

MOORE STEPHENS



Managing operational risk

High net worth & family offices

PRECISE. PROVEN. PERFORMANCE.

Managing operational risk

Risk assessment is key to successful investment, and operational risk should feature high on the list. Assessing the operational risk of potential and current investments helps wealth funds to protect their assets and ensure future investment returns.

No investment comes without risk, but risk can be mitigated. Operational risk is no exception. In any economic climate, particularly one dominated by uncertainty, operational risk management is an important requirement for maximising investment security.

How confident are you that your preferred fund managers operate in an appropriately regulated environment, with effective audit trails and proper custody processes in place?

- Should you be worried if the legal structure looks overly complicated?
- How do you know that related party transactions are monitored properly?
- Has business practice and ethical behaviour been communicated to staff, and what areas are prevalent to potential fraud?



When considering any investment in a hedge fund, private equity fund or other alternative investment fund, asking such questions in order to assess operational risk is an essential part of the decision-making process.

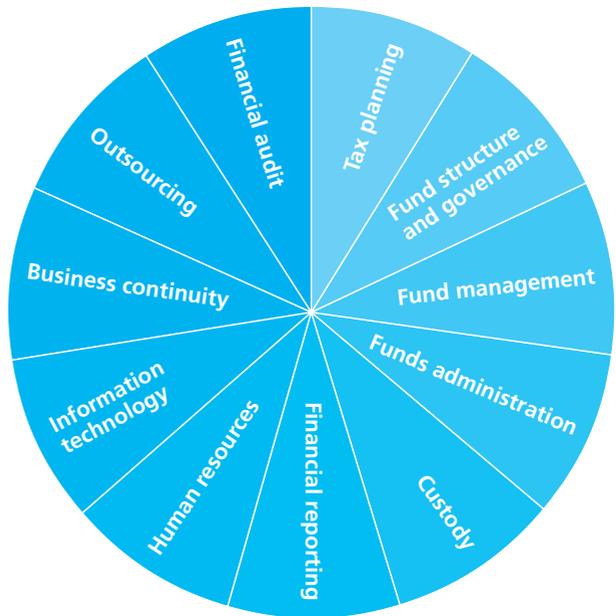
“No investment comes without risk, but risk can be mitigated”

What does operational risk encompass?

There are many elements to operational risk, all of which need careful assessment before making a fully informed investment decision. It is equally important to monitor the operational risk associated with outstanding investments on an ongoing basis.

These elements can cover wide range of aspects of an investment, which include:

- organisational and legal structure;
- internal controls and processes;
- policies, procedures and compliance;
- governance, hierarchy, authority and relationships;
- tax position and tax planning for future transactions, including areas such as VAT;
- internal and external financial and commercial reporting;
- administration, monitoring and assessment.



Helping you thrive in a changing world



“We believe the key to a valuable service is the strength of the relationship between you and our service team.”

Drawing on our experience as auditors and advisers to wealth funds, we have developed a framework to investigate and report on all aspects of operational risk for hedge, private equity and other alternative investment funds.

We believe the key to a valuable service is the strength of the relationship between you and our service team. This enables our work to be thoroughly and accurately planned and tailored to your specific needs.

Our assurance services add an extra dimension, providing assurance over the operational effectiveness, as well as the design, of internal controls that mitigate operational risk.

Making investment decisions can be challenging, but adding operational risk assessments into the equation helps to improve the quality of the process and the robustness of the decisions made.



Case studies

Case study 1

Benchmarking for a European family office

We undertake an annual custodian benchmarking exercise which includes a review of the quality of IT systems, robustness of client asset legislation, market position and reputational risk.

Client benefit

Our client uses our annual benchmarking report to evaluate the effectiveness of their custodian relationships.

Case study 2

Operational due diligence for a European family office

We performed an operational due diligence exercise by producing a questionnaire for the custodians, to review aspects such as controls on valuation and settlements, sub-custodian arrangements and business resilience.

Client benefit

The questionnaire responses form part of our evaluation of the design of effective internal control over financial reporting.

Case study 3

Operational due diligence framework for a European family office

After undertaking a review, we set up a stream of procedures for the client when investing in new funds, which we consolidated into a checklist of requirements adhering to the Institutional Limited Partners Association standards.

Client benefit

Our work enabled our client to build a comprehensive framework for operational due diligence.

Case studies

Case study 4

Risk recommendations for a European family office

We carried out an investigation into the financial affairs of a European property investment fund to establish the cause of weak performance and provide recommendations to mitigate risk in future property investments.

Client benefit

Our client changed their investment strategy as a result of our conclusions.

Case study 5

Operational due diligence for a large London-based property manager

We produced an ISAE 3402 report which reviewed the quality of their financial procedures and controls.

Client benefit

The report is utilised by the property manager's clients as part of their own operational due diligence.

Case study 6

Due diligence for a number of established European clients

We have undertaken due diligence on PE firms, hedge fund managers and administrators considering areas such as IT, regulatory status, outsourcing arrangements and data protection.

Client benefit

Our conclusions form part of our clients' pre-investment due diligence.

Moore Stephens in the UK

We help you thrive in a changing world.

We provide all the support and guidance you need to deal with new risks and opportunities. We ensure easy access to the right people, so decisions can be made quickly and confidently. A consistent team will partner with you to support your aspirations and contribute to your success.

You'll have access to a range of core services, including audit, accounting, tax, risk and systems assurance, corporate finance, restructuring and insolvency, wealth management and disputes analysis. As a Top 10 accounting and advisory network we support a broad range of individuals and entrepreneurs, large organisations and complex international businesses.

If your business and personal interactions need to expand, we'll help make it happen – coordinating advice from a network of offices throughout the UK and in more than 100 countries.

Moore Stephens globally

Moore Stephens International is the 11th largest global accountancy and consulting network, headquartered in London. With fees of over US\$2.9 billion and offices in 112 countries, clients have access to the resources and capabilities to meet their global needs.

By combining local expertise and experience with the breadth of our UK and worldwide networks, clients can be confident that, whatever their requirement, Moore Stephens provides the right solution to their local, national and international needs.

Contact information

To discuss your needs, please contact:



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Victoria is a Senior Manager in the Corporate Finance team at Moore Stephens. She has experience in due diligence, acquisitions, disposals, MBOs, financial modelling, fundraising and valuations. Victoria is a member of the Institute of Chartered Accountants in England and Wales and a chartered member of the Chartered Institute of Securities and Investment (CISI).

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Alex Traill – Director

With wide-ranging experience working with family offices, Alex advises on issues such as risk management, performance measurement, internal control over financial reporting under IFRS and US GAAP, valuation and custody benchmarking. He has helped clients establish robust control environments and often assists management in their monitoring and testing to ensure clear, transparent and responsible reporting.

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