

Scope

This policy and associated management plan applies to Pacific Link Housing (PLH) and its wholly owned subsidiaries (the 'Group'). It applies to all directors, employees, volunteers, contractors and consultants in relation to their work with or for the Group.

Purpose

The group has a strong reputation within the community for delivering services and maintaining its asset base in an ethical and accountable manner. In addition, the Group is entrusted by its stakeholders (including government and regulatory bodies), to ensure its activities are undertaken in a fair and impartial manner, whilst always maintaining integrity.

The Group aims to foster an organisational culture which will ensure that the effective prevention of fraud and corruption is an integral part of our operating activities. The Group will identify and promptly investigate any suspicion of fraudulent, corrupt or related dishonest activities. When appropriate we will pursue legal remedies available under the law.

The Group recognises the risks associated with fraudulent activity and is committed to ensuring measures it takes in relation to fraud are robust, current and understood by those to which this policy applies.

Policy Position

All those to who this policy applies have a role to play in fraud and corruption control. The Group encourages a positive culture within the organisation to disclose actual or suspected fraudulent activity. Where this is the appropriate course of action, we will aim to protect the anonymity of anyone reporting these activities. All disclosures of fraud or corruption disclosed or known will be investigated.

The Group will not tolerate fraud or corruption within the Group. It is against our values and we intend to work actively to avoid it occurring. Any instances of these occurring will be dealt with in accordance with legislation, this policy and any other policy or procedure implemented to support the deterrence or review of fraud or corruption within the Group.

Why have a Fraud Control Policy and Management Plan?

Fraud and corruption does happen and often when and where it is least expected. Fraud and corruption are a serious breach of trust and are criminal offences. Fraud and corruption can occur in any layer of our business.

Those who are found to have committed fraud or corruption:

- break the law.
- become subject to disciplinary action, including the likelihood of immediate termination of employment.
- bring our organisation into disrepute by tarnishing our reputation as sound managers of our, and the community's resources.
- in extreme cases will cause our organisation to close down.

Having this policy and associated management plan demonstrates the Group's commitment to achieving effective fraud control and details the practical steps undertaken to achieve this.

What is fraud and corruption?

It is important for everyone in our organisation to have a good understanding of what constitutes fraud and corruption so that they can recognise it and take action to prevent it. Fraud and corruption are defined as follows:

- **fraud:**

'dishonest activity causing actual or potential gain or loss to any person or organisation including theft of moneys or other property by persons internal and/or external to the organisation and/or where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or for improper use of information or position for personal financial benefit.'

- **corruption:**

'dishonest activity in which a person associated with an organisation acts contrary to the interests of the organisation and abuses their position of trust in order to achieve personal advantage or advantage for another person or organisation. This can also involve corrupt conduct by an organisation, or a person purporting to act on behalf of the interests of an organisation in order to secure some form of improper advantage for the organisation either directly or indirectly'.

The opportunity to commit fraud or corruption requires knowledge of our Group's systems (or those of other organisations), combined with the willingness to exploit any weakness in those systems for direct personal benefit or for the benefit of others. It uses deceit, trickery or sometimes simply a belief that the ends justify the means.

Fraud Control Management Plan

The plan aims to put the following principles into practice:

- the prevention, detection and investigation of fraud or corruption.
- the prosecution of offenders, including those involving routine or minor instances of fraud where appropriate.
- the application of appropriate civil, administrative or disciplinary penalties.
- the recovery of the proceeds of fraudulent or corrupt activity.
- the training of all employees in ethics, privacy and fraud awareness activities.
- the specialised training of all employees involved in fraud control activities.
- the external scrutiny of our fraud control activities.

To do this we will establish measures that together will constitute our fraud control strategies.

The Group will clearly delineate the role of the person/s responsible for fraud control. The Group will review the various policies and codes of practice we have that relate to fraud and the timelines we establish for carrying out our fraud management processes.

The Group will undertake staff training for fraud awareness.

Key Roles and Responsibilities

The Group CEO has primary responsibility for overseeing the implementation and review of the Fraud Control Policy and Management Plan (including reporting to the Board) and for ensuring that this is well understood and actively upheld by staff at all levels of our organisation.

