

## **Sub: Fraud Prevention Policy**

### **1. BACKGROUND:**

Over the years NTECL has put in place various policies and procedures, systems to guide NTECL employees within and outside the organisation. Most of these have been formalised in the form of policy documents. These systems have been designed to ensure that officials dealing and undertaking transactions conduct the same in a transparent & uniform manner. Few examples are Delegation of powers, Project and Contracts Management system, Finance and Human Resource Systems, Code of Conduct for Directors and Senior Management Personnel, Conduct, Discipline and Appeal Rules for employees etc.

Section 447 of the Companies Act, 2013 provides for the definition of fraud and also the punishment for committing fraud.

Further, Statutory Auditors of the Company are required to comment on the Fraud Prevention Policy of the company in their report on the annual accounts of the company given in compliance of the provisions of the Companies Act, 2013.

In the light of the foregoing and keeping in view the approach of NTECL in following Corporate Governance principles proactively, it is appropriate that a Fraud Prevention Policy is formulated and implemented.

**The policy statement is given below for implementation with immediate effect:**

### **2. POLICY OBJECTIVES:**

The “Fraud Prevention Policy” has been framed to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. The policy will ensure and provide for the following:-

- (i) To ensure that management is aware of its responsibilities for detection and prevention of fraud and for establishing procedures for preventing fraud and/or detecting fraud when it occurs.
- (ii) To provide a clear guidance to employees and others dealing with NTECL forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity.
- (iii) To conduct investigations into fraudulent activities.
- (iv) To provide assurances that any and all suspected fraudulent activity will be fully investigated.

### **3. SCOPE OF POLICY:**

The policy applies to any fraud, or suspected fraud involving employees of NTECL (all full time, part time or employees appointed on adhoc/temporary/contract basis) as well as representatives of vendors, suppliers, contractors, consultants, service providers or any outside agency(ies) doing any type of business with NTECL.

### **4. DEFINITION OF FRAUD:**

As per Section 447 of the Companies Act, 2013, "Fraud" in relation to affairs of a company or any body corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss. "Wrongful gain" means the gain by unlawful means of property to which the person gaining is not legally entitled. "Wrongful loss" means the loss by unlawful means of property to which the person losing is legally entitled.

### **5. ACTIONS CONSTITUTING FRAUD :**

While fraudulent activity could have a very wide range of coverage, the following are some of the act(s), which constitute fraud.

The list given below is only illustrative and not exhaustive:-

- (i) Forgery or alteration of any document or account belonging to the Company
- (ii) Forgery or alteration of cheque, bank draft or any other financial instrument etc.
- (iii) Misappropriation of funds, securities, supplies or others assets by fraudulent means etc.
- (iv) Falsifying records such as pay-rolls, removing the documents from files and /or replacing it by a fraudulent note etc.
- (v) Wilful suppression of facts/deception in matters of appointment, placements, submission of reports, tender committee recommendations etc. as a result of which a wrongful gain(s) is made to one and wrongful loss(s) is caused to the others.
- (vi) Utilizing Company funds for personal purposes.
- (vii) Authorizing or receiving payments for goods not supplied or services not rendered.
- (viii) Destruction, disposition, removal of records or any other assets of the Company with an ulterior motive to manipulate and misrepresent the facts so as to create suspicion / suppression / cheating as a result of which objective assessment / decision would not be arrived at.
- (ix) Any other act that falls under the gamut of fraudulent activity.

## 6. REPORTING OF FRAUD:

- (i) Any employee (full time, part time or employees appointed on ad-hoc/temporary/contract basis), representative of vendors, suppliers, contractors, consultants, service providers or any other agency(ies) doing any type of business with NTECL as soon as he / she comes to know of any fraud or suspected fraud or any other fraudulent activity must report such incident(s). Such reporting shall be made to the designated Nodal Officer(s), nominated in every project/region/Corporate Centre. If, however, there is shortage of time such report should be made to the immediate controlling officer whose duty shall be to ensure that input received is immediately communicated to the Nodal Officer. The reporting of the fraud normally should be in writing. In case the reporter is not willing to furnish a written statement of fraud but is in a position to give sequential and specific transaction of fraud/suspected fraud, then the officer receiving the information/Nodal Officer should record such details in writing as narrated by the reporter and also maintain the details about the identity of the official / employee / other person reporting such incident. Reports can be made in confidence and the person to whom the fraud or suspected fraud has been reported must maintain the confidentiality with respect to the reporter and such matter should under no circumstances be discussed with any unauthorised person.
- (ii) All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by Nodal Officer(s) to be nominated.
- (iii) Officer receiving input about any suspected fraud/nodal officer(s) shall ensure that all relevant records documents and other evidence is being immediately taken into custody and being protected from being tampered with, destroyed or removed by suspected perpetrators of fraud or by any other official under his influence.

## 7. INVESTIGATION PROCEDURE:

- (i) The “Nodal Officer” shall, refer the details of the Fraud/suspected fraud to the Vigilance Department of NTECL for further appropriate investigation and needful action.
- (ii) This input would be in addition to the intelligence, information and investigation of cases of fraud being investigated by the Vigilance Deptt. of their own as part of their day to day functioning.
- (iii) After completion of the investigation, due & appropriate action, which could include administrative action, disciplinary action, civil or criminal action or closure of the matter (if it is proved that fraud is not committed etc.) depending upon the outcome of the investigation shall be undertaken under the relevant rules of NTECL.
- (iv) Vigilance Department shall apprise “Nodal Officer” of the results of the investigation undertaken by them. There shall be constant coordination maintained between the two.
- (v) The Criminal Proceedings **may be** initiated by Engineer-in-Charge / Head of Department/ NTECL's Authorised Representative, **after obtaining approval of competent authority (i.e. HOP/BUH)** to lodge First Information Report (FIR) with

the concerned Police Authorities, in case Contractor is found to be involved in fraudulent practices.

## **8. RESPONSIBILITY FOR FRAUD PREVENTION:**

- (i) Every employee(full time, part time, ad-hoc, temporary, contract), representative of vendors, suppliers, contractors, consultants, service providers or any other agency(ies) doing any type of business with NTECL, is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to the concerned as per the procedure.
- (ii) All controlling officers shall share the responsibility of prevention and detection of fraud and for implementing the Fraud Prevention Policy of the Company. It is the responsibility of all controlling officers to ensure that there are mechanisms in place within their area of control to :-
  - a. Familiarise each employee with the types of improprieties that might occur in their area.
  - b. Educate employees about fraud prevention and detection.
  - c. Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.
  - d. Promote employee awareness of ethical principles subscribed to by the Company through CDA Rules
- (iii) Due amendments shall be made in the general conditions of contracts of the organization wherein all bidders/service providers/vendors/consultants etc. shall be required to certify that they would adhere to the Fraud Prevention Policy of NTECL and not indulge or allow anybody else working in their organization to indulge in fraudulent activities and would immediately apprise the organization of the fraud/suspected fraud as soon as it comes to their notice. These conditions shall form part of documents both at the time of submission of bid and agreement of execution of contract.

## **9. ADMINISTRATION AND REVIEW OF THE POLICY:**

The Chairman, NTECL shall be responsible for the administration, interpretation, application and revision of this policy. The policy will be reviewed and revised as and when needed.