

## **Bank Reports for Audit Purposes**

This Statement of Auditing Practice was approved by the Council of the Institute of Singapore Chartered Accountants (formerly known as Institute of Certified Public Accountants of Singapore) in August 1987.

SAP 10 superseded the SAP of the same title in June 2004. No substantive changes were made to the original approved text and all cross references were updated, as appropriate.

Audit Guidance Statement (AGS) 6 supersedes SAP 10 in May 2006. No substantive changes have been made to the original approved text and all cross references have been updated, as appropriate.

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# AUDIT GUIDANCE STATEMENT

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## AGS 6

### Bank Reports for Audit Purposes

#### Introduction

1. The auditor should obtain relevant and reliable audit evidence. This statement is designed to assist auditors in obtaining confirmation from banks with respect to amounts due to and from them, and assets held by them.
2. The practice of obtaining independent certificates or reports from banks is an important feature in the proper discharge of auditors' responsibilities. Bank reports assist auditors to ascertain the existence and the amount of liabilities and existence, amount, ownership and proper custody of assets; they also provide other information relevant to the audit of financial statements.
3. The standard audit request letter in the appendix to this guideline has been prepared following discussions with The Association of Banks in Singapore. The standard letter has been prepared primarily for the purpose of obtaining information from the banks. Many companies, however, also have dealings with other banks or finance companies, and auditors will normally need reports from them. The Association of Banks in Singapore had indicated that the standard letter may not always be appropriate for requests to such organisations, particularly where specialised or limited services are offered, and that consequently no understanding can be given by their members to answer every questions on every occasion. The standard request letter set out in the guideline should be used for all requests to banks after 1 October 1987.

#### Background

4. The information which auditors regularly need from banks is substantially the same for most audits, and can be obtained in a standard letter of request. The use of such a letter, designed to cover all normal banking activity and to facilitate the extraction of information from banking records, should smooth the processing of these audit requests. The answers received assist in highlighting areas which require particular audit attention.
5. As the banks keep their customer records in a more or less similar manner, the use of a standard letter should facilitate the efficient preparation of their replies. The banks accept the need for their assistance in these matters, and a standard letter gives them a clearer understanding of auditors' requirements.
6. Auditors should therefore request information from banks in the form of the standard letter set out in the appendix and in accordance with the procedures in paragraphs 11-13 below. It is intended that this standard letter should be primarily for audit purposes, but if it is used when members are only concerned with the preparation of accounts and not with the audit of, for instance, sole traders, partnerships or other non-statutory organisations, then any reference in it to an audit should be deleted. For certain purposes other than verification at the year-end (for example for work of an accounting nature, interim audits and accountants' reports on solicitors' accounts), it may be necessary to seek confirmation only of selected items from the standard request. In such cases the letter should not be headed "standard request for bank report".
7. The attached standard letter includes enough space for the banks to enter their replies on a copy of the letter, which should be sent at the same time as the main audit request.
8. As indicated in paragraph 3 above, in the case of institutions other than banks it may often be more appropriate for the auditor to make a specific request for the information he requires rather

than to use the standard letter. If he is unable to obtain any of the information he requires, he must consider the effect of this on his audit opinion.

### Authority to disclose

9. Banks will require the explicit authority of their customers to disclose the requested information. They will always require such authority in writing, and this may be obtained either on each occasion a bank report is requested, or as an authority which continues until further notice. In the former case it is recommended that the authority should be evidenced by the customer's counter-signature to the letter of request; in the latter case the letter of request should refer to the customer's written authority given on a specified earlier date. In the case of a joint account, the authority should be given by all parties to the account. It is the responsibility of the auditors to obtain the customer's authorization for the bank to disclose the requested information. In the case of the joint account, the auditors should also ensure that authorizations are obtained from all parties to the joint account.

### Disclaimer

10. The introduction to the letter states that there is no contractual relationship between banker and auditor. In addition, the banks may add a disclaimer at the end of their reply, the text of which may be as follows:

"This reply is given solely for your audit purposes without responsibility on the part of the Bank, its employees or agents, and does not relieve you from making further enquiries or performing your other obligations to satisfy yourself as to the accuracy or correctness of the information given."

