

Building a system that pays
A roadmap to simplifying and
strengthening payroll assurance

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Table of contents

Introduction	03
Business challenges	04
Payroll value chain	05
Key activities, risks and assurance measures across the payroll value chain	06
Unlocking value in payroll assurance	08
Emerging trends and tools for payroll assurance	09
Conclusion	10
Connect with us	11

Introduction

Payroll assurance has moved beyond checking boxes; it is about building a system that safeguards the overall payroll process and ensures that everyday issues remain manageable. It centres around significant challenges such as employee data record management, calculation errors, unauthorised modifications and ensuring compliance across various jurisdictions and laws.

The traditional payroll review relies on sample transactions, often failing to detect anomalies that a technology-enabled, analytics-driven audit can uncover. By utilising innovative tools, maintaining audit trails, monitoring access rights and reviewing exceptions, companies can process payroll smoothly, stay legally compliant and reduce risks such as ghost employees.

Ultimately, this approach turns payroll from a reactive, retrospective task into a proactive, value-driven function that boosts operational efficiency and builds trust within the organisation.



Business challenges

Payroll is one of the most significant cost centres for any organisation and is extremely sensitive to financial accuracy, compliance and employee satisfaction risks. It is a more transactional and regulated line of business than others, especially error and threat-prone. Key risks include:

Data integrity and processing:

Payroll depends on current and accurate employee information. Incorrect or incomplete data can lead to overpayments, underpayments or delays, which can impact both employee morale and the organisation's financial reporting.

Unauthorised changes and ghost employees:

Weak controls can lead to unauthorised edits or the creation of non-existent employees, leading to financial loss.

Regulatory and compliance roadblocks:

The payroll function must comply with labour laws, tax regulations and other statutory requirements. In multi-jurisdictional operations, frequent regulatory changes make compliance particularly challenging, necessitating careful monitoring.

System and operational risks:

System downtime, technical breakdown, or cyber breaches can impact the payroll function. Since payroll systems store highly sensitive employee information, including information related to salary, tax, bank account and more, they can be exploited to commit fraud and steal data, leading to employee dissatisfaction and reputational loss.

Outsourcing challenges:

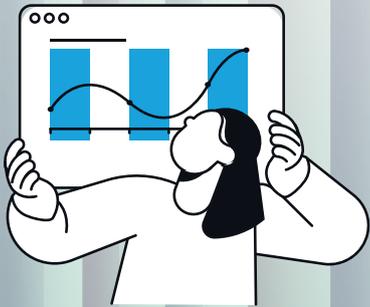
While embracing third-party payroll providers can deliver cost savings, it can also lead to the leakage of confidential or compliance-related information.

Complex calculations:

Arrears, leave encashments, overtime, bonuses and deductions often require intricate calculations and adjustments across pay cycles. Inadequate validation of complex calculations can cause payroll discrepancies, resulting in employee dissatisfaction, financial misstatements and possible non-compliance with statutory requirements.



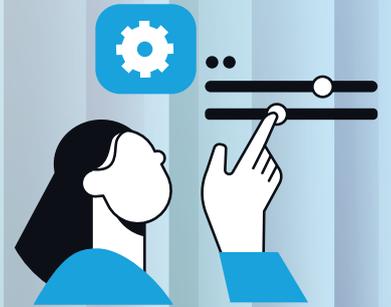
Payroll value chain



Employee data management



Policies and procedures



Operational and system controls



Full and final (F&F) settlements



Disbursement and payments



Payroll calculation and processing



Statutory and regulatory compliance



Monitoring and reporting

Key activities, risks and assurance measures

The following table outlines key activities, risks and assurance measures across the payroll value chain:

 <p>Payroll process area</p>	 <p>Employee data management</p>	 <p>Policies and procedures</p>	 <p>Operational and system controls</p>	 <p>Payroll calculation and processing</p>
 <p>Key activities</p>	<p>Capture and maintain employee master data (joiners, movers, leavers, salary structures, bank details, etc.).</p>	<p>Define payroll policies (leave, overtime, allowances, deductions, statutory contributions).</p>	<p>Payroll system operations, vendor management and data security.</p>	<p>Apply rules for salaries, arrears, overtime, deductions, bonuses, gross-ups, etc.</p>
 <p>What can go wrong?</p>	<p>Inaccurate/incomplete data, unauthorised changes, ghost employees and conflicts of interest.</p>	<p>Ambiguity or absence of policies, inconsistent application, unapproved policy deviations and non-alignment of policies with laws/regulations.</p>	<p>System downtime, cyberattacks and confidentiality breaches in outsourced payroll contractors.</p>	<p>Non-considering manual inputs, incorrect retrospective increments, cut-off issues, miscalculations of overtime/bonus/incentives and configuration issues in payroll system updates.</p>
 <p>Assurance measures</p>	<p>Data validation against source documents, authorisation logs/change in log review, automated headcount reconciliations, master data cleansing and access control reviews, Application Programming Interface (API) based employee Goods and Services Tax Identification Number (GSTIN) validation.</p>	<p>Periodic policy reviews, Natural Language Processing (NLP)-enabled compliance checks, management signoffs, periodic policy amendments and training.</p>	<p>Information Technology General Controls (ITGC) reviews, vendor audits, encryption and multi-factor authentication checks and Vendor Service Level Agreement (SLA) with penalties for contractual lapses.</p>	<p>Automated calculation scripts (SQL/Python), maker-checker control for payroll verification, pay register reconciliation with Cost to Company (CTC), exception reporting and reconciliation of payroll data with finance data, test runs before "Go-live"</p>

