

Annex D-B

Singapore Deposit Insurance Corporation Ltd

Deposit Insurance (DI) Scheme

Terms of Reference for Report on Data Integrity



1 Objectives

SDIC Rule D13(e) requires Scheme members to appoint an external auditor to produce an independent assurance report on a Scheme member's compliance with requirements of regulation 11(1) of the Deposit Insurance and Policy Owners' Protection Schemes (Deposit Insurance) Regulations ("the DI Regulations") and the SDIC Rules on Compensation Payout Preparedness¹ ("the Rules") issued under the Deposit Insurance and Policy Owners' Protection Schemes Act 2011 (DI-PPF Act). For this purpose, the Terms of Reference ("TOR") provides guidance to the auditor for the performance of a limited assurance engagement under the Singapore Standard on Assurance Engagements ("SSAE") 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*:

- 1.1 Under the DI-PPF Act, in the event of failure of a Scheme member, the Singapore Deposit Insurance Corporation Limited (SDIC) will make compensation payments to insured depositors from the Deposit Insurance fund should MAS make such a determination. For this purpose, SDIC is entitled to rely on the books² of the failed Scheme member. In order to enable prompt payment to insured depositors, the DI Regulations specify that every Scheme member shall be operationally prepared at all times to furnish to SDIC the necessary information. In this regard, SDIC has issued Rules specifying the information required; and SDIC Notice SDIC/DI/Notice-001 on the structure and format as well as the data handling process and standards. In order to comply with these requirements, the Scheme member has implemented processes and systems to extract the Specified Information from its books in the structure and format prescribed. SDIC also conducts annual data submission exercises with every Scheme member to evaluate compliance with these Rules.
- 1.2 This TOR is to be read in conjunction with, and is not a substitute for, the requirements contained in SSAE 3000 (Revised). It is not intended to limit or replace the appointed auditor's professional judgment and initiative, or limit the application of relevant SSAEs.
- 1.3 This TOR is also not intended to provide step by step guidance in relation to the conduct of the limited assurance engagement and it is not to be used as a checklist of all issues to be considered by the auditor.

¹ SDIC Rules D13 to D16 on Compensation Payout Preparedness and Annex D-A on "Specified Information" can be found on the SDIC public website; SDIC Notice SDIC/DI/Notice-001 on data structure and format as well as data handling process and standards can be found in the Scheme members' secured area on the SDIC website.

² Under the DI-PPF Act, the "book" includes any record, register, document or other record of information, and any account or accounting record, however compiled, recorded or stored, whether in written or printed form or on microfilm or in electronic form or otherwise.

2 Scope and General Procedures of Limited Assurance Engagement

2.1 Currently, SDIC is able to verify during its annual data submission exercises with the Scheme member that the information submitted complies with the structure and format specified and therefore can be processed to generate the compensation payment files. SDIC also verifies that the account balances of insured depositors reconcile to the general ledger. Hence, the scope of an independent limited assurance engagement will complement and not duplicate the verification conducted by SDIC during such data submission exercises.

The scope of the limited assurance engagement is set out broadly as follows:-

- (a) Evaluate the adequacy of the internal controls on the data extraction processes and systems such that the Specified Information is extracted from the books of a Scheme member in a complete and accurate manner. This should include controls to ensure that the number of customer records as well as the number of insured accounts and the dollar balances belonging to every account holder extracted are the same as what is recorded in the books.
 - (b) Evaluate the internal controls over the data integrity and confidentiality of the Specified Information to ascertain that access is appropriately restricted to relevant bank personnel.
 - (c) Evaluate the internal controls over the accuracy of the assignment of information codes to certain Specified Information as prescribed in Appendix A of Notice SDIC/DI/Notice-001. This should include controls to ensure that the codes, e.g. identification type (such as Singapore NRIC), account holder type (such as single or joint) and SDIC hold code (such as deposit balance where a legal withholding order has been imposed), are assigned accurately.
 - (d) Evaluate the internal controls over the process of encryption and transmission of the data files to SDIC, via SDIC's Scheme Member Portal ("SM Portal") or Secured File Transfer Protocol (SFTP) between Scheme member and SDIC. This should include controls to ensure that the data files are encrypted according to the standards as prescribed in Appendix B of Notice SDIC/DI/Notice-001, and the integrity of the data files are preserved during the process of transferring from the point of extraction to the receipt of data files by SDIC in its designated server.
- 2.2 The independent auditor is required to determine the timing, nature and extent of the procedures to be performed to gain limited assurance on whether the Specified Information are prepared in accordance with the Rules and Notice SDIC/DI/Notice-001. The auditor should, where appropriate, perform tests on the systems, processes and controls over the preparation of the Specified Information by the

management of the Scheme member to determine whether the requirements of the Rules and Notice SDIC/DI/Notice-001 are met.

