Are you measuring everything you need to build trust?

System and Organization Controls (SOC)
SOC 2 – SOC for Service Organizations: Trust Services Criteria
March 2021
Demystifying SOC 2

SOC Reporting types

- SOC 1 provides information about controls at a service organization relevant to a user entity's internal control over financial reporting (restricted use).
- SOC 2 provides information about the effectiveness of controls that help achieve the service organization's service commitments and system requirements, based on the applicable trust services criteria related to security, availability, processing integrity, confidentiality or privacy (restricted use).
- SOC 3 does not provide as much information as SOC 2. SOC 3 works similar to SOC 2, however, it has different reporting requirements (general use).

Instilling trust through SOC Reporting

SOC reporting is about instilling trust. Trust is earned by the service organization by delivering against what was promised, transparency about its operations and risk management, and independent audit. It’s a delicate balance between promise, execution and the communication on execution. SOC reporting, therefore, provides value to your clients. In many cases, your clients use SOC reports help demonstrate their compliance to regulator and supervisory body requirements.

SOC 2 - SOC for Service Organizations: Trust Services Criteria

Where SOC 1 reports provide assurance to only financially significant processes, SOC 2 reports can provide assurance over nonfinancially related processes. SOC 2 reports provide assurance in relation to one or more of the five trust services categories to help meet the entity's objectives, which are:

- **Security**: Information and systems are protected against unauthorized access and disclosure and damage to systems.
- **Availability**: Information and systems are available for operation and use.
- **Processing integrity**: System processing is complete, valid, accurate, timely and authorized.
- **Confidentiality**: Information, designated as confidential is protected.
- **Privacy**: Personal information is collected, used, retained, disclosed and disposed.

SOC 2 reports build trust with your stakeholders and allow you to identify areas for improvement. They are used to understand a service organization's internal controls related to criteria such as confidentiality, availability, processing integrity (the conventional information security triangle), security and privacy.
A streamlined approach to help deliver SOC 2 report to your clients

SOC 2 reports can be tailored to meet the needs of specific industries. The trust services criteria used in SOC 2 reports have been mapped to various other standards. As a result of this mapping, the SOC 2 testing can be used to support other certifications, helping achieve a streamlined approach to testing. The mapping allows one set of testing to provide assurance against multiple standards. Examples of service organizations that could benefit from a SOC 2 include:

- Data center hosting provider reporting on security and availability
- Cloud service providers reporting on processing integrity, security and availability (in accordance with Cloud Security Alliance standards)
- Health care provider, reporting on compliance [e.g., Health Insurance Portability and Accountability Act (HIPAA) or Health Information Trust Alliance (HITRUST)]
- Credit card processors or payment service providers, reporting on processing integrity and data confidentiality [similar to Payment Card Industry Data Security Standard (PCI DSS)]
- Application service provider outsourcer, reporting on security and availability
- Companies providing Blockchain-as-a-Service (BaaS) or using emerging technologies, such as blockchain and artificial intelligence to provide services to its customers
- Background verification companies or identity verification service providers reporting on security, confidentiality, processing integrity and privacy

The EY SOC 2 approach and methodology

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| **Service organization:** | Plan and scope the engagement | Review results with management | |
| Regulatory | | | |
| Audit requirements | | | |

| Service expectations and relationship protocols | Develop detailed testing approach and work programme | Summarize executive management and audit committee communications | |
| | | | Internal communication |
| | | | Management letter |

SOC 2 benefits

SOC 2 is an opportunity to provide assurance on a wider range of service provision than just financial reporting. Some of the benefits include:

- Improved risk management and control - independent team evaluates and identifies improvement opportunities
- Assist clients with vendor oversight activities and meet contractual obligations
- Reduced costs - without a SOC 2 report, organization may be subject to audit by various clients’ auditors
- Increased client retention and acquisition
- Build competitive advantage and use the report as a market differentiator
- Enhance client communications and increase transparency of outsourced internal controls

Additionally, SOC 2+ (“SOC 2 Plus”) report can incorporate a service auditor’s opinion on additional subject matter or a mapping to established reporting frameworks, providing greater reporting flexibility and customer satisfaction. Reporting frameworks such as ISO 27001, General Data Protection Regulation (GDPR), Cloud Controls Matrix, National Institute of Standards and Technology Cybersecurity Framework (NIST CSF), HIPAA and HITRUST can be used together with SOC 2 reports.

Newer reporting options, such as SOC for Supply Chain, SOC for Cybersecurity and Data Integrity, help provide greater trust to internal and external stakeholders.

Build competitive advantage and use the report as a market differentiator

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Repeat at subsequent periods using lessons learned
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About EY SOC Reporting
The EY organization plays an important role internationally in the SOC reporting landscape. We have representatives in working groups defining the professional standards that are used for SOC reporting. We have professionals worldwide whose daily work is providing SOC reports to EY clients. All this leads to a substantial amount of thought leadership on SOC reporting within our organization. Thought leadership is available through EY professionals that work together on a daily basis to develop an effective and efficient SOC reporting process for our clients.

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