

Interagency Policy Statement on Coordination and Communication Between External Auditors and Examiners¹

July 23, 1992

The federal bank and thrift regulatory agencies are issuing this policy statement to improve the coordination and communication between external auditors and examiners. This policy statement provides guidelines regarding information that should be provided by depository institutions to their external auditors and meetings between external auditors and examiners in connection with safety and soundness examinations.

Coordination of External Audits and Examinations

In most cases, the federal bank and thrift regulatory agencies provide institutions with advance notice of the starting date(s) of full-scope or other examinations. When notified, institutions are encouraged to promptly advise their external auditors of the date(s) and scope of supervisory examinations in order to facilitate the auditors' planning and scheduling of audit work. The external auditors may also advise the appropriate regulatory agency regarding the planned dates for the auditing work on the institution's premises in order to facilitate coordination with the examiners.

Some institutions prefer that audit work be completed at different times from examination work in order to reduce demands upon their staff members and facilities. On the other hand, some institutions prefer to have audit work and examination work performed during similar periods in order to limit the impact of these efforts on the institutions' operations to certain times during the year. By knowing in advance when examinations are planned, institutions have the flexibility to work with their external auditors to schedule audit work concurrent with examinations or at separate times.

Other Information Provided By the Institution

Consistent with prior practice, a depository institution should provide its external auditors with a copy of certain reports and supervisory documents, including:

- The most recent regulatory Report of Condition (i.e., "Call Reports" for banks, and "Thrift Financial Reports" for savings institutions);
- The most recent examination report and pertinent correspondence received from its regulator(s);
- Any supervisory memorandum of understanding with the institution that has been put into effect since the beginning of the period covered by the audit;

¹ The agencies issuing this policy statement are the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

- Any written agreement between a federal or state banking agency and the institution that has been put into effect since the beginning of the period covered by the audit; and
- A report of:
 - Any actions initiated or undertaken by a federal banking agency since the beginning of the period covered by the audit under certain subsections of Section 8 of the Federal Deposit Insurance Act², or any similar action taken by an appropriate state bank supervisor under state law; and
 - Any civil money penalty assessed under any other provision of law with respect to the depository institution or any institution-affiliated party, since the beginning of the period covered by the audit.

External Auditor Attendance at Meetings Between Management and Examiners

Generally, the federal bank and thrift regulatory agencies encourage auditors to attend examination exit conferences upon completion of field work or other meetings between supervisory examiners and an institution's management or Board of Directors (or a committee thereof) at which examination findings are discussed that are relevant to the scope of the audit. When other conferences between examiners and management are scheduled (i.e., that do not involve examination findings that are relevant to the scope of the external auditor's work), the institution shall first obtain the approval of the appropriate federal bank or thrift regulatory agency in order for the auditor to attend the meetings. This policy does not preclude the federal bank and thrift regulatory agencies from holding meetings with the management of depository institutions without auditor attendance or from requiring that the auditor attend only certain portions of the meetings.

Depository institutions should ensure that their external auditors are informed in a timely manner of scheduled exit conferences and other relevant meetings with examiners and of the agencies' policies regarding auditor attendance at such meetings.

Meetings and Discussions Between External Auditors and Examiners

An auditor may request a meeting with any or all of the appropriate federal bank and thrift regulatory agencies that are involved in the supervision of the institution or its holding company during, or after completion of, examinations in order to inquire about supervisory matters relevant to the institution under audit. External auditors should provide an agenda in advance to the agencies that will attend these meetings. The federal bank and thrift regulatory agencies will generally request that management of the institution under audit be represented at the meeting. In this regard, examiners generally will only discuss with an auditor examination findings that have been presented to the depository institution's management.

² Section 112 of the Federal Deposit Insurance Corporation Improvement Act of 1991 includes a requirement that the institution provide its external auditors with a report of any action initiated or taken by a federal banking agency during the period under audit under subsection (a), (b), (c), (e), (g), (i), (s) or (t) of Section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1817).

In certain cases, external auditors may wish to discuss with regulators matters relevant to the institution under audit at meetings without the representation from the institution's management. External auditors may request such confidential meetings with any or all of the federal bank and thrift regulatory agencies, and the agencies may also request such meetings with the external auditor.

Confidentiality of Supervisory Information

While the policies of the federal bank and thrift regulatory agencies permit external auditors to have access to the previously mentioned information on depository institutions under audit, institutions and their auditors are reminded that information contained in examination reports, inspection reports, and supervisory discussions -- including any summaries or quotations -- is confidential supervisory information and must not be disclosed to any party without the written permission of the appropriate federal or thrift regulatory agency. Unauthorized disclosure of confidential supervisory information may subject the auditor to civil and criminal actions and fines and other penalties.