



Launching your Career – Company Project Report

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Preface

During the final phase of Hotelschool The Hague the student follows the Lycar course. The purpose of the course is to let the student gain insight into the business world before finally graduating.

The proposal is the part of Lycar designed to help the student map out the Company Project Report and the Career Portfolio. This proposal as well as the Company Project are developed for the commissioner Quantum Capital Partners.

The student would like to thank everyone who has supported him throughout the journey of finishing up Hotelschool The Hague. Therefore, gratitude is expressed to the following people:

Placement Company and Mentor:

I would like to thank my placement company Quantum Capital Partners and my placement mentor Christian Vonier, for the continuous support, patience, and collaboration throughout the process of writing this thesis.

Lycar Coach:

I would also like to thank my Lycar Coach Mr Chia for his guidance and feedback.

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A big thank you to Nicolas Schulze and Bas van Gorkum for the close collaboration and the much-needed peer feedback throughout the whole Lycar program.

Research Participants:

A special thanks also goes out to all the colleagues at QCP for their participation in the interviews and the valuable insights they gave.

Family and Friends:

Last but not least I would like to thank the most important people in my life. Thank you to my parents and my brother for enduring hours of discussions about this thesis over dinner, on holidays or any other given time. Thank you also for your support, feedback, and continuous reassurance whenever I started doubting myself. Furthermore, I would like to thank my home-town- and university- friends, especially Sabine, for all the valuable insights and proofreading they have done.

Executive Summary

The following company project report (CPR) was developed for my commissioner and internship company, Quantum Capital Partners (QCP) and my Lycar Coach Mr. Chia. The solution is tailored to QCP, however it can also find application in any other M&A company in any field.

The underlying framework of this report is the full Design-based research (DBR) cycle, along with insights into my current internship following Track 1. This CPR is also based on my two chosen PLOs, PLO 3 and 4 (Finance and Accounting).

The first phase of the DBR-cycle focusses on the "Problem definition", in which research on the background of QCP as a company is conducted. Foundational/preliminary research, casual talks and just being part of the day-to-day business allowed the researcher to gain an overview of the current state of the industry, organizational structure, and an outlook into the future of the company. During a meeting with the CFO and commissioner of the project it became clear that, due to plans for expansion, rising fraud numbers in the industry and upcoming regulations by the BaFin, QCP was in dear need of an internal control system. After having conducted further research on the topic of ICSs, the problem definition stage led to the formulation of the following main research question (MRQ):

How should QCP design and implement an internal control system to minimize the chances of fraud and improve operating efficiency within their financial departments?

Using the previously defined MRQ, a literature review on corporate fraud and internal control systems was conducted. The researcher started by investigating the different kinds of corporate fraud and the impact they have on the industries. After having identified that QCP is part of the industry, which is impacted the most by corporate fraud, especially cyber fraud, the researcher started investigating different frameworks for internal control systems. As this was the preferred and suggested solution by the commissioner, little time was used to look into other possible solutions. After identifying various different internal control frameworks, the researcher narrowed it down the three most feasible ones. ISO lists, SOX compliance act and the COSO framework.

To be able to decide on a framework, the researcher conducted eight semi-structured, narrative, interviews with employees from the investment and accounting department of QCP. The interviews were based on additional research questions, which derived from the original MRQ and the findings of the literature review. The participants were chosen through stratified sampling to allow for different subpopulations to be created and therefore the inclusion of all relevant stakeholders. After the interviews it was evident that the only realistic framework for QCP is the COSO framework. This has been confirmed in every interview. The framework was favored due to its flexibility, agility and leanness which aligns perfectly with QCPs general structure.

After deciding on a framework, the researcher entered the third phase of the DBR-cycle, the "Solution Design" phase. In this phase the researcher created a theoretical outline of the solution based on the first three environments of the framework and their underlying principles. The first step that was taken was to define the actual control environment, meaning which departments are even subject to internal controls. In the case of QCP the commissioner wanted to primarily focus on the accounting and investment departments. After this was done, a reporting structure was defined and control owners for the respective departments were assigned.

The third step to be taken according to the framework was to define all processes that are subject to internal controls and assign them a risk rating in a risk and control matrix. This was done during two additional interviews with an Investment Manager and a Finance Manager. All the defined processes were then put together in the form of flowcharts and descriptions, in a book of duties and responsibilities.

This book was then presented to the commissioner and after approval to the other executive managers at QCP. Once all the feedback was implemented the researcher organized a workshop to introduce and explain the new system to all employees. More feedback was gathered and finally the solution was implemented, therefore completing the fourth step of the DBR-cycle.

Lastly, it was important to assign someone to continuously update the system and ensure that all employees adhere to the new rules and regulations. This will be done by the CFO and the Finance Manager, who are the anti-money laundering representatives at QCP.

List of Abbreviations

QCP	Quantum Capital Partners
ICS	Internal Control System
CFO	Chief Finance Officer
M&A	Mergers and Acquisitions
CFO	Chief Financial Officer
COSO	Committee of sponsoring Organizations
PWC	PricewaterhouseCoopers
MRQ	Main Research Question
EQ	Emotional Quotient
AQ	Adversity Quotient
IQ	Intelligence Quotient
PE	Private Equity
PLO	Program Learning Outcome
HQ	Head Quarter

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1. Problem Definition

1.1 The Company

Quantum Capital Partners (QCP) is a fast-growing international investment company based in Munich. QCP focuses on businesses with high development potential, for instance, orphan and non-performing assets of large conglomerates.

Since its establishment in 2008, QCP has acquired a wide range of companies and business areas from leading global corporations. To enable the acquisition of new subsidiaries and future development of the current portfolio, QCP manages funds with a total of EUR 135m investment capacity. With a total of 31 completed transactions since 2014, Quantum Capital Partners is one of the most active investors in the industry. QCP specializes in acquiring and partnering with businesses that can benefit from their extensive operational experience. These are primarily complex group spin-offs and enterprises with significant growth potential and sales of EUR 20 – 500m.

However, the engagement is not only limited to capital. As a proactive partner of a mergers' or acquisitions' management, QCP ensures that businesses can draw sustainable and long-term benefits from years of operational experience. QCP aims to enable businesses to operate independently by providing the best possible strategy for their needs. In certain cases, QCP also pursues buy-and-build and consolidation strategies, creating new organizational groups from individual business units.



1.2 Problem Mess

Of course, being such an active and successful part of the industry does not just happen overnight. Having gathered various international institutional investors over the years, has allowed QCP to grow to a flourishing asset management company. Additionally, to the investors, QCP has also assembled a team of highly skilled, long-term employees, ensuring a successful operation.

Over the years the team has barely changed, which resulted in many processes simply being lived or adhered to out of routine, rather than having official, written-down procedures to be followed. These processes include: the decision whether to buy a company or not and if yes, when and at which price, who to assign as deal team, how to get a company back on track, etc.

However, since QCP is currently expanding by initiating a third investment funds, the team is also very likely to grow. This is where the CFO, Christian Vonier, sees a problem. With more employees in the company and therefore a wider spread of tasks, responsibilities and power and no controlling instance in place, the chances of internal fraud, scam, or unintentional human error, causing financial damages, are increasing. Additionally, the financial authority, BaFin, QCP is registered with, released new anti-money laundering (AML) regulations, QCP must comply with. To mitigate the risks of corporate fraud and to comply with the new BaFin regulations, the CFO suggested the implementation of an internal control system (ICS).

Additionally, an ICS can also help with attracting new potential investors, since it enables the company to transparently display, how the resources given by the investors are made use of and how the unethical use of these resources is proactively prevented.

To conclude, it is QCP's goal to comply with all BaFin regulations and to further expand their operations and team, while ensuring that internal fraud, scam and human error is proactively limited. This research will examine how this can be achieved.

1.3 Supporting Evidence

Looking at it in the broadest sense, internal controls are the procedures and methods, used to provide reasonable assurance that a company's goals and objectives will be met(ODU, 2019). From a narrower perspective, an ICS unites the mechanisms, processes and rules/guidelines, put in place by an organization, to safeguard assets, comply with laws, policies and regulations, to ensure the integrity of information, to accomplish established goals and objectives and to make efficient and economic use of an organization's resources (Ibid).

Generally, every department of an organization could become subject to internal controls. This could mean, streamlining and unifying processes to improve operating efficiency, setting KPIs to improve performance evaluation, etc.(Cooper et al., 2019). However, ICSs find their biggest use in finance related departments. When looking at it from the perspective of QCP, which at the moment doesn't apply an internal control system, there is a lot of potential for employees to commit fraud. The following two examples are only a small part of the total amount of procedures that should be regulated.

An employee that has access to the organization's bank account, is currently able to transfer the money onto a different account without needing authorization by a second person. Implementing an ICS here, which ensures that this action can only be taken under strict conditions, would avert the fraud before it even happened(Kenton et al., 2021). Another example would be an employee's ability to create and send out a binding

offer to buy a company, to a client. An ICS could regulate which data, necessary to create a sophisticated binding offer, each employee can access and for which client they're responsible. This way a binding offer can only be made and send out if multiple employees are working together and share their resources (Ibid).

As mentioned earlier, it is also one of the main objectives of an ICS to assure that an organization is operating within legal boundaries. This is especially important in the case of a company audit conducted by the government. Here the ICS can help by providing a transparent and clear overview of all procedures in a company that might be subject to legal regulations (University of Florida, 2021).

Lastly, an ICS can also improve the operating efficiency of a company (Cheng et al., 2018). An organization that doesn't make use of an ICS, is giving its employees the freedom to execute processes and procedures the way they learned them and feel the most comfortable. However, this could lead to multiple employees performing the same task differently, which leads to inefficiencies. An ICS would give a clear definition, how this task is to be executed and by whom, which results in a more efficient operation (Ibid).

1.4 Problem Definition

Based on the previously mentioned assumptions and the presented supporting evidence, the following problem definition has been developed:

How should QCP design and implement an internal control system to minimize the chances of fraud and improve operating efficiency within their financial departments?

2. Analysis and Diagnosis

2.1 Evidence from academic literature

2.1.1 Corporate Fraud

Before going into depth about why fraud is committed and how, one first needs to understand what corporate fraud exactly is. The Chartered Institute of Management Accountants (CIMA), defines corporate fraud as an individual or a company using deception to dishonestly make a personal gain or to create a loss for others (CIMA, 2009). The expression fraud is also commonly associated with activities such as corruption, money laundering, bribery, theft, etc. (Ibid).

Still corporate fraud is only a generalized expression that covers many different types of fraud. In general corporate fraud is either committed from within the organization, making it internal organizational fraud, or it is being tried from outside, external organizational fraud (Australian Federal Police, 2014). As shown in the "Fraud Tree" below, the Association of certified Fraud Examiners (ACFE) further divides corporate fraud into three main categories. Corruption, asset misappropriation and financial statement fraud (ACFE, 2021).



Figure 1: The Fraud Tree - Categories (ACFE, 2022)

2.1.2 Corruption

Out of the three different categories, corruption is the most widely known expression. By definition corruption is the abuse of entrusted power for individual or organizational gain at the expense of another (Chen, 2022). This means that an individual or an entity in position of power uses their authority to influence decisions, make under-the-table transactions, alter the outcome of elections, etc., for their own or outsider's good. If the goal of the corruption is to serve an outsider, it often happens in combination with bribes such as money, luxury goods, etc. They are offered as a form of payment for the individual or the entity to make use of their authority (Ibid).

In 2006 one of the biggest corruption scandals in corporate history was unveiled. From 2001-2007 Siemens, a multi-international tech company, paid around \$1.4B in illegal bribes to government officials and public servants all around the world (Schubert and Miller, 2008). Cases reached from Bangladesh, Vietnam and Russia all the way to Greece, Mexico and the United States (Venard, 2018). The money was especially used in development countries to bribe government officials into giving Siemens big contracts to build overpriced road – and train systems as well as energy – and technical infrastructure (Schubert and Miller, 2008). After being prosecuted in multiple countries, including Germany, USA, Italy, and more, it was decided that Siemens had to pay more than \$2.6B in fines. \$1.6B only in Germany and the USA, and another \$1B for international reforms and investigations (Ibid). This is a perfect example of how corruption and bribery can be used by an organization, as a form of corporate fraud, to cut the line and gain an advantage over others.

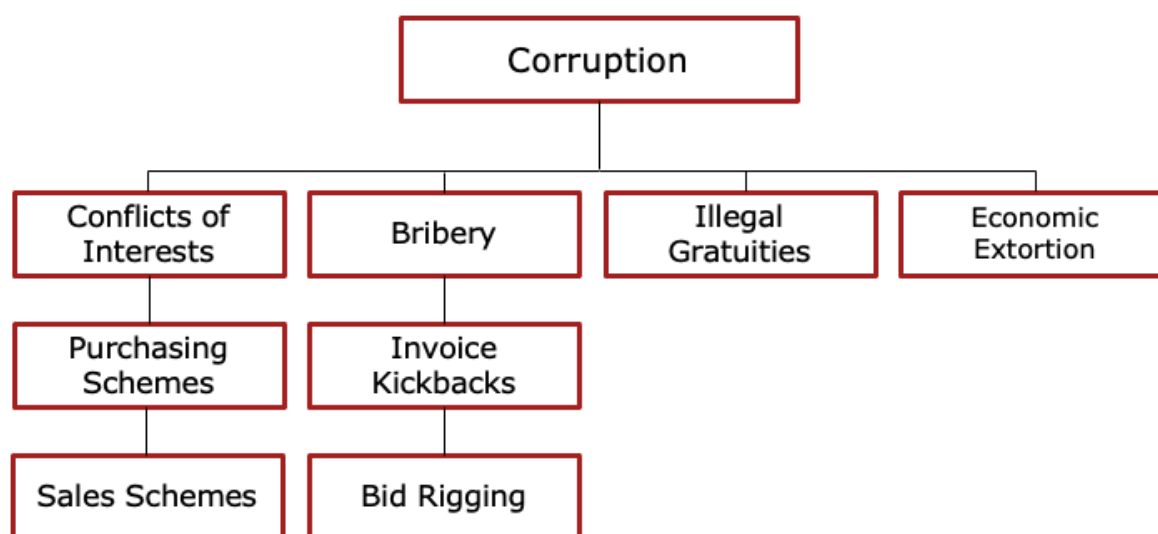


Figure 2: The Fraud Tree - Corruption (ACFE, 2022)

2.1.3 Asset Misappropriation

The UK's National Fraud and Cyber Crime Reporting Center defines asset misappropriation as employees and/or third parties in an organization, abusing their position and power to steal from it in fraudulent activity (National Fraud & Cyber Crime Reporting Centre, 2022). In specific, asset misappropriation means doing anything to or with an asset which is not in line with the original purpose of the asset. This can be done by any employee or third party in a company who has been entrusted with the responsibility over the respective asset (Ibid). As shown in the graphic below, there are many different ways to misappropriate assets and there is a clear differentiation between the misappropriation of cash and all other assets (ACFE, 2022). In general, all assets can be stolen or misused, however with cash one has a lot more options for misappropriation than with inventories or other assets (Ibid). This is due to the flexibility of cash. It usually does not come to a company as tangible, but is rather sent to an account, making it fairly easy to send the money to another account, take part of it away, store it in a shell company, and more (Nomi, 2021). With other assets such as inventories, car fleet, equipment, etc., this is not the case. These assets cannot just be sent from one place to another within seconds or one cannot just take a piece of it and leave. They can either be stolen or sent to the wrong place on purpose (Ibid).

A good example for how far the misappropriation of assets can go is the case of John F. Doorly and the Tenens Cooperation. Doorly, who as COO of the company, helped managing accounts and funds, misappropriated around \$20M, between 1999 and 2006 (The Boston Business Journal, 2009). The former employee of Tenens Cooperation, removed the money from the organization's accounts and used the funds for his own purposes. Some of his acquisitions were, three planes, mortgage-free houses, exclusive golf-club memberships etc. (Noblet, 2009). This is a great example to showcase how easily cash can be misappropriated and for how long it can go undetected.

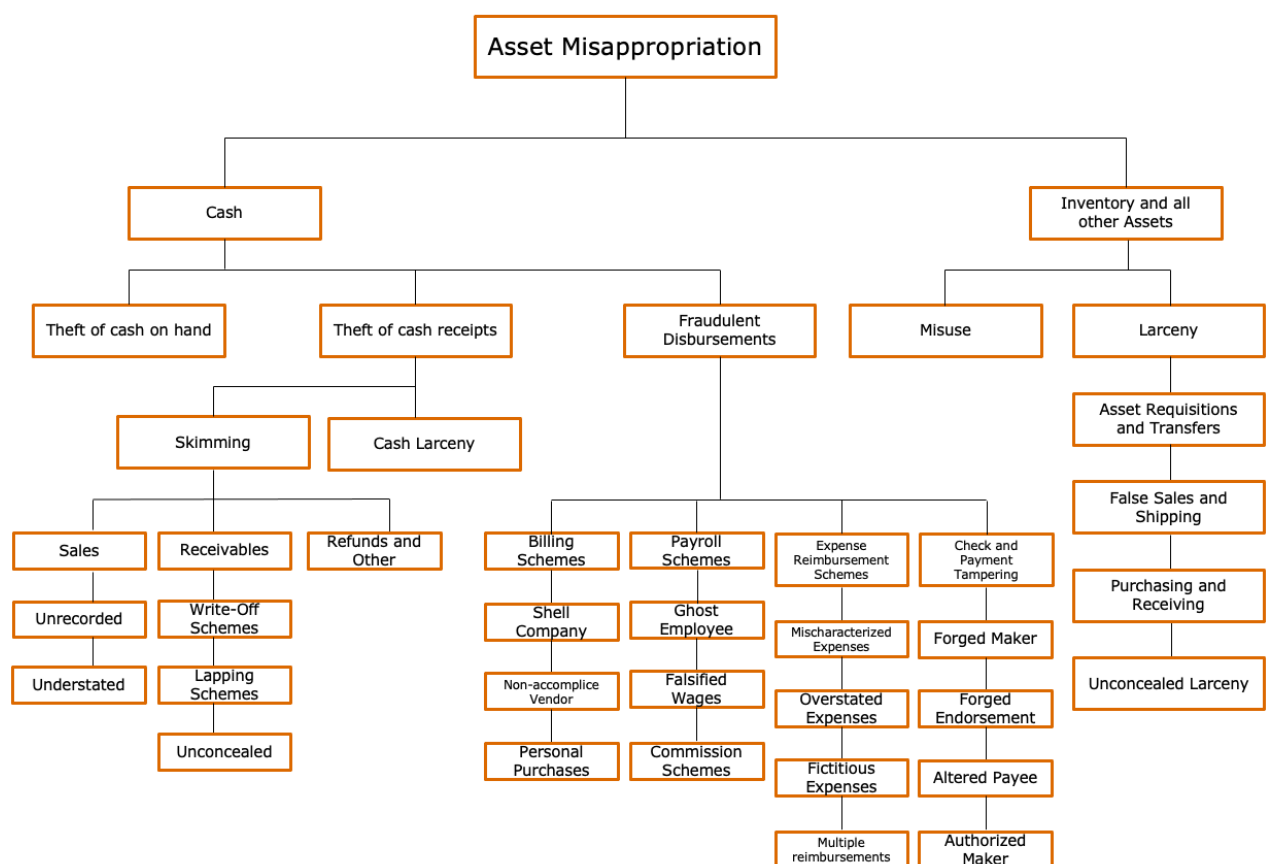


Figure 3: The Fraud Tree – Asset misappropriation (ACFE, 2022)

2.1.4 Financial Statement Fraud

The final category of the fraud tree is, financial statement fraud. The University of California San Francisco (UCSF) defines financial statement fraud as the deliberate misrepresentation of financial account balances through omission or exaggeration, to make the organization's financial position, performance and cashflow, appear better or worse than it is (UCSF, 2022). This means, an individual in the company, often part of senior management, manually tries to inflate or deflate the perceived worth of the organization (Beaver, 2022). The motive behind this is usually to retain status as a leader in the company, making the company look more attractive to potential investors, or personal gain through performance-based evaluation and therefore higher compensation for the individual (Ibid). As shown in the graphic below, one does not have many different possibilities when it comes to financial statement fraud. It starts with deciding to either over – or understate account balances. This can happen through timing differences between incurring revenues or losses and actually posting them, fictitious – or understated revenues, concealed – or overstated liabilities and expenses, improper asset valuations or improper disclosure or the account information (Bloomenthal, 2021). Probably the most famous case of financial statement fraud in recent times is the Wirecard scandal, which unraveled in 2020. In the case of Wirecard, a by the time, up and coming German financial technology (FinTech) company, \$1.9B, were reported missing. The money, which was supposedly meant to cover trading risks, carried out by third party entities on Wirecard's behalf, made up about a quarter of the total balance sheet and was supposed to be held in trustee accounts on the Philippines (Aljazeera, 2022). The Philippines' central bank however claims that the money never made it into its financial system (Ibid). After a very thorough investigation by Dan McCrum, a journalist for the financial times, it was found that the missing money never made it to the Philippines, and was rather created through a series of shady acquisitions of payment service companies in Asia and the alteration of account statements (Teixeira, 2021). The \$1.9B and the organization's former COO, Jan Marsalek, remain at large to this day (Homann, 2022).

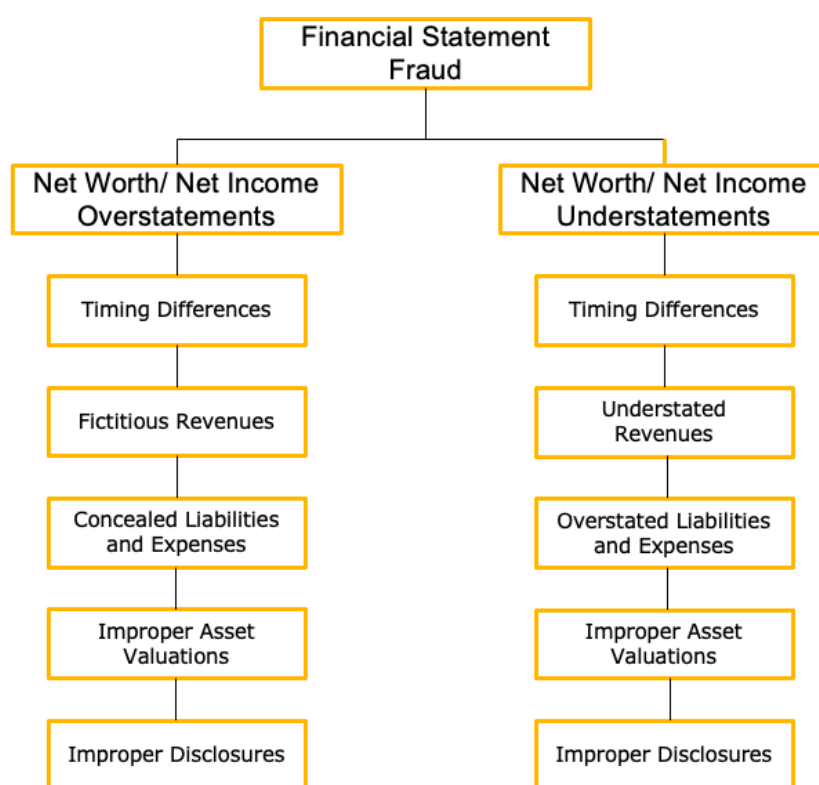


Figure 4: The Fraud Tree – Financial Statement Fraud (ACFE, 2022)

2.1.5 Industries and Organizations

Now that it is clear what different types of corporate fraud there are, it is important to understand which industries and organizations are targeted the most and what types of fraud they are facing. According to the Report to the Nations, released in 2020 by the ACFE, which investigates the costs and effects of corporate fraud, the most victimized industries are banking and financial services, government and public administration, and manufacturing (ACFE, 2020). As shown in the graphic below, the banking and financial service industry is leading the ranking of reported fraud cases by almost 200 cases more compared to the government and public administration sector. However, this does not immediately mean that there are more fraud cases in these industries compared to others. It just indicates that more cases were reported due to the higher use of certified fraud examiners (CFE) in these sectors (Ibid).

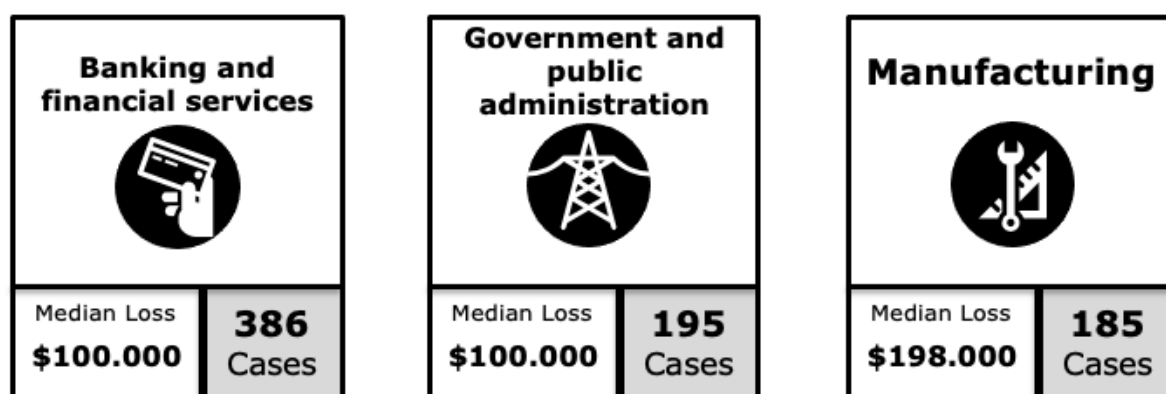


Figure 5: A report to the nations – Top 3 most fraud cases per industry (ACFE, 2020)

However, there is not just a difference between industries but also a difference between the size of the companies, measured by global revenue (PricewaterhouseCoopers, 2022). The graphic below, taken from the 2022 PWC economic crime and fraud report, shows that companies with up to \$10B in annual sales mostly encounter attempts of cybercrime, whereas organizations generating more revenue, identified customer frauds as the main type of fraud they encounter. This can be explained through the lack of attention the smaller companies have given their cybersecurity efforts so far. However, according to the survey, the organizations are aware of this and are now doing the hard work of systematically implementing systems and procedures to better protect themselves from cyber-attacks in the future (Ibid).

	Less than US\$100m	US\$100m-\$1bn	US\$1bn-\$10bn	More than US\$10bn
1	Cybercrime	Cybercrime	Cybercrime	Customer Fraud
	32%	41%	42%	35%
2	Customer Fraud	Customer Fraud	Customer Fraud	Cybercrime
	27%	32%	34%	32%
3	Asset Misappropriation	Asset Misappropriation	Asset Misappropriation	Asset Misappropriation
	23%	23%	24%	31%

Figure 6: 2022 PWC Economic Crime & Fraud Report – Types of Fraud by annual Revenue (PricewaterhouseCoopers, 2022)

2.1.6 Impact of Corporate Fraud

As already touched upon in the previous paragraph, the victims of corporate fraud are immensely impacted, especially in a monetary sense. In PWC's 2022 global economic crime and fraud survey, 1296 executives across 53 countries were asked about their corporate fraud experiences over the past 24 months. As a result 46% of all responding organizations reported that they experienced fraud, corruption or other economic crimes over the last two years (PricewaterhouseCoopers, 2022). When looking only at the companies with annual revenues higher than \$10B, the percentage of reported fraud attempts is even higher, with 52%. Out of these 52%, 18% declared that their most disruptive fraud incident cost them more than \$50M (Ibid).

In their 2020 global economic crime & fraud survey, PWC reported that the total losses, due to corporate fraud, of their respondents, between 2019 – 2020, amounted to a staggering \$42B (PricewaterhouseCoopers, 2020). However, when talking about the impact of corporate fraud on the victim organizations, not only the total amount of losses is of interest but also the split across industries. As shown in figure 4, the mining industry incurred the highest median loss with \$475.000 per case, followed by the energy sector with \$275.000 and the real estate sector with \$254.000 (ACFE, 2020).

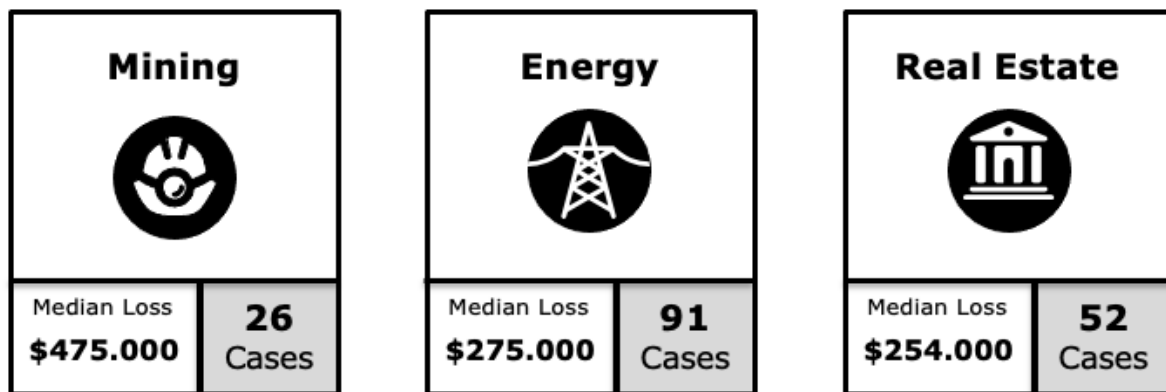


Figure 7: A report to the nations – Top 3 highest losses per case per industry (ACFE, 2020)

2.1.7 Development of Corporate Fraud

When comparing the number of organizations that experience attempts and incidents of corporate fraud, one can identify a backwards trend. In 2018, 49% of all surveyed companies experienced corporate fraud (PricewaterhouseCoopers, 2022). In 2020 it was 47% and in 2022 the number went down again to 46% (Ibid). Except for the tech industry, which due to its rapid growth experienced a significant increase in fraud attempts over the years, all industries have experienced decreasing fraud numbers over the last years (ACFE, 2020).

