WO₂ **MA Operator**

# REPORT ON THE INTERNAL CONTROLS FOR MANAGED ACCOUNT SERVICES

2017-18 FINANCIAL YEAR

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## INTRODUCTION

This Type 2 report on internal controls is designed to provide information to be used for financial reporting purposes by the clients of MDA Operator Pty Ltd (ACN 609 025 130) trading as MA Operator, their independent auditors and other persons authorised by MA Operator.  This report is prepared in accordance with the Australian Standard on Assurance Engagements (ASAE) 3402 *Assurance Reports on Controls at a Service Organisation* and with reference to the guidelines contained in Guidance Statement GS 007 *Audit Implications and the Use of Service Organisations for Investment Services*, issued by the Auditing and Assurance Standards Board (AUASB), in October 2011 ("GS 007" or "the Guidance Statement").

The report describes those controls that have been designed to achieve each of the prescribed control objectives detailed in GS 007 and are cross referenced by number to the framework specified in GS 007. Information provided within the report focuses on the controls that were in place throughout the period 1 July 2017 to 30 June 2018 related to the Asset Management and related Information Technology, that are applicable to MA Operator's system.

ASAE 3402 requires a service organisation to provide a 'System Description'. The system is designed as those procedures that management designs, implements and documents in providing the managed account services.  The System Description was prepared according to the guidelines contained in GS 007 and describes those procedures undertaken by MA Operator in the delivery of the managed account services to Financial Advisors. The description excludes the control objectives and related controls operated by the Financial Advisers and sub service organisations. The service auditor's report procedures do not extend to the controls operated by Financial Advisors or sub service organisations.

BDO East Coast Partnership's examination of controls were restricted to the controls specified by MA Operator in the GS 007 Controls Matrix (see pages 14-42), and were not extended to controls in effect at clients or other controls which were not documented and tested under each control objective listed in the GS 007 Controls Matrix.

The description of BDO East Coast Partnership's examination of controls and results of those examination procedures are presented in the GS 007 Controls Matrix of the report and are the responsibility of BDO East Coast Partnership, the service auditor. The description of the control objectives, the related controls, and the complementary user entity controls to achieve the objectives have been specified and are the responsibility of MA Operator.

## OVERVIEW OF MA OPERATOR

MA Operator is a wholly owned subsidiary of Finlancer Holding Pty Ltd (ACN 603 824 835) trading as **WealthO2.** WealthO2 operates on a business to business basis and does not offer its services directly to a retail customer. This means that all our services are facilitated through a licensed financial planner.

MA Operator provides innovative managed account services (including **MDA**) to retail and wholesale clients of licensed Australian based financial advisers. This business commenced its operation in July 2016 and is conducted as a Corporate Authorised Representative (CAR) of WealthO2 Services Pty Ltd (AFSL: 500032).

WealthO2 also owns uXchange Pty Ltd which is the administrator and promotor of an IDPS-like scheme known as uXchange. A separate GS 007 report has been prepared covering the unit registry services undertaken for uXchange.

WealthO2 is privately owned by its staff and several high net wealth individuals. The company is not aligned to any bank or institution.

### GENERAL OVERVIEW OF COMPANY

MA Operator is:

- A registered Australian proprietary company (ACN 609 025 130)
- Corporate Authorised Representative of WealthO2 Services Pty Ltd (AFSL No 500032) (**WealthO2**) - Authorised Representative number 1237411.
- A member of Financial Ombudsman Service (FOS) membership ID – 39990.

### SERVICES PROVIDED BY MA OPERATOR

MA Operator provides its managed account services to Australian licensed Financial Advisers (AFSL's), complementing their current operational and system architecture and client servicing culture.

MA Operator integrates with the AFSL's chosen broker/s[1], Bank, Cash Management Account or administrator of choice where electronic data connectivity is available.

Using MA Operator's proprietary software, the business is able to provide managed account services to financial advisors under a number of different legal structures. Namely:

a) Managed Discretionary Accounts where MA Operator is the MDA Provider (as defined in RG179) and the adviser is the MDA Adviser; or

b) Software as a Service (SaaS) to an MDA Provider to enable the provider to undertake its service responsibility; or

c) SaaS to a licensed financial planner who makes recommendations to clients via a Record of Advice (ROA), which is the document that gives authority to trade.

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[1] This includes the ASX broker and/or uXchange for unlisted managed funds.

Irrespective of the legal structure of the managed account arrangement with a client we provide quarterly and annual reporting as though the account was operated as a Managed Discretionary Account. ASIC Regulatory Guide RG179 outlines these requirements.

MA Operator has developed its own proprietary systems to deliver the services it makes available to the market. A major aspect of the system is the automation of compliance tasks and the daily controls checks we undertake.

The GS 007 Guidance Statement has been developed specifically for circumstances where service organisations provide investment management services to user entities. In the guidance statement, paragraph 14 categorises the Investment Management services into six (6) types.

The table following provides a reference guide of the GS 007 categorisations to the services provided by MA Operator.

| Service | Service provided by MA Operator | Name of WealthO2 subsidiary providing the service |
|---|---|---|
| Custody | Not Provided | Not Applicable. |
| Asset Management | Yes | MA Operator provides managed account services which involves some aspects of Asset management. |
| Property Management | Not Provided | Not applicable. |
| Superannuation Member Administration | Not Provided | MA Operator is the sponsor and promoter of a retail super option **but we do not undertake Superannuation Member Administration.** MA Operator provides Asset Management and Investment Administration services to the Registrable Superannuation Entity (RSE) of the plan (Diversa) and works closely with the member administrator to manage member investments. |
| Investment Administration | Yes | MA Operator provides managed account services which involves some aspects of Investment Administration. |
| Registry | Not Provided | A related company uXchange Pty Ltd is the administrator of the IDPS-like scheme known as uXchange. The audit of this activity commences in the 2017-18 financial year and does not form part of this Report. |

## APPLICABILITY OF REPORT

This report relates only to the MA Operator business and the services and technology solutions it makes available to financial advisers and their clients referred to as (**Investors**). This report is intended to provide an understanding of the controls relating to securities traded, held and reported for each Investor's investment portfolio maintained by MA Operator.

The report covers controls over the following areas with regard to accounts managed by MA Operator:

- Account set-up and authorisation
- Authorising and processing transactions
- Investment income and related tax are accurately reported
- Investments are correctly valued
- Fees and other account expenses and correctly calculated and recorded
- Reconciliation
- Client Reporting
- System security
- System operations
- Application development and maintenance
- Business continuity management

## BUSINESS STRUCTURE

### ORGANISATIONAL STRUCTURE

MA Operator's organisational structure provides a framework within which its business activities are planned, executed, controlled and monitored. A significant aspect of the structure is defining key areas of authority and responsibility and establishing appropriate lines of reporting.

