



Solutional
Value through expertise

Transforming expenses into returns

ISAE 3402 and ISAE 3000



Integrated
Control



Assurance



Academy



Governance



Interim
Solutions



Financial
Reporting



Are you 'in control'?

An asset managers' clients are demanding more transparency on outsourced key business processes. The whole asset management industry is confronted with challenges much greater than just delivering positive yield. International regulations are constantly changing and increasing. Stakeholders demand that the industry is 'in control'. This has now become a prerequisite for attracting and retaining capital.

'In control project'

An 'in control' project gives you a critical look at the internal control framework and related processes. It provides insights in opportunities and a view on the challenges involved. An internal control project contributes to the reduction of missed opportunities, improves efficiency as well as achieving control objectives.

In our vision, being 'in control' means that demands from clients, regulators and other stakeholders can and should go hand in hand with internal control objectives. An ISAE 3402 project can be used to achieve this, but is usually regarded as a cost centre instead of an investment in the quality of internal processes. A number of pitfalls threaten the success of any 'in control' project. This brochure identifies and discusses a number of these pitfalls and provides tips on how to efficiently maximize the output of an 'in control' project.

Tips

- 1 Designing the framework
 - 2 Ownership
 - 3 Integration
 - 4 Soft controls
 - 5 Learn and improve
 - 6 Timing
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TIP 1

TIP 2

Designing the framework

Ownership

Carefully defining controls and selecting the right key controls help you in putting substance over form. We recommend to discuss the scope of the ISAE report with clients and users of the report. Identify significant risks resulting from activities and the describe the related controls that are in place to mitigate these risks.

Make sure that the description of the control activities contains the right level of detail (not too narrow, not too general). Also make sure to tune the level of internal control to the level of risk and determine which controls are 'key'. Keep in mind that the goal is to achieve control objectives and to have documentation in place evidencing this has taken place in a controlled process.

"Ultimately, all that matters is whether control objectives have been met."

A risk control framework is not just something designed and maintained by the Risk manager or the (internal) audit function. The primary responsibility for operational risk management lies with the people who perform the control activities. Every control has a control owner responsible for the execution of the control. Risk management makes sure all significant risks have been identified and these are adequately managed.

"The primary responsibility resides with those executing controls."

ISAE requires management to deliver a 'management assertion', declaring the controls have been adequately designed and have operated effectively throughout the reporting period. Before any such assertion can be made, management has to obtain a sound basis for conclusion. An effective way for management to obtain that basis is by testing the operating effectiveness of the controls described. An independent auditor can use the conclusions of internal testing procedures if certain preconditions are met. This will reduce external testing, which is often more costly and time consuming.





TIP 3

Integration

Forces originating from different sources, like internal quality standards, law/regulations and client requirements, shape the demand for any organization to be 'in control'. Despite the various source of these demands, there is significant overlap between the operational requirements. Make sure to align the requirements in the design of the day-to-day operations that eventually form the basis of the integrated risk and control framework.

"The Depository has an important role."

The AIFMD has introduced a number of additional responsibilities to the Depository, including obtaining assurance over controls at the asset manager and its administrator. This responsibility can be partially addressed by obtaining assurance on the processes at the asset manager or administrator through an ISAE report. Incorporating the relevant processes in the scope of an ISAE report enables the Depository to efficiently make use of the risk and control framework in place at the asset manager.



TIP 4

Soft controls

Soft controls might very well be more important than 'hard controls'. Soft controls include the 'control environment', exemplary behaviour, staff commitment, transparency in behaviour and the extent to which undesired behaviour is confronted. All such aspects combined provide insight into the way in which behavioural aspects resonate throughout the organisation and ultimately indicate whether hard controls can in fact be considered hard indeed. Soft controls are the foundation on which hard controls are built.

An ISAE 3402 report is a perfect opportunity to define and describe soft controls that are in place in the

organization and to integrate them into the framework. Effectively implementing soft controls further strengthens an organisation in its efforts to identify and address behavioural risks.

"Soft controls are the foundation on which hard controls are built."





TIP 5

Learn and improve

The most important aspect of an 'in control' report is not the auditor's opinion. The biggest value for an organisation is the process it goes through in order to deliver such a report.

An ISAE project creates improved risk awareness in the organisation and forces the organisation to (re-) evaluate operational processes. During an ISAE project, controls are often redefined to be more effective or even eliminated to be more efficient.

"The learning curve creates the biggest value."

The ISAE report will provide insight into the operational flow of transactions during the reporting period. It provides users insight into the way in which control objectives are met and enables you to disclose improvements made to internal processes compared to previous periods. Also, you can use the outlook paragraph to describe future improvements you plan to realize in upcoming periods, which can further increase the level of comfort user

organisations derive from your ISAE report.

TIP 6

Timing

An ISAE project typically spans a relatively long period. It is advisable to time the project in a way that the final report is timely available to user organisations and meets their needs.

