Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

GUIDELINES ON
VALIDATION PROGRAMME:
DEPOSIT INFORMATION SYSTEMS AND SUBMISSION

ISSUE DATE   :   31 JANUARY 2019

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SECTION 1:   INTRODUCTION

BACKGROUND AND PURPOSE

1.1   The objective of deposit insurance is to provide depositors with an explicit guarantee and protection against the loss of their insured deposits placed with a deposit-taking member ("DTM") by providing a mechanism for the reimbursement of insured deposits in the event that a DTM is unable to meet its financial obligation to the depositors.

1.2   Perbadanan Insurans Deposit Malaysia ("PIDM"), an independent statutory body having authority under the Malaysia Deposit Insurance Corporation Act 2011 ("PIDM Act"), is mandated to, amongst others, administer a deposit insurance system and provide insurance against the loss of part or all of the deposits for which a DTM is liable for. PIDM is to carry out its mandated functions with speed and efficiency and promote and enhance financial consumer protection.

1.3   To facilitate the above, PIDM issued the *Guidelines on Deposit Information Systems and Submission* ("DISS Guidelines") with the following objectives:

(a)   Ensure the readiness of the DTMs' deposit systems in providing the necessary deposit information to PIDM for total insured deposit ("TID") validation purposes;

(b)   Require the DTMs to submit their deposit information based on a standard file format ("SFF"); and

(c)   Facilitate and expedite the DTMs' calculation of TID and validation of the DTMs' calculation of TID and premiums.

1.4   The DISS Guidelines also set out the minimum requirements for a DTM's deposit liability systems ("the Minimum Requirements").

1.5   Given the importance of DTMs to be able to adhere to the Minimum Requirements and furnish accurate and reliable deposit liability information to PIDM promptly, DTMs are required to engage an external auditor to perform an independent validation on

selected aspects of the DTMs' compliance with the Minimum Requirements, which PIDM is unable to validate from the deposit information submitted in the SFF.

1.6   The **Guidelines on Validation Programme: Deposit Information Systems and Submission** ("DISS Validation Guidelines") are to assist DTMs and external auditors to complete the validation of the DTM's compliance with the relevant requirements of the DISS Guidelines.

1.7   These DISS Validation Guidelines are effective from the date of issuance and shall supersede the Guidelines on Validation Programme: Deposit Information Systems and Submission issued on 4 March 2014.

OBJECTIVES

1.8   The primary objectives of the DISS Validation Guidelines are as follows:

(a)   to explain the scope and purpose of the validation programme for the Minimum Requirements; and

(b)   to provide the procedures ("agreed-upon" procedures) for the external auditor in performing its validation work.

REFERENCE MATERIALS

1.9   The following reference materials are relevant to assist the users of the DISS Validation Guidelines:

(a)   PIDM Act;
(b)   DISS Guidelines;
(c)   Guidelines on Total Insured Deposits and Premiums;
(d)   Guidelines on Validation Programme: Differential Premium Systems and Total Insured Deposits ("DPS and TID Validation Guidelines");
(e)   Guidelines on Submission of Deposit Product Information;
(f)   Malaysia Deposit Insurance Corporation (Deposit Insurance Limit) Order 2011; and
(g)   Malaysia Deposit Insurance Corporation (Disclosure Requirements for Trust Accounts and Joint Accounts) Regulations 2012.

LEGAL PROVISION

1.10   The DISS Validation Guidelines are made pursuant to the powers conferred by Section 209 of the PIDM Act.

1.11   Section 96 of the PIDM Act provides that PIDM may examine or commission another person, to conduct the examinations of the operations of the DTM, and that the scope of audit may include the examination of:

(a)   whether proper and adequate deposit records are maintained by a DTM; or
(b)   whether reports made by a DTM on its premiums are substantially correct.

1.12   Unless expressly stated otherwise, any information or document required to be submitted to PIDM under the DISS Validation Guidelines, including any letter, report, form, returns and action plan, shall be submitted online through PIDM's portal. The original hard copy shall be kept by the DTMs.

1.13   A reference to a statute or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

ENQUIRIES

1.14   Enquiries relating to the DISS Validation Guidelines may be directed to diss_guidelines@pidm.gov.my

SECTION 2:   DEPOSIT INFORMATION SYSTEMS AND SUBMISSION REQUIREMENTS

2.1   A DTM is required to:

(a)   adhere to the Minimum Requirements. The Minimum Requirements are:

(i)   Maintaining a unique Customer Information File ("CIF") number

DTMs shall maintain unique customer file numbers for each depositor. The CIF numbers will be used as a basis for the aggregation process in order to generate the amount of TID. It is crucial that each depositor is uniquely identifiable.

