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# **Audit in SAP, Part 1**

## **(Module - 7 : DISSA Course)**

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# Audit in ERP

- All entries are Journal Entries
- • There are NO Primary or Secondary Books of Account
  - only data stored in Tables
- **Difficulty in Substantive Audit for ERPs**
  - ✓ Absence of Printouts
  - ✓ • Voluminous data
  - ✓ • Difficulty in Ledger Scrutiny
  - ✓ • Difficulty in audit of “manual” journal entries

# Alternative

- Reliance on IT General Controls
- Relying on Automated Controls
- Automated Accounting Procedures
- – Reliance on Reports and System-Dependent
- Manual Controls
- – Reliance on Underlying Data

# SAP - Intro

- SAP = German multinational software corporation that makes ERP with regional offices in almost 140+ countries
- **In German:**
  - Systeme, Anwendungen und Produkte in der Datenverarbeitung
- **In English:**
  - Systems, Applications and Products in Data Processing

# Recap of SAP

- SAP = Systems Applications And Products In Data Processing.
- SAP, by definition, is also the name of the BRP (Business Resource Planning) software & name of the company.
- SAP Software = European (Germany) multinational.
- It has over 425,000 customers in over 180+ countries.
- Develop software solutions for managing business operations and customer relationships.

▮ SAP software products provide powerful instruments for helping companies to manage their financials, logistics, HR & other business areas.

The backbone of SAP software offering is SAP ERP system = One of the most advanced ERP system from currently available ones.

# SAP – Product features

- **SAP Supports**
  - Multiple Languages
  - Multiple Currencies
  - ▮ Proprietary (High-level) Programming Language — **ABAP = Advanced Business Application Programming**
  - ▮ Can execute on any OS — UNIX, Windows etc.
  - ▮ Can use any Database — Oracle, MS SQL, MS Access , SAP HANA

# SAP Business One

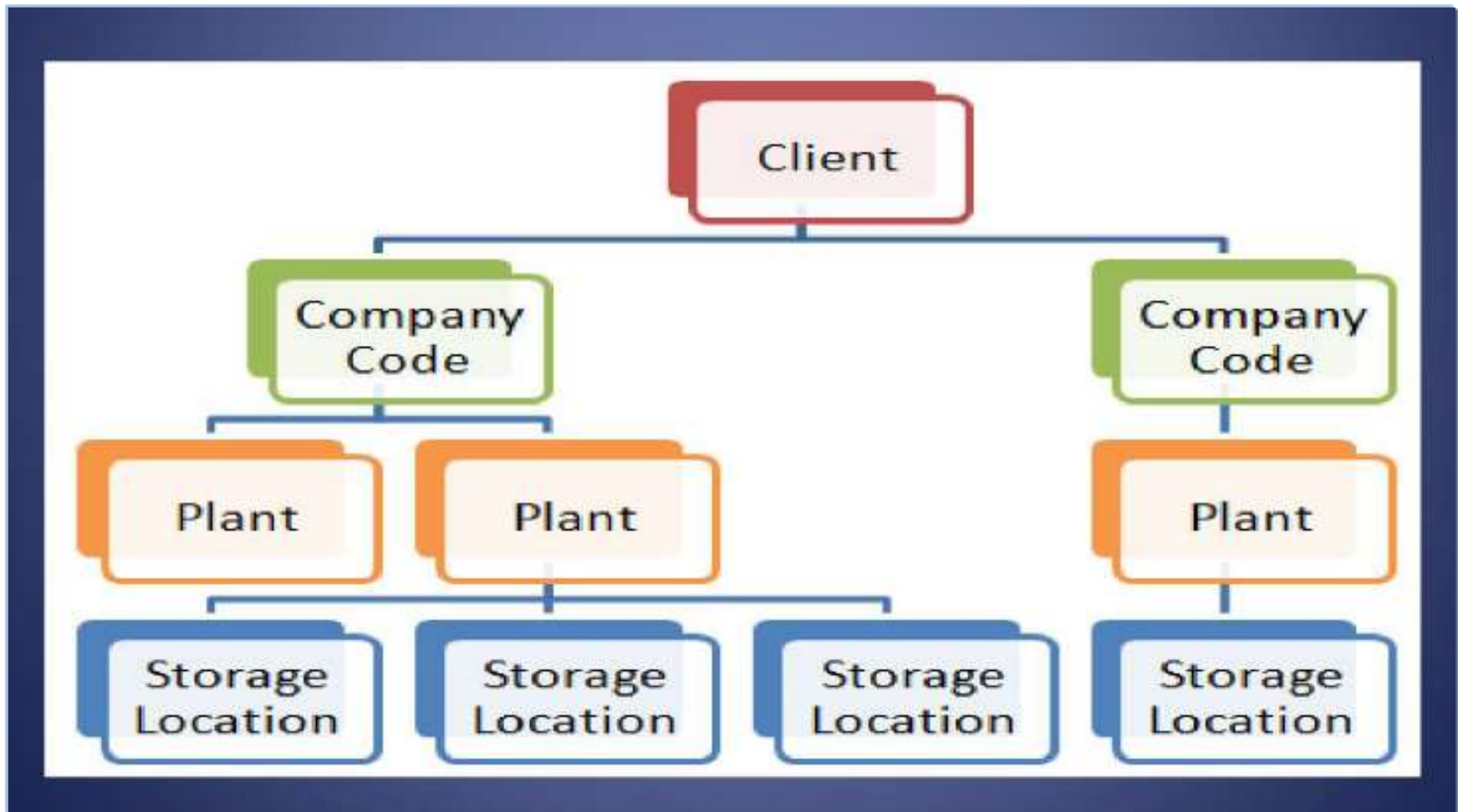
- SAP Business one — for Small / Medium Enterprises
- • Not much complex & Not expensive as compared to SAP R/3
- • Menu driven & **NOT T-code (Transaction Code)** driven as SAP R/3
- • Not much customization is possible
- • No modules , needs to buy entire package
- Restrictions can be done on the basis of License purchased
- • Generally unable to rely on automated controls

