

“I didn’t read it before I signed it”

by Sally Ramage®



It is important to read a document fully before you sign it.

The collapse of Barings bank in the 1990’s is still in most people’s memory. It was not a parochial matter in that it occurred in the derivatives market and affected world finance . It was the case in which Mr Leeson committed accounting frauds from July 1992 to February 1995 and caused the loss of £869 million to Barings bank. He was found guilty and imprisoned. The drama continued . Barings Futures (Singapore) Pte Ltd then sued the auditors for certifying consolidation schedules and statutory accounts without qualification . The claimant company was an indirect subsidiary in Singapore of Barings. A Mr. Simon Jones was the finance director of Barings Future (Singapore) Ltd and was responsible for the production of its annual accounts which had to be consolidated with the accounts of the ultimate parent company. He signed representation letters coverings the audits after which Delloite and Touche certified the consolidation schedules and statutory accounts without certification. Barings Future (Singapore) wanted damages from Deloitte and Touche because they signed off the incorrect 1992 and 1993 audits. The judge found that Mr Simon Jones , a qualified accountant, formerly of Deloitte and Sells, signed the representation letters recklessly. The letters stated that the accounts were true and fair., which accounts he had the responsibility for preparing and for keeping the financial

records.

This is the nature of the representation letter that Mr Simon Jones signed.

“ We confirm , to the best of our knowledge and belief, the following representation:

1. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with statements of accounting standards including the appropriate disclosure of all information required by the Companies Act, and in conformity with generally accepted accounting principles in Singapore.
2. There have been no irregularities involving management or employees who have a significant role in the system of internal control or that could have a material effect on the financial statements. There are no instances where any officer or employee of the company has an interest in a company with which the company does business which could be considered a “conflict of interest”. Such an interest would be contrary to company policy.
3. We have made available to you all books of accounts and supporting documentation and all minutes of the meetings of shareholders , directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared from the beginning of the financial year to the date of this letter.
4. The financial statements are free of material errors and omissions. There are no material transactions or related issues or liabilities that have not been properly recorded in the financial and accounting records. Adequate provision has been made for current and deferred taxes on income including adjustments for over or under accrual for prior years.
5. The company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There have been no communications concerning non-compliance with requirements of regulatory authorities

with respect to financial statements nor any fraud or dishonesty reportable by you under section 207(9A) of the Companies Act.

6. Where applicable or required, the following have been properly recorded and, where required, adequately disclosed in the financial statements: (a) Balances and transactions with related parties. The notes to the financial statements fully describe such related party transactions and balances as required by the statement of accounting standard number 21. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions. There were no non-assets over \$100,000 purchased from or sold to a director or director connected person or company requiring shareholders approval in accordance with sections 160A to 160D of the Companies Act. There were no loans to directors nor assistance to acquire shares in the company or its holding company that breach the Companies Act. (b) Losses arising from sale and purchase commitments (including forward transactions in inventories, commodities, foreign exchange, etc). (c) Agreements to buy back assets previously sold and agreements to repurchase assets previously sold and options to purchase property or equipment of material amounts. (d) Assets pledged as collateral. (e) Capital shares purchase options or agreements or requirements. (f) Unasserted claims that our lawyers have advised are probable of assertion. (g) All possible claims that our lawyers have advised are probable of assertion. (h) All unsupported expenses have been incurred on the company's business and are a charge to the company. (I) All plans or intentions that may materially affect the carrying value or classification of assets and liabilities. (j) Capital expenditure commitments.

7. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements. We are aware of

the requirements of section 201(3c) of the Companies Act that require the directors to ascertain that no non-current asset is shown at an amount which exceeds the recoverable amount of the non-current asset over its useful life or on its disposal. There are no such items requiring provision or explanation to avoid the financial statements being misleading.

8. The company has satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in the notes to the financial statements. Receivables do not include amounts for goods or services provided or transactions that have occurred after the balance sheet date for goods or services not sold.

9. We have recorded or disclosed all liabilities, both actual or contingent, and have disclosed in the notes to the financial statements the guarantees that we have given to all third parties. Any expenditure included in the accounts where receipts or vouchers were not available was properly made in connection with the carrying on of the company's business.

10. Other than those described in notes to the financial statements, there have been no events subsequent to the balance sheet date which require adjustment of or disclosure in the financial statements and related notes.

11. Fixed assets accounts and depreciation accounts have been reduced in respect of all items which have been sold, scrapped or which are otherwise no longer useable. The carrying costs of the fixed assets and other non-current assets are not in excess of recoverable amounts. No provision for impairment which is other than temporary is necessary.

12. There are no formal or informal compensating balance arrangements with any other bank and investment accounts. Except as disclosed in the notes to the financial statements, we have no other line of credit arrangements

13. We have properly recorded or disclosed in the financial statements the redemption options and agreements and shares reserved for options, warrants, conversions and other requirements.

14. The company has good title to the fixed assets, investments and other assets detailed in the financial statements, and no provision is necessary for any impairment in value.

The directors have valued unquoted investments as detailed in the financial statements and have arrived at the values using the basis of valuation more fully described in the notes to the financial statements.

Yours faithfully,

Simon D Jones

Director"

Mr Jones signed these statements.

The Barings Futures (Singapore) ' trading computer system , CONTAC, had contained FULL information as to the activity an all its accounts, including the 88888 account set up by Mr Leeson. to hide the frauds he perpetrated. It generated daily and monthly activity reports for all accounts.

If the auditors had performed their duties with reasonable care and skill, the insolvency of the company would have been shown in 1993 and it would have ceased to trade immediately and subsequent losses from 1993 to 1995 would not have occurred.

ENDS