

INTERNAL AUDIT NEWSLETTER

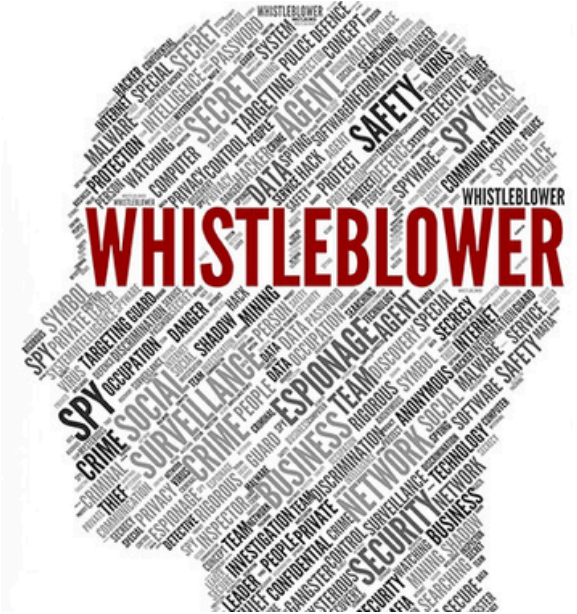
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WHISTLEBLOWING POLICIES: SAFEGUARDING INTEGRITY IN YOUR ORGANIZATION



RRCO

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Let's take a brief introduction of the topic:

Whistleblowing policies are crucial for fostering a transparent and ethical workplace. These policies provide employees with a safe and confidential way to report unethical behavior, misconduct, or violations of law within an organization. Effective whistleblowing policies ensure protection against retaliation, promote accountability, and strengthen corporate governance.

LET'S TAKE AN EXAMPLE:

Cynthia Cooper, the internationally acclaimed whistleblower who exposed one of the largest business and accounting scandals in history – the WorldCom Scandal. While she was Vice president of Internal Audit at WorldCom in 2002, Cooper discovered more than \$3.8 billion of fraudulent balance sheet entries and eventually WorldCom was forced to admit it had overstated its assets by more than \$11 billion.



What is Whistle blowing ?

Whistle blowing is the act of reporting (or "blowing the whistle on") organizational misconduct or wrongdoing. A whistleblower typically is an individual, but is not limited to an employee, who witnesses or discloses information about certain illicit activities.

What is Whistle blowing Policy ?

A whistle blowing policy is a formal set of rules and guidelines designed to encourage employees, contractors, or stakeholders to report unethical, illegal, or unsafe activities within an organization, while protecting them from retaliation.

What is the purpose of Whistle Blower Policy ?

The Whistleblower Policy encourages employees and others to report concerns about fraud, corruption, misconduct, or safety violations in good faith. It outlines a process for investigating and addressing such reports. The policy promotes transparency, accountability, and helps protect the organization's reputation. It fosters safe and open work environment for all.

Does your organization need a Whistle Blower Policy ?

There isn't a strict limit for organization adopting a whistleblower policy in terms of size or type except Under Section 177(9) of the Companies Act, 2013, where all listed companies and certain other classes of companies are required to establish a Vigil Mechanism (Whistleblower Policy) to report unethical behavior, fraud, or violation of the company's code of conduct.

Also, many organizations have adopted whistleblower policies, either due to internal requirements or as a part of the government's commitment to improve transparency.

Developing an effective whistleblowing policy involves creating a clear framework that outlines its purpose, scope, reporting procedures, and protections for whistleblowers, along with the consequences of retaliation. The policy should be communicated regularly to all employees and stakeholders, promoting a culture of transparency and trust that encourages reporting concerns.

To ensure accessibility and confidentiality, multiple reporting channels for whistleblowers shall be established such as a confidential hotline, email, online portal, physical suggestion box, or a third-party service. We will ensure that all reports are received and handled promptly, and that the identity of whistleblowers is protected throughout the process.

An effective policy requires a clear, impartial investigation process, involving a dedicated team or third-party firm with expertise in handling sensitive matters. The process should include evidence collection, interviews, and thorough documentation of findings to ensure fairness and thoroughness.

