

Trust and transparency

Reporting on controls
at a service organization



What is Trust and Transparency Solutions (TTS)?

Share with your customers your confidence in your systems, processes and controls through an independent assurance report.

The concentration on the core business and the increasing cost pressure are the two main factors for the steady rise of outsourced services. Due to increasing national and international requirements, outsourcing services gained in importance. In addition, the extent and the nature of the outsourced services became more complex. Service providers of all types, especially those

servicing the financial institutions, hosting data centers, providing payroll related services and managing logistic procedures, must demonstrate to their customers and their stakeholders that they provide complete, accurate and secure transaction processing in a well controlled environment. Indeed, in many instances, service provider companies are required by their customers to have a third party examination of their services to provide assurance in connection with financial or internal audits.

For organizations providing transaction processing for their customers, an ISAE 3402 (SOC 1 equivalent) or ISAE 3000 with reference to Trust Services Criteria (SOC 2 equivalent) including an independent auditor opinion is an effective method of communicating that internal controls over systems and processes are suitably designed and are operating effectively within a well controlled environment. Such formal communication has recently become an important success factor when differentiating between service organizations and demonstrating ability to achieve high quality performance.

Third Party Assurance on Controls Reporting

Know whether adequate processes and controls are in place and are ready to go-live for your newly set-up Shared Service Center.

When businesses outsource tasks or functions to service organizations, many of the risks of the service organization also become the risks of the companies using the service organizations. While management can delegate tasks or functions to a service organization, the responsibility for the controls cannot be delegated.

User entities and organizations want reporting that provides assurance on controls over operations and compliance rather than just on controls over financial reporting. The International Auditing and Assurance Standards Board (IAASB) responded by creating standards to enable a broader type of third party assurance reporting on controls at service organizations.

The standards are as follows: ISAE 3402 (SOC 1 equivalent) and ISAE 3000 standards with reference to Trust Services Criteria (SOC 2 equivalent).

Why Third Party Assurance on Controls Reporting?

- Allows for a single deliverable to address demands from their trading partners and vendors for increased transparency into their operations.
- Builds trust and transparency with customer base.
- Strengthens position as a competitive service provider.

ISAE 3402 (SOC 1 equivalent)

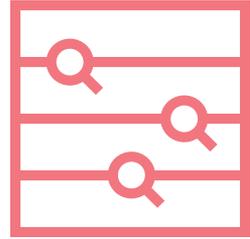
- Focuses on controls relevant to user entities' internal control over financial reporting
- Based on the ISAE 3402, which is a global reporting standards
- Includes a description of the service auditors testing and results
- Intended primarily as an auditor to auditor communication

ISAE 3000 with reference to Trust Services Criteria (SOC 2 equivalent)

- Criteria for each principle is pre-defined
 - Scope can be broadly or narrowly defined based on need
 - Includes a description of the service auditors testing and results
 - Intended for parties knowledgeable of the service organization, including regulators, etc
-

Our methodology and expertise

With our solution-oriented methodology we are partnering with you to achieve your goals and ensure knowledge transfer.



