

More accurate audit using data and analytics

Innovative use of data and analytics is becoming an important impetus for improved efficiency and increased value in the finance functions of businesses. Sophisticated use of data analyses contributes to better control, quality and risk management in KPMG's auditing of Hydro and is also important for the aluminium Group's improvement work.

KPMG has a leading audit group that invests a great deal in data and analytics, both with regard to expertise and technology. The company's auditors have strong professional expertise and extensive experience in using data analyses and are involved in a number of exciting auditing assignments in which, by making use of sophisticated tools and proven methods, they create increased knowledge and added value. One of these customers is Hydro, for whom KPMG has employed the use of advanced data analysis to improve the quality and efficiency of the audit.

"Our experience is that the audit is of better quality and more efficient for all parties when data and analytics are used. Controls are put in place in vital areas for further follow-up or to check that controls and routines are functioning as expected," says Liv Brevik, Head of Hydro's Accounting Competence Center in Norway and the person responsible for improving and developing the Group's accounting processes.

Numerous possibilities with new auditing tools

Jo Sigurd Pedersen is one of KPMG's foremost experts on the use of data and analytics in audits. He identifies the possibilities Hydro now has to be able to use KPMG's data analyses in their efficiency and improvement work:

"New auditing tools and the ability to analyse large amounts of data mean that we can acquire more in-depth knowledge about how efficient systems and business processes are. As an auditor, I can use data and analytics to provide Hydro with specific feedback in areas where we see potential for operational improvements and within compliance to internal controls," Pedersen says.

"Among other things, we use visualisation tools such as QlikView and Power BI, that enable the analyses of results that are reviewed together with the customer to be dynamic, clear and effective," he says.

Quality control important

It is easy to get lost in the data, and quality control is therefore important. The work with data analyses requires good systems and in-depth understanding of businesses and processes in order for correct and accurate reports to be obtained and worked on. KPMG and Hydro have maintained close cooperation and an open dialogue, resulting in effective analytical reports, and continual improvement observations.

"It has been useful for Hydro and KPMG to review the data analyses together to verify findings and weed out any errors and misunderstandings prior to continued use in the audit," Liv Brevik explains.



The heads of Hydro's Accounting Competence Centers. From left, Jose Mas (Germany), Liv Brevik (Norway) and Helder Souza (Brazil).

"A solid ERP system, which in Hydro's case is SAP, and standardised processes as the foundation of this are decisive for succeeding with the analyses. We have to have standard rules to test against and have identified findings and patterns during the process. The close cooperation strengthens both the expertise and understanding of both parties," says Jo Sigurd Pedersen.

Global standard processes and systems

Hydro has, to a large extent, introduced standardised systems and accounting routines across business areas and national borders.

"We have the goal of all our accounting employees working in a uniform and effective manner. The same tools, methods and work descriptions shall be used by everyone. Data analyses are important for being able to check the uniformity of our work," says Liv Brevik who identifies benchmarking as an important management tool in the improvement work.

"We will use the analyses to test the standardised systems and routines that are implemented and to produce benchmark reports that compare both internal and external execution."

"Industry-specific data analysis models are used to make comparisons and identify patterns that enable us to use KPIs, both across the company's entities and with other players," she says.

Implementation in Brazil with support from Norway

During the past two years, Hydro's business in Brazil has implemented the Group's SAP system and accompanying routines with the necessary adjustments for local conditions and rules. The implementation has been carried out with support from Hydro's Accounting Competence Center in Norway.

KPMG's Norwegian audit team within data and analytics has assisted the local audit team in Brazil in transitioning from random audits and interviews to the use of data analysis. In so doing, Hydro can test whether the standardised processes are followed and that the Segregation of Duties controls function as expected. The work continues this year and the Brazilian KPMG team will be even more important to the analysis work.

"As a leading country in the global KPMG network in the use of data and analytics in audits, we will ensure high quality across national borders in the global Group," says Jo Sigurd Pedersen.

"If we look at the general development, auditing and data analysis will become even more integrated in the coming years. This will result in a more efficient and effective audit which gives improved quality and value to both the auditor and customer," Pedersen concludes.

About KPMG's expert group within data and analytics:

KPMG Norway is at the forefront in the use of data and analytics in audits. The combination of strong professional expertise, technological insight, proven methods and innovative auditing tools enable the company's auditors to assist businesses in reducing risk, strengthening competitiveness and creating added value through increased knowledge and better controls and quality in the audit. KPMG's auditors currently use data and analytics in many different industries and customer projects.

To support this, KPMG Norway has a large, global network with some of the auditing sector's foremost experts within data and analytics. Extensive investments in technology and expertise allow KPMG to provide innovative auditing services for which data and analytics are at the heart of the auditing process.



HYDRO

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About Hydro and the data analyses:

Hydro is a global aluminium company with production, sales and trading activities throughout the entire value chain, from bauxite, alumina and energy generation to the production of aluminium, rolled products and recycled metal.

The company's head office is in Norway and 13,000 employees are involved in activities in more than 50 countries on all continents. 92% of the employees are affiliated with the businesses in Brazil, Germany and Norway, the three countries where Hydro has its Accounting Competence Centers. They primarily work with harmonised and standardised systems and routines that are closely linked to improvement work and technological development.

The data analysis referred to in this specific description relate to the process from receiving a supplier invoice, via the establishment of master data and changes, to approved and recorded invoice and payment. Testing of Segregation of Duties (SoD)-conflicts: "can do" and "has done" are also included. An example of this is whether an employee can change important master data and also have a role in the invoice handling and/or payment process.

KPMG and Hydro have also tested whether there are invoices that are posted to the ledger without having been through SAP's workflow cockpit solution for electronic approval and matching with purchase orders.

Contacts

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