



NEWS RELEASE

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FDIC PROPOSES POLICY STATEMENT RECOMMENDING MINIMUM EXTERNAL AUDITING PROCEDURES

The Board of Directors of the Federal Deposit Insurance Corporation today proposed a new policy recommending auditing procedures to be performed annually at each FDIC-supervised bank that elects to forgo an annual audit by an independent public accountant.

"We encourage each FDIC-supervised bank to have an annual audit of its financial statements," FDIC Chairman L. William Seidman said, "but we recognize that certain banks may determine not to engage a certified public accountant to perform an opinion examination. In those cases, the FDIC recommends that each bank, at the minimum, have certain specific auditing procedures performed annually by a qualified independent external party."

The FDIC's proposed policy statement contains specific recommended auditing procedures for five high risk areas: securities, loans, allowance for loan losses, insider transactions and internal controls.

The policy statement also:

- o urges each bank to review the risks inherent in its particular business to determine if additional procedures are needed to cover other high risk areas in which it is active;
- o encourages the use of statistical sampling to perform the auditing procedures, although judgmental sampling is also acceptable; and
- o recommends that an independent party (who need not be an independent certified public accountant) should be given access to all examination

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reports, administrative orders and written communications between the bank and the FDIC or state banking authorities.

The policy statement also reiterates the provision of the FDIC's policy statement on external auditing programs of November 16, 1988, which asks each bank to send a copy of any report received from its external auditors to the appropriate FDIC regional office and to notify the FDIC promptly of any change in the bank's independent auditors.

Copies of the proposed policy statement are available from the FDIC's Office of Corporate Communications, 550 17th Street, N.W., Washington, D.C. 20429. The FDIC will accept comments on the proposed policy statement for a 60-day period. All comments should be submitted to Hoyle L. Robinson, Executive Secretary, at the above address.

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