

AK TECHNICAL AUDITING

-----4TH MEETING-----

AUDIT PROCESS

AK Technical Auditing – Fourth Meeting

Agenda

Annual audit planning

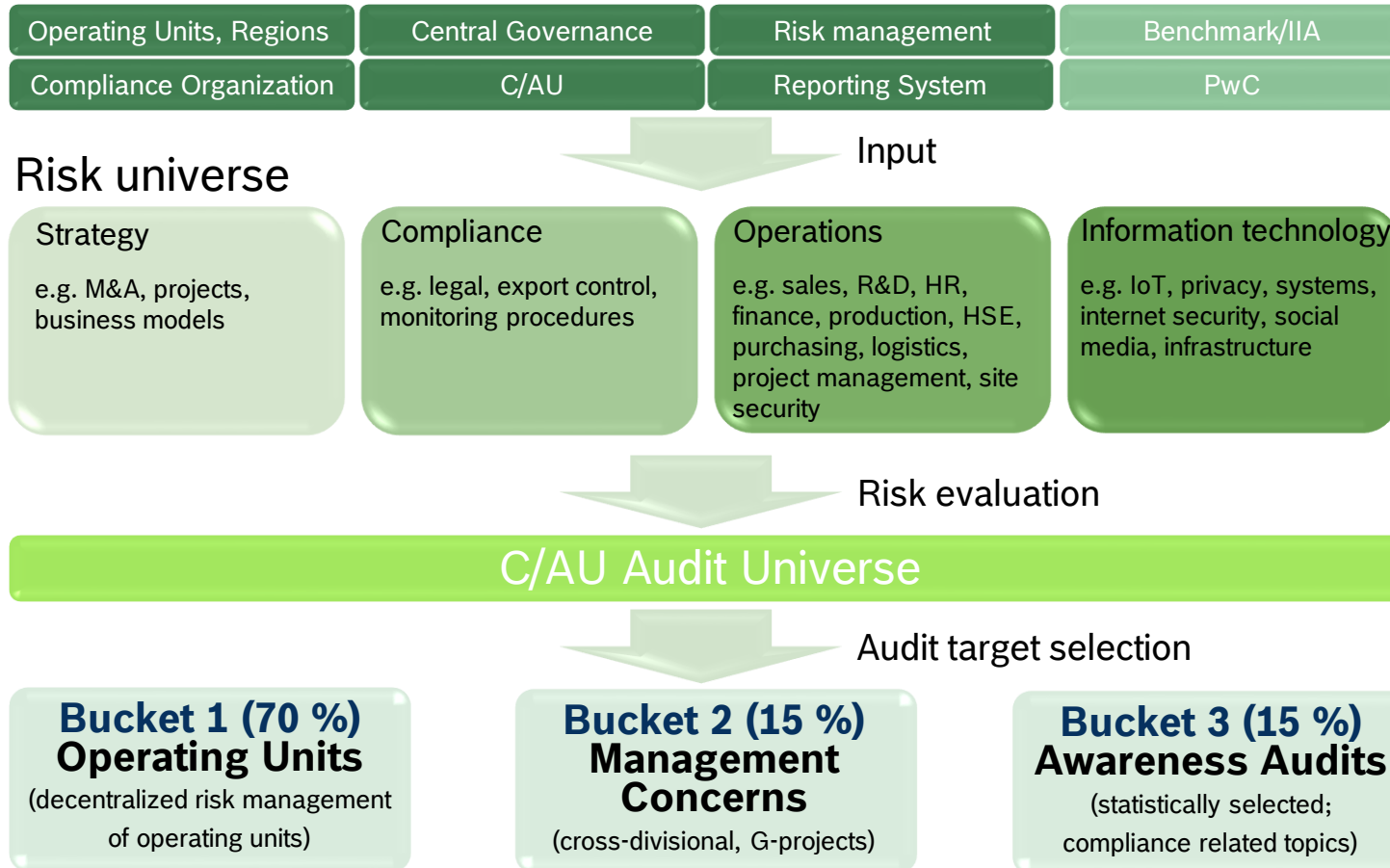
- Audit target planning process (3 bucket approach)
- Timing of audit cycles
- Audit target planning
- Audit types

Audit execution

- Four phases of audit execution
- Most relevant documents

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Audit target planning process (3 Buckets)



Principles:

Audit planning process is derived from company risk management

C/AU is responsible for the process, facilitates, maintains independency

Input from strategic dialogue:

- ▶ Areas and topics for alignment and further consideration (e.g. M&A, projects) in risk universe
- ▶ Management Concerns

