

Ensure with ERP assurance

ERP programme assurance key to money savings

By Hari Iyer

The mantra for every CEO or CFO during this global financial crisis is to ensure every penny counts in the management of a company. Instead of axing jobs, you can increase return on investment and maximize business benefits with enterprise resource planning programmes such as SAP, Oracle or PeopleSoft.

ERP is the lifeline of every company, irrespective of size. Nowadays, almost every industry and organization uses ERP, which integrates resources, data and processes in a single application, unifying them for easy access and work flow. ERP systems typically handle business activities as varied as manufacturing, logistics, distribution, inventory to shipping, invoicing and accounting for a company.

Most people attribute the term ERP to U.S. research and analysis firm Gartner, when in the 1990s

manufacturing and industrial companies used such applications. Since then, the popularity of ERP has spread to other industries and has come to be embraced by the public sector.

In the financial world, ERP could incorporate functions such as general ledger, accounts payable, accounts receivable, fixed assets, joint venture accounting, cash management, funds management and budgeting.

ERP applications are easy to customize and implementations of ERP often vary even within business units of the same organization.

This is one reason to understand how your business is using ERP. Another is that large multinational companies can spend anywhere from US\$1 million to US\$500 million or more implementing ERP applications, but only a few run an independent quality assurance programme. Experts in the

field estimate that a good 10 percent to 15 percent of the ERP implementation cost is wasted. A significant number of ERP projects exceed the original budget by 10 percent or more, are not completed on time and do not deliver the stated business benefits.

This is partly caused by the lack of an ERP quality programme assurance to align the programme with business strategy and the absence of proper checks and balances during implementation.

In one example, a global company spent approximately US\$300 million on an ERP programme over a three-year period, but the company's management deemed the system a failure in the end. The company then sued the system's implementation company for US\$375 million in compensation. Such an incident could have been avoided if independent experts were engaged early on to perform quality assurance.



It's the collective responsibility of a company's board of directors, chair of audit committees and heads of internal audit, finance and information technology to ensure that the company has an assurance programme for its ERP projects.

Assuring ERP quality

A typical one focuses on establishing and maintaining a strong governance structure and effective communication channels. It works closely with the business leaders and programme management, and ensures business, IT and operational risks are well-managed. Management should make sure

the ERP programme complies with all regulatory and corporate requirements.

ERP assurance should ensure that the ERP application and other applications within the organization are compatible and seamlessly integrated.

The hardware and the IT environment needs to match the level required by the ERP application. This includes services provided by third-party vendors, business continuity management, design of networks, databases and operating systems.

Appropriate tools and techniques are indispensable in providing ERP assurance over data, testing and reporting. Data assurance includes

cleansing and data mining, migration and profiling, while testing assurance covers strategy, plans and test processes.

Security and controls assurance involves reviewing the security setup, authorization and authentication, access controls, segregation of duties, and business process controls.

With an effective ERP assurance programme in place, a company's management stands a much greater chance of minimizing delays and cost overruns while maximizing return on investment.

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