REPORT ON THE INTERNAL CONTROLS OF UXCHANGE UNIT REGISTRY & ADMINISTRATION SERVICES

2017-18 FINANCIAL YEAR

CONTENTS

INTRODUCTION

This Type 2 report on internal controls is designed to provide information to be used for financial reporting purposes by clients of uXchange Pty Ltd (ABN 39 610 852 536), their independent auditors and other persons authorised by uXchange Pty Ltd. 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 Registry and related Information Technology, that are applicable to uXchange Pty Ltd.

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 registry services. The System Description was prepared according to the guidelines contained in GS 007 and describes those procedures undertaken by uXchange Pty Limited in the delivery of the registry services to Financial Advisors. The description excludes the control objectives and related controls operated by the Financial Advisors 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 uXchange Pty Ltd in the GS 007 Controls Matrix (see pages 13 to 33) 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 uXchange.

OVERVIEW OF UXCHANGE

uXchange Pty Ltd 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.

uXchange Pty Ltd is the administrator and promoter of an IDPS-like Scheme known as uXchange (ARSN 618 455 673). uXchange Pty Ltd commenced providing unit registry services to uXchange in July 2017 and is conducted as a Corporate Authorised Representative (CAR) of WealthO2 Services Pty Ltd (AFSL: 500032).

WealthO2 also owns MDA Operator Pty Ltd which provides managed account services to other AFSL's. A separate GS 007 report has been prepared covering the Asset Management and Investment Administration services undertaken for MDA Operator Pty Ltd trading as MA Operator.

For the 2017-18 financial year the only channel supported by uXchange was MA Operator. This means that all uXchange investors are also clients of MA Operator. uXchange intends to introduce other channels in the future but until then when the term channel partner is used in this report we are referring to MA Operator.

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

uXchange Pty Ltd is:

- A registered Australian proprietary company (ACN 610 852 536)
- Corporate Authorised Representative of WealthO2 Services Pty Ltd (AFSL No 500032) (**WealthO2**) - Authorised Representative number 001252548.
- A member of Financial Ombudsman Service (FOS) membership ID – 39990.

SERVICES PROVIDED BY UXCHANGE

uXchange Pty Ltd provides the proprietary web-based administration platform, known as the "uXchange Portal" to deliver the transactional and administration functions for the IDPS-like product known as "uXchange". The main administration function undertaken by the company is the management of the member registry for uXchange and this is the focus of this assurance audit.

The Product Disclosure Document for uXchange describes the product offer and is available at https://uxchange.com.au/documents/ .

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 uXchange Pty Ltd.

Service	Service provided by uXchange Pty Limited	Name of WealthO2 subsidiary providing the service
Custody	Not Provided	Not Applicable.
Asset Management	Not Provided	See the separate GS 007 report for the related body corporate - MDA Operator Pty Ltd.
Property Management	Not Provided	Not applicable.
Superannuation Member Administration	Not Provided	A related body corporate - MA Operator is the sponsor and promoter of a retail super option **but does 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	Not provided	See the separate GS 007 report for a related body corporate - MDA Operator Pty Ltd.
Registry	Yes	uXchange Pty Ltd is the administrator of the IDPS-like scheme known as uXchange. As uXchange commenced operation in July 2017 this is the inaugural assurance audit of this service undertaken by uXchange Pty Ltd.

APPLICABILITY OF REPORT

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

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

- Accepting clients
- Authorising and processing transactions
- Maintaining financial and other records
- Safeguarding assets
- Monitoring compliance
- Monitoring subservice organisations
- Reporting to clients
- Restricting access to systems and data
- Authorising and processing transactions

