



Integrated Portfolio Solutions Pty Ltd

Report on Controls over Portfolio Administration Services

1 July 2020 to 30 June 2021

1 Management Overview of Integrated Portfolio Solutions Pty Ltd

This report details the operational controls within Integrated Portfolio Solutions (“IPS”) relating to the investment administration and related information technology services. In particular, the report details how those controls operate and is prepared for the use of clients, their independent auditors and other persons authorised by IPS. The information contained in this report is prepared in accordance with the guidelines contained in *Guidance Statement GS007 Audit Implications of the user of Service Organizations for Investment Management Services*, issued by the Auditing and Assurances Standards Board, on October 2011 and *ASAE3402 Assurance Reports on Controls at Service Organizations* issued on June 2014.

In this report:

IPS refers to Integrated Portfolio Solutions Pty Ltd (ACN 134 352 828), a privately owned company.

IPS offers portfolio administration services to financial advice, accounting and stockbroking firms whereby IPS is responsible for all portfolio updates, reconciliations and reporting.

2 Control Environment, Risk Assessment and Monitoring

2.1 Risk Governance

IPS employs a culture of compliance through every employee across day-to-day processes as well as less frequent processes. Such compliance is monitored closely by senior management.

The Risk and Compliance framework centres around procedures and checklists and ensuring there is adequate cross training to ensure every process can be proficiently carried out by at least two team members. IPS develops and agrees on a standard process to be followed for all key operational functions. IPS promotes an environment based around controls that are centred on mitigating risk, and focussed on establishing, monitoring and improving process. IPS ensures such processes are documented through checklists and procedures.

The maintenance of procedures, checklists and cross training is the responsibility of senior management.

2.2 Risk Management

IPS ensures that risk mitigation is front of mind for all staff and communicates the importance of risk management for all new team members. Senior management provides oversight of all risk management functions. The result of such an approach is that:

- All issues, regardless of how minor the issue may appear, are raised by IPS staff, stakeholders or clients, with senior management in person or via email, as they arise. Such issues are reviewed by senior management and a decision is made on the appropriate action to be taken.

- Transitions of new clients to IPS are managed via a transition checklist that encompasses every process required to ensure a business, and its associated clients are transitioned to IPS in entirety with minimal disruption to the transitioning business.

2.2 Risk Control Self Assessment

IPS relies on staff, procedures and checklists to ensure all processes are being followed and completed within the risk guidelines.

Staff are required to self-assess their skills by completing a skills matrix every six months where staff will score themselves based on the level at which they believe they can perform each specific task within IPS. Senior management will also score each staff member and compare the outcome.

Procedures and checklists are monitored via a procedures checklist and updated as and when required and reviewed every six months based on the review date as per the procedures checklist.

2.3 Management

The IPS team structure is designed to ensure operational efficiency, sufficient knowledge disbursement and a clear line of reporting so as to allow for effective risk mitigation across all processes. Control rests with the Managing Director who is responsible for the oversight of IPS at all levels.

See Appendix 1 for the IPS Organisational Chart.

2.4 Fraud Prevention

All IPS staff are required to undergo background checks by way of a federal police check to ensure any potential fraud threat is mitigated.

2.5 Recruitment and training

IPS recruits staff based on experience and initiative. Staff always have complete access to procedures and checklists and will undergo extensive on-the-job practical training to ensure they can carry out their role within the risk framework.

IPS staff have completed tertiary education relevant to the financial services industry.

2.6 Segregation of duties

IPS staff will complete electronic checklists via the IPS Instruct Workflow platform. The Workflow form will be completed by the processor and approved by the checker. Such a process ensures the tasks completed by one person are not being checked by the same person but reviewed independently.

2.7 Issue Identification and Resolution

IPS is informed of any issues by way of the IPS Instruct online workflow system. There are two online workflow forms that can be used to notify IPS of an error or issue, the Error Report and General Enquiry form. The IPS user will submit a form by logging in using a username and password. The

request will be received and processed by IPS. Such a method allows IPS to provide an issue notification tool as well as a resolution and reference tool for any future issues.

2.8 Internal Review

Periodically, IPS will spot check certain processes to ensure checklists and procedures are being followed. Such checks will be completed by a person that is independent of the process itself, that is, has not completed the process that is being checked. Any findings will be reported to senior management.

2.9 Business Continuity

Given all IPS key systems are web-based, the IPS business continuity plan is driven from an IT perspective. As such, IPS has the following in place:

- Hourly replication to disaster recovery site
- Nightly Backups kept for 7 days
- Extent of backups - Full data set is backed up
- Timeframe for backups - 10 - 6 am - no downtime
- RTO, RPO - Aspirational goal of 4 hours recovery with 15 minutes data loss.

From March 2020, IPS implemented a number of steps in response to the Covid 19 outbreak in order to protect their staff, clients and suppliers. A key change was to implement a working from home policy for all staff. This was trialled for two weeks before being fully implemented.

All controls referenced in this document were maintained throughout the year despite these new arrangements, albeit some minor modifications were implemented such as allowing for digital signature / approval rather than physical signature.

No business interruptions were experienced as a result of the Covid 19 situation and all services have operated as outlined in this document over the year.

2.10 Insurance

Senior management is responsible for ensuring IPS has appropriate levels of Professional Indemnity insurance in place to cover IPS and clients of IPS against potentially significant losses.

IPS also has key person insurance in place for each director and shareholder of IPS.

2.11 Inherent Limitations

Internal controls, irrespective of how well they might be implemented and monitored, can provide only reasonable, rather than absolute assurance to management and clients, regarding the fulfilment of an entity's control objectives. The likelihood of achievement is affected by the following limitations present in all control environments:

- The chances of human error occurring and the use of poor judgement in decision making
- The necessity to consider costs and benefits in assessing and implementing controls

3 Portfolio administration services provided by IPS

The core function of IPS is to provide end-to-end back office support to financial advice, accounting and stockbroking firms. IPS offers a truly integrated portfolio administration solution through the incorporation of administration, reporting, SMSF, research and CRM functionality to give advisors, staff and clients a cohesive, branded, genuine fee-for-service solution.

See Appendix 2 for a detailed process map.

