Pannon Egyetem
University of Pannonia

INTERNAL AUDIT MANUAL

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Table of Contents

Chapter I 5
Introduction 5
Chapter II 6
General Provisions 6
1. § Aim of the Internal Audit Manual 6
2. § Scope of the Internal Audit Manual 6
3. § Rules for approval and review 6
4. § Definitions: 6
Chapter III 7
AUDIT CHARTER 7
5. § Purpose and concept of the internal audit 7
6. § Standards and regulations for internal auditing activities 7
7. § Audit aims 7
8. § Assurance activity 8
9. § Independence 9
10. § Conflict of interest 9
11. § Rights and obligations of the Director of the Department of Internal Audit 10
12. § Rights and obligations of the internal auditor 11
13. § Rights and obligations of the organisation or organisational unit being audited 12
14. § Reporting 13
Chapter IV 13
MANAGEMENT OF THE AUDIT ACTIVITY 13
15. § Human resources management related to auditors 13
16. § Engaging an external service provider 14
The need to use an external service provider and its conditions and principles 14
17. § Assessment of the audit activity 14
Chapter V 15
PLANNING THE AUDIT ACTIVITY 15
18. § Planning principles 15

19. § Planning preparations....15
20. § Strategic audit plan....18
21. § Annual audit plan....18
22. § Amendment of the annual audit plan....19
Chapter VI....20
THE IMPLEMENTATION OF THE CONTROL ACTIVITY....20
23. § Administrative preparation....20
24. § Procedure for drawing up the audit programme....20
25. § How the audit is carried out....21
26. § Interruption, suspension of the audit....22
27. § The procedure to be followed in the event of detecting an act, omission or deficiencies (hereinafter referred to as 'irregularities') giving rise to criminal, infraction, compensation or disciplinary proceedings....23
28. § Audit worksheets....24
29. § Basic audit procedures and techniques....24
30. § Obtaining records and evidence....25
31. § The audit report....26
32. § Closing the audit....29
33. § Action plan....29
34. § Audit follow-up....30
35. § Reporting....31
36. § Requirements in connection with audit documents....31
37. § Consultancy activity....31
Chapter VII....33
Implementation and final provisions....33
Chapter VIII....34
Annexes....34
CODE OF ETHICS FOR INTERNAL AUDITORS....35
SAMPLE FORMS....38

The Internal Audit Manual (hereinafter referred to as: "IAM") issued by the University of Pannonia (hereinafter referred to as: "University") on the basis of the University's Organisational and Operational Rules (hereinafter referred to as: "OOR"), Part I Organisational and Operational Rules of Procedure (hereinafter referred to as: "OORP") approved by the Senate of the University of Pannonia and adopted by the Foundation for the University of Pannonia acting as the operator exercising founders' and ownership rights (hereinafter referred to as: "Operator") and on the basis of the resolution by the Board of Trustees on the rules of procedure for adopting the regulations of the University of Pannonia by the Board of Trustees is as follows.

Chapter I

Introduction

The Internal Audit Manual of the University of Pannonia has been prepared in accordance with the International Standards for the Professional Practice of Auditing (IIA Standards), Articles 1 to 10 of Government Decree 370/2011. (XII. 31.) on the Internal Control System and Internal Audit of Budgetary Bodies, § 1-10 (hereinafter referred to as: "ICS") and Act CCIV of 2011 on National Higher Education.

An internal audit is an independent and objective process designed to improve the operations and effectiveness of the audited organisation by assessing and improving the effectiveness of the audited organisation's management and internal control systems using a systematic approach to achieve the audited organisation's objectives. The internal audit is part of the internal control system.
At the University, internal audits are carried out by the staff of the Department of Internal Audit. The audit covers all the activities of the University.

The Chancellor of the University is responsible for ensuring that the audit is properly arranged, managed and carried out in an independent manner.

Chapter II

General Provisions

1. § Aim of the Internal Audit Manual

The aim of the IAM is to ensure that the auditors working at the University follow uniform rules of procedure in their daily work.

2. § Scope of the Internal Audit Manual

The scope of the IAM extends to all the activities and processes of all the faculties, comprehensive organisational units, organisational units and organisations of the University, as well as all the economic and business entities established by or with the participation of the University.

The personal scope of the IAM applies to all the employees of the University and of the economic organisations established by it and operated with its participation who are involved in the internal control process as auditors, auditees, contributors or in any other way.

3. § Rules for approval and review

The IAM is adopted by the Senate.
The Director of the Department of Internal Audit is obliged to review the IAM on a regular basis, but at least in accordance with the codification instructions, and to make the necessary amendments.

4. § Definitions:

Assurance activity: an audit activity in which the auditor provides an objective assessment of a process, system or procedure and includes the findings, conclusions and recommendations made during the implementation of the audit programme in an audit report.

Internal auditor: a person who carries out internal auditing activities.

Auditor in charge of the audit: the person responsible for carrying out a particular audit.

Draft report: an audit report under consultation.

Audit report: a report summarising the findings of the audit on the basis of the written conclusions and the available documents.

Report extract: a verbatim copy of a specific part or parts of the original report.

Completed audit report: an audit report prepared by the internal auditor, agreed with the organisation being audited and finalised and signed with the findings agreed.

Action plan: a schedule for the implementation of measures prepared by the audited organisation or organisational unit on the basis of the audit recommendations, indicating the persons responsible for implementation and the relevant deadlines.

Risk analysis: an objective method used by the internal audit to select the areas to be audited, which identifies the risks inherent in the activities and internal control system of the budgetary body.

Chapter III

AUDIT CHARTER

5. § Purpose and concept of the internal audit

An internal audit is an independent, objective assurance and consultancy activity that uses a systematic approach to assess and improve the productivity, economy and efficiency of the audited organisation's management and internal control systems in order to achieve its objectives.

6. § Standards and regulations for internal auditing activities

Internal audit activities may only be carried out by a person authorised by the Minister responsible for public finances.
The internal auditor shall perform his or her activities in accordance with the IAM adopted by the Senate, pursuant to the relevant legislation, the international and Hungarian internal auditing standards, the publicly available methodological guidelines, the code of ethics and the relevant University regulations.

7. § Audit aims

In order to achieve the aims of the audit, the auditor collects and evaluates information, prepares analyses, makes recommendations and gives advice to the audited organisational units on their own operations in relation to the processes being audited, and immediately informs the Head of the Department of Internal Audit and the Chancellor of the University of any significant risk exposure, event or control deficiency that comes to its attention. The auditor makes comprehensive recommendations to the management of the University.

8. § Assurance activity

The internal audit analyses and assesses the management processes and the design and operation of the internal control system to determine whether they are productive, efficient and economical in achieving organisational objectives. In carrying out this task, the audit must in particular

a) analyse and assess the operation of the internal control system, examining its productivity, efficiency and economy;
b) checks the regularity of processes, the effectiveness of the control points built into the process and their operation in practice;
c) formulate findings, conclusions and recommendations in the course of internal audits;
d) follow up the actions taken on the basis of the audit reports.

The aim of an internal audit is to examine the achievement of the following objectives in the area or process under review:

e) The processes are designed to ensure that the objectives of the audited organisational unit are achieved; internal controls are complete and up to date, and that responsibilities and tasks are clearly defined.
f) Risks to the achievement of the University's objectives are under control in terms of the ability of the University's risk management system to identify, analyse and manage them appropriately, taking the University's risk appetite into account.
g) The design of internal controls in the University's work processes is adequate, capable of mitigating losses arising from risks and continuously improved.
h) The activities of the employees comply with the provisions of the relevant laws, regulations and contracts.
i) The assets are managed in an economical, efficient and productive way, and that adequate care is taken to safeguard the assets.
j) The University's IT ecosystem, systems and procedures in place, including those under development, are complete and ensure that audits provide adequate safeguards to prevent errors, irregularities and other losses.
k) The flow of information, communication and cooperation between managers and organisational units are adequate.
l) The data, information and reports on financial, management and operational activities are accurate, reliable and available in a timely manner.
m) The University's managers receive regular and structured information to support decision-making on relevant events and activities, which enables

them to monitor progress towards the achievement of organisational objectives at different levels and to ensure that any gaps identified are closed.