- Maintaining and developing systems hardware and software
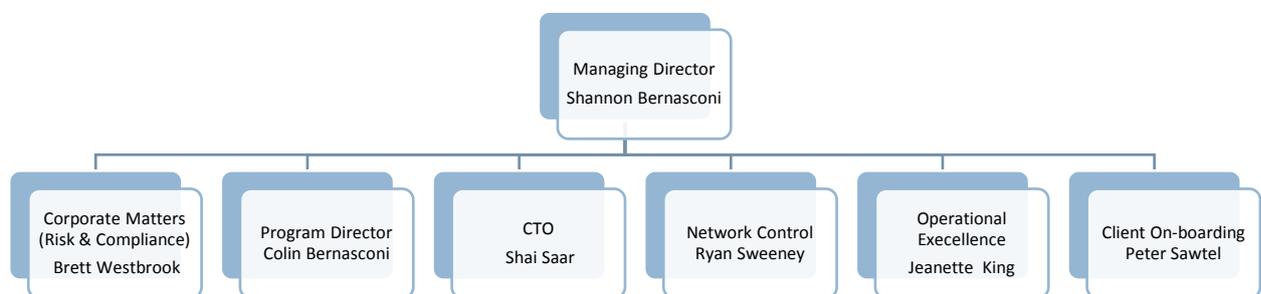- Recovering from processing interruptions

BUSINESS STRUCTURE

ORGANISATIONAL STRUCTURE

uXchange 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 uXchange as at 30 June 2018 is shown below.

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                        Managing Director
                        Shannon Bernasconi

Corporate Matters   Program Director    CTO         Network Control   Operational        Client On-boarding
(Risk & Compliance) Colin Bernasconi    Shai Saar   Ryan Sweeney      Execellence        Peter Sawtel
Brett Westbrook                                                       Jeanette  King
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IT SYSTEMS

uXchange receives automated instructions to buy and sell unlisted managed funds from its related body corporate MDA Operator Pty Ltd. For the purposes of the 2017-18 Financial year the only channel used by uXchange to receive buy and sell orders is through it managed account related body corporate MA Operator.

NEO

The system used to manage the member register of uXchange is NEO. The application has been purpose built for uXchange by Rudi Engelbrecht and his company TAU Solutions Pty Ltd.

NEO integrates with uXchange, RBC as custodian of uXchange and Macquarie Bank.

HOSTING ARRANGEMENTS

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

Amazon AWS provides uXchange 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.

