



2022 Annual Audit Report

Audit services

**provided to USJE by Titan Group Internal
Audit, Risk and Compliance function**

Report prepared by: **Dimitris Valsamopoulos**
Internal Audit Manager, SE Europe and Turkey
TITAN GROUP Internal Audit, Risk and Compliance

Date of issuance: **21.12.2022**

USJE 2022 ANNUAL AUDIT REPORT

A. Introduction

Internal audit services are provided to *USJE* by Titan Group Internal Audit (IA) independent function. According to the current organizational chart of Titan Group, the Group Internal Audit, Risk and Compliance Director reports functionally to Titan Group Audit and Risk Committee, as well as administratively to Titan Group CEO.

In respect to *USJE* Business Unit, the primary objective of Titan Group IA function is to provide the Board of Directors of *USJE*, as well as the BoD and Audit and Risk Committee of Titan Group with an independent and objective opinion concerning internal controls, risk management, and corporate governance systems, through the assessment of their effectiveness in achieving business objectives.

Additionally, Group IA provides consulting services, upon request of *USJE*'s Chief Executive Director or TITAN Regional Management.

B. 2022 Internal Audit Assignments

Based on the Annual Audit Plan of Titan Group IA function, two (2) audit assignments were performed in *USJE* during 2022 by "South-East & Turkey IA department". They referred to the Capital Expenditure (Capex) and Payroll-HR processes.

SEET 22-04 Capex Audit

The "*SEE & Turkey Internal Audit Department*" conducted an Audit Assignment on the local Capex process of *TITAN Cementarnica USJE AD* during the periods 11-15/04 and 03-18/05/2022. The Audit was performed combining remote work from Headquarters with an onsite visit.

The main objectives were to ensure that planning, budgeting, and approval of Capital expenditures, as well as their implementation, monitoring and accounting treatment, are performed in line with the BU's and Group's instructions and standards. The audit scope extended from the initial planning of expenditure till the recording of vendor's invoice, covering the period 2021 – 2022Q1. The focus was on the actions and control mechanisms performed and implemented by the BU; combined with information and approvals on a Group level.

We confirmed that the numerous Capex projects that are realised by the BU are closely monitored by the involved persons and their implementation and budgetary status is reported in a consistent way, locally and to the Group. Certain issues of concern identified, related to the approval of projects with carry over amounts, excesses over budget or significant additions and the timely identification of the work in progress into completed assets. These were communicated to the management and relative corrective actions were agreed upon.

SEET 22-06 Payroll – HR Audit

During the period 27/06-14/07/2022 the "*SEE & Turkey Internal Audit Department*" performed an onsite Audit Assignment on the local Payroll-HR process of *TITAN Cementarnica USJE AD*.

Main objectives included monitoring of working hours and payroll calculation, compliance with applicable regulations and Company policies, hiring and termination of employment contracts, administering all kind of personnel leave days, and confidentiality of personal data. The audit scope covered the period 2021 – 2022Q2.

We confirmed that the Internal Control System concerning the Payroll-HR function is properly designed and implemented. The process is well structured and closely monitored by the HR Department, whereas it is heavily relied on interconnected systems for payroll calculation and personnel's time and attendance monitoring. Significant weaknesses were not identified. The main area needing attention related to the monitoring of overtime. Relative corrective actions were agreed with management.

C. Overall opinion

Based on the aforementioned audit assignments performed throughout 2022, we have reached to the conclusion that the Internal Control System of the audited/reviewed functions is well designed, in order to appropriately manage underlying risks and to ensure compliance with the statutory and internal framework in force.