

Consulting Activities of Internal Auditors in the Public Sector in Hungary

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SUMMARY

Today, internal auditors not only perform assurance activities but also provide consulting services. The internal audit consulting activities are services provided to heads of organisations, resulting in added value. This paper has been prepared with the objective to explore such activities for their importance and practical implementation in budgetary institutions, municipalities, and publicly owned companies. In the course of the study, primary research has been conducted, in addition to processing literature and legal regulations. We have found that the consulting role for supporting decision-makers as part of internal auditing has been reinforced with increased importance in the public sector as well. However, we have found that further steps could be taken to preserve independence and reinforce regularity and efficiency, for example, by giving a stronger focus to these subject matters through training programmes or providing more detailed recommendations.

KEYWORDS: internal audit, public sector, publicly owned companies, consulting activities

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In recent years, significant changes began to take place to reinforce the integrity of larger organizations that utilize public property, use public funds, and provide public services. This process has been further strengthened by strong digitalisation in the public sector and in the accounting and auditing professions (Hegedűs, Cseh, Fábics, 2020). The independent internal auditing of budgetary bodies has been part of the domestic legal system for many years (Lentner, Turján, Varga, 2001), and the obligation to establish an internal control system has been set out in the Public Finance Acts for ten years; however, publicly owned companies have been required to establish and operate such systems only as of 1 January 2021.¹ Up until that date, creating a higher level of control at these companies had only been subject to management commitment, as found by the State Audit Office (SAO) and several researchers (Pulay, Lucza, 2018; SAO, 2019; Boros, 2019). With these studies and recommendations from companies taken into account, the new regulation contains a framework for establishing internal control systems (similar to some elements of previous regulations applicable to budgetary institutions), builds on international internal control standards, and makes it obligatory for companies to establish an internal audit function.

Following the international recommendations, legal regulations in Hungary² provide a definition for internal auditing, namely that it is an activity that provides independent objective assurance and includes consulting services. However, the development of today's multifaceted internal auditor responsibilities, including consulting activities, dates back only to the last few decades.

OBJECTIVE

This study aims to analyse the emergence and significance of consulting activities by

relying on the relevant literature, various legal regulations, guidelines and recommendations, as well as a questionnaire survey. As some research on the topic was started in 2018, this paper includes, where possible, results of research conducted with my former colleague *Róbert Kovács* as well (see Kovács, R., Kovács, T., 2018; Kovács, T., Kovács, R., 2019).

Prior to discussing the primary research conducted, the study describes changes in the importance of consulting services, their characteristics, and relevant requirements. Then, the methodology and results of the questionnaire survey are presented. The study ends by providing conclusions and suggestions.

EMERGENCE AND SIGNIFICANCE OF CONSULTING ACTIVITIES ACCORDING TO LITERATURE AND LEGAL REGULATIONS

More than a hundred years ago, the Industrial Revolution and a related increase in business activities triggered a development and widespread use of audit methods (Kovács, Szóka, 2016). A less regulated stock market environment and increased investor risks made auditing important, however, it continued to focus mainly on fraud detection and balance sheet adequacy at that time (Lee, Azham, 2008).

By the end of the 1950s, internal audit covered a number of services provided to management, according to a definition of The Institute of Internal Auditors (IIA), but *Ramamoorti's* (2003) historical review suggests that only the 1978 IIA Standards described audit work with some sort of counselling activities. According to this description, internal audit not only provides the members of an organization with analyses, evaluation, recommendations and information regarding audited activities, but also with counsel.

By the early 1990s, internal audit was understood in a similar way as it is today: internal auditors work in several areas, depending on the needs and preferences of the relevant organization, and they provide consulting services, in addition to investigative and assurance activities (Ramamoorti, 2003).

By the late 1990s, increased attention was paid to consulting services. This was confirmed, for example, through interviews made with internal audit leaders by *Nagy and Cenker* (2002), and a new IIA definition adopted to follow up real-life changes in 1999. As the independent evaluation function of internal auditing was not regarded as an added value by company managers, in response to increased outsourcing and downsizing, internal auditors focused less on verifying compliance and financial data, and more on evaluating performance and improving effectiveness and efficiency (Bau-raad, 2000; Richards, 2001; Nagy, Cenker, 2002 – all three are cited by Burton, Starliper, Summers et al., 2014). In their day-to-day work, internal auditors reduced the amount of their assurance and attestation activities due to limited resources and the changing needs of managers (Marks, 2001; Nagy, Cenker, 2002 – both are cited by Burton, Starliper, Summers et al., 2014).

In the United States, the adoption of the Sarbanes–Oxley Act (SOX) in 2002 significantly reduced the willingness to provide more consulting services. Company executives expected the internal audit function to help them meet many of the obligations imposed by SOX. Many companies used up to 100 percent of their internal audit resources for ensuring compliance with Section 404, Management Assessment of Internal Controls, in the first year (PwC, 2006). Many heads of internal audit indicated that their departments had focused on or planned value-adding and consulting activities prior to the entry into force of Section 404, but SOX compliance

requirements changed the orientation of the companies' internal audit departments for a long time to come (Nagy, Cenker, 2007).

