

## Internal Control & Anti- Fraud Policy

### 1. Introduction:

Fraud poses a serious threat to any organization, making its prevention and detection a critical priority in today's business environment. Cultivating awareness and implementing a proactive Anti-Fraud strategy are essential components in effectively addressing this risk.

This Anti-Fraud Policy is designed to foster a culture of integrity and accountability throughout the organization by increasing awareness of fraud risks and their potential impact. It also establishes a structured approach to uphold the company's policies and procedures for the prevention and detection of fraudulent activities.

The policy applies to all instances of fraud or financial loss within the company and is relevant to employees, investors, and suppliers alike.

### 2. Definitions of Fraud:

Legally, fraud encompasses a range of unlawful acts, including but not limited to deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of key facts, and collusion.

For operational purposes, fraud can be broadly defined as:

**"The deliberate use of deception to gain an unfair advantage, avoid a duty, or cause harm to another individual or entity."**

According to *Merriam-Webster's Dictionary of Law*, fraud is:

**"Any act, expression, omission, or concealment intended to mislead another party to their detriment; particularly a false representation or concealment of a fact important to a transaction, made knowingly or with reckless disregard for the truth, and intended to deceive someone who reasonably relies on it and suffers harm as a result."**

**Computer fraud** refers to the dishonest use of information technology systems to manipulate data or programs—such as altering, substituting, destroying, or fabricating records. It also includes the unauthorized use of IT resources, such as inappropriate personal internet usage or misuse of system access for fraudulent purposes.

As defined by the **International Standard on Auditing (ISA) 240**, fraud is an intentional act carried out by one or more individuals—whether from management, governance, employees, or third parties—using deception to secure an unlawful or unfair benefit. When such actions involve senior management, they

are classified as “**management fraud**”; when committed solely by employees, they are referred to as “**employee fraud**.”

### 3. Understanding Fraud

Fraud is a broad term that encompasses any deliberate act intended to obtain an unfair or illegal benefit. In the financial context, fraud typically falls into four main categories:

- **Fraudulent Financial Reporting**  
This involves the intentional manipulation of financial statements. Common tactics include inflating revenues, overstating assets, or understating liabilities—often done to mislead stakeholders or meet performance targets.
- **Misappropriation of Assets**  
This includes both internal and external schemes, such as embezzlement, payroll manipulation, and theft of cash or property. It often involves employees or third parties unlawfully taking company assets for personal use.
- **Improper Expenditures and Liabilities**  
This type of fraud relates to unauthorized or unethical payments, including commercial and government bribery, kickbacks, and other illicit payment arrangements.
- **Illegitimately Obtained Revenue or Avoidance of Costs**  
These schemes occur when a company gains revenue or assets through deceitful means or avoids legitimate expenses—examples include tax evasion or fraudulent claims that harm employees or external parties.

### 4. Mahaana Wealth Limited – Fraud policy framework

Mahaana Wealth Limited expects all employees to act with honesty, integrity, and responsibility at all times, particularly in safeguarding the assets of both the company and its investors. The organization maintains a zero-tolerance stance toward any form of fraud or corruption. Any suspected incident will be thoroughly investigated and addressed with appropriate disciplinary or legal action.

Mahaana Wealth is firmly committed to minimizing the risk of fraud and corruption through robust internal controls and risk management practices. The company recognizes that effective fraud mitigation requires a balanced approach involving prevention, deterrence, and detection. While management acknowledges that fraud can be challenging to uncover—often due to document falsification or collusion among staff or third parties—Mahaana Wealth prioritizes proactive measures to reduce opportunities for fraudulent behavior.

Emphasis is placed on creating an environment where the likelihood of fraud occurring is low, and where potential offenders are discouraged due to the high risk of detection and consequences.

Importantly, fraud prevention and deterrence are significantly more cost-effective than the resources needed to detect and investigate fraudulent activity after the incident.

## 5. Anti-Fraud framework and control

This policy outlines the key strategies that management will adopt to prevent, deter, and detect fraudulent activities. These strategies are built upon three core pillars:

- **Fostering a Culture of Integrity and Ethical Conduct**  
Establish and uphold a workplace culture rooted in honesty, accountability, and ethical behavior at all levels of the organization.
- **Fraud Risk Assessment and Mitigation**  
Regularly assess areas vulnerable to fraud and implement effective systems, controls, and procedures to minimize risks and limit opportunities for misconduct.
- **Robust Oversight Mechanisms**  
Ensure that appropriate oversight structures are in place to monitor compliance, review internal controls, and respond swiftly to any indicators of fraud.

