

## Board Policy

<b>GOVERNANCE</b>	Document No : CECP0002.01 Amendment No : 1 Approved By : Board (Item 3.1) Approval Date : 29/07/2015 Review Date : 29/07/2017
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***(Supersedes (Governance) Preventing Fraud and Corruption – CECP0002.01 – Amendment 0)  
(Minor Amendment to Section 3.0 References – added hyperlink)***

### CECP0002.01      PREVENTING FRAUD AND CORRUPTION

#### 1.0      POLICY STATEMENT

The board supports management to implement, embed and sustain a consistent, values-based organisation that fosters ethical behaviours, encourages integrity and manages fraud and corruption risk.

This policy has been developed in accordance with the board’s responsibilities under its charter for determining, approving and keeping current the company’s policy on fraud control and for overseeing its application in the undertaking of the company’s affairs. It supports the board’s responsibility to minimise the possibility of the company operating beyond acceptable levels of risk and to exercise due care, diligence and skill in relation to risk management. It also supports the board’s responsibility for setting the ethical tone of the company.

The board, ELT members, managers and others with supervisory responsibilities are committed to effectively manage the company’s fraud and corruption prevention efforts so that fraud risks are understood, promoted, effectively managed and reported.

The company will investigate and take action regarding identified instances of fraudulent and corrupt behaviour, and where relevant such instances will be reported to the NSW Police and/or the Independent Commission Against Corruption (ICAC).

#### 2.0      PURPOSE

To outline the approach the company will take to promote an ethical culture in managing the risk of fraud and corrupt conduct, based on underlying principles including its commitment to preventing, detecting, investigating and responding to allegations of fraud and corruption.

#### 3.0      REFERENCES

##### Internal

- Board Policy (Governance) – Governance – CECP0002
- Annexure A – Board Charter and Board Committee Charters – Board Policy (Governance) – Governance – CECP0002
- Board Policy (Governance) – Principles and Values – CECP0001
- Board Policy (Governance) – Risk Management – CECP0002.03
- Board Policy (Governance) – Compliance – CECP0002.02
- Company Procedure (Governance) – Essential Energy Code of Conduct –CECG3001.01
- Operational Procedure (Procurement & Logistics) - Statement of Business Ethics – CEOP1115
- [Fraud and Corruption Control Plan](#)

**External**

*Government Information (Public Access) Act 2009*

*Independent Commission Against Corruption Act 1988*

*Ombudsman Act 1974*

*Public Interest Disclosures Act 1994*

AS 8001-2008: Fraud and Corruption Control

AS 8002-2003 – Corporate Governance Organizational Codes of Conduct

Audit Office of NSW Fraud Control Improvement Kit, February 2015

Boards and Committees (December 2011)

ISO 31000-2009 - Risk Management – Principles and Guidelines

ICAC Best Practice Guide on Developing a Statement of Business Ethics (May 2004)

ICAC and Public Sector Organisations: Guidelines for Principal Officers June 2007

Legal Duties and Obligations of Directors Manual

NSW Auditor-General's Corporate Governance Lighthouse

NSW Department of Premier and Cabinet Conduct Guidelines for Members of NSW Government

NSW Treasury Guidelines for Boards of Government Businesses (TPP09-2)

**4.0 DEFINITIONS****Code of Conduct**

Sets out what ethics means for the company, the company's values and the associated behaviours that are expected of directors, employees, and any other person representing the company, and how to report inappropriate behaviour.

**Contractors**

Includes temporary labour/consultants/contractors.

**Corrupt conduct**

For the purposes of this policy, conduct is corrupt when it involves deliberate or intentional wrongdoing, not negligence or a mistake. Corrupt conduct occurs when:

- an employee improperly uses, or tries to improperly use, the knowledge, power or resources of their position for personal gain or the advantage of others; or
- an employee acts dishonestly or unfairly, or breaches public trust; or
- a member of the public influences, or tries to influence, an employee to use his or her position in a way that is dishonest, biased or breaches public trust.

The definition of corrupt conduct includes matters involving fraud, theft, bribery and forgery.

Reference should also be made to Section 8 of the *Independent Commission Against Corruption Act 1998* where the term 'corrupt conduct' is defined.

**Detrimental action**

For the purposes of this policy, detrimental action is action causing, comprising or involving any of the following:

- injury, damage or loss;
- intimidation or harassment;
- discrimination, disadvantage or adverse treatment in relation to employment;
- dismissal from, or prejudice in, employment; and
- disciplinary proceeding.

**Disclosure**

The revelation of circumstances relating to a wrongdoing.

**Document control**

Employees who work with printed copies of document must check the BMS regularly to monitor version control. Documents are considered “uncontrolled if printed”, as indicated in the footer.

