

Procedure Name:	Fraud and Corruption Prevention	Date:	30 March 2010
Procedure Number:	DES BM 011	Version:	V1.2
Business Unit:	Secretariat	Contact:	Legal and Compliance Manager



# Fraud and Corruption Prevention Standard

## 1. Purpose

Delta Electricity is committed to the highest standards of legal and ethical behaviour and to promoting an organisational culture that does not tolerate any act of fraud or corruption. Such acts can lead to criminal prosecutions and other legal action, and can damage Delta's reputation and public image.

This standard seeks to ensure that employees, contractors, suppliers and customers are aware of what constitutes fraudulent and corrupt conduct and to communicate that such conduct against Delta is unacceptable, may constitute a criminal offence and will be prosecuted. This standard details the required governance, risk assessment and controls to be adopted within Delta to manage the risks of fraud and corruption, as well as highlighting employees' responsibilities for preventing this conduct from occurring as well as reporting suspect conduct.

For reporting instances of fraud and corruption please refer to Delta's Standard on Protected Disclosures DES BM 011-01.

## 2. Scope

This standard applies to all of Delta Electricity's operations and all employees.

## 3. Definitions

For the purposes of this standard, the definitions for fraud and corruption are adapted from those provided by the Australian Standard AS 8001-2003.

Term	Definition
<b>Fraud</b>	Dishonest activity causing actual or potential financial loss to Delta including the theft of money, or other property, by employees or people external to Delta. This also includes the deliberate falsification, concealment, destruction, or use of business documentation.
<b>Corruption</b>	Dishonest activity in which a director, executive, manager, employee, or contractor of Delta acts contrary to the interests of Delta and abuses their position of trust in order to achieve some personal gain or advantage for themselves or for another person or entity.

Corrupt conduct is also defined in Sections 7, 8 and 9 of the Independent Commission Against Corruption Act 1988. That definition is specifically couched in terms of a public official and requires the conduct could constitute or involve criminal or disciplinary offence, or there are reasonable grounds for dismissing, dispensing with the services of, or otherwise terminating the services of a public official.

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## 4. Responsibilities

### 4.1 Employees

Delta employees have a responsibility to contribute towards eliminating fraud and corruption. This includes reporting any known or suspected instances.

### 4.2 Team Leaders/Business Unit Managers

Team leaders and business managers are responsible for the implementation of a system of internal controls and for the promotion of high ethical standards. Effective preventive and detective controls can help Delta mitigate the risk of this type of inappropriate activity from occurring. Team leaders and managers are the first point of reference by Delta's employees for questions on fraud and corruption prevention.

### 4.3 Executive Managers

Executive Managers are responsible for ensuring appropriate and relevant fraud and corruption control initiatives are implemented in their Business Unit and that the risk of fraud and corruption are assessed in the same manner as other risks to their business unit.

### 4.4 Legal and Compliance Manager

The Legal and Compliance Manager is responsible for the development and continual review of Delta's Fraud and Corruption Prevention Strategy including communication and training, the design of training programs and the implementation of the Strategy's action items.

### 4.5 Compliance Committee

The Compliance Committee is responsible for the oversight of the Fraud and Corruption Prevention Strategy by reviewing / monitoring action plan items, ensuring fraud and corruption risks are aligned with Delta's risk management strategies and systems; promoting a culture of compliance within the Committee members' respective business units; ensuring that fraud risk assessments are appropriate, carried out periodically, and that risks arising from the assessments are adequately addressed.

### 4.6 Corporate Secretary

The Corporate Secretary is responsible for ensuring all reports of fraud and corruption are investigated, liaison with Delta's internal audit provider on fraud and corruption matters, and liaison with ICAC, the police on matters of alleged fraud or corruption within Delta.

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#### 4.7 Internal Auditor

Delta Electricity's internal auditor is responsible for the review (within the context of requested audits or other special projects) of current controls to ascertain whether there are any control weaknesses and to report these to the responsible business unit manager, Corporate Secretary and Chief Executive and the Executive Audit Committee.

#### 4.8 Executive Audit Committee

The Executive Audit Committee is responsible for overseeing the work of the Compliance Committee and endorsing the Fraud and Corruption Prevention Strategy. The Committee is also responsible for identifying areas for the audit program based on their assessment, amongst other matters, of business activities with the highest risk for fraud and corruption.

