

CONFERENCE  
BUDAPEST  
13 MARCH 2019

# Integrated Assurance in Practice **STRONGER TOGETHER**



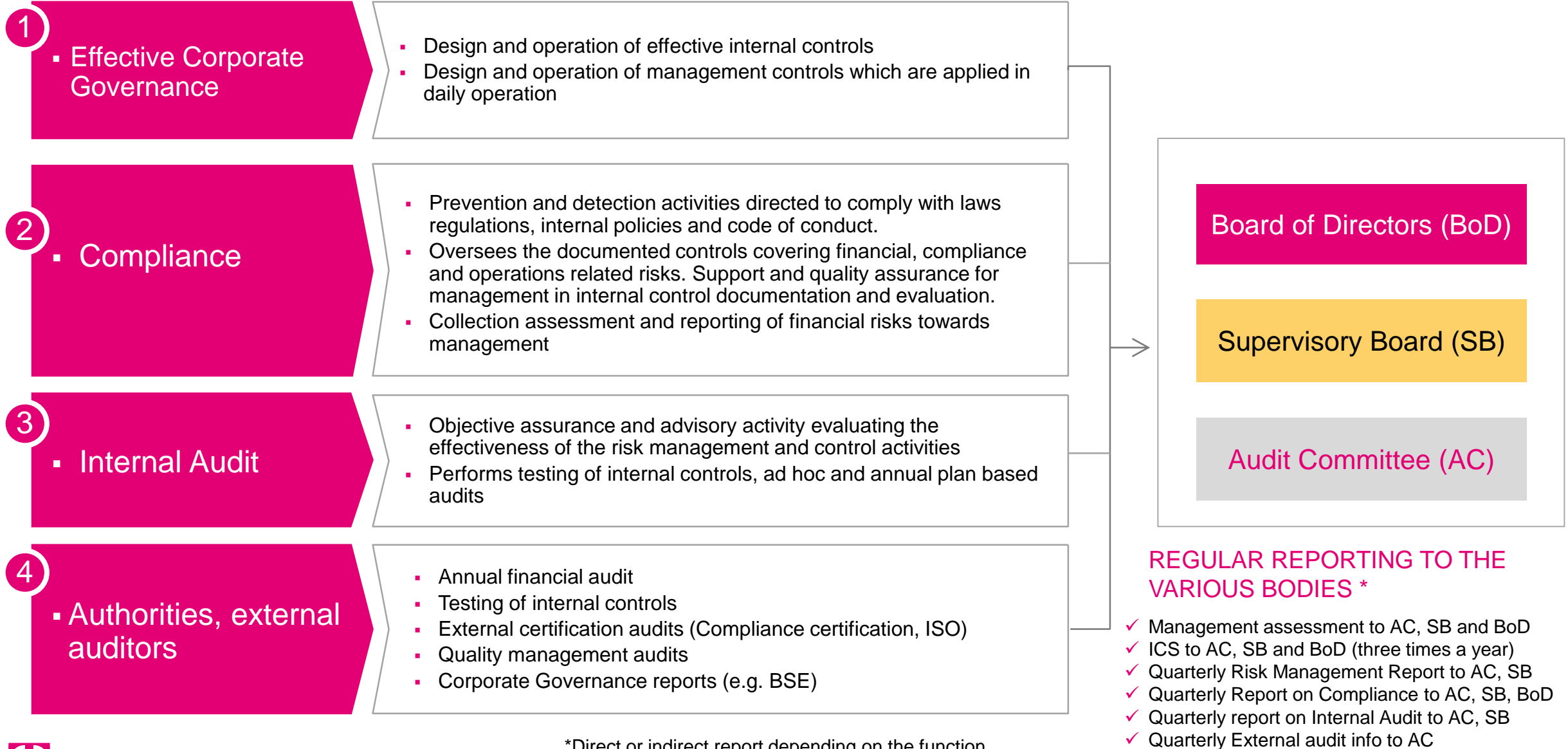
## Integrated Assurance – A Stakeholder's View

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Chairman of the Audit Committee  
Magyar Telekom Plc.



