

# **ANNUAL REPORT ON THE OPERATIONS OF MKT INTERNAL AUDIT DEPARTMENT FOR YEAR 2020**

17<sup>th</sup> March, 2021



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.

## **9 audits were finished during the year 2020**

by Internal Control System categories:

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

## **36 measures were defined**

- 14 measures are implemented;
- 22 remaining measures will be completed latest at 30.03.2022.

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

# OVERVIEW OF PERFORMED AUDITS IN 2020

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

### Field Technical Services

#### Scope

To review the process of selection and implementation of FTTH<sup>[2]</sup> area deployment. Evaluate the performance of technical service provisioning (FTTH<sup>[2]</sup> and Copper) including Partners within implemented controls for partner monitoring and their effectiveness.

#### Finding

MKT has developed quite new process for selection and implementation of FTTH<sup>[2]</sup> deployment. Occasionally in some cases customer value and potential for sales could be handled better.

Monitoring activities for Partner Contract obligations in provisioning of fixed services are not regularly performed and documented.

There are errors in the communication between CRM<sup>[3]</sup> and OSS<sup>[4]</sup> systems during fulfillment of technical feasibility step in the provisioning process.

There is a lack in inventory information of CPE<sup>[5]</sup> equipment.

#### 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

3 measures were defined and implemented.

### Performance management in sales

#### Scope

Review compliance with policies and procedures related to the employee incentive. Evaluate processes and controls related to consumer and contact center incentive compensation calculations, including correlations to corresponding incentives and corresponding approval processes.

#### Finding

The B2C<sup>[6]</sup> sales incentive data collection and calculation process is not fully documented. The incentive calculation process is semi-automated and prone to inconsistency and errors.

The consent documents for some employees is not consistent due to different time period of signing when different version of consent statement was active and the employees are not aware of the content. Additional internal resolution that support incentive calculation process is published with a delay.

The distribution process of employee sales targets is not fully transparent. SIA<sup>[7]</sup> does not fully support the incentive process, its life cycle is not a regular activity and maintenance contract is with expired validity. Incentive program analysis are not regularly 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

3 measures are implemented. Other 3 measures should be completed until 15.04.2021.

[1] Internal Control System  
[2] Fiber To The Home

[3] Customer Relationship Management  
[4] Operations Support System

[5] Customer Premises Equipment  
[6] Business to Customers

[7] Sales Incentive App



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

### Advisory: Cyber Security Maturity Assessment

#### Scope

High level maturity assessment over the mandatory security domains and agreed optional security domains based on the CIS<sup>[2]</sup> standard.

Detailed review on samples of security domains over selected samples of critical IT-NT systems.

#### Finding

Cyber security is important because cyber security risk is increasing, driven by the proliferation of cyberattacks, large-scale move to remote work and employees' individual security behaviors. Capability assessment of the MKT's cyber security environment shows maturity level: "Defined Process" in most of the areas, based on professional opinion of IA. Although the processes for cyber security are established and several tools for detection and prevention are implemented and are under constant improvement, they cannot provide sufficient assurance for all cases and all scenarios that all deviations will be detected. The remote work which is becoming an operational standard moved employees working to often unmonitored and unsecured public Internet which reduces the MKT's visibility into employees behavior.

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

Internal controls will be strengthened by implementing the proposed recommendations.

#### Proposed measures and assessment of their implementation

Measures are not defined for advisory audits. 10 recommendations were defined.

### IT Managed Services

#### Scope

The relationships (contracts) with service providers for Infrastructure, Service Desk and Billing domains. Effectiveness of the Managed Service process. Transparency and completeness of the transferred activities. Implemented controls related to business continuity and logical access.