## 6. Fostering culture of integrity and ethics

- Management has a critical role in shaping a workplace culture that values integrity, transparency, and ethical conduct. It is essential that expectations for appropriate behavior are clearly communicated to all employees.
- A culture rooted in honesty and ethics can be cultivated through the following core practices:
  - a. **Setting the tone at the top**
    - Senior management must lead by example, both in actions and communications. Ethical behavior at the leadership level sets a powerful standard across the organization. Employees must see that integrity is non-negotiable and that unethical behavior—regardless of the perceived benefit—is not tolerated. Moreover, leadership must treat all employees fairly, reinforcing trust and accountability at every level.
  - b. **Code of Conduct/Ethics**
    - A strong ethical culture is anchored in a formal **Code of Conduct and Ethics**, which sets clear expectations for employee behavior. Mahaana Wealth has established and approved such code in its first board meeting. It applies to all personnel—including the CEO, department heads, managers, and officers—and outlines the company's ethical standards across various areas, including:
      - Corporate and professional conduct
      - Handling **sensitive** and confidential information
      - Personal behavior and responsibilities
      - Confidentiality obligations
      - Personal share dealing

- Sales and marketing practices
- Anti-money laundering compliance
- Customer complaints handling
- Media interactions
- Miscellaneous ethical matters
- All employees are required to familiarize themselves with these policies and sign a confirmation of understanding and compliance. Questions or concerns about the code should be directed to the employee's Head of Department or the Head of HR and Administration.

**c. Creating a positive workplace environment**

- A healthy workplace culture significantly reduces the likelihood of fraudulent behavior. Poor morale, lack of recognition, inequity, and unclear responsibilities can contribute to misconduct. Risk factors include:
  - Disengaged or indifferent leadership
  - Lack of employee recognition
  - Perceived unfair treatment
  - Autocratic management style
  - Unrealistic performance targets
  - Substandard compensation or development opportunities
- To counteract these risks, Mahaana Wealth fosters a positive environment through:
  - Transparent and merit-based reward systems
  - Equal opportunity policies
  - Team-based decision-making processes
  - Fair and structured compensation and training programs
  - Emphasis on career development and role clarity

**d. Hiring and promoting the right people**

- Recruiting individuals who demonstrate ethical judgment and professionalism is key. The hiring process emphasizes:
  - Educational qualifications
  - Professional experience
  - Verified achievements
  - Demonstrated integrity
- Hiring and promotion protocols may involve:
  - Background checks for sensitive or high-trust roles
  - Verification of academic credentials and employment history
  - Reference checks from credible sources
  - Ongoing employee training on company values and ethics
  - Inclusion of ethics in performance appraisals

- Mahaana Wealth ensures that every employee understands their obligation to uphold company values and is held accountable to act within the established code of conduct.

## **7. Anti-Fraud Processes and Controls**

- Fraudulent activities, whether financial misreporting or asset misappropriation, generally stem from an opportunity to commit and conceal the act. To reduce these opportunities, management must proactively implement strategies and safeguards. The key elements of Mahaana Wealth's fraud control framework include:

### **a. Fraud risk identification and assessment:**

- Management is responsible for designing, executing, and overseeing the company's fraud risk assessment and prevention strategies. Recognizing that fraud can occur in organizations of any size or type, the company evaluates its specific operational and industry risks.

A comprehensive fraud risk assessment includes:

- A structured, methodical approach to risk identification
- Evaluation of various types of fraud schemes
- Assessments at both the business unit and key account levels
- Evaluation of the likelihood and potential impact of identified risks
- Consideration of risks related to management override or circumvention of controls
- Each department must develop its own operational manual, clearly identifying fraud risks relevant to its functions and outlining corresponding mitigation strategies.

### **b. Internal control monitoring:**

- Mahaana Wealth implements various internal control procedures to detect irregularities and safeguard assets. These include:
- Requiring all transactions to be properly authorized in line with the company's delegation of authority
- Ensuring timely and accurate recording of financial events according to relevant accounting frameworks
- Conducting periodic reconciliations and reviews by authorized personnel
- Implementing checks for arithmetical accuracy and validating financial reports against budgets
- Comparing recorded assets with actual inventories and resolving discrepancies
- Restricting asset and system access to authorized individuals only
- Establishing strong IT controls, such as limiting access to data files and regulating program changes

- Internal Audit is tasked with developing and executing an audit plan, while management is responsible for addressing audit findings and recommendations.

