

# Understanding Your SOC Report: A Guide



Requesting a Service Organization Control (SOC) report is a fundamental step when working with third-party partners. A SOC report evaluates the structure and effectiveness of a service organization's internal controls, and assesses whether their financial integrity and control standards align with your business requirements. However, given the wealth of complex details contained within the report, deciphering the resulting information can be overwhelming.

You don't need to comb through every nuanced aspect of the report to adequately assess the reliability and compliance of your outsourced service provider. Instead, focus on the following core sections:



## Management's Assertion

A formal statement by the service organization's management regarding the design and effectiveness of their internal controls, this section helps you determine your third-party partner's commitment to transparency and control effectiveness.



## Independent Auditor's Opinion

Here, the auditor provides a critical evaluation of the service organization's controls and operations. A 'qualified' or 'adverse' designation may indicate significant internal control issues.



## Control Objectives and Activities

Offering a detailed description of the specific objectives, control measures, and activities implemented by the service organization, this section will help you determine how their controls affect your business's internal control requirements.



## Tests of Controls

In this section, you'll find details about the tests conducted to verify the effectiveness of the service provider's internal controls to ensure they are secure and reliable. This information will help you gauge the strength of the controls in place.



## Exceptions Noted

Here, you'll find any issues or irregularities revealed during the control tests that could indicate weaknesses in the internal controls.

As you go through the review process, thoroughly document your findings for compliance and audit purposes. Once done, complete a gap analysis highlighting any discrepancies between the service organization's controls and those required by your business, then follow up with the service organization to address any concerns or apparent weaknesses.

Understanding and effectively utilizing your SOC report is vital for maintaining control, compliance, and the integrity of financial data. Without it, you run the risk of making uninformed decisions and encountering unforeseen challenges related to your third-party partners.

If you need help navigating the complexities of your SOC report or any other third-party risk assessment, our Internal Audit and Risk Advisory team can offer guidance. [Contact us here to learn more.](#)