(ii)   Reconciliation of deposit balances in Subsidiary Ledger and General Ledger

DTMs shall ensure that their subsidiary ledger(s) and general ledger deposit balances are reconciled at all times. This requirement will provide greater assurance on the accuracy and quality of deposit information provided to PIDM in the SFF.

(iii)   Identification of insurability status

DTMs' deposit systems shall be able to identify the insurability status of all deposit products. This identification will facilitate the computation of insured deposits for premium calculation as well as for purpose of reimbursement of insured deposits to depositors.

(iv)   Issuance of Deposit product code

DTMs shall ensure that each deposit product is identifiable through PIDM's standardised and unique deposit product code.

(v)   Classification of deposits by depositor type

In line with the separate insurance coverage provided to each depositor type (i.e. individual, joint, trust, sole proprietorship and partnership), DTMs' deposit systems shall be able to identify each deposit by depositor type.

(vi)   Computation of interest or return

The deposit systems shall be able to compute interest or return for each account on a daily basis. This is to ensure that the interest or return amount is allocated to the respective depositors' account for computation of TID and for purpose of reimbursement of insured deposits to depositors.

(vii)   Beneficiary information of trust accounts

The deposit systems shall have the capability of maintaining beneficiary information for trust account (each beneficiary's name/identifier code and their respective percentage of beneficial interest). The information should be kept updated as and when the trustees provide such information or upon PIDM's requests for such information to be updated.

(viii)   Tracking of remittance suspense and bills payable

The DTMs' deposit and remittance systems shall be able to identify and track whether remittances and bills payable instruments (such as cashier order, interbank GIRO, internet banking, telegraphic transfer, etc) are made through cash payments or by debiting of deposit accounts. Where relevant, these systems shall be capable of identifying whether the source of debiting originates from an Islamic or conventional deposit account. This will facilitate the conduct of relevant adjustments of the deposit balances with the remittance suspense and outstanding bills payable for calculation of TID.

(ix)   <u>Tracking the clearing status of cheques</u>

The DTMs' deposit systems shall be able to track whether cheques credited into the deposit account have been sent (or the cheque truncation image has been transmitted) for clearing. The information is required to determine if the insurable balances of deposit accounts need to be adjusted for un-cleared and returned cheques.

(b)   submit deposit information in the SFF as prescribed by PIDM in the DISS Guidelines by 31 May (or the immediately preceding working day if 31 May falls on a weekend or a public holiday in Kuala Lumpur) of each year for the outstanding position as at 31 December of the prior year.

2.2   The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") must certify that:

(a)   the information provided in the SFF has been prepared and submitted to PIDM in accordance with the DISS Guidelines;

(b)   effective key compliance and internal control have been maintained over the recording of transactions and that information provided to PIDM in the SFF is, to the best of their knowledge, true and correct; and

(c)   the DTM's deposit liability system(s) comply with the Minimum Requirements.

2.3   Given the importance of DTMs to be able to adhere to the Minimum Requirements and furnish accurate and reliable deposit liability information to PIDM promptly, the external auditor appointed by the DTM is required to perform an independent validation on selected aspects of the DTMs' compliance with the Minimum Requirements which PIDM is unable to validate from the deposit information submitted in the SFF. Please refer to Section 3 for further details on the validation programme.

2.4   Any non-compliance with any requirements of PIDM's guidelines, regulations or orders by a DTM could result in a premium surcharge pursuant to Section 51 of the PIDM Act.

2.5   In addition, pursuant to Section 193 of the PIDM Act, any person who prepares, approves, concurs in or signs any account, return, report, statement or other document, required for submission to PIDM that he or she knows or has reason to believe is false or contains false or misleading information, commits an offence punishable by fine and/or imprisonment.[1]

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[1]   Pursuant to Section 193 of the PIDM Act, as regards the deposit information provision and the validation programme, officers of DTMs and external auditors are also subject to this provision.

SECTION 3: VALIDATION PROGRAMME

OVERVIEW

3.1 PIDM adopts a two-tier approach to assessing DTMs' compliance with the Minimum Requirements as follows:

Tier one (1): This involves PIDM conducting an overview assessment of the respective areas. PIDM's overview assessment will, as a minimum, involve inputs from three (3) areas, namely:

(a) CEO and CFO's annual certification;

(b) format and data validation by PIDM's system on the SFF; and

(c) findings from the external auditors' validation programme.

Tier two (2): This involves a more detailed bespoke review on identified areas of concern if there are any significant or persistent findings from the annual overview assessment.

3.2 PIDM requires DTMs to engage an external auditor to validate such aspects of a DTM's compliance to the Minimum Requirements where PIDM is unable to perform such validation from the deposit information provided in the SFF. In this respect, the senior management of the DTM shall:

(a) engage an external auditor to perform the validation programme as set out in Appendix 1 and the external auditor shall provide an independent validation report to PIDM in the form as set out in Appendix 2;

(b) facilitate and provide the relevant information that the external auditor requires in conducting the independent validation exercise; and

(c) be responsible for the accuracy and completeness of the information on which the external auditor is to report.

