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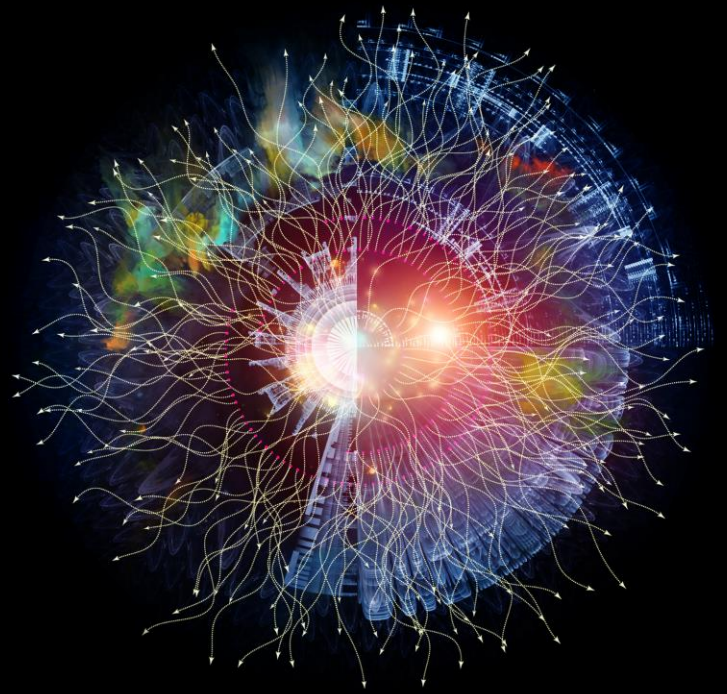

Stay on top of risk along your S/4HANA journey

Enhance controls, reduce the cost of compliance and manage risks through S/4 implementation

29 April 2021

MAKING AN IMPACT THAT MATTERS since 1845

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Leveraging S/4 functionality to optimize & enhance internal controls

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Addressing the new IT, compliance and business risks originating from an S/4 implementation

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Case for change: internal controls & S/4 benefits

Introduction

Stay on top of risk along your S/4HANA journey – kickoff

SAP's next-generation business suite, S/4HANA, delivers technical & functional innovations representing great opportunities but also risks in terms of digital transformation.

Deloitte Risk Advisory NSE presents a dedicated webinar series: "Stay on top of risk along your S/4HANA journey".

The first webinar of the series aims to provide you an overview of the compliance and control optimisation opportunities that an S/4HANA implementation represents.

Up next

- RPA for efficient Security compliance
- Software Quality in an Agile, DevSecOps, CI/CD context
- Data Quality Risk
- Digital Controllership
- Test automation
- Licensing optimisation

Introduction – internal control optimisation

S/4HANA represents a solid opportunity for companies to simplify, standardize and modernize their business processes.
However, the changes induced by such digital transformation can also unbridle new risks!

Adopting faster, more digital business processes, require equally transformative risk and control strategies.

And migration to S/4HANA is actually the perfect timing to consider control framework transformation.

Your journey to transform the internal control function into a true strategic business partner starts today.

Where is your organization on the S/4 implementation/upgrade journey?

- Not started
- In progress
- Complete

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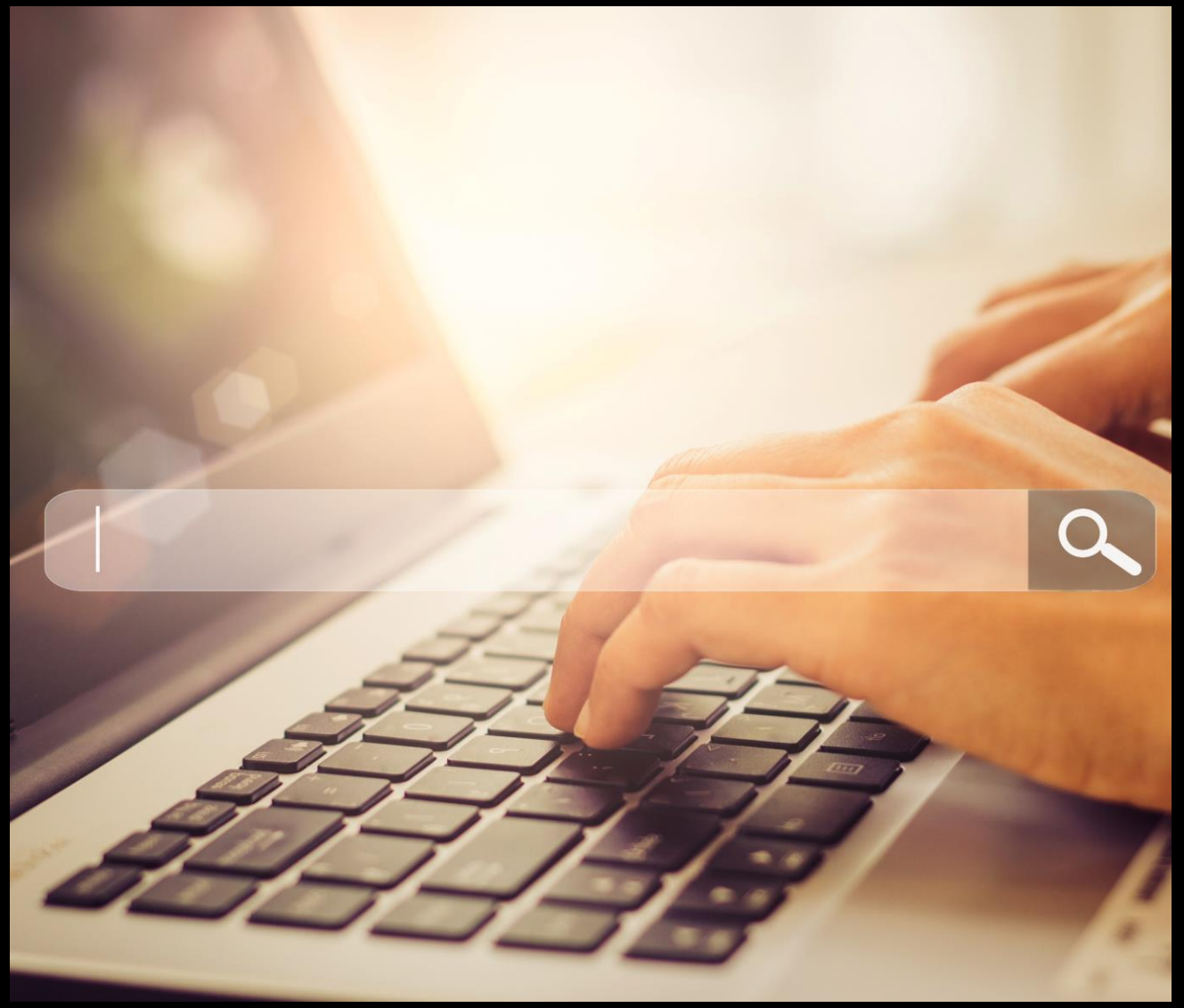


SAP S/4HANA: At the core of SAP's digital transformation

What is S/4HANA and the HANA ecosystem

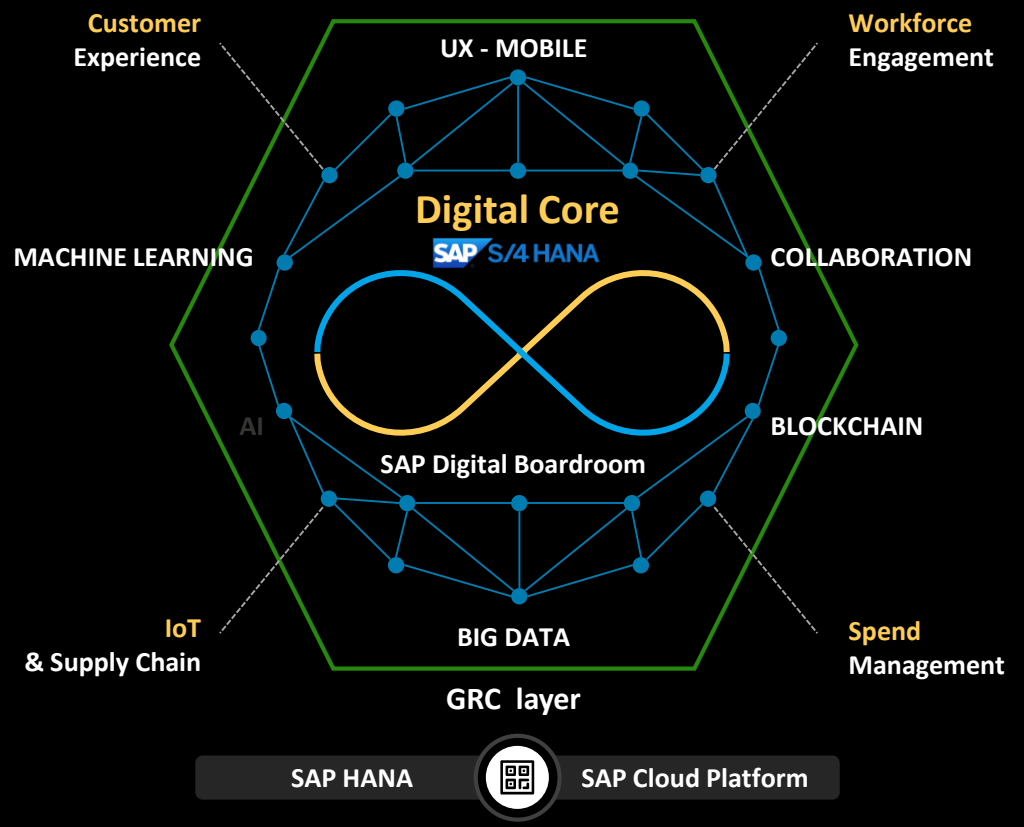
- Digital Core – Simpler and Faster
- Cloud
- Innovation Platform