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
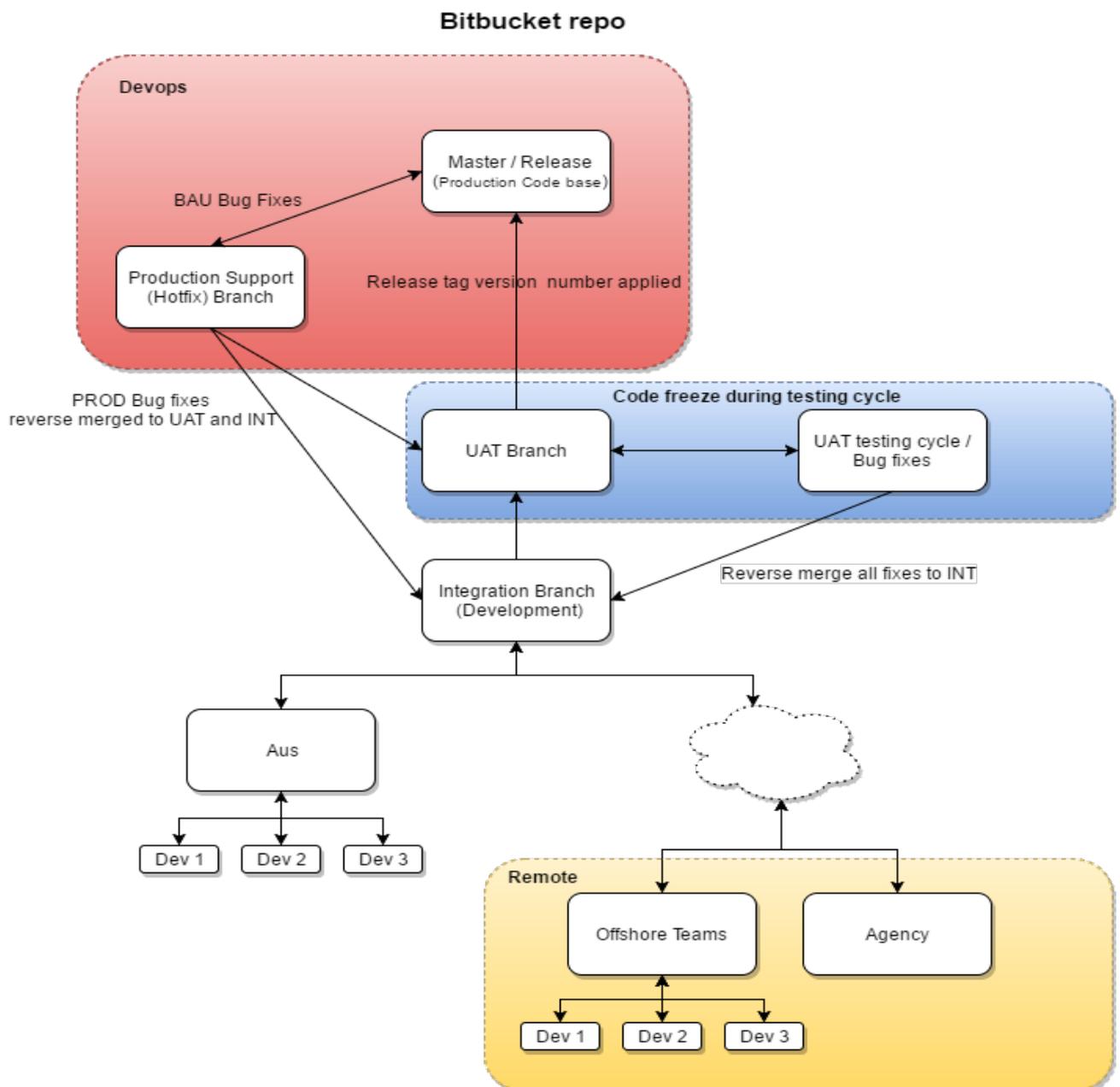
REPORT BY DIRECTORS ON INTERNAL CONTROLS

ASSERTION BY UXCHANGE.

We are responsible for the accompanying description that has been prepared for clients who have used uXchange 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. uXchange Pty Ltd confirms that:

(a) The accompanying description at pages 13 to 33 fairly presents the administration services undertaken by uXchange is maintaining the member registry system for uXchange 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 uXchange provided in Guidance Statement 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* except for F8 and F18 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 uXchange

Date: 19 September 2018

INDEPENDENT SERVICE AUDITOR'S ASSURANCE REPORT TO THE DIRECTORS OF UXCHANGE PTY LTD

Scope

We have been engaged to report on uXchange Pty Ltd's ("uXchange") description at pages 13-33 of its internal controls over unit registry services referred to herein as the Unit Registry services provided by uXchange (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.

uXchange's Responsibilities

uXchange is responsible for: preparing the description and accompanying assertion at pages 9 and 10, 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 Unit Registry 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 uXchange'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 13-33.

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 unit registry 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.

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

uXchange'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 13-33. In our opinion, in all material respects:

a)   the description fairly presents the registry and information technology system related to uXchange's Unit Registry 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 13-33.

Intended Users and Purpose

This report and the description of tests of controls on pages 13-33 are intended only for clients who have used uXchange's Unit Registry 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

Arthur Milner
Partner
Sydney, 19 September 2018

GS 007 CONTROLS MATRIX

The following represents the Directors description of control objectives and controls over the Registry 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.

REGISTRY (F)

ACCEPTING CLIENTS

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

New uXchange accounts are established electronically from the channel partner.

Validation of account information is undertaken by the channel partner through the Anti-Money Laundering (AML) / Know Your Customer (KYC) process of the financial advisor and the establishment of the Cash Management Account (CMA) for the client.