### ORGANISATIONAL CHART

The organisational chart illustrating the senior management of MA Operator as at 30 June 2018 is shown below.
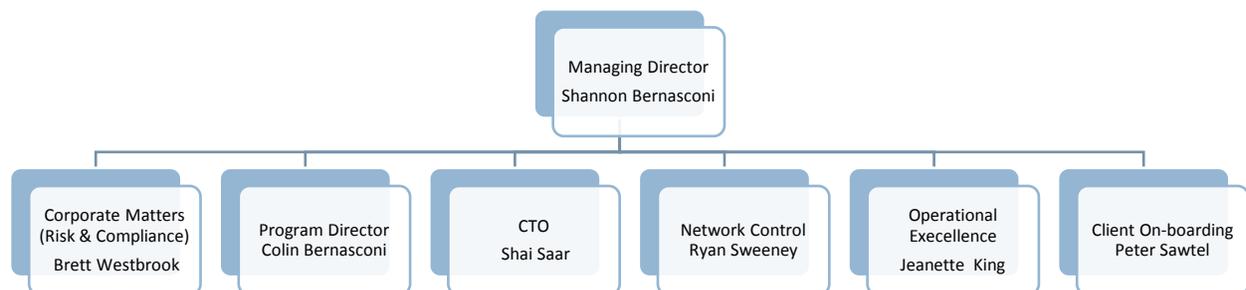
## IT SYSTEMS

MA Operator has fully developed the system under review in this report and the IT arrangements in place are key to MA Operator's operations.

### HOSTING ARRANGEMENTS

MA Operator utilises a fully hosted, maintained and secure data centre partner in Australia.

From July 2017 to August 2017 Amazon AWS provided MA Operator with a complete turn-key disaster recovery protection, with synchronised copies of data being stored at remote locations to facilitate quick up-time in the event of a disaster. Unity Fund Services has robust SLAs in place with AWS to ensure uptime reliability and platform scalability.

From August 2017 Digital Pacific provided MA Operator with a complete turn-key disaster recovery protection, with synchronised copies of data being stored at remote locations to facilitate quick up-time in the event of a disaster. Unity Fund Services has robust SLAs in place with Digital Pacific to ensure uptime reliability and platform scalability.

Web24 hosts the other environments operated by MA Operator.

### DEVELOPMENT LIFECYCLE OF THE SYSTEM

**Environments / Code branches**

As part of the end to end deliverables all code rotates through the following environments over the solutions lifecycle:

- **Integration** (Development)
  - Represents the development environment for one or more local and/or offshore resources.
  - If multiple teams (remote or local) are working on the same project pull requests will be made against this branch to consolidate changes.
  - Code reviews will occur on pull requests before merging takes place.
  - Development testing will occur off this branch in the development region.
- **User Acceptance Testing (UAT)**
  - This is typically a cut of the code taken after a code freeze which contains all the features we'll be deploying to production on the next release.
  - All testing bug fixes will be done on this code based and reverse merged to the integration stream once testing has been signed off.
- **Pre-Production** (Demo)
  - Represents code that has been signed off in UAT and is ready for deployment to production. If deploying to a pre-production region, final deployment procedures/tasks will be tested here.
- **Production / Release branch**
  - Represents the production environment/s for all solutions.
  - All BAU hotfixes that are required to be made in the line of business will be applied off a branch of Release. Fixes can be deployed to the Pre-production region for testing and signoff.

○ All hot fixes are retrospectively merged back into the respective development branches so that the fix is not lost on the next production deployment.

**Methodologies**

We use a hybrid of methodologies in our development environment.

**Scrum** is the chosen agile methodology for new features / projects over the conventional waterfall approach.

- Sprints are typically 2 weeks in length.
- Based on the team's velocity, tasks are chosen from the backlog for an upcoming sprint based on priority.
- Tasks are discussed with the team and assigned to developers.
- New features are developed against the development branch.
- A code freeze date is agreed upon ahead of time so that we can branch to UAT for testing to begin.
- Any bug found in UAT during testing are fixed against the UAT branch and reverse merged to the development branch.

**Kanban** is more suitable for BAU bug fixes.

- When a bug is identified in production, business raises a Jira ticket with details.
- Based on the severity of the bug it might need immediate attention (highest).
- High / Medium bugs typically form part of the current sprint based on capacity and urgency i.e. is there a temporary workaround in place.