Why is this relevant

S/4 HANA 'upgrades' are often driven based on a 'Finance-first' approach, as business transformations and not IT implementation

SAP Hybris

SAP Leonardo



SAP Fiori
SAP SuccessFactors
SAP Fieldglass

SAP Ariba
SAP Fieldglass
CONCUR

Characterised by simplification, massively increased efficiency, and compelling features as collaboration, planning and simulation options in many conventional transactions

Moves away from the transactional system that records data to an environment that gives end users active decision support in real-time, based on data from both internal/external sources

The entire value chain is digitised, including the Digital Core that serves as the foundation for business innovation and optimisation

Case for change: internal controls & S/4 benefits

1. Case for change: internal controls & S/4 benefits

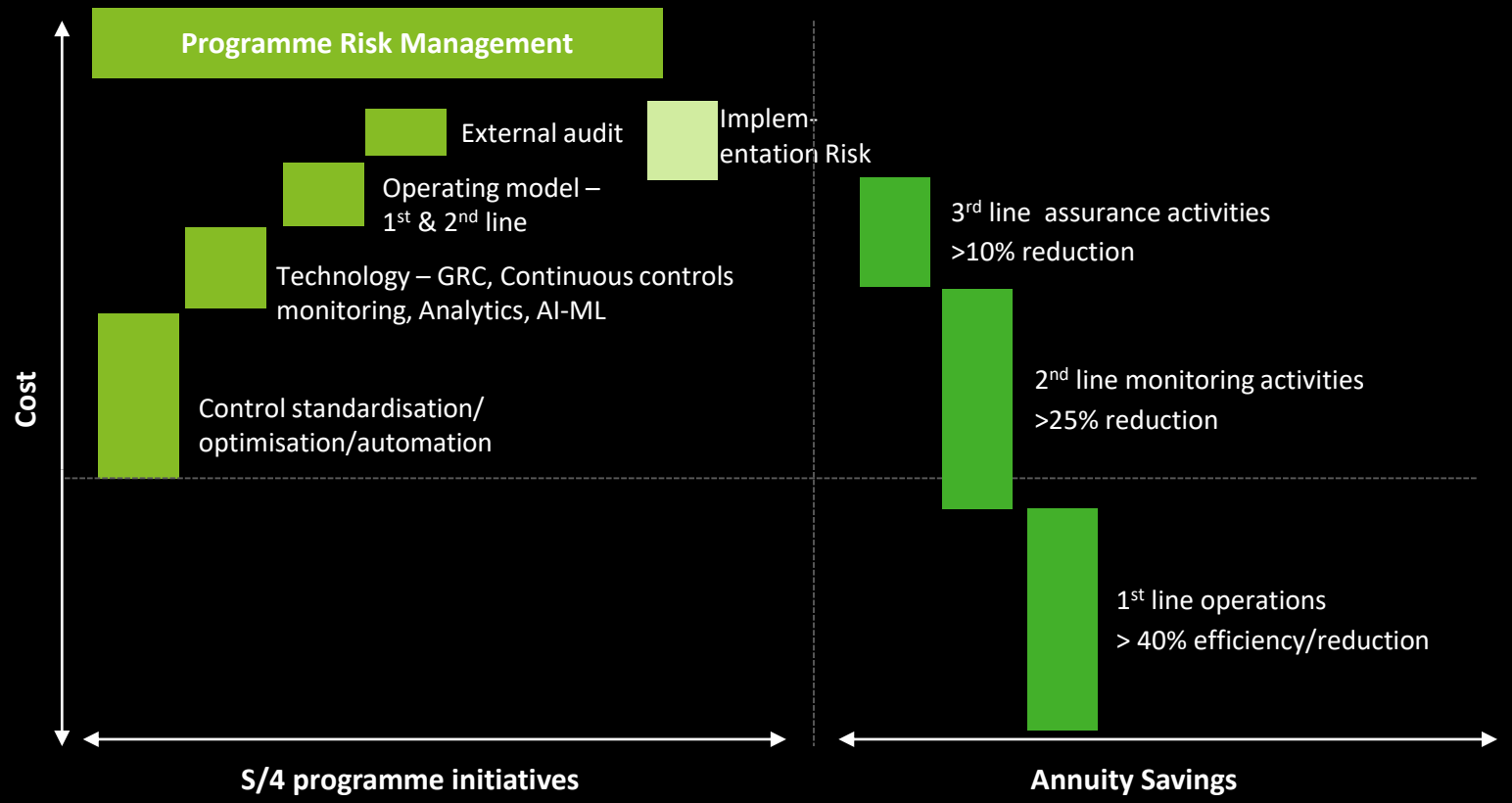
1. Improved controls quality and effectiveness. Managed regulatory compliance

2. Increased line of sight of risk exposures- real time

3. Significant opportunity for FTE savings. Reduced cost of implementation

4. Less burden on the business. Reduced complexity

5. Managed transition/ transformation risk



The business case – Eliminate, Automate, Streamline, Simplify. Addressing Risk → Enhanced Controls, Operational Discipline

Generate ongoing savings and reduce Total Cost of Controls – up to 20-30% annual savings in current cost of compliance and controls

1. Case for change: internal controls & S/4 benefits

Typical current state

The majority of organizations have a heavy manual, rigid, multi-layered and fragmented control environment.

20% automated controls

85% Detective controls

- Manual oversight
- Local processes and dozens of control variants

How to get to the target end state?

- Automation/RPA (+)
- Analytics (+)
- Continuous controls monitoring (+)
- Duplicated controls (−)
- Controls not mitigating a real risk (−)

30% Cost savings

Typical end state

Organisations that have completed the transformation journey benefit from a robust, cost effective and agile control framework.

60-80% automated controls

60% Preventive controls

- Use of technology for controls execution, monitoring and oversight
- Global processes and 1 RCM

Effectiveness – Improved quality and consistency of control operation

Transparency – Usable and timely information on state of controls design and operating effectiveness

Flexibility – Easier to adapt for future business change

Sustainability – Ongoing and scalable approach to maintain and govern risk and control activities

Efficiency – Lower cost (internal and external) of operating and assuring controls