EGYÜTT. VELED

# Defense Lines at Magyar Telekom: The Textbook Case



# Audit Committee: Roles and Mandates

- The Audit Committee of Magyar Telekom is a permanent committee composed – by selection of the Company’s General Meeting – of at least three but not more than five independent members of the Company’s Supervisory Board pursuant to the authorization set out in Article 3:291 of Act V of 2013 on the Civil Code (the “Civil Code”) and Article 62 of Act CXX of 2001 on the Capital Market by a simple majority of the votes, for the same duration as the members of the Supervisory Board are elected.
- The purpose of the Committee is to support the Supervisory Board in supervising the financial reporting system, in selecting the statutory Auditor and, in cooperating with the statutory Auditor.
- The Committee shall act within its scope of authority provided in the Civil Code, in the Capital Markets Act, in the Articles of Association and in the Rules of Procedure of the Supervisory Board.
- In order to emphasize independence of the functions, both Internal Audit and Compliance heads have direct reporting lines to Audit Committee and dotted line report within the organization as well as DT functional heads
- Special focus on the Audit Committee as a body overseeing the internal control of Magyar Telekom since the SEC (Securities and Exchange Commission) and DOJ (Department of Justice) investigation in 2006-2007.

# Audit Committee: Authority and Responsibility

Primary role to oversee external and internal audit functions (managing „Defense Lines“):

## STATUTORY AUDITOR

- **Independence**
- **Election**
- Contractual **parameters**
- Overseeing the independent auditor's **methodologies, activity, daily cooperation** w/ company

## FINANCIAL REPORTING

- High level monitoring **effectiveness**
- High level monitoring of **sign offs**
- Monitor management **cooperation** w/ auditor (e.g. Management Letter)

## INTERNAL AUDIT + COMPLIANCE

- Review and evaluate the operation of the **Internal Control System**
- Monitor the effectiveness of **risk management** system
- Monitor the **effectiveness of internal audit** activity
- Review and evaluate the internal audit **workplan**
- Monitor the **effectiveness of compliance regime**
- Review and evaluate the compliance **goals**
- React effectively to **ad hoc** issues
- Provide high level **guidance** (on and off committee meetings)
- Veto power in **personnel** issues

# Internal Audit: Roles and Mandates

**Value Protection:** Provide an independent assessment on governance, risk management and control processes in order to ensure that:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Internal Control System (ICS) is adequately maintained.
- Employees' actions are in compliance with policies, standards and applicable laws and regulations.
- Significant legislative or regulatory issues are recognized and addressed appropriately.
- Major projects are managed properly to minimize project risks.
- Key contracts are managed well to minimize potential value leakage.
- Information systems are reliable and secure to capture, maintain and report required information.

**Value Enhancement:** Provide independent business advisory with the aim to improve organization's operations in the area of:

- Business process improvements (efficiency gains, monetary savings and quality improvements).
- Execution of strategic programs, plans, and objectives.
- Management of critical changes to business processes and systems.
- Identification, mapping and addressing of emerging risks.

# Magyar Telekom Internal Audit: Current Trends and Focus Areas

- Great **flexibility** on audit topics in scope and timing for potential changes in corporate activities (incl. ad hoc audits)
- **Harmonized reporting/documenting** on Deutsche Telekom and Regional audit HUB level: Audit Committee report, Audit reports, Audit charter and manual, job descriptions, other working documents
- Engage with **corporate development**: change management, auditor as trusted party (must be independent but can't be isolated)
- Integrated assurance: How does Internal Audit gather **input** for its work?
  - ✓ Focus meetings on key **strategic projects**
  - ✓ Allocate focus areas to audit team members to gather **relevant business information**
  - ✓ Review of Reports from Management, BoD, SB and AC
  - ✓ Inputs from **Internal Control System** assessment and Corporate **Risk Report**
  - ✓ Yearly **Compliance** Risk Assessment, monitoring program and reports
  - ✓ Compliance committee meetings (Legal, HR, Security, IA and Compliance)
  - ✓ **Independent auditor's findings**, audit approach, risk considerations and recommendations
  - ✓ Inputs from internal surveys, assessments

