



# FRAUD & CORRUPTION CONTROL PLAN



## Foreword

I am pleased to present this Fraud and Corruption Control Plan which sets out how Hunter Water Corporation (“Hunter Water”) prevents, detects and responds to fraud and corruption.

The NSW community expects public officials to deliver services with integrity and in the best interests of the public, and that public monies are spent for their intended purposes, information is secured, and assets and resources are used appropriately.

Fraudulent and corrupt conduct by a public official can result in significant resource costs to Hunter Water. It also puts at risk the reputation of all Directors and our people and undermines trust within the community. Incidents of fraud and corruption have the potential to impact our ability to achieve our objectives, our reputation and our ethical organisational culture.

Hunter Water does not tolerate fraudulent or corrupt behaviour and will act promptly and decisively through relevant policies or legal mechanisms to deal with those who engage in, attempt to obscure, or in any way participate in, or encourage this behaviour.

The Plan demonstrates Hunter Water’s commitment to complying with applicable Commonwealth and NSW government Acts and Regulations and any relevant guidelines and standards, such as the NSW Government Treasury Circular TC 18-02 *NSW Fraud and Corruption Control Policy* and the NSW Audit Office’s *Fraud Control Improvement Kit 2015*. Hunter Water will achieve compliance by implementing a robust and vigilant Fraud and Corruption Control Framework which is continually reviewed and improved.

Hunter Water is committed to implementing this Plan to establish a framework that defines the standards of behaviour expected of its people and robust practices for the effective prevention, detection, and response to fraud and corruption within Hunter Water.

I look forward to your ongoing commitment to ensuring that fraud and corruption is not tolerated at Hunter Water and to upholding our core values of wellbeing, trust, leading, learning and inclusion.

Darren Cleary  
Managing Director  
Hunter Water Corporation

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# 1. Executive Summary

## 1.1. Introduction

Hunter Water has developed a Fraud and Corruption Control Framework which is designed to create an atmosphere where everyone is comfortable in reporting fraud and corruption risks, suggesting control improvements and reporting actual or suspected misconduct. The Framework aligns with all of Hunter Water's values but is particularly relevant to the value of 'trust'. The Framework comprises:

- This Plan
- The Fraud and Corruption Control Standard
- The Fraud and Corruption Fact Sheet.

A key objective of this Plan is to raise awareness of fraud and corruption risks and the importance of a good system of internal control in mitigating those risks. Fraud and corruption are business risks which are best controlled by the application of risk management policies and processes. This Plan is, therefore, also an integral part of Hunter Water's Corporate Risk Management Framework.

This Plan outlines the obligations, systems, policies and strategies Hunter Water has in place to prevent, detect and respond appropriately to fraud and corruption.

It has been prepared in consideration of the *Australian Standard 8001-2008, Fraud and Corruption Control*, the NSW Government Treasury Circular TC 18-02 *NSW Fraud and Corruption Control Policy*, and the NSW Audit Office's February 2015 *Fraud Control Improvement Kit*.

## 1.2. Hunter Water's Commitment to the Prevention of Fraud and Corruption

Hunter Water has a zero tolerance stance towards fraud and corruption. This means it is committed to taking all reasonable steps to control fraud and corruption risks and to properly manage public resources in a way that assures the integrity of the activities of Hunter Water while maximising benefits for the people of our region.

Hunter Water's Directors and Executive Management Team recognise that fraud and corruption occur in an environment where opportunities exist for serious and substantial waste, government information contravention, and maladministration. Therefore, creating an ethical culture and a strong internal control environment is a top priority.

Hunter Water also recognises the significant value and importance of the contributions of all our people in enhancing administrative and management practices, including identifying risks, such as fraud and corruption risks. Hunter Water is committed to providing support and guidance for our people to make these contributions and to fostering an environment where our people feel safe and secure in reporting actual or suspected fraud or corruption.

### 1.3. Interaction with Other Ethical Behaviour Policies

The Fraud and Corruption Control Framework is part of a broader system of policies, procedures and processes that have been developed as part of Hunter Water’s commitment to promote sound corporate governance. Therefore, this Fraud and Corruption Control Plan does not operate in isolation. It is part of a larger group of ethical behaviour policies that guide the values of Hunter Water and provide standards for behaviour and decision-making. These ethical behaviour policies set the organisational culture that is fundamental to the success of the Fraud and Corruption Control Framework. The other ethical behaviour policies, include, but are not limited to, the following:

- Code of Conduct
- Conflicts of Interest policy
- Fair and Just policy
- Diversity and Inclusion policy
- Commercial and Procurement policy
- Information Security policy
- Bullying Prevention standard
- Safety Health and Wellbeing policy