9. § Independence

1) Organisational independence

The Department of Internal Audit is an organisational unit which is under the direct control of the Chancellor and which is structurally separated from the areas being audited. The Director of the Department of Internal Audit shall directly report to the Chancellor, thereby ensuring that there will be no external influence when defining the scope of the audit, conducting the audit and reporting the findings.

2) Functional independence

The auditor carrying out the audit may not have any authority over the activity audited and may not be responsible for the activity audited.

The auditor's powers do NOT include:

- initiation or approval of financial transactions,
- managing the activities of any member of the organisation's staff, unless such staff have been instructed to participate in the audit or otherwise assist the auditors.

10. § Conflict of interest

The internal auditor or the Director of the Department of Internal Audit has a conflict of interest and therefore may not participate in assurance activities if he or she

a) is a relative of the head or an employee of the entity or organisational unit being audited, as defined in the Act on the Civil Code;
b) previously participated in the activities of the entity or organisational unit being audited, excluding the internal audit unit, within one year of the termination of his or her legal relationship;
c) was involved in the implementation of a programme or task jointly organised with or related to the professional area or organisation being audited, within one year of the completion of the programme or task and with regard to any audited period during which he or she carried out activities in the audited area;
d) cannot be expected to carry out the assurance activity objectively for other reasons whatsoever.

Internal auditors may also perform consultancy activities on processes where they previously held a responsible role. The consultancy activity is independent of any audit that may be ordered at a later stage.

Any conflict of interest concerning an internal auditor shall be decided by the Director of the Department of Internal Audit, while the Chancellor shall be responsible for making such decisions with regard to the Head of the Department of Internal Audit within 10 days of becoming aware of the reason for the conflict of interest. Until a decision is taken in connection with the conflict of interest, the internal auditor or the Head of the Department of Internal Audit shall be exempted from participation in the audit in question.

11. § Rights and obligations of the Director of the Department of Internal Audit

The Director of the Department of Internal Audit is the Head of the Internal Audit unit.

1) The Director of the Department of Internal Audit is responsible for:

e) preparing, reviewing and amending the Internal Audit Manual in Hungarian and English;
f) drawing up strategic and annual control plans, supported by risk analysis, implementing the plans after approval by the Chancellor and monitoring their implementation;
g) organising the internal audit activity and managing the implementation of audits;
h) in case the inspection reveals suspicions of acts, omissions or deficiencies giving rise to criminal, administrative, liability or disciplinary proceedings, informing the Chancellor or, in the event the Chancellor is affected, the Foundation for the University of Pannonia without delay, along with a proposal to initiate the appropriate proceedings;
i) sending the closed audit report and an extract thereof to the Chancellor;
j) preparing the annual audit report and the summary annual audit report.
k) assessing the risks associated with the main functions of the University, new or restructuring organisational units, tasks and processes, as well as their establishment, operation or expansion;
l) monitoring audits carried out by other organisations and the work of legislators to ensure that internal audits provide optimum coverage of the organisation's operations at a reasonable cost;

2) The Director of the Department of Internal Audit must:

a) ensure that internal audits are recorded, the audit documents are kept and that documents and data are stored securely;
b) ensure the professional training of internal auditors, and to prepare and implement an annual training plan approved by the Chancellor;
c) inform the Chancellor of the implementation of the annual audit plan and of any deviations from it;
d) comply with all the requirements on data protection and the protection of classified data in relation to the data processed in the course of internal audit activities and ensure that the people conducting internal audits carry out their activities in compliance with these requirements.

12. § Rights and obligations of the internal auditor

1) The internal auditor is entitled to:

a) enter the premises of the audited organisation or organisational unit, taking the security regulations and work schedule of the audited organisational unit into account;
b) inspect, copy, extract or certify documents and other records and data stored on electronic media containing classified information, business and trade secrets related to the subject matter of the audit at the audited organisation or organisational unit, in compliance with the provisions on the data protection and the protection of classified information set out in separate legislation,
c) request information, in writing or orally, from the head of the audited organisation or organisational unit and any of its employees;
d) request information from other bodies on matters relating to the operation and financial management of the audited organisation or organisational unit, with the approval of the Director of the Department of Internal Audit;
e) request the involvement of an expert in the audit.

2) The internal auditor must:

a) carry out the audit programme in the course of his or her audit activities;
b) inform the head of the audited organisation or organisational unit of the start of its activities;
c) examine the documents and circumstances necessary to form an objective opinion;
d) put his or her findings, conclusions and recommendations in writing in a factual and accurate manner and support them with sufficient and appropriate evidence;

e) return the original documents in full at the end of the audit, or, if the audit reveals a suspected act, omission or deficiency giving rise to criminal, infraction, indemnity or disciplinary proceedings, he or she must hand the original documents over to the Chancellor through the Director of the Department of Internal Audit, on the basis of a report specifying the need to initiate proceedings, in order to take the necessary measures;
f) consult the head of the audited entity or organisational unit on the draft audit report, then prepare an audit report, and after signing the audit report, submit the completed audit report to the Director of the Department of Internal Audit;
g) take the security rules and work schedule of the audited organisation or organisational unit or the subunits thereof into account;
h) keep confidential all the classified information, business and trade secrets which he or she becomes aware of;
i) document the audit activity in the manner specified in the IAM, and attach the documents and copies of the documents prepared during the audit to the audit documentation, in compliance with the provisions on data protection and the protection of classified information;
j) ensure that the audits are kept on file and the audit documents are retained, and that the documents and data are stored securely and returned after the audit.

13. §Rights and obligations of the organisation or organisational unit being audited

1) *The employees of the audited organisation or the head of the organisational unit being audited are entitled to:*

a) request a document suitable for proving the identity of the auditor and his or her letter of appointment, or refuse to cooperate in the absence of such documents;
b) receive the findings of the audit, comment on them within 8 days and receive a response to the comments.

2) *The employees of the audited organisation or the head of the organisational unit being audited must:*

a) facilitate and cooperate in the implementation of the audit, except for cases specified in paragraph a) of Article 13;
b) provide the auditor with the requested information, clarification, statement orally or in writing, ensure access to the documents and provide the auditor with copies of the original documents within the specified time limit;

c) prepare an action plan – within their scope of authority – indicating the persons responsible for implementation and the deadline for implementation, based on the findings and recommendations of the audit, implement the measures within the given deadline and inform the Chancellor and the Director of the Department of Internal Audit thereof;
d) ensure adequate working conditions for the auditors.

14. § Reporting

The Department of Internal Audit is obliged to:

a) send the audit reports to the Chancellor;
b) prepare and send the annual and summary annual audit reports to the Chancellor;
c) inform the Chancellor at regular intervals of the status of the implementation of the annual audit plan, the results of the audits carried out, the reasons for any deviations from the plan and whether the personnel and material resources required for the performance of the tasks of the organisational unit carrying out the audits are provided;
d) ensure, at the Chancellor's request, a common professional understanding of other audit activities and the follow-up (risk management, compliance, security, safety, legal, ethical, environmental protection issues, external audits), and ensure appropriate coordination with the organisations and persons performing these tasks, and regularly inform the Chancellor thereof.

Chapter IV

MANAGEMENT OF THE AUDIT ACTIVITY

The Director of the Department of Internal Audit is responsible for the effective management of the audit and the efficient, productive and economic use of audit resources. He or she must ensure that audit activities are managed in such a way that they will enhance the productivity of the University through their operation. In this context, the tasks related to the management of the audit are of particular importance, in particular those related to the appropriate management of human resources, the possible use of external service providers and the assessment of the audit activity.

15. § Human resources management related to auditors

Processes for human resource management must be designed to be consistent with the resource requirements for the implementation of the audit plan and the training plan at organisational level.

