

## **Proposed SAAPS 6 (Revised)**

March 2013

Comments requested by 15 May 2013



*South African Auditing Practice Statement (SAAPS) 6 (Revised)*

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## **External Confirmations from Financial Institutions**

## REQUEST FOR COMMENTS

The Committee for Auditing Standards (CFAS) of the Independent Regulatory Board for Auditors (IRBA) approved this exposure draft, the proposed *South African Auditing Practice Statement (SAAPS) 6 (Revised), External Confirmations from Financial Institutions* (the *proposed SAAPS 6 (Revised)*). This proposed SAAPS 6 (Revised) may be modified in light of comments received before being issued in final form. The proposed SAAPS 6 replaces the extant SAAPS 1100 *Bank Confirmations* (December 2000) that will be withdrawn on issue of the final SAAPS 6.

The *proposed SAAPS 6 (Revised)* may be downloaded free-of-charge in PDF Format from the IRBA website: [www.irba.co.za](http://www.irba.co.za).

Respondents are requested to submit their comments electronically to the Director: Standards, Sandy van Esch [svanesch@irba.co.za](mailto:svanesch@irba.co.za), or to [standards@irba.co.za](mailto:standards@irba.co.za). All comments will be considered a matter of public record and will be posted on the IRBA website, [www.irba.co.za](http://www.irba.co.za).

Comments may also be faxed for the attention of the Director: Standards at +27 086 575 6535 or mailed to:

The Director: Standards  
The Independent Regulatory Board for Auditors  
P O Box 8237  
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South Africa

Comments should be submitted by **15 May 2013**.

The mission of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognized standards and processes.

In line with the IRBA's legislative mandate, the IRBA objectives are to create the framework and principles to contribute to the protection of the public who rely on the services of registered auditors and to support registered auditors who carry out their duties competently, fearlessly and in good faith. The goal is to help create an ethical, value-driven financial sector that encourages investment, confidence and promotes sound practices by developing and maintaining auditing standards which are internationally comparable. The statutory responsibility of the CFAS is to assist the IRBA to:

- develop, maintain, adopt, issue or prescribe auditing pronouncements;
- consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and
- promote and ensure the relevance of auditing pronouncements.

Should you have any queries, or experience any technical difficulties in downloading the documents, please email the Standards Department at: [standards@irba.co.za](mailto:standards@irba.co.za) or contact:

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## REQUEST FOR COMMENTS

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## CONTENTS

<b>Contents</b>	<b>Page</b>
<hr/>	
<b>Explanatory Memorandum</b>	
Introduction	5
Background	5
Significant Changes	5
Project Timetable	6
Guide for Respondents	6
Request for Specific Comments	6
<b>Exposure Draft</b>	
Proposed SAAPS 6 (Revised):	9
<i>External Confirmations from Financial Institutions</i>	

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## EXPLANATORY MEMORANDUM

### Introduction

This memorandum provides background to, and an explanation of, the proposed *South African Auditing Practice Statement (SAAPS) 6 (Revised) External Confirmations from Financial Institutions (proposed SAAPS 6)*. This proposed SAAPS 6 replaces SAAPS 1100 *Bank Confirmations* issued in December 2000. This proposed SAAPS 6 addresses and updates matters previously dealt with in SAAPS 1100 that will be withdrawn on issue of the final SAAPS 6.

This proposed SAAPS has been prepared by a Committee for Auditing Standards (CFAS) Task Group comprising technical staff and auditors from auditing firms with experience in using external confirmations and representatives from the Banking Association of South Africa, and an electronic, external confirmation certificate service provider. A few financial institutions that are currently participating in a pilot project with certain auditing firms, for the provision of electronic confirmation certificates (E-Confirmations) by an external confirmation certificate service provider, have also been consulted. The CFAS approved the proposed SAAPS in March 2013 for exposure for public comment for a period of 60 days.

### Background

Since the issue of the former SAAPS 1100 significant changes have occurred globally in the type and diversity of account balances and information for which external confirmations are sought by auditors. In addition rapid technological developments in the financial institutions sector, has led to the increasing use of electronic transacting by financial institutions and their clients. Web-based electronic audit confirmations have been developed that are provided by external service providers, independent of auditors, clients and financial institutions' computer systems. These developments facilitate the obtaining of electronic confirmations by auditors that enhances the efficiency and security of the external confirmation process. Electronic confirmations are already used extensively in countries such as the United States and the United Kingdom. These changes have necessitated the revision of the SAAPS 1100 to be replaced with this proposed SAAPS 6.

This proposed SAAPS 6 provides implementation guidance on an auditor's use of external confirmation procedures to obtain audit evidence from financial institutions that meets the requirements of the International Standard on Auditing (ISA) 505 *External Confirmations*. The objective of this proposed SAAPS is to assist an auditor when obtaining such external confirmation certificates, either manually or electronically, from a financial institution in South Africa.

### Significant changes

1. The proposed SAAPS introduces the method for an auditor when requesting and obtaining an external confirmation certificate electronically in South Africa.
2. The existing manual, bank confirmation request form is replaced by a template consisting of nine individual Form Types that may be used for both manual and electronic confirmation requests (refer **Appendix A**). This will enable an auditor to select those individual form types relevant to the balances or information requested, instead of sending an external confirmation request form containing a number of sections that are "not applicable". This will enhancing the efficiency of

## EXPLANATORY MEMORANDUM

the confirmation process and enable a financial institution to focus quickly on confirming those balances and information relevant to the client / entity.