The economic recession spreading from the United States in the late 2000s, another shock to the business environment, forced internal auditors to adjust the proportions of their activities again. With significant budget constraints, the internal auditors put more energy into trying to increase their added value by placing more emphasis on consulting services such as managing operational risks (IIA 2009a, 2009b, 2009c; Tapestry Networks 2011 – they are cited by Burton, Starliper, Summers et al., 2014). Naturally, similar trends were also observed in other parts of the world. For example, *Subaily and Mahzan* (2012) observed an increase in consulting activities in Malaysia in the early 2010s, and so did *Dumitrescu Peculea* (2015) in the Romanian public sector.

Based on the above, although the focus on consulting and assurance services within internal auditing changed several times, the strengthening of the consulting role is indisputable.

In respect of the public sector in Hungary, Government Decree 193/2003. (XI. 26.) on the internal auditing of budgetary institutions (hereinafter: Gov.Decree 193/2003) mentions consulting activity as one of the tasks of internal auditors only once (Section 8). The consulting role to support decision-makers became more prominent in the new legal regulations adopted in 2011. Under Gov. Decree 370/2011, consulting activities are 'services provided to heads of budgetary institutions, which produce added value, and the nature and scope of which are determined jointly, in writing or orally, by the head of internal audit and the head of the relevant budgetary institution without internal auditors assuming any managerial responsibilities'. The Gov. Decree 339/2019 on publicly owned

companies has a similar wording, but – reasonably – consulting services are provided to chief executives or supervisory boards.

CHARACTERISTICS OF CONSULTING SERVICES AND REQUIREMENTS FOR SUCH ACTIVITIES

This chapter elaborates on the content of consulting activities, describing requirements for consulting activities that are relevant to the primary research. The concept, interpretation, and requirements of advising can be learned from several general and more specialized sources. As this study focuses on the activities of public sector internal auditors, the chapter below will not only process 'universal' IIA standards but also some sources relevant to municipalities, budgetary institutions and publicly owned companies. These include:

- legal regulations (Gov.Decree 370/2011; Gov.Decree 339/2019),
- internal audit standards for public finances in Hungary (Ministry of Finance of Hungary, 2021),
- recommendations, guidelines (Ministry of Finance of Hungary, 2020a),
- manual samples (Ministry for National Economy of Hungary, 2017; Ministry of Finance of Hungary, 2020b).

The relevant sections related to budgetary institutions are summarized in our previous article (Kovács, T., Kovács, R., 2019). For the purposes of this research, those sections are, in fact, the same as the new requirements set out for publicly owned companies in 2019 and 2020, however, in order for directly connecting to the primary research, I consider it necessary to briefly mention them in this article as well.

The list of concepts for currently effective IIA standards defines internal auditor

consulting services as advisory and related services provided to clients. These include, for instance, legal advice, and providing proposals, professional assistance and education. The nature and scope of such services are set out in agreements with clients and provide added value and improve the organizations' management, risk management and control processes without the internal auditors assuming any responsibility (IIA, 2017).

One of the fundamental differences between assurance and consulting activities is the number of people involved in such activities. Auditing and assurance activities are primary mechanisms developed to protect the interests of a third party (Anderson, 2003).

Consulting services usually have two actors: (1) a person or group providing consulting services – the internal auditor, and (2) a person or group requesting and receiving advice – the client.

The relevant IIA Standards describe that, in terms of their nature, consulting services are advisory activities usually provided at the actual request of a client. The nature and scope of consulting services is the result of an agreement established with the client (IIA, 2017).

In relation to consulting activities, the following IIA standards are relevant (IIA, 2017).

In accordance with Standard 1220.C1, internal auditors should consider the following with due professional care in their consulting assignments:

- client needs and expectations, including the nature, scheduling and communication of results from assignments;
- the relative complexity and amount of work required to achieve the objectives of engagements;
- costs of consulting engagements versus expected benefits.

Standard 2010.C1 requires heads of internal audit to make decisions on accepting consulting engagements by considering whether performing a specific assignment would improve the relevant organization's risk management and operation, and whether it will create value. Accepted assignments should be included in the plan and, in accordance with 2201.C1, the relevant agreements should be documented for major ones.

Implementing Standard 2330.C1 requires heads of internal audit to develop procedures for the storage and keeping of consulting assignment documentation and rules for accessing them.

According to Standard 2410.C1, the communication of consulting engagements processes and results may vary in terms of format and content depending on the nature of engagements and client needs.

According to regulations in Hungary, annual audit plans must include a time period planned for consulting activities (Ministry for National Economy of Hungary, 2017; Ministry of Finance of Hungary, 2020a, Ministry of Finance of Hungary, 2020b). Unforeseen consulting assignments should be carried out by using extraordinary audit capacities or, if sufficient capacities or expertise are not available, the involvement of an external service provider should be proposed and the annual audit plan should be amended, if necessary (Ministry for National Economy of Hungary, 2017).

Requests for consulting activities may be made orally or in writing (Gov.Decree 370/2011, Gov.Decree 339/2019). If internal audit activities are performed entirely by an external service provider, requests for consulting activities must always be made in writing (Gov.Decree 370/2011).

The possible categories of consulting activities outlined in manuals include:

▶ Formal consulting assignments: they are pre-planned, and written agreement is required

for them, whether provided by internal audit or external service provider.

▶ Informal consulting assignments: routine activities such as participation in standing committees, projects with deadlines, ad-hoc meetings, commenting and routine information exchange.

