

VERSION 1
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REPORT ON THE INTERNAL CONTROLS
OF UXCHANGE UNIT REGISTRY &
ADMINISTRATION SERVICES

2019-20 FINANCIAL YEAR

PREPARED BY: WEALTHO2

LEVEL 7, 157 WALKER STREET, NORTH SYDNEY NSW 2060

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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 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 2019 to 30 June 2020 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 Audit Pty Ltd’s examination of controls were restricted to the controls specified by uXchange Pty Ltd in the GS 007 Controls Matrix (see pages 12 to 44) 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 Audit Pty Ltd’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 Audit Pty Ltd, 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 2019-20 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 the Australian Financial Complaints Authority (AFCA) 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.

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 about 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

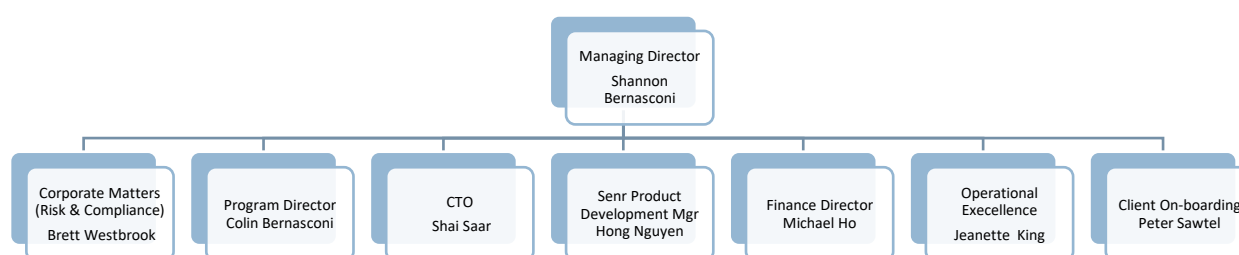
BUSINESS STRUCTURE

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.



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 2019-20 Financial year the only channel used by uXchange to receive buy and sell orders is through its managed account related body corporate MA Operator.

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 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 uXchange includes:

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 resources.
 - Pull requests will always be made against this branch to consolidate changes.
 - Code reviews will occur on pull requests before merging takes place as an approval process.
 - Development testing will occur off this branch in the development region.

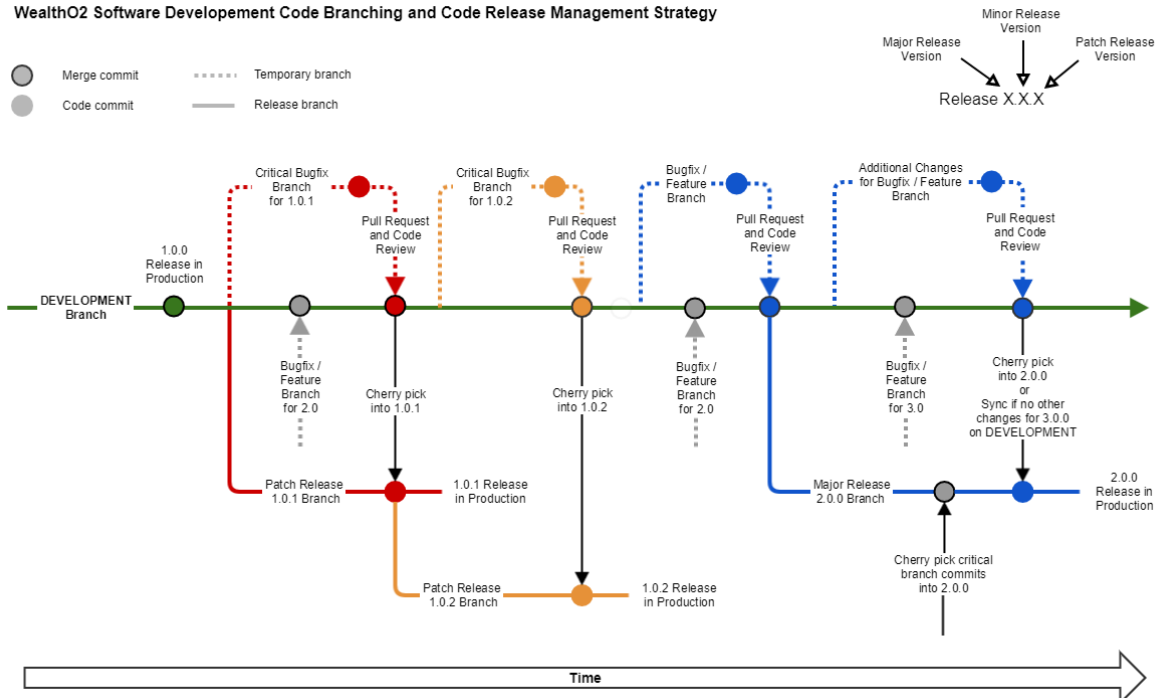
- **User Acceptance Testing (UAT)**
 - This is typically a cut of the code which contains all the features we'll be deploying to production on the next release.
 - All bug fixes will be cherrypicked to this code base from the development branch.
- **Pre-Production (Staging)**
 - Represents code that has been signed off in UAT and is ready for deployment to production. Final deployment procedures/tasks will be tested here.
- **Production / Release branch**
 - Represents the production environment/s for all solutions.

