

TABLES OF DIFFERENCES

ASA 402 [Revised and Redrafted]

AUDIT CONSIDERATIONS RELATING TO AN ENTITY USING A SERVICE ORGANISATION

Extant ASA: ASA 402 *Audit Considerations Relating to Entities Using Service Organisations*

ISA: ISA 402 [Redrafted *or* Revised and Redrafted] *Audit Considerations Relating to an Entity Using a Service Organisation*

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<i>Key Statistics</i>			
Exhibit		No.	
1	New Requirements [Elevation of Guidance]	8	
1	New Requirements [no previous Equivalent in extant ASA]	6	
N/A	Total number of New Requirements	14	
2	Extant ASA Requirements covered in another standard[s]	—	

This document contains preliminary views and/or staff recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Changes to this Table from the Last Board meeting

Item #	Para. #	Change Description	ATG Commentary	Accept in ASA Y/N?
Exhibit X				
		First time consideration at April 09 meeting.		

Draft

Requirements in ISA not in Extant ASA

- *Exhibit 1 identifies Requirements in the redrafted ISA that are not present in the equivalent extant ASA*
- *Exhibit 1 does not identify Requirements that are identical; or similar but for differences in expression/wording*

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
Objectives				
1	7	The objectives of the user auditor, when the user entity uses the services of a service organisation, are: (a) To obtain an understanding of the nature and significance of the services provided by the service organisation and their effect on the user entity’s internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement; and (b) To design and perform audit procedures responsive to those risks.	New Objectives However, consistent with extant requirements at paras 5 and 9.	Y
Definitions				
2	8	For purposes of the ISAs, the following terms have the meanings attributed below: (a) Complementary user entity controls – Controls that the service organization assumes, in the design of its service, will be implemented by user entities, and which, if necessary to achieve control objectives, are identified in the description of its system. (b) Report on the description and design of controls at a service organization (referred to in this ISA as a type 1 report) – A report that comprises: (i) A description, prepared by management of the service organization, of the service organization’s system, control objectives and related controls that have been designed and implemented as at a specified date; and (ii) A report by the service auditor with the objective of conveying reasonable	New Definitions	Y

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Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
		<p>assurance that includes the service auditor’s opinion on the description of the service organization’s system, control objectives and related controls and the suitability of the design of the controls to achieve the specified control objectives.</p> <p>(c) Report on the description, design, and operating effectiveness of controls at a service organization (referred to in this ISA as a type 2 report) – A report that comprises:</p> <ul style="list-style-type: none"> (i) A description, prepared by management of the service organization, of the service organization’s system, control objectives and related controls, their design and implementation as at a specified date or throughout a specified period and, in some cases, their operating effectiveness throughout a specified period; and (ii) A report by the service auditor with the objective of conveying reasonable assurance that includes: <ul style="list-style-type: none"> a. The service auditor’s opinion on the description of the service organization’s system, control objectives and related controls, the suitability of the design of the controls to achieve the specified control objectives, and the operating effectiveness of the controls; and b. A description of the service auditor’s tests of the controls and the results thereof. <p>(d) Service auditor – An auditor who, at the request of the service organization, provides an assurance report on the controls of a service organization.</p> <p>(e) Service organization – A third-party organization (or segment of a third-party organization) that provides services to user entities that are part of those entities’ information systems relevant to financial reporting.</p> <p>(f) Service organization’s system – The policies and procedures designed, implemented and maintained by the service organization to provide user entities with the services covered by the service auditor’s report.</p> <p>(g) Subservice organization – A service organization used by another service organization to perform some of the services provided to user entities that are part of those user entities’ information systems relevant to financial reporting.</p> <p>(h) User auditor – An auditor who audits and reports on the financial statements of a user entity.</p> <p>(i) User entity – An entity that uses a service organization and whose financial</p>		