3. The use of the electronic confirmation process is expected to ensure that the request is directed immediately to the relevant department / individuals at the financial institution responsible for providing the confirmation certificate or electronic confirmation certificate that eliminates postal and other delays.
4. The change in the name of the proposed SAAPS 6 *External Confirmations from Financial Institutions* reflects the broader nature of financial instruments held by entities, for which an auditor may seek external confirmations. The range of financial services and investments offered to entities and individuals are provided by many different types of financial institutions, not only banks. The meaning of the term “*financial institution*” as used in this SAAPS is as defined in the *Financial Institutions (Protection of Funds) Act, 2001* (Act No. 28 of 2001) and the *Financial Services Board Act, 1990* (Act No. 97 of 1990) which includes banks.

### Project Timetable

Subject to comments received on exposure of the *proposed SAAPS 6* the IRBA intends to finalise the proposed *SAAPS 6* for issue in the second quarter of 2013.

### Guide for Respondents

The CFAS welcomes comments on all matters addressed in the exposure draft. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with the proposals in this exposure draft, especially those calling for changes to existing practice, it will be helpful for CFAS to be made aware of this view.

### Request for specific comments

1. Respondents are requested to indicate whether they find the illustrative, alternative audit procedures, in paragraphs 15 to 17, provide useful guidance when evaluating the completeness of accounts maintained by an entity and when obtaining sufficient appropriate audit evidence from various financial institutions? “Yes / No”
  - a) If your answer is “Yes”, do you believe that sufficient guidance is provided; or
  - b) If your answer is “No”, please explain what additional procedures you believe should be included, or whether you believe the guidance in paragraphs 15 to 17 should be removed?
2. Do respondents believe sufficient guidance has been provided regarding the electronic external confirmation process? “Yes / No”

If “No”, please explain what additional guidance is needed.

## EXPLANATORY MEMORANDUM

3. The Illustrative external confirmation requests in **Appendix A** include nine different categories of *Form Types* relating to a variety of account balances and financial instruments of an entity, that an auditor is most likely to encounter and wish to seek external confirmation about.

Flexibility is introduced for an auditor to select only those form types relevant to the audit client's accounts and financial information, for which external confirmation is sought.

Respondents are requested to indicate whether:

- a) They find the format and coverage of the nine form types is sufficiently comprehensive and useful? "Yes / No"
  - b) If "No", please explain what additional categories you encounter and find useful to add.
4. The external confirmation request forms accommodate both manual and electronic external confirmation requests.
- a) Respondents are requested to indicate whether they believe the standardisation will facilitate a more efficient and effective means to obtain both manual and electronic confirmation certificates from financial institutions, more promptly. "Yes / No"
  - b) If "No", please indicate why not.
5. The financial securities included in the "*Securities Form Type*" in the external confirmation forms in **Appendix A** are broadly categorised as follows:
- *Debt securities* (debt securities may be called debentures, bonds, deposits, notes or commercial paper depending on their maturity and certain other characteristics);
  - *Equity securities*, e.g. common stocks ("safe custody assets"); and
  - *Hybrid securities* e.g. preference shares (combination of the characteristics of both debt and equity securities).
- a) Do respondents agree with this broad categorisation? "Yes / No"
  - b) If No, please suggest an alternative categorisation.
6. The *Derivatives Form Type* includes a Table for FEC information to be populated by the auditor requesting the external confirmation, but an option is provided for a financial institution to attach their systems generated portfolio of trade / open positions of the entity's FECs?
- a) Do respondents believe the Table for FEC information is clear and should be retained in the Derivatives Form Type? "Yes / No"
  - b) If "No", please provide an alternative request format, for example: the financial institution is requested to provide a print-out of the entity's "portfolio of trade / open positions".

EXPLANATORY MEMORANDUM

7. Please indicate category of respondent with an "X" in the table below:

<b>Audit firms:</b>	
• Large firm;	
• Medium sized firm;	
• Small firm;	
• Academic;	
<b>Other (insert details below):</b>	

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## Proposed SAAPS 6 (Revised)

### External Confirmations from Financial Institutions

(Effective for external confirmation requests issued on or after <insert date>)

<b>Contents</b>	<b>Page</b>
<b>Scope</b>	<b>11</b>
<b>Effective date</b>	<b>11</b>
<b>Objective</b>	<b>11</b>
<b>Definitions</b>	<b>11</b>
<b>Designing an external confirmation request</b>	<b>12</b>
<b>Evaluating the reliability of the external confirmation certificate</b>	<b>13</b>
<b>Completeness of financial institution accounts</b>	<b>14</b>
<b>Use of electronic confirmations</b>	<b>16</b>
<b>Public sector perspective</b>	<b>17</b>
<b>Illustrative external confirmation request</b>	<b>17</b>
<b>APPENDIX A</b>	<b>19</b>
<i>Planning of the external confirmation request:</i>	<i>19</i>
<b>External confirmation forms</b>	<b>20</b>
<i>Index of the Form Types Confirmation Requests</i>	<i>20</i>
<b>Auditor’s external confirmation request letter</b>	<b>21</b>
<i>Letter from auditor to financial institution requesting completion of enclosed certificate</i>	<i>21</i>
<i>Form Types</i>	<i>21</i>
<b>Letter from client to financial institution authorising the financial institution to provide information to auditor</b>	<b>22</b>
<i>Letter from client to financial institution authorising the financial institution to provide information to auditor (continued)</i>	<i>23</i>

This proposed SAAPS 6 (Revised) *External Confirmations from Financial Institutions* provides non-authoritative guidance for auditors in implementing the requirements of the IAASB's ISA 505 *External Confirmations* when obtaining external confirmations from financial institutions.

