



ASA 402 and ASAE 3402 Requirements to be Applied by User and Service Auditors Using GS 007

The AUASB issued a new suite of clarity standards in 2009 and 2010, including ASA 402 *Audit Considerations Relating to an Entity Using a Service Organisation* and ASAE 3402 *Assurance Reports on Controls at a Service Organisation*, which are applicable when a user entity uses the services of a service organisation. These standards provide requirements for reporting on controls at the service organisation and use of that report as audit evidence by the user entity's auditor.

GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* provides guidance for user and service auditors with respect to reporting on controls and financial information, but predates these new standards and so contains some inconsistencies with the suite of Australian Auditing Standards (ASAs), ASA 402 and ASAE 3402. The principal inconsistencies are:

- the format of the example engagement letter and reports; and
- inclusion of an overall system description, as required in ASAE 3402, by the service organisation and the audit of that description, whereas GS 007 controls reporting is limited to control objectives and controls.

ASA 402 and ASAE 3402 contain mandatory requirements for the user and service auditors respectively and so take precedence over GS 007. To the extent that it is consistent with the new suite of standards, the guidance in GS 007 may still be applied and the minimum control objectives are still expected to be addressed by service organisations and service auditors when reporting on controls. GS 007 is under revision and is due to be reissued in September 2011 and will address inconsistencies with the ASAs and ASAE 3402.

The following table summarises the scope of the AUASB's current pronouncements on service organisations:

AUASB Standard or Guidance	ASAE 3402	ASA 402 (Oct 2009)	GS 007
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 Implications of the Use of Service Organisations for Investment Management Services</i>
Applicable to reporting periods commencing ON or AFTER	1 July 2010	1 January 2010	1 July 2008
Applicable industry	Any industry	Any industry	Investment Management Services
Relevant to Service or User Auditors	Service Auditors	User Auditors	Service & User Auditors

AUASB Standard or Guidance	ASAE 3402	ASA 402 (Oct 2009)	GS 007
Addresses controls or balances & transactions	Controls	Controls	Controls and balances & transactions
Issue date	29 June 2010	27 Oct 2009	12 Mar 2008

The first reporting periods affected by the new standards are:

- For six month periods ended 31 December 2010 and twelve month periods ended 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.
- For six month periods ended 30 June 2010 and six or twelve month periods ended 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.

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