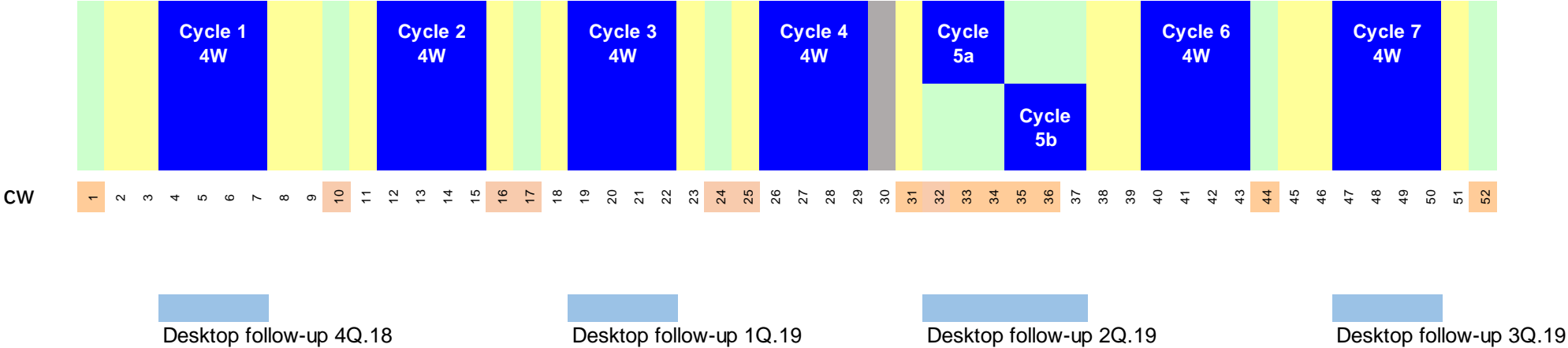
Management Review

(September - October):

- ▶ Review of concrete audit approach for Operating Unit (incl. locations, advisory audits, audit objectives)

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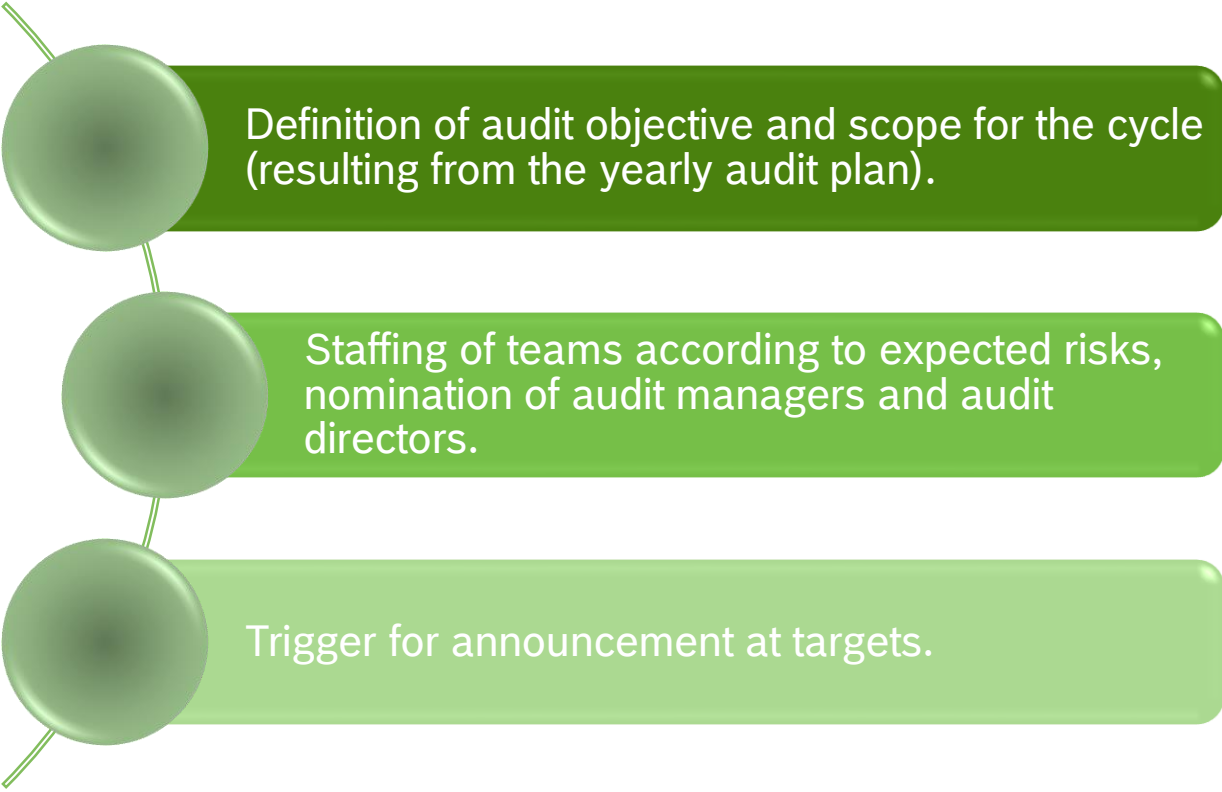
Timing of the audit cycles



