

State Water Policy: SW2008-P0184

Fraud and Corruption Prevention Policy

Policy

This aim of this policy is to ensure that Fraud and corruption in and affecting State Water are prevented.

Principles

- State Water is committed to good governance and ethical behaviour.
- Fraud and corruption will not be tolerated.
- Prevention of fraud and corruption is preferable to managing such behaviour once it has occurred.
- Where fraud and corruption occurs it is managed by better practice procedures.

Procedures

The consequences of fraud and corruption can be financial loss, a significant drain on State Water's resources in undertaking investigations and serious damage to reputation.

It is a clear responsibility of the Board, its executive officers and every employee to prevent fraud and corruption. The public and other stakeholders expect State Water to have appropriate systems to reduce the risk of fraud and corruption.

The key objective of this policy is to demonstrably influence culture and behaviour by developing a testable fraud and corruption control environment.

"Corruption" has a broad meaning. The definition found in section 8 of the Independent Commission Against Corruption Act 1988 includes conduct which:

- adversely affects, or that could adversely affect, the honest or impartial exercise of official functions,
- involves the dishonest or partial exercise of official functions,
- constitutes or involves a breach of public trust,
- involves the misuse of information or material that was acquired in the course of official functions, and
- adversely affects the exercise of official functions by any public official.

"Fraud" is a type of corruption and can be defined as "deceit, trickery, sharp practice, or breach of confidence, to gain some unfair or dishonest advantage."

It is State Water's policy to proceed proactively to prevent fraud and corruption through the adoption of a suite of better practice processes including those espoused in:

- the Fraud Control Better Practice Guidance and Improvement Kit issued by the NSW Audit Office, and
- Australian Standard AS 8001-2003 "Fraud and Corruption Control".

Arising from this commitment, State Water approach to fraud and corruption prevention reflects better practice in public bodies and complies with Australian Standards, legislation and guidelines issued by other regulatory bodies. The key elements of the approach are outlined below.

FOR INTERNAL USE ONLY

Compiled by Dermot Armstrong, Strategic Policy and Compliance

Last updated on 12/06/2008

Integrated policy

It is important to have effective and integrated policies and procedures which help create an ethical culture. Officers, employees, agents and contractors of State Water need to be aware of key policies and procedures of State Water including the:

- Code of Conduct
- internal reporting procedures (whistle blowing)
- fraud and corruption prevention Policy and Strategic Plan
- procurement procedures

Responsibility structures

Everyone in State Water has a responsibility for the prevention of fraud and corruption. Clearly defined responsibility structures help but each officer and employee has a responsibility to ensure that fraud and corruption is not present within State Water. Fraud and corruption prevention is not just a responsibility of management.

Fraud and corruption risk assessment

The risk of fraud and corruption events needs to be assessed to allow resources to be applied to prevention activities in the areas of greatest exposure. State Water will use the Fraud and Corruption Control Health Check Questionnaire to provide a broad risk assessment across State Water as well as more detailed risk assessments in high exposure areas. Some of these areas include:

- Non disclosure of a pecuniary or non pecuniary interest
- Tender and quotation rigging
- Bribes from suppliers and contractors
- Contractor related matters – claiming for work not undertaken, use of lower quality material,
- Payroll related offences – overtime or flexitime abuse, hours not worked
- Sale/misuse of information
- Theft of plant and equipment
- Theft of cash

Employee and management awareness and Client and community awareness

Perhaps the most important key to preventing fraud and corruption is increasing everyone's awareness of fraud and corruption and what they can do about it. Training and education processes will be designed to make staff, State Water management and those who deal with State Water understand the ethical behaviours expected of them and what may constitute fraudulent or corrupt activity. Awareness programs also help establish community confidence in State Water and increase the likelihood of detection of fraud and corruption.

Fraud and corruption reporting systems

It is vital that fraud and corruption is reported. It is important for officers and employees to understand the Protected Disclosures Reporting System and what "help" avenues and protections are available to those coming forward. The preferred avenue for reporting fraud and corruption is through management. Reporting anonymously is another option, for those not comfortable with this or other channels.

Those aware of fraud and corruption must consider the consequences of not reporting fraudulent or corrupt activity. They need to remember that "silence is not the safe alternative" and that "silence implies agreement".

FOR INTERNAL USE ONLY

Compiled by Dermot Armstrong, Strategic Policy and Compliance

Detection systems

State Water has in place various active fraud and corruption detection systems to provide early warning signals or detect actual events of fraud and corruption. The detection methods in use include:

- fraud and corruption risk assessments
- data mining
- internal audit and other reviews
- financial reviews
- various intelligence gathering processes

External notification

Reporting fraud and corruption to external authorities is important. Matters involving a reasonable suspicion of corruption must be reported to the ICAC and serious criminal offences must be reported to the Police. It is not just the Chief Executive who can report these events; it is equally open to all staff, and the community to make reports to the external authorities.

Investigation standards

Fraud and corruption activities will be investigated either by State Water or the relevant external authority where it has been referred to them. Findings of investigations by State Water must be reported to the Audit and Compliance Committee.

Conduct and disciplinary standards

State Water's Code of Conduct clearly highlights that fraud and corruption will not be tolerated and that there are disciplinary consequences for inappropriate actions. Consequences can include reprimand, dismissal and/or prosecution leading to imprisonment.

State Water has a Fraud and Corruption Prevention Strategic Plan which indicates the strategy and processes for each of the above elements.

Policy Administration

The responsibility and authority to implement and enforce this policy rests with each Manager. This responsibility includes effective communication of the policy and any necessary related procedures to all affected staff. Approval to deviate from this policy can be given only by the Chief Executive Officer

Feedback

Feedback on this policy is welcome. Feedback and enquiries in relation to this policy should be directed to the Compliance Manager, Strategic Policy and Compliance Branch on (02) 9354 1080.

Adopted by: Board on 14 December, 2007

Issued by:
George Warne
Chief Executive Officer

Issue Date: 6 June, 2008
Issued to: All State Water staff

Review date: 6 June, 2009

FOR INTERNAL USE ONLY

Compiled by Dermot Armstrong, Strategic Policy and Compliance