



**GOVERNMENT OF ANTIGUA AND BARBUDA
AUDIT DEPARTMENT**

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AUDIT PLAN			
Department: Treasury	24	Years to be audited: 2010-2013	
Location of Books and Records:	Start date: 22 April 2014	Contact person: Mrs. Cleopatra Gittens (Accountant General) Mrs. Paige (Payroll Supervisor)	
		Contact Numbers: 462-1017 562-3505	
List of Records to be made available: Employee Listing (established and non-established) Pensioners Listing List of Contract Workers Payroll Disbursement Cheque Disbursement Cancelled Cheques Chart of Accounts Impress Warrants (Listings) Organization Chart General Ledger Internal Audit Work program Internal Audit- Audit Plan Internal Audit Report Minutes of Management Meetings Minutes of Board Meetings Other Payroll Reports	Completion Date:	Auditors: S. Roberts, S. Underwood, S. Moore, J. Small, R. Agrippa	
EXECUTION		To Do	Done
<p>➤ Before The Audit:</p> <ul style="list-style-type: none"> • Review Screeners Comments • Review previous audit reports • Perform risk assessment • Prepare questions for initial interview • Set appointment with management for initial interview • Prepare audit requesting books and records/letter • Perform revenue/expenditure comparison • Calculate ratios and materiality • Understand the Type of Audit and the 			

<p style="text-align: center;">Objectives</p> <ul style="list-style-type: none"> ➤ Audit Type <ul style="list-style-type: none"> • Performance Audit on Payroll Software (FREE BALANCE) ➤ Audit Objective <ul style="list-style-type: none"> • To gain an understanding and express an opinion on the efficiency, effectiveness and economy of the entire payroll system. ➤ Subject Matter <ul style="list-style-type: none"> • The overall operation efficiency and effectiveness of the payroll software used during 2010 through 2013. ➤ Audit Objectives: <p>To assess:</p> <ul style="list-style-type: none"> • The degree of accuracy of the reports generated from Free Balance • The extent to which Free Balance is meeting payroll objective • The degree of efficiency of Free Balance • Proper segregation of duties <p>To verify:</p> <ul style="list-style-type: none"> • Payments to individuals are accurate • All necessary deductions are done • Payroll controls are in place • Segregation of duties ➤ Sampling: <ul style="list-style-type: none"> • Method - a stratified random sample was selected to pick items from the various salary scale. Separate payroll into categories based on salary: below \$3000.00, \$3001 to 10000.00 and greater than \$10, 000.00. 			<p>Selecting based on salary scale was not used due because it was agreed by the audit team that more</p>
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<p>Degree of Confidence required on this audit is 95%</p> <p>Confidence Interval 20</p> <p>Items to select: this will be calculated after obtaining population size.</p> <table border="1" data-bbox="147 814 987 1081"> <thead> <tr> <th></th> <th>Population</th> <th>Sample Size</th> </tr> </thead> <tbody> <tr> <td>Established</td> <td>3814</td> <td>24x4=96</td> </tr> <tr> <td>Non Established</td> <td>2028</td> <td>24x4=96</td> </tr> <tr> <td>Weekly non established</td> <td>2200</td> <td>24x4=96</td> </tr> </tbody> </table> <p>For each sample month, randomly select 24 items for testing</p> <p>➤ Materiality-</p> <p>Additional items will be selected based on their nature and potential impact on Treasury.</p> <p>All increase in salary over the audit period</p> <ul style="list-style-type: none"> • Months selected to be tested: <ul style="list-style-type: none"> ○ January ○ March ○ June 		Population	Sample Size	Established	3814	24x4=96	Non Established	2028	24x4=96	Weekly non established	2200	24x4=96			<p>reliable information will be collected if persons were selected at random.</p>
	Population	Sample Size													
Established	3814	24x4=96													
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<p>○ December These months were randomly selected.</p> <ul style="list-style-type: none">● Items selected for testing:<ul style="list-style-type: none">○ Payroll and related cost○ Pension calculations and payments○ Internal controls over payroll○ Payroll software functions <p>Other Departments of interest: Agriculture Finance Central Board of Health Public Works Education</p> <p>All changes to employee's remuneration begins at the department level and these departments account for a significant number of employees within the Civil Service.</p> <p>➤ Use of internal audit work</p> <ul style="list-style-type: none">○ Discuss with Internal Audit the following:<ul style="list-style-type: none">○ Who assigns work to them;○ Who the team reports to;○ How often are their recommendations implemented;○ What actions are taken when their recommendations are not taken into consideration○ Obtain copies of work plan to assess the overall objectives and effectiveness of internal audit○ Obtain copies of Audit plan to assess the focus and scope of work performed○ Obtain copies of audit reports and compare to audit plan to assess consistency, objectivity and competence of auditors.○ Use the above information to determine the degree of reliance that should be placed on the work of internal audit.			
