

OPERATIONS OF THE CENTRAL BANK OF TUNISIA

- LEGAL FRAMEWORK AND MANDATE

The Central Bank of Tunisia, established by law n°58-90 of 19 September 1958 (as amended by subsequent legislation) is a national public establishment with a civil personality and financial autonomy. It is meant to be mercantile in its relations with third parties and governed by the terms of commercial legislation as long as they are not in conflict with the laws and statutes pertaining specifically to it. The Central Bank is not subject to the laws and regulations regarding State public accounting.

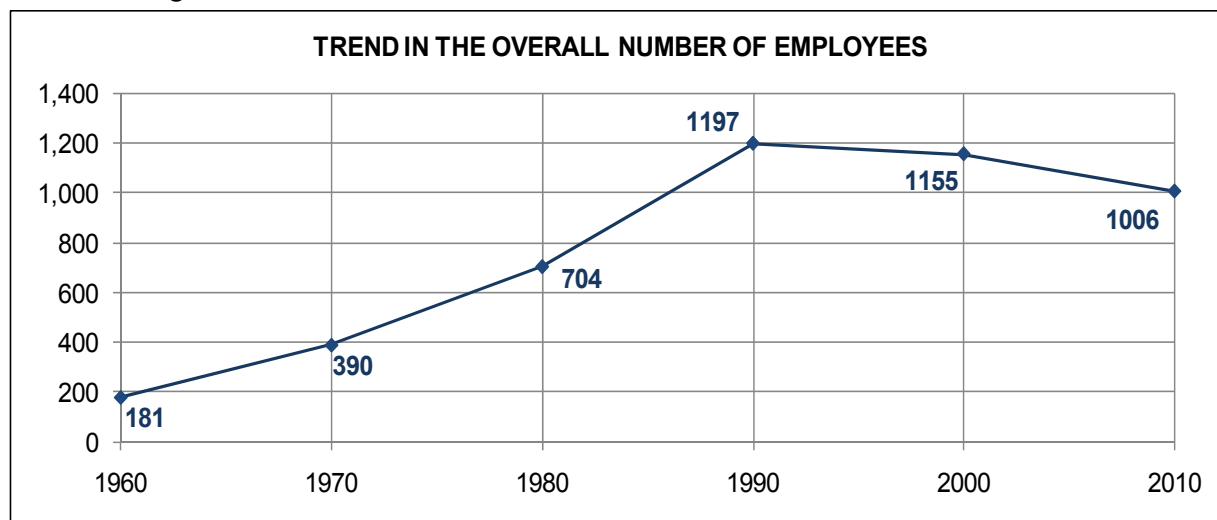
The Central Bank's overall mandate is to preserve price stability. To this end, it is in charge of :

- overseeing monetary policy;
- controlling the circulation of money and ensuring the proper functioning of payment systems;
- supervising lending institutions; and
- preserving the stability and security of the financial system.

In this framework, the Central Bank exercises on behalf of the State the right to issue banknotes and metal coins as the sole legal tender with a discharging effect, manages the country's gold and foreign currency holdings, provides liquidity on the money market, and monitors banks and financial institutions with a priority view to ensuring the security of deposits and that of the banking system.

- SOCIAL REPORT

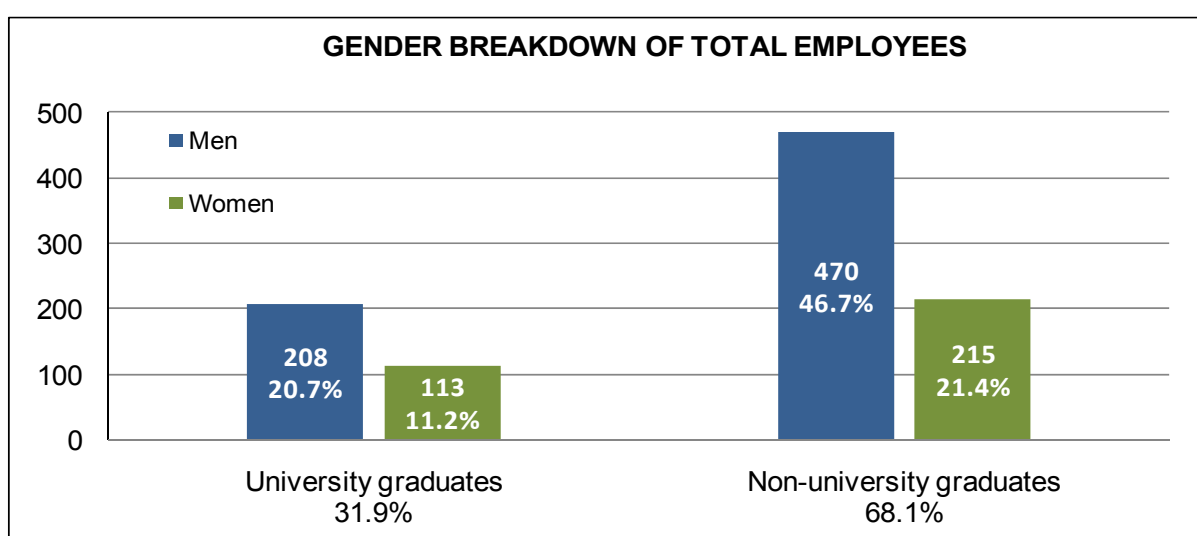
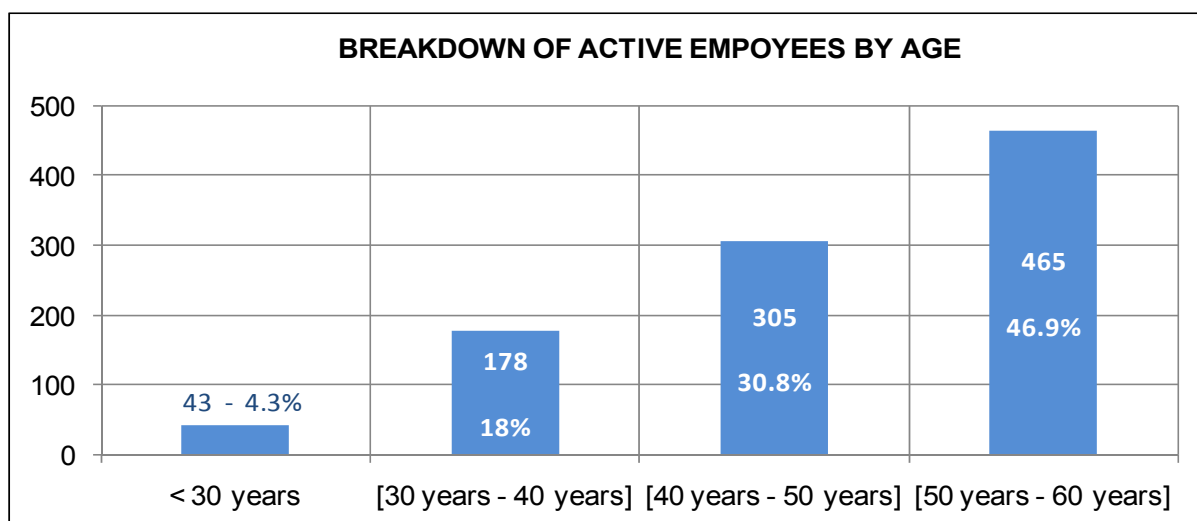
The Central Bank had 1006 employees as on 31 December 2010, 21% of whom were assigned to the Bank's regional counters.