Methodologies

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.
- When the development is completed, the code is branched to UAT for testing to begin.
- Any bug found in UAT during testing are fixed against the development branch and cherrypicked to the UAT branch.

WealthO2 Software Development Code Branching and Code Release Management Strategy



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 12 to 44 fairly presents the administration services undertaken by uXchange is maintaining the member registry system for uXchange throughout the period 1 July 2019 to 30 June 2020. 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 Appendix A.
 - 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 2019 to 30 June 2020.
 - (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 2019 to 30 June 2020. 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 2019 to 30 June 2020.



Signed by Colin Bernasconi
on behalf of the directors of uXchange

Date: 31st August 2020

INDEPENDENT SERVICE AUDITOR'S ASSURANCE REPORT TO THE DIRECTORS OF UXCHANGE PTY LTD ("uXchange")

Scope

We have been engaged to report on uXchange's description at pages 12-44 of its internal controls over registry services and related information technology provided by uXchange (the "description") throughout the period 1 July 2019 to 30 June 2020, 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 8 and 9, 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 and related information technology 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 12-44.

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 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 12-44. In our opinion, in all material respects:

- a) the description fairly presents the registry services and related information technology as designed and implemented throughout the period from 1 July 2019 to 30 June 2020;
- b) the controls related to the control objectives stated in the description were suitably designed throughout the period from 1 July 2019 to 30 June 2020; 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 2019 to 30 June 2020.

Description of Tests of Controls

The specific controls tested and the nature, timing and results of those tests are listed on pages 12-44.

Intended Users and Purpose

This report and the description of tests of controls on pages 12-44 are intended only for clients who have used uXchange's 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 Audit Pty Ltd

BDO
G Rooney

Geoff Rooney
Partner

Sydney, 27 August 2020

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 2019 to 30 June 2020.

Item 1	Accepting clients
<p>Overview</p>	<p>New uXchange accounts are established electronically from the channel partner.</p> <p>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.</p> <p>Account information is transmitted to uXchange to establish the account pending receipt of the signed application.</p> <p>The new account number is confirmed electronically with the channel partner.</p> <p>The signed uXchange application form is returned via DocuSign through the intra-day polling process.</p> <p>As part of application process the investor confirms they have received and read the uXchange PDS (supplied by the Financial Advisor).</p> <p>On receipt of the signed application form the account is opened and activated by uXchange.</p>

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
F.1 – New accounts are set up completely and accurately in accordance with client agreements and/or offer documents and any applicable regulations.		
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 25 new client accounts, verified that the uXchange application form includes an AML/CTF compliance declaration, and that proof of identity documents from clients were saved in the Wealth02 system.	No exceptions noted.
F.2 – Complete and authorized client agreements are established prior to initiating accounting activity.		
2. Accounts are only activated once the signed uXchange application form has been received from the client.	For a sample of 25 new client accounts, checked to ensure that clients had been validated and had an executed signed application form; as this confirms the client have received and read the uXchange PDS (supplied by the advisor).	No exceptions noted.

