



DIIR-SCHRIFTENREIHE  
Band 62

# **Auditing Payroll**

## **A Support Guide for Auditing Payroll Processing**

Edited by DIIR – Deutsches Institut für Interne Revision e.V. Developed in the working group „Revision Personalmanagement und Interne Dienstleistungen“

**ERICH SCHMIDT VERLAG**

**Bibliographic information published by Deutsche Nationalbibliothek**

The German National Library (Deutsche Nationalbibliothek) lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available in the Internet at <http://dnb.dnb.de>.

**For further information concerning this title please follow this link:**

[ESV.info / 978-3-503-23719-7](http://ESV.info/978-3-503-23719-7)

The information in this work has been carefully compiled and is based on the state of knowledge at the time of editorial deadline. However, since guidelines and facts are subject to changes in jurisprudence and legislation, no liability can be accepted for the accuracy and completeness of the information in this work. Likewise, the texts and illustrations printed in this work are subjected to routine scrutiny; however, the occurrence of printing errors cannot be completely ruled out, and therefore no liability can be assumed for incorrect texts and illustrations due to printing errors.

ISBN 978-3-503-23719-7 (print)

ISBN 978-3-503-23720-3 (eBook)

ISSN 1867 2884

All rights reserved

© Erich Schmidt Verlag GmbH & Co. KG, Berlin 2023

[www.ESV.info](http://www.ESV.info)

Typesetting: Arnold & Domnick, Leipzig

Printing and binding: Difo-Druck GmbH, Bamberg

# Contents

<b>1</b>	<b>Introduction .....</b>	<b>7</b>
<b>2</b>	<b>Environment/HR Organization/Overview .....</b>	<b>9</b>
2.1	Requirements – Legal / Tariff / Industry / Company / Unions .....	9
2.2	Salary / Wage Tax Environment .....	11
2.3	Social Security System / Voluntary Social Benefits .....	12
2.4	HR organization – Payroll Organization – Control Environment ..	12
2.5	Contractual Basis of Employment .....	14
2.6	External Audits (Financial Statements, Tax, Social Security).....	15
<b>3</b>	<b>Payroll System .....</b>	<b>17</b>
3.1	System and Process Security .....	17
3.2	Manual or System-Based Payroll .....	17
3.3	Software System Security .....	18
3.4	User Access / IDM .....	19
3.5	Change Management – Licenses, Patches .....	21
3.6	Interface with HR / ERP (Cost Centers) .....	22
3.7	Interface with Online Banking .....	23
3.8	Interface to time recording.....	23
<b>4</b>	<b>Payroll Master Data .....</b>	<b>24</b>
4.1	Basic Employee Data .....	24
4.2	Company Entry, Temporary Contracts, Changes, Company Exit .....	25
4.3	Vacation Entitlement, Time Credits, Inactive Employment Contract (e.g., Maternity Leave), Accruals .....	28
4.4	Salary Classification: Tariff, Working Time Model, Marital Status, Employment Status (Maternity Leave), Tax Groups.....	30
4.5	Job/Workplace.....	30
4.6	Data Quality, Data Control, Data Protection .....	31
<b>5</b>	<b>Forms of Remuneration .....</b>	<b>33</b>
5.1	Salary Forms and Elements .....	33
5.2	Other Remuneration, Allowances and Supplements .....	35
5.3	Allowances, Monetary Benefits .....	36
5.4	Secondments .....	37
5.5	Advances, Loans, Cash Payments .....	8
5.6	Retirement Schemes, Partial Retirement, Pension Plan, Deferred Compensation .....	39
5.7	Exit of an Employee .....	40
5.8	Reduced Working Hours .....	42

<b>6</b>	<b>Time Recording .....</b>	44
6.1	Procedure and Technical System.....	44
6.2	Provisions .....	47
6.3	Time Surcharges .....	47
6.4	Project / Order / Cost Center Accounting .....	48
<b>7</b>	<b>Payroll Run .....</b>	49
7.1	Payroll Calculation .....	49
7.2	Payroll Run Timing .....	51
7.3	Gross Pay Calculation .....	53
7.4	Net Pay Calculation .....	56
7.5	Simulation and Review after Payroll Calculation .....	59
7.6	Payroll Proposal List / Pre-Disbursement Payroll .....	61
7.7	Release Approval.....	63
<b>8</b>	<b>Pay-Out / Payroll Disbursement.....</b>	64
8.1	Procedures and Organization.....	64
8.2	Types of Disbursement .....	65
8.2.1	Online Banking / ERP System.....	65
8.2.2	Cash .....	67
8.2.3	Check .....	67
8.2.4	Disbursement by External Service Provider.....	68
8.3	Sensitive and Confidential Data .....	70
8.4	Monitoring of Manual Interfaces in the Disbursement Process.....	71
8.5	Approval Processes.....	72
8.6	Interface to Accounting.....	73
8.7	Reconciliation .....	74
8.8	Processing of Pay-Out / Disbursement.....	75
8.9	Reporting and Budget Monitoring .....	76
8.10	Reporting for Regulatory Purposes .....	77