



**Fraud Prevention Policy**  
**of**  
**The Orissa Minerals Development Company Limited**  
**(A Govt. of India Enterprise)**

## **Fraud Prevention Policy**

### **1.0 Background:**

(i) The Orissa Minerals Development Company Limited (OMDC) has put in place various procedures and policies to guide the employees of OMDC to discharge their duties and responsibilities in a uniform and transparent manner. The OMDC has already put in place a Whistleblower Policy in place for to provide a mechanism for employees to report about violation of Rules and Procedures and unethical behavior taking place anywhere in the organization. To strengthen the occurrence of fraud within the organization the company need to put in place a Fraud Prevention Policy in compliance of the provision of Section 619(3) of the Companies Act, 1956 and Section 177(9) of the Companies Act, 2013. In light of the aforementioned points and approach of OMDC to follow the Corporate Governance principles proactively, this Fraud Prevention Policy is formulated and implemented.

### **2.0 Objective:**

(i) The Fraud Prevention Policy of OMDC (hereinafter mentioned as 'the policy') is to provide a system for detection, prevention and reporting of fraud that is detected or suspected and transparent and fair dealing of matters pertaining to fraud. The policy is to ensure and provide that:-

- a. The management aware of its responsibility to detect and prevent fraud.
- b. Establishing procedure to detect fraud.
- c. Provide clear and transparent guidelines to employees and others transacting with OMDC so as to forbid them from involving in fraud.
- d. Providing guidelines to employees and outsiders about action to be taken by them when they notice or suspect any fraud in the company.
- e. Providing assurance that any fraud and/or suspected fraud will be properly investigated.

### **3.0 Scope:**

(i) The policy applies to fraud or suspected fraud in connection with business transaction with OMDC carried out or being carried out by employees, persons engaged on adhoc/temporary/contact basis, vendors, suppliers, contractors, consultants, advisors, service providers, any outside agency or its employees/representatives, lenders or any other outside party.

**4.0 Definition:** (i) Fraud is an act or omission designed internationally to deceive others, be it an individual or organization, resulting in suffering of loss by the victim of fraud and/or the designer/perpetrator achieving gain.

(ii) As per Section.447 (1) of The Companies Act, 2013 Fraud is defined as follows:

"Fraud" in relation to affairs of a company or anybody corporate; includes (a) any act, (b)omission, (c)concealment of any factor (d) 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.

(iv) "Wrongful gain" means the gain by unlawful means of property to which the person gaining is not legally entitled.

(v) "Wrongful loss" means the loss by unlawful means of property to which the person losing is legally entitled.

#### **5.0 Act or Omission Constituting Fraud:**

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

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

(a) Forgery or unauthorized alteration of any document or account belonging to the Company.

(b) Forgery or unauthorized alteration of cheque, bank draft E-banking transaction(s) or any other financial instrument etc.

(c) Misappropriation of funds, securities, supplies or others assets by fraudulent means etc.

(d) Falsification of records submitting fake claims or claims with altered documents/supporting, removing the documents from the files and /or replacing it by a fraudulent one etc.

(e) 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/are made to one and wrongful loss(s) to the others.

(f) Utilizing Company funds /assets for personal or other than official purposes.

(g) Verification and authorization /certification of bills for payment (goods/services) without completion of supply/completion of works as per Purchase Order/Work Order.

(h) 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.

(i) Willful delay in reporting recoveries /adjustments from suppliers/vendors bills.

(j) Allowing/unauthorized use of Company assets by outsiders like vendors/suppliers/sub-contractors.

(k) Any other act that falls under the gamut of fraudulent activity.

#### **6.0 Fraud Detection:**

(i) Audit Committee is formed in compliance of Company Act, 2013 headed by an Independent Director. The Audit Committee reviews transactions compliances.

(ii) IFC (Internal Financial Control) system is implemented in the company since 2016-17. Implementation of Internal Financial Control (IFC) empowers many critical areas of prevention of frauds e.g. Cash & Bank, Fixed Assets, Sundry Debtors, Entity Level Controls, Purchases etc. by means of conducting Internal Audit which reviews & evaluates reasonable, adequacy and application of accounting, financial and other operating information and control. Besides, IFC is checked upon by Statutory Auditors at the Financial Year end.

