FINANCIAL CONTROLS AND INTERNAL AUDIT POLICY

JANUARY 2026

POLICY NUMBER: TMG-SEC-033
APPROVAL AUTHORITY: BOARD OF DIRECTORS

THE MAZI GROUP

1. PURPOSE

This Financial Controls and Internal Audit Policy establishes The Mazi Group's framework for maintaining effective internal controls over financial reporting and conducting internal audits. Strong financial controls protect company assets, ensure accurate financial reporting, and support compliance with laws and regulations across all brands: Mazi Beauty, Glam Switch, On The Go Mists, and Upvendo.

2. SCOPE

This policy applies to:

- All financial transactions and reporting
- All business units and subsidiaries
- All employees involved in financial processes
- All geographic locations
- Internal audit activities

3. INTERNAL CONTROL FRAMEWORK

The Mazi Group's internal control framework is based on COSO (Committee of Sponsoring Organizations) principles:

3.1 Control Environment

- Tone at the top emphasizing integrity and ethics
- Board and Audit Committee oversight
- Organizational structure with clear responsibilities
- Commitment to competence
- Accountability for internal control

3.2 Risk Assessment

- Identify and assess financial reporting risks
- Consider fraud risks
- Assess changes affecting controls
- Update risk assessment regularly

3.3 Control Activities

- Policies and procedures addressing risks
- Segregation of duties
- Authorization and approval controls
- Reconciliations and verifications
- Physical and logical access controls
- IT general controls

3.4 Information and Communication

- Quality information for decision-making
- Internal communication of control responsibilities
- External communication with stakeholders

3.5 Monitoring

- Ongoing monitoring of controls
- Separate evaluations (internal audit)
- Reporting and remediation of deficiencies

4. KEY FINANCIAL CONTROLS

4.1 Revenue and Receivables

- Revenue recognition per accounting standards
- Proper authorization of sales terms
- Accurate billing and invoicing
- Timely collection and cash application
- Allowance for doubtful accounts
- Revenue cutoff procedures

4.2 Procurement and Payables

- Purchase authorization and approval
- Three-way match (PO, receipt, invoice)
- Vendor master file controls

- Timely and accurate payment processing
- Expense cutoff procedures

4.3 Inventory

- Physical inventory controls
- Cycle counting program
- Inventory valuation
- Obsolescence reserves
- Inventory reconciliation

4.4 Cash and Treasury

- Bank account controls
- Cash handling procedures
- Bank reconciliations
- Wire transfer controls
- Investment management

4.5 Payroll

- Proper authorization of pay changes
- Segregation of payroll duties
- Payroll reconciliation
- Tax withholding compliance

4.6 Financial Reporting

- Account reconciliations
- Journal entry controls
- Period-end close procedures
- Financial statement review
- Disclosure controls

5. SEGREGATION OF DUTIES

Key incompatible duties must be segregated:

- Authorization vs. custody
- Custody vs. record-keeping
- Authorization vs. record-keeping

5.1 Examples

Process	Segregated Duties
Purchasing	Requisition, approval, receiving, payment
Cash	Receipt, deposit, recording, reconciliation
Payroll	HR changes, payroll processing, payment

6. AUTHORIZATION LEVELS

Transaction Type	Amount	Approval Required
Operating expenses	Under $5,000	Department Manager
Operating expenses	$5,000 - $25,000	Department Head
Operating expenses	$25,000 - $100,000	VP/Executive
Operating expenses	Over $100,000	CFO
Capital expenditures	Over $50,000	CFO + CEO
Capital expenditures	Over $500,000	Board approval

7. INTERNAL AUDIT

7.1 Internal Audit Mission

Internal Audit provides independent, objective assurance and consulting to add value and improve operations. Internal Audit helps the organization accomplish its objectives by evaluating and improving the effectiveness of risk management, control, and governance processes.

7.2 Independence

- Internal Audit reports functionally to Audit Committee
- Internal Audit reports administratively to CFO
- Free from interference in scope and reporting
- No operational responsibilities

7.3 Audit Planning

- Risk-based annual audit plan
- Audit Committee approval of plan
- Flexibility to address emerging risks
- Coordination with external auditors

7.4 Audit Execution

- Professional standards (IIA Standards)
- Documented audit procedures
- Evidence-based findings
- Clear communication of results

7.5 Reporting

- Audit reports to management and Audit Committee
- Findings rated by severity
- Management action plans
- Follow-up on remediation

8. FRAUD PREVENTION AND DETECTION

8.1 Fraud Risk Assessment

- Identify fraud risks
- Assess likelihood and impact
- Evaluate existing controls
- Implement additional controls as needed

8.2 Anti-Fraud Controls

- Segregation of duties
- Authorization controls
- Physical safeguards
- Reconciliations
- Surprise audits
- Data analytics

8.3 Fraud Reporting

- Report suspected fraud immediately
- Ethics Hotline available
- No retaliation for good-faith reports
- Investigation by appropriate personnel

9. EXTERNAL AUDIT

- Annual financial statement audit
- Audit Committee oversight of external auditor
- Auditor independence requirements
- Coordination with internal audit
- Management letter findings addressed

10. CONTROL DEFICIENCIES

10.1 Classification

- **Deficiency:** Control does not operate as designed
- **Significant Deficiency:** Important enough to merit attention
- **Material Weakness:** Reasonable possibility of material misstatement

10.2 Remediation

- Develop remediation plans
- Assign responsibility and timeline

- Track remediation progress
- Test remediated controls
- Report to Audit Committee

11. DOCUMENTATION

- Document key controls
- Maintain process narratives and flowcharts
- Retain evidence of control operation
- Document control testing
- Maintain audit workpapers

12. ROLES AND RESPONSIBILITIES

12.1 Board/Audit Committee

- Oversee internal control framework
- Review internal and external audit results
- Monitor remediation of deficiencies
- Oversee fraud risk management

12.2 CFO

- Responsible for internal controls
- Certify financial statements
- Ensure adequate resources for controls
- Report to Audit Committee

12.3 Internal Audit

- Execute audit plan
- Evaluate control effectiveness
- Report findings
- Follow up on remediation

12.4 Management

- Design and implement controls
- Operate controls effectively
- Remediate deficiencies
- Support audit activities

13. RELATED POLICIES

This policy should be read in conjunction with:

- TMG-SEC-004: Anti-Corruption and Anti-Bribery Policy
- TMG-SEC-021: Code of Conduct and Business Ethics
- TMG-SEC-027: Whistleblower Protection Policy
- TMG-SEC-034: Expense Reimbursement and Travel Policy
- TMG-SEC-037: Conflict of Interest Policy

14. POLICY REVIEW

This policy shall be:

- Reviewed annually by Finance and Internal Audit
- Updated for regulatory and business changes
- Approved by CFO and Audit Committee
- Communicated to relevant personnel

15. DEFINITIONS

- **Internal Control:** Process designed to provide reasonable assurance regarding achievement of objectives.
- **COSO:** Committee of Sponsoring Organizations - framework for internal control.
- **Material Weakness:** Deficiency creating reasonable possibility of material misstatement.
- **Segregation of Duties:** Separating incompatible functions to prevent errors and fraud.

For questions about this policy, contact:

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