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Transforming Compliance into Global Competitive Advantage

CFO capability to set standards of governance and ensure adherence to compliance is today demanded not just by regulators, but also by shareholders. Regulations, laws, and norms are necessary for governance, but by themselves they are often ineffective, unless they are driven within corporations both for the letter and the spirit of these norms. The role of a CFO as a corporate governance leader is, therefore, critical in achieving the desired levels of governance while also ensuring business outcomes. The world over, markets reward organisations that are run with a

'higher conscience' – those that take into account the needs of all stakeholders. Wipro is a fine example of this, enjoying both a strong reputation and an impressive bottom line. Leading the way in setting its high standards of governance are Jatinder Dalal, Wipro's Chief Financial Officer, and Dipak Bohra, its Senior Vice President and Head of Controllershship.

Wipro believes in following corporate governance best practices that are based on uncompromising ethical standards as well as a high sense of corporate social responsibility.

Long-term shareholder value is strongly enhanced by this philosophy. The company's corporate governance philosophy is put into practice through sound Board governance processes, internal control systems and processes, and audit mechanisms. These are articulated in the company's Code of Business Conduct, Corporate Governance Guidelines, Disclosure Policy, and the Charters of its various Board sub-committees. The foundations of strong governance lie in the 'Spirit of Wipro', which is represented by three core values: *intensity to win, acting with sensitivity, and unyielding integrity*. Its governance philosophy is implemented through four functional layers: shareholders, the Board of Directors, the sub-committees of the Board, and management.

Wipro recognises the importance of a strong corporate culture, and works to identify and understand employee behaviours and perceptions that impact compliance. To foster an ethical culture, Wipro seeks to set the tone right from the top, which manifest both in leadership behaviour in consistent messaging about the company's ethical expectations into a variety of senior-leader communications. The firm has established both a *code of conduct* and a *zero tolerance* policy to drive this culture. Wipro's focus on systems and governance has been widely recognised by industry regulators, who have lauded its high ethical standards. The company takes pride in being ranked the 'world's most ethical company' by the Ethisphere Institute for the fifth successive year.

Centrally driven under Finance's leadership, firm-wide BPE (Business Process Re-Engineering) initiatives have yielded significant productivity gains and cost optimisation. These include the standardisation of business processes, which is enabled by technology, analytics, and automation. In the area of workforce management, for example, BPE has driven significant cost and time saving in the process of recruitment. In the area of shared services, BPE has helped reduce duplication, brought down costs, improved the quality of deliverables and increased the speed of delivery, all without any loss of control. BPE has also provided a strong foundation for the company's risk management, SOX and IFC frameworks.

In terms of risk management – a critical focus area for Wipro – Finance keeps a close eye on both financial and operational risks. This is vital to the sustainability of any business, but particularly so for companies that operate in multiple jurisdictions. Risk management at Wipro is an

enterprise-wide function backed by a qualified team of specialists with deep industry experience in developing frameworks and methodologies for assessing and mitigating risks. The company has a home-grown, AI-based technology platform – APOLLOS™ – that is used to proactively detect sophisticated frauds and risks. For many years, Wipro has maintained zero materiality issues and accounting differences. The use of common systems has been instrumental in ensuring one version of the truth for reporting.

Given its sector of operations, Wipro is well placed in terms of the talent it needs for compliance, IT controls, and analytics. Despite increased volumes, complexities, new acquisitions, and an expansion into new geographies, Finance staff strength has not grown linearly. What made this possible was the institutionalisation of talent management practices across the Finance and IT teams. A best-in-class programme – 'Wipro Cohorts' – aims at grooming talent to take on greater responsibilities. Recently, the company also implemented a 'Financial Analyst' programme that helps build the team to take on specific, specialised tasks.

The remainder of the article, based on an interview with Mr Dalal and Mr Bohra, contains a detailed assessment of the roles played by Mr Dalal and Mr Bohra in creating a corporate culture and systems that lend themselves directly to Wipro's aspiration to be – as it has been rewarded – the world's most ethical company.