Item 2 Authorising and processing transactions	
Overview	<p>All application and redemption instructions for uXchange are created by the channel partner (once validated/approved) and submitted to uXchange electronically.</p> <p>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.</p> <p>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.</p> <p>Contract notes are generated and emailed to investors once the custodian has confirmed units and uXchange has verified the unit price.</p>

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
F.3 – New unitholder activity is clearly established and recorded completely, accurately and in a timely manner.		
1. Channel partner receives confirmation that the investor’s account has been activated and is ready for transaction activity.	For a sample of new client accounts, checked to ensure the channel partner received confirmation that the client account has been activated and is ready for transaction activity.	No exceptions noted.

F.4 – Unitholder applications, redemptions received are checked, sorted and distributed for processing in a timely manner.		
<p>2. 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).</p>	<p>Where a flagged rebalance transaction had been identified, BDO ensured the approval from the client on future action was obtained.</p>	<p>No exceptions noted.</p>
F.5 – Unitholder transactions and adjustments are authorized, processed accurately, completely and in a timely manner.		
<p>3. Most unitholder transactions are authorized in advance via financial adviser discretion provided in MDA agreements. Clients that operate on an SOA/ROA basis must authorize each individual trade.</p>	<p>For a sample of 25 client agreements, we ensured proper authorization and completeness of documentation uploaded in the system.</p> <p>We also reviewed a walkthrough of an SOA client, showing that the trades processed were approved through a signed Record of Advice (ROA).</p>	<p>No exceptions noted.</p>
<p>4. 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 enough funds in the CMA.</p> <p>Validated application and redemption instructions (orders) are consolidated by managed fund in the unit registry system (NEO).</p>	<p>BDO performed a walkthrough of the system and confirmed that orders cannot be placed in the unit registry system with insufficient funds.</p>	<p>No exceptions noted.</p>

<p>Aggregated orders by managed fund are batched and sent to the custodian by the agreed cut off time each day (usually 11:00 am).</p>		
<p>5. 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.</p>	<p>Sample of 1 selected to ensure orders placed but not yet processed are appropriately flagged.</p>	<p>No exceptions noted.</p>
<p>F.6 – Cash receipts are processed accurately and banked promptly.</p>		
<p>6. Cash amounts credited to the uXchange redemptions control account are reconciled to investor instructions and transferred (less the transaction fee) via Real Time Gross Settlement (RTGS, immediately) to each investor linked Macquarie CMA.</p>	<p>For a sample of selected distributions, BDO checked to ensure integrated data feeds are agreed to end distributions in client accounts.</p>	<p>No exceptions noted.</p>

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
F.7 – Cheques and confirmation letters issued are accurately generated, matched and authorized prior to dispatch.		
7. Custodian confirms all transaction details of applications and redemptions processed. uXchange undertakes an automated daily reconciliation of confirmations.	For a selected sample, verified custodian confirms all transaction details of applications and redemptions processed which is reconciled daily.	No exceptions noted.
8. MA Operator/Client is automatically provided with a contract note via email confirming the trade order and broker also confirms trade via API integration with MA Operator.	For a selected trade, BDO inspected and confirmed that accurate 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 authorized distribution and processed in a timely manner.		
9. Wealth02 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 investor’s linked Macquarie CMA. The data feed is automated to occur daily or intraday, with information provided by external parties. After data is	For a selected sample of distributions, BDO checked and ensured that integrated data feeds are agreed to end distributions in client accounts.	No exceptions noted.

automatically received by Wealth02, the company selects to 'Push down to client' manually.		
10. Reinvestment transactions are disaggregated to underlying investor accounts and reconciled against reported holding by the custodian.		No exceptions.