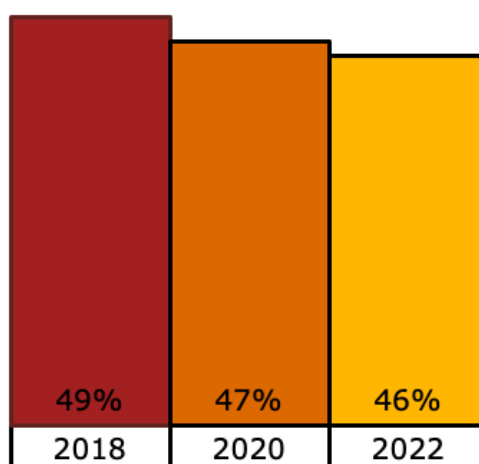


Figure 8: 2022 PWC Economic Crime & Fraud Report – share of surveyed organizations experiencing fraud (PricewaterhouseCoopers, 2022)

Even though this trend might sound very positive in the beginning, it may not be as accurate as initially thought. Due to the pandemic, many employees were forced to start working remotely. This had the effect that one of the main types of fraud – asset misappropriation – experienced a major decrease since employees are not in the office, and therefore unable to steal or mistreat assets (PricewaterhouseCoopers, 2022). Still, experts also expect the number of cybercrimes against organizations to increase due to the pandemic. The full impact of these actions however, often only becomes visible 24 months after they were committed (BKA, 2022). Therefore, many organizations are now increasing their efforts to make their digital environment safer for their employees to use and harder for hackers to gain access (Ellerbeck, 2022). The most common tricks cyber fraudsters are using at the moment are phishing, fake-e-mails and the classic hacking (Panjwani, 2022).

In general, there are many options a company has, to fight fraud or prevent it from happening. The steps an organization can take reach from simply limiting physical access to company assets such as documents, computers, etc., to employees that must work with them, over clarifying tasks and responsibilities through the job description, to having extensive internal and external audits (Chersan, 2009). These, procedures, rules and guidelines are usually gathered and put together in one internal control system (ICS) (Ibid).

2.1.8 Different types of internal controls:

Principally there are four different types of internal controls that have been identified over the years, directive, preventative, compensating and detective (Kenton et al., 2021). Directive controls are often put in place by an organization's management to ensure or cause the occurrence of a favorable event (Southern Oregon University, 2022). Common directive controls include rules, guidelines, incentives, etc. (Ibid). A simple rule such as, do not steal any equipment from your workplace, can already be seen as a directive control. The desired outcome of the organization's management is to prevent misappropriation of assets. Preventative controls aim to avert errors and fraud before they even happen (Makwetu, 2020). Common preventative procedures include, dividing responsibilities, four-eye principle and limiting access to certain information and/or equipment (Ibid). This could for example mean, that before making a transaction, the employee of the accounting department needs to get approval from one of their superiors to do so. By approving the transaction, the superior confirms that the documentation supporting the transaction is accurate, appropriate and complete (Syracuse University, 2021). Therefore, this act of confirmation should not be taken lightly and should only be executed by employees who have signatory authority over these kinds of transactions and who are superior to the ones making the request. This way the organization makes sure that all information connected to the transaction is double-checked and approved by multiple employees, which significantly decreases the chances of mistakes or fraud happening (Ibid). Detective controls are the opposite. These processes have the goal to find mistakes and errors that weren't identified by the previous controls or to assess whether the control mechanisms before are working as intended (University of Florida, 2022). Detective processes usually include external audits and reconciliation of accounts and inventory at the end of the month or year (Ibid). Lastly, compensating controls are put in place to make up for other controlling procedures in the case of failure.

2.1.9 Industry Standards – Internal Control Frameworks

In general, an internal control framework is defined to be a structured guide that categorizes and organizes expected controls or control topics (Auditboard, 2021). There are many different frameworks, developed for different purposes. The COBIT IT framework, by the Information System Audit and Control Association (ISACA), for example is the most commonly used internal control framework designed for IT governance and management (ISACA, 2019). Another well know framework for internal controls are the ISO lists (Auditboard, 2021). The International Organization for Standardization (ISO), is a non-governmental organization that comprises standards bodies for more than 160 countries (Loshin, 2021). It is the organization's purpose, to develop and certify standards for almost all aspects of business, so other organizations can use this as certified practices for their own purposes. The most commonly used ISO lists are, ISO 9000 for quality management, ISO-IEC 20000 for IT Management and ISO/IEC for information system security management (Ibid). However, there are also less specialized frameworks which can be applied to many different cases. The best-known framework in this case is the COSO framework.

In 1992 the committee of sponsoring organizations (COSO) published the so-called COSO Framework, a system used to establish internal controls which are then to be integrated in a company's business processes (COSO, 2013). In 2013 the framework was further updated, now including the COSO-Cube. The COSO-Cube is a 3-D diagram showcasing how the five essential components of the framework, which will be explained in detail later on, are related (Ibid). Today the COSO Framework is the most commonly utilized by companies in the financial service industry, as it has proven to be a strong tool for risk assessment, financial reporting and improving operating efficiency (Posey, 2021). Due to its flexibility to establish internal controls in any business process the COSO framework will also be used as foundation for the later following solution for QCP.

2.1.10 Different components of an ICS

As mentioned before, the COSO Framework consists of five main components. These components are, the control environment, risk assessment, control activities, information and communication, and monitoring activities(COSO, 2013).

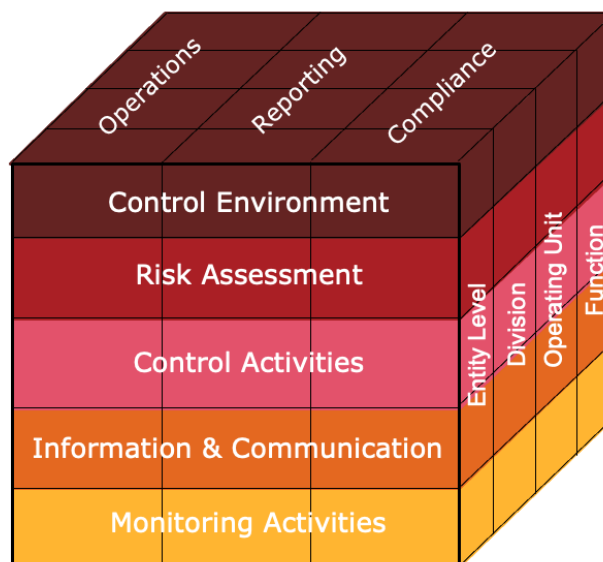


Figure 9: The Coso Cube (COSO, 2013)

The following graphic describes the aforementioned five main components in an ICS in depth and more detail.

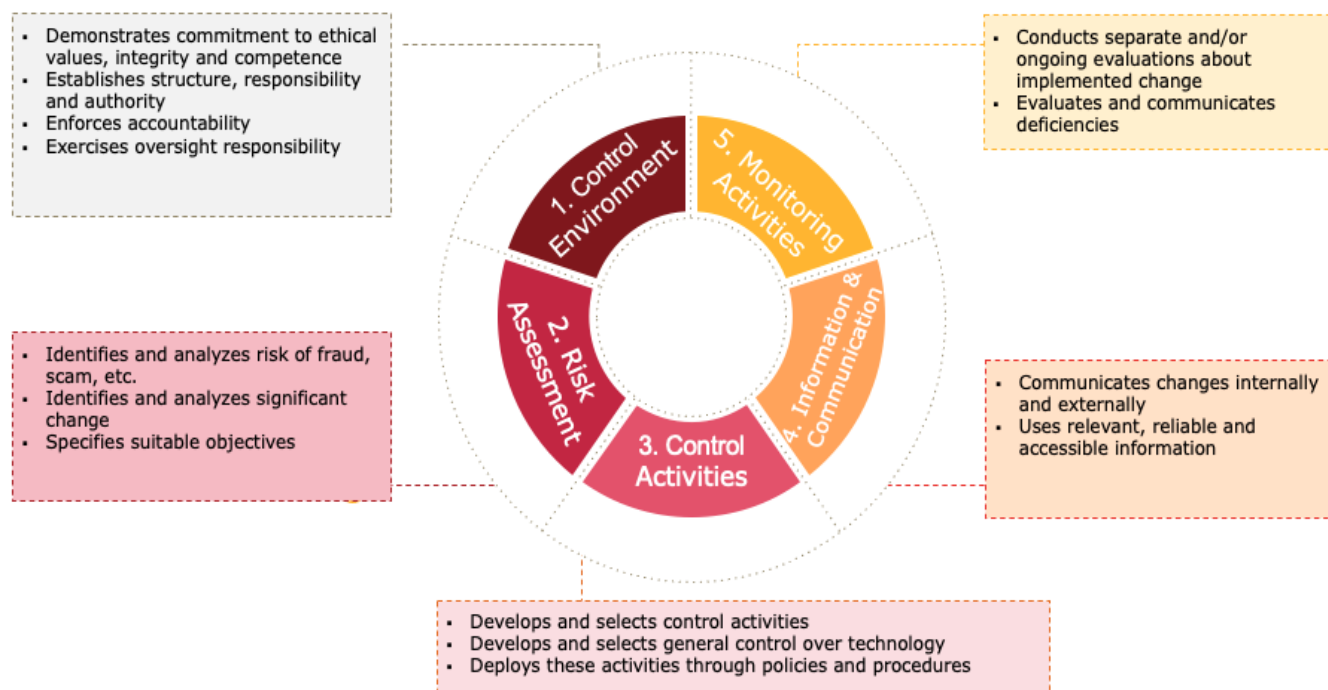


Figure 10: 5 components of ICS (University of Wisconsin, 2016)

2.1.11 Effects of an ICS on operational efficiency

According to a study, conducted by the School of Accountancy – Singapore Management University, to examine the effects of internal controls on the operating efficiency of organizations, three major findings were made. Firstly, it was found that internal controls have a positive effect on operational efficiency since they reduce the likelihood of misappropriation of company resources through employees. Additionally they also improve the overall quality of internal reports, which leads to better operational decision making(Cheng et al., 2014). The second finding is that the operational efficiency of organizations with a market capitalization between \$75m-\$250m is especially benefitting from effective internal controls. This is due the cost benefit of implementing a sophisticated ICS. Lastly it was found that companies that openly disclose information about lacking or ineffective internal controls often experience negative market reactions. This is due to investors, which think that poor internal controls can harm an organizations operational efficiency (Ibid).

2.1.12 Effects of an ICS on fraud/scam

A lack of internal controls within an organization can lead operational deficiencies. If employees are given permission to handle things on their own without any additional controls, the management barely has any control over cashflow or profitability (Dan, 2019). Furthermore, it was found in a study, that poor internal controls can significantly affect auditing costs(Keskin, 2016). The study found that companies with lacking internal controls often pay more than double the auditing fees than companies with sophisticated controlling procedures (Ibid). However, poor internal controls not only lead to overpaying for auditing services. In its 2022 global economic crime and fraud survey, PWC learned that 46% of all surveyed organizations have experienced fraud or scam over the past 24 months(PricewaterhouseCoopers, 2022). In another survey conducted by PWC in 2020, respondents reported that cases of fraud cost their organizations around \$42b in revenues(PricewaterhouseCoopers, 2020). The main reason behind these cases of fraud being poor internal controls(Reciprocity, 2022). In turn this means that the strongest tool to fight fraud is the implementation of a sophisticated ICS (Ibid).

2.1.13 Implementation of an ICS

When implementing an ICS there are two main topics to be taken into account. First, the five components of the COSO framework, which are to be implemented in their respective order(AuditNet, 2022). Sticking to these components ensures that the ICS is complete and that the controls can start from a theoretical point of view (Ibid). The second topic that needs to be considered is change management. The term change management is generally used to describe the different ways and ideas that are adopted to help, prepare and support organizations, departments or individual employees, when making an organizational change(Kaseya, 2021).

There are many different strategies and models claiming to be the best solution for successful change management. However, with change management every case is different and there is no such thing as a perfect unified solution(Craig, 2019). Still, the general thought behind most approaches stays the same (Ibid). Change management always starts by identifying the root cause of the problem that needs to be solved(Kaseya, 2021). The second step is to actively communicate the problem to the concerned employees, departments or managers. After this has happened and the awareness about the problem is spread, it is time to develop and implement specific interventions, aiming to solve the initial problem. Lastly it is important to have specific monitoring procedures in place to assess whether the implemented change had the intended effect (Ibid).

A study by McKinsey, conducted to find the factors that matter the most within change management, has found that almost every successfully implemented change relies on two main factors(Johnston et al., 2017a) These main factors are the proactive

involvement of employees in the change process and the assessment and mitigation of risk (Ibid).

2.2 Research Questions (RQ)

MRQ

"How should QCP design and implement an internal control system to prevent corporate fraud and improve operational efficiency within their finance related departments?"

RQ1: How do employees of QCP experience fraud?

RQ1.1: How did they experience fraud in the past?

RQ1.2: What kinds of fraud did they experience?

RQ1.3: According to the employees, which industries/sectors are affected the most?

RQ2: How do employees experience internal controls and their frameworks?

RQ2.1: How did employees experience internal controls so far?

RQ2.2: What kind of frameworks are they familiar with/ did they use?

RQ2.3: According to the employees, which framework (A,B,C) fits QCP best? – Quick intro to frameworks within interview through infographic or slide

RQ3: According to the employees, how can an ICS help QCP in terms of fraud and operational efficiency?

RQ3.1: Which processes within QCP do the employees think should be subject to internal controls?

RQ3.2: According to the employees, which procedures within an ICS can improve operational efficiency for QCP?

RQ3.3: According to the employees, which procedures within an ICS are most likely to prevent/fight fraud?

2.3 Methodology

2.3.1 Research strategy

The aim of this study is to develop and implement an ICS for QCP, to fight and prevent corporate fraud, internally and externally, and to improve operational efficiency, within the organization's finance related departments. To best draw from the employees' previous experiences with ICSs, required to develop the intended solution for the posed MRQ, a narrative, qualitative research method has been chosen (Cresswell, 2017).

A narrative research approach was chosen primarily as it allows the researcher to transform stories of previous experiences into raw data, which can then be further analyzed (Butina, 2015). In the case of QCP this is especially interesting since the employees' previous experiences with working with an ICS can give valuable insights into how the new ICS should be developed, which areas it should cover, what the issues with the previous ICSs were and how these can be improved. A study conducted on how peer experiences can help with reforms in the public sector found that previous experiences of peers can help immensely with developing and implementing reforms or change as they often allow you to view the topic from a different angle or give insights into topics that have not even been thought of before (Andrews and Manning, 2015). Furthermore, the researches intention to develop an ICS for QCP, based on the previously done research as well as the experiences of peers, suggests a deductive approach to be most effective (Streefkerk, 2019).

2.3.2 Data collection methods

As it is the researcher's strategy to answer both the MRQ and the RQs, the primary data collection tool that was chosen are semi-structured interviews. In general, the purpose of interviews is to get a deeper insight into the experiences, beliefs and or views of the interviewee (Gill et al., 2008). In the case of QCP, especially the previous experiences of the employees are of interest to the researcher. The interviews will be used as a tool to get an in-depth insight into those experiences. Semi-structured interviews utilize several key questions to outline the areas to be explored. Between those key questions, the researcher still has the freedom to pose follow-up questions to dive deeper into certain topics of interest (Ibid).

Secondary data obtained, consists of a mix of academic literature, practitioners' data and organizational data. With the organizational data the focus was put on previous experiences with corporate fraud and its impacts on the company. The flexibility of semi-structured interviews, as the interviewer is able to spontaneously ask follow-up questions, allowed the researcher to include the previous experiences of the employees with the newly developed ICS.

2.3.3 Population

The population was determined in line with the narrative qualitative research approach and allowed for a diverse sample providing meaningful responses.

Internal population: **All** currently employed staff of the finance related departments (accounting and investment) of QCP

2.3.4 Sampling methods

The sampling method, used to extract a meaningful and diverse sample, is stratified sampling. This method was chosen due to the hierarchy and therefore different power and responsibility levels at QCP. Stratified sampling allows the researcher to divide the population into different subpopulations to ensure all relevant internal stakeholders are represented (McCombes, 2019). The different subpopulations represented are, Managing Director Investment, Managing Director Accounting, Investment Manager, Finance Manager, and Investment/Finance Analysts. As already mentioned, these subpopulations are used due to hierarchy and responsibility levels. As the interviews are also used as mean to gather all processes within the organization which are subject to internal controls it is important to have all hierarchy levels represented in the sample. As an example, a managing director may have to deal with entirely different processes and procedures compared to an analyst (Ibid).

Participant Name	Position
Christian Vonier	CFO/ Managing Director finance
Florian Kollmeier	Fiance Operations Manager
Julia Kempe	Finance Manager
Thuy Diem Nguyen	Finance Analyst/ Office Management
Tillman Richter	Managing Director Investment
Friederike Dietrich	Investment Director
Jonas Siegl	Investment Manager
Cuong Pham	Investment Analyst

Table 1 – Interview Participant Table

2.3.5 Limitations

By definition, research limitations are flaws in a research design that can affect the research's outcomes and conclusions (Ross and Bibler Zaidi, 2019). As the narrative research approach aims to draw from personal experiences and stories of the stakeholders, it creates a limitation (Squire et al., 2014). The experiences could be from a long time ago and the memory of them is blurry and therefore the stakeholder is not able to explain the situation exactly as it happened. Furthermore, there may be elements to the experience that the stakeholder is embarrassed about or, the opposite, sees it as socially desirable. The stakeholder could therefore alter the way the story is been told in order to make one self, look better (Ibid). Semi-structured interviews as method of data collection also have their limitations (Fuel Cycle, 2019). The interviewer needs to possess a certain skill set in order to be able to ask follow-up questions and draw the right conclusions on the spot. Furthermore, in order to get a representable and comparable outcome the researcher has to conduct multiple interviews in line with the population and sample size. Other limitations of semi-structured interviews are their time consumption and the possibility of the interviewer adding bias through leading questions (Ibid). Using stratified sampling created a limitation in terms of how to identify the correct subgroups for the sample (Neyulu, 2022). Also, compared to simple random sampling, arranging and evaluating the results requires more effort and thought with stratified sampling due to the different subgroups (Ibid). With convenience sampling the limitations can happen through, researcher bias as the researcher specifically choses the participant and may therefore reject other better suited candidates, having difficulties replicating the result because of the chosen sample and having an inaccurate representation of the population (Maden, 2021).

2.3.6 Ethical considerations

Before any of the interviews were conducted, all participants received an ethical consent form, explaining the usage of their personal data. As participation in the interviews is voluntary, one could only take part if the consent form was signed and sent back to the researcher. The interviewees could decide themselves whether they wanted to print the form and then give/send it to the researcher or sign it electronically and then send it back. To avoid misunderstandings, the form was sent out both in English and German. An example of each, along with all signed consent forms can be found in the appendices 5.1 and 5.2. Every participant was asked for their consent again at the start of the interview.

As organizational data was used as part of the study as well, all data leading back to individual people was removed along with all data showcasing confidential information about the organization.

2.3.7 Data analysis

After having conducted all interviews the research phase of this study was finished. To further examine the contents of the interviews a hybrid approach of qualitative data analysis methods was applied. The methods used are thematic content analysis and narrative content analysis. When using a thematic content analysis approach, the researcher is first looking for overarching themes within the data set, and then identifies patterns within those themes (Rev, 2022). The overarching themes resulted from the previously done desk research with a combination of academic literature, practitioners' data and organizational data, as sources. A table with the strategic categorization of themes, together with a color legend, for further analysis, can be found below. With the narrative approach, the researcher's goal is to highlight certain aspects of the respondents' stories and to identify other important aspects for the research (Ibid).

Theme	Color
Reason for internal controls	Orange
Experiences with Corporate fraud	Blue
Corporate Fraud Trends	Light Blue
Experiences with internal Controls	Green
Internal Control Framework	Light Green
Process Analysis	Yellow

Table 2 – Categorization of Research Themes

2.4 Evidence from Stakeholders

Evidence from internal stakeholders and external experts was gathered through semi-structured interviews. The interviewees consisted of 8 QCP employees. Two managing directors, two finance managers, one investment director, one investment manager and an analyst of each department. As aforementioned, the interviews were then analyzed through a hybrid mix of a narrative and thematic analysis approach.

Reasons for internal controls

This topic was not part of the initial research questions. However, it came up during most of the interviews and was therefore included in this analysis.

Stakeholder #1, #2, #3, #4, #5, #6, #7, #8:

- Every company should have an internal control system of some sort
- Company is growing to a size where an Internal control system is necessary to prevent mis investments or other financially harmful wrong doings from happening
- Existing and potential new investors can use this as an assurance that their money is being handled carefully and in a secure environment
- New employees can work more independently and efficiently
- Prevention and Detection of corporate fraud
- Due to the registration with the BaFin, QCP needs to provide audited financial statements – auditors always expect insights into the ICS

Experiences with Corporate fraud

RQ 1.1: How did they experience fraud in the past?

RQ 1.2: What kinds of fraud did they experience?

Stakeholder #1, #2, #3, #5, #6, #8:

- Within QCP there were never any major cases of corporate fraud – only small cases of misappropriating company credit cards for personal use or wrongful reimbursement of travel costs
- There were two major cases of financial statement fraud in two subsidiaries – Revenues of the upcoming month were posted in the current month to display a better financial result to QCP – in both cases almost the entire finance team was involved
- In one of the companies the CEO also financed living expenses through the company – legal action is still ongoing
- One company could be saved and the other went bankrupt and all employees lost their jobs
- Another case of Asset Misappropriation – goods in high volumes were stolen off company premises

Stakeholder #4:

- Asset Misappropriation – one of the accounting employees in a former job stole money from the company cash register
- Asset Misappropriation – Another employee at a former job declared private bills as travel expenses and had them paid by the company

Stakeholder #7:

- QCP is first ever workplace – therefore no experience with corporate fraud

Corporate Fraud Trends

RQ1.3: According to the employees, which industries/sectors are affected the most?

Stakeholder #1, #2, #3, #7, #8:

- Every company can become the victim of corporate fraud if security and or controls are lacking
- A lot of external cyber fraud – fake president e-mails etc.
- No specific industry that is hit more than others

Stakeholder #4, #5:

- Especially financial sector is vulnerable and often hit due to the high volume of money that is being handled there – with such high sums it often takes quite some time until somebody realizes that money is missing

Stakeholder #6:

- Big organizations often have a lot more sophisticated internal controls than small organizations
- Differences between service-oriented companies which entirely rely on the happiness of their clients (PWC, KPMG, etc.) and companies such as QCP which only have to earn their investors more money

Experiences with internal Controls

RQ2.1: How did employees experience internal controls so far?

Stakeholder #1, #2, #4:

- Has experiences with internal controls
- Is familiar with SOX compliance act and worked with it
- Is aware of COSO Framework
- Knows ISO-Lists

Stakeholder #3:

- Barely ever worked with internal controls
- Sometimes has to confirm certain payments or invoices of the investment team
- Is part of the investment committee – gets to decide where money is invested
- Together with the other directors the decision was made to always have to CEOs from QCP at the holding companies for extra security

Stakeholder #5, #6, #7, #8:

- No experience in working with internal controls – neither at QCP nor before

Internal Control Framework

RQ2.2: What kind of frameworks are they familiar with/ did they use?

RQ2.3: According to the employees, which framework (A,B,C) fits QCP best? – Quick intro to frameworks within interview through infographic or slide

Stakeholder #1, #2, #3, #4, #5, #6, #7, #8:

- Currently nothing is written down and everything only exists in the minds of the employees since they know their procedures and automatically follow them – however it would be appreciated a lot if there was a written framework
- Written framework can help introducing new employees to the company culture and its regulations
- SOX 404 is way to enhanced and strict for a company culture such as QCP has it
- ISO-Lists aren't very flexible
- COSO framework might be a perfect fit due to its flexibility and the different environments
- COSO is very lean and straight to the point and applicable to every company that wants to implement it

Stakeholder #2:

- Big fan of 4-eye principle
- The ICS shouldn't negatively influence the company in terms of workflow and operational efficiency
- The ICS should align with the company culture and atmosphere
- Subsidiaries should also be checked upon their Internal control systems
- Thinks that an umbrella ICS for QCP and all its subsidiaries wouldn't make any sense as it would be too extensive and would need to adhere to too many regulations from too many different countries and regions all around the world – QCP would need an entire internal auditing team just to maintain and enforce the system
- Subsidiaries are too different in volume, industry, etc. in order to have one big ICS

Stakeholder #5, #7, #8:

- No further knowledge about any frameworks for internal control systems

Process Analysis

RQ3.1: Which processes within QCP do the employees think should be subject to internal controls?

RQ3.2: According to the employees, which procedures within an ICS can improve operational efficiency for QCP?

RQ3.3: According to the employees, which procedures within an ICS are most likely to prevent/fight fraud?

Stakeholder #1, #2, #4, #5, #7:

- Payment process already works quite well – it is spread of 3 different people, one booking the bill, one paying them, one monitoring and confirming
- Hospitality and travel costs are currently barely regulated and controlled – people could technically go out with their girlfriends on company costs because they don't have to show proof with who they went for lunch
- There is no written down travel policy for flights and hotels

Stakeholder #5:

- Sees some room for improvement for hiring consultants and lawyers in terms of hourly rate, profession etc. – as there is currently barely any controls for this and neither a specific process

Stakeholder #3:

- Would appreciate a general system to access all shareholder decisions of all subsidiaries at all times since there is so many and you can lose track very easily
- ESG policy is very well set-up and enforced through financial ops manager of QCP at the subsidiaries – one even won an award

Stakeholder #5, #6, #8:

- The investment process already works very well and is filled with constant cross-checks between the different parties involved
- Limited Partner Agreement (LPA), which investors and QCP sign, is also very straight forward and clear on rules that both parties have to adhere to – for example not to invest in companies which have their HQs in countries of political and economic instability

Stakeholder #6:

- Started an internal knowledge sharing process which is currently a bit stuck – employees are not aware what exactly other employees from other departments are doing and how – purpose is to share fields of responsibilities with each other to work more efficiently and be able to support one another
- This process is partially blocked internally since the company currently doesn't have fixed areas of responsibility

2.5 Evidence from the Organization

Next to the kinds of fraud which are usually committed while being physically present, phishing and fake-e-mails, are both types of fraud that also QCP has to deal with. According to the CFO and the finance controlling manager, there are fake president e-mails reaching the subsidiaries of QCP every other month (Kollmeier, 2022; Vonier, 2022). These e-mails can come from anyone and anywhere in the world and usually include some form of request to pay money to somebody. The example below shows a fake president e-mail, that was sent to one of the subsidiaries of QCP. The fraudster set-up a really well-made document to impersonate QCP's CEO. The fraudster then proceeded to give full authority to act to an accounting employee of the subsidiary and requested the payment of a 7-digit amount to a bank account that has never been associated with QCP or the subsidiary before. Fortunately, the accountant reacted correctly and immediately informed her superior about the fraud attempt. The superior then reported the case to the finance controlling manager of QCP, who handled it from there. However, these fraud attempts can't be prevented by only trusting one's employees. An organization should have certain procedures and systems in place, which prevent a single employee from acting on such an attempt in the first place.



Full Authority To Act / Elaine Ko

München, Deutschland, 09. August 2022

I, Herr. Steffen Görig, Geschäftsführer, Quantum Capital Partners GmbH, Deutschland, Reg. Number DE 295 66 44 27, the undersigned, hereby authorize Mrs. Elaine Ko, CARRERA REVELL (HK) LIMITED, Hong Kong SAR, to act on our behalf in all manners relating to application for authorization, including signing, activation and processing to payment.

Any acts carried out by Mrs. Elaine Ko on our behalf shall have the same effect as acts of our own.

This authorization is valid until further written notice from us.

The total amount will be refund by our Headquarters within the next 72h.

All the operation will be managed by Stefan Krings, Managing Director of CARRERA TOYS GMBH.

A handwritten signature in black ink, appearing to read "Steffen Görig", is positioned above the printed name and title.

Steffen Görig
Geschäftsführer

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Ludwigstr. 10
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80539 München

Telefon: +49 (0)89 45 213 29 0
Email: info@quantum.capital

Registry Court: Munich
Registry number: HRB 208399
VAT-number: DE 295 66 44 27

Figure 11: Fake President E-mail to QCP

2.6 Synthesis of Evidence

2.6.1 SWOT Analysis

The SWOT analysis framework is generally used to evaluate a company's competitive position and for strategic planning (Kenton et al., 2022). Making use of internal and external factors, the SWOT analysis allows an organization to take a fact-based, data-driven look at its strengths and weaknesses and upcoming opportunities and threats within their company or industry (Ibid). This analysis will make use of all previously gathered evidence.

Strengths	Weaknesses
<ul style="list-style-type: none"> Current team is relatively small with 16 people – therefore little hierarchy and fast communication Current team already works together for multiple years with few exceptions Controls partially already exist No major fraud cases within QCP so far Very open company culture with lots of freedom for the employees 	<ul style="list-style-type: none"> Controls exist and are executed out of habit but were never clearly defined and written out Major fraud cases in subsidiaries in recent years due to lacking internal controls Very little experience in working with ICSs within the team Little spread of responsibilities within the team Very open company culture with lots of freedom for the employees ICS is not of high priority so far No official procedure in case of fraud attempt
Opportunities	Threats
<ul style="list-style-type: none"> COSO framework is a great fit for QCP due to its flexibility All employees support the idea of an ICS at QCP One employee already started a knowledge sharing process within QCP that aligns with idea of ICS Planned knowledge sharing workshop can be combined with workshop for an ICS ICS helps with prevention and detection of fraud ICS can improve operational efficiency by clearly defining and streamlining processes ICS improves onboarding process and enables new employees to work more independently CFO and commissioner of this project supports COSO as framework ICS gives assurance to current investors that money is being handled with care and can help attracting new investors 	<ul style="list-style-type: none"> Overall number of corporate fraud attempts worldwide is rising QCP is part of the industry which is hit most by corporate fraud Cyber fraud is heavily increasing overall but also at QCP – e.g., fake president e-mails, scam calls Every company is expected to have some sort of an ICS BaFin as Federal Financial Supervisory Authority requires ICS

Table 3 – SWOT Analysis

2.6.2 Conclusion and Implications

As can be derived from the SWOT analysis, QCP is yet to experience a major case of corporate fraud even though the company does not actively make use of an ICS. However, major cases of fraud in subsidiaries, the overall increase in corporate fraud attempts worldwide and the future expansion of the team of QCP, strongly suggest for QCP to implement and utilize an ICS. This is also supported by all employees that have been interviewed, which means very little internal resistance against this change is to be expected.

When further dissecting the SWOT analysis, it becomes clear that COSO should be used as base framework for the new ICS. This is due to the feedback of the employees and the flexibility of the framework in general. It can be applied to almost every company of every size and revenue volume. All these elements and more need to be taken into consideration and will be further elaborated on in the solution design chapter.

