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**WealthSure Financial Services Pty Limited**  
Independent Expert Summary Report

6 December 2016

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# 1 Background

WealthSure Financial Services Pty Limited (“WFS”) is a financial planning business based in Western Australia.

WFS and WealthSure Pty Limited were previously part of the WealthSure Group which entered into a joint Enforceable Undertaking (EU) with the Australian Securities and Investments Commission (“ASIC”) on 29 August 2013.

The EU entered into by the WealthSure Group related to concerns held by ASIC following surveillance conducted between December 2010 and June 2012 of the WealthSure Group’s compliance program framework, policies, procedures and controls. Shortly after the inception of the EU, a Remediation Plan<sup>1</sup>, was developed by the WealthSure Group to address the concerns identified in the EU.

Following the restructure of the WealthSure Group in March 2015, WFS entered into a revised EU with ASIC, on 29 April 2015. The revised EU required WFS to continue implementing the Remediation Plan, including taking actions to address the concerns held by ASIC within the agreed timeframes.

Deloitte was appointed as the Independent Expert of WFS to provide a series of periodic reports (“Interim Reports”) in accordance with the revised EU. To date, Deloitte has completed four Interim Reports which have been issued to ASIC and WFS.

This report provides a summary of the outcomes of the fourth Interim Report dated 14 October 2016 (“Fourth Report”). The report does not consider any events prior to the start of the reporting period of 30 March 2016, or any events that occurred after the end of the reporting period of 23 September 2016.

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<sup>1</sup> The Remediation Plan is a document that sets out the specific actions to be undertaken by WFS to address the areas of concern identified by ASIC.

## 2 Scope

The Independent Expert is required under section 3.22 of the revised EU to:

- assess the completeness of WFS' actions under the Remediation Plan, including independent testing that the actions to address the concerns identified by ASIC, as set out in the Remediation Plan, have been implemented;
- confirm that new business systems, policies, procedures and controls are an accurate reflection of the actions described in the Remediation Plan;
- assess the operational effectiveness<sup>2</sup> of the completed actions including independent testing that the actions adequately control key compliance risks; and
- comment on any matters identified, requiring WFS to amend the Remediation Plan.

To enable an assessment of the implementation of the actions taken by WFS set out in the Remediation Plan, Deloitte performed the following specific procedures:

- interviewed relevant key personnel of WFS to understand the process undertaken to address the actions detailed in the Remediation Plan and to understand the operation of the WFS structure;
- obtained and assessed key documents to evidence and validate the status of actions completed;
- performed tests to check that the actions to address the concerns identified by ASIC have been implemented<sup>3</sup>. This also included checking that the changes made were an accurate reflection of the actions described in the Remediation Plan;
- selected samples on a judgemental and random basis and performed tests to check that the actions designed to adequately control key compliance risks are working in practice ("operational effectiveness tests"); and
- provided comments and recommendations where there were shortcomings identified in the actions that should have been implemented or where actions are not yet working in practice.

The scope of the work of the Fourth Report, as agreed between Deloitte and WFS and provided to ASIC, focused on testing the operational effectiveness of actions described in the WFS Remediation Plan and the design and implementation of recommendations made in previous Interim Reports.

Deloitte selected assessment procedures based on:

- the actions completed by WFS by the dates advised by WFS in the Remediation Plan; and
- WFS' response to Deloitte's recommendations in previous Interim Reports.

Deloitte performed procedures during September and October 2016. The period for testing of operational effectiveness was from 30 March 2016 to 23 September 2016 ("the reporting period").

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<sup>2</sup> Assessment of operational effectiveness refers to testing undertaken to determine how the completed actions designed to control compliance risks are working in practice over a period of time.

<sup>3</sup> Refers to evaluation of the design of controls or specific processes performed and testing undertaken to determine whether they have been implemented ("design and implementation").

# 3 Overall Findings

In accordance with the scope of the Fourth Report and the assessment of the actions undertaken by WFS and detailed in the Remediation Plan, Deloitte has identified the following overall findings:

- all of WFS' actions in the Remediation Plan were assessed to be operating effectively, for the reporting period, with no exceptions identified;
- two Remediation Plan areas were unable to be assessed for operational effectiveness because no activity occurred in the reporting period; and
- the design and implementation of three recommendations made in previous Interim Reports were assessed as satisfactory.

These findings are explained in more detail in the table below.

