

## **Operations Vigilance Policy**

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## **POLICY ON VIGILANCE**

### **1.1. Preface**

1.1.1 Vigilance is a critical part of Microfinance business and endeavors to ensure clean business transactions, professionalism, productivity, promptness and transparent practices and acts as a watchdog to curb opportunities for corruption. This leads to enhancing of staff efficiency and effectiveness and the Organization's overall performance. The following guidelines aim at structuring efficient and effective vigilance system in SAMASTA in the larger interest of all stakeholders.

### **1.2. Introduction**

1.2.1 While preventing corruption and malpractices in the Organization is the collective responsibility of all concerned, a Head of Vigilance shall be appointed, who has the over-all responsibility of looking into the acts of misconduct alleged against, or committed by, the employees within its control and to take appropriate punitive action. The Head of Vigilance is also required to take appropriate preventive measures so as to prevent commission of misconducts/malpractices by the employees under its control and jurisdiction.

1.2.2 The designated Officer shall act as an Adviser to the CEO of the SAMASTA in the discharge of these functions. He shall also act as a liaison officer between the SAMASTA and the Police/Other law enforcement authorities.

1.2.3 Vigilance functions to be performed by the Head of Vigilance shall be wide ranging and include collecting intelligence about the corrupt practices committed, or likely to be committed, by the employees of the SMASTA; investigating or ensuring an investigation is made into verifiable allegations reported to him; processing investigation reports for further consideration of the disciplinary authority of the Organization; referring the matters to the CEO of the SAMASTA for his guidance, taking steps to prevent commission of improper practices/misconducts, etc. Thus, apart from surveillance, detection and taking punitive action, the Head of Vigilance's functions shall also include preventive vigilance.

### **1.3. Acts Requiring Vigilance Investigation**

1.3.1. The following acts on the part of employees shall invite Vigilance investigation:

1. Demanding and/or accepting gratification other than legal remuneration in respect of an official act or for using his influence with any other official.
2. Obtaining valuables, without paying or making inadequate payment from a person with whom he has or is likely to have official dealings or his subordinates have official dealings or where he can utilize influence.

3. Obtaining for himself or for any other person any valuable thing or pecuniary advantage by corrupt or illegal means or by abusing his position as an employee possession of assets disproportionate to his known sources of income.
4. Possession of assets disproportionate to his known sources of income.
5. Cases of misappropriation, forgery or cheating or other similar criminal offence.

1.3.2. Other cases of probable irregularities shall include:

1. Gross or willful negligence;
2. Recklessness in decision making;
3. Blatant violations of systems and procedures.
4. Exercise of discretion in excess, where no ostensible organizational Interest evident
5. Failure to keep the controlling authority superiors informed in time.

1.3.3. In the above cases, the disciplinary authority shall review the circumstance with the help of Head Of Vigilance to decide whether there is reasonable ground to doubt the integrity of the officer concerned

#### **1.4. Preventive Vigilance Activities of the SAMASTA**

1.4.1. The preventive vigilance activities of the Vigilance function shall include the following:

1. Study the existing procedure and practices of the SAMASTA with a view to modifying those procedures or practices which provide a scope for corruption and also to find out the causes of delay, the points at which it occurs and devise suitable steps to minimize delays at different stages.
2. Review the regulatory functions with a view to see whether all of them are strictly necessary and whether the manner of discharge of those functions and exercise of powers of control are capable of improvement;
3. Design proper methods of control over the exercise of discretionary power so as to ensure that such delegated authority is not exercised arbitrarily but in a transparent and fair manner;
4. Identify the areas which are prone to corruption and ensure that the employees proven integrity are Posted in those areas;

## **1.5. Association of Head of Vigilance with sensitive matters**

1.5.1. Employees of the Vigilance department shall not be part of the processing and decision-making processes of the Organization nor be involved in such administrative transactions, which are likely to have clear vigilance sensitivity.

## **1.6. Submission of the reports and returns-Review**

1.6.1. The Vigilance department shall compulsorily review all pending matters, such as investigation reports, disciplinary cases and other vigilance complaints/cases in the first week of every month and take necessary steps for expediting action on those matters.

1.6.2. The Head of Vigilance shall arrange regular meetings with the MD to review the vigilance activity and submit a report to the Board on a periodic basis.

## **1.7. Staff rotation and mandatory leave**

1.7.1. The Organization has a policy of job rotation of all employees especially those in sensitive positions, which shall be strictly enforced. As per HR policy, all employees are also required to avail mandatory leave every year. The minimum period for staff rotation and mandatory leave shall apply to the staff at all levels.

## **1.8. Complaints**

If staff got any information about the fraud/unethical activities etc they should inform to their superiors and complaint dpt./vigilance department/whistle blower committee.

If employee identify any information or fraud against the HOD then he/she reports to COO/MD/CPO.

