



External Auditing Programs

FIL-4-98
January 9 1998

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Rescission of Policy Statement Providing Guidance on External Auditing Procedures for State Nonmember Banks*

The FDIC Board of Directors has rescinded the agency's "Statement of Policy Providing Guidance on External Auditing Procedures for State Nonmember Banks." The rescission took effect on December 31, 1997. The policy and the reasons for its rescission are summarized in the attached Federal Register notice.

Despite the policy statement rescission, a well-planned external auditing program should continue to be an integral part of the safe and sound operations of each institution. Still in effect is the FDIC's "Statement of Policy Regarding Independent External Auditing Programs of State Nonmember Banks," as amended on June 24, 1996, in which the FDIC strongly encourages each state nonmember bank to adopt an adequate external auditing program that includes an annual audit of its financial statements. In addition, the audit requirements of Section 36 of the Federal Deposit Insurance Act (FDI Act) and its implementing regulation, 12 CFR Part 363, continue to apply to insured depository institutions with \$500 million or more in total assets.

As discussed more fully in the attached Federal Register notice, the FDIC and other banking agencies are preparing a proposed uniform interagency policy statement on external auditing programs for banks and thrifts. The proposed policy statement is expected to offer two acceptable alternatives to a financial statement audit for institutions not subject to the audit requirement in Section 36 of the FDI Act. The proposal should be issued for public comment later this year.

Please share this information with the appropriate personnel in your institution. For further information, please contact Doris L. Marsh, Examination Specialist in the Division of Supervision, at (202) 898-8905.

Nicholas J. Ketcha Jr.
Director

[Attachment:](#)

Jan. 7 Fed. Register, pages 878-879 (see the FDIC web site, /banknews, for electronic version).

Distribution: FDIC-Supervised Banks (Commercial and Savings)

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