



MAKSTIL AD Skopje

Annual Internal Audit report

For the period of 01.01.2021 – 31.12.2021

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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 internal audit continually aims to assess the compliance of the internal business processes with legal and regulatory requirements and to evaluate the adequacy of the internal control systems and segregation of duties to allow for mitigation of identified risks.

The main purpose of internal audit is to provide an independent and objective opinion to the Board of Directors regarding the adequacy and efficiency of risk management, governance and internal control processes. Risks are evaluated and ranked in terms of the probability and impact on individual business activities within organizational units in the company. Internal Audit also consults with the Board of Directors, to determine the processes and activities that needs to be reviewed and the frequency of the reviews.

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 no. 48/2010) and the Articles 415-a, 415-b, 415-v and 415g, the Internal Audit department submits this Annual report for the period of 01.01-31.12.2021.

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 01.01.2021 to 31.12.2021, 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, the Internal Audit department has started with a systematic review of Makstil's business processes. This approach to systematic review has started in June 2019 and continued throughout 2020 and 2021.

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 findings and observations included as required).
- 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).
- Review Report: typically includes 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. | "Hire-to-retain process review" | September 9 th , 2021 |
| 2. | Procurement of aluminum | - |
| 3. | Natural gas and electricity procurement, follow-up review | |
| 4. | Fixed assets management (ongoing) | |

4. Brief description of the performed audits

4.1. "Hire-to-retain process review"

The purpose of this audit engagement was to assess the adequacy and effectiveness of the processes related to Human resources in Makstil AD Skopje and to give reasonable assurance on their adequacy, including the segregation of duties and controls in place.

Hire-to-retain process review encompassed several processes that form part of the work cycle including:

- Planning the need of human resources, including work design (job organization and systematization);
- Recruiting and filling vacancies;

- Employee management – supporting of a new employee, introduction to the business concept, training and development, performance measurement, benefits and compensations;
- Redeployment, if/when necessary;
- Payroll process, controls in place, granted system authorizations and payroll delivery;
- Rewards and benefits;
- Absence from work;
- Initiated disciplinary proceedings;
- Termination of employment;

The report was discussed with the responsible participants in the process and presented to the Board of directors.

Current status: The responsible team is preparing an action plan for implementation of the approved recommendations.

4.2. Procurement of aluminum

As a result of the mutual cooperation between the Internal Audit department of Makstil AD Skopje and the Group Internal Audit of DITH, an overview of the procurement of aluminum was conducted.

The purpose was to review the manner of implementation of this activity during the past period of time and to give a reasonable assurance that it is in accordance with the internal provisions of the company.

4.3. Procurement of Natural gas and electricity, follow-up review

In the second half of 2019, it was conducted a review of the natural gas and electricity procurement processes. Thereby, the Internal audit department gave recommendations for overcoming the identified weaknesses.

During 2021, a follow-up review of the implementation of the recommendations was conducted.

The purpose was to determine the adequacy of the implemented recommendations and to give a reasonable assurance that the implementation of these processes is according to the internal regulations.

Following this review, all findings from the previous audit were closed.

4.4. Fixed assets management

At the end of 2021, a review in the area of fixed assets was started and is ongoing.

The purpose of this review is to assess the adequacy and effectiveness of the fixed assets – related processes, including:

- Planning of the need for fixed assets,
- Procurement of the fixed assets,
- Activation and depreciation,
- Tracking the movement,
- Disposal and retirement of the fixed assets.

Activities in progress

Currently, the audit “Fixed assets management” has the status of "activities in progress".

Employee development

Hiring / leaving

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

Internal Audit Department