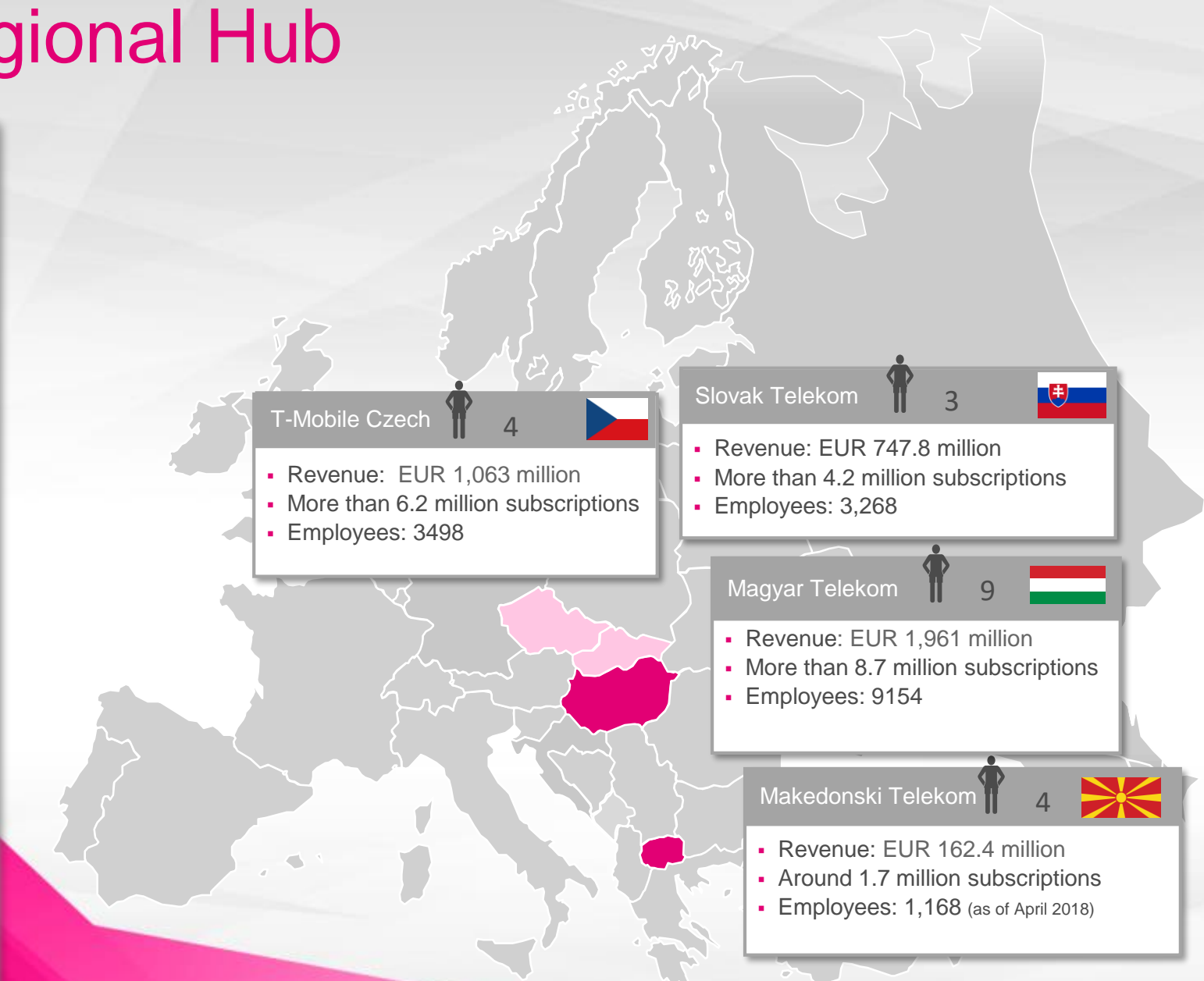


# Internal Audit Regional Hub

Includes Magyar Telekom Group (incl. Macedonia) plus Slovak Telekom and T-Mobile Czech Republic.

Audit team of 19+ FTE.

