

# FRAUD PREVENTION POLICY OF

## *NTPC Tamilnadu Energy Company Ltd (NTECL)*

(A Joint Venture of NTPC Ltd & TNEB)

### **1. BACKGROUND :**

NTPC Tamilnadu Energy Company Limited (NTECL), a JV company was formed wef. 23.05.2003 in between NTPC Ltd., and Tamil Nadu Electricity Board (TNEB) with the intention of generation of electricity, Executives are seconded from NTPC Ltd., and TNEB to NTECL. The Executives of NTPC are governed by the Rules and Regulations of NTPC Ltd., and those of TNEB are governed by the TNEB Rules.

To carry out its day to day operations, NTECL has adopted various policies & procedures of NTPC including Delegation of Powers and systems and manuals etc. such as Service Rules, Conduct, Discipline and Appeal Rules, Finance and Human Resource Systems, Project and Contracts Management system, etc.

As per provisions of Section 619(3) of Companies Act, 1956, C&AG has powers to direct the manner in which company's accounts shall be audited by the Statutory Auditors and to give Statutory Auditors instructions in regard to any matter relating to the performance of its functions. In view of above, Statutory Auditors are required to comment upon Fraud Prevention Policy in its report to C&AG on annual accounts of the Company.

With a view to promote transparency in managing affairs of the Company and as a good Corporate Governance measure, the Company need to have a mechanism in place to report to the management about the unethical behavior and actual or suspected fraud.

In the light of the foregoing and in view of 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 NHL 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 posted on secondment basis from NTPC and Engineers deputed from TNEB besides employees appointed/engaged 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**

“Fraud” is a willful act intentionally committed by an individual(s) – by deception, suppression, cheating or any other fraudulent or any other illegal means, thereby, causing wrongful gain(s) to self or any other individual(s) and wrongful loss to other(s). Many a times such acts are undertaken with a view to deceive/mislead others leading them to do or prohibiting them from doing a bona fide act or take bonafide decision which is not based on material facts.”

### **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) Willful suppression of facts/deception in matters of appointment, placements, submission of reports, tender committee recommendations etc. as a result of which a 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) All employees of NTECL posted on secondment basis from NTPC and TNEB and those appointed/engaged 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 by the competent authority. 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 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 unauthorized 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 NTPC through CEO, 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.

- (iv) Vigilance Department shall apprise Nodal Officer through CEO, NTECL of the result of the investigation undertaken by them. There shall be constant coordination maintained between the two.

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

- (i) Every employee of NTECL posted on secondment basis from NTPC Ltd. and TNEB and those appointed/engaged 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, 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 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 type 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 NTPC 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 Chief Executive Officer, 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 with the approval of Board of Directors.