It should be read in conjunction with the proposed South African *Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements* issued by the IRBA in November 2012 which sets out the proposed application and authority of SAAPS issued by the IRBA.

The non-authoritative pronouncements of the IRBA are those developed following the proposed *Due Process Policy* of CFAS issued by the IRBA in November 2012. It is intended that this proposed Guide will be issued as a non-authoritative pronouncement.

## Scope

1. This proposed SAAPS 6 (Revised) provides implementation guidance to a registered auditor (auditor) on an auditor's use of external confirmation procedures to obtain audit evidence that meet the requirements of the International Standard on Auditing ISA 505 *External Confirmations*. Implementation of this SAAPS is not a substitute for applying the ISAs.
2. This proposed SAAPS 6 (Revised) also contains an illustrative external confirmation request (Appendix A).

## Effective date

3. This SAAPS is effective for external confirmation requests issued on or after <insert date>.

## Objective

4. The objective of this proposed SAAPS is to provide practical assistance to an auditor when obtaining external confirmation certificates either manually or electronically from a financial institution as audit evidence in South Africa.

## Definitions

5. For purposes of this SAAPS, the following terms have the meanings attributed below:
  - Bill – unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time, a sum certain in money to a specified person or his order or to bearer.<sup>1</sup>
  - Cheque – a bill drawn on a bank and payable on demand.<sup>2</sup>
  - Derivative – Derivative contracts such as Foreign exchange contracts, forward rate agreements, financial futures, interest rate swaps, option contracts, bullion contracts, commodity contracts, swap arrangements (near and far dates), credit derivatives including collateralised debt obligations (CDOs), others, etc.
  - External confirmation certificate – completed external confirmation certificate received from financial institution.
  - External confirmation request – external confirmation request sent to the financial institution for completion.
  - Financial institution – which includes a bank<sup>3</sup>
  - Promissory note – An unconditional promise in writing made by one person to another, signed by the maker, and engaging to pay on demand or at a fixed or determinable future time, a sum certain in money, to a

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<sup>1</sup> Bills of Exchange Act, No 34 of 1964, section 1

<sup>2</sup> Bills of Exchange Act, No 34 of 1964, section 1

<sup>3</sup> Financial institutions as defined in the Financial Institutions (Protection of Funds) Act, 2001 (Act No. 28 of 2001) and the Financial Services Board Act, 1990 (Act No. 97 of 1990) which includes banks.

specified person or his order, or to bearer.<sup>4</sup>

- Securities – are broadly categorised into (i) Debt securities (debentures, bonds, deposits, notes or commercial paper depending on their maturity and certain other characteristics); (ii) Equity securities (e.g. common stocks – “safe custody assets”); (iii) Hybrid securities (e.g. preference shares – combination of characteristics of both debt and equity securities); (iv) etc.

## Designing an external confirmation request

6. Having decided to obtain an external confirmation certificate, an auditor plans the submission of the request to the financial institution including:
  - Determining the date by which the external confirmation certificate is needed;
  - Depending on an auditor’s risk assessment, determining whether the external confirmation certificate is needed on additional information such as trade finance transactions and balances (for example letters of credit, bills etc.);
  - Making arrangements for assembling the necessary information to be included in the external confirmation request including the account number<sup>5</sup> and company registration number / individual ID number for each legal entity. If an auditor has decided to confirm additional information (e.g. trade finance or derivative and commodity trading transactions and balances) a reference may be needed to a sample facility account number;
  - Establishing that the client authorisation provided to the financial institution/s to permit the financial institution/s to disclose all information requested to an auditor, is valid; and
  - Ascertaining where to send the request.
7. An auditor needs to be aware that financial institutions cannot give information about legal entities that are not covered by an authority provided to disclose information. This means that details will be provided by the financial institution of all accounts and facilities relating to an entity and its accounts listed on the request for an external confirmation certificate, for which there is a current authority. The financial institution is under no obligation to advise an auditor that it holds an account or has other arrangements that have not been listed in the request for information. The financial institution is also not obliged to tell an auditor that it has withheld information about an entity not listed on the confirmation request. An auditor therefore makes enquiries of management and applies his / her understanding of the business to evaluate whether the list of entities and information to be included on all requests to financial institutions is complete.
8. An auditor designs external confirmation requests to obtain relevant and reliable audit evidence.
9. A standardised external confirmation request format for when requesting information from financial institutions, Appendix A: Illustrative External

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<sup>4</sup> Bills of Exchange Act, No 34 of 1964, section 1

<sup>5</sup> May include the financial institution’s branch code as well as the account number

Confirmation Request provides an illustrative format of forms for an external confirmation request.

