Recruitment:

1) Select a sample of 15 new employees, obtain the employee files and perform the following audit procedures:

a. Verify that there is a labour request form for the appointment on file.

b. Verify that it was approved by the HR Manager and Line Manager, noting name and title of the approvers.

c. Verify that the approval of the labour request form was done in terms of the authorization matrix.

1) For the sample of employees selected, perform the following audit procedures:

a. Note the advertised vacancy title

b. Verify that, if required, qualifications were submitted and verified by HR/ Payroll.

c. Verify that a copy of the identity document was attached to internal application form.

**Appointment:**

1) Obtain the monthly HR summary reports and perform the following audit procedures:

a. Agree the information per the report to *PAYROLL SYSTEM* data, i.e.

i. Number of appointments.

ii. Number and type of employee terminations for that particular month.

b. Obtain the minutes of the Ops meeting and verify that HR matters were discussed during the meeting

1) For the sample selected for employee recruitments, perform the following:

a. The contract is prepared for the successful candidate identified during the recruiting process (agree name and identify number on the contract to the labour request form).

b. The candidate is employed for the correct vacancy (i.e. compare the job title per the contract to the labour request form).

c. Verify that the contract was signed by both the applicant and a representative. Document the name and title of the representative signing the employment contract.

d. Verify that the information per the internal application form agrees to the contract and to the information loaded onto *PAYROLL SYSTEM* (i.e. employee name, identity number, employment start date, employment period (if temporary employment), job position and grade/ group.)

e. Verify that pre-appointment medical examination was performed and inspect the results to verify that the employee is deemed fit.

f. Verify that proof of banking details was obtained and agrees to the banking details loaded on the *PAYROLL SYSTEM* system and the banking system.

g. Verify that approval of the appointment was done by the HR Department and that processing onto *PAYROLL SYSTEM* was done by the Payroll Department

1. Obtain the monthly *PAYROLL SYSTEM* masterfile exception reports and perform the following:

a. Verify that the report was prepared timeously (within one month after month end).

b. Verify that the report was signed as evidence of review

1) Select a sample of 10 fixed term contract workers where the contract has been renewed in the period under review.

a. Determine the number of times that the contract has been renewed.

b. Document the original date of employment.

c. Determine whether there are breaks in the contract period.

d. Verify that the contract is signed by both the employee and a representative, noting name and title of the representative

**Terminations:**

1. Select a sample of 15 employees who were terminated (split between resignations, dismissals, retirements, fixed-term contracts, employee deaths and retrenchments) during the period of review, and perform the following:

a. Obtain the employee’s personal file and inspect that a termination of service document/ termination letter was completed.

b. Verify that the termination of service document/ termination letter was signed by both the employee and a representative.

c. Document the reason for the termination per the termination of service document/ termination letter and the reason captured onto *PAYROLL SYSTEM* – verify that the reasons are in agreement.

d. Document the last day of service per the termination of service document/ termination letter.

e. Document the termination date as processed onto *PAYROLL SYSTEM*.

f. Verify that the termination date per the termination of service document/ termination letter agrees to *PAYROLL SYSTEM*.

g. Verify that the termination was processed prior to Payroll month end and after final payment was made.

h. Verify that an exit medical examination was performed, where applicable.

i. Determine whether an exit interview was held with the employee, where applicable.

j. Determine if appropriate notice was given by employees, as follows:

• 24 hours if employed less then one month;

• 2 weeks notice if employed more than six weeks; and

• 4 weeks notice if employed more than one year.

2. Verify that fixed term contract expirations are being monitored.

3. Verify that a retirement age report is generated and reviewed

**Masterfile changes:**

1) Obtain the banking detail *PAYROLL SYSTEM* reports and perform the following:

a. Verify that the report was signed as evidence of review and acceptance. Document the name of the Reviewer.

b. Document the report start date and end date. Verify that there are no gaps in the reports.

c. Document the report preparation date and verify that it was prepared timeously.

