



AUDITING IN SAP

ICAI WIRC

6-FEB-2021



INTRODUCTION TO ITGC





REPORTING ON INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING (ICFR)

143 (3) of Companies Act 2013

- ▶ The auditor's report shall also state whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.



WHY ARE ITGCS IMPORTANT?

Information Technology General Controls (ITGCs) can be defined as internal controls that assure the secure, stable, and reliable performance of computer hardware, software and IT personnel connected to financial systems.

ITGCs affect the ability to rely on application controls and IT dependent manual controls.

Without effective ITGCs, reliance cannot be placed on any application controls or IT dependent manual controls unless additional procedures are performed (e.g., benchmarking). Even these additional procedures limit the ability to rely upon more than one application control at a time.

ITGCs link indirectly to the achievement of the financial statement assertions through application controls.

ITGCs are an integral part of many different operational and regulatory (federal and state) audits, including:

- IT operational reviews
- HIPAA assessments
- SSAE16 assessments
- PCI reviews/audits
- SOX assessments

“*The use of IT has the potential to be the major driver of economic wealth in the 21st century. In some industries, IT is a necessary competitive resource to differentiate and provide a competitive advantage, while in many others it determines survival, not just prosperity.*”

ITGC TESTING

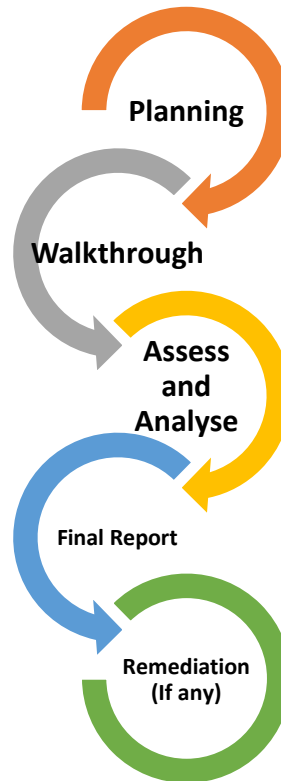
ITGC APPLICATION SCOPE

As part of our current year audit of the financial statements of the XXX, we have reviewed the system of internal accounting controls to the extent we considered necessary to determine the nature, timing, and extent of our audit procedures. From our perspective, IT General Controls are an integral part of the overall system of internal accounting controls. Accordingly, we performed a review of the IT processes and supporting control environment in lines with the documented policies and procedures.

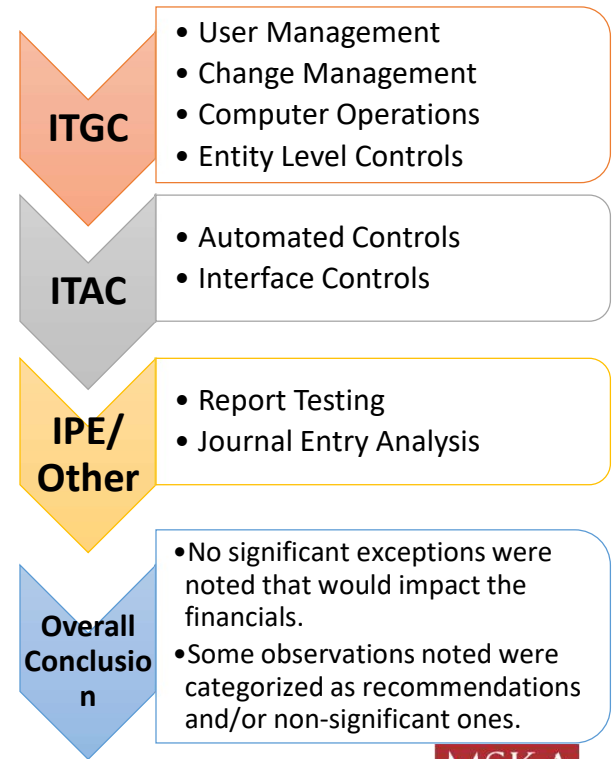
During the year we have scoped in XX IT applications. Below is the list of significant applications covered by us.

Application Name	Description
SAP	ERP for Financials, HR and Procurement
XYZ Application	Timesheet management and approval

ITGC APPROACH AND METHODOLOGY



AREAS COVERED



- User Management
- Change Management
- Computer Operations
- Entity Level Controls

- Automated Controls
- Interface Controls

- Report Testing
- Journal Entry Analysis

- No significant exceptions were noted that would impact the financials.
- Some observations noted were categorized as recommendations and/or non-significant ones.



