

**AVJENNINGS**

**FRAUD AND CORRUPTION PREVENTION POLICY**

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## 1. Introduction

AVJennings (the “Company”) requires all employees, contractors and those who have a business relationship with the Company to act honestly and with integrity. **The Company will not tolerate any form of fraud or corruption.**

This Policy, in conjunction with the Company’s Whistleblower Policy and Code of Conduct, aims to raise awareness of fraud and its prevention in the Company environment and to give guidance to both the reporting of suspected fraud and how the investigation of that report will proceed.

## 2. Policy Objectives

- Reduce the likelihood of individuals and organisations acting in a fraudulent, corrupt or improper manner towards the Company;
- Reduce opportunities for fraudulent, corrupt or improper activity;
- Enhance the detection of those who act in a fraudulent, corrupt or improper manner;
- Ensure appropriate action is taken if fraud, corruption or dishonest activity is detected;
- Clearly define the responsibility levels for the prevention, detection and investigation of fraud and corruption;
- Ensure employees and managers have the necessary tools and understanding to meet their responsibilities;
- Encourage anyone with reasonable suspicions of fraud to report those suspicions;
- Prevent anyone reporting suspected fraud from being victimized in any way as a result of reporting reasonably held suspicions;
- Establish an effective fraud reporting system; and
- Ensure that adequate investigation standards are followed.

## 3.0 Definitions

### 3.1 Definition of fraud

Fraud is defined in accordance with Clause 1.4.3 of the Australian Standards AS 8004-2003 corporate governance – fraud and corruption control.

*“Dishonest activity causing actual or potential financial loss to any person or entity including theft of money or other property by employees or persons external to the entity and whether or not deception is used at the time, immediately before or immediately following the activity. It also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position.”*

This definition includes:

- Theft
- Obtaining property, a financial advantage or any other benefit by deception;
- Causing a loss or avoiding or creating a liability by deception;
- Providing false or misleading information to the Company or failing to provide information where there is an obligation to do so;
- Making, using or possessing forged or falsified documents;
- Bribery, corruption or abuse of office;
- Unlawful use of the Company’s computers, vehicles, telephones and other property or services;
- Relevant bankruptcy offences; and
- Any offences of a like nature to those listed above.

### 3.2 Definition of corruption

Corruption is defined in accordance with Clause 1.4.3 of the Australian Standards AS8001-2003 Corporate governance – Fraud and Corruption Control.

*“Dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.”*

This policy also encompasses issues and actions that may not fall within the definition yet are clearly dishonest and detrimental to the Company, including:

- Breaches and attempted breaches of the law;
- Misuse of resources, information or position;
- Obtaining or attempting to obtain monetary gain, assets or benefits to which the person is not entitled; and

- Dishonest and unethical actions which contravene the Code of Conduct policies, procedures and standards of the Company.

## **4.0 Elements of the Policy**

- 4.1 Roles and Responsibilities
- 4.2 Fraud Control Plan and Fraud Risk Management
- 4.3 Fraud Reporting System
- 4.4 Fraud Response and Investigation Procedures

### **4.1 Roles and Responsibilities**

For fraud prevention controls to be effective, the ownership of the Policy must include all levels of management and employees. Responsibilities of management and employees are detailed below:

#### ***Employees***

- Behave in accordance with the Company's Code of Conduct, policies and procedures.
- Prevent fraudulent, corrupt and improper activity.
- Report all known instances of suspected fraud, corruption, dishonest or improper conduct, and reprisal action.

#### ***Contractors***

- Behave in accordance with any fraud minimisation directive set out in the supplier agreement.
- Prevent fraudulent, corrupt and improper activity.
- Report all known instances of suspected fraud, corruption, dishonest or improper conduct, and reprisal action.

The definition of contractors includes companies or individuals contracted by means of a supplier agreement to work on or deliver to the Company's building and development sites.

Internal and external fraud, corruption or improper conduct should be reported.

