

ANNUAL REPORT

ON THE OPERATIONS OF MKT INTERNAL
AUDIT DEPARTMENT FOR YEAR 2015

16th March 2016



LIFE IS FOR SHARING.

SUMMARY

Purpose of the report

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

9 audits were finished during 2015

by Internal Control System categories:

- Operation: 6 audits
- Compliance: 2 audits
- Finance: 1 audit

29 measures were defined

- 13 measures are implemented by 31.12.2015
- remaining measures will be completed latest 31.12.2016.

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

OVERVIEW OF PERFORMED AUDITS IN 2015

ICS^[1] CATEGORY: OPERATIONS (1/3)

Retransmitting contracts

Scope

To review the process of registration of retransmitting channels, identify responsibilities and analyze the cause for the warnings from the Media Agency received in Dec 2014.

Finding

Internal process and control points are missing. No clear segregation of duties.

Assessment of the adequacy and efficiency of the internal control systems

Internal controls will be strengthened, by implementing the measure.

Proposed measures and assessment of their implementation

One defined measure was completed.

Mobile network outage

Scope

To review the process for preventive maintenance activities and check the reasons for the mobile and data services outage on Dec 10th, 2014.

Finding

Defective batteries caused the outage. Maintenance of power supply systems is not on appropriate level.

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 6 defined measures are implemented.

[1] Internal Control System

OVERVIEW OF PERFORMED AUDITS IN 2015

ICS^[1] CATEGORY: OPERATIONS (2/3)

Security of services and products–Patch mgmt

Scope

To evaluate the design and operational effectiveness of patch management controls as part of the cyber security process.

Finding

System owner role established, transparency and awareness need improvement. Patch management process exists, but it should be formalized and consistently performed.

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

Out of 5 defined measures 4 are implemented. One remaining measure is ongoing and should be completed by 30.06.2016.

Configuration management

Scope

To evaluate the design and operational effectiveness of configuration management controls as part of the cyber security process.

Finding

Configuration data is scattered, quality of data is not consistent. No consolidated configuration management data base.

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

Defined 2 measures should be completed until 30.06.2016.

[1] Internal Control System

OVERVIEW OF PERFORMED AUDITS IN 2015

ICS^[1] CATEGORY: OPERATIONS (3/3)

Effectiveness of HR process

Scope

To assess if HR processes are simple, transparent and effective.

Finding

Two processes reviewed: (1) Filling in vacant job positions: not efficient and clear procedure, and (2) Training: approval automated, but 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

Defined 5 measures should be completed until 30.06.2016.

Mobile network quality

Scope

To check the reasons for decreased network quality and increased customer complaints. To analyze improvement measures, actions taken and results.

Finding

Mobile network optimization is in focus and projects are ongoing. Closer KPI and project tracking is 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

Defined 7 measures should be completed until 31.12.2016.

[1] Internal Control System

OVERVIEW OF PERFORMED AUDITS IN 2015

ICS^[1] CATEGORY: COMPLIANCE (1/1)

Internal Control System Principles

Scope

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

Finding

33 MKT and 33 TMMK^[2] requirements were tested and evaluated as "efficient".

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.

ICS – Transaction Level Controls

Scope

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

Finding

All 14 controls tested are evaluated as effective. Two of them have recommendation for improvement.

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.

[1] Internal Control System

[2] Audit was performed before the legal merge of MKT and TMMK.

OVERVIEW OF PERFORMED AUDITS IN 2015

ICS^[1] CATEGORY: FINANCE(1/1)

Business case monitoring

Scope

To assess transparency and effectiveness of the process for preparation, management and monitoring of business cases (CAPEX and marketing initiatives).

Finding

No sensitivity analysis and exit criteria for CAPEX investments. No guideline for monitoring product proposal results.

Assessment of the adequacy and efficiency of the internal control systems

Internal controls will be strengthened, by implementing the recommendations.

Proposed measures and assessment of their implementation

Out of 3 defined measures 2 are implemented. One remaining measure is ongoing and should be completed by 30.06.2016.

[1] Internal Control System