**Employees**

Includes permanent employees (full-time or part-time) and any other person undertaking work in the company, including contractors and their agents or employees.

**Executive Leadership Group**

Chief Executive Officer, Deputy Chief Executive Officers, Group Chief Financial Officer, Group Executive Network Strategy and Company Secretary.

**Executive Leadership Team**

Deputy Chief Executive Officer, General Manager Safety, Human Resources and Environment (SHRE), General Manager Customer and Corporate Services, General Manager Asset Management, General Manager Network Services, Company Secretary and Chief Financial Officer.

**Fraud and corrupt conduct risk**

The threat that an internal or external party performs a deliberate and dishonest act or omission that may affect the organisation and/or advantage the perpetrator or an associated party.

**Fraud and Corruption Control Plan**

The Fraud and Corruption Control Plan outlines the company’s approach to controlling fraud and corruption exposure at strategic, tactical and operational levels throughout the organisation. It details the company’s intended action in implementing and monitoring fraud and corruption prevention, detection, investigation and response and continuous improvement initiatives. The Fraud and Corruption Control Plan is comprised of measurable risk-based strategic initiatives and key performance indicators.

**Fraud and Corruption Prevention Framework**

A series of activities, as outlined in the Fraud and Corruption Control Plan, that when combined are intended to manage the risk of fraud and corruption.

**Government information contravention**

For the purposes of this policy, is a failure to properly fulfill functions under the *Government Information (Public Access) Act 2009*. For example, this could include:

- destroying, concealing or altering records to prevent them from being released;
- knowingly making decisions that are contrary to the legislation; or
- directing another person to make a decision that is contrary to the legislation.

**Group Managers**

Includes Group Manager Strategy and Performance, Group Financial Controller, Group Manager Network Regulation, Group Manager Program Management Office, Group Manager Asset Strategy and Performance, Group Manager Asset Programs, Group Manager Property, Logistics & Fleet, Group Manager Network Technology & Innovation, Group Manager Health, Safety & Environment, Group Manager Human Resources, Group Manager Strategic Procurement, Group Manager Corporate Communications, Group CIO, Group Manager Corporate Governance, and Group Head of Audit.

**Independent Commission Against Corruption**

The Independent Commission Against Corruption as constituted under the *Independent Commission Against Corruption Act 1988*.

**NSW Ombudsman**

The NSW Ombudsman as constituted under the *Ombudsman Act 1974*. The NSW Ombudsman is the oversight body responsible for monitoring compliance with the *Public Interest Disclosures Act 1994*. The company is required to provide half yearly data to the NSW Ombudsman on the company's compliance with the *Public Interest Disclosures Act 1994*.

**Maladministration**

For the purposes of this policy, maladministration is conduct that involves action or inaction of a serious nature that is:

- contrary to law;
- unreasonable, unjust, oppressive or improperly discriminatory; or
- based wholly or partly on improper motives.

**Public interest disclosure**

For the purposes of this policy, a disclosure that satisfies the applicable requirements of Part 2 of the *Public Interest Disclosures Act 1994*. This includes a disclosure by an individual who honestly believes on reasonable grounds that the information shows or tends to show serious wrongdoing.

**Review date**

The review date displayed in the header of the document is the future date for review of a document. The default period is three years from the date of approval however a review may be mandated at any time where a need is identified due to changes in legislation, organisational changes, restructures, occurrence of an incident or changes in technology or work practice.

**Risk management**

Coordinated activities to direct and control the company with regard to risk.

**Risk management framework**

The set of foundation documents and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the company.

**Risk management plan**

A document that formally collates the results of risk assessments related to a specific set of objectives. This includes the risk ratings, key risk indicators and treatment action plans for the reduction of risk to a tolerable level.

**Serious and substantial waste**

For the purposes of this policy, serious and substantial waste is the uneconomical, inefficient or ineffective use of resources that could result in the loss or wastage of public resources.

**Statement of Business Ethics**

Sets out the principles and values the company will apply in its dealings with suppliers.

**5.0 KEY REQUIREMENTS**

All employees are expected to consider fraud and corruption risk within their day to day responsibilities. Each employee is responsible for complying with the company's ethical standards, bringing any emerging risks to the attention of a manager or HR representative and reporting suspected or detected fraud and corruption when they occur.

## 5.1 Fraud and Corruption Prevention Framework

A Fraud and Corruption Prevention Framework will be implemented, maintained and measured to facilitate the design, implementation and embedding of effective structures, systems and behaviours to manage the risk of fraud and corruption.

The Fraud and Corruption Prevention Framework will be aligned to the Australian Standard AS8001-2008: Fraud and Corruption Control to maintain a culture of integrity and compliance.