Regulatory Landscape

How has the regulatory landscape for the IT sector evolved over the years? Would you consider these to be positive changes?

Over the last two decades, events in both the US and India have led to significant changes in legislation, such as the introduction of Sarbanes-Oxley Act, the new Companies Act 2013, and new mandates of tighter requirements in Internal Control. These developments had a positive

We saw the increase in regulation and controls the world over as an opportunity to expand the quality of assurance internally



impact on the quality of assurance, but posed enormous challenges in operationalisation. Companies such as Wipro did not look at these as mere 'statutory requirements,' but for the assurance value they brought in terms of improved Financial Control and governance.

The new Companies Act 2013, for instance, mandated companies to adopt Internal Financial Control (IFC), which went beyond financial reporting. As opposed to viewing it as a painful compliance requirement, we took it as an opportunity to align our business and operating controls within a common framework of assurance. We believe that proper implementation of the measures of Internal Control is directly linked to the quality of sleep at night!

How has the multi-regulatory scenario around Internal Control impacted Wipro's business model?

Wipro is listed in India as well on the New York Stock Exchange (NYSE). Hence, beyond compliance in India, Wipro needs to be compliant with the rules of the US SEC. Many subsidiaries incorporated in other jurisdictions are bound by local regulations. Our internal controls are designed around the tightest controls so that they pass the test of all jurisdictions. Clearly, this increases overheads, but a global player that is willing to serve global customers should also be willing to win the trust of regulators in different geographies.

In your view, what must the core attributes of regulatory norms be that will enable sustainable growth achieved in an ethical way and adhering to global standards of corporate governance?

Regulatory norms need, most of all, to ensure a level-playing field. In the quest to achieve greater transparency, regulators have implemented norms that may not favour Indian companies competing in the global marketplace for customers, resources and talent. For instance, even after acquiring a minority stake (less than

5 per cent) in a foreign company, an Indian company is obligated to disclose details of the investee company to the Indian stock exchange, whereas a foreign incorporated competitor is not required to make such disclosures to their respective regulators. Whilst one cannot take exception to the requirement in principle, but unnecessary additional compliance requirements are both tedious and time consuming.

We continuously highlight relevant issues to regulators from the perspective of ensuring level-playing fields, ease of compliance, and practicality. Ultimately, regulations need to be balanced and should take care of the interests of all stakeholders including governments and investors, while minimising the cost of compliance and enhancing the ease of doing business. Transplanting a regulation from one part of the world into another without any regard to local conditions can result in operational challenges.

Do you also actively engage with other stakeholders including government as well as industry associations to ensure feedback and the creation of relevant and timely regulation that recognises ground realities and business models? What are some of the changes that have been accomplished?

