

МЕРМЕРЕН КОМБИНАТ АД

Бр. 01-6025/2  
30.12 2022 год.  
Прилеп

**Annual report of the  
internal audit for the  
period  
01.01.2022-31.12.2022**

**DECEMBER 2022**

**AD - Mermeren Kombinat - Prilep  
Made by: Aneta Trkaleska**



**MERMEREN  
Kombinat**



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## 1. Introduction

The internal audit service is an independent part of the Company's organizational structure. Its task is to provide an objective and independent assessment of the subject whether the procedures, regulations and standards are consistently applied, compliance with the procedures, whether the means of work are used efficiently, effectively and economically and whether the set goals of the Company are being achieved.

The performance of the internal audit is in accordance with the requirements of the Law on Trading Companies ("Official Gazette of the Republic of Macedonia" no. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24 /11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16 , 61/16, 64/18 and 120/18 and "Official Gazette of the Republic of Macedonia" No. 290/20 and 215/21).

Based on Article 415-c; point 1 and 3 of the Law on Trading Companies, the Internal Audit Service is obliged to prepare a half-yearly and an annual report for its operations.

The internal audit service carries out its activities in accordance with the principles and standards for internal audit and the policy and procedures for the operation of the service.

## 2. Scope and objectives of the audit

The scope of the internal audit is the most significant segments of the operation provided by the Annual Internal Audit Plan, the auditor's need to control an event or expense, by order of a management authority or responsible manager.

The purpose of the Internal Audit Service is a regular audit of the legality and up-to-dateness of the Company, implementation of the work procedures in the audited processes in order to obtain reasonable assurance that the relevant department or service performs the work processes in accordance with the written procedures, internal acts and legal regulations.

The audit methods that were used during the audit are the following: statistical control and the method of a statistical sample or full control, observation of processes, direct inspection of

documentation and report forms from the information system, interviews with direct executors, employees, heads of departments, etc.

### 3. Description of the performed audits of the company's operations

The Annual Report on the operation of the Internal Audit Service for the period from January 2022 to December 2022 presents the activities of the Service according to the adopted Internal Audit Plan for 2022:

Num ber.	Subject of audit - Sector / Department	Description of the audit	Period	Proposal / recommendations	Audit opinion
1	Warehouse operations in the Procurement sector in the Sivec quarry	Checking the procedures and the way of issuing the items from the Sivec warehouse;	April/May	2	good
2	Preventive maintenance in the Maintenance sector in the Sivec quarry	Checking the procedures and the way of carrying out certain regular service of the machines depending on the planned time period of each machine;	May/June	4	good
3	Sector procurement-warehouse Sivec	The scope of the audit is the implementation of an extraordinary inventory of certain items in the Procurement Department in the warehouse in the Sivec quarry according to decision No. 02-2577/1 of 03.06.2022	June	5	good
4	Procurement Sector-NAV	The scope of the audit is checking the correctness of the internal codes and their name - description of the items in the Procurement Department in the warehouse in the	November	4	good

		Sivec quarry and in the warehouse in the Factory			
5	Occupational health and safety and the environment	The scope of the audit is the verification of OSH measures and recommendations from external auditors in accordance with IMS and ISO standards, i.e. standard 45001:2018 - Occupational health and safety management systems and standard 14001:2015 - Environmental management systems for mines Sivecs and in processing - factory	December	14	good
6	Annual Internal Audit Plan - 2023		December		

#### 4. Evaluation of the adequacy and efficiency of internal control systems

Internal control is a continuous process that is carried out by the management and employees of the Company and is established to provide reasonable certainty for the achievement of the objectives. The system of internal control is constantly changing and adapting depending on the changes in the legal regulation, changes in the technology of certain processes or systems and therefore represents a significant component in the management and establishment of a reliable and stable basis for the functioning of the Company.

The internal audit during the evaluation of the adequacy and efficiency of the internal control system in the audited processes and activities during 2022 was directed to analyze and evaluate the most significant components and objectives of the internal control systems, namely:

- Are the audited processes or activities regulated by internal policies and to what extent;
- Are the internal policies and procedures in accordance with the legal regulation;
- Does it establish the adequate division of powers and responsibilities of employees in organizational units;
- Are the revised processes supported by an adequate information system;
- Does the internal control system enable recognition and assessment of the most significant risks to which the Company is expose.

## 5. Opinion

The identified findings based on the individual audits performed in the period from January 2022 to December 2022, foreseen by the Annual Internal Audit Plan, are of low and medium importance and the overall assessment is good. The internal audit confirms the acquired reasonable assurance that the internal control system is for the most part adequately implemented in the direction of minimizing the significant material risks and in the direction of efficient and consistent implementation of the legislation and the business policy of the Company.

The general conclusion is that the business processes still have insufficient system support, a high degree of manual preparation of reviews, reports, etc., for which an appropriate solution should be found, in the interest of improving and advancing the operation and providing a significantly higher quality, more efficient and a more economical system of internal control of the overall operation of the Company.

Identified weaknesses in the system of internal controls are subject to continuous upgrades and improvements according to the given recommendations, and will be subject to control during the next audits of these processes.

## 6. Annual plan for 2023

In December 2022, the Annual Work Plan of the Internal Audit Service for 2023 was prepared.

**Date:**  
**December, 2022**

**Made by:**  
**Aneta Trkaleska**

