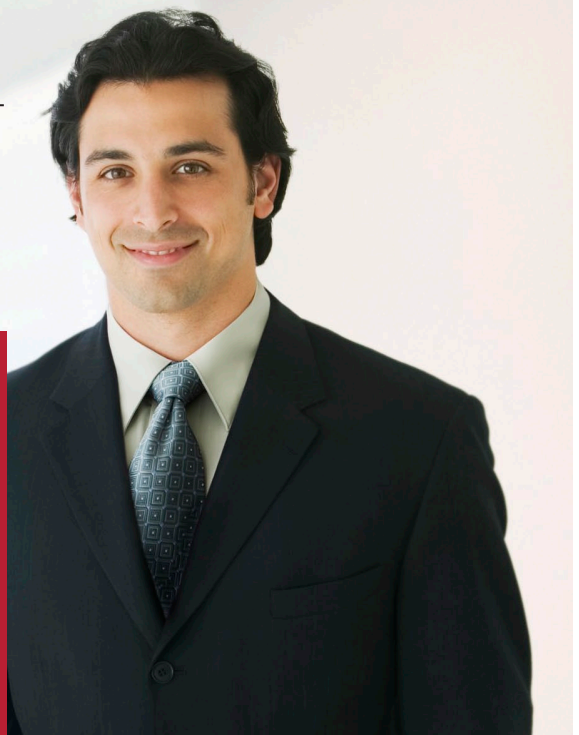

SAP Controls Advisory

Building efficient, effective
and consistent control
environments

SAP Controls Advisory Overview



Background / context

Over the last 15 years most large organisations have embarked on strategic ERP investment programmes. Improved data and information, standardised processes, common platforms and improved supply chains are just a few of the key drivers. Most of these organisations have struggled to build sustainable control systems, often leading to manual, inconsistent, high cost control environments.

One of the principle reasons for this is a lack of a “built in” control process, that should be developed via a dedicated Controls Stream embedded within any change programme.

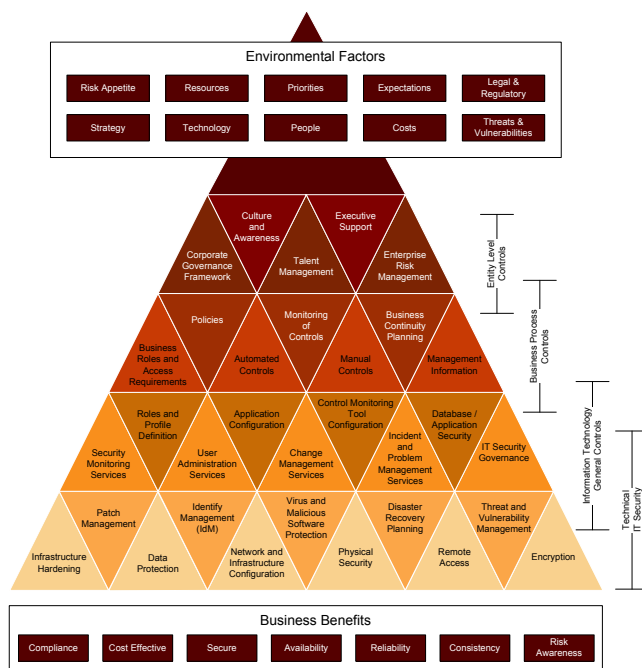
Good business controls in and around your SAP systems are critical to ensure your organisation gets value from ERP investments and sustains effective, reliable control environments.

Key benefits

An efficient, effective and consistent control environment brings a number of advantages to an organisation, including:

- Improved management of risk, reducing the likelihood or severity of adverse events,
- Improved decision making through the provision of more timely, accurate and reliable information,
- Reduced cost of complying with relevant regulatory requirements, including the cost of monitoring and testing the environment,
- Standardised and sustainable business processes across the organisation, and
- Management attention focused on value-adding activities and strategic decision making rather than “fire-fighting” compliance issues.

