

# 8

## Organization, Management and Human Resources



## 8.1 Council of the Croatian National Bank

According to article 65 of the Law on the Croatian National Bank (official gazette *Narodne novine*, No. 35/1995 – amended version), the Council of the Croatian National Bank and the Governor of the Croatian National Bank comprise the governing bodies of the Croatian National Bank.

The Council of the Croatian National Bank consists of the Governor of the Croatian National Bank, Deputy Governor and Vicegovernors, who are members of the Council by virtue of their office, and no more than eight independent experts.

The Council of the Croatian National Bank and each of its members are responsible to the Croatian Parliament for performing the functions and tasks of the Croatian National Bank prescribed by the Law on the Croatian National Bank and other legislation.

Pursuant to the decision of the House of Representatives of the Croatian Parliament, the composition of the Council of the Croatian National Bank changed in July 2000.

Newly appointed members are: Željko Rohatinski, PhD, the Governor of the CNB and the Chairman of the CNB Council, Boris Vujčić, PhD, Deputy Governor, Tomislav Presečan, MSc, Vicegovernor, Relja Martić, Vicegovernor and Čedo Maletić, Vicegovernor. The independent experts sitting on the Council are: Branko Vukmir, PhD, Silvije Orsag, PhD, Sandra Švaljek, PhD, Alen Belullo, PhD, Branimir Lokin, PhD, Mate Babić, PhD, Božidar Jelčić, PhD and Damir Novotny, MSc.

The first meeting of the newly composed CNB Council, chaired by the Governor, Željko Rohatinski, was held on 19 July 2000.

The Council decides on the management of CNB operations by a two-thirds majority vote of its members. In the event that the required agreement is not reached, the Governor, having assessed that it is otherwise not possible to perform the tasks of the Croatian National Bank, enacts a temporary decision and notifies the Croatian Parliament, which makes the final decision.

In accordance with the Law on the Croatian National Bank, the central bank is responsible for the stability of the national currency. The CNB independently establishes the targets of monetary and foreign exchange policy and, within the framework of its rights and obligations, the measures to meet these targets.

The field of activity of the Council is prescribed by article 67 of the Law on the Croatian National Bank. The Council of the Croatian National Bank makes decisions at its meetings, while the Governor of the Croatian National Bank is responsible for their implementation.

In managing Croatian National Bank operations, the Council of the Croatian National Bank establishes monetary and foreign exchange policy and sets the measures for their implementation.

The Council of the Croatian National Bank makes the annual and quarterly forecasts for monetary policy. Once a month, the members of the Council discuss economic and monetary developments, information on the condition of the banking system and the report on the management of international reserves.

Pursuant to the authorization granted to the Croatian National Bank by the Banking Law, the Council makes decisions on regulations regarding its implementation. Some of these decisions are published in the official gazette *Narodne novine*, while some are of an internal nature. They are related to the prudential control of banks, granting and withdrawing approval for the establishment of banks, approving the appointment of chairmen or members of banks or savings banks' management boards and the acquisition of more than 10% of voting shares at banks' general meetings.

The Council also gives its judgement on granting operating licenses to savings and loan co-operatives and decides on other issues within the competence of the Croatian National Bank, including the regulation of the payment system, the supervision of the operations of the Institute for Payment Transactions and the issuing of circulation and commemorative coins.

In the year 2000, the Council held 18 meetings in order to make decisions on the matters within its competence.

## 8.2 Internal Audit

The Croatian National Bank founded the Internal Audit in 1995 as an independent organizational unit, reporting directly to the Governor of the Croatian National Bank.

The Internal Audit independently and objectively performs its three basic tasks:

1. supervision and counseling;
2. improving business operation quality;
3. providing advice on risk management and other elements of corporate management.

In its work, the Internal Audit conforms to the internationally accepted professional standards of the internal audit, the Charter of the Rights and Obligations of the Internal Audit and the Law on the Croatian National Bank. The reports of the Internal Audit are

first submitted to the Governor and then to the relevant management body. The head of the Internal Audit is in charge of cooperating with external auditors and coordinating their respective operations.