Item 3 Maintaining financial and other records	
Overview	<p>Custodian (as registered unit holder with each issuer) reconciles distribution payments and reinvestment and:</p> <ul style="list-style-type: none"> a) Prepares distribution transaction file and sends to uXchange; and b) Remits cash payments to the uXchange distribution bank account.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
F.10 – Accounts are administered in accordance with client agreements.		
1. The fee is automatically calculated based on pre-agreed rates included in the system.	For a sample of 1, BDO confirmed that the fee was correctly calculated by the system, and that it had been approved by the client.	No exceptions noted.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
F.11 Changes to non-monetary share/unitholder data (for example, address changes and changes in allocation instructions) are authorised and correctly recorded on a timely basis.		
Not applicable for the period.		
F.12 – Registrar records accurately reflect shares, units and cash held by third parties.		
Not applicable for the period.		
F.13 – Share/unit activity is recorded completely, accurately and positions are regularly reconciled.		
<p>2. Daily investor transactions are batched and automatically 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 daily.</p>	<p>For a selected sample, confirmed that the reconciliation process occurs to ensure transactions have been completely and accurately recorded.</p>	<p>No exceptions noted.</p>

Item 4 Safeguarding assets	
Overview	<p>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.</p> <p>The application and PDS forms the basis of a client agreement.</p> <p>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.</p>

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
F.14 – Lost and stolen certificates are recorded in a timely manner.		
1. MA Operator/Client is automatically provided with a contract note via email confirming the trade order and broker also confirms trade via API integration with MA Operator.	For a selected sample, inspected and confirmed that the correct contract note was issued to the holder and advisor.	No exceptions noted.

Item 5 Monitoring compliance	
Overview	<p>Investor holding in each fund maintained by NEO is reconciled regularly to the records maintained by the custodian.</p> <p>Cash clearing accounts held by uXchange are reconciled and cleared at least weekly.</p>

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
F.15 – Transaction errors are identified, notified to clients and unitholders in accordance with client agreements and rectified if necessary.		
1. Investor accounts are automatically reconciled to the custodian records at least monthly.	For a selected sample, BDO confirmed that the automatic reconciliation to custodian records occurs.	No exceptions noted.
2. Transactions loaded into the system are automatically reconciled daily to the holding value provided by each third-party provider. Variance identified through validation reporting.	For a selected sample, BDO confirmed that the automatic price data validation process occurs.	No exceptions noted.
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.

Item 6 Monitoring subservice organisations	
Overview	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.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
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.		
1. Contracts are maintained with all subservice organisations.	Inspected a sample of signed agreements between MA Operator and its subservice organisations.	No exceptions noted.

Item 7 Reporting to clients	
Overview	uXchange as an IDPS-like scheme is required to report to Investors each quarter as well as annual reporting obligations.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
F.17 – Client reporting is complete, accurate and processed within required timescales.		
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 2 clients, we have checked to ensure that they had received a quarterly report.	No exceptions noted.
2. Annual reports prepared in accordance with the Class order covering IDPS-like schemes are provided to investors by the 30 th September each year.	For a sample selected client, inspected and confirmed the September annual report issued to investors.	No exceptions noted.

Item 8 Information Technology – Restricting access to systems and data	
Overview	<p>Physical access to computer networks, equipment, storage media and program documentation is restricted to authorized individuals.</p> <p>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.</p> <p>Segregation of incompatible duties is defined, implemented and enforced by logical security controls in accordance with job roles.</p>

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
G.1 - Physical access to computer networks, equipment, storage media and program documentation is restricted to authorised individuals		
1. Critical information infrastructure was located on Amazon Web Services (AWS) during the period.	<p>Reviewed the AWS administration console to to confirm all critical information including applications are hosted on AWS provided infrastructure.</p> <p>Enquired of the CTO to confirm there are no active servers located in the office and all corporate infrastructure is on the cloud managed by Amazon Web Services.</p>	No exceptions noted.

