

О К Т А Рафинерија на нафта
Акционерско друштво

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Скопје 1

ANNUAL REPORT
for the work of the Division for Internal Audit in 2015

OKTA AD – Skopje
Division for Internal Audit
April 2016

Introduction

Based on article 415-v of the Law on the Trade companies, the Division for Internal Audit of OKTA AD-Skopje, ("The Division") herein submits the Annual Report for its work in 2015.

In compliance with the provisions of the corresponding acts, the Annual Report of the Division contains the following information:

- Description of the performed audits in the company;
- Evaluation of the adequacy and efficiency of the systems for internal control;
- Findings and recommendations of the performed audits;
- Evaluation of the implementation of the recommendations given by the Division;
- Evaluation of the realization of the goals set in the Annual Plan;
- Information about other performed activities

Description of performed audits in the company

In 2015, the Division realized the activities foreseen in the Annual Plan for its work. Planned segments and business processes have been checked by performing 6 separate audits, focusing on the control of specified processes in each department separately and on our primary objective that is verification of procedures in the company. Also, the Division conducted 6 ad-hoc audits, at a request of the Chief Executive Officer or by our judgment. Further to the legislation, the Division conducted separate audit on the process of personal data protection in the company. Furthermore we made follow up of the recommendations given by the Division to the findings identified in 2013, in 2014 and in the first semester (H1) of 2015.

Our activities have been carried out by 3 executors.

Evaluation of the adequacy and efficiency of the systems for internal control

The internal audit is a continuous process carried out at all levels in the company, providing reasonable assurance in achieving the following objectives: increasing the efficiency of the company's work; improvement of the efficiency of the management processes; compliance of the company's operation with the internal policies and with the legislation as well.

In the evaluation of the adequacy and efficiency of the system for internal control, the Division was guided by the following components and objectives:

- The audited processes and activities to be regulated with internal policies and procedures and in compliance with the legislation;
- Proper segregation of authorities and duties within the processes and activities;
- Adequate support by the IT system of the processes and the activities;
- Secure and safe system applications in order to prevent intentional and/or accidental mistakes and effective enough to mitigate the risks;
- System for internal control to recognize the possible risks upon the company's work

Findings of performed audit

As a result of the performed audits, including the identified risks, we observed implementation of improvements in certain processes, but notified 40 findings also, for which appropriate recommendations were given. Identified findings are recognized as deficiencies and weaker control points, by which resolving the processes will improve and the risks shall decrease. Therefore, implementation of the given recommendations shall be a subject of our further audits.

Evaluation of the implementation of the recommendations given by the Division

During performing the follow up within the set terms of the given recommendations in H1 of 2015, we may conclude that they are mostly implemented and those that are still pending or on-going, remain to be followed up, together with one still pending recommendation out of 48 given in 2013/2014. The results shall be given in our next Report.

Evaluation of the realization of the goals set in the Annual Plan

Within the available time and resources, the Division fully realized the targets set with the Annual plan.

Information about other performed activities

Along the planned regular audits, during 2015 the Division performed (6) six additional, ad-hoc audits at the request of the CEO and our judgment and one (1) additional audit pursuant to the legislation or seven (7) in total.

During the year, the Division actively participated by giving opinion and proposals during the preparation and update of procedures in many organizational units in the company. From this year, the Division is involved in the inventory count process, at CEO request, for supervising the process during the actual count.

Additionally, the Division provided support to the implementation of the Quality Management System, by active participation during the preparation of the required documentation.

At the end of the year, all employees of the Division have passed tailored training program for internal audit, held by PwC Skopje, for the purpose of further improving the knowledge and quality of the internal audit function.

Conclusion:

During the year 2015 the Company was obliged to revise a large number of procedures and implement new, mainly due to the projects of implemented SAP system and QMS, EMS and OHSAS. In parallel, the Company is in realization of the projects for bottom loading and VRU start up. All this has an impact on the established system for internal control and require system's revision and update. Considering that our primary objective is to provide assurance in the efficient functioning of the system for internal control, same remains to be a subject of our further monitoring and control.

The discrepancies identified in the tested areas of the company's operation are of various natures. The recommendations were accepted by responsible managers, action plans agreed and due dates were set. Verification for the implementation of the recommendations shall be done by following them up and information submitted in the next Report.

Our overall opinion is that the company had identified possible risks and that the larger part of the controls necessary to mitigate the key risks in the controlled processes is set.

April 2016

Division for Internal Audit
Tatjana Lazarevska
Manager