Account information is transmitted to uXchange to establish the account pending receipt of the signed application.

The new account number is confirmed electronically with the channel partner.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.1.1 New uXchange accounts are only established on receipt of request from the channel partner who has conducted the necessary AML/KYC investigation.	For a sample of new client accounts, verified that the data request approval had been received from the channel partner.	No exceptions noted.

F.2	**Complete and authorised client agreements are established prior to initiating accounting activity.**

The signed uXchange application form is returned via DocuSign through the intra-day polling process.

As part of application process the investor confirms they have received and read the uXchange PDS (supplied by the Financial Advisor).

On receipt of the signed application form the account is opened and activated by uXchange.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.2.1 Accounts are only activated once the signed uXchange application form has been received from the client.	For a sample of new client accounts confirmed that the signed agreement was in place.	No exceptions noted.

F.3	New unitholder activity is clearly established and recorded completely, accurately and in a timely manner.

uXchange account is activated once the DocuSign application form is received and filed by uXchange Pty Ltd.

Confirmation of the uXchange account new status is confirmed to channel partner.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.3.1 Channel partner receives confirmation that the investor's account has been activated and is ready for transaction activity.	Refer to F2.

Confirmation that signed agreement is attached to active accounts. | Refer to F2. |

F.4	Unitholder applications, redemptions received are checked, sorted and distributed for processing in a timely manner.

All application and redemption instructions for uXchange are created by the channel partner (once validated/approved) and submitted to uXchange electronically.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.4.1 Application and redemption instructions for each Managed Investment Scheme, for each investor, received from the channel partner is loaded into the unit registry system (i.e. NEO) for processing the same business day if received prior to the Custodian cut off (11:00 am each business day).	For a sample of accounts, agreed that validated and approved instructions had been received.

Inspected the system to ensure that the processing was operating as intended. | No exceptions noted. |

F.5	Unitholder transactions and adjustments are authorised, processed accurately, completely and in a timely manner.

uXchange validates instructions and aggregates orders for each managed fund to send to the custodian with supporting cash to fund application instructions (see F.6).

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.5.1 CMA available cash for each investor is vetted for applications to ensure instructions can be funded. uXchange will only process a Buy Order if there are sufficient funds in the CMA. Validated application and redemption instructions (**orders**) are consolidated by managed fund by NEO. Aggregated **orders** by managed fund are batched and sent to the custodian by the agreed cut off time each day (usually 11:00 am). Orders sent to the Custodian are flagged as pending until confirmation of the units bought or sold are confirmed by batch. Transaction price is validated against a third-party source before the trade is confirmed in the unit registry system. NEO reconciles the units received against the contract date and the price received from Financial Express.	Sighted the automatic data feed and the NEO reconciliation for a selected date.	No exceptions noted.

F.6   Cash receipts are processed accurately and banked promptly.

Cash for application instructions are processed by uXchange from each investor linked CMA and credited to the uXchange Application Account. The uXchange application account is cleared to the custodians OMNI account daily via electronic funds transfer.

Redemption proceeds processed by the custodian are transferred to the uXchange redemptions account and cleared to each investor linked CMA once the cash is matched with the transaction file.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.6.1 Cash to cover application instructions plus transaction fee disclosed in PDS is collected from each investor's linked Macquarie CMA and transferred RTGS to the uXchange application account. uXchange application account is reconciled to the instruction file and transferred to the custodian's cash account each day.	For a selected trade date, inspected the system and agreed that the transaction had been appropriately recognized through the reconciliation of the system data to the data feed provided by the broker.	No exceptions noted.
F.6.2 Cash amounts credited to the uXchange redemptions control account are reconciled to investor instructions and transferred (less the transaction fee) RTGS to each investor linked Macquarie CMA.	Refer to F6.1.	No exceptions noted.

F.7	Cheques and confirmation letters issued are accurately generated, matched and authorised prior to dispatch.	

