

**AUDITING OF SALARIES  
AND REPORTING FORMAT  
A PAPER PRESENTED  
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(SALARIES SECTION).**

# HIGHLIGHT:

Definition of Auditing

What is Salaries?

Objectives of Auditing of Salaries

Benefits Derivable from an Auditing of salaries

Significance of Auditing salaries

Type of Auditing ( Pre & Post-Auditing)

Procedures of Auditing salaries

What is Audit report?

Type of Audit report:

Reporting format:

# DEFINITION OF TERMS:

- **AUDITNG:-** As far as the modern concept of Auditing is concerned, auditing can be defined as the independent examination and investigation of the evidence from which a financial statement has been prepared with a view to enabling the independent examiner to report whether in his opinion and according to the best of the information and explanation obtained by him, the financial statement is properly drawn up and gives a true and fair view of what it purports to show and if not, to report in what respects he ( Auditor) is not satisfied.
- **SALARIES:-** Can be defined as money or personal emolument that employees receive for doing their job, especially professional employees or people working in an office usually paid every month, in return for their restless efforts and services rendered to the University.

- **OBJECTIVES OF AUDITING SALARIES:-**
- The main objective of this paper is to educate and teach auditors about or how to audit and examine the University's staff salaries pays every month, so as to discover and correct any errors, anomalies and discrepancies in the monthly salaries/wage bills and to prevent and detect over/underpayment in staff salaries/allowances and how to give a comprehensive audit report to the appropriate authority for necessary action.

- **BENEFITS DERIVABLE:-**

- (1) It affords the University to know the area of weakness in the accounting system and internal control as regard the salaries/wage bills are concerned and how they could be eliminated.
- (2) It exposes and reveals any ghost- workers in the system.
- (3) It prevents, arbitrate and settle any disagreement between the accountant (salaries) and the prospective staff on the issue of over/underpayment of arrears of salaries/allowances.

- **SIGNIFICANCE OF AUDITING SALARIES:**

- Due to the enormous and huge amount involves in paying salaries every month which call for the needs of audit to examine the monthly input and supporting documents to the computer output, (i.e.) the processed payroll and transaction list and to ensure proper interpretation and implementation of the letters of Appointment and other correspondence issued by the Establishment officer to prospective staff in respect of their welfare. In the first instance, a sum of (Eight hundred and fifty eight million, three hundred and eighteen thousand, and sevent nine naira, eighty six kobo ) was paid to the University's staff as salaries in the first quarter, 2010.

# Details are shown below:

<b>MONTHS</b>	<b>ACADEMIC STAFF N : K</b>	<b>SENIOR STAFF N : K</b>	<b>JUNIOR STAFF N : K</b>	<b>TOTAL AMOUNT N : K</b>
JAN.2010	150,438,631.45	96,662,492.96	13,769,269.89	260,870,394.30
FEB. ,,	218,818,442.90	135,538,098.73	25,000,340.84	379,356,882.47
MARCH ,,	133,643,159.03	71,339,143.11	13,108,500.95	218,090,803.09
<b>TOTAL</b>	<b>502,900,233.38</b>	<b>303,539,734.80</b>	<b>51,878,111.68</b>	<b>858,318,079.86</b>

- **TYPE OF AUDITING:-** Auditing could be classified into two categories, namely:
- Pre-auditing and Post-Auditing.
- **Pre-Auditing:-** Is the process of checking, examining and vouching of University's staff salaries/allowance and casual workers allowances in monthly basis before payment is made.
- **Post-Auditing:-** Is the process whereby thorough examination of monthly payroll and transaction list together with other supporting documents like; input, correspondence, and statutory deduction forms/letters are perfectly examined to ensure that payment made so far is error free and the financial records reflects the actual payment without any under/overpayment for the audited period.

- **THE PROCEDURE FOR PRE-AUDITING OF SALARIES:**

- **PERMANENT STAFF:-**

- Upon receipt of the bank schedule together with related supported documents the Audit staff (salaries) shall:
- 1. Distribute the payment vouchers together with the summary and individual bank schedules among themselves
- 2. Examine them for genuineness and approval.
- 3. Ascertain the correctness of the amount in figures to the amount in word on the payment vouchers.
- 4. Ascertain the correctness of amount on the payment vouchers against the bank schedules
- 5. Checking of individual bank schedules for the current month with the immediate past month, if there is any difference.
- 6. Identified the difference, errors and mistakes and forward it to the Accountant (salaries) Bursary for correction before audit approval.
- 7. If satisfied, audit staff would round stamped, sign with date, the payment vouchers and the attached bank schedules, otherwise; return them to the Accountant (salaries) with a note or query describing the errors or mistakes.
- 8. Audit staff detached audit copies of summary and individual bank schedules before finally pass to the Accountant (salaries) for further processing and payment.

