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Summary of SAE 3402

SAE 3402: Assurance Report on control at a service organisation. [Effective date: 1/4/11]

① deals with Assurance engagements undertaken by professional ACCOUNTANT in public practice to provide a report for use by user entities & their auditors on the controls at a service organisation that provides a service to user entities that is likely to be relevant to user entities' internal control as it relates to FR.

② Objectives of service Auditor:

(a) obtain Reasonable assurance whether (in all material respects & based on suitable criteria)

- service orgs description of system fairly represents the system as designed & implemented throughout specified period
- controls related to control objective stated in service organization's description of it's system were suitably designed throughout the specified period
- where included in the scope of the engagement, the controls operated effectively to provide reasonable assurance that the control obj stated in service org. description of system were achieved throughout specified period.

(b) To report on matters in (a) in accordance with service auditor's findings

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(3) Ser. Aud. must comply with all relevant ethical requirements (incl Independence, relating to assurance eng)

(4) i) where SAE requires ser Aud to — Inquire of / request representation / Communicate with / Interact with — service organisation

ii) The serv. Aud. shall determine appropriate person(s) within service organisation's Management or governance structure — with whom to interact

(5) - If serv. org requests change in scope of eng before completion of eng.

- serv. Aud. should satisfy himself about justification for the change

(6) - The serv. Aud shall assess whether serv. org has used suitable criteria in preparing

Description of its system [in evaluation of suitability of controls]

Type 2 report [in evaluating whether controls are operating effectively]

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(7) When planning & performing the engagement

The serv. Auditor shall consider materiality with respect to

- Fair presentation of description
- suitability of design of controls
- In case of Type 2 report, the operating effectiveness of controls

(8) serv. Aud shall obtain understanding of serv org's system including internal control included in scope of engagement

(9) serv Aud should → obtain + → read } service org's description of system

then evaluate

whether those aspects of description included in scope of engagement are fairly presented?

(10) serv Aud shall determine - which of controls at the serv org are necessary to achieve the control objectives stated in service organisation's description of it's system, and shall assess whether those controls are suitably designed.

(11) If serv. org has internal audit function, shall
- obtain understanding of → Nature of responsibilities of internal audit function + Activities performed
- to determine whether internal audit function is likely to be relevant to the engagement

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(12) In order to use specific work of Internal Aud.
the serv aud shall
(1) - evaluate and
- perform procedures } → (2) on that work

↓

(3) to determine adequacy for serv aud's purpose

(13) serv. Aud $\xrightarrow{\text{request}}$ serv org.

↓

provide written representations

(14) serv Aud $\xrightarrow{\text{Enquire}}$ serv org

↓

whether aware of any events subsequent to period covered by serv org's description of it's system UPTO serv Aud's assurance report

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that would have a significant effect on serv Aud's ASSURANCE report

(15) serv Aud's assurance report shall include the basic elements prescribed by this SAE