The average age of employees was 46.7 years as of yearend 2010. 32% of the Bank's employees are women, with a significant number of executives : 4 heads of departments. 32% of staff hold university degrees.

Analysis of the Bank structure of employees' age shows that the average age is rather advanced with 47% of employees are more than 50 years old. The Bank will experience significant number of retirements as of 2013. Anticipation of this situation led to external recruitment programmes to replace and make-younger employees with adapted and diversified specialities.

In the next five years, newly recruited will represent half the number of employees to retire.



Staff development is provided through a wide range of training, including :

- training that leads to a diploma awarded to bank staff by specialized structures (24 staff members) ;
- specialised training 167 Executives and agents, of whom 62 in intra-banks, 65 at Tunisian Training structures and 40 abroad, notably at the IMF Institute, the Bank of France's International Banking and Financial Institute, the Arab Monetary Fund, and the European Central Bank ; and
- language training, notably English classes (40 Executives).

In the framework of closer relations with the university, the Central Bank has accepted 154 student interns. The Bank has also organised guided tours for students as well as talks on its role and mandate.

With a view to enhancing cooperation with African central banks, the Central Bank of Tunisia received in its various departments staff from the Central Bank of Guinea, the Democratic Republic of the Congo and the Central Bank of West African States.

Benefits for permanent staff include long term loans for lodging, medium term loans for the purchase of a vehicle, and short term loans to meet miscellaneous expenses. These decisions are made taking into account the availability of resources of the social fund, regulatory quotas, and

the staff member's ability to make repayments. In 2010 the Bank made 954 loans for a total of 7,867,506 TD. Breakdown by duration shows 23% in long term loans, 31% in medium term loans and 46% in short term loans.

- INTERNAL CONTROL SYSTEM

With reference to regulations currently in force¹ and the COSO² model, the Bank's internal control system is based on five components : an environment of control, assessing risk, control activities, the information/communications system, and the steering system. The Bank's internal control system, based on the principle of decentralisation and placing responsibility with operational structures, is also characterised by globally appropriate separation between the functions of initiating, implementing and checking transactions. Decentralisation of accounting entry management systems and first-level checks has been balanced by introduction of compensatory controls such as double validation and setting up of accounting control units.

The Central Bank's internal control system has evolved positively over the past few years, especially after :

- adoption in 2004 of an audit approach based on risk ;
- submission of Central Bank of Tunisia accounts to external audit by two auditors (since 2006) ; and
- the decision to adopt an activity continuity plan in 2010 (under way).

1. Management of risk

Following adoption in 2004 of a risk-based audit approach with the help of IMF, a top-down approach founded on identification of the most critical risks was chosen for establishing a global scale of the Bank's operational and strategic risks. This initiative helped to identify 73 audit objects for the Bank, to assess related weighted risk, to categorise these objects according to the gravity of their respective risk and on that basis to draw up a multi-year programme of audit missions. The main risks have been identified and assessed and they are the target of action plans meant to keep them under control.

2. Internal audit

Internal audit seeks to ensure the quality of the management process, keep risk down, and provide internal control while exercising corporate responsibility within the Bank. Internal audit activities have overtaken conformity audit, encompassing as part of the process efficiency and even quality audit considerations.

Activities undertaken by the Audit Department in 2010 were marked by the particular attention given to the Bank's counters, due to the low implementation rate of recommendations concerning the network and the delegation of new tasks to these counters. The department of internal audit thus proceeded with regular monitoring of application of these recommendations and consequently the implementation rate for this period reached 52% of the recommendations approved by the Bank's management. Upgrading of the department is envisaged in 2011 with the principal objectives being: enhancing skills, establishment of a reference framework (audit charter, procedures manual for internal audit, code of ethics), migration towards optimal application of the norms of the Institute of Internal Auditors and (in the end) certification of the department.

¹ Bylaw of the Minister of Finance dated 31 December 1996 providing for approval of Tunisian accounting norms relative to accounting organisation.

² Committee of Sponsoring Organizations of the Treadway Commission.