Checklist 6—Screening Payroll and Human Resources for Possible Wrongdoing and Fraud

For “Yes” answers, auditors should:

* determine the reasons for the Yes answer,
* assess the significance of any Yes answers, and
* assess the implication of several Yes answers and how they relate.

The auditor should consider undertaking additional work to clarify or resolve these warning signs or red flags.

Auditors can amend the questions or add questions as appropriate to reflect the uniqueness of the entity.

| **QUESTIONS** | **YES** | **NO** | **COMMENTS** |
| --- | --- | --- | --- |
| 1. Is there a lack of compliance with Human Resources policies? |  |  |  |
| 1. Is there poor internal control of payroll and personnel functions? For example, is there a lack of segregation of duties for payroll functions such as authorization for additions or deletions to payroll records? |  |  |  |
| 1. Do senior officials cash-out vacation leave on a regular basis? |  |  |  |
| 1. Were there any payments for overtime or performance bonuses that locked appropriate approval and review? |  |  |  |
| 1. Are there any illegitimate or duplicate social insurance numbers? |  |  |  |
| 1. Is there a high proportion of reclassifications upwards or other unusual trends in staffing actions? |  |  |  |
| 1. Are there any duplicate addresses or deposit accounts for employees? |  |  |  |
| 1. Are basic deductions missing from any payroll cheques? |  |  |  |
| 1. Are there notices from the Canada Revenue Agency that payroll tax notices are delinquent? |  |  |  |
| 1. Are there a large number of manual payroll cheques? |  |  |  |
| Other Questions |  |  |  |