16. § Engaging an external service provider

The need to use an external service provider and its conditions and principles

The reasons for engaging an external service provider, once an assessment in this respect has been carried out, may include:

a) the existing audit resources in the organisational unit responsible for the audit activity are inadequate in relation to the volume of work to be carried out due to prolonged absence of staff (e.g. sick leave),
b) the existing audit resources in the organisational unit responsible for the audit activity are inadequate for the nature of the tasks to be performed (audits requiring specific expertise: e.g. IT audit, environmental protection audit, taxation, specialised translations, etc.).

If the audit resources are inadequate for the above reasons, the Director of the Department of Internal Audit is entitled to propose the involvement of an external expert to the Chancellor.
If the University intends to use an external service provider, the competence, independence and objectivity of the external service provider with regard to the tasks to be performed, as well as the existence of the expertise, experience and other knowledge required to perform the contract, must be examined and assessed before the conclusion of the agreement.

If an external service provider is used, a written service agreement must be concluded, which may take the form of a contract of agency or a contract for services, depending on the purpose for which the agreement is concluded. The external service provider may be a private individual or a legal entity, whose expertise and competence must be verified by the Chancellor of the University. When an external service provider is used, the contract must be concluded in accordance with the relevant University regulations.

17. § Assessment of the audit activity

An assessment questionnaire will be sent to the audited organisation or organisational unit after the completion of the audits, where they can evaluate the audit activity and the work of the auditors involved.

Chapter V

PLANNING THE AUDIT ACTIVITY

18. § Planning principles

The following **key principles** must be followed in the audit planning process:

a) **Planning must be based on processes and their inherent risks.**
   In prioritising audit tasks, the audit will use the results of a process-based risk analysis.

b) **Planning must be forward-looking**
   The strategic audit plan must cover four years. The auditing of the highest risk processes must be scheduled as early as possible. Such processes must be re-included in the annual audit plan at regular intervals, every 1-2 years.

c) **Planning must be continuous.**
   The principle of rolling planning should be adhered to throughout the planning process, and the audit plan must be reviewed as necessary. Simultaneously, an annual audit plan for the following year must be prepared before the end of the year.

d) **Planning must be flexible and up-to-date.**
   The planning of audits must be adapted to the changes affecting the University. The risk structure of the University must be assessed annually and audit plans must be adjusted accordingly.

19. § Planning preparations

Planning preparations include the preparatory steps before the risk analysis as well as the risk analysis itself.

1) During the preparation phase preceding the risk analysis, the internal audit unit:

a) analyses the external and internal **control environment** in order to identify changes to be taken into account in audit planning;
b) interprets the **objectives of the University, including the objectives of the audit**;
c) identifies the **processes and the persons responsible for the management of the process**, i.e. the process owners, and consults the managers on the importance of each process in relation to the University's objectives;
d) defines the **focus of the internal audit**, together with the managers.

2) General assessment

As part of the general assessment, the University's **external and internal control environment** will be examined. As part of this, the audit will also collect and analyse

available information on changes in the University's operating environment and processes.
Primary sources of change in the environment:

a) changes in national and EU legislation;
b) changes in the economic and political environment;
c) changes in the University's strategy, objectives, short- and long-term mission;
d) internal organisational changes;
e) changes in internal procedures, audit trails, manuals.

Identifying the risks inherent in the University's processes is of paramount importance, as a result, the audit must ensure that all relevant information from the University's management and individual organisational units is available.

3) Identifying processes and process owners, defining the audit universe

The list of identified processes and their owners available at the University must be used as a primary tool for planning the audit activity. If the purposes of the audit and the annual audit plan are better served by a process list completed and modified by the audit, this modification is possible for the audit.
If no process list is available, the processes to be tested are determined by the audit.
The list of processes shall be drawn up on the basis of the *Sample Form 1*.
Processes and process owners can be identified and the importance of processes can be analysed on a scale of 1 to 5 using Quality Management Procedures – Process Improvement PE-IE-07-03 and Quality Management Procedures – Risk Management PE-IE-06-01.

4) Determining the focus of the internal audit

The internal audit focus is the shared view and vision of the Chancellor and the Director of the Department of Internal Audit on where the audit should focus its resources.
The audit focus must be developed with the University's objectives and the specific audit requirements of the University's management taken into consideration.
The expectations of the management are defined as the issues and tasks on which managers expect the audit to provide assurance.
These expectations must be taken into account when preparing the annual audit plan.

5) Risk analysis

The purpose of the risk analysis process is to identify, analyse, prioritise and document the risks that exist in the University's processes and key organisational units. The risk analysis provides the basis for the strategic control plan and the

annual control plan, so that the internal audit unit can focus its capacities on areas carrying greatest risks.
The internal audit unit must identify significant risks associated with processes, using audit trails, information obtained from process owners (risk managers), however, the internal audit unit may override this based on its own professional opinion.

Preparation of the Risk Assessment Criteria Matrix (RACM)

The RACM is the primary tool for implementing a consistent risk analysis of the organisation's processes (*Sample Form 2*). The RACM must be based on an agreed risk tolerance level.

In order to assess the impacts of an identified risk, the RACM provides an analysis hierarchy, differentiating between:

- high,
- medium high,
- medium low and
- low impacts.

For each risk factor, the RACM assigns analysis categories based on the risk tolerance levels of managers. These tolerance levels correspond to both the managers' attitude to risks and the importance of the underlying objective of the risk factor. The RACM also includes an analytical ranking for assessing the likelihood of the identified risks occurring.

In the risk analysis process, each identified risk must be assessed using the RACM. The knowledge and estimates regarding the impacts and probabilities must then be combined to provide a comprehensive analysis of the identified risk.
The risks identified for each main and sub-process must be assessed along the risk factors defined in the RACM, based on the following two criteria:

- the probability of the risk factor occurring; and
- the impact the risk factor has on the objectives.

Control points are process elements or nodes, established by the process owners responsible for the execution of the processes, where control or monitoring steps important for the effective functioning of the process are implemented. The risk analysis must identify the most important control points and the internal audit unit must have visibility into the system of control points.

Formulating the final outcome of the risk analysis

Two components must be presented when formulating the final risk analysis:

a) how significant the process under review is
b) how risky the process under review is.

The final conclusion must be drawn from these two factors, giving an "overall risk assessment" of the process.

20. § Strategic audit plan

The strategic audit plan is prepared by the Director of the Department of Internal Audit based on a risk analysis, taking the long-term objectives of the University into account, and approved by the Chancellor.

The strategic plan:

a) defines the long-term purpose of internal auditing and the directions of its activities and development;
b) helps to ensure that the achievement of the internal audit objective is not limited by existing conditions and helps to find ways to ensure that the conditions necessary for the achievement of the objectives are provided by the internal audit unit in a well-thought-out manner;
c) allows for optimal planning and allocation of resources and a better definition of audit objectives through the systematisation of available information and risk analysis;
d) contributes to the achievement and effectiveness of the objectives of the internal audit unit and, at the same time, of those of the University of Pannonia;
e) enables the University to better understand the activities and purpose of internal auditing;
f) forms the basis for the annual audit plan.

The strategic plan, in line with the University's long-term objectives, sets out the direction and focus of internal auditing, the resources required to fulfil this role and the strategic developments in internal auditing.
The strategic plan is prepared for 4 years, taking the scope, specificities and objectives of the organisation into account.

21. § Annual audit plan

As part of the planning process, the Director of the Department of Internal Audit draws up an annual audit plan for the following year, in line with the strategic audit plan, and sends it to the Chancellor by 30th November of the year in question. The annual audit plan shall be based on the priorities set out in the strategic audit plan and the risk analysis, as well as on the resources available to the internal audit unit.

Areas identified as high-risk areas during the risk analysis carried out must be given priority in the preparation of the annual audit plan and must be audited as soon as possible.
The allocation of resources is necessary to ensure the feasibility of the audit plans.

Allocation of resources:

When assessing the resource needs of planned audits, the following must be considered in particular:

a) the significance of the risks identified;
b) the type of audit planned;
c) the complexity of the activities to be audited;
d) the level of knowledge available in relation to the activity;
e) previous audit experience in relation to the activities and the areas to be audited;
f) the qualification, competence and professional experience of the auditors. *Sample Form 3* provides assistance to determining the capacities necessary to carry out the annual control plan.

