Appendix 2

(Ref: Para.A47)

**Example** **Service** **Auditor’s** **Assurance** **Reports**

The following examples of reports are for guidance only and are not intended to be exhaustive or applicable to all situations.

###### Example 1: Type 2 Service Auditor’s Assurance Report

Independent Service Auditor’s Assurance Report on the Description of Controls, their Design and Operating Effectiveness

To: XYZ Service Organisation

Scope

We have been engaged to report on XYZ Service Organisation’s description at pages [bb‑cc] of its [type or name of] system for processing customers’ transactions throughout the period [date] to [date] (the description), and on the design and operation of controls related to the control objectives stated in the description.[[1]](#footnote-1)

XYZ Service Organisation’s Responsibilities

XYZ Service Organisation is responsible for: preparing the description and accompanying statement at page [aa], including the completeness, accuracy and method of presentation of the description and statement; providing the services covered by the description; stating the control objectives; and designing, implementing and effectively operating controls to achieve the stated control objectives.

Our Independence and Quality Management

We have complied with relevant ethical requirements related to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1*Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Service Auditor’s Responsibilities

Our responsibility is to express an opinion on XYZ Service Organisation’s description and on the design and operation of controls related to the control objectives stated in that description, based on our procedures. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3402 *Assurance* *Reports* *on* *Controls* *at* *a* *Service* *Organisation*, issued by the Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls are suitably designed and operating effectively.

An assurance engagement to report on the description, design and operating effectiveness of controls at a service organisation involves performing procedures to obtain evidence about the disclosures in the service organisation’s description of its system, and the design and operating effectiveness of controls. The procedures selected depend on our judgement, including the assessment of the risks that the description is not fairly presented, and that controls are not suitably designed or operating effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the control objectives stated in the description were achieved. An assurance engagement of this type also includes evaluating the overall presentation of the description, the suitability of the objectives stated therein, and the suitability of the criteria specified by the service organisation and described at page [aa].

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limitations of Controls at a Service Organisation

XYZ Service Organisation’s description is prepared to meet the common needs of a broad range of customers and their auditors and may not, therefore, include every aspect of the system that each individual customer may consider important in its own particular environment. Also, because of their nature, controls at a service organisation may not prevent or detect all errors or omissions in processing or reporting transactions. Also, the projection of any evaluation of effectiveness to future periods is subject to the risk that controls at a service organisation may become inadequate or fail.

Opinion

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion are those described at page [aa]. In our opinion, in all material respects:

* 1. The description fairly presents the [the type or name of] system as designed and implemented throughout the period from [date] to [date];
	2. The controls related to the control objectives stated in the description were suitably designed throughout the period from [date] to [date]; and
	3. The controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from [date] to [date].

Description of Tests of Controls

The specific controls tested and the nature, timing and results of those tests are listed on pages [yy‑zz].

Intended Users and Purpose

This report and the description of tests of controls on pages [yy‑zz] are intended only for customers who have used XYZ Service Organisation’s [type or name of] system, and their auditors, who have a sufficient understanding to consider it, along with other information including information about controls operated by customers themselves, when assessing the risks of material misstatements of customers’ financial reports/statements.

[Service auditor’s signature]

[Date of the service auditor’s assurance report]

[Service auditor’s address]

###### Example 2: Type 1 Service Auditor’s Assurance Report

Independent Service Auditor’s Assurance Report on the Description of Controls and their Design

To: XYZ Service Organisation

Scope

We have been engaged to report on XYZ Service Organisation’s description at pages [bb‑cc] of its [type or name of] system for processing customers’ transactions as at [date] (the description), and on the design of controls related to the control objectives stated in the description.[[2]](#footnote-2)

We did not perform any procedures regarding the operating effectiveness of controls included in the description and, accordingly, do not express an opinion thereon.

XYZ Service Organisation’s Responsibilities

XYZ Service Organisation is responsible for: preparing the description and accompanying statement at page [aa], including the completeness, accuracy and method of presentation of the description and the statement; providing the services covered by the description; stating the control objectives; and designing, implementing and effectively operating controls to achieve the stated control objectives.

Our Independence and Quality Management

We have complied with relevant ethical requirements, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Service Auditor’s Responsibilities

Our responsibility is to express an opinion on XYZ Service Organisation’s description and on the design of controls related to the control objectives stated in that description, based on our procedures. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3402 *Assurance* *Reports* *on* *Controls* *at* *a* *Service* *Organisation*, issued by the Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls are suitably designed in all material respects.

An assurance engagement to report on the description and design of controls at a service organisation involves performing procedures to obtain evidence about the disclosures in the service organisation’s description of its system, and the design of controls. The procedures selected depend on our judgement, including the assessment that the description is not fairly presented, and that controls are not suitably designed. An assurance engagement of this type also includes evaluating the overall presentation of the description, the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organisation and described at page [aa].

As noted above, we did not perform any procedures regarding the operating effectiveness of controls included in the description and, accordingly, do not express an opinion thereon.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limitations of Controls at a Service Organisation

XYZ Service Organisation’s description is prepared to meet the common needs of a broad range of customers and their auditors and may not, therefore, include every aspect of the system that each individual customer may consider important in its own particular environment. Also, because of their nature, controls at a service organisation may not prevent or detect all errors or omissions in processing or reporting transactions.

Opinion

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion are those described at page [aa]. In our opinion, in all material respects:

* 1. The description fairly presents the [the type or name of] system as designed and implemented as at [date]; and
	2. The controls related to the control objectives stated in the description were suitably designed as at [date].

Intended Users and Purpose

This report is intended only for customers who have used XYZ Service Organisation’s [type or name of] system, and their auditors, who have a sufficient understanding to consider it, along with other information including information about controls operated by customers themselves, when obtaining an understanding of customers’ information systems relevant to financial reporting.

[Service auditor’s signature]

[Date of the service auditor’s assurance report]

[Service auditor’s address]

1. If some elements of the description are not included in the scope of the engagement, this is made clear in the assurance report. [↑](#footnote-ref-1)
2. If some elements of the description are not included in the scope of the engagement, this is made clear in the assurance report. [↑](#footnote-ref-2)