

PAYROLL Audit Program

Control Objectives	Risks	Mitigating Controls	Scoped/ descope	Tests
1. Payroll				
1.1. General				
a. An effective payroll function has been established..	The payroll department has not been established with clearly defined objectives and organization structure.	HR organizational structured is formally defined with clear separation of duties and responsibilities between Payroll department and other HR functions. All Payroll staff and the head of the department have a formal job description clearly defining their responsibilities		Request the copy of the: <ul style="list-style-type: none"> - HR organizational structure - Payroll organizational structure. - Payroll staff job descriptions - Payroll procedures and review its adequacy considering among others that: <ul style="list-style-type: none"> - proper separation of duties exist - proper supervisory reviews exist.

PAYROLL Audit Program

Control Objectives	Risks	Mitigating Controls	Scoped/ descope	Tests
1.2. Employee masterfile				
a. All employee data in the system is accuracy and appropriate to the personal issues of the employee.	Costs incorrectly translated, calculated and paid Non compliance with tax and social legislation.	Personal data is supported with the required documents		Select a sample of employees from different locations and levels and review that key data are supported by source documents. At least one of these selected employees must be directly associated with the payroll process. (e.g. according to Spanish legislation is necessary that all employee present among others copy of: tax card, social card, family book with number of children, marriage, divorced, etc. all these issues have specially a direct impact on the tax and social legislation requirements
		Any change to the payroll master file require the approval of an officer		Select a sample of changes in the system on key data and check evidence of authorization of these changes by an officer.
		Personal data are periodically updated to ensure their accuracy		Review if Payroll department communicate to all employees the obligation to update their personal data at least once per year.

PAYROLL Audit Program

Control Objectives	Risks	Mitigating Controls	Scoped/ descope	Tests
b. Confidentiality of personnel data is maintained.	Non compliance with personal data legislation.	Physical access to personnel records is restricted to authorized personnel who need such information to discharge their responsibilities.		<p>Review separation of locations between Payroll office from other HR functions.</p> <p>Review that in the payroll offices appropriate tidy without confidential information in the desks and that when the time work is finished, offices are lock out.</p>
		Access to personnel data maintained on electronic media is restricted by use of security codes or passwords which are changed at frequent intervals.		Confirm with IS department (or equivalent) Payroll profiles and review with other non payroll functions in HR Area their permits to access to payroll data.
		Appropriate disciplinary actions are included in the Company disciplinary code individuals who provide confidential personnel data to unauthorized persons.		Review that all payroll staff have signed off a clause of confidentiality

PAYROLL Audit Program

Control Objectives	Risks	Mitigating Controls	Scoped/ descope	Tests
1.3. Accountancy				
Payroll data is completely and accurately accumulated in the underlying financial records and in the proper accounting period	Incorrect financial information	Monthly reconciliation between Payroll and Financial records is made by Accountancy and Payroll departments		<p>Request a copy of the reconciliation between financial and Payroll records for two different months, and review the data with the system.</p> <p>Reconcile the payroll to the general ledger for the period from the beginning of the financial year until the last month closed.</p>
1.4. Payroll calculation				
Salary and other payments to employees are properly calculated and authorized.	Over costs non authorized	Preliminary payroll is analyzed comparing with previous months to detect significant deviation in employee payments. Any issue emerged in this process is investigated and solved.		Request a copy of the preliminary and definitive payroll of the last month.

PAYROLL Audit Program

Control Objectives	Risks	Mitigating Controls	Scoped/ descope	Tests
Basic payments to employees are properly calculated and authorized	Over costs non authorized	Only a specific Payroll employee can modify payments according to Union Contract, and this always has to be properly authorized by the Director.		<p>Check any variation registered in the last 6 months in the employee category levels, and verify:</p> <ul style="list-style-type: none"> - evidence of appropriate authorization - coincidence with modifications in Union Contract properly agreed between Company and Unions.
Additions to the basic pay are authorized and correctly calculated	Over costs non authorized	Only a specific Payroll employee can modify payments according to HR procedures, and this always has to be properly authorized by the HR Director		<p>Check any variation registered in the last 6 months in the employee variable elements, and verify:</p> <ul style="list-style-type: none"> - evidence of appropriate authorization - modifications is reasonable justify.
1.5. . Tax, Social Compliance				
Procedures are in place to ensure full compliance with country tax legislation related to employees	Non compliance with tax legislation. (government investigations, penalties, deterioration of Company image)	Monthly conciliation between payroll costs and declaration presented to the tax authorities		<p>Request a copy of the reconciliation between tax account (related to employees payroll) and Payroll records for two different months, and review the data with the system.</p> <p><u>Note.</u> Consider those issues that must not be considered for tax purposes (in some countries some issues are exempted for tax purpose)</p>

PAYROLL Audit Program

Control Objectives	Risks	Mitigating Controls	Scoped/ descope	Tests
<p>Provision are considered to cover possible risks derived from non tax and other payroll legislation compliance, (investigations, inspections, non compliance issues, etc).</p>	<p>Non compliance with tax legislation. Risks of Contingencies and liabilities not considered in the accounting period</p>	<p>At year end all probable contingencies are considered for its provision</p>		<p>Request copy of last tax inspection from the authorities (is applicable).</p> <p>Request a copy of last tax review made by the auditors, where could reflect any defect on provisions.</p>
<p>All employees have correct deductions derived from tax and social legislation</p>	<p>Non compliance with tax, social legislation. (government investigations, penalties, deterioration of Company image)</p>	<p>% of deduction is periodically updated (at least once a year) considering changes in country legislation.</p>		<p>Review when was the last time that the payroll department review / change the % of deductions.</p> <p>Select a sample of employees from different locations and levels and review that % of deduction for tax and social purposes are correctly calculated, and that are supported by source documents and according to country legislation. At least one of these selected employees must be directly associated with the payroll process.</p>

PAYROLL Audit Program

Control Objectives	Risks	Mitigating Controls	Scoped/ descope	Tests
1.6. Dismissal				
All payment derived from a dismissal is correctly calculated and authorized	Over costs	<p>All dismissal payment is made by the Payroll staff.</p> <p>A different person in Payroll staff review the calculation and its correction with local legislation.</p> <p>Final proposal of payment is adequacy authorized and account for</p>		<p>Select a sample of employees that has been dismissal in the lasat 6 month and confirm:</p> <ul style="list-style-type: none"> - Calculated correction - Evidence of supervision - Evidence of authorization - Account for correction
1.7. Reports				
Payroll costs are in line with budgeting objectives.	Budget objectives compliance	Analysis of payroll cost by Payroll Officer is made after the payroll is account for and significant deviation with the Company / Area budget are properly reported		<p>Request report from the Payroll officer to HR Director, and verify:</p> <ul style="list-style-type: none"> - accuracy of the data/figures <p>Obtain from the system the situation of real cost vs budget and review if any significant deviation has not been reported.</p> <p>If any significant deviation has not been reported interview the Payroll officer, reason to this. Evaluate its reasonability</p>