2) Obtain the monthly *PAYROLL SYSTEM* duplicate banking detail *PAYROLL SYSTEM* audit report and perform the following:

a. Verify that the report was signed as evidence of review and acceptance. Document the name of the Reviewer.

b. Verify that no duplicate banking details were identified

1) Select a sample of 10 employee banking detail changes and perform the following:

a. Verify that the supporting documentation is signed by the employee and document the employee sign date.

b. Verify that the document is stamped by HR as evidence of being processed and document the HR stamp date.

c. Verify that the change is supported with valid supporting documentation, i.e. in the form of bank stamped bank statements or letter from the bank.

d. Verify that the change was correctly effected on *PAYROLL SYSTEM* and document the *PAYROLL SYSTEM* amendment date.

e. Verify that the change was made timeously (prior to month end).

1) Select a sample of 10 master file changes (other than banking detail changes) and perform the following audit procedures:

a. Verify that the masterfile change/ supporting documentation is signed by the employee and document the employee sign date.

b. Verify that the document is stamped by HR as evidence of being processed and document the HR stamp date.

c. Verify that the change is supported with valid supporting documentation.

d. Verify that the change was correctly effected on *PAYROLL SYSTEM* and document the *PAYROLL SYSTEM* amendment date.

e. Verify that the change was made timeously (prior to month end).

**Employee file maintenance:**

1) Through physical inspection, verify that employee files are adequately safeguarded against theft, elemental factors (e.g. rain) and fire and that access to the files are restricted.

1) Select a sample of 15 employees for the period of review and verify the following:

a. Determine that the following documents are valid and maintained on the employee's file:

i. Signed Letter of Appointment and/ or employment contract

ii. Tax form

iii. Proof of banking details

iv. Copy of the employee’s ID

v. Labour request form

b. Through inspection of the relevant employee's payslip (split payslip sample over the period under review), verify that all deductions as per the payslip are adequately supported by a signed (by the employee) written agreement on the employee's file. Document the month of the payslip.

**General Controls.**

**Inconsistencies within the process could lead to misstatement of financial statements.**

Risk: Inconsistencies within the process could lead to misstatement of financial statements.

Procedures:

1. Obtain a copy of the current policy and determine if the current process agrees to the policy.

a. Identify any gaps in the policy or areas of non-compliance and document these.

Risk: Inadequate segregation of duties and logical access controls resulting in errors/fraud being committed and not identified.

**Inadequate segregation of duties and logical access controls resulting in errors/fraud being committed and not identified.**

Risk: Inadequate segregation of duties and logical access controls resulting in errors/fraud being committed and not identified.

Procedures:

1) Complete the segregation of duties matrix and determine whether there is adequate segregation of duties.

2) Obtain the user access profiles for *PAYROLL SYSTEM* and determine whether access is appropriate for responsibility and the employee is still employed by the company.

3) Through discussions with Management and the Payroll Administrator, determine and document the access controls (i.e. who has access) to release the final Payroll to be paid (first and second release).

**Leave Administration**

**Supported leave applications are approved, and then reviewed by Payroll. (Including monitoring of leave balances)**

Risk: \* Excessive leave taken by employees, without adequate monitoring by the HR and Payroll departments.

\* Leave taken by employees which was not approved by Line Managers or not supported with the required supporting documentation, e.g. sick notes for sick leave.

Procedures:

1) Select a sample of 15 employee leave transactions (split between sick leave, annual leave, study leave, family responsibility, paternity leave, maternity leave and unpaid leave (if applicable)) for the period of review, and perform the following:

a. Obtain the leave application form and verify that it was approved by an Area Manager/ senior independent person. Document the Area Manager/ senior independent person's name and title.

b. Document the type of leave for which the employee applied for.

c. Document the leave approval date.

d. Where applicable, verify that the Area Manager approved the leave prior to the actual leave days taken by the employee.

e. Verify that the leave transaction was supported with the correct supporting documentation, e.g. doctor’s notes for sick leave taken.

f. Verify that the following information processed onto *PAYROLL SYSTEM* agrees to the approved leave application form:

i. Type of leave applied for.

ii. Number of leave days applied for.

g. Document the date of application of leave per the leave application form completed by the employee, and document the date the leave application form was processed onto *PAYROLL SYSTEM*. Verify that the leave was processed timeously.

h. Determine that no more than the allowed amount of leave was taken for each relevant category of leave.