3.1 Investment Administration

Investment administration services include:

- Income collection
- Corporate actions processing
- Instruction management
- Applications and redemptions
- Document storage
- Reconciliations
- End-to-end periodic reporting
- Liaison with all third parties relevant to the client portfolios

The services are supported by arrangements with a preferred third party vendor – Praemium, for the use of the V-Wrap portfolio management system.

IPS has a Service Agreement in place with Praemium that outlines all terms and conditions, service availability, performance and continuity. Praemium will provide IPS with a copy of the Audit and Assurance Report completed over the Praemium V-Wrap system on an annual basis.

4 IT Systems

IPS has systems and procedures in place to perform all of the functions listed above. IPS has engaged the services offered by Praemium that include the V-Wrap system allowing IPS to record, monitor and report on all your clients' investments in a single location. IPS relies on the ongoing audit of the Praemium V-Wrap system to ensure the V-Wrap system has sufficient capacity to handle current and projected volumes.

Each of the following key IT systems used by IPS is supported by external parties.

1. Praemium V-Wrap – used to record all details of assets held within client's portfolios including buy and sell transactions, dividends and distributions, performance and valuations. The V-Wrap system is used to reconcile all inputs to the portfolios and generate periodic and ad hoc reporting.

Praemium provides ongoing system upgrades as well as support services. Praemium also engages IPS to provide feedback on improvements and enhancements to the system. Praemium will provide any enhancements to the system to IPS as IPS does not have any proprietary rights over the Praemium V-Wrap software.

2. IPS Instruct – IPS' proprietary system records all client demographic information as well as provides for a Workflow management tool whereby advisors and authorised representatives of advisors will submit instructions to IPS to be carried out in accordance with service level agreements.

All systems are protected by username and password access. IPS Instruct has further security whereby the user is required to enter the response to a security question each time the system detects that the user is logging in from a new IP address or has cleared their browsing history since last logging in.

There is also a hierarchy of user access levels in place to allow IPS to be very specific with the level of access granted to a user.

The key outsourced service provider now being Amazon Web Services.

5 Report by Management on the IPS Portfolio Administration Service

Assertion by IPS Service Organisation

The accompanying description has been prepared for clients who have used the investment management service system and their auditors who have a sufficient understanding to consider the description, along with other information including information about controls operated by clients themselves, when assessing the risks of material misstatements of clients' financial reports. IPS confirms that:

(a) The accompanying description at pages 7-12 fairly presents the investment management service system for processing clients' transactions throughout the period 1 July 2020 to 30 June 2021. 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 investment management service provided in Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services.
 - 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 2020 to 30 June 2021.
- (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 2020 to 30 June 2021. 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 2020 to 30 June 2021.



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Darryl Johnson
Managing Director
2 September 2021

6 Control Objectives and Controls over Investment Administration and Information Technology

The controls in effect at IPS are as set out below.

Control objectives A to D and F as per *Guidance Statement GS007 Audit Implications of the user of Service Organizations for Investment Management Services* are not applicable to IPS and are not included in the below description.

| Section | Control Objective | Control |
|-----------|--|--|
| Section E | Investment Administration | |
| | Accepting Clients | |
| E.1 | New accounts are set up completely and accurately in accordance with client agreements and any applicable regulations. | Account Opening checklists and procedures are in place to cover all aspects of new account setup based on the information supplied within the New Client Application form and Client Administration Agreement. |
| E.2 | Complete and authorised client agreements are established prior to initiating accounting activity. | Account Opening checklists and procedures are in place to cover all aspects of new account setup based on the information supplied within the New Client Application form and Client Administration Agreement. |
| | Authorising & Processing Transactions | |
| E.3 | Portfolio transactions are recorded completely, accurately and on a timely basis. | As per checklists and procedures, cash and share transactions are reconciled and reported via a daily automated data feed between Praemium V-Wrap and the relevant account provider. Where the account provider is unable to provide a data feed, transactions are updated monthly or at the request of the advisor or authorised representative. |
| E.4 | Corporate actions are actioned, processed and recorded accurately and on a timely basis. | Corporate actions are announced and participation is carried out according to checklists and procedures. |
| E.5 | Expenses are appropriately authorised and recorded in accordance with the service level agreement and/or client instructions, on a timely basis. | Expenses, by way of fees due and payable by the client, are processed in accordance with the instruction from the advisor or based on the information supplied at the time of opening an account. As per the IPS Dealer Agreement, fees will generally be deducted from the clients' cash account monthly or quarterly and a breakdown supplied to the advice firm or dealer group for approval, prior to deducting the fees. |
| | Maintaining financial and other records | |
| E.6 | Accounts are administered in accordance with client agreements. | Account Opening checklists and procedures are in place to cover all aspects of new account setup based on the information supplied within the New Client Application form and Client Administration Agreement. Two staff |

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| | | <p>members authorization is required before any transactions on an account can take place.</p> <p>Accounts are administered based on the Account Opening Checklist, Reconciliation and Daily, Weekly and Monthly checklists.</p> |
| E.7 | Changes to non-monetary static data (for example, address changes and changes in allocation instructions) are authorised and correctly recorded on a timely basis. | All changes are communicated by the IPS Instruct Workflow system or via email. Once changes are made, the changes are confirmed back to the initiator via email or automated Workflow notification. |
| E.8 | Investment income and related tax are accurately calculated and recorded on a timely basis. | All investment income related to linked cash accounts and share transactions are reported by way of an automated data feed between Praemium V-Wrap and the relevant account provider. Where the account provider is unable to provide a data feed, transactions are updated monthly or at the request of the advisor or authorised representative. The reconciliations are performed and management investigate reconciling items. |
| E.9 | Investments are valued using current prices obtained from independent external pricing sources, or an alternative basis in accordance with client agreements. | <p>All prices for listed shares and managed funds with a valid APIR code are obtained via automated price feeds to the Praemium V-Wrap system. Any prices that are not available via a data feed will be updated monthly or at the request of the advisor or authorised representative. .</p> <p>Where a price feed may contain errors, IPS performs a reconciliation of current day portfolio value to prior day to identify any large discrepancies.</p> <p>The reconciliations are performed and management investigate reconciling items.</p> |
| E.10 | Issue and cancellations of shares/units are recorded completely and accurately in the financial records and units on issue are regularly reconciled to data provided by registry. | <p>Reconciliations occur in line with checklists and procedures to ensure that any activity over assets held within a portfolio is identified and acted on in a timely and accurate manner.</p> <p>All cash and security account information is automatically fed into the system using an automatic data-feed.</p> <p>Reconciliations are performed to identify and resolve differences between the data feed and the IPS system. This is done on both value and quantity of holdings</p> |
| E.11 | Cash and securities positions are completely and accurately recorded and reconciled to third party data on a timely basis. | <p>Reconciliations occur in line with checklists and procedures to ensure that any activity over assets held within a portfolio is identified and acted on in a timely and accurate manner.</p> <p>In line with checklists and procedures, daily, weekly and monthly updates and reconciliations occur over assets where an automated data feed is not in place.</p> |

