



cutting through complexity

Data & Analytics

Unlocking the value of audit

Dynamic Audit

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ANALYTICS

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THE OPPORTUNITY FOR AUDIT

The financial statement audit has long delivered compliance and confidence, and it will continue to do so. But in today's business environment this may not be enough. Advances in technology and an explosion of data have changed the game. Organizations and investors now have access to a breadth and depth of information that would have been unthinkable a decade ago. The most enlightened of companies are making use of that information to give them a competitive edge. While auditors have always relied on their analysis of available data and information to assess the accuracy of the financial statements and aid them in reaching an audit opinion, they by and large use methods like sampling to do so today. We believe they should be equipped to leverage more of the available information to further enhance the quality of the financial statement audit and deliver additional insight and perspective.

At KPMG we see audit as an opportunity, not an obligation. We go broader and deeper, beyond statutory requirements, to realize the value of the data that's available. We help organizations take stock of their financial position, learn about their performance, understand where they could be doing better, and prepare for what the future may bring.

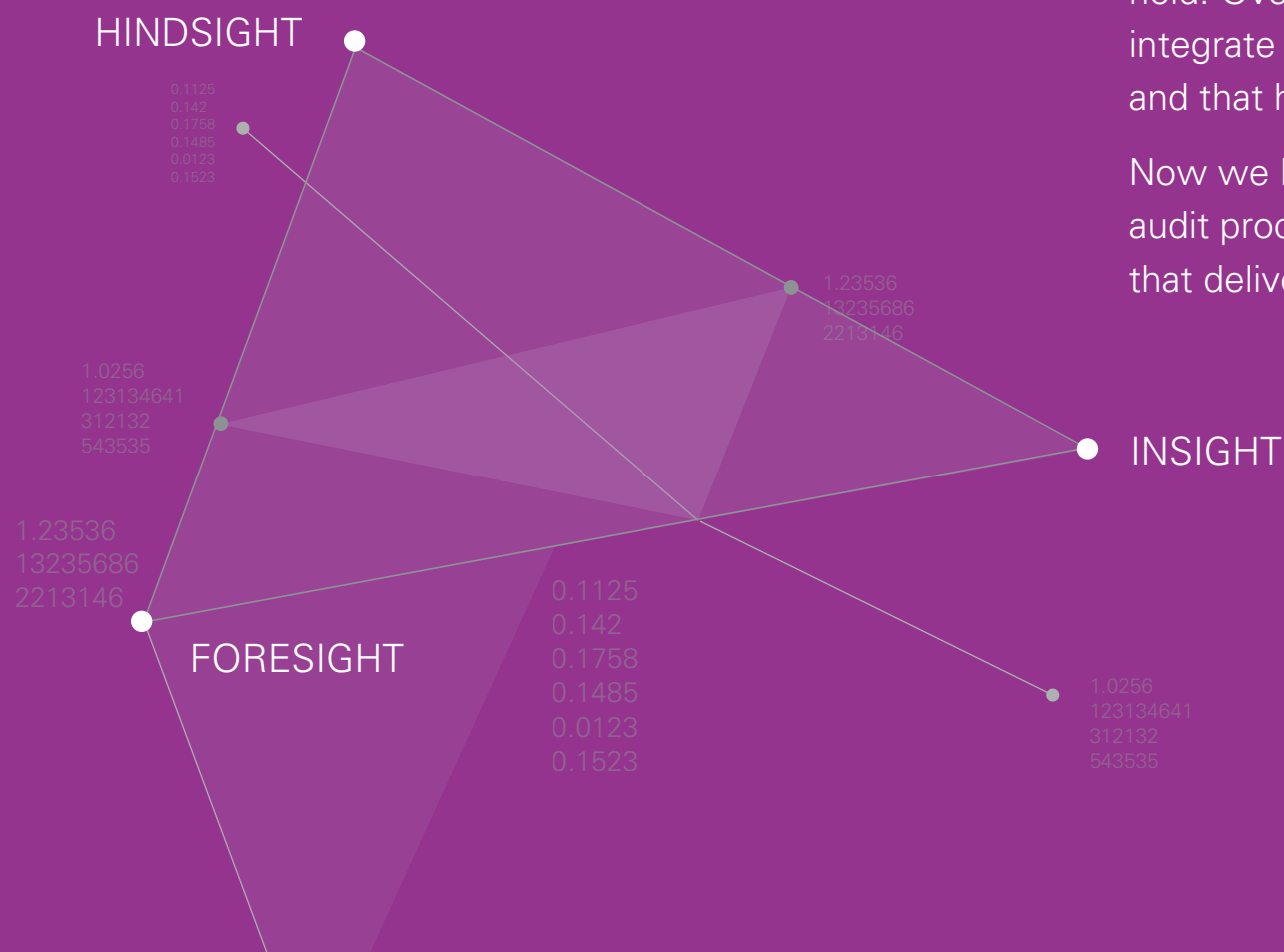
Our dynamic audit is designed to unlock the value of our audit process.