The inclusion of the introductory statement and of a disclaimer of this nature does not significantly impair the value of the information given as audit evidence. The information given by a reputable bank should not be regarded as inaccurate or likely to be inaccurate simply because the giving of it is not actionable. Accordingly, an auditor can reasonably rely upon information given by a banker, provided it is not clearly wrong, suspicious or inconsistent in itself, ambiguous or in conflict with other evidence gathered in the course of an audit.

### Procedures

11. Auditors should, where appropriate, adopt the following procedures in connection with requests to banks for audit purposes.
  - (a) The standard letter set out in the appendix to this guideline may be sent in a single copy on each occasion by the auditor on his own note paper to each bank branch with which it is known that the client holds an account or has had dealings since the end of the previous accounting reference period.
  - (b) Auditors should ensure that the bank receives the client's authority to permit disclosure. This authority must be evidenced by:
    - (i) the client's counter-signature to the standard letter; or
    - (ii) a specific authority contained in an accompanying letter; or
    - (iii) a reference in the standard letter to the client's specific written authority, given on a specified earlier date, which remains in force.
  - (c) The letter should reach the branch at least two weeks in advance of the date of the client's financial year-end. This should enable the banks to provide the information within a reasonable time after the year-end. It should be borne in mind, however, that many requests arise at the same time and at a period of peak activity for the banks. Special arrangements should therefore be made with the banks in those cases where, because of time constraints on the audit, a reply is required within a few days of the company's year-end.
  - (d) The dates to be entered on the standard letter are normally the closing dates of:
    - (i) the client's accounting reference period for which the report is requested; and

- (ii) the client's previous accounting reference period for which a full bank report was compiled. If, exceptionally, audited accounts are produced other than for an accounting reference period, alternative dates should be substituted.
  - (e) In reviewing the bank's reply, it is important for auditors to check that the bank has answered all questions in full.
  - (f) Auditors will need to check the authenticity of any letters not received directly from the bank branch concerned. If an auditor receives a bank report without having made a previous request, he should check with the branch concerned that the report has been prepared in compliance with the terms of the standard letter.
12. The standard letter should be used in its complete form for all audit request in respect of year-end financial statements and should not normally be altered or extended. In certain circumstances, supplementary requests for additional information may be required for audit purposes. For administrative reasons the letter containing these supplementary requests should be submitted where possible at the same time as the standard letter. Where supplementary information is requested the banks will, as indicated above, require authority to disclose this. If the wording of the authority is not sufficiently comprehensive, additional authority may be required. For some information, such as security lodged by a third party, authority from someone other than the customer may be required.
13. The banks may choose not to reply on the copy standard letter itself, but instead on their own note paper. If this is the case, the auditor should check that the list of replies corresponds with the questions on the standard letter and that there have been no omissions.
14. Charges (if any) by the banks should be cleared with or charged to the customers.

**APPENDIX**

**Standard letter of request for bank report for audit purposes**

- i) *The form of the letter should not be amended by the auditor.*
- ii) *Sufficient space should be left for the bank's replies (two-thirds of each page is recommended).*

The Manager,

..... (Bank)  
 ..... (Branch)

Dear Sir,

..... (Name of Customer)

**STANDARD REQUEST FOR BANK REPORT  
 FOR AUDIT PURPOSES  
 FOR THE YEAR ENDED .....**

In accordance with your above-named customer's instructions given

- 1) Hereon
  - 2) in the attached authority
  - 3) in the authority dated ..... already held by you
- Delete as appropriate

please send to us, as auditors of your customer for the purpose of our business, without entering into any contractual relationship with us, the following information relating to their affairs at your branch as at the close of business on ..... and, in the case of items 2, 4 and 10 during the period since commencement date of the financial year of clients. For each item, please state any factors which may limit the completeness of your reply; if there is nothing to report, state "none".