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| E.12 | Reconciliations between different systems, including the investment ledger, general ledger and administration system, are performed on a timely basis. | <p>Reconciliations occur in line with checklists and procedures to ensure that any activity over assets held within a portfolio is identified and acted on in a timely and accurate manner.</p> <p>In line with checklists and procedures, daily, weekly and monthly updates and reconciliations occur over assets where an automated data feed is not in place.</p> |
| Monitoring Compliance | | |
| E.13 | Errors are identified, notified to clients and rectified promptly in accordance with client agreements. | <p>Errors identified by the advisor to the client are notified via the IPS Instruct Workflow system and actioned via the same system.</p> <p>Errors identified by IPS are notified to the advisor or advisor representative and rectified immediately.</p> <p>All cash and security account information is automatically fed into the system using an automatic data-feed. Reconciliations are performed to identify and resolve differences between the data feed and the IPS system. This is done on both value and quantity of holdings.</p> |
| Monitoring subservice organisations | | |
| E.14 | Appointments of subservice organisations, including those providing investment administration, are approved, subservice organisations are properly managed and their activities are adequately monitored on a timely basis. | <p>IPS engages Praemium to provide the software for portfolio management. IPS relies on the controls report supplied by Praemium on an annual basis to ensure their activities are controlled appropriately.</p> <p>IPS also monitors the accuracy of the Praemium data being supplied through various daily and weekly checklists.</p> |
| Reporting to clients | | |
| E.15 | Periodic reports to clients, including calculation of net asset value if required, are accurate and complete and distributed on a timely basis. | <p>Reconciliations occur in line with checklists and procedures to ensure that any activity over assets held within a portfolio is identified and acted on in a timely and accurate manner.</p> <p>In line with checklists and procedures, daily, weekly and monthly updates and reconciliations occur over assets where an automated data feed is not in place.</p> <p>Reports are not issued until reconciliations and authorisations are complete.</p> |
| E.16 | Annual reports and accounts are prepared in accordance with applicable laws and regulations. | <p>Annual reports are prepared in accordance with the advisors instructions and follow the regular monthly/quarterly reporting process as below.</p> <p>Reconciliations occur in line with checklists and procedures to ensure that any activity over assets held within a portfolio is identified and acted on in a timely and accurate manner.</p> |

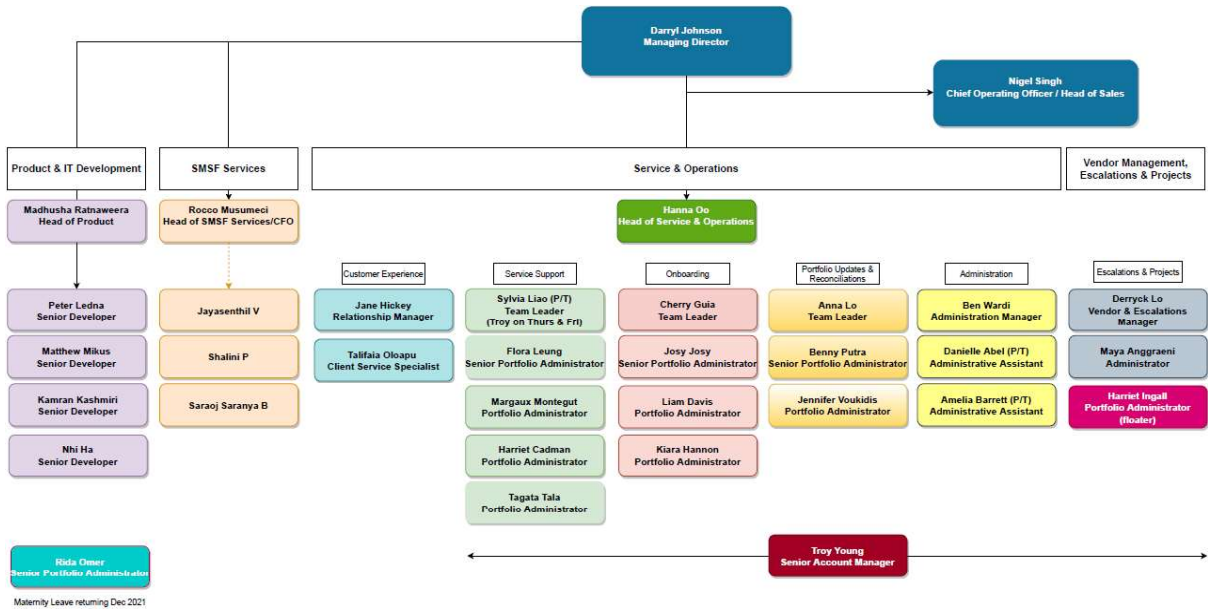
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|-----------------|--|--|
| | | <p>In line with checklists and procedures, daily, weekly and monthly updates and reconciliations occur over assets where an automated data feed is not in place.</p> <p>Reports are not issued until reconciliations are complete.</p> |
| Taxation | | |
| E.17 | Tax policy is updated and reviewed on a timely basis. | <p>IPS relies on the tax policies and updates by Praemium.</p> <p>IPS will monitor the system messages issued by Praemium that provide details and confirmation of tax treatment of certain corporate actions, dividends and distributions.</p> <p>IPS also compare, on a sample basis, the tax information received directly by the listed company or managed fund to the information provided by Praemium.</p> |
| E.18 | Tax information components and attributes used in the preparation of the income tax computation (current and deferred) are complete and calculated accurately in accordance with tax policy or as agreed with clients. | <p>IPS relies on the tax policies and updates by Praemium.</p> <p>IPS will monitor the system messages issued by Praemium that provide details and confirmation of tax treatment of certain corporate actions, dividends and distributions.</p> <p>IPS also compare, on a sample basis, the tax information received directly by the listed company or managed fund to the information provided by Praemium.</p> |
| E.19 | Differences between tax and accounting treatments are identified and calculated in accordance with tax policy or as agreed with clients and reported in a timely manner to clients. | <p>IPS relies on the tax policies and updates by Praemium.</p> <p>IPS will monitor the system messages issued by Praemium that provide details and confirmation of tax treatment of certain corporate actions, dividends and distributions.</p> |
| E.20 | Current and deferred tax balances in the general ledger are accurately recorded in accordance with the tax computation, and processed in a timely manner in accordance with tax policy or as agreed with clients. | <p>IPS relies on the tax policies and updates by Praemium.</p> <p>IPS will always verify the updating of tax deferred components by sample checking to the Annual Tax Statement issued by the listed company or fund manager.</p> |
| E.21 | Current and deferred tax balances are calculated completely, accurately, are valid and processed in a timely manner (where appropriate). | IPS relies on the tax policies and updates by Praemium, as stated in E.17. |
| E.22 | Assets are completely and accurately classified as held on either a capital or a revenue account (where appropriate). | <p>IPS relies on the tax policies and updates by Praemium, as stated in E.17.</p> <p>All portfolio assets are treated as held on capital account unless specified otherwise by the financial adviser when opening the account. The tax treatment of such assets will be as per the tax policies and updates made by Praemium.</p> |
| E.23 | Tax journals are valid and are processed completely, accurately, and in a timely manner. | <p>IPS relies on the tax policies and updates by Praemium, as stated in E.17.</p> <p>IPS will always verify the updating of tax deferred components by sample checking to the Annual Tax Statement issued by the listed company or fund manager.</p> |

