



NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

Pursuant to Article 47 paragraph 1 item 20-a and 21 and Article 64 of the Law on the National Bank of the Republic of North Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16, 83/18 and Official Gazette of the Republic of North Macedonia No. 110/21, 74/24) and Article 10 paragraph 6 of the Statute of the National Bank of the Republic of North Macedonia St. No. 02-15/IV-1/2011 of 21.4.2011, D. No. 02-15/III-4/2012 of 29.3. 2012, D. No. 02-15/II-10/2016 of 25.2. 2016, D. No. 02-15/XV-3/2018 of 27 September 2018 and D. No. 02-15/VII-5/2019 of 25.7.2019, Donor. 02-15/XIV-1/2022 of 2.9.2022 and D. No. 02-32963/8 of 5 October 2023, the Council of the National Bank of the Republic of North Macedonia has adopted the following

DECISION

On establishing the Audit Committee, determining the activities within the scope of its operations and its manner of work

I. General provisions

1. With this Decision, the National Bank of the Republic of North Macedonia (hereinafter: the National Bank) shall form an Audit Committee (hereinafter: The Committee), determine the activities within the scope of its operations and prescribe its modus operandi.

The Audit Committee shall be established for further advancement of the corporate governance in the National Bank and strengthening of the control processes during the execution of its activities and legal tasks.

II. Activities and scope of work of the Committee

2. The Committee, through monitoring of the accounting policies and the financial reporting to the National Bank, shall assess the appropriateness and the effectiveness of the entire process of preparation of the financial statements of the National Bank and the overall adequacy of the related disclosures. For this purpose, the Committee shall:

- monitor the significant changes in the accounting policies and the financial reporting framework in the National Bank;
- discuss the annual financial statements of the National Bank and the annual account before their approval by the National Bank Council;
- at a joint meeting with the external auditor, the Manager and the Deputy Manager of the Financial, Accounting and Control Department, the Chief Internal Auditor, the Advisor to the Governor with knowledge/expertise of International Financial Reporting Standards (hereinafter: IFRS), discuss: the prepared financial statements in terms of: the appropriateness of the application of the accounting policies, the prudence of the accounting assessments and the related disclosures, the significant difficulties and harmonization during the audit, as well as the unharmonized differences and the possible disagreements of the external auditor with the management of the National Bank, as well as the Letter / Report for the management of the National Bank on the internal goals with an assessment of the internal controls, the business processes and accounting issues, the identified weaknesses and shortcomings, including the information systems for accounting records;

- discuss the Report from the external auditor on the prepared financial statements and determine whether they are in accordance with the IFRS;
- give an opinion to the National Bank Council on the draft audited annual financial statements and the annual account of the National Bank;
- monitor the implementation of the recommendations given by the external auditor and shall review the periodical notifications from the organizational units in the National Bank of implementation status of the external audit recommendations.

3. The Committee shall follow the selection process and the work of the independent audit company and cooperate with it on the audit of the National Bank's financial statements, all key issues arising from the audit and any material weaknesses in the National Bank's internal controls as identified by the audit company related to the financial reporting process, and thus:

- monitor the procurement process of external audit services and shall assess whether it is in accordance with the Policy on selecting a company for external audit of the financial statements of the National Bank of the Republic of North Macedonia;
- submit an opinion to the Council on the proposal for selection / non-selection of an external audit company;
- discuss the scope, the approach and the plan of the work of the external audit, including the coordination with the internal audit;
- once a year, it shall check the independence of the operations of the audit company and the authorized external auditors, for which before the commencement of the audit it shall check whether the independence statements have been submitted;
- each year, it shall assess the operations of the external auditors and shall report on their operations in the Annual Report of the Audit Committee. the assessment of the work of the external auditors refers to the manner of conduct of the audit, its compliance with the International Standards on Auditing, the quality and the openness in the communication with the external auditors, the independence of the audit company and the authorized auditors, their impartiality and the application of the professional skepticism, as well as whether the resources that are engaged are sufficient;
- in case the operations of the external auditor are assessed as unsatisfactory, the Committee shall determine and recommend to the National Bank Council to undertake activities, which may include discussions with the external auditor in order to resolve the issues related to the conduct of the audit, as well as to replace members of the auditing team;
- discuss the reasons for the possible termination of the contract and shall submit an opinion to the National Bank Council on contract termination.

4. The Committee shall oversee the efficiency of the internal audit operations through monitoring. For this purpose it shall:

- discuss the National Bank's internal acts that regulate the operations of the internal audit and shall assure itself that it is appropriately set in the organization of the National Bank and shall submit an opinion to the National Bank Council on amendments to the internal acts;
- discuss the medium-term and the annual audit program and the major changes in the program, before their adoption by the Council, and shall assure itself that they contain the key areas in terms of the risks;
- discuss the activities and the resources of the internal audit and shall assure itself that there are no unjustified limitations in the operations of the internal audit;
- check the efficiency of the internal audit, including the compliance of its operations with the

Law on the National Bank of the Republic of North Macedonia and the International Standards of Internal Auditing, which are accepted as standards for internal audit operations in the Republic of North Macedonia;

- discuss the semiannual and the annual reports on internal audit operations, the significant findings and recommendations given by the internal audit, as well as their implementation;
- hold working meetings with the Chief Internal Auditor in order to consider all the matters worth discussing according to the Committee or the internal audit

5. The Committee shall oversee the functioning of internal control system and risk management framework and thus:

- comprehend the applied control mechanisms which refer primarily to the security and the control of the information system, the control of the approval of the accounting data, as well as the control over the compliance of the operations with the regulations;
- control whether the recommendations given by the internal and the external audit have been applied in the operations of the National Bank;
- discuss the National Bank's Operational Risk Management Reports

6. The Committee shall oversee the suitability of the compliance framework and the effectiveness of compliance process in the National Bank and thus shall:

- be acquainted with the results of the monitoring process of any non-compliance in the areas of the responsibilities of the Committee in accordance with this Decision;
- discuss the findings from the state auditor or other regulatory agencies.

7. When executing its activities, the Committee shall:

- perform other activities related to this Decision upon request of the National Bank Council, within the competences of the Committee;
- When necessary, to re-examine the appropriateness of this Decision and to initiate its further adjustment;
- check the realization of the tasks stated in this Decision on annual basis;
- make a self-assessment of the operations of the Committee and of its members, at least once a year.

8. The Committee shall inform the National Bank Council on any identified failures or irregularities in the National Bank operations or give proposals to improve performance;

9. The Committee shall be obliged to submit an annual report on its work to the National Bank Council in relation to the activities it conducts, the problems it encounters and the recommendations it gives.

The summary of the Annual Report on the work of the Committee, excluding the individual data, shall be published on the web site of the National Bank.

10. for the purpose of implementing its activities, the Committee shall have the right to:

- require from the tactical and strategic managers reports, data and information necessary for the appropriate performance of its responsibilities;

- hold meetings with the persons responsible for the control processes in the National Bank and with the external auditors.

III. Work of the Committee

11. The Committee shall work in meetings held at least four times a year.

The work of the Committee shall be regulated in details by the Rules of Procedure, which are adopted by the President of the Committee.

IV. Closing provisions

12. With the entry into force of this Decision, the Decision on forming an Audit Committee and determining its scope of work (D. No. 02- 15/ XIX -1/2021 of 3 December 2021.

13. This Decision shall enter into force on the date of adopting.

No. 02-23460/8
26 June 2024
Skopje

**Governor
and Chairperson
of the Council of the National Bank
of the Republic of North Macedonia
Anita Angelovska Bezhoska**