

# DEVON FUNDS.

## ***Report on controls over Devon Funds Management Limited's investment management services***

For the period from 1 April 2020 to 31 March 2021

## Devon Funds Management's Assertion

We have prepared the accompanying Description of Devon Funds Management Limited's ("Devon") investment management services provided for its retail unit trusts, wholesale unit trusts and wholesale mandate clients and their auditors who have a sufficient understanding to consider the Description, along with other information, including information about controls operated by user entities of the system themselves, when assessing the risks of material misstatements of user entities' financial statements.

We confirm, to the best of our knowledge and belief, that:

- a. the accompanying Description on pages 4 to 7 fairly presents the investment management services provided by Devon throughout the period 1 April 2020 to 31 March 2021. The criteria used in making this assertion were that the accompanying Description:
  - i. presents how the system was designed and implemented, including:
    - (1) the types of services provided including, as appropriate, classes of transactions processed;
    - (2) 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 user entities of the system;
    - (3) 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 user entities of the system;
    - (4) how the system dealt with significant events and conditions, other than transactions;
    - (5) the process used to prepare reports to user entities of the system;
    - (6) relevant control objectives and controls designed to achieve those objectives;
    - (7) controls that we assumed, in the design of the system, would be implemented by user entities, 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; and
    - (8) 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 transactions of user entities of the system.
  - ii. the Description includes relevant details of changes to the investment management services system during the period 1 April 2020 to 31 March 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 user entities of the system and their auditors, and may not, therefore, include every aspect of the system that each individual user entity of the system and its auditor 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 April 2020 to 31 March 2021. The criteria used in making this assertion were that:
  - i. the risks that threatened the achievement of the control objectives stated in the Description were identified;
  - ii. the controls identified in the Description 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 April 2020 to 31 March 2021.



Niall Hartigan

*CFO, Devon Funds Management Limited*

*3 June 2021*

## ***Description of Investment Management Services, Controls and Processes***

### **Background**

Devon Funds Management Limited ("Devon") provides investment management services for its retail unit trusts, wholesale unit trusts and wholesale mandate clients.

### **The Scope of the Investment Management Services**

In its capacity as investment manager, Devon must comply with each customer's Investment Management Agreement and is responsible for:

- making investment decisions;
- providing regular investment management reports; and
- monitoring portfolio and mandate compliance.

### **Overview of Company Ownership, Board and Governance**

Devon is 100% owned by Investment Services Group Limited, which is a privately owned company with ownership held by senior management and Directors.

Devon is governed by a Board of Directors that currently comprises Paul Glass, Brent Impey, Andrew Scott, Mel Firmin, and Slade Robertson, who have a broad range of legal and investment experience. In addition, Devon has an Audit, Risk & Compliance (ARC) sub-committee of the Board that is chaired by an independent Director appointed by the Board of Directors.

### **Risk and Compliance Framework**

The Chief Financial Officer is responsible for daily operations and risks within Devon's business. The importance of applying and maintaining appropriate business control processes and procedures are reinforced to staff by Devon's senior management.

The Devon Compliance Framework consists of the following:

- An ARC sub-committee that meets to review compliance issues. The Chairman is Mel Firmin.
- A daily compliance report is prepared each day and circulated amongst all staff.
- A daily trades report is prepared by the position keeper each morning and is signed by two members of the Investment Team as well as a member of the Audit & Compliance Team.
- A complaints register is maintained by the Operations & Compliance Team and is disclosed to the Audit, Risk & Compliance sub-committee.
- An Anti-Money Laundering (AML) exceptions register is maintained by the Operations & Compliance Team and is disclosed to the Audit, Risk & Compliance sub-committee.