Key activities, risks and assurance measures

The following table outlines key activities, risks and assurance measures across the payroll value chain:

 <p>Payroll process area</p>	 <p>Disbursement and payments</p>	 <p>Full and final (F&F) settlements</p>	 <p>Statutory and regulatory compliance</p>	 <p>Monitoring and reporting</p>
 <p>Key activities</p>	<p>Salary disbursement to employees, vendor/contractor payments and statutory remittances.</p>	<p>Processing dues for exiting employees (leave encashment, notice period recovery, gratuity, reimbursements).</p>	<p>Employee Provident Fund (EPF), Employees' State Insurance (ESI), Tax Deducted at Source (TDS), Gratuity, Labour laws compliance and global tax reporting.</p>	<p>Exception reporting, dashboarding and management insights.</p>
 <p>What can go wrong?</p>	<p>Duplicate payments, payment to ghost employees, delayed disbursements, fraudulent transfers, incorrect bank file uploads and errors in statutory remittances.</p>	<p>Delays in settlements, incorrect recovery, unauthorised waivers and fraudulent payouts.</p>	<p>Incorrect deductions, late filings and non-compliance with frequent regulatory changes.</p>	<p>Lack of visibility, reactive issue identification and recurring errors.</p>
 <p>Assurance measures</p>	<p>Segregation of Duties (SoD) control, Payroll processing to terminated employees after exit date, maker-checker controls on bank files, automated validation of bank account details and reconciliation of disbursement vs. payroll reports.</p>	<p>Automated recalculation of dues, reconciliation of exit clearance data and dormant account/card reviews.</p>	<p>Automated compliance templates, jurisdiction-specific logic and audit of statutory filings.</p>	<p>Real-time analytics dashboards, predictive anomaly detection and periodic payroll assurance reviews.</p>

Unlocking value in payroll assurance

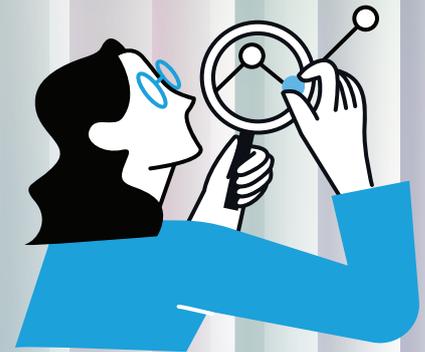
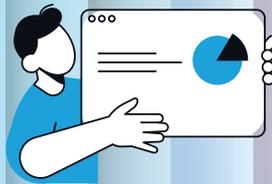


Data extraction from multiple sources:

Data Analytics and Optical Character Recognition (OCR) technologies extract payroll data from various sources, such as PDFs, images and Excel files. This data is then processed through Extract, Transform, Load (ETL) pipelines to consolidate it into a standardised format, ensuring accurate payroll reconciliations with pay registers processed by third-party vendors.

Comprehensive payroll data review:

Data analytics ensure accuracy and traceability by reviewing 100 percent payroll data for additions and deletions of employees from the employee master roll, attendance and leave records, appraisals and increments, cost to company, etc.



Review of cycle reduction and cost savings via post-facto checks:

By utilising data analytics and dashboarding tools, companies can perform a range of real-time or post-facto analyses, including trend analysis simultaneously with exception reporting and outlier detection. These tools help identify duplicate payments and incorrect deductions after processing. This enables frequent and broader reviews, improving governance and responsiveness. As a result, time, effort and cost are reduced by minimising manual and repetitive tasks, preventing avoidable penalties and mitigating employee grievances.



Completeness of checks:

Data-driven solutions can help companies ensure in-depth verification across areas such as master data management, review of performance cycles, payroll reconciliations and other critical processes.



Proactive compliance monitoring:

Complex compliance rules such as revised Provident Fund (PF) limits or new tax slabs can be easily configured and applied across all payroll data, which helps identify non-compliance.

Emerging trends and tools for payroll assurance

Payroll assurance is going through a significant transformation, driven by technological advancements, rising regulatory requirements and the evolving needs of the workforce. Organisations are embracing modern tools and practices that enhance efficiency, transparency and control. Here are some key trends to watch out for:



Artificial intelligence (AI) and machine learning (ML)

Enables predictive analytics and helps identify anomalies



Automation and robotics

Streamlines repetitive payroll tasks, reducing manual errors



Real-time payroll processing

Boosts accuracy and responsiveness



Integrated HR and payroll systems

Ensures data consistency and improves operational efficiencies



Payroll outsourcing and managed services

Provides scalability and helps optimise costs



Global payroll consolidation

Simplifies payroll operations across multiple countries



Data privacy and remote work compliance

Ensures compliance with evolving regulations and safeguards sensitive employee information

Together, these innovations are reshaping payroll assurance into a strategic asset that fosters compliance, transparency and employee trust.

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