### 1.4. Definitions

Term	Definition
Control	An existing process, policy, device, practice or other action that acts to minimise negative risks or enhance positive opportunities.
Corruption	<p>Defined in sections 8 and 9 of the ICAC Act. In summary, it is conduct:</p> <ul style="list-style-type: none"> <li>• that adversely affects, or could adversely affect, the honest or impartial exercise of official functions by a public official;</li> <li>• that impairs, or that could impair, public confidence in public administration;</li> <li>• of a public official that involves the dishonest or partial exercise of any of his or her public official functions;</li> <li>• of a public official or former public official that involves a breach of public trust; or</li> <li>• of a public official or former public official that involves the misuse of information or materials acquired in the course of public functions.</li> </ul> <p>Corrupt conduct can take many forms. Some examples are: taking or offering bribes, dishonestly using official influence, blackmail, fraud, theft, forgery, favouritism, election bribery and illegal gambling.</p>
Our people/Hunter Water’s people	<p>For the purposes of this Policy, this includes:</p> <ul style="list-style-type: none"> <li>• permanent employees, whether full-time or part-time</li> <li>• temporary or casual employees</li> <li>• consultants<sup>1</sup></li> <li>• individual contractors working for or on behalf of Hunter Water<sup>2</sup></li> <li>• employees of contractors providing services to Hunter Water<sup>3</sup></li> </ul>

<sup>1</sup> To the extent that they are a Public Official or if being bound by this Policy is explicitly required by their contract for services

<sup>2</sup> See footnote 1

<sup>3</sup> See footnote 1

Term	Definition
	<ul style="list-style-type: none"> <li>volunteers, secondees, work experience students.</li> </ul>
Fraud	<p>Dishonestly obtaining a benefit, or causing a loss, by deception or other means (<i>Commonwealth Fraud Control Framework 2017</i>).</p> <p>Dishonest activity causing actual or potential financial loss to any person or entity where deception is used at the time, immediately before or immediately after the activity. It includes:</p> <ul style="list-style-type: none"> <li>the deliberate falsification, concealment, destruction or use of falsified documents used or intended for use for normal business purposes; or</li> <li>the improper use of information or position for personal financial benefit; or</li> <li>theft of moneys or other property by our people or persons external to the entity; and</li> <li>the theft of property belonging to an entity by a person internal to the entity even where deception is not used.</li> </ul> <p>(From AS 8001-2008, pg. 16)</p>
Government Information Contravention	<p>A failure to properly fulfil functions under the <i>Government Information (Public Access) Act 2009</i>.</p> <p>Some examples include:</p> <ul style="list-style-type: none"> <li>Destroying, concealing or altering records to prevent them from being released</li> <li>Knowingly making decisions that are contrary to the legislation</li> <li>Directing another person to make a decision that is contrary to the legislation.</li> </ul>
ICAC	Independent Commission Against Corruption.
ICAC Act	<i>Independent Commission Against Corruption Act 1988</i> .
Maladministration	<p>Conduct that involves action or inaction of a serious nature, that is, either:</p> <ul style="list-style-type: none"> <li>Contrary to law</li> <li>Unreasonable, unjust, oppressive or improperly discriminatory</li> <li>Based wholly or partly on improper motives.</li> </ul> <p>Some examples are:</p> <ul style="list-style-type: none"> <li>Awarding contracts and tenders to private parties that are related by family, friendship or association</li> <li>Failing to make a decision, in accordance with official policy, for no appropriate reason</li> <li>Refusing to grant a person a licence for reasons that do not relate to the merits of their application</li> <li>Issuing an order against a person without giving them procedural fairness.</li> </ul> <p>Maladministration can be so severe as to amount to corruption.</p>
Portable and attractive items	These are items are non-consumable items that are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.

Term	Definition
	<p>The following are examples of items often meeting this definition:</p> <ul style="list-style-type: none"> <li>• laptop computers</li> <li>• mobile phones</li> <li>• cameras – digital/film/video</li> <li>• projectors</li> <li>• label printers</li> <li>• televisions</li> <li>• power tools</li> <li>• DVD/video players</li> <li>• other audio-visual equipment</li> </ul>
Public Official	<p>Includes an individual who is an employee of or otherwise in the service of a public authority, such as Hunter Water, and an individual who is engaged by a public authority under a contract to provide services to or on behalf of the public authority.</p>
Serious and substantial waste of public money	<p>Any uneconomical, inefficient or ineffective use of resources, authorised or unauthorised, which results in a loss of public funds or resources. Some examples are:</p> <ul style="list-style-type: none"> <li>• Misappropriation or misuse of public property</li> <li>• The purchase of unnecessary or inadequate goods and services.</li> <li>• Staff being remunerated for skills that they do not have but are required to have under the terms or conditions of their employment.</li> </ul>

## 2. Roles and Accountabilities

The following sets out the fraud and corruption control responsibilities for various positions and divisions within Hunter Water. Such responsibilities are to be incorporated into position descriptions and included in annual performance agreements.

### 2.1. Hunter Water Corporation Board

The Board has the authority to delegate its responsibilities regarding fraud and corruption control to the Audit & Risk Committee. Nevertheless, the full Board retains overall responsibility for ensuring that the Audit & Risk Committee carries out these responsibilities effectively and for establishing and supporting a culture that promotes openness and disclosure.

Directors will develop a general understanding of the fraud and corruption risks facing Hunter Water and of the systems of internal control in place to mitigate those risks. The Board will review and approve treatment plans arising from biennial fraud and corruption risk assessments.

### 2.2. Audit & Risk Committee

The Audit & Risk Committee: provides independent assurance and assistance to Hunter Water on risk management, compliance, control, governance, internal audit, fraud control, strategic plan implementation, organisational performance and improvement, and external accountability responsibilities.