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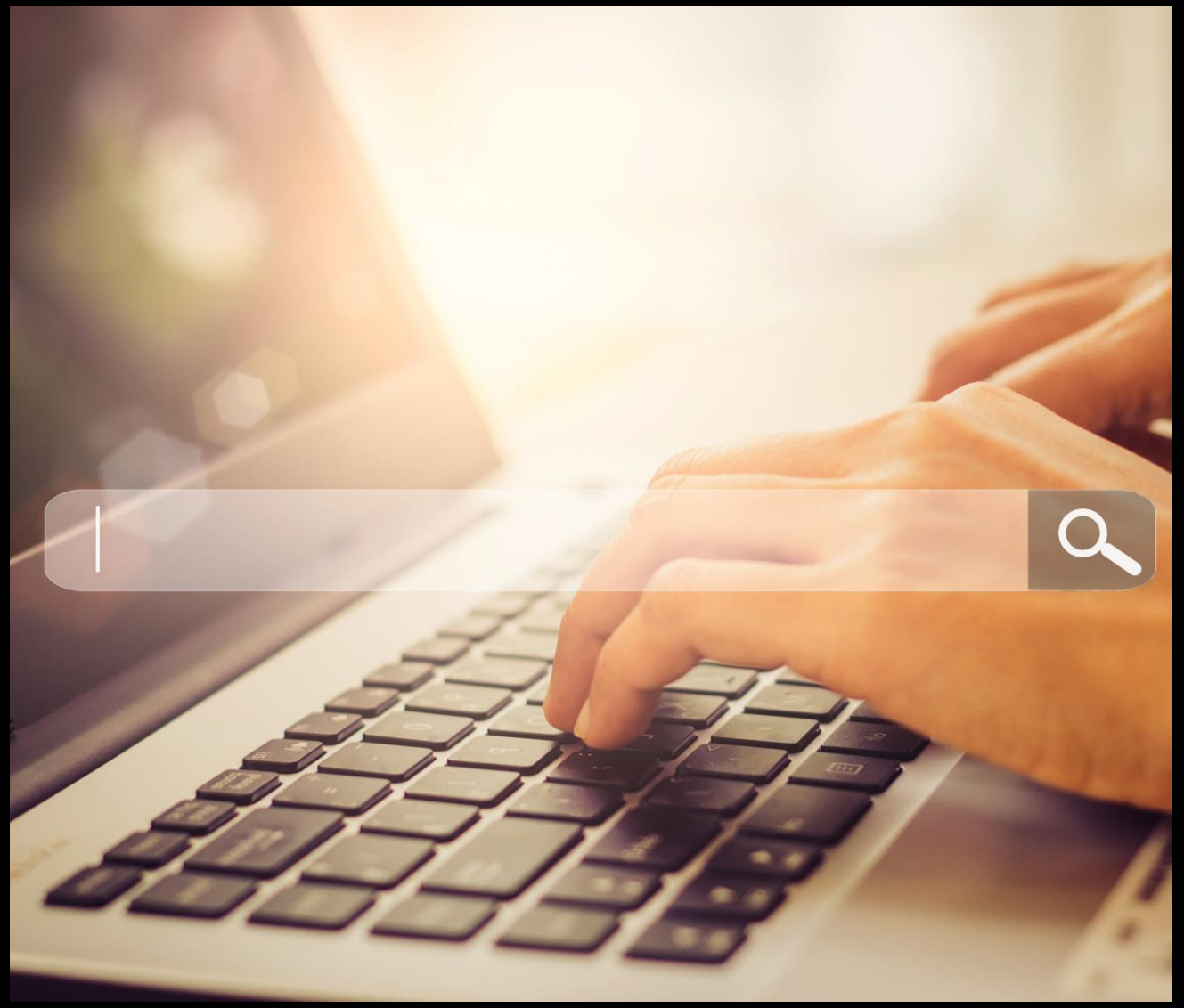
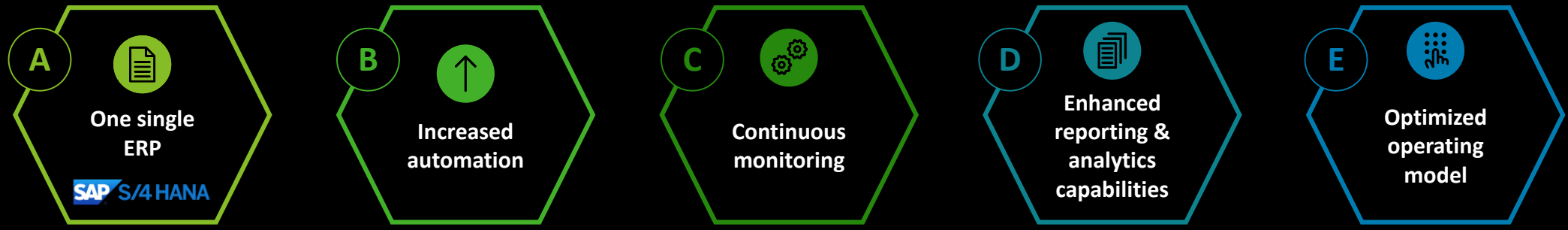
How automated are your organization's internal controls?

- 0-20% Automated
- 21-40% Automated
- 41-60% Automated
- 60+% Automated



How S/4 functionalities can be leveraged to optimize and enhance internal controls

Levers to optimize and enhance internal controls



Process benefits	Single source of truth based on consistent high-quality data that allows for reliable reporting, including clean master data	Reduced manual efforts and operational costs	Real-time monitoring and increased transparency to risk exposure	Better and more value adding business decisions that can be made real-time, ad-hoc and flexibly (customized)	Service delivery models to record, model, analyze and report on transactions
Controls benefits	**ELIMINATE** 01 Rationalized controls that are risk aligned **STANDARDISE** 02 Standardized controls (one single Risk & Control Matrix)	**AUTOMATE** 03 Automated and smart control environment 04 Built-in preventive compliance 05 Reduced risk of manual errors	**STREAMLINE** 06 Efficient and effective continuous controls monitoring and assurance, reducing the need for manual testing effort	**EVOLVE** 07 Dashboards and reports that provide insight with leading and lagging controls indicators 08 Predictive analytics and enriched control decisions	**SIMPLIFY** 09 Clear roles and responsibilities for controls operations and assurance between different functions and across lines of defense and markets 10 Centralization of control services leverages expertise to provide controls assurance and monitoring services

Where do you see the key opportunities for improvement?
(1-5 scale – Low to High)

- 1. Optimize controls framework
- 2. Increase controls automation
- 3. Improve controls monitoring and reporting
- 4. Embed controls (ownership, accountability, training)
- 5. Streamline controls operating model (3LoD, org structure etc)

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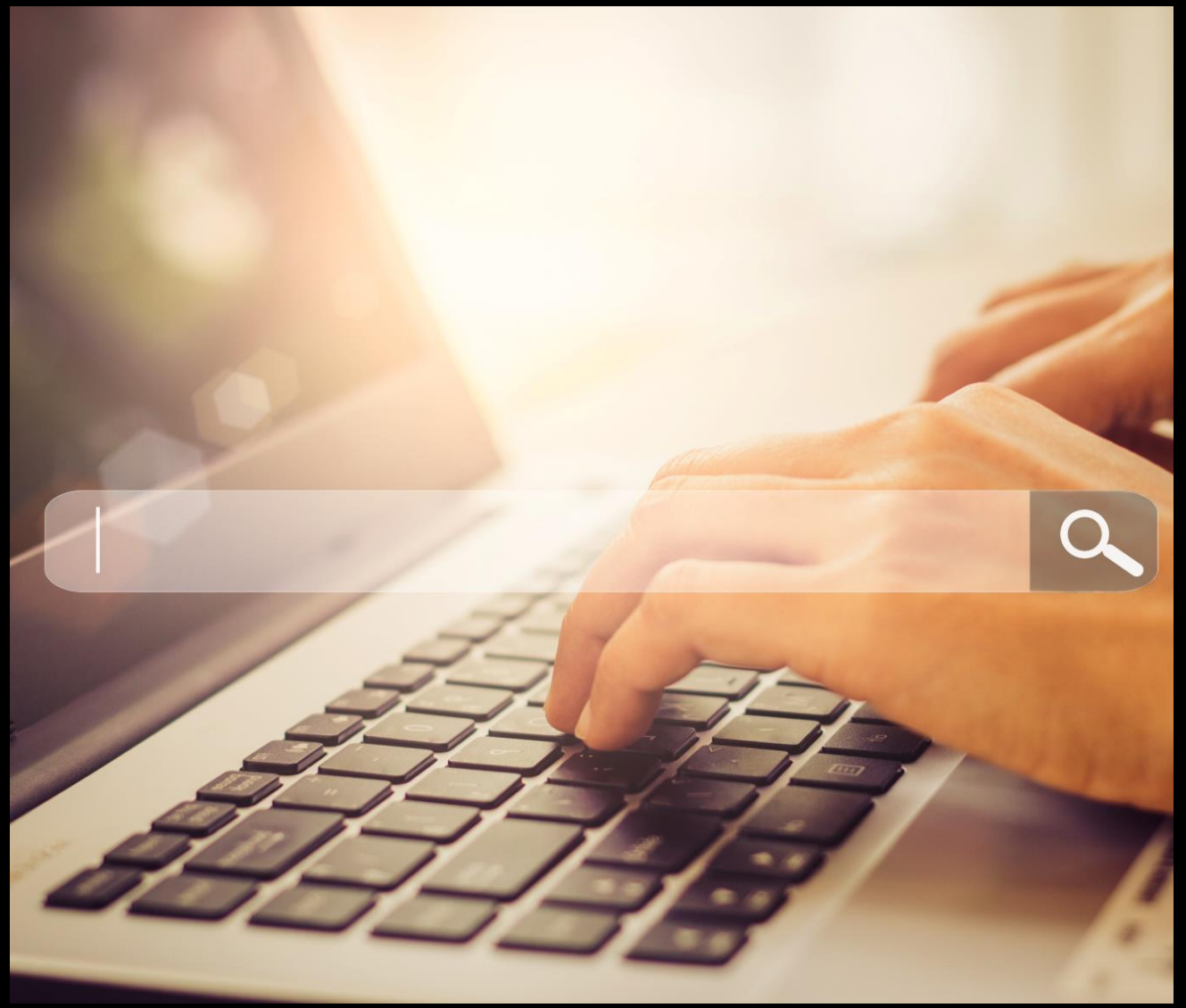
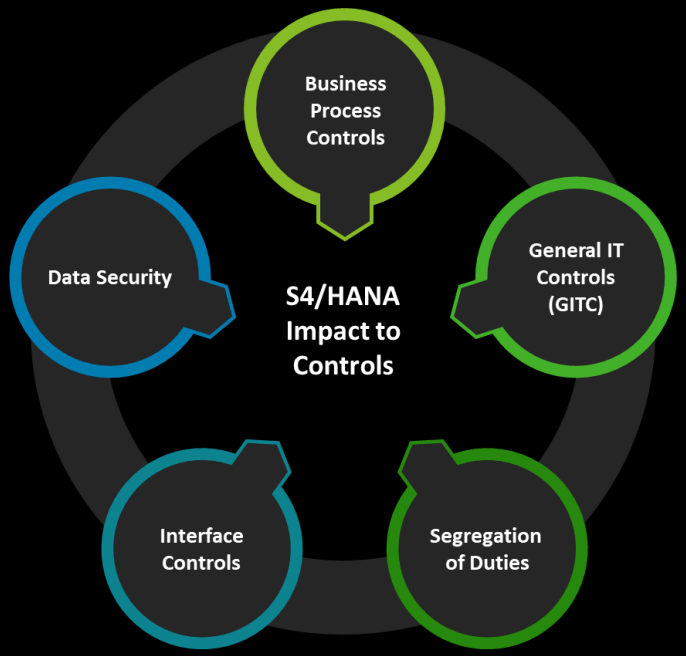


