

AUDIT TERMS OF REFERENCE

Topic:	Payroll
T o R Version:	1.0
Audit Manager:	Mick Ahern
Auditor:	
Date:	13.08.2007
Background:	Audit included in Audit Plan, for completion in 2007/08
Objective:	To provide assurance to the Head of Finance and the Audit Committee of NCH that all payroll expenditure and expenses relate to authorised employees, is accurately paid and is properly recorded and accounted for.
Main Risks:	Work will be undertaken to establish that adequate controls are in place to mitigate the following risks: <ul style="list-style-type: none">• Statutory regulations are not complied with.• The existence of ghost employees.• Late / inaccurate / incomplete payments are made to employees.• Duplicate or overpayments are made to employees.
Scope:	The scope of this review will be to concentrate on the processes within NCH and NCC payroll to ensure that all the payments made are legitimate and complete. In particular this review will look at procedures are in place to ensure that :- <ul style="list-style-type: none">• Payroll data is accurately and completely processed, including starters, leavers and variations;• Payments are made to and received by the designated person;• Payroll costs are accurately accounted for;• Deductions are dealt with promptly;• Relevant, timely and accurate management information on payroll costs is produced;• Overtime payments are controlled;• Payments are reviewed by relevant managers to ensure accuracy;

	<ul style="list-style-type: none"> • The security of payroll data is adequately maintained; • Control Account reconciliations (Timely/evidenced/reviewed).
Approach:	<p>A standard audit approach will be followed for this review which will include:-</p> <ul style="list-style-type: none"> • Discussions with appropriate employees at both NCH and NCC to determine the actual systems and controls in place and to establish any areas of particular concern; • Documenting the systems in place;; • Undertaking testing on a sample basis, in order that conclusions can be made as to the effectiveness of the controls in operation. <p>Note that following the initial meetings with staff the scope may be changed to reflect any issues arising from these meetings. The revised scope will be agreed with the Head of Finance at NCH.</p> <p>Following completion of the audit work a discussion draft report will be produced and will be discussed and agreed with the Head of Finance at NCH. A Final Audit Report will then be produced.</p>
Principal Auditee:	Steve Everson
Final Report to:	Head of Finance/Audit Committee
Timescale:	Report by early December 2007