22. § Amendment of the annual audit plan

The annual audit plan may be amended only by the Director of the Department of Internal Audit and with the agreement of the Chancellor.
The two most typical cases of modification of the annual audit plan are the cancellation of an audit and the addition of a new audit.

In the following cases, no change to the annual control plan is required:

a) when the scheduled start or end of the audit is changed;
b) the scope of audited organisations and organisational units is extended;
c) the period to be audited needs to be extended.

An **extraordinary audit** is an audit whose subject matter cannot be specifically defined in advance, however it is included in the plans. Whereas, an audit that is carried out in addition to the scheduled and extraordinary audits, e.g. instead of a planned audit, is considered to be **unscheduled**.

Extraordinary and unscheduled audits may be carried out at the initiative of the Chancellor or the Director of the Department of Internal Audit.

Chapter VI

THE IMPLEMENTATION OF THE CONTROL ACTIVITY

The implementation of the audits means the systematic execution of the audits set out in the annual audit plan. The main objective of the implementation of an audit is to assess the adequacy of the controls established to address the main risks in each process and area audited and to determine whether the processes are operating as expected.

23. § Administrative preparation

1) Preparation of a letter of appointment

A letter of appointment, signed by the Chancellor, must be drawn up for the auditor responsible for the audit, including any expert involved in the audit process. *Sample Form 4* will provide assistance to the preparation of the letter of appointment.

2) Notification of the head of the organisation being audited

The head of the audited organisation or organisational unit must be notified orally or in writing of the start of the audit. As part of this, the auditor conducting the audit must provide information on the purpose and form of the audit, the legal mandate and the expected duration of the audit. The notification of the start of the audit may be sent electronically with a read receipt.
On-site audits must be notified orally or in writing to the head of the entity or organisational unit to be audited at least 3 days before the audit is due to take place. As part of this, the auditor conducting the audit must provide information on the tasks to be performed during the audit and the expected duration of the audit.
The prior notification need not be made if, on the basis of the available information, it could prevent the audit from being carried out effectively. The Director of the Department of Internal Audit must decide whether to waive prior notification.

24. § Procedure for drawing up the audit programme

1. Gathering available background information
2. Finalising the objectives of the audit
3. Finalising the subject matter of the audit
4. Finalising the period to be audited
5. Proper identification of resources
6. Defining the methods of the audit
7. Putting the audit programme in writing

Sample Form 5 must be used for the preparation of the audit programme.
The implementation of the audit programme is supervised by the auditor in charge of the audit. Deviations from the programme are only possible with the approval of the Director of the Department of Internal Audit.

25. § How the audit is carried out

The audit must be carried out, as necessary,

a) on the spot, or
b) by requesting data,

primarily on the basis of documentation relating to the subject, purpose and period of the audit, by assessing the internal control system and applying the audit methods set out in the audit programme.
The auditor must verify the veracity of the information received by means of a request for data using the means at his or her disposal.

1) Initial meeting, communication with the auditees

The initial meeting is usually held at the start of the on-site work, with the head of the audited organisation or organisational unit and the auditors involved in the audit.

Main objectives of the initial meeting:

a) to provide information on the purposes and the subject matter of the audit, the period to be audited and the audit methods;
b) to obtain the data and documents necessary to start the audit;
c) to determine the timeframe for the audit work to be carried out at the audited organisation or organisational unit, the schedule of necessary interviews, testing, etc.

2) On-site audit, requesting data

The main tasks of the on-site audit:

a) to obtain detailed knowledge and understanding of the processes and activities that make up the system, based on interviews with the organisation or organisational unit being audited and other investigative techniques and methods;
b) to analyse, test and assess control activities;
c) to obtain reasonable assurance related to the purpose of the audit in order to derive audit findings;
d) to maintain continuous communication with the heads of the audited organisations and organisational units and inform them of the audit findings and recommendations.

3) Obtaining evidence

It is the auditor's responsibility to put his or her findings, conclusions and recommendations in writing in an objective and factual manner and to support them with sufficient and appropriate documented information.

In particular, the following may be used to prove the findings of the audit:

a) the original document, which is the primary documentary evidence of the audit;
b) a copy, which is a certified true copy of the original document;
c) an extract, which is a certified true copy of a specified part or parts of the original document;
d) a photograph, video or other image, sound or data recording equipment which may be used to verify the situation or condition observed by the auditor;
e) a jointly-prepared report (*Sample Form 6*), which is used to verify facts which are not otherwise documented, but the veracity of which is jointly established by the auditor and the competent head or employee of the audited organisation or organisational unit, and which is attested by their signature;
f) a statement which is a written or oral declaration by an employee of the audited organisation or organisational unit, stating a fact in the absence of a document or contrary to an existing document;
g) a multilateral statement which is a statement made by several persons, either separately or together, on the same facts.
h) data recorded and processed in the IT system, which can be obtained by means of a query using parameters or filters.

During the audit, at the request of the auditor, the head of the audited organisation or organisational unit must provide a letter of representation in which the head of the audited organisation or organisational unit certifies that all documents and information which he or she is responsible for in connection with the audit have been made available to the auditor in full. *Sample Form 7* provides a sample of the letter of representation.

The auditor must verify the veracity of the information received by means of a request for data using the means at his or her disposal.

26. § Interruption, suspension of the audit

1) The Director of the Department of Internal Audit may interrupt the audit if

a) an extraordinary inspection must be carried out, or
b) the auditor is prevented from carrying out the audit.

2) The Director of the Department of Internal Audit may suspend the audit if, on the auditee's side

a) a personal or organisation change in connection with the audit or an unavoidable cause,
b) missing documentations or records; or
c) unlawful conduct prevents the audit from being continued.

In the event of interruption or suspension of an audit, the Director of the Department of Internal Audit must inform the head of the audited organisation or organisational unit in writing, requesting the head of the audited organisation or organisational unit to eliminate the reasons for interruption or suspension, setting a time limit for this.
The interrupted or suspended audit must be resumed within 30 days of the elimination of the reasons giving rise to interruption or suspension. The date of this must be decided by the Director of the Department of Internal Audit and the head of the audited organisation or organisational unit must be notified in writing of the resumption of the audit.

In the event of interruption or suspension of an audit for reasons within the scope of responsibility of the audited organisation or organisational unit (e.g. missing documentation or records), the Director of the Department of Internal Audit, on the basis of a proposal from the auditor in charge of the audit, must set a deadline in writing for the head of the audited area to eliminate the reasons.

27. § The procedure to be followed in the event of detecting an act, omission or deficiencies (hereinafter referred to as 'irregularities') giving rise to criminal, infraction, compensation or disciplinary proceedings

1) The Director of the Department of Internal Audit is responsible for:

a) in the case of suspected irregularities during the audit, informing the Chancellor or, if the Chancellor is involved, the Foundation for the University of Pannonia without delay and proposing the initiation of appropriate procedures.

2) The internal auditor must:

b) immediately send a report to the Director of the Department of Internal Audit if the audit reveals suspected irregularities;
c) return the original documents in full at the end of the audit, or, if the audit reveals suspected irregularities, hand the original documents over to the Chancellor, through the Director of the Department of Internal Audit, on the basis of a report in order to take the necessary measures.

If, during the audit, acts, omissions or deficiencies giving rise to criminal, infraction, compensation or disciplinary proceedings are detected, it may not affect the completion of the audit.

In the event of a suspected serious deficiency, the auditors should immediately prepare a report, which must be forwarded to the Director of the Department of Internal Audit to consider whether further action is required.

28. § Audit worksheets

The documents used during an audit typically come in two types:

a) existing, available documents,
b) worksheets prepared by the auditor (hereinafter referred to as: audit worksheet).

The primary purpose of audit worksheets is to support the findings and conclusions of the audit report. They serve as a record of the work carried out by the auditor from the beginning to the end of the audit.

29. § Basic audit procedures and techniques

In the course of the audit, the auditor may use various direct and indirect methods to formulate his findings, conclusions, opinions and obtain the evidence supporting them, as well as logical procedures and techniques for processing the information obtained through these methods.

