



## Third Party Assurance Services

Third Party Assurance — a solid foundation for trust: We propose our clients to use a Third Party Assurance (TPA) report to obtain assurance on the quality of outsourced business processes.

Many corporations have a strategy in place to outsource primary or supporting processes to service organisations, either partly or in full. Over the past years this outsourcing trend has developed in all industries in both private and public sectors. Many organisations depend on or outsource their key processes to multiple external service providers (service organisations). Some of the key processes which are often outsourced include:

- Information technology;
- Financial reporting;
- Human resources and payroll accounts;
- Payment services;
- Keeping and managing portfolio investments.

Even though outsourcing has many benefits, legislation and regulations also make for some interesting challenges. These challenges involve the control over processes relating to

the outsourced processes. In addition, such controls need to be confirmed vis-à-vis auditors, clients, legislators, supervisory bodies, and other interested parties. Ever since Sarbanes- Oxley became effective, directors have become increasingly aware of their ultimate responsibility for the outsourced services, while the use of TPA reports has grown exponentially. TPA reports are therefore considered to be the standard for providing assurance on the control of business processes outsourced to a service organisation.

## Solutions for the management

The management's duty is to establish whether an adequate design of the control environment surrounding the business processes has been put in place, irrespective of how the related process is controlled (internally or externally). One of the main questions the management needs to answer is: "Has my organisation implemented the appropriate control measures required to safeguard and manage all potential risks involved in our business processes?"

### Various methods may be used to obtain a certain degree of assurance, such as:

- Risk management focusing on the supplier relationship at the start of a contract and throughout the contract period.
- Recording the service levels agreed upon with the service provider in Service Level Agreements, and putting in place a mechanism for ensuring the implementation of safeguards and periodical evaluation of the service levels effectively realised.
- The use of legally sound contracts.
- Identifying control measures required within the user organisation to adequately complement the service organisation's control measures.

These methods are either not always practically feasible or they provide the responsible management with insufficient assurance on the control of the outsourced business processes. Where this occurs, user organisations may demand from their service providers that:

- The effectiveness of the service organisation's control environment is tested.
- An independent auditor prepares a TPA report on the service organisation's control of the business processes.

## The value of a TPA report

If outsourcing has taken place pursuant to the ISAE 3402 standard (formerly SAS 70), a TPA report provides user organisations and the external auditor of user organisations with reasonable assurance on the effectiveness of the control measures relating to the business processes outsourced to a service provider.

### Supplementary benefits of such a report are:

- Being able to offer reasonable assurance to all relevant interested parties that effective internal control measures have been implemented in the outsourced business processes.
- Identifying potential weaknesses in the internal control environment of the service provider.
- Identifying potential weaknesses in systems and technologies of the service provider.
- Service providers may provide assurance to clients, or potential clients, that they are in control of their business processes.
- Users organisations may obtain more assurance on the quality of the services by the service provider than they would merely base on the service levels that the service provider reports on.
- Identifying additional internal control measures that the user organisation should implement to obtain the required assurance on the control of the outsourced business processes.

### Why Deloitte

Deloitte is a well-known and familiar party with major stakeholders such as shareholders, directors, Audit Committees and ultimately the market in which the company operates.

Deloitte has extensive experience in TPA and it has the capacity to provide TPA opinion. Our staff is adequately trained to perform these procedures. We have set up a standard approach to offer you excellent services, which we tailor to your specific situation. To this end, we use a proprietary, automated tool, which includes all relevant sections of the TPA report.

#### Some of the services that we can offer include:

- preparing a standardised TPA report in accordance with the existing guidelines (such as ISAE 3402, SSAE 16 and COS3000);
- assistance with setting the scope of the report;
- issuing an independent auditor's opinion;
- project management support;
- assisting user organisations with interpreting TPA reports they receive from their service providers.
- assistance with drafting the control objectives and the related control measures;
- assistance with describing the general control environment based on the COSO model;
- preparing the required process and system descriptions and control objectives, and the corresponding internal control measures;
- providing support with scoping of the TPA report (which areas to be included in the scope, including risk areas, business processes, and IT- environments);
- testing and reviewing to what extent the process descriptions and current operating method fulfil the requirements of, e.g., ISAE 3402 (by performing a gap analysis);
- effectively testing and reviewing the control organisation within the scope for issuing a TPA opinion.

Our services focus on obtaining reasonable assurance on the effective operation of your outsourced processes, to estimate risks, and to control them such that this minimises the chance they will occur.

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