



Internal Audit Services: New Challenges – New Answers

ADVISORY

A presumed lack of responsible corporate management can substantially reduce the value of a company. KPMG in Hungary's Internal Audit services can not only help to enhance the value of your company but can also facilitate compliance with the steady increases in both regulatory and shareholder demands. As the pace of globalization in today's business environment continues to pick up, companies are constantly searching for the latest best practices whilst making steadily greater demands of their internal audit functions. KPMG's Internal Audit services help you in addressing these challenges, identifying the risks characteristic of your company and strengthening internal auditing.

How can I help?

KPMG's Internal Audit services can help in various ways, from outsourcing or co-sourcing through seconded staff to the self evaluation of controls (KSat). We also have vast experience in establishing/restructuring internal audit functions as well as in transferring the knowledge required for this. Comprehensive business risk analysis (CBRA) opens up new doors to analyzing risks, and similar to other services is also supported by IT tools.

Establishing/Restructuring the internal Audit function

In line with the standards of the Institute of Internal Auditors (IIA) and the communication of the risk-based audit methodology, establishment/restructuring of the internal audit function is required. This service generally takes on the following forms:

- Internal audit procedure
- Internal audit manual
- Comprehensive business risk analysis
- Long-term internal audit plan (spanning several years)

Outsourcing/Co-sourcing

Outsourcing

Outsourcing offers a strategic opportunity to cover risks more widely and efficiently whilst also freeing up resources for the company to focus more closely on core processes and objectives. Management are placing increasing demands and requirements on internal audit functions and it is difficult to meet these expectations in full. Outsourced internal auditing has one further advantage in that it is completely independent and there are no unilateral findings in any of the drafted reports. Further benefits of KPMG's outsourced Internal Audit service include:

- Specialists educated and further trained in accordance with international standards
- Access to top-notch internal audit methodologies and tools
- Major increase in value alongside low cost
- Flexibility in personnel management and with regard to specialized expertise

- Avoidance of hiring and training costs for internal auditors.

Co-sourcing

Co-sourcing helps the internal audit function of the company if they are in need of special technical expertise or colleagues who have the required skills and experience. This level of support can improve the efficiency of the internal audit function in order that it be focused upon critical business processes. Further advantages and opportunities include:

- Additional KPMG experts can be brought in as required (IT Audit, Fraud Investigation)
- Participation of specialists who are well-versed in the particular industry as well as related risks and problems
- Control of risks not covered following corporate restructuring.

Seconded internal auditors

Specialists seconded from KPMG can help in situations where it is not possible to hire an appropriately qualified internal auditor or one with the necessary professional background, and when the audits as per the annual audit plan cannot be conducted because of promotion/re-assignment or for other reasons. Further benefits to the company are:

- Risks not covered following restructuring within the company are now controlled
- Appropriate expertise available in case of a sudden rise in the workload of the internal audit function (special requests from the supervisory board / senior management supervising Internal Audit).

Self Assessment / Self Evaluation of Controls (KSat)

KSat is KPMG's flexible and Internet-based self-evaluation system, which examines the efficiency of internal controls. Self valuation of controls is a structured process which promotes the evaluation of risks and the continuous monitoring of related controls. This service

is offered in conjunction with our member firms in the Czech Republic (Prague) and in the UK (Birmingham). A typical review breaks down as follows:

- Assessing the current situation of the internal audit function
- Comparing these conditions with the expectations of management
- Drafting recommendations to bridge the gap between the current and the expected state of affairs
- Detailed action plan to effect the changes and promote development.

Comprehensive Business Risk Analysis (CBRA)

The identification and management of risks in a timely manner is crucial for a company's success. The CBRA process designed by KPMG focuses on the importance of this factor. It helps in identifying strategic risks, listing them in terms of priority as well as elaborating optimal responses. The CBRA process breaks down as follows:

- Strategic analysis, which helps in examining business objectives and the business environment in relation to strategic goals and processes
- Business process analysis, which examines crucial processes and helps in identifying presumed risks, whilst bearing in mind the objectives of the company
- Determination of risk profile, based on the results of the process analysis risk profiles are allocated to the company's core processes
- Optimization of the internal audit plan and business performance, and the preparation of an internal audit plan taking management opinions into account.

KPMG methodology

Our Internal Audit services are continuously adapted to client demands and focus on the following:

- Extensive professional experience in the traditional and ground-breaking fields of internal audit services

- Ongoing co-operation with the company management and departments of KPMG furnishing other services
- Use of automated internal auditing tools right from the beginning
- The global professional background to KPMG's internal auditing methods means that rapid responses can be given to virtually any questions that arise.

Our service is built around continuous and personal contact with the client yet barely disturbs the day-to-day business processes of the company.

The next step

KPMG draws on its global background as part of a network of professional services firms in providing internal auditing services that are extremely diverse. More information is available on contract compliance reviews as well as on the details of the K'Sprint service enhancing the value of internal auditing and the Enterprise Risk Management (ERM) service.

We would also be pleased to meet you in person, to tell you more about what we do.

Contact:

KPMG's Internal Audit practice

Tamás Gaidosch

Partner
Tel.: +36 1 887-7139
E-mail: tamas.gaidosch@kpmg.hu

István Henye

Partner
Tel.: +36 1 887-7202
E-mail: istvan.henye@kpmg.hu

Tibor Pósa

Manager
Tel.: +36 1 887-7283
E-mail: tibor.posa@kpmg.hu

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.

© 2007 KPMG Advisory Ltd., a Hungarian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved. Printed in Hungary.