Holistic security & Controls Model



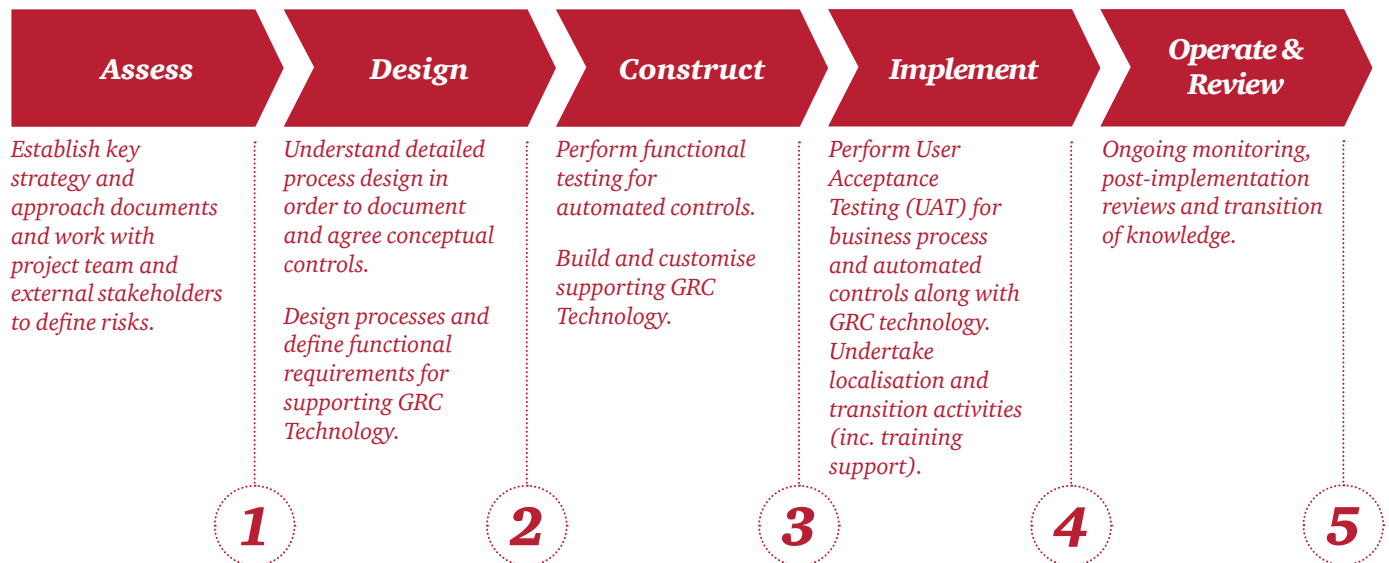
Approach overview

- SAP Controls design and implementation which tends to occur in the context of a wider transformation programme and involves the complete rebuild of controls and controls technology.

SAP Controls design and implementation



SAP Controls design and implementation



1 Assess Phase

Key project tasks will include defining business requirements and establishing the appropriate governance and project management frameworks to support the project going forward.

From a controls perspective the scope will be defined along with the risks. Control Key Performance Indicators (KPIs) will be developed and agreed. These risks and KPIs will effectively form the requirements for the controls team in the subsequent phases

The business requirements for any supporting Governance, Risk and Compliance (GRC) technology (such as the SAP GRC suite) will be defined along with initial vendor selection.

REF.	RISK	OPERATIONAL	FINANCIAL	SOX	LIKELIHOOD	IMPACT
IM.R001	Warehouse schedule is infeasible due to incomplete planning of resources resulting in tasks not being able to be executed	■	■	■	■	■
IM.R002	Incorrect Goods Receipt in terms of SKU or Quantity resulting in correct Inventory balance for planning and Financial reporting purposes	■	■	■	■	■
IM.R003	Incorrect Recording of Goods Disposal resulting in correct Inventory balance for planning and Financial reporting purposes	■	■	■	■	■

Example Risks - Illustrative Only

2

Design Phase

Detailed process design will be completed in this phase along with functional requirements for any developments to be undertaken in the next phase. Controls are designed at the conceptual level and embedded in the “to be” processes, leveraging existing PwC SAP intellectual property. GRC Technology will have similar deliverables to the project systems, including detailed processes and functional requirements.

3

Construct Phase

Designed processes and systems will be built and tested (unit, functional and integration testing). The SAP automated controls identified in the design phase will be validated as part of the functional testing. Any GRC Technology will be constructed per the design, and tested accordingly.