(iii) Along with preventive controls, mechanisms for detection of fraud are also being implemented like segregation of duties, rotation of duty, reconciliation, independent reviews, physical inspection, periodic inventory check, surprise checks etc.

#### **7.0 Reporting of Fraud:**

(i) All employees of OMDC, representative of vendors, suppliers, contractors, consultants, service providers or any other agencies doing any type of business with OMDC as soon as he /she comes to know of any fraud or suspected fraud or any other fraudulent activity must report such incident to the designated Nodal Officers.

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.

In case the reporter asks for protection, the protection available under Whistle Blower Policy of Company shall be extended to the reporter.

(ii) All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by Nodal Officers

(iii) Officer receiving input about any suspected fraud/Nodal officers shall ensure that all relevant records, documents and other evidence are immediately taken into custody and protected from being tampered with, destroyed or removed by suspected perpetrators of fraud or by any other official under his influence.

**8.0 Fraud Prevention and Detection:** All Nodal Officers shall be responsible for implementing the Fraud Prevention Policy of the Company and prevention and detection of fraud as per this Policy: It is the responsibility of all Nodal Officers to ensure that complete mechanism in respect of Fraud Prevention Policy is in place within his/her administrative/functional area of control.

(i) **Fraud Prevention:**

- (a) Create an ethical and transparent environment by training and implementing policies, guidelines and procedures.
- (b) Familiarize each employee with the types of improprieties that might occur in their area.
- (c) Educate employees regarding the measures to be taken for prevention and detection of fraud.
- (d) Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.
- (e) Promote awareness among the employees of ethical principles subscribed to by the Company through CDA Rules/Standing Orders.
- (f) Maintain record of complaints/cases received and submit annual report to Nodal Officer in Corporate Finance.

**9.0 Responsibility for Fraud Prevention:**

(i) Every employee (as defined in the Establishment Manual of the Company) including a person on deputation to the Company and Contract employees, representative(s) of vendors, suppliers, contractors, consultants, service providers or any employee of other agency/agencies doing any type of business with OMDC, 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 comes to their knowledge that a fraud or suspected fraud has taken place 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 mechanisms are 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 detection and prevention including IT fraud such as phishing, etc.
- 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/Standing Orders;

iii. Due amendments shall be made in the general conditions of contract of the organization and similar such document wherein all bidders/service providers/ vendors/consultants etc. shall be required to certify that they would adhere to the Fraud Prevention Policy of the Company and would not indulge or allow anybody else working in their organization to indulge in fraudulent activities and would immediately apprise the Company 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/purchase order/work order etc.

iv. Computer / IT related frauds could be of diverse types and the means adopted could keep on changing from time to time. These need to be addressed very strongly by adopting measures like password controls, frequent change of passwords, installing effective internet tools like firewall and antivirus, exercising caution in downloading software and resorting to other such measures as needed from time to time.

#### **10.0 Nodal Officers and their Responsibility:**

(i) **Nodal Officer:** Respective mines managers will be designated as Nodal Officers for each mine and at Head Office Departmental Heads (e.g. GM (Fin.), GM (Tech.), GM (Comm.) and GM (Pers.), or higher level officers as the case may be, will be Nodal Officers for their respective Sections/Departments/Divisions.

#### **11.0 Investigating Procedure:**

(i) Reporting of Fraud:. Any one (full time & part time employees or persons appointed on adhoc/ temporary/ contract basis, trainees, apprentices, representatives of vendors/ suppliers/ contractors/consultants/service providers or any other agency doing any business with OMDC) - as soon as he / she comes to know of any fraud or suspected fraud or notice any other fraudulent activity - he/she must report such incident(s) without further loss of time. Procedure for reporting of fraud should be displayed by Notice Board both at Mines Office and at HO along with name and contact nos. of Nodal Officers for better implementation and accessibility of the policy.

ii. Such reporting shall be made to the "**Nodal Officer**".

iii. Until further orders, **Officer in-charge Vigilance at Unit level** will be the **Nodal Officer**.

iv If however, time constraints are there to report the matter to the Nodal Officer, such report should be made to the **immediate controlling officer**, who shall ensure that input received is immediately communicated to the Nodal Officer.

v 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 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.

vi Reports can be made 'in confidence'. The person to whom the fraud or suspected fraud has been reported must maintain the confidentiality with respect to the reporter. Such matter should under no circumstances be discussed with any other person who is not supposed to know about/ or is not an authorized person in such matters.

vii. **Anonymous/Pseudonymous complaints** received, may not be acted upon. However, a record of such complaints will be maintained. Also, a record of the reasons to be made in writing (for not taking any action on such anonymous/pseudonymous complaints) will be maintained by the Nodal Officer.

viii. In the case the management finds the complaint to be motivated or vexatious, it shall be at liberty to take appropriate steps against complainant at per Section 182 IPC/ Section 195 (1)(a) Cr.P.C.

ix. All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by the Nodal Officer.

x. Nodal Officer on receiving input about any suspected fraud 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.

