

## 1. SUPERVISORY COUNCIL OF THE BANK OF ALBANIA

*The Supervisory Council is the highest decision-making and supervisory body of the Bank of Albania. The Supervisory Council: (i) approves the monetary policy and exchange rate policy, as well as financial stability and macroprudential policy; (ii) supervises the process of budgeting, financial reporting, internal controls and auditing in the Bank of Albania; (iii) approves all normative acts issued by the institution; and (iv) approves the medium-term strategy, the appointment of department heads and the organizational structure of the Bank of Albania.*

*The Council exercises its powers independently and in a transparent manner, in line with the organic law and internal procedural rules.*

*The monitoring of the financial reporting process and of the internal audit system are delegated to the Audit Committee.*

The Council held 15 meetings in 2023, as scheduled in the approved schedule of meetings. Eight of these meetings focused on the monetary policy. Four meetings were dedicated to financial stability and supervision. The other meetings addressed: (i) the annual programme of the Supervisory Council; (ii) the Annual Report of the Bank of Albania; and (iii) the annual and medium-term budget.

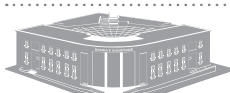
The Council has been informed regularly on: (i) the institution's management policies; (ii) the performance of international reserve management; and (iii) the findings and recommendations from internal and external audits, on the effectiveness and quality of internal control systems, risk management and Bank of Albania's management.

Also, the Council was informed on the annual supervision report, which analyses the activity of the banking system and its supervision from the Bank of Albania over 2022, provides statistics and information on licensed entities and analyses issues related to the performance of banking system.

The Bank of Albania has regularly reported to the Assembly of Albania on the fulfilment level of recommendations presented in the resolution on the assessment of its activity, in compliance with the obligations as an independent constitutional institutions.

### **THE SUPERVISORY COUNCIL - THE HIGHEST DECISION-MAKING BODY OF THE BANK OF ALBANIA**

*The Supervisory Council has the power to approve all the decisions, regulations and guidelines of general application, issued by the Bank of Albania.*



During its activity throughout 2023, the Council approved 53 decisions, of which 39 were acts approved for the first time and 14 were amendments to existing acts.

These acts were issued in accordance with the legal duties of the Supervisory Council, such as: (i) monetary stability; (ii) licensing, regulation and supervision of banks and other financial institutions; (iii) provision of financial infrastructure (currency issue, interbank market); and (iv) financial system stability.

### ***Management and internal organisation***

*The organic law defines the Supervisory Council as the body responsible for: (i) approving the Statute and internal regulations of the Bank of Albania; (ii) determining organisational structure; and (iii) approving appointments of the heads of departments and defining employment conditions at the Bank of Albania.*

In November, the Council approved the Medium-term Development Strategy of the Bank of Albania 2024-2026, keeping the Bank of Albania's mission, vision and values unchanged. The Medium-term Strategy updates the existing strategy, extends the implementation deadline of this document beyond 2025 and sets out the objectives for the next medium-term period. The budget of the Bank of Albania was drafted in accordance with the objectives set forth in the strategy

In May, the Council approved the Strategy-roadmap on "Management and supervision of climate-related financial risks in the financial sector in 2023-2025" (see Box 4). The tasks outlined in this document relate to some of the main directions in the activity of the institution, such as: banking supervision, financial stability, monetary policy, financial statistics, and research.

### ***Budget***

*The Supervisory Council decides on the budget of the Bank of Albania, the management policies and the procedures on using financial assets to carry out the operational activity of the institution, pursuant to the Law on the Bank of Albania.*

The Council approved the budget of the Bank of Albania for 2024 and the planned medium-term budget for 2025-2026. The budget was drafted in accordance with the Medium-term Development Strategy of the Bank of Albania, and departmental projections on medium-term incomes and expenditures.

The budget aims at the normal conduct of the activity of the Bank of Albania, and the independent fulfilment of its duties laid down in the organic law, such as: (i) cautious management of international reserve; (ii) preservation and improvement of the quality of currency in circulation; (iii) enhancement of the catalyst role of payment systems; and (iv) retention of efficient and competitive human resources.



The capital expenditures and the projections included in the budget were preliminarily approved by the Capital Expenditures Committee.

### **THE SUPERVISORY COUNCIL - THE HIGHEST SUPERVISORY BODY OF THE BANK OF ALBANIA**

*To ensure compliance with the law and other acts regulating the daily activity of the Bank of Albania, the Supervisory Council is regularly informed by the internal and external auditors.*

#### **Internal audit**

The internal audit is an activity independent of the management, which provides evaluation, reporting and objective certainty, as well as includes the compliance, internal auditing, and risk management functions.

#### **1. Control over management**

The administrators (the Governor and the two Deputy Governors) inform the Supervisory Council on monthly basis about the economic, financial and monetary developments in accordance with the legal obligations.

The Supervisory Council has been also informed about the institution's management policies and the use of financial assets for the realisation of the operational activity of the Bank of Albania. The Governor is accountable to the Supervisory Council for the implementation of the approved decisions, as well as for the guidance, control and oversight on the management and operations of the Bank of Albania.

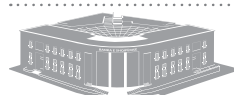
The Inspector General has submitted to the Council quarterly information on the tasks conducted by the Control Department and on the results of the internal auditing carried out in the Bank of Albania.

