

June 27, 2008

Mr. James Sylph  
Executive Director, Professional Standards, IAASB  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor  
New York, NY 10017

**Re: Exposure Draft: Proposed International Standard on Assurance Engagements 3402, “Assurance Reports on Controls at a Third Party Service Organization”**

Dear Mr. Sylph:

The American Institute of Certified Public Accountants (AICPA) is pleased to comment on the above referenced exposure draft. We commend the International Auditing and Assurance Standards Board (IAASB) on its proposed International Standard on Assurance Engagements (ISAE) 3402, which would establish requirements and provide guidance to service auditors reporting on a service organization’s controls that are likely to be part of user entities’ information systems. The AICPA’s Auditing Standards Board (ASB) supports the issuance of the ISAE and believes that the objectives and requirements in the standard are appropriate.

The remainder of this letter provides our responses to the request for specific comments, general observations and comments, and editorial comments.

**Responses to the request for specific comments**

1. Management may be reluctant to provide the service auditor with an assertion if it recently assumed this role and was not in place during the period covered by the assertion. This also may be the case if the service auditor has been appointed by a party other than management. Nevertheless, we agree with the requirement to obtain an assertion as a condition for engagement acceptance or continuance in all cases (unless engagement acceptance is required by law or regulation even if management does not provide an assertion).

2. We believe the exposure draft addresses all of the applicable specialized topics relevant to a service auditor’s engagement. Although including such guidance in ISAE 3402 is a short-term solution to providing comprehensive guidance for engagements to report on controls at a service organization, we encourage the IAASB to develop guidance on these specialized topics in ISAE 3000, “International Framework for Assurance Engagements,” to avoid having to

repeat the guidance on specialized topics in each ISAE, and to enable these topics to be comprehensively addressed.

**3.** We believe that ISAE 3000 should be amended to address the auditor's use of external experts for the reasons identified in our response to Question 2.

**4.** The minimum elements of suitable criteria presented in paragraphs 15-17 of the proposed ISAE are appropriate for evaluating controls at a service organization that are part of user entities' information systems relevant to financial reporting. However, paragraph 2 indicates that the ISAE may be applied, adapted as necessary in the circumstances of the engagement, to engagements to report on a service organization's controls other than those that are part of user entities' information systems relevant to financial reporting. The proposed ISAE does not address the minimum elements of suitable criteria for these other engagements. To assist service auditors in this area, we recommend the inclusion in the proposed ISAE of a reference to paragraph 36 of ISAE 3000 which describes the attributes of suitable criteria.

**5.** We believe the service auditor should be required to disclose the size of the sample in the description of tests of controls only when a control deviation has been identified.

The ASB also offers the following suggestions for your consideration:

**1. Intentional Acts by Service Organization Personnel**

User auditors are required to obtain a sufficient understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement of the financial statements whether due to error or fraud. To assist user auditors in accomplishing that goal, the ASB believes that a service auditor should perform procedures to obtain information about the risk that the description of the system is not fairly presented or that control objectives stated in the description would not be achieved due to intentional acts by service organization personnel, for example, override of controls stated in the description. Information generated by the service organization flows to the financial statements of user entities. If there is heightened risk that incorrect information resulting from intentional acts by service organization personnel will be included in the financial statements of user entities, user auditors need to have this information. Item 1 of the Appendix to this letter presents possible language that could be used in the proposed ISAE to address this topic.

**2. Changes in the service organization's controls**

In a Type B report, the auditor's opinion on the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls covers a specified period. For that reason the ASB believes that

information about changes in a service organization's controls implemented during the period covered by the service auditor's report could be significant to user entities and their auditors. We recommend that the ISAE be revised to require the service auditor to inquire about such changes and, if they have occurred, to determine whether they have been disclosed in the service organization's description. If management has not disclosed this information and refuses to do so, the service auditor should include this information in the service auditor's report. Item 2 of the Appendix to this letter presents possible language that could be used in the proposed ISAE to address this topic.

