

Internal audit services

AUDIT

“Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization to achieve its objectives by using a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management, control, and governance processes.”

The Institute of Internal Auditors

In today’s rapidly developing business environment, managers constantly encounter new types of business risks. The potential consequences of these risks are continually changing as a result of increasing globalization, geopolitical influences, demographic development, changes in legislation, market pressures, changing technology, environmental changes and investor demands. Managing business risks is critical to the successful future of every business organization.

The traditional view of internal audit, being a tool to review compliance with internal and external regulations, no longer holds. In the current environment, internal audit has to bring true added value for an organization, such as identifying potential areas for reducing undesired or unanticipated costs arising from ineffective risk management and reducing losses caused by low-quality project management, improper processes and inaccurate management information for decision making. Today, internal audit has to be much closer to management and has to get more involved in

top level strategic and internal risk decision making. Internal audit, in cooperation with the management of the company, has to continuously monitor and measure the exposure to risks and ensure they are appropriately managed.

The most frequent barriers to establishing an effective internal audit function are a lack of quality experts and limited financial support. Significant barriers are often also created by old ways of thinking and communication constraints between internal audit and management. KPMG services can help clients to overcome these barriers and develop an effective internal audit function, or to improve the current internal audit structure by improving its efficiency and reliability.

We offer our clients advisory services in the area of internal audit evaluation (K’SPrint), establishing or improving the internal audit function, outsourcing/co-sourcing of internal audit and corporate governance assessment. We tailor our services specifically to meet the needs of each of our individual clients.

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1. Evaluation of the internal audit function (K'SPRint)

Our evaluation approach is based on an independent review of the internal audit function in a company, compared with industry best practice. K'SPRint (KPMG Performance Review of Internal Audit) is a methodology that uses standard procedures to evaluate the role of internal audit in a company and to propose possible areas for improvement. This methodology has been developed by an international group of KPMG experts. Input data is obtained by means of interviews with members of the Board of Directors, the management and internal audit team, and by analysing audit documentation. The analysis covers three main areas: positioning and organizational integration of internal audit, people, and internal audit processes. The current position is then evaluated and compared to the desired state based on KPMG industry experience and expectations of the company's management and the statutory and supervisory bodies. KPMG's expert team then proposes the best solutions to close the identified gap between the current and desired positions.

Benefits of K'SPRint:

- Objective, unbiased assessment of the current internal audit function in the context of KPMG's international experience
- Specification of the expected internal audit function as defined by management and members of the statutory and supervisory bodies

- Benchmarking against similar businesses in the relevant industry
- Proposed measures to achieve the desired internal audit function

2. Establishing/improving the internal audit function

Establishing a functional and effective internal audit requires management's time, effort and experience. KPMG can help in establishing proper internal audit guidelines based on management's expectations, internal and external conditions, and the company's risk profile. KPMG can also assist in implementing changes to increase internal audit efficiency and in identifying the most suitable candidates for the internal audit work, their subsequent training and further development.

Benefits:

- Implementation of a modern internal audit model in accordance with solid methodology and standards
- Savings of your own time, money and personnel
- Assistance in the recruitment of suitable candidates for your internal audit department and their further development

3. Outsourcing/co-sourcing of internal audit

The ever-present pressure to minimize costs calls for maximum value to be obtained from the internal audit function. In some companies it is not effective to establish an internal audit

function and companies may obtain more value from outsourcing the audit function. Outsourcing can be either full, enabling companies to focus solely on their core activities, or partial (so called "co-sourcing"), empowering the internal audit team to seek support and advice from a more experienced third party team. Co-sourcing is used mainly for technically sophisticated services, such as IT risk management or financial risks, or for audits in foreign branches, where internal audit has not been set up and where KPMG has its office.

Benefits:

- Reduced costs of internal audit
- Use of a KPMG expert team with professional experience in technically sophisticated areas
- Improved services resulting from a combination of your internal insight and KPMG's independent perspective

4. Corporate governance assessment

Corporate governance encompasses not only management, the board of directors and supervisory board of the company, but internal and external audit as well. KPMG can carry out an independent assessment of the key components of a company's corporate governance, their mutual cooperation, communication and related directives. KPMG's expert team helps our clients to establish or refine their corporate governance, to mitigate whitespaces and to eliminate duplicities and communication gaps. Our advisory services are based on extensive

international experience and knowledge of the company's specific conditions. We can also assist you in achieving compliance with the Sarbanes-Oxley Act.

Benefits:

- Assistance to the statutory and supervisory bodies in carrying out their obligations
- Higher efficiency of communication between individual elements of the company's corporate governance
- Support in achieving the company's strategic objectives

Do the following questions apply to you?

- Do you have doubts about the efficiency of your internal audit department?
- Are you not receiving what you need from your internal audit?
- Are you worried that your internal audit does not focus on the most significant risks?
- Is your organization too extensive, either geographically, personally, or in its scope of activities, so that your internal audit function is unable to cover it adequately?
- Do you have doubts about the current state of your company's corporate governance?

If you answered "yes" to any of the questions above, or would like to discuss any of these issues, do not hesitate to contact us. We are ready to find the best solution tailored specifically for you.

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