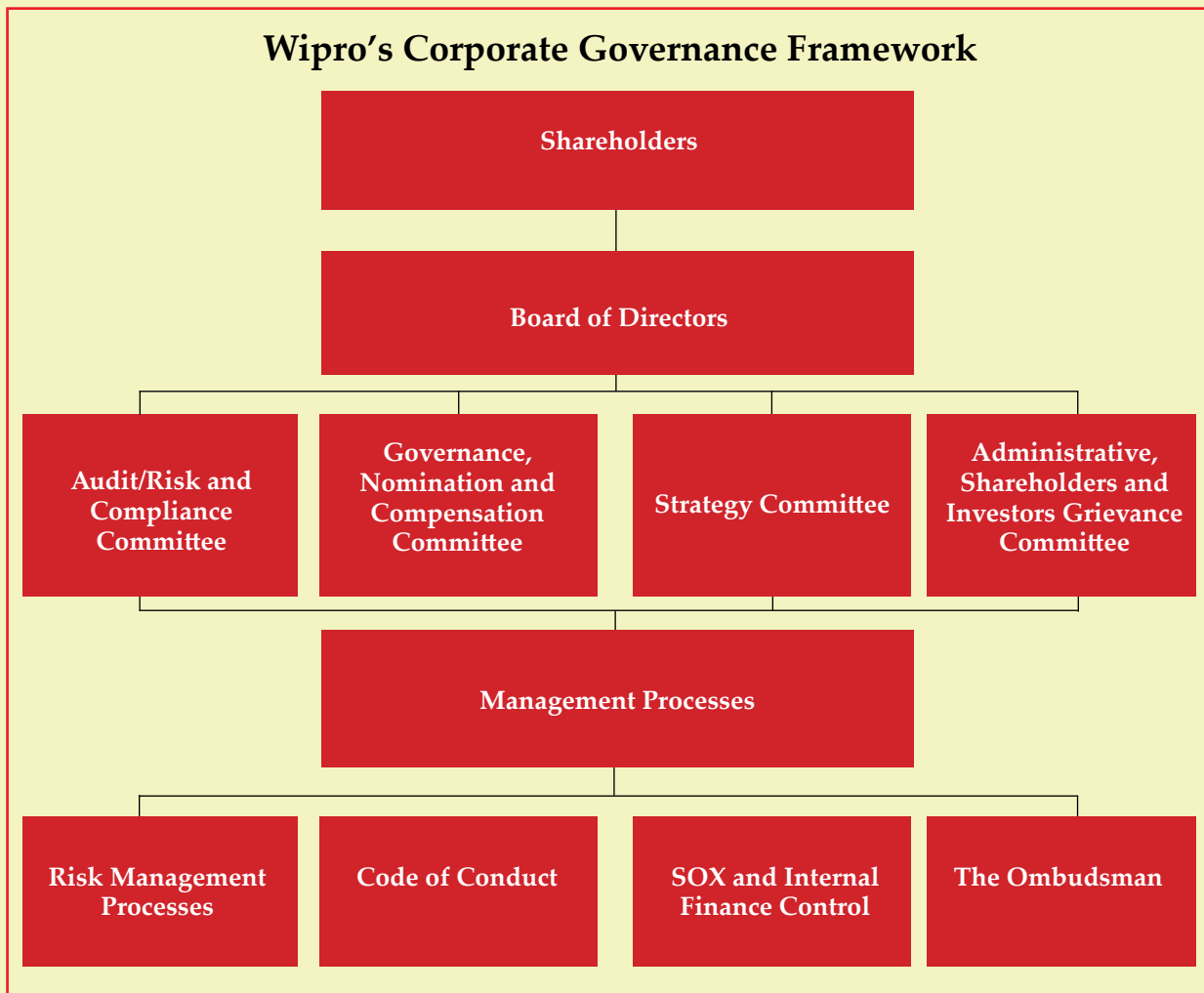
We actively engage with industry forums and associations to discuss mutual issues and also regularly share our opinions with central banks, stock exchanges, SEBI, and accounting standard boards. We frequently respond to invitations by the government for comments on draft legislations. Our representations are on the themes of ensuring a level playing field, the applicability of standards to local economic conditions, and enhancing the ease of doing business. The engagement with regulators needs to be ongoing, as this gives the opportunity to both the regulator and the regulated to better understand each other's point of view.

What changes in the US regulatory landscape do you anticipate under the Trump administration?

The US is our largest market, and we are more local there than many resident companies. Issues voiced in the media, therefore, are not necessarily of as much concern to firms like Wipro, who have already localised operations to a great degree. We believe that every regulatory change brings regulations closer to economic reality. Therefore, we are hopeful that the new administration and the new laws will be pro-business.

Our corporate governance practices aim to adhere to the toughest regulations and tightest controls available across the many jurisdictions where we are present





Developing a Strong Governance Framework

What forms the core of your corporate governance system that is recognised by various industry bodies?

The root of strong governance emanates from Wipro's values, one of which is integrity. We call this the 'Spirit of Wipro' – a moral compass that guides our corporate governance systems. For us, integrity is non-negotiable and means a commitment to searching for, and acting on, the truth. It is about keeping one's word as well as understanding and realising one's highest vision. In essence, it is also about being fair in treating stakeholders and executing transactions.