In respect of fraud and corruption, the Audit & Risk Committee's responsibilities are to:

- review and validate the biennial fraud and corruption risk assessments, including proposed treatments and monitor management's progress in implementing these treatments.
- periodically review Hunter Water's Fraud and Corruption Control Framework and its supporting policies and procedures.
- receive reports on all actual or suspected fraud and corruption, as well as reports on investigations into such matters. The Chair of the Audit & Risk Committee may receive reports of actual or suspected fraud involving the Managing Director.
- oversee the work of both Hunter Water's internal audit function and the external auditor, to ensure that it encompasses the fraud and corruption risks faced by Hunter Water.

### 2.3. Managing Director

The Managing Director, together with the Executive Management Team, has overall responsibility for promoting an ethical culture and ensuring an effective control environment is maintained at Hunter Water for the prevention and detection of fraud and corruption.

In respect of fraud and corruption, the Managing Director has the following responsibilities:

- receiving and reviewing reports of actual or suspected fraud and corruption and ensuring that such reports are properly investigated.
- under the *Public Interest Disclosures Act 1994* (PID Act) ensuring Hunter Water has a policy that provides appropriate procedures for the receiving, assessing and dealing with public interest disclosures, including fraud and corruption.
- under the ICAC Act reporting to the ICAC any matter that the Managing Director suspects on reasonable grounds concerns or may concern corrupt conduct.

### 2.4. Executive Management Team

The Executive Management Team are responsible for promoting an ethical culture within their divisions and across Hunter Water, and to incorporate accountabilities into the position descriptions of managers and employees and the terms of engagement of the rest of our people.

The Executive Management Team is responsible for ensuring that an effective internal control system is in place and that fraud and corruption risks are identified and managed.

### 2.5. Triage Team

The Triage Team is comprised of the following roles within Hunter Water:

- Executive Manager Governance & Assurance / General Counsel & Company Secretary
- Executive Manager Finance & Business Performance
- Executive Manager People and Culture.

The Triage Team receive and provide oversight and direction in relation to any investigations conducted in accordance with the Complaints and Allegations Policy and Standard. They will provide oversight of actions undertaken under this Plan.



## **2.6. Group Manager Compliance & Management Systems**

Day-to-day responsibility for the Fraud and Corruption Control Framework lies with the Group Manager Compliance & Management Systems. In fulfilling these responsibilities the Group Manager Compliance & Management Systems will develop and implement user-friendly processes for the prevention and detection of fraud and corruption, and also coordinate training on Hunter Water's fraud and corruption control related policies and procedures.

## **2.7. Group Manager Risk & Internal Audit**

The Group Manager Risk & Internal Audit is responsible for management of reports, complaints and allegations arising from the Fraud and Corruption Control Framework, including liaison with external bodies.

### Support and Coverage

The Group Manager Compliance & Management Systems and Group Manager Risk & Internal Audit will support each other in the performance of their functions and the event of a conflict/incapacity, may be requested to step in as directed by the Triage Team, Managing Director or Audit & Risk Committee.

The Executive Manager Governance & Assurance and the members of the Audit & Risk Committee are responsible for the oversight and implementation of these functions by the Group Manager Compliance & Management Systems and Group Manager Risk & Internal Audit.

The Audit & Risk Committee will look at fraud and corruption control cross-functionally ensuring that Hunter Water's fraud and corruption control activities operate in a coherent manner.

## **2.8. Managers, Supervisors and Team Leaders**

All Managers, Supervisors and Team Leaders need to be aware of the risk of fraud and corruption and to act on any control weakness. They should ensure that their teams are aware of the policies and procedures at Hunter Water that support its Fraud and Corruption Control Framework, including how and to whom they should report actual or suspected fraud and corruption.

## **2.9. All Our People**

All Hunter Water's people must comply with the requirements of the Code of Conduct. They are to report any actual or suspected instances of fraud or corruption as soon as possible. This can be done by following the Public Interest Disclosures Policy.

Hunter Water also encourages all of our people to identify areas where there may be a risk of fraud or corruption occurring and suggest improvements to their Manager, Supervisor or Team Leader.