The Fraud and Corruption Prevention Framework will:

- set the “tone at the top” and aligns with the company’s corporate values;
- recognise and manage fraud and corruption risks;
- recognise the drivers for why we do what we do and outlines this in policies, procedures and workplace instructions;
- support the company’s governance structure to assist in maintaining the integrity of the company and its culture of compliance;
- act on process failures where non-compliance is identified or where identified fraud controls have failed;
- educate, trains and informs employees; and
- report on performance.

The delivery of the Fraud and Corruption Prevention Framework is based on the actions identified in the Fraud and Corruption Control Plan.

## 5.2 Effective compliance risk management

A Fraud and Corruption Control Plan will be developed to address the risk of fraud and corrupt conduct. The key objective of the Fraud and Corruption Control Plan is to strengthen the company’s Fraud and Corruption Prevention Framework and measure its health through the reporting on Key Performance Indicators (KPIs) and the status of actions.

Fraud and Corruption Control Plan will be aligned to the company’s Risk Management Framework. The actions identified in the company’s Fraud and Corruption Control Plan are derived from a risk-based approach to compliance so that risks are identified, controlled and monitored.

The success of the Fraud and Corruption Prevention Framework, as outlined in the Fraud and Corruption Control Plan, relies heavily on the commitment and attitude of all employees, management and directors. Communication, consistency and collaboration throughout the company are essential. The company’s Fraud and Corruption Control Plan is available to all employees via the intranet site.

## 5.3 Values

The company requires its employees to understand and support the company’s corporate values and expects employees to at all times act in accordance with the values and associated behaviours set out in the Code of Conduct.

The company communicates its expectations of its suppliers through the Statement of Business Ethics, which sets out the key business principles the company applies in its dealings with business partners, suppliers and contractors. Each principle is designed to support relationships with business partners, suppliers and contractors which generate good value and are transparent and fair.

## 5.4 Prevention

Preventing fraud and corrupt conduct is more effective and desirable than responding to actual incidents. A key component of the company's fraud and corruption prevention framework is the requirement for a company-wide Fraud Risk Assessment to be conducted every two years with the objective of identifying fraud risks requiring management action.

The company will implement proactive elements in its fraud and corruption control program as preventative initiatives to build an ethical culture and prevent corrupt conduct. The company's Ethics Communication & Engagement Strategy is used to support the board, Chief Executive Officer, Chief Operating Officer and Executive Leadership Team in developing and sustaining the highest standards of ethical conduct. This Strategy is used as a mechanism to communicate to all employees and relevant contractors the details of this policy and the protections available under the *Public Interest Disclosures Act 1994* for a person who makes a public interest disclosure.

## 5.5 Detection

The company supports the making of disclosures through the Code of Conduct or Statement of Business Ethics.

Under certain circumstances a disclosure may be treated as a public interest disclosure under the *Public Interest Disclosures Act 1994*. The company will treat all disclosures in confidence and in the case of public interest disclosures, will ensure employees providing such information do not suffer detrimental action or reprisal as a result.

Additionally, the company will use internal controls as a method of detecting fraud and corruption. This includes management's responsibility for ensuring adequate internal controls are in place for the management of fraud risks within their area of responsibility, including processes for monitoring their effectiveness.

## 5.6 Investigation

The company will assess all disclosures that may involve corrupt conduct, maladministration, serious and substantial waste or government information contraventions. If appropriate, the company will investigate the circumstances of the disclosure. The company will have processes in place that detail the approach for investigating disclosures, whether or not they are protected by the *Public Interest Disclosures Act 1994*.

In accordance with the obligation set under the *Independent Commission Against Corruption Act 1988*, where there is material suggesting a real possibility that corrupt conduct may be involved, a disclosure will be reported to the Independent Commission Against Corruption.

## 5.7 Response and reporting

The company has processes to facilitate providing a response to a person who makes a public interest disclosure in line with the *Public Interest Disclosures Act 1994*.

The company will facilitate reporting to the NSW Ombudsman in compliance with the *Public Interest Disclosures Act 1994*.

## 5.8 Continuous improvement

The company's Fraud and Corruption Control Plan is designed to enable the company to continually improve its systems and processes to control corrupt conduct. This includes adopting a risk management approach in developing and implementing the Fraud and Corruption Control Plan that takes into account legislative requirements including Acts, Regulations, relevant Standards, Codes of Practice and Guidelines.

To facilitate this continuous improvement, the company will maintain effective monitoring and analysis of fraud and corrupt conduct control data. The results of this monitoring and analysis are used as a basis for biennial review of the Fraud and Corruption Control Plan and in identifying initiatives of continuous improvement in the areas of prevention, detection, investigation and response to corrupt conduct.