Contract notes are generated and emailed to investors once the custodian has confirmed units and uXchange has verified the unit price.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.7.1 Custodian confirms all transaction details of applications and redemptions processed. uXchange undertakes a daily reconciliation of confirmations.	Refer to F12.	No exceptions noted.
F.7.2 A contract note is automatically issued to channel partner, emailed to client and saved to the client record.	For a selected trade date, inspected the system and confirmed that contract notes were emailed to investors and attached to the client record.	No exceptions noted.

F.9 Distribution payments and reinvestments are complete, calculated in accordance with the authorised distribution and processed in a timely manner.

Custodian (as registered unit holder with each issuer) reconciles distribution payments and reinvestment and:

    a.   Prepares distribution transaction file and sends to uXchange; and
    b.   Remits cash payments to the uXchange distribution bank account.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F9.1 uXchange receives and loads distribution transaction file. The transactions are reconciled to cash receipts processed by the Custodian and disaggregated to underlying investor accounts and cash distribution amounts paid to each investors linked Macquarie CMA.	Inspected the system and confirmed that transactions had been loaded, categorized and reconciled.	No exceptions noted.
F9.2 Reinvestment transactions are disaggregated to underlying investor accounts and reconciled against reported holding by the custodian.	Refer to F9.1.	No exceptions noted.

F.10	Accounts are administered in accordance with client agreements.

uXchange is an IDPS-like scheme that is required to operate in accordance with its Product Disclosure Statement (PDS). Investors sign an application which requires the authorised signatory of the entity joining uXchange to attest that they have sighted and read the PDS.

The application and PDS forms the basis of a client agreement.

Other than fees all other aspects of the PDS are covered by the other controls in this Matrix.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.10.1 Fees to Investors are processed in accordance with those disclosed in the PDS.	For a sample of client accounts agreed the fees were calculated in accordance with the signed PDS document.	No exceptions noted.

F.11	Changes to non-monetary unitholder data (for example, address changes and changes in allocation instructions) are authorised and correctly recorded in a timely basis.

Financial Advisors are responsible for advising / updating non-monetary unitholder data on uXchange in accordance with the distribution agreement executed with each AFSL using uXchange for client investments.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.11.1 Changes made by advisors are updated and maintained correctly by uXchange.	For a sample of client accounts, agreed the approved documents from financial advisors were maintained in the client record.	No exceptions noted.

F.12	Registrar records accurately reflect shares, units and cash held by third parties.

Investor holding in each fund maintained by NEO is reconciled regularly to the records maintained by the custodian.

Cash clearing accounts held by uXchange are reconciled and cleared at least weekly.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.12.1 Daily investor transactions are batched and reconciled to aggregated transactions held by the custodian. Daily and monthly holding reconciliations are undertaken by the uXchange administrator. Reconciliation differences between NEO and custody records are promptly resolved. Cash clearing accounts reconciled and cleared on a daily basis.	By observation, confirmed that the reconciliation process occurs to ensure transactions have been completely and accurately recorded.	No exceptions noted.

F.13	Unit activity is recorded completely, accurately and positions are regularly reconciled.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
Refer to F12.1.	Refer to F12.1.	Refer to F12.1.

SAFEGUARDING ASSETS

F.14 Lost and stolen certificates are recorded in a timely manner
Unit certificates are reissued only at the financial advisor instruction.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.14.1 Unit certificates are issued to the registered holder and advisor electronically.	There were no instances of lost or stolen certificates during the period.	Not applicable.

MONITORING COMPLIANCE

F.15 Transaction errors are identified, notified to clients and unit holders in accordance with client agreements and rectified if necessary.
Daily and monthly reconciliations performed to ensure uXchange unit registry accords with the custodian records.

uXchange also validates custody records with external data providers to ensure unit prices and distribution payments are correctly processed by the custodian. |

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.15.1 Investor accounts are reconciled to the custodian records at least monthly.	Refer to F12.1.	No exceptions noted.
F.15.2 All transactions are validated for consistency with unit prices provided by an external data provider and checked within tolerance.	Refer to F12.1.	No exceptions noted.
F.15.3 Expected dividend payments are accrued in uXchange and by the channel partner from information provided by an external data provider. Actual receipts are reconciled against the accruals.	Inspected the system and agreed distributions had been accrued within the expected timeframe.

