Monthly payroll run

Process Definition Document (PDD): template and worked example

Example company (fictional): Keldermans Technical Services B.V., a maintenance and installation company in Eindhoven, the Netherlands (about 320 employees).

Document control

Field	Value
Process name	Monthly payroll run
Process owner	[Name, role]
Prepared by	[Name]
Reviewed by	[Names of the people who do the work]
Approved by	[Name, date]
Version	1.0 (as-is)
Status	Draft

How to use this template

This is a complete process definition document (PDD) for the monthly payroll run, also called payroll processing, payroll changes or pay run. It describes how starters, leavers and changes are collected, how variable pay and absences are added, how the payroll is calculated and checked, how it is approved and paid, and how payslips and statutory filings are handled. The company is fictional, but the roles, systems and exceptions are typical of a company that runs payroll in-house with a payroll package.

Use it as a starting point. Replace the company details, keep the sections, and sit with the payroll officer during one closing week, because the real process often depends on emails and spreadsheets that the policy never mentions. Most companies change the cut-off date for changes, the approval limits and the list of checks. Tax rules, social security rates and pension calculations are left out on purpose, since they differ by country and change every year.

- Replace the company, the payroll package and the bank with yours. If payroll is outsourced, split the process at the point where data is sent to the provider and add the provider's checks as a separate role.
- Set your own calendar. The 18th, 23rd and 25th used here are an example, and the right cut-off depends on how long your checks take and when the bank needs the file.
- Choose the variance thresholds in step 10 and the late change rule in step 11 from your history. If almost everything is flagged, the limit is too tight.
- Add the pay elements that are specific to you: shift premiums, company car, pension contributions, holiday pay, salary sacrifice or garnishments.
- Name a deputy for each role in the closing week. Payroll is one of the few processes where one person's absence can stop salaries.

1. Purpose and scope

This procedure describes how Keldermans Technical Services B.V. runs its monthly payroll, from the cut-off date for changes to the moment employees are paid, payslips are published and the statutory filings are handed to the finance team. It gives HR, payroll, line managers, finance and the bank one shared description of who does what, so that employees are paid correctly and on time, every change is documented and nobody is paid twice or not at all.

In scope

- Starters, leavers and contract changes that affect pay
- Variable pay: overtime, shift allowances, bonuses and expense reimbursements
- Absences: sick leave, unpaid leave and parental leave
- Payroll calculation, checks and approval
- Payment file to the bank and payslips to employees
- Handover of statutory filings and payroll journals to finance

Out of scope

- Recruitment and the decision to hire or end employment
- Setting salary levels and annual pay reviews
- Preparing and submitting tax and social security returns, which finance does
- Pension fund administration

2. Process at a glance

Item	Description
Trigger	The payroll calendar reaches the cut-off date for changes in the month, normally the 18th.
Starts when	The Payroll Officer sends the cut-off reminder to HR and line managers.
Ends when	Employees are paid, payslips are published, and the payroll journal and filing data are with finance.
Inputs	Starter, leaver and contract change forms from HR, Timesheets and overtime approved by line managers, Absence records from the HR system, Bonus and allowance lists, Approved expense claims, Previous month's payroll for comparison
Outputs	Payroll calculation and variance report, Approved payroll, Bank payment file, Payslips in the employee portal, Payroll journal for the ledger, Data for statutory filings
Volume	12 payroll runs a year, about 320 payslips each, with roughly 40 changes per run
Working hours	Monday to Friday, 08:30 to 17:00. Cut-off for changes is the 18th, approval by the 23rd, and salaries are paid on the 25th.

3. Roles and responsibilities

Role	Responsibilities
Line Manager	Approves timesheets, overtime and expense claims in time, and confirms any changes to hours or allowances for their team.
HR Administrator	Records starters, leavers and contract changes in the HR system, collects documents and sends the change list to payroll.
Payroll Officer	Loads the changes and variable pay into the payroll package, runs the calculation, investigates differences, prepares payment file and payslips.
Payroll Manager	Reviews the variance report, approves the payroll, releases payslips and decides on corrections after cut-off.
Finance Controller	Approves the bank payment file with a second signatory, books the payroll journal and owns the statutory filings.
Tax and Reporting Accountant	Prepares and submits the statutory returns with the data from payroll and confirms they were received.
Employee (external)	Submits timesheets and claims, reports changes in personal details and bank account and checks the payslip.
Bank (external)	Receives the payment file and executes the transfers on the payment date.

4. Systems

- AFAS: HR master data, absences and payroll
- Timesheet tool for hours and overtime
- Expense tool for claims
- Excel sheet for bonuses and allowances
- Bank portal for payment files
- Employee self-service portal for payslips
- Shared mailbox payroll@ for changes

5. Process map

Process diagram goes here

Draw one lane per role from section 3, the steps from section 6 in order, and a diamond for each decision in section 7.