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
		statements are being audited.		
Obtaining an Understanding of the Services Provided by a Service Organization, Including Internal Control				
3	9	<p>When obtaining an understanding of the user entity in accordance with ISA 315, the user auditor shall obtain an understanding of how a user entity uses the services of a service organization in the user entity’s operations, including:</p> <p>(a) The nature of the services provided by the service organization and the significance of those services to the user entity, including the effect thereof on the user entity’s internal control;</p> <p>(b) The nature and materiality of the transactions processed or accounts or financial reporting processes affected by the service organization;</p> <p>(c) The degree of interaction between the activities of the service organization and those of the user entity; and</p> <p>(d) The nature of the relationship between the user entity and the service organization, including the relevant contractual terms for the activities undertaken by the service organization.</p>	<p>Unshaded text is elevation of extant ASA Explanatory Guidance.</p> <p>[Extant ASA 402 para 10 — equivalent Explanatory Guidance].</p> <p>Shaded text has no extant ASA equivalent, however, was covered by the requirement, in extant para 9, where the auditor determines the significance of the service organisation activities and the relevance to the audit.</p>	Y
4	10	When obtaining an understanding of internal control relevant to the audit in accordance with ISA 315, the user auditor shall evaluate the design and implementation of relevant controls at the user entity that relate to the services provided by the service organization, including those that are applied to the transactions processed by the service organization.	<p>Elevation of extant ASA Explanatory Guidance</p> <p>[Extant ASA 402 para 18— equivalent Explanatory Guidance]</p>	Y
5	12	<p>If the user auditor is unable to obtain a sufficient understanding from the user entity, the user auditor shall obtain that understanding from one or more of the following procedures: (Ref: Para. A15-A20)</p> <p>(a) Obtaining a type 1 or type 2 report, if available;</p> <p>(b) Contacting the service organization, through the user entity, to obtain specific information;</p> <p>(c) Visiting the service organization and performing procedures that will provide the</p>	<p>Elevation of extant ASA Explanatory Guidance</p> <p>[Extant ASA 402 paras 15 and 16 — equivalent Explanatory Guidance]</p>	Y

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
		necessary information about the relevant controls at the service organization; or (d) Using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organization.		
6	13	In determining the sufficiency and appropriateness of the audit evidence provided by a type 1 or type 2 report, the user auditor shall be satisfied as to: (Ref: Para. A21) (a) The service auditor’s professional competence and independence from the service organization; and (b) The adequacy of the standards under which the type 1 or type 2 report was issued.	Unshaded text is more comprehensive and expressed differently to the extant ASA equivalent, but has similar meaning to extant ASA Requirement (para 17) Shaded text has no extant ASA equivalent.	Y
7	14	If the user auditor plans to use a type 1 or type 2 report as audit evidence to support the user auditor’s understanding about the design and implementation of controls at the service organization, the user auditor shall: (Ref: Para. A22-A23) (a) Evaluate whether the description and design of controls at the service organization is at a date or for a period that is appropriate for the user auditor’s purposes; (b) Evaluate the sufficiency and appropriateness of the evidence provided by the report for the understanding of the user entity’s internal control relevant to the audit; and (c) Determine whether complementary user entity controls identified by the service organization are relevant to the user entity and, if so, obtain an understanding of whether the user entity has designed and implemented such controls.	Unshaded text is more comprehensive and expressed differently to the extant ASA equivalent, but has similar meaning to the extant ASA 402 Requirements (para 19). Sub-sections (a) and (b) are elevations of equivalent guidance at extant ASA 402 para 23 Shaded text has no extant ASA equivalent.	Y
Responding to the Assessed Risks of Material Misstatement				
8	16	When the user auditor’s risk assessment includes an expectation that controls at the service organization are operating effectively, the user auditor shall obtain audit evidence about the operating effectiveness of those controls from one or more of the following procedures: (Ref: Para. A29-A30) (a) Obtaining a type 2 report, if available; (b) Performing appropriate tests of controls at the service organization; or	Unshaded text is more comprehensive and expressed differently to the extant ASA equivalent, but has similar meaning to the extant ASA 402 Requirements (para 24). Sub-sections (a), (b) and (c) are	Y

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
		(c) Using another auditor to perform tests of controls at the service organization on behalf of the user auditor.	Elevations of equivalent guidance at extant ASA 402 paras 18 and 26	
9	17	<p>If, in accordance with paragraph 16(a), the user auditor plans to use a type 2 report as audit evidence that controls at the service organization are operating effectively, the user auditor shall determine whether the service auditor's report provides sufficient appropriate audit evidence about the effectiveness of the controls to support the user auditor's risk assessment by:</p> <p>(a) Evaluating whether the description, design and operating effectiveness of controls at the service organization is at a date or for a period that is appropriate for the user auditor's purposes;</p> <p>(b) Determining whether complementary user entity controls identified by the service organization are relevant to the user entity and, if so, obtaining an understanding of whether the user entity has designed and implemented such controls and, if so, testing their operating effectiveness;</p> <p>(c) Evaluating the adequacy of the time period covered by the tests of controls and the time elapsed since the performance of the tests of controls; and</p> <p>(d) Evaluating whether the tests of controls performed by the service auditor and the results thereof, as described in the service auditor's report, are relevant to the assertions in the user entity's financial statements and provide sufficient appropriate audit evidence to support the user auditor's risk assessment.</p>	<p>Shaded text — Requirement is more comprehensive and expressed differently to the extant ASA equivalent, but has similar meaning.</p> <p>[Extant ASA 402 para 21 and 24— equivalent Explanatory Guidance].</p> <p>Unshaded text — new requirements</p>	Y
Type 1 and Type 2 Reports that Exclude the Services of a Subservice Organization				
10	18	If the user auditor plans to use a type 1 or a type 2 report that excludes the services provided by a subservice organization and those services are relevant to the audit of the user entity's financial statements, the user auditor shall apply the requirements of this ISA with respect to the services provided by the subservice organization.	New Requirement	Y
Fraud, Non-Compliance with Laws and Regulations and Uncorrected Misstatements in Relation to Activities at the Service Organization				