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<p>➤ Audit Risk: (risk Areas)</p> <ul style="list-style-type: none">○ On numerous accusations it was reported that salary will be late due to system failure○ On one know accusation an employee was paid for several months from 2 separate departments. On causation a contract employee's contract was not renewed but received payments several months after. <p>Control Risk The major risk here is that controls are weak over payments for the period under consideration.</p> <p>There is possibly no control in place to ensure the same employee is not paid from different departments</p> <p>Management may chose to ignore controls to get work done.</p> <p>Inherent Risk</p> <p>The system may not be able to manage the workload at treasury.</p> <p>There is the risk that the persons at treasury may not be adequately equipped to use the new system (whether the ability to learn or received adequately training).</p> <p>Since Treasury deals with all government transactions relation to payments and receipts it is easier for errors to occur.</p> <p>Because of the number of transactions errors may not be easily identified and corrected in a timely manner.</p> <p>Detection Risk</p>			
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<p>The Audit Department has recently implemented the auditing techniques issued by the International Standards of Supreme Audit Institutions (ISSAAI). Therefore, detection risk is high at this point.</p> <p>It is expected that detection risk will reduce during the audit as a few of the auditors possess some knowledge about the daily operations at Treasury.</p> <p>➤ Interview with Principle</p> <ul style="list-style-type: none"> • Tour Premises: <ul style="list-style-type: none"> ○ Observe the amount of employees performing the various functions. ○ Pay attention to any unreported activities performed in the department. <p>Using the work of Internal Audit</p> <p>Conduct an interview with internal audit to gain indebt knowledge of the work performed on payroll and other departments in treasury</p> <p>Assess independence Internal Audit</p> <p>Determine who assigns work to internal audit</p> <p>Determine who internal audit reports to</p> <p>Determine what is done with the recommendations of Internal Audit</p> <p>Determine who is responsible for implementing, enforcing and monitoring the recommendations</p> <p>Obtain the work program, working papers and audit reports of internal audit and review to assess the extent to which the work of internal audit can be relied on to avoid duplication .</p>			
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<p>Compile a list of recommendations made by internal audit and determine what action was taken subsequent to the recommendations</p> <p>Obtain a list of errors identified by internal audit and seek an explanation for : How the errors were addressed and The time it took to address the errors after being identified Reason for any delay</p> <p>➤ Control testing</p> <ul style="list-style-type: none">• Obtain an explanation on the payroll process• Obtain the organization chart and look at the position of internal audit department• Obtain an explanation for the pension process• Obtain a copy of the Payroll Procedures manual and review to gain reasonable knowledge of the payroll process and the controls in place.• Obtain a Copy of the Pension Procedures manual and review to gain greater understanding of the pension processes• Obtain an explanation for the procedures after payroll instructions was sent to the bank and review a sample of the documents returned by the bank to ensure the procedures are followed.• Obtain an explanation about how FREE BALANCE version 7 is currently working and the reason for changing from version 6• Observe payroll procedures to see if procedures are followed• Review a sample of payroll documents for appropriate authorization and document findings.• Obtain explanations for variances and deviations from the manual.• Select a sample of monthly and weekly payroll			