## BITBUCKET REPOSITORY

**Bitbucket repo**
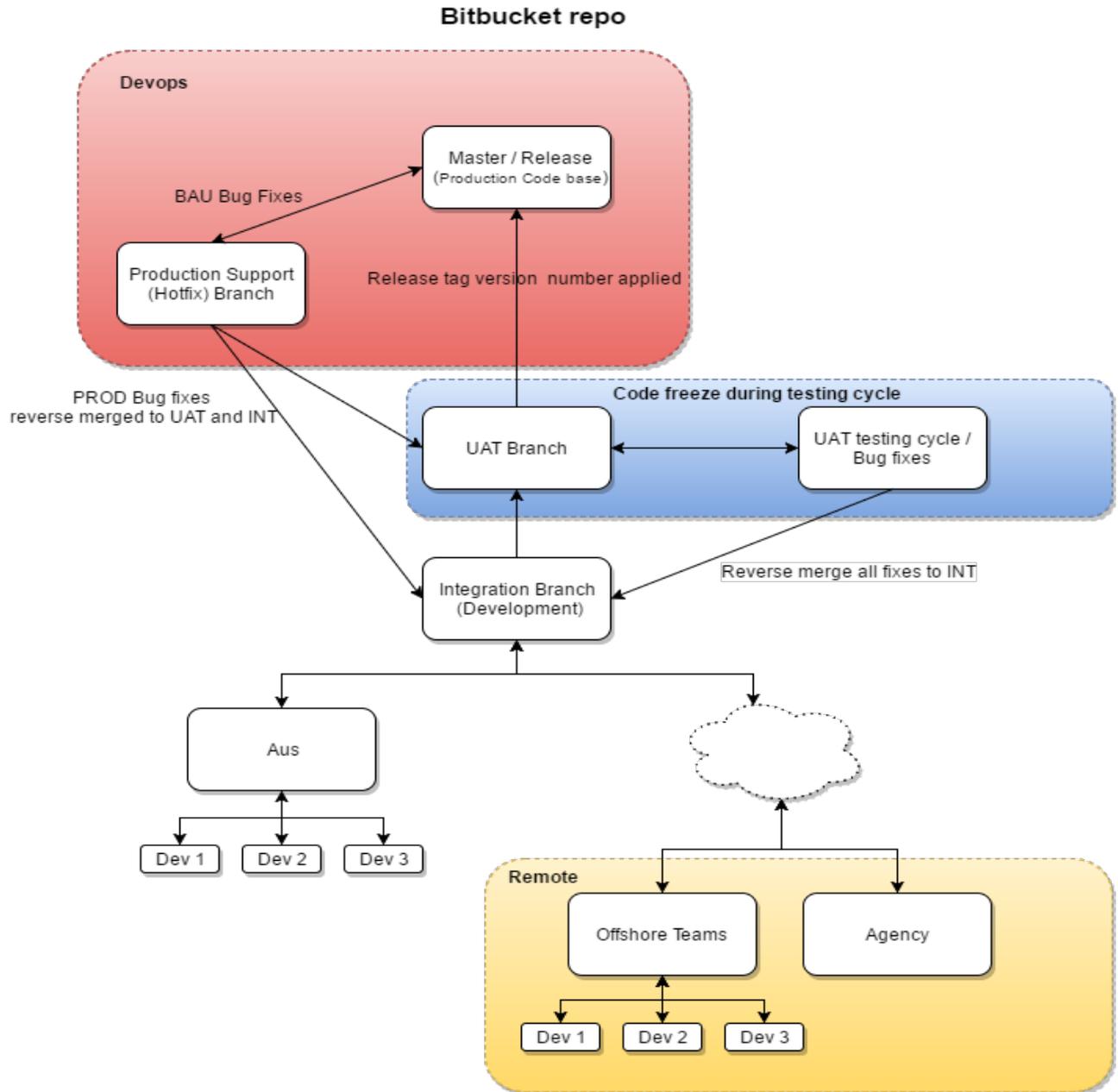
## REPORT BY DIRECTORS ON INTERNAL CONTROLS

### ASSERTION BY MA OPERATOR.

We are responsible for the accompanying description that has been prepared for clients who have used the MA Operator managed account service system and their auditors who have a sufficient understanding to consider the description, along with other information including information about controls operated by clients themselves, when assessing the risks of material misstatements of clients' financial reports/statements. MA Operator confirms that:

(a)     The accompanying description at pages 14 to 42 fairly presents the MA Operator managed account service system for processing clients' transactions throughout the period 1 July 2017 to 30 June 2018.  The criteria used in making this assertion were that the accompanying description:

    (i)     Presents how the system was designed and implemented, including:

- The types of services provided, including, as appropriate, classes of transactions processed.
- The procedures, within both information technology and manual systems, by which those transactions were initiated, recorded, processed, corrected as necessary, and transferred to the reports prepared for clients.
- The related accounting records, supporting information and specific accounts that were used to initiate, record, process and report transactions; this includes the correction of incorrect information and how information was transferred to the reports prepared for clients.
- How the system dealt with significant events and conditions, other than transactions.
- The process used to prepare reports for clients.
- Relevant control objectives and controls designed to achieve those objectives, including the control objectives for MA Operator managed account service provided in Guidance Statement 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* except for B9, B14, B15, B18, E5, E7, E10, E12, E13, E16-E20 control objectives which have been amended or omitted for the reasons set out in the attached Description of Controls in Operation.
- Controls that we assumed, in the design of the system, would be implemented by clients, and which, if necessary to achieve control objectives stated in the accompanying description, are identified in the description along with the specific control objectives that cannot be achieved by ourselves alone.
- Other aspects of our control environment, risk assessment process, information system (including the related business processes) and communication, control activities and monitoring controls that were relevant to processing and reporting clients' transactions.

(ii)     Includes relevant details of changes to the system during the period 1 July 2017 to 30 June 2018.

(iii)    Does not omit or distort information relevant to the scope of the system being described, while acknowledging that the description is prepared to meet the common needs of a broad range of clients and their auditors and may not, therefore, include every aspect of the system that each individual client may consider important in its own particular environment.

(b)    The controls related to the control objectives stated in the accompanying description were suitably designed and operated effectively throughout the period 1 July 2017 to 30 June 2018. The criteria used in making this assertion were that:

(i)     The risks that threatened achievement of the control objectives stated in the description were identified;

(ii)    The identified controls would, if operated as described, provide reasonable assurance that those risks did not prevent the stated control objectives from being achieved; and

(iii)   The controls were consistently applied as designed, including that manual controls were applied by individuals who have the appropriate competence and authority, throughout the period 1 July 2017 to 30 June 2018.

*Brett Westbrook*

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Signed by Brett Westbrook

on behalf of the directors of MA Operator

Date:    19 September 2018

# INDEPENDENT SERVICE AUDITOR'S ASSURANCE REPORT TO THE DIRECTORS OF MDA OPERATOR PTY LTD

## Scope

We have been engaged to report on MDA Operator Pty Ltd's, trading as MA Operator description at pages 14-42 of its internal controls over investment management and administration services referred to herein as the Managed Account services provided by MA Operator (the "description") throughout the period 1 July 2017 to 30 June 2018, and on the design and operations of those controls related to the control objectives stated in the description.

## MA Operator's Responsibilities

MA Operator is responsible for: preparing the description and accompanying assertion at pages 10 and 11, including the completeness, accuracy and method of presentation of the description and assertion; providing the services covered by the description; stating the control objectives, including relevant controls objectives for the Managed Account services as outlined in AUASB Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services,* and designing, implementing and effectively operating controls to achieve the stated control objectives.

## Service Auditor's Responsibilities

Our responsibility is to express an opinion on MA Operator's description and on the design and operation of controls related to the control objectives stated in that description, based on our procedures. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3402 *Assurance Reports on Controls at a Service Organisation*, issued by the Auditing and Assurances Standards Board, and with reference to Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*. ASAE 3402 requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls are suitably designed and operating effectively.

An assurance engagement to report on the description, design and operating effectiveness of controls at a service organisation involves performing procedures to obtain evidence about the disclosures in the service organisation's description of its system, and the design and operating effectiveness of controls. The procedures selected depend on our judgement, including the assessment of the risks that the description is not fairly presented, and that controls are not suitably designed or operating effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the control objectives stated in the description were achieved. An assurance engagement of this type also includes evaluating the overall presentation of the description, the suitability of the objectives stated therein, and the suitability of the criteria specified by the service organisation and described at pages 14-42.