10. In order for the information requested from the financial institutions to be available to an auditor when required, it is important that:
  - The request be sent to the financial institutions timeously;
  - The request be sent to the appropriate contact at the financial institution; and
  - The necessary authority has been given to the financial institution by the client for each legal entity for which information is requested permitting the financial institution to furnish the information required.
11. The importance of obtaining external confirmation certificates is not only to confirm the financial institution balances and interest received / paid for the period under review but for all the “other disclosures” that are requested from the financial institution in the external confirmation request. Many of the “other disclosures” are used by an auditor as corroborative audit evidence to support specific disclosures made by the entity in its financial statements.
12. External confirmation requests from financial institutions ordinarily include confirmation of the following details regarding “other disclosures”:
  - Details of pledged or ceded balances and collateral provided for liabilities;
  - Details of any agreement between the financial institution and the client, limiting the client’s total borrowings;
  - Details of other covenants restricting the client’s ability to borrow or requiring it to adhere to certain prescribed balance sheet ratios;
  - Details of total facilities and date for review thereof;
  - Details of and reasons for securities for the client;
  - The total of bills held for collection, in safe custody for the entity or as security and how they were encumbered or pledged as security;
  - The total contingent liabilities of the entity in respect of bills receivable, discounted but not due for payment;
  - Details of other direct or contingent liabilities of the entity in respect of forward contracts entered into on his behalf; and
  - Details of other direct or contingent liabilities, including guarantees, acceptances undertaken and derivative positions.

### **Evaluating the reliability of the external confirmation certificate**

13. An auditor is responsible for evaluating whether the external confirmation certificate provides sufficient appropriate audit evidence that is relevant and reliable, or whether additional audit evidence is necessary. In making this determination, an auditor considers the information contained in an external confirmation certificate and compares it to corroborative audit evidence obtained from other audit procedures.
14. Furthermore, an auditor establishes the reliability of the confirmation by ensuring that the response is received from a reliable source, the person

providing the confirmation was authorised to do so and the integrity of the transmission has not been compromised. Where discrepancies exist or an auditor is in doubt as to the reliability of the confirmation, an auditor has a responsibility to inquire about the reasons and consider whether alternative procedures are necessary.

## **Completeness of financial institution accounts**

15. A financial institution usually includes a disclaimer regarding the completeness of the entity's financial institution accounts on an external confirmation certificate supplied to auditors.
16. An auditor considers performing alternative audit procedures in order to obtain evidence regarding the completeness of the entity's financial institution accounts.
17. The procedures an auditor may perform in order to obtain sufficient appropriate audit evidence to support the completeness of financial institution account balances is a matter of professional judgment based on the specific circumstances of the entity and the risk that the financial institutions account balances are incomplete. The following illustrative procedures may be performed in conjunction with other audit procedures to provide sufficient appropriate audit evidence to support the completeness of financial statement account balances:
  - Compare the list of financial institution accounts held by the entity at the end of the current financial year to those held in the immediately preceding financial year. Investigate the reasons for and obtain explanations for any changes in financial institution accounts;
  - Inspect the minutes of the executive meetings of the entity held during the year under review to determine if any new financial institution accounts were opened or whether any financial institution accounts were closed during the year under review;
  - Inspect the minutes of the executive meetings of the entity held during the year under review to determine if any:
    - (i) agreements / covenants were entered into between the entity and the financial institutions,
    - (ii) securities were held for the entity in safe custody and free from any known charge or liens,
    - (iii) securities were lodged by the entity in support of liabilities,
    - (iv) guarantees, acceptance undertaken on behalf of the entity and derivative positions, and
    - (v) changes were made to the authorised signatories.
  - Inspect significant contracts entered into by the entity and confirm that the contract is transacted through one of the entity's financial institution accounts;
  - Select a sample of financial institution account transfer transactions from each of the entity's financial institution account financial institution statements before and after period end date and trace the receipt or payment to one of the entity's corresponding financial institution account financial institution statements; and

- Obtain representations from management of the entity that all financial institution accounts have been dealt with in the financial statements and that all necessary disclosures arising from the entity's relationship with the financial institution have been disclosed in the financial statements.
- The following audit procedures that may already be performed as audit procedures on other account balances and classes of transactions may be performed. The transactions may need to be traced to specific financial institution account number statements in order to meet the objective of obtaining evidence regarding the completeness of financial institution account balances.
  - (i) Accounts Receivable –
    - confirm, by tracing the deposit to the entity's financial institution statement, that debtors subsequent receipts were deposited into one of the entity's financial institution accounts;
    - confirm, by review of the debtors confirmation letters received, that debtors payments are all made into one of the entity's financial institution accounts; and
    - confirm, by review of the debtors account reconciliations, that none of the reconciling items represent receipts and payments in / out of financial institution accounts not recorded in the financial records;
  - (ii) Revenue –
    - confirm, by tracing the deposit to the entity's financial institution statement, that the sample of revenue transactions selected were all deposited into one of the entity's financial institution accounts;
  - (iii) Accounts Payable –
    - confirm, by tracing the sample of payments selected to the entity's financial institution statements, to ensure that the creditors payments were made from one of the entity's financial institution accounts; and
    - confirm, by review of the creditors account reconciliations, that none of the reconciling items represent receipts and payments in / out of financial institution accounts not recorded in the financial records;
  - (iv) Payments –
    - confirm, by tracing the payment to the entity's financial institution statements, that the expense transactions were made from one of the entity's financial institution accounts;
  - (v) Journal entries –
    - perform audit procedures on journal entries to determine whether any represent adjustments to the financial records following cash receipts or payments into / out of financial institution accounts not recorded in the financial records;
  - (vi) Using CAATS, review all sales and purchases records to identify any financial institution account numbers not recognised as those of the entity; and

- (vii) Using CAATS, review all intercompany financial institution account transfers to identify any financial institution account numbers not recognised as those of the entity.