<p>2. Core business computer systems reside on Amazon Web Services cloud environment. No MA Operator personnel have physical access to this environment.</p>	<p>Reviewed the relevant documentation between Amazon Web Services (AWS) and WealthO2 to determine whether it resides on Amazon Web Services cloud environment</p> <p>Inspected the AWS SOC 2 Type II report to confirm physical access to AWS provided cloud environment is controlled and managed by AWS and only provided to authorised individuals at AWS for the audit period.</p>	<p>No exceptions noted.</p>
<p>3. Backups are scheduled regularly and stored at remote high availability locations.</p>	<p>Inspected the AWS SOC 2 report to ascertain that backups are scheduled appropriately and available for restoration as needed.</p> <p>Reviewed the AWS SOC 2 report to confirm restoration testing is performed annually at the minimum by AWS.</p>	<p>No exceptions noted.</p>

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
G.2 - 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 authorised individuals via information security tools and techniques.		
1. Source code is stored electronically, access restricted to the technology team.	Reviewed the code repositories- BitBucket and Microsoft Azure DevOps and determined source code is maintained appropriately. Inspected the list of users with electronic access to the source code repositories to confirm access is restricted to developers, QA team and CTO only.	No exceptions noted.
2. Access to key systems is restricted using a username and password authentication.	Inspected the MDA Operator system active user list to confirm whether the access is restricted using a unique username and password. Reviewed the Azure Active Directory to ascertain authentication to key corporate systems is managed through individual usernames and passwords.	No exceptions noted.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
<p>3. User accounts in respect of staff commencements, movements and terminations are authorized by the relevant stakeholder.</p>	<p>Selected a sample of 7 new and modified and reviewed the approvals and provisioning for each user to confirm access was authorised by relevant individual.</p> <p>Selected a sample of 3 terminated users and inspected the relevant documentation and the system to verify:</p> <ul style="list-style-type: none"> • Access revocation was notified and authorized. • Terminated user's access was revoked from the Active Directory network in a timely manner. 	<p>No exceptions noted.</p>
<p>4. G-Suite users and other business systems user accounts are reviewed annually.</p>	<p>Reviewed the results of the user access review performed by management.</p>	<p>No exceptions noted.</p>

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
G.3 - Segregation of incompatible duties is defined, implemented and enforced by logical security controls in accordance with job roles.		
5. Access to the production environment on the server level is restricted to IT personnel as appropriate.	Reviewed the access to production environment to ascertain access is controlled via VPN access to AWS jumpbox. Inspected the list of active users that have server level access to production environment to verify: <ul style="list-style-type: none"> • All users that have access are part of the technology team in line with their job responsibilities. • Administrator and Guest accounts are disabled. 	No exceptions noted.
6. Appropriate audit trails are activated to capture events at the application level in production.	Inspected the AWS administrative console to confirm that AWS CloudTrail service is enabled for WealthO2's AWS infrastructure. Inspected CloudTrail event history to confirm that audit trails are maintained for all activities performed by people, groups or AWS service accounts in WealthO2's AWS account.	No exceptions noted.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
<p>7. Development and production environments are appropriately restricted to the IT Technology team.</p>	<p>Inspected the list of active users that have server level access to production environment to verify:</p> <ul style="list-style-type: none"> • All 5 users that have access are part of the technology team in line with their job responsibilities. • Administrator and Guest accounts are disabled. <p>Inspected the list of active users with development permissions in the Azure DevOps and Bitbucket code repositories to confirm only software developer and testers are provided access.</p>	<p>No exceptions noted.</p>

Item 9 Information Technology - Authorising and Processing Transactions	
Overview	IT processing is performed through AWS services and sub-service organisations and monitored by WealthO2 technology team through alerts and notifications.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
G.4 - IT processing is authorised and scheduled appropriately and deviations are identified and resolved in a timely manner.		
1. Scheduled processes are automatically managed via Amazon Web Services. Process failure alerts are notified to the production support stakeholders through PaperDuty.	<p>Inspected the AWS console to confirm AWS's data backup is WealthO2's primary backup store.</p> <p>Inspected AWS SOC 2 report to confirm AWS S3 environment is replicated across multi availability zones.</p> <p>Inspected the RDS snapshot to confirm database backups are setup to perform regular backups.</p> <p>Reviewed PaperDuty logbooks to confirm the alerts are notified and attended on a level of priority.</p> <p>Inspected sample notifications to ascertain all failures are monitored and identified by support stakeholders.</p>	No exceptions noted.
2. IT processing is managed and monitored in the background by the Hangfire scheduling tool.	Inspected the Hangfire Dashboard to confirm background processing jobs for uXchange are scheduled and managed as scheduled jobs.	No exceptions noted.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
	Reviewed Hangfire notifications to verify alerts and warnings from the production system are triggered and monitored appropriately.	

