



AUASB Project Plan

Project Title:	Revision of Guidance Statement GS 007 <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i> (Australian version) and EG Au8 <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i> (New Zealand version)
Date Prepared:	29 April 2025
Date Approved:	14 May 2025
Office Member:	Rajen Pillay / Thinus Peyper
AUASB Member:	Klynton Hankin

Overview of Project

Information Gathering/Background

GS 007 was first issued in March 2008 and subsequently updated and reissued on 25 October 2011 by the AUASB. EG Au8 was issued in September 2013.

More recent feedback from external stakeholders (i.e. audit firms and regulators) highlighted that the audit landscape has evolved since 2011 with for example, changes in auditing standards, and changes in technology and its use by entities. Therefore, the current version of GS 007 requires updating to bring it in line with current practice. Further details are noted under the project scope area below.

Consistent with the Principles of harmonisation of Australian and New Zealand Standards, the AUASB and NZAuASB will work on updating GS 007 and EG Au8 jointly to achieve consistency where appropriate across jurisdictions.

At the AUASB Board Meeting in November 2024 Klynton Hankin (current Board Member) agreed to act in the capacity of project sponsor for the GS 007 revision. A subsequent meeting was held with him in December 2024 to get a brief overview of the issues with the application of GS 007 and to inform the scope of the project. The issues have been further informed by input from Project Advisory Group (PAG) members, both before and during an initial PAG meeting on 2 April 2025.

Stakeholder engagement

GS 007/EG Au8 is widely used in the investment management services industry. Key stakeholders impacted by the revision to GS 007 and EG Au8 are:

- service/subservice organisations that provide investment management and related services to the superannuation and wealth management industry and their auditors providing assurance on the design and effective operation of relevant controls; and
- user entities (e.g. managed schemes, responsible entities, registrable superannuation entities and RSE licensees/trustees) and the auditors of their financial reports.

Another stakeholder group for input may include the Australian Custodial Services Association (ACSA), an industry body representing members of Australia's custodial and investment administration sector. It is also

expected that we will hold ongoing discussions with ASIC and the NZ FMA which regulate financial reports and audits. The NZAuASB will also endeavour to seek input from any relevant stakeholder groups in New Zealand.

Scope

Project Objective

To review and revise both GS 007 and EG Au8 regarding key issues with its application by auditors of financial reports of entities in the investment management and superannuation industry.

Project Scope

The GS 007 application scope will remain as described in paragraph 1 i.e. guidance provided to:

- (i) user auditors of a financial report of a user entity which uses a third-party service organisation to provide investment management services; and
- (ii) service auditors of those service organisations who provide reports on controls (or financial information) which may be used as audit evidence in the audit of the user entity's financial report.

A similar scope is outlined in EG Au8.

To meet the project objective this project will address the application issues with the current guidance having regard to feedback from external stakeholders (i.e. audit firms and practitioners) that undertake audit work in the investment management services industry.

The application issues to be addressed are outlined in the **Appendix** to this project plan identified by the PAG chair and members. These issues will be refined as we progress with the review.

The review of GS 007/EG Au8 and the approach to issues identified will be informed by a review of guidance/practices in the US and UK (i.e. SSAE 18 in the US (2017) and ICAEW 01/20 AAF in the UK (2020)), and possibly other jurisdictions.

Issues Out of Scope of this project

The project is confined to the use of service organisations in the context of a financial report audit. The update will not cover, for example, sustainability reporting and associated value chain reporting by service organisations. This will be addressed as a separate project at a future date.

Project Governance

Project Advisory Group (PAG)

To assist both Boards with this project, we have formed a **PAG** to advise on the development of proposed amendments to GS 007 and the NZ explanatory guide EG Au8. The PAG comprises member representatives from the largest audit firms (large national network firms) from Australia and New Zealand. The PAG Chair is Klynton Hankin who has subject matter expertise in the financial services sector.

The Australian AUASB and NZAuASB sought from its respective Boards (sourced from their audit firms) nominations of suitably experienced individuals to serve on the PAG. As required by paragraph 62 of the AUASB Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications, the AUASB Chair made the final decision on selecting PAG members to ensure appropriate representation on the PAG. Appropriate representatives of the NZAuASB staff were consulted in making his decision.

Targeted Implementation Date

The reporting period targeted is years ending 30 June 2026 and later. It is planned to provide a final draft in February/March 2026 for review and approval by both Boards (refer action plan below).

Risks/Issues

Risk/Issue to meeting project objective	Planned Mitigation Activities
Scope not well defined – “scope creep”	Discussions at PAG and AUASB (including approval of this project plan) to clearly define scope
Amendments go beyond or are not consistent with the underlying requirements in Auditing Standards (ASA 402 and ASAE 3402)	Review by PAG and AUASB

Action Plan

Action plan steps outlined in table below.

Date	Description/AUASB timing	Date	NZAuASB Timing
14 Feb 2025	Initial discussion AUASB staff	18 Feb 2025	Initial NZAuASB Discussion
2 April 2025	Project scope issues discussed at 1 st PAG meeting – inform plan		Joint project same timing
		9 April 2025	NZAuASB updated on project progress and scope
14 May 2025	Plan approval by AUASB Board	TBC	Plan approval by NZ Board
3 April to Dec 2025	Project work undertaken and ongoing PAG review		Joint project same timing
Jan/Feb 2026	Early draft of GS/EG for PAG review		Joint project same timing
Feb/Mar 2026	Final draft of GS/EG to Board for review/approval	Feb/Mar 2026	Final draft of GS/EG to Board for review/approval

Communication with stakeholders

The necessary AUASB / NZAuASB protocols will be followed to issue updated non-authoritative pronouncements. The AUASB will have regard to its *Due Process Framework*.