3.3 The validation to be performed by the external auditor shall be carried out in accordance to Auditing Standard: AI4400 – Engagements To Perform Agreed-Upon-Procedures Regarding Financial Information.

SUBMISSION DATES OF THE INDEPENDENT VALIDATION REPORT AND DETAILED ACTION PLAN AND TIMELINE

3.4   The external auditor is required to provide to PIDM an independent validation report on the DTMs' compliance to the respective work procedures as set out in Appendix 1. The independent validation report in hard copy has to be submitted to PIDM by hand to PIDM's office by 31 May of each assessment year (or the immediately preceding working day if 31 May falls on a weekend or a public holiday in Kuala Lumpur).

3.5   DTMs are also required to separately submit to PIDM its detailed action plan and timeline in the form as set out in Appendix 3 on how to address the exceptions, if any, as highlighted in: (i) the annual certification form of the CEO and CFO; and (ii) the external auditor's independent validation report, by 31 July of each assessment year (or the immediately preceding working day if 31 July falls on a weekend or a public holiday in Kuala Lumpur). All reports that require certification/signatories shall be scanned and the scanned copy must be submitted to PIDM online through PIDM's portal.

3.6   PIDM reserves all its powers and rights under the PIDM Act, including but not limited to its rights to take any actions outside the scope of this validation programme, such as requiring a DTM to be subjected to additional validation of its records and systems.

SCOPE OF VALIDATION PROGRAMME FOR OVERVIEW ASSESSMENT

3.7   The scope of the validation programme is designed to ascertain DTMs' compliance to the Minimum Requirements and comprises two (2) components, namely:

   (a)   **Validation by PIDM:** This typically involves format and data validation procedures performed by PIDM's system on the SFF.

   (b)   **Validation by external auditor:** This involves performance of validation procedures by the external auditor where PIDM is unable to perform such validation on its own from the DTMs' annual submission of deposit information in the SFF.

3.8   The following table provides a summary of the approach adopted in validating the DTMs' compliance with the Minimum Requirements.

No	Minimum Requirement	Validation Approach
(i)	DTMs shall maintain unique CIF numbers for each depositor.	**Validation by PIDM**

No	Minimum Requirement	Validation Approach
		This requirement can be validated by PIDM's system with the information in the SFF, by comparing accounts with common CIF numbers but bearing different identification numbers, and accounts with common identification numbers but bearing different CIF numbers. PIDM's system is able to generate exception reports on these identity conflicts.
(ii)	DTMs shall ensure that their subsidiary ledger(s) and general ledger deposit balances are reconciled at all times.	**Validation by external auditor** The external auditor establishes if the total composition of deposit balances in the subsidiary ledger reconciles with the general ledger as at 31 December pursuant to the DPS and TID Validation Guidelines. The external auditor work programme for this requirement focuses on the following three (3) areas of validation: (a) Reconciliation of the deposit subsidiary ledger to general ledger at any random date; (b) Balances in the reconciliation or suspense account in the general ledger which are related to a deposit account (if any); and (c) Ageing of the items in (b).
(iii)	DTMs' deposit systems shall be able to identify the insurability status of all deposit products.	**Validation by PIDM** Using PIDM's System, PIDM is able to test if the deposit product codes maintained in the DTMs' records exist and that the insurability status is correct.
(iv)	DTMs shall register all deposit products with PIDM.	**Validation by external auditor** Test if: (a) all products (save for some excluded products) are registered with PIDM; and (b) deposit product codes are correctly tagged to the depositor accounts in the SFF.
(v)	DTMs' deposit systems shall be able to identify each deposit by depositor type in line with the separate insurance coverage provided to each depositor type.	**Validation by external auditor** Test if the depositor type in the SFF is classified correctly for a depositor account by verifying against relevant source documents.
(vi)	DTMs' deposit systems shall be able to compute interest or returns for each account on a daily basis.	**Validation by external auditor** Test ability of DTMs' deposit liability systems to compute accrued interests or returns on random date(s) across all deposit products.
(vii)	DTMs' deposit systems shall have the capability of maintaining	**Validation by PIDM**

No	Minimum Requirement	Validation Approach
	beneficiary information for trust account.	PIDM's system is able to validate whether details of beneficiaries are available in the SFF. **Validation by external auditor** Validate whether details of beneficiaries have been updated by the DTMs correctly.
(viii)	DTMs' deposit and remittance systems shall be able to identify and track whether remittances and bills payable instruments (such as cashier orders, interbank GIRO, internet banking, telegraphic transfers) are made through cash payments or by debiting of deposit accounts.	**Validation by external auditor** Pursuant to the DPS and TID Validation Guidelines, the external auditor tests the completeness of the uncleared items and transactions pending for settlement, the classification of these items as well as whether depositors' names are correctly identified. The external auditor work programme for this requirement leverages on the work procedure to test the accuracy of information in the SFF.
(ix)	DTMs' deposit systems shall be able to track the clearing status of the cheques deposited to the deposit accounts.	

