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Attention: Ms N Simons
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Dear Nicki

Comments: Draft SAAPS 6 on External Confirmations from Financial Institutions

At time of writing, I have received no specific comments from member banks on the draft document, but am aware that some of the banks are struggling to get to grips with the issues raised.

I would, however, table the following comments and suggestions for consideration in finalising the document. Note: grammatical errors and punctuation have not been highlighted unless they are significant.

1. Comments – Explanatory Memorandum

1.1 Item: Introduction

Please note that our official title is “The Banking Association South Africa”, without the word “of” in the second paragraph.

1.2 Item: Significant changes #3

This paragraph states unequivocally that “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 ...”. It should be noted that the use per se of the electronic system will not ensure this – financial institutions will have to identify and publicize the relevant department/or individuals to which such requests should be emailed/addressed. Perhaps the expectation for improved service delivery should be amended by including the following sentence:

“In order to achieve the benefits of the electronic confirmation process it is expected that every financial institution make known to its corporate customer base and to the auditing community, specific email contact details to which such electronic confirmation requests can be submitted.”

2. **Comments – Draft SAAPS 6 (Revised)**

2.1 Item: Scope 1

In paragraph 1 the acronym "ISA" is used without it being defined. Given the use of this Standard by operational (non-auditing) staff within financial institutions the acronym should probably be defined first.

2.2 Item: Designing an external confirmation request #6, #10

It is unclear within the overall context of the document why the text of sections 6 & 7 are repeated under Appendix A. If it is necessary could cross-referencing to prior paragraphs not suffice?

In paragraph 10 it is stated that the request "be sent to the financial institutions timeously;" In order to avoid never-ending disputes on service delivery and expectations it is recommended that the concept "timeously" be clearly defined, e.g. "at least 20 business days before the customer's financial year-end." In a similar context, it should be noted that financial institutions should respond to such requests within 40 (or however many) business days of the customer's year-end.

2.3 Item: Completeness of financial institution accounts #17

In item (vi) on page 15 of 40 the acronym "CAATS" is used, without a prior explanation of its meaning. Perhaps it should be expanded for non-audit specialists.

2.4 Item: "Letter from client to financial institution authorising the financial institution to provide information to auditor." (page 22 of 40)

The last sentence in this letter reads incorrectly, and should presumably include the word "which" or "that" between "process" and "has been included".

On page 24 of 40 there is a table reflecting status and interest rates/amounts per different account numbers. One column highlights "Date account closed". The question is asked whether it could also be important to know "date account opened", if such date falls within the period under audit review? The same would apply to the table on page 26 of 40.

Ad items 1, 2 and 4 on pages 28 and 29 of 40 reference is made to "you", "our" or "us" In order to avoid any possibility of confusion, especially from administrative personnel completing such information, these words should be changed to "the customer" or "the financial institution" as relevant.

Ad item 6 on page 39 of 40 is a table listing "Name of authorised Transactors/Signatories." Immediately above it is a table listing the open account numbers. Perhaps the table of authorised signatories should be expanded by including provision for "Account Number", on the presumption that different account numbers could have different authorised transactors/signatories.



3. **General Comment**

Provision is made in the client authorisation letter (page 22 of 40) for the financial institution to "debit the main account of [client name] with the costs related to providing the information requested."

It is unclear how, in the case of banks, such costs can or should be recovered in the situation where the client is no longer an active client of the bank, i.e. the banking relationship was terminated during the year under audit review.

It is recommended that, in this case, the costs be debited to the auditor concerned, who/which will be in a position to recover such disbursement from the client directly.

4. **Conclusion**

I trust that these few comments facilitate finalising this long standing Project, and will revert in the next few days if I get any additional comments from member banks.

Yours sincerely



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