Implementing a whistleblowing policy is not a one-time process. It shall establish a mechanism for ongoing review and improvement of the policy. This also includes periodic assessments of the policy's effectiveness, reviewing the investigation process, and analyzing feedback from whistleblowers.

ENSURING CONFIDENTIALITY FOR WHISTLEBLOWERS: SAFEGUARDS AND ACTIONS TAKEN



WHISTLEBLOWER PROTECTION

Limited Access to Whistleblower Reports:

Only authorized personnel, such as compliance officers, ethics committees, or legal teams, have access to the details of a whistleblower complaint, which are securely stored in encrypted databases and assigned a unique identification number to maintain anonymity.

Non – Retaliation Policy:

Whistleblower will not face Termination or determination, Harassment or any form of professional or personal retaliation. Any retaliation claims are investigated promptly, and corrective actions are taken if necessary.

Confidentiality Agreements & Training for Investigators:

Employees handling the whistleblower reports are often required to sign confidentiality agreements. Investigators receive specialized training on safeguarding whistleblower identities. This ensures a structured approach to maintaining confidentiality throughout the process.

Independent & Impartial Investigation:

Whistleblower investigations are kept separate from HR or management teams to prevent conflicts of interest. Independent third-party legal counsel may be used to ensure a fair and unbiased process. This protects the whistleblower's identity and ensures transparency.

Secure Communication Channels:

Whistleblowers can request private, off-site meetings to ensure their privacy during the investigation. All communication, including emails, phone calls, and digital reports, is encrypted to protect sensitive information. It prevent unauthorized access and maintain confidentiality.

Detecting and Addressing Fake Whistleblower Complaints



Inconsistencies in the details

Fake complaints often lack detailed, verifiable information. Look for inconsistencies in dates, locations, or events described in the complaint.

Anonymous complaints

Fake complaints often come with no detailed context, and the whistleblower may not be able to provide specific examples or witnesses.

Motivation Behind complaint

A complaint made out of personal grievances or revenge could indicate a fake whistleblow. Investigating the relationship dynamics between the complainant and the accused can provide insight into this

Behaviour of the Whistleblower

A whistleblower who is hesitant or unwilling to cooperate with the investigation could indicate a lack of credibility. Genuine whistleblowers are typically willing to provide further details and assist in the inquiry.

Lack of Corroborating Evidence

A credible whistleblower is likely to have some form of corroborating evidence, whether that be witnesses, emails, or documents. A complaint without any supporting evidence can be a red flag.

External Legal Involvement

If the whistleblower contacts external legal authorities before reporting internally, or if they demand immediate legal action without allowing for internal investigation, this indicates a more malicious intent behind the complaint.

WHISTLEBLOWING IMPACT



Regulatory Interventions and Exposing Major Financial scandals

Securities and Exchange Board of India (SEBI) has directed companies preparing for public offering to disclose any complaints received from whistleblowers, company insiders, or anonymous sources, especially those related to the company's promoters, after submitting their draft offer documents for initial public offerings (IPOs)

This development comes as SEBI makes a rare intervention in halting the IPOs of two companies in recent months due to whistleblower complaints about insufficient or misleading disclosures in their offer documents.

SEBI's Intervention with Rosmerta and Trafiksol

One such company, Rosmerta Digital Services, had planned to launch its Rs 206-crore IPO in mid-November last year, aiming to become the largest SME fundraise. However, after Sebi received several whistleblower complaints regarding the promoters' associates' alleged violations of securities market regulations and concerns about incomplete disclosures, the company decided to postpone its IPO indefinitely.

In another case, SEBI took action against Trafiksol, an SME that has completed its IPO, after receiving a whistleblower complaint about misstatements in the company's offer documents and potential collusion with a shell entity. SEBI instructed Trafiksol to refund investors' money due to these concerns.

INTERNAL AUDIT & RISK ADVISORY SERVICES



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**TEAM NIGHT
OUT**

**Bonding
doesn't stop
when the
workday ends!**

**A special mention to Ms. Divya Golechha for
compilation and drafting of this month's Newsletter**



“ FOCUSED ON VALUE ADDITION ”



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08/08