- 2.3 The general procedures which the independent auditor should, where appropriate carry out in respect of his work on the examination of the Specified Information for the purpose of reporting under the Rules include the following:
- (a) Obtain an understanding of the processes and controls over the preparation of the Specified Information and individual data items included in the Specified Information such as:
 - Understand the SDIC requirements applicable to the preparation and submission of the Specified Information; and
 - Understand the systems, processes and controls over the underlying supporting schedules, worksheets or books and records used by the Scheme member's management in preparing the Specified Information.
 - (b) Evaluate the processes and controls over the preparation of the Specified Information, such as:
 - Evaluate the Scheme member's policies and procedures for the preparation of the Specified Information;
 - Evaluate whether the systems, processes and controls are adequate for compliance with the requirements of the Rules; and
 - Where appropriate, test the application of such systems, processes and controls.
 - (c) Read correspondences between the Scheme member and the SDIC relating to the Specified Information.
 - (d) Review audit reports issued to the Scheme member by an independent auditor or internal auditor relating to the completeness and accuracy of data entry of customer information into the Scheme member's books. Deficiencies that would cause inaccurate payments during compensation payout should be highlighted.
 - (e) Obtain sufficient and appropriate evidence to support the assessed risks of non-compliance and report the nature of non-compliance, where appropriate.
 - (f) Exercise professional judgment in determining the nature, timing and extent of procedures to gather sufficient and appropriate evidence.

3 Details on Specified Information

3.1 The reference in section 2.1(a) on the evaluation of the data extraction processes and systems, covers the following data prescribed in Annex D-A of the Rules:

- (a) Customer Information
 - Customer Full Name
 - CIF Number (or Segregation Identifier)
 - Identification Number
 - Date of Birth
 - Mailing Address and Postal Code

- (b) Account Information
 - Product Code
 - Corresponding General Ledger Account Number
 - Account Number
 - Account Ledger Balance
 - Fixed Deposit Receipt Number (only applicable if Scheme member has such information)
 - Ledger Balance of Receipt (only applicable if Scheme member has such information)
 - Hold / Earmark Amount
 - CIF Number (or Segregation Identifier) of Account Holder
 - Identification Number of Account Holder
 - Account Holder's Share of Account Ledger Balance

- (c) CPFIS Account Information (only applicable if Scheme member is a CPFIS agent bank)
 - Source CPF Investment Account Number (only applicable if the account is a fixed deposit placed using monies from CPF Investment account)
 - CPF Account Number of Account Holder

- (d) Sole Proprietorship Owner Information
 - Name of Sole Proprietorship Owner
 - CIF Number (or Segregation Identifier) of Sole Proprietorship Owner (only applicable if the owner is a customer of the Scheme member)
 - Identification Number of Sole Proprietorship Owner

- (e) Supplementary Information on Accounts under Hold / Earmark
 - Account Number
 - Receipt Number (only applicable if Scheme member has such information)
 - Hold / Earmark Amount

- (f) General Ledger Information
 - GL Account Number
 - Original Currency Code
 - GL Account Balance in Original Currency

3.2 The reference in section 2.1(c) on the evaluation of the accuracy of the assignment of information codes to certain Specified Information, covers the following data as prescribed in Appendix A of Notice SDIC/DI/Notice-001:

- (a) Customer Information
 - Identification Type
 - Multiple CIF Identifier
- (b) Account Information
 - Hold / Earmark Indicator
 - Account Holder Type
 - Identification Type of Account Holder
- (c) CPFIS Account Information (only applicable if Scheme member is a CPFIS agent bank)
 - SWIFT BIC code of CPFIS agent bank of the account holder's CPF Investment Account (only applicable if the account is a fixed deposit placed using monies from CPF Investment account)
 - SWIFT BIC code of the agent bank to receive compensation payment under CPFIS
- (d) Sole Proprietorship Owner Information
 - Identification Type of Sole Proprietorship Owner
- (e) Supplementary Information on Accounts under Hold / Earmark
 - SDIC Hold Code

4 Reports from the Limited Assurance Engagement

4.1 The independent auditor should produce the following reports:

- (a) An independent assurance report according to the template attached in the Appendix.
- (b) Any other observations which, on their own, would not lead to a modified limited assurance report.