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 an additional schedule stamped and signed by the 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 are in strict confidence.

*Information requested**Reply***Bank accounts**

1. Please give full titles of all accounts whether in local or in any other currency together with the account numbers and balances thereon, including NIL balances:
  - (a) where your customer's name is the sole name in the title;
  - (b) where your customer's name is joined with that of other parties;
  - (c) where the account is in a trade name.

**Note:**

- (i) Where the account is subject to any restriction (e.g. a garnishee order or arrestment), this information should be stated.
  - (ii) Where the authority upon which you are providing this information does not cover any accounts held jointly with other parties, please refer to your customer in order to obtain the requisite authority of the other parties. If this authority is not forthcoming please indicate.
- 2 Full titles and dates of closure of all accounts closed during the period.
  - 3 The separate amounts accrued but not charged or credited at the above date, of:
    - (a) provisional charges (including commitment fees); and
    - (b) interest.

(Note: In place of amounts such particulars as principal, rate of interest, period, maturity date will suffice).

- 4 The amount of interest charged during the period if not specified separately in the bank statement.
- 5 Particulars (i.e. date, type of document and accounts covered) of any written acknowledgement of set-off, either by specific letter of set-off, or incorporated in some other document or security.
- 6 Details of:
  - (a) overdrafts and loans repayable on demand, specifying dates of review and agreed facilities;
  - (b) other loans specifying dates of review and repayments; interest rates of term loans;
  - (c) other facilities.

**Customer's assets held as security**

- 7 Please give details of any such assets whether or not formally charged to the bank.

*Information requested*

*Reply*

If formally charged, give details of the security including the date and type of charge. If a security is limited in amount or to a specific borrowing, or if there is to your knowledge a prior, equal or subordinate charge, please indicate.

If formally charged, indicate nature of security interest therein claimed by the bank.

Whether or not a formal charge has been taken, give particulars of any undertaking given to the bank relating to any assets.

**Customer's other assets held**

- 8 Please give full details of the customer's other assets held, including share certificates, documents of title, deed boxes and any other items listed in your registers maintained for the purpose of recording assets held.

**Contingent liabilities**

- 9 All contingent liabilities, viz:
- (a) listing of bills discounted for your customer, with recourse;
  - (b) date, name of beneficiary, amount and brief description of any guarantees, bonds or indemnities given to you by the customer for the benefit of third parties;
  - (c) date, name of beneficiary, amount and brief description of any guarantees, bonds or indemnities given you, on your customer's behalf, stating where there is recourse to your customer and/or to its parent or any other company within the group;
  - (d) listing of acceptances;
  - (e) listing of local equivalent of outstanding forward foreign exchange contracts;
  - (f) listing of outstanding liabilities under documentary credits;
  - (g) others - please give details.

**Other information**

- 10 A list of other banks, or branches of your bank, or associated companies where you are aware that a relationship has been established during the period.

Yours faithfully

Disclosure authorised for and on behalf of  
 .....  
 .....  
 (Name of customer)

*Information requested*

*Reply*

.....  
.....  
(Signed in accordance with the mandate for  
the conduct of the customer's bank account.)

.....  
Official stamp of bank)

.....  
(Authorised signatory)

.....  
(Position)

.....  
(Date)

## Notes to the standard letter

(References are to item numbers in the standard letter)

