

**INDEPENDENT REGULATORY BOARD FOR AUDITORS**  
**COMMITTEE FOR AUDITING STANDARDS**

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**IAASB Issues New International Standard on Assurance Engagements  
(ISAE) 3402 Assurance Reports On Controls At Service Organisations**

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ISAE 3402 *Assurance Reports on Controls at a Service Organisation* released by the IAASB in New York on 18 December 2009 is being circulated by the IRBA in order to facilitate prompt access by Registered Auditors in South Africa. ISAE 3402 will be particularly relevant for auditors of Retirement Funds, Medical Schemes, Fund and Investment Administrators, and entities which have outsourced transaction processing and business functions to service organisations. ISAE 3402 will be considered by the CFAS in March 2010 for recommendation to the Board for approval for implementation by registered auditors.

'Recognizing the widespread international use of outsourcing, the International Auditing and Assurance Standards Board (IAASB) has released today International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a Service Organisation*. This new standard addresses reports on the description, design, and operating effectiveness of controls relating to the broad range of services that today's service organisations provide. Such services can range from assisting with processing transactions to performing one or more business functions.

"A single service provided by a service organisation can have direct relevance to the quality of financial reports prepared by entities around the globe. Effective controls for delivering the service are therefore essential," says Arnold Schilder, IAASB Chair, adding, "This new standard sets a global benchmark for reporting on controls at a service organisation, thereby helping to fulfill the needs of those who use such services and their auditors under International Standards on Auditing (ISAs)."

"ISAE 3402 is the first new assurance standard, other than the ISAs, developed under the IAASB's *International Framework for Assurance Engagements*," explains James Gunn, IAASB Technical Director. "Therefore, the IAASB will be interested in the experiences of service auditors and others with its implementation and has decided to actively seek feedback in 2013 on implementation of the standard".

**ISAE 3402 is effective for service auditors' reports covering periods ending on or after 15 June 2011.'**

A Staff Overview of this new standard is available in the IAASB section of the new [Publications and Resources](#) site. ISAE 3402 complements ISA 402 *Audit considerations relating to an entity using a service organisation* in that ISAE 3402 reports are capable of providing appropriate evidence under ISA 402. Key provisions of the ISAE include those relating to:

- Engagement acceptance and continuance conditions, including that the service organisation acknowledges and understands its responsibility to have a reasonable basis for its assertions about the fair presentation of its description, the effective design of controls and, for a type 2 report, the operating effectiveness of controls.
- Assessing the suitability of the criteria used by the service organisation in making its assertions.
- The nature, timing and extent of evidence gathering procedures with respect to each component of the assurance report.
- The elements of the service auditor's report.

Appendices to the ISAE include examples of service organisation's assertions and of service auditor's assurance reports.

ISAE 3402 *Assurance Reports on Controls at a Service Organisation* may also be downloaded free of charge after 4 January 2010 from the Auditing Standards – 2009 Handbook Section of the IRBA website at: [http://www.irba.co.za/index.php?option=com\\_content&task=view&id=403&Itemid=55](http://www.irba.co.za/index.php?option=com_content&task=view&id=403&Itemid=55)

Should you have any further queries or experience any technical difficulties in downloading the documents please do not hesitate to contact the Standards Department at +27 87 940 8800 or send an email to [standards@irba.co.za](mailto:standards@irba.co.za)

**About IAASB and IFAC**

The IAASB ([www.ifac.org/IAASB](http://www.ifac.org/IAASB)) develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight

*Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.*

*IFAC ([www.ifac.org](http://www.ifac.org)) is the global Organisation for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 159 members and associates in 124 countries and jurisdictions, representing more than 2.5 million accountants in public practice, education, government service, industry, and commerce.*

**About the IRBA**

*The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes. The CFAS assists the IRBA to develop and maintain auditing pronouncements which are internationally comparable.*

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