What is the implementation framework for corporate governance at your company?

At Wipro, corporate governance is more than just mere adherence to statutory and regulatory

The 'Spirit of Wipro' is our moral compass, and is based on the bedrock of integrity that forms the basis of our governance standards. The codified 'Code of Conduct' provides broad direction for all business transactions.

requirements. It is also about focusing on voluntary practices that underlie the highest levels of transparency and propriety. Our governance philosophy is put into practice through four functional layers: shareholders, the Board of Directors, the sub-committees of the Board, and management processes.

Our Board sets the *tone at the top* and is made

up of a majority of independent members who are distinguished leaders in their fields.

Importantly, Wipro has adopted a Code of Business Conduct (COBC) that provides broad direction and guidelines for all business transactions. Risk management at Wipro is also an enterprise-wide function backed by a qualified team of specialists with deep industry experience in developing frameworks and methodologies for assessing and mitigating risks. To effectively manage the rapidly changing risk landscape, we have deployed a risk management framework – based on global standards – that is capable of proactively identifying, prioritising and mitigating risks. Our SOX and IFC framework too, have widespread coverage.

How are authority, responsibility and accountability defined to ensure timely decisions and actions across the business?

We have worked on this over the last few years and built an internal compliance tool with the help of external advisors and consultants. The tool lists out and tracks the regulatory compliance that each function is obligated to perform. The ultimate ownership rests with the respective functions while the monitoring is done by the central compliance team.

You have championed organisation-wide Business Process Re-Engineering process (BPE) to make the organisation more nimble footed by removing unwarranted processes, approvals and controls. What initiatives were taken in this regard?

BPE is an emerging area to ensure corporations can run their operations as efficiently as possible. Initiatives in this area, if taken seriously and with a pragmatic view, can bring about a lot of agility, speed, assurance and cost benefits. The speed and agility, however, can be increased in a sustainable fashion once companies start to make primary controls more robust and rationalise secondary

and tertiary controls. The system can be made 'idiot-proof' through the use of automation, the injection of smart controls, and by reviewing any exceptions. Significant productivity gains and cost optimisation could be consistently realised through standardisation of business processes using available technologies, analytics and automation. BPE, therefore, acts as a foundation to build the risk management, SOX and IFC framework for the company.

A recent example of a BPE initiative is in the area of workforce management, which saw significant cost overruns and delays in our processes to source the right candidates for projects. This was an entirely manual exercise of reading and matching CVs, making it very costly and time-consuming. We worked to automate this process by cleaning and updating internal databases and linking up the search engine with both in-house and outside sources. Today, a substantial share of candidates is sourced through this automated process.

Increasingly, we found that deploying BPE in Shared Services trimmed a lot of unnecessary effort, saved costs, increased the speed of execution (without the loss of controls) and enhanced the quality of deliverables.

Wipro is a global organisation serving global clients in 175+ cities across six continents. How do you ensure compliance and ethics standards remain consistent across the global enterprise, while ensuring local adaptations for better applicability?

Multiple jurisdictions are indeed a risk for external compliances. We try to comply with the strictest regulations to be able to pass the test in all jurisdictions. However, there are unique requirements in certain geographies, which we effectively deal with through the help of local legal professionals. Internally, we ensure high standards of governance by leveraging compliance dashboards, compliance sign-offs and greater accountability. We continuously drive the message of integrity and compliance through consistent communication including via mailers, posters, quizzes. The commitment to controls and compliance is right from the top. Our senior leaders personally visit each location to spread awareness and gather feedback on potential issues early on. It is mandatory for each employee to take the COBC awareness session followed by an annual test at the time of joining. Our zero tolerance policy on non-compliance sets the right culture across the organisation.

Corporations must actively engage with regulators to ensure the creation of regulations that recognise ground realities and business models



What has been the impact of various governance measures on cost, efficiency and risk levels? What metrics do you use in this regard? How would you quantify the gains made?