4

Implement Phase

During this phase the technical system will be implemented. During UAT, both SAP automated and semi-automated controls will be validated in the test system.

Controls will be included in training and transition plans to ensure that users are ready for the new control environment. GRC technology will also be subject to UAT, transition plans and readiness checks.

5

Operate & Review Phase

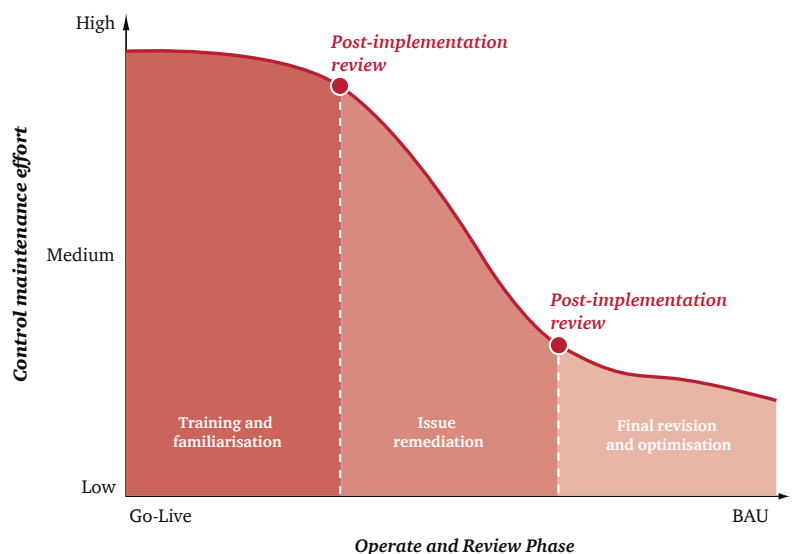
During the Operated Review phase ongoing monitoring of controls and post-implementation reviews will ensure that the control environment is operating as designed. Knowledge transfer from the project team to those responsible for maintaining the control environment going forward will also be completed.

REF.	CONTROL	FREQ.	AUTO.	PREVENT.
IM.C001	Weekly Warehouse schedule Warehouse Planner reviews the following reports to manage capacity: - Planned Goods Receipts (incoming) - Outgoing Deliveries (pick/dispatch) and - Scheduled Work Orders/Counts The Planner will co-ordinate with other areas to make any amendments and the consolidated schedule will be approved by Warehouse Manager	Weekly	Semi-automated	■
IM.C002	Over Delivery Tolerance suppressed at transaction level SAP is configured (per document type/transaction code) to display/suppress the “Unlimited over delivery” and “Over/Under delivery” tolerance fields at the Purchase Order/Stock Transport Order level”		Automated	■

Example Controls - Illustrative Only

REF.	CONTROL
Test 1	Weekly Warehouse schedule
1.1	Review “Planned Goods Receipts (incoming)” report and ensure that all income GR for the Plant 001 are included.
1.2	Review “Outgoing Deliveries (pick/dispatch)” report and ensure that all outgoing Deliveries for the Plant 001 are included

Example Controls - Illustrative Only



Client Citation

Industry	Retail & Consumer goods
Country	UK
Annual revenue	\$18 billion
Number of employees	70,000
Number of SAP users	9000+
SEC Registered	No

Background

A global consumer goods company embarked on a major business transformation programme, where global template back and front office processes are being designed and deployed.

The programme involves significant changes to systems, processes, people and governance structures raising significant challenges to the future control environment.

To accelerate the process of designing and implementing a sustainable control environment with a view to making it more effective and efficient to operate, the company approached PwC to support a dedicated Controls Stream embedded within their multi-year transformational programme.

What are the main drivers for investing in controls?

- Improved decision making through the provision of more accurate and reliable information
- Releasing management's time to focus on value-adding activities and strategic initiatives rather than "fire-fighting" compliance issues
- Reduced cost of compliance with regulatory requirements
- Supporting the effort to standardise the business processes across the organisation

What has the client achieved/currently delivered?

- Developed a repository of global template "best-in-class" controls to be deployed as part of their business transformation programme
- Deployed controls embedded into business processes which support strategic business objectives across multiple markets
- Detailed testing plans are currently available for future monitoring activities
- Implemented technology to continuously monitor the operating effectiveness of the control environment

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