

„BANJALUČKA PIVARA“ AD
BANJA LUKA
- Audit Board -
No: OR-04/2018
Date: May 22, 2018

Pursuant to Article 323. of the Law on Enterprises ("Official Gazette of the Republic of Srpska" No. 127/08, 58/09, 100/11, 67/13 and 100/17) and Article 61. of the Articles of Association of Banjalucka pivara a.d. Banja Luka, Audit Board of Joint Stock Company Banjalucka pivara a.d. Banja Luka, at the session, held on date May 22, 2018 establish

**INTERNAL STRATEGIC AUDIT PLAN
IN A.D. BANJALUČKA PIVARA
for period 2017 – 2019**

1. INTRODUCTION

1.1. Starting points

The purpose of Strategic Plan is to reflect the main objectives of the Internal Audit Department in Banjalucka pivara a.d. for the period 2017 - 2019.

The Internal Audit Department was established based on the Law on Enterprises of the Republic of Srpska (OG No.127 / 08, Article 320) and the main function of the Internal Audit Department is to carry out an Internal Audit of organizational units, activities and processes in a.d. a.d. Banjalučka pivara.

The Internal Strategic Audit Plan is based on the goals, plans and priorities of the company. The internal audit will focus on high-risk areas in the strategic period 2017-2019.

The Strategic Plan will be updated on an annual basis, in line with changes of the Company's priorities and based on the results of the carried risk analysis. An estimation of the requirements for audit resources will be provided in the Annual Audit Plan.

In accordance with the Strategic Plan, the Internal Audit Department will define its Annual Plan that will include the subject, scope, objectives, schedule and resources, needed for each of the audit engagements (individual audits).

The Head of the Internal Audit Department is responsible for drafting Strategic and Annual Plan, approved by the Internal Audit Board of a.d. Banjalučka pivara.

1.2. Legal framework

Activity of the Internal Audit Department in Banjalucka pivara a.d. is based on the provisions of the Law on Enterprises of the Republic of Srpska, Article of Associations of Banjalucka pivara a.d, Manual for Internal

Auditors, Ethical Code for Internal Auditors and other regulations prepared by the Central Harmonization Unit RS, in accordance with internationally accepted Internal Audit Standards.

2. INTERNAL AUDIT VISION, MISSION AND GOALS

2.1. VISION

Provide assistance for the management and company bodies in order to efficiently and economically manage the joint stock company.

2.2. MISSION

Provide management with complete business information on the internal control system, in the organizational units and services of the company needed for the timely adoption of operational and management decisions and proposes activities to improve the system in order to achieve efficient and economical use of the available resources. Through its work, the Internal Auditor and controllers will encourage an increase the level of awareness in the performance of tasks and the provision of services and the establishment of a set of rules and procedures, in order to improve the quality of services and optimize business costs. The Internal Auditor will perform audits in accordance with the Ethics Code of Internal Auditors. The Internal Audit mission will be achieved by creating objective expert opinions on the internal control system and by making recommendations for their improvement.

2.3. GOALS

In the period 2017-2019 the Internal Audit Department of Banjalucka pivara has the following goals:

1. Improve organization activities through:

- Identification and risk assessment;
- Provide an independent and objective assessment of the adequacy and efficiency of the Financial Management and system control;
- Consultation and providing recommendations.

2. Provide the necessary expertise and skills of Internal Auditors, through additional training to enable the fulfillment of the audit strategic objectives of the (Internal Audit Department).

The goals of the Internal Audit Unit for the period 2017 - 2019 will be directed towards:

- Review, evaluate and assist the correct financing of the Internal Control System of Financial Management in Banjalučka pivara a.d.;
- Raising awareness of Internal Auditors in the organization;
- Ensuring an independent and objective internal audit function;
- Ensuring the quality of audit and audit reports;
- Providing the necessary resources for the internal audit activity;
- Developing the knowledge and skills of Internal Auditors.

In order to achieve the specific goals of the Strategic Plan for the period 2017 - 2019, the Annual Plans will be prepared in a way to include the tasks of each audit engagement, the responsible person and the deadlines for the execution of the planned tasks.

3. INTERNAL AUDIT PLANNING

3.1. BASES FOR DEVELOPMENT OF THE STRATEGIC PLAN

This document is based on:

- the Rulebook on the Organization and Work of the Internal Audit Department
- Company budget for 2017,
- Risk Assessment established on the bases of previous experience,
- identification of areas and processes of the general importance, of the Company, where possible improvements in efficiency and strengthening of internal controls can result in significant overall benefits for the whole Company.

3.2. DISTRIBUTION OF RESOURCES

In accordance with the methodology of strategic planning, the Internal Audit Department has made the distribution of available resources for 2017.