3.9   The validation work procedures to be conducted by the external auditor as set out in Appendix 1 are organised as follows:

(a)   Ensuring accuracy of the information provided in the SFF:

(i)   Validation of the capability of the deposit liability systems in maintaining accurate product codes for each depositor's account;

(ii)   Validation of the capability of the deposit liability systems in identifying depositor type for each deposit;

(iii)   Validation of the maintenance of beneficiary information of trust accounts; and

(iv)   Validation of uncleared items and transactions pending for settlement in the DTMs' systems.

(b)   Reconciliation of the subsidiary ledger(s) and the general ledger balances at any random date(s)

(i)   Validation of the deposit subsidiary ledger(s) and general ledger balances at any random date(s);

(ii) Validation of balances in the reconciliation or suspense accounts in the general ledger which are related to a deposit account at any random date(s);

(iii) Validation of age of items in the reconciliation or suspense accounts in the general ledger which are related to a deposit account; and

(iv) Validation of the computation of interest or return at any random date(s).

3.10 Appendix 2 sets out the format of the external auditor independent validation report in respect of the agreed upon validation procedures listed in Appendix 1.

Perbadanan Insurans Deposit Malaysia
31 January 2019

Appendix 1

VALIDATION PROGRAMME – AGREED UPON PROCEDURES

Objectives

1.1   The objective of the external auditor validation programme is to validate aspects of DTMs' compliance with the Minimum Requirements where PIDM is unable to perform such validation from the deposit information provided in the SFF.

1.2   The validation shall be carried out in accordance to AI4400 – Engagement to Perform Agreed-Upon-Procedures Regarding Financial Information.

1.3   This programme should be read in conjunction with the DISS Guidelines.

Planning

1.4   In preparation for the validation, prior to executing the work procedures, the following shall be conducted:

By the External Auditor

(a)   Obtain an understanding of the relevant and current guidelines and regulations issued by PIDM relating to deposit liability and determine its impact on the preparation, contents and submission of SFF; and

(b)   Obtain an understanding of the DTMs' business activities, systems architecture, processes, procedures, management controls related to the management of the deposit liability system(s) and generation of SFF.

By the DTM

(a)   Prepare the following reports:

    (i)   Detailed deposit subsidiary ledger product listing reports together with mapping tables to PIDM's product codes (if applicable);

    (ii)   PIDM's product insurability status report;

    (iii)   Listings of bills payable outstanding as at 31 December that arose by debiting a deposit account and that arose by cash transaction;

    (iv)   ageing analysis reports for all suspense and reconciliation accounts in the general ledger which are related to a deposit account;

(v)   Listing of deposit accounts bearing interest or return categorised by the deposit product codes issued by PIDM; and

(vi)   Documentation of business rules for computation of interest or return for each product.

(b)   SFF set out in the DISS Guidelines as at 31 December[2] and as at a random date selected by the external auditor.[3]

1.5   The work programme consist of two (2) parts:

(a)   Work Programme – Information in SFF

Note: The reference date for this Work Programme shall be 31 December.

Accuracy of information in SFF
A)   Validation of the capability of the deposit liability systems in maintaining accurate product codes for each depositor's account
Objective: **To ensure that the deposit product codes for each depositor's account as at 31 December are in accordance with the product codes issued by PIDM.**
1.   Agree the product's name[4] for each product in the DTM's deposit subsidiary ledger product listing reports[5] with the latest[6] insurability status report issued by PIDM;[7]   2.   Randomly select ten (10) accounts from each product name[4] in the DTM's deposit subsidiary ledger product listing reports. Using the samples selected, agree the deposit product's code *(refer to field B7 – Deposit Product Code in "Master File")* in the SFF with the deposit product code and name as contained in the latest insurability status report issued by PIDM; and   3.   If there are exceptions noted in steps 1 and 2, highlight and obtain comments from the DTM on the exceptions noted and document herein.

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2   The SFF must be the same version that is submitted to PIDM under the DISS Guidelines.

3   For purposes of work programme on validation of the computation of interest or return at any random date(s).

4   Product name refers to the description of the product that is consistent with the product grouping used by the DTM for purposes of registration of products with PIDM.

5   This report at minimum should contain the name of each deposit product, product code and list of depositors' account.