3. Solution Design, Implementation and Evaluation

Based on the aforementioned findings and their implications, as well as the CFO's request, the following solution for QCP has been developed: An ICS based on the COSO framework.

3.1 Solution ICS

As already showcased in chapter 2.1.10, the COSO framework generally consists of five different environments. The Control Environment, Risk Assessment and Management, Control Activities, Information and Communication, and Monitoring (Posey, 2021). For the solution design chapter, only the first three environments will be considered. The Information and Communication Environment will be used as base for the Implementation chapter and the Monitoring Environment will be the base of the Evaluation chapter. As the different environments are based on the 17 integrated framework principles, these will be used as guideline to apply the framework to QCP (COSO, 2013).

3.1.1 Control Environment

As suggested by the COSO implementation guide, first a companywide reporting structure was established. Due to the overall small number of employees at QCP, a complete split between the board of directors (BOD) and management is nearly impossible. Therefore the MDI and the CFO, who have proven to be most knowledgeable and experienced with internal controls, were put in the positions of the control owners in their respective department (COSO, 2013). As shown in the graphic below, showcasing the reporting structure, the control owners represent the top-reporting line of their departments. Both responsible persons report to the CEO, who responsible for monitoring internal controls at QCP.

Overall, the internal controls are in line with the BaFin regulations (see appendix...) and QCP's ESG policy (see appendix...)

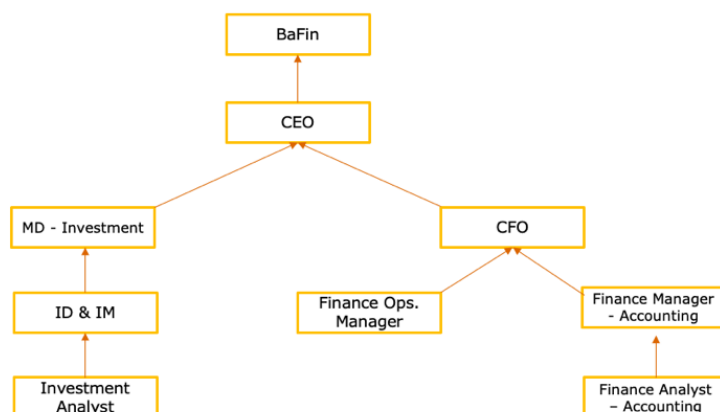


Figure 11: Reporting Structure at QCP

3.1.2 Risk Assessment

After establishing a reporting structure for the ICS, clear objectives, to be achieved through internal controls, were formulated, in line with the underlying principles of the risk assessment environment. The data to formulate the objectives derived from the interviews that were held with the employees and academic research on internal controls. QCP's internal control objectives are the following:

- The ICS helps to prevent and detect corporate fraud
- The ICS helps to improve operational efficiency by clearly defining and assigning responsibilities and streamlining processes
- The ICS helps complying with the regulations of the BaFin
- The ICS helps to improve the onboarding process of newly hired employees

Based on these objectives a risk and control matrix has been developed, identifying all processes and, if applicable, their internal control, that are subject to internal controls. The processes were assessed upon their risks, internal and external, to negatively impact the organization. The risk and control matrix can be found in Appendix 7.5.3. In order to categorize and rank the risks, the Inherent Risk Ranking table and the Residual Risk Ranking table were used. Inherent Risk describes the initial risk a process poses to the organization without any control activities in place (SC&H Group, 2022). Residual Risk is the risk the process poses to the organization after control activities have been implemented (Ibid). After the risk assessment, a gap analysis will be conducted to identify those processes with ineffective or no controls.

3.1.3 Control Activities

After the risk assessment and the gap analysis have been executed, control activities, contributing to the overall objectives of the internal controls, were chosen and implemented for the identified procedures. According to a study, simple controls such as the segregation of duties and responsibilities, re-confirmation superiors and continuous internal reporting have proven to be the most effective tools for internal controls (Agyapong, 2017). Knowing this and keeping in mind QCP's need for flexibility and agility within the system, these were the control activities selected for the procedures that did not apply internal controls until then.

3.1.4 Book of duties and responsibilities

As the commissioner of this project and CFO of QCP has specifically wished for a non-automated internal control system, all information about reporting structure, responsibilities, procedures, potential risks and control activities were gathered and summarized into one book of duties and responsibilities.

This book can be seen as an advanced and written-down version of the current internal control system at QCP. Processes and procedures are now clearly defined and visualized through flow charts, risks are identified, control activities and owners were established to mitigate risks and align with the overarching objectives.

Furthermore, this book can be used as supporting material for newly hired employees. It gives them the chance to better understand hierarchy and company culture and enables them to work independently as of day one. An example of a process defined in the book can be found below. The full book can be found attached to this document due to formatting reasons.



Figure 12: Process flowchart – Investment Process (QCP ICS, 2022)

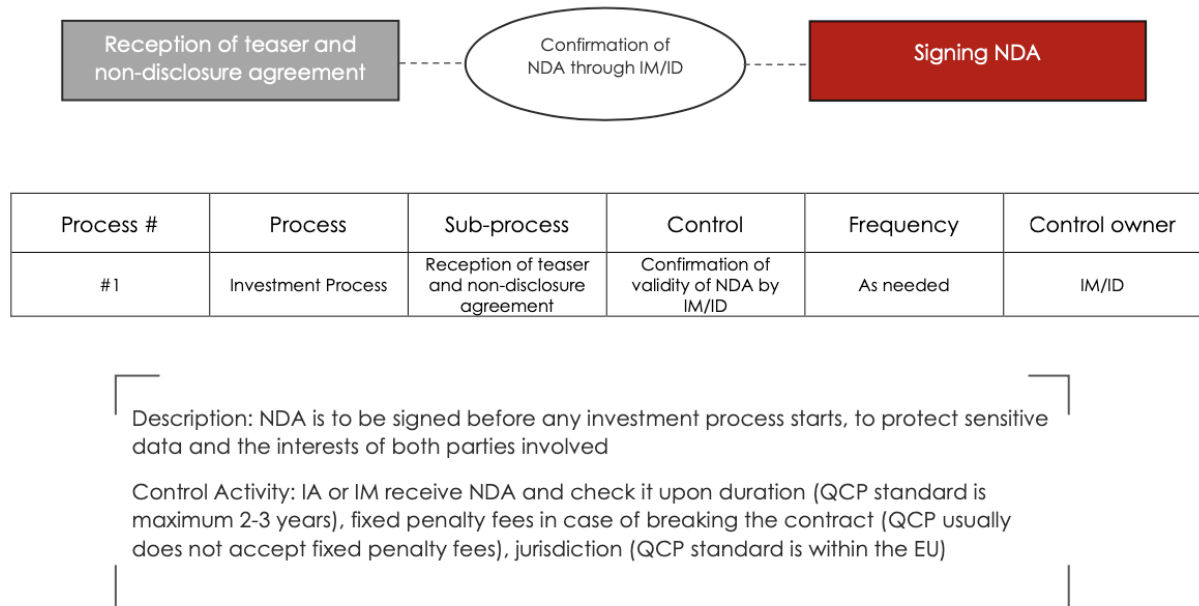


Figure 13: Process definition and description – Signing NDA (QCP ICS, 2022)

3.2 Implementation

The theory of change management plays a vital role, especially when it comes to integrating new systems (Boikhutso, 2013). There are a lot of factors to be taken into consideration when implementing change in a corporate environment. According to McKinsey the key factors are Commitment and Ownership, meaning that all stakeholders affected by the change should be informed about it and committed to it, and the retention of the change. (Johnston et al., 2017b).

To ensure that the aforementioned conditions are met, the researcher applied the ADKAR change model theory throughout the entire project. The ADKAR model is a widely known tool that helps analyzing and successfully implementing change (von Matern, 2020). ADKAR is an acronym and stands for Awareness, Desire, Knowledge, Ability and Reinforcement (Ibid).

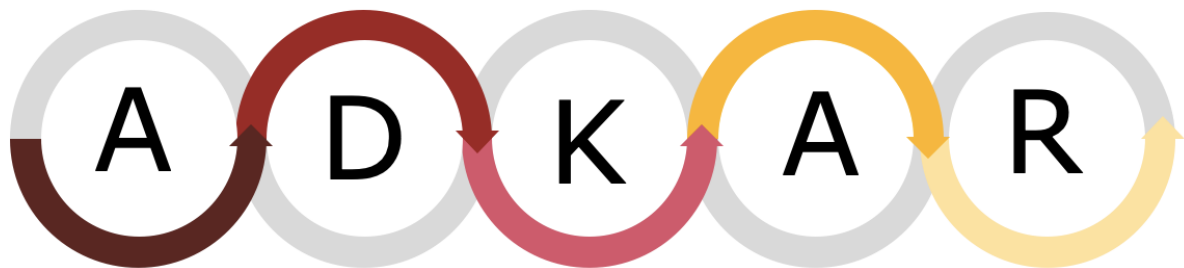


Figure 14: The ADKAR Change Model (von Matern, 2020)

The model has been combined with the underlying principles of the 4th environment, Information and Communication of the COSO framework (COSO, 2013). The principles state to communicate the existence of the new ICS internally and externally, and to only use high quality information, while doing so (Ibid).

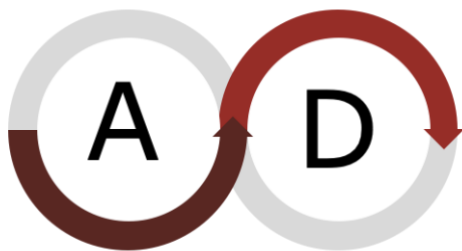


Figure 15: The ADKAR Change Model – Awareness and Desire (von Matern, 2020)

It was originally planned to spread awareness and spark desire about the change through the interviews that were held with the employees. However, the CFO of QCP already took care of that and had all employees aware and on board with his idea of an ICS long before the project even started, which fortunately also aligns with the principles of the 4th environment of the COSO Framework. After conducting the interviews, the researcher therefore knew that no further work was needed in these two areas.

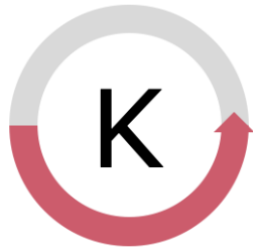


Figure 16 : The ADKAR Change Model – Knowledge (von Matern, 2020)

Within the Knowledge part of the change model there were two areas the researcher had to focus on. First it needed to be ensured that the employees were actively contributing to the change, as this has been proven to lead to a more successful implementation (Marcon, 2022). The second area of focus was the actual implementation of the system and making sure that all stakeholders involved actually understand the new ICS and know how to use it.

As mentioned earlier, most controls documented in the ICS already existed before, they were never clearly defined and only adhered to out of routine. Therefore, the stakeholders were able to contribute to the development of the change at any given time. Before every interview the researcher provided the interviewees with a table to be filled in with classic day-to-day procedures that should be subject to internal control. The received tables were then revised in two meetings with one representative each of the accounting and investment department. During these meetings all procedures were clearly defined and assigned a risk rating. This way stakeholders were part of the development of the system at all times.

However, for the second area of focus, this also implies that most employees are already aware of the controls and familiar with the procedures. Therefore, one company-wide workshop will be organized to introduce all stakeholders to the new system, answer potential questions and receive feedback. This workshop will be held by the CFO, who simultaneously is also responsible for all anti-money-laundering (AML) procedures at QCP, the Finance Manager Julia Kempe, who is the second AML representative at QCP, and Tillman Richter, the MDI and control owner for the Investment branch at QCP.



Figure 17: The ADKAR Change Model – Ability (von Matern, 2020)

This section of the model focusses on how the people concerned by the change, can be enabled to embrace the change, or identifying what is hindering them from embracing the change (Van Marten – Quelle). As all employees were already aware of the change and showed desire to implement it, very low to no resistance is expected. However, as just mentioned before, the workshop will be the chance for the stakeholders to voice their doubts or point out potential points of improvement.

3.3 Evaluation

The evaluation phase is the very last step to be taken in the DBR cycle and allows the researcher as well as QCP to critically review the success of the implementation of the suggested ICS (Easterday et al., 2014). The evaluation will be based on the theory of the last step of the ADKAR change model, Reinforcement, the underlying principles of the fifth and therefore last environment of the COSO model, and the new BaFin AML regulations, which can be found in Appendices 7.3.1-7.3.3.



Figure 18: The ADKAR Change Model – Reinforcement (von Matern, 2020)

The last step of the ADKAR model aims to monitor and evaluate the newly implemented change over a certain period of time, to assure it fulfills the required outcome (von Matern, 2020). In this step it is crucial to assign a process owner that uses recognition, rewards, and positive feedback to encourage all concerned stakeholders follow the new regulations and procedures (Ibid)

This theory combined with the principles of the fifth COSO environment, to conduct evaluations and continuously improve identified deficiencies, and the regulations and recommendations by the BaFin the following evaluation plan has been developed:

The BaFin specifically recommends announcing two employees to be responsible for all AML procedures within the company (Quelle: BaFin). At QCP the main person responsible is the CFO, Christian Vonier, and the second representative is the head of accounting and FM, Julia Kempe. Both of them have been chosen due to their years of experience in the field of finance and accounting, their year-long loyalty to QCP, their level of education and legal experience in their respective fields.

According to the BaFin they have a wide range of responsibilities. These can be found in detail in Appendices 7.3.1-7.3.3. Their main responsibilities however are the following:

- Implementation and monitoring of all AML Procedures
- Evaluation and continuous improvement of internal control system
- First point of contact for BaFin
- Reporting of any unlawful activities connected to AML regulations to BaFin

The continuous improvement and evaluation of the ICS will happen through a quarterly meeting of the AML representatives with stakeholders from all departments. Here the stakeholders have the chance to give feedback, suggest changes or have new procedures implemented into the system.

Furthermore, newly hired employees, that use the ICS as tool within the onboarding process, will be able to give feedback to the AML representatives in cases of unclarity.

4. Dissemination

As soon as the project was finished, it was shared with Christian Vonier, CFO of QCP, commissioner of the project, mentor of the researcher and main AML representative of QCP, for approval. After the approval has been given the ICS was sent to the control owner of the investment department, MDI, and the overall control owner at QCP, the CEO. Once they have given their opinion and approval the ICS was released and presented to all other concerned stakeholders.

To get all employees of QCP on the same page, the researcher together with the CFO, planned a presentation including an:

- explanation of the chosen framework, its environments, and underlying principles
- explanation of the general structure behind the ICS (process flowcharts, reporting hierarchy, etc.)
- introduction of all newly implemented controls and regulations

During this presentation the employees had the chance to ask questions, make recommendations for improvements and voice their doubts about the system. All this information was collected, discussed between the Christian Vonier, Julia Kempe and the researcher and then applied to the ICS. After implementation of the feedback the ICS was distributed to all employees and made available for everyone in the company internal databank.

Once all the employees were informed about the ICS, all external stakeholders needed to be looped in as well. The same presentation that was held for the employees was also held for the investors of QCP.

Lastly the ICS was also disseminated to the financial auditors of QCP. This is due to the new BaFin AML regulations and helps the auditors better understand a company's internal procedures and structures. A well developed and implemented ICS leads to better and more thorough checks by the auditors and therefore more safety for the organization overall.

5. Academic Reflection

Only making use of qualitative data and not including any quantitative data already has its limitations. The findings may be applicable to the situation at QCP, however they cannot be generalized (Radu, 2019). Even though this is the case, the solution was developed in a way to be generalizable to almost every other M&A company in any sector. The documented processes and procedures within the suggested solution are very general and non-specific to QCP. Other M&A companies including those focused on the hospitality industry, make use of the same investment procedure or invoice reception process.

Relying solely on a narrative research approach, backed by conducting semi-structured interviews with the employees, allowed the researcher to gain in-depth insights into the employee's opinions and experiences. However, this method of research is subject to bias and therefore considered less reliable, implying additional limitations (Fuel Cycle, 2019).

Another limitation to the project, posed by semi-structured interviews, is researcher bias (George, 2022). Research bias could be introduced due to the interviewer asking leading questions, which in return could lead to the interviewees giving answers, they think the interviewer wants to hear, leading to social desirability bias (Ibid). However, this was barely the case. However, since most findings of the interviews align with one another, social desirability bias is not considered a big factor in this project.

Lastly, all interviews were conducted and transcribed in German before later being translated to English. This was the case since the main language used at QCP is German and therefore the employees feel more comfortable during the interviews. However, this change in language may have led to a slight change in wording and therefore also a change in context. However, since the researcher is fluent in both languages this limitation is considered to have little impact on the outcome of the findings.

5.1 Recommendation for further research

As this project is not the classic research topic, in which the researcher tries to identify market trends and opportunities, the recommendations for further research are quite limited. Still there are a few opportunities QCP has to take this ICS to the next step.

Automatization and digitalization

Especially within the accounting department there are a lot of procedures and controls which could be digitalized and automated. The entire controls for the invoice reception for example could be done digitally via a software.

More safety for the employees

Something that came up multiple times during the interviews, was more guidance when it comes to travel expenses and hiring external consultants and lawyers. At the moment the employees are essentially free to book the hotels they want and hire the lawyers they trust. However, multiple employees such as stakeholders #5 and #6 have mentioned that they would wish for more regulations when booking hotels and flights as well as hiring external consultants and lawyers. Especially in a monetary sense. Therefore, the researcher recommends another round of interviews to gather information on how a set of rules like that could be developed and implemented as part of the ICS.

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7. Appendix

7.1 Ethical informed consent form

7.1.1 Ethical informed consent form – English version

Title of the research project

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant:

Signature:

Date : __ / __ / __

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Name of researcher (or his/her representative):

Signature:

Date: __ / __ / __

7.1.2 Ethical informed consent form – German version

Title of the research project

Ich, der beabsichtigte Forschungsteilnehmer, habe die Informationen zu diesem Projekt gelesen. Ich hatte die Möglichkeit, zusätzliche Fragen zu stellen. Falls ich Fragen hatte, wurden diese zu meiner Zufriedenheit beantwortet. Ich hatte genügend Zeit, um zu entscheiden, ob ich teilnehmen möchte oder nicht.

Ich weiß, dass meine Teilnahme völlig freiwillig ist. Ich weiß, dass ich jederzeit ohne Angabe von Gründen zurücktreten kann.

Mir ist bekannt, dass einige Personen Zugang zu meinen persönlichen Daten haben. Diese Personen sind (in den Informationen usw.) genannt worden.

Ich bin damit einverstanden, dass meine Daten für die in den Informationen/Informationsschreiben genannten Zwecke verwendet werden.

Ich bin damit einverstanden, dass meine Daten für weitere Analysen (falls zutreffend) für maximal 15 Jahre nach Abschluss dieses Forschungsprojekts aufbewahrt werden.

Ich gebe hiermit meine informierte Zustimmung zur Teilnahme an diesem Forschungsprojekt.

Name des Teilnehmers:

Unterschrift:

Datum: __ / __ / __

Ich, der Forscher, bestätige hiermit, dass ich den Teilnehmer vollständig über das oben genannte Forschungsprojekt informiert habe.

Wenn während der Dauer des Forschungsprojektes neue Information auftauchen, die möglicherweise die Zustimmung des Teilnehmers beeinflussen könnten, werde ich ihn/sie darüber schnellstmöglich informieren.

Name des Forschers:

Unterschrift:

Datum: __ / __ / __

7.1.3 Signed Ethical informed consent forms

Tilman Richter

Ich, der beabsichtigte Forschungsteilnehmer, habe die Informationen zu diesem Projekt gelesen. Ich hatte die Möglichkeit, zusätzliche Fragen zu stellen. Falls ich Fragen hatte, wurden diese zu meiner Zufriedenheit beantwortet. Ich hatte genügend Zeit, um zu entscheiden, ob ich teilnehmen möchte oder nicht.

Ich weiß, dass meine Teilnahme völlig freiwillig ist. Ich weiß, dass ich jederzeit ohne Angabe von Gründen zurücktreten kann.

Mir ist bekannt, dass einige Personen Zugang zu meinen persönlichen Daten haben. Diese Personen sind (in den Informationen usw.) genannt worden.

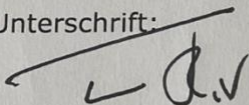
Ich bin damit einverstanden, dass meine Daten für die in den Informationen/Informationsschreiben genannten Zwecke verwendet werden.

Ich bin damit einverstanden, dass meine Daten für weitere Analysen (falls zutreffend) für maximal 15 Jahre nach Abschluss dieses Forschungsprojekts aufbewahrt werden.

Ich gebe hiermit meine informierte Zustimmung zur Teilnahme an diesem Forschungsprojekt.

Name des Teilnehmers: TILMAN RICHTER

Unterschrift:



Datum: 14 / 10 / 2022

Ich, der Forscher, bestätige hiermit, dass ich den Teilnehmer vollständig über das oben genannte Forschungsprojekt informiert habe.

Wenn während der Dauer des Forschungsprojektes neue Information auftauchen, die möglicherweise die Zustimmung des Teilnehmers beeinflussen könnten, werde ich ihn/sie darüber schnellstmöglich informieren.

Florian Kollmeier

Template Informed Consent Form

Development and Implementation of an ICS for Quantum Capital Partners

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant:

Signature:

Florian Kollmeier

Date: 13/10/2022

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Jonas Siegl

Template Informed Consent Form

Development and Implementation of an ICS for Quantum Capital Partners

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

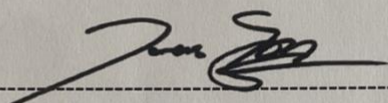
I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant: Jonas Siegl

Signature:

Date : 17 / 10 / 2022



I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Thuy Diem Nguyen

Template Informed Consent Form

Development and Implementation of an ICS for Quantum Capital Partners

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

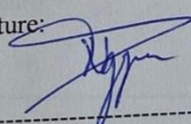
I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant: Thuy Diem Nguyen

Date : 18 / 10 / 2022

Signature: 

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Cuong Pham

Template Informed Consent Form

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I hereby give my informed consent to take part in this research project.

Name of participant: *Cuong Pham*

Signature: 

Date : *14/10/22*

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Christian Vonier

Template Informed Consent Form

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I hereby give my informed consent to take part in this research project.

Name of participant:

Signature:

Date : 10 / 21 / 2022

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Julia Kempe

Ich, der beabsichtigte Forschungsteilnehmer, habe die Informationen zu diesem Projekt gelesen. Ich hatte die Möglichkeit, zusätzliche Fragen zu stellen. Falls ich Fragen hatte, wurden diese zu meiner Zufriedenheit beantwortet. Ich hatte genügend Zeit, um zu entscheiden, ob ich teilnehmen möchte oder nicht.

Ich weiß, dass meine Teilnahme völlig freiwillig ist. Ich weiß, dass ich jederzeit ohne Angabe von Gründen zurücktreten kann.

Mir ist bekannt, dass einige Personen Zugang zu meinen persönlichen Daten haben. Diese Personen sind (in den Informationen usw.) genannt worden.

Ich bin damit einverstanden, dass meine Daten für die in den Informationen/Informationsschreiben genannten Zwecke verwendet werden.

Ich bin damit einverstanden, dass meine Daten für weitere Analysen (falls zutreffend) für maximal 15 Jahre nach Abschluss dieses Forschungsprojekts aufbewahrt werden.

Ich gebe hiermit meine informierte Zustimmung zur Teilnahme an diesem Forschungsprojekt.

Name des Teilnehmers: JULIA KEMPE

Unterschrift:

Datum: 11.10.2022

Ich, der Forscher, bestätige hiermit, dass ich den Teilnehmer vollständig über das oben genannte Forschungsprojekt informiert habe.

Wenn während der Dauer des Forschungsprojektes neue Information auftauchen, die möglicherweise die Zustimmung des Teilnehmers beeinflussen könnten, werde ich ihn/sie darüber schnellstmöglich informieren.

Friederike Dietrich

Template Informed Consent Form

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I hereby give my informed consent to take part in this research project.

Name of participant:

Signature:

FRIEDERICE DIETRICH

Date : 12/10/2022

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

7.2 Interview transcriptions

7.2.1 Christian Vonier (Stakeholder#1)

Leonhard Kempe

Yes, perfect, then welcome Christian to the last interview for my bachelor thesis concerning QCP employees. I would like to thank you in advance for taking the time to help me with my bachelor thesis.

Then I would like to ask you to introduce yourself, to tell me what you do at the Qcp and just to define a little bit your area of responsibility?

Christian Vonier

My name is Christian Vonier, I am 42 years old and have been with Quantum Capital Partners since 2015. Am currently in the position of CFO, which kind of comes with a ton of responsibility. My responsibilities include, a smorgasbord of different topics so on the one hand I manage everything that has to do with money. So, if an investment needs money, if we want to acquire an investment or sell an investment, there's always a flow of money needed somewhere and that goes across the table from me and my team. We get the money from investors, we send the money back to the investors. That's kind of the first block of tasks. Along with that goes the structure of how to transfer money from A to B and through which companies. This is accompanied by how to invest, i.e. how to set up the structure. Which company is needed to buy project type A, to buy B, to buy C? Exactly the same when you sell and make distributions. Those are the main issues. The next one is always when there is a need for capital in companies and it can't be managed operationally organizationally. In other words, if an investment cannot raise money on its own, then I get involved and try to support it. But these are usually the difficult cases. Then I basically take care of the issues that are more specialized and complex. So, it is liquidations or other asset realizations, which just remain in the portfolio. My team consists of 5 people. Yes, excluding working students, there are 5 people who work with me on some level and at the same time I have access to the entire investment team, whereby I have, let's say, 2 people who I then pull more to the side and who then support me in certain projects. Exactly how did it come about that I commissioned the project in the first place, or how did it come about that I decided we needed an internal control system? The question is really, why don't we have an internal control system? So, by definition, every company, no matter how big or how small should have an internal control system. Has Quantum Capital Partners and control system had so far? Yes. Have we lived it? Yes. Was there any documentation? No. It's common in a lot of the smaller companies. There are controls, no one calls it controls, but somehow this is the task, or this is the division of tasks, but in the end it is already about controls, which is more or less the basic foundation of an internal control system. But now we have reached a size where we, at some point, run the risk of losing money, misinvesting money or something like that, if we don't make sure that there are internal controls. If we don't make sure that those internal controls are lived by the workforce, and with each new employee, with each employee change, it gets more and more complicated. When I started, we had 5 investments, so 5 portfolio companies. Relatively small portfolio companies, and the team was made up of people who had been working together somehow for years. There's no need for controls, because everyone understands who has what tasks and then it's easy to implement on a day-to-day basis. After every change of personnel, you always have the danger that the new person doesn't even know that it's necessary to make these controls, and that's why it became more and more necessary to limit and restrict certain things and to standardize them a bit and to cast them in a framework, even though we've never called it that.

Leonhard Kempe

Exactly, so the second part of your answer coincides 1 to 1 with the statements of the other employees I have interviewed so far, which of course is also a mix of investment team and accounting. They all said that the team has been working together for quite a long time as it is at the moment. Especially in investment from manager level on. I think

Jonas said that he is the one who has been with us the shortest with 5 years. Of course, this is already a very well-rehearsed team. But you're talking exactly about the things, you're getting bigger, more people are joining. The best example is Cuong and Roman now as new analysts in investment. Of course, the two of them have to be introduced to these processes, to these rules, to these things that are lived. An ICS on paper makes it much easier to get people used to it and also, I would say, so that they generally understand everything and so that they also have an overview and don't always have to ask for everything.

Christian Vonier

Another interesting point is of course the fact that we are a BaFin registered special IFM. Now of course I have to say that in long form, BaFin is the Federal Financial Supervisory Authority. So that's sort of the Supervising Authority, if you want to have it that way, that sort of gives us the permission to do what we do. A special IFM is a special alternatives investment fund asset manager. So, we are the manager for a Special IF. What does alternative investment fund mean? It's a very specific classification by law, in the abstract, and it comes with duties. One of those duties is that we have to provide audited financial statements. The basic component of an annual financial statement or an annual audit is, of course, dealing with corporate risks and the first question an auditor asks is, do you have an internal control system and please show me your documentation. That was, so to speak, in addition to the internal motive that we have to somehow keep our troops stable, the prioritized topic for me to say that we need something in order to fulfill our due diligence obligations.

Leonhard Kempe

Yes, I'm totally with you, I actually have another reason. With that, I would also go into the interview in general. Apart from the internal reasons, there are of course many other reasons why you should have an internal control system in a company. The biggest topic that comes up first when you google internal control system is corporate fraud. Especially the prevention and then also the detection of corporate fraud, if it has already happened. Corporate fraud is, of course, something you're familiar with as a CFO. There are very many different types starting with corruption, financial statement fraud and many more. The first question I would like to ask, since you have been with the Qcp for a long time, but you also had a lot of work experience in the finance area before. What are the cases of corporate fraud, if you have experienced them, which I strongly assume for now, that have stuck in your mind the most? Maybe because the volume was the biggest thing that was cheated on, or because it was so bizarre that you couldn't believe it happened at all.

Christian Vonier

Yes so, the question is good, but I divide it into 2 areas. Number 1, number of attempts to commit corporate fraud. That's where we're talking about this classic fake president story. I would have to lie, but if I counted, it was massive. I keep getting emails from "Steffen" asking me to wire some money somewhere for a deal that is super-secret. And it started 10-15 years ago, when I wasn't even Quantum. It started with relatively subtle messages written in bad German. So you could tell by the language alone that it wasn't the real person. As time went on, it got better and better and more and more accurate and more and more subtle and more and more dangerous. So, the better an e-mail comes in, the more likely it is that money will be paid out. Hasn't happened yet, but in the frequency of cases I would say and not internal fraud, but external fraud, but in the frequency of cases I would say that's number one. And now the question is but what does that have to do with an internal control system? A lot, because it must be ensured that when the first point of contact of this type of fraud, i.e. an employee at the reception desk or employees in accounting, receives a message that they cannot trigger a payment on their own. Then we would already be at the first meaningful control. Set up the payment system in such a way that no one person can, even if he or she can make payments on his or her own, that there is a second person who controls these payments.

Leonhard Kempe

Or you can even take it a step further and say that if such an e-mail comes in at all, where it is not quite clear at the beginning whether this is really the person, that you first involve a person from a higher position, so that you are not solely responsible for the whole thing, so that you spread the responsibility for this e-mail over several people and then you first start to talk about money.

Christian Vonier

Yes, that's exactly how it is.