▶ Special consulting assignments: they are related to involvement in the implementation of special projects (such as merger or demerger of organisations, or transformation of complex systems).

▶ Emergency consulting assignments: involvement in a task force for the restoration or maintenance of operations following a disaster or other event with a significant budgetary impact, entrusted with providing assistance for a temporary period or performing some special task with an unusual deadline (Ministry for National Economy of Hungary, 2017; Ministry of Finance of Hungary, 2020b).

Consulting activities performed by an internal audit function must not jeopardize its independent and objective position required for its assurance activities. Therefore, such activities may be performed on condition that the responsible internal audit manager ensures in advance – and continuously does so during the relevant assignment – that the auditors providing consulting services undertake no operational responsibility for the development of processes and systems.

It is mandatory to keep records of all work performed by internal audit and to ensure that all documents related to auditing and consulting activities are retained. Consulting activities must be documented by means of written and/or electronic records, documents or other data formats prepared by internal auditors and/or obtained and kept as part of such consulting activities (collectively: working documents) (Ministry for National Economy of Hungary, 2017; Ministry of Finance of Hungary, 2021b).

METHOD

As in two previous simpler research efforts, I used an online questionnaire survey to examine consulting activities. Using a Google Form, we compiled a short list of six questions in 2018. Five of the six questions were closed ones and one was an open-ended question. At the end of 2019, we launched a survey by using the same questions, with a new one added to them. The new question focused on the types of organizations audited by internal auditors. In 2021, a question was added relating to the form of internal audit work (employee or external service provider), and publicly owned companies were included among examined organizations. The following set of questions was compiled:

① At what organization do you perform your internal audit activities?

② In what form do you perform your internal audit work?

③ How many of the total number of audit days planned in your 2020 annual audit plan are allocated to consulting activities?

④ How many of the total number of audit days planned in your 2021 annual audit plan are allocated to consulting activities?

⑤ How do the number of days planned versus the number of days actually spent on consulting activities relate to each other based on your experiences in previous years?

⑥ To what extent is it characteristic to your organization(s)' operations that employees, in addition to managers, require your opinion and advice in certain matters and processes?

⑦ What is the proportion of oral and written requests for advice in your internal auditing activities?

⑧ How do you document your consulting activities provided on oral requests?

All questions required an answer, except for the last one, which is an open-ended question. This list of questions was followed

by an optional request made to respondents to share their thoughts, experiences or recommendations about consulting activities. The survey was conducted in September 2021. The anonymity of respondents was ensured.

The target persons included public sector internal auditors. In the register of the Ministry of Finance of Hungary, the number of registered persons authorized to perform internal auditing activities at budgetary institutions and/or publicly owned companies was 2,583 in October 2018; 2,529 on 1st January 2020; and 3,096 on 1st October 2021.

As the register is not available for purposes of scientific research, the questionnaire was delivered to target persons in a different way. Previously, we had contacted our own professional acquaintances and used the snowball method. In addition, the questionnaire had been sent by e-mail to internal auditors of nearly 60 educational budgetary institutions. This year, in addition to the above, more than 30 notaries were sent requests to forward my questionnaires to internal auditors, and the Institute of Internal Auditors of Hungary (IIA Hungary) supported my work by placing a special notice in their newsletter.

The number of completed questionnaires was 59, all of which were adequate for evaluation. Respondents accounted for 1.91 percent of internal auditors maintained in the register. This value was 1.39 and 1.02 percent in the previous two cases, respectively. Two respondents did not answer the open question. 17 individuals shared their additional thoughts.

In some cases, where the number of responses allowed, I performed cross-tabulation analyses to show statistical correlations. For the analyses, I used Pearson's χ^2 statistics to measure correlations between

variables, according to the null hypothesis of which there is no correlation between the examined variables.

RESULTS

The types of organizations audited by respondents include: budgetary institutions, municipalities and publicly owned companies, with 48 persons (81.4 percent), 18 persons (30.5 percent), and 13 persons (22 percent) performing audit duties there, respectively (see Figure 1). 69.5 percent of these internal auditors work for only one organisation, and 30.5 percent of them work for multiple organisations. 1 person (1.7 percent) performs internal auditing activity both at a municipality and a publicly owned company, 7 persons (11.9 percent) at municipalities and budgetary institutions, and 6 persons (10.2 percent) at all

three types of organizations (Figure 2). Due to the small number of responses, regrettably no search was possible for correlations between different types of organizations and answers to the rest of the questions.

The vast majority of auditors carry out their work as employees: 38 persons (64.4 percent) with one organisation, and 1 person (1.7 percent) with several organizations (budgetary institutions). 5 persons (8.5 percent) work as employees with some of the organisations and as external service providers with some other ones. 15 persons (25.4 percent) provide services as external providers only (Figure 3).

