

CHAPTER 29 AUDIT REQUIREMENTS

Authority

N.J.S.A. 17:1-8.1 and 17:12B-176.

Source and Effective Date

R.1996 d.519, effective November 4, 1996.
See: 28 N.J.R. 3696(a), 28 N.J.R. 4781(a).

Executive Order No. 66(1978) Expiration Date

Chapter 29, Audit Requirements, expires on November 4, 2001.

Chapter Historical Note

Chapter 29, Audit Requirements, was filed and became effective prior to September 1, 1969. Chapter 29 was amended by R.1991 d.418, effective August 5, 1991. See: 23 N.J.R. 1485(b), 23 N.J.R. 2306(a). Pursuant to Executive Order No. 66(1978), this rulemaking established a chapter expiration date. Pursuant to Executive Order No. 66(1978), Chapter 29, Audit Requirements, expired on August 5, 1996.

Chapter 29, Audit Requirements, was adopted as new rules by R.1996 d.519, effective November 4, 1996. See: Source and Effective Date. See, also, section annotations.

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SUBCHAPTER 1. GENERAL PROVISIONS

3:29-1.1 Qualifications of auditor

An audit of an association shall be performed by a competent accountant who is not an officer, director or employee of the association. For purposes of this section, a competent accountant is a certified public accountant, or an accounting firm licensed and/or registered in New Jersey or approved by the Commissioner. Choice of a competent auditor is the responsibility of the board of directors. If the board fails to provide for the making of a proper audit or if the required audit is not properly made, prepared or filed, the Commissioner is charged with the duty of making such audit or causing the same to be made.

Amended by R.1991 d.418, effective August 5, 1991.
See: 23 N.J.R. 1485(b), 23 N.J.R. 2306(a).

Further defined "competent accountant".

3:29-1.2 Scope of audit

The auditor shall set forth the scope of his work in the audit report. In general, audit procedure will be acceptable

if based on the audit program prepared for audit of savings and loan associations by the American Institute of Certified Public Accountants. A copy of this program can be obtained from the American Institute of Certified Public Accountants, Inc., 1211 Avenue of the Americas, New York, New York 10036.

Amended by R.1991 d.418, effective August 5, 1991.

See: 23 N.J.R. 1485(b), 23 N.J.R. 2306(a).

Added "shall" to make provisions mandatory; corrected address.

3:29-1.3 Statements in audit report

(a) The following statements are required to be part of the audit report provided by all State chartered associations including associations which are wholly owned subsidiaries:

1. Comparative statements of condition;
2. Comparative statements of operations;
3. Reconciliation of retained earnings;
4. Reconciliation of equity capital; and
5. Statements of cash flows.

Amended by R.1991 d.418, effective August 5, 1991.

See: 23 N.J.R. 1485(b), 23 N.J.R. 2306(a).

Clarified the inclusion of wholly owned subsidiaries as State chartered associations.

3:29-1.4 Minimum verification; mail communications

Audits of insured associations shall include verifications to the extent required of banks and savings banks pursuant to N.J.A.C. 3:7-3.3 through 3.6.

Amended by R.1991 d.418, effective August 5, 1991.

See: 23 N.J.R. 1485(b), 23 N.J.R. 2306(a).

Former provisions on uninsured associations deleted as unnecessary pursuant to N.J.S.A. 17:12B-286.

3:29-1.5 Continuous audits; verification notices

Where continuous audits are made, verification notices may be mailed periodically; provided, however, that the members' subsidiary ledgers are proved with the general ledger control at time of each mailing. Furthermore, the total of verifications in each year shall not be less than the minimum requirement set forth in N.J.A.C. 3:29-1.4.

3:29-1.6 Comments

(a) The auditor shall comment on pertinent matters affecting the association, either in a separate report or as part of the report upon review of the association's internal accounting control. As a guide, the following are suggested as appropriate subjects for comment:

1. Investment on which no income is received;
2. Summary of changes in other real estate; and
3. Insufficient surety bond coverage and other insurance.

Amended by R.1991 d.418, effective August 5, 1991.

See: 23 N.J.R. 1485(b), 23 N.J.R. 2306(a).

Clarified parameters of what an auditor should comment on; deleted majority of previous topics.

3:29-1.7 Time of audit

At least one such audit shall be made in each calendar year, and it is not necessary that the audit coincide with a fiscal year. The audit may be made on a "surprise" basis so that preliminary or interim work, such as branch audits, may be accomplished at any time. The auditor shall cover the period from the previous audit to the date the present audit is started.

Amended by R.1991 d.418, effective August 5, 1991.

See: 23 N.J.R. 1485(b), 23 N.J.R. 2306(a).

Clarified how often and under what circumstances an audit shall be done.

3:29-1.8 Audit report must be certified

(a) The audit report must be certified to or sworn to by the person making such audit. Such certification shall include:

1. A statement that the audit was made in accordance with the provisions of the N.J.S.A. 17:12B-176 and the rules of the Commissioner of Banking and Insurance of this State of New Jersey; and

2. A statement that the financial statements contained in the audit report present fairly the financial position of the association at the audit date and its operations for the periods reported upon.

(b) The statements required by (a)1 and 2 above may be submitted in a separate report or made a part of the report upon review of the association's internal accounting control, so long as the statements are submitted within 14 calendar days after submission of the report.

Amended by R.1991 d.418, effective August 5, 1991.

See: 23 N.J.R. 1485(b), 23 N.J.R. 2306(a).

Established at (b), statements may be submitted separate from report but a 14 day submission deadline is attached.

Amended by R.1996 d.519, effective November 4, 1996.

See: 28 N.J.R. 3696(a), 28 N.J.R. 4781(a).

3:29-1.9 Qualified certificate

If any of the parts of the certification set forth in N.J.A.C. 3:29-1.8 cannot be made, the certification should be qualified to show any exceptions.