**Figure 1: Roles and Responsibilities**

HWC Role	Corruption Control Responsibility
All our people	<ul style="list-style-type: none"> <li>• Comply with the Code of Conduct</li> <li>• Report actual/suspected fraud and corruption</li> <li>• Identify potential sources of fraud and corruption and report them</li> </ul>
Contractors	
Managers/Supervisors/Team Leaders	<ul style="list-style-type: none"> <li>• Maintain an effective system of internal control</li> <li>• Ensure all our people are aware of Fraud &amp; Corruption Control Framework and relevant policies &amp; procedures</li> </ul>
Group Manager Compliance & Management Systems	<ul style="list-style-type: none"> <li>• Maintain the Fraud &amp; Corruption Control policies and procedures</li> </ul>
Group Manager Risk & Internal Audit	<ul style="list-style-type: none"> <li>• Conduct investigations into alleged fraud and corruption</li> </ul>
Triage Team	<ul style="list-style-type: none"> <li>• Provide oversight of actions undertaken under this Plan</li> <li>• Receive and provide oversight and direction in relation to any investigations under the Complaints and Allegations Policy</li> <li>• Provide oversight to the Group Manager Compliance &amp; Management Systems and Group Manager Risk &amp; Internal Audit</li> </ul>
Executive Management Team	<ul style="list-style-type: none"> <li>• Promoting an ethical culture</li> <li>• Awareness of fraud and corruption risks</li> </ul>
Managing Director	<ul style="list-style-type: none"> <li>• Promoting an ethical culture</li> <li>• Receive and review reports of alleged fraud and corruption</li> <li>• Ensuring Hunter Water complies with the obligations set out in the PID Act and the ICAC Act</li> </ul>
Audit & Risk Committee	<ul style="list-style-type: none"> <li>• Receive reports on investigations conducted by Group Manager Risk &amp; Internal Audit into alleged fraud and corruption</li> </ul>
Board of Directors	<ul style="list-style-type: none"> <li>• Establishing and promoting an ethical culture</li> </ul>

## 3. Fraud and Corruption Prevention

Prevention strategies are the first line of defence and include proactive measures designed to help reduce the risk of fraud and corruption occurring.

### 3.1. Leadership

One of the key attributes of the successful prevention of fraud and corruption in an organisation is strong leadership. The responsibility for leadership in the prevention of fraud and corrupt conduct at Hunter Water sits with the Managing Director and Executive Management Team supported by the Group Manager Compliance & Management Systems. However, all of Hunter Water's people have a role to play in effective fraud and corruption prevention.

The Managing Director and Executive Management team consider fraud and corruption to be serious threats to Hunter Water and therefore allocate considerable resources to managing this risk.

### 3.2. Risk Assessment

Regular assessments of fraud and corruption risk are critical to preventing fraud and corruption from occurring. The Audit & Assurance Group has a key role in assisting Hunter Water to identify and control fraud and corruption risks through regular risk assessments. However, Managers, Supervisors and Team Leaders are also responsible for the assessment and management of fraud and corruption risks and the effective operation of controls within their area's operations.

#### 3.2.1. Risk assessments by Compliance & Management Systems

The Compliance & Management Systems Group will conduct biennial risk assessments and reviews to ensure Hunter Water maintains appropriate systems of fraud and corruption risk management.

The risk assessments will assess the inherent and residual risk rating of each of the identified risks. They will be conducted using the methodology set out in Hunter Water's Risk Management Framework and Policy with reference to Resource Two of the Audit Office's *Fraud Control Improvement Kit 2015* (or equivalent). Within the risk assessments, Portable and Attractive Items will be given particular attention as they are a potential catalyst for corrupt behaviour.

The outcomes of the fraud and corruption risk assessments will be:

- A Risk Register – a prioritised listing of all potential fraud and corruption risks facing Hunter Water
- An Action Plan – detailing actions required to reduce risks to an acceptable level; those responsible for implementing each action; and a due date for completion of each action.

The results of the fraud and corruption risk assessments will be reported to the Managing Director, Executive Management Team and to the Audit & Risk Committee.

#### 3.2.2. Fraud and Corruption Action Plans

The Fraud and Corruption Action Plan will list prioritised actions for mitigating the fraud and corruption risks that are considered to be unacceptable. Responsibility for implementing each action will be assigned to an appropriate Manager, Supervisor or Team Leader. Due dates for completion of each action will be agreed upon and recorded in the plan.

The responsible Manager, Supervisor or Team Leader identified in an Action Plan will ensure that each action is implemented in accordance with the agreed completion date. Any delays in implementation are to be reported to the Group Manager Compliance & Management Systems.

The Group Manager Compliance & Management Systems will monitor progress on implementation of the Action Plan and will report progress to the Audit & Risk Committee each quarter. Any overdue actions will be reported to the Executive Management Team for appropriate action.

### **3.2.3. Self-assessments**

Hunter Water's various divisions will undertake a fraud and corruption self-assessment annually. The timetable for conducting these self-assessments will be set by the Executive Management Team and results will be reported to the Audit & Risk Committee.

As part of these self-assessments, a fraud and corruption control health check will be carried out using Resource Three of the Audit Office's *Fraud Control Improvement Kit 2015* (or equivalent) as a guide.

The outcomes of these self-assessments will be used to determine the effectiveness of the Fraud and Corruption Control Framework and to ensure that the prevention strategies developed as a result of the risk assessments conducted by the Audit & Assurance Group are amended, if necessary.

### **3.2.4. Prevention Systems**

Fraud and corrupt conduct could potentially occur in many areas of operation within Hunter Water, including any area where a person supplies or receives goods or services, has access to resources or information, makes significant decisions, or takes action that affects members of the public. Therefore, Hunter Water's people must be aware that the risk of fraud and corruption can arise almost anywhere.

