

# Service Organisation Assurance Reporting

As a service provider there are various ways in which you can provide assurance to your customers and other stakeholders over your control environment. One of the most effective ways is to issue a Service Organisation Control (SOC) Report.

The need for this type of assurance reporting can be driven by the following:

- The increasingly regulated corporate environment your customers operate in is forcing them to consider how you demonstrate control effectiveness over the operations they have outsourced to you;
- Slowdown in economic conditions has created a greater need for stakeholders to understand fully, and be confident, with the effectiveness of outsourced processes;
- There is a growing demand in the marketplace for a service organisations to provide a recognised controls assurance report to retain and win business; and
- Accountability for demonstrating management of outsourced risk now extends beyond pure financial risk to assess areas such as Data Security.

## Key triggers for you

- You are regularly audited on the same control areas by many or all of the recipients of your service;
- You are required to provide a recognised assurance mechanism when tendering for business; and
- You require a mechanism for reporting against increased regulation and specific areas of risk.



## Which SOC reporting Framework is right for your service organisation?

There are three types of SOC Reports for you to choose from depending on your needs. The most important differences are highlighted below:

	Internal Control Over Financial Reporting (ICOFR)	Operational controls	
	ISAE 3402/SOC1	SOC2	SOC3
Summary	International framework that focuses on financial reporting risks and controls specified by the service provider	US Standard focused on Security, Availability, Confidentiality, Processing Integrity, and/or Privacy. Applicable to a broad variety of systems	Similar to a SOC 2 although much shorter with the option of displaying a web site seal
Applicability	Most applicable when the service provider performs financial transaction processing or supports transaction processing systems	Can, after an evaluation of the sustainability of the criteria by the user auditor, be useful for the financial audit of the user entity	Limited value for audit purposes. Useful for other stakeholders, with the option to show seal on website

## SOC report types

Service Organisation Control (SOC) reports most commonly cover the design and effectiveness of controls for a 12-month period of activity with continuous coverage from year to year to meet user requirements from a financial reporting or governance perspective.

Period of time reports covering design and operating effectiveness are generally referred to as "Type 2" reports whereas point in time reports covering design are generally referred to as "Type 1" reports.

## What sets us apart?

KPMG Bermuda has a team of trained and experienced professionals who can assist with any aspect of service organisation reporting, including:

- Advising on the selection of the appropriate SOC report, based on the requirement and audience of the report;
- Diagnostic reviews to assess the in scope control environment, to identify any design effectiveness issues that need to be corrected before the attestation engagement period begins. Such reviews will involve working closely with your team to provide realistic and practical remediation recommendations;
- Completion of the SOC review in accordance with the attestation standards. The local team will be able to work around your commitments to complete the work within a time frame that is suitable for your staff and reporting requirements; and
- For further information or to discuss how KPMG can help you with your service organisation reporting needs, please contact one of the team.

## Why perform a SOC review?

Performing an SOC review allows you to provide assurance to your customers that you are controlling the risks of outsourcing and operating a sound control environment, thereby establishing confidence and trust in the value of the services that you provide. Benefits include:

**TRANSPARENCY AND TRUST** - Provide transparency to clients regarding the quality of the internal control environment to enhance the trust in the services provided by the service organisation.

**CONTROL ENVIRONMENT IMPROVEMENTS** - Support the identification of improvements in the service organisation's control environment to assist with the mitigation of financial and operational risks.

**COMPETITIVE ADVANTAGE** - Provide positive marketing and competitive advantage opportunities to the service organisation.

**REDUCE DISRUPTION AND EXPENSE** - Reduce the disruption and expense experienced by the service organisation from the requirement to respond to numerous requests for information from third parties.

## Contact us:

For more information on how KPMG in Bermuda can help, please contact:



To find out more please visit:

**kpmg.bm**