

# **ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED**

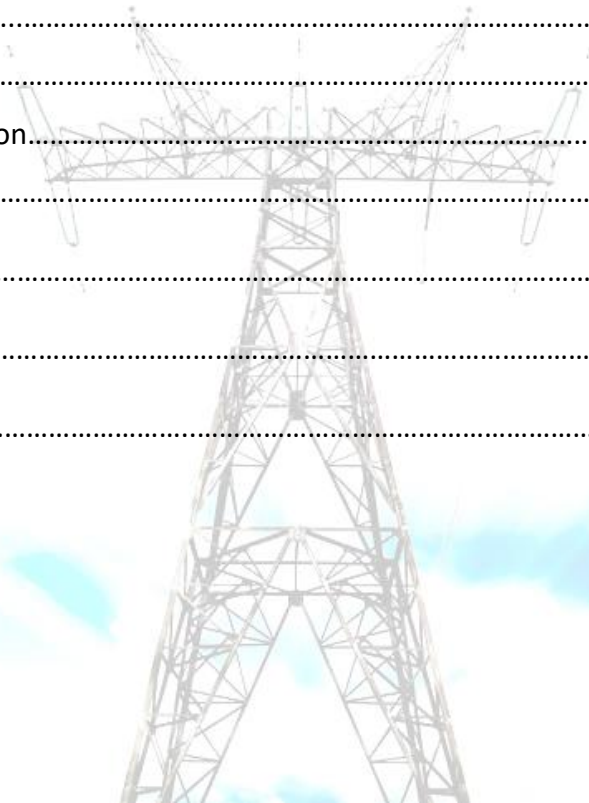


## **FRAUD PREVENTION POLICY**

**Approved in 174<sup>th</sup> Board Meeting**

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## 1. Summary & Background of Policy:

<b>Policy Name</b>	Fraud Prevention Policy
<b>Reference</b>	RBI Master Direction <b>DNBS. PPD.01/66.15.001/2016-17 dt. September 29, 2016</b>
<b>Date of Approval</b>	16/03/2022 (174 <sup>th</sup> Board Meeting)
<b>Periodicity of review</b>	Annual
<b>Owner / Contact</b>	Compliance
<b>Approver</b>	Board of Directors

### Background & Definition of Fraud:

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.

Section 447 of the Companies Act, 2013 provides for the definition of fraud and the punishment for committing fraud. “Fraud is a false representation or concealment of a material fact or any other illegal act committed intentionally to cause wrongful gains to self or others and /or wrongful loss to others”.

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.

## 2. Scope of Policy:

This policy applies to any fraud or suspected fraud **in Andhra Pradesh Power Finance Corporation Limited** (also called the Company), involving employees (including

contractual employees) as well as shareholders, consultants, vendors, suppliers, service providers, contractors, lenders, borrowers, outside agencies and / or any other parties with a business relationship with APPFCL.

### **3. Objectives of the Policy:**

- 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 the Company 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.

### **4. Actions Constituting Fraud:**

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

- i. Forgery or alteration of any document or account belonging to the Corporation.
- ii. Forgery or alteration of a cheque, bank draft, or any other financial instrument, financial document and personal claims, etc.
- iii. Misappropriation of funds, securities, supplies, or other assets, etc.
- iv. Willful suppression of facts/ deception in matters of appointments, placements, tender committee recommendations, entity and project appraisal, submission of reports, etc. as a result of which a wrongful gain(s) is made to one and /or wrongful loss(s) is caused to the others.
- v. Utilizing Company funds for personal purposes.
- vi. Authorizing or receiving payments for goods not supplied or services not rendered.

- vii. Destruction, disposition, removal of records or any other assets of the Corporation 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.
- viii. Impropriety In the handling or reporting of money or financial transactions.
- ix. Profiteering as a result of insider knowledge of company activities.
- x. Disclosing confidential and proprietary information to outside parties.
- xi. Any similar or related inappropriate conduct

#### **5. Reporting Procedure:**

An employee, vendor, contractor, borrower, lender or other person having business relationship with the Company, on discovery of fraud or suspected fraud must report it to the designated Nodal Officer. The matter may be reported in writing. If an employee or other person is not willing to report it in writing, he or she may get his/her statement recorded before the Nodal Officer. The Nodal Officer shall maintain the details of identity of the official/employee/other person reporting such fraud.