Leonhard Kempe

You said earlier you have another example?

Christian Vonier

Yes, of course, I have more than 2 examples, but that was the first one in terms of the number of attempts. But the most dangerous fraud attempts are mostly those of an internal nature. That is always when someone tries, consciously or unconsciously, to falsify numbers or results. In fact, we have had cases, not internally at Quantum but in the extended Quantum group, i.e., in portfolio companies, in which fraud activities have led to material damage. Now, I would like to name 2 examples that fulfill both of the points that you mentioned. So, big and curious. They both had it in them. We have had 2 cases of fraud, which have very strongly damaged the company and in both cases the initial situation as well as the motive was very similar. You had a company that was not doing so well. You had a CEO who wanted to show us a better image of the company than it actually was and, in both cases, sales successes were presented that did not exist or did not exist in the same way. The first concrete case. There was a plan that was so optimistic in terms of sales and, above all, profits that we didn't want to believe it. But the CEO was one who stood up, I'll prove to you that these figures are coming. He put the projects in place, sales went up and unfortunately the margin was not what it should have been mathematically. Instead of him dropping his pants and saying, I've taken on a project here with a negative margin, which means that every euro I put into this project, I'm losing money. I'm losing money, which is the worst thing you can actually do. Instead of having the size, so to speak, and saying, I have an issue here, he tried to cover that up by, so to speak, revising the project calculations, which were then positive. In order to present the results in a positive light, he booked sales of property, i.e., intellectual properties, and had them booked, and in doing so, he booked a very large contribution to earnings that did not exist. We couldn't analyze that fast enough, because if it's done well, and it was done really well, then you as a shareholder, who only gets certain information, so to speak, actually lacks the possibility of action or the scope for action. When we saw that something in the financials was not plausible and not logical, and went deeper, it was already too late to save the company. So, at the end of the day, we had to declare bankruptcy in this company, lost money and some people lost their jobs. The good outcome of the whole story was that the company was saved. Yes, because it then still had so much stable business that just didn't bring the revenue that there was still a rescue, not under us, but under new ownership. The second example is similar. There, the CEO presented a growth course. For this growth course he needed new employees, but to be able to hire these new employees, he did not have the money. So, he asked the shareholder, the QCP, if he would be willing to put in money. The shareholder was willing, so we were willing to put in money to hire the employees, to train the employees for this new business. It was a manufacturing business and it said we kind of have to have the employees on board 3 months before. We have to train them so that when the big orders come in, they'll know what's what in production. But the big orders didn't come and instead of raising his hand and saying, my planning isn't right, we have to do something, the managing director decided, I have to find a way to show the turnover I need so that the shareholder doesn't get angry. Yes, and what the CEO has done is he has started, in one month at the end of the month he has noticed I am somehow missing 400,000€ Ebitda. In order to achieve this, he simply brings forward the turnover of the first month of the following month and books it into the old month. So, I

have more revenue than I actually had and more profit. And so that this turnover fits the profit ratio, of course, he has focused on bringing forward the products that have the highest margin. So now you are at the end of the following month. Now you are missing one day of sales and one day of sales with margins, high margins, quasi other products. What do you do at the end of the month when you have not reached the result again because the customer still does not call the extra quantity? You do it again. So, the problem is, at some point one sales day is not enough for you, then you need 2 sales days. At some point you need 3 sales days and you build up a bow wave. When this wave breaks, because this more demand does not come, because the customer is still not ready to take this additional number of products, the landing is all the harder, the higher you have made this whole gimmick. Exactly the same story, we noticed something didn't fit. I actually saw it relatively quickly, only I couldn't identify it because it was very sophisticated. Then I sent one of our employees to the company and said, "You're going to take the store apart and look, because something doesn't fit with the calculations. That's something you can only learn through years of experience. You look at a balance sheet and you see that something doesn't fit. You can only learn that through years of experience. When do you have to start getting in? And there it was besides that the employee we sent in and he himself saw that something didn't fit, but he didn't know what and the problem was. There were so many people involved in this fraud that we were always working with false data. For example, I requested an evaluation and then sat with a colleague and we picked that apart. And it was implausible. And yet the figures somehow fit. It wasn't until my colleague was in the company and put pressure on us that the head of finance cracked under the pressure and admitted that they were fudging the numbers. Yes, unfortunately the outcome was much more negative because the intervention was so big. There were 18 people involved in this fraud case, so virtually the entire upper management level. A lot of money was spent to turn this ship around. But a lot more money would have had to be invested. You would have had to build up a completely new corporate structure, because, as I said, you would have had to lay off 20 people. All these things then led to the fact that we said no, we're not putting any more money in. We filed for insolvency. In this case, unfortunately, the negative effect was that the company, in fact, even in insolvency no longer continued to exist. The insolvency administrator no longer saw the company as a going concern and initiated its liquidation. Of course, this also led to all employees losing their jobs. Currently, a lawsuit is being filed against the management for fraud and the like. So, this is a very extreme case. And both cases have 1 thing in common. In both cases the internal control system in the companies was not the best and in both companies the power that the CEO had and the competences were too big. So also, a CEO needs a strong counterpart. Usually, this is the chief financial officer. In both cases, that didn't work.

Leonhard Kempe

Yes, very good examples, I must say. I have also heard the second example from 2 other colleagues. Quite severe. But I think it's a very good example because it shows what kind of impact fraud can have on a company and especially on people and employees who originally had nothing to do with it. They are often simply ignorant and, in the end, they lose their jobs because of it. PWC publishes a very interesting report every 2 years, Global Fraud and Crime Report. It reports on how much money the world loses to fraud every year. It is in the hundreds of billions. It's unbelievable, so you can see that an internal control system can have a big impact if it can help save entire companies. Thank you for the examples.

Christian Vonier

I would like to say something extra before you ask the follow-up question. Maybe still, because these are now the extreme examples I just gave. So that's one side, but the classic fraud, it starts much, much earlier, very few employees understand that. It already starts with the fact that you, as an unauthorized person goes out to eat with someone and says, "I'll pay for it with my company credit card. Or in companies where hours are recorded, not reporting your original hours. It starts with saying as an employee, I have a doctor's appointment today that's why I'm not here. The employer

is generous and gives you the time and in reality, you are playing golf. But of course, these are only small cases, the big cases are the decisive ones.

Leonhard Kempe

Well, that's where it all starts, in the end they say that little things make a mess. If such small cases accumulate, it can very quickly drive a company to ruin. It's important that you speak up again. Let's move away from what you have personally experienced and more towards what you have heard and what you have seen during your time at QCP. QCP itself is active in the financial service industry, but at the same time owns many companies in the manufacturing sector. Have you seen over time that certain industries or certain sectors are more affected than others?

Christian Vonier

No, they are just different forms of fraud. But I would say that every company by definition has an open flank and, in every company, there are the risks of fraud. The better the internal control system or the better the corporate culture, the less fraud there usually is. Point travel expense or fuel card fraud, that's always when the employee doesn't feel valued or when the employee feels he's not getting as much as he should be getting. That's when it starts. But I wouldn't single out any industry. I think the number of unreported cases of fraud is much higher than you think. Whether it's sales people collecting kick-backs. Whether it's employees in production who steal inventory. So I think there is a lot of it.

Leonhard Kempe

Definitely, I'm not asking the question for nothing. I actually did the research behind it because it's a very interesting topic for me. The most hit industry or the most hit sector is the procurement sector and specifically mining. That is where the resources are originally procured. The whole lithium production is a big object of fraud and especially of theft. Asset misappropriation, it can happen very quickly that a wheelbarrow full of raw ore is simply lost or the truck never arrived. The mine collapses and then a new entrance is dug somewhere that no one knows about. These are the classic areas. After that, however, comes the financial sector, which has to accept the greatest losses on average per corporate fraud incident that is reported, which makes sense in a certain way. I mean in the financial sector often the highest sums are traded at all and then we are not talking about sums that are somehow in assets that are just sitting in a cash account. After that comes manufacturing companies and especially heavy industry. Exactly the same issue as with mining there can be a truck simply lost or with a truck with the load half is missing or it has gone off the route. Anyway, those are the classics. These are of course very interesting topics for the Qcp, because it is itself active in the financial services industry and the majority of its holdings, in industries such as aluminum, recycling of high-value other materials, paper. So there the topic of internal control system is definitely very important. Then let's move away from corporate fraud per se and add internal control systems and their frameworks. Before you commissioned the whole thing, you must have given some thought to what the system should look like? What should it cover? Could you explain what you had in mind? And then we can go into the reaction afterwards, where you saw for the first time what I had proposed in the first place?

Christian Vonier

I come from an asset management background and in my position, I've always been a fiduciary of some sort. So, we've always not had our own funds, it's always been funds from external parties. As a fiduciary, as the name implies, in trust, you have to be careful with the money you get. That's why we had a very sophisticated internal control system at that time. The framework behind that was called, SOX 404, which is, I would say for everybody that's not tortured enough, that's the best you can do. That's so top one of control systems. So that's why, if you ask me what did I have in mind? I had something in my head along the lines of Sox. But very quickly, I'll say, I backed off, because I thought, ok? Setting up a SOX system in a company with 20 people makes no sense.

Then I went more in the direction of ISO 27 01001 or whatever it's called and so on. So I got further and further away and at the end of the day I said well actually the framework should be lean, just like our company. It should just work.

Leonhard Kempe

Yes, then I would say I can pat myself on the back and tell you that you have chosen a brilliant intern. The example I gave now with every single person I interviewed before, because internal control frameworks are not known to everyone. Florian was the first and only one who could actually say, along with Julia I have to add, who were even familiar with SOX, the SOX Compliance Act itself. Florian was able to take the whole thing a bit further and actually talk a bit of shop with me about frameworks. But the example that I always used was actually the ISO lists, because they are quite easy to understand lists that are simply about standardization of certain topics for companies in certain countries. So there is quality management, internal controls and so on and immediately. Infinite, for over 150 different countries now extremely many lists. Incredibly good framework, but was too rigid for me personally. I didn't like the fact that there was just a list of 10 - 30 points that I had to stick to. I found I had little freedom of movement in the whole thing. Then I actually stumbled across SOX 404 as well and was of the same opinion as you. It finds application in the Qcp, but it would already be a very heavy cut in the complete company culture and atmosphere. Therefore, I kept on searching and at some point stumbled over the COSO Framework which was developed based on the SOX Compliance Act. COSO consists of 5 main environments. As you might have seen in my report already, those environments are, Control Environment, Risk Assessment, Controlling Activities, Information and Communication and after that Evaluation, which simply gives me 5 environments in which I can personally move freely. That means, I can define myself what should be my controlling environment. In this case, was given by you. The financial departments, that is investment and accounting. Afterwards there is risk assessment, I can pick out myself, what kind of processes I want to include in these internal controls. Important here is to make a list of all existing process and whether they are already subject to internal controls or not. You then conduct a gap analysis and identify those processes which pose the biggest risks due to not being regulated by internal controls. I can leave the other processes aside for the time being, because they do not pose any risk to me personally that anything, let's say big, will happen. The gap analysis can of course only be done when the researcher has all the existing processes, which can only happen if all the employees are on board and taking part in this project. When the analysis is done, the identified processes will be assigned control activities, which are then communicated to all concerned employees and then evaluated and revised over time. How do I implement the whole thing? In the end, I have defined these 5 environments for myself and was able to develop or set up a very flexible, easy to understand and as you say lean control system, where I am personally also very happy that I have found the whole thing. The whole thing was already developed in 2013 and is still used today as one of the absolute standards internal control frameworks in America based on the Sox Compliance Act and I think that I have actually found quite a good solution with it.

Christian Vonier

I'm of the same opinion.

Leonhard Kempe

I'm glad to hear that I'm on the right track and that you agree with that. I already told you before the interview that I would have liked to hear an example of processes that you personally work with, where you say that internal controls already work very well here, responsibilities are very well distributed among the people, communication takes place, and in the end I can be sure that this is how it works. As a second example, I would like to see the exact opposite. A process where you say, ok here one person has the power over everything, can decide about everything and that is not for me personally, because I don't trust the person, but from the process, just a bit too spongy, I don't like that, we absolutely have to have internal controls.

Christian Vonier

For the first example, I would now actually take our payment system in the new structure. Actually, you can use it for both. Sounds strange, but that's the way it is. In the in the current way, we live it, without it being documented, the likelihood that an invoice, comes in and it's just posted and paid is no longer possible with the current controls that we have. That was a different thing, I will say, 5 years ago, because a lot of it was on call, a lot of it was chaos, and a lot of it was limited to one person. It's cleaner now because within QCP, accounting is separate from payment. There is a logical sequence of activities that is divided. So, Thuy posts the invoice, Julia pays the invoice, and Christian, however, looks at all the posted invoices and confirms them. That's sufficient to make sure that nothing goes wrong, so there the control is clean. At the same time, it can very well happen that on another level, payments are made without a second person looking over it, because our banking tool still allows you to enter the transfer and press the button to confirm. But I wouldn't see that as the critical case to change. That to me is still a system that really works perfectly and access is also limited to 3 people total. The process goes through 3 people and one makes the payment. So there we are relatively safe. Let's move on to something where I still see risks and where I think we have to counteract. This is about small issues. What I have noticed is the issue of travel expenses. Even if it's a small amount, I think that's where the exposure for internal fraud, in our case, is the greatest. Everything that has to do with travel and hospitality costs, I really see room for improvement. Currently, employees are solely responsible for their credit cards. There is no traditional travel expense policy, for good reason. We appeal to the common sense of our employees. But there is a very spongy control authority, so that means you go out to eat today with your credit card, with your girlfriend. The clerk gets the credit card statement, asks for the receipt, you hand over the receipt and say yes, I was there with that and the meal and that's it. There is no one who checks who was eating with whom? Why was he eating? Is it even justified? The same goes for hotels and flights. Yes, because there is no travel policy, there were employees who are no longer there, but they were of the opinion that if I book a flight and business is cheaper than than economy class, then I can fly business. That led to people believing that was a policy. Until I proved them wrong, because it's up to you whether business is cheaper than economy. You just have to wait long enough to book your flight and there is a good chance that Business and Economy are at least equally expensive. That's what I set. So that's, that's one issue, there needs to be even better controls. The second issue is vacations. While there is one person requesting leave at a time and, again, another person approving the leave, there are many ways to get around that process. You can cancel vacation retroactively, you can just stay home for a day and do nothing without putting in vacation, etc. Those are the 2 points that pose the biggest risk to me currently.

Leonhard Kempe

Okay, good to know. If I may pick up on that right away when we talk about the topic of controls. These controls should of course allow a company to continue to operate as it has been doing up to now only in a safer and more secure way. The company should not become more efficient as a result. Operationally, this is of course one of the big objectives of this internal control system. Now, if we go into exactly the 2 issues that you brought up. Hospitality costs, travel costs, to what extent would you internally or what kind of internal controls would you like to see at the end there?

Christian Vonier

I wouldn't introduce a tool or what. I think the most important thing is first of all that the whole thing is openly communicated. So it's always important to say to the people, hey guys, pay attention, just so that nobody misinterprets it, there is no policy, but this and this are the rules you should follow. That's the most important thing. You can't set up a control and people don't even know that that's kind of allowed or not allowed. So that's step 1 and Step 2 in my eyes is then the easiest. We have somebody who sort of processes the travel expenses yes and all he would have to do is spot checks. In other

words, a spot check. The spot check would have to look like this: Who did you have lunch with and what was the reason for it? Then you check with the person or ask the person or something else. But then, of course, the principle of proceeding with feeling also applies. No one is suspected from the outset, it is just a check. As I said, during my time at Quantum, I more or less started to introduce checks in the first place, and there were always oddities on credit card statements. But then it was explained to people that it shouldn't be like that, and then it was generally stopped.

Leonhard Kempe

I think it's very good how you describe it, that nobody is a suspect from the beginning just because the statement looks strange. I am completely of the same opinion and think that the presumption of innocence always remains until the opposite is proven. For me, it was just interesting to hear what kind of fraud control would be most interesting for you.

I don't really have any more questions. I'll come back to the topic of feedback in a moment, first of all I would like to thank you again for taking the time and then I need the confirmation again, I usually do that at the beginning of the interview, but in this case I forgot. I just need the verbal confirmation that you have read and signed the ethical informed consent form and sent it back to me? You agree that I may use the data here in anonymous form, except for your name, in the context of my bachelor thesis.

Christian Vonier

Yes, I confirm that. But I did everything anonymously anyway, in case you noticed. So I didn't mention any names. I spoke very generally.

Leonhard Kempe

Yes definitely, has been different in other interviews. But I still have to say it again in every interview. Then we've already come to the end. Regarding the interview, are there any things you would like to add because I may not have covered them with the questions, or do you have any feedback for future interviews?

Christian Vonier

I have nothing to say. You did a great job. Also thank you again for the effort and the this neat, so I say process. So no, I wish you a nice weekend.

Leonhard Kempe

Perfectly super, then you also again thank you and also a nice weekend.

7.2.2 Florian Kollmeier (Stakeholder#2)

Leonhard Kempe

First of all I would like to thank you for taking the time to do this interview together with me. Before we actually start the meeting, I would like to ask you again if you read the ethical informed consent form I sent you prior to this meeting and if you agree with it.

Florian Kollmeier

Hello first of all, yes, I have read it, I signed it and I agree with it and I sent it back to you as well.

Leonhard Kempe

Perfect, thanks a lot. To start off the interview I would like to explain to you again what this interview is all about. Christian Vonier, my mentor and the CFO of QCP gave me the task to develop and implement an internal control system for QCP. While doing this I had lots of freedom in terms of how to approach this topic, which framework I choose as a foundation for the system, etc. The main reason why Christian wants to have a system like this is it to ensure the safety and security of the operation of QCP. This is due to various cases of corporate fraud that happened in the past, as well as the general lack of internal controls within the company. The whole system is only concerned with the financial related departments at QCP, meaning investment and accounting. You are representing the accounting department today in your position as financial operations manager.

Alright then let's get started with the interview. During your time at QCP or in previous workplaces, did you already experience corporate fraud, if so what kind of fraud was it, internal/external and was it corruption, asset misappropriation, or others? Could you please elaborate on that?

Florian Kollmeier

Looking at QCP internally I have never experienced any kind of corporate fraud. However, with the acquisitions it does happen every now and then that there are attempts of for example fake president mails in which fraudsters try to imitate company executives with the goal to get the companies to transfer money. This happens around 3-4 times annually. Last time just a few weeks ago. In the case of the last attempt the e-mail was really well made and written and actually looked kind of real. As a part of QCP the employees in HQ know that none of our executives would ever send such an e-mail, however as an acquisition which might be relatively new to the business, this might actually seem real. In this case, and this barely ever happened before, they even called the company, impersonating the CEO of QCP, trying to get them to transfer the money they requested. Luckily the accountant in charge immediately informed her superior about this case and the superior then informed me and I took over. Also, in general, no money was ever transferred upon such a request, fortunately. I also experienced this during my time as CFO at another company, however back then it was quite obvious that the request is fake. Another experience I made was last year, where I detected financial statement fraud in one of the acquisitions of QCP. There, the former CEO altered revenue statements of 2020 by declaring revenues of the future in current months. This led to a complete downfall of profit margins in 2021 and a literal explosion of logistic costs and warehouse costs. My initial task was to find out how this could happen, obviously we weren't aware that this was all due to the CEO by the time. So, I stepped into the operation and went over the books together with the CFO by the time to inspect some key KPIs such as factoring, etc. to find out when and where things went sideways. While doing that me and the CFO detected that fraud was happening in this operation. It started off with us finding out that when the organization experienced a rather bad month with low margins and high costs, revenues of future months were posted in those bad months to declare a better operational result. However, this means that the revenues are now missing in the next months. This resulted in a chain reaction in which every month was missing more and more revenues, which were then covered up with the revenues of the coming

months. I realized this was happening because the factoring quotas used for the revenues weren't correct. I then started to look into it more and more and finally looked into their accounting software which showed me exactly what I just explained. Upon realization I took this to the CFO of QCP, Christian Vonier, and together we decided how to proceed in this matter. We wanted to be sure that this was no mistake, so we confronted the CEO with our findings. She then reacted really suspicious, she raised her tone of voice, got irritated and started telling contradicting stories. We then asked her to provide around 20 samples to proof, that things actually went the way that she was saying. She wasn't able to provide those statements.

Simultaneously to this we also had a whistle-blower, the CFO of the company by the time, who essentially confirmed the suspicion we had against the CEO. During a teams call with the CFO of QCP, one managing director and me, he confirmed that this was no coincidence and that the revenue statements were being altered since the beginning of 2020. We then hired lawyers, who advised us to exclude the CFO from the operation, to prevent any more fraud from happening. From the members in the administration everyone knew that something like that happens and it was such a team of about 12 people in changing composition, which have actually carried out, because this is purely an SAP side you do not book a sum of 500000.00 €, but an order usually goes over 20000 € and then you have to adjust their 15 orders. That is a relatively high administrative effort, you must think then relatively many things, there is already actually a lot happened. So that's point 1 of the fraud, so how the whole thing happened.

The second point is, how did she manage to motivate people to do something illegal in the first place? She has insisted all along that it's not illegal to do it that way and that it's just common for the industry to do its books that way. That was one way. The other way was to work with fear. She told people that if we didn't meet our goals, the QCP would shut us down, so you'd all lose your jobs. That was a bit of psychological pressure that she exerted. And the problem is a little bit with us, we normally always talk to the top management. We talk to the managing director and maybe the head of finance. We never talk to the head of accounting, to the head of sales, to the group manager, production or so on. Therefore, the employees see maybe twice a year people in suits walking into the office of the managing director, that's mostly Hans Magnus and me, but they have nothing to do with us and can't assess us at all and therefore, of course, such a managing director can then also build up something like that. That was just the fraud on the company side. But she didn't have any variable compensation that was somehow linked to EBITDA or sales. She just did it to please us, to achieve the goals. So that's just insanity for sure. As a result, she didn't have one euro more in her account. But what happens beyond that is the second kind of Fraud. Of course, she also worked on weekends, she did this and that. She actually lived in Wuppertal, worked in Greven, had an apartment in Greven, and there was an agreement with Hans Magnus that the company would pay for this small one-room apartment near the plant so that she wouldn't have to commute 2 hours each way. But in her head, she made it a so-called all-in contract and charged all living expenses to her company credit card and then submitted the receipts. In the end this added up to about 200000€. Then she also claimed that she would be paid overtime.

She simply shouted that to the personnel department. I have made I do not know 30h overtime. Now pay me out times 30000€ and that have actually also made and so came then circa 200000,00€ together, of which we know, which she has pulled out. Over the period of 18 months or 16 months, where she has enriched herself personally. Exactly and at the end that has led to it. Of course, we could no longer trust these figures in any way, because they had been shifted over months or years or a year and a half. We then tried to make everything possible, and were then faced with the decision of providing the company with money and rebuilding it or letting it go bankrupt. We then calculated what a rescue attempt would cost us and then decided that nothing more could be done, which then had the consequence that the thing then went into insolvency. That was the biggest incident that I have witnessed.

Leonhard Kempe

Thank you very much that we can talk about it so openly, it sounds very interesting. If I just briefly review the whole thing now. You have now attached as the very first thing in terms of the Qcp and one of the participations the Fake President Emails, as one kind of Fraud. Then as a second kind of fraud, as I understood it, the financial statement woman in which final account statements were changed to look better for the one month. And then it just kept piling up until at some point you couldn't ignore the whole thing. The own employees of the participation were involved whether the whole thing happened consciously or not, can be traced back as I understood it, in the end to the managing director already quite directly. A small follow-up question, you have already mentioned that the lady was released from her duties, to what extent will this be followed up? Is there really, I would say, legal action taken against it or do they say ok, yes, the main thing is that this person is out of the company and that's it? To what extent does the Qcp take action or in general what is the normal procedure in such a case?

Florian Kollmeier

Fortunately, there is no normal procedure, because that would mean that it happens more often. We released the management from their duties when these accusations first arose and then, of course, we also wrote in the insolvency application what we thought the problem was. Then our lawyer also advised us to file a complaint. We as Qcp are the injured parties, because of course our investment has gone down the drain. There are certainly also normal management errors happened but, a very massive point, which has driven the stop with, is just this fraud committed by her. So, we filed a complaint with the public prosecutor's office on the basis of 4-5 laws that were violated. That was just incorrect presentation in the financial statements. There were 3-4 others, but I can't keep track of them. This means that the public prosecutor's office is currently investigating. I talk to our lawyer every 2 months to see if she has heard anything new and the current status is that our lawyer assumes that the proceedings will probably be opened next year. But then we are not co-plaintiffs, this is the normal criminal proceedings, where the state of Germany investigates on the basis of our complaint against the former CEO. At the same time, the insolvency administrator has his own thing going on. In all probability, he will initiate a civil law suit against the former managing director for damages. Hans Magnus gave an interview to the Lebensmittel Zeitung where it says that this story came about because of misconduct on the part of the management. And then there are the investigations by the public prosecutor's office, so we are pursuing this completely. We're not going to let it rest there.

Leonhard Kempe

Okay, I see. You have just mentioned that the main victim in the end is the parent company, the Qcp, because its own investment went bust and went into insolvency.

Florian Kollmeier

Not to forget the 180 employees who lost their jobs. And of course all the suppliers who had open claims against the company.

Leonhard Kempe

So can you say that this fraud incident has a long tail behind it? So you are, you said the whole thing happened around 20-21, and you are just before the end 22 still involved with the thing, you still have to talk to the prosecution. It's still an ongoing process.

Florian Kollmeier

Exactly, so of course it's now again every few weeks 2-3 calls, that's now also with me personally not much work. So it makes almost no difference for me in terms of workload, whether the process is running now or not. I don't know how it is with Christian, for example, at the moment. In the phase where that was, i.e. where it came up at that time and where you had to commute with it in the weeks afterwards, I would have. I would guess that Christian and I invested 50-60 hours per week in this thing for the period of 6 weeks. And then there are waves left and right, so Rasmus did some data analysis and

was pretty much involved. I don't know what Julia did after that and so on. So that really took up hours on the Quantum side.

Leonhard Kempe

Yes, okay, that's pretty intense. Then of course we come to the topic of my bachelor thesis. Can you imagine that an internal control system, be it digital or analog, could have prevented this whole case through controls like, 2-factor authorization, or at least helped to uncover the whole thing faster?

Florian Kollmeier

It opens up a mega broad field, so there is basically fraud prevention and fraud detection. Fraud detection is always stupid, because then it has already happened, so fraud prevention is to be preferred, one hundred percent. So that's what you're talking about. ICS is basically fraud prevention above all else. And that's a bit of a strategic question - to what extent does Quantum actually get involved in the investments? Of course, we can now theoretically hire 6 employees and internal audit and they do nothing but run through other investments and constantly test the internal control system. Then that massively reduces the likelihood of something like that happening again. The question is do we want that? Do we think it really makes sense? So far the decision was no, before this incident, and we have seen this responsibility with the investments, because of course each managing director of each individual investment is also responsible for ensuring that his own ICS works.

But to come back to your question. Fraud prevention involves a lot of details, so you need well-structured and documented processes that have to fit the company. This is not 100% possible, because every company is different. But there are standards, 4 eyes principle for payroll accounting, 4 eyes principle for outgoing payments, 4 eyes principle for everything that has to do with cash flows. To be honest, I wouldn't involve Quantum in that. First of all, I wouldn't issue a policy that specifies, for example, how much each employee is allowed to spend on behalf of the company in connection with his or her position in the hierarchy. We have the issue anyway when we have large investments that have a massive impact on the company. We have investment calculations submitted to us anyway, and it's not so much a question of the internal control system. It's about profitability - is it worth it from a commercial point of view? I wouldn't say that Tillmann as Managing Director has to release any payments now, I don't think that makes sense. From my point of view, we are doing two things. On the one hand, we have to be very careful about what managing directors we choose. Because we have very little capacity in Operations, there's me, who also does a bit of internal Quantum stuff, there's Christian, who almost only does internal Quantum stuff, and the investment team doesn't really have that much time to do Operations. So that means we can only really do very selective projects with investments and we often have the claim that we buy an investment. We put a management team in place and then let it run for the time being. We give a bit of feedback, but we are not actively involved. That means that if our activity is limited to using the management, we have to be extremely careful in the selection process. But of course, you can certainly implement some kind of controls, at least by having all of your subsidiaries check at regular intervals to see what controls you have in place for the ICS. Is there a 4 eyes principle for outgoing payments and best not just say yes, and then that's it, but really with proof in the sense of screenshots from the system or show that live. That's certainly realistic, but I don't think it's helpful to send out a kind of quantum corporate policy where everything is specified top-down. We have so many different industries and company sizes, and I think we're relieving them of a bit of responsibility. They have to do it themselves now, so we certainly have to keep an eye on it and check whether they are complying with everything. But from my point of view, the participations have to create and implement it.

Leonhard Kempe

Okay, I see. So you would say, in general, the companies are responsible for their own internal controls. In the end, the QCP is a company that buys up almost functioning or half started companies, but which have been around for a while, accordingly should

already have a functioning operation, and accordingly you can actually already expect, to a certain point, that internal controls exist. On the other hand, you would say that maybe it would make sense to just query these internal controls per se. To see whether they are carried out in this way, whether they can be accepted as they are, or whether they need to be reworked. But top down from Qcp to the participation itself, you personally wouldn't recommend an internal control system, simply because it would probably be too big, too time-consuming and in the end you also want to give the participation a certain amount of freedom.

Florian Kollmeier

Exactly, so I see 2 things. On the one hand it's just the effort side. If you do something like that, if you do a quantum group ICS policy. You have to set it up first. That easily takes 3 people 4 weeks, then you have such a thing. Then you have that once, then you divide that. Then you have to do a kickoff with each participation, which certainly takes 1-2 days. Then you have to do follow-ups with each participation, after 4 weeks, after 8 weeks, after 12 weeks, to see if they have implemented everything and then you have to check everything again every six months or every year. That means you have your huge initialization effort and then you also have a constant effort. You just have to think about whether that really makes sense. Then there is the fact that we have holdings in different countries with different legislation. We have Germany, we have Austria, we have Italy, we have Spain, we have France, I honestly know halfway reasonably the laws in Germany. But I have no idea about laws Portugal. So, how high is the probability that we really slay everything with our policy that we develop, and we have to keep an eye on all the legislative developments in each country, is I think in practice not even representable. Then we have companies that make 20,000,000 in sales and companies that make 400,000,000 in sales. I simply don't think it's possible to have the same policy that covers both sizes of company. Those are my arguments why I say that doesn't make sense. It makes then rather more sense to convince yourself from the quantum side whether the policies that the holdings have are also good.

