



MAKSTIL AD Skopje

Annual Internal Audit report

For the period of 01.01.2020 – 31.12.2020

Table of Contents

Introduction.....	3
Purpose of annual report.....	3
Business process review approach	3
Brief description of performed audits	4
Activities in progress	6
Employee development	6

1. Introduction

The Internal Audit Department at Makstil AD – Skopje functions as independent organizational part of the Company, created with resolution for modification and amending of the systematization of work positions No. 02-34 from 25.11.2010.

The main purpose of the internal audit is to provide insight into the compliance of the internal acts with the positive legal regulations, as well as assessment of the internal control systems, segregation of duties and risk management.

The internal audit provides independent and objective opinion to the Board of Directors regarding the efficiency of the implemented internal controls, as well as the adequacy of the risk management systems. Risks are evaluated and ranked in terms of the probability and impact of individual business activities within organizational units in the company. Internal Audit also consults with the Board of Directors, to determine the activities that will be reviewed and the frequency of the reviews of individual activities.

The Internal Audit Department prepares reports for the performed reviews and submit them to the parties involved. For its work, Internal audit prepares an annual and semi-annual report. According to the Article 10 of the Law of Amending the law on Trade Companies (Official Gazette of the Republic of Macedonia No48/2010) and the Articles 415-a,415-b, 415-v and 415g, the Internal Audit department submits this Annual report for the period of 01.01-31.12.2020.

2. Purpose of the Annual report

The purpose of this Annual Internal Audit Report is to summarize and chronologically present the activities carried out by the Internal Audit Department for the period of 01.01.2020 to 31.12.2020, providing on-time information for the benefits provided by Internal audit department functioning.

During the realization of its activities, the Internal Audit Department primarily aims to provide an independent and objective assessment of the adequacy and efficiency of the internal control systems, as well as the adequacy of the established company procedures and their compliance with the legislation.

3. Business Process Review Approach

By decision of the Board of Directors, in June 2019, the Internal Audit department has started with a systematic review of Makstil's business processes. This systematic review approach has continued during 2020.

Outputs of Review Process

The outputs of the review process include the following deliverables:

- As-Is process maps (the actual way of working as activities performed by employees participating in a particular process, with risk and segregation of duties findings identified).
- To-Be process maps (proposed work process with the appropriate controls and segregation of duties, i.e. addressing need for improved controls and segregation of duties identified in as-is process. Also, general process improvement opportunities identified).
- Report documented findings, recommendations and Process Improvement Implementation Considerations.
- Presentation of completed process review findings and recommendations to Board of Directors

Status and Next Steps

During the past year, the following reviews have been completed:

No.	AUDIT NAME	Presented to the Board of Directors
1.	Warehousing review	January 28 th , 2020
2.	Scrap Process review	May 18 th , 2020
3.	Project Management Review	June 18 th , 2020
4.	Organization-wide risk assessment	November 24 th , 2020
5.	Order to cash process review	Will be scheduled

4. Brief description of the performed audits

4.1. Warehousing Review

The review was started in 2019 and completed in January 2020.

The purpose was to provide an insight into general warehouse management process, including receiving, quality checking, warehousing and issuing materials and to provide an

objective opinion on adequacy and effectiveness of existing controls in place. The report was approved by the Board of directors. Management has been requested by the Board to present the proposed implementation plan highlighting key outcomes to be achieved with timeline and responsibility.

Current status: A work team was established to implement the recommendations and a formal resolution was prepared and signed by the executive managers. Following a kick off meeting the work team is continuing with the implementation project.

4.2. Scrap process review

The purpose of this process review was to assess the adequacy and effectiveness of "Scrap process" following a review of the scrap procurement in Makstil. It also aimed to give reasonable assurance of the adequacy and effectiveness of controls in place, as well as the appropriateness of the segregation of duties.

The report was discussed with the Board members and with the responsible directly involved in the process. Scrap Procurement manager was assigned as a Project coordinator, responsible for implementation of approved recommendations. The action plan was prepared and its progress was also discussed with the Board members and with the responsible involved.

Current status: The team is working on implementation of approved recommendations.

4.3. Project Management

Internal audit was required to review the project management process and to identify improvements.

The purpose was to use the positive experiences from this case, as well as the lessons learned and their incorporation in order to contribute to the continuous improvement of the projects management. The review was discussed with the Board members and with the responsible involved in the project.

Current status: incorporating learned experiences into the project management process.

4.4. Organization-wide risk assessment

Given that risk assessment is a regular and continuous Internal audit activity, this year the Internal Audit department was asked by the Makstil's Board of Directors to share the results of performed annual risk assessment with its members.

The purpose was to detect and discuss on the areas where current risk level deviates from acceptable risk level in the organization. Following the discussion, managers were asked to prepare action plans to further improve certain areas.

Current status: Teams work on Action plans development.

4.5. Order to Cash process review

As a part of the Annual Internal audit plan, a review of Sales process was conducted during the year.

The purpose of this review was to assess the adequacy and effectiveness of Sales process flow and to give reasonable assurance of the adequacy and effectiveness of controls in place and the appropriateness of segregation of duties.

The results were shared with the responsible personnel and with the Board members as well.

Current status: The work team is busy with refining the development of the Action plan.

Activities in progress

Currently, there are no activities with the status "activities in progress".

Employee development

Hiring / leaving

During the past year there was neither employment nor dismissal of employees in and from the Internal Audit Department.

Internal Audit Department