| Section G Information Technology | | |
|--|--|--|
| Restricting access to systems and data | | |
| G.1 | Physical access to computer networks, equipment, storage media and program documentation is restricted to authorised individuals. | Physical access is restricted only to Senior Management as well as parties that are authorised by Senior Management. Access to the IPS premises is by registered keys issued only to IPS staff. |
| 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. | System access is reviewed and controlled by Senior Management. Access to the IPS network is controlled by internal IPS staff with access granted authorised by Senior Management. Staff access to IT resources computers is controlled via username and password. |
| G.3 | Segregation of incompatible duties is defined, implemented and enforced by logical security controls in accordance with job roles. | System access is reviewed and controlled by Senior Management. All functions are segregated based on various access levels. Access is reviewed with formal approval and signed off approvals in place. |
| Authorising and processing transactions | | |
| G.4 | IT processing is authorised and scheduled appropriately and deviations are identified and resolved in a timely manner. | IT processing is authorised and scheduled. Any issues are alerted to Management and then followed up and resolved in a timely manner. |
| Safeguarding assets | | |
| G.5 | Appropriate measures, including firewalls and anti-virus software, are implemented to counter the threat from malicious electronic attack. | Security is managed and maintained by the in house IPS IT Team. The IT team undertakes regular reviews and monitoring of the IT systems. Software tools are deployed to monitor and manage the environment. The IT environment is protected using various security techniques that includes deployment of VPN, antivirus software, malware detection tools and firewalls. |
| G.6 | The physical IT equipment is maintained in a controlled environment. | The production environment is maintained in a purpose-built data centre under the responsibility of Praemium (i.e. for the portfolio data). Amazon Web Services ('AWS') hosts all IPS Instruct applications. Note that AWS staff have no access to the IPS applications. |
| Maintaining and developing systems | | |
| 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. | All development and testing is carried out in a secure test environment. Issues are logged via the Jira issue management and tracking system with issues being tracked to resolution prior to any release to the live environment. |
| G.8 | Data migration or modification is authorised, tested and, once performed, reconciled back to the source data. | N/A – Management confirmed that no data migration was undertaken during the period under review. |
| Recovery | | |
| G.9 | Data and systems are backed up regularly offsite and tested for recoverability on a periodic basis. | There is hourly replication during business hours to the disaster recovery site. Daily and nightly backups are retained for at least 7 days (sometimes indefinitely) on multiple independent locations. Testing of backups occurs regularly. |