6   PIDM's insurability status report issued on or after 31 December.

7   External auditors may rely on the DTMs internal mapping tables which map the product codes in the subsidiary ledgers to PIDM's product codes.

B)	**Validation of the capability of the deposit liability systems in identifying depositor type for each deposit**
	Objective: **To ensure that the depositor type as reported as at 31 December agrees with the DTM's records.**
	1. Randomly select fifty (50) accounts for each account type[8] in the SFF *(refer to field B12 – Account type in "Master File")* and compare if the account type as reported in the SFF is in accordance with the account type stated in relevant source documents[9] in the DTMs records; and
	2. If there are exceptions noted in step 1, please highlight and obtain comments from the DTM on the exceptions noted and document herein.

C)	**Validation of the maintenance of beneficiary information of trust accounts**
	Objective: **To ensure that the beneficiary information of trust accounts is maintained and updated in DTM's record**
	1. Select top twenty (20) accounts by value with two (2) or more beneficiaries for each type of trust account – individual and non-individual as categorised in the SFF *(refer to fields B12 – Account type, B22 – Available Deposit Balance in "Master File", B4 – Beneficiary name/code in "Beneficiary Table");*
	2. For each of the sample selected, ascertain that the DTM has notified the trustee before 31 March to update the beneficiary details for the current assessment year[10];

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[8] Refers to the seven (7) account types per classification in the DISS Guidelines, namely; (i) individual person; (ii) individual joint account; (iii) individual trust; (iv) business sole proprietorship; (v) business partnership; (vi) non-individual person; and (vii) non-individual trust.

[9] The primary source document shall be the account opening form (either in physical or electronic form), details contained in signature cards, account update forms, partnership mandate or business registration form for the respective account. If the primary source document for the selected account is not available or does not reflect the account type stated in the SFF, other collaborative evidence produced by the DTM to evidence the account type classification in the SFF can be used. In the case where collaborative evidence is being used, the nature of the collaborative evidence validated against should be disclosed in the External Auditor's Independent Validation Report. In the event that any of the primary source documents or collaborative evidence in the DTMs records conflict with each other, the most current primary source document or collaborative evidence should be used for validation purpose.

[10] In accordance with the requirements of the Malaysia Deposit Insurance Corporation (Disclosure Requirements for Trust Accounts and Joint Accounts) Regulations 2012.

3. For the sample accounts selected where the trustees have provided updated beneficiary details, agree the beneficiaries' details *(refer to fields B3 – Customer Name, B4 – Beneficiary name/code, B5 – Beneficiary ID and B7 - % Beneficiary Interest in the "Beneficiary Table")* in the SFF with the information submitted by the trustees to DTMs;[11] and

4. If there are exceptions noted in steps 2 and 3, please highlight and obtain comments from the DTM on the exceptions noted and document herein.

D)	**Validation of uncleared items and transactions pending for settlement in the DTM's system**

Objective:

To ensure the accuracy of uncleared items and transactions pending for settlement in the DTM's system.

1. Using the samples selected under the TID work programme "Other Items in the RTID – Payment Instructions"[12], agree the following fields to the "Master file" of the SFF:
   (a) B1- Account Number
   (b) B9-Customer/Account Name
   (c) B16 – Registration No
   (d) B19 – RM Ledger Balance/Outstanding Deposit Balance
   (e) B22 – RM Available Deposit Balance
   (f) B24 – RM Bills Payable Outstanding

   Note: Amount of uncleared items is arrived at taking field B19 less field B22.

2. Match the total:
   (a) bills payable (refer to field B24) in the SFF to DTM's bank-wide list of uncleared items and transactions pending for settlement that relates to insurable deposits[13].

   (b) float items (refer to B19 less field B22) in the SFF to DTM's deposit system(s); and

3. If there are differences in comparison data for steps 1 and 2, please highlight and obtain comments from the DTM on the differences noted and document herein.

   (b)   Work Programme – Deposit Liability System

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[11]   This includes any correspondences or any form of notification by trustee to DTMs. If no information has been provided by the trustees, state that no beneficiary details are available.

[12]   As set out in the DPS and TID Validation Guidelines.

[13]   Refer to TID work programme "Other Items in the RTID" relating to Payment Instruction in the DPS and TID Validation Guidelines.

Note: For purposes of this work programme, a "random date" means any current or forward date which is not a month-end date.

Reconciliation of the deposit subsidiary ledger(s) and the general ledger balances at any random date(s)

A)	**Validation of the deposit subsidiary ledger(s) and the general ledger balances at any random date(s)**
	Objective: **To ensure that the deposit subsidiary ledger(s) and the general ledger balances agree at any random date(s).**
	1. Select two (2) random dates and for each date, compare the total composition of the deposit subsidiary ledger(s)[14] with the general ledger as of the selected date(s); and
	2. If there are differences in comparison data for step 1, please highlight and obtain comments from the DTM on the differences noted and document herein.