Phase 1 – Establish scope



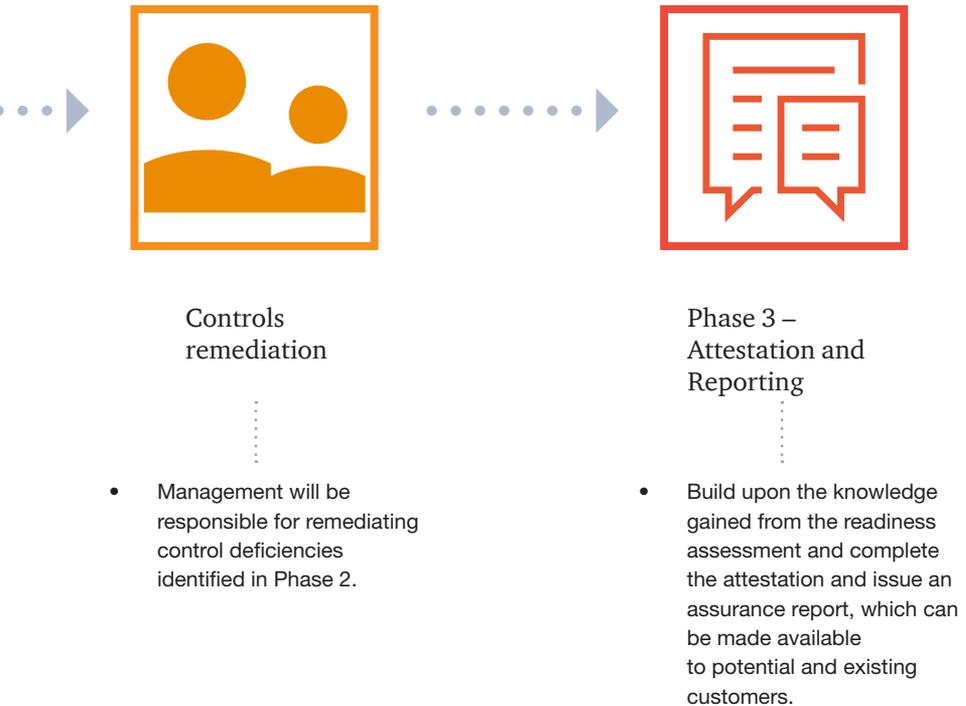
- Defining the scope that helps to provide the necessary level of transparency to your customers.
- Scope areas such as data center(s), security, application(s), and database(s).

Phase 2 – Readiness assessment



- Review includes the identification of control activities.
- Identify design effectiveness control deficiencies.
- Benefit of a readiness assessment is to identify and correct design effectiveness control deficiencies prior to the beginning of the period under review.

PwC has significant experience in delivering Third Party Assurance on Controls engagements for major business process outsourcing centers, shared service centers, financial institutions and other service organizations.



In service organizations, we provide the following independent process controls assurance:

- Perform controls readiness reviews;
- Advise on design of effective internal controls;
- Help in business process and controls optimization;
- Review internal controls for Sarbanes-Oxley compliance;
- Perform agreed upon procedures engagements;
- Perform system pre - and post implementation reviews;
- Review IT general controls and IT application controls;
- Review center-level controls.

Understanding the scope of ISAE 3000 with reference to Trust Services Criteria (SOC 2 equivalent) reporting

Differentiate yourself from your competitors and gain competitive advantage.

To assess the effectiveness of an entity's operational and compliance controls, Trust Services Criteria were established to provide a framework to issue assurance on controls reports. The scope can include those principles relevant to the subject

matter of the report, as selected by the service organization, but must include all criteria within each selected principle.

 Privacy	 Security	 Availability	 Confidentiality	 Processing Integrity
Generally Accepted Privacy Principles	Information designated as confidential is protected as committed or agreed.	The system is protected against unauthorized access, use, or modification.	The system is available for operation and use as committed or agreed.	System processing is complete, valid, accurate, timely, and authorized.

How PwC can help

For a deeper discussion about third party assurance, contact our team:



Geraldine H. Apostol, CPA

Risk Assurance Partner - Internal Audit
geraldine.h.apostol@pwc.com
T: +63 (2) 8459 3040



Rosell S. Gomez, CPA, CISA, CRISC, CRM, CCOBIT 5(F), CCOBIT 5(I)

Risk Assurance Partner - Information Technology
rosell.s.gomez@pwc.com
T: +63 (2) 8459 3184



Ray Jan P. Roque, CPA, CISA, CCOBIT 5(F), CCOBIT 5(I)

Risk Assurance Director
ray.jan.p.roque@pwc.com
T: +63 (2) 8845 2728 local 3194



Michelle L. Meneses, CPA, CISA

Risk Assurance Manager
michelle.l.meneses@pwc.com
T: +63 (2) 8845 2728 local 2064



Joshua Adriel A. Cerillo, CPA, CIA, CISA, ISO 27001 LA

Risk Assurance Manager
joshua.adriel.cerillo@pwc.com
T: +63 (2) 8845 2728 local 3435

www.pwc.com/ph

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with over 276,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.