Item 10 Information Technology - Safeguarding Assets		
Overview		
WealthO2 has its IT Hardware and infrastructure hosted by AWS and several of its Australian based data centers. WealthO2 places reliance on Physical security and network security controls maintained by the Datacenters.		
Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of testing
G.5 - Appropriate measures, including firewalls and anti-virus software, are implemented to counter the threat from malicious electronic attack.		
1. The production servers are protected by firewalls.	<p>Reviewed the network diagram to confirm AWS firewalls are designed appropriately for WealthO2 Virtual Private Cloud (VPC).</p> <p>Inspected the AWS firewall console to confirm web Access Control Lists (ACL) are defined that defines whitelisting and blacklisting rules for MDA Operator network.</p> <p>Inspected AWS CloudFront Distributions to verify geographic restrictions are applied to allows access to the network from Australia only.</p> <p>Reviewed the AWS firewall console to determine all request to and from the network are logged and monitored as events.</p>	No exceptions noted.

<p>2.</p>		
<p>3. Anti-virus and anti-malware technology is installed and maintained.</p>	<p>Inspected Avast administrator console to to determine that anti –virus and anti-malware capabilities are configured for all corporate machines including workstations, laptops, and servers.</p> <p>Reviewed the Avast anti –virus default settings for servers and workstations to determine that the software was configured to receive real-time signature updates from downstream server.</p> <p>Inspected the Avast management console to determine only CTO has administrator access.</p>	<p>No exceptions noted.</p>

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
G.6 - The physical IT equipment is maintained in a controlled environment.		
<p>4. Core business and supporting computer systems reside on Amazon Web Services cloud environments which has industry standard environment controls (climate and temperature control, UPS, fire suppression etc.)</p>	<p>Inspected the AWS SOC 2 report to determine industry standard environment controls include the following and are appropriately maintained:</p> <ul style="list-style-type: none"> • Temperature • Humidity • UPS • Fire Suppression • Fire alarms • Climate control • Generators 	<p>No exceptions noted.</p>

Item 11 Information Technology - Maintaining and Developing Systems Hardware and Software	
Overview	Change management policy follows an Agile software development procedure. A central change management tool is used to record, manage and approve all changes, including inbuilt workflows for change testing, sign offs and approvals. Code is maintained in a segregated environment retained via a unified code repository.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
G.7 - Development and implementation of new systems, applications and software, and changes to existing systems, applications and software, are authorised, tested, approved, implemented and documented.		
1. Change management policies and procedures are formalized. Change request are reviewed and aggregated into Sprints and approved by management.	<p>Reviewed the Change Management policy and Agile Software Development Lifecycle to confirm that it is formalised procedure has been defined.</p> <p>Reviewed all the uXchange and MDA project stories in Jira / Microsoft Azure DevOps to determine change requests are aggregated into Sprints.</p> <p>Selected a sample of 25 Sprints and within each change request verified:</p> <ul style="list-style-type: none"> • Change requests were raised as stories which were tagged to selected Sprint. • Changes were approved by appropriate management and stakeholders. 	No exceptions noted.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
<p>2. Change requests for additions or modifications to IT infrastructure (includes business systems tables) are generated and tracked</p>	<p>Reviewed all the infrastructure project requests in Jira / Microsoft Azure DevOps to determine addition or modification to IT infrastructure are maintained centrally.</p> <p>Selected a sample of 25 Sprints and within each change request verified:</p> <ul style="list-style-type: none"> IT infrastructure changes including hardware and software are tagged to 'WealthO2 Infrastructure' project by appropriate product owners. Infrastructure changes are prioritised and tracked within Jira / Microsoft Azure DevOps through assigned Watcher list. 	<p>No exceptions noted.</p>
<p>3. Critical changes are approved, recorded and tracked in Jira / Microsoft Azure DevOps.</p>	<p>Reviewed all the uXchange and MDA related changes to confirm changes are categorized as 'Critical', 'High', 'Medium' and 'Low' within Jira / Microsoft Azure DevOps.</p> <p>Selected a sample of 2 critical changes to verify:</p> <ul style="list-style-type: none"> Critical change requests were raised as change stories in Jira / Microsoft Azure DevOps which were tagged to selected Sprint. 	<p>No exceptions noted.</p>

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
	Critical changes were approved by appropriate management and stakeholders.	