In the audit plan for 2020, the proportion of days planned for consulting services was less than 10 percent for 27.1 percent of the respondents, ranging between 10 to 15 percent for 44.1 percent of them, 16 to 20 percent for 15.3 percent of them, and 20 to 25 percent for 6.8 percent of them. 6.8 percent of the

Figure 1

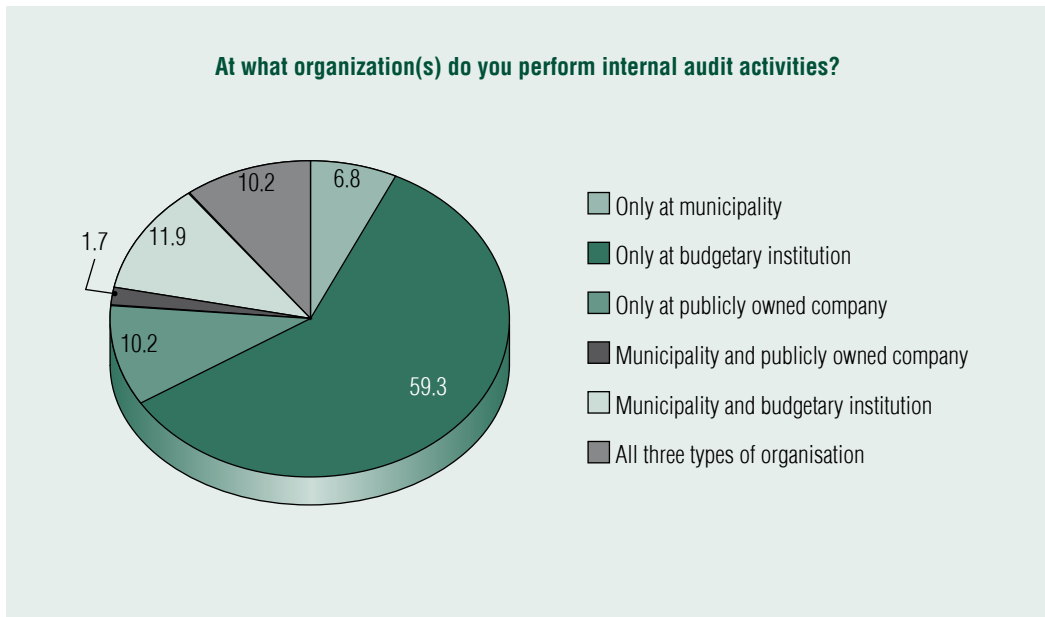
TYPES OF ORGANIZATIONS AFFECTED BY RESPONDENTS' ACTIVITIES



Source: own questionnaire survey

Figure 2

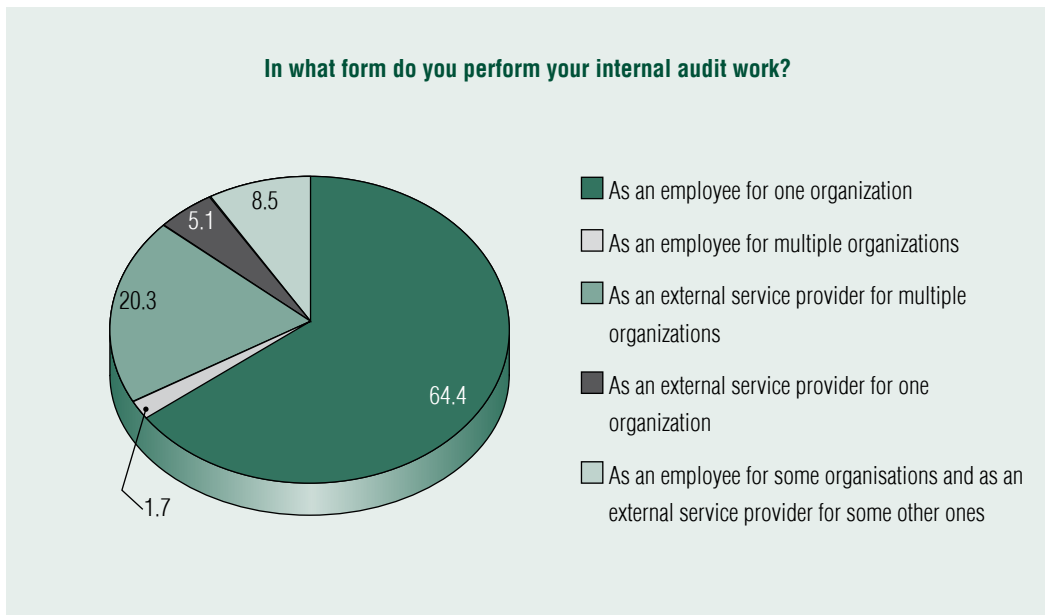
PROPORTIONS OF ORGANIZATION TYPES AFFECTED BY RESPONDENTS' ACTIVITIES (%)



Source: own questionnaire survey

Figure 3

DISTRIBUTION OF INTERNAL AUDITORS BY LEGAL RELATIONSHIP (%)



Source: own questionnaire survey

responding auditors planned more than 25 percent of their time for consulting activities. All of this is summarised in *Figure 4*.

By 2021, the proportion of those planning to offer consulting services on less than 10 percent of all audit days has dropped to 22 percent. The proportion of auditors planning 10 to 15 percent of their time is the same as in the annual plans for 2020. The proportion of those calculating with more than 15 percent has increased slightly. The planned data for 2021 are shown in *Figure 5*.

Having a deeper look at the answers given to questions relating to the 2020 and 2021 plans, 66.1 percent of the auditors marked the same answers for both questions, 23.7 percent of them planned more, and 10.2 percent of them planned less for 2021 than for 2020.