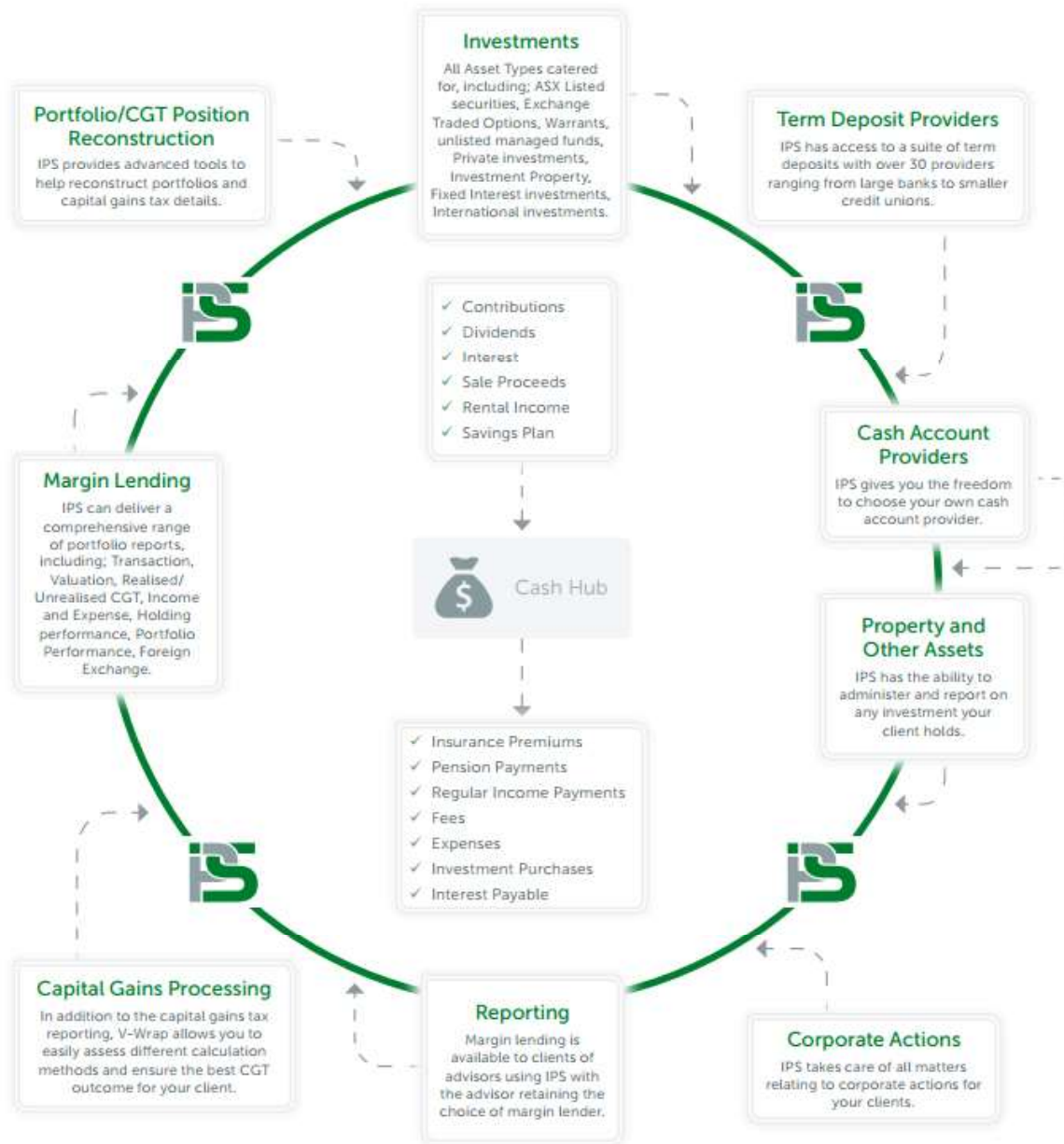
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| G.10 | IT hardware and software issues are monitored and resolved in a timely manner. | The environment is monitored 24 hours a day, 7 days per week and all issues are resolved as per service level agreements. |
| G.11 | Business and information systems recovery plans are documented, approved, tested and maintained. | Disaster recovery plans have been documented, approved and tested. They have been published and are available as required. |
| Monitoring Compliance | | |
| G.12 | Information technology services provided to clients are approved, managed and performance thresholds met in accordance with the requirements of the client agreement. | Service level agreements are in place with clients and are monitored regularly to ensure accessibility, performance and capacity are meeting requirements. |
| 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. | Service agreements are in place and monitored by IPS Management. |

Appendix 1

IPS Organisational Chart



Appendix 2



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Independent Service Auditor's Assurance Report on the Description of Controls over Integrated Portfolio Solutions Pty Ltd (IPS), their Design and Operating Effectiveness

Scope

We have been engaged to report on Integrated Portfolio Solutions Pty Ltd ("IPS") description at pages 7-12 of its investment administration and information technology system provided to IPS clients throughout the year ended 30 June 2021, and on the design and operations of those controls related to the control objectives stated in the description.

Director's responsibility

The directors of IPS are responsible for: preparing the description and accompanying assertion at pages 5-6, 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 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.

Auditor's responsibility

Our responsibility is to express an opinion on IPS'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* 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 5-6. 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 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.

Limitations of Controls at a Service Organisation

IPS'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 5-6. In our opinion, in all material respects:

- (a) the description fairly presents the service system as designed and implemented throughout the year ended 30 June 2021;
- (b) the controls related to the control objectives stated in the description were suitably designed throughout the year ended 30 June 2021; 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 year ended 30 June 2021.

Description of Tests of Controls

The specific controls tested and the nature, timing and results of those tests are listed on pages 18-28.

Intended Users and Purpose

This report and the description of tests of controls on pages 18-28 are intended only for clients who have used IPS's service system, 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



G S Layland
Director - Audit & Assurance

Sydney, 2 September 2021

Service auditor's description of the nature, timing and extent of tests of applied controls

The following sets out the nature, timing and extent of tests applied to controls and results set out any exceptions to the control objectives.

A. Custody

This is not applicable to Integrated Portfolio Solutions Pty Ltd.

B. Asset management

This is not applicable to Integrated Portfolio Solutions Pty Ltd.

C. Property management

This is not applicable to Integrated Portfolio Solutions Pty Ltd.

D. Superannuation Member Administration

This is not applicable to Integrated Portfolio Solutions Pty Ltd.

E. Investment administration

Accepting clients

E.1 New accounts are set up completely and accurately in accordance with client agreements and applicable regulations.

| Control Description | Procedures | Results |
|--|---|----------------------|
| E.1.1 Account Opening checklists and procedures are in place to cover all aspects of new account setup based on the information supplied within the New Client Application form and Client Administration Agreement. | A sample of 15 account opening checklists were selected and were checked for completeness and accuracy to the underlying client agreement. For each sample item we verified that the appropriate approval and authorisation had been obtained. | No deviations noted. |

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

| Control Description | Procedures | Results |
|--|---|----------------------|
| E.2.1 Account Opening checklists and procedures are in place to cover all aspects of new account setup based on the information supplied within the New Client Application form and Client Administration Agreement. | A sample of 15 account opening checklists were selected and were checked for completeness and accuracy to the underlying client agreement. For each sample item we verified that the appropriate approval and authorisation had been obtained. | No deviations noted. |

Authorising and processing transactions

E.3 Portfolio transactions are recorded completely, accurately and on a timely basis.

| Control Description | Procedures | Results |
|---|--|----------------------|
| E.3.1 As per checklists and procedures, cash and share transactions are reconciled and reported via a daily automated data feed between Praemium V-Wrap and the relevant account provider. Where the account provider is unable to provide a data feed, transactions are updated monthly or at the request of the advisor or authorised representative. | <p>Inspected a sample of 5 weekly reconciliations for evidencing that the reconciliations are performed weekly and material reconciling items are followed up.</p> <p>Those items that are not included on the automated data feed are also included on the reconciliations.</p> | No deviations noted. |

E.4 Corporate actions are processed and recorded accurately and on a timely basis.

| Control Description | Procedures | Results |
|--|---|----------------------|
| E.4.1 Corporate actions are announced and participation is carried out according to checklists and procedures. | A sample of 25 corporate actions were verified as being complete and approved. The upload of this information into IPS Instruct was agreed, as was the broker response. | No deviations noted. |

E.5 Expenses are appropriately authorised and recorded in accordance with the service level agreement and/or client instructions, on a timely basis.