### **3. Requiring an assertion**

Paragraph 4 of the proposed ISAE states, in part, "This ISAE applies to assertion-based engagements." This sentence is not worded as a requirement and would therefore enable a service auditor to perform the engagement without obtaining an assertion. We believe an assertion should be required. To introduce a requirement for the auditor to obtain an assertion from management, we recommend that the following bullet be added to paragraph 12:

- c. Management of the service organization provides a written assertion that will accompany the description of the service organization's system and be distributed to user entities.***

### **4. Attribute sampling**

Paragraphs A23 and A24 of the proposed ISAE discuss various methods of selecting items for testing. Paragraphs A23(b-c) and A24 refer to *attribute sampling*. We recommend that the IAASB consider whether the term *attribute sampling* should be used in these instances because that term refers to a test the auditor performs after the sample has been drawn, rather than a method of selecting a sample. In attribute sampling the auditor determines whether an item does or does not possess a specified attribute, for example, the signature of an authorized signer.

### **5. Third party**

The term *third party* should be deleted from the title of the ISAE and elsewhere in the document because it denotes a service organization that is external to the entity. Paragraph 2(b) states that the ISAE also is applicable to controls at a shared service center. Use of the descriptive *third party* unnecessarily narrows the scope of the ISAE and makes it inconsistent with the intent of the ISAE.

### **6. Obtaining representations from those charged with governance**

Based on our experience, a service auditor is rarely engaged by, and has very little interaction with those charged with governance. As a rule a service auditor is engaged by, and primarily interacts with management. We recommend that the words *those charge with governance* be deleted from the lead-in of paragraph 42. We also note that the requirement in the proposed ISAE to obtain

representations from those charged with governance is inconsistent with ISA 580, "Management Representations," which requires the auditor to obtain appropriate written representations from management. We recognize that there may be certain circumstances in which the service auditor may choose to obtain representations from those charged with governance and believe that this circumstance either need not be addressed in the proposed ISAE or can be provided for in the application guidance.

#### **7. Names of reports**

The proposed ISAE uses the terms *Type A* and *Type B* to identify the two types of service auditor's reports. Existing global practice is to use the terms *Type 1* and *Type 2* to refer to these reports and we recommend that these more familiar terms be used in the proposed ISAE.

#### **8. Obtaining representations from management of the subservice organization**

When the inclusive method is used to present the service organization's description of the system, and the subservice organization's control objectives and related controls are included in the service organization's description, that information is on the same footing as the information provided by the service organization about its own control objectives and related controls. Accordingly, the service auditor has the same responsibility for reporting on the subservice organization's information. For that reason, when the inclusive method is used, we believe that the proposed ISAE should require the service auditor to obtain written representations from management of the subservice organization.

#### **9. Other situations that require report modification**

To enable the service auditor to modify his or her report in circumstances other than those contemplated in paragraph 58, we recommend that the following paragraph be inserted after paragraph 58:

***The service auditor also should modify the report if information, irrespective of specified control objectives, comes to the service auditor's attention that causes him or her to conclude (1) that design deficiencies exist that could adversely affect the ability of the service organization to initiate, authorize, record, process, or report financial data to user organizations without error, and (2) that user organizations would not generally be expected to have controls in place to mitigate such design deficiencies.***

#### **10. Report examples for carve out and inclusive methods**

To assist service auditors performing engagements that involve subservice organizations, we recommend that the proposed ISAE include illustrative service auditors' reports for the carve out method and the inclusive method.

## Editorial comments

The ASB also suggests the following revisions to the proposed ISAE:

1. To more accurately state the focus of the proposed ISAE, we suggest that the words *engagements to report on* be inserted before the first use of the word *controls* in paragraph 2.
2. The reference in paragraph 6 to the requirement for a service auditor to comply with the International Federation of Accountants' Code of Ethics for Professional Accountants and to implement quality control procedures is not needed because that requirement is subsumed by the requirement in paragraph 10 to comply with ISAE 3000. Also the reference in paragraph 5 to comply with ISAE 3000 is unnecessary because that requirement is stated in paragraph 10 of the proposed ISAE. Accordingly, we recommend that these particular references be deleted.
3. To more specifically describe the system that is fairly presented, insert the words *service organization* before the word *system* in paragraph 8(a)(i).
4. To emphasize that tests of controls are performed for an entire period, insert the words *throughout the period* at the end of paragraph 8(a)(iii).
5. We recommend the following editorial changes to paragraph 9(a) to simplify the definition of the term *carve out method*.

9 (a) Carve-out method – Method of dealing with the services provided by a subservice organization, whereby the service organization's description of its system **identifies** ~~includes~~ the nature of the **services activities** performed by ~~the~~ a subservice organization ~~and, but that subservice organization's relevant control objectives and related controls are excluded~~ from the service organization's description of the system and from the scope of the service auditor's engagement, **the subservice organization's relevant control objectives and related controls**. The service organization's description of the system and the scope of the service auditor's engagement include controls at the service organization ~~for~~ **to monitoring** the effectiveness of controls at the subservice organization, which may include the service organization's review of an **service auditor's** assurance report on controls at the subservice organization.

