



THE AUDIT OFFICE
OF NEW SOUTH WALES

CONTACT NAME
TELEPHONE
OUR REFERENCE
YOUR REFERENCE

Ms M Kelsall
The Chair
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007

4 February 2010

Dear Merran,

Invitation to Comment on Implementing GS 007 'Audit Implications of the Use of Service Organisations for Investment Management Services'

Overall, this guidance statement has proved useful in assurance engagements for service organisations providing investment management services. We have included further comments on your specific questions below.

I support GS 007 being updated to ensure consistency with ASAE 3402 'Assurance Reports on Controls at a Service Organisation' and ASA 402 'Audit Considerations Related to an Entity Using a Service Organisation'.

The principles in ASAE 3402 can be applied to both investment and debt management services. It is interesting that specific guidance only exists for the use of service organisations for investment management services, but not for debt management services.

Specific Comments

Extent to which investment management service organisations are obtaining service auditor's reports under GS 007.

The NSW public sector has one organisation providing investment management services. They engage our Office to provide an assurance report on their 'Type B Controls Report' for their client's and they also receive GS 007 and SAS 70 service auditor's reports from their investment managers.

Other clients also receive service auditor's reports under GS 007 from various investment managers.

Are service auditors' reports with respect to investment management service organisations providing the audit evidence user auditors require for the audit of user entities' financial reports?

In our experience there has been some confusion in practice on whether a Type A or Type B Controls Report is required and why. Initially, this took time to determine what was required and communicate this with the service organisation and their auditors.

ASA 402 'Audit Considerations Relating to an Entity Using a Service Organisation' (October 2009) is more helpful than the previous standard in clarifying if and when each report type is required and how to utilise each report.

Are the control objectives comprehensive, relevant and clear for each service area? If not, please provide details of any suggested amendments or additional objectives.

The control objectives are comprehensive, relevant and clear for each service area.

Do the six services addressed by GS 007 cover the investment management services which may be part of the user entity's information system, including business processes, relevant to financial reporting?

The six services addressed by GS 007 are appropriate.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'S. Fryer', written in a cursive style.

S. Fryer
Director, Audit Support