### ***Description of Investment Management Services, Controls and Processes (continued)***

In discharging its obligations under the Investment Management Agreement, Devon utilises a number of key controls, which include:

#### ***Authorising and processing transactions***

- Major investment matters and decisions are discussed at Investment Committee meetings. All trade decisions are made by the relevant Portfolio Manager with input from the committee.
- All members of the Investment Team are able to place orders on IRESS. This is then authorised by a follow up phone call to the broker, which can only be made by a Portfolio Manager.
- A Daily Trades Report is generated from the system and is reviewed by two Portfolio Managers as well as a member of the Compliance Team prior to authorising the position.
- The brokers access the orders from the IRESS IOS order pad but will not action the trade until the verbal authorisation is received from the Portfolio Manager.
- Each day a Daily Trades Report is generated and is input into a cash reconciliation spreadsheet which calculates the cash flow implications of all trades and is then reconciled against the Custodian's Cash Report and reviewed by a member of the Compliance Team.
- Daily monitoring of compliance with mandates is undertaken using the Daily Portfolio Report and reviewed by a member of the Compliance Team.
- All portfolio holdings are reconciled daily to the Custodian's report with variances investigated. This is then reviewed by an authorised signatory.
- Where functionality of IRESS permits, mandate restrictions are input into IRESS which monitors pre and post trade compliance and displays a warning if a trade has the potential to put the portfolio in breach of its mandate.
- A Monthly Hawkeye report is prepared to review for any unusual trading activity. It monitors the number of trades on each day during the month and highlights any buys and sells in the same stock on the same day. The reports are signed off by an Executive Director each month.
- Spot FX transactions are placed through approved FX counterparties only by authorised signatories based on information distributed by the Operations team.
- All Spot FX transactions are signed off by two authorised signatories and one member of the Compliance Team.
- The transacting of FX Forwards is outsourced to BNZ under an approved mandate. The FX Forwards transactions are reconciled by a member of the Compliance Team on a daily basis and checked against the BNZ mandate. The reconciliations are independently reviewed by another member of the Compliance Team.
- FX levels are monitored through the Daily Portfolio Report's compliance cover page and through the daily cash reconciliations and are reviewed by a member of the Compliance Team.

## ***Description of Investment Management Services, Controls and Processes (continued)***

### ***Approved counterparties***

- Each day a Daily Trades Report is generated and trade decisions are authorised by a member of the Compliance Team.
- The Investment Committee maintains a list of approved brokers which is updated periodically.

### ***Asset investment and cash reconciliations***

- Each day a Daily Trades Report is generated and is input into a cash reconciliation spreadsheet which calculates the cash flow implications of all trades and is then reconciled against the Custodian's Cash Report and reviewed by a member of the Compliance Team.
- All portfolio holdings are reconciled daily to the Custodian's report with variances investigated. This is then reviewed by an authorised signatory.

### ***Corporate Actions***

- Corporate actions are only processed once approved by an authorised signatory.
- Each day a Daily Trades Report is generated and is input into a cash reconciliation spreadsheet which calculates the cash flow implications of all trades and is then reconciled against the Custodian's Cash Report and reviewed by a member of the Compliance Team.
- All portfolio holdings are reconciled daily to the Custodian's report with variances investigated. This is then reviewed by an authorised signatory.

### ***Asset valuation***

- Devon's asset values, which are obtained from the relevant stock exchange via IRESS, are reconciled daily to the Custodian's report with variances investigated. This is then reviewed by an authorised signatory.

### ***Restricted access***

- Access to Devon's office is restricted by swipe card access.
- User access and security levels are determined by Management.

### ***Compliance***

- A complaints register is maintained and any complaints received are reported to management immediately and formally at the monthly Audit, Risk & Compliance Meeting.
- A breach register is maintained and any breaches are reported to management immediately and formally at the monthly Audit, Risk & Compliance Meeting.
- A summary of broker commission is prepared monthly and tabled at the Investment Committee meetings.
- Client reports are set up to update automatically with minimal input, reducing the risk of manual error, all returns and statements are reviewed by various members of staff before sending.