#### ***Supervisors and Managers***

- Ensure employees understand the standards of expected behaviour as outlined in the Code of Conduct and relevant policies and procedures.
- Familiarise themselves with the types of improprieties that might be expected to occur in their areas of responsibility and be alert for any indications of irregularity (refer Appendix 1).
- Establish and maintain systems of control to minimise fraud, corruption or improper conduct and ensure these controls are complied with.
- Implement improvements to internal controls to prevent recurrent of known or suspected frauds.
- Encourage employees to report suspected fraud.

- Receive reports of suspected fraud, corruption, dishonest or improper conduct or allegations of reprisal action taken against people who have reported suspicious activities in accordance with the Whistleblowers Policy.
- Document and refer all reports of suspicious activity and any reprisal action to the Whistleblower Protection Officer (WPO).
- Maintain the confidentiality of people making reports and the subject matter of reports, where appropriate.
- Take all reasonable steps to ensure that employees who have reported in accordance with the Whistleblowers Policy are not disadvantaged or suffer detrimental action.
- Document reports received in an Improper Conduct Report Form (ICRF) and immediately pass the ICRF and any other relevant reports to the WPO.

***Division and Branch Managers (as defined in the Company's Personnel Delegations)***

- Promote a work environment and culture that is in accordance with the Code of Conduct.
- Educate employees about the Code of Conduct, Fraud Prevention Policy and Whistleblower Policy.
- Familiarise themselves with the types of improprieties that might be expected to occur in their areas of responsibility and be alert for any indications of irregularity (refer Appendix 1).
- Establish and maintain systems of control to minimise fraud, corruption or improper conduct and ensure these controls are complied with.
- Implement improvements to internal controls to prevent recurrence of known or suspected frauds.
- Encourage employees to report suspected fraud.
- Receive and report allegations of breaches of the Code of Conduct.
- Receive and report allegations of fraud, corruption or improper conduct, and reprisal action.
- Maintain the confidentiality of people making reports and the subject matter of reports, where appropriate.
- Take all reasonable steps to ensure that employees who have reported in accordance with the fraud reporting system or Whistleblowers Policy are not disadvantaged or suffer detrimental action.
- Document reports received in an ICRF and immediately pass the ICRF and any other relevant reports to the WPO for investigation.

***Internal Auditor***

- Initiate periodic reviews of the Fraud and Corruption Prevention Policy, in conjunction with management, to ensure continued relevance and effectiveness of implementation.
- Manage the conduct of internal audit reviews and fraud risk assessments, including any participation with consultants or contractors in the conduct of these reviews. The possibility of material irregularities or non compliance should be considered whenever the Internal Auditor undertakes an internal auditing assignment.

- Incorporate fraud detection measures within the internal audit reviews and provide recommendations to ensure appropriate controls are in place
- Liaise with management to ensure risks are adequately addressed.
- Receive and report allegations of fraud, corruption or improper conduct, and reprisal action.
- Inform the WPO at the first opportunity, providing them with the ICRF and a briefing.
- Reporting significant matters to the Board Audit Committee as soon as practicable.
- Maintain a register of all reported suspicions, including those dismissed as minor or otherwise not investigated, containing details of actions taken and conclusions reached.
- Present the register to the Board Audit Committee for inspection at each meeting.
- Conduct investigations into suspected frauds as directed by the Chief Executive Officer, his delegate or Board Audit Committee.
- Provide advice and encourage procedures, practices, policy and other measures that will reduce the potential for fraud and misappropriation of assets.

***General Manager, Human Resources***

- Promote a work environment and culture that is in accordance with the Code of Conduct.
- Facilitate education of employees about the Code of Conduct, Fraud Prevention Policy and Whistleblower Policy.
- Receive and report allegations of breaches of the Code of Conduct.
- Inform the WPO at the first opportunity, providing him/her with the ICRF and a briefing.
- Advise those involved in investigations in matters of employment law, company policy and other procedural matters (such as disciplinary or complaints procedures as necessary).
- Consult with and advise the person(s) conducting interviews where an employee is to be interviewed.
- Consult with and advise the Chief Executive Officer or his delegate where an employee is to be disciplined.

