

## AustralianSuper Pty Ltd

# Outsourcing Internal Audit Checklist

Name of material service provider: .....

This checklist is to be completed by the Senior Manager or the person responsible for overseeing the material business activities being outsourced.

This checklist is subject to review by internal audit (KPMG) (or Group Compliance review as an alternative arrangement under SPS 231 in respect of IMAs only) to comply with the requirements of:

- SPS 231: Outsourcing
- AustralianSuper Outsourcing Policy and Framework
- AustralianSuper Outsourcing Procedures
- Risk Management Framework

### Sequence of events

Before contracting	<ol style="list-style-type: none"> <li>1. Potential material outsourcing arrangement arises</li> <li>2. Group Compliance Team is notified and Group Compliance provides checklist to relevant business unit</li> <li>3. Business unit completes checklist and other relevant docs               <ul style="list-style-type: none"> <li>• Business case</li> <li>• Tender documents</li> <li>• Risk assessment</li> </ul> </li> <li>4. Completed Checklist and supporting documents are provided to Group Compliance for review</li> <li>5. Once Group Compliance review is completed, they provide completed Checklist and supporting documents to Internal Audit (KPMG) (all material outsourcing except IMAs. For IMAs, Group Compliance review needs to be completed.)</li> <li>6. KPMG review and provide report</li> <li>7. Group Compliance will confirm with the business unit when KPMG review has been completed (do not execute before this is done).</li> <li>8. 9. <b>For IMAs</b>, Group Compliance will confirm with Investments when the Compliance Review has been completed (do not execute IMA before this is done).</li> </ol>
After contracting	<ol style="list-style-type: none"> <li>1. Business unit to notify Group Compliance once contract is executed so APRA can be advised within 20 business days of execution ( a risk assessment summary must accompany the notification to Group Compliance)</li> <li>2. Performance monitoring and assessment is undertaken by business unit</li> <li>3. Board/Committee or other reporting per monitoring plan is managed by business unit</li> <li>4. Incident reporting by the business unit as required</li> <li>5. Process for contract renewal is considered when contract is nearing term</li> </ol>

## 1 Details of the outsourcing arrangement

Name of service provider:	
Material Business Activity to be outsourced:	
New arrangement or existing arrangement:	New <input type="checkbox"/> Existing <input type="checkbox"/>
Board, Board Committee, Head of Asset Class (for IMAs) or other senior manager with delegated authority to approve the agreement (insert name of board or board committee/ delegate, approved date, attach meeting minutes or signed delegate approval and supporting delegation)	Approver (delegate):  Approval date:  Delegation attached <input type="checkbox"/>
Outsourcing Owner – senior manager or person responsible for overseeing the arrangement:	

## 2 Outsourcing Checklist – Before the execution of a new contract or contract renewal

Action to be taken prior to execution of contract - where the response has been answered as “No”, please provide further explanation as appropriate.

	Process required	Response Yes or No	Actions undertaken to satisfy this requirement? Comments	Supporting documentation Comments	Sign off Business Unit	Sign off Compliance
1.	Have you prepared a business case for outsourcing the material business activity (MBA)?  Note: if the appointment has been approved by a Committee – this could replace absence of business case if reasons for approval are noted in minutes.	Yes <input type="checkbox"/> No <input type="checkbox"/>				
2.	Have you undertaken a tender or other selection process for selecting the service provider?	Yes <input type="checkbox"/> No <input type="checkbox"/>				