## Use of electronic confirmations

18. The transmission or receipt of electronic confirmations or the use of an electronic confirmation process is recognised in ISA 505<sup>6</sup> as an acceptable means of obtaining audit evidence.
19. There are situations in which an auditor transmits, or the respondent responds to, a confirmation request other than in a written communication mailed by post or by hand directly between the respondent and an auditor. For example, an auditor may transmit the confirmation request via facsimile or even e-mail using a scanned electronic copy of a document that has been signed by a client physically.
20. The response to a confirmation request may potentially also be facilitated through a process whereby a respondent provides an auditor access to a secure website, hosted either by the respondent or by a third party, where the requested information about a particular item affecting financial statement assertions has been made available by the respondent.
21. An auditor's direct access to information held by a third party (the confirming party) may be regarded as an acceptable external confirmation when, for example, an auditor is provided by the confirming party with the electronic access codes or information necessary to access a secure website where data that addresses the subject matter of the confirmation is held. An auditor's access to information held by the confirming party may also be facilitated by a third-party service provider. When access codes or information necessary to access the confirming party's data is provided to an auditor by management, evidence obtained by an auditor from access to such information does not meet the definition of a confirmation.
22. Any confirmation response involves risks relating to reliability because proof of the source or origin might be difficult to establish and alterations can be difficult to detect. Such risk exists regardless of whether a response is obtained in paper form, by electronic correspondence, or through some other medium. Confirmation responses received electronically involve additional risks relating to reliability. Accordingly, an auditor assesses the reliability of the information obtained through the electronic confirmation response, taking into account risks that:
- The confirmation process might not be secure or might not be properly controlled;
  - The information obtained might not be from a reliable source; and
  - The integrity of the transmission might have been compromised.
23. The possible controls that may be put in place over access to electronic confirmations may include:
- Physical security of computer equipment including adequate safeguards;
  - Electronic authorisation for access to computer programs and data files;

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<sup>6</sup> ISA 505, *External Confirmations*, paragraph A12



- Encryption;
  - Restriction of access to programs and data files;
  - Password control; and
  - Review and monitoring of activity logs.
24. Various means might be used to validate the source of the electronic information and the respondent's knowledge about the requested information. For example:
- If information is provided via facsimile response, an auditor may verify the source and contents of the facsimile response by directly contacting the intended confirming party (e.g., by a telephone call to the intended confirming party) as well as asking the confirming party to send the original back in the mail.
  - If information is provided via an e-mail response, an auditor could verify the source and contents of the e-mail response, such as verifying the e-mail address of the intended confirming party or contacting the intended confirming party by telephone as well as asking the confirming party to send the original back in the mail.
  - If a service organisation is used to facilitate confirmation, an auditor could obtain an understanding of the controls over the procedures used by the service organisation and perform appropriate procedures to determine the reliability of the service organisation's process and consider the guidance in ISA 402<sup>7</sup>.

## Public sector perspective

25. The guidance in this SAAPS applies to external confirmation requests sought in an audit of financial statements in the public sector.

## Illustrative external confirmation request

26. **Appendix A** contains the *Illustrative External Confirmation Request* that consists of nine individual Form Types:
1. Assets;
  2. Liabilities;
  3. Securities;
  4. Contingent Liabilities and Guarantees;
  5. Derivatives;
  6. Bills;
  7. Letter of Credit;
  8. Cash Management System; and
  9. Authorised Transactor / Signatories List.
27. An auditor selects only those individual *Form Types* relevant for the entity being

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<sup>7</sup> International Standard on Auditing ISA 402 *Audit considerations relating to an entity using a service organisation*

audited and sends them to the applicable financial institution for confirmation instead of sending all nine *Form Types* with their external confirmation request. The sections of the external confirmation request that are to be completed by an auditor, or where an auditor has to furnish schedules, have been shaded in **Appendix A**. To assist the financial institutions in furnishing the required information expeditiously, an auditor ensures that these shaded sections are completed, and schedules are attached prior to sending the external confirmation request to the financial institution. Incomplete external confirmation requests may delay the process of obtaining the external confirmations from financial institutions.

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## APPENDIX A

### Planning of the external confirmation request:

Having decided to obtain a manual or electronic external confirmation request, an auditor plans the submission of the confirmation request to the financial institution/s as follows:

- Determines the date by which the external confirmation certificate is needed;
- Depending on an auditor's risk assessment, determines whether an external confirmation certificate is needed on additional information such as trade finance transactions and balances (for example letters of credit, bills etc.);
- Makes arrangements for assembling the necessary information to be included in the external confirmation request including the account number/s<sup>8</sup> and company registration number / individual ID number for each legal entity. If an auditor has decided to confirm additional information (e.g. trade finance or derivative and commodity trading transactions and balances) a reference may be needed to a sample facility account number;
- Check that the authorities provided by the client to the financial institution/s to allow them to disclose information in response to the auditor's confirmation request are valid; and
- Ascertaining where to send the request.

An auditor needs to be aware that financial institutions cannot provide information about legal entities that are not covered by an authority from the audit client to disclose such information. This means that details will be provided by the financial institution of all accounts and facilities relating to an entity and its accounts listed on the request for an external confirmation certificate, for which there is a current authority.