#### **2. Activity of the Audit Committee**

*The Committee has the mandate to reinforce the internal and external control lines, in order to improve the decision-making of the Supervisory Council and of the Administrators of the Bank.*

*In order to increase efficiency and in-depth in specific areas, the functions of internal audit are delegated to the Audit Committee, which exercises its duties to support the strengthening of internal and external control lines. The Audit Committee is responsible for: (i) the financial reporting process; (ii) the internal control system; (iii) the internal and external audit; and (iv) compliance with the legal and sub-legal acts which are in force.*

The Committee is composed of three members of the Supervisory Council, respectively: Ms Suela Popa (Chair), Mr Ridvan Bode and Ms Edlira Luçi. Members are elected from the Council, for a four-year term, with the right to be re-elected only once. Administrators may not be members of the Committee. The Chair of the Committee shall be chosen by the members.



In 2023, the Audit Committee met seven times and addressed issues such as: (i) the audit plan and analysis of Committee activity; (ii) activity of internal audit; (iii) the financial result of the Bank of Albania; (iv) financial statements and the opinion of the external auditor; (v) cybernetic security at the Bank of Albania and the banking system, along with the business continuity programme; (vi) the opinion addressed to the management for the year ended on 31 December 2022; (vii) the annual and mid-term budgeting and budget realisation; and (viii) operational risk management.

The Committee has informed the Council regularly on its activity and the implementation of its responsibilities.

### **3. Internal audit**

The Inspector General and the Control Department, periodically and independently: (i) assess the accounts and the accounting records, the management and operational procedures of the Bank of Albania, in order to ensure the implementation of the legal and sub-legal acts; and (ii) offer reasonable assurance on the efficiency of the control system, risk and processes managements, for the fulfilment of the institutional objectives.

The Inspector General has reported regularly to the Council on the realisation of this plan and the result of the auditing engagements. The plan is based on the international standards for internal auditing and the updated risk assessment of the identified functions in the revised audit universe.

### **4. Operational risk management and business continuity**

The Council has approved the operational risk management and monitoring policy at the Bank of Albania and the level of tolerance to this risk. Administrators are responsible for addressing the operational risk, in accordance with the above framework.

The Audit Committee has a supporting role, regularly discussing, with the Inspector General and the external auditor, the risks identified and the actions to deal with them, as well as recommending to the Council measures to improve the control systems.

During the year 2023, the Council has paid special attention in this regard to cyber security risks for the continuity of the daily activity of the Bank of Albania and for the functioning of the banking and financial system in Albania.

For this purpose, the Council has been regularly informed by: (i) Inspector General and the on the implementation of the program for business continuity management; (ii) Information Security Committee regarding the implementation of information security policy; and (iii) supervision on cybernetic risk addressing from banks and other financial institutions which are supervised by the Bank of Albania.



### *External audit*

The organic law provides that the Bank of Albania's accounts and records may be checked by external auditors of internationally-recognised auditing institutions appointed by the Council. The external auditor expresses his opinion if the reports prepared by the Bank of Albania represent fully and fairly the financial situation of the institution, in accordance with generally-accepted international accounting standards

The financial statements of the Bank of Albania are audited so as to offer a reasonable reassurance that they are not inaccurate, as a result of errors or fraud. This provides the external auditor with a key role in maintaining the trust of financial markets and of the public in financial statements of the Bank of Albania.

The Audit Committee reviews the Bank's financial statements and assesses whether they are drawn up in accordance with International Financial Reporting Standards and in accordance with the external auditor's opinion.

Prior to submitting the opinion on the financial statements, the Committee meets with the external auditor, without the presence of the administrators, where the progress of the audit process is discussed.

### **ACCOUNTABILITY AND TRANSPARENCY**

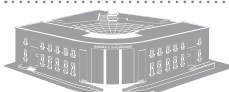
In accordance with the organic law, the Supervisory Council approves all reports and recommendations that the Bank of Albania presents to the Assembly or the Council of Ministers, as well as the annual and financial reports of the Bank of Albania. Upon approval by the Council, these reports are published.

### *Approval of the Annual Report*

In March, the Supervisory Council approved the Annual Report 2022 and sent it to the Assembly and the Council of Ministers. The report describes the economy and financial situation in Albania and the activity of the Bank of Albania over the reporting period

The financial statements audited and certified by the external auditor Ernst & Young Albania and its opinion are an integral part of the Annual Report. In the opinion of EY Albania, the financial statements give a fair view of the Bank of Albania's financial position as at 31 December 2022, and of its financial performance and cash flows in accordance with International Financial Reporting Standards.

Pursuant to the requirements in the Annual And Periodic Monitoring, the information on the implementation level of the recommendations provided in the Resolution of the Parliament for 2021 was part of this Report, as well as a detailed information on the implementation of rules laid down in the manual on the reporting of independent constitutional institutions, in general and of the



Bank of Albania, in particular.

### ***Other reporting to the Assembly and the Council of Ministers***

*In accordance with the organic law, the Bank of Albania has to publish: (i) a detailed opinion on the situation of the economy, quarterly; and (ii) a statement of threats to the stability of the financial system, half yearly:*

Through the compilation and publication of these quarterly and half-yearly reports, the Supervisory Council has regularly fulfilled the accountability obligations of the Bank of Albania to the Parliament and the transparency obligations to the public, financial system and media.

The Supervisory Council, in February, May, August and November, approved the quarterly monetary policy reports, which constitute the main instrument of accountability and transparency in this regard. These reports present a comprehensive description of the latest macroeconomic developments and the factors that affect the performance of consumer prices in Albania.

In April and September, the Supervisory Council approved the half-yearly financial stability reports. These reports present the overall assessment of risks and threats to the Albanian financial system and its infrastructure, and the assessment on the ability of this system to withstand these risks.

The reports have been sent to the Assembly of the Republic of Albania, the Council of Ministers and other central institutions.