### ***Description of Investment Management Services, Controls and Processes (continued)***

- All activity must be in compliance with the Devon Compliance Guide. The Compliance Guide is updated annually and all staff members must attest to having read and understood the guide on semi- annual basis.
- Conflicts of interest are monitored through semi-annual declarations from all staff and a Register of Interests for Devon Board members.
- An AML exceptions register is maintained by the Operations Team and is disclosed to the Audit, Risk & Compliance Committee.

This report does not cover services provided by custodians, registrars and administrators. Therefore, no procedures have been performed as part of this report to evaluate the effectiveness of controls exercised by these parties.

### **IT Platforms**

Devon utilises the following systems as part of its investment operations:

- IRESS Order System ("IOS") — portfolio trading solution
- IRESS Professional — real-time and historical market data system
- IRESS Portfolio System ("IPS") — portfolio management system
- Salesforce - Financial Services Cloud
- FactSet — Market data software

In addition to these, Devon utilises the Microsoft Office365 suite.

The IRESS suite of products are designed and maintained by IRESS in Australia. The IRESS Portfolio System is on a shared hosted server in an offsite data centre and is automatically backed up nightly.

All staff have SecurID tokens to enable remote access to their virtual server and can access Devon folders and IRESS from anywhere and at any time as long as they have an internet connection.

Devon uses an independent subservice organisation, Intellium Technology Limited (Intellium) for all of its information technology services. This Description excludes the control objectives and related controls of the subservice organisation.

### **COVID-19**

The World Health Organisation declared the coronavirus (COVID-19) outbreak to be a global pandemic on 11 March 2020. In response to COVID-19, lockdown restrictions were then enforced by the New Zealand Government for the first time from 26 March 2020, which included people staying home and businesses being closed, except for the provision of essential services. Further lockdowns were enforced during the year.

Whilst Devon's activities were deemed an essential service, Devon had in place plans for staff to work remotely, which was fully operational by the time of the first lockdown. This included switching any paper-based control activities to being evidenced electronically. In addition, Devon considered the impact of COVID-19 on its service providers and discussed with them their readiness and capability.

Processes and controls continued to be designed and operated effectively for the period from 1 April 2020 to 31 March 2021, without interruption to the business.



## Independent Service Auditor's Assurance Report on the Description of Controls, their Design and Operating Effectiveness

To the Directors of Devon Funds Management Limited

### Scope

In accordance with the terms of the engagement letter dated 19 February 2021, we were engaged to report on Devon Fund Management Limited's ("Devon" or the "Company") description on pages 4 to 7 of their internal control system pertaining to the investment management services provided to the Company's clients throughout the period 1 April 2020 to 31 March 2021 (the Description) and on the design and operation of controls related to the control objectives stated in the Description.

The Company uses an independent subservice organisation, Intellium for the period 1 April 2020 to 31 March 2021, for all of its information technology services. The description on pages 4 to 7 includes only the control objectives and related controls of the Company and excludes the control objectives and related controls of the subservice organisations. Our examination did not extend to controls of the subservice organisations.

While the controls and related control objectives may be informed by the Company's need to satisfy legal or regulatory requirements, our scope of work and our conclusions do not constitute assurance over compliance with those laws and regulations.

### Company's responsibilities

The Company is responsible for:

- preparing the Description and accompanying assertion on pages 2 to 7, including the completeness, accuracy and method of presentation of the Description and assertion;
- providing the services covered by the Description;
- stating the controls objectives; and
- designing, implementing and effectively operating controls to achieve the stated control objectives.

### Our independence and quality control

We have complied with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1), or other professional requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Professional and Ethical Standard 3 (Amended) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, or requirements in law or regulation, that are at least as demanding, our firm 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.



### **Service auditor's responsibilities**

Our responsibility is to express an opinion on the Company'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 International Standard on Assurance Engagements (New Zealand) 3402 Assurance Reports on Controls at a Service Organisation, issued in New Zealand. That Standard requires that we comply with 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 to achieve the related control objectives stated in the Description.

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. Our procedures included assessing the risks that the Description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the Description. 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 in management's assertion on pages 2 to 7.

