Internal Controls Review

The remedy had to be dug out from the roots - the very concept had to be tested. The complete Purchase policy (MRP) was revisited and its sync with the ERP studied.

It was established that the ERP was not let to manage the complete scenario. Trespassing into the system was identified which led to manual data replacements, primarily to side step the control procedures embedded in the organisation. For eg., a Purchase order for procurement of materials cannot be issued if sufficient stocks are available as per the system, which materials may not be physically available, due to various reasons. An easy method to raise material request , is to alter the minimum stock levels, so that a requirement gets automatically posted in the form of a fresh Purchase Order. Many more issues were identified which led to stock accumulation.

The levels of stock with regard to the minimum, maximum and safety levels were refixed based on the nature of the products and their past consumption, projected to future forecasts. Trespassing into the system was identified and addressed to the IS department for embedding access locks to master data.

Controls procedures already available were analyzed for ease of compliance. Areas of excess controls were studied for simplifying procedures. The prime objective was to improve efficiency and effectiveness of operations.

A large manufacturing company in the process industry, running on an ERP environment had a very common problem faced by most organisations - a battle with the inventory bulge. But, the procedures were well laid out and execution was near to total compliance... There was not a single item in inventory that did not have a document to support. Who was to blame? From where did all these stocks come ?

Large volumes of stock held were identified. Systematic plan for down sizing stock holding was drawn. This resulted in steep reduction in interest costs and holding costs. A major share of a hitherto decided upgradation program was funded by disposal of stocks identified as unwanted.