

## APB PRACTICE NOTE 16, BANK REPORTS FOR AUDIT PURPOSES (REVISED)

### Practical guidance on implementation

#### Introduction

The Auditing Practices Board published Practice Note 16, *Bank reports for audit purposes (Revised)* (PN16 (Revised)) on 12 December 2007. The formal implementation date for the revised procedures will be the audit of accounting periods commencing on or after 26 December 2007, i.e. December 2008 year ends except for companies with short accounting periods. The reason for allowing extended implementation of the revised Practice Note was to give auditors time to collect the necessary main account information for all legal entities listed on report requests sent to the bank. Therefore, if auditors have obtained the main account numbers and sort codes for all the entities listed on a request, they are encouraged to follow the procedures and use the report request templates contained in PN16 (Revised). If auditors do not have the necessary information, they will need to continue to use the procedures and request forms contained in the PN16 interim guidance (point 11 in table below). This will cease to be an option for the audit of accounting periods beginning on or after 26 December 2007, so if auditors are not able to provide main account details for an entity, they should not include that entity on the bank report request.

**Auditors need to be aware that many banks have changed their systems for replying to auditor requests in order to accommodate the changes brought in by PN16 (Revised). It is therefore important that auditors refer to the information given by each bank to which they wish to send a report request, about the address to which requests should be sent and the form of report request that should be used. The bank information can be found via a link on the BBA website (<http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=854>).**

The following table sets out the procedures applicable to each version of PN16.

	<b><u>Procedure</u></b>	<b><u>PN16 interim guidance 2006</u></b>	<b><u>PN16 Revised 2007</u></b>
1	Authority to disclose	Check authority is valid (up to date to cover all entities listed on request and signed in accordance with mandate covering all entities).	Check authority is valid (up to date to cover all entities listed on request and signed in accordance with mandate covering all entities).
2	Timing of request	Send to arrive at least one month in advance of audit confirmation date.	Send to arrive at least one month in advance of audit confirmation date.
3	Where to send request	Send to the address notified by the bank in its most recent reply to a bank confirmation request for the client concerned. If the bank has not specified a particular address for requests, send the request	Details of where to send requests are given on the BBA website <sup>1</sup> . Each bank has provided details of where requests made in accordance with PN16 (Revised) are to be sent. In the case of central or

<sup>1</sup> <http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=854>

		to the address to which previous requests have been addressed, e.g. the branch holding the entity's main account.	regional requests processing, this will be the central or regional address: otherwise the bank will state that the request should be sent to the relationship team, which is the branch holding the main account.
4	Custodian arrangements	Follow Appendix 2 - Request for supplementary information.	The request for information about custodian arrangements has been taken out of the categories of additional information listed in the Standard Request. If the auditor wishes to confirm the existence and nature of specific assets held for safekeeping or suspects that the entity is concealing assets the auditor makes separate arrangements to confirm these or carry out a physical inspection.
5	Request formats	Use templates in Appendices 1 and 2 of interim guidance: see points 8, 11 and 12 below.	Use either the templates available on the BBA website <sup>2</sup> or copy the templates given in Appendix 1 of PN16 (Revised).
6	Obtaining bank acknowledgement of auditor request  There is no standard format for banks' acknowledgement of audit information requests. Many banks prefer to send an email acknowledgement so that, whether following the interim guidance or PN16 (Revised), auditors are encouraged to give an email address for the bank to use.  Banks are not able to accept email requests	Complete Part A of form set out in Appendix 5 of interim guidance but note that not all banks will respond: see BBA website or individual bank websites for policy on acknowledgements.	See Appendix 1 in PN16 (Revised). Check BBA website (see point 3 above) for individual bank policy on acknowledgements.  Complete auditor contact details in part 2 of request form (all request types) and indicate form of acknowledgement in part 5 (all request types). If seeking acknowledgement by post, attach template from end of Appendix 1. If requesting acknowledgement by email, the auditor needs to provide a unique reference number for each audit request which does not identify the customer. This

<sup>2</sup> <http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=855&a=13510>

	and, except for email acknowledgements, are unable to correspond with auditors using email.		is essential for the Bank's data protection policies.
7	Client details to be given	Give the full names of all legal entities covered by the request. Give the branch sort code and account number for the main account in the name of the 'lead' entity on the request.	Give full names of all legal entities covered by the request. Give the branch sort code and account number for the <b>main account</b> of each and every legal entity listed in the request.  The names on the request need to match the customer name of the bank accounts for which the main sort code and account number are given.
8	Request for standard information including details of trade finance if applicable	Use letter templates contained in appendices 1 and 2 to the interim guidance	Use 'Standard' request form no. 1 in Appendix 1.
9	Chasing for information requested	If the request is sent to the bank a month or more before the year end, allow the earlier of one month from the accounting year end or the expiry of the period stated as standard for replying to audit requests by the bank concerned, before chasing for outstanding replies. For requests sent late, or after the year end, allow the period stated as standard, or as specified by the bank in any acknowledgement, before chasing for a reply.	If the request is sent to the bank a month or more before the year end, allow the earlier of one month from the accounting year end or the expiry of the period stated as standard for replying to audit requests by the bank concerned, before chasing for outstanding replies. For requests sent late, or after the year end, allow the period stated as standard, or as specified by the bank in any acknowledgement, before chasing for a reply.
10	Request for early response when the auditor considers this to be essential e.g. where the reporting deadline is a month or less after the year end/ audit confirmation date.	No standard procedure	Use 'Fast track' request form no. 2 in Appendix 1. Give reason for requesting fast track response in part 2 of request form.  Banks have agreed to fast-track requests as a priority on a best endeavours basis. Allow a minimum of 14 working days from the year-end before chasing for a

			response. <b>As indicated in paragraph 15 of PN16 (Revised), the use of fast track requests is expected to be exceptional, decided as part of audit planning, for example where the reporting deadline is very tight.</b>
11	Main account number details not known for ALL entities listed on a single bank report request. The provision of the account number and sort code for the lead entity, is always expected.	Use standard request for information from interim guidance Appendix 1, with supplementary information per Appendix 2, if appropriate.	Do not use PN16 (Revised).
12	Risk assessment and knowledge of client indicate poor record keeping or breakdown of controls such that auditor doubts the reliability of account information provided by client	Use standard request for information from interim guidance Appendix 1, with supplementary information per Appendix 2, if appropriate.	Use 'Incomplete information' form no. 3 in Appendix 1. Note that use of this form is intended to be exceptional, and the auditor will be expected to confirm that the circumstances are exceptional and acknowledge that the bank response may take longer than usual to process.

### **In case of problems ...**

As explained in the earlier version of this practical guidance note, a joint working group comprising representatives of the main banks and auditors is monitoring progress on implementation, and will do its best to resolve issues that cannot be cleared by direct correspondence between the auditor and the bank. The initial contact points for auditor queries are:

ACCA and AAPA Advisory Services - 020 7059 5920 or [members@accaglobal.com](mailto:members@accaglobal.com)  
ICAEW Technical Enquiry Service – 01908 248025  
ICAS Technical Query Service – [accountingandauditing@icas.org.uk](mailto:accountingandauditing@icas.org.uk)