Hunter Water relies on a mix of prevention systems to manage internal and external fraud and corruption risks. Some examples include (but are not limited to):

- Controls in the finance, human resource and payroll IT systems, including segregation of duties and delegations attached to roles
- Other IT system controls including appropriate cyber security controls (e.g. limited user access controls, monitoring of specific data sets, monitoring of email usage, restricted USB use etc.)
- Robust and transparent procurement processes, including vendor due diligence
- Effective human resource systems, including:
  - recruitment processes that require pre-employment screening (identity and reference checks)
  - encouraging all our people to take their entire annual leave entitlement each year and the leave balance of all Hunter Water's people are reviewed every month to prevent an excessive leave balance.
  - secondary employment approvals.
- Regular messages to all our people from the Executive Management Team, Managers, Supervisors and Team Leaders that reinforce a strong anti-corruption message.

Hunter Water undertakes routine monitoring and testing of these controls in conjunction with audit activities (see below), to ensure the ongoing effectiveness of internal controls.

### **3.2.5. Training and Awareness**

Training to raise awareness of fraud and corruption issues, including managing conflicts of interest, is coordinated by the Group Manager Compliance & Management Systems, in conjunction with People and Culture. The training provides our people with an understanding of their ethical behaviour obligations, the specific areas of risk where vigilance is required and the consequences of fraudulent and corrupt conduct. The training is mandatory for all new Hunter Water employees, and refresher training is provided on an informal basis.

A Fraud and Corruption Control page has been developed for the Hunter Water intranet. It will be maintained by the Group Manager Compliance & Management Systems. This page includes all fraud and corruption related policies and procedures, such as this Fraud and Corruption Control Plan, the Fraud and Corruption Standard and Fraud and Corruption Fact Sheet. The Human Resources Policies page contains other policies and procedures with respect to broader ethical behaviour that can be related to fraud and corruption, such as the Code of Conduct, Conflict of Interests, Gifts and Benefits and Complaints and Allegations policies.

Hunter Water's standard position descriptions incorporate requirements to ensure employees comply with relevant legislation, regulatory requirements and the Code of Conduct. Our standard terms of engagement relating to the remainder of our people ensure awareness of same.

Any minor changes to the policies and procedures are communicated to our people via an intranet announcement.

### **3.2.6. Register of Interests**

The Hunter Water Conflict of Interest Policy requires Hunter Water's Directors, Executive Management Team and the holders of identified positions to complete a Declaration of Interests (Statement of Private Interests) annually and also when personal interests change. These interests are recorded in a Conflicts of Interest Register which is maintained by the Group Compliance & Management Systems.

The management of conflicts of interests involving Directors reflects the legislative obligations under Schedule 10 of the *State Owned Corporations Act 1989*.

A separate conflict of interests register for all our people is maintained by the Group Manager Compliance & Management Systems and is available on the intranet.

## 4. Fraud and Corruption Detection

No organisation is impervious to incidents of fraud and corruption, however fraudulent and corrupt conduct can be detected through robust internal control systems and mechanisms for recognising deviations from standards.

Early detection of fraud and corruption is an essential element of fraud and corruption control. While reporting of fraud and corruption is a common means of detection, other measures include monitoring high-risk areas, internal reviews and audits, intrusion detection systems, conducting reviews focused on risk, or data mining and data matching.

### 4.1. Reporting

Reporting actual or suspected fraud and corruption is in the public interest

#### 4.1.1. Reports from external sources

All allegations of fraud or corruption received from sources external to Hunter Water are to be forwarded immediately to the Group Manager Risk & Internal Audit. Any of our people who receive such a report are not to investigate the allegations prior to (or after) referring it to the Group Manager Risk & Internal Audit.

Anonymous reports received from external sources will be accepted, but obtaining the name and contact details of the person making the report at the time the report is made will assist with any future information gathering or investigation.

Obtaining as much information as possible from the person making the report will assist Hunter Water in dealing with the report. Information that should be obtained includes:

- names of people involved
- names of any witnesses
- date, time and location of the incident
- details of any evidence
- description of any money or assets involved
- how often the incident has happened (if applicable)

#### 4.1.2. Reports from within Hunter Water

All Hunter Water's people have a responsibility to report actual or suspected fraud or corruption incidents arising from sources internal to the organisation. All our people are also to support those who have made such reports. Those who are contemplating making a report of actual or suspected fraud or corruption should consider the following prior to making a report:

- Reports should be made immediately.
- Written reports are encouraged, however reports can be made face to face, by email, online or over the telephone.
- Internal reports are encouraged, at least in the first instance, however our people may make a report to the Whistleblower Service administered by an independent third party service provider retained by Hunter Water (see Whistleblower Service FAQ), or to one of the following relevant external authorities as appropriate:
  - The Independent Commission Against Corruption – for corrupt or fraudulent conduct

