

GOVERNANCE · ETHICS · INTEGRITY

# i-GEM

## Services Agency

*When Internal Mechanisms Fail — And They Will —  
Who Steps In With Integrity?*

GEM → Governance & Ethics Monitoring

# THE SILENT EROSION

*How promoters & directors  
lose control — quietly.*



It feels normal.

Permanent.  
Unchangeable.

Until someone asks  
the right questions.

## The 4-Stage Decay Pattern

1

### Processes run on autopilot

Nobody questions why it's always done this way.

2

### Culture carries unresolved issues

Complaints go unreported; silence becomes the norm.

3

### Decisions become distant

Ground reality diverges from boardroom assumptions.

4

### Visibility shrinks to zero

You're the last to know what's actually happening.

 *Satyam (2009): Raju described the cover-up as "riding a tiger, not knowing how to get off" — a perfect metaphor for silent erosion.*

# The Law Speaks. But Does It Solve?

Section 177, Companies Act 2013 · SEBI LODR Regulation 22

## Section 177 — Audit Committee Vigil Mechanism

- ▶ Mandatory for listed companies & select others
- ▶ Employees & directors may report concerns
- ▶ Audit Committee oversees the mechanism
- ▶ Direct access to Chairman of Audit Committee

## SEBI LODR Regulation 22

- ▶ Listed entities must establish Whistle Blower Policy
- ▶ Adequate safeguards against victimisation
- ▶ Policy to be disclosed on company website
- ▶ Annual report must detail vigil mechanism

## THE FUNDAMENTAL CHALLENGE

*How do you investigate misconduct objectively when the investigators themselves are appointed by — and report to — the very people under scrutiny?*

# Why Internal Mechanisms Break Down

## Fear of Retaliation

86% of employees who witness misconduct stay silent. Job security beats integrity every time.

## Compromised Objectivity

HR teams share lunch with the accused. Internal relationships cloud every investigation.

## Documentation Over Reality

Audits verify what's written, not what's happening. Manipulated records sail through.

## Periodic Audits Miss Live Issues

Quarterly snapshots cannot catch a fraud that runs between audit windows.

## Culture Stays Invisible

No balance sheet line item for 'toxic culture'. Internal auditors never see what employees know.

## Management Shapes Outcomes

Consciously or not, those in power influence who investigates, what they find, and what gets reported.

# 4 Critical Gaps in Every Internal System

*Section 177 compliance ≠ Actual governance integrity*

01

## STRUCTURAL GAP

[ Transparency & Integrity ]

When the complaint names senior management, every internal channel — HR, Legal, Audit Committee — reports to the very people under scrutiny.

02

## SCOPE GAP

[ Policy / SOPs ]

Section 177 covers only directors & employees. Vendors, customers, investors, and anonymous sources fall entirely outside its reach.

03

## RESPONSE GAP

[ Speed & Preparedness ]

Briefing an investigator post-crisis takes weeks. Evidence degrades. Reputational damage compounds. Every day costs millions.

04

## QUALITY GAP

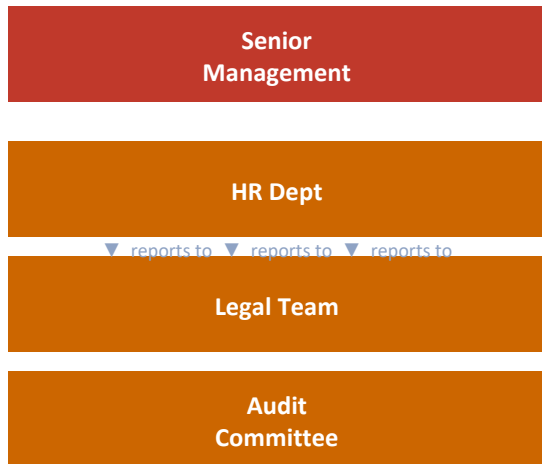
[ Going Beyond ]

HR handles people. Legal handles exposure. Neither has forensic accounting, data analytics, or evidence preservation capabilities.

# GAP 01 — STRUCTURAL

*Internal mechanisms fail exactly when they matter the most*

## The Circular Dependency



**X All report back to the accused**

## ● REAL IMPACT — SATYAM COMPUTERS (2009)

₹14,162 Cr fraud went undetected for years. The Audit Committee, Statutory Auditors (PwC), and Board all functioned — yet all failed. Every internal gatekeeper was operating within a system controlled by the perpetrator. Independence wasn't just absent; it was structurally impossible.