The Finance Risk and Audit Committee of the Board has responsibility for policy setting in relation to fraud and corruption control. It is also responsible for ensuring appropriate preventative measures are in place.

The Fraud Control Officer is the Group Executive Manager, Legal, Compliance, Policy & Risk and will be responsible for leading the review of instances of fraud and corruption in conjunction with the Group CEO with input and oversight by the Board.

Who else has responsibilities for fraud control?

More specifically, the Board, CEO, the Fraud Control Officer and senior management should be aware of circumstances that may indicate the possibility of fraud. These can include:

- Discrepancies in the accounting records;
- Conflicting or missing evidence and documentation;
- Problematic or unusual relationships between the auditor and management;
- Unwillingness by management to permit the auditor to meet privately with those charged with the organisation's governance (e.g. Board, Finance Risk Audit Committee);
- Accounting policies that appear to be at variance with industry norms;
- Frequent changes in accounting estimates that do not appear to result from changes in circumstances;
- Tolerance of violations of the code of conduct
- Large proportions of remuneration for senior management being dependent on bonuses and these being driven by achieving unusually successful results;
- Payments of significant bonuses and incentives as a means of increasing performance;
- Domination by a single person or small group without compensating controls.

Becoming fraud aware

Fraud and corruption control is the responsibility of everyone within the Group. It is important that all employees have a general awareness of fraud and corruption and how they should respond if this type of activity is detected or suspected.

The Group will regularly communicate to employees a clear definition of the types of action, particularly those that are specific to our business, that constitute fraudulent or corrupt practice, the fraud detection measures that are in place and an unequivocal statement that fraudulent and corrupt practices will not be tolerated. This will be fostered using a strategy that:

- requires all staff and directors understand and adhere to the Code of Conduct at induction and regularly throughout their employment.
- ensures regular fraud training is undertaken having regard the level of responsibility for fraud or corruption held by those being trained.
- ensures changes to policy and procedure relating to fraud and conduct are actively communicated.
- clearly demonstrates the ways in which people can report allegations or concerns relating to fraud and unethical conduct in line with our Whistleblower Policy where appropriate.
- encourages reporting of any suspected fraud or corruption.

Who assesses the fraud risks in our organisation?

The Group CEO has ultimate responsibility (and reports to the Board) to assess the risk of fraud occurring and to recommend appropriate preventative measures. The Group CEO does this with the direct support of the Fraud Control Officer, our external auditors and all employees.

Audits

As part of the regular audit process our external auditor will undertake:

- procedural data analysis.
- visits to different locations and surprise visits where necessary.
- an altered audit approach where necessary e.g. direct oral contact with major customers and suppliers rather than by more traditional letter/written communication.
- personal interviews where necessary.
- data mining to test the integrity of computer-based records.
- comparison of management estimates/budgets with actuals.
- review of all payments to the Board.

In addition, our auditor is expected to report on situations involving potentially irregular items including:

- unusual transactions.
- checks on employment contracts e.g. incentives.
- examination of large and/or unusual expenses e.g. expense reports/claims by senior management.
- related party authorisations.

Our Internal Auditor

- maintains a schedule of areas of the organisation to be audited, the frequency and the date of last audit.
- reports all audit outcomes to the Group CEO.
- assists in the implementation of procedural changes to address any shortcomings identified.

Fraud Control Activities

We conduct the following activities on a daily, weekly, monthly and/or annual basis to assist in ensuring accurate financial reporting:

- Bank reconciliations are prepared and independently reviewed;
- Fixed asset registers are reconciled to the general ledger and depreciation is charged where appropriate. Physical inventories are performed against asset registers;
- At year end, accruals are left open until the latest possible moment to ensure transactions are recorded in the appropriate period;
- Provisions are generally only made to cover specific costs to be incurred;
- Bad debts, where appropriate, are written off after being approved by the Executive Manager, Operations and Executive Manager, Finance and co-signed by Group CEO according to the company delegation;
- General journals are sequentially numbered, supported by narration and proper authorisation;
- All supporting documentation is appropriately filed;
- Asset sales are recognised in the period in which the sale takes place;

- Payroll transactions are effected on Thursday fortnightly with resulting PAYG payments made in accordance with ATO guidelines; and
- The Payroll officer securely maintains information and records relating to payroll matters.

