

ISAE Accreditation: Empowering fund managers with robust internal controls

Transparency and compliance build trusted relationships with clients and investors. [James Grinham](#) explores how fund managers can obtain the expertise of external fund administrators with ISAE accreditation to help them design and implement an ISAE-compliant internal controls framework to safeguard this trust and reduce operational risk.

Maintaining robust internal controls is essential for best practice operations and client confidence. One effective way to achieve this is through the International Standard on Assurance Engagements (ISAE) accreditation. For fund managers, busy with their day-to-day duties, ensuring they have a robust internal controls framework for their back-office administration functions is an additional burden on their resource and time. However, ISAE qualified third-party providers who have completed the accreditation process are able to support fund managers to more easily achieve consistent transparency and compliance.

Also, for fund managers who use the services of an ISAE-compliant outsource partner for a significant number of their operations, there's no need for them to be ISAE accredited themselves, removing this additional administrative burden. Instead they benefit from their service provider's robust internal control framework, which covers the work the outsource partner does for them.

Here's how it works:

Understanding ISAE accreditation

The ISAE is a set of standards developed by the International Auditing and Assurance Standards Board (IAASB). These standards provide guidelines for assurance engagements other than audits or reviews of historical financial information. The most widely recognised ISAE standards include ISAE 3000, ISAE 3402, ISAE 3410, and ISAE 3420.

ISAE 3000: This standard deals with assurance engagements on non-financial

information, such as sustainability reports and internal controls. Aztec uses ISAE 3000 to provide assurance over non-financial reporting, particularly in areas like sustainability disclosures and internal control frameworks. This is especially relevant when clients require independent verification of ESG metrics or governance processes. For example, when preparing sustainability reports or internal control narratives for investor due diligence, Aztec's ISAE 3000 accreditation allows it to deliver credible, externally assured outputs.

ISAE 3402: Focuses on assurance reports on controls at service organizations, ensuring that these controls are effective and reliable. This is used to demonstrate Aztec's internal controls are robust and reliable in preventing data breaches and fraud, operational disruptions, financial misstatements or reputational damage. Clients benefit from this daily, as an example, when onboarding a new fund, Aztec's ISAE 3402 certification reassures clients that their data and transactions are handled securely and in line with industry best practices.

ISAE 3410: Pertains to assurance engagements on greenhouse gas statements. This is used when Aztec supports clients in preparing or verifying greenhouse gas (GHG) emissions reports. This is particularly relevant for ESG-conscious funds or those marketing to sustainability-focused investors. The assurance provided under ISAE 3410 ensures that GHG data is accurate and compliant with international standards.

ISAE 3420: Covers assurance engagements to report on the compilation of pro forma financial information included in a prospectus. Aztec applies this when assisting clients with fundraising or regulatory filings that include pro forma financials, such as in private placement memoranda or prospectuses. The assurance engagement under this standard ensures that the compiled financial information is consistent with applicable frameworks and free from material misstatement, which is critical during investor due diligence or regulatory review .

How a fund administrator can assist with implementing compliant internal controls

Fund administrators can work closely with fund managers to implement robust internal controls frameworks that are ISAE compliant. Perhaps most important of

all is ensuring your chosen fund administrator is ISAE accredited, that they have the ISAE stamp and that their controls environment is up to the required standard to support your business.

Here's how this collaboration can be structured:

1. Assessment and planning: Fund administrators begin by assessing the existing internal controls of the fund managers. This involves identifying gaps and areas for improvement. A detailed plan is then developed to address these gaps and enhance the controls.

2. Training and education: Effective implementation requires that all stakeholders understand the importance of internal controls and how to maintain them. Fund administrators provide training sessions and educational resources to fund managers and their teams on an ongoing basis.

3. Design and implementation: Based on the assessment, fund administrators help fund managers design and implement new controls or improve existing ones. This includes setting up monitoring systems, establishing reporting protocols, and integrating technology solutions to automate processes

4. Continuous monitoring and improvement: Internal controls are not static; they need continuous monitoring and improvement. Fund administrators work with fund managers to regularly review and update controls, ensuring they remain effective and compliant with ISAE standards.

5. Audit support: Preparing for audits is a critical aspect of maintaining ISAE compliance. Fund administrators assist fund managers in preparing for both internal and external audits, ensuring that all documentation is accurate and up-to-date.

Benefits of ISAE accreditation

Achieving ISAE accreditation offers several benefits for your funds:

Enhanced credibility: ISAE accreditation provides independent assurance of the quality and reliability of internal controls, enhancing the credibility of the fund's operations

Investor confidence: Robust internal controls and ISAE accreditation builds

investor confidence, as they demonstrate a commitment to transparency and compliance

Operational efficiency: Implementing ISAE-compliant controls can streamline operations, reduce risks, and improve overall efficiency

Regulatory compliance: ISAE standards help ensure that internal controls meet regulatory requirements, reducing the risk of non-compliance

How ISAE accreditation is awarded

Ensuring your fund administrator has ISAE accreditation is a key part of the due diligence process you will no doubt undertake before engaging with a new provider. But how does a fund administrator obtain ISAE accreditation? This is a rigorous process which ensures the fund administrator's internal controls meet international standards. Here are the key steps in the accreditation process:

1. Preparation and documentation: Fund administrators must prepare detailed documentation of their internal controls, processes, and procedures. This includes identifying control objectives, risk assessments, and compliance measures

2. Independent audit: An independent auditor conducts a thorough examination of the fund administrator's internal controls. This audit assesses both the design and operational effectiveness of the controls

3. Evaluation and reporting: The auditor evaluates the findings and prepares an assurance report. This report provides an independent opinion on the effectiveness of the internal controls and compliance with ISAE standards

4. Certification: If the fund administrator's controls meet the required standards, it is awarded ISAE accreditation. This certification is a testament to the quality and reliability of their internal controls

ISAE accreditation provides a framework for achieving high standards of assurance and compliance, reducing risk and optimizing operations.

A fund administrator who has the relevant ISAE accreditation, not only meets the ISAE standards, but is then also authorized to design ISAE-accredited internal controls, which can be implemented into their clients' operations and processes. This is the level of accreditation the Aztec Group has recently been awarded.

To discuss the ISAE accreditation process, and understand how we can help your business implement ISAE accredited internal controls, or how your business can benefit from Aztec's ISAE accreditation, please contact us below.



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