There are basically two ways to obtain sufficient and appropriate audit evidence to achieve the purposes of the audit:

a) The application of the Systems-Based Approach (SBA) means that, in order to obtain the necessary audit assurance, the auditor relies on the inspection and assessment of the reliability of the auditee's (organisation, activity, project) internal control system and control procedures and performs only the minimum necessary direct and detailed inspections. The applicability of the SBA requires that the control system or the relevant control procedures provide a defined level of assurance that can be used by the auditor. If the control risks have been previously assessed as medium or low, in theory, it is possible to apply the SBA.
b) The Direct Substantive Testing (DST) approach must be used when it is not possible to achieve the purposes of the audit by relying on the testing of control systems. In such a case, the testing of systems is not practical unless the assessment of the operation of the organisation's internal financial management, regulatory and control systems is a specific requirement of the

audit. The DST approach does not provide assurance on the overall functioning of internal controls (since in this approach, no testing of these systems is carried out and there is no evidence of their effectiveness). Examples of on-site audits based on direct substantive testing are: interviews, stock-taking, inspection, testing, sampling.

Depending on the risks assessed, a professional judgement is required to decide on the approach to be taken, always bearing in mind the need for effectiveness of the audit work. The audit approach must be selected by the auditor in charge of the audit when planning and preparing the audit task.

The basic audit procedure to be used depends on the subject matter and purpose of the audit:

c) Analytical procedures (reviewing and analysing documents; case studies; comparative analyses);
d) Itemised testing;
e) Individual testing;
f) Statistical analysis;
g) Asking questions;
h) Flow charts;
i) Testing of internal controls;
j) Computer-aided audit techniques.

30. § Obtaining records and evidence

The internal auditor must put his or her findings, conclusions and recommendations in writing in an objective and factual manner, supported by sufficient and appropriate evidence.
The internal auditor must return the original documents in full at the end of the audit.
The audit report must be supported by sufficient, reliable, substantive and useful audit evidence.
The information and evidence recorded by the auditor must meet the following criteria:

a) An independent, informed person would draw the same conclusion as the auditor (sufficient)
b) It is based on the application of relevant and professionally sound methods (reliable)
c) It is logically related to what it is intended to prove (relevant, important)

31. § The audit report

The internal auditor prepares an audit report containing his or her findings, conclusions and recommendations, or a summary audit report based on several audit reports on related subjects.

The auditor must objectively include in the audit report all material facts, positive and negative findings, deficiencies and inconsistencies that ensure the completeness of the audit report on the activity audited.

In preparing the audit report, the auditors must assess all the information and opinions provided by the audited organisation, organisational unit or other parties, however, the latter may not influence the auditors' factual findings and conclusions.

The auditor, by examining compliance with the law and internal regulations, as well as economy, efficiency and productivity, formulates findings, conclusions and recommendations as the most important outcome of the audit process for the University's management and the members of the audited unit whose cooperation is essential to eliminate and correct the deficiencies and errors identified by the audit.

Audit findings are observations, comments and experience on the operation of the processes and activities under audit, and on the *"how" of operation*.

1) Findings, conclusions and recommendations

The findings are used to describe the facts of the audit, highlight any weaknesses in the internal control system and identify risks.
The findings, conclusions and recommendations must be formulated in a concise and clear manner so that

a) the operation, financial management or activity of the audited organisation or organisational unit as a whole can be objectively assessed,
b) the risks associated with operations, financial management and activities can be taken into consideration,
c) they are enforceable, their implementation can be verifiable and responsibilities can be defined.

Findings must be prioritised according to their impact on processes, including their impact on the productivity and efficiency of the internal control system. The prioritisation of findings must be aligned with the prioritisation of the risk to which the finding relates.

On the basis of the **findings and conclusions** of the report, the auditors make **recommendations and proposals** to correct the deficiencies and weaknesses identified, or to operate more efficiently, productively and economically.

Proposals must indicate whether they require action or have already been used for corrections during the audit.

2) Content requirements for the audit report

The audit report must include:

a) the name of the organisational unit carrying out the audit;
b) the name of the organisation or organisational unit being audited;
c) an indication of the legal authorisation for the audit;
d) the type of the audit;
e) the subject matter of the audit;
f) the purpose of the audit;
g) the period to be audited;
h) the start and end of the on-site audit;
i) the audit methods and procedures used;
j) an executive summary;
k) the audit findings, conclusions and recommendations, and their interrelationships;
l) the names and positions of the managers responsible for the area (or task) audited during the period audited;
m) the date of the report and the names and signatures of the auditors and experts involved in the audit.

Sample Form 8 serves as an audit report/draft report.

3) Executive summary

The executive summary must highlight the most important information about the audit, such as the main findings, conclusions and recommendations, as well as an overall opinion on the area or process audited. The executive summary is part of the audit report.

4) Person responsible for the preparation of the audit report

The Director of the Department of Internal Audit is responsible for the preparation of the audit report, its content, the conclusions drawn and the related recommendations, while the auditors are responsible for the veracity and substantiation of the findings.

5) Sending the draft report for review

a) The Department of Internal Audit must send the draft report or an extract thereof to the head of the audited organisational unit and to anybody to whom the draft report contains a finding or a proposal (hereinafter collectively referred to as the "people concerned") for review.

b) The people concerned must send their comments to the Department of Internal Audit within 8 days of receipt of the draft report. In justified cases, the Director of the Department of Internal Audit may set a longer deadline of up to 30 days. The Director of the Department of Internal Audit may set a shorter deadline in the case of an unscheduled audit.
c) The accompanying letter for the submission of the draft report must draw the attention of the people concerned to the fact that failure to meet the deadline will be considered as agreement and that a negative reply must also be indicated within the deadline, and that they will have the opportunity to initiate a coordination meeting at the same time as submitting their comments.
d) If the people concerned decide not to comment on the draft report, they may, together with their negative reply, prepare and send the action plan to the organisational unit carrying out the audit within the time limit for comments, if the draft report contains findings or recommendations for the organisational unit concerned.
e) The Director of the Department of Internal Audit decides on the acceptance or rejection of the comments, and informs the people concerned in writing within 8 days of the expiry of the deadline for comments, giving reasons for non-acceptance or initiating the convocation of a meeting.
f) The auditor enters the accepted comments in the draft audit report. The comments of the people concerned and the auditor's response must be attached to the audit documentation.

The word "Draft" must be indicated in the draft audit report until its completion.

6) Coordination meeting

If the findings are disputed by the people concerned, a coordination meeting must be held at the initiative of either party.
Participants in the coordination meeting:

a) the auditors carrying out the audit,
b) the head of the organisational unit being audited, and
c) the heads of the units concerned by the audit and
d) as appropriate, any other person whose invitation is justified by the subject matter or findings of the audit.

Minutes must be taken of the coordination meeting, documenting the outcome of the meeting and any remaining points of disagreement and positions. The minutes must be attached to the audit report.

In justified cases, the auditor may, after having entered the comments into the draft report, send the draft report again to the people concerned for feedback within 5 days.

7) Submitting the audit report

The audit report or an extract thereof is drawn up by the internal auditor and approved by the Director of the Department of Internal Audit. It is then sent to the Chancellor and the heads of the organisation or organisational units being audited.

The Department of Internal Audit will send the audit report or an extract thereof:

a) to the head of the audited organisation or organisational unit, and
b) to those who the findings or recommendations of the report relate to.

32. § Closing the audit

The closed audit report and the extract thereof are approved by the Director of the Department of Internal Audit and sent to the Chancellor after signature by all the auditors who carried out the audit. The Director of the Department of Internal Audit sends the audit report (or the extract thereof) approved by the Chancellor to the audited organisation or organisational unit and to those who the findings or recommendations of the report relate to, informs them of the completion of the audit and, if necessary, invites the auditee(s) to prepare an action plan.

A signed copy of the audit report must be kept on file in the archives of the Department of Internal Audit, in accordance with the current Document Management Regulation of the University of Pannonia.

