

ANNUAL REPORT ON THE OPERATIONS OF MKT INTERNAL AUDIT AND RISK MANAGEMENT HUB FOR YEAR 2023

20th March 2024



LIFE IS FOR SHARING.

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.

7 audits were finished during the year 2023

by Internal Control System categories:

- Operation: 5 audits;
- Compliance: 2 audits.

32 measures were defined

- 12 measures are implemented;
- 20 remaining measures will be completed latest at 31.12.2024.

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

OVERVIEW OF PERFORMED AUDITS IN 2023

1/3

ICS^[1] CATEGORY: OPERATION

HR Retention Program

Scope

To evaluate if the method of resource planning exists and is in line with the Company strategy. To check if HR^[2] uses instruments to identify and keep the key employees in the Company. To check if employee retention program and/or possible strategies for retention exist and the process of salary and rewards is in line with that strategy.

Finding

There is a practice for identification of key employees in the Company, but formal procedure does not exist due to the changeable trends on the labor market which are very dynamic and variable. It is not specifically defined which positions are key, although in the last year the following areas are identified as a main base for key positions: Product Management, IT^[3] Development, SW^[4] Development, Marketing. IA^[5] recognized some positive activities in the past two years, yet there is a room for improvement and additional activities should be introduced for increasing employee motivation and satisfaction in the Company. Career path development is part of the job family model, however, implementation in practice accompanied with additional activities/tools will increase employee's satisfaction and retention. Big difference between the approved training budget and realized. Analysis and reports related to employees' turnover are occasionally sent to the management. Transparent and regular reporting to management is necessary for effective and efficient employee replacement process and/or task distribution.

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 30.04.2024.

5G Network Rollout Review

Scope

To evaluate the handling and tracking of the process deliverables (controls, KPIs^[6], reporting). Determine the adequacy and effectiveness of MKT^[7] monitoring and operational control structure and the stated goals of the project are reached in line with company & statutory regulations.

Finding

The management of the deliverables is satisfactory. The key steps (ordering, implementation & reporting) were mostly well controlled. Small tweaks deemed necessary to ensure expected quality of delivery for all sites. Some additional controls for remarks (faults/deficiencies of any kind in relation to the implementation) handling need to be added to the project management practice for effective monitoring of their timely resolution. We recommend to negotiate additional payment milestones into future contracts to keep the financial incentive alive for the vendor until conditional free acceptance is reached & to periodically test the completeness of the project documentation.

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

All 4 measures are implemented.

[1] Internal Control System
[2] Human Resources

[3] Information Technology
[4] Software

[5] Internal Audit
[6] Key Performance Indicators

[7] Makedonski Telekom



OVERVIEW OF PERFORMED AUDITS IN 2023

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ICS^[1] CATEGORY: OPERATION

Presales and sales of ICT projects and services

Scope

To assess the transparency of the process of public tender participation, offer negotiations and communication/contracting with partners.

Finding

The audit found that the process of presales and sales of ICT^[2] projects and services is not well documented and lack transparency. Due to organizational restructuring, ICT process is not centralized, and several departments are included in the presales and sales activities. Therefore, centralized system of documentation storage is necessary. Decision making process during preparation phase is mainly done orally and without written evidence of the approvals from the managers. Challenge of the market opportunities for available vendors need to be done in reasonable time frame. Most of the vendor agreements are done with DNL^[3] (all selected samples). Reporting to management need to be introduced on regular basis.

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

1 measure is implemented. Other 6 measures should be completed until 01.03.2024.

Security Essentials Audit – User Access Management @ MKT

Scope

To assess the effectiveness and compliance of the organization's processes and controls related to granting, modifying, and revoking user access privileges to critical systems and data. The audit aims to identify vulnerabilities, evaluate authorization procedures, and recommend improvements for maintaining a robust and secure user access environment.

Finding

Based on the audit work, performed according to the Security Essential Audit group workplan, we concluded the following:

- There is a policy in place for UAM^[4] in MKT, but the UAM activity is not fully compliant with this policy regarding the access for new hire, recertification, and removing timely the accounts for people who left the company.
- There is a control environment in place, but control activities are not performed accordingly.
- There is no clear inventory of IT/NT systems connected to IAM^[5] and additionally some tasks in IAM are still done manually.

We found irregularities for all audited systems and the risk might be that the UAM policy is frequently breached.

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 2 measures should be completed until 30.11.2024.

[1] Internal Control System

[2] Information and Communication Technology

[3] Direct Negotiation Letter

[4] User Access Management

[5] Identity and Access Management

OVERVIEW OF PERFORMED AUDITS IN 2023

3/3

ICS^[1] CATEGORY: OPERATION

Process of contract management and post sales activities in B2B

Scope

Assessment of effectiveness and efficiency of internal controls and processes. Ensure that adequate segregation of duties, monitoring and reporting are in place.

Finding

Process for sales and provisioning of mobile services is generally well defined in the new procedure which is still in process of harmonization and not formally approved. Approval of the procedure should be formalized and if necessary updated based on the recommendations in the audit. KPIs^[3] are not measured.

The audit identified that adequate segregation of duties is implemented where needed, however some of the process steps are not duly performed i.e., Credit pre-checks not performed, request for subscription from customers is not obtained.

New Magenta Axis system is in process of development and expected to be launched by July 2024, which should bring improvement and automatization of some of the process steps. Improvement in the distribution process of handsets, concerning returned documentation are needed.

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 31.12.2024.

[1] Internal Control System

[3] Key Performance Indicators

[2] Business to Business



OVERVIEW OF PERFORMED AUDITS IN 2023

1/1

ICS^[1] CATEGORY: COMPLIANCE

ICS Transaction Level Controls

Scope

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

Finding

18 controls tested. 12 are evaluated as “effective”, 2 are evaluated as “not effective”, 1 is evaluated as “effective with reference to retesting”, and other 3 controls are “not eventuated”.

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

1 measure is implemented. Other 1 measure should be completed until 31.08.2024.
Internal Audit recommended 1 proposal for improving the controls.

ICS Principles

Scope

To confirm the appropriateness of design and operating effectiveness of ICS^[1] requirements.

Finding

39 requirements were tested. 38 are evaluated as “effective”, and 1 is evaluated as “not effective”.
During the retest phase, 2 ICS TLCs^[2] were tested and evaluated as “effective”, 1 is still “not 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

1 measure defined and should be completed until 31.08.2024.
Internal Audit recommended 3 proposals for improving the controls.

[1] Internal Control System

[2] Internal Control System Transaction Level Controls