Embed controls as part of the S4 design and implementation from the outset



Prepare	Explore	Realise – Build	Realise – Test	Deploy	Run
Plan and prepare for the project	Approach & Solution Design	Implement Solution	Test and validate the solution	Deploy the solution	Support system and close the project
Key Tasks to Deliver "Embedded controls"					
Set the vision for controls and compliance	Design S4 controls	Design/ rationalise controls, as appropriate	Validate controls, roles and GRC design	Support User Acceptance Test (UAT – final adjustments)	Post go live support – controls, GRC and roles
Requirements identification	Identify best functional-technical solution	Design and build roles (business, IT & SoD ruleset	Support UAT planning and testing scenarios	Training and awareness	Handover
Develop Controls, Access, Data, Security and Privacy Approach	GRC tool architecture and configuration requirements	GRC tool settings/ configuration	Develop Service Delivery Transition Plan	Conduct Deployment Go/No-Go	Close Project
Define solution features and tech roadmap	Develop organisational, functional & technical specifications	Develop Go/No-Go Criteria and Deployment Plan	Analyse SoD and remediate/ mitigate	Execute GRC production deployment	
		Validate with stakeholders (E.g., external auditors)			

Addressing the new IT, compliance and business risks originating from an S/4 implementation

If you are implementing or have implemented/ upgraded to S/4HANA, is internal controls transformation part of this journey?

- Yes
- Partial, but only a lift and shift from legacy
- No
- Not yet, thinking about it

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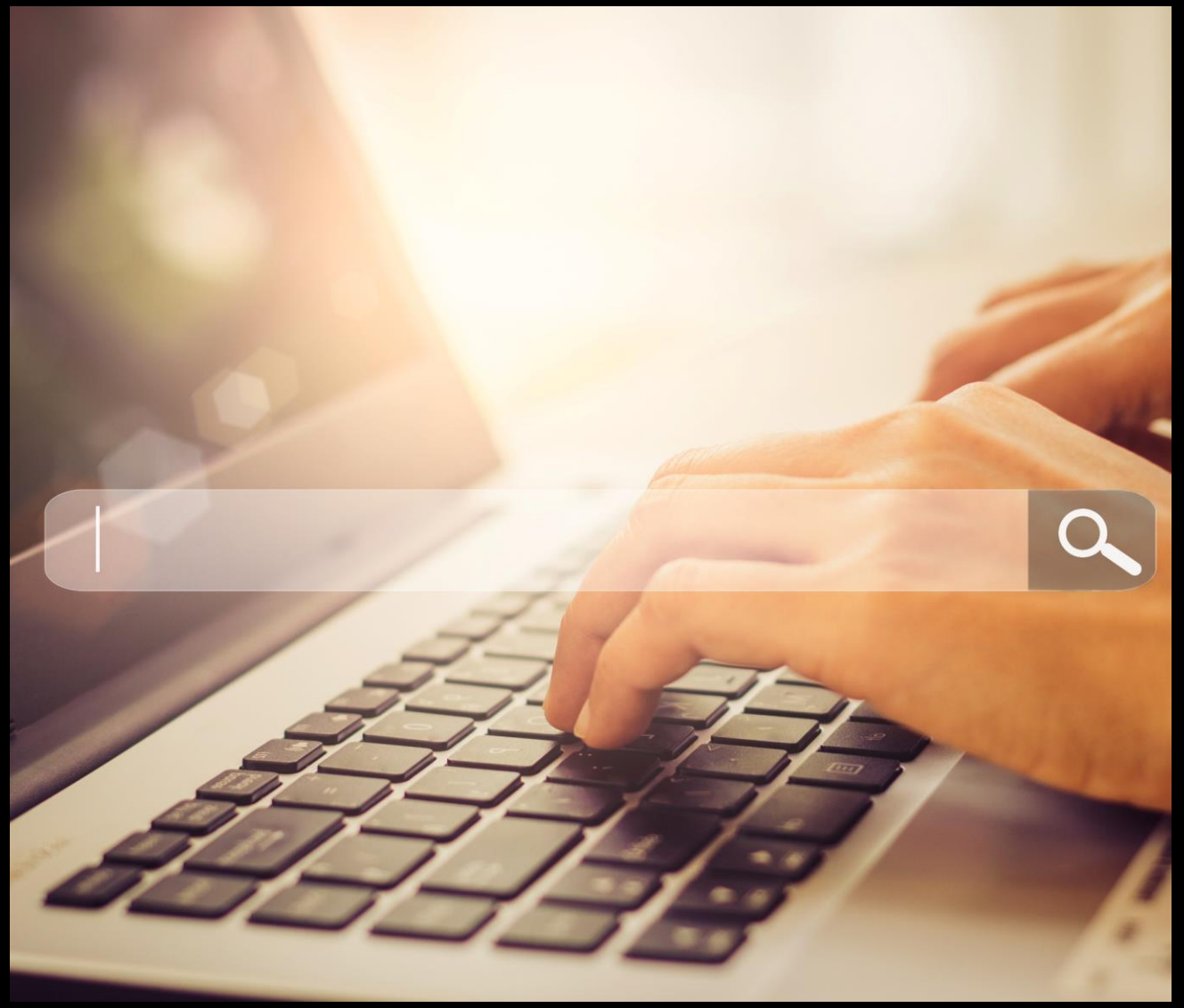


SAP S/4 HANA Risk Landscape

S4 main areas of risks related to Internal Control

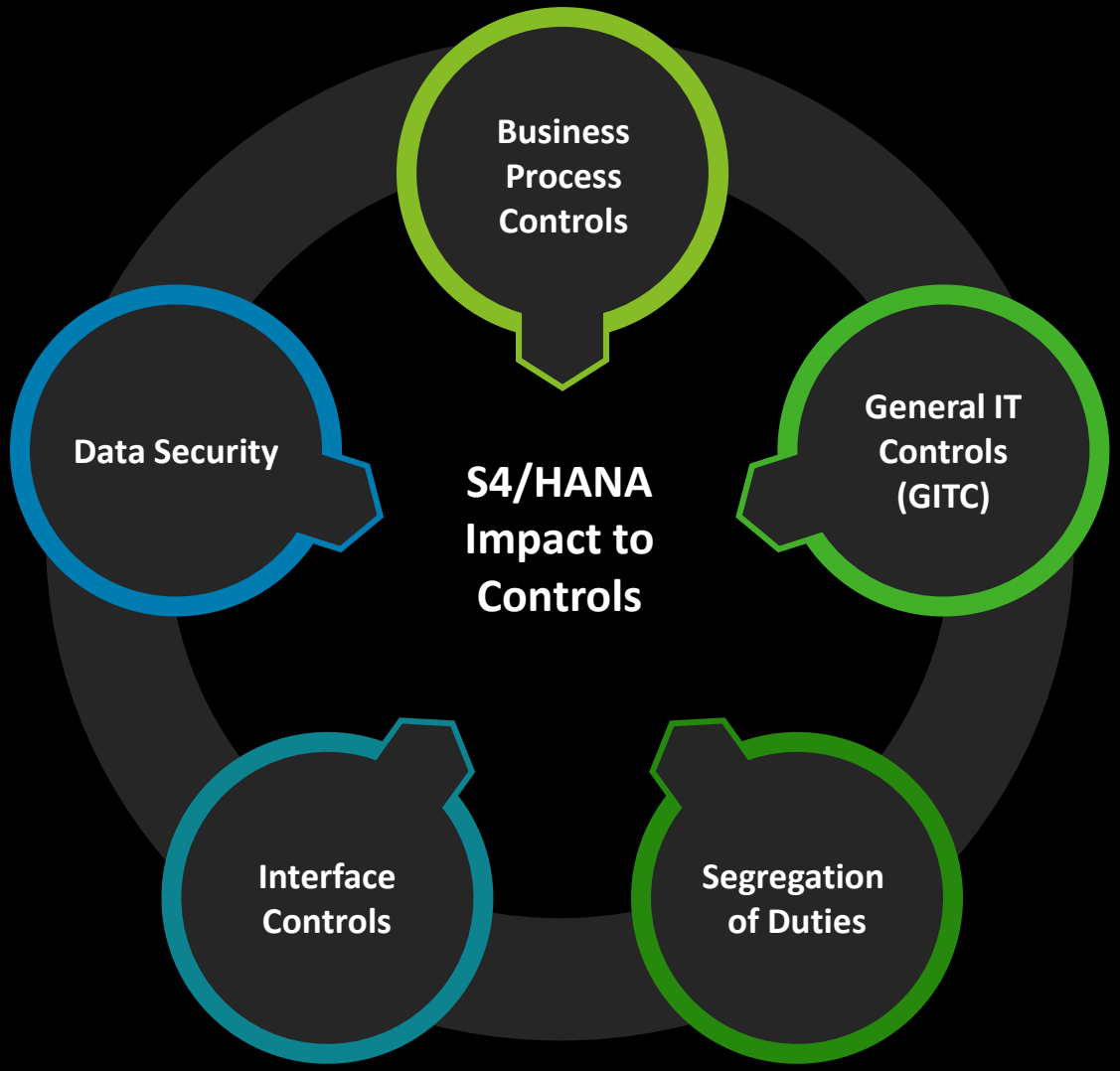
- Incomplete identification of key business risks and associated business controls
- Misalignment between business and risk objectives can result in controls **slowing** the business down and providing **false security**

