

ОКТА Рафинерија на нафта
Акционерско друштво
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Скопје 1

ANNUAL REPORT
for the work of the Division for Internal Audit in 2018

OKTA AD - Skopje
Division for Internal Audit
February 2019

Introduction

Based on article 415-v of the Law on the Trade companies, the Division for Internal Audit of OKTA AD - Skopje, ("The Division") herein submits the Annual Report for its work in 2018.

In compliance with the provisions of the corresponding acts, the Annual Report of the Division contains the following information:

- Description of the performed audits in the company;
- Evaluation of the adequacy and efficiency of the system for internal control;
- Findings and recommendations of the performed audits;
- Evaluation of the implementation of the recommendations given by the Division;
- Evaluation of the realization of the goals set in the Annual Plan;
- Information about other performed activities

Description of performed audits in the company

In 2018, the Division realized the activities foreseen in the Annual Plan for its work. Planned segments and business processes have been checked by performing 4 separate audits, focusing on the control of specified processes in each department separately and on our primary objective that is verification of company's procedures. In addition, the Division conducted 3 ad-hoc audits by our judgment. Pursuant to the legislation, the Division conducted separate audit on the process of personal data protection in the company. Also, starting from this year, the Division conducts periodical audits on monthly business related expenses. Besides the audits, the Division made follow up on the recommendations given to the findings identified in 2017.

The activities of the Division have been carried out by 3 executors.

Evaluation of the adequacy and efficiency of the system for internal control

The internal audit is a continuous process carried out at all levels in the company, providing reasonable assurance in achieving the following objectives: increasing the efficiency of company's work; compliance of company's operation with the internal policies and with the legislation and improvement of the efficiency of the management processes.

In the evaluation of the adequacy and efficiency of the system for internal control, the Division was guided by the following components and objectives:

- The audited processes and activities to be regulated with internal policies and procedures and in compliance with the legislation;
- Proper segregation of authorities and duties within the processes and activities;
- Adequate support by the IT system of the processes and the activities;
- Secure and safe system applications in order to prevent intentional and/or accidental mistakes and effective enough to mitigate the risks;
- The system for internal control to recognize the possible risks upon the company's work

Findings and recommendations of the performed audits

As a result of the performed audits in 2018, including the recognized risks, we observed implementation of improvements in certain processes, but also identified **33 findings/nonconformities** in total, for which appropriate recommendations were given. Hereby, we may say that the identified findings are recognized as deficiencies or weak control points in the processes. Therefore, implementation of the given recommendations shall be a subject of our further audits. All identified findings, for which resolving the due dates are immediate actions or actions in short terms, are correspondingly followed up by the Division, but information for same shall be given in the next Division's Report.

Evaluation of the implementation of the recommendations given by the Division

Regarding the recommendations given to the findings identified in 2017, that in previous reports had status of ongoing or pending issues, we hereby inform the results of the made follow up, i.e. 39 are resolved and 1 is pending.

Concerning performed follow up of the recommendations for the findings identified in H1 of 2018, which due dates were within the period of audit and until closing of this Report, we inform that they are mostly implemented. Those recommendations that are still on-going or pending, remain to be a subject of further follow up until their final resolving. The results shall be given in our next Report.

Evaluation of the realization of the goals, set in the Annual plan for 2018

The Division, fully realized the goals set with the Annual plan, within the available time and resources.

Information about other performed activities

Along with the regular audits, in 2018 the Division performed three (3) additional ad-hoc audits by our own judgement and one (1) additional audit, pursuant to the legislation, or four (4) in total.

Further to newly adopted procedures, the Division performs periodical audits on monthly business related expenses. No breach of the procedure is identified. The minor discrepancies that do not affect significantly the procedure or have financial impact, but refer to the set principles are reported to the responsible, recommending to be avoided thereafter.

During the year, the Division actively participated in preparation and update of procedures in many segments of the company. Our contribution by giving opinion and proposals is to act preventively, before their finalization and acceptance.

All employees participated various trainings, organized by the IIARM, whereat the Division is an active member, for the purpose of continuous improvement of our knowledge and quality of the internal audit function as a service provided.

Opinion:

Pursuant to the Annual Plan of the Division for the year 2018, created based on the presented high-risk areas in the Risk Assessment Matrix of OKTA, prepared by the directly responsible, the Division performed audits on the activities that belong to the emphasized segments.

After conducted audits and analysis of the documentation that support and/or arise from the activities that were a subject of our audits, considering also their compliance with the relevant legislation as well, we may specify satisfactory level of compliance and minimal risk of penalties.

The discrepancies identified in the tested areas are of various natures. The recommendations were accepted by the responsible managers, action plans agreed and due dates were set.

The final conclusion, concerning the tested high-risk areas presented in the Risk Assessment Matrix of OKTA, is that the company has defined mechanisms for controlling the processes. The identified inconsistencies refer to certain cases where they are not fully applied. The implementation of the given recommendations, will contribute to the improvement of the processes, strengthening the control mechanisms and reducing the risks in the company's operation.

In general, the company had identified the possible risks and larger part of the controls necessary to mitigate the key risks in the controlled processes are set. Our primary objective that is to provide assurance in the efficient functioning of the system for internal control, remains to be a subject of our further monitoring, control and possible improvement.

February 2019



Division for Internal Audit
Tatjana Lazarevska
Manager