- Seven audit cycles in 2019
- Quarterly desktop follow-ups on measures from previous audits

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Audit target planning (published ~8 weeks prior to cycle start)



Audit ID	Audit Title	Cycle Name	Report Date	Audit Period	Audit State	Audit Director	Audit Manager	Audit Team Members	Additional Teammembers	Operating Units	Legal Entities	Subsidiaries	Locations
27387	27387 - Process audit of development at P&ET in Feuerbach (Fe), Germany	6C2018		12.11.2018-07.12.2018	Pre-Announced	Thomas Netting (CAUT)	Ina Conradschloides (CAUT)	Brogli, Savvidou		DB		DB-ET	Fe
27388	27388 - Process audit of development at P&P-FB in Schwelbenberg an (Si), Germany	6C2018		12.11.2018-07.12.2018	Pre-Announced	Thomas Netting (CAUT)	Dirk Messner (CAUT)	Calder, Savvidou		GB		GB-FB	Si
27391	27391 - DC in Horb am Neckar (Hor), Germany	6C2018		12.11.2018-07.12.2018	Pre-Announced	Peter Bruckmann (CAU)	Gaucka Selts (CAUT)	Saragolu, Gall, Oetting	st Oetting	DC	DC	HorP	Hor
27423	27423 - Project audit of Warehouse Management	6C2018		12.11.2018-07.12.2018	Pre-Announced	Peter Rumpf (CAUC)	Marc Singh (CAUC)	Wojci, Peric		CP	MAN2	CP-WH	Si
27381	27381 - Re-audit of ASOC in Nanjing (N), China	6C2018		05.11.2018-23.11.2018	Pre-Announced	Volker Schilling (CAU)	Shan WANG (CAUR-CN)	Engelen, Groener, Ji	st Engelen	AS	ASOC	BASO	N
27382	27382 - Re-audit of UAES in Shanghai (Sgh), China	6C2018		12.11.2018-30.11.2018	Pre-Announced	Shan WANG (CAUR-CN)	Michael Engelen (CAUT)	Groener, HOU	st Engelen	GB	UAES	UAES	Sgh
27383	27383 - PB (BanP) in Bangalore (Ban), India	6C2018		12.11.2018-07.12.2018	Pre-Announced	Peter Saldanha (RBNAUD)	Anand Sharabing (CAUC)	CHEM, Groener, Kikari, Venkataranjya, Satoh, Yoshida	st Kikari, mentee: Yoshida/Sat.	DB		BanP	Ban
27384	27384 - Process audit of Contract Management BCC	6C2018		12.11.2018-07.12.2018	Pre-Announced	Peter Rumpf (CAUC)	Daniel Kreis (CAUC)	Gall		C	MAN2	Contr. Man.	Si
27385	27385 - PB Headquarters in Feuerbach (Fe), Germany	6C2018		12.11.2018-07.12.2018	Pre-Announced	Thomas Netting (CAUT)	Frank Fautz (CAUT)	Burgos, Savvidou, Stiefel, Neuen	RBNAUD Comm.: Kahlitz, Arora	DB	RB	DB	Fe

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Audit types (1/2)

Location-Based Audit

- Audits of one or more locations
- Audit topics are selected in a risk oriented approach

Project Audit

- Different and larger scope: audit areas include audit fields with specific audit objects for relevant project stages within the life cycle of the project

Joint Venture Audit

- Joint Venture partner is involved (e.g. information exchange, common audit) depending on the ownership and contract regulations
- Additional audit topics in regards to the JV-contract

BrC Audit

- Additional to standard topics also
 - 1) Approval criteria of the BrC status,
 - 2) BrC principles (especially risk management) and
 - 3) individual instructions need to be audited

Types of Audit (1)

Process Audit

- Focus on selected function (e.g. development, quality), specific topic (e.g. Industry 4.0, IoT) or a governance system

Spot Audit

- Early phase of newly set up small sales and trade units
- Reduce risks and increase compliance to RB rules
- Support management in setting up compliant processes and increase risk awareness

Re-Audit

- Related to previously conducted audits with an overall bad conclusion
- 12-24 months after the previous audit took place
- Part of C/AU follow-up process

Triple A Audit

- **Advanced Audit Approach**
- Bundle similar functional units with the same or similar risk, structures and processes within one division, region or function into a cluster
- Deficiencies identified in a representative unit are valid for the whole cluster

In addition, most of above mentioned audits can also be conducted as an advisory audit.

