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INTERNAL AUDIT SERVICE

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The GD Granit Supervisory Board

Date: March 9th 2021

Our ref.: 12-1868

Subject: Distribution of the Annual Report

Dear Sirs/Ladies,

Herein attached, please find submitted annual report on the work of the Internal Audit Service for the year 2020

Sincerely,

Director of the Internal Audit Service

Todor Shendov, BA Civ. Const. Eng.

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ANNUAL REPORT
on the operations of the
INTERNAL AUDIT SERVICE
for the year 2020

March, 2021

Distribution List:

Supervisory Board:
Ivana Milkovska - Simeva
Violeta Bozinovska
Goran Markovski

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Introduction

On the base of the Law on Trade Companies (Official Gazette nr. 28/2004) article 415 a, and article 415 b, the article 415 c of the Rulebook of the Internal Audit

Service at the GD Granit AD Skopje and the submitted and accepted Plan of the Internal Audit Service for the year 2020 nr. 12-1561 dated February 14th 2020, the Internal Audit Service submits this Annual Report, on its operations in the year 2020, to the Supervisory Board of the GD Granit AD Skopje.

The Report covers the basic activities of the Internal Audit Service related to:

1. The description of performed regular and extraordinary audits in the Company and its organizational units;
2. Description of the remaining activities of the Internal Audit Service, realization of the goals set by the Service, the findings and the given recommendations for overcoming the identified weaknesses and the degree of implementation of the recommendations, assessment of the adequacy of the internal control systems and opinion with appropriate conclusions and recommendations for improvement of the condition;
3. Assessment of the planned time in a control and on the deviations from the submitted Plan for the year 2020

The Report also includes:

- A tabular presentation of the findings and of the audit reports recommendations and the level of their implementation

2. Review of the completed regular and extraordinary audits

After the completed monitoring of the submitted audit reports for the year 2019, the degree of realization of the given recommendations, by the Internal Audit Service has prepared and submitted the Annual Report on the work of the Service for the year 2019, under number 12-3238 dated March 17th 2020 and it has been accepted by the Supervisory Board of the company.

After the completion of the first half of 2020, a Semi-annual report on the operation of the Internal Audit Service was prepared and submitted to the Supervisory Board of the company. The submitted Semi-Annual Report was approved by the Supervisory Board with a Decision Nr. 12-13089 dated December 10th 2020.

During the year 2020, the Internal Audit Service prepared an Annual Report on the operation of the Internal Audit Service for 2019, a Semi-Annual Report on the operation of the Service for the period January 1st 2020 to June 30th 2020, an Audit Plan of the Internal Audit Service for 2020, a report on the lack of extra light fuel at the Stopanski Dvor Bitola, 11 Reports on the determination of irregularities in the salaries` calculation in accordance with the Decision of the Management Board number 12-4113 dated March 29th 2018, a report on the status in which

the mountain house Golak was, a Report on assessment and analysis of the materials for the necessities of the operational unit Highway Sveti Nikole - Stip, as well as preparation and submission of a list of technical normatives, that were applied in the preparation of the monthly salary payment orders.

All prepared documents are submitted to the relevant management bodies of the company, to the Sector for Legal, Personnel and General Affairs and to the EE / RE / Sectors covered in the audit reports. The performed audits and the reports submitted by the Internal Audit Service are presented in a tabular overview for the year 2020.

The prepared tabular overview clearly shows the performed audits, the time period of their preparation and the bodies to which the respective audit reports for 2020 were distributed.

