



24 December 2010

Dear members and member practices,

Request for bank confirmation of information for audit purposes

As you are aware, the Institute issued Hong Kong Standard on Auditing 505 (Clarified) *External Confirmations* in June 2010 as part of the suite of Hong Kong Standards on Auditing (Clarified) which is effective for audits of financial statements for periods beginning on or after 15 December 2009. A new bank confirmation specimen is attached as an appendix to HKSA 505 (Clarified) which has been developed by the Institute in consultation with the Hong Kong Association of Banks (HKAB). The changes principally relate to the inclusion of the following four additional items:

- Additional information on banking facilities granted to the audit client
- The issue and maturity date of acceptances outstanding in the bank's books
- Other guarantee information (other than shipping guarantees)
- Information in relation to derivative contracts / structured product contracts outstanding, including interest rate contracts and other derivative contracts / structured product contracts

The Institute's standard setting department has recently been informed by the HKAB that banks require different lead time for system changes and may not be ready for the new bank confirmation specimen. The HKAB has discussed this with the Institute and has issued the attached circular to its member banks to provide guidance on the transitional arrangements <http://app1.hkicpa.org.hk/correspondence/ss/2010-12-24/hkab-circular.pdf>.

For the four additional items that are added in the new bank confirmation specimen, members are advised to continue designing and performing audit procedures to obtain sufficient appropriate audit evidence on those items where banks are not able to provide the additional information as requested.

The Institute's standard setting department will continue to liaise with the HKAB on the complete transition on the use of the new bank confirmation specimen and will work towards full implementation by the end of 2011 for audits of financial statements with financial year ends of 31 December 2011 and thereafter. We shall keep you posted of developments.

Thank you for your kind attention.

Sincere regards,

Steve Ong,
Director, Standard Setting
Hong Kong Institute of CPA

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