6. The term *control objectives stated in the description* is used in some places in the ED and *stated control objectives* is used in others. We believe the former term is a more accurate description of these control objectives and suggest that it be used throughout the ISAE.

7. To clarify that complementary user entity controls should be differentiated from other controls in the description, and to incorporate the phrase *control objectives stated in the description*, we recommend the following change to paragraph 9b.

9(b) Complementary user entity controls – Controls that the service organization assumes, in the design of its service, will be implemented by user entities, and which, if necessary to achieve **the** control objectives **stated in the description**, are identified in the description of the system **as such**.

8. To highlight that management is responsible for selecting the criteria and to describe the content of paragraphs 15-17, we recommend the following changes to paragraph 9(f):

9(f) Criteria – Benchmarks used to evaluate or measure a subject matter including, where relevant, benchmarks for presentation and disclosure. **Management is responsible for selecting the criteria.** Suitable criteria are required for reasonably consistent evaluation or measurement of a subject matter within the context of professional judgment. Criteria need to be available to the intended users to allow them to understand how the subject matter has been evaluated or measured. ~~See Paragraphs 15-17 discuss~~ **the** for minimum elements encompassed by criteria **for evaluating the fairness of the presentation of a service organization's description of the system and the suitability of the design and operating effectiveness of the controls** that are suitable for engagements to report on controls at the service organization.

9. We recommend the following editorial changes to paragraph 9(g):

9(g) Inclusive method – Method of dealing with the services provided by a subservice organization, whereby the service organization's description of its system includes **a description of** the nature of the services **provided** performed by **the** a subservice organization, **as well as the** and that subservice organization's relevant control objectives and related controls ~~are~~ included in the ~~service organization's description of the system and in the~~ scope of the service auditor's engagement.

10. Because the verb form *had been* implies that the system once was designed and implemented in a specified way and no longer is, we recommend replacing, in the definition of the term *Type B* report in paragraph 9(j)(ii)(a), the words *had been* with the word *was*.

11. We recommend changing the word *system* to *systems* in paragraph 9(l) to align it with the plural *entities* in the definition of the term *service organization*.

12. To clarify that the control objectives may be specified by management or an outside party, and to indicate that the description should identify the party specifying the control objectives if it is other than management, we recommend the following revision to the last sentence of paragraph 9(m).

9(m) ....The description of the **service organization's** system, prepared by management of the service organization, ~~includes identification~~ the services covered, the period to which the description relates, **the** control objectives **specified by management or an outside party, the party specifying the control objectives if not specified by management,** and **the** related controls.

13. We recommend replacing the word *errors* with the word *deviations* in the definition of *test of controls* in paragraph 9(o), because that term is more precise when discussing instances in which controls did not operate effectively.

14. To clarify that the content of the description of the system "reflects," rather than "is included in," the scope of the engagement, and to better describe the objective of providing user auditors with the description, we recommend the following revisions to paragraph 12(a)(iii):

The **scope of the engagement and the related** description of the **service organization's** system ~~included in the scope of the engagement~~ will not be so limited that **they are** ~~it is unlikely~~ **to be useful to user entities and their auditors** ~~that the engagement has a rational purpose.~~

15. We recommend amending paragraph 12(b)(ii) to indicate that management is responsible for selecting the criteria in addition to stating the criteria used;

16. To require the description of the service organization's system to identify the party specifying the control objectives when they have been specified by a party other than management, to clarify that the control objectives should be included in the description, and to separate that requirement from the requirement to identify the risks that threaten the achievement of the control objectives, we recommend the following revision to paragraph 12(b)(iii)

iii. **Specifying the control objectives, sStating them in the description, and, if** the control objectives ~~are~~ **are** ~~(where not specified by law or regulation, or by another party, (for example a user group or a professional body), and identifying, **in the description, the party specifying the control objectives**~~

iv. **Identifying** the risks that threaten their ~~achievement~~ **of the control objectives;** ~~and~~

17. To clarify that the information management must provide to the service auditor, and the unrestricted access to personnel from whom the service auditor needs evidence is limited to information and evidence that is relevant to the engagement, we recommend the following changes to paragraph 12(b)(v).

