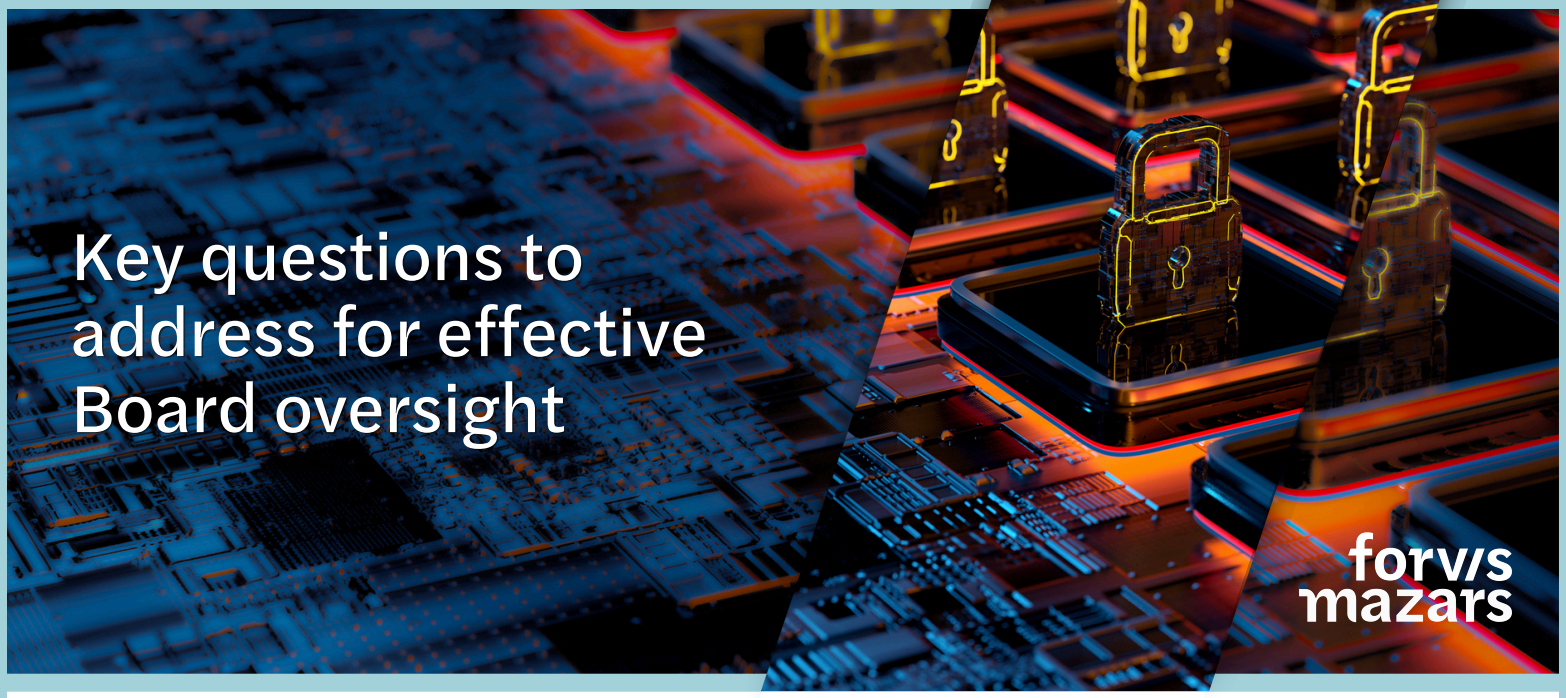

Key questions to address for effective Board oversight

With increasing scrutiny and evolving expectations under applicable laws and regulations, regulators are clearly defining obligations for organisations and establishing accountability for boards, directors and senior management to ensure ethical conduct of business, prevent fraud and misconduct, strengthen compliance oversight and promote a culture of integrity and accountability across organisations.

It is no longer sufficient for organisations to merely have a documented code of conduct, well-defined policies and procedures, or controls implemented on paper. The real question is whether these frameworks are operating effectively in practice and adequately addressing the fraud, misconduct and compliance risks faced by organisations.

The focus must shift from the existence of ethics and integrity frameworks to their effectiveness. The Board and its committees must ensure that concerns are appropriately identified and investigated in a timely manner, investigation outcomes are independently reviewed, and accountability for implementation and remediation is clearly established.

Here are a few critical questions that the Board should be asking:

01

Are all significant control weaknesses that could potentially lead to fraud risks being transparently reported to the Board?

Potential Red Flags: Absence of audit observations in inherently high-risk areas, despite underlying exposure to fraud, misconduct or compliance risks.

The absence of significant audit observations in areas inherently exposed to fraud, misconduct or compliance risks should not automatically be viewed as evidence of a stronger control environment. Rather, it could indicate gaps in audit scope, insufficient testing procedures or inadequate risk assessment.

Are all incidents, complaints and concerns reported through the whistleblower channel independently investigated and escalated to the Board or senior management, as and when required?

02

Potential Red Flags: Whistleblower complaints are handled by individuals or functions implicated in allegations or there is a lack of independence in determining scope and objective of investigations in line with issues/concerns reported.

An independent function investigating whistleblower complaints in accordance with established protocols plays a critical role in building and maintaining an ethical culture.

Investigation and decision-making should not be influenced by business leaders or functions implicated in allegations. Any such involvement can undermine the independence and credibility of overall process and eventually lead to loss of trust in the whistleblower mechanism.

Are investigation findings and its corrective or disciplinary actions independently reviewed and appropriately reported to the Board, without any biases?

03

Potential Red Flags: The outcome of investigation not resulting in appropriate corrective or disciplinary action.

An investigation is only as effective as the rigour of the processes followed and the actions taken on its outcomes. This includes clearly defining the scope, ensuring that the investigation is conducted by an independent team with the right expertise, following appropriate investigation procedures and protocols, and taking necessary corrective and disciplinary actions based on the findings.

Disciplinary measures must be proportionate, consistent and aligned with the organisation's values and Code of Conduct, irrespective of the seniority, business contribution or influence of the individuals involved.



Is the organisation ensuring that deep-rooted unethical practices are being addressed through effective remediation?

04

Potential red flags: Remediation shall not be limited to selective disciplinary action against identified employees or vendors, without addressing the underlying reasons for deep rooted unethical practices.

The outcome of an investigation must go beyond identifying the involvement of a particular employee or vendor. During internal investigations, organisations often uncover instances of vendor collusion, bribery and corruptions in procurement, however, remediation is often restricted to issuing a warning letter, accepting an employee's voluntary resignation or blocking the vendor.

Identifying an instance of misconduct could only be the starting point. Organisations need to look beyond the specific incident, understand the extent of issues and assess whether there are deeper gaps that need to be addressed.

1. As an immediate step, identify the extent of involvement of other individuals in scheme of things. Is this an isolated instance of personal profiteering, or does it involve multiple individuals acting as conduits to generate undue benefits for themselves or the organisation?

2. Organisations should not approach an investigation with a mindset of limited scope to avoid uncovering larger issues. This approach may contain the problem for a shorter duration. However, the underlying issues can appear with much larger consequences.

3. Reviewing and strengthening policies and procedures around the misconduct identified, creating employee and vendor awareness and ensuring that expectations are clearly communicated.

4. Assessing the financial controls, approval mechanisms and segregation of duties particularly in areas where control gaps have been identified.

5. Introducing continuous monitoring to identify potential issues in high-risk areas.

6. Ensuring leadership accountability and direct engagement in addressing employees and vendors' misconduct.