- 1 **Bank accounts:** The phrase "all accounts" includes details of all current, deposit, loan and foreign currency accounts and other advances or facilities, money held on deposit receipt. The reply should indicate whether the balance is in favour of the bank or customer, and account numbers. Where a number of deposits have been made or uplifted during the year, it is not necessary to give details of each separate deposit transaction as would be required in the case of the opening and closing of accounts.
- 3 **Accrued charges:** These can be quoted only on a provisional basis; the rate for national allowances will not be **fixed** until near the end of the charging period.
- 4 **Analysis of charges:** For the purposes of profit and loss disclosure requirements it is only necessary to ask for details of interest charged. (But see note 6 (b) below in respect of balance sheet disclosure requirements). The details of the rate of interest applicable to any interest-bearing accounts, or the appropriate formula by which interest is calculated, should only be required exceptionally.
- 5 **Set-off:** Auditors will need to have an understanding of the principles governing set-off, but it should not normally be necessary to make enquiries beyond the question as put in the standard letter. Details should be available from the relevant documents. A right of set-off may exist even when there are no written arrangements.
- 6 **Loans and other facilities:** The following details are not normally required:
  - a) the date term loans were granted if new or renewed during the period;
  - b) rate of interest charged or similar form of compensation (which information is only required by the Companies Act to be disclosed for facilities which are wholly or partly repayable in more than five years' time);
  - c) the purpose of the facility;
  - d) loan repayment arrangements, where these are included in a written agreement which is available for inspection by the auditor.

### 7 and 8 Customer's assets:

- (a) *Security* includes details of charge, mortgage or other claims or security registered (e.g. debenture, memorandum of deposit); assets charged and, where appropriate, cross reference to facility specifically secured.
  - (b) *Assets* include bonds, stock and share certificates, investments, bearer or other securities; title deeds relating to freehold, leasehold or other property; certificates of tax deposit, bills of exchange or other negotiable instruments receivable (other than cheques); shipping and other commercial *documents*, deposit receipts (as distinct from any account represented by the deposit receipt); the names of persons who are able to obtain release of the assets should be ascertained from the customer and are usually covered by the bank mandate.
  - (c) *Lien:* auditors should be aware that any assets held by the bank for safe custody may be subject to some form of banker's lien, although this may only operate under particular conditions. It should be necessary to enquire only in exceptional circumstances.
  - (d) *Bearer securities:* detailed enquiries on bearer securities should be made of the bank only when evidence cannot be obtained from the customer or his banking records.
8. **Contingent liabilities:** The liabilities under indemnities given in respect of missing bills of lading do not have an expiry date. From time to time the banks take a view on old liabilities and remove some of them from their records. Certain of these old liabilities may not therefore be shown in the figure quoted by the bank, but it cannot be guaranteed that no claim will be incurred subsequently.

9. **Other Information:** Banks are often asked for introductions to other branches or banks for the purpose of establishing new sources of finance. The provision of any available information relating to introductions or new accounts will assist auditors to satisfy themselves that they have information about all their client's banking relationships.

## Notes on matters excluded from the standard letter

### Supplementary requests

The standard letter contains all items found to be regularly required for audit purposes. In cases of doubt, or specific requirements, auditors may wish to make supplementary requests regarding other items which are not regularly required. These may include the following:

- (a) copies of bank statements;
- (b) copies of paying-in slips for specified lodgement of specified dates;
- (c) details showing make-up of those lodgements;
- (d) any list of securities or other documents of title which have been lodged by a bank with its customer as security for deposit with that bank. (This particular matter would probably apply only between banking organisations);
- (e) interest on any account paid to or by third parties, and the names of those third parties;
- (f) receipts for fire and other insurances, and similar documents in the bank's possession;
- (g) returned paid cheques;
- (h) stopped cheques - these are normally presented through the banking system within the audit period, and therefore there should be no need to seek specific details;
- (i) details of third party security, including directors' guarantees; if this information is required, the request must be accompanied by a specific authority from the appropriate third parties;
- (j) details of outstanding forward foreign exchange contracts, including the particulars of each contract, the dates of maturity and the currencies concerned.

#### Notes:

- (i) The cost of providing audit information falls on the customer and supplementary requests should be kept to a reasonable minimum.
- (ii) Depending on the terms of the authority which has been given, it may be necessary to seek specific authorisation for the disclosure of supplementary information.

### Bank mandates

Auditors may require supplementary information about bank mandates as independent verification that board resolutions concerning a company's banking affairs have been duly communicated to the bank so that they may ensure that only authorised persons are acting on behalf of the company. Auditors should ensure that they receive copies of all such resolutions from their clients.