

SECTION H: MANAGEMENT RESPONSES TO EXCEPTIONS NOTED

Control Reference	Control Description	Test of Control Procedures and exceptions noted
1.2.1.2	The Derivatives Officer approves the use of new derivative instruments in accordance with the Derivatives Policy, prior to entering into a derivatives transaction for the first time	<p>Reliance on Controls Assurance team For a sample of new instruments, inspected the email confirmations for evidence that the Derivatives Officer approved the new derivative usage prior to entering into the transaction for the first time.</p> <p>Exception noted For all three of the new derivative instruments traded since 1st October 2014, approval from the Derivatives Officer was not obtained.</p>
Management response		
The Derivatives approval process has been reviewed and communicated to the business. The updated procedure has been circulated within the Derivatives Operations team and has also been discussed on the desk and in team meetings and its importance has been reinforced. A log of new instruments showing key information and the progress of approvals has been implemented. Team members have been allocated primary and secondary responsibility for obtaining approval responses and collating these on the log.		
1.2.2.5	Review of compliance order allocation variation reports that highlight any deviations from the original Aladdin algorithm.	<p>For a sample of days, inspected the compliance order allocation variation report for evidence of the review by Head of Dealing.</p> <p>Exception noted For 10 out of 40 samples selected, no evidence of review could be provided.</p>
Management response		
The missing documentation occurred as a consequence of reports being accidentally overwritten. Reports are now saved with unique names which clearly distinguish between fixed income and equity trades. In addition to the control referred to, the Heads of Rates and Equities, who report into the Head of Dealing, carry out a check of compliance post-trade order allocation variation reports that highlight any deviations from the original Aladdin algorithm on a daily basis.		
1.2.2.13	Review of a weekly Aladdin report detailing FX trades both raised in Aladdin and executed by FX dealers, to ensure such trades were executed based on instructions received.	<p>For a sample of weeks after 1 December 2014, inspected the sign-off sheets for evidence that the FX trades both raised in Aladdin and executed by FX dealers were reviewed by the Dealing Manager.</p> <p>Exception noted For two out of 15 samples selected, the review was not performed in a timely manner.</p>
Management response		
The control was not performed on a timely basis as a consequence of holiday absence. Designation of delegates in cases of absence is now in place.		
1.5.1.6	Where a rule or restriction cannot be monitored independently by Mandate Monitoring, the Mandate Monitoring team obtains confirmations from fund managers to self-certify that they are in compliance with the relevant investment guideline restriction, using a checklist to ensure all such self-certifications are obtained timely.	<p>For a sample of self-certified guidelines and periods, inspected the self-certification checklists or emails for evidence that self-certifications were performed in a timely manner.</p> <p>Exception noted For one out of 45 samples selected, self-certification was not performed in a timely manner.</p>
Management response		
Although an isolated instance, which has been fully remediated, a review of the entire Centralised Rule Repository population will be carried out to ensure all self-certifications have been captured, and can be performed and evidenced in a timely manner.		
2.2.1.3	Capital expenditure proposals prepared by the Asset Manager are reviewed by the Fund Manager/Sector Head/ITC (in accordance with Delegated Authority Schedule) to ensure they are in accordance with investment guidelines and acceptable risk criteria as set out in the fund documentation/client IMA.	<p>For capital expenditure proposals, reviewed the evidence that these were approved in line with the Delegated Authority Form.</p> <p>Exception noted For eight out of 50 capital expenditures, approval in line with the Delegated Authority Schedule was not obtained prior to the expenditure being incurred.</p>
Management response		
50 items were tested which represented 100% of the population. For the eight instances where insufficient authority had been obtained, these have been approved retrospectively in accordance with the Delegated Authority Schedule. The Transaction Authority forms (TAFs) will be standardised for all asset managers with the delegated authority limits embedded within the TAFs which will ensure that the expenditure levels and related signature requirements are much clearer to the user of the form than has been the case previously.		

SECTION H: MANAGEMENT RESPONSES TO EXCEPTIONS NOTED (CONTINUED)

Control Reference	Control Description	Test of Control Procedures and exceptions noted
3.1.1.3	<p>Access to Aviva Investors offices - Access removal</p> <p>The Property and Facilities team receive notification of leavers via the Teamworks tool. On receipt of a leaver's request, the Property and Facilities team set the individual's physical access card to disable on the specified leave date</p>	<p>For a sample of leavers in the period, inspected evidence that each individual's physical access card had been disabled on the specified leave date</p> <p>Exception noted</p> <p>For two out of 244 leavers, access cards to the Aviva Investors offices were not disabled on the specified leave date</p>
<p>Management response</p> <p>After further investigation, it was confirmed that the two identified leavers had not used their access cards after their leave date. Upon identification, the identified leavers' cards were subsequently disabled. A weekly control has been introduced to review the leavers in the week, and ensure all passes have been disabled accordingly</p>		
3.1.2.3	<p>HR raises leaver requests for permanent, fixed term contract and temporary staff within Teamworks. IT Security Administration is notified of the leaver request via an automated email and set the Windows AD account to expire on the specified leave date. Depending on the authentication mechanism in place for each application, either IT Security Administration or the application support team then revoke application access. Note: For the Aladdin application third party BRS remove the application account on receipt of an approved request from IT Security Administration</p>	<p>Inspected evidence that access to the Windows AD network, in scope applications and underlying databases had been revoked in a timely manner for all leavers in the period</p> <p>Exception noted</p> <p>For three out of the full population of 244 leavers during the period under review, Blackrock was not sent an approved removal request by the IT Security Administration team and so the user accounts remained active on the Aladdin application after their leave dates</p>
<p>Management response</p> <p>The three leavers had limited access to the system and represented less than 2% of the total population. Subsequent review confirmed that the three accounts in question were not accessed after their leave date and have been subsequently disabled. After 60 days of inactivity BRS will also disable active Aladdin accounts. A monthly detective control has been introduced to review and remove any Windows accounts not active for over 90 days, plus associated downstream systems</p>		
3.4.3.2	<p>BCM</p> <p>The BCM team facilitates the testing of critical activities in business continuity plans annually. Any issues identified are logged on an actions register which is managed and maintained by the respective Business Unit Risk Manager</p> <p>ITDR</p> <p>The application support team, with assistance from the IT Service Continuity (ITSCM) team, test critical activities as defined in the Configuration Management Database (CMDB) and their respective IT service continuity and application recovery plans annually. Any issues identified are logged on an actions register which is managed and maintained by the respective application support manager.</p>	<p>BCM</p> <p>Inspected evidence that Business Continuity Plans had been tested by the BCM team in the period and that issues identified during the testing had been logged on an actions register maintained by the respective Business Unit Risk Manager</p> <p>ITDR</p> <p>Inspected evidence that critical activities defined in the CMDB and their respective IT Service Continuity/Application Recovery Plans had been tested in the period, and that any issues identified had been logged on an actions register for investigation by the respective application support team</p> <p>Exception noted</p> <p>For the Advantage application, no Disaster Recovery fail-over test was performed during period under review</p>
<p>Management response</p> <p>The Disaster Recovery tests were deferred to allow for completion of server operating system and hardware refresh. Whilst the majority of the Disaster Recovery tests were completed by 30 September 2015, the Disaster Recovery test for the Advantage application will be conducted on 28 November 2015. The most recent test for Advantage was completed on 7 June 2014</p>		