33. § Action plan

Provisions on the preparation of the action plan:

a) The head of the organisation or organisational unit being audited or concerned by the proposal is responsible for the preparation and implementation of the action plan and for reporting the measures taken.
b) The action plan must be prepared and sent to the Director of the Department of Internal Audit within 8 days of receipt of the audit report. In justified cases, the Director of the Department of Internal Audit may set a longer deadline of up to 30 days.

A sample action plant can be found in *Sample Form 9*.

34. § Audit follow-up

Audit follow-up is a process by which the audit assesses whether the actions determined by the managers of the audited area in relation to the findings, conclusions and recommendations in the audit report have been implemented, and to what extent they have been appropriate, effective and timely.

The monitoring of the utilisation of the audit findings covers the following processes:

a) monitoring the implementation of the action plan (*Sample Form 10*);
b) conducting a follow-up review.

1) Monitoring the implementation of the action plan

The head of the audited organisation or organisational unit must report in writing to the Director of the Department of Internal Audit on the implementation of each task specified in the action plan within 8 days of the expiry of the last deadline specified in the action plan.

The report must include a brief description of the measures taken, the reasons for the actions not taken and, where appropriate, a request for a change of a deadline or task.

If the head of the audited organisation or organisational unit fails to report on the implementation of certain tasks specified in the action plan within the specified deadline and does not request an extension of the deadline, the Director of the Department of Internal Audit may initiate an audit follow-up.

The Department of Internal Audit keeps a record of the action plans prepared, which it uses to monitor the findings and recommendations made in the audit reports, the relevant action plans and their implementation. The records must include the recommendation specified in the audit report, the action plan adopted, a brief description of the actions taken under the action plan and the reasons for the measures not taken.

The effectiveness of the measures implemented must be reviewed, if necessary, as part of a follow-up review or during the next audit of the area.

The follow-up review covers the deficiencies identified in the audit report and the implementation of the related recommendations. The same planning, implementation and reporting procedures must be followed when carrying out a follow-up review as for any other audit.

If, during the follow-up review, the auditor finds that the appropriate steps have not been taken to remedy the deficiencies identified during the previous audit, the Director of the Department of Internal Audit must inform the Chancellor.

35. § Reporting

An annual audit report is prepared on the audit activities carried out during the year and sent by the Director of the Department of Internal Audit to the Chancellor by 31st March of the year following the year in question.

36. § Requirements in connection with audit documents

1) The Department of Internal Audit is responsible for:

a) keeping a register of audits (Sample Form 11); and
b) retaining all audit documents; and
c) the secure storage of documents and data.

2) The audit register includes:

a) the identification number of the audit;
b) the name of the entity or organisational units audited;
c) the subject matter of the audit;
d) the date and time of the start and completion of the audit;
e) the name of the audit and the expert involved in the audit;
f) the period covered by the audit;
g) whether there is a need to draw up an action plan.

3) Access to audit documents

It must be ensured that no unauthorised persons can have access to audit files. All requests for access to audit documentations must be addressed to the Director of the Department of Internal Audit, who is responsible for overseeing access to audit documentations.

Access to audit files at the request of the University's management or other members of the institution or organisation must be approved by the Director of the Department of Internal Audit.

37. § Consultancy activity

1) The concept of consultancy activity and its distinction from assurance activity

Consultancy activities are value-added services provided to the University's management, the nature and scope of which are defined jointly by the Director of the Department of Internal Audit and the Chancellor at the time of assignment, in writing or orally, without the Internal Auditor assuming responsibility.

2) Possible categories of consultancy activities

a) Official
b) Informal
c) Special
d) Emergency consultation sessions.

3) Guidelines for consultancy activities

When offering and carrying out consultancy activities, internal auditors must have regard to the following:

a) The objectives of the consultancy activity must be consistent with the organisational objectives.
b) The consultancy activity must create added value.
c) The independence and objectivity of the internal auditor shall not be compromised in the performance of his or her consultancy function.
d) The internal auditor shall not take management decisions.

In the performance of consultancy activities, the internal auditor shall not assume management responsibility or tasks related to the design, management, restructuring, etc. of the given process (including participation in the drafting and updating of rules and regulations). The purpose of consultancy activities shall not be to reduce management responsibility at any level.

4) Planning and implementation of consultancy activities

The Director of the Department of Internal Audit, in line with the strategic audit plan, draws up the annual audit plan, which includes the planned capacity for consultancy activities.
Consultancy activities may be carried out at the initiative of the Chancellor or the Director of the Department of Internal Audit.
Unplanned consultancy assignments must be carried out using extraordinary audit capacities or, if no sufficient capacity or expertise is available, an external service provider must be proposed and, if necessary, the annual audit plan must be amended.

5) Information on the results of consultation tasks

The Director of the Department of Internal Audit shall inform the Chancellor of the results of the consultancy assignment.
A sample for the report on the performance of the consultancy activity is set out in *Sample Form 12*.

6) Utilisation of the results of consultancy activities, monitoring

The purpose of monitoring the results of the consultancy activity is, on the one hand, to monitor the usefulness of the recommendations and, on the other hand, to keep track of the correction of any risks or control issues identified by the internal auditors. In addition, the monitoring of the results of the advisory functions can provide additional information for the internal audit unit in the process of strategic and annual planning, identification of areas considered to be at risk and risk analysis.

7) Report on consultancy activities

Annual audit reports must include consultancy activities carried out during the year.

Chapter VII

Implementation and final provisions

The Audit Manual was adopted by the Senate at its meeting of 22nd May 2025 by Resolution 95/2025. (V. 22.).

The Audit Manual enters into force on 1st August 2025.

The rules of the Audit Manual shall apply to audits started after 1st August 2025.

The Audit Manual *adopted by Senate Resolution* 194/2024 (X.3.) shall be repealed when this Audit Manual enters into force.

Dated in Veszprém, on 22nd May 2025

Dr. János Abonyi
Rector

Zsolt Csillag
Chancellor

Chapter VIII

Annexes

Annex 1: CODE OF ETHICS FOR INTERNAL AUDITORS
Annex 2: SAMPLE FORMS

Annex 1

CODE OF ETHICS FOR INTERNAL AUDITORS

In line with the International Standards for the Professional Practice of Internal Auditing (IIA Standards) and in accordance with the Hungarian Internal Auditing Standards, the Director of the Department of Internal Audit and the internal auditors perform internal audit activities (including both assurance and consultancy activities) in compliance with the Code of Ethics issued by the Minister responsible for public finance.

The Code of Ethics (hereinafter referred to as the 'Code') applies to any person carrying out internal audit activities at the University, including external service providers.

The Code sets out the ethical principles for the performance of internal auditor's duties and the expected standards of conduct that put these principles into practice.

The Code aims to

- communicate the ethical standards that are of paramount importance in the performance of internal audit work to all those concerned,
- declare the commitment of the institution's internal auditors to ethical objectives,
- assist in identifying and addressing professional ethics problems, and
- promote the establishment of a common ethical culture within the internal audit profession.

Integrity

The integrity and honesty of the internal auditor form the basis for trust in the auditor's work.

Internal auditors:

1. perform their work with integrity, professional diligence, competence and responsibility;
2. carry out their work and form their professional opinion in accordance with the relevant legislation and professional requirements;

3. refrain from any activity or conduct that is illegal, violates internal regulations or is unworthy of the internal audit profession;
4. respect the objectives of the institution, contribute to their achievement and carry out their work in the public interest;
5. demonstrate conduct that does not result in unlawful disadvantage or undue advantage.

Objectivity and impartiality

In all cases, internal auditors shall act objectively, with due professional care and without bias when examining any activity or process, during the collection, analysis, evaluation and communication of information as well as in forming and communicating their professional opinion.

Internal auditors shall consider all relevant and significant circumstances and shall not be influenced by their own or third party interests in forming their professional opinion.

Internal auditors:

1. refrain from any activity in which professional objectives may conflict with the individual interests of the internal auditor. Internal auditors shall immediately report any conflict of interest to their superiors.
2. do not engage in any activity or avoid any relationship that carries the risk of corruption or that could undermine the impartiality or objectivity of their judgement or even create the appearance of such impartiality or objectivity.
3. do not accept gifts, gratuities or any other benefits that could influence their objective professional opinion or give the appearance of doing so;
4. identify and present in the audit report all material and significant facts that will ensure the completeness of the audit report on the activity audited.

