

ANNUAL REPORT

ON THE OPERATIONS OF MKT INTERNAL AUDIT DEPARTMENT FOR YEAR 2019

11th March, 2020



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 2019

by Internal Control System categories:

- Operation: 3 audits;
- Compliance: 5 audits;
- Finance: 1 audit.

42 measures were defined

- 11 measures are implemented;
- 31 remaining measures will be completed latest at 15.10.2020.

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

OVERVIEW OF PERFORMED AUDITS IN 2019

ICS^[1] CATEGORY: OPERATION (1/2)

Monitor of 3rd Party Access

Scope

To evaluate the process and key controls for management of 3rd party access to MKT network, its regular review and monitoring. To check if there are tools available for process automation for 3rd party access for business critical IT-NT systems and platforms.

Finding

User account management process is not automated for APP, DB and OS^[2] accounts. Monitoring of log actions and alarms and the control function over the monitoring of logs for 3rd party users are not performed. Serious weaknesses in the tested systems:

- not needed users exist, no proper Audit Logging implemented and alerts are missing for IT systems;
- no secure storage of audit logs for NT systems.

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 10 measures should be completed until 30.09.2020.

Fault 2 Repair (F2R)

Scope

To assess the effectiveness of the current F2R process in Fix from the initiation until implementation, and implemented controls and effectiveness of established KPIs^[3].

To review the root cause analysis process including the ability to address the identified causes.

Finding

Response rate for the customer satisfaction survey (i.e. ICCA^[4]) is rather low (e.g. approx. 12%).

Monitoring activities for outsource companies neither periodically performed nor documented. Faults per services not accurately recorded.

Improvements of monitoring process and adaptation of analysis should be considered.

Regulatory reports for faults related to USO^[5] not fully aligned with relevant USO packages. SLAs^[6] based on customer value not monitored. MTBF (Mean Time Between Faults) KPI semi-manually computed.

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 5 measures should be completed until 15.10.2020.

[1] ICS – Internal Control System

[2] APP – Application, DB – Database, OS – Operating System

[3] KPIs – Key Performance Indicators

[4] ICCA – International Customer Contact Analysis

[5] USO – Universal Service Offer

[6] SLAs – Service Level Agreements

OVERVIEW OF PERFORMED AUDITS IN 2019

ICS^[1] CATEGORY: OPERATION (2/2)

HR Salary Management

Scope

To increase transparency of salary management process and level of controls and reporting of changes in employee salary database i.e. temporary salary raise or reduction, new employment and terminations etc.

Finding

Delivery of the calculated incentives is often done last day before releasing the salary in non standardized excel files. Although controls are performed, there is no standardized, clear and dated evidence for the performed re-calculation/comparison of the most sensitive data entered in the salary system i.e. all manual calculations. List of controls performed is not complete in the procedure and controls are not clearly defined with steps, forms and evidences.

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

4 measures were defined and should be completed until 30.06.2020.

[1] ICS – Internal Control System

OVERVIEW OF PERFORMED AUDITS IN 2019

ICS^[1] CATEGORY: COMPLIANCE (1/3)

ICS Principles

Scope

To confirm the appropriateness of design and operating effectiveness of ICS requirements.

Finding

27 requirements were tested and evaluated as "effective". One recommendation given.

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.

Door 2 Door – Sales Channel Review

Scope

To evaluate the processes of D2D^[2] sales channel and to review compliance of the process for commission to Business Partners, with special focus on the Agents incentive.

Finding

Personal targets of Partner Agents are not submitted to responsible department for incentive calculation before end of month.

Unsecure practice of processing personal data of customers without encryption between Partner Agents and MKT Supervisors.

Definition of data inputs to calculate Agent incentive is manual with prone to error.

Calculation of commission is occasionally affected with errors, which sometimes lead to incorrect commission payout.

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

6 measures are implemented. Remaining 1 measure should be completed until 30.04.2020.

[1] ICS – Internal Control System

[2] D2D – Door to Door

OVERVIEW OF PERFORMED AUDITS IN 2019

ICS^[1] CATEGORY: COMPLIANCE (2/3)

ICS TLC

Scope

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

Finding

All 7 controls tested are evaluated as effective. One of them have recommendation for improvement.

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.

Procurement efficiency in mandated areas

Scope

Assess effectiveness of process controls, efficiency of selected business and financial processes („Procure-to-Pay) on the base of a digital financial data analysis.

Identify potential fraudulent transactions on the basis of mass data analysis, and anomalies in transactions.

Finding

Process of selection of vendors for BTS^[2] locations not appropriately documented and formalized.

Non compliant list (black list) is not checked during the process although the field is marked as “checked”. Mandated areas do not have access to the list.

Due diligence of the contracting parties related to IPTV^[3] content mandated area is performed after contract is concluded.

Vendor master data not completed. Missing details regarding address, street, phone number, bank account etc.

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 4 measures should be completed until 01.08.2020.

[1] ICS – Internal Control System

[2] BTS – Base Transceiver Station

[3] IPTV – Internet Protocol Television

OVERVIEW OF PERFORMED AUDITS IN 2019

ICS^[1] CATEGORY: COMPLIANCE (3/3)

Process of returning assets, privileged services and benefits

Scope

To review how the process of returning of assets, privileged services and benefits is performed in order to assure clear task distribution and segregation on duties that will provide assurance that financial loss for the company will not appear and will provide continuity of the daily operations.

Finding

Procedure exists, initially planned modification of the Procedure was temporary stopped due to organizational changes and the announced audit.

Communication in the process is done manually mostly via e-mail communication.

The process of mass departure of employees from the company is not formally covered and considered in the procedure.

During the analysis it was noted that 3 Max employee packages and mobile employee packages are still used by former employees and managers.

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

6 measures were defined and should be completed until 01.10.2020.

[1] Internal Control System

OVERVIEW OF PERFORMED AUDITS IN 2019

ICS^[1] CATEGORY: FINANCE

CAPEX process

Scope

To increase efficiency and effectiveness of CAPEX management process and to increase transparency and reliability of CAPEX projects/investments.

To review new regulation for CAPEX budgeting and approval process.

Finding

Long duration of capitalization after finishing the project.

Based on the sample selected, approval and implementation process of investment projects is according the procedure.

Monitoring and reporting of CAPEX investments is transparent and on regular basis (monthly and quarterly) to the Capex Management Committee (CMC).

Process for planning and budgeting CAPEX investments is under supervisory of DT and is done as described in the procedure.

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 was defined and should be completed until 15.07.2020.

[1] ICS – Internal Control System

[2] CAPEX – Capital Expenditures