In evaluating the suitability of the objectives stated in the description, we have determined whether each of the minimum control objectives provided in GS 007 for investment management and administration services is included, or, if any of the minimum objectives are omitted or amended, that the reason for the omission or amendment is adequately disclosed in the description.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

![BDO logo]

**Our Independence and Quality Control**

We have complied with relevant ethical requirements related to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQC1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Limitations of Controls at a Service Organisation**

MA Operator's description is prepared to meet the common needs of a broad range of clients and their auditors and may not, therefore, include every aspect of the system that each individual client may consider important in its own particular environment.  Also, because of their nature, controls at a service organisation may not prevent or detect all errors or omissions in processing or reporting transactions. Also, the projection of any evaluation of effectiveness to future periods is subject to the risk that controls at a service organisation may become inadequate or fail.

**Opinion**

Our opinion has been formed on the basis of the matters outlined in this report.  The criteria we used in forming our opinion are those described at pages 14-42.  In our opinion, in all material respects:

a)    the description fairly presents the asset management, investment administration and information technology system related to MA Operator's Managed Account services as designed and implemented throughout the period from 1 July 2017 to 30 June 2018;

b)    the controls related to the control objectives stated in the description were suitably designed throughout the period from 1 July 2017 to 30 June 2018; and

c)    the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from 1 July 2017 to 30 June 2018.

**Description of Tests of Controls**

The specific controls tested and the nature, timing and results of those tests are listed on pages 14-42.

**Intended Users and Purpose**

This report and the description of tests of controls on pages 14-42 are intended only for clients who have used MA Operator's Managed Account services and related Information Technology, and their auditors, who have a sufficient understanding to consider it, along with other information including information about controls operated by clients themselves, when assessing the risks of material misstatements of clients' financial reports/statements.

**BDO East Coast Partnership**

*BDO*

*AM*

**Arthur Milner**
**Partner**
Sydney, 19 September 2018

## GS 007 CONTROLS MATRIX

The following represents the Directors description of control objectives and controls over the Asset Management, Investment Administration and related Information Technology, and the auditor's description of the nature, timing and extent of auditor testing of controls and deviations identified. All controls were in operation for the period from 1 July 2017 to 30 June 2018.

### ASSET MANAGEMENT (B)

### ACCEPTING CLIENTS

| B.1 New accounts are set up completely and accurately in accordance with client agreements and / or offer documents and any applicable regulations. |
|---|

New client portfolios are established under the "**Process – New Client**" function on the MA Operator system. Client data in most circumstances is already held by the AFSL on another system (typically xPlan or Class) and MA Operator has developed tools to extract client data. In circumstances where we are unable to load from a file we or the AFSL key the information.

Client accounts are not moved into active until the client has active bank and broker accounts necessary to implement the advised strategy, which follow the system's validation process to ensure all data is loaded correctly required third party authority forms are obtained and held on the client's file.

As part of accepting a new client MA Operator records the legal manner in which the portfolio is being implemented and if applicable execute and/or load the applicable client agreement/s.

Once a client account is made active an Investment Service is established (see B.2 for the control objective).

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B1.1.** Client documentation including SOA, MDA Agreement & Investment Program are captured by the MA Operator system. | For a sample of new client accounts, verified that all required client documentation existed and ensured that they had been captured by the system. | No exceptions noted. |

## B.2 Complete and authorised client agreements, including investment guidelines and restrictions, are established prior to initiating investment activity.

If MA Operator is the MDA Provider we undertake the following:

a. The Statement of Advice (SOA) is checked to ensure that the MDA legal structure has been has been considered and recommended by the adviser for the client;

b. We ensure that the client has accepted the advice in the SOA as well as signed the MDA Agreement;

c. The MDA agreement is then executed by MDA Operator, with a scanned copy returned to the adviser / client.

Once the client account is made active – one or more Investment Service/s is established for the Client that reflects:

a. the legal structure the managed account is to be operated under;

b. the portfolio recommended and accepted via the SOA and Investment Program

Once money is available in the bank and broker accounts a rebalance process is commenced to establish the client's investment portfolio.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B2.1.** Validate and check all necessary documentation is correct and loaded to the document tab of the Client record maintained by the MA Operator system; via completing and signing a manual checklist. | For a sample of MDA arrangements, inspected the client checklist for review and approval. | No exceptions noted. |

**B.3  Asset investment transactions are properly authorised, executed and allocated in a timely and accurate manner.**

The "Investment Service" setting for each client controls:

   a.  The approval process to follow;
   b.  What securities are to be bought or sold

via an automated process of rebalancing which involves importing data from EOD and EDI and to update the values / holdings for all end user's accounts. The system calculates whether the end user's revised holdings values (based on these imports) are within the tolerance levels set out on set up of the client information and calculate the buy / sell of holdings required to bring the portfolio within the tolerable level.

New investment portfolios are typically rebalanced individually but could be bulked (i.e. multiple clients of the same AFSL) if a number of client accounts are transitioned at the same time.

Asset transactions are properly authorised when:

   a.  MA Operator has a valid MDA Agreement in place with the client; or
   b.  confirmation is received through DocuSign for a client portfolio operated via an ROA basis.

Once we have approved security trades the MA Operator operations team place the buy and sell orders with the relevant broker (refer B.4 below).  Contract notes are issued by the broker for each client trade which is processed against each client's individual HIN.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B3.1.** The automatic rebalance process is run daily for all clients. | Inspected the system to ensure that the rebalance function was operating as intended. | No exceptions noted. |

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B3.2.** Approval is obtained from each client prior to instructing a broker.<br><br>For MDA clients' approval to trade is automatically provided by the system. | Inspected the system to verify that the rebalance function had triggered a record of advice which was subsequently approved by the client. | No exceptions noted. |
| **B3.3.** MA Operator / Client is provided with a contract note confirming trade order and broker also confirms trade via API integration with MA Operator. | Inspected the system to verify that the accompanying contract note confirming the authorized trade had been captured within the MA Operator system. | No exceptions noted. |

| **B.4** | **Transactions are undertaken only with approved brokers.** |
|---|---|

MA Operator is broker agnostic and has arrangements in place with three brokers. Namely:

    a.    CommSec,

    b.    Desktop Broker; and

    c.    Open Markets.

The adviser determines which broker/s it wishes to use for client trading.

MA Operator can buy and sell securities for clients using the individual HIN (established in the name of each client). The Investment Service records the broker and bank account used to trade securities for the client.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B4.1.** MA Operator places the approved trades for each client via the applicable broker's order pad or the IRESS IOS order pad. | Through enquiry, confirmed that only approved brokers were used. Inspected the system to confirm that for an initiated trade the configurations mirrored the specified approved broker nominated in accordance with the MDA agreement and investment program. Confirmed that the system will only enable trades to be undertaken with the approved brokers. | No exceptions noted. |

### B.5 Asset investment and related cash transactions are completely and accurately recorded and settled in a timely manner

The source of truth of security and cash holdings of a client's portfolio rests with the broker and bank. MA Operator consolidates a client's holdings on a daily basis from the transactions and holding loaded from these third parties.