Our focus has been more on smart controls instead of adding secondary/tertiary controls. We have ensured that governance measures have yielded better assurance without compromising on speed and agility. We see value in these governance measures in terms of the confidence it gives us and our stakeholders – governments, regulators, customers, the Board – for being a highly compliant organisation. Additionally, the credibility in front of our customers is invaluable. Lastly, the quality of sleep that we get cannot be quantified.

Under your watch, assurance mapping and maker-checker process were institutionalised. What is the mechanic behind the systems? How would you differentiate this as best-in-class compared to the systems followed by other peers/firms?

We institutionalised accountability and attempted to make the processes error-free. Manual processes were automated or brought into the systems to establish an audit trail. Maker-checker processes were instituted to reduce the possibility of human error. It led to segregation of duties, minimisation of errors and enhancement of transparency. We continuously benchmark ourselves with others and capture what we see as new, smart and useful.

Enabling Compliance Adherence and Monitoring

Wipro has a preventive (as opposed to a detective) approach to control management. What steps have you taken in this regard?

A stitch in time saves nine. A preventive approach is clearly the best, and our systems and processes aim to achieve that. However, Internal Control must be viewed holistically. Detective measures also play their part. Therefore, we routinely test processes for design and efficiency failures and constantly work to enhance the controls.

How do you ensure one version of the truth for reporting?

This is a challenge for large MNCs as well for Planning and Analysis professionals. At Wipro, we enforce certain rules and guidelines for everyone to follow by maximising the use

Business Process Excellence initiatives have acted as a foundation to build Wipro's risk management, IFC and SOX frameworks



of common systems, setting tight timelines for data input, and managing expectations upfront. We make it clear that reporting, compensation and appraisals need to be based on the version of the truth viewed through the system. At the outset, we clearly define 'what we want to see', 'how we want to see', and 'who should own that information'. This solves for more than 90 per cent of the issues.

Wipro has a record of 'zero accounting differences/materiality issues' for a number of years. How was this achieved?

Yes, that is the case, but it cannot be ascribed to one particular reason. The investments made in human resources, technology, process improvements, along with the inputs by external consultants, have all played their part. More importantly, it is on account of the zeal of the Controllership function, the leadership, as well as the rank and file, and the pride leaders take in ensuring that every cycle/process has zero material issues. Conceptually, we believe that materiality rules apply only to the audit and not to the Controllership function.

Wipro has a robust Fraud Prevention System to identify red flags through predefined rules. How effective is the system in detecting fraud and driving policy and systemic fixes?

Fraud Prevention is an ongoing programme. However, it can never be complete as market dynamics as well as fraudsters continue to evolve. We drive policy-level disincentives and technology-led monitoring to check fraud. For instance, we developed APOLLOS™ – an Anomaly Detection Platform for fraud, risk and compliance – that leverages the power of Artificial Intelligence. Although we developed the tool for client use in various industry situations, we have been able to achieve much success in internal compliance programmes that are led by Internal Audit. We have also deployed in-house tools with embedded algorithms that can detect outlier transactions.



How frequently do you assess and optimise controls to improve effectiveness, reduce costs, and support business performance?

To support business performance, we ensure continuous assessment of controls that helps us identify the areas that can be optimised without compromising or diluting the control environment. Also, the changing regulatory landscape drives changes in controls. GST is one such example.

What is the role of the Board in enabling the prioritisation of Internal Control?

The Board is a great supporter of strong Internal Control. It not only challenges our assessment of risks but also shares experiences and best practices, and takes the lead in sensitising the organisation towards emerging risks. Our Audit Committee comprises leaders, who are legends in the areas of Finance, governance and management. They set the bar high and demand the most out of us. As said earlier, the preponderance of Independent

Directors enables this culture greatly.

What is the engagement between the CFO and the head of Financial Control? How do you engage with each other and what are the respective skill sets that are leveraged?