B)	**Validation of balances in the reconciliation or suspense accounts in the general ledger which are related to a deposit account at any random date(s)**
	Objective: **To ensure that balances in the reconciliation or suspense accounts in the general ledger which are related to a deposit account at any random date(s) agree with the respective source document.**
	1. For reconciliation or suspense accounts in the general ledger which are related to a deposit account: (a) Set out the name of the account(s) as reflected in the general ledger and the balances as at one of the random date(s) selected in work programme "Validation of the subsidiary ledger(s) and the general ledger balances at any random date(s)"; (b) Randomly select fifty (50) accounts and agree the balance of each reconciliation or suspense account with the respective source documents from which it purports to represent and highlight any exceptions noted; (c) If there are exceptions noted in step 1(b), obtain reconciliation(s) from the DTM, test for clerical accuracy of the reconciliation(s), obtain comments from the management on any exceptions noted and document herein; and (d) Where reconciliation or suspense accounts in the general ledger which are related to a deposit account cannot be identified, comment from the DTM on the controls adopted in ensuring that the balances in the reconciliation

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[14]   Refers to all items in the subsidiary ledgers relating to the computation of Total Insured Deposits in accordance with the Guidelines on Total Insured Deposits and Premiums.

or suspense accounts at the random date agree with the respective source document and document herein.

C)	**Validation of age of items in the reconciliation or suspense accounts in the general ledger which are related to a deposit account**
	Objective: **To ensure that reconciling items in the reconciliation or suspense accounts in the general ledger which are related to a deposit account that exist are dated so as to ascertain the age of these items.**

1. For each reconciliation or suspense accounts in the general ledger which are related to a deposit account as at 31 December, obtain an ageing analysis report from the DTM, showing total number of transactions and total value for the following age buckets[15]:

   (a) 0 day to 7 days;
   (b) 8 days to 30 days;
   (c) 31 days to 365 days; or
   (d) Above 365 days,

   and document herein.

2. Randomly select twenty (20) samples from each of the age buckets[16], check to available supporting documents if the amount and ageing are correctly stated and highlight differences noted.

Computation of interest/return for each account on a daily basis

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[15] If the age buckets in the ageing analysis report from the DTM differs from the age buckets provided in this work procedure, document the total number of transactions and total value for each of the age buckets shown in the ageing analysis report from the DTM.

[16] Samples are required from individual transactions across the reconciliation or suspense accounts for the respective age buckets. If there are less than twenty (20) items in any age buckets, all items should be selected.

D)	**Validation of the computation of interest or return at any random date(s)**
	Objective: **To ensure that the interest or return calculation systems of the DTM is accurate and capable of computing interest or return at any random date(s).**

1. Obtain from the DTM a list of deposit accounts bearing interest or return categorised by deposit product code issued by PIDM;

2. Randomly select two (2) samples across each deposit product code *(refer to field B7 – Deposit Product Code in "Master file")*;

3. Select one (1) of the random date(s) identified in work programme "Validation of the subsidiary ledger(s) and the general ledger balances at any random date(s)" and perform a re-computation of the total accrued interest or return as of the selected date by applying the appropriate formula which reflects the business rule of computing interest or return for the respective deposit product;[17]

4. Determine if the respective business rules have been applied and agree the interest or return accrued up to the random date selected *(refer to field B26 – RM Accrued Interest/Dividend/Profit & field B27 – FX Accrued Interest/Dividend/Profit in "Master file")* with the relevant balance in the respective subsidiary ledger; and

5. If there are exceptions noted in steps 3 and 4, please highlight and obtain comments from the DTM on the exceptions noted and document herein.

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[17] It should be noted that different products (or variants of the same product) may have different business rules for the computation of interest/return and it should not be assumed that one formula/business rule fits all products.

Appendix 2

EXTERNAL AUDITOR'S INDEPENDENT VALIDATION REPORT

Perbadanan Insurans Deposit Malaysia
[Address]

Date **[dd/mm/yyyy]**

Dear Sirs,

[DTM's Name]

AGREED-UPON PROCEDURES REPORT ON DEPOSIT INFORMATION SYSTEMS AND SUBMISSION TO PERBADANAN INSURANS DEPOSIT MALAYSIA ("PIDM')

1. We are the independent auditors with respect to **[DTM's Name]** ("DTM") in accordance with the standards established by the Malaysian Institute of Accountants.

