

ANNUAL REPORT ON THE OPERATIONS OF MKT INTERNAL AUDIT AND RISK MANAGEMENT HUB FOR YEAR 2024

19th March, 2025



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.

11 audits were finished during the year 2024

by Internal Control System categories:

- Operation: 8 audits;
- Compliance: 2 audits.
- Finance: 1

52 measures were defined

- 22 measures are implemented;
- 30 remaining measures will be completed latest at 31.01.2026.

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

OVERVIEW OF PERFORMED AUDITS IN 2024

1/4

ICS^[1] CATEGORY: OPERATION

Cyber Security Essentials – Release & Patch Management and FUP^[2] on measures

Scope

Assessment of the design and operational effectiveness of controls related to release & patch management processes to ensure IT/NT security as part of the cyber security process. FUP on the measures related to patch/vulnerability management.

Finding

Current audit engagement identified similar issues as the two previous audits like gaps in patch level, measurement of KPI's^[3] and Configuration Management DB^[4] documentation.

However, there is initiative to improve the efficiency of Vulnerability and Patch process in the following areas: reducing the number of vulnerabilities reachable from internet, harmonizing the local regulation with DT^[5] requirements, monitoring and plans for updating the systems to the latest recommended/stable versions.

More accurate record keeping requires automation in system and configuration registry as a basis for essential corporate processes.

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 2 measures should be completed until 01.03.2025.

Partner contracts – postpaid and mobile devices

Scope

Assess fulfillment of conditions and limitations of the partner contracts.

Finding

Post-paid sales through partners shows constant increase in the past years. Audit engagement covered all aspects of partner dealing with MKT^[6] products and services.

The process is not covered with up-to-date procedures and working instructions, as well as adequate monitoring and reporting.

The audit identified significant risk exposure due to the low bank guaranties, missing insurance policies for the partners' POS^[7] and volume of cash collection in part of the stores.

Customer documentation is not complete and part of it cannot be traced in MKT archive (Inbox).

Partners need to pay attention to the security measures of the stores (alarm and surveillance system, fire protection).

System access control needs improvement.

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

8 measures are implemented. Other 4 measures should be completed until 31.05.2025.

OVERVIEW OF PERFORMED AUDITS IN 2024

2/4

ICS^[1] CATEGORY: OPERATION

PSA categorization and confirmation

Scope

To evaluate the usage and efficiency of Privacy and Security Assessment (PSA) process and to ensure that internal procedures regarding PSA are accurately followed.

Finding

This Speedboat Review was conducted using responses collected from the Questionnaire that was answered together on separate interviews with the respective auditees.

IA has identified the following observations:

- There is a clear difference in regulation and practice in the PSA process and regular training is missing for PSA participants.
- There are Projects/CR^[2] that are left uncategorized.
- Controlling, monitoring, and measuring functions are missing.

However, the questionnaire itself created enormous awareness in all units and there is willingness to improve the PSA process from every involved party.

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

Internal Audit gave 8 recommendations for improving the processes.

Collaboration Network @ MKT

(performed by DT audit and T-sec, with local help from MKT Audit Team)

Scope

To assess the adherence to the security requirements stated in the signed "DTAG Security Agreement on M365 Collaboration Network".

Finding

The assessment showed, that the security requirements of the Collaboration Network contract are mostly sufficiently fulfilled, even if MKT is currently still in the implementation project. However, not all contractually obligated services (e.g., SharePoint Online) were fully enabled at the time of the audit. In addition, the management of different privileged accounts (e.g., emergency account, local admin) is not sufficient. Internet access is possible without VPN^[3] connection, and the patch management processes shows weaknesses. A missing PKI^[4] complicates DT^[5] wide secure e-mail communication.

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 are implemented. Other 8 measures should be completed until 15.01.2026.

[1] Internal Control System
[2] Change Request

[3] Virtual Private Network
[4] Public Key Infrastructure

[5] Deutsche Telekom

OVERVIEW OF PERFORMED AUDITS IN 2024

3/4

ICS^[1] CATEGORY: OPERATION

Inventory Management

Scope

To review the process of inventory management and perform inventory count. To review if the warehousing activities are performed in accordance with the regulations/contract and that controls are effective.

Finding

IA^[2] found that some of the defined steps in the procedure “Warehousing and distribution” are not fully in accordance with the practice. During the inventory count performed by IA, several discrepancies were identified which were partially covered and justified with documents afterwards. After analysis performed, IA found that there was breach of the Safety stock level, i.e., in certain period Safety stock was below the defined level. Audit acknowledges that the procurement processes are well described with defined control set. Procurement planning is aligned and harmonized within relevant organizational teams. Ordering process was checked through ICS controls and no deficiencies were identified. Inventory is kept safe in the central warehouse.