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

We are independent of the Company. Other than in our capacity as auditor of the Company and managed investment schemes that are managed by the Company and providing additional services for the Company in the areas of agreed upon procedures in relation to net tangible assets (NTA), we have no relationship with, or interests in, the Company. The provision of these services has not impaired our independence.

### **Limitations of controls at a service organisation**

The Company's Description and controls pertaining to the investment management services are prepared to meet the common needs of a broad range of user entities and their auditors and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. We have performed no procedures to evaluate the effectiveness of controls at, or as they relate to, individual user entities and no opinion is expressed on them and we have not evaluated the suitability of design or operating effectiveness of complementary user entity controls.

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. Our opinion is based on historical information and the projection to future periods of any evaluation of the fairness of the presentation of the Description, or the suitability of the design or operating effectiveness of the controls would be inappropriate.





### **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 in the Company's assertion on pages 2 to 3.

In our opinion, in all material respects:

- a) The Description fairly presents the investment management services as designed and implemented throughout the period 1 April 2020 to 31 March 2021;
- b) The controls related to the control objectives stated in the Description were suitably designed throughout the period 1 April 2020 to 31 March 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 period 1 April 2020 to 31 March 2021.

### **Description of tests of controls**

The specific controls tested and the nature, timing and results of those tests are listed on pages 11 to 18.

### **Use of our Report**

This report and the description of tests of controls on pages 11 to 18 are intended only for user entities who have used the Company's investment management services, and their auditors, who have a sufficient understanding to consider it, along with other information including information about controls operated by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements, without assuming or accepting any responsibility or liability to customers or their auditors on our part.

Our report must not be recited or referred to in whole or in part in any other document nor made available, copied or recited to any other party, in any circumstances, without our express prior written permission.

We disclaim any assumption of responsibility for any reliance on this assurance report or for the conclusions we have formed to any person other than the Directors of the Company, or for any other purpose other than that for which the assurance report was prepared.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

Chartered Accountants  
3 June 2021

Auckland

**Internal controls adopted by Devon Funds Management Limited (“Devon”) in relation to its investment management services from 1 April 2020 to 31 March 2021.**

Control Objective		Control Policies and Procedures		PwC Tests	PwC Findings
1.	To ensure asset investment transactions are properly authorised, executed and allocated in a timely and accurate manner.	(a)	Major investment matters and decisions are discussed at Investment Committee meetings. All trade decisions are made by the relevant Portfolio Manager with input from the committee.	Inspect that meetings are held for the discussion of investment matters and decisions by obtaining minutes for a sample of meetings to evidence decisions are discussed.	Exception noted, for two out of five meetings sampled (27.04.2020 and 15.02.2021) minutes were not kept to evidence the decisions made. <b>Management Response:</b> COVID-19 and resulting lockdowns presented various challenges. The Devon team were all set-up to work remotely and critical functions were all performed without exception. Control operators have confirmed that meetings were held daily during the lockdown period as opposed to weekly, and investment matters and decisions were not recorded.
		(b)	All members of the Investment Team are able to place orders on IRESS. This is then authorised by a follow up phone call to the broker, which can only be made by a Portfolio Manager.	Confirm through inquiry with a sample of brokers that trades are not placed until phone confirmation is received from a Devon Portfolio Manager.	No exceptions noted.
		(c)	A Daily Trades Report is generated from the system and is reviewed by two Portfolio Managers as well as a member of the Compliance Team prior to authorising the position.	Select a sample of Daily Trades Reports and inspect that these are authorised by a member of the Compliance Team in a timely manner before sending to the Investment Team for further processing.	No exceptions noted.
		(d)	The brokers access the orders from the IRESS IOS order pad but will not action the trade until the verbal authorisation is received from the Portfolio Manager.	Confirm through inquiry with a sample of brokers that trades are not placed until phone confirmation is received from a Devon Portfolio Manager.	No exceptions noted.
		(e)	Each day a Daily Trades Report is generated and is input into a cash reconciliation spreadsheet which calculates the cash flow implications of all trades and is then reconciled against the Custodian's Cash Report and reviewed by a member of the Compliance Team.	Select a sample of Daily Trades Reports and Cash Detail Reports and inspect that these are reconciled to the Custodian's Cash Report and reviewed by a member of the Compliance Team in a timely manner.	No exceptions noted.