Action of Vigilance Dept against such fraud cases would be as per their departmental procedure / as per the guideline of CVC. Further:-

- a. The "Nodal Officer" shall act as co-ordinator and refer the details of the fraud/suspected fraud to Unit head for intimating the same to the concerned Director/ MD. The Director/MD

after considering report of Nodal Office/Unit head may refer the case to Internal Auditor (IA) or Corporate Vigilance for further investigation.

- b. This input would be in addition to the intelligence, information and investigation of cases of fraud being investigated by the Vigilance Deptt. on their own as part of their day to day functioning.
- c. After completion of the investigation, 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.
- d. Vigilance Department or IA shall report to concerned Director the result of the investigation undertaken by them to seek orders for further action.

#### **12.0 Incorporation of Fraud Prevention Policy in Tenders/MOU set.**

- (i) A clause may be added in all the NITs that-

*"The Bidder along with its associate/collaborators/sub-contractors/sub-vendors/consultants/service providers shall strictly adhere to OMDC Fraud Prevention Policy displayed on OMDC website <http://www.birdgroup.co.in> or other website and shall immediately bring to the notice of OMDC Management through Nodal Officer concerned about any fraud or suspected fraud as soon as it comes to their notice."*

- (ii) Fraud Prevention Policy and List of Nodal Officers shall be hosted on Corporate website of OMDC website.

#### **13.0 Administration and Review of the Policy:**

- (i) Managing Director, OMDC shall be Appropriate Authority for interpretation, administration, application review and revision of the policy.

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**Indicators of Fraud**

- ❖ Missing expenditure vouchers and unavailable official records
- ❖ Crisis management coupled with a pressured business climate
- ❖ Profitability declining
- ❖ Excessive variations to budgets or contracts
- ❖ Refusals to produce files, minutes or other records
- ❖ Related party transactions
- ❖ Increased employee absences
- ❖ Borrowing from fellow employees
- ❖ An easily led personality
- ❖ Covering up inefficiencies
- ❖ Lack of Board oversight
- ❖ No supervision
- ❖ Staff turnover is excessive
- ❖ Figures, trends or results which do not accord with expectations
- ❖ Bank reconciliations are not maintained or can't be balanced
- ❖ Excessive movement of cash funds
- ❖ Multiple cash collection points
- ❖ Remote locations of any event.
- ❖ Unauthorized changes to systems or work practices
- ❖ Employees with outside business interests or other jobs
- ❖ Large outstanding bad or doubtful debts
- ❖ Offices with excessively flamboyant characteristics
- ❖ Employees suffering financial hardships
- ❖ Placing undated/post-dated personal cheques in petty cash
- ❖ Employees apparently living beyond their means
- ❖ Heavy gambling debts
- ❖ Signs of drinking or drug abuse problems
- ❖ Conflicts of interest
- ❖ Lowest tenders or quotes passed over without explanations recorded
- ❖ Employees with an apparently excessive work situation for their position
- ❖ Managers bypassing subordinates
- ❖ Subordinates bypassing managers
- ❖ Excessive generosity
- ❖ Large sums of unclaimed money
- ❖ Large sums held in petty cash
- ❖ Lack of clear financial delegations
- ❖ Secretiveness
- ❖ Apparent personal problems
- ❖ Marked character changes
- ❖ Poor morale of employees
- ❖ Excessive control of all records by one officer
- ❖ Poor security checking processes over staff being hired

- ❖ Unusual working hours on a regular basis
- ❖ Refusal to comply with normal rules and practices
- ❖ Personal creditors appearing at the workplace
- ❖ Non taking of leave
- ❖ Excessive overtime
- ❖ Large backlogs in high risk areas
- ❖ Lost assets
- ❖ Unwarranted organization structure
- ❖ Absence of controls and audit trails.
- ❖ Socializing with clients – meals, drinks, holidays
- ❖ Seeking work for clients
- ❖ Favorable treatment of clients – eg allocation of work
- ❖ Altering contract specifications
- ❖ Contract not completed to specification
- ❖ Contractor paid for work not done.
- ❖ Grants not used for specified purpose – eg Leasing capital equipment instead of purchasing them.

