Very likely  
1                  2                  3                  4                  5                  6                  7

**Vignette 11: Fear of Retaliation**

You are the internal auditor of an accounting firm that carries out work for multinational companies. You report to the Audit Senior. You found out that a transfer of R200, 000 has been made to the account of the Finance Manager of the multinational company for the purchase of equipment. You investigated and discovered that no such purchase was made. You brought the matter to the Audit Senior who informed you that this is one of the best clients of the auditing firm and you should keep quiet about it. He adds that if you report you will not be recommended for promotion at the end of the year. The Audit Senior reports to the Audit Manager.

**Given the hypothetical situation above, indicate the likelihood that you will report the observed violation to the next higher level in your organisation**

Very unlikely                  Unsure                  Very likely  
1                  2                  3                  4                  5                  6                  7

**The Audit Senior tells you that if you report your findings, the finance manager of the mul-**

**tinational company (who is a relative of your father) will lose his job**

Very unlikely                  Unsure                  Very likely  
1                  2                  3                  4                  5                  6                  7

**Vignette 111: Fear of Retaliation**

You are the internal auditor of a Johannesburg Municipality. You report directly to the Principal Internal Auditor who also reports to the Chief Internal Auditor. During auditing, you discovered that monthly social grants of One million Rand meant for old people have been paid into the personal account of the Head of Supplies. You report this to the Principal Internal Auditor who said he would report it to the Chief Internal Auditor. After a few days you asked the Principal Internal Auditor what happened to your findings but he told you to forget about it. You informed the Principal Internal Auditor that you will report your findings to the Chief Executive Officer (CEO) of the municipality.

The Principal Internal Auditor informs you that you will lose your bonus for the year including the municipality house and car if you report your findings to the CEO.

**Given the hypothetical situation above, indicate the likelihood that you will report the observed violation to the next higher level in your organisation**

Very unlikely                  Unsure                  Very likely  
1                  2                  3                  4                  5                  6                  7

**The Principal Internal auditor informs you that if you report your findings, two friends of yours who have applied for contracts to supply goods to the municipality will not get the contracts as the Head of supplies is likely to be removed. Given the hypothetical situation above, indicate the likelihood that you will report the observed violation to the next higher level in your organisation**

Very unlikely                  Unsure                  Very likely  
1                  2                  3                  4                  5                  6                  7

**Vignette 1: Materiality**

You are the internal auditor of a multinational company. You found out that a transfer of R1, 000,000 has been made to the account of a supplier to the multinational company for the purchase of equipment. You investigated and discovered that no such purchase was made. You brought the matter to the Audit Manager (your immediate boss) who informed you that he would report it to the Chief Executive Officer. After a couple of days, you asked the Audit Manager about your report and he told you to forget about it.

**Given the hypothetical situation above, indicate the likelihood that you will report the observed violation to the next higher level in your organisation**

Very unlikely                  Unsure                  Very likely  
1                  2                  3                  4                  5                  6                  7



**Vignette 11: Materiality**

You are the internal auditor of an accounting firm that carries out work for multinational companies. You found out that a transfer of R500 has been made to the account of the Finance Manager of the multinational company for the purchase of office equipment. You investigated and discovered that no such purchase was made. You brought the matter to the Audit Senior (your immediate boss) who informed that the amount you

are referring to is too small and you should forget about it. The Audit Department is headed by the Chief Audit Manager.

**Given the hypothetical situation above, indicate the likelihood that you will report the observed violation to the next higher level**

Very unlikely	Unsure	Very likely
1	2 3 4	5 6 7