# SAP R/3

- SAP = Systems, Applications and Products in Data Processing (R = real time, 3 = 3 tier)
- German Based Company
- 3<sup>rd</sup> Largest Independent Software Vendor in the World
- **SAP R/3**
- Client/Server Technology
- Highly Customizable
- Based on Industry Specific Best Practices
- Multi-lingual: International



# SAP R/3 Organization Structure



# SAP S/4 HANA

- SAP S/4HANA stands for SAP Business Suite 4 SAP HANA.
- Next big wave of innovation to SAP customers, similar to transition from SAP R/2 to SAP R/3.
- **3 options are available:**
  - ❖ On-premise
  - ❖ Cloud
  - ❖ Hybrid deployments to give real choice to customers.

- Business Area — across Company Codes
- • Plant — assigned to a single Company Code
- • Purchasing Organization
- • Sales Organization
- • Very difficult to change SAP Organization after implementation
- • Definition is extremely important for functionalities and security

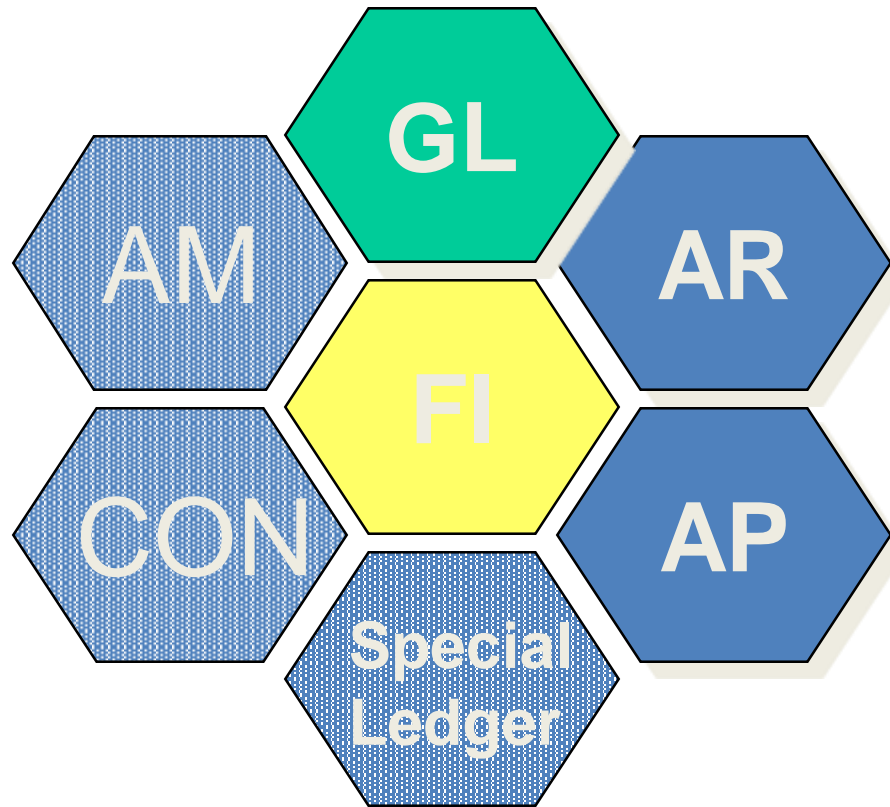
# SAP R/3 Modules

- CO – Controlling
  - Plants, Chart of Accounts, Customer/Vendor Masters
- FI - Financial Accounting
  - Financials, G/L, A/P, A/R
- SD - Sales and Distribution (Orders, Invoicing, EDI)
  - Orders, Invoicing, EDI
- AM - Asset Management
  - AUC account from A/P transactions
- MM - Materials Management
  - Procurement for Production and Consumption
- PS - Project System (Construction Contractors)

# FICO Module

- **SAP FICO** = Financial Accounting and Controlling.
- Used for Financial Reporting both internally and externally.
- All Modules are interlinked and integrated in real time.
- SAP Financial Accounting can be further be divided in sub modules.
- **SAP Controlling** = used for internal reporting and helps in management decisions.

# FI Overview



# FI/CO Organizational Structures

- ✓ Client
- ✓ Company
- ✓ Chart of Accounts
- ✓ Company Code
- ✓ Business Area
- ✓ Credit Control Area
- ✓ Controlling Area

# SAP - Advantages

1. One central database
2. Real time processing
3. Allows integration of legacy systems
4. Document Balancing
5. Manages Work flow

## ➤ Disadvantages

1. Data integrity must be maintained by all users
2. Numerous tables and Documents
3. Audit trails can disappear in data extractions



## SAP Audit – process flow

### ICMAI GN on IS Audit

- 1. Obtain a **company organizational chart**.
- 2. Obtain a copy of all security policies and procedures.
- 3. Obtain a diagram of the SAP application architecture.
- 4. Obtain a copy of “problem tracking” or “incident report” for the application being audited.