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

1 measure is implemented. Other 3 measures should be completed until 31.05.2025.

Contract Management

Scope

To check age of the contracts, identification of original contracts and compliance of the annexes with the contract's conditions. Approval of contracts and relevant annexes.

Finding

The audit engagement covered the whole processes of harmonization, approval, signing, and archiving of contracts. Audit acknowledges that the monitoring process of the contract duration and renewal is well established, automated and performed via internally developed application (connected with Apian). Yet, room for improvements is identified. The process is not supported with an up-to-date procedure, i.e., some of the steps in the practice do not reflect the process described in the valid procedure. Several discrepancies and differences were identified in the process of harmonization of contracts. Rare cases of longer approval process were identified. Apian system does not correspond with the current status of the contracts, the date of signing and archiving are much later than in reality. There are active contracts that have not been signed by vendor side yet.

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 were defined and should be completed until 31.07.2025.

[1] Internal Control System
[2] Internal Audit

OVERVIEW OF PERFORMED AUDITS IN 2024

4/4

ICS^[1] CATEGORY: OPERATION

Ransomware

Scope

Assess the effectiveness of the ransomware protection measures in place, ensuring they adequately prevent, detect, and respond to ransomware threats to protect organizational data and operations.

Finding

The Ransomware audit highlighted positive security measures, including implementations of Microsoft Defender for Endpoint, which comes with EDR (Endpoint Detection and Response) capabilities for proactive threat detection and mitigation, as well as the implementation of Offline Vault. It adds proper ransomware readiness against potential loss and corruption of data and preserves the integrity of the data for the business-critical applications. Beside that, improvements are needed in integrating EDR for Linux servers, conducting regular security checks and management of installed software on endpoint devices, as well as improving the backup process. To add an extra ability to detect, respond and recover, MKT^[2] should continue with the efforts to implement or procure a Security Operations Center which will provide 24/7 monitoring of security events and establish a Cyber Response Plan will ensure a well-defined, rapid, and coordinated approach against different cyber threats.

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

10 measures were defined and should be completed until 31.01.2026.

Audit on Base Stations

Scope

Assess the performance and efficiency of base stations, review contractual terms and ensure compliance to relevant regulations and standards.

Finding

This Speedboat Review was conducted using responses collected from the Questionnaire and interviews held with the respectful auditees. Following observations were identified:

- Lack of documentation for important activities.
- Possible risk of overpayment.
- Lack of regular H&S^[3] compliance checks on external partners.
- BST^[4] without building permissions.

Positives:

- Total actual energy consumption vs FC^[5]
NO2-Mobile Access (-1.84%)
- Up-to-date inventory list
- Digitalized processes

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

Internal Audit gave 4 recommendations for improving the processes.

OVERVIEW OF PERFORMED AUDITS IN 2024

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

5 controls tested. 4 are evaluated as “effective”, and 1 is evaluated as “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

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

27 requirements were tested. 1 control was not assessed, 25 are evaluated as “effective”, and 1 is evaluated as “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

Internal Audit defined 1 measure and recommended 3 proposals for improving the controls.

[1] Internal Control System

[2] Internal Control System Transaction Level Controls

OVERVIEW OF PERFORMED AUDITS IN 2024

1/1

ICS^[1] CATEGORY: FINANCE

Accounting treatment for each business deal (model)/transaction

Scope

To evaluate the assessment, controls and documentation of accounting treatment for each business deal (model)/transaction.

Finding

Speedboat review was conducted based on the answers collected with a questionnaire sent to the relevant auditees. Following rooms for improvement were identified:

- Formal controls should be introduced, having in consideration from one hand that accounting assessment is made in B2B^[2] and from the other, the focus of the company for expanding these activities in future.
- Assessment of the accounting treatment and book recording is done in B2B. It is not clear when the follow up (control) of the posting is performed by Accounting. Criteria for accounting involvement and process of contract assessment for Business Solutions Projects in form of instructions are from 2017.
- More formal documentation is recommended for the decision-making process including clear statement/connection with the relevant accounting standard.
- It is not clear what “significance” stands for in this process of escalation and for the 4-eyes principle

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

Internal Audit gave 4 recommendations for improving the processes.

[1] Internal Control System

[2] Business to Business