***Chief Executive Officer***

- Ensure there is an effective fraud prevention framework in place, and it is communicated and adhered to.
- Decide whether suspected frauds warrant further investigation and nominate a person responsible for investigating the matter further, if required.
- Take appropriate disciplinary and/or legal action against perpetrators of fraud.
- Take appropriate disciplinary action against supervisors or managers where supervisory failures are found to have contributed to the commission of fraud.

- Make all decisions regarding reporting matters to external parties such as the external auditors, police, law enforcement officers, securities bodies, etc.

***Board Audit Committee***

- Responsible for the review and acceptance of the Company's Fraud and Corruption Prevention controls, including the Company's Fraud and Corruption Control Plan.
- Receive reports as required from the Chief Executive Officer and the Internal Auditor.
- Receive all ICRF, once finalised, for any suspected fraudulent activity that would have a material impact on the Company and review the register maintained by the Internal Auditor at each meeting.

## **4.2 Structural Framework**

Fraud can damage the Company in many ways. This may not only be through financial loss, but also damage to performance, reputation, credibility and client confidence.

Given that fraud is difficult to detect, it is necessary to ensure that all activities related to fraud detection, deterrence, prevention and investigation are coordinated with an overarching strategy.

This strategy brings together key attributes of effective fraud control and promotes a culture whereby fraud, corruption and improper conduct are viewed as unacceptable by all AVJennings staff. The strategy ensures "ownership" and identifies actions to be addressed at the appropriate level.

The Policy is built around the principle of there being lines of control. The integration of these lines of control creates a structural framework for fraud prevention and control.

***CONDUCT AND DISCIPLINE***

The Company has a Code of Conduct, which establishes levels of expected behaviour. The Code promotes a positive, ethical tone in order to encourage integrity and ethical conduct.

Other policies, concerning ethical and fraud control matters, are issued when considered appropriate.

The Code is a living document that will assist employees in making day-to-day decisions. Individuals are encouraged to contact either the General Manager, Human Resources or the Internal Auditor should further assistance is required.



### ***AWARENESS: STAFF, CLIENTS AND STAKEHOLDERS***

Management will ensure that the Company's stance on fraud is communicated to all parties and the highest possible level of awareness is maintained amongst the staff, clients and other stakeholders. The Fraud Prevention Policy will be promoted by way of:

- Distribution of the Code of Conduct
- Staff induction
- Internal communications
- Handouts and annual reports

Through handouts and briefings, staff will be given information to assist them in ensuring threats of fraud, corruption and dishonest conduct are adequately dealt with in their areas of operation.

Clients and stakeholders will be informed of the Company's stance on ethics and fraud control as considered appropriate. In addition, where applicable, there should be contractual obligations placed on third parties to comply with AVJennings requirements.

### ***FRAUD CONTROL PLAN AND FRAUD RISK MANAGEMENT***

A Fraud Control Plan is reviewed each year by the Executive and approved by the Board. Fraud Risk Management is an integrated part of the Company's overall risk management framework.

Additionally, fraud risk managements are periodically undertaken within the areas of concern and in areas that have been previously assessed to ensure that mitigation procedures are working effectively.

Treatment actions that result from a fraud risk assessment are monitored and reported to the Audit Committee in the same way as for other enterprise risks. Agreed management actions and delivery timeframes are documented in a register, and progress with regard to outstanding actions are followed up with management by the Internal Auditor on a regular basis.

### ***INTERNAL CONTROLS***

Controls aim to provide an effective safeguard over assets and integrity over transactions. The controls should be fully documented and communicated to those personnel affected. Controls should also have the ability of ensuring that effective monitoring can occur on a day to day basis.

An independent review of controls is to be conducted periodically to ensure they are meeting the needs and changes to the business,.

Controls should prevent fraud and corruption, where reasonably practical. Where prevention fails, the controls should ensure that the fraud is detected as early as possible. Following detection, the controls should also assist in

identifying the perpetrators and assist in the investigation by providing proof of the fraud or corruption.

### ***INTERNAL AUDIT PLAN***

The Internal Audit Plan is a critical element in the allocation of internal audit efforts to auditable areas based on an assessment of underlying risks. Areas of risk, including fraud risks, are prioritised against the following criteria: business objectives, materiality, change, image/reputation impact and stakeholder focus. Internal audit reviews will be performed based on the Plan and a continuous assessment of risks in coordination with management.