Appendix

Project scope issues are detailed in the table below. This is subject to further consideration/refinement during the PAG process.

	Issues / Observations	Related Action / Response
A. Subservice organisations		
1	<p>Subservice organisations (SSO) and the inconsistent application of the carve out method. Where carve out is applied some principles-based guidance including:</p> <ul style="list-style-type: none"> • Initial risk assessment procedures to justify why SSO is carved out. • Monitoring of controls by the service organisation to evidence design and operating effectiveness of controls at the SSO to support a conclusion regarding achievement of the in-scope objectives. • Adequacy of reporting around control objectives/controls by service/subservice organisation? • Consideration of ability to obtain sufficient appropriate audit evidence on the relevant control objectives where there are carved out SSOs. 	
2	<p>Limitations on user auditor access to SSOs where controls are at the SSO rather than the service organisation.</p> <ul style="list-style-type: none"> • Consider whether guidance may be useful for SSOs that are considered significant and the absence of a contractual relationship between the user entity and the SSO – linking into issue 1 above on risk assessments and possible carve out (e.g. superannuation fund audits)? 	
B. Gap periods		
3	<p>Gaps in time periods between:</p> <ol style="list-style-type: none"> service organisations relying on subservice organisations; and service organisations and user entity financial reporting year end. <p>Applying a risk lens, clarity on the nature and extent of additional audit procedures that could be used by user/service auditor to address:</p> <ul style="list-style-type: none"> • Coverage of a gap period and over what duration. • Risk considerations around duration of the gap, nature of the control and system changes; and the criticality of the service provider to the subject matter. • Consider regulatory requirements / expectations i.e. ASIC, NZ FMA? <p>For example, consideration may be given to the impact of combination of:</p> <ul style="list-style-type: none"> • the gap period at a subservice organisation; and • the time lag between the date of the report from the service organisation auditor and the balance date of the entity subject to audit. 	

	Issues / Observations	Related Action / Response
C. Nature and extent of controls testing (and related considerations)		
4	<p>Clarity on requirements for evidencing the extent of controls testing (including IT dependencies) on the following.</p> <ul style="list-style-type: none"> • The extent of testing on automated controls or key reports, and IT dependent manual controls? Can it be assumed that service auditor has tested the IT dependency for report generation and completeness and accuracy of the source population as part of an IT dependent manual control or should this be set out in the GS007/EG Au8 report? • Where control samples are selected from a population, what testing has been performed over the completeness and accuracy of the population. <p>NB: Further clarity around definition of:</p> <ul style="list-style-type: none"> • in-scope IT systems underpinning reporting (and therefore subject to Section G IT controls) • the key reports subject to controls/substantive testing. 	
5	<p>Are controls described at too high a level leading to inconsistency in interpretation (including GS 007/EG Au8 section G on IT).</p> <ul style="list-style-type: none"> • Do descriptions need to be more specific and more clearly articulated (e.g. details of precision of review controls, in-scope systems tested)? • Need for further guidance over description of controls (including examples). 	
6	<p>Should service organisation auditors provide clarity on the approach to determining sample sizes, provide sample sizes in reports and reference the frequency of testing for each control with the report? Alternatively, should reliance be placed on the professional judgement of the service organisation auditor.</p> <ul style="list-style-type: none"> • Some base line level of sampling might be included within GS007/EG Au8. • Guidance would not be provided on how auditors should determine sizes. 	
7	<p>Extent to which roll forward test procedures are performed over differing period ends, and whether and how this is disclosed in service organisation auditor reports. It may be appropriate to draft based on UK guidance AAF 01/20.</p>	
D. Other areas of challenge		
8	<p>Use of EoM (emphasis of matter) when controls exist but were not required to operate within the period (e.g. controls over client acceptance where no new clients were accepted).</p> <ul style="list-style-type: none"> • Clarifying when and how such matters should be reported is seen as important for consistency and for informing the user auditor's conclusions. 	

	Issues / Observations	Related Action / Response
9	<p>Expectations on interaction between user auditor and service auditor having regard to likely report content, particularly where the report will be received late in the audit.</p> <ul style="list-style-type: none"> • Communication throughout to avoid surprises when final report is received. • Timing of the receipt of the controls report to allow sufficient time for the user entity auditor to use the evidence it contains prior to completion of the user entity's audit. Further procedures may be required for opinion modifications and/or deviations reported, as well as seeking more clarity on the controls tested, etc. • Clarifying the expectations regarding findings and qualification – any additional information required to be included in the report or to support the report to assist user entity auditors or auditors of the service organisation • Disclosure of procedures undertaken to determine completeness and accuracy of population where completed? 	
10	<p>Section G control objectives (GS 007/EGAu8) – while GS 007/EG Au8 is focused on the impact on financial reporting, GS 007/EG Au8 might include a statement that service organisation reports may also need to address controls to address operational resilience or other matters reporting required by regulatory bodies. This could include business continuity plans and cyber-security. However, guidance on these matters would remain outside the scope of GS 007/EG Au8.</p>	
11	<p>Consider covering emerging service providers in addition to custodians and fund administrators.</p>	