

**BUSINESS ASSURANCE ANALYTICS**



# Ensuring Effective Internal Controls During ERP Implementations

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## ■■■ AGENDA

- Controls - defined
- “Yellow flags” – ERP controls
- Example
- Focus and format

\*Gartner Research: See Information Security Through the Controls and Policy Lens, Jan 24 2006

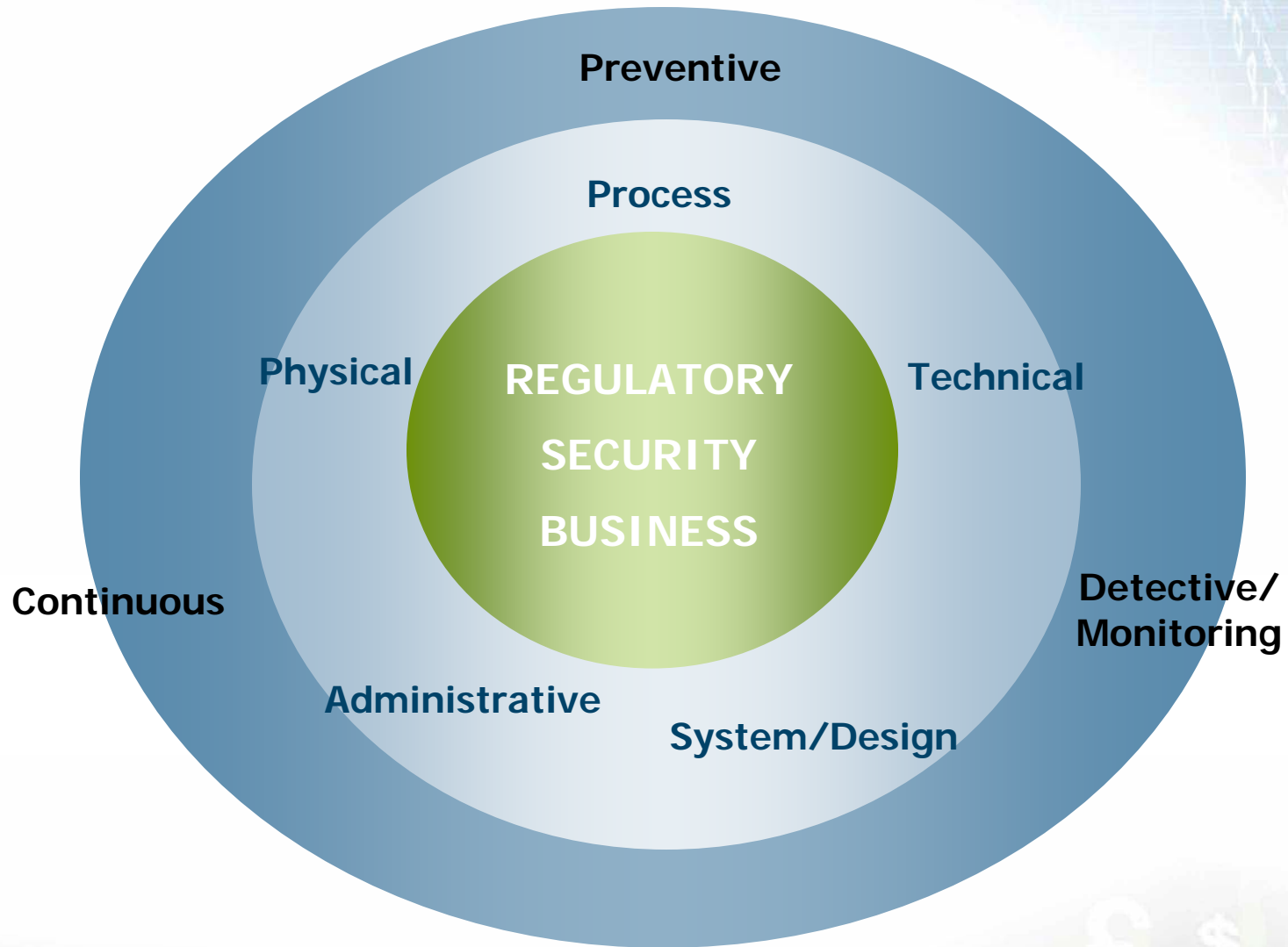


## Defined

“A control is any measure put in place to address an identified risk or a mandated requirement”

Gartner Research, January 2006

# ■ ■ ■ Controls Defined



## ■■■ Validation from the Analysts

“While many firms have moved to an integrated ERP environment, few have the necessary control monitoring processes in place to provide assurance that data has effectively moved and transformed itself from one process to the next...The ultimate goal should be to provide an independent assurance of integrity of transactions.”