| Control Description | Procedures | Results |
|--|--|----------------------|
| E.5.1 Expenses, by way of fees due and payable by the client, are processed in accordance with the instruction from the advisor or based on the information supplied at the time of opening an account. As per the IPS Dealer Agreement, fees will generally be deducted from the clients cash account monthly or quarterly and a breakdown supplied to the advice firm or dealer group for approval, prior to deducting the fees. | <p>A copy of the standard contract was sighted and noted that the Terms and Conditions clause 7.1 and 7.2 describe the calculation methodology and the fact that the fees will be automatically debited from the clients' accounts quarterly in arrears.</p> <p>A sample of 25 client fees calculations were recalculated and traced to advisor authorisation/account opening forms for fees to be deducted.</p> | No deviations noted. |

Maintaining financials and other records

E.6 Accounts are administered in accordance with client agreements.

| Control Description | Procedures | Results |
|---|--|----------------------|
| E.6.1 Account Opening checklists and procedures are in place to cover all aspects of new account setup based on the information supplied within the New Client Application form and Client Administration Agreement. Two staff members authorisation is required before any transactions on an account can take place. Accounts are administered based on the Account Opening Checklist, Reconciliation and Daily, Weekly and Monthly checklists. | <p>A sample of 15 account opening checklists were selected and were checked for completeness and accuracy to the underlying client agreement.</p> <p>For each sample item we verified that the appropriate approval and authorisation had been obtained.</p> | No deviations noted. |

E.7 Changes to non-monetary static data (for example, address changes and changes in allocation instructions) are authorised and correctly recorded on a timely basis.

| Control Description | Procedures | Results |
|---|--|----------------------|
| E.7.1 All changes are communicated by the IPS Instruct Workflow system or via email. Once changes are made, the changes are confirmed back to the initiator via email or automated Workflow notification. | A sample of 18 changes in static data has been reviewed to verify the system has been appropriately updated for the correct information and all changes are authorised by appropriate personnel. | No deviations noted. |

E.8 Investment income and related tax are accurately calculated and recorded on a timely basis.

| Control Description | Procedures | Results |
|--|---|----------------------|
| E.8.1 All investment income related to linked cash accounts and share transactions are reported by way of an automated data feed between Praemium V-Wrap and the relevant account provider. Where the account provider is unable to provide a data feed, transactions are updated monthly or at the request of the advisor or authorised representative. The Reconciliations are performed and management investigate reconciling items. | <p>All cash and security account information is automatically fed into the system using an automatic data-feed. Weekly reconciliations are performed to identify and resolve differences between the data feed and the IPS system. This is done on both value and quantity of holdings.</p> <p>A sample of 5 weekly reconciliation checklists was verified as being complete and all variances being reconciled or flagged for resolution to the Managing Director.</p> | No deviations noted. |

E.9 Investments are valued using current prices obtained from independent external pricing sources, or an alternative basis in accordance with client agreements.

| Control Description | Procedures | Results |
|--|--|----------------------|
| E.9.1 All prices for listed shares and managed funds with a valid APIR code are obtained via automated price feeds to the Praemium V-Wrap system. Any prices that are not available via a data feed will be updated monthly or at the request of the advisor or authorised representative. | All cash and security account information is automatically fed into the system using an automatic data-feed. Weekly reconciliations are performed to identify and resolve differences between the data feed and the IPS system. This is done on both value and quantity of holdings. | No deviations noted. |
| Where a price feed may contain errors, IPS performs a reconciliation of current day portfolio value to prior day to identify any large discrepancies. The Reconciliations are performed and management investigate reconciling items. | A sample of 25 share prices and dates were checked against an external pricing source to verify the accuracy of pricing in Praemium V-Wrap. | |

E.10 Issue and cancellations of shares/units are recorded completely and accurately in the financial records and units on issue are regularly reconciled to data provided by registry.

| Control Description | Procedures | Results |
|--|---|----------------------|
| E.10.1 Reconciliations occur in line with checklists and procedures to ensure that any activity over assets held within a portfolio is identified and acted on in a timely and accurate manner. All cash and security account information is automatically fed into the system using an automatic data-feed. Reconciliations are performed to identify and resolve differences between the data feed and the IPS system. This is done on both value and quantity of holdings | A sample of 5 weekly reconciliation checklists were verified as being complete and all variances being reconciled or flagged for resolution to the Managing Director. | No deviations noted. |

E.11 Cash and securities positions are completely and accurately recorded and reconciled to third party data.

| Control Description | Procedures | Results |
|--|--|----------------------|
| E.11.1 Reconciliations occur in line with checklists and procedures to ensure that any activity over assets held within a portfolio is identified and acted on in a timely and accurate manner. In line with checklists and procedures, daily, weekly and monthly updates and reconciliations occur over assets where an automated data feed is not in place. | For assets with an automatic data feed, see section E3. For all other assets, known as service assets clients are encouraged to provide the necessary data to IPS as often as possible, however it is within the monthly checklist, 5 of which were reviewed as completed, or flagged for resolution to the Managing Director. | No deviations noted. |

E.12 Reconciliations between different systems, including the investment ledger, general ledger and administration system, are performed on a timely basis.

| Control Description | Procedures | Results |
|--|--|----------------------|
| E.12.1 Reconciliations occur in line with checklists and procedures to ensure that any activity over assets held within a portfolio is identified and acted on in a timely and accurate manner. In line with checklists and procedures, daily, weekly and monthly updates and reconciliations occur over assets where an automated data feed is not in place. | For assets with an automatic data feed, see section E3. For all other assets, known as service assets clients are encouraged to provide the necessary data to IPS as often as possible, however it is within the monthly checklist, 5 of which were reviewed as completed, or flagged for resolution to the Managing Director. | No deviations noted. |

Monitoring compliance

E.13 Errors are identified, notified to clients and rectified promptly in accordance with client agreements.

| Control Description | Procedures | Results |
|---|--|-----------------------------|
| <p>E.13.1 Errors identified by the advisor to the client are notified via the IPS Instruct Workflow system and actioned via the same system. Errors identified by IPS are notified to the advisor or advisor representative and rectified immediately.</p> <p>All cash and security account information is automatically fed into the system using an automatic data-feed. Reconciliations are performed to identify and resolve differences between the data feed and the IPS system. This is done on both value and quantity of holdings.</p> | <p>A sample of 5 weekly reconciliation checklists were verified as being complete and all variances being reconciled or flagged for resolution to the Managing Director.</p> <p>A sample of 10 errors identified were reviewed to ensure appropriate action was taken to resolve the discrepancy in a timely manner.</p> | <p>No deviations noted.</p> |