Remediation Plan Area	Actions assessed in the Fourth Report	Deloitte work and findings
1 Policies and Procedures  <i>Inadequate management of policy and compliance documents.</i>	WFS reviews and updates policies and procedures in accordance with the WFS review schedule.	In response to two recommendations made in previous Interim Reports, WFS has reviewed, updated and enhanced key policies and procedures that support its activities and compliance arrangements e.g. training, code of conduct, review procedures.  Deloitte obtained and assessed relevant WFS policies and procedures to determine where policies had been reviewed and updated in accordance with the WFS review schedule.  There were no exceptions identified.
2 Compliance Resources  <i>Inadequate compliance resources.</i>	WFS' compliance function contains an appropriate level of skilled resources to undertake monitoring and supervision activities.	WFS has a dedicated compliance function that is responsible for undertaking monitoring and supervision activities, including monitoring of authorised representatives (a company or an individual providing financial services on behalf of WFS i.e. a financial adviser).  The WFS compliance function requires individuals with specific skills to effectively undertake monitoring and supervision activities.  In response to a recommendation made in a previous Interim Report, WFS has undertaken an analysis of the skills of individuals working in the compliance function.  Deloitte assessed the analysis undertaken, which was used by WFS to validate the capabilities required in the compliance function.  There were no exceptions identified.
3 Governance Framework	WFS directors and management operate within an appropriate governance structure and oversee the activities of WFS.	The WFS governance framework includes a Board of Directors, a risk committee and a committee established to oversee the progress of the EU and the Remediation Plan.

Remediation Plan Area	Actions assessed in the Fourth Report	Deloitte work and findings
<i>Lack of a governance framework.</i>		<p>Deloitte assessed the governance framework, and obtained meeting minutes and reports, to evidence the key actions and decisions taken.</p> <p>There were no exceptions identified.</p>
<p>4 Compliance and Risk Management Framework</p> <p><i>Lack of Compliance and Risk Management.</i></p>	<p>WFS monitors compliance and manages risk in accordance with the approach set out in the WFS controls monitoring plan.</p>	<p>The assessment of the operational effectiveness of the actions to manage key compliance risk were assessed in the following Remediation Plan areas:</p> <ul style="list-style-type: none"> <li>• Adviser Compliance Monitoring</li> <li>• Plan-vetting</li> <li>• Adviser Training and Development</li> <li>• Adviser Recruitment</li> <li>• Breaches</li> </ul> <p>There were no exceptions identified in each of these areas, as detailed below.</p>
<p>5 Employee Compliance Training Program</p> <p><i>Inadequate employee compliance training.</i></p>	<p>WFS monitors the training progress of employees working in the compliance function in accordance with training requirements.</p>	<p>Employees working in the WFS compliance function are required to undertake annual training. A training program is in place for all employees involved in the monitoring and supervision of authorised representatives.</p> <p>Deloitte assessed documentation relating to the monitoring undertaken of employee training and the training registers for six employees. All six employees completed annual training as required by the WFS Employee Compliance Training Program.</p> <p>There were no exceptions identified.</p>
<p>6 Consequence Management Framework</p> <p><i>Inadequate consequence management.</i></p>	<p>WFS applies the consequence management framework in accordance with WFS policy.</p>	<p>WFS has developed a consequence management framework that applies to both WFS employees and authorised representatives.</p> <p>Deloitte assessed the application of the consequence management framework in respect of an authorised representative who did not complete training within the required timeframe set by WFS.</p> <p>There were no exceptions identified.</p>
<p>7 Conflicts of Interest</p> <p><i>Inadequate management of conflicts of interest.</i></p>	<p>WFS monitors and reports conflicts of interest to the WFS risk committee.</p>	<p>Compliance reports provided to the WFS risk committee were obtained, which stated no new conflicts of interest were identified by WFS during the reporting period.</p> <p>There were no exceptions identified.</p>
<p>8 Adviser Compliance Monitoring</p> <p><i>Inadequate monitoring and supervision.</i></p>	<p>WFS monitors and supervises authorised representatives in accordance with the review schedule and methodology.</p>	<p>WFS' monitoring procedures include reviewing personal financial advice provided by authorised representatives to clients and documenting the results ("audit reports").</p> <p>Deloitte obtained and assessed 11 audit reports and supporting documentation</p>