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
11	19	The user auditor shall inquire of management of the user entity whether the service organization has reported to the user entity, or whether the user entity is otherwise aware of, any fraud, non-compliance with laws and regulations or uncorrected misstatements affecting the financial statements of the user entity. The user auditor shall evaluate how such matters affect the nature, timing and extent of the user auditor's further audit procedures, including the effect on the user auditor's conclusions and user auditor's report.	New Requirement	Y
Reporting by the User Auditor				
12	20	The user auditor shall modify the opinion in the user auditor's report in accordance with ISA 705 if the user auditor is unable to obtain sufficient appropriate audit evidence regarding the services provided by the service organization relevant to the audit of the user entity's financial statements.	Elevation of extant ASA Explanatory Guidance [Extant ASA 402 para 25 — equivalent Explanatory Guidance]	Y
13	21	The user auditor shall not refer to the work of a service auditor in the user auditor's report containing an unmodified opinion unless required by law or regulation to do so. If such reference is required by law or regulation, the user auditor's report shall indicate that the reference does not diminish the user auditor's responsibility for the audit opinion.	Elevation of extant ASA Explanatory Guidance [Extant ASA 402 para 27 — equivalent Explanatory Guidance]	Y
14	22	If reference to the work of a service auditor is relevant to an understanding of a modification to the user auditor's opinion, the user auditor's report shall indicate that such reference does not diminish the user auditor's responsibility for that opinion.	New Requirement	Y

Requirements in Extant ASA not in ISA

- *Exhibit 2 identifies Requirements in the extant ASA that are not present in the equivalent redrafted ISA*
- *Exhibit 2 does not identify Requirements that are identical; or similar but for differences in expression [wording]*

Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?
Not Retained in ASA [Revised & Redrafted]				
<Insert Standard section heading here>				
		N/A		
Retained in ASA [Revised & Redrafted] Reason 1: [Only when requirement necessary for Australian legislation or regulation reasons]				
<Insert Standard section heading here>				
		N/A		
Retained in ASA [Revised & Redrafted] Reason 2: [Only when requirement necessary for legislative instrument reasons]				
<Insert Standard section heading here>				

Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?
		N/A		
Retained in ASA [Revised & Redrafted] Reason 3: [Only when requirement necessary for public interest reasons and no inconsistency with the ISA]				
<Insert Standard section heading here>				
		N/A		

Draft

Significant Differences in Guidance — ISA and Extant ASA

- *Exhibit 3 identifies significant differences between the Application and Other Explanatory Material (guidance) in the redrafted ISA and the Explanatory Guidance in the equivalent extant ASA. These differences are exceptional in nature.*
- *Exhibit 3 does not identify guidance that is identical; or similar but for differences in expression/wording*

Item #	ISA/ASA Para. #	Guidance	Commentary	Accept in ASA Y/N?
PART A – ISA				
<Insert Standard section heading here>				
		N/A		

Draft

PART B – ASA				
Retained in ASA [Revised & Redrafted] Reason 1: [Only when requirement necessary for Australian legislation or regulation reasons]				
<Insert Standard section heading here>				
		N/A		
Retained in ASA [Revised & Redrafted] Reason 2: [Only when requirement necessary for legislative instrument reasons]				
<Insert Standard section heading here>				
		N/A		
Retained in ASA [Revised & Redrafted] Reason 3: [Only when Requirement is deemed necessary for public interest reasons and is not inconsistent with the ISA]				
<Insert Standard section heading here>				
		N/A		

Significant Differences in Appendices — ISA and Extant ASA

- *Exhibit 4 identifies significant differences between the Appendices in the redrafted ISA and the Appendices in the equivalent extant ASA. These differences are exceptional in nature.*
- *Exhibit 4 does not identify Appendices that are identical; or similar but for differences in expression/wording*

Item #	ISA/ASA Para. #	Appendix	Commentary	Accept in ASA? Y/N
Part A – ISA				
<Insert Standard section heading here>				
		N/A		
Part B – ASA				
<Insert Standard section heading here>				
		N/A		
