



*Assurance reports on internal
controls of service organisations
made available to third parties*

CONSULTATION ON PROPOSED UPDATES TO TECH 01/06 AAF

1. OVERVIEW

This exposure draft sets out ICAEW's proposals to update TECH 01/06 AAF – Assurance reports on internal controls of service organisations made available to third parties.

The purpose of the Technical Release is to enable service organisations (third party organisations that provide services to user entities) to engage an independent practitioner (a service auditor) to provide an assurance opinion over the relevant controls which seek to manage risks on behalf of user entities. The assurance opinion can then be made available to user entities and their external auditors ('user organisations'), avoiding the need for several different user organisations to test the same controls.

The Technical Release has been updated with the help of a working party, set up by ICAEW's Audit and Assurance Faculty (see section 4).

The key changes made to TECH 01/06 AAF include:

- Expanded introduction on assurance engagements that should assist more firms undertake engagements in accordance with this guidance
- Expanded guidance for senior management of service organisations, particularly in their role as preparers of the description of the service organisation's control activities
- Expanded guidance for service auditors, particularly in scenarios where the service organisation uses other service organisations and in respect of the nature, timing and extent of their testing and how the results of that testing gives rise to a range of reporting options that need to be considered by the service auditor
- Although the principle of specifying control objectives to promote consistency of reporting has been retained, the control objectives have been refined and reworded to reflect the current risks faced by service organisations. In some cases there has been a reduction in the specified control objectives, with certain objectives now presented as illustrative and supplementary
- Control objectives being specified for two new areas, fiduciary management and property investment administration, and the removal of separate control objectives for hedge fund management
- Withdrawal of the stewardship supplement, in line with the FRC's new Stewardship Code, which makes no specific reference to AAF 01/06.

2. CONSULTATION PAPER AND NEXT STEPS

The exposure draft of updated guidance is set out in section 3. It is intended, when finalised, that the revised guidance will replace the original version of TECH 01/06 AAF. Development of the exposure draft has taken into account feedback received from a pre-consultation exercise, during which views were sought from a range of relevant stakeholders.

The expected timeline for developing and implementing the updated guidance is shown below:

TIMING	OUTPUT
1 August 2019 to 30 September 2019	Consultation period
October 2019	Publication of the revised version of TECH 01/06 AAF

It is planned that the revised Technical Release will come into effect for reporting periods beginning on or after 1 January 2020.

CONSULTATION QUESTIONS

The Working Group invites responses to questions 1 to 4 from all interested parties.

1. Is the revised and expanded guidance useful?
2. Will the revised guidance encourage wider adoption and enable more firms to undertake these engagements?
3. Are the examples included in the appendices useful and, is there anything missing?
4. Do you have any concerns about the timeline for implementing the guidance?

HOW TO RESPOND

Comments may be sent by email or post. The Working Group will be pleased to meet with interested parties who wish to provide feedback in person.

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Please note comments received will be considered by ICAEW's AAF 01/06 working group but will not be published. The deadline for providing feedback, in writing or in person, is 30 September 2019.

3. EXPOSURE DRAFT

To download the full exposure draft, please visit icaew.com/0106

4. WORKING GROUP MEMBERS

We would like to thank the Working Group whose members are:

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