The engagements are not only formal and scheduled but also ad-hoc in response to circumstances. The CFO brings in business perspectives while the Controller brings in the experience of control environment and processes. We are a very coherent group of senior Finance leaders and not just us, but broadly, all function heads add value to each other and to the betterment of Wipro Finance processes.

Building a Culture of Governance

The culture of compliance with laid-down guidelines and procedures is evident through the actions and behaviour of individuals and teams. How do you inculcate the right behaviour in your staff members? How do you see the rest of the top management respond with the same culture?

There are two mantras: first, it is important to begin at the top and second, catch them early and catch them young. Management must lead by example to convey the message that integrity and ethical values cannot be compromised. Therefore, management must continually demonstrate, through words and actions, its commitment to high ethical standards. All customers, associates and employees must receive and understand that message. We are highly conscious of the fact that

Our home-grown technologies have been instrumental in preventing frauds and maintaining zero materiality issues and accounting differences



every word spoken or action taken today impact tomorrow's culture. To that end, we have taken numerous initiatives to drive a common corporate culture by having a codified code of conduct and zero tolerance towards violations. We take pride in being named as the 'world's most ethical company' for the fifth successive year.

How do you see this playing out within the wider distributor network, which also engages with prospective and current clients? What challenges are there to ensure seamlessness of high governance and how have you dealt with slippages in the past? What would your advice be to other CFOs looking to create similar structures and also with a widely distributed network?

As the network gets wider, the challenges become bigger. When slippages happen, we immediately report the matter to the relevant authorities, internally and externally, institute an inquiry to assess the root causes, and affix accountability. The company's reaction to such slippages largely sets the culture for zero-tolerance of issues. Our message to other CFOs would be to act 'firmly and fairly' as well as to act 'promptly and visibly'.

Do you believe you have the relevant skills – in areas such as fraud risks, IT Controls, and analytics for continuous controls monitoring – as well as focused teams and the necessary bandwidth to support the corporate governance agenda?

This is an emerging area, and at a broader level, the demand for talent outstrips supply. That said, being an IT company, we are better placed with talent on IT Controls and analytics.

The Finance staff has not grown in linearity with increased volume, complexities, new acquisitions and expansion into new geographies. What measures made this possible?

This is on account of multiple measures. We incubated and scaled Centres of Excellence and Shared Services, instituted streamlined processes, and automated work streams to reduce human efforts. We launched a best-in-class programme called 'Wipro Cohorts' that involves two years of exposure to different facets of Corporate Finance through specially designed academic training and planned job rotations aimed at grooming new talent by sharpening their technical knowledge, fine-tuning their soft skills and broadening their view through collaboration in group projects.

We believe that there is no replacement for diverse learning. Our two-year programmes provide Finance executives unparalleled exposure to Corporate Finance through specially designed academic trainings, planned job rotations and external exposure.



In addition, the newly implemented 'Financial Analyst' programme creates a cadre to take on specialised tasks.

What interventions have you undertaken to up-skill your employees to address the emerging needs of Wipro in areas such as IT Controls, fraud risks?

Wipro encourages employees to up-skill by pushing them to actively participate in seminars and other learning sessions. Some members of our team, for example, are certified fraud examiners.

Leveraging Technology

How has automation of banking governance tool and DSO management tool improved compliance efficiency?

The banking governance tool was implemented with the aim to reduce approvals, eliminate manual activities, simplify processes, enhance the control environment and virtually reduce the involvement of Shared Services for payments. The DSO Management tool enables target setting for collection and mapping of progress made towards receipts. We are now focusing on a host of solutions to enhance efficiency across Order2Cash, Source2Pay and Treasury processes.

What is the extent of technology-enablement and automation of your detective controls and monitoring processes?

Technology is a great enabler, but one must not forget that it is merely a tool. Even as Artificial Intelligence develops, there will always be human fallibility for errors as well as ingenuity of frauds. Therefore, human monitoring, vigilance and search for patterns are necessary to keep detective controls relevant. ■