*John Van Decker, Analyst*

*19 August 2004*

## ■ ■ ■ “Yellow Flags”

- Manual procedural controls inevitably break down as volumes increase
- Automated controls built into applications are expensive, rarely adapt to system changes, often poorly implemented, and are subject to over-ride by users (Achilles heel)
- System conversions / consolidations / upgrades
- Disparate systems

# ■ ■ ■ ERP Controls Effectiveness

Why test transactions?

Don't ERPs provide adequate controls?

- Confirmation that controls built into application systems are operating effectively
- Test transactions, versus testing only rules or SOD
- Make up for lack of controls in application systems
- Business applications seldom compare data from disparate systems, nor specifically look for control breaches
- Provide independent assurance

Examples: Payment made prior to invoice or delivery  
: Overpayment (error)

# ■ ■ ■ Testing & Monitoring Controls

Many review approaches no longer sufficient

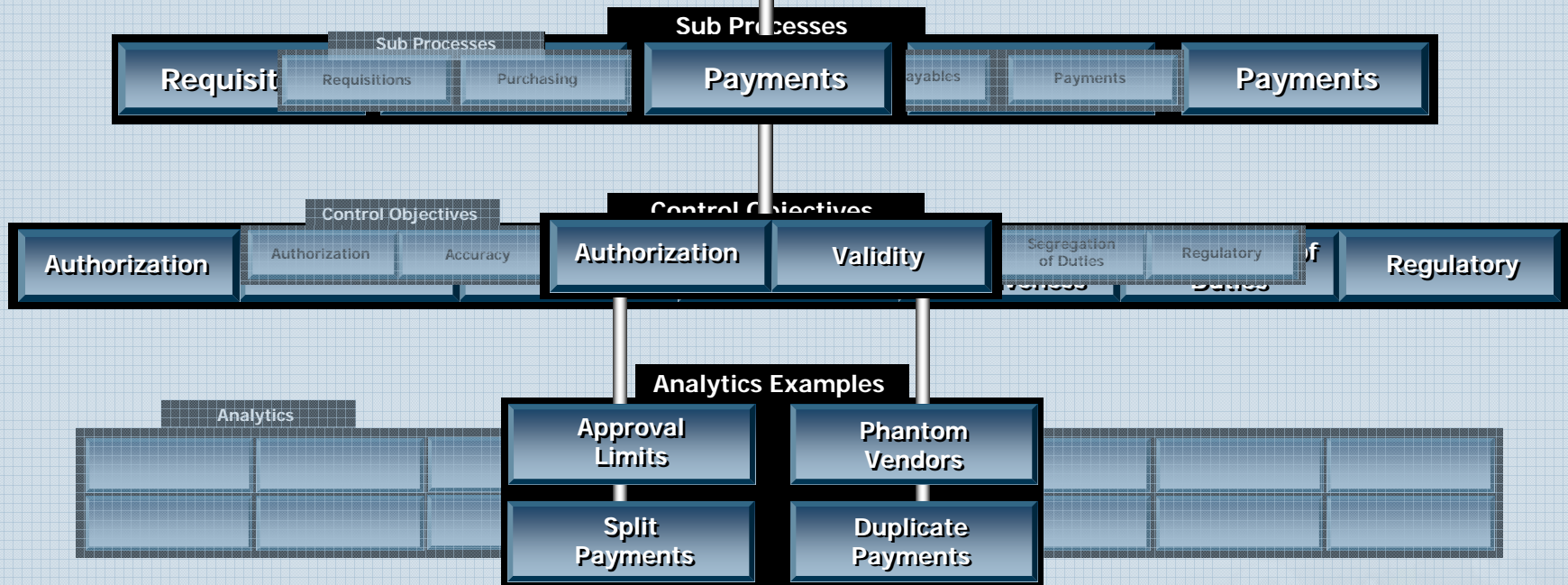
- Samples...details missing
- Standard reports...questionable accuracy & intent
  - Comprehensive tests?
  - Across systems and processes?
  - Drill down capability for further analysis?
- ERP application controls...inconsistent effectiveness
  - Duplicate payments
  - Phantom vendors

**Need independent, comprehensive, complete testing**

# Enterprise Business Processes



ACL CCM SOLUTIONS



## ■ ■ ■ Summary

- Increased focus on internal controls is universal
- Built-in ERP system controls are not sufficient
- Apply all areas for controls
- Leverage technology to minimize costs
  - Prevents problems from escalating
  - Improves overall level of controls
  - Supports regulatory compliance
  - Reduces fraud, error, and inefficiencies



## For more information

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Thank you.