Management uses the following methods to also minimise fraud and corruption:

- Separation of duties and use of verification procedures;
- Use of exception reports and the authorisation process with respect to the maintenance, adding to or deletion from master files such as clients, suppliers, data address changes, new advances.
- Maintain a policy of not accepting cash receipts from tenants;
- Review and reinforcement of computer security measures, including requiring user-identification passwords for access to computer systems. (Routinely changing passwords will improve computer system security);
- Conduct of internal reviews and audits on a surprise basis; and
- Mailing of all statements from the administrative office rather than home offices.

Key features of our Compliance Program include:

- Review and update of company Policy and Delegation of Authority;
- Staff empowerment through training, recognition and participation;
- Regular systems and process reviews by appropriate staff members;
- Having appropriate channels for employees to report possible non-compliance or system errors;
- Audit of the organisation's overall compliance effort;
- Formulation of corrective plans to address any instances of non-compliance; and
- Pre-employment screening to consider the following:
 - Verification of identity;
 - Previous criminal history;
 - Reference check with at least the two most recent employers (this will normally require telephone contact);
 - A consideration of any gaps in employment history and reasons for those gaps;
 - Verification of formal qualifications claimed; and
 - A more thorough screening process for employees applying for particularly sensitive positions.

Regular assessments of Fraud risks and control strategies

We will carry out a review of our Fraud Control Policy and associated activities every two years or as otherwise required (eg in the event of failure or a significant change in the business). Assessments may be conducted by the Group CEO and Fraud Control Officer, auditors or other consultants, as appropriate. The Group CEO will provide the findings of the assessment to the Board at the first Board meeting after its completion and similarly to the next staff meeting.

The Fraud Risk Assessment system comprises the:

- quarterly Risk Register review that is overseen by the Finance Risk Audit Committee, and
- the biennial Internal Controls Checklist review that documents the internal checks and controls for human resources, administration, security of assets, segregation of duties, finance (including checklists for accounts receivable, accounts payable, payroll, petty cash and grants received), reporting and systems.

Ongoing review and improvement of fraud control strategies will be achieved through:

- keeping abreast of best practices;
- employing people who have experience and commitment to the continuous improvement of fraud and corruption control; and
- encouraging innovation in fraud and corruption control development, procedures and processes.

Detecting fraud

If our fraud preventative systems fail, we will aim to detect fraud as soon as possible by:

- conducting internal reviews and audits on a surprise basis;
- the development of specific detection strategies for action by appropriate sectional management; and
- periodic management reviews instigated by the organisation's management team.

We will continually develop a fraud detection system which will include:

- a program for the strategic analysis of management accounts to identify trends that may be indicative of fraudulent conduct; and
- ongoing assessment of internal risk factors, particularly as these relate to the culture of our organisation, to the susceptibility of certain assets to misappropriation and to staff internal and external pressures; and
- a program for post-incident review.

How and when to report fraud

Reports of behaviour involving possible fraud or corruption should be communicated to senior management through:

- (a) the normal reporting channels including the following details;
- the name and address of the person to whom the report is directed;
 - the procedure once the report is received; and
 - when and how the reporter will be informed of the progress/action taken in light of the report (e.g. to the Manager who forwards to Senior Manager/Fraud Control Officer.)

- (b) the PLH Whistleblower Policy

The Whistleblower Policy is designed to encourage and facilitate the disclosure of improper conduct, provide anonymity for staff that make those disclosures, provide protection for staff who may suffer reprisals in relation to such disclosures and for the matters disclosed to be properly investigated and dealt with. Please refer to CP55 Whistleblower Policy for reporting details and what qualifies to be reported in this regard.

In almost all cases the best time to report suspected fraud, corruption or suspicious activity is immediately. The Chair and Board of directors should be informed immediately of any report of fraud. Staff should be made aware of this general rule and be encouraged to have confidence that the organisation will deal with the matter in a timely manner. It is preferable to have the matter be investigated appropriately and according to standard procedures authorised by the Board.

