



A Govt. of India Enterprise

FRAUD PREVENTION & DETECTION POLICY

1. PREAMBLE

The corporate policy for fraud prevention & detection is established to facilitate the development of controls which will aid in the detection and prevention of fraud against IIFCL. It is the intent of IIFCL to promote consistent organizational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

In order to oversee the best practices of Corporate Governance Fraud Prevention & Detection Policy is formulated placed below for kind approval please.

2. POLICY OBJECTIVES

The "Fraud Prevention & 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 IIFCL 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

This policy applies to any fraud, or suspected fraud, involving employees as well as shareholders, consultants, vendors, lenders, borrowers, contractors, outside agencies doing business with IIFCL, employees of such agencies, and/or any other parties with a business relationship with IIFCL.

4. DEFINITION OF FRAUD

- 1) Reserve Bank Of India has defined fraud as " All instances wherein Banks have been put to loss through misrepresentation of books of accounts, fraudulent encashment of instruments like cheques, drafts and bills of exchange, unauthorized handling of

securities charged to banks, misfeasance, embezzlement, theft, misappropriation of funds, conversion of property, cheating, shortages, irregularities etc.”

- 2) Section 25 of Indian Penal Court “ a person is said to have done thing fraudulently if he did that thing with intent to defraud but not otherwise.” Hence fraud can be interpreted as “an act of criminal deception carried out singly or in collusion with others with a view to deriving gains to which one is not legally entitled.

5. ACTIONS CONSTITUING 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 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.

Suspected improprieties concerning an employee’s moral or behavioural conduct should be resolved by departmental management and Employee Relations of Human Resources rather than under Policy for Fraud Prevention and Detection.

6. RESPONSIBILITY FOR FRAUD PREVENTION

- i) Every employee (full time, part time, adhoc, temporary, contract), representative of vendors, suppliers, contractors, consultants, lenders, borrowers, service providers or any other agency(ies) doing any type of business with IIFCL, 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 HOD as per the procedure.
- ii) All HODs shall ensure prevention and detection of fraud and implementation of the policy

of the company for the same. HODs shall 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.
- iii) Due amendments shall be made in the general conditions of contracts, sanctions, loan/subsidy/grant agreements of the organization wherein all bidders/service providers/vendors/lenders/borrowers/consultants etc. shall be required to certify that they would adhere to the Policy For Fraud prevention & Detection of IIFCL 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/loan/subsidy/grant application and agreement of execution of contract/loan/subsidy/grant.

7. REPORTING OF FRAUD

- i) Any employee, representative of vendors, suppliers, contractors, lenders, borrowers, consultants, service providers or any other agency(ies) doing any type of business with IIFCL 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). If, however, there is shortage of time such report should be made to the immediate HOD 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) On 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.

8. INVESTIGATION PROCEDURE

Nodal Officer

- i) The Nodal Officer shall carry out preliminary investigation. The employee who reports suspected dishonest or fraudulent activity should not attempt to personally conduct

investigations or interviews/interrogations related to any suspected fraudulent act. The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with *anyone* unless specifically asked to do so by the Nodal Officer or the HOD.
- The Nodal Officer shall treat all information received *confidentially*. Great care must be taken in the investigation of suspected improprieties.

No information concerning the status of an investigation will be given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." *Under no circumstances* should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference. Investigation results *will not be disclosed or discussed with* anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Company from potential civil liability.

If the preliminary investigation of the Nodal Officer substantiates that fraudulent activities have occurred, the Nodal Officer shall seek approval of the competent authority and, refer the details of the Fraud/suspected fraud to the Vigilance Department of IIFCL, for further appropriate investigation and needful action.

Chief Vigilance Officer

- i) 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.
- ii) After completion of the investigation by the Vigilance Department, due & appropriate action, which could include administrative action/ disciplinary action, depending upon the outcome of the investigation and shall be undertaken with the approval of the competent authority and as per the provisions in IIFCL Staff Regulations. Later, the same maybe reported to the Audit Committee/ Board, as per the directions of the Competent Authority for civil or criminal action, if any.

Nodal Officer

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