### ***MANAGEMENT RESPONSIBILITIES***

Management at all levels should have a sound understanding of compliance issues and be responsible for compliance within their area.

## ***4.3 Fraud Reporting System***

The Company has developed the Whistleblower Policy which includes a formal reporting system through which employees can report suspicions of fraud and improper conduct. The Whistleblower Policy puts in place procedures for the protection from any detrimental action in reprisal for making the disclosure, of people who make disclosures that reveal conduct that is corrupt, involves substantial mismanagement of AVJennings resources, or involves a substantial risk to health and safety or the environment, breaches of the Corporations Act and the Australian Securities and Investments Commission Act.

The Company is committed to ensuring that all breaches of the Code of Conduct and relevant legislation which are considered prima facie cases of fraudulent or corrupt activity are notified to the appropriate law enforcement or regulatory agency for investigation and/or prosecution.

All matters will be dealt with in confidence. Refer to the Whistleblower Policy.

## ***4.4 Fraud Response and Investigation Procedures***

Company procedures have been established to guide the response and investigation into a suspected or alleged incidence of fraud or improper conduct. These procedures are outlined under Investigation Procedures.

## APPENDIX 1- FRAUD INDICATORS AND WARNING SIGNALS

<b><i>Fraud Indicators</i></b>	
1.	Unusual employee behaviour (e.g. employee who opens all incoming mail, refusal to comply with normal rules and practices, fails to take leave, managers by-passing team members, team members by-passing managers, living beyond means, regular long working hours, job dissatisfaction/unhappy employee, secretiveness or defensiveness, etc)
2.	Key documents missing (e.g. invoices, contracts, etc)
3.	Inadequate segregation of duties.
4.	Absence of controls and audit trails.
5.	Inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation).
6.	Documentation that is photocopied or lacking essential information.
7.	Missing expenditure vouchers and official records.
8.	Excessive variations to budget or contracts.
9.	Bank and ledger reconciliations not maintained or cannot be balanced.
10.	Excessive movements of cash or transaction between accounts.
11.	Numerous adjustments or exceptions.
12.	Overdue pay or expense advances.
13.	General ledger out of balance.
14.	Duplicate payments.
15.	Ghost employees on the payroll.
16.	Large payments to individuals.
17.	Crisis management coupled with a pressured business environment.
18.	Lack of established code of ethical conduct.
19.	Lack of senior management oversight.
20.	Unauthorised changes to systems or work practices.
21.	Lack of rotation of duties.
22.	Policies not being followed.
23.	Post office boxes as delivery addresses.
24.	Lowest tenders or quotes passed over with minimal explanation recorded.
25.	Single vendors.
26.	Unclosed / long outstanding but obsolete contracts, jobs, purchase orders.
27.	Defining needs in ways that can be met only by specific contractors.
28.	Splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.
29.	Vague specifications.
30.	Disqualification of any qualified bidder.

31.	Climate of fear or an unhealthy corporate culture.
32.	High employee turnover rates in key controlling functions.
33.	Chronic under-employing in key control areas.
34.	Low employee morale / lack of career progression / weak management.
35.	Excessive hours worked by key employees.
36.	Consistent failures to correct major weaknesses in internal control.
37.	Management frequently overrides internal controls.
38.	When an employee is on leave, the work is left until the employee returns.
39.	Lack of controls such as changing passwords regularly, requiring two signatures on cheques or restricting access to sensitive areas.
40.	Employee's lifestyle is more affluent that would be expected from his /her employment.

<b><i>Warning Signals</i></b>	
1.	Employees under stress without a high workload.
2.	First to arrive in the morning, last to leave at night.
3.	Egotistical (e.g. scornful of system controls).
4.	A risk taker or rule breaker.
5.	Reluctance to take leave.
6.	Refusal of promotion.
7.	Unexplained wealth.
8.	Sudden change of lifestyle.
9.	New employees resigning quickly.
10.	Cosy relationships with suppliers / contractors.
11.	Suppliers / contractors who insist on dealing with one particular employee.
12.	Disgruntled at work, a complainer.