

ANNUAL REPORT

ON THE OPERATIONS OF MKT INTERNAL AUDIT DEPARTMENT FOR YEAR 2016

9th March, 2017



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.

10 audits were finished during the year 2016

by Internal Control System categories:

- Operation: 3 audits
- Compliance: 5 audits
- Finance: 2 audits

52 measures were defined

- 31 measures are implemented;
- remaining measures will be completed latest 31.12.2017.

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

OVERVIEW OF PERFORMED AUDITS IN 2016

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

Project management

Scope

To assess the design and effectiveness of the new IT and NT project management process.

Finding

Project management process is established, but regulation is not yet approved. Feasible evaluation model of proposed initiatives and available capacity for development is not established. Demand mgmt process is identical for all projects / Change Requests regardless of the size.

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 5 are completed.

Emergency service numbers

(ad hoc)

Scope

To examine the reasons for wrong routed emergency call in Ambulance-Bitola case. To assess the process of implementation and provisioning of emergency calls when originated from MKT mobile network.

Finding

Governance process for implementation of changes and rules for routing of emergency calls numbers is not efficiently communicated and needs improvement. There is no established control for configuration parameters.

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 completed. Remaining 1 measure should be completed until 01.04.2017.

[1] Internal Control System

OVERVIEW OF PERFORMED AUDITS IN 2016

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

IT Network security at outer border (common)

Scope

The audit will determine the level of network security at the external borders. In particular the integration of third party networks (incl. Internet) and the adequate segmentation of the local network are in the focus of this audit.

Finding

Firewall rules process is not supported by tool, several firewalls were with outdated and vulnerable OS, outbound encrypted traffic bypass firewall and 3rd party access platform as defined in DT group security requirements is not implemented.

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 7 defined measures 1 is completed. Remaining 6 measures should be completed until 31.12.2017.

[1] Internal Control System

OVERVIEW OF PERFORMED AUDITS IN 2016

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

ICS Principles

Scope

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

Finding

All tested requirements (28) are 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.

T-shop review

Scope

To assess the shop's compliance with the policies and procedures, guidelines, and regulations and to assist the organization in identifying operational improvement opportunities.

Finding

19 own/6 indirect shops are generally in compliance with regulation, but still there is room for improvement in cash management, inventory management, security and data privacy and shop organization / appearance.

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 9 defined measures 7 are completed. Remaining 2 measures should be completed until 31.03.2017.

[1] Internal Control System

OVERVIEW OF PERFORMED AUDITS IN 2016

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

Employee data protection

Scope

To check if employee data is obtained and handled in line with data protection principles. To assess HR IT systems data security and user responsibilities.

Finding

Storage of some employee personal data are kept without defined period of storage after the expiring of the collection purpose. Untraceable actions of employee data and modification of Audit logs by administrative users in HR IT platform is possible.

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 13 defined measures 8 are completed. Remaining 5 measures should be completed until 01.09.2017

Revenue assurance

(joint)

Scope

To check if requested and provided fixed internet and IPTV services and products to customers are accordingly invoiced. The audit was focused on fix internet and IPTV customers and services.

Finding

Internet and IPTV revenue streams are not sufficiently covered. Controls are mainly focused on traffic and billing assurance, extension of the existing provisioning control is needed to provide coverage.

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

5 defined measures should be implemented by 30.11.2017

[1] Internal Control System

OVERVIEW OF PERFORMED AUDITS IN 2016

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

ICS Transaction level controls

Scope

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

Finding

All 10 controls tested are evaluated as effective. One of them has 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

OVERVIEW OF PERFORMED AUDITS IN 2016

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

Usage of consultancy fees

(ad hoc)

Scope

Provide and assurance on proper allocation and usage of consultancy budgets, compliance with the MT Group policies ruling consultancy services, and effectiveness of related internal controls.

Finding

MT Group policies related to the management of consultancy contracts are rolled down to Subsidiaries. Improvement is needed in practical implementation of Group policies (mainly on the side of reporting, monitoring of contracts and an improper categorization of consultancy costs).

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 4 defined measures 4 are completed.

Outsourced activities

Scope

To review outsourcing contracts, including performance and payment to the outsourcing partners; to evaluate new procedures, and to assess transparency and completeness of the transferred activities.

Finding

Based on half-year period analysis of the outsourced activities efficiency, estimated savings are not fully achieved. Risk of not appropriate quality performance. Not aligned processes, procedures in practice with the contract requirements. Insufficient reporting, controls and KPI analysis for the work performed by the partners.

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 4 defined measures 2 are completed. Remaining 2 measures should be completed until 30.06. 2017

[1] Internal Control System