

# 2020

## INTERNAL AUDIT ANNUAL REPORT for activities in the period 01/01/2020 – 31/12/2020

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## Introduction

The Internal Audit department is an independent part of the organizational structure of the company and is self-supporting. Its task is to provide an objective and independent assessment of the entity, whether procedures, regulations, and standards are applied consistently, compliance with procedures, whether assets are used effectively and economically, and whether the company's goals are met.

In accordance with Article 415-a, points 1 and 3 of Law of Trade companies (Official Gazette No. 48/10) and the Internal Audit Department's operating procedure, the department submits an Annual Report on its operation for 2020.

The report on the work of the department has been prepared in accordance with the provisions of the aforementioned acts and contains the following information:

- Description of the individual audits performed during 2020;
- Adequacy assessment and effectiveness of internal control systems;
- Opinion;



## Scope and objectives of the audit

The scope of Internal Audit is the most significant segment of the company's operations provided in the Annual Audit plan, incidentally identified by the auditor when auditing an event or expense, or at the behest of the management body or responsible manager.

The purpose of the Internal Audit department is to regularly review the legality and timeliness of the company, comparing operating procedures in audited processes, to provide reasonable assurance that the appropriate department performs business processes in accordance with written procedures, internal regulations, and legal regulations.

The audit techniques used during the audit are as follows:

Statistical control and method of the statistical sample or complete control, process observation, direct insight into source documentation and reporting forms of the information system, interview of direct executives, heads of departments, etc.

## Description of performed audits

Internal Audit carried out its activities in accordance with the operational plan of the sector for the internal audit for 2020, through a risk assessment, taking into account the structure and significance of assets, liabilities, revenues and expenses.

The audits were conducted using internal guidance and procedures in accordance with the standards for the professional practice of Internal Audit. The audit highlighted the legal compliance of the audited processes under review.



Overview of individual audits performed during 2020:

No.	Scope of the audit	Objectives of the audit	Recomentations
1	Annual inventory	Checking the reliability of the inventory results	12
2	Procurement department	Checking the procurement process	8
3	Warehouse department	Checking the compliance of the physical condition of the stock with the information system	10

## Assessment of the adequacy and effectiveness of internal control systems

Internal control is a continuous process carried out at all levels in the company by management and all employees, designed to provide reasonable assurance of achieving goals such as the preparation of accurate financial statements, increasing the efficiency of overall operations, improvement of management efficiency, as well as compliance with the company's internal policies, procedures, laws and regulations. The internal control system is constantly changing and adapting to changes in legislation, changes in technology of certain processes or systems, and therefore represents an important component in managing and setting a reliable and stable basis for the company's operation.

In the process of evaluating the adequacy and efficiency of the internal control system in the audited processes and activities during 2020, Internal Audit was led to conduct an analysis and evaluation of the most important components and objectives of the internal control systems:

- Are the audited processes or activities in line with internal policies and procedures and to what extent;
- Are the internal policies and procedures in compliance with the legislation;
- Is there an adequate subdivision of the powers and responsibilities of employees in organizational units;
- Are the audited processes supported by an adequate information system;
- Is the internal control system enabling the identification and assessment of the most significant risks to which the company is exposed;



## IA Opinion

Concerning the individual audits performed during 2020, as well as in relation to the findings based on which the final report was created, with a representative sample of audited material selected at random, Internal Audit confirms the acquired reasonable assurance that the internal control system partially adequately implemented, with a clear goal of minimizing significant material risks as well as efficient and consistent implementation of legal regulations and business policy.

Part of the notes will be removed by upgrading the existing information system, as well as by introducing new systems for the organization of work in the sectors.

Identified weaknesses in the internal control system are subject to continuous upgrades and improvements as recommended, and will be subject to control during subsequent audits of these processes.

### Achieving the goals from the annual plan for 2020

Due to the new situation with the Covid 19, the Internal Audit did not achieve all the set goals per the Internal Audit Plan for 2020.

Date:  
13/01/2021

Internal Auditor  
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