Monitoring subservice organisations

E.14 Appointments of subservice organisations, including those providing investment administration, are approved, subservice organisations are properly managed and their activities are adequately monitored on a timely basis.

| Control Description | Procedures | Results |
|---|---|-----------------------------|
| <p>E.14.1 IPS engages Praemium to provide the software for portfolio management. IPS relies on the controls report supplied by Praemium on an annual basis to ensure their activities are controlled appropriately. IPS also monitors the accuracy of the Praemium data being supplied through various daily and weekly checklists.</p> | <p>Based on inquiries with management, the annual service auditor report is obtained for Praemium and reviewed for any control deficiencies that would affect IPS. We have obtained this report and confirmed no deficiencies exist that would affect IPS.</p> <p>A sample of 5 weekly reconciliation checklists were verified as being complete and all variances being reconciled or flagged for resolution to the Managing Director.</p> | <p>No deviations noted.</p> |

Reporting to clients

E.15 Periodic reports to clients, including calculation of net asset value if required, are accurate and complete and distributed on a timely basis.

| Control Description | Procedures | Results |
|----------------------------|-------------------|----------------|
|----------------------------|-------------------|----------------|

E.16 Annual reports and accounts are prepared in accordance with applicable laws and regulations.

| Control Description | Procedures | Results |
|--|---|-----------------------------|
| <p>E.16.1 Annual reports are prepared in accordance with the advisors instructions and follow the regular monthly/quarterly reporting process as below.</p> <p>Reconciliations occur in line with checklists and procedures to ensure that any activity over assets held within a portfolio is identified and acted on in a timely and accurate manner.</p> <p>In line with checklists and procedures, daily, weekly and monthly updates and reconciliations occur over assets where an automated data feed is not in place.</p> <p>Reports are not issued until reconciliations are complete.</p> | <p>2 monthly, 2 quarterly and 1 annual reporting checklist were verified and approved, which details the necessary steps that need to be completed, including resolution of items on the reconciliations and updating of all service assets before reports are finalised.</p> | <p>No deviations noted.</p> |

Taxation

E.17 Tax policy is updated and reviewed on a timely basis.

| Control Description | Procedures | Results |
|--|--|-----------------------------|
| <p>E.17.1 IPS relies on the tax policies and updates by Praemium.</p> <p>To verify that this is suitable, IPS will monitor the system messages issued by Praemium that provide details and confirmation of tax treatment of certain corporate actions, dividends and distributions.</p> <p>IPS also compare, on a sample basis, the tax information received directly by the listed company or managed fund to the information provided by Praemium.</p> | <p>A sample of 25 tax statements from companies were selected and these were agreed to the individual reconciliations.</p> | <p>No deviations noted.</p> |

E.18 Tax information components and attributes used in the preparation of the income tax computation (current and deferred) are complete and calculated accurately in accordance with tax policy or as agreed with clients.

| Control Description | Procedures | Results |
|---|--|-----------------------------|
| <p>E.18.1 IPS relies on the tax policies and updates by Praemium, as stated in E.17.</p> <p>IPS also compare, on a sample basis, the tax information received directly by the listed company or managed fund to the information provided by Praemium.</p> | <p>A sample of 25 tax statements from companies were selected and these were agreed to the individual reconciliations.</p> | <p>No deviations noted.</p> |

E.19 Differences between tax and accounting treatments are identified and calculated in accordance with tax policy or as agreed with clients and reported in a timely manner to clients.

| Control Description | Procedures | Results |
|---|-------------------|----------------------|
| E.19.1 IPS relies on the tax policies and updates by Praemium. | See E.17. | No deviations noted. |
| IPS will monitor the system messages issued by Praemium that provide details and confirmation of tax treatment of certain corporate actions, dividends and distributions. | | |

E.20 Current and deferred tax balances in the general ledger are accurately recorded in accordance with the tax computation, and processed in a timely manner in accordance with tax policy or as agreed with clients.

| Control Description | Procedures | Results |
|---|---|----------------------|
| E.20.1 IPS relies on the tax policies and updates by Praemium, as stated in E.17. | A sample of 25 tax statements from companies were selected and these were agreed to the individual reconciliations. | No deviations noted. |
| IPS will always verify the updating of tax deferred components by sample checking to the Annual Tax Statement issued by the listed company or fund manager. | | |

E.21 Current and deferred tax balances are calculated completely, accurately, are valid and processed in a timely manner (where appropriate).

| Control Description | Procedures | Results |
|---|-------------------|----------------------|
| E.21.1 IPS relies on the tax policies and updates by Praemium, as stated in E.17. | See E.17. | No deviations noted. |

E.22 Assets are completely and accurately classified as held on either a capital or a revenue account (where appropriate).

| Control Description | Procedures | Results |
|--|-------------------|----------------------|
| E.22.1 IPS relies on the tax policies and updates by Praemium, as stated in E.17. | See E.17. | No deviations noted. |
| All portfolio assets are treated as held on capital account unless specified otherwise by the financial adviser when opening the account. The tax treatment of such assets will be as per the tax policies and updates made by Praemium. | | |

E.23 Tax journals are valid and are processed completely, accurately, and in a timely manner.

| Control Description | Procedures | Results |
|--|---|----------------------|
| E.23.1 IPS relies on the tax policies and updates by Praemium, as stated in E.17. IPS will always verify the updating of tax deferred components by sample checking to the Annual Tax Statement issued by the listed company or fund manager. | A sample of 25 tax statements from companies were selected and these were agreed to the individual reconciliations. | No deviations noted. |

F. Registry

Accepting clients

This is not applicable to Integrated Portfolio Solutions Pty Ltd.

