

## 4. INTERNAL AUDIT

*Internal audit at the Bank of Albania is carried out by the Control Department. The main objective of the Control Department is to ensure compliance with the laws and by-laws in the activity of the Bank of Albania. The internal audit function ensures periodically and independently to the Bank's Administrators and the Supervisory Council the verification and evaluation of internal audit systems by testing the effectiveness of the established controls and procedures.*

### 4.1. IMPORTANT DEVELOPMENTS IN THE INTERNAL AUDIT ACTIVITY

#### A. Implementation of the Internal Audit Policy

The Annual Internal Audit Plan at the Bank of Albania was reviewed and approved in accordance with International Standards on Auditing. The annual plan for 2023 was drafted by the Department of Audit and the Inspector General and it was submitted for review by the Audit Committee. Furthermore, agreed by the Audit Committee, the plan was presented to the Supervisory Council, and was approved by its Decision No. 54 dated 07.12.2022.

#### B. Internal Audit Quality Assessment Programme

The International Standards for the Professional Practice of Internal Auditing (Standards) require that an external quality assessment (EQA<sup>34</sup>) of the internal audit activity to be performed at least once every five years by a qualified, independent appraiser or evaluation team from outside the institution. The standards also require a periodic self-assessment to be performed every 2 years.

During 2023, AB self-assessment procedure was carried out in compliance with the requirements of the Standards. This commitment follows the external assessment carried out by the Internal Audit Department of the Central Bank of the Republic of Turkey (CBRT) in December 2020.

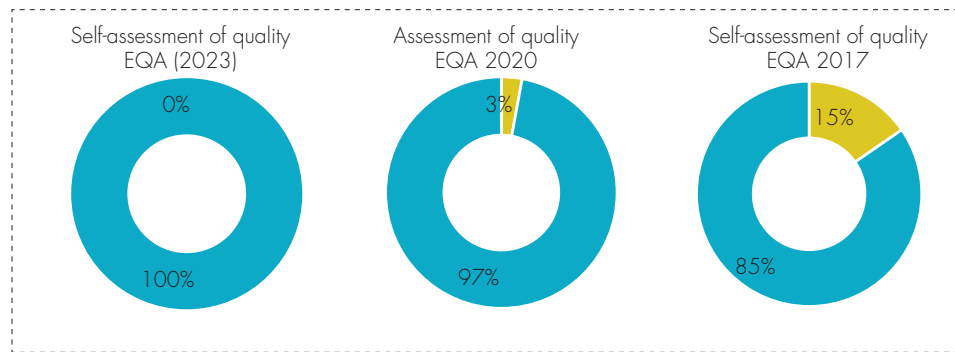
<sup>34</sup> Abbreviations of terms: General Inspector; Audit Department; Institute of Internal Auditors; Operational Risk Management; EQA – External Quality Assessment; IPPF – International Professional Practice Framework; ACCA – Association of Chartered Certified Accountants; CIA – Certified Internal Auditor; CISA – Certified Information Systems Auditor; BCM – Business Continuity Management; KRI – Key Operational Risk Indicators; High Inspectorate of Declaration and Audit of Assets and Conflict of Interests.



The general opinion of self-assessment is that BoA's Internal Audit Activity is "Overall Compliant"<sup>35</sup>, as the highest rating with the Standards of the Institute of Internal Auditors (IIA) and the Code of Ethics according to the IIA Quality Assessment Manual. This level of compliance demonstrates a clear goal and commitment to achieving the Essential Principles for the Professional Practice of Internal Audit and the Definition of Internal Audit.

The following highlights the improvements in the Internal Audit practice of the Bank of Albania according to the last self-assessment, the EQA 2020 assessment and the self-assessment carried out in 2017.

Compliance levels according EQA	Standards assessed during EQA (2023)	Standards assessed during EQA (2020)	Standards assessed during IQA (2017)
Non compliant	0	0	0
Partially compliant	0	3	16
Overall compliant	104	101	88
Overall assessment	Overall compliant	Overall compliant	Partially compliant
TOTAL	104	104	104



The observations addressed by the evaluation team are divided into two categories: Successful Internal Audit Practices and Opportunities for Continuous Improvement. The evaluation team identified four areas in which the AB is operating successfully in its internal audit practice and four opportunities for continuous improvement in the future.