1.	To ensure asset investment transactions are properly authorised, executed and allocated in a timely and accurate manner. (continued)	(f)	Daily monitoring of compliance with mandates is undertaken using the Daily Portfolio Report and reviewed by a member of the Compliance Team.	Select a sample of Daily Portfolio Reports which include compliance with mandates and inspect that they are reviewed by a member of the Compliance Team in a timely manner.	<p>Exception noted with respect to timeliness of the Compliance Team's review of the Daily Portfolio Report for two of the twenty dates sampled.</p> <p>PwC identified that formal sign-off for the sample dated 03.04.2020 and 08.04.2020 was not recorded until 28.04.2020 and 30.04.2020 respectively.</p> <p><b>Management Response:</b>  COVID-19 and resulting lockdowns presented various challenges. The Devon team were all set-up to work remotely and critical functions were all performed without exception. A digital sign-off process was developed and implemented on 15 April 2020. All sign-off processes from that date were signed and recorded electronically and sign-offs for previous dates were backfilled. Control operators have confirmed that review occurred through the period of remote working and this was formally recorded on 28.04.2020 and 30.04.2020 Evidence is available of this report having been prepared on the correct dates.</p>
		(g)	All portfolio holdings are reconciled daily to the Custodian's report with variances investigated. This is then reviewed by an authorised signatory.	Select a sample of Daily Holdings Reconciliations and inspect that these are reconciled to the Custodian's report and are reviewed by an authorised signatory in a timely manner.	No exceptions noted.
		(h)	Where functionality of IRESS permits, mandate restrictions are input into IRESS which monitors pre and post trade compliance and displays a warning if a trade has the potential to put the portfolio in breach of its mandate.	<p>Obtain a sample of investment mandates and agree the investment limits per the mandate to the limits within IRESS where the functionality of IRESS permits</p> <p>Observe an attempt to conduct an inappropriate trade within IRESS and observe the automatic notification indicating a mandate breach.</p>	No exceptions noted.

1.	To ensure asset investment transactions are properly authorised, executed and allocated in a timely and accurate manner. (continued)	(i)	A Monthly Hawkeye report is prepared to review for any unusual trading activity. It monitors the number of trades on each day during the month and highlights any buys and sells in the same stock on the same day. The reports are signed off by an Executive Director each month.	Select a sample of Monthly Hawkeye reports and inspect that these are reviewed by an authorised signatory in a timely manner.	No exceptions noted.
		(j)	Spot FX transactions are placed through approved FX counterparties only by authorised signatories based on information distributed by the Operations team.	Select a sample of Spot FX transactions and inspect these were placed with an approved counterparty by an authorised signatory.	No exceptions noted.
		(k)	All Spot FX transactions are signed off by two authorised signatories and one member of the Compliance Team.	Select a sample of Spot FX transactions and inspect these were approved by two authorised signatories of the Investment Team and one member of the Compliance Team in a timely manner.	<p>Exception noted with respect to dual sign-off.</p> <p>PwC identified that for two of the twenty transactions sampled, there was only one signatory from the Investment team and a member of the Compliance team who reviewed the transaction.</p> <p><b>Management Response:</b> For this instance, Management note the exception, which occurred as a teething issue with the new sign off process. We are comfortable that the transaction was executed correctly. and have found no other instances of this occurring.</p>



