Enabling the transition to SAP S/4HANA with confidence
Internal Audit - navigating the biggest risks to organizational success

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SAP S/4HANA Transformation Opportunities and Risks for Internal Audit Functions

As companies are centralizing, standardizing, and modernizing their business processes using new SAP S/4HANA products, organizations need to have confidence that S/4HANA governance is appropriately designed and the risks of implementation are identified and adequately managed. Internal Audit has a critical role to play to provide independent assurance, challenge and support so that SAP S/4HANA implementations deliver and critically do not negatively impact operations, finance, technology, regulatory requirements and the ability to deliver on strategic objectives.

Why should internal audit play a key role?

Support success by moving from a _reactive_ to a _proactive_ approach

A proactive internal audit approach to managing SAP S/4HANA implementation risks focuses on the management of project risks, considers areas for automation to drive efficiencies in business processes, identifies gaps in design and build, and addresses internal control gaps requiring remediation prior to go-live. Internal Audit implementation assessments increase the likelihood of project success via improved governance, greater business satisfaction, and a solid internal controls structure.

Key SAP S/4HANA Implementation Risks Internal Audit Should Consider

Scoping & definition	**Inadequate scoping and definition requirements** may lead to pressure on delivery timescales, resources required, and failing to meet operational business needs. Lack of clearly defined scope also limits successful stakeholder engagement and support.
Data quality & migration	**Insufficient data validation** prior to migration and **inaccurate data conversion** may lead to an increased risk of inaccurate financial reporting and need for manual intervention later on.
IT security	Flawed **security design,** inaccurate **user set up**, or inappropriate **security configurations** may lead to increased post-implementation support requirements, disruption in transaction processing, data security risks, backdoors for fraud, or unacceptable cyber risks.
Governance & Set-up	**Insufficient project governance controls, assurance and oversight** may lead to challenges keeping the programme on track and **ineffective internal controls** could impact regulatory requirements. **Cloud governance** oversight may not be sufficient.

Testing & validation	**Incomplete and insufficient testing** may lead to disruption or inefficiencies in transaction processing. Lack of optimal use of SAP S/4HANA automated capabilities may lead to increased manual efforts.
Cultural & behaviors	**Lack of a clear plan to understand, set up and deploy cultural and behavioral change**, may lead to a significant risk people will continue to "work the old way" and not realise the benefits of efficiency and automation.
Reporting	**Failure to consider reporting at the outset** or incorporate it as a core element of all work stream activities. Resulting in inadequate management and operational reporting and lack of sufficient consideration of controls and data quality in reporting.
Benefits realisation	Insufficient definition and tracking of benefits during the project may lead to poor decision making regarding project continuation and scope changes, leading to systems not fit for purpose.

How can Internal Audit help?

Working alongside the implementation project team, Internal Audit should perform risk based assessments at the key strategic phases and milestones providing real-time feedback to help avoid surprises upon go-live. Specific testing areas may include, but are not limited to, the following areas:

- Project risk management and oversight
- Data conversions/ integrity
- General IT controls
- Cloud security and third-party risks
- Automated controls and configurations
- Custom program security

- Regulatory requirements compliance
- Go / no-go decision criteria
- Risk and control matrices review and controls rationalization
- Interfaces and reports
- Sufficiency of user training and system onboarding
- Data privacy and security

- User acceptance testing (UAT) and System integration testing (SIT)
- Fiori / user security and Segregation of duties (SOD)
- Cyber security risks
- Database and IT infrastructure design and security
- Cutover and hyper care management
- Change management and behaviors

Deliverable	Real-time input and recommendations to avoid surprises

Why Deloitte

Award-winning SAP practice
Has implemented more than 3,000 SAP systems worldwide

Deep technical knowledge of SAP combined with Internal Audit methodology and experience in risk, compliance, internal controls, and SOX

Able to perform an objective assessment of SAP S/4HANA governance, risk and controls, and readiness prior to go-live

Highest level of SAP accreditation: Global Partner — Services
Tier 1 global alliance with SAP since 1989

Bringing standard risk and control matrices for the SAP S/4HANA application, database, infrastructure, and process controls

Access to subject matter specialists when specialized technical skills in accounting, treasury, privacy, or cyber is needed

Timeline

The timing of the assessment determines the balance between the opportunity to implement and/or automate the right set of controls for effective and efficient operation and reduces the need for re-work and remediation costs.

Blueprint	Implementation	Test	Go-live	Hypercare

SAP S/4 HANA limplementation assessment activities at different strategic phases

Re-work / remediation costs

Opportunity to implement and automate controls

Tools and accelerators

To increase the efficiency of service delivery and minimize the impact on project team members, Deloitte leverages proprietary tools/accelerators including, but not limited to, the following.

Automated Controls Testing Tool (ACTT) – *automated testing of configurations, sensitive application security access, and SOD risks*

Process X-Ray – *leverages your own Enterprise Resource Planning (ERP) data to obtain complete transparency into major end-to-end processes*

Enterprise Value Delivery Methodology (EVD) – *pre-configured process deliverables and accelerators*

Governance Risk Compliance Accelerator – *SOD standard matrices*

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