

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



**Report on
the Audit Committee Operations
for 2023 (summary)**

April 2024

Summary

Introduction

In 2023, the Audit Committee (the Committee) kept performing its regular activities on the basis of the adopted acts and practices that regulate its operations. The Committee performed its supervisory activities by holding meetings, at which it monitored the operations of the Internal Audit Department, the Financial, Accounting and Control Department, Strategy and Prevention Office, as well as of the process of performing external audit on the accounting operations and financial reporting to the National Bank.

At these meetings, the Committee was regularly informed about the areas it supervises, in the domain of accounting policies and financial reporting, internal and external audit, internal controls and compliance of operations with laws and bylaws. In order to acquire more details on certain issues, the Committee members requested additional information and meetings.

Members of the Audit Committee

In conformity with the Decision on appointing members of the Audit Committee D. No. 02-15/XIX-2/2021, of 3 December 2021, in 2023 the Audit Committee was operating consisting of three non-executive members of the National Bank Council:

- Sinisa Naumoski, PhD, non-executive member of the National Bank Council and President of the Committee;
- Gadaf Rexhepi, PhD, non-executive member of the Council; and
- Nikola Popovski, PhD, non-executive member of the Council.

Meetings of the Audit Committee

The Audit Committee has held seven meetings in 2023, during which it discussed issues within the area of Audit Committee operations, in conformity with the National Bank acts, the Rules of Procedure of the Audit Committee and the Decision on forming an Audit Committee and determining its scope of work.

At the invitation of the Committee, the meetings, when needed, were attended by: representatives of the external auditor, the Vice Governor of the Monetary Policy, Research and Statistics Sector, the Advisor to the Governor, the Chief Internal Auditor of the Internal Audit Department, the Manager of the Financial, Accounting and Control Department, and the main responsible persons of the Strategy and Prevention Office.

Supervision of the operations of the Internal Audit Department

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

The reports and the Plan of Activities of the Internal Audit Department are reviewed on a regular basis, namely:

- Report on the operation of the internal audit in 2022;
- Report on the operation of the internal audit in the first half of 2023;
- Plan of Activities of the Internal Audit Department for 2024; and
- Medium-term Plan of Activities of the Internal Audit Department for the period 2024 - 2026.

Supervision of the Finance, Accounting and Control Department

The Audit Committee of the National Bank revised the following documents from the area of supervision of the accounting policies and financial reporting:

- Decision on approving the annual account and the financial statements of the National Bank of the Republic of North Macedonia for 2022; and
- Decision on determining the financial result for allocation of the National Bank of the Republic of North Macedonia for 2022.

The members of the Audit Committee gave an opinion to the National Bank Council that they are confident in the *adequacy and effectiveness of the process of preparation of the Financial Statements of the National Bank for 2022, whereby all levels of controls have been observed, the accounting estimates and related disclosures are appropriate, thus suggesting to the National Bank Council to adopt the proposed decisions.*

Supervision of the operations of the Internal Audit

A special activity in the Committee's operations was to monitor the external audit performed by the auditing company Grant and Thornton Skopje, which was selected on the basis of the public procurement procedure in line with the Policy for selection of external audit company for auditing the Financial Statements of the Republic of North Macedonia, the Financial Statements of the National Bank for a period of five consecutive years (2022 - 2026).

The Committee held meetings with the auditors from the Auditing Company Grant Thornton Skopje, who audited the Financial Statements for 2022 and had good communication with the external auditors. Moreover, the external auditor informed the Committee about the conducted

audit of the Financial Statements for 2022 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 2022 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 2022, as well as the operating results and the cash flows for the year in accordance with the International Financial Reporting Standards. The Committee members accepted the Report of the independent auditor on the performed audit of the Financial Statements of the National Bank of the Republic of North Macedonia for 2022.

At the end of 2023, the Audit Committee monitored the process of initiation of the auditing process for 2023, and confirmed that the audit independence principles were observed. In addition, it approved the Plan of Activities for auditing the Financial Statements of the National Bank for 2023 and reviewed the recommendations from the previous audit of the financial information and systems for financial recording of the National Bank, as of and for the nine-month period ending on 30 September 2023,

Supervision of the operation of the Strategy and Prevention Office

The Committee performed supervisory activities in relation to the established internal controls system, risk management framework, information system security and personal data protection, as well as the framework for compliance of operations with the regulations, whereby in 2023 were reviewed and approved the following:

- Operational Risk Management Report of the National Bank of the Republic of North Macedonia for 2022;
- Annual Compliance Report of the National Bank;
- Annual Compliance Report on the National Bank with the regulations on the personal data protection;
- Operational Risk Management Report of the National Bank of the Republic of North Macedonia for the first half of 2023.