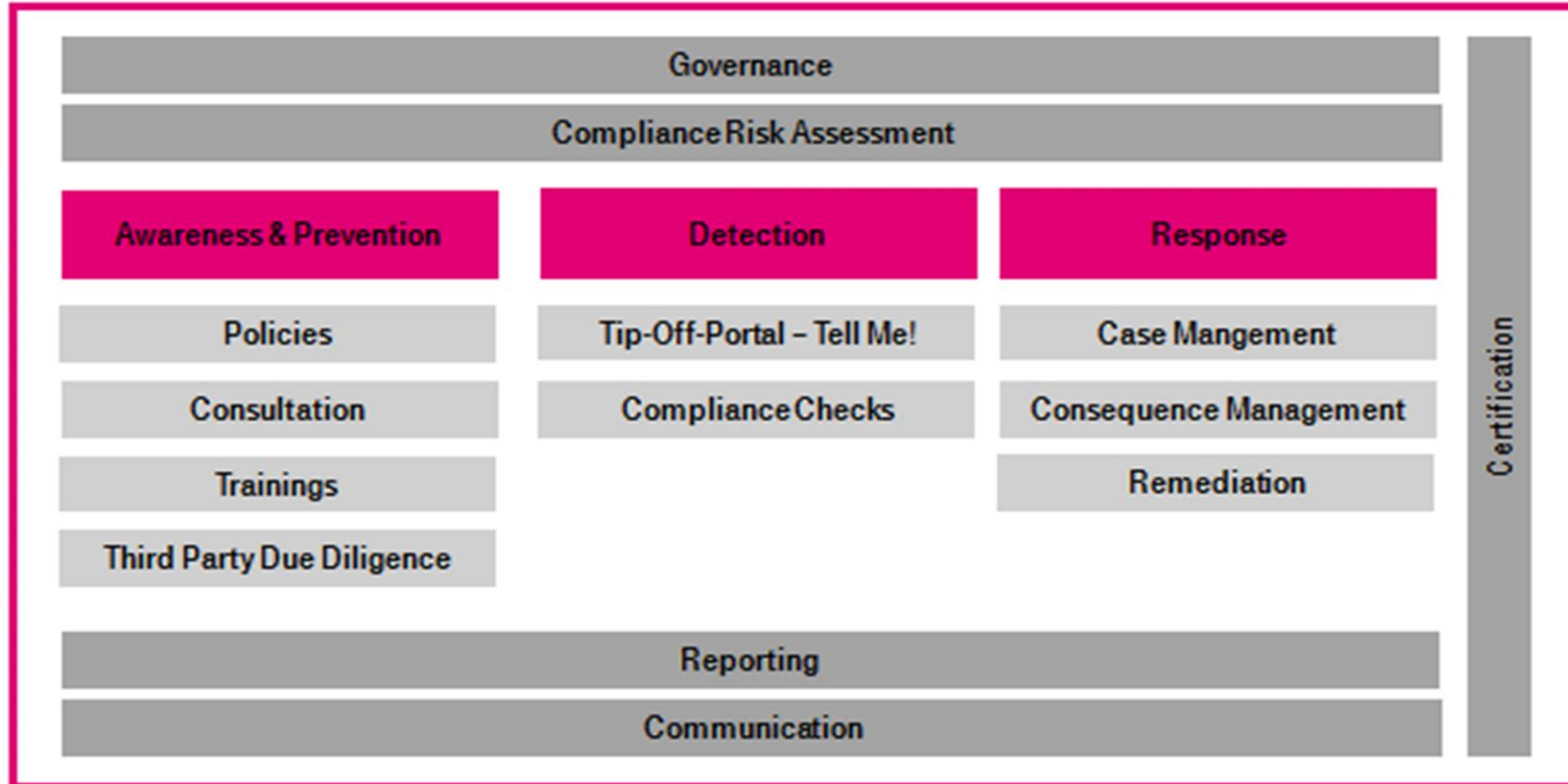
- Unified charter, audit manual
- Unified audit processes as well as planning and auditing approach (audit tool in 2019)
- Resource and knowledge sharing within the 4 countries
- DT group level cooperation (international audits, unified program and execution, quality assurance, shared learnings)



