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Скопје 1

ANNUAL REPORT
for the work of the Division for Internal Audit in 2021

OKTA AD - Skopje
Division for Internal Audit
February 2022

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 2021.

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 2021, 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. 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 2019, 2020 and on the recommendations dated 2021, whose due dates were within the period of our work on this Report.

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

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

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

In the evaluation of the adequacy and efficiency of the established system for internal control, the Division was led 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;
- Existence of 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

During the performed audits in 2021, including the recognized risks, we observed implementation of improvements in certain processes, but also identified **37 findings/nonconformities** in total. For all identified findings, we delivered appropriate recommendations. Hereby, we should 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, which resolving require 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 one recommendation from 2019 has been followed up and it is still pending. Regarding the recommendations given to the findings identified in 2020 that in previous reports had status of ongoing or pending issues, we hereby inform that 39 out of 40 in total are resolved and 1 is pending. Concerning performed follow up of the recommendations for the findings identified in H1 of 2021, which due dates were within the period of audit and until closing of this Report, we inform that they are all implemented. Remained recommendations that are still pending will 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 2021

We hereby inform that at these peculiar circumstances that followed the Covid 19 pandemic this year and 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 2021 the Division performed three (3) additional ad-hoc audits by our own judgement. Further to internal company's procedure, the Division performed periodical audits on monthly business related expenses as well. No breach of the procedure is identified.

During the year, the Division actively participated in preparation and update of procedures in many segments of the company. Our given proposals is to act preventively, before their finalization and acceptance. In addition, the team members were several times invited to take part in discussions on various topics, whereat our point of view based on previous experience and knowledge was asked.

All employees participated various trainings, organized by the IARM, 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:

Following the Annual Plan of the Division for 2021, which was based on the presented risk areas in the company's RAM, assessed by the directly responsible, the Division performed audits on the activities that belong to the emphasized segments.

After conducted audits, including herein the ad-hoc audits initiated by our judgement as well, by analysis of the documentation that support and/or arise from the activities that were subject of 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 certain cases where the controls are not fully applied. Our recommendations were accepted, action plans agreed and due dates set.

In general, considering the processes that were subject of audit, we find that the company had identified the possible risks and introduced controls necessary to mitigate the key risks. 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 a subject of our further monitoring, control and possible improvement.

February 2022



Division for Internal Audit
Tatjana Lazarevska
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