G. Information technology

Restricting access to systems and data

G.1 Physical access to computer networks, equipment, storage media and program documentation is restricted to authorised individuals.

| Control Description | Procedures | Results |
|--|---|----------------------|
| G.1.1 Physical access is restricted only to Senior Management as well as parties that are authorised by Senior Management. Access to the IPS premises is by registered keys issued only to IPS staff. | Key staff were interviewed, available documentation, policies and procedures surrounding physical access security were reviewed as to how IT assets are physically protected and secured. Inspected the location of the server room and confirmed that it was secured. | No deviations noted. |

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.

| Control Description | Procedures | Results |
|---|---|----------------------|
| G.2.1 System access is reviewed and controlled by Senior Management. Access to the IPS network is controlled by internal IPS staff with access granted authorised by Senior Management. Staff access to IT resources computers is controlled via username and password. | Key staff were interviewed and available relevant documentation reviewed. | No deviations noted. |

G.3 Segregation of incompatible duties is defined, implemented and enforced by logical security controls in accordance with job roles.

| Control Description | Procedures | Results |
|---|--|----------------------|
| G.3.1 System access is reviewed and controlled by Senior Management. All functions are segregated based on various access levels. Access is reviewed with formal approval and signed off approvals in place. | Key staff were interviewed and the Access Control Policy, Acceptable Use Policy and organisational chart were reviewed. The company organisation chart was obtained and reviewed. A list of key users was obtained and their job roles reviewed. Noted that changes are authorised by the Managing Director. | No deviations noted. |

Authorising and processing transactions

G.4 IT processing is authorised and scheduled appropriately and exceptions are identified and resolved in a timely manner.

| Control Description | Procedures | Results |
|---|---|----------------------|
| G.4.1 IT processing is authorised and scheduled. Any issues are alerted to Management and then followed up and resolved in a timely manner. | Interviewed relevant staff and reviewed operations monitoring in place. | No deviations noted. |

Safeguarding assets

G.5 Appropriate measures, including firewalls and anti-virus software, are implemented to counter the threat from malicious electronic attack.

| Control Description | Procedures | Results |
|---|--|----------------------|
| G.5.1 Security is managed and maintained by the in house IPS IT Team. The IT team undertakes regular reviews and monitoring of the IT systems. Software tools are deployed to monitor and manage the environment. The IT environment is protected using various security techniques that includes deployment of VPN, antivirus software, malware detection tools and firewalls | Key staff were interviewed and available documentation reviewed. Obtained a copy of the Service Level Agreement from Agility noting that management and monitoring of critical infrastructure is included. Obtained and reviewed monitoring activity reports generated from a variety of security software products. | No deviations noted. |

G.6 The physical IT equipment is maintained in a controlled environment.

| Control Description | Procedures | Results |
|---|---|----------------------|
| G.6.1 The production environment is maintained in a purpose-built data centre under the responsibility of Praemium (i.e. for the portfolio data). Amazon Web Services ('AWS') hosts all IPS Instruct applications. Note that AWS staff have no access to the IPS applications. | Key staff were interviewed and available relevant documentation reviewed. Copies of the current outsource agreements were obtained and reviewed. | No deviations noted. |

Maintaining and developing systems hardware and software

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.

| Control Description | Procedures | Results |
|--|---|----------------------|
| G.7.1 All development and testing is carried out in a secure test environment. Issues are logged via the Jira issue management and tracking system with issues being tracked to resolution prior to any release to the live environment. | Key staff were interviewed and available relevant documentation reviewed. Copies of the current outsource agreements were obtained and reviewed. | No deviations noted. |

G.8 Data migration or modification is authorised, tested and, once performed, reconciled back to the source data.

| Control Description | Procedures | Results |
|--|--|--------------------------------------|
| G.8.1 The migration of databases from Agility (prior service provider) to Amazon Web Services ('AWS') was achieved through detailed planning of the migration activities then subsequent testing and sign off to sources data. | Control not applicable as no data migration activities took place during the year. | Control not applicable for the year. |

Recovering from processing interruptions

G.9 Data and systems are backed up regularly, retained offsite and regularly tested for recoverability on a periodic basis

| Control Description | Procedures | Results |
|--|--|----------------------|
| G.9.1 There is hourly replication during business hours to the disaster recovery site. Daily and nightly backups are retained for at least 7 days (sometimes indefinitely) on multiple independent locations. Testing of backups occurs regularly. | Interviewed relevant staff and reviewed available policies and procedures surrounding data backup, recovery, archiving and encryption Obtained the following - Copies of a sample of backup logs - Screen shot of backup software configuration settings - Example of a backup test performed and results obtained | No deviations noted. |

G.10 IT hardware and software issues are monitored and resolved in a timely manner.

| Control Description | Procedures | Results |
|--|--|----------------------|
| G.10.1 The environment is monitored 24 hours a day, 7 days per week and all issues are resolved as per service level agreements. | Interviewed relevant staff and reviewed available policies and procedures surrounding the mechanisms and tools to monitor IT hardware software assets. | No deviations noted. |

G.11 Business and information systems recovery plans are documented, approved, tested and maintained.

| Control Description | Procedures | Results |
|---|---|----------------------|
| G.11.1 Disaster recovery plans have been documented, approved and tested. They have been published and are available as required. | Interviewed relevant staff and reviewed available policies and procedures surrounding Disaster Recovery (DR) and Business Continuity (BC) Planning. Reviewed available test results from the Disaster Recovery test. | No deviations noted. |

Monitoring compliance

G.12 Information technology services provided to clients are approved, managed and performance thresholds met in accordance with the requirements of the client agreement.

| Control Description | Procedures | Results |
|---|--|----------------------|
| G.12.1 Service level agreements are in place with clients and are monitored regularly to ensure accessibility, performance and capacity are meeting requirements. | <p>Reviewed available policies and procedures surrounding outsourced services and SLA compliance. The policies and procedures were confirmed by inspection.</p> <p>Inspected a sample of 2 monthly infrastructure status reports provided by Agility and review of the same by the MD to evidence monitoring of the services provided.</p> | No deviations noted. |

Monitoring subservice organisations

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.

| Control Description | Procedures | Results |
|---|---|----------------------|
| G.13.1 Service agreements are in place and monitored by IPS Management. | <p>Inspected copies of the service agreements for Praemium, and Agility Applications.</p> <p>Inspected a sample of 2 monthly infrastructure status reports provided by Agility and reviewed by the Managing Director to evidence monitoring of the services provided.</p> <p>Inspected a sample of 1 automated alert across 6 monitoring areas for Praemium and confirmed that services delivered are monitored by the Managing Director.</p> | No deviations noted. |