	Process required	Response Yes or No	Actions undertaken to satisfy this requirement? Comments	Supporting documentation Comments	Sign off Business Unit	Sign off Compliance
3.	Have you undertaken a due diligence review of the chosen service provider?	Yes <input type="checkbox"/> No <input type="checkbox"/>				
4.	<p>a Does the service provider use cloud computing or shared computing services (arrangements involving the sharing of IT assets with other parties)?</p> <p>b If the service provider uses cloud computing or shared computing services were the risks considered as part of the due diligence process and any risks identified appropriately mitigated?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/a <input type="checkbox"/></p>				
5.	<p>Have you taken into account the changes to the risk profile of the business activity that arise from outsourcing the activity and how this changed risk profile is addressed within Australian Super's risk management framework?</p> <p>NOTE: a Risk Assessment summary will need to be provided to APRA.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>				
6.	<p>Have you assigned a person responsible for monitoring performance/ relationship under the outsourcing agreement and finalised the approach and documented this in a Monitoring Plan?</p> <p>NOTE: The Monitoring Plan summarise what reporting we will receive from the service provider and what reporting exists within the Trustee Office to a Board Committee etc. It should also include details of who is responsible for following up outstanding issues with the service provider.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>		<p>Monitoring plan must be attached.</p> <p>Key person responsible for monitoring service provider:</p> <p>Who:</p>		

	Process required	Response Yes or No	Actions undertaken to satisfy this requirement? Comments	Supporting documentation Comments	Sign off Business Unit	Sign off Compliance
7.	<p>Have you ensured that there is a renewal process set out in the outsourcing agreement?</p> <p>*NOTE: if the contract is open ended – then answer should be <b>Not Applicable</b> but you need to note in the comments that it is open ended.</p>	Yes <input type="checkbox"/> No <input type="checkbox"/> N/a* <input type="checkbox"/>				
8.	Is there a documented contingency plan if the service provider can no longer perform the services?	Yes <input type="checkbox"/> No <input type="checkbox"/>		The Contingency Plan needs to be attached.		
9.	<p>a Is there an element of off shoring included in the agreement?</p> <p>b Has APRA been consulted about any offshoring?</p>	Yes <input type="checkbox"/> No <input type="checkbox"/>  Yes <input type="checkbox"/> No <input type="checkbox"/> N/a <input type="checkbox"/>		Attach a copy of the advice to APRA.		
10.	<p>Has the service provider sub-contracted parts or all of the outsourced activity?</p> <p>NOTE: References to indemnity clauses with respect to sub-contracting to be noted. The agreement must include an indemnity to the effect that any subcontracting by the material service provider of the outsourced function will be the responsibility of the service provider, including liability for any failure on the part of the sub-contractor.</p> <p>NOTE: All questions below are stand- alone (relate to the MBA itself) and do not relate to</p>	Yes <input type="checkbox"/> No <input type="checkbox"/>				



	Process required	Response	Actions undertaken to satisfy this requirement?	Supporting documentation	Sign off	Sign off
		Yes or No	Comments	Comments	Business Unit	Compliance
	any sub-contracting by the material service provider.					
11.	Is the outsourcing arrangement contained in a documented legally binding agreement?	Yes <input type="checkbox"/> No <input type="checkbox"/>				
12.	Does the agreement, at minimum, address the following: a The scope of the arrangement and services to be supplied b Commencement and end dates c Review provisions d Pricing and fee structure e Service levels and performance requirements f The form in which the data is to be kept and clear provisions identifying ownership and control of the data g Reporting requirements, including content and frequency of reporting h Audit and monitoring procedures i Business continuity management j Confidentiality, privacy and security of information k Default arrangements and termination provisions l Dispute resolution arrangements m Liability and indemnity n Sub-contracting o Insurance p To the extent applicable, offshoring arrangements (including through subcontracting) q APRA's right to conduct on site visits if deemed necessary	Yes <input type="checkbox"/> No <input type="checkbox"/>				

	Process required	Response	Actions undertaken to satisfy this requirement?	Supporting documentation	Sign off	Sign off
		Yes or No	Comments	Comments	Business Unit	Compliance
13.	<p>a Have you determined that the arrangement has a retirement purpose (sole purpose test) and is it in the best interests of AustralianSuper's members and beneficiaries?</p> <p>b Has the arrangement been made and will it be maintained on an arms-length basis?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>No <input type="checkbox"/></p>				
14.	<p>a Have you identified any conflict arising as a result of the arrangement or is there a potential for future conflicts?</p> <p>b If there is a conflict or a potential conflict have you determined how the conflict is to be managed?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>N/a <input type="checkbox"/></p>				
15.	<p>Have you considered how and to what extent outsourcing of the material business activity will assist the RSE licensee in meeting the adequacy of resources requirements and how will this be monitored on an ongoing basis?</p> <p>NOTE: due diligence should ensure that the service provider has and maintains adequate resources to perform the activities specified in the outsourcing agreement.</p>	<p>Yes <input type="checkbox"/></p> <p>No <input type="checkbox"/></p>				
16.	Are all matters in the Outsourcing Agreement Checklist covered off in the proposed agreement and has an Outsourcing Legal Sign Off Certificate and a completed Outsourcing Agreement Checklist been provided from legal advisers?	<p>Yes <input type="checkbox"/></p> <p>No <input type="checkbox"/></p>		<p>Provide copies</p> <ul style="list-style-type: none"> <li>- Legal Sign Off Certificate</li> <li>- Completed Outsourcing Agreement checklist</li> </ul>		



	Process required	Response	Actions undertaken to satisfy this requirement?	Supporting documentation	Sign off	Sign off
		Yes or No	Comments	Comments	Business Unit	Compliance
	<b>For Investment Management Agreements</b>					
17.	Does the IMA contain performance based fee arrangements?	Yes <input type="checkbox"/> No <input type="checkbox"/>				
18.	Where performance-based fee arrangements are entered into with investment managers (relating to the investment of assets that are at least partly attributable to the interests in a MySuper product), has the Trustee ensured that the requirements of SIS Act s.29VD have been met?  *NOTE: Please consult with the Portfolio Compliance Team if you are unsure about how to answer this question.  **NOTE: If there are no performance based fees, the response should be N/a	Yes <input type="checkbox"/> No <input type="checkbox"/> N/a* <input type="checkbox"/>				
	<b>For Custodian Agreements per PPG 231</b>					
19.	Have you considered whether the custodian's internal control framework ensures the Fund's assets are secure, that the custodian has appropriate procedures for the acceptance, execution and settlement of authorised transactions and that the assets are priced in accordance with the Trustee's valuation policies?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/a <input type="checkbox"/>				
20.	Do you have a full understanding of the assets covered under the custody agreement?  Where assets may not be covered – are there appropriate risk management processes around any assets held in a non-custodial environment? Note RSE Licence restrictions around custodially held assets.	Yes <input type="checkbox"/> No <input type="checkbox"/> N/a <input type="checkbox"/>				
21.	Do you have a full understanding of the services provided under the custody agreement? These include the services that	Yes <input type="checkbox"/> No <input type="checkbox"/>				

	Process required	Response	Actions undertaken to satisfy this requirement?	Supporting documentation	Sign off	Sign off
		Yes or No	Comments	Comments	Business Unit	Compliance
	form the core custody arrangement and those that are additional services. Where additional services are provided are these clearly outlined in the agreement?	N/a <input type="checkbox"/>				
22.	Have we adopted any of the custodian's policies (e.g. investment valuation or unit pricing policies) and if yes, consider whether the policies adopted are consistent with our policy framework?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/a <input type="checkbox"/>				
23.	Have we obtained assurance that the custodian's internal control framework is adequate and continues to operate effectively?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/a <input type="checkbox"/>				
24.	Will we receive and actively review regular external audit and other reporting from the custodian?  Who will be responsible for doing so?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/a <input type="checkbox"/>				



### 3 Sign off

Have you attached all relevant information to comply with the requirements of this checklist	Yes <input type="checkbox"/> No <input type="checkbox"/>
Checklist prepared by senior manager or person responsible for overseeing the arrangement at AustralianSuper:	Name Signature Date
Checklist reviewed by Group Compliance	Name Signature Date
Checklist reviewed by KPMG after reviewed by Group Compliance (*all material outsourcing requires KPMG review before execution - except IMAs which requires Group Compliance review under APRA limited exemption)	Name Signature Date

#### NOTE: After the execution of a new contract or contract renewal

Please notify Group Compliance as soon as possible once the contract is executed so that they can notify APRA within 20 business days.  
Please also provide a copy of the risk assessment summary with this advice to Group Compliance.



## Guide to checklist

Please refer to guidance below on how to complete each step of the checklist

1.	<p>Definition of Material Business Activity (MBA) is included in the Outsourcing Procedures. Consult with Compliance if further assistance is required to determine if an arrangement is deemed to be a material business activity.</p> <p>The business case typically involves an assessment of the financial implications that outsourcing the activity will have on the bottom line as well ensuring how the outsourcing results in the best interest of beneficiaries. Please note that the business case may be set out in the standard Business Case TEMPLATE which is submitted to Finance as part of the Financial Delegations approval process or it could be set out in a paper going to the IC or to the MESC for example.</p>
2.	The tender or selection process should be agreed by Board/Board Committee/CEO/other sub- Committee or person with delegated authority. Further discussion with Finance in relation to the strategy may be appropriate and refer to the Procurement Policy & Guidelines and Tender Manual for further guidance as necessary.
3.	<p>Refer to Tender Manual or relevant Investment Due Diligence Guidelines for guidance/framework to ensure consistency in approach. Due diligence of a service provider may involve an assessment of the following types of issues:</p> <ul style="list-style-type: none"> <li>&gt; Financial and technical abilities</li> <li>&gt; Experience</li> <li>&gt; Systems</li> <li>&gt; Capacities and resources (including key personnel)</li> <li>&gt; Internal control framework of the service provider</li> <li>&gt; Ability of the service provider to conduct the business activity on an ongoing basis.</li> <li>&gt; Cloud computing</li> </ul> <p>Ensure records of the due-diligence are maintained.</p>
4.	Prepare a risk assessment summary and consult with the Risk Manager as appropriate to ensure that all risks have been captured and addressed adequately.
5.	Note details of the ongoing review internally or by a third party of the service provider on behalf of the Trustee and the frequency of such reviews and reporting to the Trustee by the third party. Include details in the Monitoring Plan as appropriate
6.	Include reference to where the renewal process is set out in the agreement. If the agreement is open –ended note this.
7.	Consideration should be given to where an alternative service provider can be engaged or bring the function in-house if deemed viable.
8.	<p>If you become aware of an off shoring component, immediately notify Group Compliance.</p> <p>As part of the prior consultation with APRA, prepare a Risk Assessment summary document (template available) which will be provided to APRA.</p>
9.	<p>Compliance must be notified of an outsourcing arrangement prior to the agreement being executed and be provided with all relevant documents. Compliance will review completion of this checklist and supporting material before the checklist is referred to KPMG for internal audit review. Note limited exemption granted on 28/07/2017 from APRA regarding internal audit review for IMAs only – ‘internal audit alternative arrangement’ - review will be completed by Group Compliance.</p> <p>For IMA’s the Portfolio Compliance Team will co-ordinate the completion of this Checklist with the relevant asset class manager and the Commercial Legal Team. Once the checklist is completed and supporting documentation is collated, this paperwork is forwarded by Portfolio Compliance to Group Compliance for review.</p> <p>The contract must not be executed before the internal audit review by KMPG is completed or in the case of IMAs, confirmation from Group Compliance that their review has been completed.</p>
10.	If the service provider sub-contracts parts or all of the outsourced activity, ensure appropriate indemnity clauses are in place with respect to sub-contracting.
11.	Ensure the outsourcing agreement is in a legally binding form.
12.	Ensure the outsourcing agreement at minimum covers all the requirements outlined in the checklist.
13.	Ensure that the outsourcing arrangement is at arm’s length and is in the best interest of members. The sole purpose test must always be satisfied.
14.	Identify and document any potential conflicts and how such conflicts will be managed.
15.	Consideration should be provided to how the outsourcing arrangement will assist with meeting the adequacy of resources requirements of the Trustee.
16.	Person responsible for completing the checklist and providing supporting evidence must initial/ sign off each question in addition to the Sign Off section.