**c. Types of fraud:**

The company recognizes the following fraud categories that may impact its operations:

- **Employee Fraud:** e.g., false expense claims, payroll manipulation, asset theft
- **Cyber/Computer Crime:** e.g., hacking, data theft
- **Financial Reporting Fraud:** e.g., inflated revenues, understated liabilities, deceptive disclosures
- **Insurance/Medical Fraud:** e.g., fraudulent claim submissions
- **Misconduct & Non-Compliance:** e.g., insider trading, SOP violations, conflict of interest
- **Third-Party/Vendor Fraud:** e.g., bribery, fake vendors, invoice fraud, bid rigging
- **Investor Account Fraud:** unauthorized account manipulation or ghost unit creation
- **Trade & Settlement Fraud:** e.g., unauthorized late trading, front-running, policy breaches

**d. Contributing Factors to fraud**

- Several factors can increase the likelihood of fraudulent activity within the organization, including:
- Collusion between employees and external parties
- Weak or insufficient internal controls
- Management's ability to override existing controls
- Lack of oversight by the Board or Directors
- Absence of a strong ethical or compliance framework
- Inadequate segregation of duties or policy enforcement

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**e. Fraud risk mitigation measures:**

- Mahaana Wealth has instituted several mechanisms to manage and reduce fraud risks
- Periodic review and reinforcement of internal controls
- Regular internal audits and prompt implementation of their recommendations
- Strict adherence to the Delegation of Authority and financial approval procedures
- Establishment of an employee whistleblowing hotline
- Designation of compliance personnel to oversee fraud risk and regulatory adherence
- Company-wide enforcement of a formal Code of Conduct
- Background screening of all prospective hires
- Regular fraud awareness and ethics training
- Inclusion of ethical conduct in employee performance reviews

**8. Appropriate Oversight Process:**

Oversight plays a crucial role in the prevention, detection, and deterrence of fraud, and it can be executed by multiple internal and external stakeholders. These include the Board of Directors and Audit Committee, senior management, internal auditors, and external auditors.

**a. Role of audit committee and Board of Directors:**

In their fiduciary capacity, the Board of Directors is responsible for overseeing the internal control framework designed and implemented by management, particularly as it relates to financial reporting. The Board must also evaluate the risk of fraud originating at the management level and ensure proper safeguards are in place.

The Audit Committee, as a delegated authority of the Board, has a vital oversight role and is responsible for:



- Reviewing management's processes for identifying, documenting, and addressing fraud risks
- Ensuring that senior leadership enforces appropriate fraud prevention and deterrence practices to protect stakeholder interests
- Receiving input from both internal and external auditors regarding management's involvement in the financial reporting process
- Evaluating internal control effectiveness and the risk of fraudulent reporting based on audit findings and communications

**b. Role of Management:**

Management bears the primary responsibility for creating a robust control environment and implementing policies and procedures that ensure the company's operations are conducted efficiently, ethically, and lawfully.

Key responsibilities of management include:

- Establishing and maintaining a culture of integrity, ethical conduct, and transparency
- Implementing internal controls that reduce opportunities for fraud and error
- Ensuring the accuracy and reliability of the financial reporting system
- Enforcing compliance with applicable laws, regulatory requirements, and internal guidelines

Management must work under the guidance of the Board to promote an environment that prioritizes fraud prevention and ethical behavior at all levels of the organization.

**c. Role of Internal Auditors:**

Internal audit serves as an essential line of defense in fraud risk management. Due to their detailed knowledge of the organization, internal auditors are well-positioned to identify red flags and potential vulnerabilities.

Their responsibilities include:

- Assisting in fraud deterrence by evaluating the adequacy and effectiveness of internal controls
- Identifying fraud risks and signs of potential misconduct
- Recommending improvements to mitigate risk and strengthen internal systems
- Assessing whether the organization fosters a culture of accountability and control awareness
- Verifying that authorization procedures, monitoring mechanisms, and communication channels are functioning as intended

To maintain independence, internal auditors should report directly to the Audit Committee, enabling them to express concerns or report suspicions regarding management's conduct without interference.

