



**Friday, 31 August 2018**

## **ASX ANNOUNCEMENT**

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### **FRAUD PREVENTION POLICY 2018**

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The Board of the Company approved the following Fraud Prevention Policy on 31 August 2018.

This policy and other compliance policies of the Company may be found on the company's web site;  
[www.a1investments.com.au](http://www.a1investments.com.au).

#### **A1 INVESTMENTS & RESOURCES LTD**



Charlie Nakamura  
Managing Director

## FRAUD PREVENTION POLICY 2018

### 1. INTRODUCTION

- a. The A1 Fraud Prevention Policy outlines the principles and framework implemented to ensure A1 is able to minimise the risk of fraud occurring across the organisation.
- b. The primary business of A1 is the business of A1Ag which is a wholesale food production company and joint venture participant.
- c. Previously A1 had operated through its trading subsidiaries retail food outlets in which there was a high risk of fraud by employees as the company received the majority of its revenue from these businesses in cash. A1 no longer operates retail food outlets and has determined that such operations are no longer part of its core business.
- d. A1 is subject to the risk of fraud occurring - either internally by staff or externally by third parties upon A1 and the company requires strong fraud prevention and detection procedures.
- e. The Board has determined that the company does not have any special risks in respect to fraud but the company acknowledges the need to maintain a strong anti-fraud policy but has further determined there is no need for a comprehensive response procedure to be in place to limit any negative organisational impacts. The Board confirms its intention to review this position annually as the operations of the company change over time.
- f. This A1 Fraud Prevention Policy has been developed to enable executive management and business units to implement appropriate fraud prevention, detection and response processes.

### 2. OVERVIEW

- a. A1 Fraud Prevention Policy comprises several elements as summarised in the diagram below.

1.	Fraud Risk Identification	The identification and assessment of specific fraud risks applicable to A1.
2.	Fraud Risk Implementation	Implementation of both preventative and detective fraud control measures to reduce the risk of fraud occurrence and to allow for prompt identification of incidents if they occur. Fraud awareness training is provided to A1 staff focusing on task diligence and concern
3.	Fraud Incident Response	Includes investigation responsibilities, remedies and reporting requirements for fraud incidents that do occur. Initial investigations into alleged or potential frauds are to be conducted by the external accountant for the company and the company secretary.

4.	Fraud Assessment	An annual fraud risk assessment is conducted by the company's external accountant in association with company secretary to identify and document key fraud risks and associated mitigations. In addition, fraud is considered by the external auditors. Business units self-assess their fraud risks as part of their risk profiling activities.
5.	Reporting	Regular reporting of fraud risks and any fraud incidents is undertaken to the Audit and Risk Committee (ARC) and if significant by the Board.

- b. Overall, the A1 Fraud Prevention Policy is a combination of embedded fraud controls and general staff awareness supported by regular business unit and independent fraud risk assessment. On-going execution of this policy is expected to minimise the occurrence and impacts of fraud across A1.

### 3. DEFINITION OF FRAUD

- a. Fraud involves dishonestly obtaining an advantage through the intentional misrepresentation, deception, or concealment of information. General examples of fraud potentially manifesting at A1, whether from within the organisation itself or from an external source, include:
- i. financial theft or misappropriation of cash or securities
  - ii. improper or unauthorised expenditure
  - iii. unauthorised or inappropriate access to or release of information
  - iv. forgery and alteration of documents
  - v. inappropriate use of insider knowledge
  - vi. misappropriation or misallocation of organisational resources, such as computer or telecoms equipment
  - vii. inappropriate or favourable treatment of associated parties for personal benefit
  - viii. falsification of records and data, such as payment or payroll records, and
  - ix. fraudulent financial reporting.
- b. Factors identified that can increase the risk of fraud at A1;
- c. include:
- i. busy schedule of business and system change activities, including changes to processes and internal control
  - ii. processing of production from the farms including by our joint venture partners
  - iii. intelligent and dishonest employees
  - iv. complex systems
  - v. remote operations and frequent organisation restructures
  - vi. on-going business expansion and increasing number of initiatives new to A1
  - vii. adoption of a sales based reward programs
  - viii. competition across wider span of A1's businesses
  - ix. key procedures and controls are performed manually
  - x. concentrated business and system knowledge, and

- xi. potential for collusion on the part of employees, customers or suppliers.