The audit plan of the Internal Audit is illustrative of its risk-based approach as most of its activities are focused on the highest-risk areas. In assessing risk management, special emphasis is placed on the functioning of the system of internal controls and compliance with internal procedures, methodologies and rulebooks. In 2000, Internal Audit conducted 52 audits, pursuant to its own work plan and the Governor's instructions. The audits have shown that no irregularities were found in the functioning of CNB areas and departments and that laws and internal procedures and rulebooks have been complied with.

In 2000, as in previous years, the Internal Audit mostly dealt with the management of international reserves and the foreign currency liquidity of the CNB. Consequently, 31% of all internal audit reports were related to this area. Regular monthly and occasional targeted audits were carried out, covering the investment of international reserves, interventions in the foreign exchange market and the sale of foreign currency. These audits also involved monitoring the performance of the CNB portfolio and its benchmarks. The first independent control unit started functioning within the Foreign Exchange Asset Management Department in 2000. This improved the quality of the control function within the Bank and laid the groundwork for the reliance of the Internal Audit on the findings of autonomous control units. The Internal Audit also conducted additional audits, in accordance with the Governor's instructions, focused on the functioning of the Currency Department, assessed and rationalized expenses and controlled the auctions of CNB bills and the extending of loans to banks.

In 2000, there were 4 members of the Internal Audit, who accounted for 0.6% of all CNB employees. Further training of the Internal Audit members was continued through their attending specialized courses in Croatia and abroad and taking examinations for certified internal auditors specializing in banks and financial institutions. With the support of the CNB management and the provision of funds and personnel, the Internal Audit plans on the further improvement of audit techniques.

## 8.3 Organization and Computerization

The following changes were introduced into the organizational structure of the Croatian National Bank:

- ❑ the Executive Directors' Board was replaced by the Governor's Advisory Board;
- ❑ three on-site divisions were set up within the On-Site Supervision Department;

- ❑ the Accounting, Treasury and Payment Operations Area was divided into two areas: the Planning, Analysis and Accounting Area and the Payment Operations Area;
- ❑ the Planning and Analysis Department was established. Its function and operations conform to the planning methodology set forth by the System of Business Operation.

The proposal for the Rulebook on the Planning of the Operations of the Croatian National Bank was drawn up, as well as for eight instructions on the preparation of individual plans, to be applied in formulating the Operating Plan of the CNB for 2002.

4 employees are engaged in organizing business operations.

This number of employees has resulted from applying internationally accepted standards, in cooperation with relevant areas, to the methodology of business functions, rather than setting up specialist divisions within the Department, in charge of specific operational areas.

Prerequisites for the continued functioning of this Department are the implementation of the System of Business Operation and the hiring of the required personnel.

The upgrading of the CNB's information system, its software, network and hardware, continued in 2000. The applications for international credit transactions subsystem (loans taken and loans granted), bank supervision and monetary statistics were completed and modified. The projects for the storing and analytical monitoring of accounting data and recording securities were devised for the accounting subsystem. At the same time, bank supervision and monetary statistics applications were substantially modified and upgraded to meet user needs. The modifications of the project supporting the monitoring of foreign exchange transactions related to the export and import of goods and services involved the introduction of the Common Customs Declaration (CCD) and the amendments to the Instruction for the Implementation of the Decision on the Method for Executing External Payments and Supplying Data on External Payments.

In 2000, new applications supporting the monitoring of reserve requirements, foreign currency CNB bill auctions and the Unified Register of Business Entities Accounts were designed, together with the new application for the material accounting of fixed assets and small inventory. The application for the monitoring of the Unified Register of Business Entities Accounts was the first Internet application made in the CNB, utilizing modern data protection methods and a digital authorization certificate.

The design of the application for monitoring banks' limits in the National Clearing System was begun and the new application for the Croatian Large Value Payment System introduced.