Leonhard Kempe

Ok so for you it would be rather part of considering an investment that you do that part of the due diligence and then just throughout, once it's up and running but not starting an overarching framework.

Florian Kollmeier

Exactly and maybe one more point. The ICS is also audited by the auditor. The auditor also confirms that he has looked at the ICS as part of the audit. He also confirmed this in Greven, i.e. he was still on site 8 weeks before the thing blew up. Therefore, the auditor was certainly also partly to blame. Legally, I can't evaluate that now. I don't think there's any legal dispute between us and the auditor, according to the motto, you're to blame now, but you have to at least question that, if he says in the context of the audit that it fits and there's a stamp? Then there should be comfort for us, but in this case it just went completely nowhere.

Leonhard Kempe

Then let's move away from the participations, or the fraud cases that have occurred in real life, and move in the direction of the internal control system and, above all, the background of an internal control system, i.e., what types of internal control systems are there? Maybe you already know something, the best example I will give here are the so-called ISO lists. These are standardized lists issued in cooperation with the European Union and they can refer to all kinds of topics quality management, internal auditing and so on and immediately.

Florian Kollmeier

For example, this ISO 9001 and so on is that?

Leonhard Kempe

Yes exactly. As I said they can refer to all kinds of topics. As far as I know, there are currently lists for over 135 countries in the five-digit ranges each. Which issue standards for companies to adhere to. Among other things, there are standards for internal control systems. Apart from that, if you know of any other frameworks for internal control systems, it doesn't matter. I'll introduce you to one at the end anyway.

Florian Kollmeier

Yes, what I still know, but which had no legal influence in Europe, was the SOX Act. I think that was created after the collapse of the market in 2002. It's a very tightly regulated and regimented system of internal controls, associated with a massive amount of documentation, very detailed, there are checklists upon checklists, the four-eyes principle for topics A, B and C, and so on.

Leonhard Kempe

Yes, it's actually very good that you mention that. The framework that I picked out respectively what I think makes the most sense for the Qcp is actually based on the Sox Act at that time, but came in 2013. We're talking about what's called the COSO framework. I can also share my screen for a second if I'm interested in the whole thing, it's very nicely presented on those. So, as you can see here, there is the so-called COSO Cube that was developed for this and is divided into 5 different parts. It starts with the Control Environment. There you determine which are the areas that I want to control? In my case it is the finance related departments of the Qcp. After that risk assessment is done. That means I look at the individual processes and procedures I have in the company and give them a certain risk rating to say, how high is the risk here that fraud or something else happens? Then controlling activities are introduced. The whole thing is then communicated within the company and afterwards it is looked at, hey, did these controls that I introduced actually make sense? did they work or not? That would be the Coso Framework in a nutshell. Of course, it is then a little more detailed how the whole thing is then carried out and implemented in the end, but so that would be now I say very basic explained. I would continue my question now quasi already. So again, to the understanding. I chose the COSO framework because it is flexible and can be applied to any kind of company. You have 5 predefined environments in which each company can define itself as it wishes. To come to my question. Yesterday I wrote you an e-mail in which I also asked you to think about certain processes and procedures that exist within the QCP, where you say okay, there are already controls and I think they are very good, or there are also processes where you say okay, there are no controls yet, but I think it would make sense if some were introduced. Have you already thought about it?

Florian Kollmeier

So um, of course the Qcp will have quite normal outgoing payment processes. I know this as P-to-P process, Purchase to Pay process. As the name says the beginning is the purchase, so insurance is the QCP, rent is the QCP and also consultant costs. I rarely have that because I just don't hire consultants and stuff normally for the QCP. But if I'm an investment team and I'm in the DD and I hire a lawyer to look at certain issues, then theoretically I have to justify why I want to do that? Then some higher authority has to approve it. Then I have an order that I place, then comes an invoice, which must be compared with the order. Does the lawyer's hourly rate fit? Does the amount of the lawyer's hours match? Does the subject matter fit what he is billing for? Then a check mark is added to the offer and the invoice is paid. That would be such a standard process. I don't know to what extent it works the way I have just described. I assume that we don't have this in such detail, but that would be a kind of target concept. That would be what comes to our mind again now.

Leonhard Kempe

Okay, that sounds good, thank you. If we now go a little bit further, I'll say in terms of control activities, you've already described the first one, that you keep comparing and reassuring yourself that what you're doing is the right thing. What do you do in other

situations, such as cash out now? What are the most effective control options that a company has?

Florian Kollmeier

Yes, 4 eyes principle and clear responsibilities. So for example, you make a DD. Then somehow a decision has to be made, which consultants do we take? Do we do a legal DD? Do we do an environmental DD? Do we do a commercial DD? That all costs money if we have it done externally. Someone has to wear the hat and be able to justify it in case of doubt. Then it has to be budgeted, i.e. we take x 1000 into our hands for this project and within this framework mandates can then be awarded. That's why we need very clear responsibilities and the four-eyes principle.

Leonhard Kempe

Yes, otherwise I would like to ask you one last question, which relates to one of the side effects of an internal control system. And one of the side effects that many companies have mentioned after implementing an internal control system is that their operational efficiency has improved a lot, especially in accounting. Can you imagine why that might be the case?

Florian Kollmeier

Yes, of course, because everything is transparent, if we don't have such a budget for DD, then people are surprised at the end that they have now spent €1,000 and no one really knows what for? But if there is proper communication and documentation at the beginning and everyone is clear, then it is logical that in the end everyone is happier because everyone is simply informed.

Leonhard Kempe

Yes, well true, wanted to get your opinion on that. That was a survey that was done by PWC at the time. What the, what were the companies' experiences with internal control systems and one of the most common answers was that it improved their operational efficiency a lot. I would like to include that as part of my bachelor thesis. And then we've already come to the end of the interview. Again, thank you very, very much for your time.

Are there any extra questions I can answer for you?

Florian Kollmeier

No, not so far.

7.2.3 Tilman Richter (Stakeholder#3)

Leonhard Kempe

Perfectly great, thank you for taking the time for my short interview, for the bachelor thesis. Just to start with, I always have to say that you signed the ethical informed consent form and gave it back to me, which means that you agree that I can use everything that is said here to a certain point. That means if any names are mentioned regarding companies or others, I will take that out in the transcription.

Tilman Richter

Yes, I agree with that.

Leonhard Kempe

perfect, then I'll start by briefly explaining why we are doing this. The interview here is about my bachelor thesis, with the title that I develop an internal control system for the Qcp and hopefully implement it at some point. The whole thing is on behalf of Christian, the CFO of QCP, on the grounds that he's wanted to integrate the whole thing for a while. There were several greens for this, for example to present the internal auditors to show how the QCP works, how the Qcp works. But the same is also true for investors and of course still the very big reason to prevent fraud internally as well as externally and or to detect it in the first place, but also to improve the operational efficiency within the financial departments. That is the general background of my bachelor thesis. Have you already had a chance to briefly go over the interview questions?

Tilman Richter

Yes, although I'm not sure I understood everything. But let's just go through the questions together. I think the first part is relatively clear. The second one, I don't quite understand what ISO and Coso is and ICS. Ah no, ICS stands for internal control system, right?

Leonhard Kempe

Exactly, and ISO lists might be known, those are these classic ISO certificates for quality management, internal controls, etc.

Tilman Richter

Okay I see, yes, I am aware of that.

Leonhard Kempe

Exactly, and COSO is the framework that I chose at the end, on which the internal control system of the Qcp will be based. But I will go into that later. I'll share my screen for a moment and then you'll see the framework, visualized a bit better, and then you'll be able to get a better idea of it. But it was actually not planned that you could imagine something under it, so that was already included as a background thought. Perfect, then I would say let's get started. First of all, could you briefly introduce yourself, who are you and what do you do at the QCP? I need that to be able to categorize why I have you in my interview.

Tilman Richter

With pleasure, Tilman Richter, for the title Managing Director, I have been with Quantum for a little over 10 years now and I am mainly in charge of the investments or a part of the investments. I am involved, above all, in the acquisition of new investments, and then in the subsequent support of the companies, and then again in the sale. Besides the companies, I am also involved in the support of our investors and the reporting to them.

Leonhard Kempe

Perfect, great, thank you very much. Then I would say let's start right away with the first question. I have structured the whole thing in such a way that we start top to bottom, so to speak. That means we start with a very general topic and then get more and more

specific. Since my bachelor thesis is largely about fraud, especially corporate fraud, I wanted to ask you to what extent you have already experienced corporate fraud. I mean now in your time at QCP and maybe also in previous jobs? What kind of Corporate Fraud did you experience, if you experienced any, and how was it then discovered or how was this issue handled in the end?

Tilman Richter

Yes, so during my time at QCP I am not aware of any case within QCP. But especially in the investments, we often have the classic case that we are supposed to make some kind of payments on behalf of the CEO. We have that regularly in our portfolio companies. In some cases, it is done very well, where there is an instruction in the name of Quantum, so to speak, that investments should transfer something. These instructions then come partly with copied signatures of our CEO and so on. So really well done. But fortunately, we have always been able to avert this so far and no such payment has ever been made. The topic is also raised again and again at the so-called management days, where the upper management of all investments is invited, in order to achieve a certain sensitization in this direction. Then we once had an issue where at the light metal has been to steal aluminum with invoices. So there was an order and it said that the material was to be reloaded halfway, which is definitely not normal. Fortunately, the truck driver noticed this and raised the alarm. In addition, there were 2 other cases where something went wrong at the managing director level in each case. In the first case, the management ran significant private invoices through the company. Sometime after a budget meeting we noticed something strange and decided to appoint a second managing director, who confirmed our suspicions. We then sent a forensic team to the company. They wrote an expert report and we dismissed the managing director. We had a similar case at another subsidiary. The management had settled various things privately and told the accounting department that everything was in order. When the business went downhill, there were various inquiries and one day the finance department confirmed that a process was not running properly. A forensic appraisal was then also carried out. However, in addition to the issue of embezzlement, the figures were also fudged.

Leonhard Kempe

Okay, that sounds very interesting. You've now mentioned several different cases, both internal and external, and I'm still interested in the story about Leichtmetall, was that an internal or an external attempt?

Tilman Richter

It's best if you talk to Thomas Witte again about this, he can explain it to you in more detail. All I know is that an order came in at that time, it was accepted and then at some point it became apparent that the ordered goods were to be transferred somewhere to another truck and that seemed strange to us.

Leonhard Kempe

Okay, I see. Then on the subject of internally and with the managing directors, here we come to the classic story of financial statement fraud, that is, the alteration of balance sheets, P&L, etc., or asset misappropriation, that is, cash or funds or assets of the company are used for purposes for which they were not originally intended. For example, paying private bills, living expenses, and so on and immediately.

Tilman Richter

Exactly exactly.

Leonhard Kempe

Okay good. If we now move away from the shareholdings, have you ever noticed anything at the Qcp or have you ever run into anything where you became suspicious? That is, within the QCP and not with the investments?

Tilman Richter

No, actually never

Leonhard Kempe

OK, OK, that's good. Now again a little bit across the board, have you ever noticed somehow that specific industries or specific businesses I'll say now, if we're talking about the QCP, it's in the financial service industry, the light metal is a manufacturing industry, have you noticed certain trends that some have become more subject to fraud than others?

Tilman Richter

What I can definitely say is that it hits every company. No matter how big or small, every company has to deal with fraud attempts. Whether there are differences between the individual industries and sectors, I can't tell you that.

Leonhard Kempe

Okay, and would you say that the attempts come more from internally, as in the two examples before, or more from externally via fake president mails, for example?

Tilman Richter

I think a few weeks ago we had another Fake President attempt. But we generally have them quite often, regardless of the involvement. With the internal stories with the CEOs, the industries were also very different, so I don't even know if that's an industry issue. Maybe it's more of an issue of how the companies were organized. In both cases, the CEOs had a very strong role in the company and the second instance of because of CFO, for example, was almost completely absent. So maybe it's also coincidence, but that's what comes to my mind now about the two cases, that there was no real second point of contact for us besides the CEO.

Leonhard Kempe

Okay, that's a great segue to the next topic, which is how can you approach the topic of fraud or corporate fraud in a company in general? Since this is the topic of my bachelor thesis, we won't talk about the various options a company has, i.e. from internal control systems to, I'll bring in external auditors or consultants or anything else. I'm going to talk about the internal control system right now. First of all, have you ever worked with an internal control system in general, that is, have you ever worked in a company where you always had to have certain processes authenticated?

Tilman Richter

No, so far actually not at all.

Leonhard Kempe

What is important for me to know is, have the QCP employees ever worked with something like this? Are you familiar with it, and accordingly, do you perhaps already have some prior experience with setting up an internal control system.

Tilman Richter

Unfortunately, I can only answer a few questions about this, because I am simply too far away from this topic. There are always certain invoices that I approve before they are issued, or I call up certain invoices that have been issued to us to check whether they are correct. But of course, there is also the accounting department, which then checks it again from their side. But I don't know how exactly the checks are from receipt to payment of the invoice.

Leonhard Kempe

Okay, well, yes, I'm still working that out with the accounting department itself. Julia is responsible for that and Christian. It's just interesting for me whether you've worked with it before, because of course it's also an interesting case from a change management

technical point of view. If I introduce the whole thing here now or present it in the company, I have to take that into account, of course. Then I would like to briefly introduce you to what I have chosen as a framework here, namely the so-called COSO framework. COSO was developed due to the so-called SOX Compliance Act, for internal controls. The framework consists of 5 different environments, or sections. Starting with the Control Environment. This is generally about the structure, which means that if a company wants to implement this framework, the very first thing is to define what exactly needs to be controlled. In the case of the QCP, this is the Department Investment and the Department Accounting. Then we look at which of the processes are the most risky, or which employees have a lot of responsibility, a lot of power, in quotes, and can therefore, on their own, make certain decisions that can have a very big impact on the company. Then certain controls are put in place. Let's stay with the example of transfers. A transfer of 10000€ is made, must be authenticated accordingly 2-factor. This means that Julia, the head of accounting, wants to do this and must go to the Christian before the transfer can even go through. Then, of course, the whole thing is communicated, so everyone has to know what controls exist in the first place. This can often happen digitally, automatically, or it can take place in the form of a requirements specification, as in our case, so that the whole thing exists in a written framework. After that, it is simply evaluated. Are the controls working the way we want them to? Are they executed as they should or not, and do we need to make any improvements? That is the basic idea behind COSO, the process of how the whole thing works in the end. Do you have any questions about that?

Tilman Richter

No.

Leonhard Kempe

Okay. Then, if you go down a little bit further here, you can see here the 17 different principles, but you can read them again in my bachelor thesis, then it will all become clear. What you have mentioned which is one of the most important parts of Coso is the Spread of Responsibilities. You mentioned earlier that the managing directors had a lot of influence in the internal fraud cases, or were the only direct contacts for the QCP. The control authority, that there is a second person in the company who looks over it, so to speak, was missing. Would you say that this is also the case in the QCP, that some people have too much power and can therefore make a lot of decisions? Or would you say that this control already exists and works in the QCP?

Tilman Richter

So, we have changed a few things in the last years. At least we have said that we have to introduce stronger controls somewhere on all levels. Our corporate structure is such that there is a Block company directly under the fund, each of which then manages an investment. These companies also hold the majority of the capital from both the investment and the fund. That is why we have decided that there must always be two managing directors in these companies, who must both sign when decisions are made. The same applies to annual financial statements. These must also always be signed by at least 2 shareholders.

Leonhard Kempe

Okay, I see. That means that there are already certain controls and measures that have been introduced to prevent exactly this kind of thing? But the whole thing doesn't exist in writing, does it?

Tilman Richter

Well, there are no written guidelines now. It is simply formally regulated by the fact that we have entered new managing directors in the commercial register and there must always be 2 shareholders/managing directors who sign. That is then so formalistically legal, but now less of an internal procedure.

Leonhard Kempe

Ok. As a follow-up question, do you think that an internal procedure or internal framework could help to make the whole thing more secure, also for potential new investors?

Tilman Richter

I think that is only one dimension. Of course, we already have certain controls in many processes, precisely where decisions are made. Investment decisions are another good example. Every new investment first goes through the so-called investment committee, which has to decide unanimously whether the investment will be made or not. So of course, there is also a process where you also need a release document for such topics. I think it would make sense to describe all this in a framework somewhere, because there are many things that are simply lived. I mean, I've been with the company long enough now, I know that of course, but of course you always have new colleagues and for that it is of course useful that you know how things are released here or which processes do I actually still have to go through? Yes, for an investment decision, for shareholder resolutions, for all kinds of things, whether I hire a new managing director for an investment, whether I grant a loan, make a distribution, whether I appoint a new auditor for the annual financial statements of the investment, etc., so there are various issues that affect this, not just the one-time investment decision at the very beginning.

Leonhard Kempe

Okay, now that would have been one of my next topics as well. One of Christian's main reasons for this ICS was also the general expansion of QCP through Fond 3. That's where the ICS was intended for new employees. Let's move on to the next issue. You have already written down a few processes that exist where you would say yes, certain controls could take place here or controls do take place here. Can you think of any processes where you say there are no controls yet and you think that controls are necessary?

Tilman Richter

I don't know. I think your input on this question is good. It is always better to judge such situations from the outside than if you always fish around in your own soup. But what I would find important or good, as I said, would be a central system in which all shareholder resolutions are stored close to the company. We have several dozen companies, each with 2 or more managing directors. It's easy to lose track of everything that has been decided. In my opinion, this does not exist in this form. Then we have the whole issue of investment, where you can also take a look at how the minutes are written, how you make sure that one day not only the resolution is clear, but also the follow-up. In my opinion, there is no control. It is clearly discussed what should and may be done, but whether it is then checked afterwards whether it is done exactly as it was decided beforehand? In my opinion, there is a gap there. Then we also introduced new processes on the subject of ESG. We had a policy drawn up, which is then reviewed once a year by Florian in the subsidiaries. Then we have the issue of quarterly reporting, certainly multi-level control there. The figures are prepared externally by Aztec. Then they are first checked internally at Aztec and then at our company by an investment manager or managing director. And then they finally go back to Florian for cross-checking. Those are at least the processes that I now come into contact with on a regular basis in the traditional business. Of course, there are more, like the budget meetings, for example, but I'm only partially involved in those.

Leonhard Kempe

Thank you very much for the detailed answer. Just to summarize it briefly again. You say on the subject of ESG, which is lived by Florian, the controls work or it is lived very well, by the fact that we compare the figures with policy once a year whether the whole thing works or not. The quarterly reporting also works because it is prepared by external parties and then checked internally and then gone through with the participation itself.

You go over the figures, discuss them and debate them. The processes where you say there might be some reworking are mainly in the area of investment and shareholder resolutions.

Tilman Richter

Yes, okay, so when I said resolutions, it was more about documentation. It's more a matter of recording and logging centrally somewhere what has actually been decided. So, it's more about tracking the shareholder resolutions, so to speak. And when it comes to investment decisions, I think we also lack a control loop.

Leonhard Kempe

Okay, I see. Can I just ask briefly, control loop in the sense of investment where do you invest your money or what processes are you talking about?

Tilman Richter

Yes, exactly. Simply that it is documented under which conditions exactly did we buy company XY?

Leonhard Kempe

Oh okay, so again this comparison between, what have we decided internally here and what have we actually signed somehow?

Tilman Richter

Yes, exactly, for example.

Leonhard Kempe

Great perfect then we are already at the end of the interview. I thank you for your time, that helped me a lot. I hope I didn't leave any questions unanswered. Otherwise, do you have any questions that I could answer further?

Tilman Richter

No, so I think it's very good that you're taking on this topic, because I think that the whole thing should be professionalized a bit more. Otherwise, good luck with your work.

Leonhard Kempe

Thank you very much, thank you very much, do you have any feedback on the interview, how I structured the whole thing, what I could do better or anything else?

Tilman Richter

No not really.

Leonhard Kempe

Great then thank you again.

7.2.4 Julia Kempe (Stakeholder#4)

Leonhard Kempe

Perfect, let's start with the interview. Would you like to introduce yourself very briefly, briefly say who you are and what you do at the Qcp, i.e. position-wise and your area of responsibility.

Julia Kempe

Well, my name is Julia Kempe. I've been here in the company since 2018, I started as an accountant, I'm now Finance Manager and responsible for the accounting of the holding structure here in the company and I deal mainly with financial statements

Leonhard Kempe

Perfect great, thank you very much then just once very briefly as a formality at the beginning I have to ask once again the ethical informed consent form you have read, signed and returned to me and you agree that I will use the data that is shared here in the interview I say anonymously also so. That means no company names will appear. Your name will appear, but other names that you mention will not appear.

Julia Kempe

Yes, I can confirm that.

Leonhard Kempe

Okay, yes great, thank you very much, then first of all I would like to thank you for taking the time for this interview and helping me out with my bachelor thesis here, so that the whole thing will end up being a well-rounded and good internal control system for the Qcp. First of all, do you have any questions that I can answer, any uncertainties?

Julia Kempe

No.

Leonhard Kempe

Okay, perfect then I would say let's start with the first question and that is have you had any experience with corporate fraud at your current place of work or at previous employers? Meaning, have you ever come across a case of corporate fraud in your work as an accountant where you noticed that either financial statements had been changed or someone was corrupt, or someone here has used money for something for which it was not intended?

Julia Kempe

Yes, I did.

Leonhard Kempe

Can you give an example of that as well?

Julia Kempe

Yes, I have 2 examples, it's nothing on a large scale, but it was rather smaller and in one of my former jobs we had field staff who practically didn't work in the office, but were on the road in the field and who regularly submitted travel expenses. And there one of the employees settled costs that were not commissioned by the company, so to speak, by simply settling hotel bills or other costs. And a second example is that an employee from an accounting department, who was responsible for the cash office, took money from the cash office to cover his own costs, I would say.

Leonhard Kempe

So we're looking at a classic case of asset misappropriation, that the assets were used for purposes for which they were not, let's say, originally intended?

Julia Kempe

Exactly.

Leonhard Kempe

Otherwise, have you had any other experiences with, for example, corruption or other. If not also not a problem, probably all the nicer.

Julia Kempe

I have already been involved in previous employment relationships in associated companies and have also been questioned by the tax investigation department about previous employers in this context. I assume that this also involved cases of fraud or tax evasion. At least that's what I was asked about, and those are the things that I would say took place on a larger scale, where it's not just a matter of travel expenses or a dip into the till.

Leonhard Kempe

I see, good to know. Thank you very much otherwise now from personal experience away from the workplace. In your life as an accountant, of course, you hear about other companies here and there, you hear about colleagues who may have worked somewhere else, have you ever heard that certain sectors or certain industries are more often affected by fraud than others? As an example the Qcp has quite a lot of investments in the manufacturing sector while the Qcp itself is active in the financial services industry. So the difference in the industry is quite clear. Have you noticed that for example a company like Qcp is more often victim of corporate fraud than a manufacturing company?

Julia Kempe

Yes, I would say that especially in the financial sector there is a higher risk that you simply become a victim, I'll say as a company, of such fraud than if you are active in the manufacturing sector. Because it is easier to embezzle funds in this financial environment or to allow such fraud to take place than in the manufacturing sector.

Leonhard Kempe

And in what way would you say that it's easier to embezzle this money? Why is it easier?

Julia Kempe

Because once you're dealing with larger sums, it's easier to hide them, I don't want to say hide them now, but of course, when you're dealing with large sums, it's easier to say I'm going to split some of it and let it go somewhere else. Of course, this is not immediately apparent, but perhaps only later, or perhaps not at all, or perhaps only at some point. If you're in the financial sector, you simply have to deal with many customers who are also active in this area, and large sums of money make it easier for you to penetrate such areas than if you're in the manufacturing sector. We often see contracts that are concluded for certain sums and then invoices are sent back and forth. There, the control body is simply given, because it simply runs through invoices, which then have a payment deadline, which must be paid. There, the control is higher than in the insurance and banking sector, where loans are involved, where money simply flows faster. Business is simply faster there than in the manufacturing sector. There, a lot of things are simply more rigid than in other sectors.

Leonhard Kempe

Ok, now of course it's still the case that even if you work in the financial services industry or as in your case now in the accounting industry, where of course you sit at the source and deal with finances all day and theoretically even if you don't have these moral standards that normal accountants should have, you could quite easily commit fraud like you just described. It can be done quite quickly if, if you put your mind to it. Now, of course, we come to the topic of my bachelor thesis itself. The internal control system, just to briefly explain why I'm doing all this in the first place. Our boss Christian asked

me to develop and implement an internal control system on behalf of Qcp. The reason for this is that over the years there have been several cases of attempted fraud at Qcp and at its subsidiaries. For example, there were fake presidents, e-mails in which fraudsters tried to get investors to transfer money to accounts that had never been associated with the Qcp or its investments by sending e-mails with forged signatures, and sometimes even by making phone calls. But also, to give new potential investors the assurance that the Qcp is a safe company, where they can invest their money with a clear conscience, because there are certain internal controls or care is taken that the money is always used for what it was originally intended. Let's talk about the internal control system. Generally speaking, you have already had to work specifically with an internal control system during your time as an accountant.

Julia Kempe

Well, I used to work for a biotech company that was active worldwide, including in the U.S., and there we were subject to the SOX Act regulations, because we also had to close the U.S. gap. Of course, this also had an impact on our work here in Germany, because we were also subject to the internal control bodies, so to speak, and we practically had an internal control system there. All processes that took place in the accounting department had to be laid down in writing, and we were then also practically controlled. Once a year, there was an internal audit, where our processes, which we had defined ourselves, were inquired about and checked to see whether we were carrying them out exactly as they had been written down.

Leonhard Kempe

Okay, it's very interesting that you actually mention this SOX Compliance Act. And namely the internal control system or the framework for the internal control system, which I have chosen, is the so-called COSO framework, which is actually based on the Sox Act, as you can see here briefly. The Sox Act, as a little recap, was originally introduced in about the two thousands in America, because of quite a lot of very large corporate fraud cases. There were billions of dollars involved that were being embezzled, both by government and by the private sector. As a result, the Sox Compliance Act was put in place, and in 2013, the so-called COSO framework was designed. The COSO framework is a, in America, nationally recognized internal control framework, what has to be applied by every company, that's a compliance act, that means all companies in America use this framework or at least the basis of this framework to perform their internal controls. Is also one of the reasons why I chose this framework, because it is very flexible to apply. If I go through the whole thing briefly, as you can see here. On the front side of the so called Coso Cube you can see 5 different sections. The first one would be the Control Environment, which means in our case for the QCP it is defined which departments or which processes are part or should be part of the internal control. In our case, that means the Investment Department and the Accounting Department, for which you work, because otherwise there are not many departments in the QCP. After that, if that is determined, it goes into the so-called risk assessment, there it is then about the table that I sent you before the interview and where I asked you to insert the individual processes. Then we which processes exist, which controls already exist and what risk certain processes pose that do not yet have a control and should be provided with a control accordingly. This means that we first analyze what do we have? What do we not yet have? What do we still have to do? Once this gap analysis has been carried out, so-called control activities are introduced. That means in your case for example, you want to make a transaction of 10000€ from one account to another and the control activity would be that first Christian, that is your superior, would have to release this transaction. That means you have 4-eyes-control or four-eyes-principle. Which of course would not be so good if you could simply transfer money from A to B without any limits and nobody checks or confirms that. After that, it's a matter of communicating it, and that's very important. That is, what controls are there? Who is affected by these controls? All the people who are affected by them must know this, of course, otherwise the whole thing won't work. Of course, there are also control systems that function digitally. That means the whole thing works automatically. In our case, the control system will not be digital,

but it will be written down on paper to function like a little bible, so to speak, which can then be handed out to every employee or made accessible to every employee. Finally, it is important that there is sufficient evaluation. In other words, are the controls that we have now introduced actually working, are they being carried out at all, or where are they not being carried out, and where might we have to do some more work to ensure that the whole thing works the way we want it to within the company? Exactly that would be the framework, which I have chosen for myself. Do you have any thoughts on this, perhaps opinions or suggestions for improvement? Or do you first say that I think it's good that we're doing this at all, because as you said, we actually already live many things here, because of course everyone has experience from previous workplaces where there were already internal control systems.

Julia Kempe

I think it's important that we also put these things on paper, especially with regard to new employees who are then being trained. It's always easier to show someone something on paper and say, look, this is how it works. For example, you enter a payment, but you can't release it, so you need a second and a third eye. This is then done by someone who simply says OK, irrespective of the payments. Now we can release it. It is also important for us that we have a control in our tasks, so to speak, that simply goes beyond a 2 eyes principle, because you are always vulnerable, especially in accounting, no matter what we do here. We are dealing with money, which is a very strong trust that we get from the company, and it is important that we have control bodies that the employee can also work safely. So that's where I think that's good. It's well-structured and I think it's going to be a good fit for us.

Leonhard Kempe

Perfect, I'm glad. Of course, the statement supports me in my opinion. Yes, sounds very good, then let's move away from the framework itself and the basis of the control system and now go into more detail on certain processes. You as an accountant of course work with a lot of processes where a lot of money is involved. It's about moving money back and forth, working with a certain corporate structure and, of course, a lot of data that should not easily get out to the public. If I ask you now, could you name a process where you say that there are certain internal controls and I think it's very good that they exist and that they are also carried out on a daily basis and then, on the other hand, another example of a process where you say that there are no internal controls at all, but they would be necessary because someone has too much responsibility and is not being monitored very closely?

