

# SAS 70

**AXA Investment Managers obtains SAS 70 type II certification for its investment entities in Paris, London and Frankfurt.**

AXA IM has now successfully completed its SAS 70 type II certification for its investment entities in Paris, London and Frankfurt, following on from AXA Rosenberg and AXA Private Equity. This certification constitutes the standard of quality of our internal check-ups and processes.

Statement on Auditing Standards (SAS) N° 70, Service Organizations, written by the American Institute of Certified Public Accountants (AICPA), is an internationally recognised audit standard. The certification is formalised by a specific report describing the organisation, the controls and the result of the tests performed by an External Auditor.

For AXA IM, AXA Rosenberg and AXA Private Equity, the tests were conducted by PwC.

**Some questions and answers relating to SAS 70...**

## What is Sarbanes-Oxley?

The Sarbanes-Oxley Act (also known as 'Sarbox' or 'SOX') is a piece of US legislation enacted in July 2002, in the shadow of a series of scandals involving major US-listed companies.

The PCAOB (Public Company Accounting Oversight Board) is a private-sector, non-profit corporation, created by the Sarbanes-Oxley Act of 2002, to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports.

The legislation established a set of standards for all US public company boards, management, and public accounting firms, seeking to address issues such as auditor independence, corporate governance, internal controls, and financial disclosure.

## How does SAS 70 contribute towards complying with Sarbanes-Oxley?

Sarbox instituted a requirement that independent auditors for public companies provide an opinion on the quality of those companies' internal controls. The use of SAS 70s (an auditing statement issued by the American Institute of Certified Public Accountants (AICPA), fully titled "Reports on the Processing of Transactions by Service Organisations") is applicable when a US-listed company subject to Sarbox, obtains services from another organisation. If this service organisation is part of the company information system, then the External Auditors have to form an opinion on the effectiveness of the controls operated by the Service Organisation. Obtaining a SAS 70 (also referred to as service auditor's report on controls placed in operation and tests of operating effectiveness) is one of the procedures prescribed by the PCAOB (Public Company Oversight Board) to allow independent auditors to provide an opinion on the existence and effectiveness of service providers' internal controls. Achieving SAS 70 certification is of particular importance for AXA IM's compliance with the Sarbanes Oxley legislation, and reflects AXA IM's ongoing commitment to maintaining a robust control environment. Achieving SAS 70 certification also provides assurance to our clients that their invested monies are maintained within a well controlled and secure environment.

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## How does a service organization (such as in investment manager) «pass» or «fail» a SAS 70 audit?

At the conclusion of a SAS 70 service auditor's examination («SAS 70 audit»), the service auditor provides an opinion on the following:

- Whether or not the service organization's description of controls is presented fairly.
- Whether or not the service organization's controls are designed effectively.
- Whether or not the service organization's controls are placed in operation as of a specified date.
- Whether or not the service organization's controls are operating effectively over a specified period of time (only applicable to a 'Type 2' audit).

When the service auditor concludes that the above items have been accomplished, the service auditor provides what is referred to as an «unqualified opinion». While a SAS 70 audit is technically not a «pass» or «fail» audit, the receipt of an unqualified opinion from the service auditor is often referred to as «passing» the audit. When the service auditor's procedures reveal exceptions or control deficiencies, the service auditor may conclude that a control objective could not be achieved due to a design deficiency or an operating effectiveness deficiency. When this occurs, the service auditor will «qualify» their opinion to indicate that a control objective could not be achieved. The receipt of a qualified opinion from the service auditor is sometimes referred to as «failing» the audit. This view of audit failure is also technically not accurate, because a qualified opinion does not necessarily imply that other control objectives could not be achieved. For example, a service organization might have 15 control objectives, and the service auditor may conclude that one of the 15 objectives could not be achieved. While the opinion would be «qualified», the other 14 objectives would be achieved, and would still be of benefit to the users of the service organization.



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