1.	To ensure asset investment transactions are properly authorised, executed and allocated in a timely and accurate manner. (continued)	(l)	The transacting of FX Forwards is outsourced to BNZ under an approved mandate. The FX Forwards transactions are reconciled by a member of the Compliance Team on a daily basis and checked against the BNZ mandate. The reconciliations are independently reviewed by another member of the Compliance Team.	Select a sample of FX Forward Reconciliations and inspect that any variances have been explained and the reconciliation has been reviewed by an independent member of the Compliance Team, in a timely manner.	Exception noted with respect to timeliness of the Compliance Team's review of the FX Forward Reconciliations for three of the twenty dates sampled.  PwC identified that for three out of twenty transactions sampled, formal sign-off for the samples dated 3.04.2020, 8.04.2020 and 14.04.2020 was not recorded until 29.04.20.  <b>Management Response:</b> COVID-19 and resulting lockdowns presented various challenges. The Devon team were all set-up to work remotely and critical functions were all performed without exception. A digital sign-off process was developed and implemented on 15 April 2020. All sign-off processes from that date were signed and recorded electronically and sign-offs for previous dates were backfilled. Control operators have confirmed that review occurred through the period of remote working and records are available of the reconciliations being prepared. However, physical sign-off for the noted exceptions could not be formally recorded until 29.04.20.
		(m)	FX levels are monitored through the Daily Portfolio Report's compliance cover page and through the daily cash reconciliations and are reviewed by a member of the Compliance Team.	Select a sample of Daily Portfolio Reports including data on FX levels and inspect that they were reviewed by a member of the Compliance Team.	No exceptions noted.
2.	Ensure transactions are undertaken only with approved counterparties.	(a)	Each day a Daily Trades Report is generated and trade decisions are authorised by a member of the Compliance Team.	Select a sample of Daily Trades Reports and inspect that these are authorised by a member of the Compliance Team.	No exceptions noted.



2.	Ensure transactions are undertaken only with approved counterparties. (continued)	(b)	The Investment Committee maintains a list of approved brokers which is updated periodically.	Inspect that IRESS is restricted to a list of brokers approved by the Investment Committee.	<p>Exception noted that for one broker in IRESS, Investment Committee approval had not been obtained. We note that the Investment Committee subsequently approved this broker. PwC has sighted email correspondence regarding the on-boarding of the new broker between members of the Investment Committee, however, no evidence of a formal approval at the Investment Committee meeting is available.</p> <p><b>Management Response:</b> COVID-19 and resulting lockdowns presented various challenges. The Devon team were all set-up to work remotely and critical functions were all performed without exception. Minutes for the relevant ICM were unavailable during this time (as per control 1.(a)). However, substantial records relating to discussions, amongst the Investment Team and members of the Investment Committee, on the addition of the broker are available.</p>
3.	Ensure asset investment and related cash transactions are completely and accurately recorded and settled in a timely manner (Note: Custodian's process all cash transactions and handle all settlements based on instructions from Devon).	(a)	Each day a Daily Trades Report is generated and is input into a cash reconciliation spreadsheet which calculates the cash flow implications of all trades and is then reconciled against the Custodian's Cash Report and reviewed by a member of the Compliance Team.	Select a sample of Daily Trades Reports and Cash Detail Reports and inspect that these are reconciled to the Custodian's Cash Report and reviewed by a member of the Compliance Team in a timely manner.	No exceptions noted.
		(b)	All portfolio holdings are reconciled daily to the Custodian's report with variances investigated. This is then reviewed by an authorised signatory.	Select a sample of Daily Holdings Reconciliations and inspect that these are reconciled to the Custodian's report and are reviewed by an authorised signatory in a timely manner.	No exceptions noted.