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
<p>4. Changes is tested and signed-off by relevant stakeholders and recorded in Jira / Microsoft Azure DevOps</p>	<p>Selected a sample of 25 Sprints and within each change request verified:</p> <ul style="list-style-type: none"> • Changes are tested and signed off by relevant stake holders in Jira / Microsoft Azure DevOps • Changes were approved by appropriate management in staging environment. 	<p>No exceptions noted.</p>
<p>G.8 - Data migration or modification is authorised, tested and, once performed, reconciled back to the source data.</p>		
<p>5. Data changes are promoted to production by the relevant stakeholders.</p>	<p>Selected a sample of 25 Sprints and within each change request verified:</p> <ul style="list-style-type: none"> • Changes were approved and signed off by appropriate management in staging environment. <p>Changes are moved to production by appropriate technology team members once signed off in staging.</p>	<p>No exceptions noted.</p>
<p>6. Source code reviewed and tested to ensure quality.</p>	<p>Inspected Azure DevOps administrator console to determine branch permissions are applied for production branch.</p> <p>Reviewed permission for merging code in production branch to determine a minimum of 2 approvals are required to perform pull request.</p>	<p>No exceptions noted.</p>

	<p>Inspected individual change requests within the 25 sample Sprints selected to confirm 2 approvals were provided prior to performing pull request in the production branch.</p>	
<p>7. Data changes are promoted to production by the relevant stakeholders.</p>	<p>Selected a sample of 25 Sprints and within each change request verified:</p> <ul style="list-style-type: none"> • Changes were approved and signed off by appropriate management in staging environment. <p>Changes are moved to production by appropriate technology team members once signed off in staging.</p>	<p>No exceptions noted.</p>

Item 12 Information Technology – Recovering from processing interruptions	
Overview	WealthO2 utilises AWS backup services to ensure availability and resilience. Additionally, Disaster Recovery Plan (DRP) is defined and is required to be tested on a periodic basis.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
G.9 - Data and systems are backed up regularly offsite and tested for recoverability on a periodic basis.		
1. Corporate systems residing on the Amazon Web Service cloud environment are backed up regularly.	Refer to control G4 Control 1	No exceptions noted.
G.10 - IT hardware and software issues are monitored and resolved in a timely manner.		
2. Scheduled processes are automatically managed via Amazon Web Services. Process failure alerts are notified to the production support stakeholders.	Refer to control G4 Control 12	No exceptions noted.

G.11 - Business and information systems recovery plans are documented, approved, tested and maintained.		
3. Disaster recovery plans in place.	<p>Reviewed the Disaster Recovery Plan (DRP) policy to determine the process to recover IT Systems, Applications and Data from any type of disaster has been documented by WealthO2.</p> <p>Inspected DRP procedure to confirm roles and responsibilities are defined appropriately for restoring IT services.</p> <p>Reviewed DRP procedure to confirm it was last reviewed in the audit period.</p>	No exceptions noted.
4. Disaster recovery plans are subject to annual testing schedules as approved by the business.	<p>Reviewed Disaster Recovery Plan (DRP) procedure to confirm it DR plan is to be tested annually.</p> <p>Inspected the Disaster Recovery Test results to verify DR plan was tested in September 2019 and results were appropriately maintained for re-performance</p>	No exceptions noted.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
G.12 - Information technology services provided to clients are approved, managed and performance thresholds met in accordance with the requirements of the client agreement.		
5. MDA Operator production environment is available to client during business hours.	<p>Inspected the AWS console to confirm MDA Operator servers are hosted on AWS cloud.</p> <p>Inspected the AWS administrator console to confirm WealthO2 places reliance on AWS availability.</p> <p>Inspected AWS SOC 2 report to confirm AWS S3 environment is replicated across multi availability zones and uptime is monitored through New Relic reporting.</p>	No exceptions noted.