Remediation Plan Area	Actions assessed in the Fourth Report	Deloitte work and findings
		(including financial advice provided to clients) to determine the operational effectiveness of the application of WFS' procedures in undertaking monitoring of authorised representatives.  There were no exceptions identified.
9 Plan-vetting  <i>Inadequate monitoring and supervision.</i>	WFS monitors and supervises authorised representatives placed on plan-vetting.	WFS require newly appointed authorised representatives, and those placed on plan-vetting (due to the outcome of an audit report), to submit personal financial advice for review by the WFS compliance function, before the advice is provided to clients.  Deloitte assessed 15 authorised representatives placed on plan-vetting and obtained evidence of review and approval of the financial advice by the WFS compliance function.  There were no exceptions identified.
10 State Manager Roles and Responsibilities  <i>Inadequate monitoring and supervision.</i>	WFS monitors the performance of State Managers in accordance with key performance indicators.	WFS employs State Managers to support authorised representatives and the business development of WFS.  Position descriptions of State Managers include key performance indicators to enable WFS management to have oversight of the performance of State Managers. Several of the key performance indicators include a focus on monitoring, plan-vetting and reporting, a sample of which were obtained and assessed and no exceptions were identified for these key performance indicators.  Deloitte was unable to assess the operational effectiveness of all key performance indicators that apply to State Managers as some relevant samples were not applicable to be tested.
11 Adviser Training and Development  <i>Inadequate training of authorised representatives.</i>	WFS monitors the training progress of authorised representatives in accordance with training requirements.	WFS require authorised representatives to undertake a personal training program annually to ensure their knowledge and skills are current and relevant.  Training records for 11 authorised representatives, and evidence of monitoring, were obtained and assessed to determine compliance of the authorised representatives with training requirements.  There were no exceptions identified.
12 Adviser Recruitment  <i>Inadequate procedures for the recruitment of</i>	WFS conducts checks on applicants to assess the overall compliance status and background of an applicant prior to being appointed as an authorised representative.	The application files for five newly appointed authorised representatives were obtained and assessed to determine if the recruitment of new authorised representatives was handled in accordance with WFS' recruitment requirements.

Remediation Plan Area	Actions assessed in the Fourth Report	Deloitte work and findings
<i>authorised representatives.</i>		There were no exceptions identified.
13 Breaches  <i>Inadequate breach handling.</i>	WFS identifies, records, reports and rectifies breaches and incidents in accordance with WFS and legislative requirements.	<p>The breach register in which WFS records breaches and incidents was obtained, along with reports indicating the breaches and incidents were reported to the WFS risk committee.</p> <p>Deloitte obtained and assessed nine incident or issue reports to determine whether incidents or issues had been reported and handled in accordance with WFS and legislative requirements.</p> <p>There were no exceptions identified.</p>
14 Complaints Management  <i>Inadequate complaints management.</i>	WFS handles complaints in accordance with the WFS complaints management policy.	<p>WFS has a complaints management policy and the design of this policy was assessed in previous Interim Reports.</p> <p>Deloitte was unable to assess operational effectiveness of the complaints management policy as no complaints had been received in the reporting period.</p>



# 4 Limitations

Our work for WealthSure Financial Services Pty Limited was limited to the specific scope outlined in the Engagement Letter dated 17 September 2015 and was completed during the period of 5 September 2016 to 7 October 2016. Therefore, we may not have identified matters that would have been found had additional time been available or a specific assessment of each relevant request been performed. The Engagement Letter was also provided to ASIC.

Our scope did not include any assessment of controls supporting technology platforms or an assessment of the accuracy of underlying data.

Our work does not constitute a reasonable assurance (audit) or limited assurance (review) engagement in accordance with the Auditing and Assurance Standards Board ("AUASB") standards and consequently, no assurance is provided. The scope of our work does not extend to obligations not specifically detailed in the engagement letter and the work described above, and any interpretation of law. No legal opinions are provided or can be assumed.

We assume that any information provided by WealthSure Financial Services Pty Limited in relation to enquiries for this report are true, complete and not misleading, and confirm that if the information is untrue, incorrect or misleading then the report may be incorrect or inappropriate for its purpose. The decision-making responsibility in response to the findings of this report resides solely with WealthSure Financial Services Pty Limited.

We believe the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, WealthSure Financial Services Pty Limited. We have not attempted to verify these sources independently unless otherwise noted within the report.