Julia Kempe

Yes, one process that works very well here is how our incoming invoices are handled. It's just that the mail comes in at the reception desk. Then I get the mail, then I look at what comes in at all, so I have an overview. Then the invoices go to book. When they are posted, they then go on to our supervisor, Christian, and are countersigned by him, so to speak, and at the same time a note is made on it as to whether costs have to be charged on, so that we then know, so to speak, when the release folders come back to us, which invoices we can pay directly, and which have to be charged on to the higher-level fund companies. This is a process that is already working very well for us. You basically just have to put it down on paper. One process, on the other hand, that I find a bit difficult to stomach, because it often really does involve a lot of money, is when loans are issued to investments. We have a holding structure here, which means that we buy investments and for each investment we have a holding company that is responsible for providing the investment with money. Sometimes it really is the case that a decision is made verbally or in a meeting that money must now flow into this company. Sometimes I am simply told that we have to transfer, for example, 3.5 million. Then I sometimes sit here and think to myself, should I really do this or not? Yes, but it's just that we are a very small company. Sure, I get this notification now and of course I do it, and then contracts are often only written afterwards. Of course, there are, but the process of this whole thing is really difficult. There is no one there to look again, did this really happen? I always ask

myself, can I really do this now? Of course, I have the authorization to transfer such sums, but it is always difficult for me, because there is not really such a 4 eyes principle at the moment. I would prefer it if a process were really defined. That is, a resolution is passed, and a loan agreement has to be drawn up on the basis of the resolution. The loan agreement must be signed in advance before any payment can be made. I think the ICS is very important for us, because these are things that involve a lot of money. It's also important for the employees that they are protected and that no one comes along at some point and says, "Yes, but a payment was made here before anything had even been agreed in writing."

Leonhard Kempe

Yes, I understand that can of course always be traced back to someone like you. That was of course I say quite unfavorable. Especially with the sums involved.

Julia Kempe

It is also traceable in the system who made the transfer, so you can already see that. So, you can see exactly which person made the payment, and if there really is a problem at some point and it turns out that the payment should not have been made at all, then you can of course hold this employee responsible for the fact that the payment was triggered in the first place.

Leonhard Kempe

In general, you could say that if something were to go wrong in this process, you would actually find it out, because the system generally has certain tracking options, but you can't prevent it from happening in the first place. By the fact that you have the authorization and there is no set process how the whole thing should be started in the first place. This means that if you now say that you would like to have the loan agreement in black and white beforehand and then the booking is to be released, you do not have the option of releasing the booking until you have something official in your hands that is officially signed. But that is not the case at the moment.

Julia Kempe

Of course, it also happens that we have things where the contracts are already there, but often it is simply the case that a decision has to be made at very short notice that a payment has to be made now, and I would simply like more security for the employees as well.

Leonhard Kempe

Yes, I understand, I can completely understand that. Okay, then let's move on from the processes. So now I don't want to go into detail about the processes themselves, because you can still just fill in the table. Apart from that, can you imagine that the internal control system might have other advantages than just preventing fraud within the company?

Julia Kempe

Yes, such an internal control system does not necessarily only have to do with fraud prevention, but quite simply with the definition of processes. This is a work structure that takes place so that you know how to deal with the system. Where do I find what? Which step is taken after which? With whom do I have to reassure myself that this can happen at all? Who is next in the sequence of release? Where do I start, where does it end? Such an internal control system simply gives the work we do a structure to which every employee can adhere. Here, too, I come back to this. A lot of things are simply already lived like that. If you don't have anything in writing, it's difficult to train new employees or explain to someone like auditors or our fund managers how we work. If I have something like that in writing, I can tell the auditor that this is how the process is defined. These are the steps that we take and this is how we work here at the end.

Leonhard Kempe

Ok, sounds very good, there you confirm exactly what Christian himself said and what is also one of the main reasons why I am working on the project, besides this whole fraud story. A big advantage of internal control systems is also that operational efficiency and exactly what you just mentioned is improved. That is, many processes simply work faster because they are clearly defined. You don't have to ask again, you don't have to go around three corners, but everyone knows exactly what they have to do and what they don't have to do, or where their limits are. What also has to do with this are job descriptions, so that everyone knows what is my responsibility, where does it start, where does it end? That will also be a big part of the internal control system. That is, what I will do is to create a job description for analysts in accounting, for you as a finance manager, and also for Christian, as CFO, in which I will clearly state the responsibilities that he has to take care of, and that will then, of course, become less and less from Christian to you to the analyst. But it is simply clearly distributed and everybody knows when what they have to do. That is also very important in investment. Right then, we're actually pretty much at the end of the interview. I know it didn't take long, but are there any extra things you'd like to say or what's still on your mind?

Julia Kempe

No, actually no. It was very extensive, I think it's good that that's introduced because that's important, here for our work. But apart from that? No, I just think it's good that that's coming because we need that.

Leonhard Kempe

Then I thank you again for your time, helped me a lot. Then hopefully in the next 2 - 3 weeks you will see the results of these interviews in the form of a written internal control system itself.

7.2.5 Friederike Dietrich (Stakeholder#5)

Leonhard Kempe

Just perfect so far, then I would say let's get started. First of all, thank you very much for taking the time to help me with my bachelor thesis. Of course, the goal is that all the people I'm interviewing now help us to establish an internal control system or to develop one in the first place. To begin with, I have to ask you again, have you read the ethical informed consent form, signed it and returned it to me, and do you agree that I can use the data that we share or discuss here in the interview? The whole thing of course in anonymous form your name would only appear in the interview transcription otherwise it has no place in my bachelor thesis.

Friederike Dietrich

Yes, I agree.

Leonhard Kempe

Perfect, right then once for introduction. Why am I doing all this in the first place?

Christian Vonier, our CFO, commissioned me to develop an internal control system for the QCP and to implement it. The main reason behind this is simply to prevent corporate fraud, which will also be the topic of the first questions, or to detect it in the first place, should it ever happen. Both in the investments and in the Qcp itself. Another reason then of course for new potential investors to simply show how the Qcp works? Can we invest our money safely? Ultimately, however, also to make the company more efficient in general, to make it work better, so that communication is simply better. Do you want to comment on that or do you disagree with me on one of the points?

Friederike Dietrich

No, so far everything is good.

Leonhard Kempe

Then I would like to ask you, before we really start, to introduce yourself and just say what you do in the QCP or your position.

Friederike Dietrich

So, I'm Friederike Dietrich Investment Director at Quantum Capital Partners. I've been with the firm since 2012, mostly in the investment area. 60-70% of my responsibilities are just in investment, which means new acquisitions, sales, etc. Then another 10-20% is deal generation and the remaining 10-20% is monitoring and managing the portfolio.

Leonhard Kempe

Okay, perfect, great, thank you very much. Then I would start with the first question, you have been with QCP for quite a while, almost 10 years now, and also maybe in previous employment, to what extent have you had to deal with the issue of corporate fraud or have you been allowed to deal with it?

Friederike Dietrich

At my former employer KPMG and at another private equity firm, there were no cases worth mentioning. Here at Quantum, I had 2. In 2017 and 2020/21, there were various incidents in one investment each, but they have certainly been mentioned in other interviews.

Leonhard Kempe

I would still ask that you just go into it briefly. What were those cases?

Friederike Dietrich

Well, both cases are classic financial statement fraud. Earlier before realization of profits or of sales, actually in both cases, and partly still cost shifting of costs into the next period. That kind of thing.

Leonhard Kempe

Okay, perfect, that's exactly what the others have told me. Exactly then we come times also still to personal experiences, which have now not necessarily with your working conditions to do, but one gets naturally also much. I mean, you probably read newspapers, you have colleagues in other companies who may be in consulting or financial services. Have you noticed or experienced certain trends that certain industries, certain sectors are more often victims of corporate fraud than others? I'll give you the example of QCP, which is in the financial services sector, but has a lot of investments in the manufacturing sector. Have you seen any differences over time, or do you think it's fairly even?

Friederike Dietrich

It just happens to everybody and everybody has to be careful. Now the two cases we had were with companies that are struggling, and want to present their balance sheet or PnL better. These are old, manufacturing companies and otherwise I mean in news it has hit more the financial industry. But I can't remember any big experiences from the circle of acquaintances now.

Leonhard Kempe

Okay, thank you. The reason why I ask in general is because it's very interesting for me to compare what I've already found out respectively what I've read in other reports and papers.

For example PWC publishes every 2 years the so called World Wide Crime and Fraud Report. It says, for example, that it is mainly financial service companies that are affected, simply because they often trade or deal with the highest amounts and it is then often not if there is simply a shortfall of, say, 10,000 here or maybe a little more there. After that comes mining, which means raw material procurement simply for the reason that something can fall off the truck or a wheelbarrow gets lost or something else. And then actually production. That means further processing. For the same reason. In our case, it could be the light metal, for example. Then only half the truck is full instead of the whole one and the rest is unknowingly shipped to another country, to another city.

Friederike Dietrich

I would briefly jump in on this example. At that time, we bought a company from Deutsche Bahn in Eberswalde. The company basically manufactured the wheels for the trains and an employee managed to get a good number of these wheels off the premises unnoticed. He then resold them and had them scrapped.

Leonhard Kempe

That is exactly what I meant. I also mentioned the example of Rekular, which recycles refrigerators and other items, and of course there are a lot of raw materials there that every scrap yard is happy about, and the employees know that. Something like this can happen, I don't want to accuse anyone at Rekular of anything, it was just a quick example. But that's exactly what I wanted to get at, sounds good. With that we would be through the first part. Of course, I was mainly interested in personal experiences - what have you already experienced? Now I would go a bit further with point 2. You said earlier that you have already worked for KPMG. Of course, this is one of the largest management consulting groups there is. To what extent have you already worked with internal control systems there, and perhaps also at Qcp, and internal control systems - I'm alluding to that, they can be digital, but they can also simply be certain guidelines on paper. In processes of all kinds that you simply have to adhere to, that is, where you need authentication from a higher position or where you have given authentication downwards in a higher position.

Friederike Dietrich

Well, at KPMG I always did M&A, so it wasn't really relevant there. At most, I don't know, that certain documents like information memos or something like that are approved by

partners or clients. But I haven't done any auditing processes with clients or checked their general compliance.

Leonhard Kempe

Then I would go even further, then you also had probably quite little to do with the framework, the basic structure of the internal control system?

Friederike Dietrich

No, not at all.

Leonhard Kempe

Okay, no problem. Then I'll just explain mine to you. The best-known framework that exists is the so-called ISO lists. These are simply standardizations, i.e., Germany has gone to ISO and said that we need standardizations for quality management for companies of this size and sales volume. The problem is that they are very rigid. They are simply, I think for quality management there are 31 points, guidelines that you can adhere to. Personally, that was too rigid for me. I was looking for a framework that I could apply to several companies, that each company could use. Because the Qcp itself acts as a company, but then has a lot of participations, which of course could also need improvements here and there in internal controls, there is no simple solution. And that's why I focused on the so-called Coso Framework. I'll also share briefly in my screen here. As you can see, there is the so-called Coso Cube. Once briefly a background story to COSO. What is the whole thing? COSO is the framework for internal controls, which is used in America to 99.9% of every single company and it was created at that time on the basis of the so-called Sox Compliance Act. The SOX Compliance Act was introduced because there was a lot of corporate fraud in America around the 200s. Companies had endless freedom to write their books as they wished, and of course the government didn't like that. So this Sox Compliance Act was created and on the basis of it, the so-called Coso Framework was further developed in 2013. The Coso Framework generally consists of 5 different units, or 5 different environments. If we go through the whole thing step by step, you start with the control environment in the case of the Qcp, which departments are going to be part of these internal controls? Christian wanted me to take care of the finance departments first. In our case, that means investment and accounting. After that, we move on to risk assessment. That's exactly what I'm doing now. I sent a list to each interviewee beforehand, a small table, where I asked you to write down certain processes that you work with and where you say ok, there are already controls here, here I don't have to coordinate with other people, here I need the permission of other people, or there are certainly still processes that you work with where you say ok, here maybe a control would be quite useful. I say you draw up your purchase contract, then all the components have to be correct, it would always be good if someone would look over it again. What I do in the risk assessment, so to speak, is to collect these processes, to see where controls are, where controls are missing? This is followed by a gap analysis to see exactly where rework is needed, as these processes pose the greatest risk to the company. Then you come to the Control Activities. Here, the processes for which it was determined in the previous step that controls are missing are addressed. Then, based on academic evidence, certain control processes are selected and implemented. Then we move on to information and communication. That means, of course, that it has to be communicated that these controls now exist, that this is the new process we are following and that everyone has to know that. Otherwise, the whole internal control system doesn't work and you've done it all in vain. Then the last step is evaluation. That is, you look at whether the controls are working, whether they are really being implemented, or whether people simply go back to normal and say, yes, we now have this internal control system, but the way I worked before suits me much better. That means you have to rethink and revise the implementation of the ICS in order to really have every last employee on board. Do you have any questions about this, or would you like to give your opinion on what you think?

Friederike Dietrich

Now that I've heard and seen the whole thing for the first time, it generally looks like a well-rounded thing to me. Especially the points that are important to Christian are represented very well here, in my opinion. It's not like the Qcp has no internal controls at all. Definitely not. Otherwise, the whole thing wouldn't work here. It's just a matter of putting the whole thing down on paper so that everyone actually knows about everything. That's really good, especially for new employees.

Leonhard Kempe

That's why I included Cuong, for example, in my interviews, because it's also very interesting for me to hear from his perspective how he experiences the whole thing, with the internal controls. He said that without the internship he had done before, it would take him 3 - 4 months to get used to all the processes that are lived here and to integrate himself. He said that it would be very, very helpful for him if he simply had this one document on the server where he could look it up without having to constantly run back and forth to ask people.

Friederike Dietrich

Sounds good

Leonhard Kempe

Perfect, then that would be it for my framework actually. Then let's move on to point number 3. If you look at the table, whether you've filled it out or not. I would ask you to pick out a process and give it as an example where you say ok, internal controls are already working very well here. We have established them, everybody knows about them. And then, on the other hand, a blatant counterexample where you say this is a process where internal controls don't even exist yet, but where, according to opinions, I, or another person who works with it, has too much responsibility, too much power, to carry it out alone and where you say, then internal controls have to be put in place.

Friederike Dietrich

Well, I mean, you can use the classic investment process as a good example. First the offer comes in and then the NDA. The NDA is first looked through by the analyst and then passed on to the IM, ID or MD. If that fits, the NDA is signed, which usually happens without control, because the managers have enough experience to be able to determine that themselves in good conscience. In the end, Steffen doesn't feel like signing 10 new NDAs every day. After that comes the indicative offer, which the manager or director also signs, in consultation with his deal team. However, this offer is not yet binding, i.e. it is simply an offer that the QCP is not obliged to pursue further. Then it goes to the evaluation or the so-called Binding Offer. Here the analyst only works internally to and the rest is usually with the IM or MD. But everything is always agreed with at least 2 or 3 other people. After that it goes into the due diligence. Here we also have a very strict process which is always the same and always has to be approved by the investment committee first.

Leonhard Kempe

If I may jump in there for a moment? The investment committee consists of who exactly?

Friederike Dietrich

Hans Magnus, Tilman and Steffen sit on it. And then there are always those from the investment team sitting on it, but they don't have any decision-making power. They just present it, answer questions and make a recommendation.

Leonhard Kempe

Okay, I see.

Friederike Dietrich

Exactly, and after that it's really just the negotiations and the contract documentation. But those are only negotiated on MD or CEO level. That is the normal investment process. One process that I don't really like is the mandating of external advisors or consultants. Of course, I can decide that myself to a certain extent and I think I should be able to do that. Nevertheless, there are almost no controls. I have no maximum number and also no maximum amount to which I must adhere. I think it would be good if there were certain guidelines, simply so that I myself and my colleagues are protected and don't have to have a very unpleasant meeting with our management team at some point. But even with this process it is normal to send all information compressed to Steffen beforehand to have it briefly approved. It happens again and again that paragraphs and lines in the contracts are found with which we do not agree to 100%.

Leonhard Kempe

Ok and if I now times on the Control activities which you straight mentioned go in. You mentioned short agreements by e-mail or maybe in the office corridor, would you generally say that it would actually make sense to always document the whole thing in writing in a certain way? That you can understand that everyone has actually agreed? Because the way it is at the moment, if something goes wrong, it's quite easy for people to get out of it.

Friederike Dietrich

I don't know to be honest. In the end, there are hardly any cases where an employee really decides completely on his or her own. It's really the case that everything that happens here in the investment goes over the table at least once with me or Tilman so that we can approve it. In addition, QCP is a very small company in which it is very easy to trace who has done something to which he is not authorized. Therefore, I think it makes sense to document the process once so that everyone knows how it officially works and is to be executed, but not that within the process everything is documented again, I just don't think that is necessary. However, there is another process where proper internal and external coordination is extremely important. And that is when we give instructions to the participations. Here it is very important that our MD-Investment as well as CFO are involved, because they usually know best about the situation in the company from the QCP side. When these two give their OK, we approach the management of the investment and discuss the project again with them before the instruction is officially issued. The reason why the voting is so important here are classic issues like fake-president mails and calls, which we have received many times in the past. It happens that fraudsters pretend to be the CFO of the company via email or phone call and demand money. To prevent this suspicion from arising in the first place, we only use official communication channels and follow a strict process accordingly.

Leonhard Kempe

Great, very interesting. Then you've actually already answered most of my questions. Then I would like to round off the interview. Is there anything else you would like to get off your chest that I may not have addressed in part, that you would like to add, that would be important to you, that I should include in this internal control system, or perhaps simply feedback on the way I conducted the interview, the way it was structured, the way it was conducted, how it was structured, what I should perhaps include next time?

Friederike Dietrich

No, everything is fine. Maybe just specify in the questionnaire whether it is now Portfolio or QCP.

Leonhard Kempe

Okay, thank you very much, I will keep that in mind. Then thank you again for your time.

7.2.6 Jonas Siegl (Stakeholder#6)

Leonhard Kempe

Perfect, let's get started then. First of all, thank you Jonas for taking the time for this. First of all, I have to say that you have signed and returned the ethical informed consent form and you agree that I can use the information mentioned here. That's correct?

Jonas Siegl

Yes, that's correct.

Leonhard Kempe

Alright super perfect. First of all, I sent you all the questions, do you have any questions, or were there any ambiguities in the interview questions that you would like to have clarified beforehand?

Jonas Siegl

No, I don't have any questions for now.

Leonhard Kempe

Then I'll just start. Can you please introduce yourself and tell us what exactly you do at QCP?

Jonas Siegl

I can, I'd be happy to. I'm Jonas Siegel, I'm 29 years old, I live in Munich and I've been with the QCP for about 5 years now. I started as a workshop right after university and was then able to continue as an analyst. I am now an Investment Manager at QCP and am mainly responsible for M&A, i.e. new acquisitions of projects, sales of current investments and more and more also support for our existing investments such as aluminum, automotive or aerospace. Therefore, my daily business actually consists of analyzing new projects in order to ultimately be able to make a proposal to our investment committee.

Leonhard Kempe

Okay, so not bad, you could say you've been with QCP for quite a while, and you've probably seen quite a bit.

Jonas Siegl

Yes, exactly.

Leonhard Kempe

Let's start right away with the first question and this is related to the QCP, to the QCP's investments, as well as to the jobs that you might have had before. You said you started as a student trainee, maybe you worked as a student trainee somewhere else during your studies, which is somehow private equity or financial services related. To what extent did you have to deal with the topic of corporate fraud? That is, have you already encountered it yourself in the investments that you manage, have you already noticed it yourself, or has there ever been a case in the QCP or in previous jobs of yours?

Jonas Siegl

There was a case at one of our investments where the managing director knowingly reported false figures. This was then discovered by the financial operations manager of QCP, but by then it was already too late. Due to miscommunication and wrong management, the company got into such a bad situation that there was simply nothing left to save and went bankrupt. There are also ongoing criminal proceedings against this managing director, because personal liability issues are ultimately on the table.

Leonhard Kempe

Thank you for talking so openly about this case, I have actually already heard it in the other 2 interviews that I have just conducted. It is a classic case of financial statement fraud and also asset misappropriation. Do you know about how Florian uncovered the whole thing or how it came up in the first place?

Jonas Siegl

As far as I could see, revenues were booked in the same year, although they were actually generated in the next year. Then sales were invoiced that didn't actually exist, and at some point the whole thing got further and further out of hand. For months, the managing director booked sales that were actually generated in the next 2 months. This is how this mismatch came in. In addition, there was an immense increase in material prices, which had a negative effect on the expenditure side. At some point, the high costs for materials and employees were offset by the non-existent sales and the company was no longer able to cover its costs. Ultimately, this led to the company going bankrupt. Florian discovered this when he took a closer look at the company's SAP system. He originally just wanted to analyze the working capital and top line figures and discovered this big mismatch between booked and actual sales. On this basis, he then looked at the figures in more detail and also discovered discrepancies in factoring and it became clear that something was wrong in this company. After further analysis, it was then also discovered that the accounting and controlling team members were aware of these processes and also reported to management that something was wrong. However, the manager ignored these reports and told her employees that it was all so true.

Leonhard Kempe

I see, so first of all super that coincides 1 to 1 with what Florian Mir told, which is very good for me personally, because that is already the second person who tells the whole thing like that. Later in the interview, we will come back to how the whole thing could have been prevented. We'll start with fraud itself and your personal experiences, and then we'll go deeper and deeper into it. Since you've been working in this job for a while now, you've seen a lot of the M&A industry, you've read the news, you've heard from friends or from colleagues who work in other companies, did you ever notice a trend that certain types of corporate fraud occur more often or that certain industries are more affected than others?

Jonas Siegl

Well, I would differentiate between classic corporate structure and financial investor-managed companies/family businesses, because simply corporations have substantially more developed security structures than companies that are under private equity management or family businesses. I think the biggest issues in this area are that money is sometimes used in a different way than it is now in the classic sense, i.e., asset misappropriation. And you definitely don't see that with the large corporation. I can imagine that there are differences between sectors and industries, however, I don't know them. I see it simply in the lack of infrastructure, especially of companies that are under private equity ownership, because private equity groups do not focus so much on an existing, perfect internal quality reporting, in order to be able to identify such issues early on through an early warning system. These are simply issues that have to be dealt with by large corporations. We have the LPE with our investors. Such issues are reflected there, but certainly not to the same extent as they are now with a large corporation.

Leonhard Kempe

Okay and if we now go into exactly what you just said, the topic of difference between groups and private equity why is that so? That private equity companies I say put less emphasis on it compared to a large corporation like PWC for example. In your opinion, is there a special reason for that or did it just happen historically?

Jonas Siegl

I think it has happened historically. The private equity industry is still relatively young. The first steps began in 1950, in 1960, and then the first venture capital firms came along after the war, which financed companies relatively aggressively from the bottom up. In the meantime, there are very large players in the field, who have differently developed reporting systems and, of course, a different control system. But that is in the nature of things, and such a consulting firm is paid for the fact that no matter what consulting services they provide, they do not allow such issues to arise at all. Private equity firms, on the other hand, actually always make a living out of looking at and analyzing things that you don't really know. It's always such a gray area, because of course everything is supposed to be legal, but in the end it's always like reading from a crystal ball. But you also don't have to give a seal of approval, unlike the consulting firms, because you are the one who buys the company, who then sits in the driver's seat, which means you don't have to show any external party anything from your own auditor. Of course, internal controls and internal security are then an issue, but the primary concern with private equity is that the purchased company is in a good financial position. If it happens that the company has a bad internal control system, then we probably won't notice that quickly because we trust the local management. If the local management reports issues to us that may not be correct, then we will notice it relatively late. But this is also an issue for future purchases. What is their own internal control system actually like to be able to identify problems at an early stage? Does the management communicate with us and its employees, etc.? These are issues that we should look at more closely in the future before we buy companies.

Leonhard Kempe

Okay, thanks for the detailed answer. Let's move on to my next point. You've talked a lot about the connection between PE and the investments, but of course it's also interesting to take a closer look at the private equity firm itself. To what extent do internal controls take place there, because I mean you as an investment manager have, of course, also certain freedoms. This company is an interesting new acquisition for the Qcp? To what extent do you have freedom at Qcp or to what extent do you have to submit to certain controls? In your opinion, is that still underdeveloped or not the main focus, or would you say that it works better there than with the investments?

Jonas Siegl

We have the structure of the deal team, which is not set in stone, but I would say in 90% of the cases, we have a managing director on each project, an investment manager and an analyst. The internal team communication is extremely important, because it is never decided alone who would pursue the project, but it is always decided unanimously within the team. This means that I automatically have this control cycle. That's important, and then in general, in order to be able to complete the project at the end, we have the investment committee. You've probably already heard that, which means that we have 3 people with us who have the right to vote, and that's where the final decision is made on how the project is handled. If not all 3 agree, the project will not be pursued.

Leonhard Kempe

Okay, I see, that means you are clearly saying that there are these controls. But for me it is actually interesting now are these controls rather lived processes or are they actually processes that are written down somewhere that everyone always has to adhere to or is it rather a thing that happens out of experience? How does that work within the Qcp?

Jonas Siegl

These processes are purely lived, so I don't know that they are documented anywhere. If it is, I've never seen it like that.

Leonhard Kempe

Okay, I understand very well for me, I must say. Then let's come exactly to such an internal control system. Have you ever had to work with an internal control system?

Jonas Siegl

Do you mean the classic software that is implemented through interfaces in the company's systems? Because I think that an internal control system can have many facets. So I never had the pleasure to work with an external software but I think that if I now sit down with Cuong and do a sanity check of the figures, then it is somewhere a control system with 4 eyes principle.

Leonhard Kempe

Exactly for me an internal control system can be an external software that does the whole thing quasi automatically. Best example in accounting, the accounting manager wants to make a transfer of 10000€. Then automatically a small pop-up window comes and says please wait for authentication from your boss and then in our case Christian would also get a small pop-up window with a description in it and he then says reject or accept. On the other hand, it could also be something like what I have in mind now, just a written framework and a small book where these processes are simply defined in the form of SOPs.

Jonas Siegl

Then I deny that, so I never had that.

Leonhard Kempe

Okay and if I go all the way through again, you've never worked with that but have you had to deal with that? So I say with different ways how the whole thing could look like such a framework?

Jonas Siegl

No, also not.

Leonhard Kempe

Ok perfect, then just say it like this I have already chosen a framework. It is called the Coso Framework. There are of course many others, one of the best known examples are the so called ISO lists. You probably know them as well. The framework I have chosen is the so-called Coso Framework, comes from America and was originally developed because of the Sox Act. The SOX act is a compliance act within America, which was developed due to many corporate fraud cases in the two thousands. And then the so-called Coso Framework was developed in 2013. The whole thing consists of 5 different steps, which you can see here in the so-called Coso Cube. The first step is to create a control environment. In the case of the Qcp, this would be the Investment Department and the Accounting Department, i.e. you would like to know very clearly which departments are actually part of these controls and what is included and what is not included. That means that our receptionist Anna, who of course can make very few decisions that would hurt the Qcp, would not be part of the internal controls, for example, but if she starts doing accounting now, she would also become part of the control environment. After that it goes to the risk assessment that is exactly what I am doing right now I am trying to figure out where is the biggest risk, which processes bring the biggest risks that something could happen to the Qcp that nobody wants to happen because somebody has certain freedoms and rights to make big transactions, take money somewhere and so on and immediately. That's why I asked you to send me a list of processes that you work with that should be part of such internal control, or are already. Then it goes into the various control activities, that is, what can I do with these processes to make sure that everything runs as I would like it to. You already mentioned the four-eyes principle, for example, one of the best-known and most widely used control activities. After that, of course, it's a matter of communicating all these internal controls or letting everyone know that they exist. That's where my bachelor thesis comes in. This is the framework that I want to set up in the form of SOPs at the end. That's why I need all these processes in great detail. Last but not least, it then goes into the evaluation, i.e., it is followed up. Do the implemented control activities work as I have planned them,

are they actually carried out and does everyone know about them at the end? Do you have any questions about that?

Jonas Siegl

No I understood everything.

Leonhard Kempe

Ok, perfect then I'll close my stream again so that you know once what's coming up for you in the next few weeks months. Now it becomes interesting for me again, if such a framework is now implemented within the Qcp, would you say that would limit you in your way of working? What is your opinion about the system?

Jonas Siegl

That's hard to answer. It's up to the setup then, but in general I think the idea is very good and I support the project. I just don't want to turn into a corporation, like for example now a bank, which then is not even able to send an indicative offer without having to present it to the whole internal circle. That is one of our great strengths, that we can react very quickly and flexibly, and that should not be lost. This is also appreciated in the market, that we are simply cross-country in many topics and there the healthy mixture is simply important.

Leonhard Kempe

Okay, that's good to know. Yes, what I want to guarantee you is that it is definitely not my goal to make the Qcp less efficient than before. It's actually one of my goals to make the Qcp more efficient than before, which means in my case I would like to say that by implementing internal controls you also increase the communication within the company, which means people start talking to each other more, because they have to talk to each other, which in many ways is very important. They have to talk to each other, which in many cases may prevent things from being done twice. That things are asked for twice and three times, because somehow not everyone has noticed, and that is just always official ways to communicate. One of my big objectives is to improve the so-called operational efficiency within the financial or financial-related departments. Then let's move away from the framework and then towards the processes that you wrote down for me. You have sent me a whole list, is there one or the other process that jumps out at you that you would like to go into again. So a process where you say internal controls work well or already exist and then on the other hand maybe a process where you say there is no internal control at all, but it would be extremely important.

Jonas Siegl

To start with, there are issues such as, for example, that our investment scope is, so to speak, predefined or controlled. This is ultimately defined by our Limited Partner Agreement (LPA). It states that we are not allowed to buy anything in the drug sector or in the weapons sector, for example. There is no need to change that, because it is simply legal language and that is signed. That means we have a predefined scope. We don't have to think about whether a new project is even feasible on the industry side, because either it is or it isn't. That's either black or white. It's either black or white.

Leonhard Kempe

If I may jump in there very briefly? I'd like to say, to what extent is it controlled that you also adhere to it? So I say, there can be this agreement in general, but then you say ok, I now have an arms supplier like, I mean we have times of war in which such a company could actually be very profitable, and I say this is now on the table. How do you make sure that something like that definitely doesn't happen, that you invest there anyway?

Jonas Siegl

That's a good point, because at the end of the day we don't have to ask our investors about new acquisitions. That means we are allowed to spend a certain ticket, 15mio, and invest in certain countries. For example, need we are not allowed to buy plant in Brazil

only. So, if the location is in Brazil, but the head office is in Austria, then we would be allowed to buy that, then we don't have to ask our investors. But would we now want to buy a drug supplier in Spain? Yes, there would probably be a red light at some point, but I don't know when. That's a good point - I don't know how that would be communicated, because we don't have to inform our investors. That's handled internally at our company. There is probably somewhere this communication window that would open then. At the latest at the capital call, where it is then said, Okay, that's not possible.

Leonhard Kempe

Okay I'll put it this way from what you told earlier, probably the first stop comes in the deal team alone, if 3 out of 3 people as you said earlier should actually agree in the end, I would now assume that at least once the voice of reason comes through and someone says people this is not how it works.