This is an automatic process completed as part of the daily reconciliation process. | No exceptions noted. |

F.16 Appointments of subservice organisations, including those providing registry services, are approved, subservice organisations are properly managed and their activities are adequately monitored on a timely basis.

The records of uXchange, NEO and the channel provider are reconciled daily to ensure all consistently record correct holdings.

NEO is a subservice organisation to uXchange and its performance is monitored every day.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.16.1 Third party service agreements are reviewed and approved by senior management to ensure alignment to business needs.	Observed the signed contract between NEO and uXchange and noted that it was signed by senior management.	No exceptions noted.

REPORTING TO CLIENTS

F.17 Client reporting is complete, accurate and processed within required timescales

uXchange as an IDPS-like scheme is required to report to Investors each quarter.

uXchange also has annual reporting obligations.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
F.17.1 Quarterly reports prepared in accordance with the Class Order covering IDPS-like schemes are provided to Investors within one month of each quarter.	For a sample of clients, inspected and confirmed the quarterly reports issued to investors.	No exceptions noted.
F.17.2 Annual reports prepared in accordance with the Class order covering IDPS-like schemes are provided to investors by the 30th September each year. Note - The 2017-18 financial year is the inaugural year of operation.	For a sample of clients, inspected and confirmed the September 2017 annual report issued to investors.	No exceptions noted.

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 uXchange	**Test of Controls Performed by BDO**	**Results of Tests**
G1.1. Access to critical information infrastructure is located on AWS.	Inquired with management and inspected the premises, to confirm that no infrastructure equipment resided in the uXchange office. Confirmed through inspection of digital contract agreement and invoices. Servers are owned and hosted in AWS designated data centers.	No exceptions noted.
G1.2. Core business computer systems reside on Amazon Web Services cloud environment. No uXchange personnel have physical access to this environment.	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.
G1.3. Backups are logical (i.e. non-physical), stored in 2 separate areas: 1. AWS - S3 environment, 2. FTP environment resides within Web 24 Data Centre.	Inquired with CTO key backup are performed by AWS. Inspected SOC 2 report to confirm backup are performed for managed services customers in 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. 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 uXchange	Test of Controls Performed by BDO	Results of Tests
G2.1 Access to key systems corporate is restricted using a username and password authentication.	Inquired with the CTO to confirm that enterprise version services of the cloud-based G Suite are 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 authorised by the relevant business managers 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.	Exceptions 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 uXchange	Test of Controls Performed by BDO	Results of Tests
G2.4 Access to systems administrator production environment accounts are 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. 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 captured events. Trigger events are built in to alert System Administration.	Inspected the administrator console of the uXchange 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 uXchange	**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. Confirmed with Change Manager access to development environment is restricted to 5 developers and production environment is restricted to the CTO.	No exceptions noted.