2. We have not audited the financial statements of **[DTM's Name]** as of any date or for any period subsequent to **[last audited balance sheet date].** The purpose (and thereafter the scope) of our audit for the year ended **[last audited balance sheet date]** was to enable us to express our opinion on the financial statements of [DTM's Name] and its subsidiaries (the Group) and the Bank as of **[last audited balance sheet date]**, and for the year then ended, but not on the financial statements for any interim period after that year. Therefore, we are unable to and do not express any opinion on the unaudited financial statements at any date or for period subsequent to **[last audited balance sheet date]**.

   Our audits of the financial statements for the year referred above comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred therein, or any other period did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated in the accompanying appendices and accordingly, we do not express an opinion thereon.

3. We have performed the procedures as set out in the work programme in Appendix 1 of the Guidelines on Validation Programme: Deposit Information Systems and Submission ("Guidelines") with respect to the information in standard file format ("SFF") of **[DTM's Name]** as at **[any random date which is not a month-end date]**. Our engagement was conducted in accordance with International Standard on Related Services (ISRS) 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Malaysia Institute of Accountants, applicable to Agreed-Upon Procedures engagements. The procedures were performed solely to assist you in evaluating the information in the SFF of **[DTM's Name]** as compared to the financial records of **[DTM's Name]** of the same date.

4. Based on the procedures as set out in the work programme,
   (i)   We have no exception to report; or
   (ii)   We report to you by way of exceptions and these are detailed in **Attachment 1**.

5. This report records the Agreed-Upon Procedures work on the above as agreed in our terms of reference dated **[dd/mm/yyyy]**. Our Agreed-Upon Procedures work is limited solely to those procedures set out in the Appendix 1 of the Guidelines.

6. The procedures that we have performed do not constitute either an audit or a review made in accordance with Approved Standards on Auditing or Review Engagements in Malaysia and, consequently we do not express any assurance on the information in the SFF of **[DTM's Name]** for as at **[any random date which is not a month-end date]**.

7. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Approved Standards on Auditing or Review Engagements in Malaysia, other matters might have come to our attention that would have been reported to you.

8. It should be understood that we make no representations as to questions of legal interpretation or as to the sufficiency for your purposes of the procedures enumerated in accompanying appendices; also, such procedures would not necessarily reveal any material misstatement of the information identified in the SFF. Further, we have addressed ourselves solely to the foregoing data as set forth in SFF and make no representations as to the adequacy of disclosure or as to whether any material facts have been omitted.

9. Our report is solely for the purpose of **[DTM's Name]**'s submission to PIDM in relation to the information in SFF that are submitted to PIDM and is not to be used for any other purpose or to be relied upon by any other parties. This report relates only to the items specified above and does not extend to any financial statements of **[DTM's Name]**, taken as a whole.

Yours faithfully,

Name of audit firm
(No. AF: XXXX)
Chartered Accountants

cc: The Board of Directors
        [DTM's Name]
        [Address]

*Based on the procedures as enumerated in **Appendix 1** of the Guidelines on Validation Programme: Deposit Information Systems and Submission, we report our findings as follows:*

(1) **Exceptions in SFF, without corrections in the submission**

(A) Validation of the capability of deposit liability systems in maintaining accurate product codes for each depositor's account

(a) **Work programme reference number**	**(b)** **Product Name per DTMs' Product Listing Report**	**(c)** **Names and Deposit Product Code per PIDM Insurability status report**	**(d)** **Exceptions noted**	**(e)** **Remarks/ Comment, if any**
1	[Product Name $_1$]			
	[Product Name $_2$]			
3. Comments from the DTM on the differences noted				

(a) Work programme reference number	(b) Product Name per DTMs' Product Listing Report	(c) Names and Deposit Product Code per PIDM Insurability status report	(d) Exceptions noted	(e) Remarks/ Comment, if any
2	[Product Name $_1$]	[Sample $_1$]		
		[Sample $_2$]		
		….		
		[Sample $_{10}$]		
	[Product Name $_2$]	[Sample $_1$]		
		[Sample $_2$]		
		….		
		[Sample $_{10}$]		
	….	……		
3. Comments from the DTM on the exceptions noted _ _____ _ _____ _ _____				

(B)   Validation of the capability of deposit liability systems in identifying depositor type for each deposit

(a) Work programme reference number	(b) Account type	(c) Sample Ref	(d) Account type per SFF	(e) Type of account per source document	(f) Collabora-tive documents sighted	(g) Exceptions noted	(h) Remarks/ Comment, if any
1	Individual person	[Sample 1]					
		[Sample 2]					
		.....					
		[Sample 50]					
	Individual joint account	[Sample 1]					
		.....					
		[Sample 50]					
	Individual trust	[Sample 1]					
		.....					
		[Sample 50]					
	Business sole proprietorship	[Sample 1]					
		.....					
		[Sample 50]					
	Business partnership	[Sample 1]					
		......					
		[Sample 2]					
	Non individual person	[Sample 1]					
		[Sample 2]					
		.....					
		[Sample 50]					
	Non individual trust	[Sample 1]					
		.....					
		[Sample 50]					