#### Finding

The WLAs<sup>[3]</sup> for IT MSA<sup>[4]</sup> in-scope services not yet officially approved by MKT. No tracking performance of third party suppliers. The continued access of the suppliers to the relevant tools and systems is not confirmed (acknowledged<sup>[4]</sup> by both parties), as stipulated in the MSA<sup>[4]</sup> (Annex 13). Patch Management process is not effectively implemented. The revision of KPIs<sup>[5]</sup> is not finished. The measurement of the KPI<sup>[5]</sup> related to average duration of CR<sup>[6]</sup>/Project is not performed effectively. Missing automation in the IT Demand and Change Management process related to reporting, notifications and approvals for MDs<sup>[7]</sup> for Additional CRs<sup>[6]</sup>. Missing CRs<sup>[6]</sup> catalogue for Billing. The yearly "open" Purchase Order toward STB<sup>[8]</sup> for Additional CRs<sup>[6]</sup> implementation for 2020 is not used for all Projects in MKT (ex. projects related to NT).

#### 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

3 measures are implemented. Other 9 measures should be completed until 15.12.2021.

[1] Internal Control System  
[2] Center for Internet Security

[3] Working Level Agreements  
[4] Managed Services Agreement

[5] Key Performance Indicators  
[6] Change Request

[7] Man-days  
[8] Stonebranch

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

### Data Loss Prevention

#### Scope

The effectiveness of Data Loss Prevention governance process and the tools or/and technical solutions which detect and prevent potential leaks of sensitive data at rest, in transit and in use.

#### Finding

Effectiveness testing of actual security policies on social media and networking, especially how they apply in practice is not in place. The current inventory of sensitive data incompletely document the flow of data. Risks assessment of sensitive data is missing.

Transparency of approving the Home Office and exceptions from the security policies should be improved.

There is no automated DLP<sup>[2]</sup> tool deployed. Implementation of MDM<sup>[3]</sup> solution for email on mobile phones is with partial coverage. Existing components with DLP<sup>[2]</sup> functionalities have not performed PSA<sup>[4]</sup> process. Centralized backup for endpoint devices (PC<sup>[5]</sup>, Laptops) exist while restoration testing of its back-ups is partial. Confidentiality breaches is not addressed as part of tested incident response.

#### 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 7 measures should be completed until 30.03.2022.

### Vendor Selection Process – Direct Negotiations

#### Scope

The process of vendor selection and contracting with special attention to direct negotiations. Established controls with regard to changes in the process and policy. Service delivery and service verifications.

#### Finding

There are no significant changes in the procurement process that affect Direct Negotiations Procurement process itself. However, regulations are old and need update.

Not adequate storing of due diligence form.

Purchase Orders are not adequately marked as preferred/exclusive when created in SAP.

One bypass case was identified in 2020 by Procurement, Logistics and Real Estate department.

#### 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

One measure was defined and implemented.

[1] Internal Control System  
[2] Data Loss Prevention

[3] Mobile Device Management  
[4] Privacy and Security Assessment

[5] Personal Computer

# OVERVIEW OF PERFORMED AUDITS IN 2020

## 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

31 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.

### ICS Transaction Level Controls

#### Scope

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

#### Finding

Eight controls tested. One is evaluated as "not effective". Seven controls are evaluated as "effective", one of them is "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

One measure was defined and implemented.

[1] Internal Control System

# OVERVIEW OF PERFORMED AUDITS IN 2020

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

### Customer Credit Check Process

#### Scope

The design and effectiveness of the existing processes and controls with regard to the Customer Credit Check/Control process.

#### Finding

Old regulations which do not correspond in total to the practices. Missing summarized overview of changes in the criteria for Credit Check process in the past years. List of defined criteria for in and out of the black/fraud list and frequency for update of the list is missing. No regular review of the black/fraud list.

Manual credit check process for mobile services. Credit check can be bypassed, i.e. not performed or ignored.

Each month there are identified cases where debtors with more unpaid invoices are provided with new service, under new Cust Code. It is highly forbidden according the procedure to provide debtors with new service.

No regular checks on the archived customer documentation. Mandatory customer documents are missing.

No regular reviews for clearance of the exception list.

Regular fraud analysis are not 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

2 measures are implemented. Other 3 measures should be completed until 01.07.2021

[1] Internal Control System