1.8.1. Any information received, from any source, about corruption, malpractice or misconduct on the part of an employee of the SAMASTA, shall be considered as a complaint. Information about corruption, malpractice or misconduct on the part of employees may flow to the administrative authority/the Police/ RBl from any of the following sources:

1. Complaints received from employees of the organisation or from the public;
2. Departmental inspection reports and stock verification surveys;
3. Scrutiny of annual property statements;
4. scrutiny of transactions reported under the conduct Rules;
5. Reports of irregularities in accounts detected in the routine audit of accounts;

e.g. tampering with records, over-payments, misappropriation of money or materials etc;

6. Audit reports of the accounts of the Organization;
7. Complaints and allegations appearing in the press etc;
8. Source information, if received verbally from an identifiable source, to be reduced in writing; and
9. Intelligence gathered by agencies like Police, local bodies etc.

1.8.2. In addition, the Head of Vigilance shall also devise and adopt appropriate methods to collect information about any malpractice and misconduct among the employees. Anonymous/pseudonymous complaints received by the vigilance department shall be dealt with on merit.

### **1.9. Investigation agency for conducting investigations**

1.9.1. Once it has been decided that a complaint received needs investigation, it shall be necessary to decide whether the allegations should be inquired internally or whether a police investigation is necessary. Guidelines in this respect as contained in the **'RBI/2015-16/75; DBS. CO. CFMC. BC. NO. 1/23.04.0001/2015-16 on Frauds - Classification and Reporting' dated July 1, 2015** are as follows:

1.9.2. In reporting of frauds such as unauthorized credit facilities extended by the Organization for illegal gratification, negligence and cash shortages, cheating, forgery, etc. And in dealing with cases of fraud/embezzlement, the intention of the SAMASTA shall not only be the necessity of recovering expeditiously the amount involved, but shall also be motivated by public interest and the need for ensuring that the guilty persons do not go unpunished.

### **1.10. Review of cases entrusted to police**

1.9.1. No review shall ordinarily be required to be made by the SMFL of a case registered by the Police. If, however, there are special reasons for discussion/review, the Police should invariably be associated with it.

**1.10. Action against persons making false complaints:**

1.11.1. If a complaint against an employee is found to be malicious, vexatious or unfounded, it shall be considered seriously whether action shall be taken against the complainant for making such a false complaint.

**1.12. Close liaison between the law enforcement authorities and the administrative authorities:**

1.12.1. There is a need for close liaison and co-operation between the Head Vigilance of the SMFL and the police authorities during the course of an inquiry and investigation and the processing of individual cases as both the police authorities and the Head Vigilance, receive information about the activities of the officer from the divers sources. Such information could be crosschecked at appropriate intervals to keep all concerned fully appraised with the latest developments through periodical meetings between the Head Vigilance and the Officers of the Police and others.

**1.13. Default caused by Fraud and Mass Defaults.**

Default Caused by Fraud and Mass Defaults		
Default caused by fraud	Cases shall be reported immediately to the Vigilance Team Risk & Credit. Investigation and follow through shall be done in accordance with process.	BM/AM/DM/ Vigilance & Risk
Mass default	Upon confirmation from Branch supervisor an immediate intimation along with initial observations shall be sent to ZH, COO, Audit Head, Risk & Vigilance Head.	Business Team (CRO & Above), Credit, Risk & Vigilance Team

**1.14. Action plan against Over dues**

Post recovery from the PAR customers, BCM shall conduct random calls and cross verify with the customers, further, calls will be made by HO Telecalling team at sample basis. Based on the feedback received from BCM & Tele calling team, the Vigilance team shall conduct visits.

Overdue Bucket	Activity	Responsibility	Monitoring	Account Allocation
<b>Day 1</b>	All overdue accounts	CRO	BM & CMT	CRO
<b>1 - 15 Days</b>	CRO & BM to monitor the collection and visit the customer. (Continuous Follow up) BCM shall conduct Telephone calls and cross verify with the customers	1. CRO & BM 2. BCM	1. AM & CMT 3. ACM	CRO, BM
<b>16 - 30 Days</b>	CRO, BM & AM to monitor the collections and visit the customer. (3 Visits), Vigilance shall conduct special investigation on 10% of sample cases to cross check the authenticity of the remarks made by the BM/AM. CMT should follow up with Business team to reduction of Overdues.	CRO, BM & AM	DM, Vigilance &	CRO, BM & AM
<b>31 - 60 Days</b>	CRO, BM, AM & DM to monitor the collections and visit the customer. (4 Visits), CMT should follow up with Business team to reduction of Overdues.	CRO, BM, AM & DM	RM, SH & CMT	CRO, BM, AM & DM
<b>61 - 90 Days</b>	CRO, BM, AM, DM & RM to monitor the collections and visit the customer. (4 Visits), CMT should	CRO, BM, AM, DM & RM	SH & CMT	CRO, BM, AM, DM & RM

	follow up with Business team to reduction of Overdues.			
<b>91 - 180 Days</b>	CRO, BM, AM, DM, RM & SH to monitor the collections and visit the customer. (5 Visits), CMT should follow up with Business team to reduction of Overdues.	CRO, BM, DM, RM & SH	SH, ZH & CMT	CRO, BM, AM, DM, RM & ZH
<b>&gt;180 Days/Write Off A/c</b>	CRO, BM, AM, DM, RM, SH & ZH to monitor the collections and visit the customer. (5 Visits), CMT should follow up with Business team to reduction of Overdues.	CRO, BM, RM, SH & ZH	ZH, COO & CMT	DM, RM & ZH

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