

# **ANNUAL REPORT ON THE OPERATIONS OF MKT INTERNAL AUDIT AND RISK MANAGEMENT DEPARTMENT FOR YEAR 2022**

22 March, 2023



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# SUMMARY

## **Purpose of the report**

Pursuant to Law on Trade Companies in North Macedonia, the Internal Audit Office shall be obliged to prepare an annual report on operation.

## **11 audits were finished during the year 2022**

by Internal Control System categories:

- Operation: 3 audits;
- Compliance: 6 audits;
- Finance: 2 audits.

## **52 measures were defined**

- 21 measures are implemented
- 31 remaining measures will be completed latest at 31.01.2024.

Implementation of measures will improve the efficiency and effectiveness of internal controls and audited business processes.

# OVERVIEW OF PERFORMED AUDITS IN 2022

1/2

## ICS<sup>[1]</sup> CATEGORY: OPERATION

### Mobile Service Faults and Problems

#### Scope

Review of management process of mobile network service faults and problems and its response assessing the proactive approach (e.g. implemented controls and effectiveness of established KPIs) and reactive approach (e.g. root cause analysis, lessons learned and improvements).

#### Finding

The performance of mobile NT incidents handling is fulfilling the corporate targets. However, according to IA's<sup>[2]</sup> assessment there is need internal regulation to be updated due to not supporting the current incident management process. Some improvements need to be considered in order timely to resolve and escalate incidents. Sample analysis revealed that BC/DR<sup>[3]</sup> testing is not fully conducted. Handling of incidents on customer value not monitored.

#### Assessment of the adequacy and efficiency of the internal control systems

Internal controls will be strengthened by implementing the measures.

#### Proposed measures and assessment of their implementation

2 measures are implemented. Other 3 measures should be completed until 15.03.2023.

### Security and privacy risks related to test/development environments of systems

#### Scope

Assessment of the effectiveness of segregation of operational systems from development & testing systems and the effectiveness of implementation of fundamental security and privacy controls.

#### Finding

Although the access to test/development systems is protected by network-based separation (VLAN<sup>[4]</sup> segmentation) and strict firewall rules, audit identified that the overall control environments need significant enhancements that should be especially focused on: data generation, retention and regular deletion of personal data, anonymization of personal data, logical access and logging controls. Furthermore, PSA/SDSK<sup>[5]</sup> documentation is not completed for test/development environments.

#### Assessment of the adequacy and efficiency of the internal control systems

Internal controls will be strengthened by implementing the measures.

#### Proposed measures and assessment of their implementation

7 measures were defined and should be completed until 31.01.2024.

[1] Internal Control System

[2] Internal Audit

[3] Business Continuity/Disaster Recovery

[4] Virtual Local Area Network

[5] Privacy & Security Assessment / Standardized Data Privacy & Security Concept



## ICS<sup>[1]</sup> CATEGORY: OPERATION

### Software License Management

#### Scope

To review key efficiency and compliance aspects related to software license management process. To check whether software installed on MKT resources is in accordance with the terms of the licensing agreements with different vendors. To check for commercial ICT<sup>[2]</sup> products license compliance according to the vendor/partner contracts.

#### Finding

Governance structure in case of managing of B2B<sup>[3]</sup> commercial software licenses has gaps in organized roles and responsibilities and therefore need adequate change and improvement.

Improvements need to be considered in order to have integrated inventory of software licenses for B2B commercial use and compliance in segregation of duties. No consistent BC's<sup>[4]</sup> assumptions for purchase of software licenses for B2B commercial decreases company goals efficiency.

Population of endpoint devices needs to be updated in the tool for reporting of utilized software licenses in order to improve efficiency in management of software licenses for internal MKT usage.

#### Assessment of the adequacy and efficiency of the internal control systems

Internal controls will be strengthened by implementing the measures.

#### Proposed measures and assessment of their implementation

6 measures were defined and should be completed until 01.10.2023.

[1] Internal Control System

[2] Information and Communication Technologies

[3] Business to Business

[4] Business Case

# OVERVIEW OF PERFORMED AUDITS IN 2022

1/3

## ICS<sup>[1]</sup> CATEGORY: COMPLIANCE

### ICS Principles

#### Scope

To confirm the appropriateness of design and operating effectiveness of ICS<sup>[1]</sup> requirements.

#### Finding

34 requirements were tested and evaluated as "effective". During the retest phase, 1 ICS TLC<sup>[2]</sup> was tested and evaluated as "effective".

#### Assessment of the adequacy and efficiency of the internal control systems

Operation effectiveness of the controls is appropriate.

#### Proposed measures and assessment of their implementation

No measures were defined. Internal Audit recommended 4 proposals for improving the controls.

### Compliance with GDPR<sup>[3]</sup> requirements ART. 12, 13, 17 and 35

#### Scope

Assess whether the GDPR<sup>[3]</sup> requirements "Information to be provided" (Art. 12, 13), "Right to erasure" (Art. 17) and "Data protection impact assessment" (Art. 35) are fulfilled.

#### Finding

Deletion/anonymization process should be especially focused on:

- (a) regulation of the process description,
- (b) the currently underway activities for GDPR system for anonymization, monitoring and control environment to be finished and
- (c) further implementation of deletion/anonymization of personal data for all IT GDPR-in-scope systems.

The implementation of PSA<sup>[4]</sup> shows severe deficiencies in various form related to data protection impact assessment. Full implementation and usage of PSA procedure with regards to Privacy and the recently established PSA process for CRs<sup>[5]</sup> in practice will minimize the risk of a potential data protection violation.