## The JCK Structural Solution

- ✓ External appointment — zero reporting line to management
- ✓ Investigators brief directly to the Board / independent directors
- ✓ Pre-agreed protocols trigger automatically, without internal approval
- ✓ Findings cannot be suppressed, delayed, or re-worded

*"External independence is not a preference. It is the only credible path to a clean investigation." — JCK Ethics Framework*

## GAP 02 — SCOPE

Section 177 covers directors & employees — and stops right there

### Section 177 Universe

- ✓ Directors
- ✓ Employees
- ✗ Vendors / Suppliers
- ✗ Customers
- ✗ Investors
- ✗ Anonymous External Sources
- ✗ Contract Workers / Consultants
- ✗ Channel Partners

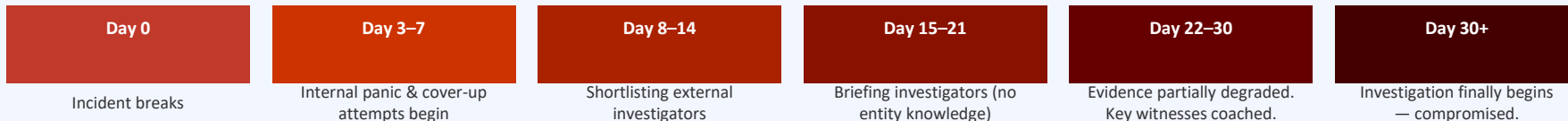
### JCK GEM Scope

- ✓ All of Section 177 — and beyond
- ✓ Vendors & Procurement Partners
- ✓ Customer-side Irregularities
- ✓ Investor Complaints & Signals
- ✓ Fully Anonymous External Tips
- ✓ Contract Workers & Consultants
- ✓ Channel Partners & Distributors
- ✓ Third-party Intelligence Layer

# GAP 03 — RESPONSE

*Most companies scramble after an incident breaks — and that scramble has a price*

## WITHOUT JCK RETAINER — The Reactive Disaster



## WITH JCK RETAINER — The Proactive Advantage



**₹2.8 Cr**

Avg. cost per day of delayed investigation (reputational + legal)

**73%**

Cases where key digital evidence was lost due to delayed engagement

**38 days**

Avg. time to brief post-crisis investigator without a retainer

 PNB–Nirav Modi: RBI identified the SWIFT gap. But by then, \$1.77B was already overseas. Speed of response is not a soft metric — it is a hard financial variable.

# GAP 04 — QUALITY

Forensic CA-led investigation is qualitatively superior — not a preference, a necessity



## HR Department

- Manages people & disputes
- Handles performance issues
- Knows employment law
- Cannot preserve digital evidence
- ✗ Not trained in financial forensics
- ✗ No data analytics capability

**Handles people.  
Not numbers.**



## Legal Team

- Manages legal exposure
- Drafts agreements & policies
- Advises on litigation risk
- Protects the company in court
- ✗ Cannot do forensic accounting
- ✗ Motivated to minimize disclosure

**Handles exposure.  
Not evidence.**



## JCK Forensic CA

- ✓ Financial forensics & fraud detection
- ✓ Procurement fraud investigation
- ✓ Expense manipulation analysis
- ✓ Digital evidence preservation
- ✓ Data analytics on large datasets
- ✓ Regulatory-compliant documentation

**Handles the truth.  
Full stop.**

 IL&FS (2018): 91 group entities, ₹99,000 Cr default. The SFIO investigation uncovered what years of internal teams and statutory auditors missed — because forensic depth is non-negotiable at that scale.

# The JCK GEM Solution

Independent · Pre-appointed · Forensic-grade · Full-spectrum

## Pre-Appointment Retainer

JCK knows your entity, systems, and risk profile before Day One of a crisis. No briefing delays. No learning curve. Activate in 24 hours.

## Full 360° Intelligence Scope

Vendors. Customers. Investors. Anonymous sources. Every channel that Section 177 misses — JCK covers. Procurement fraud is now visible.

## Structurally Independent

No reporting line to management. No internal relationships. No dilution. Findings go directly to the Board — clean, unfiltered, defensible.

## Forensic Depth, Not HR Breadth

Financial forensics. Data analytics. Evidence preservation. Expense manipulation. Procurement fraud. These are JCK's native competencies.

## Continuous Culture Monitoring

Not a periodic audit — a live intelligence layer. Behavioural anomalies, cultural warning signs, and systemic issues surfaced before they compound.

## Regulator-Ready Documentation

Every finding is documented to evidentiary standards. SEBI, RBI, MCA, SFIO — whatever regulators ask for, we've already prepared.

# The JCK Impact

*Before and after an Independent GEM retainer*

Scenario	WITHOUT JCK	WITH JCK GEM
Fraud discovered	After 18–24 months average	Flagged within weeks via live monitoring
Whistleblower safety	Dependent on internal HR goodwill	Anonymous, encrypted, externally managed
Scope of intelligence	Employees & directors only	Vendors, customers, investors, anonymous tips
Investigation speed	3–6 weeks to brief investigator	24-hour activation — entity knowledge pre-loaded
Evidence integrity	Degraded — weeks of exposure	Preserved from Day 1 with forensic protocols
Board confidence	Dependent on internal report quality	Independent, regulator-grade findings
Regulatory risk	High — gaps in documentation	Low — audit-ready at all times

Every rupee invested in GEM reduces forensic, legal, and reputational exposure by an order of magnitude.

# The Only Question Left

*When was the last time you truly examined the culture you've built?*

*Control doesn't disappear loudly.  
It dissolves silently into systems you've stopped questioning.  
Until someone asks the right questions — from the outside.*

## 01 Assess

Schedule a confidential GEM readiness assessment with JCK.

## 02 Appoint

Retain JCK as your pre-crisis external GEM agency.

## 03 Activate

Let the system run, 24x7, independent of management.