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Audit types (2/2)

Bucket 1 Audits

Headquarters, development, locations of an organizational unit with risk-based selection of audit topics done in 1 or 2 cycles

Bucket 2 Audits

Management concerns

Bucket 3 Audits

Awareness audits, previous audit at least 2 years ago

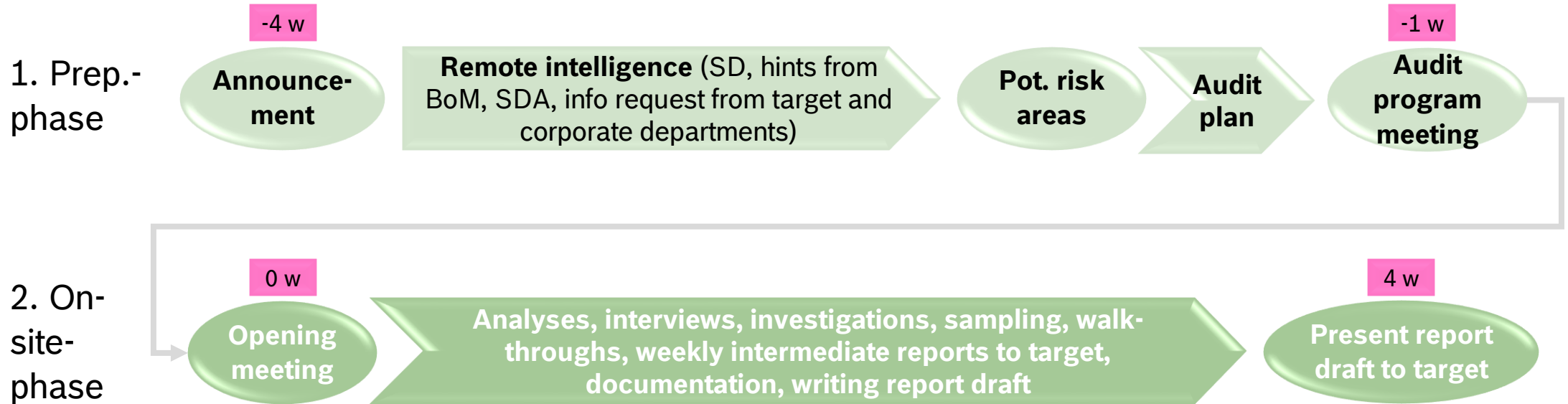
Advisory Audits

Consultancy audit, no report to BoD

Types of Audit (2)

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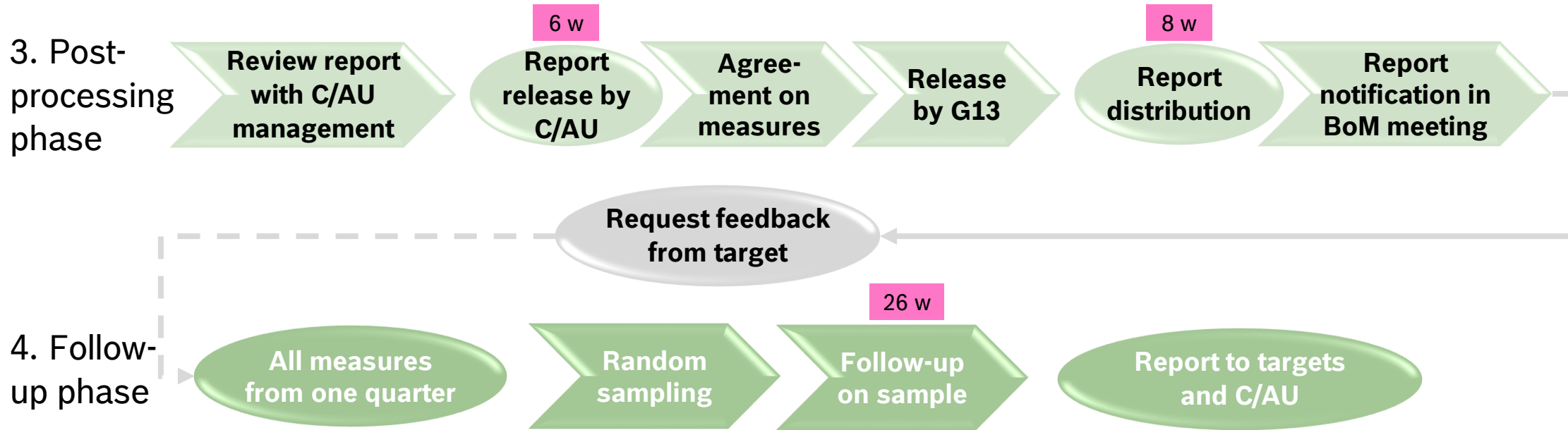
Four phases of audit execution process (1/2)