- NSW Ombudsman – for serious maladministration
  - NSW Auditor-General – for serious and substantial waste
  - NSW Information Commissioner – for a government information contravention
  - NSW Police – for any misconduct that may amount to a crime
- Although anonymous reports will still be resolved and considered to be allegations of fraud and corruption, it is more effective if the person making the report identifies him or herself. This allows Hunter Water or an external investigative body to seek further information, provide support and provide feedback about the outcome of any investigation into the allegations.
  - If a person making a report wishes to remain anonymous this will be respected as far as possible, however there may be situations where this may not be possible or appropriate in order for those suspected of fraud or corruption to fully respond to the allegations. If confidentiality cannot be maintained, the person will be consulted before his or her identity is revealed.
  - Any aspect of any report, including the intention to make a report, should not be discussed with anyone other than those with a legitimate need to know.
  - Our people are not to conduct their own inquiries or investigations prior to or after making a report.
  - The person making the report should consult and follow the Hunter Water Public Interests Disclosure Policy and the Complaints and Allegations Policy, both of which are published on the Hunter Water intranet site.
  - Anyone found to have wilfully made a frivolous or vexatious, false or misleading report will be disciplined in accordance with Hunter Water Misconduct and Discipline Standard and may be guilty of an offence under the ICAC Act or the PID Act (if they have made a public interest disclosure – see below). Contractors may be subject to contract renegotiation, including termination.
  - Useful information about reporting fraud and corruption can be found on the ICAC website and the NSW Ombudsman’s website.

Our people may make a report to the Group Manager Compliance & Management Systems, the Group Manager Risk & Internal Audit, their Manager, Supervisor or Team Leader. The Manager, Supervisor or Team Leader will immediately inform the the Group Manager Risk & Internal Audit of the report. The Group Manager Risk & Internal Audit will notify the Group Manager Compliance & Management Systems (if not already informed) and the Triage Team of the report and the Triage Team will provide oversight and support. Allegations of fraud or corruption involving the Managing Director will be reported to the Chair of the Audit & Risk Committee.

Any of our people who make a report of actual or suspected fraud or corruption may wish to be afforded the protections provided by the PID Act. Those protections involve penalties for detrimental action towards someone who has made a report. Detrimental action is taking or threatening action that involves any of the following: injury, damage or loss; intimidation or harassment; discrimination or disadvantage or adverse treatment in employment; dismissal; or disciplinary proceedings. There are also protections from some types of liability, like defamation or breach of confidence. If one of our people seeks those protections, his or her report must be made in accordance with the PID Act, which includes direction as to whom a report must be made. The requisite procedure is outlined in Hunter Water’s Public Interest Disclosures Fact Sheet.



### **4.1.3. Support for Our People**

In addition to the protections offered by the PID Act, Hunter Water will provide positive support and assistance to any of our people who report actual or suspected fraud or corrupt conduct. Those who are concerned that their identity may be disclosed during the course of an investigation may request relocation or a leave of absence.

Hunter Water also offers a free of charge Employee Assistance Program. It comprises short term, confidential counselling about work or non-work issues and is provided by an external service provider. It is available to all employees and their immediate families, so can be utilised both by those making report and those who are the subject of reports of actual or suspected fraud or corruption. The Employee Assistance Program Fact Sheet has further information and contact details. Assistance Programs are also available to labour hire contractors; please refer to People & Culture for further information.

### **4.1.4. Internal Audit Program**

Internal audits will provide advice and guidance on the design and effectiveness of internal controls to detect fraud and corruption. Additionally, an internal audit will assist in the development of fraud and corruption monitoring strategies. The internal audits should be informed by Resource One of the Audit Office's *Fraud Control Improvement Kit 2015* (or equivalent).

In developing the Internal Audit Program, the Group Manager Risk & Internal Audit shall give due consideration to ensuring that the Program covers the major fraud and corruption risks faced by Hunter Water as determined by the biennial fraud and corruption risk assessment. They will also ensure that fraud risk mitigation strategies are tested to ensure they are operating effectively.

The Risk & Internal Audit Group complies with the *Standards for the Professional Practice of Internal Auditing* (the Standards) issued by the Institute of Internal Auditors, which state that internal auditors should possess the requisite skills, knowledge and competency required to perform their individual duties. The internal audit function collectively should possess or obtain the knowledge, skills, and competencies required to perform its responsibilities (*IIA Standard 1210, Proficiency*).

With regard to fraud, the Standards require internal auditors to have sufficient knowledge to evaluate the risk of fraud, but they are not expected to have the expertise of someone whose primary responsibility is detecting and investigating fraud (*IIA Standard 1210.A2*). Hunter Water's Compliance & Management Systems Group and Risk & Internal Audit Group are staffed with internal auditors who have the required expertise and knowledge to identify fraud. Members of the Compliance & Management Systems Group and Risk & Internal Audit Group will ensure that their skills and knowledge remain current by attendance at seminars, conferences and training Programs dealing with fraud and corruption.

The Group Manager Risk & Internal Audit will regularly follow up outstanding audit actions and report progress to the Audit & Risk Committee.



## 5. Fraud and Corruption Response

Despite the implementation of prevention mechanisms for detecting fraud and corruption, Hunter Water recognises that it is conceivable that incidents of fraud and corruption will occur. An effective response demonstrates that Hunter Water takes its responsibilities seriously in line with its no tolerance approach to fraud and corruption, and its commitment to the Code of Conduct.

### 5.1. Investigations

Hunter Water is committed to providing the resources required to ensure that reports of actual or suspected fraud or corrupt conduct are thoroughly investigated.

The procedure for handling reports of actual or suspected fraud or corrupt conduct is outlined in the Complaints and Allegations Standard.