A tabular overview of the audits performed during the year 2020

Ord. nr.	Report name	Number	Date	Delivered to
1	Annual audit plan for the year 2020	12-1516	February 14 th 2020	Supervisory Board of the GD Granit AD Skopje
2	Annual report on the operation of the Internal Audit Service for the year 2019	12-3238	March 17 th 2020	Supervisory Board of the GD Granit AD Skopje
3	Report on control of the salary payment orders for the month of December 2019	12-209 / 1	January 15 th 2020	Cabinet of the General Manager / Operations Sector
4	Salary payment order Control Report for the month of January 2020	12-1827	February 20 th 2020	Cabinet of the General Manager / Operations Sector
5	Salary payment order Control Report for the month of March 2020	12-3905 / 1	April 15 th 2020	Cabinet of the General Manager / Operations Sector
6	Report on the salary payment orders control for the month of April 2020	12-5057	May 18 th 2020	Cabinet of the General Manager / Operations Sector
7	Report on the lack of extra light fuel in the Stopanski Dvor Bitola	12-4768	May 12 th 2020	Supervisory Board of the GD Granit AD Skopje / Sector for Legal and Personnel Affairs, Operational Unit Niskogradba Western Region
8	Salary payment order Control Report for the month of May 2020	12-6305	June 15 th 2020	Cabinet of the General Manager / Operations Sector
9	Report on a Control of the salary payment orders, for the month of June 2020	12-7361 / 1	July 16 th 2020	Cabinet of the General Manager / Operations Sector
10	Report on the status of the facility Mountain house Golak	12-6786	June 29 th 2020	Supervisory Board of the GD Granit AD Skopje / Sector for Legal, Personnel and General

				Affairs
11	Semi-annual report on the operation of the Internal Audit Service for the period from January 1 st - June 30 th 2020	12-8345	August 10 th 2020	Supervisory Board of the GD Granit AD Skopje
12	Salary payment order Control Report for the month of July 2020		August 17 th 2020	Cabinet of the General Manager / Operations Sector
13	Report on the assessment and analysis of the materials bought procured for the necessities of the operational unit Highway Sveti Nikole - Stip		September 29 th 2020	Cabinet of the General Manager
14	Report on control of the salary payment orders for the month of August 2020		September 15 th 2020	Cabinet of the General Manager / Operations Sector
15	Report on control of the salary payment orders for the month of September 2020		October 17 th 2020	Cabinet of the General Manager / Operations Sector
16	Salary payment order Control Report for the month of October 2020		17.11.2020	Cabinet of the General Manager / Operations Sector
17	Preparation and submission of a list of technical norms used in the preparation of monthly salary payment orders.	12-12849	December 1 st 2020	Operations Sector
18	Salary payment order Control Report for the month of November 2020		December 18 th 2020	Cabinet of the General Manager / Operations Sector

The reports on the completed audits and controls were submitted to the relevant organizational units and Sectors, the Management and the Supervisory Board of the GD Granit AD Skopje.

Based on the reports submitted to the Internal Audit Service, the Supervisory Board has identified the found weaknesses in the operation, the proposed deadlines and the ways to eliminate them, and the Supervisory Board adopted conclusions, decisions, and gave appropriate recommendations and opinions.

3. Other activities of the Internal Audit Service

For the audits completed during the year 2020, which were accepted and approved by the Supervisory and Management Board of the Company, the Service has monitored the level of implementation of the given recommendations, has perceived the overcoming of the identified irregularities and realization of the adopted conclusions. The staff of the Service has made a maximum effort to implement and to consistently apply all recommendations, through monitoring on the field, attending working meetings, giving expert opinions and implementing the recommendations and the conclusions.

In 2020, in respect of certain professional issues, consultations have been done, and opinions were given, advices and directions to the employees and to the managers in the company.

For more successful realization of the plans and of the audits, additional measures were taken, the established standards are applied and the continuous professional development of the staff employed in the Service was made. The Director of the Internal Audit Service since the year 2016, is a member of the Association of Internal Auditors of Macedonia, which allows all changes in the legislation and the latest achievements in the field of internal audit to be implemented in the operation of the Internal Audit Service of GD Granit AD Skopje.

An annual review of the Integrated Management System for the year 2019 has been prepared and submitted to the Board of Directors of the GD Granit AD Skopje, on July 27th 2020.

On June 30th 2020, the certification body T-Cert Systems DOOEL Skopje has completed an oversight inspection of the integrated management system, in order to check whether the company has met the requirements of international normatives and that the procedures and work are in accordance with the requirements prescribed, in the ISO 9001: 2015, the Quality Management Standards ISO 14001: 2015, The Environmental Management Standard and the ISO 45001: 2018 Occupational Safety and Health Management Standard. After the inspection, the certification body issued new certificates as a proof of the compliance with the requirements set by the international normatives, in accordance with the new versions of the standards. A transition has been made from the OHSAS 18001 : 2007 to the ISO 45001 : 2018 based on the new requirements and the upgrade of the ISO standards.