**Leave incorrectly processed onto *PAYROLL SYSTEM* resulting in incorrect leave balance and payments made to employees.**

Risk: Leave incorrectly processed onto *PAYROLL SYSTEM* resulting in incorrect leave balance and payments made to employees.

Procedures:

1) Select a sample of 15 employee leave transactions (split between sick leave, annual leave, study leave, family responsibility, paternity leave, maternity leave and unpaid leave (if applicable)) for the period of review, and perform the following:

a. Obtain the leave application form and verify that it was approved by an Area Manager/ senior independent person. Document the Area Manager/ senior independent person's name and title.

b. Document the type of leave for which the employee applied for.

c. Document the leave approval date.

d. Where applicable, verify that the Area Manager approved the leave prior to the actual leave days taken by the employee.

e. Verify that the leave transaction was supported with the correct supporting documentation, e.g. doctor’s notes for sick leave taken.

f. Verify that the following information processed onto *PAYROLL SYSTEM* agrees to the approved leave application form:

i. Type of leave applied for.

ii. Number of leave days applied for.

g. Document the date of application of leave per the leave application form completed by the employee, and document the date the leave application form was processed onto *PAYROLL SYSTEM*. Verify that the leave was processed timeously.

h. Determine that no more than the allowed amount of leave was taken for each relevant category of leave.

**Leave abused by employees**

**Risk:** \* Sick leave is abused by employees, i.e. sick leave taken on a Monday or Friday, or before or after public holidays.

\* Maternity/ paternity leave is abused by employees resulting in loss of productivity and financial loss.

Procedures:

1) Select a sample of 15 employee leave transactions (split between sick leave, annual leave, study leave, family responsibility, paternity leave, maternity leave and unpaid leave (if applicable)) for the period of review, and perform the following:

a. Obtain the leave application form and verify that it was approved by an Area Manager/ senior independent person. Document the Area Manager/ senior independent person's name and title.

b. Document the type of leave for which the employee applied for.

c. Document the leave approval date.

d. Where applicable, verify that the Area Manager approved the leave prior to the actual leave days taken by the employee.

e. Verify that the leave transaction was supported with the correct supporting documentation, e.g. doctor’s notes for sick leave taken.

f. Verify that the following information processed onto *PAYROLL SYSTEM* agrees to the approved leave application form:

i. Type of leave applied for.

ii. Number of leave days applied for.

g. Document the date of application of leave per the leave application form completed by the employee, and document the date the leave application form was processed onto *PAYROLL SYSTEM*. Verify that the leave was processed timeously.

h. Determine that no more than the allowed amount of leave was taken for each relevant category of leave.

**Excessive or incorrect leave balances resulting in a financial loss**

Risk: Excessive or incorrect leave balances resulting in a financial loss

Procedures:

1. Obtain the monthly *PAYROLL SYSTEM* leave balance reports and perform the following:

a. Verify that the report was prepared timeously (within one month after month end).

b. Verify that the report was signed by the HR Manager as evidence of review.

**Leave Balances not adequately paid or redeemed**

Risk: \* Inaccurate leave payouts.

\* Excessive/negative leave balances are not redeemed from the relevant employees’ salaries.

Procedures:

1) Select a sample of 10 leave payouts and perform the following audit test steps:

a. Verify that the leave balance per the Leave Balance Report agrees to the payout documentation to ensure that the employee was paid out accurately according to the amount of days available for payout.

b. Recalculate the leave payout amount.

c. Verify that the leave payout was authorised by a senior independent person.