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CA Final & CA Inter Audit

Abki Baar Audit Mei Exemption Paaar!



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AIR 5,6,32

*Free Revision
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Notes*

Brief about Author

- All India Ranker at all 3 levels of CA
- Scored 95 Marks in Audit - Highest marks in history of ICAI till Nov 23
- Articleship at KPMG, Mumbai in Statutory Audit Domain
- Industrial Training at DBS Bank

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SAE 3402 - Assurance Reports on Controls at Service Org (SO)

Type 1 Report comprises	Type 2 Report comprises (additionally)
i. Report on description & design of controls at SO	Operating effectiveness
ii. Written assertion by SO that, in all material respects, & based on suitable criteria - <ul style="list-style-type: none"> a. Description fairly presents SO's system as designed & implemented at specified date b. Controls for control objectives in SO's description of its system were suitably designed as at specified date 	a. & b. throughout specified period c. Controls in SO's system description operated effectively throughout specified period
SAU's assurance report that conveys reasonable assurance about matters referred to in (ii)	Includes description of TOC & its results

Scope of SAE 3402

It apply **only when** SO is responsible for **design of controls** & does **not** deal with assurance engagement -

- To report **only** on whether **controls operated** as described or
- To report **only** on controls **other than** those **relevant** to user entities' IC for FR

Performing Engagement	Elements of Reporting
<ul style="list-style-type: none"> • Compliance with ethical requirements - including independence • Determination of Mgt & TCWG & communication with them - SAU shall determine appropriate persons within SO • Acceptance & change in term of engagement Before, accepting engagement, SAU has to ensure that - <ul style="list-style-type: none"> ○ He has necessary capabilities & competence ○ Criteria will be suitable & available to user entities & their auditors ○ Scope of Engagement & SO's description will not be so limited that they are unlikely to be useful to user entities & auditors ○ If SO requests change in terms before completion, he shall be satisfied that there is reasonable justification for change • Assessing Suitability of Criteria - Criteria should be suitable in evaluating if controls are suitably designed & for type 2 reports, if controls are operating effectively • Determination of Materiality - SAU shall consider materiality for fair presentation of description, suitability of design of controls & for type 2 report, operating effectiveness • Obtaining understanding of SO's system - including controls in scope of engagement 	<ul style="list-style-type: none"> • Title - Independent SAU's report • Addressee • Identification of <ul style="list-style-type: none"> ○ SO's system description & assertion, including type 1 or type 2 report ○ If description refers complementary user entity controls (tested by user auditor), statement that SAU has not evaluated suitability of design or operating effectiveness of them & that control objectives in system description can be achieved only if they are suitably designed or operating effectively ○ Those parts of SO's system description that are not covered by SAU's opinion ○ If Services are performed by Sub-SO, nature of activities performed by Sub-SO • Statement that report & for type 2 report, description of TOCs are only for user entities & their auditors • Identification of criteria & party specifying control objectives • Statement that SO is responsible for <ul style="list-style-type: none"> ○ Providing Services covered by description ○ Designing & implementing controls to achieve control objectives ○ Preparing system description & assertions, including completeness, accuracy & method of presentation

<ul style="list-style-type: none"> • Obtaining evidence for description - SAU shall obtain & read SO's system description & evaluate if they are fairly presented • Obtaining evidence for design of controls - SAU shall determine which controls at SO are necessary to achieve control objectives & shall assess if they are suitably designed • Obtaining evidence for operating effectiveness - For type 2 report, SAU shall test controls & assess their operating effectiveness throughout period • Understanding IAF - SAU shall obtain understanding of responsibilities of IAF & activities performed to determine if SAU can use specific work of IAs • Asking for WR from Responsible Party <ul style="list-style-type: none"> ○ That reaffirm assertion of description ○ That it has provided SAU with all info ○ That it has disclosed to SAU following, of which it is aware - <ul style="list-style-type: none"> ▪ Design deficiencies in controls ▪ Instances where controls have not operated as described ▪ Fraud, Non-compliance with L&R or uncorrected deviations ▪ Any events subsequent to period of SO's description up to date of SAU's report having significant effect on SAU's report (Subsequent Events) 	<ul style="list-style-type: none"> ○ Stating control objectives • Statement that SAU's responsibility is to express opinion on SO's description, design of controls & for type 2 report, on operating effectiveness of controls • Statement that engagement was performed as per SAE 3402 which requires SAU to comply with ethical requirements & achieve objectives of this SAE • Summary of SAU's procedures & statement that SAAE is obtained &, for type 1 report, SAU has not performed procedures for operating effectiveness & therefore no opinion is expressed • Statement of limitations of controls & for type 2 report, risk of projecting evaluation of operating effectiveness to future periods • SAU's opinion, positive form, on whether, in all material respects, based on suitable criteria - Same as Objectives • Date of SAU's report - not earlier than date of obtaining SAAE • Signature by practitioner • Place of signature - City
<p>Additional reporting in Type 2 report</p> <ul style="list-style-type: none"> • Separate section after opinion that describes TOCs performed & their results • State which controls were tested, identify if items tested represent all or samples in population & indicate nature of tests • If deviations are identified, include extent of testing performed (sample size) & number & nature of deviations • Report deviations even if control objective was achieved (minor deviations) 	<p>Modified Opinion - If -</p> <ul style="list-style-type: none"> • SO's description does not fairly present system • Controls for control objectives are not suitably designed • For Type 2 report, controls tested did not operate effectively or • SAU is unable to obtain SAAE • Report shall contain description of all reasons for modification
<p>Documentation (Same as SRE 2400) Sufficient for experienced SAU, having no previous connection with engagement, to understand -</p> <ol style="list-style-type: none"> (a) NTE of procedures to comply with SAE & L&R (b) Results of procedures & evidence obtained (c) Significant matters aroused, conclusions reached & judgments made 	