#### 4.2. ABOUT THE AUDIT DEPARTMENT

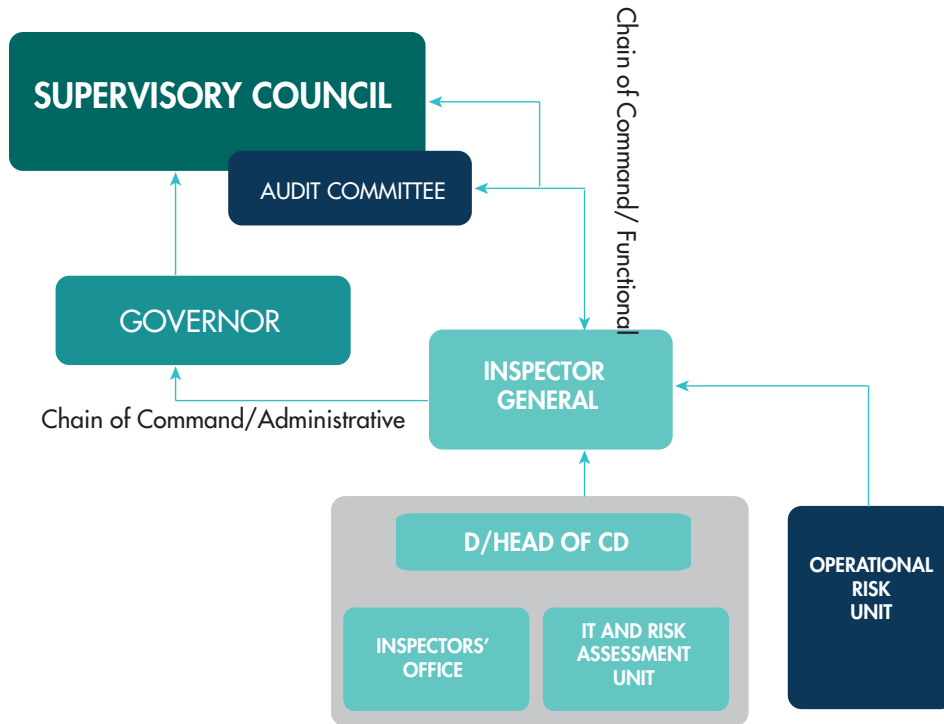
In accordance with the Law "On the Bank of Albania", the status of the Bank of Albania, the policy and regulation of the Internal Audit and the regulation of the Audit Committee, the structure of Audit Department is presented in the following chart, with the purpose the preserving of the objectivity, independence, integrity of information, efficient use of the resources and effectiveness of internal audit systems at the Bank of Albania.

<sup>35</sup> The IIA Quality Assessment Manual suggests a three-point scale, "Overall compliant", "Partially compliant" and "Non-compliant".



A. ORGANIZATIONAL STRUCTURE OF AUDIT DEPARTMENT

Following is provided the organizational structure managed by the Inspector General:

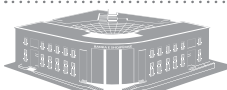


B. PROFESSIONAL CAPACITY BUILDING AND CONTINUOUS TRAINING

In order to meet the strategic objective regarding capacity building of internal audit staff members, the audit inspectors have participated in on-line training programmes for internal audit and risk management provided by central banks. The audit inspectors own the ACCA, CIA, CISA certification titles, and have attended the minimum mandatory classes for upholding those titles. During 2023, two inspectors of the Audit Department have been included in the training program offered by the Ministry of Finance to earn the title “Public Internal Auditor”. This title will professionally enhance the performance of auditors.

4.3. ENGAGEMENTS AND MAIN FINDINGS IN 2022

Audit engagements conducted during 2023 are focused on: providing an opinion on the adequacy of the internal controls established by the Management for the audited functions/processes, including supporting applications for carrying out activities.



During 2023, in total, **28 recommendations** resulted from **11 audit engagements** for security. The recommendations mainly addressed the need for improving the processes, especially in the context of increasing cybersecurity (52%); the review of the regulatory base (21%) and others on the implementation of the regulatory base (27%).

The findings and recommendations for each of the audits carried out during this period were first addressed to the heads of the units and then to the Bank of Albania's Administrators and the Audit Committee.