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<p>instructions sent to the bank and look for appropriate signatures.</p> <ul style="list-style-type: none">• Obtain a flow chart of the pension and payroll process• Walkthrough based on the explanation of the payroll process- Obtain a sample of pensioners and employees and follow the process from start to end. Check for necessary signatures and levels of authorization• Arrange with pension and payroll to observe the closing procedures <p>System Testing (FREE BALANCE internal control testing) (can be done using live or testing module in the system)</p> <p>Obtain an explanation of the various controls within the system over payroll and document all the controls that were built in</p> <p>With the permission of management, try to gain access to the system and note how far you were allowed access</p> <p>With the permission of management, ask a junior staff member to login and assess the degree of access available compared to the explanations obtained or compare to the procedure manual</p> <p>With management's permission, use the account of a junior staff and try to add and remove someone from the system and note the results</p> <p>Enter an incorrect number for an employee and note the system response</p> <p>Substantive Test</p> <p>Objectives:</p> <p>Detailed audit testing will be performed on four high risk departments responsible for entering payroll information in the system-Establishment, Central Board of health, Ministry of Agriculture and Ministry of Finance</p>			
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<ul style="list-style-type: none">✓ interview principal to gain an understanding of the payroll process and the policies and procedures in place to ensure accurate information is entered in the system.✓ base on the explanations obtained design audit test to determine the extent to which the policies and procedures are followed✓ Design test to assess the integrity of the information relating to Salary, wages and deductions (both statutory and other deductions). <p>➤ During the Audit</p> <p>➤</p> <ul style="list-style-type: none">• Evaluate the record keeping practices for the business and issue recommendations where necessary. <ul style="list-style-type: none">• Payroll and related costs <p>Objective: to obtain assurance that the payroll system is capturing and providing accurate information about salaries paid employees.</p> <p>Audit Tests</p> <p>Select a sample of employees and perform the following:</p> <ul style="list-style-type: none">○ Verify that salaries and standing payments entered in the system appears on the original payroll document (employment letter and subsequent promotion letters)○ Observe payroll procedures and document any discrepancies from procedure manual			
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<ul style="list-style-type: none"> ○ Verify that salaries and wages match MB and SS amounts by recalculating deductions ○ Compare total employee remuneration for the various years and obtain an explanation for any variance ○ Compare total employees to total salaries paid for the sample months and obtain an explanation for significant variances in numbers ○ Review the recommendations made by Internal Audit and inquire whether they were implemented ○ Review a sample of payroll Vouchers, bank payment advise (list of employees sent to the bank) for appropriate authorizations (signature) ○ Identify employees receiving other payments and Verify whether commissions and bonuses were taxed ○ Identify all payments to owner and managers ○ Recalculate deductions on salary provided to ensure accuracy ○ Obtain a list of employees by department and compare to the list produced by FREE BALANCE ○ ● pension payments <ul style="list-style-type: none"> ○ Compare 2010 to 2013 amounts on statements to identify significant variances ○ obtain a list of pensioners for the various years ○ Select a sample from the GL and trace to original pension calculations ○ Obtain explanations for significant variances in pension calculations ○ obtain written representation for significant variances ○ Trace amount calculated to payments 			
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<ul style="list-style-type: none">○ Re-compute amounts and compare to financial statements.● Severance<ul style="list-style-type: none">○ Obtain an explanation for severance calculation○ Select a sample of individuals who were severed over the audit period and recalculate severance○<ul style="list-style-type: none">○ Compare severance calculation to the amount that was paid○ Re-compute severance based on the employment contract to ensure accuracy○ Compare calculation to GL and FS➤ Post-audit discussion <p>Explain to the representatives the audit findings.</p> <p>Discuss the following if there is a need for modified audit report:</p> <ul style="list-style-type: none">● Errors identified● degree of compliance● Information not received● Type of report that will be issued			
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