

Annual Report on the Operations of MKT Group Internal Audit Department for 2012

6th March, 2013

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Overview of all performed audits in 2012

ICS category: Compliance (1/2)

Compliance

Finance

Operations

Compliance of Network Technology Disaster Recovery Plan

Scope

The audit objectives were to review Disaster Recovery (DR) Strategy for Network Technology (NT) core systems, to check the DR plan per NT system, to assess the implementation, the performed tests and the documentation.

Finding

The process of development and implementation of Disaster Recovery Plan must be enhanced. Detailed Disaster Recovery Plans (DRP) should be developed where missing. Tests of Disaster Recovery Scenarios need to be improved.

Assessment of the adequacy and efficiency of the internal control systems

With the improved DRP process/tests and the developed action plan (to be approved till end of September 2012) the preconditions for an effective DRP implementation will be fulfilled.

Proposed measures and assessment of their implementation

Out of 5 measures, 3 are implemented. The remaining measures should be completed by 31.05.2013.

Follow Up on Compliance of Procurement

Scope

The audit objectives were to verify the implementation of the agreed measures of the planned audit "Compliance of Procurement" performed in 2011, with the special focus on tender execution.

Finding

All measures of the audit "Compliance of Procurement" are implemented. Approval of tender criteria by Chief Officers before starting the tender does not show the expected effect, i.e. finishing tenders in reasonable time. Not closed and long lasting (more than 6 month) tender is identified.

Assessment of the adequacy and efficiency of the internal control systems

By implementing the recommendations, internal controls will be strengthened.

Proposed measures and assessment of their implementation

2 recommendations were proposed by Group Internal Audit Department. No measures for implementation by company management.



Overview of all performed audits in 2012

ICS category: Compliance (2/2)

Compliance

Finance

Operations

Internal Controls in T-Shop Operations

Scope

The audit objective was to review the following processes of T-Shop operations: stock management, contracting, handling of customer documentation and cash management.

Finding

Internal controls regarding stock management, contracting, handling of customer documentation and cash management must be increased.

Assessment of the adequacy and efficiency of the internal control systems

By implementing the agreed measures, internal controls will be improved.

Proposed measures and assessment of their implementation

Out of 9 measures, 6 are implemented. The remaining measures should be completed by 01.07.2013.

Realization of Joint Venture Benefits and Frame Contracts

(Deutsche Telekom common audit)

Scope

The audit objectives were to evaluate the quality of cooperation processes between "BUYIN" and MKT, the operative effectiveness and to verify if whether the agreed benefits are realized through "BUYIN".

Finding

Local processes cannot be redesigned properly because of missing clear process from "BUYIN" side. Operating effectiveness of "BUYIN" cannot be evaluated because no projects were finalized. Procurement process regarding Customer Equipment is stable and producing positive results as it did before "BUYIN".

Assessment of the adequacy and efficiency of the internal control systems

By implementing the recommendations and measures addressed to "BUYIN", internal controls will be strengthened.

Proposed measures and assessment of their implementation

All measures are addressed to "BUYIN" by Deutsche Telekom. No measures for implementation by company management.



Overview of all performed audits in 2012

ICS category: Finance (1/2)

Compliance

Finance

Operations

Accuracy of accruals

Scope

Scope of the audit were: verification of compliance with accounting principles, controls and responsibilities in the process of accruals recording and review of supporting documentation of the accrued amounts.

Finding

Compliance with accounting principles is verified. Process of recording cost accruals is properly regulated. Supporting documentation is sufficient.

Assessment of the adequacy and efficiency of the internal control systems

Internal controls are established, but there is room for improvement.

Proposed measures and assessment of their implementation

Out of 3 measures, 1 is implemented. The remaining measures should be completed until 31.03.2013.

Asset Management

(Deutsche Telekom common audit)

Scope

Purpose of the audit was to determine if the asset management process is efficient and effective. Focus was put on the network fixed assets, value driven steering of fixed assets and operational asset management.

Finding

Asset management process in MKT is satisfactorily regulated and implemented. Projects for financial KPI and inventory system are ongoing.

Assessment of the adequacy and efficiency of the internal control systems

By implementing the measures, internal controls will be strengthened.

Proposed measures and assessment of their implementation

Out of 8 measures, 3 are implemented. The remaining measures should be completed until 30.06.2013.