"User organisations determine the timing."

In order to determine what the appropriate project schedule is, a service organisation should consult with user organisations, since these are the primary stakeholders of the ISAE report.

When timely available for (external) stakeholders, the ISAE report can contribute to cost reductions in the annual reporting process or reduce depositary fees.



Where are you in the cycle?

Every 'in control' projects starts by defining the scope, which determines which processes should be mapped. All significant risks for each of these processes need to be identified. The organization should describe how these risks are managed.

The system of internal control should be documented by the organisation including the controls that are in place. The analysis of the processes, risks and controls culminates in a risk-control framework. Based on this framework, the independent auditor will test the extent to which you are in control. The framework provides a solid basis for maintaining and monitoring the quality of the internal organisation.

The completed cycle of analysing, identifying and evaluating is aimed at improving efficiency and effectiveness of the internal control environment of your organisation. A well-executed 'in control' project will enable your organisation to become a better version of itself.



How can we help?

Support

We have ample experience delivering internal support to asset managers and fund administrators in setting up risk- and control frameworks, optimizing internal processes and materializing the internal audit function as a part of an 'in control' project.

We can help:

- Evaluate the current internal control environment;
- Design the control framework;
- Perform a gap-analysis to identify necessary changes;
- Implement changes to the internal control environment;
- Coordinate and plan the entire ISAE project;
- Organise Risk & Control Assessments with the relevant employees in order to increase the involvement in the 'in control' project, increase risk awareness

- and provide insight into the relevant risks and controls to those responsible to perform the control activities;
- Identify and describe soft controls and the way in which they can contribute to internal control;
- Substantiate the internal audit function;
- Draft the ISAE report.

Assurance

Having been both on the support and on the audit side of an ISAE project, our teams know which challenges and pitfalls any organisation faces when taking on an 'in control' project. This experience enables us to better implement the natural advisory role that comes with the job of an external auditor, which enables you to go through the process more efficiently and more effectively.

Why would you choose Solutional as Assurance provider?

Solutional is specialized in the asset management industry and has vast experience in all phases of an 'in control' project. This stretches from the management decision making process (whether or not to initiate such a project) all the way through writing the 'in control' report. Our assurance clients have benefitted greatly from our knowledge and experience.

- Branch specific knowledge of ISAE in asset management;
- First hand ISAE experience from all perspectives (user organisation, service organisation and assurance provider);
- Dedicated team;
- Efficient working methods;
- Attention to integrating behaviour and soft control in the risk-control framework.

About us

At Solutional, we are passionate about our profession and try to lead the way in putting knowledge to work. Our culture is best characterized as open, informal, energetic and ambitious with a strong 'esprit de corps' (team spirit).

We believe our clients are served best when our organization enables our people to be at their best. Our focus on a work-life-growth balance aims to achieve optimal congruence between our people's individual ambitions and the organisational needs as a whole. This results in a service level where we continuously aim to exceed our client's expectations.

We encourage our people to step out of their comfort zones and explore their horizons. This means we enable people to seize business opportunities, acquire knowledge and to develop and improve their skills in order to grow as a person. Through focus on personal growth, our people attain and refine the qualities that authenticate them. We aim to learn from each other and share our knowledge with our clients.

As an organisation, we have learned that focusing on goal congruence creates intrinsic motivation, commitment to personal growth, innovation, trust and (most importantly) very positive upward spiralling energy. This energy is the foremost contributor to our 'Value through Expertise'!



Solutional
Value through expertise

A few words from our clients

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Since 2006, Solutional is engaged to support Group Internal Audit which they have done to our full satisfaction. Solutional's efforts consist primarily of supporting Group Internal Audit in performing SOx and ISAE 3402 (previously: SAS 70) control testing activities. In addition, Solutional has supported us in operational audits and specific projects. Our long lasting relationship demonstrates our satisfaction with the service level that Solutional provides. In our experience, Solutional's professionals are highly proactive, flexible, showing professional criticism and a high degree of involvement. The stability within the service team safeguards the knowledge and actively contributes to an effective and efficient process.

We feel confident Solutional will continue to support us in the future. //

P. Breur, Chief Audit Executive, Robeco Group

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Since 2008 TCX Investment Management Company BV has had the pleasure of working with Solutional Advisory Services BV and Solutional Assurance Services BV on providing The Currency Exchange Fund NV with services ranging from advising the fund on IFRS matters to preparing its annual reports and performing periodic ISAE 3402 audits of its operations. As a small firm relying on the expertise of outsourcing partners to run a billion-dollar fund on behalf of the world's largest development finance institutions, we have repeatedly found strength in the competence and dedication of Solutional's partners, and in the quality and timeliness of their work. As we turn to face the Alternative Investment Fund Managers Directive, we could not think of more solid professionals to help us get on with its implications.

Many thanks, Solutional! Much appreciated! //

Brice Ropion, Chief Operating Officer
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