- **(b) CASUAL WORKERS:-**

- 1. Distribute the payment vouchers together with the letter of Appointment and assumption letter and other related supporting documents
- 2. Examine them for accuracy, genuineness and approval.
- 3. Ascertain the correctness of the amount in the figure to the amount in word on the payment vouchers.
- 4. Reference, the amount computed to the attached letter and related documents
- 5. If satisfied stamped appropriately, sign with the correct amount and date, otherwise return them to the Accountant (salaries) with a short query describing the errors or mistakes.
- 6. Audit staff, record the payment vouchers into the dispatch note book for record purpose and dispatch it to the Accountant (salaries) for necessary actio



- **THE PROCEDURES FOR POST-AUDITING:-**
- Upon receipt of the computerized payroll and transaction list from the computer room together with input and other supporting documents as directed by the Establishments, the Audit staff (salaries section) shall:
  1. Collect the official monthly payroll and transaction list together with the related supporting documents.
  2. Scaling of the receipt payroll and the complementary transaction list
  3. Checking of the current month payroll and the transaction list with the preceding or previous month payroll.
  4. Ensure proper interpretation and implementation of letters and correspondence as directed by the Establishment, (e.g.) letter of Appointment, Assumption, Promotion, Extension, Termination and Retirement etc.
  5. Ensure that all statutory deduction are duly and correctly deducted (e.g.) Rents, Electricity bills, Housing loan, Motor vehicle loan, and personal salary advances etc
  6. Ensure proper placement and implementation of promotion exercise, to avoid under/ overpayment in the accrued arrears.
  7. Collating of Audit observations for month and reconcile any differences with the Accountant ( salaries) for proper clarification.
  8. Audit will give a comprehensive report on their findings after they have resolved areas of differences with the Accountant (salaries) amicably.
- **CONCLUSION:**
- In conclusion, it is a most and challenges to make it known in this lecture that auditing of salaries should be a serious matter to the University management. It also demands for honesty, faithfulness, painstaking and self commitment; due to the huge amount of money involves in paying salaries/allowances every month.
- **(B). What is Audit Report?**
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- **DEFINITION OF TERMS:**
- **Audit report:** - Is the end product of the audit. It is usually very short (always not more than a page) but its importance to the business community should not be underestimated. An audit has no meaning or any importance without an audit report.
- **CLASSIFICATION OF AUDIT REPORTS:**
- **Monthly Audit report:-** This report arise in monthly basis to gives temporary and interim report on the financial transaction of the University in a particular month in respect of what transpired on payment of staff salaries/allowances for the month.
- **Quarterly Audit report:-** This is a report on a normal routine exercise, covering the period of three consecutive months and which analyze the university overall financial transaction as regard the payment of salaries/allowances to the prospective staff in the University. A report the University governing council honored most and expected from Internal Audit.
- **Special Audit report:-** This can be defined as audit report written on uncommon or special circumstances, in respect of a particular issue that deserving or getting more attention than usual e.g. non- deduction of rents and electricity bills for three consecutive months.
- **Exception Audit report:-** This can be defined as Audit report written on any abnormal situation or occurrence or incidence that required urgent attention and acquired exceptional audit report to be given not necessarily wait till the end or the time of completion of the audit exercise or the time of final report. e.g discovery of outrageous amount of overpayment in salaries to a staff in a particular month.

- **REPORTING FORMAT:**

- The following basic rules and steps should be carefully considered in preparing a report of salaries/allowances:

- **The organization name:** This indicates and identifies the organization in which the audit exercise had been conducted or carried out.
- **Address:** The parties to whom the report should be addressed must be obvious in the report.
- **Subject of the report:** The Subject of the report should be clearly stated and properly distinguished from other main or sub-headings.
- **Introduction:** This would give a brief comments or summary about the report.
- **Objectives of the report:** This would express the terms of references in the report.
- **Sources of Information:** This would analyze and details all the available documents used during the audit exercise
- **Observation:** This comprises the part of the body of the report, the summary of the major comments and supported by details presented in exhibits. (e.g.) Calculations, schedules, statistics etc. The detailed calculations, schedules, statistics prepared or used during the

- audit assignment and which are considered to be part of the report should
- be referred to in the body of the report and shown as “**appendices**” to the
- report. A time, it led to **creation of table** for proper classifications

- **Limitations:** This is any limiting factors or constrains that can cause delay of a given report.(e.g) Power failure or power surge.

- **Recommendations:** The body of the report should contain the recommendation and the conclusions reached from the audit assignments.

- **END OF LECTURE.**