WHY TEST ITGCS?

ITGCs are relevant when we require assurance on automated procedures such as:

- Calculations performed by an IT system,
- Reports generated by an IT system,
- Automated controls (e.g. 3 way match),
- Security (including segregation of duties),
- Interfaces between IT systems.

In case of inadequate ITGCs, the auditor will not be able to rely on automated controls and the underlying data; and would require to perform manual controls and substantive audit procedures.



INTRODUCTION TO SAP

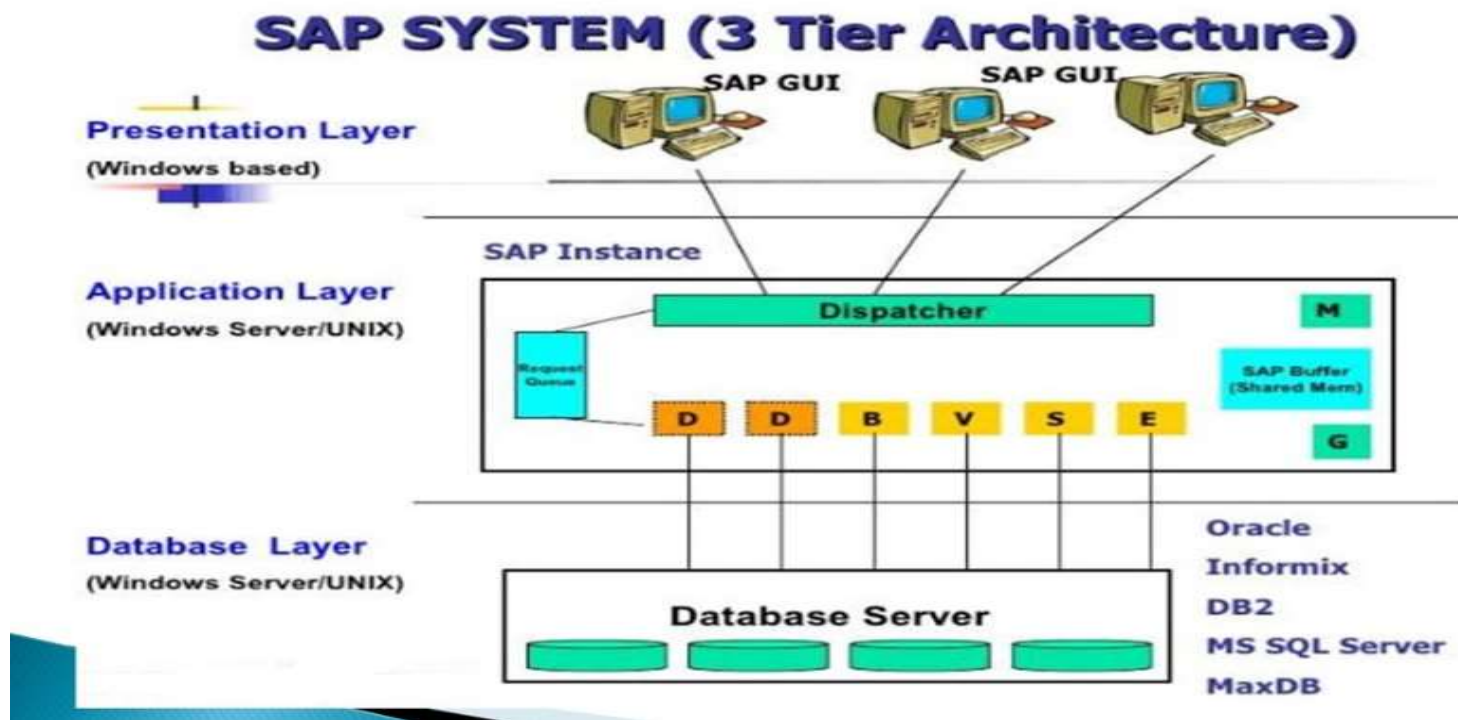




WHAT IS SAP

- SAP SE is a German multinational software corporation based in Walldorf, Baden-Württemberg, that develops enterprise software to manage business operations and customer relations. The company is especially known for its ERP software.
- SAP software products provide powerful instruments for helping companies to manage their financials, logistics, human resources, and other business areas. The backbone of SAP software offering is SAP ERP system which is the most advanced Enterprise Resource Planning (ERP) system from currently available ones.

