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ANNUAL REPORT
on the work of
THE SERVICE FOR INTERNAL AUDIT
for 2019

March, 2020

List for distribution of the Report

Supervisor Board
Management Board
Service for Internal Audit

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1. Introduction

Based on the Law on Trade Companies (Official Gazette 28/2004) Article 415a and Article 415b, the Rulebook on the work of the Service for Internal Audit of GD Granit AD Skopje and the handed over and accepted Plan of the Service for Internal Audit for 2019 No 12-235 as of 15.1.2019, the Service for Internal Audit submits to the Supervisory Board of GD Granit AD Skopje the Annual Report on its work in 2019.

The Report covers the primary activities of the Service for Internal Audit regarding:

1. Description of the realized regular and extraordinary audits in the Company and its organizational units;
2. Description of other activities of the Service for Internal Audit, realization of the established aims of the Service, findings and given recommendations for surpassing the stated weaknesses and the level of implementation of the recommendations, evaluation of the adequacy of the systems for internal control and opinion including proper conclusions and recommendations for improvement of the condition;
3. Evaluation of the planned time for control and derogations related to the submitted Plan for 2019

The Report consists Attachment presenting:

- Tabular presentation of findings and recommendations by the audit reports and level of their implementation

2. Review of realized regular and extraordinary audits

Following the realized monitoring for 2019 regarding the submitted audit reports, the level of realization of the given recommendations, the Service for Internal Audit has prepared and handed over Annual report on the work of the Service for 2018 and it is accepted by the Supervisory Board of the Company.

After finishing of the first six months of 2019, Semi-annual report on the work of the Service for Internal Audit has been prepared and submitted to the Supervisory Board of the Company. The submitted Semi-annual report is approved by the Supervisory Board by decision number 12-10975 as of 26.9.2019.

In 2019 Annual Report was prepared for the work of the Service for Internal Audit for 2018, Semi-annual report for 2019, Plan for audit of the Service for Internal Audit for 2019, Report on clearing of the business area Ohrid, 10 Reports on establishment of irregularities during calculations of salaries pursuant to the Decision by the Management Board no 12-4113 as of 29.3.2018, Report on established irregularities for September 2019 during completion and verification of consignment notes.

All the prepared documents are delivered to the relevant management authorities of the Company, to the Sector for Legal, Staff and General Affairs and to the OU/RU/Sectors covered

in the audit reports. The implemented audits and the delivered reports by the Service for Internal Audit are shown in tabular presentation for 2019.

In the prepared tabular presentation there is clear presentation of the audits made, the time period of preparation of the same and the authorities to which the distribution of the relevant audit reports for 2019 was made.

No	Title of the report	Number	Date	Submitted to
1	Annual plan for audit for 2019	12-235	15.1.2019	Supervisory Board of GD Granit AD Skopje
2	Annual Report on the work of the Service for Internal Audit	12-2190	5.3.2019	Supervisory Board of GD Granit AD Skopje
3	Report on irregularities during calculation of the salaries for December 2018	12-211	15.1.2019	Cabinet of the General Manager/Sector for Operations
4	Report on irregularities during calculation of the salaries for January 2019	12-1123	18.2.2019	Cabinet of the General Manager/Sector for Operations
5	Report on irregularities during calculation of the salaries for February 2019	12-2431	14.3.2019	Cabinet of the General Manager/Sector for Operations
6	Report on irregularities during calculation of the salaries for March 2019	12-4138	14.4.2019	Cabinet of the General Manager/Sector for Operations
7	Report on clearing of the business area Ohrid	12-4656	2.11.2018	Management Board of GD Granit AD Skopje/Sector for Accountancy/Sector for Finances
8	Report on irregularities during calculation of April 2019	12-5149/1	16.6.2019	Cabinet of the General Manager/Sector for Operations
9	Report on irregularities during calculation of the salaries for May 2019		13.6.2019	Cabinet of the General Manager/Sector for Operations
10	Report on irregularities during calculation of the	12-7787/1	17.7.2019	Supervisory Board of GD Granit AD Skopje/ Sector for Legal, Staff and General

	salaries for June 2019			Affairs
11	Semi-annual report on the work of Service for Internal Audit	12-8637	5.8.2019	Supervisory Board of GD Granit AD Skopje
12	Report on irregularities during calculation of the salaries for August 2019	12-10177	16.9.2019	Cabinet of the General Manager/Sector for Operations
13	Report on irregularities during calculation of the salaries for September	12-12441	24.10.2019	Cabinet of the General Manager/Sector for Operations
14	Report on irregularities during calculation of the salaries for October 2019	12-13367/1	15.11.2019	Cabinet of the General Manager/Sector for Operations
15	Report on irregularities during calculation of the salaries for November 2019	12-14756/1	16.12.2019	Cabinet of the General Manager/Sector for Operations
16	Report on established regularities during completion and verification of the consignment notes – OU Mechanization	12-7780	21.6.2018	Sector for Legal, Staff and General Affairs

The reports on the audits performed are delivered to the relevant organizational units and sectors, the Management and the Supervisory Board of GD Granit AD Skopje.