Overview of all performed audits in 2012

ICS category: Finance (2/2)

Compliance

Finance

Operations

ICS Transaction Level Control

Scope

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

Finding

The total number of the tested controls is 13. The audit evaluated 10 controls as 'adequate' (green), 1 control as 'not adequate' (red) and 2 controls are 'not eventuated'. In the second assessment, the 'not adequate' and 'not eventuated' controls were re-tested.

Assessment of the adequacy and efficiency of the internal control systems

With the implementation of the measure, the internal controls are evaluated as efficient.

Proposed measures and assessment of their implementation

The measure is fulfilled. The "red" control was corrected, re-tested and assessed as 'adequate'.



Overview of all performed audits in 2012

ICS category: Operations (1/3)

Compliance

Finance

Operations

Implementation and sustainability of Network Technology Systems Security (Deutsche Telekom common audit)

Scope

The audit objective was to evaluate the status of Network Technology (NT) Systems security by checking the implementation of the group wide security framework developed by Deutsche Telekom in MKT. To check implementation of security management system (processes, roles and responsibilities, improvement activities, interfaces to and consideration in other processes). Security check conducted on one NT system.

Finding

Deutsche Telekom Group Security Framework was mostly introduced. Information Security Management System (ISO 27001) is implemented and successfully recertified in 2012.

Assessment of the adequacy and efficiency of the internal control systems

Internal controls are established, but need improvement.

Proposed measures and assessment of their implementation

Out of 12 measures, 4 are implemented. The remaining 8 measures should be completed until 30.06.2013.

Effectiveness of Customer Complaints & Fault Handling Process (Deutsche Telekom common audit)

Scope

The audit objectives were to assess the process of customer complaints handling and monitoring of fault handling, evaluate Key Performance Indicators setting and fulfillment and review of the root cause analysis process.

Finding

Design of complaints process needs improvement in order to assure overall effectiveness. Fault repair process is appropriately regulated. Additional Key Performance Indicators regarding complaints need to be introduced. Root cause analysis process should be structured.

Assessment of the adequacy and efficiency of the internal control systems

Internal controls are established, but need improvement.

Proposed measures and assessment of their implementation

Out of 9 measures, 5 are implemented. The remaining 4 measures should be completed until 15.09.2013.



Overview of all performed audits in 2012

ICS category: Operations (2/3)

Compliance

Finance

Operations

HR - Retention Program

Scope

The audit objective was to review the HR strategy for employee retention, to check the process for identification and retention of key employees, to assess compliance of the “Mutual Agreement Program” and to identify method of resource planning.

Finding

“Key Employees Program” as part of HR retention instrument, has been stopped because of the ongoing organizational changes. The result of the “Mutual Agreement Program” must be reviewed. With the implementation of Total Workforce Management system, resource planning will be appropriately supported.

Assessment of the adequacy and efficiency of the internal control systems

The checked internal controls were appropriate.

Proposed measures and assessment of their implementation

Out of 3 measures, 2 are implemented. The remaining 1 measure should be completed until 28.02.2013.

Internal Regulation Setting and Approval Process

Scope

The audit objectives were to analyze the setup of regulations on sample basis and to check the approval process for different type of regulations.

Finding

Regulation update and regulation clearance must be performed. Approval process needs to be optimized.

Assessment of the adequacy and efficiency of the internal control systems

By implementing the measures, internal controls inside the regulation setting and approval process will be strengthened.

Proposed measures and assessment of their implementation

All measures are implemented.



Overview of all performed audits in 2012

ICS category: Operations (3/3)

Compliance

Finance

Operations

International Programs Efficiency

(Deutsche Telekom common audit)

Scope

The audit objectives were to evaluate the implementation of the International Group Projects "Total Workforce Management" and "Save for Service" and assess the effectiveness and efficiency of group-wide cooperation.

Finding

Both International Group Projects are appropriately implemented with minor findings. "Save for Service" project resulted in over-achievement of targeted savings for 2011 (133%). The international group-wide cooperation is effective and efficient.

Assessment of the adequacy and efficiency of the internal control systems

By implementing the measures, internal controls will be strengthened.

Proposed measures and assessment of their implementation

All measures are implemented.

Repositioning of Data Protection Officer

Scope

The audit objective was to support development of a concept about repositioning of the Data Protection Officer function.

Finding

Legal Department and Security Department agreed on principles of cooperation to ensure high quality of data privacy protection inside the company, including exact tasks distribution.

Assessment of the adequacy and efficiency of the internal control systems

By implementing the measures, internal controls will be strengthened.

Proposed measures and assessment of their implementation

Out of 5 measures, 3 are implemented and 2 should be implemented until 30.06.2013.

