

## **AUDITS--Appointment, Termination, and Reassignment of General Auditors**

*The Board has amended its policy on the appointment of general auditors to apply also to the termination and reassignment of general auditors.*

The audit functions of the Federal Reserve Banks provide an important service to both the Banks' boards of directors and the Board of Governors. The general auditors and their staffs are a necessary and essential source of independent information on overall conditions within the Banks and on any defalcations or misrepresentations of financial condition that may arise. To carry out these responsibilities effectively, the general auditor must not be dependent on any executive or operating officer at the Reserve Bank for the security of his or her position.

Recognizing the mutual interests served by an independent general auditor and internal audit function, the Board requests that the chairman of the board of directors consult with the Committee on Federal Reserve Bank Activities, through its chairman, at least two weeks in advance of any action by the directors on the appointment, termination, or reassignment of the general auditor. The intent of this provision is to ensure that an ample opportunity exists for an open exchange of views before the Bank's board becomes committed to a particular course of action. For an appointment to the position of general auditor, a brief biographical summary of the preferred candidate, as well as of other qualified candidates considered in the selection process, should be furnished.

The policy on appointment, termination, and reassignment of general auditors serves as a reminder of the direct reporting relationship of the Reserve Bank general auditors to their boards of directors. The Board has previously requested each Bank's audit committee, acting on behalf of the board of directors, to implement the policies and practices discussed under Audit Committee Duties and Responsibilities (at [1-007](#)) to ensure the independence of the general auditor and the internal audit function.