The data for time planned for consulting services in the 2018, 2019, and 2021 surveys

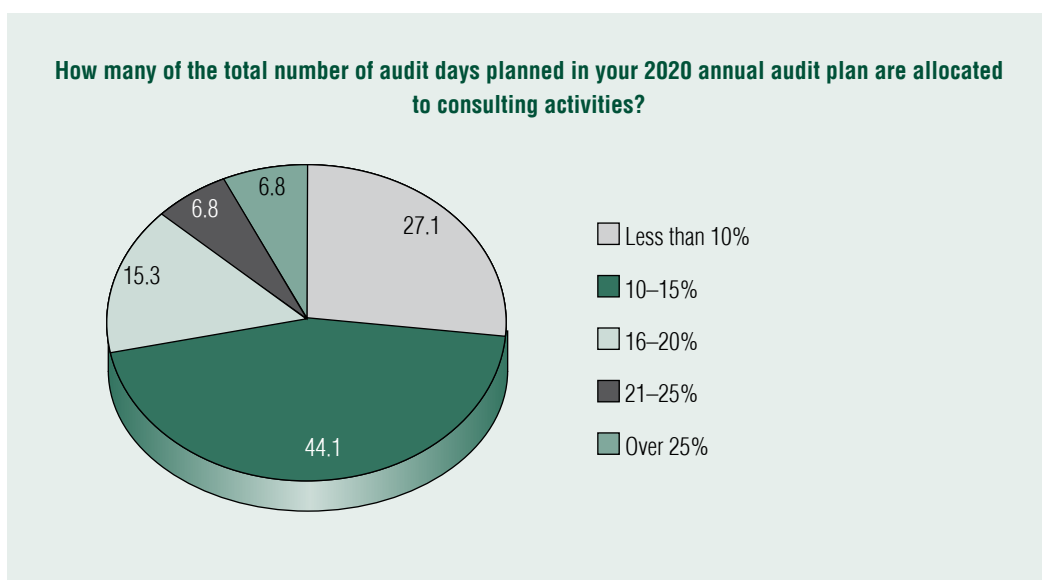
are summarized in *Table 1*. According to research results for 2018 and 2021, the time planned to be spent on consulting services increased over time. Data for the 2019 questionnaire show stagnation, but this result does not necessarily reflect the real situation due to the small number of responses at the time.

As before, experience this year shows that the number of audit days actually spent on consulting activities exceeds the number of days planned. 17 auditors experienced in recent years that the time actually spent on consulting activities was higher than planned. 31 respondents said that the planned number of days was the same as the actual ones, and 11 of them indicated that the actual value was less than planned (*Figure 6*).

For comparison, the relationship between the planned and actual time of consulting

Figure 4

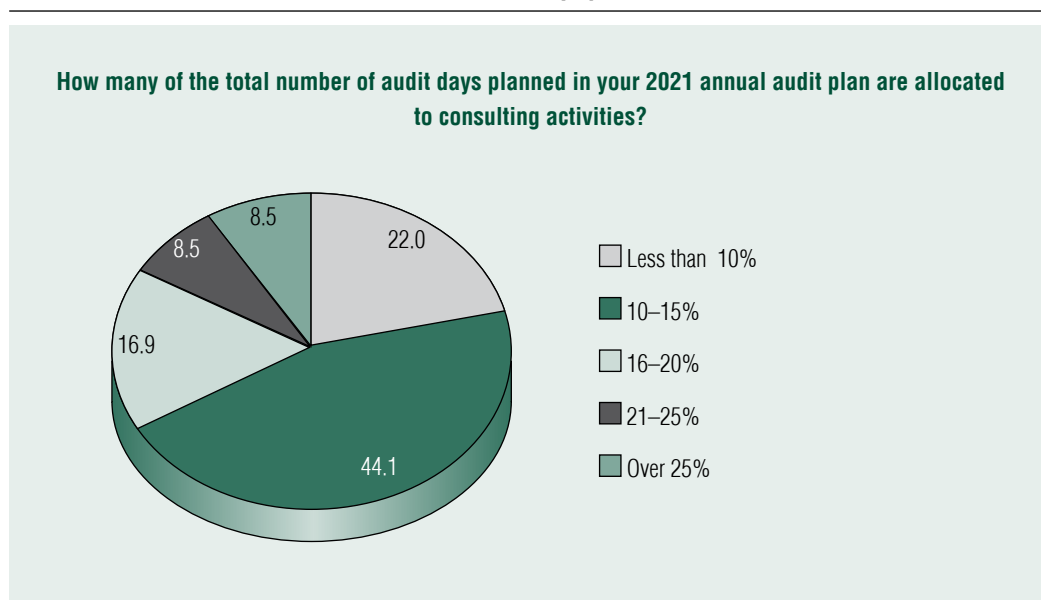
PROPORTION OF TIME PLANNED FOR CONSULTING SERVICES RELATIVE TO ALL AUDIT DAYS IN 2020 (%)



Source: own questionnaire survey

Figure 5

PROPORTION OF TIME PLANNED FOR CONSULTING SERVICES RELATIVE TO ALL AUDIT DAYS IN 2021 (%)