In addition to internal reporting, the Group CEO will address each of the following reporting issues and where necessary enlist the support of others, including the Finance Risk and Audit Board Committee (generally people external to an organisation) to consider:

- investigation requirements and the potential need for external support having regard to the instances being reported;
- protection of staff reporting suspected fraud;
- external anonymous reporting e.g. to Australian Tax Office (ATO);
- reports to the police;
- reports to external parties such as Registrar of Community Housing, Homes NSW, Centrelink and other government departments;
- administrative remedies for the recovery of the proceeds of fraudulent conduct; and
- legal reporting obligations e.g. to authorities such as Australian Federal Police, state police, ATO, ACNC, ASIC, Housing Australia or to government departments in relation to contracts held with them.

When there's an investigation

If fraud or corruption is detected, reported or suspected an investigation will be conducted by appropriately skilled and experienced personnel who are independent of the section in which the alleged fraud has occurred.

This independent party may include:

- an external law enforcement agency;
- Executive Manager;
- a director of PLH; or
- an external consultant operating under the direction of an independent Executive Manager within the organisation.

The investigation should comply with all relevant legislation. Adequate records must be made of all investigations. These records are to be kept in accordance with legal, best practice and privacy management guidelines.

In conducting an investigation into allegations for fraud we will ensure that information arising from or relevant to, the investigation is not disseminated to any person not required by their position description to receive the information.

An investigation will potentially involve the following investigative activities:

- Interviewing of relevant witnesses, both internal and external, including obtaining statements where appropriate;
- Reviewing and collating of documentary evidence;
- Forensic examination of computer systems as per our Information Technology Systems and Devices Policy

- Examination of telephone records;
- Enquiries with banks and other financial institutions;
- Enquiries with other third parties;
- Data search and seizure;
- Expert witness and specialist testimony;
- Tracing funds, assets and or goods;
- Reviewing personal emails sent through PLH's system;
- Preparing briefs of evidence;
- Liaison with the police or other law enforcement or regulatory agencies;
- Interviewing persons suspected of involvement in fraud and corruption; and
- Report preparation.

Any investigation into improper conduct will be subject to an appropriate level of supervision having regard to the seriousness of the matter under investigation. In serious cases, it is contemplated that the Board will be the relevant supervisors.

Post Investigation

In each instance where fraud or corruption is detected the Group CEO and the Fraud Control Officer should reassess the adequacy of the internal controls in conjunction with the Finance Risk and Audit Board Committee (particularly those directly impacting on the fraud incident and potentially allowing it to occur) and amend and improve controls where necessary.

Where improvements are required, these should be implemented as soon as possible and any amendments to internal controls should be effectively communicated to personnel appropriate to their level of responsibility and position description.

Policy Owner	Group Executive Manager, Legal, Compliance & Risk
Approval Authority	Board
Approval Date	March 2025
Next Review	March 2027
Website published	Yes

Appendix A – More Information

Types of Fraud Risk

Various risk factors for fraud and corruption require ongoing management of:

- **Accounting risks:** The need to assess attitudes to the application of accounting standards, and to ensure that correct procedures are followed in the case of third parties involved in the assessment of the organisation's performance e.g. auditors and government departments;
- **Personal risks:** The need to assess risks in an environment where there is an autocratic management style, unusual behaviour, expensive lifestyles, untaken holidays, poor quality staff, low morale or high staff turnover;
- **Cultural risks:** The need to be aware of the risks in a culture that requires results at any cost or has a poor commitment to internal controls and demands unquestioning obedience from staff;
- **Structural risks:** The need to understand that fraud is made easier when there are complex corporate structures and when responsibility for organisational activities is concentrated with minimal oversight; and
- **Business risks:** The need to be alert to the risks that arise when business strategies are poor, profits exceed industry norms, the organisation has a poor corporate reputation or when it is facing liquidity problems.

