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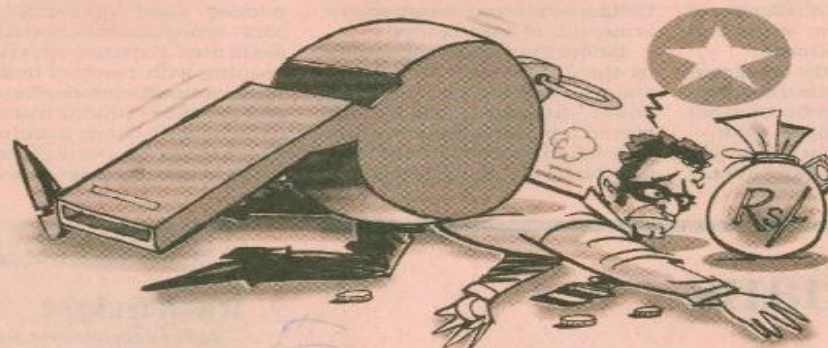
'Whistle-blower policy the best way to check frauds'

fe Bureau

AS corporate India debates ways and means to strengthen the corporate governance framework for the listed companies, post the Satyam scandal, an international expert says a whistle blower policy is the best way to prevent corporate frauds from blowing up. The rider: it should be implemented in spirit, and not just in form.

"Whistle blower policy is the best way to check corporate frauds," says Marc Duchevet, global head for governance risk & internal control, Mazars. Mazars is one of the world's largest audit firms with a turnover of more than \$1.2 billion and 12,500 professionals in over 55 countries. Duchevet also made the point that in any organisation, where fraud develops with management collusion, there will be at least one good, solid whistle blower. "In addition, there will be several others who will be able to smell the rat that is feeding on the business and who would be in a position to raise a red flag".

On a tour to India recently, he was charitable enough to accept that it is the fear of possible abuse which may have held back corporate India from implementing the policy with zeal. "Often



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there is discomfort among the management over the confidentiality and requisite protection offered to such a whistle blower under the policy. Fear of abuse of such a framework by people out to settle scores or working on a personal vendetta keeps management from implementing the policy," he said.

Whistle blower policies have become a matter of concern in the corporate sector. An area of concern, the Mazar expert

said, is that once the implementation of the policy starts, there is no choice but to address "all the incidents that come to your attention".

According to him, experience shows that corporate India does indeed recognise the value of good governance. There are, of course, a large number of corporations that believe that there is a direct relationship between business governance and business valuation.

To the extent this consideration is applied by drivers of corporate governance in the right spirit, this is a positive sign. But where emphasis is on mere paper disclosure, it is a concern. International companies are focusing on key areas like risk management, values and ethics and internal control. These three go together.

The truly best or effective monitoring does not come from the number of bodies exercising oversight. Rather, it comes from those who are willing to accept full accountability and are duly empowered to take necessary punitive action.

Though the government moved fast to protect investor interests after the Satyam promoters' frauds came into light in 2008, India's image as a favourite investment destination was hurt. This led experts to question the effectiveness of the section 49 of Sebi's listing guidelines in protecting investor interest.

Significantly, it is still not mandatory for listed companies here to implement the whistle blower policy. However, some companies like ONGC and GAIL India have adopted it on a voluntary basis. But, the government is seriously considering making it mandatory for the PSUs.