



# Board Meeting Summary Paper

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AUASB AGENDA ITEM NO. <b>6.2(b)</b>
<b>Meeting Date: 22 February 2010</b>

**Subject:** Implications of ASAE 3402 on GS 007  
*Audit Implications of the Use of Service  
Organisations for Investment Management  
Services*

**Date:** 9 February 2010

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**Action Required**

**For Information Purposes Only**

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## Agenda Item Objectives

1. To assess whether GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* will still be required once ASAE 3402 *Assurance Reports on Controls at a Service Organisation* is issued and if so, the extent of revision required to GS 007 to align with ASAE 3402.
2. To assess the extent of revision required to GS 007 to align with the existing suite of clarity standards, particularly ASA 402 *Audit Considerations Relating to an Entity Using a Service Organisation*.
3. The extent of revision required to GS 007 to address feedback received from stakeholders as a result of the consultation undertaken during 2009.

## Background

GS 007 was issued in March 2008, operative for periods commencing 1 July 2008, to provide guidance to both user auditors of entities, which use service organisations to provide investment management services, and service auditors, which provide reports which may be used as audit evidence by the user auditor.

Key features of GS 007 are:

1. relevant to both user and service auditors;
2. applies only to investment management services;
3. covers assurance over both controls reports and special purpose financial reports;
4. anchors to standards current prior to release of clarity suite, primarily ASA 402;

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5. appendices includes example engagement letters, example service organisation's assertion, minimum control objectives to be addressed in identifying controls for each investment management service and example service auditor reports.

The AUASB issued an invitation to comment to stakeholders on their experiences in implementing GS 007. The closing date for comments was 30 October 2009.

Since issuing GS 007, the AUASB has issued the new suite of clarity standards including a revised and redrafted ASA 402, operative for financial reporting periods commencing 1 January 2010. In addition the AUASB is proposing to issue ASAE 3402, which conforms with the new IAASB standard ISAE 3402 and is presented in Agenda Item 6.2(a) for approval to issue as an exposure draft (ED 01/10). ASAE 3402 is anticipated to be operative for periods commencing 1 July 2010.

### **Matters to Consider**

The staff attachment discusses the impact on GS 007 of:

1. proposed ASAE 3402;
2. ASA 402 and clarity suite of standards; and
3. feedback from stakeholders;

The new clarity standards, including ASA 402 and the proposed ASAE 3402 will mean that some of the guidance in GS 007 will need to be amended and anchored to those standards, certain terminology will need amendment and methodologies will need to be aligned. Nevertheless, whilst ASAE 3402 and ASA 402 provide many of the requirements for GS 007 engagements, they do not provide the industry specific guidance for investment management services contained in GS 007, particularly the control objectives provided. In addition GS 007 addresses service auditor's reports on a statement or specified assertions whereas ASAE 3402 and ASA 402 address only reports on controls.

### **Staff Recommendations**

GS 007 be retained, as the industry specific guidance is still needed, and revised to:

1. anchor to ASAE 3402 (proposed) and the suite of clarity standards, in particular, ASA 402 in clarity format;
2. revise terminology (e.g. type 1 & 2 reports instead of Type A and Type B Controls Reports) for consistency with ASAE 3402, ASA 402 and suite of clarity standards;
3. remove guidance which duplicates requirements and application material in ASAE 3402 and ASA 402; and
4. amend control objectives and address stakeholder comments as appropriate.

A revised GS 007 could be issued together with ASAE 3402, once that standard is exposed and approved.

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## **Material Presented**

- Agenda Item 6.2(b) Board Meeting Summary Paper
- Agenda Item 6.2(b).1 Attachment to BMSP
- Agenda Item 6.2(b).2 *GS 007 Audit Implications of the Use of Service Organisations for Investment Management Services* with revisions and comments (Marked Up Version)

## **Notes**

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