12 (b)(v) Providing the service auditor with:

- a. All information, ~~such as records and documentation, and other matters that are~~ relevant to the preparation and presentation of the description of the **service organization's** system and accompanying assertion; **such as information contained in records and documentation;**
- b. Any additional **relevant** information that the service auditor may request; and
- c. Unrestricted access to **personnel** ~~these~~ within the service organization from whom the service auditor determines it **is** necessary to obtain evidence **relevant to the service auditor's engagement.**

18. To complete the thought in paragraph 13, we recommend that the phrase *before agreeing to the change*, be inserted after the word *satisfied*.

19. The term *stated control objectives* has been used in the proposed ISAE to mean the control objectives included in the description. The lead-in to paragraph 15 when considered with paragraph 15(a)(vi) results in the following circular statement: "The minimum suitable criteria for evaluating whether the description is fairly presented include whether the description includes the control objectives stated in the description," To avoid that problem, we recommend the following change to paragraph 15(a)(vi):

15(a)(vi). The ~~stated~~ **specified** control objectives and controls designed to achieve those objectives; and

20. Because suitable criteria for evaluating whether the description of the system is fairly presented should always encompass the items in paragraphs 15(a)(i) - 15(a)(vii), and because the verb form *has been* implies that the system continues to be designed and implemented as it was when it was examined, we suggest the following changes to paragraph 15(a):

- (a) Presents how the service organization's system made available to user entities **was** ~~has been~~ designed and implemented to process relevant transactions, including, ~~as appropriate~~:

21. To clarify that the ability of suitably designed controls to achieve specified control objectives depends on the operating effectiveness of the controls, we recommend the following change to the lead-in of paragraph 16.

16. Suitable criteria for evaluating whether controls are suitably designed to provide reasonable assurance that the ~~stated~~ control objectives **stated in the description would** ~~will~~ be achieved **if the controls were operating effectively** shall encompass at a minimum whether:

22. We suggest replacing the word *consider* in paragraph 18 with the word *evaluate* to avoid the use of the term *consider* in the Requirements section of the proposed ISAE. We also suggest the editorial change shown below:

18. **When planning and performing the engagement,** ~~The service auditor shall consider~~ **evaluate** materiality with respect to the fair presentation of the description, the suitability of the design of controls and, in the case of a Type B report, the operating effectiveness of controls ~~when planning and performing the engagement.~~ (Ref: Para. A6)

23. We recommend revising paragraph 22 as follows to indicate that the service auditor also shall evaluate the work of the internal audit function when the service auditor obtains direct assistance from that group:

22. When the service auditor uses specific work of the internal audit function, **or the internal audit function provides direct assistance to the service auditor,** the service auditor shall perform procedures to evaluate the adequacy of that work.

24. We believe that the service auditor should document his or her agreement with the expert in all circumstances and therefore recommend that the words *when appropriate* be deleted from the first sentence in paragraph 28.

25. We believe that the procedures a practitioner performs, in addition to inquiry, should be left to the service auditor's judgment. We also believe that the service auditor determines whether the system has been implemented rather than confirms the implementation (it might or might not be implemented). Accordingly, we suggest the following revision to paragraph 34.

34. The service auditor shall **determine, through other procedures in combination with inquiries of management and other service organization personnel,** ~~confirm the implementation of the service organization's system through other procedures in combination with inquiries of management and other service organization personnel~~ **whether the system described by the service organization has been implemented.** Those other procedures ~~may~~ **shall** include observation, and inspection of

records and other documentation, **as well as reperformance** of the manner in which transactions are processed through the system and controls are applied.

**26.** In paragraph 36 of the proposed ISAE, we suggest deleting the words *included in the scope of the engagement*, as illustrated below, because the stated control objectives are the control objectives included in the scope of the engagement.

36. If providing a Type B report, the service auditor shall test those controls that the service auditor has determined are necessary to achieve the stated control objectives **stated in the description** ~~included in the scope of the engagement~~, and assess their operating effectiveness throughout the period. (Ref: Para. A18-A22)

**27.** We suggest deleting the term *indirect controls* in paragraph 37(b) and using the term *other controls* in both places in the sentence. The term *indirect controls* is not defined in the proposed ISAE and therefore doesn't provide any additional clarification.