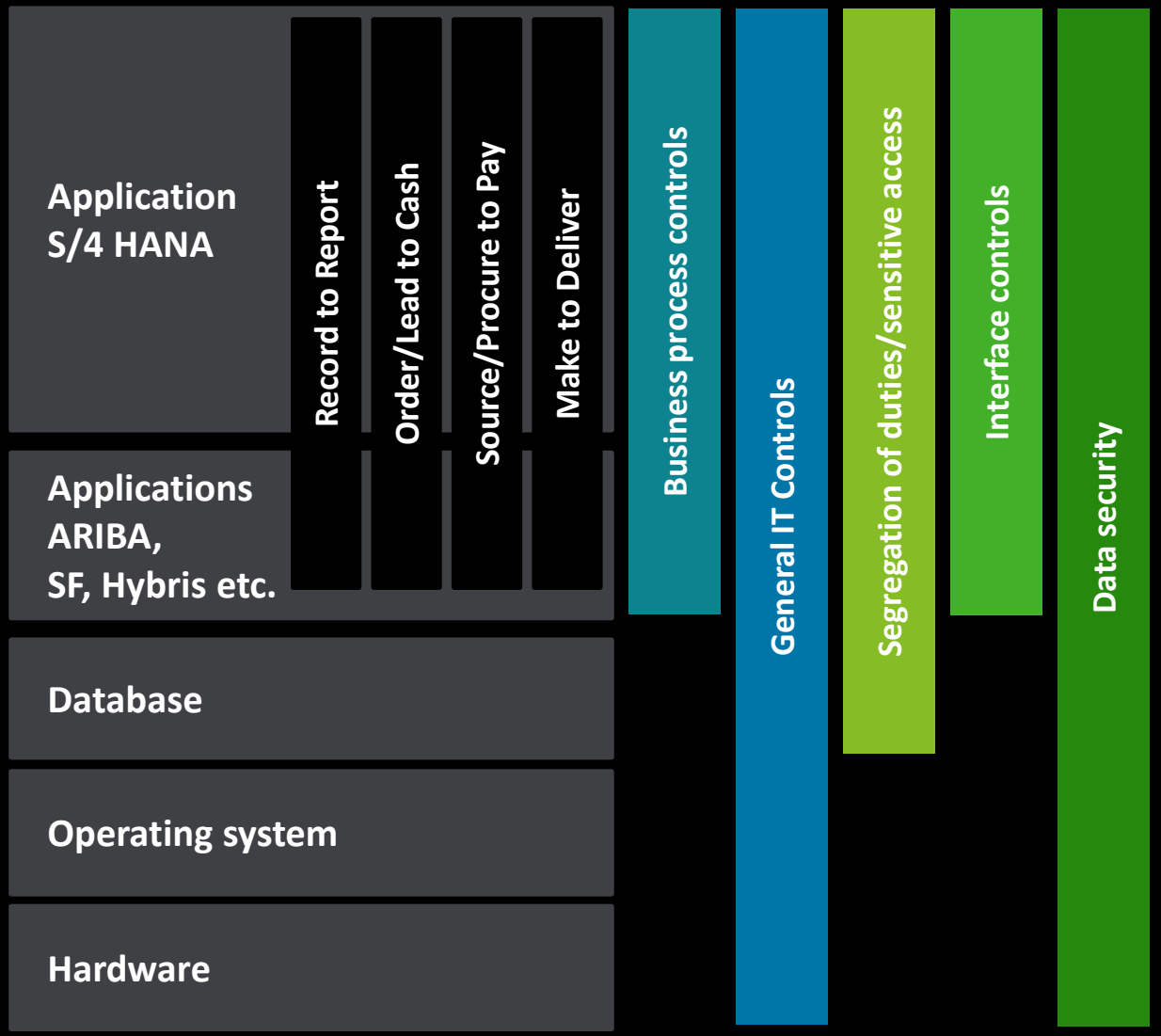
- Inaccurate data conversion or inaccurate report logic

- Flawed security design, inaccurate user set up, or inappropriate security configurations
- Focus on technology prior to establishing the foundations can result in **efficiencies** not realised and **regret** spend

- Ineffective internal controls
- Cloud governance oversight
- Lack of taxonomy can result in the **inability to apply a consistent approach to measurement, execution and reporting** of risks controls and issue

S/4HANA – areas of risk and control impact





Stay on top of risk along your S/4HANA journey

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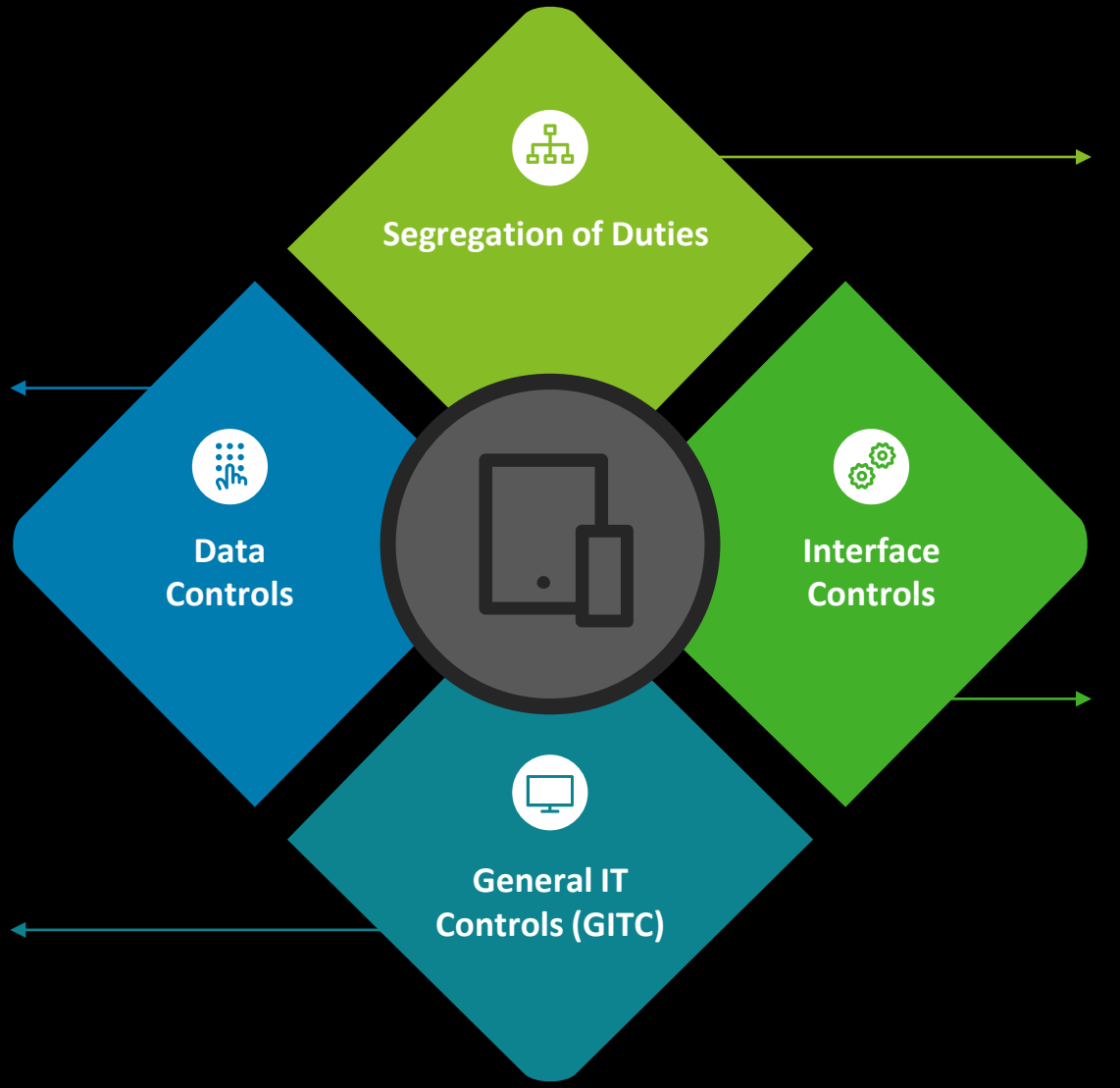
SAP S/4HANA, Dive into Internal Controls

S4/HANA Impact to IT Control Considerations



- Update and enhance risks to include S4/HANA functionality
- Enhance SoD ruleset to include cross system risks for Fiori

- Develop risk framework for data security considering the SaaS and cloud/on-premise model being adopted, including approach to monitoring for external threats

- Expand Interface controls and test procedures to include middleware applications like System Landscape Transformation (SLT) and Data Services.