An investigation of fraud or corrupt conduct may involve, but is not limited to, some or all of the following:

- Forensic examination of computer systems, including examining e-mail and internet records and usage
- Examination of telephone records
- Enquiries with banks and other financial institutions (subject to being able to obtain appropriate Court orders)
- Enquiries with other third parties
- Data search and seizure
- Expert witness and specialist testimony
- Tracing funds, assets, goods.

### 5.2. External Referrals

Where it is believed, on the balance of probabilities, that one of our people has committed fraud or corruption, the matter will need to be referred to an appropriate external agency. Generally, in such cases Hunter Water would only investigate sufficiently to form this view, leaving further investigation to the relevant external agency.

Hunter Water will cooperate with any investigation conducted by an external agency and will comply with any reasonable requests made by those agencies. Hunter Water expects its all of our people to do the same.

Some agencies may refer reports to Hunter Water to investigate, or they may investigate the allegations themselves. For instance, the ICAC may ask Hunter Water to conduct an investigation.

The procedure for making reports to external agencies are set out in the Complaints and Allegations Framework (policy, standard, form). All such reports will be made by the Group Manager Risk & Internal Audit, following consultation with the Managing Director, and all interactions with external agencies will be via the Risk & Internal Audit Group.

The external agencies and their areas of jurisdiction are outlined at section 4.1.2 above.

#### 5.2.1. Referrals to NSW Police

Section 316(1) of the *Crimes Act 1900* (NSW) states that an adult:

- (a) who knows or believes that a serious indictable offence has been committed by another person, and

- (b) who knows or believes that he or she has information that might be of material assistance in securing the apprehension of the offender or the prosecution or conviction of the offender for that offence, and
  - (c) who fails without reasonable excuse to bring that information to the attention of a member of the NSW Police Force or other appropriate authority,
- is guilty of an offence.

Fraud or corruption are serious indictable offences.

In any event, it is Hunter Water's policy to report any potential crime to NSW Police or other appropriate authority.

### **5.2.2. Referrals to the ICAC**

Section 11 of the ICAC Act requires the principal officer of a public authority to:

*report to the Commission any matter that the person suspects on reasonable grounds concerns or may concern corrupt conduct.*

For the purposes of the ICAC Act, the principal officer of Hunter Water is the Managing Director. This duty cannot be delegated and during periods of leave or other absence of the Managing Director, this duty extends to the person acting/relieving in the role. The Group Manager Risk & Internal Audit will ensure that the Managing Director is made aware of matters that may require reporting to the ICAC. The procedures for reporting to the ICAC are set down in the Complaints and Allegations Framework (policy, standard, form).

## **5.3. Administrative Remedies**

Any Hunter Water employee found, by either internal or external investigation, to have been involved in fraudulent or corrupt conduct shall be subject to disciplinary action in accordance with the Hunter Water Misconduct and Discipline Standard or, as applicable, other action such as contract renegotiation or termination.

## **5.4. Recovery of the Proceeds of Fraudulent or Corrupt Conduct**

Hunter Water shall take recovery action where there is clear evidence of fraud or corruption, and where the likely benefits of such recovery will exceed the costs in funds and other resources invested in the recovery action.

The decision to take recovery action will be made by the Managing Director on the recommendation of the Group Manager Risk & Internal Audit. In formulating this recommendation, the Group Manager Risk & Internal Audit shall discuss the matter with other relevant Hunter Water people.

## **5.5. Internal Reporting Requirements**

All allegations of fraud or corrupt conduct are to be reported to the Audit & Risk Committee. The Committee is to be provided with a summary of the outcomes of investigations conducted and agreed corrective actions. Progress on implementing the agreed actions is also reported to the Committee by the Group Manager Risk & Internal Audit.

A summary of investigations conducted, control weaknesses identified and recommendations for correcting these weaknesses are to be reported quarterly to the Executive Management Team. These reports will not include information that could identify those involved. A report on progress

of the implementation of agreed corrective actions will also be provided to the Executive Management Team.

Individual reports on investigations will be discussed with the relevant Manager, Supervisor or Team Leader in order to formulate corrective actions for identified weaknesses. A copy of the final report will also be provided to the Managing Director and People and Culture where disciplinary action has been recommended.

## **5.6. Referrals from the ICAC**

Under section 53 of the ICAC Act, the ICAC may refer matters to Hunter Water for investigation. Hunter Water will conduct investigations into such matters as per the guidelines in this Plan and will report back to the ICAC in the timeframe directed and with the information required by the ICAC (as per section 54 of the ICAC Act).

Appendix A contains a guideline for the information that may be included in a report to the ICAC.

## **5.7. Internal Control Review**

A review of the relevant internal controls will be triggered by any report of actual or suspected fraud or corruption, whether fraud or corruption has been verified or not. This shall be undertaken by the Compliance & Management Systems Group.

Any weaknesses identified as part of such a review shall be conveyed to the relevant Manager, Supervisor or Team Leader. Recommended actions for improving internal controls will be agreed.

The findings of this review and the corrective actions to be taken will be reported to the Managing Director. The Managing Director shall ensure that such reports are provided to the Audit & Risk Committee or directly to the Board if more appropriate.

Progress on corrective actions will be reported to the Audit & Risk Committee on a regular basis by the Group Manager Risk & Internal Audit.