Source: own questionnaire survey

Table 1

PROPORTION OF TIME PLANNED FOR CONSULTING SERVICES IN THE THREE SURVEYS

Proportion of days planned for consulting services	Survey of 2018		Survey of 2019		Survey of 2021	
	for 2018	for 2019	for 2019	for 2020	for 2020	for 2021
	percentage					
Less than 10 percent	36.1	27.8	23.1	23.1	27.1	22.0
10 – 15 percent	33.3	27.8	50.0	50.0	44.1	44.1
16 – 20 percent	19.4	33.3	7.7	7.7	15.3	16.9
20 – 25 percent	0.0	2.8	15.4	15.4	6.8	8.5
Over 25 percent	11.1	8.3	3.8	3.8	6.8	8.5

Source: Kovács, R. and Kovács, T. (2018), Kovács, T. and Kovács, R. (2019), own questionnaire survey

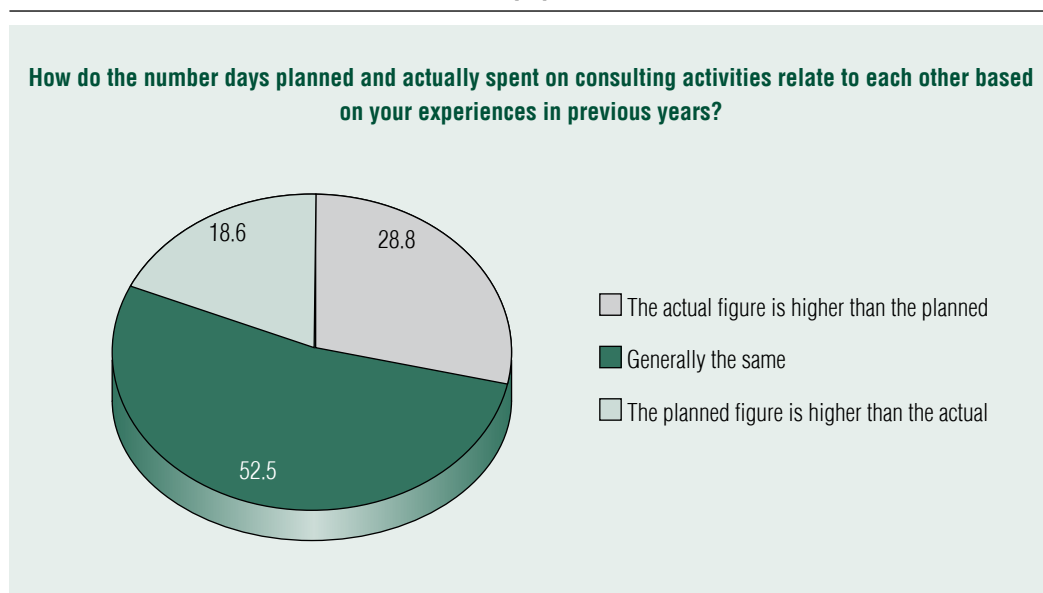
activities, supplemented by data from previous surveys, is shown in *Table 2*. In all three cases, far more people experienced the time spent on consulting activities exceeding the planned time, rather than the other way around.

Out of professional curiosity, I examined

whether there was a statistically significant correlation between the auditors' legal relationships and the time planned by them. Due to the small number of responses, I excluded from the analysis those who work concurrently as employees some place and as

Figure 6

RELATIONSHIP BETWEEN TIME PLANNED AND ACTUALLY SPENT ON CONSULTING ACTIVITIES (%)



Source: own questionnaire survey

Table 2

RELATIONSHIP BETWEEN PLANNED AND ACTUAL TIME FOR CONSULTING ACTIVITIES IN THE THREE SURVEYS

	2018-as felmérés	2019-es felmérés	2021-es felmérés
	percentage		
The planned figure is higher than the actual	16.7	19.2	18.6
Generally the same	44.4	38.5	52.5
The actual figure is higher than the planned	38.9	42.3	28.8

Source: Kovács, R. and Kovács, T. (2018), Kovács, T. and Kovács, R. (2019), own questionnaire survey

external service providers some other place. I came to the conclusion that there is no significant correlation between the two aspects (for 2020: $\chi^2 = 1.973$, $p = 0.578$; for 2021: $\chi^2 = 1.823$, $p = 0.610$). I also examined whether there is a relationship between the number of organizations audited by a professional (working with one or more organisations) and

the time planned for consulting activities. For the analysis, I classified those planning more than 20 percent for consulting services into a single category. The study yielded ambiguous results (for 2020: $\chi^2 = 5.460$, $p = 0.141$; for 2021: $\chi^2 = 9.437$, $p = 0.024$), so what perhaps can be stated with some caution is that a higher proportion of those working with multiple

organisations plan to spend more than 20 percent of their time on consulting activities. Finally, in an effort to find an answer to 'who plans better?', I analysed whether there is some correlation between legal relationships and the number of audit days planned versus actually spent on giving advice, as well as between the number of organizations served and the planned number of days relative to the actual number of days. The answer is that there is no significant correlation ($\chi^2 = 0.436, p = 0.804$, and $\chi^2 = 0.109, p = 0.947$).

