BUSINESSES should consider the potential risks before following the latest trend of switching their phone systems over to an internet-based technology, a report warns. The report by accounting firm KPMG looks at some of the pitfalls of voice over internet protocol, which is rapidly being adopted by businesses to replace their traditional phone systems.

VoIP technology allows phone calls to be made on the wires that the computer network uses for email and other data.

Voices are converted into digital code, sent through the system and reconverted into sound at the other end. The system can be much cheaper than traditional telephony.

However, KPMG warns that the technology is so new that businesses are exposed to mistakes when choosing it.

"In an unforgiving market, the consequences of a major security incident can be substantial in terms of business interruptions, loss of consumer confidence or cost through fraud or missed opportunities," KPMG concludes in the report, titled Voice over IP – Decipher and Decide.

The firm gives some examples of problems that arise if risk planning is not done properly.

An example of project risk cited in the report is a retailer based in Singapore that underestimated the volume of traffic that would be carried on the network.

"Due to congestion, it was necessary to redesign and upgrade the network infrastructure, which had cost implications," the report says.

An example of a security risk cited in the report is a disgruntled employee of a multinational insurance company who installed VoIP to eavesdrop on board meetings.

"The employee intercepted confidential information that was subsequently leaked to the press," the report says.

However, KPMG says, there are benefits from using VoIP, and the risks will become clearer over time.

"In the future, we will see a maturing market for VoIP and IP telephony as the business applications develop, and both drivers and business imperatives become clearer," the report says.

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