MA Operator reconciles the calculated holdings (determined by the sum of loaded transactions) in each client's Investment Service with the holding loaded from data imported from the underlying bank and broker records via the automatic daily reconciliation process.

The reconciliation process uses 'rules' set by MA Operator in order to categorise the transactions within the client's accounts.

The settlement process is managed directly by each broker. After MA Operator has placed the trade for a client it monitors that settlement takes place. In circumstances where there is an issue MA Operator manages the process until it is satisfied settlement has occurred.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B5.1.** MA Operator system automatically performs a daily reconciliation of all client accounts to ensure transactions are correctly categorized. | By observation, confirmed that the reconciliation process occurs to ensure transactions have been completely and accurately recorded.<br><br>The reconciliation process is automated to occur daily, based on information imported into the system. | No exceptions noted. |

**B.6** *Corporate events are identified and generated, respectively, and then actioned, processed and recorded accurately and in a timely manner.*

MA Operator does not generate, action or process transactions for corporate events/actions.

In the majority of Corporate Action events the broker generates an "Adjustment Up" or "Adjustment Down" transactions to reflect the impact on a client's holding as a result of a corporate action on a security.

In some cases, the broker also provides the reason code for the corporate action.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B6.1.** Corporate action transactions loaded through the daily feed with bank and brokers. | Refer to B5.1 | No exceptions noted. |

| **B.7** | **Client new monies and withdrawals are processed and recorded completely and accurately, on a timely basis, and withdrawals are authorised.** |
|---|---|

New monies come into a client's account / investment service in one of two ways. A deposit in the CMA or an off-market transfer of securities into a client's broker account. For new clients MA Operator work with the adviser to set up the account and through this process we are made aware when the cash or securities are deposited/transferred into the account.

MA Operator is not responsible for the processing of new monies. However once new monies are received we process the initial rebalance.

MA Operator assists the adviser to realise assets in the most efficient manner and transfer realised assets to the clients linked external bank account (held in the same name as the client account).

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B7.1.** New money receipt alerted through data load and validation process or through the daily alert process. | Refer to B5.1 | No exceptions noted. |
| **B7.2.** Withdrawal process commenced by adviser to realise securities to meet client's withdrawal request. MA Operator processes necessary sells and when cleared funds are available in the client's CMA we transfer the Funds to the clients linked (external) cash account. | Inspected a sample of the withdrawal process to ensure approval is gained from clients prior to the withdrawal action into the clients linked (external) cash account. | No exceptions noted. |

**B.8   Accounts are administered in accordance with client agreements and/or offer documents.**

Signed client agreements such as the SOA and MDA Agreement/Investment Program are held in the document tab of each client record within the MA Operator system.

The Investment Service established for each client holds all the agreed trading and portfolio information agreed with the client and is the reference source for the system to ensure the clients portfolio is administered in accordance with the client's mandate.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B8.1.** Constraints and trading restrictions are included in the agreement signed by the client which is held in the Investment Service in the system. | Inspected a sample of client accounts to ensure that the agreed upon constraints and trading restriction per the signed investment program had been correctly reflected within the system. | No exceptions noted. |
| **B8.2.** With the constraints being coded into the system, the daily rebalancing engine ensures client investment portfolio is correctly invested in accordance with the restrictions set. This monitors the position daily. | Refer to B3.1. | No exceptions noted. |

| B10. *Investment income and related tax are accurately recorded in the proper period.* |
|---|

Security level income information is automatically loaded daily from files provided by EDI and Financial Express into the Corporate Actions function within the MA Operator system.  Dividends / Distribution accrual transactions are generated with applicable taxation information.

Daily transactions in relation to investment income are also loaded and categorised through the reconciliation process detailed in B5.1 above.

Income transactions are matched to accrual transactions to enable taxation and performance reporting to advisers and their clients.

Tax reports are not generated by MA Operator.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B10.1.** The automatic daily reconciliation process is performed by the system to ensure that transactions are correctly categorised so that income transactions can be associated/matched with income accrual. | Refer to B5.1 | No exceptions noted. |

## B11. Investments are valued using current prices obtained from independent external pricing sources or an alternative basis in accordance with client agreements

MA Operator sources security information from third-party suppliers. The third-party providers and the information provided is shown below. Security end of day pricing is relevant to ensure the value of the holding for each client is correct.

| Third-Party | Information provided |
|---|---|
| End of Day (EOD) | Security Data |
| Exchange Data International (EDI) | Security Data |
| Financial Express (FE) | Fund Data |

The data feed from these providers is automatically imported into the system in order to enable the reconciliation of holdings to occur and subsequently the rebalancing of client portfolios.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B11.1.** Security reference information is automatically imported each day for new securities and/or security reference data changes each day from data files provided by EOD & EDI. | Observed in the system that the automatic data feed was being loaded automatically. | No exceptions noted. |

## B12. Cash and securities positions are completely and accurately recorded and reconciled to third party data.

MA Operator loads cash and security transactions and positions on a daily basis. The Data loads are verified and errors / exceptions identified through the "*Admin – Events (Import MDA Operator)*" function in the system.

This function lists all the processes run to ensure all data has been correctly loaded from third parties.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| B12.1. Transactions input into the system are automatically reconciled daily to the holding value provided by each third-party provider. Variance identified through validation reporting. | Refer to B11.1 | No exceptions noted. |

## B13. Investment management fees and other account expenses are accurately calculated and recorded in accordance with client agreements and/or offer documents.

MA Operator calculates and collects fees from client accounts for financial advisers.

Fees are agreed in advance between the advisor and the client and MA Operator and the advisor. The fee percentage to be applied is included in the system.

Fees are automatically calculated (based on the pre-agreed rates incorporated in the system) on the daily holding of client accounts are processed at the end of each month after approval from the adviser has been received.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| B13.1. The fee is automatically calculated based on pre-agreed rates included in the system. | By recalculation confirmed on a sample basis that the fee was correctly calculated by the system. | No exceptions noted. |

| B16. Client portfolios are managed in accordance with investment objectives, monitored for compliance with investment guidelines and restrictions and performance is measured. |
|---|

Client portfolios are monitored daily in relation to compliance with the Investment Program. The MA Operator system values each client's portfolio on a daily basis after the data load from each broker / third party supplier (refer B8 above) has been completed.

