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Third Party Assurance Reporting

Columbus ISACA

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Agenda

- Introduction
- Third Party Assurance (“TPA”) Overview
- *SSAE 16*
- *ISAE 3402*
- *AT 201*
- Trust Services (SysTrust[®], WebTrust[®])
- *AT 101*

Introduction

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Background

Third Party Assurance (“TPA”) Overview

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The Challenge: Given recent developments in corporate governance and regulatory compliance, service providers are being requested (or required) to provide increased transparency around their internal controls environment to a variety of external and internal stakeholders.

The Solution: Third Party Assurance (“TPA”) reporting provides service organizations a means to demonstrate (through the use of an independent third party) the effectiveness of their internal controls.

Third Party Assurance (“TPA”) Overview

A formal report from an independent auditor on the design, implementation and/or operating effectiveness of controls at a service organization.

Scope coverage can include:

- Transaction/Business Processing Activities
- IT application management (“ITGC”)
- Infrastructure management
- Privacy and Security

A well scoped TPA report can satisfy the audit requirements/requests from multiple customers.

Third Party Assurance (“TPA”) Overview

Drivers for third party assurance

- User organization’s auditors require it
- Efficiency of audit responses
- Contractual obligations
- Increased outsourcing and SaaS
- Instill confidence in stakeholders
- Regulatory changes and compliance
- Provide increased trust & transparency
- Fiscal responsibility for accuracy and integrity of financial data
- Possible competitive differentiation to attract clients
- Demonstrate effectiveness of internal controls
- Identification of opportunities for improvement



Third Party Assurance (“TPA”) Overview

What do you normally think of when you want a report that provides assurance over controls?

The accounting profession has done an excellent job at educating their clients about SAS 70s/SSAE 16 engagements; however, this type of report might not be applicable.

Most Popular Reporting Options:

- SSAE 16
- ISAE 3402
- AT 201
- Trust Services
- AT 101

SSAE 16

SSAE 16

Reporting on Controls at a Service Organization

- Formerly issued under the SAS 70 standard
- Can issue either Type 1 or Type 2 reports
 - Type 1: Point in time assessment of the design of controls
 - Type 2: Evidence of operating effectiveness over a period of time
- Includes management's assertion and process changes throughout testing period
- Limited distribution – Management, client's management and client's auditors
- Limited scope: Internal controls over financial reporting
- Purpose: Provides comfort over the design and/or operating effectiveness of controls
- Users: Auditors of the service organization's clients

ISAE 3402

ISAE 3402

Controls at a Service Organization (International)

- International version of SSAE 16 – Minimal differences
- Developed under the International Auditing and Assurance Standards Board (“IAASB”)
- Can issue either Type 1 or Type 2 reports
- Requires written statement of assertion from management
- Not as limited distribution
- Don’t have to disclose use of others (internal audit function)
- Ability to issue a dual report
- Purpose: Provides comfort over the design and/or operating effectiveness of controls
- Users: Auditors of the service organization’s clients

AT 201

AT 201

Agreed Upon Procedures

- Provides a report on the execution of specific procedures agreed to in advance by the parties of the report
- Provides a high level of flexibility
- Can include controls or business process testing
- The specified parties assume responsibility for the sufficiency of the procedures
- Limited report distribution – only to those who have agreed to specified procedures
- No opinion or negative assurance is provided – just the procedures performed and the results of those procedures
- Purpose: Provide an independent assessment of a specific area
- Users: Management of service org, user entities and other specified parties – report should clearly indicate the specific parties

Trust Services (SysTrust[®], WebTrust[®])

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- Set of professional assurance and advisory services based on a common framework to address IT related risks
- Based on the following principles: Security, Availability, Processing Integrity, Confidentiality and Privacy
 - Report can cover one or more Trust Service Principles
- Prescriptive criteria must be tested based on decided focus area(s)
- Differences between SysTrust (IT systems) and WebTrust (e-commerce systems)
- Purpose: Provides a report that gives assurance over an entity's compliance with the Trust Services Principles and Criteria
- Users: Existing and perspective clients, business partners, creditors, banks

AT 101

AT 101

“The Catch All”

- Provides framework that can be used in a broad range of applications
- Allows similar reporting to SSAE 16, with less stringent Requirements
- Very flexible – can be tailored to more specific situations
- Can include non-ICRF controls
- May be better suited for IT focused service organizations
- Purpose: Provides assurance from an independent party regarding controls in place at a service organization
- Users: Can be anyone

Questions/Comments?

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