

Programmatic Portfolio Company Reporting

Access Holdings

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Access Holdings - Procedures to Manage the Risk of Fraud

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This is a list of procedures a company could adopt to manage the risk of fraud. The list is not exhaustive. Companies will implement some of these procedures depending on their circumstances but most companies will not implement all the procedures listed.

#	Item	Description
1	Written management Anti-fraud program.	Summarizes all management activities relating to the prevention of fraud. Should be reviewed annually with the Audit Committee in a fall off cycle meeting. Program should address three pre-requisites for fraud – Incentive/pressure, Attitude/rationalization, Opportunity – as they exist in the company.
2	Corporate code of conduct	Should be written. Should be distributed to all employees. Need evidence all employees have seen it. Best practice is annual sign off by all employees that they have read and understood it. Code should be explicit with respect to no tolerance for fraud, responsibility to report fraud, whistle blower procedures.
3	Whistle-blower/complaints process	Whistle blower/complaints process should be administered by a third party responsible for immediate reporting of any potential fraud. Employees encouraged to report suspected fraud to their direct superiors but also encouraged to use anonymous hotline if any concerns. Audit committee should receive a report each quarter on all complaints with clarity on resolution. Audit Committee chair to be informed immediately of any suspected fraud between meetings.
4	Management disclosure checklists	Support for quarterly FS, ultimately managements ICFR/SOX certifications should include a cascading checklist signed off by more junior level to higher levels with explicit wording about their responsibility to detect and report fraud and whether any was discovered in the period.
5	Signing and approval authorities	Written policy on signing and approval authorities for all types of transactions. Should be reviewed and approved annual by the Audit Committee.
6	Criminal and background checks	All employees to be subject to criminal and background checks (rules in some countries may require alternative procedures) before hiring. Existing employees should all be checked.
7	Audit Committee meeting discussions	Fraud risk and results should be a standing item on every Audit Committee meeting agenda. Annual off cycle discussion of management's anti-fraud program

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		should precede annual meeting with auditors to discuss fraud risk
8	Auditor's audit plan	Auditors are responsible for designing their procedures to provide reasonable assurance FS are free of material misstatement from fraud or error. Obligation to assess management's anti-fraud programs. Audit Committee should enquire of the auditors how they address the risk of fraud and what is their assessment of the risk of fraud at the company particularly relating to the three pre-requisites for fraud.
9	Identified fraud risks	<p>Management's anti-fraud program should be built around identified fraud risks. These likely include</p> <ul style="list-style-type: none"> - Incentives to misrepresent financial information - Misappropriation of cash through AR and AP - Misappropriation of cash through payroll - Employee expense reports and payments - Payment of bribes to facilitate business, particularly in foreign jurisdictions. <p>The program should address those procedures designed to detect and prevent fraud for each risk.</p>
10	System of internal control	Various aspects of the system of internal control address fraud directly, e.g. segregation of duties, approvals, bank reconciliations, restricted access to payroll or supplier master files etc. The procedures for testing the system of IC to an ICFR, ultimately SOX level and the elements that help address fraud risk should be covered in the related documentation and should be reported to the Audit Committee at least annually.
11	Employee expense reports	Documentation of expense report procedures ensuring all are reviewed by individuals senior to the reporting employee. Audit Committee chair review of CEO expenses.
12	Management override of controls	Risk of and examples of this should be discussed in management's anti-fraud program
13	Tone at the top	Document how tone at the top is communicated to staff. Obtain independent commentary from auditors about their views of our tone at the top.
14	Discussion with auditors	At each Audit Committee meeting enquire of auditors if they have encountered any instances of fraud. Materiality is not a consideration, all should be reported.