#### 4.9 Chief Executive

The Chief Executive is responsible for reporting instances of suspected corruption to the Independent Commission Against Corruption (ICAC), in accordance with Section 11 of the ICAC Act.

#### 4.10 Board

Delta Electricity's Board establishes the Board Audit and Finance Committee to provide oversight of fraud and corruption prevention governance within Delta Electricity and this committee reports directly to the Board.

## 5. Controls

### 5.1 Fraud and Corruption Strategy

Delta Electricity has a Fraud and Corruption Prevention Strategy. It is designed to deal with the prevention, detection and investigation of any possible fraud or corruption in, by and against Delta. The Fraud and Corruption Prevention Strategy provides a framework to help manage the risk of fraud and corruption in Delta. The Strategy is endorsed by the Executive Audit Committee.

### 5.2 Maintenance of ethical standards

To further emphasise the importance of the standard and related initiatives, Delta is committed to maintaining high ethical standards through:

- participation and involvement of all employees in the development and review of Delta's Code of Conduct;

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- encouraging and supporting employees to report incidents of fraud, corruption, maladministration and serious and substantial waste;
- implementing an on-going program of employee and contractor education and awareness training to assist in the reduction of incidents of fraud and corruption;
- on-going communication around avenues to report suspected inappropriate activities; and
- on-going monitoring of instances reported and controls activities that service to mitigate the risk of fraud and corruption from occurring.

### 5.3 Reporting fraud and corruption

Reports of fraud or corruption should be made in accordance with Delta's Corporate Standard on Protected Disclosures (DES BM 011-01). Reports of fraud or corruption are to be fully investigated and the outcome of the investigation is to be advised to the Chief Executive.

Delta's Chief Executive has a legal duty to report to the ICAC any matters that he suspects, on reasonable grounds, may involve corrupt conduct including fraud.

Delta notifies the NSW Police in circumstances where criminal offences are suspected. Delta is subject to the Public *Finance and Audit Act 1983* and has an obligation to report certain matters of a serious nature to the NSW Auditor-General where such matters may have a material impact on Delta's financial accounts.

### 5.4 Risk Management

Business unit managers are responsible for assessing the fraud and corruption risks associated with business activities within their respective business units. Delta's KnowRisk program is to be used for this purpose. Such risk reviews will be updated periodically to ensure that these risks are well managed and appropriate controls have been implemented to reduce these risks and mitigate their consequences. The Compliance Committee shall assist the business units with this activity and ensuring a consistent approach is adopted for those business activities that occur across multiple business units.

### 5.5 Fraud and Corruption Prevention Awareness

All employees of Delta will be required to undertake periodic awareness training on fraud and corruption prevention. As a minimum this will include the completion of Delta's e-learning compliance module on Fraud and Corruption Prevention on SupportPoint.

Business units dealing with the public shall ensure that contractors and consultants are aware of Delta's attitude to fraud and corruption and the existence of this standard and Delta's Code of Conduct.

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## 5. References

This policy is supported by the following Delta Standards:

- DES BM 011-01 – Protected Disclosures Standard
- DEP BM – 019 - Compliance Standard
- DES BM 011 -02 - Conflicts of Interest Standard
- DES BM 018 - Gifts and Benefits Standard
- DES BM 016 - Complaints Handling Standard
- Delta Electricity Code of Conduct

## 6. Attachments

Appendix 1 details examples of potentially fraudulent or corrupt activities.

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## Examples of fraud and corruption

### **Fraud:**

Examples of fraud may include:

- Theft/misappropriation of cash or assets such as equipment, computers, consumables, tools etc;
- falsification or manipulation of financial information e.g. fictitious employees on the payroll;
- manipulation and misuse of account payments;
- inappropriate expense reimbursements; and
- conspiracy to defraud.

Below are some examples to help you in understanding the concept of fraudulent activities:

- taking scrap inventory that appears to be abandoned and selling it for a personal profit;
- theft of petty cash, even if the intent is to “pay it back”;
- submitting expense reimbursements multiple times; and
- generating a false invoice and directing the funds outside of the organisation

### **Corruption:**

Examples of corruption include:

- accepting a form of payment or payment in kind from a potential contractor in return for directing or awarding business to them;
- secret commissions; and
- bribery.

**If you have any doubt or concerns as to whether an action or behaviour is inappropriate or involves fraud or corruption please contact Delta’s Corporate Secretary.**

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