SAP ARCHITECTURE





MODULES IN SAP

Technical

- ABAP
- Basis

Functional

- FICO
- SD
- MM
- HR
- PP
- BI
- HCM

SAP HIERARCHY

Instance

- One installation

Client

- At least one client per instance

Company Code

- A legally and organizationally independent entity with its own financial statements
- Balanced set of books; balance sheet and P&L statement
- Financial statements for multiple companies can be consolidated
- Multiple companies



AUDITING IN SAP





AUDITING IN SAP

On a broader level, below areas are covered while we perform SAP audit -

- Change Management
- User Management
- System Administration
- Configuration controls
- Business Controls & Reports

CHANGE MANAGEMENT

What to Test	Relevant SAP Table/TCodes	Risk Associated or WCGW	Controls Associated
<ul style="list-style-type: none"> • Normal Changes in SAP • Segregated environments • SoD • Direct Changes to SAP 	<ul style="list-style-type: none"> • E070 • STMS • DEVACCESS • SCC4 Log/SE06 Log/SE16 Log 	<ul style="list-style-type: none"> • Unauthorized/untested changes might be implemented into the SAP production environment 	<ul style="list-style-type: none"> • Normal/emergency changes in SAP are implemented as per process defined by management. • Segregated environments are defined • There exists SoD between developer and implementor of a change. • Direct changes to production are restricted.

USER MANAGEMENT

What to Test	Relevant SAP Table/TCodes	Risk Associated or WCGW	Controls Associated
<ul style="list-style-type: none"> •User Creation •User Access Modification •User Termination •Generic IDs 	<ul style="list-style-type: none"> •RSUSR100N- User Created •RSUSR100N- Profile Added/Role Added •RSUSR100N- User Deleted/Lock Changed •USER_ADDR, USR02 	<ul style="list-style-type: none"> •Unauthorized access might be granted to user, leading to unauthorized transactions •User Ids of left employees could be used to perform unauthorized transactions and the accountability for the same could not be ascertained. 	<ul style="list-style-type: none"> •User Management in SAP is as per process defined by management. •Terminated ser’s access is revoked in a timely manger. •Generic ID usage is minimum.



SYSTEM ADMINISTRATION

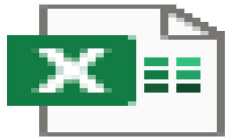
What to Test	Relevant SAP Table/TCodes	Risk Associated or WCGW	Controls Associated
<ul style="list-style-type: none">• Sensitive accesses/critical SAP access• Privileged users	<ul style="list-style-type: none">• SUIM• SAP_ALL/SAP_NEW	<ul style="list-style-type: none">• Unauthorized access might be granted to user, leading to unauthorized transactions	<ul style="list-style-type: none">• Sensitive access in SAP is restricted to authorized users• Privileged access is restricted to authorized users.• Access review of all sap users is performed.

CONFIGURATION CONTROLS

What to Test	Relevant SAP Table/TCodes	Risk Associated or WCGW	Controls Associated
<ul style="list-style-type: none">• Client and system settings• Table logging• Password settings• Default passwords	<ul style="list-style-type: none">• SCC4, SE06• RSPARAM - rec/client• RSPARAM - login parameters• RSUSR003	<ul style="list-style-type: none">• Unauthorized changes might be implemented into the SAP production environment• In absence of table logging, direct changes to production client would not be traceable.• If password settings are not set appropriately, the security at application level may be compromised.	<ul style="list-style-type: none">• Production client is locked from direct changes.• Table logging is enabled.• Password settings are in-line with policy defined by the management.• Default password of system delivered IDs is changed.

GENERIC SAP RCM

Below RCM consists of the generic controls (ITGCs) that are to be tested while auditing SAP environment. The detailed test procedures are included in this document.





BUSINESS CONTROLS & REPORT

Business Process Controls	Report Testing
<ul style="list-style-type: none">• Activity v/s control• Manual v/s automated• Impacting financials	<ul style="list-style-type: none">• Standard v/s Customized



THANK YOU !