THE POWER OF DATA & ANALYTICS

Data & Analytics (D&A) is the key to unlocking the rich information that businesses hold. By effectively interrogating and understanding data, companies can gain greater understanding of the factors affecting their performance – from customer data to environmental influences – and turn this into real advantage. Data & Analytics is helping businesses to become smarter, more productive, and better at making predictions.

D&A also has the power to enhance the assurance process. At KPMG we have been using D&A for many years to effectively utilize the data our clients hold. Over time we have developed a series of software and tools that integrate into our audit, giving us the ability to study entire data populations and that help us to better identify risks and investigate anomalies.

Now we have taken this innovation to the next level. We have developed an audit process that is built with D&A at its heart - delivering a dynamic audit that delivers hindsight, insight and foresight.



THE BENEFIT OF HINDSIGHT

HINDSIGHT

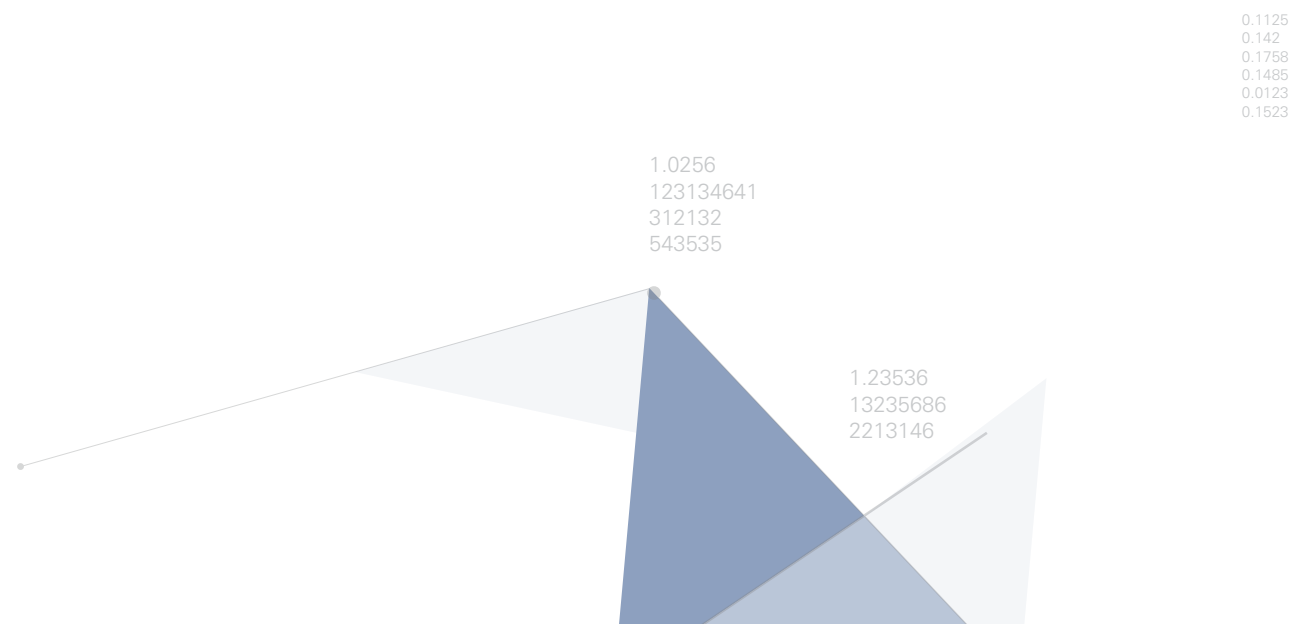
INSIGHT

FORESIGHT

Audits have traditionally focused on looking back; analyzing transactions and other data from past activities. While audits enhance confidence that financial statements comply with standards governing their preparation, they do not release the value of data.

Using D&A we make the analysis of the past more insightful. Rather than sampling transactions data to test a snapshot of activities, we can now analyze all transactions processed, allowing us to identify anomalies and drill down on the items that show the greatest potential of being high risk. Our systems automate this process, increasing its ability to produce high quality audit evidence.

This level of analysis means we can more easily identify trends and anomalies for further investigation. It allows us to give organizations greater insights into their past performance. And this in turn enables them to take stock of their processes and activities and adjust them to improve performance.



CASE STUDY

The issue

The organization was concerned that standard approval processes in purchasing and material management were being circumvented, resulting in production delays and costing the firm time and money.

KPMG analysis and insight

KPMG's D&A capabilities pinpointed the cause of the slowdown as the inconsistent use of ERP approval processes vital to production efficiency, resulting in the frequent use of manual interventions.

