



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

PROUD HOST:



BANK CONFIRMATION

Introduction

External confirmations are used as a means 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.

Planning the Bank Confirmation Request

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. Only original copy of the request letter, together with the authorization letter from the entity, will be accepted for processing. Incorrect or invalid information regarding authorising officer(s) may result in delays in the bank's response to a bank confirmation request. Certain banks accept standing instruction from the entity being audited. In such cases, the authorisation letter from entity being audited is not required (if there is no change in the appointment of auditors).
3. Ensure that confirmations are sent to all banks which the client has had dealings with during the financial year. Please refer to the list of designated contact person for confirmation letter from various banks at http://www.mia.org.my/new/pp_knowledge_guide_managing.asp to avoid delay in bank reply.
4. 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.

5. Auditors may prepare and send the confirmation request prior to the commencement of the audit to allow sufficient time for the banks to respond. Where practicable, bank confirmation request should be submitted within the calendar month of the financial year end (FYE). Allow expiry of the 14 working days period (after the FYE or date of receipt of the request, whichever is later) before following-up for a reply.
6. 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.
7. 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.
8. 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.

Bank Confirmation Request Templates

A sample template of a bank confirmation is enclosed as appendices to this document:

Appendix: Bank Confirmation Request Letter

Appendix 1: Template for Conventional & Islamic Banks

Disclaimer

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

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[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 <Contact Person> (*refer to the list of contact person*),

Dear Sir,
STANDARD REQUEST FOR INFORMATION FOR AUDIT PURPOSES

FULL LEGAL NAME OF CUSTOMER : _____
COMPANY NUMBER : _____
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 bank as at the close of business on _____ and, in the case of item 2 (closure of accounts), during the period up to the date of your reply.

We enclose an additional copy of this letter, wherein 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)¹. 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 by us with strict confidence. Neither the request from us, as auditors of your customer, nor the bank response will create any contractual relationship with us.

Please revert with your reply within 14 working days from the date of receipt of this letter or financial year end, whichever is later.

For further enquiries, kindly contact Mr / Ms XX at xxxx.

¹ The softcopy of the reply template can be found at www.mia.org.my

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)

Appendix 1 Template for Conventional & Islamic Banks

- 1 -

INFORMATION REQUESTED

Account Balance

(1) In respect of all accounts maintained with your (*Islamic*) financial institution by the above-named customer, please give full details of the outstanding balances thereon, including NIL balances, stating whether the balances are maintained in Ringgit or in some other currency.

Reply

| Account Name | Account Number | Type of Account | Balance as at year end | 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 (*hibah*)
- (ii) The amount of interest charged or credited (*profit income earned and profit expense charged*) during the period if not specified separately in the bank statement or other documents.
- (iii) In the case of overdrafts, loan and other facilities (*financing and advanced facilities*), please state the amount of agreed facilities and (re)payment 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 (up to the date of your reply).

| No. | Title of accounts closed | Closure Date |
|-----|--------------------------|--------------|
| 1. | | |
| 2. | | |
| 3. | | |
| 4. | | |
| 5. | | |

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;

RM _____ / Not applicable

(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;

Date:

Name of beneficiary:

Amount of outstanding guarantees / bonds of indemnities:

Recourse arrangement: Yes / No (please select one)

(c) total of bankers' acceptances (acceptance bills – Islamic) outstanding;

RM _____ / Not applicable

(d) equivalent of total outstanding forward foreign exchange contracts in Ringgit;

RM _____ / Not applicable

(e) total outstanding liabilities under documentary credits, letters of credit, (Islamic) trust receipts and other instruments of similar nature;

RM _____ / Not applicable

(f) total (Islamic) negotiable certificates of deposits outstanding and other instruments of similar nature;

RM _____ / Not applicable

(g) obligations under (Islamic) repurchase agreements;

RM _____ / Not applicable

Assets held as security

(4) Please give details (in summary form, if numerous) of any assets charged to the (Islamic) financial institution 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.

| No. | Land Title | Title deed number | Nature of Charge | Mukim / district | Amount Charged | Registered Owner |
|-----|---------------|-------------------|-----------------------|------------------|-------------------|------------------|
| | | | | | | |
| No. | Shares | Name of Co. | Share certificate no. | No. of shares | Amount Charged | Registered Owner |
| | | | | | | |
| No. | Debenture | Charge no. | Date created | Description | Amount | |
| | | | | | | |
| No. | Fixed Deposit | Certificate no. | Amount | Maturity Date | Name of depositor | |
| | | | | | | |
| No. | Guarantee | Nature / Purpose | Amount | Beneficiary | Obligator | Tenor |
| | | | | | | |

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

| No. | | | | | | |
|-----|--|--|--|--|--|--|
| | | | | | | |

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.

| No. | Assets held under safe custody | Amount (RM) | Remarks |
|-----|--------------------------------|-------------|---------|
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |
| 5. | | | |

To the best of our knowledge and belief, the information set out above is complete and accurate. The information provided is solely to be used for your audit of (name of customer) and must be treated as strictly private and confidential. We also assert that your request, as auditors of our customer, (name of customer) and our bank's reply to your request do not create any contractual relationship between you and our bank and, accordingly, the bank, its officers or agents disclaim all liability to you in respect of the information provided.

(Official stamp of Bank/Finance Company)

(Authorised signatory)