**28.** We suggest the following editorial changes to paragraph 42 to simplify the lead-in and to provide a better link between the lead-in and item 42(c):

42. The service auditor shall **ask** ~~request~~ management or those charged with governance to provide written representations, based on their knowledge and belief, ~~having made appropriate inquiries for them to be able to provide such representations~~: (Ref: Para. A25-A26)

(b) **About** ~~whether~~ all records, documentation, unusual matters of which they are aware, and other information relevant to the assurance engagement have been made available to the service auditor; and

**29.** We suggest the following revision to paragraph 44(b) because the proposed ISAE does not contain an initial requirement for the service auditor to assess management's integrity

b. ~~Re~~**C**onsider the assessment of the integrity of management **and determine the effects on the audit.**

**30.** Because a subsequent event could affect controls at the service organization as well as the service auditor's report, and to avoid unnecessary repetition we recommend the following changes to paragraph 47:

47. The service auditor shall inquire whether management is aware of any events subsequent to the period covered by the description of the system up

to the date of the service auditor's assurance report that could have a significant effect on the **controls at the service organization or the** service auditor's assurance report. If ~~so the service auditor is aware of a subsequent event that could have a significant effect on the service auditor's assurance report,~~ and information about that event is not disclosed by the service organization, the service auditor shall disclose it in the service auditor's assurance report.

31. We believe that the term *findings or issues* is a better description (than *matters*) of the items a service auditor would discuss with service organization personnel, and recommend the following changes to paragraphs 51 and 52.

51. The service auditor shall document discussions ~~of significant matters with the service organization~~ **personnel** and others, **of significant findings or issues** including when and with whom the discussions took place.

52. If the service auditor has identified information that is inconsistent with the service auditor's final conclusion regarding a significant **finding or issue** ~~matter,~~ the service auditor shall document how the service auditor addressed the inconsistency in forming the final conclusion.

32. To clarify the tasks that are performed by a service organization's internal audit function, we recommend the following revisions to the second bullet in paragraph A8.

Examination of financial and operating information. The internal audit function may be assigned to review the means **by which the service organization used to identify**s, measures, classifies and reports financial and operating information, **to make** ~~and specific~~ inquiries **about specific** matters, and **perform** other procedures ~~into individual items~~ including detailed testing of transactions, balances and procedures

33. Performing walkthroughs of transactions is another procedure that may be used to evaluate the fair presentation of the description. Accordingly, we recommend that the following bullet be added to paragraph A12.

- **Performing walkthroughs of transactions through the service organization's system**

34. To indicate that control objectives specified by an outside party need not be reasonable, as stated in paragraph 33(a), we recommend that the following sentence be added at the end of the last bullet in paragraph A13.

***If the control objectives are specified by an outside party including control objectives specified by law or regulation, the outside party is***

***responsible for their completeness and reasonableness.***

**35.** To indicate that there may be circumstances when the service auditor may wish to obtain written representations from parties other than the service organization's management, we suggest that the following paragraph be inserted after paragraph A25:

***In certain circumstances, a service auditor may obtain written representations from parties in addition to management of the service organization, such as those charged with governance.***

**36.** We suggest the following revision to paragraph A 26 to conform with the language in paragraphs 12(b)(i), 12(b)(v)(a), 42(a) and 56(g)(i) which indicates that the assertion accompanies the description of the system:

A26. The written representations required by paragraph 42 are separate from, and in addition to, the assertion ***accompanying*** ~~contained in the~~ service organization's ***description of the system*** ~~report on controls~~, as described in paragraph 9(j)(ii) for a Type B report, and paragraph 9(i)(ii) for a Type A report.

**37.** Paragraph 57 of the ISAE requires the service auditor to indicate the nature of the tests in sufficient detail to enable user auditors to determine the effect of such tests on their risk assessments. The sentence in paragraph A29 stating, "It assists readers if the service auditor's assurance report defines the types of tests performed." repeats that thought, and we recommend that the sentence in paragraph A29 be deleted.