2. Comments from the DTM on the exceptions noted

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(C)   Validation of the maintenance of beneficiary information of trust accounts

(a) Work programme reference number	(b) Account Type	(c) No.	(d) Available deposit balance per field B22 in SFF (RM)	(e) Exception noted in notification to trustee before 31 March	(f) Exceptions noted against information submitted by trustee to the DTM	(g) Remarks/Comment, if any
2 & 3	Individual Trust	1				
	Individual Trust	2				
	Individual Trust	.....				
	Individual Trust	20				
	Non-Individual Trust	1				
	Non-Individual Trust	2				
	Non-Individual Trust	....				
	Non-Individual Trust	20				

4. Comments from the DTM on the exceptions noted

_____
_____
_____

(D) Validation of uncleared items and transactions pending for settlement in the DTM's systems

(a) Work programme reference number	(b) Sample reference	(c) Exceptions noted	(d) Remarks/Comments, if any
1			
3. Comments from the DTM on the differences noted _____ _____ _____ _			

(a) Work programme reference number	(b) Exceptions noted	(c) Remarks/Comments, if any
2	**In relation to Bills payable:**	
	In relation to Float items:	
3. Comments from the DTM on the differences noted _____ _____ _____		

(2) Exceptions in deposit liability systems:-

(A) Validation of the subsidiary ledger(s) and the general ledger balances at any random date(s)

(a) Work programme reference number	(b) Random dates Selected	(c) Amount per subsidiary ledger RM	(d) Amount per General Ledger RM	(e) Exceptions noted	(f) Remarks/ Comments, if any
1	DD MM YYYY$_1$				
1	DD MM YYYY$_2$				
2. Comments from the DTM on the differences noted _____ _____ _____					

(B) Validation of balances in the reconciliation or suspense accounts at any random date(s)

(a) Work programme reference number	(b) General ledger code and Name of Account of all reconciliation or suspense account related to a deposit account	(c) General Ledger Balance as at [DD MM YYYY] (RM)
1(a)	[Account 1]	
	....	

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Work programme reference number	General ledger code and Name of Account for samples selected	Amount per General Ledger RM	Description of source documents	Amount per source document RM	Exceptions noted	Remarks/ Comment, if any
1 (b)	[Sample Account 1]					
	[Sample Account 2]					
	…..					
	[Sample Account 50]					

1(c). Comments from the DTM on the exceptions noted

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– _____

– _____

1(d). Comments from the DTM on the controls

– _____

– _____

– _____

(C) Validation of age of items in the reconciliation or suspense accounts

(a)	(b)	(c)
Work programme reference number	Ageing analysis report Name	Appendix reference*
1	[Account 1]	
	[Account 2]	
	….	

*Ageing analysis reports provided by the DTM are to be attached

(a) Work programme reference number	(b) Age bucket	(c) Sample Selected	(d) Exceptions noted against supporting documents	(e) Remarks/ Comments, if any
2	0 day - 7 days	[Sample 1]		
		[Sample 2]		
		….		
		[Sample 20]		
	8 days – 30 days	[Sample 1]		
		[Sample 2]		
		….		
		[Sample 20]		
	31 days – 365 days	[Sample 1]		
		[Sample 2]		
		….		
		[Sample 20]		
	Above 365 days	[Sample 1]		
		[Sample 2]		
		….		
		[Sample 20]		

(D)   Validation of the computation of interest or return at any random date(s)

(a) Work programme reference number	(b) Name of Interest bearing accounts	(c) Deposit Product Code issued by PIDM
1	[Name 1]	[PIDM Product Code $_1$]
	[Name 2]	[PIDM Product Code $_2$]
	….	…..

Random Date selected : **[dd/mm/yyyy]**

(a) Work programme reference number	(b) Deposit Product Code issued by PIDM	(c) Sample Ref	(d) Exceptions noted	(e) Remarks/ Comments, if any
2, 3, & 4	[PIDM Product Code $_1$]	[Sample 1]		
		[Sample 2]		
	[PIDM Product Code $_2$]	[Sample 1]		
		[Sample 2]		
	.....	.....		

5. Comments from the DTM on the exceptions noted

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Appendix 3

SAMPLE REPORT ON DTM'S ACTION PLAN AND TIMELINE

[DTM's Name]

Bank Code:

Action plan and timeline to rectify the exceptions noted

(1)   Information in SFF

Item	Exception Noted	Action Plan	Timeline for Rectification

(2)   Deposit Liability System

Item	Exception Noted	Action Plan	Timeline for Rectification

(Name of Chief Executive Officer)
Chief Executive Officer
Date: [dd/mm/yyyy]