



Cygnets **Infotech**
IT is about you

SAP Audit for a Leading Crane Manufacturer

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Client Profile

Our client is a leading crane manufacturer who aims to emerge as the most successful and respected crane manufacturer across the globe in different industrial segments. Over the years, it has emerged as a largest crane manufacturer in the Indian subcontinent.

Our client today manufactures a wide range of cranes in India suitable for a multitude of applications across industries such as Petrochemical, Cement, Construction, Shipyard, Power, General Engineering and many more. Our client has supplied and commissioned more than 6000 cranes up to 600T capacity, and the number is rapidly growing.

Business Scenario

Our client faced several issues with regards to balance mismatch (Balance sheet, Profit and Loss Account), stock inconsistency, stock values, asset balance and depreciation amount not tallied and many more critical issues that hampered production planning. This affected decision making and reporting collectively becoming a critical problem for the company.

Business Challenges

Stock mismatch issues were mainly due to:

- Incorrect posting and reversal of stocks
- Mismatch with physical inventory
- Poor maintenance of master data
- Incorrect posting of transactions under Wrong GL leading to complicated data reconciliation
- Lack of proper segregation of duties and governance making the system unfit for report and profitability analysis
- Improper utilization of earlier implemented SAP ERP system led to inability of achieving set goals and targets
- Misleading balance sheet and Profit and Loss statement numbers from the standpoint of Financial Accounting

In order to fill the gaps and rectify the existing processes, it was important to ensure data consistency and reliability for reporting. That's why the client invited Cygnet Infotech to conduct an SAP Audit and advise on the best practices, highlight risks and issues, processes for transformation, change in the data, configuration and automation to reduce human intervention, and thereby streamline the entire operations.

Cygnet identified that valuation classes were assigned wrong GL accounts that lead to wrong GL hits. Further deep dive into the process and end-user interaction, revealed the fact that the client does not follow proper segregation of duties and governance which made the system unreliable for any report and profitability analysis.

Cygnnet's Solution

After understanding and analyzing the client's system, industry challenges, and the expected outcome from the proposed implementations, the Cygnnet SAP team provided solution to the client to implement the modules, enabled automation and streamlined every inconsistency in the system with proper segregation of duties. Experts at Cygnnet recommended a number of changes in the existing processes, implement modules like COPA, Internal Order, Product/Project Costing and Dunning processes.



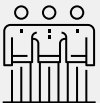
Skilled and Efficient Consultant

The solution required efficient and skilled SAP functional resources having good knowledge of configuration and an in-depth Study of Business processes. The Cygnnet SAP team advised the client to adopt a standard process and provided recommendations for the same.



Implementation of Pipeline Processes for Tasks

There was no record of bill payments, as they were being directly posted without following a proper process. There is always direct FI posting for payment, for instance, contractor payment, electricity charges, security charges. We advised the client to implement the pipeline process for electricity and services and the PO process for payment of securities charges.



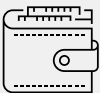
Trained End Users

Cygnnet advised and built a user-friendly solution based on the client's needs and requirements. We also realized that the client's SAP team needed specific skills and advisory for smooth operation. Thus, we trained the end-users to follow a specific process and use different reports and make them follow the SAP Standard process.



Process Recommended to Implement

The client industry highly utilizes PS module hence; it was recommended to use BOM more effectively by maintaining proper master data, project budgeting and costing to track profitability analysis by project to more efficiently plan and execute projects and production planning.



Product / Project Costing must in Manufacturing Industry

It's recommended to Implement Product/Project Costing for planning costs and establishing material prices. It helps in estimating the Cost of goods sold manufactured and COGS of each for each product unit.

Cygnnet's Findings

- Duplication of Master Data (GL Master, Material Master, Bank Key Master)
- Observed another critical issue of profit center in the material master. All materials have only one profit center, which reduces the effect of profitability analysis of a particular product
- The asset module was not properly implemented, so we suggested to create an asset code and maintain it in the purchase order that would help analyze the depreciation of assets
- PO without PR can be created which is a serious issue
- Payment of freight charges of sub-contracting is paid directly (cash payment) due to which we were not able to identify the rate of amount paid for sub-contracting freight, the team strongly asserted to implement a condition type in the purchase order
- Wrong Configuration, Wrong Valuation Class Mapping and Wrong GL Mapping as these collectively ensured unreliable data for reporting and Profitability Analysis
- Business Area was not Created as required for reporting purpose
- Observed that production client opens as long time as leading to System Inconsistency. This is high risk for the same
- No Approval process for reversal entry posted in SAP

- Costing Value "Zero" or wrong in Material Master with respect to Profitability Analysis
- Automatic Posting Tick removed in the GL Master - Raw Material and SFG Inventory GL allowing any user to pass direct FI entry in Stock Account
- Finance period had been open from the last two years allowing any user to make data entry in SAP

Advisory to Client on Regulatory Compliance and Reporting Solution Coverage

- There was no Validation for Cash Expense Transaction in case of more than Rs 10,000 in a day as violation of Income Tax Act, 1961
- Reverse charge mechanism receivable against GL was not maintained in SAP leading to incorrect information and utilization of Input Tax Credit in GST
- In the bank charges entry, end user did not enter the GST tax code in the Journal Entry and hence it led to risk of loss of Input Tax Credit
- Exchange Rate was not updated on fortnight basis as per CBIC website in SAP and it led to foreign Currency Gain/Loss was not properly calculated



Benefits to the Client

Advised the client to carry out process transformation across purchase and financial processes, which needed drastic changes to prevent incorrect processes to allow incorrect data being posted and ensure reliability of data for profitability analysis and reporting.

The audit also helped the client examine the general effectiveness, efficiency and economy of processes, systems, controls and performance in an operational unit or in a complete organization.

The client also received comprehensive reporting which identified issues and deviation from the industry best practices, advisory and risk resolution and other assistance for issues reported.

Recommendations have helped draw attention to critical issues, improvement areas and have more efficiency and effectiveness to eventually fully accomplish organizational goals.

High-risk areas are identified and given priority for resolution during a system-based audit.

Advised client on a number of issues which required compliance with legal and regulatory requirement

It helped them understand the risks and remedies to reduce losses due to various risks, practices and operational processes being followed.

Tools and Technology



SAP SOLUTION

SAP ECC 6.0



DATABASE

Hana



MODULES

FICO | MM



About Cygnet

Cygnet Infotech is one of the most trusted names in the IT space delivering technology solutions to global clients across 35 countries. Born out of a vision to create software development company where quality, innovation and personalized services trump low cost, makeshift solution, Cygnet partners with its clients to help them transform in to high performance businesses.

Cygnet has deep industry and business process expertise, global resources and a proven track record in delivering innovative technology solutions. Cygnet can mobilize the right people, skills and technologies that improves business performance.



Founded in **2000**, currently with offices across **6 continents**



1000+ Employees
Delivered **2000+**
Projects

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19 Years of Experience
Serving **750+** clients
in **35 countries**



95% Client Retention



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