

National Bank of the Republic of North Macedonia



POLICY **on selecting a company for external audit of the financial** **statements of the National Bank of the Republic of North** **Macedonia**

November 2021

Pursuant to Article 47 paragraph 1 item 9 and item 16, and in accordance with Article 65 paragraph 3 of the Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18 and Official Gazette of the Republic of North Macedonia No. 110/21), the National Bank of the Republic of North Macedonia Council adopted the following

P O L I C Y

on selecting a company for external audit of the financial statements of the National Bank of the Republic of North Macedonia

I. GENERAL PROVISIONS

1. The objective of this Policy is to establish a comprehensive framework for selecting a company to conduct an independent external audit of the financial statements of the National Bank of the Republic of North Macedonia (hereinafter: the National Bank).

2. The Policy shall determine the requirements for selecting an audit company, the manner of selection, the duration of the contract, the rotation and the termination of the contract with the selected audit company, the independence principles, as well as the services that must not be performed by the audit company.

3. In accordance with the authorizations granted by the National Bank Council¹, the Audit Committee shall be responsible for monitoring of the implementation of the Policy.

II. REQUIREMENTS FOR SELECTING AN AUDIT COMPANY

4. In order to be qualified to audit the financial statements of the National Bank, the audit company should:

- Have an operating license and be registered in the Registry of Audit Companies in accordance with the provisions of the Law on Audit;
- Have international experience in auditing financial institutions and central banks, whereby it is necessary to have an audit carried out in at least 1 (one) central bank (which do not include the National Bank of the Republic of North Macedonia) and at least 3 (three) domestic commercial banks;
- Have an experienced audit team constituted of at least 7 persons, out of which:
 - 5 auditors out of which each should have working experience of at least 3 years in auditing banks. At least two of them should obligatorily hold an authorized auditor

¹ Decision on forming an Audit Committee and determining its scope of work No.02-15/XIX-1/2021 of 3 December 2021

certificate, and one to be a CISA IT auditor (CISA – Certified Information Systems Auditor);

- 1 auditor - partner, who should have experience of at least 5 years in auditing banks and at least auditing of one central bank;
 - 1 auditor - for quality control, who should have experience of at least 5 years in auditing banks.
- Be independent in the performance of its audit activities, i.e. it should perform them independently and without any influences from the National Bank.

III. MANNER OF SELECTING THE AUDIT COMPANY

5. The National Bank shall select the audit company through a transparent procedure, in accordance with the current Law on Public Procurements.

IV. DURATION OF THE CONTRACT, ROTATION AND TERMINATION OF THE CONTRACT WITH THE AUDIT COMPANY

6. For the purpose of greater effectiveness, the same audit company may also conduct an audit several consecutive years, but not longer than 5 consecutive years.

7. After the expiration of the maximum duration of 5 consecutive years, the audit company that till then conducted an audit, may not conduct a new audit of the financial statements of the National Bank, at least 2 years from the date of termination of the last contract.

8. The contract with the external auditor may be terminated prematurely according to the conditions provided for in the public procurement contract and the bid documentation, the Law on Public Procurements and the Law on Obligations. The differences in the opinions between the audit company and the National Bank with respect to the accounting treatment or the audit procedures may not be a reason for termination of the contract.

V. TIME FRAME FOR CARRYING OUT THE AUDIT

9. The audit shall be carried out every year according to the following time frame:

- Previous audit as of the third quarter of the year for which the audit is carried out: it starts to be carried out during November;
- Report on the findings from the previous audit (if any): during December;
- Draft-letter for the management of the National Bank: during December;
- Final audit and audit of the financial statements of the National Bank prepared in accordance with IFRS and of the annual account: end of January and during February the next year;
- Draft audit report: until 20 February;
- Final audit report: until 25 February;
- Letter to the management of the National Bank: until 20 March;

- Report on the consistency of the Annual Report of the National Bank with the Financial Statements and the annual account: until 25 April.

VI. INDEPENDENCE PRINCIPLE

10. The selected audit company and the members of the audit team should perform their audit activities in accordance with the domestic regulation, with the International Standards on Auditing, and the Code of Ethics for Professional Accountants of the International Federation of Accountants².

11. The selected audit company should be independent of the National Bank, especially:

- In the period of the audit engagement and in the year whose financial statements are subject to audit, there must be no other service contracts with the National Bank, stated in item 14 of this Policy;
- it must not be involved in any way in the decision-making process in the National Bank;
- the members of the audit team of the audit company must not have a conflict of interest with the management of the National Bank.

12. The audit partner must not take up a key managerial position in the National Bank, at least in a period of two years after the termination of his/her business relationship as an audit partner with the audit company.

13. The audit company shall be obliged to submit a written statement to the National Bank once a year in which:

a) the audit company confirms its independence from the National Bank. This independence statement shall also include the independence statements for each engaged member of the team;

b) the audit company discloses all other contractual services it provides to the National Bank, in addition to the legal audit (if any, or it issues a statement that there are no such services).

VII. OTHER SERVICES THAT MUST NOT BE PERFORMED BY THE AUDIT COMPANY

14. The audit company in accordance with item 11 paragraph 1 of this Policy must not perform other contractual services with the National Bank that can jeopardize the independence and impartiality of the audit, such as:

- accounting services (keeping accounting and preparing accounting records and financial statements);
- services related to the internal audit function of the audit entity;
- devising and conducting internal audit or risk management procedures, related to preparation and/or control of the financial information, and devising and conducting information technology systems in the field of finance;

² Official Gazette of the Republic of Macedonia No. 158/10, 135/11, 188/13, 43/14, 138/14, 145/15, 192/15, 23/16 and 83/18, Official Gazette of the Republic of North Macedonia No. 122/21.

- services for assessing the value of assets and liabilities,
- legal services in relation to provision of consultations of general character and representation when settling disputes;
- services that include any role in the management or decision-making in the National Bank;
- services in the field of human resources management;
- services for calculating salaries and
- tax services.

15. The audit company, upon prior approval of the National Bank, may provide other non-audit services, except those stated in item 14 of this Policy, if it is assessed that they are not contrary to the independence principle.

VIII. CLOSING PROVISIONS

16. This Policy shall enter into force on the date of adopting.

P. No. 02-15/XIX-1/2021
3-rd December 2021
Skopje

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