Expand IT controls and test procedures to include new applications like:

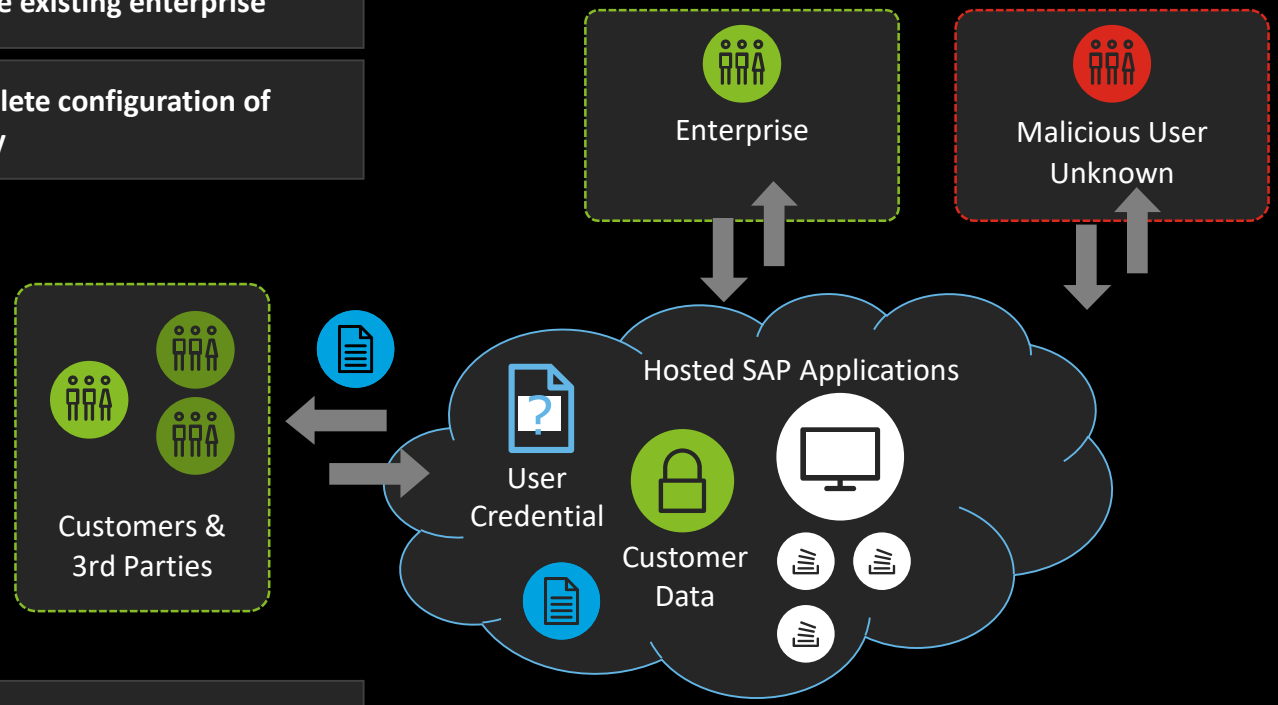
- HANA DB,
- System Landscape Transformation (SLT)
- Fiori (Gateway)

SAP S/4 HANA Risk Landscape

While Security *of* the cloud is the provider's responsibility; Security in the cloud is the enterprise's responsibility.

Inadequate controls responsibility and integration with the existing enterprise

Incomplete configuration of security



Requirements for regulatory compliance, legal, and privacy to keep up with (SOX, GDPR, etc.)

Monitoring for external threats, identity theft, digital information forgery, cloud service breach

Responsibility for sensitive data collected over the internet

- **PII (Protection of personal Identifiable Information)**
- **PHI (Protected Health Information)**
- **IP (Internet Protocol)**

Adopt a broad framework to effectively identify and manage risks.

A customized, organization-specific cloud risk framework should be developed to evaluate cloud vendors.

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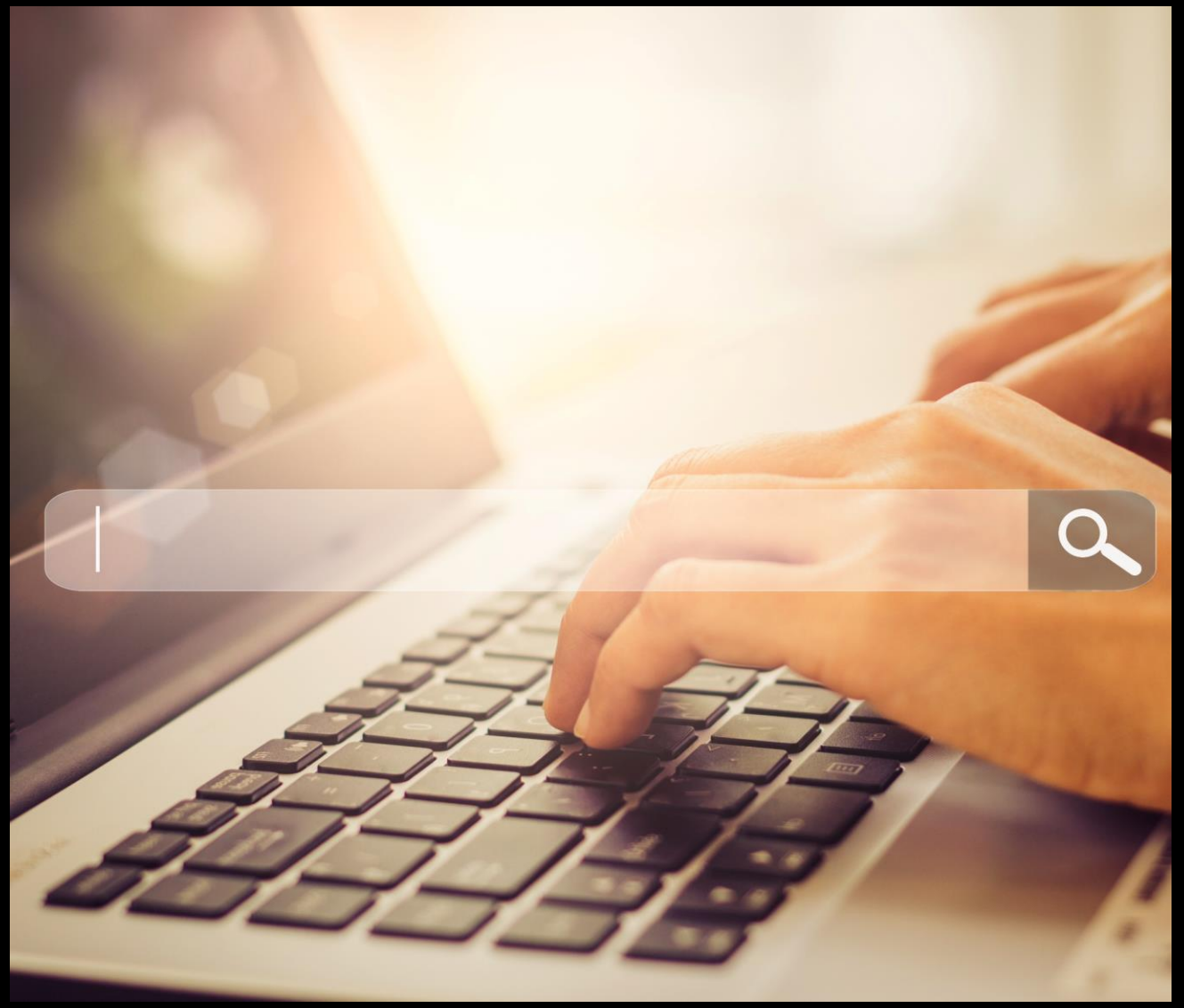
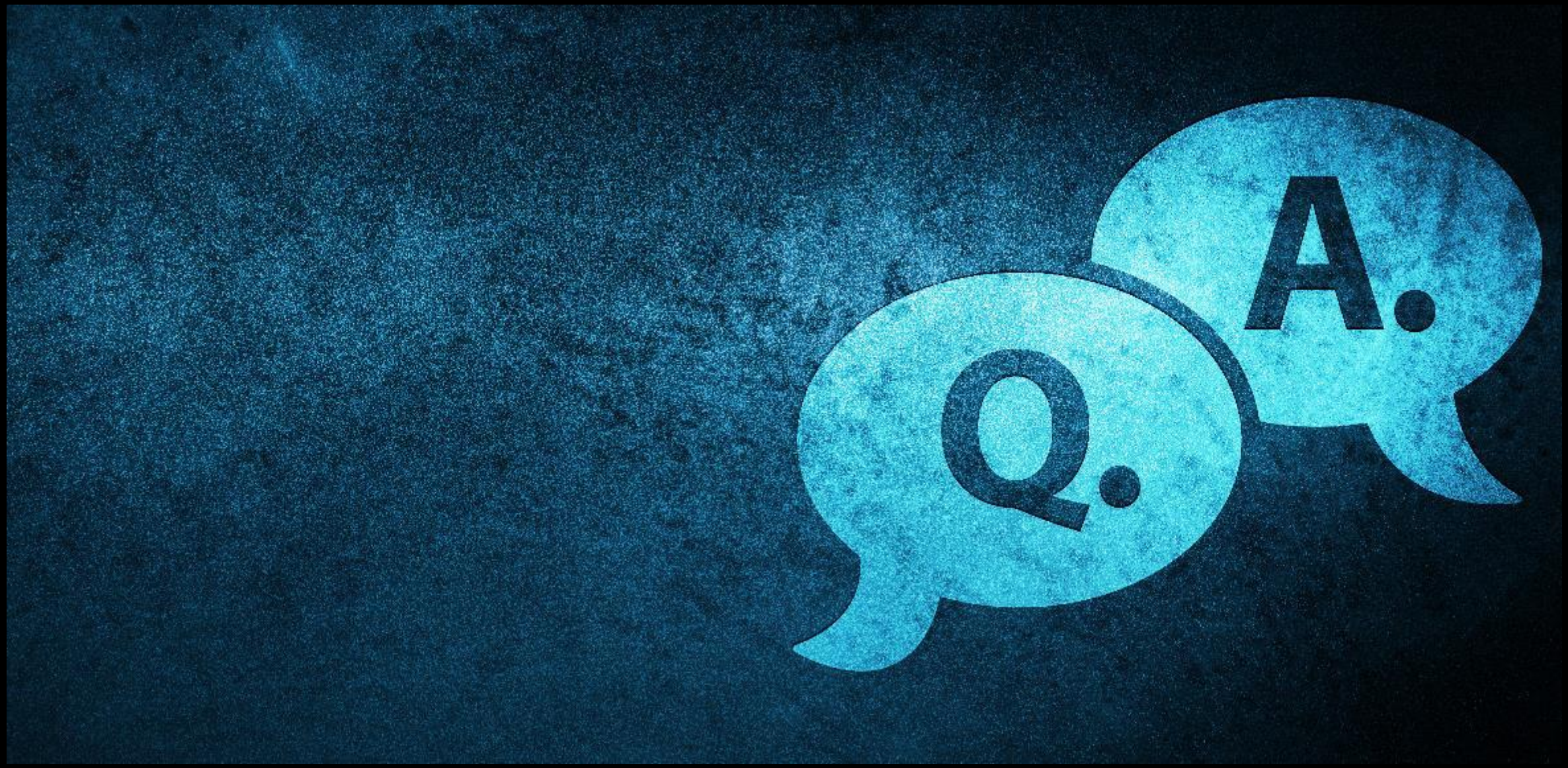
Are you using any GRC tools linked to your SAP environment?

