

Review of Internal Controls at Fund Managers Insight Investment

Of the 182 controls tested by the auditor, 8 exceptions (all of which appear to relate to the same issue) were identified:

1. The MI [Management Information] is reviewed by Market Operations at the fortnightly Functional Service Meeting (FSM). The MI and minutes of the meetings are retained by Insight Middle Office. Any significant issues are escalated to the SMC and OMG on a monthly basis.

Exception noted : For a selection of fortnights, inspected the Market Operations FSM minutes and noted that the MI had been reviewed. For one of 5 fortnights it was noted that no Market Operations FSMs had been held.

Management response:

Insight Management took the decision to cancel a number of the fortnightly Functional Service Meetings between Insight and Northern Trust (NT) in 2015 due to temporary re-location of Insight Middle Office staff to New York to support the migration of Cutwater (a BNYM Group subsidiary) onto the Insight/NT operating model and platforms. For those meetings that were not held, NT continued to produce standard Management Information which was circulated and reviewed internally and reported to relevant governance committees. The oversight of the investment functions outsourced to NT is continually monitored via Insight's existing governance arrangements including the monthly Service Management Meetings, Joint Operating Committee, Operational Management Group and through the daily interactions between Insight's Investment Operations teams and NT.

2. Weekly issues logs are maintained by NT. The issues logs are reviewed by Market Operations at the fortnightly FSM. Any significant issues are escalated to the SMC and OMG on a monthly basis. The issues logs and the minutes are retained by Insight's middle office.

Exception noted: For a selection of fortnights, inspected the Market Operations FSM minutes and noted that the weekly issues logs had been reviewed.

For one of 5 fortnights it was noted that no Market Operations FSM had been held.

Management Response:

Insight Management took the decision to cancel a number of the fortnightly Functional Service Meetings between Insight and Northern Trust (NT) in 2015 due to temporary re-location of Insight Middle Office staff to New York to support the migration of Cutwater (a BNYM Group subsidiary) onto the Insight/NT operating model and platforms. For those meetings that were not held, NT continued to produce standard Management Information which was circulated and reviewed internally and reported to relevant governance committees. The oversight of the investment functions outsourced to NT is continually monitored via Insight's existing governance arrangements including the monthly Service Management Meetings, Joint Operating Committee, Operational Management Group and through the daily interactions between Insight's Investment Operations teams and NT.

3. Weekly MI and Monthly KPIs on contracted outsourced operational services are sent to Insight Middle Office by NT. The weekly MI is at the fortnightly Market Operations FSM. The MI and minutes are retained by the Insight Middle Office. Monthly KPIs are received from NT and are reviewed against targets at the monthly SMCs. The minutes of the SMCs are retained.

A summary on NT's performance is also provided as part of the OMG reporting packs on a monthly basis.

Exception noted: FSM minutes and noted that KPIs had been reviewed. For one of 5 fortnights it was noted that no Market Operations FSM had been held.

Management Response:

Insight Management took the decision to cancel a number of the fortnightly Functional Service Meetings between Insight and Northern Trust (NT) in 2015 due to temporary re-location of Insight Middle Office staff to New York to support the migration of Cutwater (a BNYM Group subsidiary) onto the Insight/NT operating model and platforms. For those meetings that were not held, NT continued to produce standard Management Information which was circulated and reviewed internally and reported to relevant governance committees. The oversight of the investment functions outsourced to NT is continually monitored via Insight's existing governance arrangements including the monthly Service Management Meetings, Joint Operating Committee, Operational Management Group and through the daily interactions between Insight's Investment Operations teams and NT.

4. NT provides weekly MI detailing the processing of Corporate Actions. The MI is reviewed at the fortnightly Market Operations FSM. The MI and minutes of the FSM are retained by Insight Middle Office. Any significant issues are escalated to the SMC and OMG on a monthly basis.

Exception noted: For a selection of fortnights, inspected the Market Operations FSM minutes and noted that the MI on Corporate Actions had been reviewed.

For one of 5 fortnights it was noted that no Market Operations FSM had been held.

Management Response:

Insight Management took the decision to cancel a number of the fortnightly Functional Service Meetings between Insight and Northern Trust (NT) in 2015 due to temporary re-location of Insight Middle Office staff to New York to support the migration of Cutwater (a BNYM Group subsidiary) onto the Insight/NT operating model and platforms. For those meetings that were not held, NT continued to produce standard Management Information which was circulated and reviewed internally and reported to relevant governance committees. The oversight of the investment functions outsourced to NT is continually monitored via Insight's existing governance arrangements including the monthly Service Management Meetings, Joint Operating Committee, Operational Management Group and through the daily interactions between Insight's Investment Operations teams and NT.

