

Whistleblower Helpline

By Yolande D'Mello, Mumbai Mirror | Dec 7, 2014, 12:00 AM IST

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The go-to guys firms connect with when they want their employees to blow the lid on frauds.

For Yatish Mamniya, an average day involves spending hours on the phone listening to employees complain about bosses, poor appraisals, managers with lingering glances and those who shirk work but get a larger pay-cheque. These aren't water cooler conversations. A partner at Integrity Matters, a disclosure management company, Mamniya provides firms with ethics helplines that allow employees to blow the whistle on illegal and foul practices at the workplace.

Integrity Matters isn't the only one.

There are at least five others - Navex Global, Network Inc, In Touch India Ltd, Whistle-blowers (Pty) Ltd and Spectra Management - that offer similar services in India. And the practice, says Manoj Jain, co-founder and director of the risk management firm Riskpro India, will soon become standard. An April circular, issued by the Securities and Exchange Board of India (SEBI), instructed companies to establish 'a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy', says Jain who helps firms draft their whistleblower policy.



Whistleblowers anonymous

While some firms have internal whistleblower systems, typically the HR lending an ear, the model isn't successful. Firms such as Mamniya's step in, providing a safe harbour to those who wish to talk. Integrity Matters, which was launched in April, operates as a neutral third-party. Clients range from service, manufacturing and logistics industries, who sign up after paying a fee. A toll-free hotline or an email id is all they need to get their complaints across.



Mamniya's team of 15, with a call centre based in Powai, quizzes callers for details and evidence and then prepares a confidential report devoid of the complainant's name, designation or contact details and presents it to the company for further investigation. However, unlike the US where anonymity is a mandate, it's a rare privilege in India says Jain. Currently, the government does not require a company to promise whistleblowers anonymity.

A 2010 Global Fraud Survey by the Association of Certified Fraud Examiners, found that one in five employees have personal knowledge of a workplace fraud, and 39 per cent are more likely to report it if it can be done anonymously. The survey revealed that 40 per cent of fraud cases were detected through tips by people.

Indian figures complement the survey. Last year, 62 per cent of the fraudulent cases reported were by a whistleblower. Annual audits score a low 3 per cent in determining fraud, says Jain. "Cyber securities and accounting controls are good measures but people are your biggest resource," he adds.

The art of complaining

Not everyone knows how to complain. Of the calls his firm gets each day, Mamniya says 40 per cent are frivolous. "One asked us to investigate why his PF has not been released. Or, they offer vague information, like so-and-so is corrupt - 'he is stealing but I don't know how'," he says.

Other callers offer adequate information but insufficient evidence to support an investigation. It's only in 20 per cent of the cases that complainants provide the firms with enough information and evidence to take the case forward. The complainant isn't involved in the internal investigation but the third-party firm will keep them in the loop about progress and report.

Depending on the seriousness of the complaint and the company's policy, management could take a decision to fire the guilty party, let him resign, in extreme cases, call for a forensic investigation. This could be the case for about one in 100 complaints.

It's not a one-size-fits-all punishment. Punitive action depends on the case. "I'd like to emphasise that all actions against fraudulent behaviour is independent of the monetary value involved and the cadre of the person within the organisation," says V Swaminathan, Head Internal Audit & Whistleblower Officer, Godrej Industries.

Whistleblowers are advised against gathering evidence by themselves. Mamniya cites the example of Dinesh Thakur, an American citizen of Indian origin, who worked with the pharma giant Ranbaxy. In 2004 when he raised an alarm against falsified reports, he was ignored. The next year, Thakur was accused of watching pornography on his company computer, following which he resigned. However, Thakur appealed to the US state department and, in May 2013, Ranbaxy pleaded guilty to criminal and civil charges in a case brought by the US Department of Justice. The company was fined \$500 million in penalties and compensation and Thakur received a \$48.6 million pay-out from the state as entitlement.

Such helplines also become a safe tool for women to speak up against sexual harassment. "This includes charges of favouritism or against managers who make you feel uncomfortable. A woman can complain if she is being made to stay back at work beyond work hours, if she feels uneasy because of glances or her work is being compromised because of her gender," says Jain.

Pre-empting fraud

Jain's company also trains the middle and upper management to spot red flags. For instance, he says, there are certain behaviours associated with fraudsters - they live beyond their means or have unusually close associations with vendors or customers, says an Ernst and Young report.

But, whether companies are ready to open up their office and the top brass to scrutiny is a matter of debate. The 2012 report further states that in 36 per cent of the cases, the fraudsters were managers, and approximately 19 per cent of the time, the onus lay on owners/executives.

Why do it at all?

Why would a firm spend lakhs so that its frauds are discovered? While there is a certain loss a company faces due to fraud - Mamniya pegs it at 5 per cent of a firm's annual revenues - it's the investor that the firms are trying to protect, says Jain. "The only gain, for companies which have a thorough whistle blowing policy, is reputation," he adds.

"There is a long way to go for corporate practices and governance in Indian companies. The slow pace and reluctance can be attributed to the fact that companies here are predominantly family owned. Corruption is a universal human trait but knowing that someone is watching is the only way to keep it in check," he says.

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