Fraud Control Techniques

An awareness of the risk of fraud and corruption control techniques and our attitude to control of fraud will be fostered by strategies that:

- ensure all employees receive training in our code of conduct at induction and throughout the period of their employment;
- ensure all employees receive regular fraud and corruption awareness training appropriate to their level of responsibility;
- ensure updates and changes to fraud-related policies, procedures and the code of conduct are effectively communicated to all employees, including publishing the fraud control policy and Whistleblower Guide on the PLH website
- ensure all staff are aware of the alternative ways in which they can report allegations or concerns regarding fraud or unethical conduct, for instance the PLH Whistleblower Guide.
- encourage staff to report any suspected incidence of fraud or corruption; and
- promote fraud awareness and standards of conduct through regular meetings, staff newsletters or other internal publications, and through the overt, ongoing commitment demonstrated by senior management in all aspects of their relationships.

Characteristics that can influence Fraud

Management characteristics and the degree of influence that management has in controlling the working environment and the organisation's activities can be subtly powerful influences that create the risk of fraud and corruption. Where this positive situation exists it is important to guard its continuation and integrity. The following are some relevant considerations:

1. As part of the community and the non-profit sector, PLH employees are not under pressure to maintain or increase the organisation's stock/share price or

earnings trend through the use of inflating or deflating cash flows. On the other hand the pressure to achieve results (e.g. renewal of contract), improve ratings for key performance indicators as required in performance-based contracts do contain fraud-related risks.

2. A significant portion of management remuneration is not represented by bonuses or incentives which are dependent on the manager's division having to achieve unduly aggressive targets for operating results, financial position or cash flows.
3. There are no other third parties providing undue pressure to inflate or deflate earnings or cash flows.
4. There is no undue influence from the organisation's owners or management to pursue inappropriate tax minimisation strategies.

Desirable characteristics that will reduce the risk of fraud and corruption include the following organisational behaviour:

- The organisational structures in place provide for the effective communication of directives across the whole organisation to ensure that appropriate values and ethics are maintained; such as regular staff and departmental meetings with the Group CEO.
- Known control weaknesses are addressed immediately and monitored, once they become known;
- Management overtly displays and upholds respect for the law and regulatory authorities;
- Management employs effective and adequately qualified staff and utilises such external expertise as is required in the circumstances that have arisen;
- Employment of a Compliance Manager with responsibility for internal audit; and
- There is no history of contravention of the Corporations Act or other securities laws.

Examples of Fraud

There are basically two categories of fraud:

- Fraud which results in the loss of funds; and
- Fraud which results in the misuse of assets or the loss of an advantage.

Within the PLH working environment there are a number of areas where potential frauds could occur. These are grouped under three headings, with examples, below.

Examples - People outside the Organisation

Invoices for goods and services not received:

- Invoices from the organisation's maintenance contractor for services not performed.
- Repairs to computers, or software support which are unnecessary.

Provision of goods and services by or to friends or family of staff:

- Tenders being awarded to people who have inside information about other bids or assessment criteria.
- Purchases being made from friends or family businesses at non-commercial prices. Refer PLH Group CP48 Conflict of Interest Policy.
- Allocation of tenancy outside of government guidelines.

Offers of incentives:

- Offers of gifts to staff in return for their directing business to the supplier. Refer PLH Group CP49 Gifts and Benefits policy.

Preferential payment terms given:

- Family and friends paid earlier than the normal commercial payment period and discounts offered not deducted.
- Unnecessary prepayments or deposits given.
- individuals or organisations given the opportunity to purchase assets at less than fair market value or on terms more favourable than those commercially available.

Fraud by employees and others using an organisation's funds

False Expense Claims:

- Claims for reimbursement of out-of-pocket expenses for supplies or consumables, supposedly purchased for the organisation's use and substantiated with receipts for purchases for personal use.

False Travel Claims:

- To claim travel allowances when they are not due, or failing to return allowances for travel not undertaken. It may also be possible to claim accommodation allowances for provider-paid training or conferences.

False Time Sheet Claims:

Claims on time sheets for hours worked when these are not accurate.

Ghosting:

- Paying by cheque for the services of non-existent casual employees. These cheques are subsequently endorsed for payment to another bank account.