- 5. Obtain a copy of all system enhancements that are queued up for implementation.
- 6. Obtain a copy of the application’s documentation.
- 7. Obtain a copy of any SLA established for the application.
- 8. Obtain main T-Codes for the modules

- 9. Obtain copy of contingency/backup plan for Application.
- 10. Obtain a copy of the Corporate Disaster Plan.
- 11. Determine which release of SAP is installed
- 12. Identify the modules installed.
- 13. Determine the interfaces to the production system
- 14. Determine the number of client systems running.
- 15. Determine which geographical locations are running SAP
- 16. Determine what level of custom programming in on-going  
ABAP/4 programs & Data entry screens
- 17. Evaluate the overall SAP security architecture
- 18. Determine the OS & database management systems running within the environment.
- 19. Obtain a listing of all SAP clients

- 20. Obtain a listing of all group companies
- 21. Obtain a listing of all business areas
- 22. Obtain a listing of all credit control areas
- 23. Obtain a list of all charts of accounts
- 24. Obtain a listing of all plants
- 25. Obtain a listing of storage locations
- 26. Obtain a listing of all purchasing organizations
- 27. Obtain a listing of all purchasing groups
- 28. Obtain a listing of all sales organizations
- 29. Obtain a listing of distribution channels
- 30. Obtain a listing of all divisions
- 31. Obtain a listing of sales areas
- 32. Obtain a listing of sales offices
- 33. Obtain a listing of sales groups

# SAP Audit Information System (AIS)

- AIS = auditors' toolbox within SAP environment
- □ Structured collection and pre-setting of standard reports
- □ Suitable for auditors with limited SAP experience
- □ Role-based organization
- Comprehensive functionality for system and business audits
- □ Provides monitoring of system inherent and configurable controls
- □ Implements numerous reporting controls

# SAP GRC - Recap

- SAP Governance, Risk & Compliance solution = enables organizations to manage regulations & compliance and remove any risk in managing organizations' key operations.
- 1. Easy integration of GRC activities into existing process
- 2. Automating key GRC activities.
- 3. Low complexity & managing risk efficiently.
- 4. Improve risk management activities.
- 5. Managing fraud in business process & audit management effectively.
- 6. Organizations perform better & companies can protect their values.
- SAP GRC solution = 3 main areas: Analyze, manage and monitor.