Each client portfolio is then compared to the configuration and trading rules specified in the SOA / Investment Program agreed with each client (which are input into the system). Moreover, tolerance levels are pre-defined in each Investment Service and Alerts are generated in circumstances where they are out of balance.

These alerts are sent to the financial advisor each day to notify them as to their client accounts which need action / rebalancing in order to bring them back in line with the client's Investment Program.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B16.1.** The "Order – Alerts" function in our system alerts us and the adviser to any Investment Portfolio outside the pre-defined tolerance levels (set in the system) to ensure portfolios are managed in accordance with the Investment Program. | Refer to B8.1 and B3.1 | No exceptions noted. |

| B17. Transaction errors are rectified promptly in accordance with the service level agreement and/or offer document or client instructions. |
|---|

Securities held in a client account that do not form part of the Investment Program or security holdings either below or above the Investment Program tolerance levels are identified the next day via the Alert system.

These daily alerts are provided to the AFSL to action changes to the portfolios.

We haven't had a circumstance where we have bought or sold a security in error.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B17.1.** Daily Alert function identifies securities held in Investment Services outside of tolerance. | The operating effectiveness of this control could not be tested as there were no errors noted during the period. | Not applicable. |

MONITORING SUBSERVICE ORGANISATIONS

| B19. Appointments of subservice organisations, including those providing asset management services, are approved, subservice organisations are properly managed and their activities are adequately monitored on a timely basis. |
|---|

The subservice organisations utilised by MA Operator to deliver its managed account service include:

    a.   Banks offering deposit & term deposit products;
    b.   ASX Brokers;
    c.   uXchange;
    d.   Data providers for security pricing & corporate actions;
    e.   Software development contractors;
    f.   IT hosting providers (see G13 for specific testing results).

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B19.1.** Contracts are maintained with all subservice organisations. | Inspected a sample of signed agreements between MA Operator and its subservice organisations. | No exceptions noted. |

REPORTING TO CLIENTS

| B20. Client reporting in respect of portfolio transactions and holdings is complete and accurate and provided within required timescales. |
|---|

The reporting functions in the MA Operator system enables an adviser to run reports for a particular client or group of clients.

Any report run for a client is appended in the document tab held for that client.

The reporting function is used to run the quarterly reports required by RG 179.

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **B20.1.** The quarterly reports required by RG 179 are run after each quarter end and emailed to clients. The reports generated meet the requirements of 179.104, 179.105, & **179.107.** | For a sample, verified that clients under an MDA arrangement had been sent their quarterly reports. | No exceptions noted. |

## INVESTMENT ADMINISTRATION (E)

There is an overlap between the control objectives of Asset Management and Investment Administration. The control objective for a similar control in Asset Management equally applies to Investment Administration. Rather than repeating the same control the table below provides a guide to the controls that overlap and where to find the audit findings for the control in this report.

### ACCEPTING CLIENTS

| E1. New accounts are set up completely and accurately in accordance with client agreements and any applicable regulations. |
| --- |
| Refer Control Objective B1. |
| E2. Complete and authorised client agreements are established prior to initiating accounting activity. |
| Refer Control Objective B2. |

### AUTHORISING & PROCESSING TRANSACTIONS

| E3. Portfolio transactions are recorded completely, accurately and on a timely basis. |
| --- |
| Refer Control Objective B5. |

### MAINTAINING FINANCIAL AND OTHER RECORDS

| E4. Corporate actions are actioned, processed and recorded accurately and on a timely basis. |
| --- |
| Refer Control Objective B6. |
| E6. Accounts are administered in accordance with client agreements. |
| Refer Control Objective B8. |
| E8. Investment income and related tax are accurately calculated and recorded on a timely basis. |
| Refer Control Objective B10. |

| E9. | Investments are valued using current prices obtained from independent external pricing sources, or an alternative basis in accordance with client agreements. |
|---|---|
| Refer Control Objective B11. | |
| E11. | Cash and securities positions are completely and accurately recorded and reconciled to third party data on a timely basis. |
| Refer Control Objective B12. | |

## MONITORING SUB-SERVICE ORGANISATIONS

| E14. | Appointments of subservice organisations, including those providing investment administrations, are approved, subservice organisations are properly managed and their activities are adequately monitored on a timely basis. |
|---|---|
| Refer Control Objective B19. | |

## REPORTING TO CLIENTS

| E15. | Periodic reports to clients, including calculation of net asset value if required, are accurate and complete and distributed on a timely basis. |
|---|---|
| Refer Control Objective B20. | |

## INFORMATION TECHNOLOGY (G)

### RESTRICTING ACCESS TO SYSTEMS AND DATA

| G1. Physical access to computer networks, equipment, storage media and program documentation is restricted to authorized individuals | | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G1.1.** Critical information infrastructure was located on AWS (until August 2017) and Digital Pacific (from August 2017 till 30 June 2018) | Inquired with management and inspected the premises to confirm that there is no infrastructure equipment resided in the MA Operator office.<br><br>Confirmed through inspection of contract agreements and invoices that all servers are owned and hosted in AWS and Digital Pacific designated data centers. | No exceptions noted. |
| **G1.2.** Core business computer systems reside on Amazon Web Services cloud environment and Digital Pacific. No MA Operator personnel have physical access to this environment. | Digital Pacific (August 2017 – June 2018): Inspected the Digital Pacific agreement to verify that core systems are located at the designated datacenter starting August 2017. Inquiry of the CTO confirmed that physical access to the datacenter is managed by Digital Pacific.<br><br>AWS (July 2017): Observed the on-line administration console, to verify that core systems owned and hosted in Amazon Web Services cloud environment. Validated the signed digital contract between Amazon Web Services (AWS) and uXchange to ascertain that AWS responsible for managing physical access to the data centers. | No exceptions noted. |

