



MAKSTIL AD Skopje

# Annual Internal Audit report

For the period of 01.01.2022 – 31.12.2022

## Table of Contents

<b>Introduction.....</b>	<b>3</b>
<b>Purpose of annual report.....</b>	<b>3</b>
<b>Audits performed .....</b>	<b>3</b>
<b>Brief description of performed audits .....</b>	<b>4</b>
<b>Activities in progress .....</b>	<b>5</b>
<b>Employee development .....</b>	<b>5</b>

## **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 of 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 01.01-31.12.2022.

## **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 01.01.2022 to 31.12.2022, 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. Audits performed**

During 2022, the following reviews have been conducted:

No.	AUDIT NAME
1.	Fixed assets management (in the final stage)
2.	Review of existing practices for managing potentially fraudulent activities
3.	Procurement process

#### 4. Brief description of the performed audits

##### 4.1. Fixed assets management

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

The objective of the audit engagement was to evaluate, test and give reasonable assurance on the adequacy and effectiveness of the processes associated with the internal controls components of Fixed assets management.

The audit scope includes:

- Assets registry – list and classification;
- Planning, approval of the purchase and purchase of new fixed assets;
- Fixed assets movement tracking;
- Recording and reporting (capitalization and depreciation policy);
- Fixed assets disposal and retirement;

##### 4.2. Review of existing practices for managing potential fraudulent activities

The objective of this review was to assess the adequacy and effectiveness of the existing mechanisms of fraud management, and to identify recommendations for their improvement.

The audit scope includes:

1. Fraud Awareness and Prevention:
  - Policies, implemented and current;
  - Internal control system;
  - Oversight by the Board of directors;
  
2. Fraud detection and investigation
  - Whistleblowing policy and procedure,
  - Fraud hotline,
  - Fraud reporting boxes;

### **4.3. Procurement process**

The objective of the audit engagement was to evaluate, test and give reasonable assurance on the adequacy and effectiveness of the processes associated with the internal control components during realization of procurement, through the e-procurement system and outside the e-procurement system, as well as their compliance with internal company policies and legal regulations.

The audit covered the purchases in the period 2020-2022, realized through the e-procurement platform and through direct communication with suppliers.

#### **Activities in progress**

Currently, the audit "Fixed assets management" has the status of "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