In the year 2020, the conducted audits and other activities were realized by the Director of the Service.

4. Findings and given recommendations for overcoming the identified weaknesses, the status and the degree of the recommendations implementation.

The internal audit in the realization of the Annual Plan for year 2020 was focused on the efficient and the effective realization of the planned audits within the frames of available time and the available human resources by the Supervisory and Management Board. In the year 2019, most of the planned activities in accordance with the submitted and accepted Annual Plan for the Internal Audit Service, have been realized.

The Internal Audit Service continuously performed controls related to the overall operation of the company, by which it has covered the planned segments and business processes, assessed by the Service as a priority.

The findings and procedures established in this way contribute to the reduction of the risks in the operation, i. e. they set standards for a high quality, economical and efficient operation of the Company.

A summary report on the findings, recommendations and the status of their implementation is presented in the review attached to this Report (Annex 1 - Tabular presentation of the findings and the recommendations from the audit reports and the degree of their implementation). They are presented and submitted to the relevant management structures of the company, for regular monitoring of their implementation.

The Internal Audit Service, as a result of monitoring the implementation of the given recommendations, generally indicates that the given recommendations are respected and implemented with certain exceptions. There is a need for all Organizational Units, Sectors and Services, in the coming period to fully implement the recommendations given by the bodies of the company.

5. Evaluation of the adequacy and efficiency of the internal control systems and opinion

For more successful work and achievement of the set annual goals of the Service, i.e. their continuous, accurate and complete execution, the system of work and activities of the Service is constantly changing and adapting to the changes in the legislation, the need to revise certain operating processes in the Company and the adopted acts of the Company.

The findings and recommendations from the performed controls and audits indicate that there are certain omissions in the controlled processes and indicate that attention should be paid to their resolution, i.e. the indicated shortcomings and irregularities should be removed in a timely manner, and not to be repeated.

The internal audit counts that most of the controls that are necessary to identify the risks in the operation of the company are established and are functioning, with a conclusion that it is necessary to invest greater engagement for more efficiency in the implementation of the given recommendations, by the Management and the employees in the Company.

6. Opinion on the appropriate conclusions and recommendations for improvement of the situation

Based on the completed audits within the period from January 1st 2020 to December 31st 2020 in the reports submitted to the Supervisory Board of the Company, all observed irregularities are continuously submitted, recommendations are given with certain time periods for elimination of the

irregularities and conclusions were made. Based on the compiled findings review, recommendations and a degree of implementation of the given recommendations, were presented and were submitted to the relevant structures of the company, whereas the Service recommends implementation of all the given recommendations. A continuous monitoring of the audit reports was performed and measures and activities for their consistent application were undertaken, in order to remove certain inconsistencies, related to the construction and other standards from the activity of the company.

The established way of operation of the Internal Audit Service, contributes to the reduction of the operational risks, with establishment of quality standards, economic and efficient operation of the company.

The Internal Audit Service in coordination with the Management Structures and the Bodies of the Company, in the future period, will pay special attention to the assessment of the significant risks in the operation of the Company, will propose specific measures and activities to timely eliminate these occurrences of risks in the operations of all organizational section of the company.

- Annex 1 - Tabular presentation of findings and recommendations from the audit reports and the degree of their implementation

Director of the Internal Audit Service
Todor Shendov, BA Civ. Const. Eng.
/self handed signature and stamp/

APPENDIX 1

REVIEW OF THE FINDINGS AND THE RECOMMENDATIONS FROM THE AUDIT REPORTS FOR THE PERIOD FROM January 1st - December 31st 2020

