



PAYROLL AUDIT

Terms of Reference

Independent Office of the City Auditor

October 7, 2026



TERMS OF REFERENCE

Background

The City of Saskatoon (City) implemented SAP SuccessFactors, WorkForce Time & Attendance, and SAP S/4HANA as its payroll application system effective January 1, 2021. The City's payroll processes support approximately 5,000 employees and approximately 2,000 pensioners, including those of the City's statutory boards and controlled corporations.

Wages and benefits were the City's largest operating expense by object in 2025, totaling approximately \$454 million, or 43% of total operating expenses. As payroll controls have not been subject to internal audit since implementation of the SAP environment, this audit will provide assurance over selected payroll controls designed to mitigate the risks of fraud and error.

In accordance with the approved [2025-26 Audit Plan](#), the Independent Office of the City Auditor (Office) has initiated the Payroll audit.

Objective

The objective of the audit is to assess the design and operating effectiveness of key controls pertaining to payroll processes.

Scope

The audit will focus on the period from January 1, 2025 to June 30, 2026 but information from outside the audit period may be considered as appropriate.

The audit scope does not include:

- Activities related to the City's statutory boards and controlled corporations. However, because their payroll is processed through the City's centralized service, related transactions may be considered as part of the overall audit but no detailed testing of payroll activities specific to these entities are planned.
- Processes and controls related to the review and approval of timesheet or monitoring of vacation balances, as these were previously addressed in the [Continuous Assurance Audit Report](#) and the recommendations were subject to follow-up procedures.
- Processes and controls related to identification, implementation, approval and validation of payroll-related changes resulting from new or amended Collective Bargaining Agreements (CBA). These are managed like projects and are separate from the in-scope payroll processes and will be considered for inclusion in future Audit Plans.

Criteria

Audit criteria were developed based on research and professional judgment to support assessment of the audit objective. The criteria were discussed with Administration, which indicated alignment with them.

The Administration is expected to have appropriate processes and controls to:

- Maintain accurate, authorized and timely employee payroll master data.
- Apply approved pay rates and compensation changes accurately and promptly.
- Process payroll earnings, deductions, benefits, pensions and remittances accurately and on time.
- Pay selected premiums, allowances, overtime-related pay, vacation pay and other entitlements correctly.
- Review payroll results, investigate exceptions and resolve errors before payment.
- Authorize payroll payments and protect payment processes from unauthorized activity.
- Reconcile payroll records, payments, liabilities and general ledger postings promptly.
- Correct payroll errors and overpayments consistently, timely and appropriately.
- Restrict payroll system access and maintain appropriate segregation of duties.
- Monitor recurring payroll issues, exceptions and related corrective actions.

Approach

The Office will perform the audit using a combination of procedures including:

- Review of relevant policy and procedure documents
- Interviews, observations and discussions with relevant personnel
- Data analysis
- Sample review of transactions, reports, etc.

Reporting

At the conclusion of the audit, a draft report will be shared with the Administration which will include the results of the audit, highlighting strengths of the Program along with recommendations related to potential areas of improvement. Findings will be rated based on the Office's established Risk Rating Guide. The Administration will have the opportunity to review and comment on the draft report prior to finalization. The final audit report, including Administrative responses and action plans, will be presented to the Standing Policy Committee on Finance.