

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 2023

OKTA AD - Skopje
Division for Internal Audit
February 2024

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 2023.

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 2023, 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 4 ad-hoc audits by our judgment and on management request. Besides the audits, the Division made follow up on the recommendations given to the findings identified in 2019, 2021, 2022 and on the recommendations dated 2023, whose due dates were until closing of 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 2023, including the recognized risks, we observed implementation of improvements in certain processes, but also identified **30 findings/nonconformities** in total. For all identified findings, we delivered appropriate recommendations. Hereby, we may say that the identified findings are recognized as determined weak control points in the processes. Accordingly, implementation of the given recommendations shall be a subject of our further controls as same are 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 resolved. Regarding the recommendations given to the findings identified in 2021, we hereby inform that 36 out of 37 in total are resolved and 1 is ongoing. The statistics of the follow up of the recommendations on the findings dated 2022 is 41 resolved and 1 ongoing out of 42 given recommendations in total. Concerning performed follow up of the recommendations for the findings identified in H1 of 2023, we inform that 10 out of 11 in total are resolved, and 1 is ongoing. Remained recommendations that are ongoing 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 2023

The Division fully realized the goals set with the Annual plan, within the available time and resources.

Information about other performed activities

Along with the regular audits, in 2023 the Division performed 4 (four) additional ad-hoc audits by our own judgement and on management request. During the year, the Division actively participated in preparation and update of procedures in many segments of the company. Throughout the year the team members were invited to take part in discussions on various topics, whereat our point of view based on previous experience and knowledge was asked. Our given proposals are to act preventively, before the finalization and application of any conclusions.

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:

Further to the Annual Plan of the Division for 2023, created 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, by analysis of the documentation that support and/or arise from the activities that were subject of audits and taking into account their compliance with the relevant legislation, we may say that the company has designed and introduced mechanisms for controlling the processes. Inconsistencies identified in the tested areas are of various nature and mostly refer to cases where the controls are not fully applied or are related to procedural breach. Our recommendations were accepted by the responsible managers and action plans and due dates were 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 remains to be providing assurance in the efficient functioning of the system for internal control, as well as involvement in its possible improvement.

February 2024

Division for Internal Audit
Tatjana Lazarevska
Manager