Jonas Siegl

It wouldn't come to that, that's the right thing to do.

Leonhard Kempe

Let's move on to the last topic of the interview. Are there any topics that you don't like so far?

Jonas Siegl

There is an internal topic that I initiated last year. This is knowledge sharing within the QCP, which is somehow also a control system. This is the interaction between the business units, i.e. between the finance team and us in the investment team. The communication there is still very straightforward. This means that I often don't know whether I should prepare topics differently so that they are easier for Julia or Thuy to process. I don't even know exactly the complete activities that Julia and Thuy cover. Which is a topic I would like to know honestly more precisely really exactly because you and I would also know exactly how we need to prepare certain things so that it's A well workable for them and B also much less effort for them. Where can I maybe even involve them with us and have an advantage myself? And that's why we want to hold an annual workshop within Quantum to discuss the interfaces between our individual business units. But also to see what we have done wrong in the last few years. In other words, we have analyzed things very wrongly, or where we have not coordinated sufficiently. We are not so good at that. To be honest, this knowledge transfer within Quantum is manageable. Either you become active, and by active I mean you knock on the door and tell me what's going on, or it doesn't happen, so you're always allowed to walk around freely or alone in the world, as long as nothing happens. That is something that we have currently just in the planning. We have already prepared an agenda, but it just drags and it is difficult to fix a date. But it is important to me to bring all this together, also to prevent and identify corporate fraud.

Leonhard Kempe

Okay, I like that very much. I'll share my screen again briefly. And you are addressing a very important point, as you just said, also from the internal control system. It me mainly about the point of information, communication and monitoring, which is a big part of internal controls it. Above all, the division of responsibilities and that this is clearly communicated, what belongs to it for me and what will also be a part that I will include, will be a so-called job description. That is, what I also have in mind is, and then I might have a few more questions, that I would write a job description for each position. That means for analyst, investment manager, managing director and so on and immediately. The point for me is that everybody within the company knows very clearly who is responsible for what, who is working on what topics and who do I need to approach to get info about certain things. Very, very interesting that you mention this. In general, you might have some input on how you think you would incorporate that into the internal control system. Would you include a meeting once a year as a workshop, for example, and as an agenda item for monitoring, for example: Hey guys, is this how it all works, is

this how we actually do it, or do we notice that it's not working here? Or how would you include that in general?

Jonas Siegl

I think the first thing that should be done is to create a document that is on the server and accessible to everyone. This document should then describe in detail every process that exists within the one department, like SOPs. I don't think we need to do that annually then in that format, because the reference book exists once, that may need to be adjusted, but that's on file at least. Then you can call a meeting once a year where the individual business units can coordinate and agree on what went well in the past year and what needs to be improved. And if it happens that I don't send the Adobe invoice here once a month, as I should, then that will be defined in this reference work or worked through in the annual meeting.

Leonhard Kempe

My internal control system will end up being, let's say, a specification book. There I will try to summarize the processes that were mentioned to me in the various interviews and provide them with controls and rules. That would be my plan. I hope that it could help you in that respect.

Jonas Siegl

For sure that is exactly what is important within M&A teams. The job descriptions are important so that everybody knows exactly what is my job, what do I have to cover, because as I said before you have to walk a long way on your own if you don't raise your hand. It will never come one therefore, with the new project and says Look at that please times, but it comes the e-mail and then is automatically clear that I look at that and that I must cover that automatically. In the end, I have to know myself what I have to do.

With us, the independence is extremely high.

Of course, there's always the risk that there's someone who doesn't see some topics right away or doesn't feel responsible for some of them. It can happen that something lies dormant for a relatively long time, even though it should have been processed long ago. It would be easier if it was predefined what your areas of responsibility are and what the other employees do above and below me. I see a lot of potential for a permanent transfer of knowledge between the business units.

Leonhard Kempe

Ok, so you would pay a lot of attention to the job descriptions and therefore also the definition of the responsibilities within the team within the employees of the Qcp and then also how can be helped internally? In the way of a SOP framework?

Jonas Siegl

I think it works fine the way it is now and it is just also conscious that works. But that is because I am the one who has been with it the shortest and that is 5 years. That means that our team is defined by a very long membership. But now we have 2 new people, they get the whole thing from Rasmus, Henrik and me. But there is nothing they can look up, that's what I mean. So especially the current team doesn't need a job description, but in perspective for new starters and co. it's certainly good.

Leonhard Kempe

That's also one of the big reasons why Christian put me on this project in the first place.

I mean the Fond 3 is in planning and that's something that can or could of course also I say a certain expansion with it. And of course, also for you, because I say, you have the extra work, we have to take care of Fond 3, new acquisitions and anything else, but on the other hand we also need more man power, which must first be accustomed to the climate, the atmosphere and the way the QCP works. Accordingly, such a SOP framework would of course be useful. Do you have any other processes or any points where you say, if you yourself have already thought about creating such a framework and now it actually happens to be my turn, that I should include?

Jonas Siegl

I think I have nothing. This workshop, which we once constructed, ultimately consists of 5 topics. It starts with how do we get projects at all? So how do we want to divide it up? And then it is very legal like for sales contracts. What are important passages, what is a quantum common assumption for those passages? What have we historically done wrong, or done particularly well? And then there is also the section taxes, insurances where there will be some more guides. Then there is the fifth workshop Finance where Julia, Thuy and Co. present their daily business and tell us what they think is good and bad about our case sharing, what could be better. And so on and so forth. This is a classic, content-driven workshop at the beginning and at the end the interface. How could we work better together, so there the focus is more on that is content technical, honestly and less on the QCP internal. That is very, very content and technical driven so that I don't have to do extra training to know how a sales contract is structured.

Leonhard Kempe

Okay, so if I understand that correctly, for you it's important to know how the sales contract is structured and for me then in the end it would be interesting who is allowed to draft the sales contract, who sends it out, who writes it? So, in the end you could actually combine the 2 frameworks perfectly. You have the build and then of course you have the handling of it internally which is interesting. If I could ask you once, because you just described the setup very interesting, of course from start to finish in the investment the offer comes in. How do you deal with that, what can you do then? I would ask you, if you have anything written down, to send it to me, because I'm still thinking about how to build up these specifications at the end. Otherwise, we are already at the end of the interview. So if there are any things you still want to say, then you would have the chance now. Also feedback technically I'm always happy if I can get anything. So structure-wise, if I should set up anything else, if I should ask questions differently, etc.?

Jonas Siegl

I'm grateful, honestly for the topic that you're looking after there. We already had this once in the end, within the scope of a project study, it was said at that time with the then interns, they had half a year to work on this ESG topic with us, which has become very good, where we have also developed quite well and that is now simply such a missing part also with us, where we are simply getting bigger and bigger. We were founded in 2008, and at that time it was a one-man-show or it was somehow 3 people, and you notice with us every year, not only on the basis of the presentations or also the reports that we create internally, that is becoming more and more professional. I'll say it again in a corporate way, but it's becoming more professional simply how we deal with topics internally ourselves. That's why it's another piece of the puzzle, which definitely makes sense, which we need. The demands of investors are becoming greater, we simply have to keep up with the times and the market and then do it well. Should I say, to be able to meet the expectations of our stakeholders a little bit, so that's also an issue that we definitely need? That's why I'm in favor of this coming now. I think the structure is good and I know that we have added value there. Our industry thrives on communication. Yes, that is the most important thing for us. Because what we do professionally and what we do every day. It's not witchcraft. We live from communicating well, externally and internally, so that everything is done in a timely manner and in good quality, and that's why this is something that will definitely help us one hundred percent. So that's why I'm grateful for that and I think the set-up would be very good especially in combination with the workshop. And from the set-up of the interview, I thought it was very good because I also learned something honestly. I know the ISO certificates, but I know the ones like you said 9001 Quality Management and as far as I need that in my due diligence to see if the company has an internal control system, I have to say fair enough I'm going to put that on the agenda from now on and just place 1-2 questions in the data room.

Leonhard Kempe

Perfect glad to hear then thanks again for your input. Thank you very much for your time.

Jonas Siegl

Thank you also.

7.2.7 Thuy Diem Nguyen (Stakeholder#7)

Leonhard Kempe

First of all, thank you very much for taking the time. Before we start, I would like to confirm that you have signed and returned to me the Ethical informed consent form, that is the consent that I use the data that is shared here, signed and returned to me.

Thuy Nguyen

Yes, I confirm that.

Leonhard Kempe

Very good perfect, then before we start with the questions, can you introduce yourself and say what is your position at the at the Qcp and what are your responsibilities in general?

Thuy Nguyen

Well, I'm Thuy from the accounting department. I started here in 2017, first as a working student. Then directly as a team assistant, full time, started here and then went on now as Office Manager. Must now everything here just organized times of everything around, what you just need as a company, from IT to the contracts, travel expense reports, credit card contracts, etc.. Since 2021 I have also started to help out in the accounting department, where I am now also in the middle of it, doing annual financial statements, among other things, general accounting, paying bills, posting bills in general, so the daily routine of a company, so that it just keeps running.

Leonhard Kempe

Okay, perfect sounds cool thank you very much. To start off, I would like to describe again why we are doing this in the first place. Why is this interview taking place?

Christian, our CFO has asked me to develop and implement an internal control system for the Qcp. What is an internal control system in general? We'll get to that later. This is the second of three parts in the interview. There I will go into more detail about what I have planned. But the general purpose is to prevent fraud, to detect fraud in the first place, and to improve operational efficiency in the finance departments. That means in accounting and investment. I am collecting data for my analysis, for my project from you from the stakeholders on the topics of fraud in general what have you experienced with it? Then internal control system, maybe you already know something about it, if not, then I'll inform you about it rather than just asking questions and then the last thing is really about the internal control system in relation to the Qcp. Then there we talk about some processes about your own opinion, what kind of controls do you know, what kind of controls do you find useful and then just a little final feedback session where you can just say again what you liked and what you didn't like. If that's okay with you, I would start with the first question?

Thuy Nguyen

Yeah, sounds good to me.

Leonhard Kempe

Super perfect, then, as you just said, you started here as a working student, which means you've been here for quite a while, of course you've experienced a lot, you've seen a lot. Now that you're also working in accounting, probably even more. Have you had any experience with corporate fraud yourself? So, whether it's here in the Qcp, whether it's with investments or whether it's maybe already in the other jobs that you've had before.

Thuy Nguyen

Well, the QCP is my first place of work. That's why I don't have anything from before, unfortunately. I haven't experienced that much here. If so, it were only small issues, an

invoice was received that should have been paid, although this company does not even exist.

Leonhard Kempe

Okay, I see.

Thuy Nguyen

The only thing I've noticed now are the classic spam emails, but other than that, nothing major really.

Leonhard Kempe

Okay, that's actually good, if you can put it that way. I have sent you a list of questions for this interview. In 1.2 different types of corporate fraud are mentioned, so of course as a top point internal or external. Internal can be, of course. I say the accounting department, allows itself to transfer one or the other amount to its own account, that would be internal fraud, for example. External fraud would be for example fake president e-mails. Do the other 3 things mean anything to you, i.e. Asset Misappropriation, Corruption and Financial Statement Fraud? do you have a general idea of what they mean?

Thuy Nguyen

I could imagine something under it, definitely. But these are topics that I am confronted with very little in my work. Asset misappropriation hardly ever happens because the company is very small and QCP itself has hardly any assets that could be misappropriated. Regarding Financial Statement Fraud, we once got an email from Florian about how an investment received an email, with Stephen's original signature, we were also more than shocked that it looked so real.

Leonhard Kempe

Yes, they even called at the end and pretended to be Steffen.

Thuy Nguyen

Okay, I didn't know that at all, for example. But other than that, I've never heard anything on the subject.

Leonhard Kempe

Okay, that sounds good, I mean it's good for the Qcp if you can say as an employee that nothing has ever happened in this respect, despite the control system not being documented. Now, a final general question on the subject of fraud, which does not necessarily have to relate to your work, but simply to your time while you were working in the industry or this profession, did you perhaps learn from newspapers, friends, colleagues in other companies that certain industries have to guard against corporate fraud more than others? For example, the Qcp works in the financial services industry but has a lot of investments in the manufacturing sector or in the manufacturing industry. Would you see the Qcp more as a victim or more as one of the manufacturing companies?

Thuy Nguyen

Actually, I have never noticed that. Neither in my circle of friends nor in my family. I couldn't say where or who would actually be affected by it. And I haven't really noticed it either.

Leonhard Kempe

Okay, no problem. I can actually tell you. The question is not just left there. The industries that are most affected are actually, mining, that is really the primary sector where the raw materials end up being procured because there is a lot of stealing going on. Clearly with raw materials, they fall off the truck or I'll say a wheelbarrow just doesn't get there. Then there's the financial services sector, because there, of course,

you're working with sums that you don't have in every other company. Even if Quantum itself doesn't necessarily always have the money or the assets, it is still associated with films that have precisely these assets. One of the most common means then, as you mentioned, is Fake President emails to get those assets, or at least try to. This results in the same thing as in manufacturing companies, that something fell off the truck. In our case it could be for example the light metal or the regular, which could be affected very easily. Both companies work with materials that fetch high prices on the open market, which of course massively increases the risk of theft, etc. This is why Quantum is so concerned about the risk of theft. That's why it's generally interesting for Quantum to have an internal control system, because these industries and sectors are actually the most affected.

Right then, let's move away from the topic of fraud and more towards the topic of internal control systems and their frameworks. I'll just ask straight out, have you ever worked with an internal control system? I can actually answer the question myself if you say the QCP is your first official permanent job and I'm implementing and developing an ICS here right now, but I'll ask anyway.

Thuy Nguyen

Yes and no. So sure, there are already certain processes and controls in the QCP. However, these are rather lived than that they are hard regulations. Whether they are official and whether everything is correct, I can't say now.

Leonhard Kempe

No problem, yes, better honest than dishonest, is also no problem. For me it is important to create a certain basis and to see which processes and controls already exist, whether lived or documented. If there are many processes that are already lived in the end, that's good for me, because I don't have to do anything new except documenting them. For me, the more interesting processes are the ones where nothing is happening yet. But let's start with the internal control systems and their basis, i.e. how are they structured and what is their logic? One of the best-known examples of internal control systems, or frameworks, are the so-called ISO lists. ISO 9000 Iso 9001, these lists issued as standardization for companies. ISO is an organization that issues standardization lists for companies on behalf of countries like Germany and I think 150 others. The topics of these lists range from quality management to financial reporting to internal auditing. However, I chose a different framework because the ISO lists are too rigid for me. We have investors from America, we have holdings all over Europe, and some overseas. This means that I would have to gather ISO lists from each of these different countries in order to develop a functioning ICS from them. I, on the other hand, have picked out the so-called Coso Framework. As already mentioned before the interview, if you have dealt with it less or are less familiar with it, this is more the informative part than the questioning part. The COSO framework is a nationally recognized internal control framework in America, which has to be applied by every company. It is a compliance act, which means that all companies in America use this framework, or at least the basis of this framework, to carry out their internal controls. Is also one of the reasons why I chose this framework, because it is very flexible to apply. If I go through the whole thing briefly, as you can see here. On the front side of the so called Coso Cube you can see 5 different sections. The first one would be the Control Environment, which means in our case for the QCP it is defined which departments or which processes are part or should be part of the internal control. In our case, that means the Investment Department and the Accounting Department, for which you work, because otherwise there are not many departments in the QCP. After that, if that is determined, it goes into the so-called risk assessment, there it is then about the table that I sent you before the interview and where I asked you to insert the individual processes. Then we see which processes exist, which controls already exist and what risk certain processes pose that do not yet have a control and should be provided with a control accordingly. This means that we first analyze what do we have? What do we not yet have? What do we still have to do? Once this gap analysis has been carried out, so-called control activities are introduced. In your case, for example, you want to make a transaction from one account to another and the

control activity would be that Christian, that is your superior, would have to approve this transaction first. That means you have a four eyes principle. Which of course would not be so good if you could simply transfer money from A to B without any limits and nobody checks or confirms that. After that, it's a matter of communicating it, and that's very important. That is, what controls are there? Who is affected by these controls? All the people who are affected by them must know this, of course, otherwise the whole thing won't work. Of course, there are also control systems that function digitally. That means the whole thing works automatically. In our case, the control system will not be digital, but it will be written down on paper to function like a little bible, so to speak, which can then be handed out to every employee or made accessible to every employee. Finally, it is important that there is sufficient evaluation. In other words, are the controls that we have now introduced actually working, are they being carried out at all, or where are they not being carried out, and where might we have to do some more work to ensure that the whole thing works the way we want it to within the company? Exactly that would be the framework, which I have chosen for myself. Do you have any thoughts on this, perhaps opinions or suggestions for improvement? Or do you first say that I think it's good that we're doing this at all, because as you said, we actually already live many things here, because of course everyone has experience from previous workplaces where there were already internal control systems.

Thuy Nguyen

That was a lot of input for me, a lot of new words, this is completely new territory for me. I can't really say anything about that, to be honest.

Leonhard Kempe

Okay, then I'll say so what do you think in general about an internal control system, so the way I've explained it to you now, what's the sense behind it, how it would be implemented? Would you say that it rather restricts you in your work or would you say that's something that helps the company and also won't hurt you very much in your work?

Thuy Nguyen

Well, I think it would be good for the company. Yes, I mean, because we actually already live it, we already have control systems. It's not like that. Certain things are of course discussed and controlled and authorized. But I can't say whether everything really works the way it should. So, I think what you're doing now is very good. Above all, it's good to see whether we're working correctly according to all the principles. I also think it's good to see whether we should change something and whether we're working properly. I'm also curious to see how you do it. For me, of course, it's particularly exciting because it's my first place of work. I'm simply following the principles and rules here. It's a bit difficult for me to judge that and honestly say yes, no problem, so I can assure you it's completely different in other companies.

Leonhard Kempe

We are quite lucky here that we have a lot of freedom and that we can still work individually. Even within certain controls that already exist and are lived. For example, when you start as an analyst at PWC, I can guarantee you that you are not allowed to do anything without someone confirming everything beforehand, just so that you can go to the bathroom without asking first. That's actually the way it is in large corporations. If we look at the Big Four, it's quite blatant, because of course they have to work with a certain seal of approval. That means that everything they do is always customer-oriented and the customer should be satisfied. That means everything has to be of a certain standard, which is only the case to a certain extent at qcp. But on the other hand, we don't have to be accountable to anyone, except of course to the investors and even there only to a certain extent. Once they sign that LPA, yes, allow us to use that money as we see fit. We have certain rules, of course, in these countries we are not allowed to invest, we are not allowed to support a company that is involved in drug trafficking or that is in the

arms business, but otherwise the QCP can work quite freely. You just have to stay within legal guidelines and then of course not spend money where it doesn't belong.

Thuy Nguyen

Yes, that's clear.

Leonhard Kempe

Then let's move away from the internal control system as a framework and then more towards the practice. As we discussed before the interview, I would ask you to think of a process where you say that the internal controls are already working very well. That is, you are not limited in your freedom to execute this process on your own, but you are limited. A process where you need authentication or confirmation from someone else, or then once the stark opposite where you say ok, here is a process, I do it completely alone, but find that with my standing or whatever it wants to be in the company actually, I shouldn't do it alone because there's too much attached to it.

Thuy Nguyen

Actually, I think that our invoice receipt is running very well, so that the invoice first comes in, that we write it down in a list, and then we check whether everything is on it, with all the trimmings. Invoice address, invoice recipient, invoice issuer, that everything is there. Everything is then entered in the accounting department and checked again, and depending on how high the amount is, there are also limits. It is also the case that we say from 0 - 1000€ across the board, ok, we don't need authorization to pay the invoices. We and I can do that completely without authorization. With invoices of 1500€ I find now already that one needs authorization, therefore we go there also first to Christian, are you agree that we pay this invoice? And from 5000€ we need then in any case a certain protection. We pay the bill only with Christian's approval. It's simply a matter of protecting the employees. I think this is a very good way for us to go about it. We always look at the invoice and make sure that everything that needs to be on the invoice is there. Then it goes out, and I think that's very good, the way it's going at the moment.

Leonhard Kempe

Okay, and the controls could be described as they are physically written down the invoices, you have multiple 4 eyes principles and there are also still certain rules about amounts or volume was you transfer at one time, within your position, you are allowed to transfer.

Thuy Nguyen

Exactly, I don't think there was a maximum amount for transfers in the past, I've honestly made it myself now, so that I'm on the safe side and it doesn't fall back on me if I've somehow transferred a higher amount that I shouldn't have.

Leonhard Kempe

Yes completely understandable. A process where the internal controls don't work that way now, but they would be necessary? In your case, what would come to my mind spontaneously would be maybe ordering equipment, so I don't know if you have certain limitations there, if you are doing office management here? If there's nothing, that's perfectly okay. It's all the better for the company.

Thuy Nguyen

Yes, of course, so the contracts for cell phones, credit cards, car rentals, I handle all of that. But the companies also just give us their standard contracts as they are their guidelines. We give our input, what we agree with, what we don't agree with, but these are also topics that are given to me, I prepare everything and then pass it on to a higher level, Christian, Steffen, and if they agree, I conclude the corresponding contracts. To be honest, I don't do anything without authorization.

Leonhard Kempe

Perfect, that's great. That means that the processes work

Thuy Nguyen

Exactly so I can't say anything else to.

Leonhard Kempe

And then we're actually almost at the end of the interview, I have one more question. And that is, if I were to tell you that this is also an internal control system, although processes come along with it, that is, you have to go to it more often, or ask for authorization here and there. If I were to tell you that the operational efficiency, that is, that you in the departments that are affected by these controls, actually end up working more efficiently than before. What would you say to that? Just free opinion out, would you believe me or not?

Thuy Nguyen

I definitely believe you that there are ways, that one hundred percent. I couldn't say now whether that would also apply to us. That would be another point, so especially at the accounting level, I think it's actually going very well. So more efficient I could not really imagine now honestly apart from that it should go even faster. I mean, the invoice goes in, certain payments, if they have to be paid immediately, it all goes within a day. I honestly don't see now how it could be any faster.

Leonhard Kempe

Okay, thank you, I just I wanted to get your opinion on that at of course I asked the Julia the same I will ask the Christian the same. You guys are of course the ones that are most interesting to me from the accounting side. By the way Julia answered almost exactly the same as you. I generally ask the question simply to be able to compare other answers. I have to cover everything and that means that if you say that it works there is no gap, that means here in the accounting system or in the accounting department there are few to no control gaps, that is very good for me, because that means I don't have to change much. Do you have any other questions? Do you have any feedback for me, what I should maybe do differently next time or generally just a few more points that you would like to say about it even if they were not covered here in the interview?

Thuy Nguyen

Actually, I think what you did is very good. For me, because I am simply new, this is also my first place of work, there are now many new terms. I can only say now that it could have been a bit slower so that I can just follow up on that, but otherwise I can only say positive things.

Leonhard Kempe

Thank you very much, then thank you very much for your time, for helping me to finish my bachelor thesis and of course to do something good for the Qcp and hopefully not make it worse now than before.

7.2.8 Cuong Pham (Stakeholder#8)

Leonhard Kempe

Then welcome to your interview for my bachelor thesis Cuong. First of all, I would like to thank you for taking the time to help me out here with my bachelor thesis. Before we even start I would like to ask again, ethical informed consent form have you read, signed, and returned to me confirming that I am using the information shared here as part of my school project? Are there any questions I can answer for you before the interview?

Cuong Pham

Currently, not no.

Leonhard Kempe

Perfect, then I would say let's start right away, would you like to introduce yourself once and say what exactly you do at Qcp?

Cuong Pham

I am an investment analyst, which is the entry level position within the investment team, at Qcp. My responsibilities are mainly to work with the Investment Managers and Managing Directors.

Leonhard Kempe

Ok sounds good. If I take a look at your CV and what you have done in the past, I can see that you have done a lot of internships in different private equity and financial service companies and have gained a lot of experience.

Now let's move on to the topic of your bachelor thesis Corporate fraud in the financial services industry is of course very interesting. Have you ever had to deal with corporate fraud in your current job at Qcp, and we're talking about your internship, what you did before, or now in a job, or in previous jobs? That is did you become a victim, did you possibly commit it yourself, you don't have to admit of course.

Cuong Pham

Interesting question. Probably generally not at first during the times when I was an intern somewhere. Of course, I've overheard things from time to time. I mean, for example, I was an intern at Commerzbank in 2020 from May to September, and I think the big thing that came out at that time was the Wirecard affair, and that was more or less a pretty big financial fraud, which also affected Commerzbank quite a bit. On the one hand, as far as I know, they were involved in the original financing round, and of course they also have a wealth management department. They make investment recommendations for companies listed on the DAX and, at that time, also for Wirecard. At that time, Commerzbank recommended that its investors invest in Wirecard, which of course caused a great deal of reputational damage.

Leonhard Kempe

Yes definitely, I can confirm that as well. Commerzbank was one of the big victims of the Wirecard scandal. They were, of course, one of the big financiers and as you said, they also gave financial advice to their own investors. In the case of Wirecard, we are of course talking about classic financial statement fraud, not classic in the sense of course, because of course it had a scope and volume that I would say the world and also Germany has rarely seen before. So if you look at the interview questions that I sent you before, you will see in point 1.2 2 or 3 other types of financial fraud. Can you think of them as Asset Misappropriation, Corruption, etc.?

Cuong Pham

Mhm, well, what Asset Misappropriation is, it's clear, I think you know it generally when you're in the office, the classic stories stealing printer papers or something. I think it's basically always possible wherever you're in the office and things are naturally free-

standing. But I haven't noticed it directly. At most, maybe someone has printed out or copied personal things at the workplace.

Leonhard Kempe

I mean then you worked at workplaces that obviously take very good care of their stuff. But I think what of course also plays in, as you already rightly say, is classic, you print out personal things because you are just in work and you need a document. Of course, that's not the purpose of a corporate printer, and if you take it very strictly, then of course it counts as corporate fraud. But I mean, if you talk about corporate fraud, then of course it must have certain negative effects, mostly in the financial sense, on the company and yes, if you personally print out, let's say 23 pages, that won't drive a company into bankruptcy. The reason why I ask the whole thing is and then we come now actually times to the topic of my bachelor thesis. I've been holding back a bit on that. Christian, our CFO, asked me to develop and implement an internal control system for us. The general purpose of an internal control system is to prevent precisely such things as asset misappropriation, financial statement fraud and corruption from the outset. This means keeping the possibility of such things happening as low as possible through various instances and control processes. Besides prevention, an internal control system is also used to detect corporate fraud that has already been committed. Finally, an internal control system can also have the effect of improving the operational efficiency of certain departments, in our case, Investment and Accounting, simply because processes are streamlined. It is very clear who has to do what, when, where, and who has to go where, when, if they have questions to get them answered. Now, if we move away from the internal control system for a moment and talk again briefly about corporate fraud in general. Have you noticed in your time in your professional life certain trends that certain industries are more affected by fraud than others. I'll give you the example, Qcp is in financial services, as are banks, private equity or venture capital. But QCP has a lot of investments in the manufacturing sector. Have you noticed through news, through friends and colleagues, that one industry or one sector is hit more than another or maybe not.

Cuong Pham

So, the first thing I think about is maybe not necessarily industry and is not important for the topic, but things like in the news, something like church, politics, these are such big points, you can mention them. But now, in my work environment maybe or what you also read, sports. There's a lot of pushing there, too. But also in finance. I think there is often a lot of money flowing around, and you often read about the misappropriation of investment funds or the like. But lately I haven't noticed anything, because I think that's always on people's minds. That means financial industry but of course also where valuable raw materials flow. There I think classically of the goldsmith who could pick up a little gold dust. I can imagine this happening in many manufacturing companies in general. After all, the theft of materials can also lead to great financial damage. Otherwise, when I think of the QCP's holdings, I can think of very little off the top of my head. I don't know if I lack the criminal energy, but of course financial issues are always an issue.

Leonhard Kempe

Definitely. So what you have mentioned quite correctly are the very big cases of UEFA, the awarding of the Olympic Games, I mean, in 2029, as far as I know, it was confirmed that the Winter Olympics would be held in Qatar. I wonder if that went through with proper things? One does not know. You can only speculate otherwise, you know the really big scandals with Sepp Blatter and so on and immediately Theo 20er in the UEFA, in the DFB, in the FIFA, of course we're talking about a lot of corruption. Which is one of the worst kinds of corporate fraud, because one person always wins and in the end hundreds lose. And with your other point that you just mentioned, with the manufacturing industry, of course we're talking mostly about asset misappropriation. It often happens that something just falls off the truck or a wheelbarrow full of material gets lost. If we move away from the topic of fraud for a bit and then move on to the topic

of fraud prevention, fraud detection through internal control systems. You already mentioned, you worked at Commerzbank? That's a large corporation, have you ever had to work with an internal control system there or at another workplace? It doesn't have to be digital. It can also be a list of different rules and processes that you had to follow.

Cuong Pham

I don't know if that's going in the right direction, but I think that's also in every company, the recruiting process. Especially in such big corporations or probably if you look in the US companies or the same, there the recruiting process is already very tedious. Everything possible is checked, whether the data is correct, they want the right documents, certificates, etc.. And of course, all this because they don't want to hire a fraud or an impostor who could harm the company.

Otherwise, of course, at the beginning, when you start an internship or a company, you have learned certain things about how to behave, especially towards external people and the like, but in this case nothing that was really checked.

Leonhard Kempe

Ok, no problem. I just wanted to know what you understand by an internal control system, so to speak, when I ask you if you have ever worked with it. Generally speaking, an internal control system is a list of processes, that are to be part of internal control. Mostly processes within finance related departments where one person or employee has too much responsibility. These processes in these departments represent a great risk for a company, because if they go wrong, they can have an immense negative impact on the business. The best example is the Julia in our Accounting department. She could go to a holding right now and tell them ok, I would like to empty your account one time. She could then transfer the money to her own account and would be gone forever and no one would know where the money went. Something like that is possible at the moment and the plan behind what I'm doing here is that it won't work like that in the future. In the case of Julia again, she wants to empty the account, then Christian, her supervisor, automatically gets a little pop-up window, and then has to confirm the transaction. That would be the control in the case of a digital control system. In the case of the investment team, a good example is a new project that has come up. You read in the newspaper that a company of interest to the QCP is to be sold. You then go to Jonas, Hendrik or Rasmus and present the project. If the investment manager also finds it interesting, he approaches the MD together with you and presents the project to him as well. If the project is also evaluated as interesting in this instance, the three of you form the deal team, which decides all points of this project together. This would be a classic non-digital control. However, of course, there are not only different types of control, but also different types of control systems. Um, if you just said now, you've probably never really worked with one, I'm just going to assume that you probably don't know any frameworks for that either.