Use of signed blank cheques to make payments for non-organisation purposes:

- Cheque signatories should **never under any circumstances** sign cheques which are blank and should only sign any cheque if it is accompanied by complete documentation (usually an invoice and a cheque requisition).

Fraud by employees and others using an organisation's property

The use of organisation facilities for personal gain:

- The use of the organisation's computers for after-hours training or tuition (where not approved by PLH) or the use of space and equipment for a personal business. (These actions do not incur losses for the organisation, but are an abuse of its facilities by an employee.)
- The use of the GST exemption to purchase goods or services for use by a person or an organisation for purposes other than for the lawful use of the organisation. (This action represents a serious breach of the Commonwealth tax laws. It may also incur personal liability - civil or criminal.)
- Motor vehicles, such as the use of organisation vehicles for unauthorised personal travel or by members of an employee's family, unless authorised under PLH's CP04 Company Vehicles policy.

Fraud by employees and others to improve personal property

- The use of an organisation's training programs for the improvement of personal property or the supply of services to an employee's premises.
- Individuals or organisations are given the opportunity to purchase assets at less than fair market value, or on terms more favourable than those commercially available.

Fraud arising from staff, management, or Board of Directors or Management Committee bodies due to a failure to perform their duties

Examples include:

- Deliberate failure to record or identify a false statement by a client where the client gains a payment or an advantage from that payment.
- Authorising or recording of data that is known not to be true so that the organisation, Board of Directors, Management or individual gains a benefit from the fraud,
- Providing inside or confidential information to others outside the organisation for their personal gain.
- Deliberately destroying the organisation's records.
- Manipulating or falsifying statistics to avoid criticism or a reduction in funding.
- Manipulation of data to falsely present successful organisation outcomes.

The Risk Register

As part of our Fraud Risk Assessment, PLH lists the identified potential fraud and corruption risks that our organisation faces within our Risk Management Plan and the Internal Control Checklist. Risk Plan factors include the following areas:

- a) **misappropriation of assets**, including theft, 'temporary borrowing', control over handling of cash and recording its use;
- b) **misuse of assets**, such as unauthorised personal use of organisational assets including motor vehicle, computers, portable devices, stationery; Refer Policy CP04 Motor Vehicles and CP05 Portable Devices.
- c) failure by staff to adhere to **delegations of authority** relating to the value of assets or contracts they can sign for;
- d) **lack of supporting documentation**;
- e) **lack of a mandatory vacation policy** (or its enforcement) for employees performing key control functions;
- f) **fraudulent financial reporting**, including intentional distortion of financial statements, capitalising revenue items, fictitious asset register items, arguments with auditors, calculated avoidance of auditor involvement or restrictions in access to, or availability of, staff;
- g) **high turnover** of management, legal or accounting advisors or Board members;
- h) continued employment of **ineffective accounting**, IT or internal audit staff;
- i) **hiring of friends** and relations;
- j) attitudes of and financial **pressures affecting employees** handling assets that are susceptible to misappropriation, such as:
 - **Long-term, trusted employees**: These individuals know the systems and processes in detail. This knowledge allows them to more easily circumvent controls and conceal fraud. These employees often do not take annual leave, resent questioning, and often are unable to find records or files.

- **Life crisis of employee:** e.g. divorce, death in family, or other matters that creates a need for substantial sums of money.
 - **Lifestyle changes:** e.g. employees who are living beyond their means.
 - **Rule breaker mentality:** i.e. employees who ignore rules or regulatory requirements.
 - **Unappreciated workaholic:** This includes employees who believe they are not adequately compensated for the long, hard hours they work.
- k) **inventory characteristics** such as small size and high volume;
- l) **fixed assets and plant** and equipment characteristics such as storage off-site, portability of assets;
- m) security of and access to **offices** including multiple keys, lack of video surveillance in danger areas;
- n) **exploitation of incentives** and bonuses in contracts with customers (e.g. government contracts);
- o) engagement of building contractors, development consultants, **trade contractors, subcontractors or other consultants** who have inappropriately close relationships with staff; and
- p) **Management characteristics** and the degree of influence management exerts.