



MALAYSIAN INSTITUTE
OF ACCOUNTANTS
ACCOUNTANTS: MANAGERS OF VALUE

PROUD HOST:



World Congress
of Accountants 2010

www.wcoa2010kualalumpur.com

BANK CONFIRMATION

External confirmations are used as a mean of obtaining audit evidence in relation to account balances and their components. Audit evidence is more reliable when it is obtained from independent sources outside the entity. Accordingly, audit evidence from written confirmation requests may assist in reducing the risk of material misstatement for the related assertions to an acceptably low level.

Confirmations are best used when confirming bank balances and other information from bankers, account receivables and payables balances, stock held by third parties, property title deeds, investments purchased from stockbrokers but not delivered at the balance sheet date and loans from lenders.

Confirmation requests ordinarily include management's authorisation to the respondent to disclose the information to the auditor.

Bank confirmation is a valuable source of audit evidence because they provide independent evidence regarding the reliability of the client's records.

The following are some pointers to take note when bank confirmation is requested:

1. It is good practice to retain an original copy of the bank confirmation request in the audit file as record and as backup in case the other copy sent to the bank did not reach the bank subsequently. Therefore, at least 2 original copies of bank confirmation request should be prepared for each bank.
2. Ensure that confirmations are sent to all banks which the client has had dealings with during the financial year.
3. It is important that the auditor is in charge of sending the bank confirmation request. The process of sending confirmation request must be controlled by the audit firm, and the responses sent directly to the audit firm and not through the client. Client's involvement should only be limited to providing authorisation to respondent to disclose the information to the auditor.
4. Auditors may prepare and send the confirmation request prior to the commencement of the audit to allow sufficient time for the banks to respond.
5. Auditors must insist to receive the original copy of confirmation. In the interest of time, auditors may accept the fax copy of confirmation to confirm balances and to follow up with the original copy before signing of the auditor's report.
6. The result of the confirmation must be checked, reconciled for any differences and documented in the audit work papers with a cross-referenced to the bank statements/ agreements or relevant underlying documents.



MALAYSIAN INSTITUTE
OF ACCOUNTANTS
ACCOUNTANTS: MANAGERS OF VALUE

PROUD HOST:



World Congress
of Accountants 2010

www.wcoa2010kualalumpur.com

7. All confirmations must be received, checked and reconciled before the auditor's report is signed.

The pointers included in this document are not exhaustive. User of this document is advised to refer to the full text of the Malaysian Approved Standards on Auditing ISA 505 External Confirmations for a complete guidance.

A sample template of a bank confirmation is enclosed as appendix to this document.

[AUDIT FIRM'S LETTERHEAD]

Our ref : _____
Date : _____

ABC
(8888)AF
Chartered Accountants
1, Jalan Scott
50000 Kuala Lumpur, Malaysia
Telephone: 03-1234 5678
Facsimile: 03-1234 5678

The Manager,

Dear Sir,
STANDARD REQUEST FOR INFORMATION FOR AUDIT PURPOSES

NAME OF CUSTOMER _____

FOR THE YEAR/PERIOD ENDED _____

In accordance with your above-named customer's instructions given hereon please send us, as auditors of your customer for the purpose of our audit, the following information relating to their affairs at your branch as at the close of business on _____ and, in the case of item 2, during the period up to the date of your reply.

The request from us, as auditors of your customer, nor the branch response will not create any contractual relationship with us.

We enclose an additional copy of this letter, and it would be particularly helpful if your reply could be given on the copy letter in the space provided (supported by additional schedules stamped and signed by your bank where space is insufficient. If you find it necessary to provide the information in another form, please return the copy letter with your reply.

It is understood that any replies given by you will be treated with by us with strict confidence.

INFORMATION REQUESTED

Account Balance

(1) In respect of all accounts maintained with your branch by the above-named customer, please give full details of the account balances thereon, including NIL balances, stating whether the balances are maintained in Ringgit or in some other currency. To facilitate your reply, we set out below details of the accounts that we understand are maintained with you by your customer. If you are aware of any other accounts maintained with you by your customer and which fall within the mandate given, please provide the same information for these accounts by listing them in the space provided.

Reply

Account Name	Account Number	Type of Account	Account Balance	Remarks (see note)
--------------	----------------	-----------------	-----------------	--------------------

Note: Please indicate in the "Remarks" column above:

- (i) The separate amounts accrued but not charged or credited at the above date, of:
 - a. provisional charges (including commitment fees);
 - and
 - b. interest
- (ii) The amount of interest charged or credited during the period if not specified separately in the bank statement or other documents.
- (iii) In the case of overdrafts, loan and other facilities, please state the amount of agreed facilities and repayment terms (e.g. monthly/ quarterly / fixed date).
- (iv) Where the account is subject to any restrictions (e.g. a garnishee order or arrestment), this information should be stated.
- (v) Where the authority upon which you are providing this information does not cover any of the accounts listed above, please indicate as appropriate.

- (2) Please give full titles and dates of closure of all accounts closed during the period.

Customer's other transactions

- (3) With regard to all other transactions with your customer, please give details of:-
- (a) total of trade bills outstanding for your customer;
 - (b) date, name of beneficiary and amount of any outstanding guarantees, bonds of indemnities given by you, on your customer's behalf stating whether there are recourse arrangements;
 - (c) total of bankers' acceptances outstanding;
 - (d) equivalent of total outstanding forward foreign exchange contracts in Ringgit;
 - (e) total outstanding liabilities under documentary credits, letters of credit, trust receipts and other instruments of similar nature;
 - (f) total negotiable certificates of deposits outstanding and other instruments of similar nature;
 - (g) obligations under repurchase agreements;

Assets held as security

- (4) Please give details (in summary form, if numerous) of any assets charged to the Bank/Finance Company for facilities given to your customer.

Give details of the security as follows. If a security is limited in amount or to a specific borrowing, please indicate.

- (a) Land title – title deed number; nature of charge; Mukim/District; amount charged; registered owner.
- (b) Shares – name of company; share certificate number; number of shares; registered owner.
- (c) Debenture– charge number; date created; description; amount.

Reply

(d) Fixed deposit—certificate number; amount; maturity date; name of depositor.

(e) Guarantee— nature; amount; beneficiary; obligator; tenor.

For any other security not mentioned above, please give similar details.

Customer's other assets held under safe custody

(5) Please give details (in summary form, if numerous) of the customer's other assets held under safe custody by your branch including share certificates, documents of title and any other items listed in your registers, maintained for the purpose recording assets held.

Yours faithfully,

for [name of audit firm]

Disclosure authorised:

(Name of customer)

(Signed in accordance with the mandate for the conduct of the customer's Bank/Finance Company account)

To the best of our knowledge and belief the information set out above is complete and must be treated as strictly private and confidential and is furnished without responsibility on the part of the Bank/Finance Company or its officers.

(Official stamp of Bank/Finance Company)

(Authorised signatory)

Disclaimer

This quick-win is intended for general guidance only and is not a substitute for exercising professional judgement.

Whilst care has been taken in compiling this document, MIA makes no representations or warranty (expressed or implied) about the accuracy, suitability, reliability or completeness of the information for any purpose.

MIA, its employees or agents accept no liability to any part for any loss, damage or costs however arising, whether directly or indirectly from any action or decision taken (not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.