Cuong Pham

No, not necessarily.

Leonhard Kempe

Okay, no problem at all. One of the best-known examples, not only as an internal control system, are the so-called ISO lists. The best-known ISO lists are, as far as I know, ISO 9000 and ISO 9001, which deal with quality management and quality assurance within a company. In general, these lists are standardization lists, issued by a private community, on behalf of various countries, as far as I know, now over 150 countries, on topics like internal controls, quality management and so on. However, the ISO list on internal controls was too rigid and inflexible for me. I therefore decided to use the so-called COSO framework. For this I will first share my screen briefly. So now you should be able to see my screen here.

As you can see, there is the so called Coso Cube. Once briefly a background story to COSO. What is the whole thing? COSO is the framework for internal controls, which is used in America to 99.9% of every single company and it was created at that time on the

basis of the so-called Sox Compliance Act. The SOX Compliance Act was introduced because there was a lot of corporate fraud in America around the 200s. Companies had endless freedom to write their books as they wished, and of course the government didn't like that. So this Sox Compliance Act was created and based on it, the so-called Coso Framework was further developed in 2013. The Coso Framework generally consists of 5 different units, or 5 different environments. If we go through the whole thing step by step, you start with the control environment in the case of the Qcp, which departments are going to be part of these internal controls? Christian wanted me to take care of the finance departments first. In our case, that means investment and accounting. After that, we move on to risk assessment. That's exactly what I'm doing now. I sent a list to each interviewee beforehand, a little table, where I asked you to write down certain processes that you work with and where you say ok, there are already controls here, here I don't have to coordinate with other people, here I need the permission of other people, or there are certainly still processes that you work with where you say ok, here maybe a control would be quite useful. I say you draw up your purchase contract, then all the components have to be correct, it would always be good if someone would look over it again. What I do in the risk assessment, so to speak, is to collect these processes, to see where controls are, where controls are missing? This is followed by a gap analysis to see exactly where rework is needed, as these processes pose the greatest risk to the company. Then you come to the Control Activities. Here, the processes for which it was determined in the previous step that controls are missing are addressed. Then, based on academic evidence, certain control processes are selected and implemented. Then we move on to information and communication. That means, of course, that it has to be communicated that these controls now exist, that this is the new process we are following and that everyone has to know that. Otherwise, the whole internal control system doesn't work and you've done it all in vain. Then the last step is evaluation. That is, you look at whether the controls are working, whether they are really being implemented, or whether people simply go back to normal and say, yes, we now have this internal control system, but the way I worked before suits me much better. That means you have to rethink and revise the implementation of the ICS to really have every last employee on board. Do you have any questions about this or would you like to give your opinion on what you think?

Cuong Pham

No questions, I think that was pretty clear. So what do I think about it? Yes, in itself a good idea, it is first of all a framework, accordingly it is adapted differently from company to company and at least offers a good guideline, if you probably have no idea how to build something like that. Step by step, that to look at exactly and to define itself within the individual environments. So from there clearly, good start.

Leonhard Kempe

Thank you very much. You can take it a little bit further. The COSO framework is then also based on 17 different principles within the environments. This is also where the great flexibility of the framework comes from. This is the framework that the whole thing is built on, which is what I do for the Qcp. Right then you now know about the framework and now we kind of come to the last part of the interview, the third part. Now it's about the spreadsheet that you received before the interview. We're not going to go through the whole table but I would still ask you to think about a process, who you're working with, where you say here the controls work or here they exist and also describe the control. Then again just the opposite, that is, you have a process where you say here there are no controls at all, but they are sorely needed.

Cuong Pham

Let me maybe open the file for a moment.

Leonhard Kempe

No problem, you have all the time in the world.

Cuong Pham

Okay, one example is for example, just as mentioned earlier, before the deal really kicks off there is first a non-disclosure agreement to be signed, so between the two parties of course. My job in this case is to look at the NDA, see if it fits, maybe correct it, adjust it, change text passages, lines, whatever. In the end, of course, there are internal loops that I follow. That means I prepare everything and then have it signed off first by the investment manager and then by the managing director.

Leonhard Kempe

So, you could say you're sort of part of the internal control system in this case.

Cuong Pham

Yes, in principle, yes. But that is almost the normal procedure with us. The junior takes over operationally and the senior then controls and processes the "product" further. However, there is also a part of this process that I see somewhat problematic. I, as an analyst, can freely access all digital signatures, including those of the MDs. That is, despite the fact that there are these internal feedback loops, I can control the NDA and sign and return it on behalf of others if I want to. I think there should be better regulation of access to signatures here. I mean, if something goes wrong, you could then let the deal fall through, no big damage has been done for now, but of course then we have the opportunity cost. It could have been a good deal, but now we have signed an NDA that is so unfavorable for us that we don't want to take the risk anymore. The question here, of course, is how to make sure that these internal loops are respected.

Leonhard Kempe

Yes, very good examples that you put there. I really like them. Especially the first example where the controls are sort of already in place, which of course makes sense. But when you come to the topic of signatures, that would have actually been a follow-up question for you, if we had then talked about controls, what kind of controls would you suggest in such a case? In your opinion, just really what you're thinking about how do you think the whole thing could be done better, in this process with the signatures?

Cuong Pham

So what would be a possibility, of course, is to delete all digital signatures and only accept real signatures. However, I see this as a bit difficult, as I then have to constantly run to my superiors just to get a document signed. It is especially difficult when certain employees are in the home office. We often have a fixed deadline or a pretty tight schedule to send the NDA away quickly in order to get the additional information quickly as well. With this change in the process, it would all become very cumbersome.

Leonhard Kempe

Okay, and what would you think about restricting access to these digital signatures in general. Let's stay with the NDA example. You as an analyst, of course, just as little as I as an intern, have the clearance to sign anything legally binding for the QCP, which is in itself a certain control. But if you restrict the access to the digital signatures to the level managers and above, you can edit and correct the NDA and one of the people who controls it in the end anyway will set the signature. In this way, you and the company are protected. Would such a control, for you come into question

Cuong Pham

Yes, of course, if it is possible. I just don't know if it is possible and how it can be implemented, I probably just don't have the technical know-how. What comes to my mind and what is of course also available are these real digital certified signatures, you know what I mean, what you can use as a stamp in PDFs. Well, you have to implement that for everybody and by doing that, of course, you don't skip the process that the senior has to sign, but at least it can happen from anywhere. In the end though, is definitely less time consuming.

Leonhard Kempe

Yes, I've heard about that too, very good idea and above all one that can be implemented. Apart from that, I don't really have many more questions for you. We have talked about the different processes, about different controls that are possible. We talked about where controls might still be missing.

Is there anything that you would like to say in conclusion can be feedback to me, for the way I conducted the interview, how it was set up, how you prepared me for it, or generally just about the internal control system itself for the project, maybe things that you would like to get rid of again, where you say they have to be included?

Cuong Pham

Of course, first of all it is basically good that it is initiated, is it now for external reasons, that maybe someone could come by or generally I think through clear processes and that is especially in a company, which is perhaps not a large group and where it does not yet exist, also very important, because that can perhaps accelerate some things if it is also clearly defined. And of course, there is always a bit of fear that you will have this extra work, but if things are simply clarified and if I don't remain unclear and you always do it this way and then another way and that doesn't fit again. That's probably the best way I would say.

Leonhard Kempe

Exactly, I mean one of the big goals, as I said, is not to make operational efficiency worse, but to improve it, or to simply define processes more clearly so that everyone knows where they are going. In Roman's and your case, for example, it is of course also very pleasant for a newcomer if one really has a certain reference work physically or on the computer. If one says ok, I got now here NDA how do I proceed before he runs afterwards to Friederike? If it is simply clear, one can look it up oneself, one is first times more independent and second times one is also faster and knows simply, what is to be done. Here you can always and you don't have to keep the other people from their work. So the idea is of course, if you do it right, very important to say that in addition, you can of course also do it wrong, that generally the processes work better and work faster. So definitely the plan is not to stop people from working, but to let people become faster at work. Otherwise, I can only thank you again for taking the time for my interview, I was very pleased, it helped me a lot.

7.3 BaFin regulations internal controls for special case AIFMs

7.3.1 Conditions to assign an AML representative

Geldwäschebeauftragter - WER ?

- Hochschulabschluss keine zwingende Voraussetzung
- Deutschsprachig (!) - Kommunikation Behörden
- Tätigkeit im Inland ausüben - Erreichbarkeit
- Geschäftsmodell muss gekannt werden
- Verständnis betriebswirtschaftlicher Abläufe
- Vertiefte Kenntnisse GW/TF
- Grundkenntnisse im Strafrecht und Strafprozessrecht
- Sonderfall: Angestellter aus Tochtergesellschaft
- < 10 Mitarbeiter: auch Geschäftsführer
- Keine Verurteilung wegen einschlägiger Straftaten (Führungszeugnis)

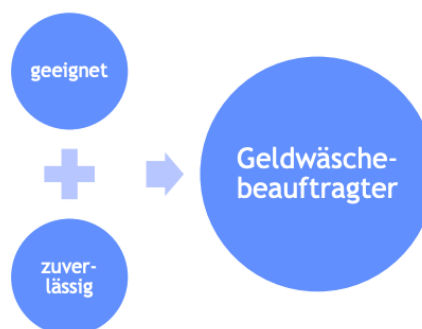


Figure 19 – BaFin AML Regulations

7.3.2 Tasks and Responsibilities AML Representative

Geldwäschebeauftragter

Aufgaben	Ausstattung	Kontrollen
Prozesse implementieren: GWB ist für die Einhaltung der Vorschriften zur Verhinderung der Geldwäsche und der Terrorismusfinanzierung zuständig.	Rechtsverbindliche Erklärungen: Prokura oder Handlungsvollmacht ? Ungehinderter Zugang zu allen relevanten Dokumenten.	Laufende Überwachung: Sind die implementierten Prozesse ausreichend und effektiv... (Mind.) jährlicher Bericht an die Geschäftsleitung.

Figure 20 – BaFin AML Regulations

Aufgaben Geldwäschebeauftragter

- Implementierung und Überwachung sämtlicher GwG Vorschriften
- Ansprechpartner für BaFin, FIU und Strafverfolgungsbehörden
- Einrichtung eines angemessenen Risikomanagements einschließlich klarer Berichtspflichten
- Erstellung einer institutsspezifischen Risikoanalyse
- Entwicklung und Aktualisierung interner Grundsätze und Sicherungssysteme
- Durchführung laufender Überwachungs-, Prüfungs- und Kontrollmaßnahmen
- Fortlaufende Entwicklung von Strategien und Sicherungsmaßnahmen
- Verwendung und Aktualisierung angemessener Datenverarbeitungssysteme
- Untersuchung ungewöhnlicher oder zweifelhafter Sachverhalte
- Bearbeitung von Verdachtsfällen einschließlich der Abgabe von Verdachtsmeldungen
- Entscheidung über den Abbruch der Geschäftsbeziehung unter Einbeziehung der Geschäftsleitung
- Erstellung eines mindestens jährlichen Berichts über Tätigkeit und die Gefährdungssituation
- Durchführung von Schulungen und laufende Unterrichtung der Mitarbeiter
- Erstellung und Änderung von Organisations- und Arbeitsanweisungen

Figure 21 – BaFin AML Regulations

7.3.3 Reporting duties AML Representative

Berichterstattung

Der Geldwäschebeauftragte hat mindestens einmal jährlich Bericht an die Geschäftsleitung zu erstatten. Inhalt:

- Verdachtsmeldungen im Berichtszeitraum
- Getroffene Maßnahmen
- Aktuelle Gefährdungslage der KVG
- Kundenbezogene Überwachungshandlungen
- Besondere Vorkommnisse

Figure 22 – BaFin AML Regulations

7.4 QCP ESG policy

7.5 Risk assessment tables

7.5.1 Inherent Risk Ranking table

		Inherent Risk Ranking				
Likelihood	Imminent 5	Low	Moderate	High	Critical	Critical
	Frequent 4	Low	Moderate	High	High	Critical
	Occasional 3	Very Low	Low	Moderate	High	High
	Infrequent 2	Very Low	Very Low	Low	Moderate	Moderate
	Rare 1	Very Low	Very Low	Low	Low	Moderate
		1 Very Low	2 Low	3 Moderate	4 High	5 Critical
		Impact				

Figure 23 : Inherent Risk ranking table (SC&H Group, 2022)

7.5.2 Residual Risk Ranking table

		Residual Risk Ranking				
Control Effectiveness	Weak or non-existent 5	Very Low	Low	Moderate	High	Critical
	Marginally Adequate 4	Very Low	Low	Moderate	High	Critical
	Adequate 3	Very Low	Very Low	Low	Moderate	High
	Reasonably Strong 2	Very Low	Very Low	Low	Moderate	Moderate
	Strong 1	Very Low	Very Low	Low	Low	Moderate
		1 Very Low	2 Low	3 Moderate	4 High	5 Critical
		Inherent Risk				

Figure 24 : Residual risk Ranking table (SC&H Group, 2022)

7.5.3 Risk and Control Matrix

Risk and Control Matrix Quantum Capital Partners												
Department	Control #	Process	Subprocess	Risk Description	Inherent Risk	Residual Risk	Control	Control Objective	Frequency	Key / Non-key control	Control Owner	
Investment	# 1	Investment Process	Reception Teaser and signing Non-disclosure agreement (NDA)	NDA: Might have passages that c	3	1	Confirmation through IM/ID, +4-eye pr	Making sure NDA is up to date	As needed	Key Control	IM/ID	
Investment	# 2	Investment Process	Starting new Investment Process	IM decided for him/herself who is	2	1	Deal Team structure	Ensuring that responsible	Continuous	Key Control	IM/IM/ID/MDI	
Investment	# 3	Investment Process	Sending non-binding offer	Offer is non-binding, will never be	1	1	Peer checking through deal team	MD final approval for offer	As needed	Key Control	IM/IM/ID/MDI	
Investment	# 4	Investment Process	Due Diligence	No standardised DD template - th	4	2	Peer checking through deal team	Due Diligence is being done	As needed	Key Control	IM/IM/ID/MDI	
Investment	# 5	Investment Process	Mandating lawyers and or consultants	Expenses	4	1	Re-confirming with MDI	Control expenses	As needed	Key Control	MDI	
Investment	# 6	Investment Process	Sending Binding offer	No standardised DD template - th	4	2	Investment Committee (IC) Meeting	Making sure offer is from	As needed	Key Control	MDI/CEO/ (CFO)	
Investment	# 7	Investment Process	Signing	No standardised DD template - th	4	2	Peer checking through deal team	Reviewing contract - cor	As needed	Key Control	IM/IM/ID/MDI/Consultants/Lawyers	
Investment	# 8	Investment Process	Closing	Last few conditions can't be fulfil	2	2	Closing Conditions	Fix last few conditions or	As needed	Non-key Control	IM/IM/ID/MDI/Consultants/Lawyers	
Investment	# 9	Investment Process	Fundraising	KYC procedure is lacking	2	2	United Partner Agreement (UPA)	Prevent QCP from invest	As needed	Key Control	Investors/IM/ID/MDI	
Investment	# 10	Investor Reporting	Preparing Annual General Meeting (AGM)	Loss of credibility due to wrong nu	3	2	4-Eye principle, Sanity checks	Making sure all financials	As needed	Key Control	MDI/CEO/CFO	
Investment	# 11	Investor Reporting	Preparing Quantum Quarterly Reporting (QQR)	Loss of credibility due to wrong nu	3	2	4-Eye principle, Sanity checks	Making sure all financials	As needed	Key Control	MDI/CEO/CFO	
Investment	# 12	Divestment	Decision-making to sell or not	Legal expenses in case of missing	2	2	Investment Committee	Exit Strategy	As needed	Key Control	MDI/CEO/CFO/ Initial Deal team	
Investment	# 13	Divestment	Virtual Data Room preparation QCP internally	Providing incomplete, incorrect da	3	2	Exit deal team	Providing truthful data	As needed	Key Control	IM/IM/ID/MDI	
Accounting	# 14	Reporting	Preparing Annual Account Statements				Re-Confirming with CFO	Ensuring that all account	Continuous	Key Control	CFO	
Accounting	# 15	Reporting	Auditing of Annual Account Statements	Provided data is wrong	4	2	Audit by external auditor	Making sure that correct	Continuous	Key Control	External Auditor	
Accounting	# 16	Invoice receipt	Booking of Invoice into system	Not all conditions that make up an	2	1	Checking if all conditions for the invoice	Detect potential mistake	Continuous	Key Control	FA	
Accounting	# 17	Invoice receipt	Booking of Invoice into system	Not all conditions that make up an	2	1	Reconfirming with FM if invoice is	Detect potential mistake	As needed	Non-key Control	FM	
Accounting	# 18	Invoice receipt	Paying Invoice up to 1000 Euro	Employee could misappropriate ca	3	2	Re-confirm with Finance Manager	Ensure that payment goes	As needed	Key Control	FM	
Accounting	# 19	Invoice receipt	Paying Invoice between 1000-5000 Euro	Employee could misappropriate ca	4	2	Re-confirm with CFO	Ensure that payment goes	As needed	Key Control	CFO	
Accounting	# 20	Invoice receipt	Paying Invoice over 5000 Euro	Private expenses are being billed,	4	2	Re-confirm that all invoices and receipt	Ensure that no payment	Continuous	Key Control	FA	
Accounting	# 21	Invoice receipt	Travel expenses accounting/booking in system	Private expenses are being billed,	3	1	Re-confirm with Finance Manager	Ensuring that everything	Continuous	Non-key Control	FM	
Accounting	# 22	Invoice receipt	Paying travel expenses	Private expenses are being billed,	4	2	Checking if private expenses are being	Ensuring that no private	Continuous	Key Control	FA	
Accounting	# 23	Invoice receipt	Corporate credit card expenses booking in system	Receipts don't align with expenses	3	2	Checking if receipts and credit card ex	Making sure that everyth	Continuous	Key Control	FA	
Accounting	# 24	Invoice receipt	Corporate Credit card accounting	Payment is made without existing	5	3	Checking if shareholder resolution exists	Ensuring that shareholder's	As needed	Key Control	FM	
Accounting	# 25	Shareholder Resolution	Payment of a Capital Contribution/loan to subsidiary				CFO checks budget	Ensuring that budget	As needed	Key Control	CFO	
Accounting	# 26	Office Management	Budget for new equipment	Purchased Equipment is not what	2	1	Re-confirm with CFO	Ensuring that purchase	As needed	Key Control	CFO	
Accounting	# 27	Office Management	Purchasing new Equipment up to 5000 Euro	Purchased Equipment is not what	4	2	Present 3 best options to CFO	Ensuring that purchase	As needed	Key Control	CFO	
Accounting	# 28	Office Management	Purchasing new Equipment for more than 5000 Euro		2	1	Checking ESG reporting of subsidiaries	Checking if ESG goals	at Continuous	Key Control	FOM (Finance Ops. Manager)	
Finance	# 29	ESG	ESG Reporting	ESG Initiatives (E.g.: Donations)	2	1	Checking ESG efforts of QCP	Checking whether QCP's	Continuous	Key Control	FOM (Finance Ops. Manager)	
Finance	# 30	ESG	ESG Initiatives (E.g.: Donations)	Reputational risk if donation goes	2	1	Re-confirming with CFO	Ensuring that correct	off	As needed	Key Control	CFO
General	# 31	Onboarding	Preparing workstation/hardware for new employee				Confirming budget with CFO	Ensuring that budget is	As needed	Key Control	CFO	
General	# 32	Event Management	Budget discussion for event				Presenting best 3 options to Managem	Ensuring that managem	As needed	Non-key Control	CEO/MD/CFO	
General	# 33	Event Management	Event Venue		3	1	Confirming with FM	Making sure if cash with	As needed	Key Control	FM/CFO	
General	# 34	Event Management	Cash withdrawal		3	1	Confirming with FM	Making sure if cash with	As needed	Key Control	FM/CFO	
General	# 35	IT Security	Accessing company data		4	1	VPN	Ensuring nobody from	at Continuous	Key Control	FA	

Figure 25: Process risk and Control Matrix

7.6 Proposal Assessment Form

*LYCar Proposal Grading Rubric**V.1.1 (Version LYCar 2020; 16 February, 2021)*

Student Name:	Leonhard Kempe	LYCar Coach:	Mr Chia
Student Number:	782075	Primary PLO:	3
Date Submitted:	29.08.2022	Secondary PLO(s):	4

Note: All boxes with red border to be filled by student

Preconditions (required for assessment)	Yes	No	Comments
Checks content and completeness			
Executive Summary is present, concise, can be read independently, contains information about process and content, focuses on results and outcomes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
LYCar Proposal meets formal reporting criteria (according to e.g., LYCar Reading & Writing Guide)			
LYCar Proposal is written in English and is professional, including common basic components such as Intro, ToC, Conclusion etc.- see Reading & Writing Guide	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
LYCar Proposal is max. 5.000 words (counting after Table of Content, incl. text in tables) - visual proof of wordcount is included in Appendices.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Harvard Referencing Style is used consistently, referencing to primary sources only, List of References is well presented	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Check (technical) formalities and submissions			
Ephorus upload	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
LYCar Proposal incl. Appendices are uploaded in Osiris	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Ethics and data management			
Ethical, integrity and data management requirements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Entitled to assessment? (All yes above required):	<input checked="" type="checkbox"/>		

DD1: The student has demonstrated knowledge and understanding in a field of study that builds upon their general secondary education, and is typically at a level that is supported by advanced textbooks

	Excellent	Pass	No Go
1.1 Use of literature and knowledge of the field	Student uses in-depth literature and knowledge of the field throughout the report. The report contains no mistakes and factual incorrectness.	Student uses in most cases literature and knowledge of the field in the report. The report contains some mistakes and factual incorrectness in a limited part of the report.	No sufficient or correct use of literature and knowledge of the field in the report. The report contains mistakes and factual incorrectness.
1.2 Intellectual depth and abstract thinking	Student takes all significant factors into account and looks from different perspectives, sees patterns, relates situations to concepts in order to solve larger problems. The reports show excellent thinking capacity of the student. New unique insights presented in the topic and depth of understanding displayed. Excellent linking between the elements and the underlying issues within the case situation.	Student takes different perspectives into account. The report shows intellectual depth (taking into account all significant factors and looking from different perspectives) in most parts of the report. Some patterns are clear. Some links have been made.	The report lacks intellectual depth (superficial and merely descriptive) in some parts of the report. Patterns are not sufficiently made clear.
Student Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	Overall I would say I definitely did make use of the correct and according literature for my topic. I think however that I do miss a bit of different perspectives, for example on the industry standard for ICSs. Still, the report shows a clear golden thread and train of thought in my opinion	
Assessor Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	OK but can be improved by having alternate viewpoints from literature	

DD2: The student can apply their knowledge and understanding in a manner that indicates a professional approach to their work or vocation, and has competences typically demonstrated through devising and sustaining feedback and solving problems within their field of study

	Excellent	Pass	No Go
2.1 Application of theories/models to situations at hand	Student uses a range of theories/models appropriate to the problems in the case skilfully and able to add their own unique perspective and insight. They own the model(s).	Student mentions a range of theories/models appropriate to the problems in the case and applying some of them in the correct way.	Mentioning models and theories but not using them in a correct way.
2.2 Possible impact and meaning of own work - dissemination of research	Student plans evaluation of impact and meaning of own work in relation to business and industry with sound underpinning. Identification of all stakeholders and acts of dissemination. Plan on how to effectively disseminate knowledge through different channels fitted for a variety of audiences is also presented.	Student formulates criteria for evaluation. Student describes possible impact and meaning of own work. Identification of stakeholders and planning of dissemination through at least one valuable channel with an audience is presented.	Student fails to describe criteria how to evaluate impact. No identification of stakeholders or realistic plan on dissemination of knowledge through at least one valuable channel with an audience.
Student Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	I think the purpose and the impact of the project becomes very clear in the report. The concerned stakeholders have been identified. The models used in the proposal do connect to the topic of the report however, more models could've been used in total.	
Assessor Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	OK	

DD3: the student has the ability to devise data gathering events, gather and interpret relevant data (usually within their field of study) to inform judgements that include reflection on relevant social, scientific or ethical issues

	Excellent	Pass	No Go
3.1 The Design Based Research Process	Student sets the research process up in a systematic and well organised way. Student makes sense of a problem mess, analyses a (complex) problem and formulates feasible solutions by using a design-based research approach. Logical flow from Problem definition to Analysis to Solutions Design/methods are well chosen and motivated,	Student analyses the problem, and formulates possible solutions underpinned by literature using a design-based research approach. Methods motivated and mostly logically chosen	Insufficient problem analysis and methodology, research cycle not used.
3.2 Analysis and evaluation of data	Student plans analysis and evaluation of data/information well using appropriate (digital) tools and makes data-driven decisions. All statements are underpinned with facts and figures and/or referencing. The appropriate tools are used in all steps. Analysis is sufficiently complex with use of information from more than 2 different dimensions (practioners, scientific literature, the organization and stakeholders).	Student plans analysis and evaluation of solutions clearly, with some flaws or unclarities. Some statements are underpinned with facts and figures and/or referencing, some lacking underpinning. Analysis is sufficiently complex using data from at least one dimension and sufficiently backed up with literature.	Plan of analysis and evaluation of solutions is not clear. Statements are mostly not underpinned with facts and figures and/or referencing; some are contradicting. No tools are used. Lacking or no analysis and not backed up with literature.
Student Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	The first steps of the DBR cycle have been applied in the correct way and order and a golden thread is visible. The methodology states how the data will be collected from stakeholders and expert and the literature review shows sources from practitioners, academic literature.	
Assessor Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	OK	

DD4: the student can communicate information, ideas, problems and solutions to both specialist and non-specialist audiences

	Excellent	Pass	No Go
4.1 Communication to audience making use of professional (business) English	Student divides information effectively in paragraphs/chapters. No noticeable errors in English usage and mechanics. Use of language enhances the argument and avoids abbreviations. Sentence structures are well varied, and voice and tone are highly suitable for the specific audience/s. Style and content complement each other into an appealing, high quality story. Highly skilful organisational strategy. The logical sequence of ideas increases the effectiveness of the argument and transitions between paragraphs strengthen the relationship between ideas. Sub-headings are employed effectively and the links between different sections are reinforced through linking expressions. Shows attention to detail in all parts of the report.	Student divides information in paragraphs/chapters. Errors in English usage and mechanics are present, but they rarely impede understanding. Use of language supports the argument. Sentence structures are varied, and voice and tone are generally appropriate for the intended audience/s. Generally, a clear organisational strategy. The sequence of ideas in most cases supports the argument and transitions between paragraphs clarify the relationship between ideas. The report is mainly comprehensively written and lacks some attention to detail in some parts of the report.	Distracting errors in English usage are present and they impede understanding. Use of language is basic, only somewhat clear and does not support the argument. Word choice is general and imprecise. Voice and tone are not always appropriate for the intended audience/s. Basic organisational strategy, with most ideas logically grouped. Transitions between paragraphs sometimes clarify the relationship among ideas. The report is not comprehensively written and lacks attention to detail in most parts of the report.
Student Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	The report makes use of proper business english with slight mistakes here and there. I mostly make use of logical and value adding paragraphs. Headings make sense as well in my opinion. Still room for improvement in this section	
Assessor Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	OK	

DD5: the student has developed those learning skills necessary to continue to undertake further study with a high degree of autonomy

	Excellent	Pass	No Go
5.1 Plan on IQ development in PLO: Reflection on product(s)	Student has clear plans on what will be delivered and uses different relevant theory to underpin own work and reflect on it.	Student has a plan on what will be delivered and uses theory to underpin planned own work and reflect on it.	No clear deliverables mentioned and almost no theory to underpin own work and reflection.
5.2 Plan on AQ & EQ Self development	Student devises excellent ability to critically reflect on own developmental goals and demonstrates real growth mindset for life-long learning. Student proposes a demonstration of being able to self-direct, taking initiative in unpredictable situations. Student shows different metrics that can demonstrate development in terms of their EQ/AQ.	Student shows developmental goals and demonstrates growth mindset. There is a plan on how to reflect on values, attitudes and behaviour. Starting levels and desired end levels are described and measurements are provided.	Developmental goals are not concrete, there is no demonstration of growth mindset. Plan on how to reflect is vague and does not give enough substantiation to show growth.
5.3 Plan on EQ Social development	Student provides a plan on how to construct a multitude of proof that shows development as an Intercultural Hospitality Leader. Excellent ability to contribute to the global society/local community as a responsible citizen. Excellent analysis of diversity of people the student will deal with. Possible effective collaboration with all stakeholders in different cultural settings. Hospitality is key to the project or work the student does.	Student provides a plan on how to prove development as an Intercultural Hospitality Leader. Plan on how to contribute to the global society/local community as a responsible citizen. Proposing ideas on how to collaborate with different stakeholders in different cultural settings. Hospitality is a differentiator in the students' project or work.	No clear plan on development as an Intercultural Hospitality Leader. Plan on how to contribute to global society/local community is missing. Ideas proposed on collaboration or hospitality are not sufficient.

Student Feedback:	Pass	<input checked="" type="checkbox"/>
	Not Yet	<input type="checkbox"/>

I think this self reflection part of my proposal is quite extensive and well elaborated. I analyse all three quotients and use different models to evaluate and explain, however use of models could be more extensive.

Assessor Feedback:	Excellent	<input type="checkbox"/>
	Pass	<input checked="" type="checkbox"/>
	Not Yet	<input type="checkbox"/>

OK

Overall Assessor Feedback

Overall the proposal shows the thought process and makes use of DBR elements. You need to demonstrate how your solution solves the problem in your final submission.

LYCar Proposal Outcome

- Pass ☒ All qualitative criteria awarded a "Pass". "P" registered in Osiris. Student can continue with LYCar execution.
- No Go ☐ One or more qualitative criteria graded as "Not Yet". "F" registered in Osiris. Student re-writes LYCar Proposal with incorporated feedback.
- Pre-Condition NY ☐ Pre-conditions not met. Student resubmits LYCar Proposal. No grade or feedback provided to the student.

7.7 Proof of Wordcount



7.8 ICS QCP – Final Product