- Audit manager leads process of audit execution
- Risk-based planning of audit topics according to results from remote intelligence
- Standard or tailored work plans for every audit topic ensure quality of audit execution
- Documentation of audit results in work plans (today: MS Excel, in future: professional audit tool)

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Four phases of audit execution process (2/2)



- Review with C/AU management to assure consistency across all audits (e.g. of one organizational unit)
- Final agreement on measures by each responsible
- Distribution of report to target, superiors; executive summary to BoD and BoM
- Quarterly (off-site) follow-ups on randomly sampled measures for unrated and considerable findings

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Most relevant documents: APM document structure (1/3)

Purpose

- Contracting between C/AU management and audit team

Structure

- Audit objective, scope and milestones
- Audit target
 - Organization
 - Key data
 - Products, customers, competitors
- Hints from BOM, corporate departments, former audits
- Audit plan (work plans)
- Budget
- Travel security

Audit Title	Cycle	Audit Director	Audit manager, Auditors	Date
27385 - PS Headquarters in Feuerbach (Fe) and Schwieberdingen (Si), Germany	6C18	C/AUT	Fautz, Arora, Burgos, Nixon, Stoeff	November 5, 2018

Documents for the Audit Program Meeting November 5, 2018 16:15h

1. General (audit objective, object, scope, milestones)
2. Organizational Charts
3. Key Data
4. Products, Customers and Competitors
5. Rated Issues in former Reports
6. Hints
7. Audit Plan
8. Travel Security Advice C/AUP
9. Travel Cost
10. Approvals

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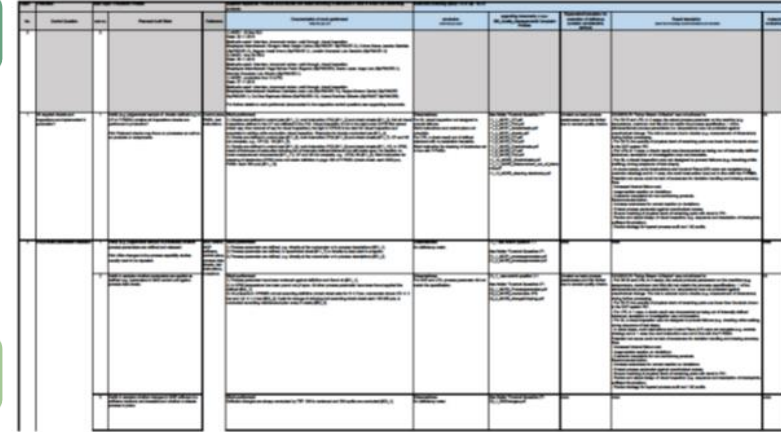
Most relevant documents: Work plans (2/3)

Purpose

- Source of auditing know-how for one topic
- Standardization ensures consistent quality in auditing
- Tailoring possible to suit particular audit targets
- Documentation of audit work

Structure

- Planned control questions
- Actual work performed
- Conclusions
- Evidences
- Results for audit report



№	Area	Control Question	Planned Control Questions	Actual Work Performed	Conclusions	Evidences	Results for Audit Report

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Most relevant documents: Report structure (3/3)

Purpose

- Give a summary of audit results to target and upper management

Distributor

- Target management, superiors of target management, corporate departments
- Executive summary to BoD and BoM

Structure

- Objective and Scope (audit plan)
- General (description of target and key figures)
- 3 ff. Findings (according to audit topics)
 - Finding
 - Potential root cause
 - Risk
 - Recommended action (responsible, due date)
- Organization history and key data

Audit Report



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END