## 8.4 Human Resources

### 8.4.1 CNB Employees

Having climbed over several years, the number of employees of the Croatian National Bank dropped by 0.34% at the end of 2000 in comparison with 1999. The other features of human resources development remained the same: extensive education and training and raising employee qualifications.

In 2000, the number of employees fell from 580 to 578. This was owing to the fact that the number of departures from the CNB (27) exceeded the number of new employees (23). Most departures were due to retirement. Mandatory requirements for retirement were assessed individually late in 2000, resulting in a larger number of retirees than expected in view of their age. 9 employment contracts were terminated on account of the termination of employment by consent, mostly initiated by employees. The number of unilateral terminations of employment increased, in comparison with 1999, when there was only one such case, which slowed down the usual mobility of employees.

Among the newly employed, there were a few employees who renewed their employment with the CNB, based on an agreement or the suspension of entitlements. The others were new employees, hired following announcements for open positions, subsequent interviews and the final choice of applicants. Most of them were experienced, as opposed to 1999 when trainees accounted for 38% of newly hired employees.

The average age of employees is close to 41. 116 employees below the age of 30 account for 20% of all employees, while almost the same share is accounted for by 119 employees above the age of 50. The average total work experience within the Bank is 18 years, while the average work experience is almost 13 years.

The CNB employee skills pattern at the end of December 2000 is presented in the following table:

	PhD	Msc	BA	2 yr.	Sec.	Qualified	Unqualified	TOTAL	WOMEN
Number	5	37	280	47	154	17	38	578	396
Share	0.87	6.40	48.44	8.13	26.64	2.94	6.57	100	68.51

55.71% of CNB employees hold a university degree, including Master's and Doctoral degrees, which is a 0.34% increase in comparison with the previous year. The rise in the employee qualification was brought about by an increase in the number of employees holding a Master's degree (7) and a doctorate (1).

## 8.4.2 Education and Training of Employees

The number of employees and various forms of advanced employee training at the Croatian National Bank have created the prerequisites for the further development and improvement of the majority of areas and departments.

The personnel basis has been created through hiring trainees, as well as experienced renowned experts, by granting scholarships to students and providing many employees with intensive advanced training.

The CNB's active educational policy, pursued in recent years, has resulted in the establishment of a team of highly skilled professionals in the area of the supervision and auditing of banks and savings banks. With regard to the significance of this function of the central bank and the current condition of the banking and financial system in Croatia, special attention was paid in 2000 to the further training of the employees in this area and improving the methodology for the prudential control of banks. In addition, the functioning of other CNB areas was continually improved and their employees provided with further education.

Title-content of program	Number	Participants
Seminars in Croatia	82	222
Seminars abroad	109	154
Foreign language courses	34	98
Computer training	13	67
Occupational and fire safety	5	139
Post-graduate studies (two-year)	12	12
Post-graduate studies (one-year)	9	9
Doctorate in science	1	1
Total	252	702

In comparison with 1999, the number of programs and participants increased by a considerable 71% especially regarding seminars held abroad. Almost 70% of all programs dealt with four vital functions of the Croatian National Bank: research, central banking operations, international relations and bank supervision. In addition to seminars organized outside the CNB, there were also in-house seminars held on a regular basis.

In 2000, the CNB used services and educational programs organized within the technical assistance of the Bank for International Settlements, the International Monetary Fund in Washington and Vienna, and the central banks of Great Britain, France, Netherlands, Austria, Switzerland (Studienzentrum Gerzensee) and others.

## 8.4.3 Salaries

Employee salaries were in line with the wage policy in Croatia, the Financial Plan of the CNB and the decisions of the Council of the Croatian National Bank. Individual promo-

tions and salary increases were granted consistently in keeping with available funds and according to established criteria. They were aimed at improving CNB employee motivation and efficiency.

## 8.4.4 New Scholarship Holders

In 2000, the CNB again invited applications for scholarships, chose the best candidates and awarded 5 scholarships to third-year and 5 scholarships to fourth-year economics students.

