



NHDC FRAUD PREVENTION AND DETECTION POLICY

NHDC LIMITED
(A Joint Venture of NHPC & GoMP)



NHDC FRAUD PREVENTION AND DETECTION POLICY

1. BACKGROUND

The Corporate Governance guideline-2010 (as amended) to be followed by CPSE describes certain requirements. These requirements inter alias include "Whistle Blower Policy". This policy envisages the companies to put in place a mechanism for employees to report to the Management about unethical behavior, actual or suspected fraud or violation of conduct or ethics policy.

Further, statutory auditors of the company are required to comment on the "Fraud Prevention and Detection Policy" of the company in their report to the Comptroller and Auditor General of India (C&AG) on the Financial Statements of the company given in compliance of the provisions of Section 143(5) of the Companies Act, 2013.

Further, in compliance to Sub-sections (12) to (15) of section- 143, of Companies Act, 2013, auditors including cost accountant in practice conducting cost audit u/s 148 and company secretary in practice conducting secretarial audit u/s 204 are responsible to report the fraud committed against the company (noticed during the course of their audit) to the Central Government, Board or the Audit Committee as the case may be.

In addition, para (xi) of the Companies (Auditor's Report) Order, 2020 (CARO 2020) requires the auditor to report on fraud and whistle blower complaints as under:

- (a) Whether any fraud by the company or any fraud on the company has been noticed or reported during the year, if yes, the nature and amount involved is to be indicated;
- (b) Whether any report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit & Auditors) Rule, 2014 with the Central Government;
- (c) Whether the auditor has considered whistle-blower complaints, if any, received during the year by the company;

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

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



2. POLICY OBJECTIVES:

The "Fraud Prevention and Detection 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 NHDC Ltd. 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.
- (v) To promote an ethical and fraud-free environment.

3. SCOPE OF POLICY:

The policy applies to any fraud, or suspected fraud involving employees of NHDC Ltd. (all full time, part time or employees appointed on ad-hoc/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 NHDC Ltd.

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 bonafide 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.

- (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 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.
- (x) Profiteering as a result of insider knowledge of company activities.
- (xi) Disclosing Confidential and proprietary information to unauthorized and/or outside parties.
- (xii) Accepting or seeking anything of material value from contractors, vendors, and persons providing services/ materials to the company in contravention of NHDC's Conduct, Discipline and Appeal Rules.
- (xiii) Making false written or oral statement or representation with respect to company activities.

6. REPORTING OF FRAUD:

- i) Any employee (full time, part time or employees appointed on adhoc /temporary/contract basis), representative of vendors, suppliers, contractors, consultants, service providers or any other agency (ies) doing any type of business with NHDC Ltd. 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/unit/Corporate Office. 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 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.
- (iv) Head of Projects/ Power Stations / Units and HOD, Internal Audit in Corporate Office shall be the Nodal Officer for implementation and coordinating all activities of this policy and submit routine report in prescribed format (Annexure-A) at such intervals as may be decided to the HOD, Internal Audit of the Company. HOD, Internal Audit shall put up the report to Audit Committee of Directors on periodic basis.

7. INVESTIGATION PROCEDURE:

- (i) The "Nodal Officer" shall, refer the details of the Fraud/suspected fraud to the Vigilance Department of NHDC Ltd. 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 Department 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" of the results of the investigation undertaken by them. There shall be constant coordination maintained between the two.



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 NHDC Ltd. 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 and Detection 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. Familiarize 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 and Detection Policy” of 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 Managing Director shall be responsible for the administration, interpretation, application and revision of this policy. The policy will be reviewed and revised as and when needed.



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Annexure-A

FORMAT FOR COMPLIANCE REPORT BY NODAL OFFICERS

Name of Unit							
Nodal Officer							
Designation of Nodal Officer							
Compliance Period							
Reporting Date							
Details of incident(s) during the compliance period							
Sl. No.	Brief description of incident (i.e. Fraud/ Suspected Fraud)	Date when the incident was reported to Controlling Officer's/ Nodal Officer	Action taken on the report	Whether the details referred to Vigilance Department	If yes, Date of such referral	Result of investigation by Vigilance Department, if communicated to Nodal Officer	Remarks if any
1	2	3	4	5	6	7	8

Signature of Nodal Officer