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(The above list is illustrative and not exhaustive and may change from time to time)

**Common Methods and Types of Fraud**

- ❖ Payment for work not performed
- ❖ Forged endorsements
- ❖ Altering amounts and details on documents
- ❖ Collusive bidding
- ❖ Overcharging
- ❖ Writing off recoverable assets or debts
- ❖ Unauthorized transactions
- ❖ Selling information
- ❖ Altering stock records
- ❖ Altering sales records
- ❖ Cheques made out to false persons
- ❖ False persons on payroll
- ❖ Theft of official purchasing authorities such as order books
- ❖ Unrecorded transactions
- ❖ Transactions (expenditure/receipts/deposits) recorded for incorrect sums
- ❖ Cash stolen
- ❖ Supplies not recorded at all
- ❖ False official identification used
- ❖ Damaging/destroying documentation
- ❖ Using copies of records and receipts
- ❖ Using imaging and desktop publishing technology to produce apparent original invoices
- ❖ Charging incorrect amounts with amounts stolen
- ❖ Transferring amounts between accounts frequently
- ❖ Delayed terminations from payroll
- ❖ Bribes
- ❖ Over claiming expenses
- ❖ Skimming odd pence and rounding
- ❖ Running a private business with official assets
- ❖ Using facsimile signatures
- ❖ False compensation and insurance claims
- ❖ Stealing of discounts
- ❖ Selling waste and scrap.

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### Examples of Good Management Practices Which May Assist in Combating Fraud

- ❖ All income is promptly entered in the accounting records with the immediate endorsement of all cheques.
- ❖ Regulations governing contracts and the supply of goods and services are properly enforced
- ❖ Accounting records provide a reliable basis for the preparation of financial statements
- ❖ Controls operate which ensure that errors and irregularities become apparent during the processing of accounting information
- ❖ A strong internal audit presence
- ❖ Management encourages sound working practices
- ❖ All assets are properly recorded and provision is made known or expected losses
- ❖ Accounting instructions and financial regulations are available to all staff and are kept up to date
- ❖ Effective segregation of duties exists, particularly in financial accounting and
- ❖ Cash /securities handling areas
- ❖ Close relatives do not work together, particularly in financial, accounting
- ❖ Cash /securities handling areas
- ❖ Creation of an agency climate to promote ethical behaviour
- ❖ Act immediately on internal/external auditor's report to rectify control weaknesses
- ❖ Review, where possible, the financial risks of employees
- ❖ Issue accounts payable promptly and follow-up any non-payments
- ❖ Set standards of conduct for suppliers and contractors
- ❖ Maintain effective security of physical assets; accountable documents (such as cheque books, order books); information, payment and purchasing systems
- ❖ Review large and unusual payments
- ❖ Perpetrators should be suspended from duties pending investigation
- ❖ Proven perpetrators should be dismissed without a reference and prosecuted
- ❖ Query mutilation of cheque stubs or cancelled cheques
- ❖ Store cheque stubs in numerical order
- ❖ Undertake test checks and institute confirmation procedures
- ❖ Develop well defined procedures for reporting fraud, investigating fraud and dealing with perpetrators
- ❖ Maintain good physical security of all premises
- ❖ Randomly change security locks and rotate shifts at times (if feasible and economical)
- ❖ Conduct regular staff appraisals
- ❖ Review work practices open to collusion or manipulation
- ❖ Develop and routinely review and reset data processing controls
- ❖ Regularly review accounting and administrative controls
- ❖ Set achievable targets and budgets, and stringently review results
- ❖ Ensure recording of regular leave are done.
- ❖ Rotate staff
- ❖ Ensure all expenditure is authorized
- ❖ Conduct periodic analytical reviews to highlight variations to norms
- ❖ Take swift and decisive action on all fraud situations
- ❖ Ensure staffs are fully aware of their rights and obligations in all matters concerned with fraud .

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(The above list is illustrative and not exhaustive and may change from time to time)