**38.** We suggest that an illustrative report paragraph be included in Appendix 3, "Example Modified Service Auditor's Assurance Reports," to provide guidance to service auditors disclaiming an opinion on other information included in the service organization's description that is not covered by the service auditor's report. Following is suggested language for the paragraph:

***Example X: Disclaimer of opinion on other information included in the service organization's description that is not covered by the service auditor's report.***

***[Illustrative explanatory paragraph that would be inserted following the opinion paragraph. All other report paragraphs are unchanged].***

***Explanatory paragraph***

***The information in section X describing Example Computer Service Organization's inventory application is presented by Example Computer***

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***Service Organization to provide additional information and is not a part of Example Computer Service Organization's description of its [the type of name of ] system, made available to user entities. Such information has not been subjected to the procedures applied in the examination of the description of the inventory application, and accordingly, we express no opinion on it.***

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Thank you for the opportunity to comment on this exposure draft. If you have any questions regarding the comments in this letter, please contact Judith Sherinsky at +1-212-596-6031, [jsherinsky@aicpa.org](mailto:jsherinsky@aicpa.org).

Respectfully submitted,



/s/ Harold Monk, Jr.  
Chair, Auditing Standards Board

## Appendix

### 1. Intentional Acts by Service Organization Personnel

To address the topic of the service auditor's responsibility for providing user entities and their auditors with information about the risk of intentional acts by service organization personnel that could affect the information included in the financial statements of user entities, we recommend that the following paragraph be inserted after paragraph 32 of the proposed ISAE:

***The service auditor should perform the following procedures to obtain information for use in identifying risks that the description of the system is not fairly stated or that stated control objectives will not be achieved due to intentional acts by service organization personnel:***

- a. Discuss, among the members of the service auditor's team, factors at the service organization that could affect the risks that the description of the system is not fairly stated or the stated control objectives were not achieved due to intentional acts by service organization personnel, such as management override of the controls.***
- b. Make inquiries of management and others within the service organization to obtain their views about such risks and how they are addressed.***
- c. Consider whether factors exist at the service organization that increase such risks.***
- d. Consider other information that comes to the service auditor's attention that may be helpful in the identification of such risks***

***The service auditor should also (a) determine whether management's risk assessment process addresses such risks, (b) evaluate the design of relevant controls and procedures at the service organization intended to address the identified risks, and (c) in the case of a type 2 report, test the operating effectiveness of those controls.***

We recommend that the following paragraphs be inserted after paragraph A10 of the proposed ISAE

***The procedures and controls the service organization implements to address the risks that the description of the system is not fairly presented or that the control objectives were not achieved due to intentional acts by service organization personnel may include relevant***

***aspects of the control environment, monitoring, the information system used to process user transactions, and control activities.***

***A12. In addition to management override of controls at the service organization, other intentional acts by service organization personnel that may affect the fairness of the presentation of the description of the system or the completeness or achievement of the stated control objectives include:***

- ***Misappropriation of user entity assets by service organization personnel***
- ***Creation, by service organization personnel, of false or misleading documents or records of user organization transactions processed by the service organization***

***A13. The risk of override and the risk of misappropriation of user entity assets may result in false or misleading records or documents being provided to user organizations. Factors that may increase the risk of management override include unrealistic processing schedules, significant increases in processing volumes that exceed normal processing capacity, or an environment in which established procedures and controls are not consistently followed. Depending on the nature of the services provided by the service organization and the extent to which the service organization initiates, records, processes, records and reports transactions for user entities, a significant risk of misappropriation of user entity assets by service organization personnel may exist. Factors that may increase the risk of misappropriation of assets include inadequate supervision or monitoring, processing or maintaining records for large amounts of cash or investments, inadequate segregation of duties or independent checks, and inadequate physical or electronic safeguards over cash or investments. The service auditor's procedures are affected by the service auditor's risk assessment and the extent to which management has identified and addressed the identified risks thorough monitoring or other controls, and the nature and extent of the identified risks.***

***A14. While ISA 240, The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements, is not applicable to engagements performed under this assurance standard, it nonetheless provides a framework that may be useful to the service auditor to identify and respond to risks that the description of the system is not fairly stated or that stated control objectives will not be achieved due to intentional actions by service organization personnel.***

## **2. Changes in controls**

To address the topic of the service auditor's responsibility for providing user entities and their auditors with information about changes in controls at the service organization, we recommend that the following paragraph be inserted after paragraph 38 of the proposed ISAE:

***The service auditor should inquire about changes in the service organization's controls that were implemented during the period covered by the service auditor's report. If the service auditor believes the changes would be considered significant by user entities and their auditors, those changes should be included in the service organization's description. If such changes are not included in the description, the service auditor should describe the changes in his or her report. If the superseded controls are relevant to the achievement of the stated control objectives during the period, the service auditor should determine from management whether it is possible for the controls to be tested before and after the change, and if it is not possible, determine the effect on the service auditor's report.***