4.	Ensure corporate actions (such as dividends, share buy backs, share purchase plans, rights issues and bonus issues) are identified, with Devon's decisions on these communicated to the Custodian and then processed and recorded accurately.	(a)	Corporate actions are only processed once approved by an authorised signatory.	Select a sample of corporate actions and agree to Custodian confirmations. Inspect the corporate actions are approved by an authorised signatory and were processed before the event expired.	No exceptions noted.
		(b)	Each day a Daily Trades Report is generated and is input into a cash reconciliation spreadsheet which calculates the cash flow implications of all trades and is then reconciled against the Custodian's Cash Report and reviewed by a member of the Compliance Team.	Select a sample of Daily Trades Reports and Cash Detail Reports and confirm that these are reconciled to the Custodian's Cash Report and reviewed by a member of the Compliance Team.	No exceptions noted.
		(c)	All portfolio holdings are reconciled daily to the Custodian's report with variances investigated. This is then reviewed by an authorised signatory.	Select a sample of Daily Holdings Reconciliations and inspect that these are reconciled to the Custodian's report and are reviewed by an authorised signatory in a timely manner.	No exceptions noted.
5.	Ensure assets are valued using prices obtained from independent external pricing sources.	(a)	Devon's asset values, which are obtained from the relevant stock exchange via IRESS, are reconciled daily to the Custodian's report with variances investigated. This is then reviewed by an authorised signatory.	Select a sample of Daily Reconciliations and inspect that these are reconciled to the Custodian's report and are reviewed by an authorised signatory.	No exceptions noted.
6.	Ensure physical access to Devon's premises is restricted to authorised individuals.	(a)	Access to Devon's office is restricted by swipe card access.	Observe that the Devon office located on level 10, 2 Commerce Street, Auckland City, is restricted to staff only with valid access cards.	No exceptions noted.

7.	Ensure logical access to Devon's computer systems is restricted to authorised individuals via information security tools.	(a)	User access and security levels are determined and authorised by Management.	Obtain a list of IRESS and network access and confirm through inquiry with management that the user access and security levels of staff members are appropriate.  Observe that the management drive is restricted to staff who are not considered management.	No exceptions noted.
8.	Ensure material matters are reported to Management and/or the Board of Directors in a timely manner and on a regular basis.	(a)	A complaints register is maintained and any complaints received are reported to management immediately and formally at the monthly Audit, Risk & Compliance Meeting.	Inspect that a complaints register is maintained and select a sample of monthly Audit, Risk & Compliance meetings held and inspect that complaints are an agenda point of discussion and communicated in a timely manner.	No exceptions noted.
		(b)	A breach register is maintained and any breaches are reported to management immediately and formally at the monthly Audit, Risk & Compliance Meeting.	Inspect that a breach register is maintained and select a sample of monthly Audit, Risk & Compliance meetings held and inspect that breaches are an agenda point of discussion and communicated in a timely manner.	No exceptions noted.
		(c)	A summary of broker commission is prepared monthly and tabled at the Investment Committee meetings.	Select samples for a monthly brokerage report email and inspect that these have been tabled at the Investment Committee meetings.	No exceptions noted.
		(d)	Client reports are set up to update automatically with minimal input, reducing the risk of manual error, all returns and statements are reviewed by various members of staff before sending.	Observe that management use Microsoft office to prepare clients' reports and the data used to populate such reports is input by the program reducing the risk of manual error.  Confirm through inquiry that such reports are reviewed by staff before sending to clients.	No exceptions noted.
		(e)	All activity must be in compliance with the Devon Compliance Guide. The Compliance Guide is updated annually and all staff members must attest to having read and understood the guide on a semi-annual basis.	Obtain the Compliance Guide and inspect for updates from the prior year. Inspect that all staff members sign a semi-annual declaration.	No exceptions noted.

8.	Ensure material matters are reported to Management and/or the Board of Directors in a timely manner and on a regular basis. (continued).	(f)	Conflicts of interest are monitored through semi-annual declarations from all staff and a Register of Interests for Devon Board members.	Inspect the semi-annual declarations for all staff. For a sample of quarters, inspect Register of Interests and check that this has been noted in the relevant board minutes of meeting.	No exceptions noted.
		(g)	An AML exceptions register is maintained by the Operations Team and is disclosed to the Audit, Risk & Compliance Committee.	Inspect that an AML exceptions register is maintained and select a sample of monthly Audit, Risk & Compliance meetings held and inspect that AML exceptions are an agenda point of discussion and communicated in a timely manner.	No exceptions noted.