- No
- Yes, but could be improved
- Yes



Questions



Key takeaways

Key take aways

01 The implementation of S4HANA is a great driver to achieve **increased control efficiencies**

S/4HANA in combination with GRC, Continuous Monitoring and Analytics constitute the perfect basis for **controls automation** **02**

03 Eliminate, evolve, simplify, automate and **save 20-30% on your current cost of compliance and controls**

However, to realize benefits from Day 1 and increase the ROI on the technical implementation the only answer is **Controls by Design** **04**

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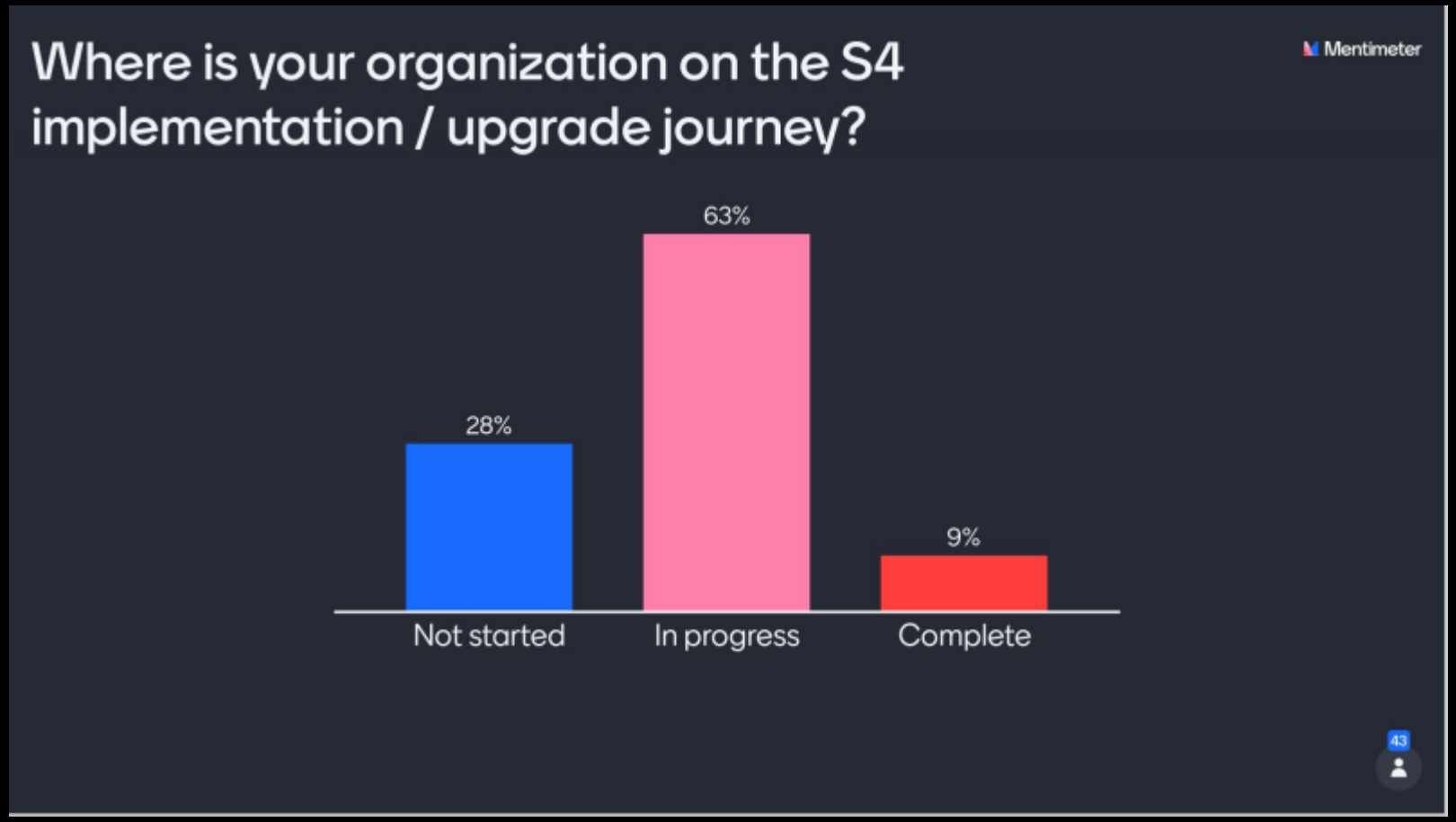
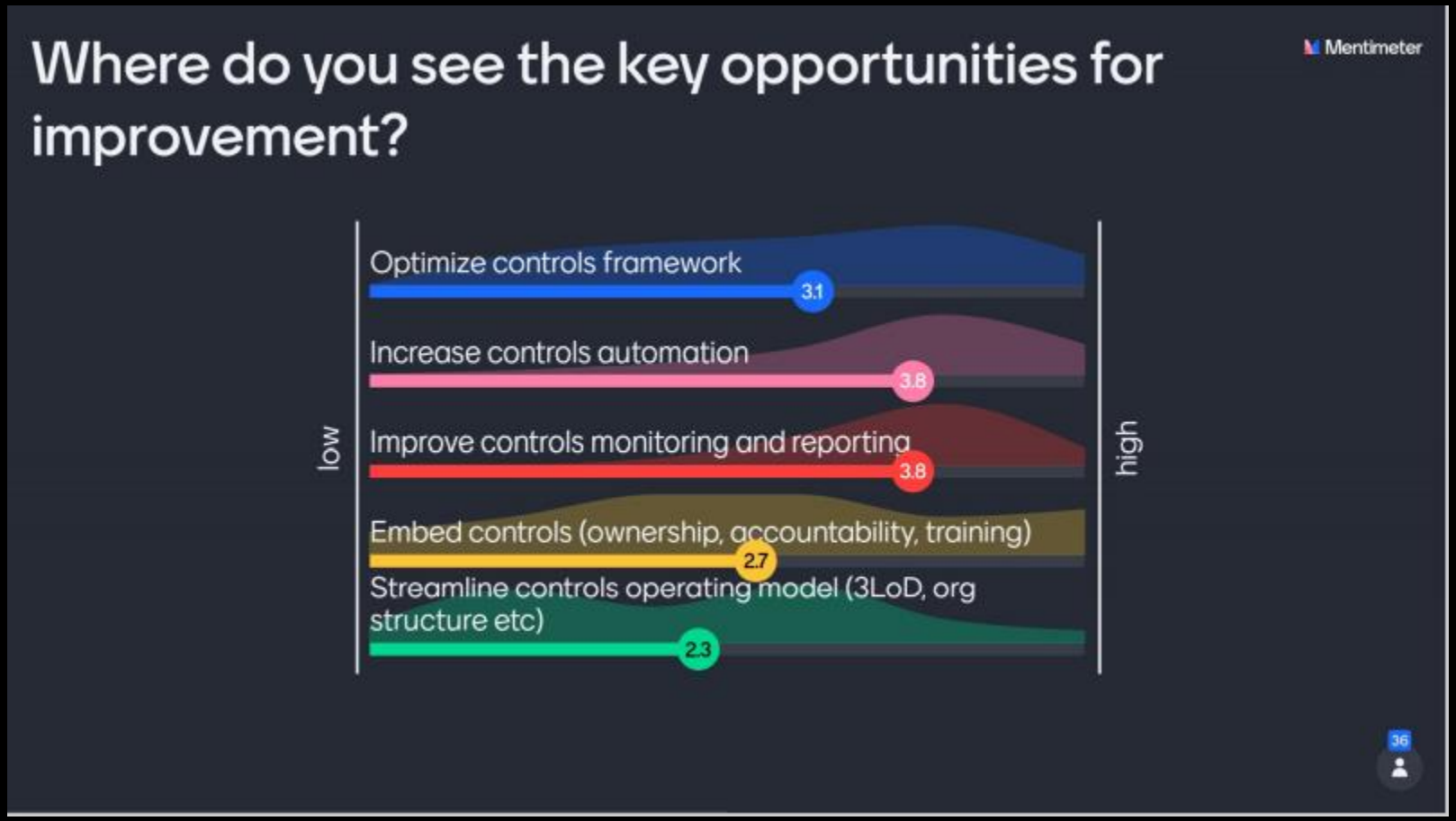
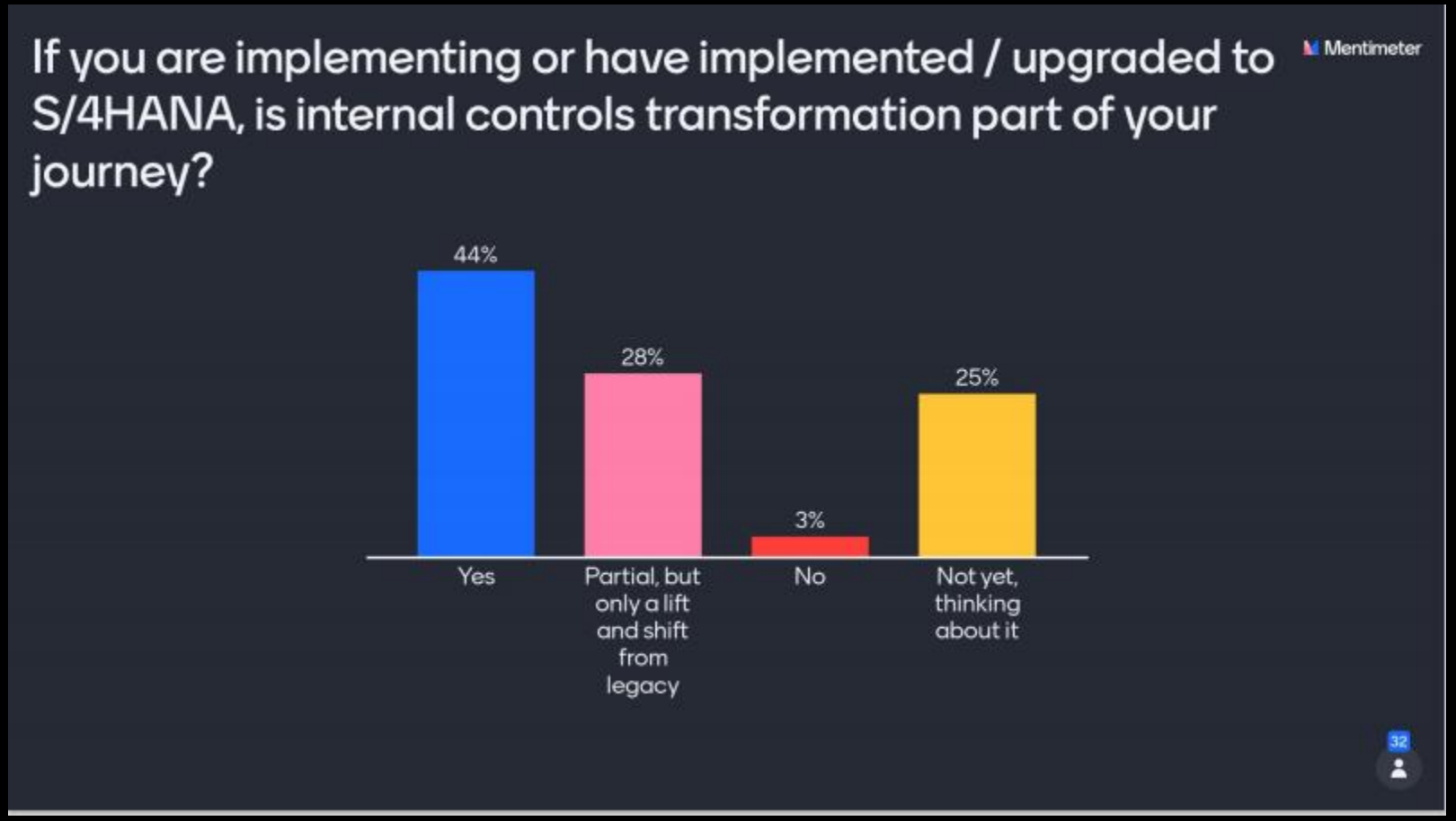