The financial institution is under no obligation to advise an auditor that it holds an account or has other arrangements that have not been listed in the request for information. The financial institution is also not obliged to inform an auditor that it has withheld information about an entity not listed on the confirmation request. An auditor therefore makes enquiries of management and applies his / her understanding of the business to evaluate whether the list of entities and information to be included on all relevant Form Types included in the confirmation requests to financial institutions is complete.

**Appendix A:** is available as an electronic confirmation request form or as a Microsoft Word Template.

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<sup>8</sup> May include the financial institution's branch code as well as the account number

## External confirmation forms

### Index of the Form Types Confirmation Requests

To be edited as appropriate and typed on the auditor's letterhead.

(Note: The Form Types selected to be included in the external confirmation request will be based on the auditor's assessment of the risks in relation to relevant financial statement assertions)

Form Type		Form Type Included for Completion
1.	Assets – (Balances Favourable to Client)	"Yes / No"
2.	Liabilities – (Balances Favourable to the Financial Institution)	"Yes / No"
3.	Securities	"Yes / No"
4.	Contingent Liabilities and Guarantees	"Yes / No"
5.	Derivatives	"Yes / No"
6.	Bills	"Yes / No"
7.	Letter of Credit	"Yes / No"
8.	Cash Management Systems	"Yes / No"
9.	Authorised Transactors / Signatories List	"Yes / No"

## Auditor's external confirmation request letter

*[To be edited as appropriate and typed on the Auditor's letterhead]*

### Letter from auditor to financial institution requesting completion of enclosed certificate Form Types

The Manager

"Enter date"

Dear Sir / Madam

"Enter Client Name"

"[Enter Client Year / Period ended"

"[Enter Client Registration Number]"

For audit purpose, (and in terms of the authority from the client – attached below) kindly complete the enclosed certificate relating to our above client as at the close of business on "[Enter Client Year / Period ended" .

Kindly return the enclosed certificate/s, duly completed, together with the relevant information, directly to ourselves. In the event of the information requested not being applicable, please indicate as such in your reply.

We draw your attention to the fact that the completed certificate will form part of the audit evidence to be obtained by us in arriving at the conclusions on which to base our audit opinion on our client's financial statements. Your co-operation in this regard is appreciated.

Yours faithfully

"Audit Firm Representative Signature"

"Enter Audit Firm Name"

<b>Audit Firm Information</b> <i>[Please note this is not required to be filled in if the information is included in the auditor letterhead]</i>	<b>Audit Recipient Information</b> <i>[Please note this is the audit firm representative sending the request information]</i>
"[Enter Audit Firm Name]"	"[Enter Audit Recipient Name]"
"[Enter Audit Firm Address]"	"[Enter Audit Recipient Contact Details (Tel & Fax)]"
"[Enter Audit Firm Contact Details (Tel & Fax)]"	"[Enter Audit Recipient Email Address]"
"[Enter Audit Firm IRBA Registration Number]"	

[To be edited as appropriate and typed on client letterhead]

## Letter from client to financial institution authorising the financial institution to provide information to auditor

The Manager

"Enter date"

Dear Sir / Madam

"Enter Client Name" \*

"[Enter Client Year / Period ended]" \*

"[Enter Client Registration Number]" \*

*\*[When there is a group of companies, list the multiple companies' details above for authorisation to be given for all the listed companies.]*

We have provided the following information as of the close of business on the Request Date "[Enter Client Year / Period ended]" regarding our company<sup>9</sup> financial statement information to our auditors. Please confirm the accuracy of the information, noting any exceptions to the information provided. Please release any other information requested by the auditor.

As an authorised signatory of the above listed entity / entities, I hereby authorise "Enter Financial Institution Name" to:

- release the information as requested by our auditors "[Enter Audit Firm Name]" and
- debit the main account of "Enter Client Name" with the costs related to providing the information requested.

Attached is a table of parties involved in this audit external confirmation request process has been included for your review.

Yours faithfully

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Authorised signatory

"[Enter Authorised Signer Name]"

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<sup>9</sup> Or other entity or individual

*[To be edited as appropriate and typed on client letterhead]*

**Letter from client to financial institution authorising the financial institution to provide information to auditor (continued)**

The table below represents a detailed log of the parties involved in this external confirmation request process:

<b>Clients Company Information</b> <i>[Please note this is not required to be filled in if the information is included in the client letterhead]</i>	<b>Clients Authorised Signer Information</b> <i>[Please note this is the client authorised signer information registered at the financial institution]</i>
"[Enter Client Name]"	"[Enter Authorised Signer Name]"
"[Enter Client Address]"	"[Enter Authorised Signer Contact Details (Tel & Fax)]"
"[Enter Client Contact Details (Tel & Fax)]"	"[Enter Authorised Signer Email Address]"
"[Enter Client Registration Number]"	

<b>Audit Firm Information</b>	<b>Auditor Recipient Information</b> <i>[Please note this is the audit firm representative sending the request information]</i>
"[Enter Audit Firm Name]"	"[Enter Audit Recipient Name]"
"[Enter Audit Firm Address]"	"[Enter Audit Recipient Contact Details (Tel & Fax)]"
"[Enter Audit Firm Contact Details (Tel & Fax)]"	"[Enter Audit Recipient Email Address]"
"[Enter Audit Firm IRBA Registration Number]"	

<b>Form Type:</b>	Assets – (Balance favourable to client)
<b>Client:</b>	"[Enter Client Name]"
<b>Client Reg #</b>	"[Enter Client Reg #]"
<b>Period End Request Date:</b>	"[Enter Client Year / Period End Date]"
<b>Audit Firm:</b>	"[Enter Audit Firm Name]"
<b>Requesting Representative:</b>	<b>Audit Firm</b> "[Enter Audit Firm Representative Name]"