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **G1.3.** Backups are logical (i.e. non-physical), stored in 2 separate areas:<br><br>1. AWS - S3 environment<br>2. Digital Pacific managed backup service**.** | Digital Pacific (August 2017 – June 2018): Inquired with CTO key backups are performed by Digital Pacific. WS. Inspected Cloudberry backup notifications to ascertain backups are performed as scheduled.<br><br>AWS (July 2017): Inquired with CTO key backups are performed by AWS. Inspected the SOC 2 report to confirm backups are performed for all Managed services customer in the S3 environment. | No exceptions noted. |
| **G1.4.** Source code, pseudo code, and other programming documentation is stored electronically, access restricted to the Development team. | Inquired with Change Manager that code is maintained and managed within web-based version control repository of Atlassian BitBucket.<br><br>Inspected the list of users with access to the development branch within Bitbucket to confirm only 3rd party Development team. | No exceptions noted. |

| G2. Logical access to computer systems, programs, master data, client data, transaction data and parameters, including access by administrators to applications, databases, systems and networks, is restricted to authorized individuals via information security tools and techniques. | | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G2.1** Access to key systems is restricted using a username and password authentication. | Inquired with the CTO to confirm that enterprise version services of the cloud-based G Suite is used for corporate network. Observed G Suite user console to determine that passwords authentication is configured, controlled and managed by Google. Inspected the G Suite user console to confirm that unique user names are configured. Inspected the G Suite administrator console to confirm only CTO and directors have access to add users to G suite. | No exceptions noted. |
| **G2.2** User accounts in respect of staff commencements, movements and terminations are authorized by the relevant directors and the CTO in line with the corporate security access policy. | Inspected the list of current user account to confirm staff commencements, movements and termination. Inspected e-mails evidence to validate user account creations and terminations were authorized by relevant personnel. | Exception noted. Evidence demonstrating authorization of access provisioning was not available for testing. |
| **G2.3** G-Suite users and other business systems user accounts are reviewed annually. | Inquired with CTO to confirm review is performed for user accounts within G Suite. | Exceptions noted. No evidence was available to demonstrate the annual review. |

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **G2.4** Access to the production environment on the server level is restricted to IT personnel as appropriate. | Inquired with the CTO to confirm access to production environment on the server level is restricted to key system admin function personnel.<br><br>Inspected users with production server access to validate they are appropriate to have access as per their job responsibilities. | No exceptions noted. |
| **G2.5** Appropriate audit trails are activated to capture events on the application level. Trigger events are built in to alert System Administrations. | Inspected the administrator console of the MA Operator application to confirm audit trails are activated to log user based events. | No exceptions noted. |

| **G3.** Segregation of incompatible duties is defined, implemented and enforced by logical security controls in accordance with job roles |
|---|

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **G3.1** Development environments are restricted to the IT development team, while production environments are restricted to the IT infrastructure and database teams. | Confirmed with Change manager that there are three separate environments – Test, Staging and Production.<br><br>Confirmed with Change manager access to development environment is restricted to 5 developers and production environment is restricted to the CTO. | No exceptions noted. |

| G4. | IT processing is authorized and scheduled appropriately and exceptions are identified and resolved in a timely manner | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G4.1** Scheduled processes are automatically managed via Amazon Web Services and Digital Pacific. Process failure alerts are emailed to the IT and are visible via the online administration console. | Digital Pacific (August 2017 – June 2018): Inspected the contract agreement to ascertain scheduled processing are controlled and managed by Digital Pacific.<br><br>AWS (July 2017): Observed the contract agreement to ascertain scheduled processing are controlled and managed by AWS.<br><br>Inspected email alerts and warnings for process failure from the production system share with CTO.<br><br>Inquired with the CTO to confirm action required is registered into the Help Desk system. | No exceptions noted. |
| **G4.2** IT processing is managed and monitored in the background by "Hangfire" solution for both host providers. | Inquired with CTO to confirm Hangfire solution is used by AWS and Digital Pacific to monitoring scheduled processes.<br><br>Inspected Hangfire Dashboard to ascertain status of each scheduled job is reported with the total execution time. | No exceptions noted. |

| G5. *Appropriate measures, including firewalls and anti-virus software, are implemented to counter the threat from malicious electronic attack* | | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G5.1** The production servers is protected by maintained perimeter firewalls. | Observed AWS and Digital Pacific contract agreements and confirmed with CTO that perimeter firewall is managed by both providers as part of the service.<br><br>Inspection of SOC 2 report for AWS confirmed that private subnets are configured behind a DMZ at AWS and Web application firewalls and access control list is deployed for the production servers. | No exceptions noted. |
| **G5.2** Web services are placed in DMZ infrastructure. | Inquired with CTO to confirm that web services are provided by AWS and Digital Pacific and Wealth O2 has no control to manage infrastructure. | No exceptions noted. |
| **G5.3** Network penetration testing is performed . | Inspected the SOC reports and inquired with the CTO that penetration testing details are not available. | Exception noted.<br><br>No evidence was available to confirm the details of penetration testing performed. |
| **G5.4** Anti-virus and anti-malware technology is installed and maintained in line with vendor specifications. | Inspected the Anti-Virus Software dashboard to confirm that it is implemented and installed on all Windows Operating Systems. | No exceptions noted. |

| G6. | The physical IT equipment is maintained in a controlled environment. | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G6.1** Core business and supporting computer systems reside on Amazon Web Services and Digital Pacific cloud environments which has industry standard environment controls (climate and temperature control, UPS, fire suppression etc.). | Confirmed with CTO that environmental controls to the datacenters including cloud services are provided by AWS and Digital Pacific and MA Operator has no control to the datacenters.<br><br>Digital Pacific (August 2017 – June 2018): Confirmed with CTO that Digital Pacific is classified T1 datacenter with appropriate environmental controls implemented as per industry standards.<br><br>AWS (July 2017): Inspected SOC2 report to validate environmental controls are implemented and are operating effectively. | No exceptions noted. |

| G7. Development and implementation of new systems, applications and software, and changes to existing systems, applications and software, are authorized, tested, approved, implemented and documented. | | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G7.1** Change management policies and procedures are formalized.  Change request are reviewed and aggregated into Sprints and approved by the Change manager lead or management team. | Confirmed with Change manager lead that changes to applications and scripts are processed through Software development lifecycle policy.<br><br>Inspected policy to confirm that Agile is the chosen methodology for new features or projects and Bitbucket is used for code management.<br><br>Observed and inspected JIRA release sprints to confirm that change requests are categorized and aggregated as Sprints.<br><br>Observed change requests within JIRA to validate change is approved by key personnel from the management team. | No exceptions noted. |
| **G7.2** Change requests for additions or modifications to IT infrastructure (includes business systems tables) are generated, approved, and tracked. | Confirmed with CTO that all infrastructure for MA Operator is managed and controlled by AWS and Digital Pacific.<br><br>Observed the helpdesk systems for AWS and Digital Pacific to validate a ticket is to be raised for all changes. | No exceptions noted. |
| **G7.3** Emergency changes are approved by the CTO and recorded and tracked in JIRA. | Confirmed with CTO that all emergency changes follow the change management process with elevated priority and are released as required. | No exceptions noted. |

