

О К Т А Рафинерија на нафта  
Акционерско друштво  
Бр. 0203-529/20  
27.02 2020 год.  
Скопје 1

**ANNUAL REPORT**  
**for the work of the Division for Internal Audit in 2019**

**OKTA AD - Skopje**  
**Division for Internal Audit**  
**February 2020**

## 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 2019.

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 system 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 2019, the Division realized the activities foreseen in the Annual Plan for its work. Planned segments and business processes have been tested by performing 4 separate audits, focusing on the control of specified processes in each department separately and on our primary objective that is verification of company's procedures. In addition, the Division conducted 3 ad-hoc audits by our judgment. Pursuant to the legislation, the Division conducted separate audit on the process of personal data protection in the company. Furthermore, the Division conducted periodical audits on monthly business related expenses. Besides the audits, the Division made follow up on the recommendations given to the findings identified in 2017, 2018 and on the recommendations dated 2019, whose due dates were within the period of our work on this Report.

The activities of the Division have been carried out by 3 executors.

## Evaluation of the adequacy and efficiency of the system 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 company's work; compliance of company's operation with the internal policies and with the legislation and is focused on improvement of the efficiency of the management processes.

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;
- IT system to provide adequate support to 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;
- The system for internal control to recognize the possible risks upon the company's work

## Findings and recommendations of the performed audits

As a result of the performed audits in 2019, including the recognized risks, we observed implementation of improvements in certain processes, but also identified **46 findings/nonconformities** in total, for which appropriate recommendations were given. Hereby, we may say that the identified findings are recognized as deficiencies or weak control points in the processes. Thus, implementation of the given recommendations is in direction of improving the processes. All identified findings, for which resolving the due dates are immediate actions or actions in short terms, are correspondingly followed up by the Division, but information for same shall be given in the next Division's Report.

## Evaluation of the implementation of the recommendations given by the Division

The remained recommendation for the finding from 2017 has been followed up and closed as resolved. Regarding the recommendations given to the findings identified in 2018 that in previous reports had status of ongoing or pending issues, we hereby inform that 32 out of 33 in total are resolved and 1 is ongoing. Concerning performed follow up of the recommendations for the findings identified in H1 of 2019, which due dates were within the period of audit and until closing of this Report, we inform that they are mostly implemented. Those recommendations that are still ongoing or pending remain to be a subject of further follow up until their final resolving. The results shall be given in our next Report.

## Evaluation of the realization of the goals set in the Annual plan for 2019

We hereby inform that within the available time and resources, we fully realized the goals set with the Annual plan.

## Information about other performed activities

Along with the regular audits, in 2019 the Division performed three (3) additional ad-hoc audits by our own judgement and one (1) separate audit, pursuant to the legislation, or four (4) in total.

Further to newly adopted procedure, the Division performed periodical audits on monthly business related expenses. No breach of the procedure is identified. The minor discrepancies found do not affect significantly the procedure or have financial impact, but refer to the set principles. Information is sent to the responsible persons, recommending to be avoided thereafter.

During the year, the Division actively participated in preparation and update of procedures in many segments of the company. Our given proposals and opinion is to act preventively, before their finalization and acceptance.

All employees participated various trainings, organized by the IIARM, whereat the Division is an active member, for the purpose of continuous improvement of our knowledge and quality of the internal audit function as a service provided.

## Opinion:

The Division performed audits on the activities that belong to the emphasized segments in the presented risk areas in the company's RAM, assessed by the directly responsible and comprised in the Annual Plan of the Division for 2019.

After conducted audits and analysis of the documentation that support and/or arise from the activities that were a subject of our audits, considering also their compliance with the relevant legislation, we may say the company has designed mechanisms for controlling the processes. The discrepancies identified in the tested areas are of various natures and mostly refer to respective cases where the controls are not fully applied. The recommendations were accepted, action plans agreed and due dates were set. Implementation of the recommendations shall be followed up and for the status duly reported.

In general, the company had identified the possible risks and larger part of the controls necessary to mitigate the key risks in the controlled processes are set. The implementation of the given recommendations will contribute to improvement of the processes, strengthening the control mechanisms and reducing the risks in the company's operation. Our primary objective that is to provide assurance in the efficient functioning of the system for internal control remains to be, as well as our contribution to its possible improvement.

February 2020



Division for Internal Audit  
Tatjana Lazarevska  
Manager