



Explanation of the Applicability of AUASB Pronouncements where a User Entity uses a Service Organisation

User entities may use service organisations to provide services which are relevant to user entities' internal control as it relates to financial reporting. Consequently, audit evidence may be required by the user entity's auditor (the "user auditor") on controls or balances and transactions located at the service organisation. The service organisation may engage an auditor (the "service auditor") to provide a report on:

- controls at the service organisation; or
- a special purpose financial report of the user entity's balances or transactions relating to the services provided by the service organisation.

The user auditor may seek to rely on the service auditor's reports as audit evidence.

A number of AUASB pronouncements are relevant to the user auditor or service auditor in these circumstances. These pronouncements have differing application periods and may provide requirements or guidance for the user auditor or service auditor. This explanatory guide is to assist service and user auditors and service auditors in determining which pronouncements are applicable in the circumstances.

The following table summarises the applicability of the AUASB's pronouncements:

AUASB Std or Guidance	<u>ASAE 3402</u>	<u>ASA 402 (Oct 2009)</u>	<u>ASA 402 (Apr 2006)</u>	<u>GS 007</u>	<u>AGS 1042</u>
Title	<i>Assurance Reports on Controls at a Service Organisation</i>	<i>Audit Considerations Relating to an Entity Using a Service Organisation</i>	<i>Audit Considerations Relating to Entities Using Service Organisations</i>	<i>Audit Implications of the Use of Service Organisations for Investment Management Services</i>	<i>Reporting on Controls at Outsourcing Entities</i>
Applicable to reporting periods commencing ON or AFTER	1 July 2010	1 January 2010	1 July 2006	1 July 2008	Engagements conducted from July 2002
Applicable only to reporting periods commencing BEFORE	N/A (applicability on-going)	N/A (applicability on-going)	1 January 2010	N/A (applicability on-going)	1 July 2010 for service auditors; 1 January 2010 for user auditors; 1 July 2008 for investment management services



AUASB Std or Guidance	<u>ASAE 3402</u>	<u>ASA 402 (Oct 2009)</u>	<u>ASA 402 (Apr 2006)</u>	<u>GS 007</u>	<u>AGS 1042</u>
Relevant to User Auditors or Service Auditors	Service Auditors	User Auditors	Primarily User Auditors; Some relevance to Service Auditors	User Auditors & Service Auditors	Primarily Service Auditors; Some relevance to User Auditors
Addresses controls or balances & transactions	Controls	Controls	Controls	Controls and balances & transactions	Controls
Issue date	29 June 2010	27 Oct 2009	28 Apr 2006	12 Mar 2008	Jul 2002

AGS 1042 *Reporting on Controls at Outsourcing Entities* has been replaced by:

1. For Service Auditors: [ASAE 3402](#) *Assurance Reports on Controls at a Service Organisation* on 29 June 2010. ASAE 3402 is operative for periods commencing on or after 1 July 2010.
2. For User Auditors: [ASA 402](#) *Audit Considerations Relating to an Entity Using a Service Organisation* (in clarity format) on 27 October 2009. ASA 402 is operative for financial reporting periods commencing on or after 1 January 2010.
3. For Service and User Auditors where investment management services are provided: additional guidance in [GS 007](#) *Audit Implications of the Use of Service Organisations for Investment Management Services*. GS 007 is operative for reporting periods commencing on or after 1 July 2008. As GS 007 provides guidance only, the requirements in ASA 402 (Oct 2009) and ASAE 3402 take precedence for periods commencing 1 January 2010 and 1 July 2010 respectively and ASA 402 (Apr 2006) takes precedence for prior periods.

Consequently, for six or twelve month periods ending 30 June 2010, service auditors should follow the guidance in AGS 1042, except in the case of investment management services for which GS 007 should be followed.

For six month periods ending 31 December 2010 and twelve month periods ending 30 June 2011, service auditors must follow the requirements in ASAE 3402 and additional guidance for investment management services continues to be provided by GS 007. Note that GS 007 will be revised during the 2010/11 financial year to ensure consistency with the new suite of clarity standards (ASAs) and ASAE 3402.

For six month periods ending 30 June 2010 and six or twelve month periods ending 31 December 2010, user auditors should follow ASA 402 (Oct 2009) in clarity format and additional guidance for investment management services is provided by GS 007. For twelve month periods ending 30 June 2010, user auditors should follow ASA 402 (April 2006) with additional guidance in AGS 1042 or for investment management services, the guidance in GS 007.