Confidentiality

Internal auditors shall keep confidential any professional, personal or other data and information that they obtain in the course of the audit. Without proper authorisation, they shall not disclose such information to any third party, except where they are required to do so by law or by their professional duties.

Internal auditors:

1. shall handle with care any information obtained in the course of their activities and shall ensure that it is properly protected;

2. shall not use the data and information coming to their knowledge for personal purposes, for making profits, or in any way that violates the law or that is prejudicial to the public interest;
3. shall not disclose, directly or indirectly – not even in a form that does not allow identification – any information obtained in the course of their activities.

Competence

Internal audit activities may only be performed by internal auditors having the knowledge, expertise and experience (together: competence) necessary to perform the task.

Internal auditors:

1. may only perform assurance or consultancy activities for which they have the necessary knowledge, expertise and experience;
2. if they are given a task which they consider they cannot perform, they shall report it to their superiors;
3. shall carry out their activities in accordance with guidelines and recommendations based on international and national standards and methodological guidelines issued by the Minister responsible for public finances;
4. shall continuously improve their professional skills, operational success, efficiency and quality of their activities.

Cooperation

Internal auditors are required to exhibit conduct that promotes cooperation and good working relations between auditors and between auditors and auditees.

Internal auditors:

1. promote their own and their colleagues' professional development through collaboration;
2. collaborate with colleagues.

Annex 2

SAMPLE FORMS

Number	Title
Sample Form 1	List of Processes
Sample Form 2	Risk Assessment Criteria Matrix (RACM)
Sample Form 3	Annual Audit Plan
Sample Form 4	Letter of Assignment
Sample Form 5	Audit Programmes
Sample Form 6	Joint Report
Sample Form 7	Letter of Representation
Sample Form 8	Audit Report/Draft Report
Sample Form 9	Action Plan
Sample Form 10	Register of Actions
Sample Form 11	Audit Register
Sample Form 12	Report on the Completion of Consultancy Activities

University of Pannonia
Department of Internal Audit

LIST OF PROCESSES

Main process	Processes[1]	Process Owner
Professional tasks	▪ Development of an internal control system ▪ Execution of professional tasks ▪ Process #3	▪ Heads of departments and units ▪
Coordination processes	▪ Internal communication ▪ External communication ▪ Process #3	▪ ▪
Main process	▪ Process #1 ▪ Process #2	▪ ▪

[1] Depending on the size of the organisation and the complexity of the processes, it is possible to further detail the processes, in which case additional column(s) may be required.

University of Pannonia
Department of Internal Audit

RISK ASSESSMENT CRITERIA MATRIX

RISK FACTORS	IMPACT ON OBJECTIVES			
	1 (low)	2 (medium low)	3 (medium high)	4 (high)
Risk factor #1 For example: Organisational changes	The change affects one or two organisational units or processes, but the impact is not significant.	The change affects only a few organisational units or processes and the impact is not too significant.	The change affects only a few organisational units or processes, however, the impact is significant.	The change affects all organisational units or processes.
Risk factor #2	Assessment criterion	Assessment criterion	Assessment criterion	Assessment criterion
Risk factor #3	Assessment criterion	Assessment criterion	Assessment criterion	Assessment criterion

RISK FACTORS	PROBABILITY			
	1 (low)	2	3	4 (high)
Risk factor #1 For example: Organisational changes	Change occurs every 4 years or less frequently.	Change occurs every 3 years.	Change occurs every 2 years.	Change occurs every year.
Risk factor #2	Assessment criterion	Assessment criterion	Assessment criterion	Assessment criterion
Risk factor #3	Assessment criterion	Assessment criterion	Assessment criterion	Assessment criterion

Examples of risk factors include, but are not limited to: type of organisation, complexity of systems used in the organisation, complexity of the regulatory environment, performance indicators, maturity of systems, organisational stability, process stability, significance, employee skills and experience, staff turnover, number of complaints, quality of communication, frequency of audits, findings of previous audits, maturity of IT systems, quality of controls, reputational risks, operational risks, complexity of the organisational structure, complexity of IT systems, etc.

Risk Assessment Sheet

Processes			Weight of the risk factor (1-10)	Impact (1-4)	Probability (1-4)	Total:
1.	Main process					
	1.1.	Sub-process				
		Risk factor				
		Risk factor				
	1.2.	Sub-process				
		Risk factor				
		Risk factor				

Sample Form 3

University of Pannonia
Department of Internal Audit

Annual Audit Plan

In accordance with the relevant law, the annual audit plan shall include the following:

a) a list of statements, analyses and other documents used in the preparation of the audit plan,
b) a summary presentation of the analyses and risk assessment results underlying the audit plan,
c) planning the necessary audit capacity available for the assurance activity (please provide the planning data in the Annexes),
d) a list of planned tasks, preferably using the following tabular format:

No.	*Subject matter of the audit*	*Purpose and methods of the audit, period to be audited*	*Identified risk factors (here it is sufficient to provide the relevant section of the risk assessment document)*	*Type of the audit*	*Entity or organisational unit being audited*	*Planned timetable for the audit*	*Audit capacity (number of audit days)*
Assurance activity:							
						Total:	

e) Capacity for consultancy activities, extraordinary audits, trainings and other activities (please provide plan data in the Annexes).

Prepared by:	Approved by:
Date:	Date:
Director of the Department of Internal Audit	<Chancellor>

Determining the capacity to implement the annual audit plan

No.	Items	Average number of working days / person	Number of people	Total number of audit days (Average number of working days × Number of people)
1.	Working time (gross)			
2.	Working time lost			(3)+(4)+(5)
3.	Paid holidays			
4.	Paid leave (average)			
5.	Average sick leave			
6.	Net working time (available capacity):			(1)-(2)
7.	Implementation of planned audits (e.g. 60%)			
8.	Extraordinary audits (e.g. 10-30%)			
9.	Consultancy activities (e.g. 10%)			
10.	Training (e.g. 10%)			
11.	Capacity needs of other activities (e.g. 5%)			
12.	Capacity needs of all activities:			(7)+(8)+(9)+(10)+(11)
13.	Necessary for the implementation of the annual audit plan:			(6) vs. (12)
14.	Buffer time			*If the available capacity is more than needed to implement the plan*
15.	Using external experts (specific expertise)			*If specific expertise is needed to implement the plan*
16.	Temporary capacity support (by external service providers)			*If the available capacity is not sufficient to implement the plan, the use of an external service providers must be included in the plan*

Sample Form 4

University of Pannonia
Department of Internal Audit

<File number>
<Number of the letter of appointment>

LETTER OF APPOINTMENT

I hereby assign **<Name, position>** as internal auditor / Director of the Department of Internal Audit / lead auditor / expert (registration number, service ID number or, if no service ID is available, ID card number or other means of identification) to carry out a

<Type of audit> internal audit

with subject matter **<Title of the audit>**

at <Name of the organisation and/or organisational unit being audited>

during the period **from ... (day) ... (month) 20xx to ... (day) ... (month) 20xx**.

The aim of the audit ...

The internal audit will be carried out on the basis of the 20xx Annual Audit Plan of the University of Pannonia / on the basis of the proposal of the head of the organisation, as an extraordinary / unscheduled audit[2].

[2] As appropriate, depending on whether it is a planned or out-of-schedule audit.

The above-mentioned person may request information on the subject matter of the assignment, enter the premises of the audited entity, inspect all relevant documents, take them from the premises and make copies thereof. The internal auditor shall present the letter of appointment to the head of the audited entity or organisational unit at the start of the on-site audit.

In the course of the audit, the internal auditor shall act in accordance with the relevant legislation – in particular with regard to the first ten Articles of Government Decree 370/2011 (XII. 31.) on the internal control system and internal audit of budgetary bodies – and the relevant guidelines of the Internal Audit Manual of the University of Pannonia.

