



2024 Annual Audit Report

Audit services
provided to TITAN USJE by TITAN Group
Internal Audit Function

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A. Introduction

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

In respect to *TITAN USJE* Business Unit, the primary objective of TITAN Group IA function is to provide the Board of Directors of *TITAN 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 *TITAN USJE*'s General Management or TITAN Regional Management.

B. 2024 Internal Audit Assignments

“Southeastern Europe and Turkey” and “IT Internal Audit” teams conducted in *TITAN USJE* a Post Implementation Audit Assignment in the context of the transition from the previous ERP to the SAP S/4HANA. The assignment is performed during the second half of 2024 and is part of the project covering all the five BUs of the SEE Region.

The SAP implementation project aims to streamline systems within TITAN Cement Group. The SAP, enterprise resource planning (ERP) software, provides a centralized platform for seamless data access and exchange across departments. It replaced previous ERP systems Alfa and Cowin, covering all *TITAN USJE* departments.

The assignment included:

1. A review on the Data Migration, with the objective to assess the completeness and accuracy of the Data Migration performed as part of the UBRO (Unite Balkans Rollout Project) implementation, regarding opening-closing balances and master data for business partners, materials, and inventory.

In the transition from the Alfa - Coswin systems to SAP S/4HANA, we conducted a comprehensive accuracy check of the master data and balances transferred for the following account categories:

- Materials (spare parts, raw materials, fuels and others)
- Business Partners – Customers
- Business Partners - Suppliers

Our primary objective was to identify any discrepancies between the closing balances of the specified account categories as of December 31, 2023, in the Alfa, and the opening balances of the corresponding accounts as of January 1, 2024, in SAP S/4HANA, based on the relevant mapping. Furthermore, we reviewed the migration files and reconciled the master data migrated to SAP S/4HANA.

2. SAP post implementation audit for the Finance and Accounting (FI) module.

The objective is to review and assess the effectiveness of critical application controls in the respective SAP modules. The scope covered the posting of invoices that either originate from the supply chain in relation to a Purchase Order (MM invoices) or are registered directly in SAP and no Order has been issued (FI invoices).

The main points assessed were:

- Invoice verification (3-way matching) when registering the invoice (price variance).

- Duplicate invoice checking (for FI invoices).
- The blocking – unblocking procedure of invoices based on specific reason and approval.
- The payment process (payment proposal, processing and execution of payment) for the subsequent payment of the invoices under consideration.
- Reversal of vendors' invoices.
- Other accounting aspects as settings for automatic posting to GL accounts and past periods.

3. SAP post implementation audit for the Procurement (mainly) and Warehousing (MM) module.

Similarly, the objective is to review and assess the effectiveness of critical application controls in the respective SAP modules.

We reviewed the local procurement function focusing on the following sub-functions:

- Creation and modification of vendors – suppliers' data management (registering and modifying key components).
- Creation, change and approval of a Purchase Requisition.
- Request For Quotation management.
- Creation, change and approval of Purchase Orders (including Release Order).
- Receipt of materials and services.
- Work Orders and Contracts' management.
- Selective aspects of inventory (materials') handling (as tolerance levels and negative stocks).

4. SAP audit of Segregation of Duties conflicts per SD (Sales) module.

5. SAP audit of Segregation of Duties conflicts per FI (Finance and Accounting) module.

6. SAP audit of Segregation of Duties conflicts per MM (Procurement and Warehousing) module.

The objective of these projects is to review and assess the SAP access rights assignment and role design to ensure that appropriate Segregation of Duties is maintained in the respective SAP modules functioning effectively as a control.

The scope does not include the review of accuracy, correctness and completeness of transactions carried out since the implementation of SAP S/4HANA.

C. Overall opinion - Status

The assignment is in progress, expected to be finalized in early 2025.