In everyday life, it may happen that advice is not requested by heads of budgetary institutions or chief executives of companies, but rather by some subordinates. The previous two studies found that many internal auditors often experience such situations. This year, 16.9 percent of respondents to questionnaires indicated that, on average, at least once a week,

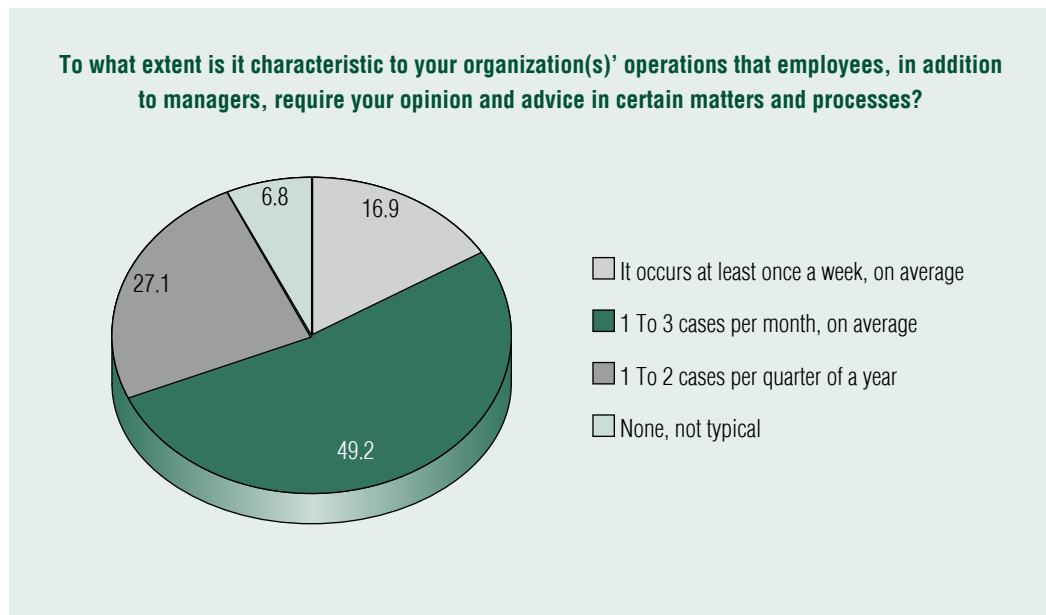
employees other than managers seek their advice. Nearly half of the auditors experience 1 to 3 cases per month, and more than a quarter of them 1 to 2 cases in three months. For 6.8 percent of respondents, such cases do not or not typically occur. The results are illustrated graphically in *Figure 7*.

The 2018 and 2019 surveys found that requests for consulting services are more often received orally than in writing. The current primary research revealed the same result. Two-thirds of respondents indicated that oral requests were more common than written requests. Moreover, 18.6 percent of them always receive assignments for consulting services orally. Results are shown in *Figure 8*.

At the end of the questionnaire, I considered it important to find out how internal auditors document their consulting activities provided at oral requests. Open-ended and optional

Figure 7

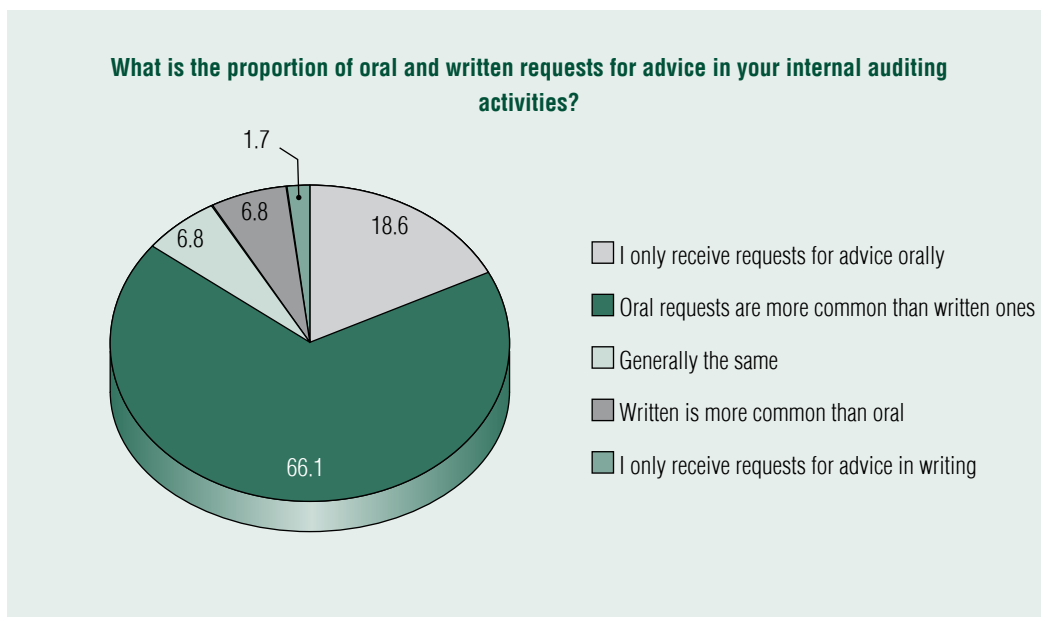
ASSESSING THE OCCURRENCE OF REQUESTS FOR ADVICE FROM NON-MANAGERS (%)



Source: own questionnaire survey

Figure 8

RELATIONSHIP BETWEEN ORAL AND WRITTEN REQUESTS FOR CONSULTING SERVICES (%)