| Control Activity by MA Operator | Test of Controls Performed by BDO | Results of Tests |
|---|---|---|
| **G7.4** Changed is tested and signed-off by relevant management and recorded in JIRA. | Observed JIRA tickets to confirm changes are tested and approval sign off are recorded within JIRA.<br><br>Inspected sample ticket to validate testing was performed by key management team. | No exceptions noted. |
| **G7.5** Program changes are promoted to production by the CTO upon sign-off by the relevant stakeholders. | Confirmed with CTO that only limited IT personnel including the CTO, primary backup and support staff had access to promote changes to the production environment. | No exceptions noted. |
| **G7.6** Source code reviewed and tested to ensure quality and minimize vulnerability to external threats. | Observed the JIRA tickets to confirm code is tested in staging environment. | No exceptions noted. |

| G8. Data migration or modification is authorized, tested and, once performed, reconciled back to the source data. | | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G8.1** Migration of, or modification to, data follows the prescribed change management processes as described under G7. | Inquired with the CTO to confirm all migration or modification of data follows the defined change management process.<br><br>Inquired with CTO to confirm there was no data migration for MA Operator. | No exceptions noted. |

| G9. Data and systems are backed up regularly, retained offsite and regularly tested for recoverability on a periodic basis. | | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G9.1** Production systems residing on the Amazon Web Service and Digital pacific cloud environment are automatically backed-up via Amazon as part of the service agreement. The backup regime includes daily data backup snapshots. | Digital Pacific (August 2017 – June 2018): Inquired with CTO key backups are performed by Digital Pacific. WS. Inspected Cloudberry backup notifications to ascertain backups are performed as scheduled.<br><br>AWS (July 2017): Inquired with CTO key backups are performed by AWS. Inspected the SOC 2 report to confirm backups are performed for all Managed services customer in the S3 environment. | No exceptions noted. |

| G10. IT hardware and software issues are monitored and resolved in a timely manner. | | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G10.1** End-users communicated issues to the MA Operator are logged, investigated and resolved. | Confirmed with CTO all end user issues and incidents are logged within JIRA, investigated and resolved by the IT / helpdesk team and closed in a timely manner.<br><br>Observed helpdesk team to validate all issues and incident requests raised via e-mails or telephone are logged into JIRA and closed to resolution. | No exceptions noted. |
| **G10.2** Timely resolution of critical issues are monitored by the Senior Leadership. | Confirmed with CTO all user issues and incidents are logged within JIRA and all critical issues are escalated and monitored by management team. | No exceptions noted. |

| G11. Business and information systems recovery plans are documented, approved, tested and maintained. | | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G11.1** Disaster recovery plans are documented, current, approved by senior management, and consider business requirements. | Inspected the Disaster Recovery Plan (DRP) policy and procedure to validate that DRP has been defined and approved by the management. | No exceptions noted. |
| **G11.2** Disaster recovery plans are subject to annual testing schedules as approved by the business. | Confirmed with CTO that disaster recovery testing is included within the services provided by AWS and Digital Pacific. | Exceptions noted.<br><br>Inquired with CTO to confirm that DR testing has not been performed for the audit period. |

MONITORING COMPLIANCE

| G12. Information technology services provided to clients are approved, managed and performance thresholds met in accordance with the requirements of the client agreement. | | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G12.1** MA Operator production environment is available to client during business hours. | Confirmed with CTO that the availability of the production environment is the ownership of AWS and Digital Pacific.<br><br>Inspected the availability and performance monitoring tool provided by AWS and Digital Pacific to verify that the uptime reports are available for monitoring for MA Operator's production environment. | No exceptions noted. |

MONITORING SUBSERVICE ORGANISATIONS

| G13.  Appointment of sub-service organisations, including those providing IT services, are approved, sub-service organizations are managed in accordance with the requirements of the client agreement and their activities are adequately monitored. | | |
|---|---|---|
| **Control Activity by MA Operator** | **Test of Controls Performed by BDO** | **Results of Tests** |
| **G13.1** Third party service arrangement are reviewed and approved by senior management to ensure alignment to business needs. | Observed the digitally signed contract between Amazon Web Services (AWS) and Digital Pacific and noted that agreements were signed off by senior management. | No exceptions noted. |
| **G13.2** Third party service arrangements include service-level agreements. | Inspected and observed AWS SLA and digital copy of Digital Pacific service agreement to confirm it includes third party agreements. | No exceptions noted. |
| **G13.3** Digital Pacific Services automatically send SMS, email and alerts to the IT Infrastructure group inbox when services go offline or when service problems are encountered. | Confirmed with CTO that Digital Pacific sends automated alerts in case of any incidents or service issues.<br><br>Confirmed with CTO no service issues with Digital Pacific services and availability in the audit period. | No exceptions noted. |

INFORMATION PROVIDED BY BDO

## TESTS OF OPERATING EFFECTIVENESS

Our tests of the operating effectiveness of controls included such tests as were considered necessary in the circumstances to evaluate whether those controls and the extent of compliance with them, are sufficient to provide reasonable, but not absolute, assurance that the specified control objectives were achieved during the period from 1 July 2017 to 30 June 2018. Our testing of the operating effectiveness of controls was designed to cover a representative number of transactions and controls throughout the period 1 July 2017 to 30 June 2018, for each of the controls listed in the GS 007 Controls Matrix (see pages 14-42), which are designed to achieve the specified control objective. In selecting particular tests of the operating effectiveness of controls, we considered (a) the nature of the controls being tested, (b) the types and competence of available evidential matter, (c) the nature of the audit objectives to be achieved, (d) the assessed level of control risk; and (e) the expected efficiency and effectiveness of the test.

| Test | Description |
|------|-------------|
| Inquiry | Inquired of appropriate MA Operator personnel. Inquiries seeking relevant information or representation from MA Operator personnel were performed to obtain, among other factors:<br><br>• Knowledge and additional information regarding the control.<br><br>• Corroborating evidence of the control. |
| Observation | Observed application or existence of specific controls as represented. |
| Inspection | Inspected documents and records indicating performance of the control. This included but is not limited to:<br><br>• Inspected of reconciliations and management reports that age or quantify reconciling items to assess whether balances and reconciling items are properly monitored, controlled and resolved on a timely basis.<br><br>• Review of source documentation and authorisations to verify propriety of transactions processed.<br><br>• Examination of source documents or records for evidence of performance such as the existence of initials or signatures.<br><br>• Inspected of MA Operator documentation, such as operations manuals, flow charts and job descriptions. |

| Test | Description |
|---|---|
| Re-performance | Re-performed the control or processing application to test the accuracy of its operation. This included but is not limited to:<br><br>• Obtaining evidence of the arithmetical accuracy and correct processing of transactions by either recomputing the application computation or performing independent calculations.<br><br>• Re-performing the matching of various reconciliations by comparing, on a selection basis, information contained on the reconciliations to MA Operator produced source documentation. |