Plan of working days per perpetrators:

No.	ACTIVITIES DESCRIPTION	DAYS IN YEAR	NO. OF PERPETRATORS	TOTAL
1	Days in year	365	2	730
2	Weekends	104	2	208
3	Holidays and non-working days	8	2	16
4	Annual leave/vacation	24	2	48
5	Sick leave and other absences	0	2	0
6	TOTAL INEFFECTIVE DAYS	136	2	272
7	TOTAL AVAILABLE DAYS	229	2	458
8	Planned audits	130	2	260
9	Audits on request	39	2	78
10	TOTAL AUDIT PROJECTS	169	2	338
11	Making Plans, meetings	50	2	100
12	Education (seminars)	10	2	20
13	TOTAL OTHER ACTIVITIES (11+12)	60	2	70
14	TOTAL EFFECTIVE DAYS (1-6 or 10+13)	229	2	458

4. INTERNAL AUDIT IMPLEMENTATION

4.1. PLAN OF AUDIT PROJECTS AND ACTIVITIES OF DEPARTMENT

No.	PLAN OF AUDIT PROJECTS AND ACTIVITIES	Organizational Unit	2017	2018	2019
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1	Audit of inventory management		✓	✓	✓
2	Audit of logistic business		✓	✓	✓
3	Audit of information systems			✓	
4	Audit of sales activities		✓		✓
5	Audit of marketing activities			✓	
6	Audit of human resources				✓
7	Audit of waste management		✓		
8	Audit upon request		✓	✓	✓
9	Audit of the implementation of the recommendations		✓	✓	✓
10	Other activities		✓	✓	✓

Based on the achieved understanding of the environment and identification of the main processes, crucial for achieving strategic goals of a.d. Banjalucka pivara, the Internal Audit will have the following strategic approach to the audit, in the period 2017 - 2019:

- processes rated at high risk will be audited each year,
- processes rated at medium risk will be audited every second year,
- processes rated at low risk will be audited every third year.

The list of planned audits from the above audit approach, as well as the plan of other audit activities, will depend on the available audit resources.

4.2. ORGANIZATION AND DEVELOPMENT

4.2.1. EXISTING ORGANIZATION AND ORGANIZATION OF INTERNAL AUDIT

Pursuant to the Law on Enterprises (Article 320), the Articles of Association of the joint stock company Banjalučka pivara (no.02-34 / 2013) and based on the Decision of the Shareholders Assembly No. 01-176 / 2013 of 03.10.2013, the Internal Audit Department was established with the aim of establishing the mechanism of supervising the legality of the company's operations and for protecting the interests of the shareholders and the assets of the company.

Internal audit activities, in a.d. Banjalučka pivara, are performed by an authorized Internal Auditor, registered with the Internal Audit Association.

Planned Internal Audits will be carried out in 2017-2019 by an authorized Internal Auditor - Manager of the Internal Audit Department and Internal Auditor.

The Manager performs all the tasks, defined by the Law and the Regulations, related to planning, organization of work, conducting audits, writing reports and recommendations, monitoring recommendations, reporting annually and periodically, providing advisory support, in order to eliminate risks and achieve the business goal, as well as professional training, and performs other tasks according to the order of the Management of the Company.

4.2.2. DEVELOPMENT PLAN FOR INTERNAL AUDIT AND PROFESSIONAL TRAINING OF INTERNAL AUDITORS

Assisting the Management, to perform its function of Company management, productively, efficiently and economically, is one of the basic tasks of Internal Audit.

Considering the importance of the Internal Audit function, it is necessary for Internal Auditors to fully meet the criteria for performing internal audit activities. The Head of the Internal Audit Department has the professional competencies for the title of an authorized Internal Auditor.

In the upcoming period, the professional development of Internal Auditors will be encouraged, in order to ensure a high level of expertise, skills and other competencies, necessary for the performance of individual duties.

Professional training will be carried out in cooperation with the Ministry of Finance, the Association of Internal Auditors of RS and the Association of Accountants and Auditors of RS through seminars, workshops and other types of education.

4.2.3. OTHER PLANNED INTERNAL AUDIT ACTIVITIES

Internal Audit a.d. Banjalučka pivara će, pored prethodno navedenih aktivnosti, obavljati i druge aktivnosti:

- monitoring the implementation of the Annual and Strategic plan,
- update of the Strategic Plan for 2017-2019,
- Preparation and preparation of annual plans for three years,
- Continuous monitoring of the implementation of recommendations, given in the Audit Reports,
- perform audits that are not listed in the Audit Plans, and they will be performed at the request of the Company Management, as well as other jobs upon the request of the Management,
- professional development and
- other activities related to the functioning of Internal Audit a.d. Banjalučka pivara.

5. REPORTING

The final Audit Report of each performed audit is not a surprise to the audited entity. All the findings and recommendations, especially the expert opinion, are documented and recognizable both for the audited entity and for administration of a.d. Banjalučka pivara.

5.1. Internal Annual Audit Report

The Strategic Plan will be updated annually, in line with possible changes in goals and priorities of a.d. Banjalučka pivara.

The obligation of Internal Annual Audit Report is prescribed by the Law and the Rulebook on Internal Audit. The Internal Annual Audit Report will be submitted to the Audit Board of the Company.

5.2. Periodic Internal Audit Report

The obligation of Periodic Internal Audit Report is prescribed by the Law and the Internal Audit Rules. Periodic Internal Audit Report will be submitted to the Audit Board of the Company.

6. CONCLUSION

The Internal Audit Department will focus its activities on:

- ensuring Audit quality,
- strengthening the internal control system in a.d. Banjalučka pivara,
- harmonization of internal audit work with the Internal Audit Manual and work methodology, based on

- International Auditing Standards for Internal Audit,
- ensuring continuous professional development for acquiring new and expanding existing knowledge and skills,
- compliance with policies and procedures, plans, laws and regulations.

The Internal Audit Department, in accomplishing their tasks, will need to understand, assist and support the management of Banjalučka pivara. Only with such a comprehensive support, Internal Audit will be able to fully realize its mission and be the initiator of future positive changes.

7. FINAL PROVISIONS

The implementation of this Plan is responsibility of the Internal Audit of this Company. This Plan shall enter into force on the day of its adoption.

**CHAIRMAN
OF AUDIT BOARD**
Jonathan Derry - Evans