AUTHORISING AND PROCESSING TRANSACTIONS

G4.	IT processing is authorized and scheduled appropriately and exceptions are identified and resolved in a timely manner	
Control Activity by uXchange	**Test of Controls Performed by BDO**	**Results of Tests**
G4.1 Scheduled processes are automatically managed via Amazon Web Services. Process failure alerts are emailed to the IT are visible via the online administration console.	Observed the AWS contract to ascertain scheduled processing are controlled and managed by AWS. Inspected email alerts and warnings for process failure from the production system share with CTO. Inquired 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.	Inquired with CTO to confirm Hangfire solution is used by AWS to monitoring scheduled processes. 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 uXchange	**Test of Controls Performed by BDO**	**Results of Tests**
G5.1 Production servers in AWS are protected by perimeter firewalls.	Observed AWS contract agreements and confirmed with CTO that perimeter firewall is managed by the providers as part of the service. 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 Wealth O2 has no control to manage infrastructure.	No exceptions noted.
G5.3 Network penetration testing is performed by AWS.	Inspected the SOC reports and inquired with the CTO that penetration testing details are not available.	Exceptions noted. 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 uXchange	**Test of Controls Performed by BDO**	**Results of Tests**
G6.1 Core business and supporting computer systems reside on Amazon Web Services cloud environment 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 Wealth O2 has no control to the datacenters. 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 uXchange	**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 approve by Change Manager lead.	Confirmed with Change manager lead that changes to applications and scripts are processed through Software development lifecycle policy. Inspected policy to confirm that Agile is the chosen methodology for new features or projects and Bitbucket is used for code management. Observed and inspected JIRA release sprints to confirm that change requests are categorized and aggregated as Sprints. 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 in JIRA.	Confirmed with CTO that all infrastructure for uXchange is managed and controlled by AWS. Observed the helpdesk systems for AWS 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.
G7.4 User acceptance testing is performed on the new code and signed-off by Subject Matter Experts (business analysts) in consultation with others as required.	Observed JIRA tickets to confirm changes are tested and approval sign off are recorded within JIRA. Inspected sample ticket to validate testing was performed by key management team.	No exceptions noted.

Control Activity by uXchange	Test of Controls Performed by BDO	Results of Tests
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 is reviewed and tested to ensure quality and minimise vulnerability to external threats.	Observed the JIRA tickets to confirm code is tested in the 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 uXchange	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. Inquired with CTO and confirmed there was no data for uXchange.	No exceptions noted.

RECOVERING FROM PROCESSING INTERRUPTIONS

G9. Data and systems are backed up regularly, retained offsite and regularly tested for recoverability on a periodic basis.		
Control Activity by uXchange	**Test of Controls Performed by BDO**	**Results of Tests**
G9.1 Corporate systems residing on the Amazon Web Service cloud environment are automatically backed-up via Amazon as part of the service agreement. The backup regime includes daily data backup snapshots.	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 uXchange	**Test of Controls Performed by BDO**	**Results of Tests**
G10.1 End-users communicated issues to the uXchange 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. 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 uXchange	**Test of Controls Performed by BDO**	**Results of Tests**
G11.1 Disaster recovery plans in place.	Inspected the Disaster Recovery plan 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 DR testing is included within the services provided by AWS.	Exceptions noted. Made enquires with the 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 uXchange	**Test of Controls Performed by BDO**	**Results of Tests**
G12.1 uXchange production environment is available to client during business hours.	Confirmed with CTO that the availability of the production environment is the ownership of AWS. Inspected the availability and performance monitoring tool provided by AWS to verify that the uptime report is available for monitoring for uXchange production environment.	No exceptions noted.

MONITORING SUBSERVICE ORGANISATIONS

G13. Appointment of sub-service organisation, 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 uXchange	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 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 service level agreement to confirm it includes third party service agreements.	No exceptions noted.
G13.3 Amazon Web Services automatically alerts the performance monitoring tool when services go offline or when service problems are encountered.	Inspected performance monitoring tool to confirm tool provided by AWS and to verify that uptime report is available for monitoring for uXchange production environment. Confirmed with CTO no service issues with AWS 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 13-33), 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 uXchange personnel. Inquiries seeking relevant information or representation from uXchange personnel were performed to obtain, among other factors: • Knowledge and additional information regarding the control. • 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: • 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. • Review of source documentation and authorisations to verify propriety of transactions processed. • Examination of source documents or records for evidence of performance such as the existence of initials or signatures. • Inspected of uXchange 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: • Obtaining evidence of the arithmetical accuracy and correct processing of transactions by either recomputing the application computation or performing independent calculations. • Re-performing the matching of various reconciliations by comparing, on a selection basis, information contained on the reconciliations to uXchange produced source documentation.