External Auditing Programs

FIL-16-98
February 18, 1998

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: Proposed FFIEC Policy Statement on External Auditing Programs of Banks and Savings Associations

The four federal banking agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), have proposed the attached “Policy Statement on External Auditing Programs of Banks and Savings Associations” and are seeking comment on its proposal. The proposal was developed jointly by the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

As discussed more fully in the attached Federal Register notice, the proposal encourages institutions not subject to the audit requirement in Section 36 of the Federal Deposit Insurance Act to adopt an external auditing program that involves an annual audit of its financial statements by an independent public accountant. If an annual audit of the financial statements is not performed, the proposal suggests two acceptable alternatives. The proposal also encourages institutions to form an audit committee, preferably consisting of outside Directors.

Institutions supervised by the FDIC should be aware that this policy is intended to replace the FDIC’s currently outstanding “Statement of Policy Regarding Independent External Auditing Programs of State Nonmember Banks,” as amended on June 24, 1996, and the FDIC’s recently rescinded “Statement of Policy Providing Guidance on External Auditing Procedures for State Nonmember Banks.”

Comments on the proposed policy statement are due to the FFIEC by April 20, 1998.

Joe M. Cleaver
Executive Secretary

Attachment:


Distribution: All State Banks (Commercial and Savings) and Insured Savings Associations

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC’s Public Information Center, 801 17th Street, N.W., Room 100, Washington, D.C. 20434 (800-276-6003 or (703) 562-2200).