## **5.8. Fidelity Guarantee and Criminal Conduct Insurance**

As part of Hunter Water's overall insurance Program, a fidelity guarantee insurance cover will be maintained to insure against the risk of loss from fraud, corruption and theft of property.

The Manager Property & Services is responsible for ensuring coverage is maintained and also reviewed annually to ensure the fraud risks facing Hunter Water are adequately covered. The Manager Property & Services is also responsible for the management of insurance claims. In the event legal action is required, this will be actioned in consultation with the General Counsel & Company Secretary or Group Manager Legal.

## 6. Review and Monitoring of Fraud and Corruption Control Framework

The Fraud and Corruption Control Framework will be subject to ongoing monitoring and review by the Group Manager Compliance & Management Systems, in consultation with the Group Manager Risk & Internal Audit. A detailed, formal review will be conducted every three years to ensure fraud and corruption controls are implemented and are effectively achieving intended outcomes. Significant change within Hunter Water may trigger an earlier review.

In line with Hunter Water's obligations contained in TC 18-02 *NSW Fraud and Corruption Control Policy*, the Fraud and Corruption Control Framework is to be periodically reviewed by the Audit & Risk Committee in accordance with TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector. The Group Manager Compliance & Management Systems, supported by the Group Manager Risk & Internal Audit, will coordinate this review process.

The Group Manager Compliance & Management Systems will also ensure that relevant fraud and corruption controls are included in the annual internal controls assessment and CFO certification in accordance with TPP17-06 Certification of the effectiveness of internal controls over financial information.

## 7. Related Documents

- Fraud and Corruption Control Standard
- Fraud and Corruption Fact Sheet
- Code of Conduct
- Employment Conditions Policy and Leave Standard
- Public Interest Disclosures Policy
- Complaints & Allegations Policy
- Conflicts of Interest Policy, Standard and Register
- Gifts and Benefits Standard
- Grievance Policy
- Fair and Just Policy and Standard
- Risk Management Framework and Policy
- Performance Management, Misconduct and Disciplinary Policy
- Recruitment, Selection and Appointment Policy
- Information Management Policy
- Information Security Policy
- Commercial Procurement Policy

## 8. Approval

<b>Effective from</b>	September 2020
<b>Approved by</b>	Managing Director
<b>Policy Owner</b>	Executive Manager Governance & Assurance / General Counsel & Company Secretary
<b>Policy Administrator</b>	Group Manager Compliance & Management Systems
<b>Last review date</b>	February 2023
<b>Next review date</b>	As per the IMS Document Control Standard (HW2013-421/22.001)
<b>Version</b>	2
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<b>Published externally</b>	Yes
<b>Approval Signature</b>	<b>Managing Director</b>

## APPENDIX A: GUIDELINE FOR INFORMATION TO REPORT TO THE ICAC

- Executive Summary
- Scope of the Investigation
  - An outline of the allegations;
  - Address specific questions raised by the ICAC;
  - Describe the activities/functions which are the subject of the investigation, including a brief description of the rules, policies and procedures that should be followed when exercising the functions. (Note: It is **not** sufficient to just attach copies of such documents);
  - List individuals or bodies affected by the investigation; and
  - List individuals or bodies otherwise involved in the matter investigated, including potential witnesses and anyone with supervisory responsibility for the activities or functions examined.
- Methodology used in conducting the investigation
  - Identify who conducted the investigation. If the matter was investigated by an external investigator provide details and outline the reasons that person/company was considered suitable;
  - Identify any documents examined;
  - Identify any people involved;
  - Identify other evidence gathered; and
  - Consider other factors that may have limited the investigator's ability to conduct the investigation and how they impacted on the investigation. For example, missing records; relevant staff unavailable for interview; inability to discuss the allegations with the person who raised them.
- The evidence
  - A summary of the evidence used to make the "Statements of Fact" is to be included in the report. This summary will include a brief description of the relevant parts of the evidence and the investigator's assessment of its reliability. Copies of evidence are to be included in an appendix to the report.
- Statements of Fact
  - Statements of Fact are historical statements inferred from the evidence and are usually descriptions of:
    - What a person actually did and how they did it, including omissions and failures to act (that is, details of the person's conduct and behaviour);
    - The date, time and location the conduct occurred; and
    - Stated motivations or reasons for the conduct (that is, why the person acted as they did).

- Conclusions about individuals
  - Specify any adverse conclusions for each individual or body included in the list of affected people in the “Scope” section of the report. In particular whether or not:
    - Hunter Water policies and/or procedures were breached;
    - Corrupt conduct is suspected;
    - A person should be the subject of disciplinary action; and
    - The facts suggest a criminal act may have occurred.
- Outcomes for individuals
  - The report will include a description of any action taken or proposed to be taken for each individual who was the subject of adverse criticism.
- Identification of system weaknesses
  - For each function involved in the matter investigated the report will include whether or not any failings or weaknesses that would allow corrupt conduct to occur were noted in:
    - Policies, procedures and practices (including implementation and awareness of these); and
    - Organisational culture.
- Outcomes for systems
  - The report will include a description of actions taken, or to be taken, to improve policies, procedures or practices and/or organisational culture.