How automated are your organization's internal controls?
Mentimeter
61%
39%
0%
0%
0-20% Automated
21-40% Automated
41-60% Automated
60+% Automated
41

Where do you see the key opportunities for improvement?

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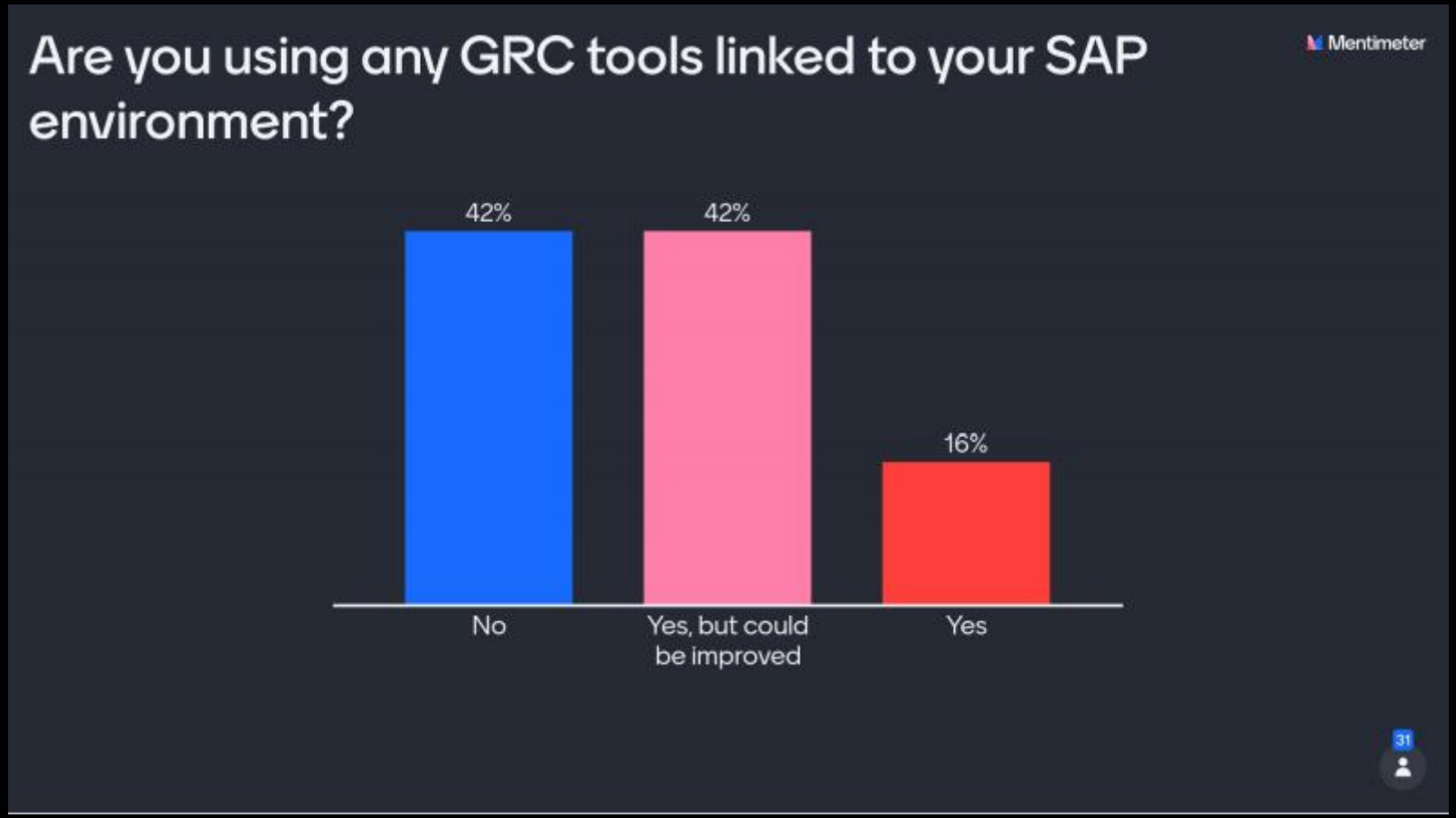
32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Yes, but could be improved
Yes
31