5. Weekly MI and monthly KPIs on timeliness and accuracy of Corporate Actions processing are sent to Insight Middle Office. The MI is reviewed at the fortnightly FSMs. The KPIs are reviewed against targets at the monthly SMC and OMG meetings. The MI and minutes of the meetings are retained by Insight Middle Office.

Exception noted: For a selection of fortnights, inspected the Market Operations FSM minutes and noted that the MI on Corporate Actions had been reviewed.

For one of 5 fortnights it was noted that no Market Operations FSM had been held.

Management Response

Insight Management took the decision to cancel a number of the fortnightly Functional Service Meetings between Insight and Northern Trust (NT) in 2015 due to temporary re-location of Insight Middle Office staff to New York to support the migration of Cutwater (a BNYM Group subsidiary) onto the Insight/NT operating model and platforms. For those meetings that were not held, NT continued to produce standard Management Information which was circulated and reviewed internally and reported to relevant governance committees. The oversight of the investment functions outsourced to NT is continually monitored via Insight's existing governance arrangements including the monthly Service Management Meetings, Joint Operating Committee, Operational Management Group and through the daily interactions between Insight's Investment Operations teams and NT.

6. The timely and accurate processing of income and related tax is completed by NT in line with the SLA. Weekly MI and monthly KPIs on income processing, including income accrued but not received, are reviewed and discussed by Insight's Middle Office and NT at the fortnightly Market Operations FSM. The results of the review are documented in meeting minutes, which are retained. Any significant issues are escalated to the SMC and OMG on a monthly basis.

Exception noted:

For a selection of fortnights, inspected minutes of the Market Operations FSM and noted that the weekly MI on income processing had been reviewed.

For 3 out of 8 fortnights no Market Operations FSMs had been held.

Management Response:

Insight Management took the decision to cancel a number of the fortnightly Functional Service Meetings between Insight and Northern Trust (NT) in 2015 due to temporary re-location of Insight Middle Office staff to New York to support the migration of Cutwater (a BNYM Group subsidiary) onto the Insight/NT operating model and platforms. For those meetings that were not held, NT continued to produce standard Management Information which was circulated and reviewed internally and reported to relevant governance committees. The oversight of the investment functions outsourced to NT is continually monitored via Insight's existing governance arrangements including the monthly Service Management Meetings, Joint Operating Committee, Operational Management Group and through the daily interactions between Insight's Investment Operations teams and NT.

7. Daily and weekly MI on cash and stock reconciliation breaks are reported to Insight Middle Office by NT. The MI is reviewed at the fortnightly Market Operations FSM. Monthly KPIs are received from NT and are reviewed against targets at the monthly SMCs and OMGs. The results of the FSMs , SMCs and OMGs reviews are documented in meeting minutes, which are retained.

Exception noted: For a selection of fortnights, inspected minutes of the MarketOperations FSM and noted that the daily and weekly MI on incomeprocessing had been reviewed.

For one out of 5 fortnights no Market Operations FSMs had been held.

Management Response:

Insight Management took the decision to cancel a number of the fortnightly Functional Service Meetings between Insight and Northern Trust (NT) in 2015 due to temporary re-location of Insight Middle Office staff to New York to support the migration of Cutwater (a BNYM Group subsidiary) onto the Insight/NT operating model and platforms. For those meetings that were not held, NT continued to produce standard Management Information which was circulated and reviewed internally and reported to relevant governance committees. The oversight of the investment functions outsourced to NT is continually monitored via Insight's existing governance arrangements including the monthly Service Management Meetings, Joint Operating Committee, Operational Management Group and through the daily interactions between Insight's Investment Operations teams and NT.

8. Weekly issues logs are maintained by NT. The issues logs are reviewed at the fortnightly Market Operations FSM. Any outstanding issues or actions are escalated to the monthly SMC and OMG. The minutes are retained by Insight Middle Office.

Exception noted: For a selection of fortnights, inspected the minutes of the Market Operations FSM and noted that issues had been monitored. For one of 5 fortnights it was noted that no Market Operations FSM had been held.

Management Response:

Insight Management took the decision to cancel a number of the fortnightly Functional Service Meetings between Insight and Northern Trust (NT) in 2015 due to temporary re-location of Insight Middle Office staff to New York to support the migration of Cutwater (a BNYM Group subsidiary) onto the Insight/NT operating model and platforms. For those meetings that were not held, NT continued to produce standard Management Information which was circulated and reviewed internally and reported to relevant governance committees. The oversight of the investment functions outsourced to NT is continually monitored via Insight's existing governance arrangements including the monthly Service Management Meetings, Joint Operating Committee, Operational Management Group and through the daily interactions between Insight's Investment Operations teams and NT.