## 6.0 ACTIONS TO ACHIEVE IMPLEMENTATION OF THIS POLICY

Management is accountable to the board for effectively managing risks and for delivering the matters dealt with in this section of the policy. The board undertakes to effectively oversee management's performance in relation to those matters.

To implement this policy, management will take the following actions:

- communicate to all employees and relevant contractors and suppliers the details of this policy and the protections available under the *Public Interest Disclosures Act 1994* for a person who makes a public interest disclosure;
- facilitate the implementation of appropriate work processes to provide a framework of fraud prevention, detection, investigation and response mechanisms;
- appropriately educate and train employees and relevant contractors, through a range of fraud prevention and ethics awareness initiatives;
- monitor, measure and report its compliance with this policy. The results of monitoring and review activities will be incorporated into the Fraud and Corruption Control Plan. The Fraud and Corruption Control Plan will be renewed at least every two years and drive continuous improvement in ethical culture, framework design and implementation of a risk based compliance management approach throughout the company;
- periodically review this policy along with the other elements of the Fraud and Corruption Prevention Framework. This review will consider potential changes in the business context, both internal and external; and
- continually identify and leverage areas of improvement and identify and respond to emerging fraud and corruption risks.

## 7.0 AUTHORITIES AND RESPONSIBILITIES

The board has the authority for:

- approving this policy;
- overseeing reviews of the policy; and
- supporting management in the effective and consistent implementation of the approved policy.

**Board members** are individually accountable to the company's shareholders and to other stakeholders for their active engagement with and support for this policy.

**Audit and Risk Committee** has the authority and is accountable to the board for:

- overseeing the level of compliance to the Code of Conduct and reviewing the content of and communication strategy for the Code;
- approving the company's Fraud and Corruption Control Plan; and
- reviewing progress reports on the KPIs and actions in the Fraud and Corruption Control Plan.

**Chief Executive Officer** has the authority and is accountable to the board for:

- managing the company in accordance with this policy;
- promoting awareness of the protections available under the *Public Interest Disclosures Act 1994* for a person who makes a public interest disclosure and that the company complies with those obligations; and
- reporting matters concerning corrupt conduct to the Independent Commission Against Corruption.

**Executive Leadership Group members, Executive Leadership Team members, Group Managers and Managers** have the authority and are accountable to the Chief Executive officer for:

- promoting awareness of the protections available under the *Public Interest Disclosures Act 1994* for a person who makes a public interest disclosure and that the company complies with those obligations;
- providing leadership in the development and promotion of an ethical culture;
- implementing actions assigned to them in the Fraud and Corruption Control Plan; and
- managing fraud risks within their area of responsibility.

**Company Secretary** has the authority and is accountable to the Deputy Chief Executive Officer for:

- providing adequate resources to achieve compliance with this policy; and
- reviewing this policy at least every two years.

**Manager Internal Audit** has the authority and is accountable to the Audit and Risk Committee for:

- developing, maintaining and implementing processes that will facilitate the receiving of disclosures;
- developing, maintaining and implementing processes that will facilitate the undertaking of investigations; and
- developing, maintaining and implementing processes that will facilitate the delivering of reports concerning corrupt conduct.



**Manager Governance, Risk & Compliance** has the authority and is accountable to the Company Secretary for:

- developing, maintaining and implementing processes that will facilitate the promotion of an ethical culture;
- developing, maintaining and implementing processes that will facilitate the prevention of corrupt conduct including the company-wide Fraud Risk Assessment;
- developing, maintaining and implementing processes that will facilitate the continuous improvement of those processes including the Fraud and Corruption Control Plan;
- coordinating reporting and evaluating the KPIs and actions contained within the Fraud and Corruption Control Plan across the company; and
- aligning the Fraud and Corruption Prevention Framework to Australian Standard AS8001-2008: Fraud and Corruption Control and the company's risk management framework.

**Manager Procurement and Logistics** has the authority and is accountable to the General Manager Customer and Corporate Services for providing the Statement of Business Ethics to business partners, suppliers and contractors.

**Managers** have the authority and are accountable to their relevant divisional manager for:

- providing leadership in the development and promotion of an ethical culture; and
- informing employees and contractors under their control of their responsibilities under this policy and the Code of Conduct.

**Employees and Contractors** have the authority and responsibility for:

- acting at all times in accordance with this policy and the Code of Conduct; and
- disclosing, in the public interest, any instance of corrupt conduct, maladministration, serious and substantial waste or government information contraventions.

## 8.0 DOCUMENT CONTROL

**Content Coordinator** : Manager Governance, Risk & Compliance

**Distribution Coordinator** : GRC Process Coordinator