This Letter of Appointment is valid until ... (day) ... (month) ... 20xx.

Approved by:
Name: <Chancellor>
Signature:
Date:

University of Pannonia
Department of Internal Audit

<Name of organisation>
<File number:>

AUDIT PROGRAMME

to the Audit titled <Title of the audit>

I. Details on the organisation of the audit

The entity or organisational unit carrying out the audit:	
Subject matter and purpose of the audit:	
Organisation(s) or organisational unit(s) being audited:	
Type of the audit:	
Period to be audited:	
Planned duration of the audit:	
Deadline for preparing draft report:	
Planned deadline for finalising the report:	
Estimated time (in auditor workdays):	
Auditor in charge:	Name / number of the letter of appointment
Internal auditors (and/or experts) taking part in the audit:	Name / number of the letter of appointment
	Name / number of the letter of appointment
	Name / number of the letter of appointment

II. Audit focus

Process/activity being audited	Risks	Audit steps/Testing strategy/Method used	Person in charge	Supervisor	Comments
A. <Audit task>					
A.1. <Audit sub-task>		1. <Audit step/method(s) used> 2. <Audit step/method(s) used>	<Person responsible for the audit sub-task>	<Lead auditor or Director of the Department of Internal Audit>	
A.2. <Audit sub-task>		1. <Audit step/method(s) used> 2. <Audit step/method(s) used>	<Person responsible for the audit sub-task>	<Lead auditor or Director of the Department of Internal Audit>	
B. <Audit task>					
B.1. <Audit sub-task>		1. <Audit step/method(s) used>	<Person responsible for the audit sub-task>	<Lead auditor or Director of the Department of Internal Audit>	

Prepared by:	Approved by:
Name: <auditor in charge>	Név: <Director of the Department of Internal Audit>
Signature:	Signature:
Date:	Date:

Sample Form 6

University of Pannonia
Department of Internal Audit

Joint Report

Prepared by		File no.:
Date		Location:
Organisational unit carrying out the audit	Internal audit	
Organisational unit being audited		
People present	•	
Title of the audit		

Documenting the findings:

Sample Form 7

University of Pannonia
Department of Internal Audit

LETTER OF REPRESENTATION

I, the undersigned ..... (name, position), under penalty of perjury, declare that the documents provided to <name of organisation, name of internal auditor receiving the documents> include, to the best of my knowledge, all documents, forms, data and information necessary to assess the current state of affairs. I further declare that the documents, data and information provided contain reliable and complete information.

Dated in Veszprém, on 20xx

.....

Head of the unit being audited

University of Pannonia
Department of Internal Audit

<File number:>
<Identification number of the audit:>

AUDIT REPORT / DRAFT REPORT

to the Audit titled <Title of the audit>

I approve
Name: <Director of the Department of Internal Audit>
Signature:
Date:

I approve the report and instruct to prepare the action plan:
Name: <Chancellor>
Signature:
Date:

<Date>

I./

DATA ON THE ORGANISATION OF THE AUDIT

Organisation carrying out the audit:	
Aim of the audit:	was to establish that...
Organisation(s) being audited:	
Type of the audit:	
Applicable legal provisions:	Article 28/A of the Organisational and Operational Rules of Procedure of the University of Pannonia
Audit tools and methodologies used:	
Period being audited:	
Duration of the audit:	
Estimated time:	
Lead auditor:	Name / number of the letter of appointment
Internal auditors taking part in the audit:	Name / number of the letter of appointment
	Name / number of the letter of appointment
	Name / number of the letter of appointment
Managers in office during the audited period:	Name / organisational or organisational unit / time period
	Name / organisational or organisational unit / time period
	Name / organisational or organisational unit / time period

II./
EXECUTIVE SUMMARY

During the audit, we reviewed and assessed the <Subject matter and scope of the audit>.

< In case of sampling, description of the sampling method, the sample size and the audit coverage provided by the sample.>

We are confident that the work performed was adequate to support a well-grounded conclusion.

Main findings:

The findings and recommendations are described in detail in the rest of the audit report.

The audit report has been discussed with the managers of the audited areas and the minutes of meeting are attached hereto. (Presentation of any unresolved issues after the reconciliation (closing) meeting).[3]

Our overall opinion of the area and processes audited based on the audit findings:[4]

[3] If a conciliation meeting took place.

[4] Pursuant to Section (4) of Article 41 of the ICS, the executive summary of the audit report shall include a summary assessment of the audit findings and the deficiencies found.

III.

MAIN FINDINGS AND RECOMMENDATIONS

to the audit titled <Title of the audit>

No.	Finding	Ranking	Risk / Impact	Recommendation	Action needed? (yes / no)

IV./
DETAILED FINDINGS

<This chapter of the audit report serves to provide a detailed description of the audit findings, including the audit observations and conclusions, any weaknesses in the internal control system, the risks identified and a list of supporting audit evidence. The cause and effect of each weakness identified must be explained. On the basis of the findings and conclusions of the report, internal auditors are required to make recommendations and proposals for correcting the deficiencies and weaknesses identified or for achieving more productive, efficient and economical operation. The recommendations must indicate whether they require action or have already been corrected during the audit.

Positive audit findings must also be recorded in the audit report.

The 'Detailed Findings' should follow the structure of the audit programme for the audit in question. Findings on which the internal audit makes a recommendation must be cross-referenced in the 'Key Findings and Recommendations' chart of the audit report.>

Date:	Date:
Signature:	Signature:
Name: <lead auditor>	Name: <internal auditor>

University of Pannonia
Department of Internal Audit

SAMPLE ACTION PLAN

to the audit titled <Title of the audit>

Finding	Recommendation	Action	Deadline[5]	Person in charge

Prepared by:	Approved by:	Reviewed by:
Date:	Date:	Date:
<signature>	<signature>	<signature>
<head of the entity or organisational unit being audited>	<Chancellor>	<Director of the Department of Internal Audit>

[5] The action plan must specify the deadlines for each task in a way that ensures accountability. Where the nature of the task extends beyond one year, sub-tasks or interim deadlines must be specified where applicable.

Sample Form 10



University of Pannonia

Department of Internal Audit

REGISTER OF ACTIONS

	1.	2.	3.	4.	5.	6.	7.	8.
No.	File number of the audit / ID number of the audit	Name of the entity or organisational unit being audited	Subject matter of the audit (title)	Findings requiring action	Audit recommendation	Action required on the basis of the recommendation	File number of the relevant action plan	Date of approval of the relevant action plan
1.								
2.								
3.								

9.	10.	11.	12.	13.	14.	15.	16.
Person responsible for the action (position and organisational unit)	Deadline for completion of the action	Modification (description / NO)	Completion of the action (date / NO)	Short description of the action taken	Reasons for actions not completed on time	Action taken in case of failure to complete	Comments

Sample Form 11

University of Pannonia

Department of Internal Audit

Audit Register

File number of the audit (ID number)	Name of the entity or organisational unit being audited	Subject matter of the audit	Period being audited	Type of the audit	Estimated time (working day)	Participants	Start of the audit		Start of the on-site audit		End of the on-site audit		Preparation of a draft audit report		Finalising audit report	
							plan	actual	plan	actual	plan	actual	plan	actual	plan	actual

Necessity of preparing an action plan	Number of findings	Number of recommendations	Number of accepted proposals	Suspected non-conformities	Action plan finalised	Status of the action plan	Date of implementation of the action plan

University of Pannonia
Department of Internal Audit

<Name of organisation>
<File number:>

REPORT
ON THE COMPLETION OF CONSULTANCY ACTIVITIES
<Designation of task>

Legal basis:
Objectives of the consultancy activity:

Scope of the consultancy activity:

Method of carrying out the consultancy activity:

Internal auditors carrying out consultancy activity:

Executive summary:

Details of the results of the consultancy activity:

Significant risks and control deficiencies identified in the course of consultancy activity:

Recommendations for senior management:

Factors limiting the utilisation of the findings of the report:

Prepared by:	Approved by:
Name: [auditor in charge]	Name: [Director of the Department of Internal Audit]
Signature:	Signature:
Date:	Date: