

Review of Investment Manager's Internal Controls Reports

Wellington Management

Global Equity Portfolio of £97 million

"Report on Internal Controls Placed in Operation and Tests of Operating Effectiveness"
SAS70 Report for year ended 31st October 2011

Auditors: Deloitte and Touche LLP

In their opinion:

a. The description fairly presents the system that was designed and implemented throughout the period November 1, 2010 to October 31, 2011

b. The controls related to the control objectives stated in the description of the System were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2010 to September 30, 2011 and user entities applied the complementary user entity controls contemplated in the design of Wellington Management's controls throughout the period November 1, 2010 to October 31, 2011.

c. The controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period November 1, 2010 to October 31, 2011.

Of the 170 controls tested no exceptions were found.

State Street

Global Equity Portfolio of £122 million

"Controls Examination July 1, 2011-June 30, 2012"

Auditors: Ernst & Young

In their opinion:

a. the Description fairly presents SSgA's investment advisory system applicable to the processing of customer transactions that was designed and implemented throughout the period July 1, 2011 to June 30, 2012.

b. the controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period July 1, 2011 to June 30, 2012 and if user entities applied the complementary user entity controls contemplated in the design of SSgA's controls throughout the period July 1, 2011 to June 30, 2012

c. the controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the Description were achieved, operated effectively throughout the period July 1, 2011 to June 30, 2012.

243 objectives were tested by the auditor and 10 exceptions noted section IV:

1) Page 10 - In an initial sample of 19 trade tickets or trade blotters selected for testing in the United States, 5 instances were noted where management was unable to provide trade tickets or trade blotters containing evidence of Pm review and approval of executed trades. No additional selections were made.

2) Page 32 - In an initial sample of 11 new equity funds/accounts selected for testing in the United States location, 1 instance was noted in which secondary review of the rule extraction form did not occur timely. In testing an additional sample of 14 new equity funds/ accounts in the United States location, no additional exceptions were noted. In a total population of 59 new equity funds/ accounts tested in the United Kingdom location relating to funds/accounts managed in the United Kingdom and France location, a total of 14 exceptions were noted: 9 instances in which the rule extraction form did not include evidence of verification, and 5 instances in which the verification of the rule extraction form did not occur timely.

3) Page 33 - In an initial sample of 11 new equity funds/accounts selected for testing in the United States location, 1 instance was noted in which secondary review of the rule extraction form did not occur timely. In testing an additional sample of 14 new equity funds/ accounts in the United States location, no additional exceptions were noted. In a total population of 59 new equity funds/ accounts tested in the United Kingdom location relating to funds/accounts managed in the United Kingdom and France location, a total of 14 exceptions were noted: 9 instances in which the rule extraction form did not include evidence of the review of the coding in the Sentinel application, and 5 instances in which the review of the coding in the Sentinel application did not occur timely.

4) Page - 34 - In an total population of 51 equity funds/ accounts tested in the United Kingdom location relating to funds/accounts managed in the United Kingdom and France locations, a total of 26 exceptions were noted: 22 instances in which the rule modification form relating to coding changes made to existing rules in the Sentinel application was not prepared or not reviewed timely, and 4 instances in which the rule modification form did not include evidence of review by a second person.

5) Page 35 - In a total population of 49 new fixed income/ cash funds/ accounts tested in the United Kingdom location relating to funds/accounts managed in the United Kingdom and France locations, a total of 7 exceptions were noted: 5 instances in which the verification of the coding in the Sentinel application did not occur timely. 1 instance in which the rule extraction form did not include evidence of verification, and 1 instance in which management was unable to provide the corresponding rule extraction form.

6) Page 36 - In a total population of 49 new fixed income/ cash funds/ accounts tested in the United Kingdom location relating to funds/accounts managed in the United Kingdom and France locations, a total of 7 exceptions were noted: 5 instances in which the review of the coding in the Sentinel application did not occur timely. 1 instance in which the rule extraction form did not include evidence of review by a second individual, and 1 instance in which management was unable to provide the corresponding rule extraction form.

7) Page 37- 38 - In an initial sample of 25 rule coding changes in the United States location, 1 instance was noted where a rule modification form was not created. In testing an additional sample of 15 rule coding changes in the United States location, no additional exceptions were noted. In a total population of 49 new fixed income/ cash funds/ accounts tested in the United Kingdom location relating to funds/accounts managed in the United Kingdom and France locations, a total of 7 exceptions were noted: 10 instances in which the rule modification form was not reviewed timely, 5 instances in which the rule modification form relating to coding changes made to existing rules in the Bloomberg application did not include evidence of review by a second person, and 1 instance in which management was unable to provide the corresponding rule modification form.

8) Page 42 - In an initial sample of 35 new or amended fee schedules tested on the United States location, 1 instance was noted where the fee schedule was not properly updated in RMS upon amendment. In testing an additional sample of 15 new or amended fee schedules, a second exception was noted, where the fee schedule was not properly updated in RMS upon amendment. An additional sample of 20 fee schedules were tested, noting no further exceptions.

9) Page 57 - The Database Management Systems ("DMS") recertification process was performed timely; however, 1 SVP reviewer incorrectly deleted an approver's name from the recertification report instead of marking it for removal. As a result, the approver was not removed from the approver database.

10) Page 57 - Application developers had access to Transaction Lifecycle Management ("TLM") 2.7 production critical directories that were not commensurate with job responsibilities. No relevant exceptions noted for the other in-scope applications.

Fidelity

Global Equity Portfolio of £85 million

"Report on Internal Controls 01 July 2010 to 30 June 2011"

Auditors: Pricewaterhouse Coopers

In their opinion, in all material respects:

1. the accompanying report presents fairly the investment management services that were designed and implemented throughout the period from 1 July 2010 to 30 June 2011.
2. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls operated effectively throughout the period from 1 July 2010 to 30 June 2011.
3. the control 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 July 2010 to 30 June 2011.

Specific Exceptions noted by Auditors

209 control objectives were tested by the auditor and 6 exceptions noted:

For five of the sampled forty five valuation points, no evidence could be provided of the validation of derivative price movements breaking internal tolerance limits by a member of the Asset Valuation group.

For one out of a hundred and seven external contractors access requests to the Data Centers selected for testing there was no evidence of appropriate justification for access being granted.

For one application out of twenty six, account lockout was not enabled and for one application out of twenty six password expiry or account lockout was not enabled

For nine out of seventy users with access to recoverable media, management approval could not be evidenced.

Not all new standard access definition (SAD) owners had received specific security training about the SAD ownership responsibilities during the period under review.

For 4 SAD amendments out of a sample of twenty there was no documented approval from the SAD owner.

Longview

Global Equity Portfolio of £34 million

"AAF 01/06 assurance Report on Internal Controls As at 31st December 2011"
Auditors: Moore Stephens

In their opinion in all material respects:

1. the accompanying report by the partners describes fairly the control procedures that relate to the control objectives referred to above which were in place as at 31 December 2011;
2. the control procedures described in section 5 were suitably designed such that there is reasonable, but not absolute assurance that the specified control objectives would have been achieved if the described control procedures were complied with satisfactorily; and
3. the control procedures that were tested, as set out in the attachment to this report were operating with sufficient effectiveness for us to obtain reasonable, but not absolute assurance that the related control objectives were achieved in the period 1 January 2011 to 31 December 2011.

102 control objectives were tested by the auditor and no exceptions noted.

BlackRock

Fixed income portfolio of £63 million

"Report on Controls at BlackRock Placed in Operation and Tests of Operating Effectiveness for Asset Management"
Auditors: Deloitte and Touche LLP
Report from 1st October 2010 to 30th September 2011

In their opinion:

- a. The description fairly presents the system that was designed and implemented throughout the period October 1, 2010 to September 30, 2011
- b. The controls related to the control objectives stated in the description of the System were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2010 to September 30, 2011 and user entities applied the complementary user entity controls contemplated in the design of BlackRock's controls throughout the period October 1, 2010 to September 30, 2011.
- c. The controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description of the System were achieved, operated effectively throughout the period October 1, 2010 to September 30, 2011.

166 control objectives were tested by the auditor and 8 exceptions noted:

- 1) Page 92 - For four of twenty five users selected for testing across the Trade/Order management Systems, the users' access was not consistent with their job function at the time of testing. D & T inspected documentary evidence to ascertain that no trades were executed, allocated, modified or cancelled by the individuals during the examination period. Additionally, D & T inspected documentary evidence to ascertain that access was subsequently revoked.
- 2) Page 93 - For seventeen of the total population of counterparty codes setup in the system, there was a lack of evidence that the counterparties were approved by BlackRock. D&T inspected documentary evidence to ascertain that there was no trading activity with an unapproved counterparty, subsequent to the counterparties being disapproved, during the period of our examination. Further, it was noted that these counterparty codes were subsequently made defunct, effectively deactivating the counterparties.
- 3) Page 103 - For one of fifteen users selected for testing across Aladdin and other cash management systems, the user's access was not consistent with the individual's job function at the time of testing. D&T inspected documentary evidence to ascertain that no client deposit/withdrawal information was entered by the individual during the examination.
- 4) Page 138 - For one of twenty five selected months and portfolios, there is a lack of evidence that the Month-End Close Checklist was completed by IAG
- 5) Page 140 - For one of twenty five selected months and portfolios, there is a lack of evidence that the GLCK Checklist was completed by IAG. Although the portfolio remains active, D&T inspected documentary evidence to ascertain that the portfolio had a cash balance of \$0 at the time testing was performed and there was no activity during the period of the examination.
- 6) Page 149 - For two of two hundred and twelve database administration accounts selected for testing across a sample of Oracle, Sybase, and SQL servers, noted access was not removed from the local database server for terminated employees. Additionally, noted that while network user accounts were appropriately removed from the Windows domains, administrative accounts set up for these users were not. Upon inspection of network logs, noted these users did not log into these administrator accounts during the evaluation period. Furthermore, inspected lists of both physical access and users with remote access, and noted the access for these employees was revoked timely.
- 7) Page 152 - For two of twenty five individuals selected for physical security testing, noted access was granted to a BlackRock data centre without approval.

For one user, access to a data centre was granted in error to an individual whose job responsibilities did not require access. In addition, it was noted that the individual's access was not detected by management during the subsequent quarterly review. It was noted upon inspection of data centre access logs that the user did not physically enter the data centre throughout the examination period.

For a second user, data centre access approval was not documented in a timely manner. Through inquiry with management and inspection of the approval email, noted this user required this access in order to perform their job responsibilities and an access request was approved after the fact. No exception related to the quarterly review of user access was noted for this exception, as access was appropriate.
- 8) Page 156 - For three out of thirty nine applications using the Emergency Access Tool ("EAT") to implement changes for non-Aladdin environments, recertifications of access to EAT were not performed during the examination period. For two of the three applications, noted through inspection of the logs that no changes were implemented during the examination period. For the

third application, confirmed with the application owner that the individuals responsible for each of the three production changes were made during the examination period were appropriate based on job responsibilities.

Aviva

Portfolio Value of £32 million

"Aviva Investors Service Organisation Control 1 Report. Report on Controls over Investment Operations"

Report from 1st October 2010 to 30 September 2011

Auditors: Ernst & Young LLP

In their opinion, in all material respects, based on the criteria described in the Assertion:

a. the Description fairly presents the investment management activities that were designed and implemented throughout the period 1 October, 2010 to 30 September 2011

b. the controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period 1 October 2010 to 30 September 2011 and user entities applied the complementary user entity controls contemplated in the design of Aviva Investors' controls throughout the period 1 October 2010 to 30 September 2011.

c. the controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period 1 October 2010 to 30 September 2011.

178 objectives were tested by the auditor and 14 exceptions noted:

1) Page 37 - For a sample of two out of eight, there was no evidence to confirm the Fixed Income desk sign off. The reports had been marked as 'Closed' on the A1 system which indicates that a review had taken place.

2) Page 38 - For two "New Investments Constraints Forms" investment activity commenced before the forms were signed. In both cases the maximum permitted exposures were not breached.

3) Page 39 - For the 3 Real Estate Multi Manager (REMM) investments sampled, we note that the minutes of the meeting between Langham Hall and Aviva Investors did not detail the specific queries raised by Langham Hall, and therefore it was not possible to confirm that issues raised were discussed and resolved.

4) Page 39 - For the sample selected, no adverse movements occurred and therefore no second valuations were available for review. No other relevant exceptions noted.

5) Page 40 - For a sample of one out of five clients, Securities Finance used the blanket 5% credit limit, instead of the specific asset class credit limits detailed in the client IMA. This resulted in the credit limit for Gilts being breached. The overall IMA limit was not however breached.

6) Page 41 - Inspected a sample of breach records for evidence of review by Trade Compliance. The control did not operate between February and June 2011. No other relevant exceptions noted.

7) Page 46 - In the sample tested, 3 of 8 errors and breaches were not reported to Compliance within the 3 day deadline.

8) Page 48 - For the sample of two reconciliations selected, one reconciling broker was not detected i.e. the broker appeared on the front office system while it was not on the approved list. This did not result in unapproved brokers being used.

9) Page 50 - For five of the twenty five sign off request forms tested, the write-off's had been appropriately approved by a designated signatory, but there was no evidence of Real Estate Finance Director review.

10) Page 50 - There was no evidence that the computer based AML training had been completed for two out of the ten new joiners selected for testing.

11) Page 51 - Sample of errors - For the one instance where a breach was identified, the client report had not been re-issued.

12) Page 53 - User access: Non - Privileged Users - For seven out of thirty eight sampled joiners and movers a Teamworks ticket evidencing the request and authorisation of users' access to specific applications could not be provided. However, alternate authorisation evidence was provided for five out of the seven exceptions noted. For the remaining two users, no relevant authorisation documentation could be provided by management. Privileged Users - Privileged joiners and movers: For three out of thirty eight sampled privilege joiners and movers, a Teamworks ticket evidencing the request and authorisation of the amendments to user's access to specific applications could not be provided.

13) Page 54 - For three out of twenty five sampled users requiring amendments to access, the changes or removal of access rights were not completed. Management has indicated that this is a result of the automated email functionality within the recertification tool not functioning correctly at the time of the review.

14) Page 56 - For five out of twenty five sampled changes we noted that although the changes were documented in the CAB Meeting Agenda, evidence in the form of meeting minutes, that the changes were discussed and monitored as part of the weekly Change Advisory Board (CAB) meeting was not provided.

Record Currency Management

Passive currency hedge manager

"Report on Internal Controls (AAF 01/06)"
Report from 1st April 2011 to 31st March 2012
Auditors: Grant Thornton

129 control objectives were tested and no exceptions identified. In their opinion:

i) The report describes fairly the control procedures that relate to the control objectives referred to above which were in place as at 31 March 2012

ii) The control procedures described are suitably designed such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily

iii) The control procedures described were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the specified period.

UBS

Portfolio valued at £9 million

"Service Organisation Control report: Description of Portfolio Management Operations and Systems"

Report from 1st Jan 2011 to 31st December 2011

Auditors: Ernst & Young

In their opinion:

a) The Description fairly presents the Portfolio Management Operations and Systems that were designed and implemented throughout the period 1 January 2011 to 31 December 2011.

b) the controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period from 1 January 2011 to 31 December 2011, and if clients applied the complementary user entity controls contemplated in the design of UBS Global Asset Management (UK) Ltd's controls and sub-service organisations applied the controls contemplated in the design of UBS Global Asset Management (UK) Ltd's controls throughout the period 1 January 2011 to 31 December 2011.

c) the controls tested, which, together with the complementary user entity controls and sub service organisations controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the Description were achieved, operated effectively throughout the period 1 January 2011 to 31 December 2011.

75 control objectives were tested by the auditor and 1 exception noted:

Logical Access Management

The review noted 69 users of 585 in Cosmos which were not reflected in BBS. 48 of these 69 users were authorised but lacked the corresponding entry in BBS and that the remaining 21 users no longer required access but had read-only permissions assigned.

UBS Response:

The Cosmos application is part of the Horizon suite of Financial Operations applications. The Horizon platform has a function called "Entitlement Default Override" which was found to be enabled for Cosmos. The Cosmos user account access documentation has been updated to include disablement of the entitlement default override and the 69 users are now appropriately documented in BBS.

Pantheon

Private Equity portfolio of £24 million

"Report on Controls Placed in Operation relating to Investment Advisory and Management Activities".

Report from 1st October 2010 to 30 September 2011

Auditors: KPMG Audit Plc

In their opinion:

a) The Description fairly presents the Investment Advisory and management Activities as designed and implemented as at 30 September 2011; and

b) The controls related to the control objectives stated in the Description were suitably designed as at 30 September 2011.

They did not perform any procedures regarding the operating effectiveness of controls included in the Description and, accordingly, did not express an opinion thereon.

Pantheon omitted to ask the reporting accountant to review the operation of the controls, which represents a sign of weakness in their assurance provided we will make our views known to Pantheon and ask them to explain why controls were not tested and ask them to do so in future years.

Fund manager	Control Objectives Tested October 2011 Report	Number of Exceptions October 2011 Report	Control Objectives Tested September 2012 Report	Number of Exceptions September 2012 Report
Wellington	171	0	170	0
State Street	243	6	243	10
Fidelity	224	11	209	6
Longview	98	2	102	0
BlackRock	158	3	166	8
Aviva	171	3	178	14
Record	124	0	129	0
UBS	78	5	75	1
Pantheon	N/A			