

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA
AUDIT COMMITTEE**



**Report on the Work of the Audit Committee for 2021
(summary)**

May 2022

Introduction

During 2021, the Audit Committee (Committee) continued with its regular activities on the basis of the adopted acts and practices that regulate its operation. The Committee performed its supervisory activities by holding meetings, at which it monitored the operation of the Internal Audit Department, the Financial, Accounting and Control Department, as well as of the external audit.

At these meetings, the Committee was regularly informed about the areas it covers, in the field of accounting policies and financial reporting, internal and external audit, internal controls and compliance of operations with laws and bylaws. For more detailed familiarization with certain issues, the members of the Committee requested additional information and meetings.

Members of the Audit Committee

The Decision on appointing members of the Audit Committee D. No. 02-15/XIX-2/2021, of 3 December 2021, established the Audit Committee constituted of three non-executive members of the National Bank Council, which terminated the engagement of the external associate.

During 2021, the meetings of the Committee were chaired by the President of the Committee.

Meetings of the Audit Committee

In 2021, the Committee held five meetings, discussing the issues that are within the competence of the Audit Committee, according to the acts of the National Bank, the Rules of Procedure and the Regulations on the Work of the Audit Committee.

At the invitation of the Committee, the meetings, when needed, were attended by: the Adviser to the Governor, the Chief Internal Auditor of the Internal Audit Department, the Manager of the Financial, Accounting and Control Department, the Manager of the Legal Affairs Department and representatives of the external auditor.

It is important to underline that the new Decision on establishing the Audit Committee and determining its scope of work provides clear recognition of the objectives, as well as of the authorizations and the responsibilities of the Committee assigned to it by the National Bank Council. Also, it improves the framework for the performance of the activities of the Committee for assessing the overall effectiveness and adequacy of the financial reporting process, the auditing processes, the internal control system and the compliance of the operations, in order to strengthen the control function of corporate governance.

Internal Audit Department

The Committee monitored the operation of the Internal Audit Department, discussed the reports of the internal audit, the findings and the status of implementation of the recommendations given in the audit reports.

On a regular basis, the Reports on the operation of the internal audit in 2020 and in the first half of 2021 were discussed and approved. Also, the Work Program of the Internal Audit Department for 2022, the Medium-Term Work Program of the Internal Audit Department in the period 2022 - 2024 and the Regulations on Amending the Regulations on the Work of the Internal Audit Department were approved.

At the same time, the members of the Audit Committee provided guidelines which referred to certain information about the monitoring of the recommendations, described in the submitted internal audit reports. Namely, the Committee considered that this information is important for analysis of the current situation, by the National Bank Council.

Financial, Accounting and Control Department

The Committee monitored the operations of the National Bank among other things also through the financial statements and the annual account prepared by the Financial, Accounting and Control Department. The Financial Statements of the National Bank, the annual account, the Decision on approving the annual account and the financial statements of the National Bank of the Republic of North Macedonia for 2020 and on allocating distributable earnings for 2020 were discussed.

External audit

Special activity in the operation of the Committee includes the monitoring of the work of the external audit. The Committee held meetings with the presence of the auditors from the Audit Company "DILOIT" LLC Skopje. Moreover, the external auditor informed the Committee of the conducted audit of the financial statements for 2020 and their compliance with the International Financial Reporting Standards.

The independent auditor's Report on the conducted audit of the financial statements of the National Bank for 2020 gave an opinion without qualifications, i.e. an opinion that the enclosed financial statements impartially present, in all material aspects, the financial status of the National Bank as of 31 December 2020, as well as the operating results and the cash flows for the year in accordance with the International Financial Reporting Standards.

President of the Audit Committee
of the National Bank