- The recording of deliveries outside the ERP process had a direct impact on inventory and production management.
- The high volume of manual price adjustments revealed an underlying issue with the accuracy of inventory costing.

The result

KPMG provided insights into the organization's process that were not clearly seen before, allowing management to assess opportunities to drive efficiency and better leverage their investment in their ERP systems, which enabled them to address specific challenge areas and ultimately to streamline production.

THE IMPORTANCE OF INSIGHT

HINDSIGHT
INSIGHT
FORESIGHT

For an organization to really understand its performance, it must look beyond the figures – and measure successes against those of peers and the best in the world. KPMG audits provide the opportunity and ability to make this comparison.

We use industry-specific data and analytic models to provide benchmarks and identify patterns against which we can compare your organization's operations. We give you the information you need to measure performance against industry peers and we benchmark data on operational KPIs.

We provide perspectives on performance related to consumer sentiment so you can assess the impact on sales and operational activity.

As well as benchmarking, we look in depth at the data, discovering complex patterns, making sense of them, and identifying anomalies. We use this information in our audit of the financial statements and to generate meaningful, useable insights – that give organizations invaluable information on which they can act to gain real advantage.

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The issue

The organization needed insight into employee compliance with their segregation of duties policy to ensure that individuals were not authorized to perform incompatible duties in their ERP system.

KPMG analysis and insight

KPMG applied our Data & Analytics capabilities to analyze 100% of the company's processed transactions in the sales and purchase processes. Our tools can identify not only scenarios where individuals are assigned incompatible duties, but also instances where they have actually exercised those duties – as well as the associated transaction amounts and the aggregate financial impact.

In this case, we determined that incompatible duties had been assigned to several employees, and that one individual had in fact used these authorizations in several instances. By looking at the underlying transactions, we verified that the amounts in question were not material and did not present a significant audit risk. We then extended our analysis to industry-relevant segregation of duties scenarios and compared these across the company's entire organization to identify trends and patterns and highlight business units of concern.

CASE STUDY

The result

KPMG provided data-driven insights as to whether the organization's employees were behaving in accordance with policy. Where a policy breach was identified, we were able to conclude that it did not result in a material misstatement in the financial statements. Our analysis also uncovered opportunities to reduce risk exposure by identifying incompatible duty assignments, and provided additional insights into the effectiveness of controls across business units.

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THE ADVANTAGE OF FORESIGHT

HINDSIGHT
INSIGHT
FORESIGHT

The future can't be predicted – but having a view of what it is likely to bring can make all the difference. By looking ahead and anticipating scenarios, an audit can play a major role in identifying the future risks facing an organization and quantifying the impact they could have on performance. It can also help to identify opportunities, giving organizations the foresight to take advantage.

Through predictive analytics, using historical performance trends and giving effect to current market events, we believe we are better prepared to assess future performance. Through correlative data (macro and microeconomic indicators) we can assess predictive performance and, where appropriate, share sensitivity analysis with management and the audit committee.

A KPMG dynamic audit gives our professionals the space to focus on every step of the process, from planning to completion. They can bring their judgment to bear on higher risk areas, rather than being held up in the analyzing of data. This broader view means that they can identify trends, risks and opportunities. These insights give organizations the information they need to better anticipate possible futures and to plan ahead more effectively.

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The issue

The organization needed enhanced insight into their risk exposure across sales transactions by better understanding the operation of ERP approval processes and controls.

KPMG analysis and insight

KPMG's D&A capabilities revealed that a significant volume of sales transactions were being processed manually, circumventing the standard approval processes and controls. The engagement team specifically addressed these transactions as they were considered higher risk. In addition, they applied automated audit routines to 100% of the organization's processed sales transactions, which uncovered pricing and quantity discrepancies that should be considered in evaluating the results of the audit, and which could be shared with management as insights learned from the procedures.

CASE STUDY

The result

Thanks to our D&A capabilities, KPMG was able to precisely focus our audit effort on areas that presented a risk of material misstatement, thereby improving audit quality. The company also received powerful insights into its exposure to higher risk transactions and was able to implement process improvements resulting in the reduction of pricing and quantity discrepancies, increased efficiency and better customer satisfaction.

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A KPMG dynamic audit is no longer just about past performance, it goes much deeper, discovering patterns and making sense of them to generate insights into your current business performance. It isn't just about reporting back, it's about enhancing value and giving actionable insights on performance – value and insights that were never achievable before. And because it also looks forward, it provides future insights that help inform decisions that impact management's decisions about the direction of a business.

Enhancing audit quality continues to be paramount. Through D&A and our dynamic audit, we are not only enhancing quality, we are unlocking the value of audit, going beyond compliance and making audit an opportunity. D&A adds value to audit and furthers confidence in assurance.

If you would like to find out more about the value our audit can bring to your organization contact us at AuditData@kpmg.com

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