

# **ANNUAL REPORT**

## ON THE OPERATIONS OF MKT INTERNAL AUDIT DEPARTMENT FOR YEAR 2018

21 March, 2019



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# SUMMARY

## **Purpose of the report**

Pursuant to Law on Trade Companies in Macedonia, the Internal Audit Office shall be obliged to prepare an annual report on operation.

## **11 audits were finished during the year 2018**

by Internal Control System categories:

- Operation: 4 audits
- Compliance: 4 audits
- Finance: 3 audits

## **52 measures were defined**

- 18 measures are implemented;
- remaining measures will be completed latest 01.10.2019.

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

# OVERVIEW OF PERFORMED AUDITS IN 2018

## ICS<sup>[1]</sup> CATEGORY: OPERATIONS (1/2)

### Efficiency of CRM<sup>[2]</sup> and OSS<sup>[3]</sup> deployment

#### Scope

To check the efficiency of the CRM and OSS and to review the processes, interfaces, data quality, effect on customers of the new systems.

#### Finding

Initiation and demand process of change requests for new CRM and OSS systems should be strengthened for efficient implementation. No significant change in the processes after CRM go-live, brings no additional automation and order errors. Not automated workflows and missing functions will be solved by ongoing projects. Lack of detail E2E monitoring of IP based services (voice, BB, TV) provisioning and formal alignment with new organizational structure and new CRM and OSS.

#### 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

Out of 2 defined measures 1 is completed. Remaining 1 should be completed by 01.04.2019.

### CPE reverse logistics

#### Scope

To review the effectiveness of the reverse logistics process for CPE including implemented controls considering the involved channels and 3rd party.

#### Finding

No systems integration between Bill Payment, CRM, NetCracker and SAP. No trace or evidence of the returned equipment until it is not entered manually in SAP. There is potential conflict of interest with the company which E/// engaged for testing the CPE and is as well making the repairment of the equipment.

#### 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

Out of 5 defined measures 4 are completed. Remaining 1 measure should be completed until 30.06.2019.

[1] Internal Control System

[2] Customer Relationship Management

[3] Operations Support System

# OVERVIEW OF PERFORMED AUDITS IN 2018

## ICS<sup>[1]</sup> CATEGORY: OPERATIONS (2/2)

### Digitization of customer touch point

#### Scope

To assess the design and the effectiveness of the E-business product development process and the efficiency of E-business solutions.

#### Finding

There is no determined longer-term focus what E-business wants to improve (costs, revenue, CX<sup>[2]</sup>). Follow up of not processed request orders is missing and there is lack of transparency in initiation of orders. There is unsecure practice in exchange of customer data. In addition, documentation of acceptance testing is missing.

#### 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

Out of 10 defined measures 1 is completed. Remaining 9 measures should be completed until 01.07.2019.

### Business Continuity Management (BCM) Review

#### Scope

Examine whether BCM processes are adequate to maintain business operations in case of outage and assess the effectiveness of BCM processes for IT/NT systems.

#### Finding

Throughout the company, the understanding of BCM metrics is different and defined responsibilities are not sufficient. Training for BCM team and involved parties is missing. Risk assessment is not adequate and Cost-Benefit analysis are not regularly performed. Clauses regarding BCM are not available in each contract. BCM/DR<sup>[3]</sup> testing activities are not fully conducted and documentation is not adequate. Critical incidents are not adequately documented.

#### 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

Out of 14 defined measures 5 are completed. Remaining 9 measures should be completed until 30.09.2019.

[1] Internal Control System

[2] Customer Experience

[3] Disaster Recovery

# OVERVIEW OF PERFORMED AUDITS IN 2018

## ICS<sup>[1]</sup> CATEGORY: COMPLIANCE (1/2)

### ICS Principles

#### Scope

To confirm the appropriateness of design and operating effectiveness of ICS[1] requirements.

#### Finding

29 requirements were tested and evaluated as "effective".

#### 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.

### ICS Transaction level controls

#### Scope

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

#### Finding

All 6 controls tested are evaluated as effective. Two of them have recommendations 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.

[1] Internal Control System

# OVERVIEW OF PERFORMED AUDITS IN 2018

## ICS<sup>[1]</sup> CATEGORY: COMPLIANCE (2/2)

### ICT<sup>[2]</sup> B2B<sup>[3]</sup> project management

#### Scope

To evaluate how ICT B2B project management supports the business goals and to assess the efficiency of: process, controls, partner performance and effect on customers.

#### Finding

There is no determined strategic direction and no adequate product roadmap for ICT business. There is no business development activity in order to address long-term value for ICT solutions across customer segments. The account managers planning process is not adequately addresses and prioritizes ICT opportunities. No measurement of sales activities. Pre-sales account management activities and project-level issues during implementation are not adequately documented and not sufficiently support sales.

#### 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

Out of 9 defined measures 1 is completed. Remaining 8 measures should be completed until 01.10.2019.

### FOLLOW UP ON MEASURES FROM SIMRICH AUDIT IN 2016 (ad-hoc)

#### Scope

Follow up on implemented measures from SIMRICH audit (012/2016). Analyze reasons for delayed implementation of the last measure and potential for improvements.

#### Finding

Two measures from previous audit fully implemented. Other two measures were not fully or not implemented at all. System validation of data entries is not effective. Inappropriate customer registrations are noted in both direct and indirect channel.

#### 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

Out of 5 defined measures 2 are completed. Remaining 3 measures should be completed until 31.03.2019.

[1] Internal Control System

[2] Information and Communication Technologies

[3] Business to Business

# OVERVIEW OF PERFORMED AUDITS IN 2018

## ICS<sup>[1]</sup> CATEGORY: FINANCE (1/2)

### Revenue assurance process in mobile services

#### Scope

To check if requested and provided services and products to customers are accordingly invoiced.

#### Finding

No updated procedure for revenue assurance where process and controls for wholesale are missing. No formalized process for defined KPI's<sup>[2]</sup> thresholds and tolerable differences in the revenue assurance controls. Interconnect traffic to IMS<sup>[3]</sup> platform is not monitored with existing revenue assurance controls. Implementation of new controls for data traffic is needed.

#### 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

Out of 4 defined measures 3 are completed. Remaining 1 measure should be completed until 01.06.2019.

### Process of bad debt management

#### Scope

To evaluate internal regulations regarding debt management process and check if process is compliant to the regulations. Assess control environment and implemented internal controls. Assess whether roles and responsibilities are clearly defined.

#### Finding

No follow up control/report for reconnection of previously disconnected customers. Need for improvement of reporting and documentation for disconnections of customers in IT systems. Strengthening follow up controls for customers manually protected from disconnections.

#### 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

Out of 3 defined measures 1 is completed. Remaining 2 measures should be completed until 30.04.2019.

[1] Internal Control System  
[2] Key performance indicators  
[3] IP Multimedia Subsystem

# OVERVIEW OF PERFORMED AUDITS IN 2018

## ICS<sup>[1]</sup> CATEGORY: FINANCE (2/2)

### Authorization of payment process (ad-hoc)

#### Scope

Review and evaluate the process and controls in the new AOP process

#### Finding

Significant number of transactions with small amounts and repetitive transactions in several departments, which results with penalties in some cases that are calculated/paid for delayed payment of invoices. One of the reasons for the delays is time needed for approval of these transactions. Appian system regularly not synchronized with HR systems for personal employee data.

#### 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

Two recommendations for improvement and simplification of the process were defined.

[1] Internal Control System