APPENDIX

Illustration of Independent Assurance Report on the Member's compliance with requirements of regulation 11(1) of the Deposit Insurance and Policy Owners' Protection Schemes (Deposit Insurance) Regulations and SDIC Rule D13(e) issued under the Deposit Insurance and Policy Owners' Protection Schemes Act 2011

[DI Scheme member Name]

[Address]

Independent Assurance Report on the Member's compliance with requirements of regulation 11(1) of the Deposit Insurance and Policy Owners' Protection Schemes (Deposit Insurance) Regulations and SDIC Rule D13(e) issued under the Deposit Insurance and Policy Owners' Protection Schemes Act 2011

In accordance with our engagement letter dated [date], we have performed a limited assurance engagement about whether the Member has complied with the requirements ("the Requirements") of regulation 11(1) of the Deposit Insurance and Policy Owners' Protection Schemes (Deposit Insurance) Regulations and SDIC Rule D13(e) issued under the Deposit Insurance and Policy Owners' Protection Schemes Act 2011 as at [date] relating to the preparation of the Specified Information as defined in the Requirements.

Management's Responsibility

Management is responsible for the preparation of the Specified Information as defined in the Requirements for ensuring compliance with the Requirements.

This responsibility includes designing, implementing and maintaining internal control relevant to ensuring that the Requirements are adhered to and maintaining adequate records in relation to the Requirements.

Auditor's Independence and Quality Control

We have complied with the independence and other ethical requirements of the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Singapore Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality controls including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility is to examine the Member's compliance with the Requirements; and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained.

We performed our work in accordance with Singapore Standard on Assurance Engagements 3000 (Revised) – *Assurance Engagements other than Audits or Reviews of Historical Financial Information* ("Standard"). This Standard requires that we comply with ethical requirements and plan and perform our work to form the conclusion. The extent of the work performed depends on our professional judgment and our assessment of the engagement risk. Our work includes obtaining an understanding of the processes and controls supporting the preparation of the Specified Information, sufficient to identify and assess the risks that the Requirements in connection with the preparation of the Specified Information may not be complied with and sufficient to design and perform further evidence-gathering procedures. Our work also includes carrying out inquiries of relevant personnel of the Member as well as other procedures which are necessarily conducted on a test basis and included such samples as we deemed appropriate. In this connection, we have reviewed the processes and controls in relation to the preparation of the Specified Information and reliance has been placed on internal controls where appropriate. In designing our procedures, we have also considered the Terms of Reference in connection with the procedures on the preparation of the Specified Information as attached. Because of the inherent limitations in any system of internal control and compliance framework, fraud or error may occur and not be detected.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Conclusion³

Based on our work described in this report and evidence obtained, *[except for those matters referred to below/in our management letter dated _____]*, nothing has come to our attention that causes us to believe that the Member's preparation of the Specified Information, in all material respects, is not in accordance with the Requirements.

³ SSAE 3000 (Revised) paragraph 74 states that the practitioner shall express a modified conclusion when certain circumstances (as described therein) exist.

Further, paragraph 75 states that the practitioner shall express a qualified conclusion when, in the practitioner's professional judgement, the effects, or possible effects, of a matter are not so material and pervasive as to require an adverse conclusion or a disclaimer of conclusion. A qualified conclusion shall be expressed as being "except for" the effects, or possible effects, of the matter to which the qualification relates.

Restriction on Distribution and Use

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on those matters in the first paragraph of this report and for no other purpose. Our report is made available to the Singapore Deposit Insurance Corporation Limited for their information only. We do not assume responsibility to anyone other than the Member for our work, for our report, or for the conclusions we have reached in our report.

_____ (Firm)
Public Accountants and Chartered Accountants
Singapore, [date]