Source: <https://www.telekom.com/worldwide>  
As of December 31, 2017

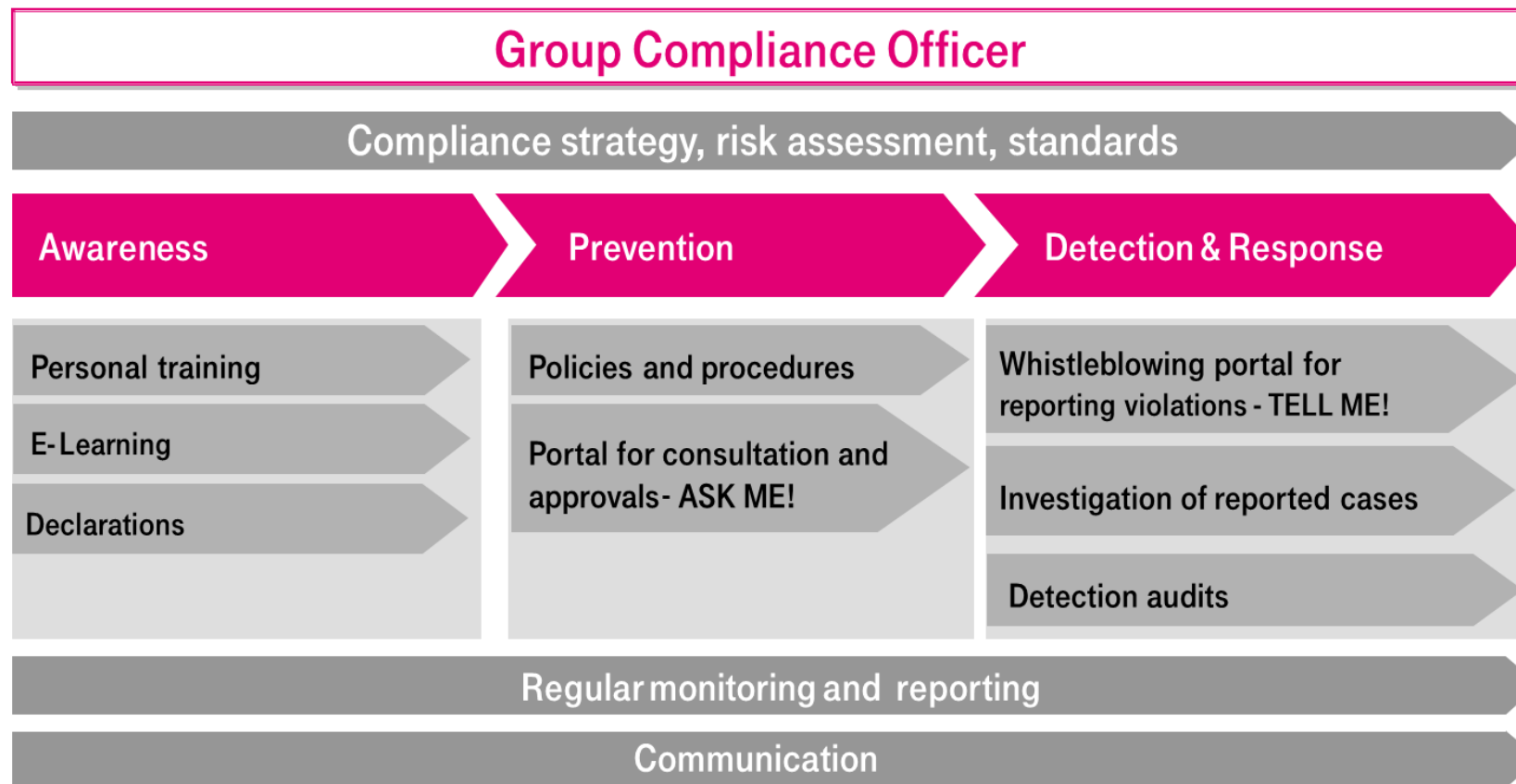
↑ - number of auditors

# COMPLIANCE REGIME

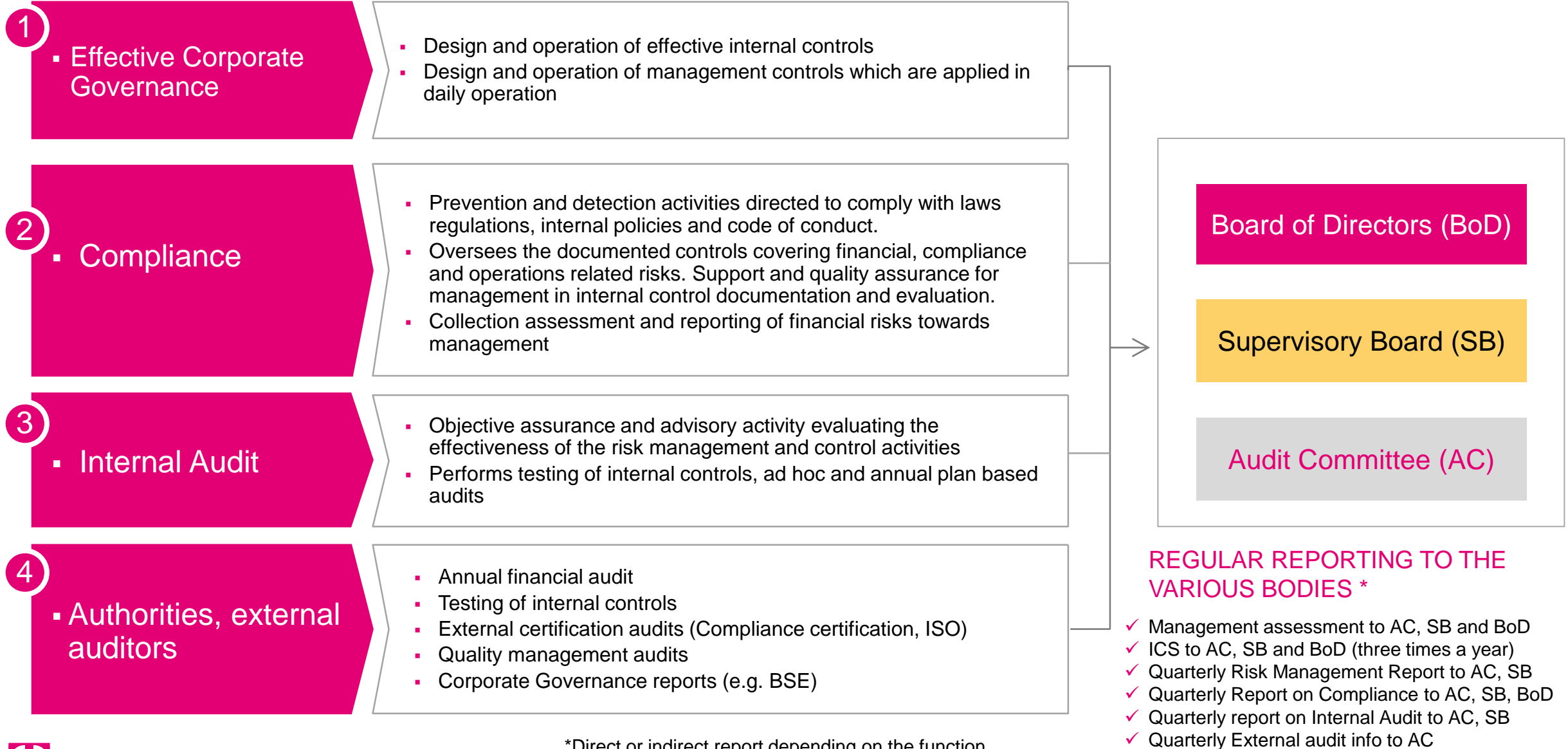




# THE JOB OF COMPLIANCE MANAGEMENT



# Defense Lines at Magyar Telekom: The Subjective Case



# Defense Lines at Magyar Telekom: My Subjective Case

**First Line: TONE AT THE TOP**

**Second Line: TONE IN THE MIDDLE**

**Third Line: OVERALL CORPORATE AWARENESS**

**„Bricks and Mortar”**

