

Deloitte.

Third Party Reporting
The challenges ahead



Increasingly, outsourcing of core and non-core functions to Outside Service Providers (OSP) is playing a vital role in helping companies increase their efficiency and profitability. This increased reliance on OSPs, and the critical role they can play in their client's business, has led to an increase in demand for third party assurance programs.

The AICPA has issued a Statement on Standards for Attestation Engagements (SSAE) No. 16 to report on controls at service organizations relevant to user entities' (clients') internal control over financial reporting.

Similarly, the International Auditing and Assurance Standards Board (IAASB) issued an international standard - International Standard on Assurance Engagements 3402 (ISAE 3402), for engagements to report on controls at service organizations



How do companies today manage all of the risks associated with third party vendors? It is a balancing act. As OSP, it is critical to know what risks may affect your clients – and the best ways to manage those risks – to ensure you're meeting your clients' control needs and requirements.

When you feel like risk is coming at you from every direction, a well planned third party assurance program can help provide the control you need.

The AICPA has created three reporting frameworks towards meeting the specific needs of readers of third party reports.

SOC 1 Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting can be used to meet the specific requirements of managements of outsourcing organizations and their auditors to evaluate the effect of controls at a service organization on the financial statements of the outsourcing organization.

SOC 2 Reports on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality and Privacy can be used to obtain understanding of the internal controls at a service organization by the outsourcing organizations for evaluating extent of compliance by the service organizations to specified compliance requirements under the five domains - Security, Confidentiality, Availability, Processing Integrity and Privacy.

SOC 3 Trust Services Report for Service Organizations is similar to the SOC 2 reports but is more useful if the outsourcing organization does not have the need for a SOC 2 reports. Prepared using the AICPA/Canadian Institute of Chartered Accountants (CICA) Trust Services.

These revisions of SAS 70 represent the first significant modifications to the standard since it was issued nearly two decades ago. While the standards drafted by the IAASB and AICPA are not significantly different from each other, nor from the present standard, they do present some changes from SAS 70 that may prove challenging for some service organizations.

	SOC 1 Reports	SOC 2 Reports	SOC 3 Reports
Applicable Standard	SSAE No. 16, Reporting on Controls at a Service Organization	AT 101, Attestation Engagements	AICPA/Canadian Institute of Chartered Accountants (CICA) Trust Services Principles, Criteria, and Illustrations for Security, Availability, Processing Integrity, Confidentiality.
Purpose	To assist evaluation of controls at a service organization that may be relevant to a user entity's internal control over financial reporting	To provide information about controls at the service organization that may affect outsourcer's security, availability, processing integrity, confidentiality or privacy.	To provide information about controls at the service organization that may affect outsourcer's security, availability, processing integrity, confidentiality or privacy.
Distribution	Restricted Use Report (Type I or II report)	Generally a Restricted Use Report (Type I or II report)	General Use Report (with a public seal)

Services

Deloitte can work with you for providing third party reporting services by issuing SOC 1, SOC 2, SOC 3, or ISAE 3402 reports.

ISAE 3402, is expected to replace all local third party reporting standards. SSAE 16, issued by the AICPA, is very similar to the ISAE 3402. It is not expected to be very difficult to leverage the efforts in producing a SSAE 16 report from an ISAE 3402 report. This will definitely result in cost savings for Indian companies who had to now produce numerous country specific reports.

Deloitte can help your organization to determine which report you should obtain from the multiple options currently available

- ISAE 3402 Type 1 or Type 2;
- SOC 1 Type 1 or Type 2;
- SOC 2 Type 1 or Type 2;
- SOC 3 report with seal.

Deloitte can also help you to:

- create processes to provide management assertion for SOC 1 or SOC 2 reports; or
- internal audit transformation to cater to SOC1 or SOC2 reporting assistance.

Credentials

Deloitte has worked with the biggest companies in India and globally to meet their SAS 70 / SSAE 16 (SOC1) / SOC 2 reporting requirements and is ideally suited to help you transition to the new reporting standards. It's wide experience of reported domains and cross industry experience will help you in getting the right report for your needs.

Some of the industry domains in which our client operate in are:

- Software development and maintenance;
- Knowledge/Business process outsourcing;
- Data center;
- Defined contribution/ benefits and recordkeeping services;
- Health payments processing;
- Commercial Mortgage processing;
- Asset/ Investment management
- Transfer agent;
- Brokerage operations;
- Trust/Custodian Bank

Contacts

N. Ramu
Senior Director, Deloitte
Touché Tohmatsu India LLP
Phone: +91 99896 10301
Email: ramun@deloitte.com

Abhay Gupte
Senior Director, Deloitte
Touché Tohmatsu India LLP
Phone: + 91 98211 44933
Email: agupte@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

This material is prepared by Deloitte Touche Tohmatsu India LLP (DTTILLP). This material (including any information contained in it) is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s) or a substitute to obtaining professional services or advice. This material may contain information sourced from publicly available information or other third party sources. DTTILLP does not independently verify any such sources and is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such sources. None of DTTILLP, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering professional advice or services. Without limiting the generality of this notice and terms of use, nothing in this material or information comprises legal advice or services (you should consult a legal practitioner for these). This material or information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person by reason of access to, use of or reliance on, this material. By using this material or any information contained in it, the user accepts this entire notice and terms of use.