The Nodal Officer shall maintain the confidentiality about the identity of the reporting individual and under no circumstances would discuss it with any unauthorized person. The Company will not tolerate any form of retaliation against individuals providing information concerning fraud or suspected fraud. The Company shall provide protection to the complainant/individual providing information concerning fraud or suspected fraud against victimization.

The Nodal Officer will act expeditiously upon such reporting and ensure that all relevant records and documents and other evidences are taken into custody or protected from being tampered with, destroyed or removed by the suspected persons/ officials.

On receipt of the report, the reporting individual would be informed of the following by

the Nodal Officer:-

- i. Do not contact the suspected individual in an effort to determine facts or demand restitution.
- ii. Observe confidentiality. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Nodal Officer.

#### **6. Investigation of Fraud:**

It will be the primary responsibility of Nodal Officer to conduct the preliminary investigation. The employee who reports the suspected fraud should not attempt to conduct investigation personally. He or she should not interview or interrogate any person related to the suspected fraud.

The Nodal Officer or any other employee involved in the investigations of suspected fraud shall keep the content of investigative activity strictly confidential. Investigation results shall not be disclosed to or discussed with anyone other than those who have a legitimate need to know this.

The Nodal Officer shall make every effort to protect the rights and the reputations of everyone involved in a report of suspected fraud, including the individual who in good faith alleges perceived misconduct, as well as the alleged violator(s).

If Nodal Officer determines that a report is not credible or is not a report of fraud, he/she shall document this determination. The Nodal Officer's documentation shall include support for the determination.

If the preliminary investigation substantiates the fraudulent activities, the Nodal Officer will prepare an incident report and send it to the Director of the concerned unit for approval for sending it to Vigilance Unit for further investigation.

After completion of the investigation by the Vigilance Department, due & appropriate action which could include administrative action, disciplinary action, reporting to the Board/ Audit Committee, 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 with the approval of the competent authority.

Vigilance Department shall apprise “Nodal Officer” of the results of the investigation undertaken by them. There shall be constant coordination maintained between the two.

#### **7. Time Limits:**

The Nodal Officer will complete the Preliminary investigation and submit the investigation report not later than 30 days from the date of report of fraud/ suspected fraud. In case Nodal Officer is not able to complete and submit the investigation report in 30 days, he has to record the reasons for delay and may seek an extension for 10 days from D(ID&A). However, under the exceptional circumstances the extension beyond forty days for a period as permitted by CMD.

#### **8. Quarterly Returns:**

Applicable NBFCs should submit a copy of the Quarterly Report on Frauds Outstanding in the format given in FMR – 2 to the Regional Office of the Bank, Department of Non-Banking Supervision under whose jurisdiction the Registered Office of the NBFC falls irrespective of amount within 15 days of the end of the quarter to which it relates.

##### Progress Report on Frauds:

- i. Applicable NBFCs should furnish case-wise quarterly progress reports on frauds involving ₹ 1 lakh and above in the format given in FMR – 3 to the Central Office of the Department of Banking Supervision of the Bank, Fraud Monitoring Cell, Bengaluru where the amount involved in fraud is ₹ 1 crore and above and to Regional Office of the, Department of Non-Banking Supervision of the Bank under whose jurisdiction the Registered Office of the applicable NBFC falls where the fraud amount involved in fraud is less than ₹ 1 crore within 15 days of the end of the quarter to which it relates.
- ii. In the case of frauds where there are no developments during a quarter, a list of such cases with a brief description including name of branch and date of reporting shall be furnished in FMR – 3 as mentioned in item (i) above



## **9. Reports to Board:**

- i. Applicable NBFCs should ensure that all frauds of ₹ 1 lakh and above are reported to their Boards promptly on their detection.
- ii. Such reports should, among other things, take note of the failure on the part of the concerned officials, and consider initiation of appropriate action against the officials responsible for the fraud.

### **Quarterly Review of Frauds:**

- i. Information relating to frauds for the quarters ending March, June and September shall be placed before the Board of Directors during the month following the quarter to which it pertains.
- ii. These should be accompanied by supplementary material analysing statistical information and details of each fraud so that the Board would have adequate material to contribute effectively in regard to the punitive or preventive aspects of frauds.
- iii. All the frauds involving an amount of ₹ 1 crore and above should be monitored and reviewed by the Audit Committee of the Board (ACB) of NBFCs. The periodicity of the meetings of the Committee may be decided according to the number of cases involved. However, the Committee should meet and review as and when a fraud involving an amount of ₹ 1 crore and above comes to light.

## **10. Administration of Policy:**

The Chairman and 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.