

Fraud and Corruption Risk

C19 –Management Policy

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1 FRAUD MANAGEMENT

1.1 Purpose

Macquarie Generation is a New South Wales Government State Owned Corporation. A sound risk policy is an essential component of the Corporation's governance regime.

The purpose of this document is to establish a prudential policy for the systematic approach to the management of the Corporation's risk of losses arising from fraudulent or corrupt activities.

Fraud risk is defined by Macquarie Generation as the risk of financial or reputational loss arising from fraud or corruption, maladministration or serious and substantial waste by all associated parties including managers, employees, customers, suppliers and contractors.

Corrupt Conduct is dishonest or partial behaviour, misuse of information or breach of public trust by a NSW public sector employee which, if proved, could amount to a crime or disciplinary offence. The term also refers to the conduct of any person (whether or not that person is a public official) that adversely affects or could adversely affect the exercise of official functions by public officials and could constitute or involve a criminal or disciplinary offence.

This policy is to be read in conjunction with the definitions and principles contained in the Corporate Standards on Code of Conduct and Protected Disclosures, Investigation Procedure and Statement of Business Ethics.

1.2 Policy

1.2.1 Objective

Macquarie Generation is committed to promoting and maintaining an organisational culture, which displays the highest standards of ethical behaviour and employees who display high standards of personal and business integrity.

1.2.2 General principles

The Corporation's fraud and corruption risk management is to be based on the following principles and framework.

1. The Corporation is subject to legislation and regulations including the State Owned Corporations Act (NSW) 1989, Public Finance and Audit Act (NSW) 1983, Audit and Regulatory Requirements, Independent Commission Against Corruption Act (NSW) 1988 (ICAC) and recommendations from New South Wales Treasury Policies which outline the Corporation's requirements to meet its obligations for fraud control.

2. Employees are required to perform their duties in accordance with the Corporate Standard on Code of Conduct which outlines that the Corporation will not tolerate any act of fraudulent or corrupt conduct. The Code of Conduct also includes relevant provisions on corrupt conduct, maladministration and serious and substantial waste and relevant principles on employees' conduct, conflicts of interest, acceptance of gifts and relevant legislation.
3. The Corporate Protected Disclosures Standard includes the processes to be followed by Management and employees when making or processing disclosures, all the while maintaining confidentiality.
4. The Corporation will protect those employees reporting suspected fraud or corruption in accordance with the provisions of the Corporate Standard on Protected Disclosures.
5. The Corporation's risk management activities and strategies are positioned towards the conservative end of the risk profile in accordance with the general expectations of Management, the Board and the Shareholders. In so doing, the Corporation will seek a high degree of certainty in financial and operational outcomes.
6. Financial compliance, strategic and advising activities are to be performed only by qualified personnel acting under specific delegations and within the Corporation's Code of Conduct.
7. Systems for internal control are to be established and maintained to a level of good practice incorporating:
 - Policies and procedures documentation for all risk activities including fraud risk,
 - Effective processing and reporting systems to ensure the integrity of the underlying accounting and operational systems and information,
 - Financial and operational compliance analysis processes based on up to date knowledge of the latest applicable legislation,
 - Key employees, managers and advisors with an appropriate knowledge of the Corporation's routine and unusual business operations and transactions,
 - Regular risk based, compliance based and substantiation audits and reviews, including fraud related risk and compliance reviews, by Internal Auditors and external advisors, and

- Written half yearly representations from the Chief Executive and Chief Financial Officer and Company Secretary that the Corporation’s half yearly and annual Financial Statements present a true and fair view, in all material aspects, of the Corporation’s financial condition and operational results.
8. If an investigation substantiates allegations that an employee has engaged in fraudulent or corrupt activity, the following disciplinary penalties may be applied by Macquarie Generation;
- Require employee to undertake prescribed training
 - Reprimand or caution
 - Increased Supervision
 - Suspension
 - Dismissal

1.3 Delegated Authority and Responsibility Structure

The Chief Executive heads the Executive Team at Macquarie Generation and is responsible for the overall identification, assessment and monitoring of the business risks including fraud and corruption risk.

The Chief Executive and Executive Team reporting directly to him are primarily responsible for the strategic and operational management of the Corporation’s fraud and corruption risk.

It is the Executive Team’s responsibility to ensure managers, employees, customers, contractors and suppliers are both fully aware of and appropriately trained in their behavioural and reporting obligations under the fraud and corruption control strategy and associated policies.

The Chief Financial Officer and Company Secretary and relevant Executive Team members will investigate any reported suspected fraudulent and corrupt activity immediately and this investigation may include input from external assurance providers. The results of the investigation will be reported to the Board Audit and Assurance Committee and, if necessary, ICAC.

The Chief Executive is responsible for ensuring periodic assessments of fraud and corruption risk are performed by external assurance providers and reported to the Board Audit and Assurance Committee.

1.4 Reporting

The monitoring and reporting of financial obligations is supported by a sound system of internal control, effective reporting systems and appropriate external review and assurance to ensure the integrity of data produced and submitted.

The Protected Disclosures Standard outlines the mechanisms and processes for employees for the immediate reporting of suspected fraudulent and corrupt behaviour in a confidential manner.

The Chief Executive will report all suspected fraudulent and corrupt activities to the Board immediately.

The Chief Executive will table all external Fraud and Corruption Risk Assessments at the next meeting of the Board Audit and Assurance Committee for their review.

This Policy is to be reviewed by the Board annually.

RUSSELL SKELTON
CHIEF EXECUTIVE