P. Nr.	Name of the report	Reporting date	Delivered To	Findings - short description	Recommendation - short description	Deadline for Implementation	Implementation status	Percent of realization
1	Report on control of the salary payment orders for the month of December 2019	January 15 th 2020	Cabinet of the general manager / operations sector	Determined Irregularities in the preparation of the monthly salary payment orders	A recommendation for overcoming the observed irregularities and irregularities	Immediately	Completely Realized	100%
2	Salary payment order control report for the month of January 2020	February 20 th 2020	Cabinet of the general manager / operations sector	Determined Irregularities in the preparation of monthly salary payment orders	A recommendation for overcoming the observed irregularities and irregularities	Immediately	Completely Realized	100%
3	Salary payment order control report for the month of March 2020	April 15 th 2020	Cabinet of the general manager / operations sector	Determined Irregularities in the preparation of monthly salary payment orders	A recommendation for overcoming the observed irregularities and irregularities	Immediately	Completely Realized	100%
4	Report on the lack of extra light fuel in the Stopanski Dvor Bitola	May 12 th 2020	Supervisory board / sector for legal and personnel affairs / Operational Unit Niskogradba	Determined lack of extra light fuel	Recommendations for overcoming the observed irregularity and proposal for compensation to the company	Immediately	Completely Realized	100%

			west					
5	Report on control of the salary payment orders for the month of April 2020	May 18 th 2020	Cabinet of the general manager / operations sector	Determined Irregularities in the preparation of monthly salary payment orders	A recommendation for overcoming the observed irregularities and irregularities	Immediately	Completely Realized	100%
6	Report on control of the salary payment orders for the month of May 2020	June 15 th 2020	Cabinet of the general manager / operations sector	Determined Irregularities in the preparation of monthly salary payment orders.	A recommendation for overcoming the observed irregularities and irregularities	Immediately	Completely Realized	100%
7	Report on control of the salary payment orders for the month of June 2020	July 16 th 2020	Cabinet of the general manager / operations sector	Determined Irregularities in the preparation of monthly salary payment orders	A recommendation for overcoming the observed irregularities and irregularities	Immediately	Completely Realized	100%
8	Report on the condition regarding the construction of the mountain house Golak	June 29 th 2020	Supervisory board / sector for legal and personnel affairs	Perception of the condition of the facility in order to determine the conditions for extension of the lease agreement	A recommendation for extension of the lease contract has been issued for the facility mountain house Golak	Immediately	Completely Realized	100%
9	Salary payment order Control Report for the month of July 2020	August 17 th 2020	Cabinet of the general manager / operations sector	Determined Irregularities in the preparation of monthly salary payment orders	A recommendation for overcoming the observed irregularities and irregularities	Immediately	Completely Realized	100%
10	Report on	September	Cabinet of the	Determined	A recommendation for	Immediately	Completely	100%

	control of the salary payment orders for the month of august 2020	15 th 2020	general manager / operations sector	Irregularities in the preparation of monthly salary payment orders	overcoming the observed irregularities and irregularities		Realized	
11	Report for assessment and analysis of materials procured for the necessities of the Operational Unit highway Sveti Nikole - Stip	September 29 th 2020	Cabinet of the general manager	Status of the materials and the fixed assets procured for the needs of re Sveti Nikole - Stip	Proposals for redistribution of a part of the materials to other facilities, write-off, expenditures	Immediately	In progress	40%
12	Report on control of the salary payment orders for the month of September 2020	October 17 th 2020	Cabinet of the general manager / operations sector	Determined Irregularities in the preparation of monthly salary payment orders	A recommendation for overcoming the observed irregularities and irregularities	Immediately	Completely Realized	100%
13	Salary payment order Control Report for the month of October 2020	November 17 th 2020	Cabinet of the general manager / operations sector	Determined Irregularities in the preparation of monthly salary payment orders	A recommendation for overcoming the observed irregularities and irregularities	Immediately	Completely Realized	100%
14	Preparation and submission of the technical normatives`	December 1 st 2020	Operations sector	A list of technical normatives used in the monthly salary payment orders, not	The purpose of the submitted normatives is their improvement by the board of directors and to be	Immediately	Completely Realized	100%

	lists			approved by the board of directors, delivered	practically applied in the preparation of the salary payment orders			
15	Salary payment order Control Report for the month of November 2020	December 18 th 2020	Sector for legal, personnel and general affairs	Improper filling of lading sheets by part of the drivers in the Operational Unit mechanization and transportation	Proposed measures for elimination of the irregularities and initiation of disciplinary measures	Immediately	Completely Realized	100%