**[Note: shaded sections on the forms indicate that the auditor has to furnish related information]**

According to our records at the close of business on year/period ended "[Enter Client Year / Period ended]":

1. All balances on Cheque, Deposit, Savings Bank, and other accounts of the above named client and associated interest received by and accrued to above named client for the period "Beginning Date" to "End Date" were:

(Balances favourable to the client)

Account No.	Type of Account	Balance	Account Status (Active/ Closed)	Date Account Closed	Interest where applicable		
					Rate (%)	Amount Received by Client	Amount Accrued to Client

2. Details of Pledged/Ceded balances are as follows:

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3. Exceptions and/ or Comments for Auditor:

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4. Exceptions and/ or Auditor's Comments from the auditor for financial institution:


<b>Form Type:</b>	Liabilities – (Balance favourable to financial institution)
<b>Client:</b>	"[Enter Client Name]"
<b>Client Reg #</b>	"[Enter Client Reg #]"
<b>Period End Request Date:</b>	"[Enter Client Year / Period End Date]"
<b>Audit Firm:</b>	"[Enter Audit Firm Name]"
<b>Requesting Audit Firm Representative:</b>	"[Enter Audit Firm Representative Name]"

**[Note: shaded sections on the forms indicate that the auditor has to furnish related information]**

According to our records at the close of business on year/period ended "[Enter Client Year / Period ended]":

1. All balances on Loans, Advances and other accounts of the above named client and associated interest paid by and owed by the above named client for the period "Beginning Date" to "End Date" were:

(Balances favourable to the financial institution)

Account No.	Type of Account	Balance	Repayment Terms	Account Status (Active/ Closed)	Date Account Closed	Interest where applicable		
						Rate (%)	Amount paid by client	Amount owed by client

2. Details of collateral are as follows:

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3. Details of agreements between the financial institution and the client, limiting the client's total borrowings are as follows:

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4. Details of other covenants restricting the client's ability to borrow or requiring it to adhere to certain prescribed balance sheet ratios are as follows:

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5. Details of total facilities and the date for review thereof are as follows:

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6. Exceptions and/ or Comments for Auditor:

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7. Exceptions and/ or Comments from the auditor for Financial Institution:

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<b>Form Type:</b>	Securities*
<b>Client:</b>	"[Enter Client Name]"
<b>Client Reg #</b>	"[Enter Client Reg #]"
<b>Period End Request Date:</b>	"[Enter Client Year / Period End Date]"
<b>Audit Firm:</b>	"[Enter Audit Firm Name]"
<b>Requesting Representative:</b>	<b>Audit Firm</b> "[Enter Audit Firm Representative Name]"

**[Note: shaded sections on the forms indicate that the auditor has to furnish related information]**

\*Securities are broadly categorised into:

- Debt securities (debt securities may be called debentures, bonds, deposits, notes or commercial paper depending on their maturity and certain other characteristics),
- Equity securities, e.g., common stocks ("safe custody assets"),
- Hybrid securities e.g., preference shares (combination of the characteristics of both debt and equity securities), etc.

According to our records at the close of business on year/period ended "[Enter Client Year / Period ended]":

Account No.	Type of Account

1. Securities held by you for our account:

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2. Securities out for transfer to our name:

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3. Securities pledged or otherwise encumbered:

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4. Amounts payable or due from us:

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5. Exceptions and/ or Comments for Auditor:

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6. Exceptions and/ or Comments from the auditor for Financial Institution:

<b>Form Type:</b>	Contingent Liabilities and Guarantees
<b>Client:</b>	"[Enter Client Name]"
<b>Client Reg #</b>	"[Enter Client Reg #]"
<b>Period End Request Date:</b>	"[Enter Client Year / Period End Date]"
<b>Audit Firm:</b>	"[Enter Audit Firm Name]"
<b>Requesting Audit Firm Representative:</b>	"[Enter Audit Firm Representative Name]"

**[Note: shaded sections on the forms indicate that the auditor has to furnish related information]**

According to our records at the close of business on year/period ended "[Enter Client Year / Period ended]":

<b>Account No.</b>	<b>Type of Account</b>

1. Information related to written guarantees are as follows:

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<b>Amount</b>	<b>Expiry Date</b>	<b>Beneficiaries</b>	<b>Special Conditions</b>

2. Other direct or contingent liabilities (Not letter of credit / derivatives) of the client were as follows (e.g.: Note):

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3. Exceptions and/ or Comments for Auditor:

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4. Exceptions and/ or Comments for / from the auditor Financial Institution:

<b>Form Type:</b>	Derivatives*
<b>Client:</b>	"[Enter Client Name]"
<b>Client Reg #</b>	"[Enter Client Reg #]"
<b>Period End Request Date:</b>	"[Enter Client Year / Period End Date]"
<b>Audit Firm:</b>	"[Enter Audit Firm Name]"
<b>Requesting Audit Firm Representative:</b>	"[Enter Audit Firm Representative Name]"

**[Note: shaded sections on the forms indicate that the auditor has to furnish related information]**

\* Derivative contracts, such as Foreign exchange contracts, forward rate agreements, financial futures, interest rate swaps, option contracts, bullion contracts, commodity contracts, swap arrangements (near and far dates), credit derivatives including collateralised debt obligations (CDOs), others (state their nature) etc.

