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SAS 70 for service providers

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SAS 70 for service providers

For many years outsourcing has been increasingly prevalent across all industries. Organisations that used one third-party service provider ten years ago, today often depend on many providers to deliver a number of services, such as:

- Information technology.
- Finance and accounting.
- Human resource and payroll.
- Payments and administration.
- Custody and securities administration.

While outsourcing offers many established benefits, the current regulatory environment presents the challenge of incorporating good governance practices over these functions and demonstrating compliance with increasing levels of legislation.

Recent legislation, such as the 2002 Sarbanes-Oxley Act, requires management to give assurances over the effectiveness of their control environment, including the control environment associated with any relevant outsourced functions.

In direct response to the development of "extended enterprises", the Service Auditor's Report, such as SAS 70, is increasingly used to provide a framework around which user organisations and user auditors can gain insight on internal controls in place at service organisations.

Responding to senior management questions

Senior management is responsible for ensuring that the control environments supporting their business processes are adequate, regardless of who manages them.

One of the key considerations that users of outsourced services have is: "Does your enterprise have the necessary assurance mechanisms in place to monitor and mitigate potential risks in its network of relationships?"

A combination of mechanisms can be used to help user organisations to provide this assurance, such as:

- Tight service level agreement which includes internal controls, with strong monitoring.
- Use of a robust contractual and legal framework.

In addition, assurance can be gained by:

- Using internal or external auditors to test the effectiveness of the outsourced control environment.
- Obtaining a Service Auditor's Report from the outsourced service provider.

The value of SAS 70

The most commonly used Service Auditor's Report is the SAS 70, which provides a standard against which outsourced control policies and procedures can be evaluated and tested by an independent third party. This can provide users of its services and their auditors, with reasonable and demonstrable assurance that controls are operating effectively over outsourced processes.

Additional benefits of the SAS 70 to the outsourced service provider include:

- Making it easier for user organisations and user auditors to comply with their Sarbanes-Oxley requirements.
- Going beyond the standard service level agreement and providing your clients with an increasingly popular form of assurance.
- Helping to identify process and technology weaknesses.
- Assisting you to 'build in' controls into your business processes.
- Reducing the time demands of multiple audits by your clients and their auditors.

The Statement of Auditing Standards No. 70 (SAS 70) is promulgated by the American Institute of Certified Public Accountants. The SAS 70 is an independent review of internal controls which is performed following pre-defined guidelines typically performed by an accounting and auditing firm. The SAS 70 is a valuable tool for management, service providers and external auditors alike.

Why Deloitte?

Deloitte is a name known and trusted by key stakeholders, including Boards, Audit Committees and ultimately the markets.

We are experienced in planning and delivering SAS 70 and other Service Auditor's Reports to our external audit and non-audit clients alike.

We provide assurance – we can't guarantee the successful and timely operation of the controls – but we can provide you with a systematic means of demonstrating the operating effectiveness of the outsourced environment that you provide, that risks are understood, flagged and are collectively managed so that a chance of a problem is minimised.

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