

## 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 certain controls and procedures but not being their substitute.*

### 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 2022 was drafted by the Department of Audit and the Inspector General and it was submitted for review by the Audit Committee. Furthermore, the plan was presented to the Supervisory Council, and was approved by its Decision No.3 dated 12.1.2022.

#### B. Internal Audit Quality Assessment Programme

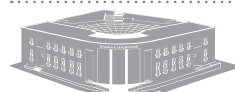
Standards for the Professional Practice of Internal Auditing (Standards) require that an external quality assessment (EQA<sup>29</sup>) of the internal audit activity to be performed at least once every five years by a qualified, independent appraiser or evaluation team from outside the institution.

The last assessment was carried out in 2020, by an independent team of the Audit Department of the Central Bank of the Republic of Türkiye (CBRT). This is the second assessment carried out by external experts for the Control Department, after the first one that was carried out by the Bank of the Netherlands in 2015.

The general opinion is that BoA's Internal Audit Activity is "Overall Compliant"<sup>30</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.

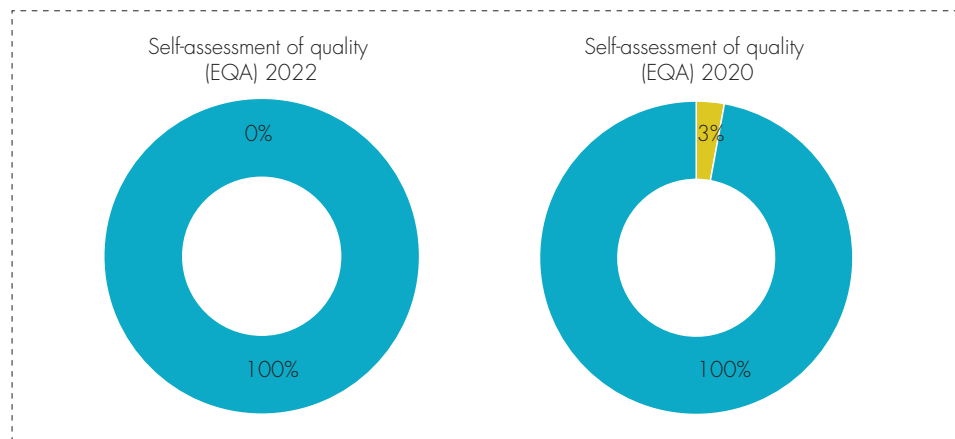
<sup>29</sup> External Quality Assessment

<sup>30</sup> The IIA Quality Assessment Manual suggests a three-point scale, "Overall compliant", "Partially compliant" and "Non-compliant".



The current status of the implementation of the recommendations addressed by EQA 2020, for improvements in the practice of Internal Auditing at the Bank of Albania are shown below:

Compliance levels according EQA	Implementation status of EQA's recommendations (2022)	Standards assessed during EQA by level of compatibility 2020
Non compliant	0	0
Partially compliant	0	3
Overall compliant	104	101
Overall assessment	Overall compliant	Partially compliant
TOTAL	104	104



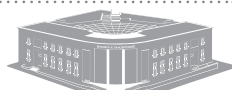
During 2022, the Audit Department revised the Internal Audit Manual with the latest International Professional Practices Standards of Internal Auditing. The review of this Manual addressed all open recommendations left in the final Internal Audit Quality Assessment (EQA).

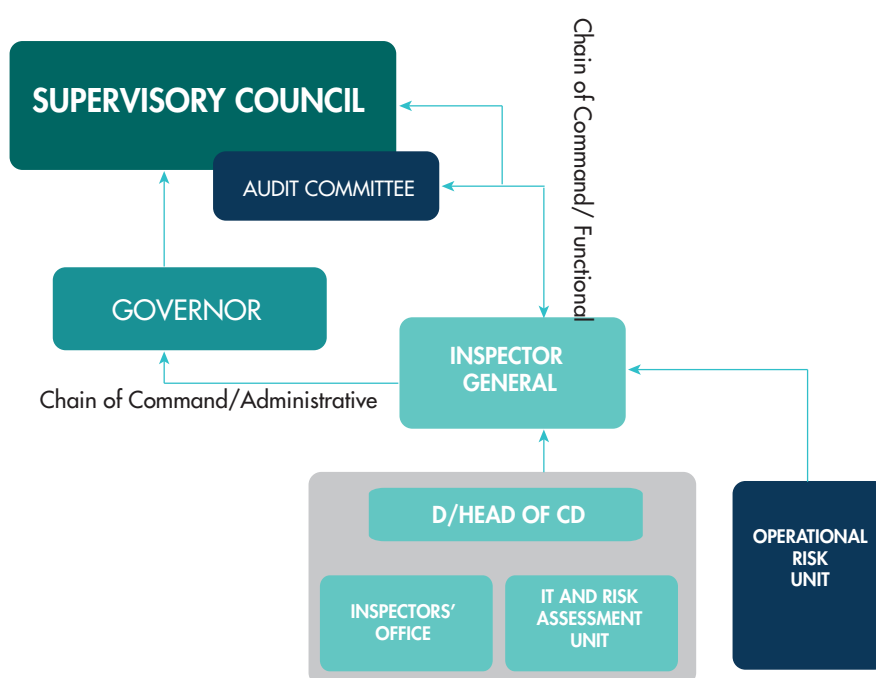
## 4.2. ABOUT THE AUDIT DEPARTMENT

*In accordance with the Law "On the Bank of Albania", the statute of the Bank of Albania, the policy and regulation of the Internal Audit and the regulation of the Audit Committee, the structure of the Control Department is presented in the following chart. It ensures the preservation 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. The audit inspectors own the ACCA, CIA, CISA certification titles<sup>31</sup>, and have attended the minimum mandatory classes for upholding those titles. Also, during 2022, two inspectors of the Audit Department have been included in the training program offered by the Ministry of Finance and Economy 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 2022 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 2022, a total of 31 recommendations resulting from 9 assurance engagements were addressed. The recommendations mainly addressed the need for improving the processes (51%); the review of the regulatory base (23%) and others on the implementation of the regulatory base (26%).

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 BoA's Administrators.

<sup>31</sup> ACCA, Association of Chartered Certified Accountants.  
CIA, Certified Internal Auditor.  
CISA, Certified Information Systems Auditor.