According to our records at the close of business on year/period ended "[Enter Client Year / Period ended]":

Account No.	Type of Account

1. Information related to forward contracts entered into on clients behalf are as follows:

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FEC Number <sup>10</sup>	Amount in Rand	Amount in foreign currency	Period	Buying / Selling

<sup>10</sup> The financial institution may attach to the external confirmation certificate a financial institution systems generated portfolio of trade / open position summary instead of filling in this table.



PROPOSED SAAPS 6 (REVISED) EXTERNAL CONFIRMATIONS FROM FINANCIAL INSTITUTIONS


2. Information on other derivative position are as follows:

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3. Exceptions and/ or Comments for Auditor:

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4. Exceptions and/ or Comments from the auditor for Financial Institution:

<b>Form Type:</b>	<b>Bills*</b>
<b>Client:</b>	"[Enter Client Name]"
<b>Client Reg #</b>	"[Enter Client Reg #]"
<b>Period End Request Date:</b>	"[Enter Client Year / Period End Date]"
<b>Audit Firm:</b>	"[Enter Audit Firm Name]"
<b>Requesting Audit Firm Representative:</b>	"[Enter Audit Firm Representative Name]"

**[Note: shaded sections on the forms indicate that the auditor has to furnish related information]**

\* Bill (or bill of exchange) – unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time, a sum certain in money to a specified person or his order or to bearer.

According to our records at the close of business on year/period ended "[Enter Client Year / Period ended]":

<b>Account No.</b>	<b>Type of Account</b>

1. The total of bills held for collection, in safe custody for the client or as security was R"[Enter Rand Amount]". We confirm that the total is made up in accordance with the schedule furnished to us by you, a copy of which we return to you herewith duly authenticated, and that no other bills are held in safe custody for the client.

2. The bills, detailed above, were encumbered or pledged as security for:

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3. The total contingent liabilities of the client in respect of bills recoverable, discounted but not yet due for payment was R"[Enter Rand Amount]". We confirm that the total is made up in accordance with the schedule furnished to us by yourselves, a copy of which we return herewith duly authenticated, and that the customer has no further contingent liabilities to the financial institution in respect of discounted bills receivable.

4. Exceptions and/ or Comments for Auditor:

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5. Exceptions and/ or Comments from the auditor for Financial Institution:

<b>Form Type:</b>	Letter of credit
<b>Client:</b>	"[Enter Client Name]"
<b>Client Reg #</b>	"[Enter Client Reg #]"
<b>Period End Request Date:</b>	"[Enter Client Year / Period End Date]"
<b>Audit Firm:</b>	"[Enter Audit Firm Name]"
<b>Requesting Representative:</b>	<b>Audit Firm</b> "[Enter Audit Firm Representative Name]"

**[Note: shaded sections on the forms indicate that the auditor has to furnish related information]**

According to our records at the close of business on year/period ended "[Enter Client Year / Period ended]":

Account No.	Type of Account	Currency	Amount	Expiry Date

1. Please advise if a non-renewal notification has been sent for the letter of credit described above:

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2. Please advise of any balance variance, if applicable, for the letter of credit described above:

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3. Acceptances undertaken on behalf of the client, amount to R"[Enter Rand Amount]", made up as follows:

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4. Exceptions and/ or Comments for Auditor:

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5. Exceptions and/ or Comments from the auditor for Financial Institution:

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<b>Form Type:</b>	Cash Management Systems
<b>Client:</b>	"[Enter Client Name]"
<b>Client Reg #</b>	"[Enter Client Reg #]"
<b>Period End Request Date:</b>	"[Enter Client Year / Period End Date]"
<b>Audit Firm:</b>	"[Enter Audit Firm Name]"
<b>Requesting Audit Firm Representative:</b>	"[Enter Audit Firm Representative Name]"

**[Note: shaded sections on the forms indicate that the auditor has to furnish related information]**

According to our records at the close of business on year/period ended "[Enter Client Year / Period ended]":

Account No.	Type of Account

1. The names and number of each account included in such system during the year were as follows:

Name	Account Number	Deemed Participant: YES / NO	Deemed Controlling Company: YES / NO

2. Exceptions and/ or Comments for Auditor:

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3. Exceptions and/ or Comments from the auditor for Financial Institution:

<b>Form Type:</b>	Authorised Transactors / Signatories List
<b>Client:</b>	"[Enter Client Name]"
<b>Client Reg #</b>	"[Enter Client Reg #]"
<b>Period End Request Date:</b>	"[Enter Client Year / Period End Date]"
<b>Audit Firm:</b>	"[Enter Audit Firm Name]"
<b>Requesting Audit Firm Representative:</b>	"[Enter Audit Firm Representative Name]"

**[Note: shaded sections on the forms indicate that the auditor has to furnish related information]**

According to our records at the close of business on year/period ended "[Enter Client Year / Period ended]":

<b>Account No.</b>	<b>Type of Account</b>

6. The authorised transactors / signatories on the client's accounts were as follows:

<b>Name of authorised Transactors / Signatories</b>	<b>Confirmed: YES/NO</b>	<b>Transaction limit (if applicable)</b>

7. We hold the following documentation with regard to power of attorney ( other than for security) from the client in the financial institution's favour or in favour of a third party:

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8. Exceptions and/ or Comments for Auditor:

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9. Exceptions and/ or Comments from for Financial Institution: