

Other information provided by Standard Life Investments

The Service Auditor's tests have identified seven exceptions. Responses from management in respect of exceptions noted by the Service Auditor in performing testing of Standard Life Investments Limited's controls are presented below to provide additional information to users of this report.

Management Responses to Exceptions Noted

Information Technology - SLI

1. Standard Life Investments Descriptions of Controls	Service Auditor's Tests specific to the exceptions noted
<p>2.10 - Users' permission level access for CRIMS is reviewed for appropriateness on an annual basis by heads of desk or line managers. Any inappropriate access is removed on a timely basis.</p>	<p>Inspection For a sample of CRIMS users, inspected evidence that the user's permission level access was reviewed for appropriateness by their head of desk or line manager and that any inappropriate access has been removed on a timely basis.</p> <p>Exception Noted: For two of 29 items tested, no response was received from the users' line managers and the users' CRIMS permissions level access was therefore not recertified.</p>
Management response	
<p>Management can confirm that recertification has since been performed for the two users. Management can also confirm that these users were not part of Front Office and as such do not have dealing authority. Management are confident that all Front Office users with elevated permissions have been recertified.</p> <p>Management will ensure a review of the permission level recertification process for CRIMS is carried out ahead of the next recertification in Q1 2016, with a view to implementing improvements to streamline the process:</p> <ul style="list-style-type: none"> ➤ Change approval lines to Line Managers instead of Heads of Desk; ➤ Creation of a recertification tool, which will reduce the dependency of manual intervention, reducing the likelihood of errors; ➤ Produce an updated report for managers, providing them with a clearer understanding of the access levels for each user contained within CRIMS; and ➤ Introduce a four eye check on the completed recertification. 	

(Information Technology SLI continued)

2. Standard Life Investments Descriptions of Controls	Service Auditor's Tests specific to the exceptions noted
<p>9.2. Oversight of incident and problem resolution is performed by the Global Incident Response Team (GIRT). Key information including call answering SLAs, incident fix times against target, problem volumes, VIP Incidents, Knowledge Base and Customer Satisfaction Questionnaires is reviewed.</p> <p>Until May 2015, this was performed via weekly service manager meetings and monthly senior service manager meetings.</p> <p>From June 2015, this was performed via monthly service manager meetings and quarterly senior service manager meetings.</p>	<p>For the period to May 2015:</p> <p>Inspections For a sample of weeks, inspected evidence of the review of incidents and problem resolution as part of the weekly service managers meetings.</p> <p>For a sample of months, inspected evidence of the review of incidents and problem resolution as part of the weekly senior service managers meetings.</p> <p>For the period from June 2015:</p> <p>Inspections For a sample of months, inspected evidence of the review of incidents and problem resolution as part of the weekly service managers meetings.</p> <p>For a sample of quarters, inspected evidence of the review of incidents and problem resolution as part of the weekly senior service managers meetings.</p> <p>Exception Noted: Prior to the change of control frequency, for one of the 7 weekly meetings tested, the meeting did not occur, without an appropriate explanation for cancellation.</p>
Management response	
<p>Following changes to the control frequency, management can confirm that all monthly service manager meetings and all quarterly senior service manager meetings have taken place and have been well attended.</p> <p>Management will ensure any meetings that do not take place in future on the intended dates, will be rescheduled as opposed to being cancelled. Any poor attendance will be escalated via the Senior Management team at the Quarterly Governance Board meeting.</p>	

Information Technology - hignis

3. Standard Life Investments Descriptions of Controls	Service Auditor's Tests specific to the exceptions noted
<p>2.4. Users' account level access to the network and key applications is recertified on at least annual basis by their line manager. Any inappropriate access is removed on a timely basis.</p>	<p>Inspections Inspected evidence that the user access recertification at the account level had been undertaken during the period.</p> <p>For a sample of users, inspected evidence that the appropriateness of users' network and application level access had been reviewed by their line manager, with any inappropriate access being removed on a timely basis.</p> <p>Exception Noted: Our review of the Q4 account level access recertification noted that no response was obtained from the users' line managers for the 178 SLI users included within the recertification and the users' account level access was therefore not recertified.</p>
<p>Management response</p>	
<p>Management will ensure a full recertification of all Standard Life Investments staff with access to hignis platforms takes place post the completion of Thinkfolio's lift and shift into Standard Life Investments environment.</p>	

Real Estate Management - UK and European Funds

4. Standard Life Investments Descriptions of Controls	Service Auditor's Tests specific to the exceptions noted
<p>2.1. Prior to any purchase, sale or development being approved, a detailed budget is prepared by the portfolio, fund or development manager in a DD1 form. The DD1 is attached to the approval memo and approved in line with the levels of approval set out in the Authorities document.</p> <p>The System Administration team input the data from the DD1 into the Capital Expenditure (CapEx) System with entry by junior personnel undergoing secondary review for accuracy.</p>	<p>Inspections For a sample of purchases, sales and developments during the period, inspected evidence that a detailed budget was prepared by the Portfolio Manager in the DD1 and that the DD1 was approved in line with the Authorities document prior to processing.</p> <p>For the same sample, inspected evidence of secondary review for accuracy of the information input from the DD1 into the CapEx system.</p> <p>Exception Noted: For one of 13 items tested, the DD1 form was not approved in line with the levels of approval set out in the Authorities document.</p>
<p>Management response</p>	
<p>'Management will ensure that DD1 forms are checked by the Fund Manager and Investment Director before the form is passed to the Account Department.</p> <p>Management will ensure that they will perform a review over the governance and authorisation process of DD1 forms, with a view to removing the need for the Head of Real Estate to sign DD1 forms, as their approval on Approval Memo's should be sufficient oversight and governance over the process.</p>	

(Real Estate Management - UK and European Funds continued)

5. Standard Life Investments Descriptions of Controls	Service Auditor's Tests specific to the exceptions noted
<p>6.1. The System Administration team update the Property Management System data on a timely basis for properties purchased and sold. Updates are reviewed for accuracy by another System Administration team member.</p>	<p>Inspection For a sample of updates to the property management system, inspected evidence of timely entry and review of accuracy by a second member of the System Administration team.</p> <p>Exception Noted: For three of 12 items tested, the Property Management System was not updated on a timely basis, timely being one week after the instruction was received.</p>
<p>Management response</p>	
<p>Management can confirm that the DD1 approval process should be completed within a 7 working day timeline. Management will ensure a communication is issued to all members of the Real Estate front office and Systems Administration teams, to confirm that the Real Estate front office team should provide signed DD1 documents to the Systems Administration team within 24 hours of authorisation, to allow the Systems Administration team time to update the Property Management System (Horizon) within the 7 working day timeline.</p> <p>To help facilitate meeting the 7 working day timeline, management will ensure that the Systems Administration team create an electronic workflow to move this process from a paper based one to electronic sign off.</p>	

Real Estate Management - UK Funds only

6. Standard Life Investments Descriptions of Controls	Service Auditor's Tests specific to the exceptions noted
<p>14.3. On a monthly basis, the Real Estate Operations team produce the Fund Constraints reports for each fund and pass these to Fund Managers on a timely basis for review and feedback on any breaches.</p> <p>NB. Ignis Funds only</p>	<p>Inspection For a sample of funds and months, inspected evidence that the Funds Constraints report was produced and passed to Fund Managers on a timely basis and, where breaches were noted, feedback was provided on breaches.</p> <p>Exception Noted: For all of the 9 items tested, the fund constraints reports were prepared, however these were not sent for review in a timely manner, timely being within two weeks after month end.</p>
<p>Management response</p>	
<p>Management can confirm that none of the funds within the 9 Fund Constraints reports sampled, were in breach. Treasury and pricings items are monitored daily and any impending breaches are picked up on the day in question from this process and do not rely on the risk limit reports being produced.</p> <p>Management will ensure that all future fund constraints reports (for the 3 Ignis funds) are issued in a timely manner each month, being within 2 weeks of month end. Emails circulating the reports will be saved down and retained on our documents management system (eDocs).</p>	

Real Estate Management - European Funds only

7. Standard Life Investments Descriptions of Controls	Service Auditor's Tests specific to the exceptions noted
<p>6.2. Portfolio managers ensure that title deeds are lodged/retained with an appropriate third party at the point of purchase, such as property managers and lawyers, depending on the local market and country conventions. A checklist is completed and signed-off to evidence that properties purchased are of marketable title and that documents have been lodged with the appropriate third party for safe-keeping.</p>	<p>Inspection For a sample of purchases, inspected pre-exchange checklists to confirm that documents were lodged with an appropriate third party.</p> <p>Exception Noted: For three of the 7 items tested, there was no sign-off to evidence that the documents were lodged with the appropriate third party for safe-keeping.</p>
Management response	
<p>Management can confirm that the title deeds relating to the items tested have been retained for safekeeping by a relevant third party for the jurisdictions concerned.</p> <ol style="list-style-type: none"> 1. Management will ensure they arrange for written confirmation from the relevant third parties, that the title documents are being held securely and safeguarded from loss, misappropriation and unauthorised use. 2. Management will ensure a reminder is issued to all fund managers, portfolio managers and investment directors, of the importance of using the correct checklist and to ensure that the checklist records where the title documents are held for safekeeping. 	