#### **4. SCOPE**

- a. The A1 Fraud Prevention Policy applies to any activities potentially subject to fraud, or suspected fraud, involving employees, consultants, vendors or contractors (including joint venture partners) and/ or any other parties with a corporate relationship with A1 in any of its locations. This includes fraud associated with cyber security risks.

#### **5. ROLES AND RESPONSIBILITIES**

- a. A1 is relatively small company and it has no fraud risk officer at this time. The Board has designated the company secretary as being responsible for managing, monitoring, and implementing the ASX Fraud Control Policy.
- b. The facilitation and ongoing maintenance of A1's Fraud Control Policy is the responsibility of the Board. Specific responsibilities include:
  - i. developing and maintaining the A1 Fraud Control Policy and procedures
  - ii. reviewing fraud risks in the business unit risk profiles; and
  - iii. coordinating the awareness steps of the Fraud Control Policy.
- c. Business Unit Group Executives and General Managers are responsible for:
  - i. identification of fraud risks in their business unit and including them in their risk profile
  - ii. the design and operation of fraud controls in their business unit; and
  - iii. escalating potential or actual fraud incidents to the Company Secretary and the Board.
- d. A1 Staff are required to:
  - i. perform their roles and tasks ethically and diligently
  - ii. be vigilant and report any instances of suspected fraud promptly; and
  - iii. actively participate in fraud awareness training as required.

#### **6. POLICY STATEMENTS**

- a. Control procedures to mitigate the risk of fraud can either be preventative or detective, or both, in nature. Examples of each include:
  - i. Preventative
    - 1. workplace policies and culture promoting and encouraging ethical behaviour
    - 2. new employees and contractors acknowledgement of policies upon commencement
    - 3. regular policy updates and communication to staff
    - 4. high risk employees subject to annual acknowledgement of some policies
    - 5. Authorisation and dual check controls within key processes
    - 6. periodic review of fraud risks and scenarios
    - 7. system access controls
    - 8. centralised operations
    - 9. physical security controls.
  - ii. Detective
    - 1. escalation and provision of whistleblowing
    - 2. reviews of exception reports and reconciliations and other management reporting
    - 3. exception reporting for some systems

4. periods of consecutive staff leave without office/telecommunication contact
5. assurance and compliance functions

## **7. RISK CULTURE**

- a. Risk culture manifests itself in the risk attitudes ethics, integrity and competence of the people within an organisation. It is influenced by management's operating style and philosophy, the way management assigns responsibility and authority, the way the organisation structures and develops its people and the attention and direction provided by the Board. The key elements of A1's risk culture contributing to an effective fraud control environment include:
  - i. management-defined policies and procedures eg policies on ethics and conduct policies (including code of conduct, whistleblower policy, dealing rules for employees and directors, employee assistance, diversity and equal opportunity, health and safety, leave and working conditions);
  - ii. a culture of recognition and compliance with the organisational responsibilities in regard to regulatory, environmental and social issues;
  - iii. performance, remuneration and reward strategies and commitment to promote competence, compliance and development of staff;
  - iv. management focus on operational issues and willingness to discuss and address potential control weaknesses.

## **8. FRAUD INCIDENT RESPONSE**

- a. A key aim of the fraud control framework is the early detection and escalation of fraud incidents within A1. A culture of fraud awareness and openness in relation to fraud reporting should be encouraged with escalation to the Company Secretary and Board as required.

## **9. INVESTIGATION**

- a. Upon notification the Company Secretary will:
  - i. identify and assess required investigation team members;
  - ii. determine requirements to notify law enforcement or regulatory agencies of events;
  - iii. determine whether to seek to recover any misappropriated monies or assets;
  - iv. make recommendations regarding sanctions on the employees involved, up to and including terminations;
  - v. notify insurers of fraud as required;
  - vi. define and conduct investigation procedures ; and
  - vii. assess investigation results and propose recommended actions.