**Suggested solution – Payroll and employee benefits**

**Time:** 15 minutes

**Instructions:**

* Map the control to the What Can Go Wrong (WCGW) that the control can mitigate.
* A control can be mapped to more than 1 WCGW.

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| **WCGW** |
| Payroll and employee benefit expenses are not recorded in the appropriate accounts. (1) |
| Payroll and employee benefit transactions or events are inappropriately aggregated or disaggregated, and are not classified, described and disclosed in accordance with the applicable financial reporting framework. (2) |
| All payroll disbursements made are not recorded. (3) |
| Payments are made for salaries or wages not actually earned. (4) |
| Pay increases were not authorized by the appropriate personnel. (5) |
| Coding of payroll to G/L is incorrect. (6) |
| Duplicate payroll disbursements are made. (7) |
| A Fictitious employee is created. (8) |

* Each control properly mapped will earn 1 point.

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| **Control** | **Control Type** |
| When individual payroll changes are made in the system, an executive from the Finance Department reviews the changes for completeness and consistency with supporting documentation. Only after this approval will the changes be effective. (5, 8) | ITDM |
| Total annual payroll increases over the entire company are approved by the CFO every year. (5) | ITDM |
| The Senior Vice President and Executive Director reviews a monthly budget to actual analysis on all payroll related expenses, ensuring all variances over 50,000 have been properly investigated and are reasonable. (1, 4, 6, 7) | ITDM |
| Access to input new hires into the system and to make changes to employee files is limited to the appropriate individuals. (5, 8) | Application |
| The Controller reviews the payroll journal entry prepared by the Accounting Manager for unusual items and approves the entry before recording into the general ledger (EY note: As part of the review, the JE is agreed to the Payroll register to ensure appropriate coding and completeness) (1, 2, 3, 6) | ITDM |