Based on the submitted reports of the Service for Internal Audit, the Supervisory Board has identified measures for improvement of the work, suggested deadlines and manner for their application and the Supervisory Board has adopted conclusions, decisions and appropriate recommendations and opinions were given.

3. Other activities of the Service for Internal Audit

For the realized audits during 2019, accepted and approved by the Supervisory and Management Board of the Company, the Service has made monitoring of the level of implementation of the

given recommendations, consideration for surpassing of the stated irregularities and realization of the conclusions adopted. The working staff of the Service has made maximal effort for realization and proper application of all recommendations, by monitoring on the site, attendance of work meetings, giving expert opinions and realization of the given recommendations and conclusions.

In 2019, regarding certain expert issues, consultancies were made and opinions given, advices and directions for the employees and the management persons in the Company.

For the purpose of successful realization of the plans and audits additional measures are taken, established standards are taken and continuous improvement of the staff employed in the Service. The Director of the Service for Internal Audit from 2016 is member of the Association of Internal Auditors of Macedonia thus providing implementation of all the amendments in the law and the latest achievements in the field of internal audit in the work of the Service for Internal Audit of GD Granit AD Skopje.

Annual review of the Integrated Management System for 2018 was prepared and delivered to the Management Board of GD Granit AD Skopje on 7.8.2019.

On 8th and 9th August 2019 the Certification Body T-Cert Systems dooel Skopje made supervisory control of the integrated management system for the purpose of determining whether the Company has met the requirements of the international norms and whether the procedures and the work are in accordance with the requirements prescribed in the Quality Management Standards ISO 9001:2015, the Environment Management Standards ISO 14001:2015 and Occupational Health and Safety Management Standards OHSAS 18001:2007. Upon control made the certification body has issued new certificates as proof for meeting the requirements of the international norms pursuant to the new versions of the standards as well as reports on the control made as of 10.10.2019.

In 2019, the audits were implemented and other activities have been realized by the Director of the Service for Internal Audit and the Main Auditor for Mechanization.

4. Findings and given recommendations for surpassing of the stated weakness, status and level of implementation of the recommendations

Within the realization of the Annual plan for 2019 the internal audit was focused on efficient and effective realisation of the planned audits. In 2019, the biggest part of the planned activities pursuant to the submitted and accepted Annual plan of the Service for Internal Audit was realized.

The Service for Internal Audit in continuity performed controls related to the entire work of the Company thus covering the planned segments and business processes evaluated by the Company as priority.

So established findings and procedures contribute to reduction of the risks in the work i.e. set standards for quality, economic and efficient work of the Company.

Summary report on the findings, recommendations and the statute of their implementation is given enclosed to this Report (Attachment 1 – Tabular presentation of findings and recommendations from the audit reports and the level of their realization). The same are presented and delivered to the proper management structures of the Company, for the purpose of regular monitoring of their implementation.

The Service for Internal Audit, as a result of the monitoring of the realization of the given recommendations, generally point out that the given recommendations are kept and implemented with certain exclusions. The need is required for all the Organisational Units, Sectors and Services, to fully implement the given recommendations by the authorities of the Company in the forthcoming period.

5. Evaluation of the adequacy of the systems for internal control

For successful work and accomplishment of the established annual aims of the Service i.e. their continuous, correct and complete realization, the system of the work and activities of the Service is continuously changing and adapting to the changes in the legal regulation, the need of audit of certain processes in the work of the Company and the adopted acts of the Company.

The internal audit believes that the biggest part of the controls is necessary to identify the risks in the work of the Company.

6. Opinion for proper conclusions and recommendations for improvements of the conditions

Based on the audits performed in the period 1.1.2019-31.12.2019 in the reports delivered to the Supervisory Board of the Company, all the notified irregularities were delivered in continuity, recommendations were given with certain time period for removal of the irregularities and conclusions were adopted. Based on the drafted review for findings, recommendations and level of implementation of the given recommendations, presented and submitted to the appropriate structure of the Company, the Service recommends implementation of all the given recommendations. Continuous monitoring of the audit reports was made and measures and activities were taken for their proper application in the removal of certain irregularities related to construction and other standards in the work of the Company.

Such established way of work of the Service of Internal Audit contributed to reduction of the risks in the work thus establishing standards for quality, economic and efficient work of the Company.

The Service for Internal Audit in coordination with the Management structures and Authorities of the Company, will in the future period pay attention to the assessment of the significant risks in the work of the Company, will suggest concrete measures and activities for in time removal of this events of risks in the work of all organizational parts in the Company.

Attachment 1 - Tabular presentation of findings and recommendations from the audit reports and the level of their implementation

Director of Service for Internal Audit

Todor Shendov, Bachelor of Architectural Engineering

(signature)

Round stamp affixed: Construction Company Granit AD Skopje