Source: own questionnaire survey

questions have been answered by a relatively high number of respondents. In 2018, 2019, and 2021, 94.4 percent, 92.3 percent, and 96.6 percent of respondents answered such questions, respectively. In 2021, however, 2 responses were eventually dropped from the evaluation due to a lack of understanding of the relevant issues. At the end of 2018, we found that 14.7 percent of respondents do not document oral requests in all or most cases. The disadvantage of open-ended questions is that answers often fail to reveal exactly what oral requests are made for. There are respondents for whom oral advice constitutes only a few minutes of discussion that they do not consider to be work. In some cases, it turned out that the relevant person answers only non-managerial questions orally. In the 2019 survey, no-one claimed not to document activities performed on oral requests. Answers

suggest that a memorandum, at least, is made in all or most of the cases. As for the cases of simpler advice requiring a short time (such as 'looking for some legal regulation relevant to a specific issue'), a quarter of the auditors indicated to some extent to omit documentation. In 2021, for nearly one-tenth of the responses evaluated (9.1 percent) it is revealed that, in all or most of the cases, auditors do not document their consulting activities provided upon oral requests. Most of the respondents take at least some notes; some of them keep records; and there are also examples of preparing summary reports, reports, or minutes.

Finally, the auditors involved in the research were requested, free from any obligation, to share their thoughts and suggestions regarding consulting services. The majority of the 17 respondents consider

this activity important and useful; some of them say it should be given even more emphasis, as there is a significant demand from certain organizations. However, in some places, not all leaders have awareness and/or need for this service, although it would be good if 'in many cases they asked questions first and acted only thereafter'. Two respondents indicated that it would be good to strengthen external professional support, for example, the Internal Audit Manual template could deal with consulting activities in more detail, and it would be useful to provide and organize professional consultations. Two auditors mentioned that 'paperwork' for consulting services is too complicated and cumbersome, and one auditor indicated a dislike of consulting activities. To conclude the chapter, I quote some remarks that are to the point, valuable, or thought-provoking:

'In my opinion, there is an increasing need to strengthen consulting activities; the chief executive explicitly demands such services, and so do some professional areas and some not specifically professional ones (e.g. data protection in the healthcare and social care sectors). However, care should be taken to distinctly separate operational tasks in accordance with the relevant legal regulations.'

'I find consulting services performed by internal auditors very useful because it provides an opportunity to correct systemic errors without the stress and conflicts caused by audits. This requires, of course, internal auditors who are recognized professionals and have considerable expertise.'

'Oral requests are typical, but clients expect me to respond in writing, if necessary, they want me even to request expert opinions from the Tax Authority.'

'In the past 12 years, I carried out internal audits for at least ten budgetary institutions, in addition to being continuously employed at

two different organisations during this time. Managers are confident that internal auditing is ex-post and financial in nature. In my two permanent jobs, it took me at least three years to change the views of managers about this. 'Pre-event pills are more effective than post-event ones.' Well-functioning controls are more effective than saying 'tut-tut' subsequently after audits; therefore, advice (detailed guidelines) had to focus on developing controls. After about the fifth year, managers became aware of the importance of the role internal auditors may play in the preparation of decisions and organizational restructuring. As soon as a new manager arrived, this period started all over again. The 'importance' of internal auditing is not reflected in standards, which is related to the efficiency and utilization of internal audit work. It would be important for the documented obligation to appear in standard texts, along with the appointment of heads of internal audit by proprietors. Requiring (recommending) at least 50 percent of the audit work to be devoted to consulting activities could also lead to efficiency gains.'

CONCLUSIONS AND RECOMMENDATIONS

Respondents to the questionnaire survey make up less than 2 percent of registered public sector internal auditors, so we need to refrain from making in-depth conclusions, but looking at previous studies, I think that some trends can be observed. Based on the results of the non-representative surveys, we can state the following.

The growing importance of consulting activities is noticeable in the public sector, with internal auditors planning more and more time to spend on it on average. In fact, the time planned to be spent on providing advice is not enough for many of them. This can, in extreme

cases, jeopardize the performance of auditing activities when insufficient care is taken.

According to legal regulations, advice may be provided on the initiative of heads of budgetary institutions, heads of internal audit, or representative bodies at municipalities (Gov. Decree 370/2011). In the case of companies, supervisory boards may also seek advice (Gov. Decree 339/2019). However, results show that often not only managers make requests for advice. I believe that this could also jeopardize the performance of audit tasks and, in the event of inadequate procedures, independence, too. Appropriate information provided to employees by managers is recommended in such cases.

Lack of documentation of work performed upon oral requests is observed for a small number of auditors; however, in addition to non-compliance with legal regulations, which is a problem in itself, failing to support internal audit activities may also cause problems. It would be appropriate to focus more on this obligation in training programmes.

In addition to professional training programmes, recommendations and sample documents prepared by authorities may be of great help and, in practice, there may be a need for more professional consultations and forums. All this may further raise the standard of internal audit work and increase the added value of these activities.

NOTES

¹ In fact, this is not true for all publicly owned companies, as Act CXXII of 2009 on the more economical operation of publicly owned companies imposes an obligation only above a certain size.

² Government Decree 370/2011. (XII. 31.) on the internal control systems and internal auditing of budgetary institutions (hereinafter: Gov. Decree 370/2011) and Government Decree 339/2019. (XII. 23.) on the internal control systems of publicly owned companies (hereinafter: Gov. Decree 339/2019).

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