Item 13 Information Technology - Monitoring Subservice Organisations	
Overview	Sub-service organisations provide IT services and support that give them access to WealthO2 data and applications. Alerts are configured to identify any alterations to the infrastructure by sub-service organisations. Service agreements are maintained with these sub-service organisations that and are approved by management.

Controls specified by uXchange to meet control objectives	Procedures performed by BDO to test the operating effectiveness of controls as described	Results of Testing
G.13 - Appointment of subservice organisations, including those providing IT services, are approved, subservice organisations are managed in accordance with the requirements of the client agreement and their activities are adequately monitored.		
1. Third party service arrangement are reviewed and approved by senior management to ensure alignment to business needs.	Reviewed the contracts for third party service providers that commenced in the audit period and confirmed the agreement was reviewed and signed by senior management.	No exceptions noted.
2. Third party service arrangements include service-level agreements.	Reviewed the Service agreement for third party service providers that commenced in the audit period and confirmed the terms and services in-scope were defined clearly.	No exceptions noted.
3. All production infrastructure alerts are notified via SMS and e-mails to support engineer.	Inspected the Monitoring configuration diagram to ascertain all production infrastructure alerts are configured to be sent from AWS to Slack and PagerDuty.	No exceptions noted.

	<p>Reviewed the Slack inbox to confirm notifications e-mails are received for MDA Operator alerts.</p> <p>Reviewed PagerDuty configuration to verify Escalation Policy is configured to send text messages for production alerts to the predefined user group.</p>	
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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 2019 to 30 June 2020. Our testing of the operating effectiveness of controls was designed to cover a representative number of transactions and controls throughout the period 1 July 2019 to 30 June 2020, for each of the controls listed in the GS 007 Controls Matrix (see pages 12-44), 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. The types of tests performed on the operational effectiveness of controls detailed in the report are briefly described below:

Test	Description
Inquiry	<p>Inquiries seeking relevant information or representation from uXchange personnel were performed to obtain, among other factors:</p> <ul style="list-style-type: none"> • Knowledge and additional information regarding the control. • Corroborating evidence of the control.
Observation	<p>Observed application or existence of specific controls as represented.</p>
Inspection	<p>Inspected documents and records indicating performance of the control. This included but is not limited to:</p> <ul style="list-style-type: none"> • Inspection 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. • Inspection of uXchange documentation, such as operations manuals, flow charts and job descriptions.

APPENDIX A – GS 007 MAPPING

GS 007 REFERENCE TABLE

The following table is provided to assist users in referencing the control objectives as specified in Appendix 3 of Guidance Statement GS007 Audit Implications of the Use of Service Organisations for Registry Services with the controls and tests as described in this report as they relate to the services provided by uXchange.

Appendix 3 Section	Control Objective Reference	Report Page Number
Registry		
Accepting clients	F1	13
	F2	13
Authorising and processing transactions	F3	14
	F4	15
	F5	15
	F6	16
	F7	17
	F8 ¹	n/a
	F9	17
Maintaining financial and other records	F10	18
	F11 ²	19
	F12	19
	F13	19
	F14	20
Safeguarding assets	F15	21
Monitoring compliance	F16	22
Monitoring subservice organisations	F17	23
Taxation	F18 ³	n/a
Information Technology		
Restricting access to systems and data	G1	24

¹ The uXchange Registry does not deal with shares of fixed capital investments.

² This can be directly updated by the advisers (from WealthO2)

³ uXchange does not calculate non-resident withholding tax nor produce taxation records.

	G2	26
	G3	28
Authorising and processing transactions	G4	30
Safeguarding assets	G5	32
	G6	34
Maintaining and developing systems hardware and software	G7	35
	G8	38
Recovering from processing interruptions	G9	40
	G10	40
	G11	41
Monitoring compliance	G12	42
Monitoring subservice organisations	G13	43