

4. INTERNAL AUDIT

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 the verification and evaluation of internal audit systems by testing the effectiveness of the in-place controls and procedures. Internal audit at the Bank of Albania is carried out by the Control Department.

4.1. HIGHLIGHTS IN INTERNAL AUDIT IN 2024

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 2024 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. 52 dated 06.12.2023.

B. Internal Audit Quality Assessment Programme

The International Standards for the Professional Practice of Internal Auditing (Standards) require that an external quality assessment (EQA) 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.

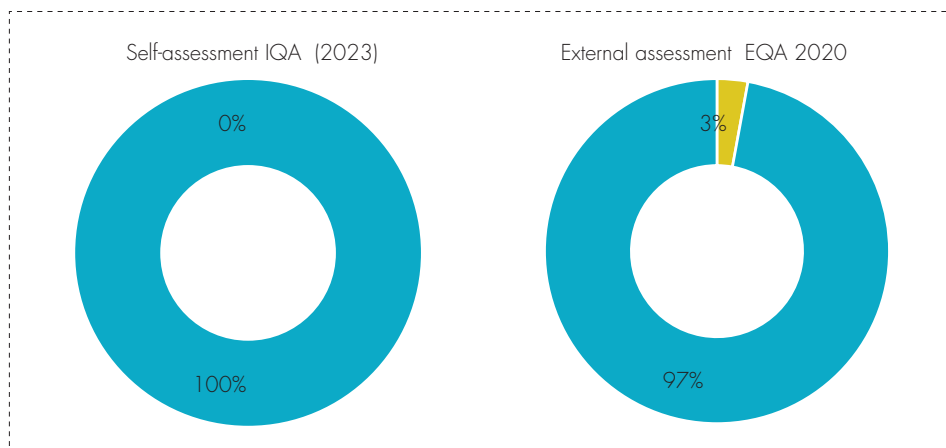
The overall opinion of self-assessment is: The Bank of Albania's Internal Audit Activity is "Overall Compliant"⁴⁰, as the highest rating with the Standards of the Institute of Internal Auditors (IIA) and the Code of Ethics according to the IIA Quality Assessment Manual. This level of compliance demonstrates 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.

⁴⁰ The IIA Quality Assessment Manual suggests a three-point scale, "Overall compliant", "Partially compliant" and "Non-compliant".



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



The observations addressed by the evaluation team are divided into two categories: Successful Internal Audit Practices and Opportunities for Continuous Improvement. Currently, all the addressed recommendations in view of engagements on Quality assessment have been implemented.

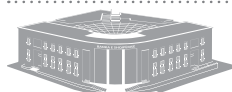
In 2024, the Global Institute of Internal Auditors published the new internal auditing standards, with an implementation date of January 2025. The new standards outline a reorganization to make them easier to use, placing greater emphasis on the role of governance and the mutual relationship between senior management and the internal audit function. The Control Department plans to review the regulatory framework in 2025 to align it with the new standards.

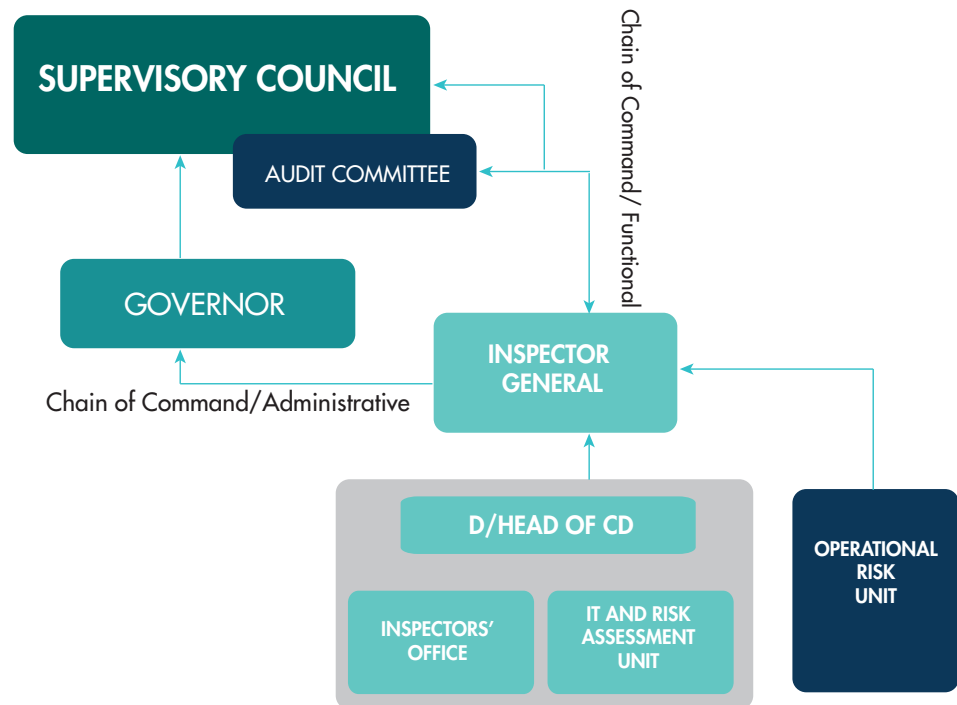
4.2. ABOUT THE AUDIT DEPARTMENT

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 Control Department is presented in the following chart, with the purpose the preserving of the objectivity, independence, integrity of information, the efficient use of resources and the effectiveness of internal control systems at the Bank of Albania.

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. They hold titles in professional certifications such as ACCA, CIA, CISA, and have also completed the minimum required hours for their maintenance.

4.3. ENGAGEMENTS AND MAIN FINDINGS IN 2024

Audit engagements conducted during 2024 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 2024, total of 26 recommendations resulting from 11 audit engagements were addressed. The recommendations mainly addressed the need for improving the processes, especially in the context of improving the processes (70%); the review of the regulatory base (11%) and others on the implementation of the regulatory base (19%).

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.

