

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.

3. Drawing up and monitoring the budget

The Bank's budget, drawn up on the basis of projected needs formulated by the various departments, is submitted for approval by the board. Operating costs came to 59.2 MTD and outlays for investment to 7.3 MTD for 2010, compared to 54.8 MTD and 8.2 MTD respectively in 2009. The main category is staff costs, up from 44.1 MTD in 2009 (79% of the budget) to 46.7 MTD in 2010 (80%). Operating costs are financed from Bank operating proceeds mainly from placement of assets in foreign currency, while outlays for investment are financed from Central Bank core funds. Monitoring of budgetary implementation is intended mainly to identify in a timely manner any expenditure exceeding authorised budgetary allocations so as to take the necessary corrective action.

- MANAGEMENT ANALYSIS

1. Financial balance at the Central Bank of Tunisia

The table of resources/uses found below shows the financial balance of the Bank as at 31 December 2010.

FINANCIAL BALANCE		(In MTD)		
	2010	2009	Variation	
NET RESOURCES	12,796.1	13,257.3	- 461.2	
Net fiduciary resources	5,789.7	5,276.1	513.6	
Net bank refinancing	512.1	2,006.1	-1,494.0	
Net position with the clients	6,173.6	5,653.5	520.1	
Others	320.7	321.6	- 0.9	
NET USES	12,796.1	13,257.3	- 461.2	
Gold and foreign currency	12,796.1	13,257.3	- 461.2	

The above-mentioned table, which has grouped various headings from the published balance sheet in order to provide better analysis, shows that the Bank's patrimony dropped by 461.2 MTD to 12,796.1 MTD in 2010, down from 13,257.3 MTD in 2009. In terms of net resources, the increase in fiduciary money and that of net position with clients were largely offset by the drop in bank refinancing.

As for net uses, the drop in foreign currency holdings had a predominant effect on the negative trend of «gold and foreign currency heading».

BANK REFINANCING		(In MTD)		
	2010	2009	Variation	
Asset	588.6	91.3	497.3	
Financing for lending institutions tied to monetary policy operations	563.0	65.0	498.0	
Securities purchased in the framework of open market operations	25.6	26.3	- 0.7	
Liability	1,100.7	2,097.4	- 996.7	
Current accounts of banks accounted for in the reserve requirement	842.7	363.4	479.3	
Commitments towards lending institutions tied to monetary policy operations	258.0	1,734.0	-1,476.0	
NET BANK REFINANCING	512.1	2,006.1	-1,494.0	