Some improvements regarding transparency and accessibility of notes on data protection need to be considered and the process related to data request of customers needs to be formalized

#### Assessment of the adequacy and efficiency of the internal control systems

Internal controls will be strengthened by implementing the measures.

#### Proposed measures and assessment of their implementation

7 measures are implemented. Other 6 measures should be completed until 15.11.2023.

[1] Internal Control System

[2] Internal Control System Transaction Level Control

[3] General Data Protection Regulation

[4] Privacy and Security Assessment

[5] Change Requests



# OVERVIEW OF PERFORMED AUDITS IN 2022

2/3

## ICS<sup>[1]</sup> CATEGORY: COMPLIANCE

### Shops Audit

#### Scope

To assess the shop's compliance with the policies and procedures, guidelines, and regulations.

#### Finding

Although, the process is generally well performed, there is still room for improvement regarding cash management process and updating of the regulation which is not up-to-date and not in compliance with the practice. Furthermore, awareness should be raised in regards to data privacy and security.

Audit acknowledges that inventory, especially slow moving inventory, is appropriately handled, and store appearance is on a high level.

#### Assessment of the adequacy and efficiency of the internal control systems

Operation effectiveness of the controls is appropriate.

#### Proposed measures and assessment of their implementation

6 measures were defined and implemented.

### Access Rights Audit in Wholesale

#### Scope

Assessment of the processes, key controls and tools to manage user accounts and access rights related to systems which process wholesale customers data.

#### Finding

Although the governance and control environment for User access management for systems which process wholesale customers data is generally well regulated and clear responsibilities and controls for monitoring are established, its implementation cannot provide sufficient coverage of the risk of possible unauthorized access to data of retail customers of wholesale partners.

The performed tests show that the CRM<sup>[2]</sup> application design allows to generate customer mass data lists without appropriate detection controls. Although the actions are logged and archived, logs are not complete and can not provide sufficient assurance for the existence of appropriate evidence related to mass data activities over wholesale customers data.

Audit identified additional room for improvement of the UAM<sup>[3]</sup> process due to the following identified weaknesses: existence of assigned roles which enable excessive access rights in CRM, no process automation for the Wholesale application, user authorizations for CRM and Wholesale not fully aligned with the internal directive.

#### Assessment of the adequacy and efficiency of the internal control systems

Operation effectiveness of the controls is appropriate.

#### Proposed measures and assessment of their implementation

4 measures are implemented. Other 5 measures should be completed until 31.08.2023.

[1] Internal Control System

[2] Customer Relationship Management

[3] User Access Management



# OVERVIEW OF PERFORMED AUDITS IN 2022

3/3

## ICS<sup>[1]</sup> CATEGORY: COMPLIANCE

### ICS Transaction Level Controls

#### Scope

To confirm the appropriateness of design and operating effectiveness of Internal Control System Transaction Level Controls.

#### Finding

16 controls tested. 14 are evaluated as “effective”, other 2 controls are “effective with reference to retesting”.

#### Assessment of the adequacy and efficiency of the internal control systems

Operation effectiveness of the controls is appropriate.

#### Proposed measures and assessment of their implementation

No measures were defined. Internal Audit recommended 1 proposal for improving the controls.

### ICS Principles

#### Scope

To confirm the appropriateness of design and operating effectiveness of ICS<sup>[1]</sup> requirements.

#### Finding

38 requirements were tested and evaluated as “effective”.

#### Assessment of the adequacy and efficiency of the internal control systems

Operation effectiveness of the controls is appropriate.

#### Proposed measures and assessment of their implementation

No measures were defined. Internal Audit recommended 1 proposal for improving the controls.

[1] Internal Control System



# OVERVIEW OF PERFORMED AUDITS IN 2022

## ICS<sup>[1]</sup> CATEGORY: FINANCE

### Process of Bad Debt Management

#### Scope

Assess the design and effectiveness of bad debt management process and implemented internal controls.

#### Finding

Several issues were identified during the audit mainly related to the process of disconnection and with the collection of the equipment from uninstalled customers.

A few non-compliances were identified with the regulation which are expected to be solved in the updated regulation which is in preparation phase.

The audit's rating of "Medium" is mainly driven by operational disruption of and possible financial impact from the issues identified in the process of collection/invoicing of MKT equipment from uninstalled customers, as well as from the identified inconsistencies in the practice with regulation.

#### Assessment of the adequacy and efficiency of the internal control systems

Internal controls will be strengthened by implementing the measures.

#### Proposed measures and assessment of their implementation

4 measures are implemented. Other 2 measures should be completed until 15.04.2023.

### One.ERP project

#### Scope

To review project management process related to implementation of One.ERP in MKT, including business case, costs, invoices and payments related to this project.

#### Finding

Project implementation was appropriate, with transparent and regular communication, monitored by local and international team. All budget approvals were transparent and on relevant level of approval. Procurement operations with vendors were transparent and appropriately approved. Postimplementation period was followed with regular baby sitting phase where all crucial inconsistencies in the system were resolved. In the following years (2021-2022) there were not identified major issues in the Company operations as a result of implementation of One.ERP system.

#### Assessment of the adequacy and efficiency of the internal control systems

Internal controls will be strengthened by implementing the measures.

#### Proposed measures and assessment of their implementation

No measures were defined.

[1] Internal Control System