**d. Role of External Auditors:**

While external auditors are not directly responsible for preventing or detecting fraud, they are expected to assess the company's fraud risk management processes as part of their audit engagement.

External auditors contribute by:

- Evaluating the adequacy of the company's fraud risk identification and mitigation procedures
- Assessing management's internal controls and risk assessment frameworks
- Reporting significant concerns about potential fraud risk, financial misstatement, or asset misappropriation to the Audit Committee and Board
- Offering an independent perspective on the company's vulnerability to fraudulent financial reporting and internal control weaknesses.

**9. Fraud Response plan:**

The Fraud Response Plan outlines the protocol to be followed in the event of suspected fraud, theft, or any other irregularity. It defines the chain of reporting, responsibilities for investigation, and subsequent actions, including communication with authorities and recovery efforts. This framework is designed to ensure that such incidents are managed professionally, swiftly, and consistently.

The plan includes the following key components:

- Reporting suspected fraud
- Investigation process
- Coordination with police and external auditors
- Recovery actions
- Reporting mechanisms
- Communication to the Audit Committee

**a. Reporting suspected fraud**

All employees must be empowered to report any suspicion of fraud without fear of reprisal or victimization. Concerns should be reported immediately to their supervisor or, where this is not appropriate, to any of the following:

- Head of Department
- Head of Compliance
- Chief Financial Officer (CFO)

- Chief Executive Officer (CEO)

While anonymity will be protected where requested, staff are encouraged to identify themselves to facilitate a more effective investigation. If anonymity cannot be guaranteed in certain situations, the informant will be advised in advance.

#### **b. Investigation process**

All fraud investigations must be handled objectively, professionally, and independently to protect both the organization and the individuals involved. A suspicion is not equivalent to guilt.

The investigation process will be directed by the CEO in consultation with the CFO, Head of Compliance, and relevant departmental heads. An **Investigating Officer**—typically the Head of Compliance—will be appointed to lead the process and form an investigation team, usually comprising members of the Compliance and Risk Management Department and, where necessary, additional internal or external resources.

If initial findings present reasonable grounds for suspicion, the suspected employee may be **suspended** to facilitate a thorough investigation. Suspension is not a disciplinary action and does not imply guilt. This decision will be taken by the CEO in consultation with the Head of HR and the Investigating Officer.

Immediate steps must be taken to **secure evidence and protect company assets**, including electronic records, physical documents, and other materials. The investigation team will also recommend controls to prevent further loss.

A detailed and chronological **investigation record** must be maintained, capturing all conversations, interviews, documents reviewed, analyses performed, and conclusions drawn.

All interviews will be conducted fairly. If criminal prosecution is possible, the police may be consulted and interviews may follow applicable legal protocols to preserve the admissibility of evidence.

The **Investigating Officer** will report findings to the CEO and CFO, who will determine—alongside the Investigating Officer—any further disciplinary, legal, or remedial actions.

#### **c. Liaison with police and external auditors**

The CEO, in consultation with the CFO, Head of Compliance, and Investigating Officer, will decide whether and when to involve law enforcement.

The CFO will also notify the **external auditors** at an appropriate stage. Company staff must cooperate fully with police or auditor inquiries, which may take precedence over internal investigations. However, efforts will be made to coordinate inquiries to use resources efficiently.

#### d. Recovery action

Where fraud results in financial loss, the company will take all necessary steps to recover the losses, including initiating legal proceedings against any involved parties, including third parties whose negligence contributed to the fraud.

#### e. Reporting process

Throughout the investigation, the Investigating Officer will keep the CEO regularly informed. Upon conclusion, a **final written report** will be submitted to the CEO and CFO, covering:

- Background and origin of the case
- Actions taken in response
- Investigation conduct and process
- Findings and supporting evidence
- Disciplinary or legal action taken (if any)
- Recovery actions taken
- Recommendations to strengthen controls and prevent recurrence

To deter similar incidents, a **brief summary** of the case (omitting names and confidential details) may be circulated to staff.

#### f. Communication to audit committee

All cases of attempted, suspected, or confirmed fraud—**regardless of the financial impact**—must be reported to the **Audit Committee**.

The **Head of Compliance** is responsible for preparing and presenting fraud investigation reports to the Audit Committee for oversight and further recommendations.