6. Procedure, step by step

#	Step	Who	What happens	System	Output
1	Send the cut-off reminder	Payroll Officer	Sends the reminder to HR and line managers five working days before the cut-off, with the calendar and the list of what is needed. This takes 15 minutes.	Email, payroll calendar	Reminder sent
2	Record starters, leavers and changes	HR Administrator	Records new starters, leavers, salary and hours changes, and changes of bank account in the HR system, with supporting documents. About 40 changes a month.	AFAS	Updated HR records
3	Send the change list to payroll	HR Administrator	Exports the list of changes with effective dates and emails it to payroll@. About a quarter of changes arrive after the list, by email from managers, and have to be added by hand.	AFAS, email	Change list
4	Approve timesheets and overtime	Line Manager	Approves the hours and overtime of the team. About 15% of managers approve after the cut-off, and the Payroll Officer chases them by phone.	Timesheet tool	Approved hours
5	Approve expense claims	Line Manager	Approves or rejects the expense claims of the team, so approved claims can be paid with the salary.	Expense tool	Approved claims
6	Import absences and hours	Payroll Officer	Imports hours, overtime and absences into the payroll package and checks that every employee has hours or an absence code for the month. This takes about 2 hours.	AFAS, timesheet tool	Hours and absences loaded

#	Step	Who	What happens	System	Output
7	Enter variable pay and corrections	Payroll Officer	Enters bonuses, shift allowances, expense reimbursements and corrections from previous months, using the Excel list from the line managers. This takes 2 to 3 hours.	Excel, AFAS	Variable pay entered
8	Check new starters and leavers	Payroll Officer	Checks the master data of each starter (tax code, bank account, contract) and the final pay of each leaver, including untaken leave. Each case takes 10 to 20 minutes.	AFAS	Starters and leavers verified
9	Run the preliminary calculation	Payroll Officer	Runs the payroll calculation for all employees and produces the variance report against last month. This takes about 30 minutes of computing and 1 hour of review.	AFAS	Preliminary payroll and variance report
10	Investigate differences	Payroll Officer	Explains every employee whose net pay differs by more than 8% or 100 euro from last month, and corrects errors. About 25 employees are on the list each month, and most are explained by allowances or absences.	AFAS, Excel	Explained differences
11	Process late changes	Payroll Officer	Handles changes received after the cut-off. Those that affect a single employee by more than 250 euro or relate to a new starter are included, and the rest are moved to next month. About 8 changes a month arrive late.	AFAS, email	Late changes decided
12	Review the payroll	Payroll Manager	Reviews the variance report, total gross and net, headcount change and a sample of 15 payslips, and approves the payroll or asks for corrections. This takes about 2 hours.	AFAS, variance report	Approved payroll
13	Create the payment file	Payroll Officer	Produces the bank payment file with salaries and expense reimbursements, and compares the file total with the payroll net total. This takes 30 minutes.	AFAS, bank portal	Payment file
14	Approve the payment file	Finance Controller	Reviews the file total and the number of payments, and signs it with the second signatory. Payments above 6,000 euro to one person are individually checked against the payroll. This takes 20 minutes.	Bank portal	Approved payment instruction
15	Execute the payments	Bank	Receives the file and executes the transfers on the 25th. Rejected payments, usually wrong account numbers, come back within one working day.	Bank	Salaries paid
16	Handle a rejected payment	Payroll Officer	Contacts the employee through HR, confirms the account number and pays manually or in the next run. This applies to about 2 payments a month.	Bank portal, AFAS	Payment corrected
17	Release the payslips	Payroll Manager	Releases the payslips to the employee portal on the payment date and sends the notification email. This takes 10 minutes.	Self-service portal	Payslips published
18	Check the payslip	Employee	Checks the payslip and reports any error. About 12 questions a month are received, and a third of them lead to a correction in the next run.	Self-service portal	Query or acceptance
19	Prepare the journal and filing data	Payroll Officer	Exports the payroll journal and the data needed for the tax and social security returns, reconciles payroll totals to the journal and sends both to finance. This takes about 2 hours.	AFAS, Excel	Journal and filing data

#	Step	Who	What happens	System	Output
20	Submit the statutory filings	Tax and Reporting Accountant	Prepares and submits the tax and social security returns with the data from payroll, pays the amounts due before the deadline and files the confirmation.	Government portals, ledger	Filings submitted

7. Decision points and business rules

- Did the change arrive before the cut-off? No: the Payroll Officer includes it only if it affects one employee by more than 250 euro or is a new starter, otherwise it moves to next month (step 11). About 8 changes a month.
- Does every employee have hours or an absence code? No: the Payroll Officer asks the line manager before calculating (step 6).
- Does an employee's net pay differ by more than 8% or 100 euro from last month? Yes: the Payroll Officer must explain it (step 10). About 25 employees a month.
- Does the Payroll Manager accept the variance report and the payslip sample? No: corrections are made and the calculation is re-run (step 12).
- Does the payment file total match the payroll net total? No: the file is not sent until the difference is explained (step 13).
- Is a single payment above 6,000 euro? Yes: the Finance Controller checks it individually against the payroll (step 14).
- Was a payment rejected by the bank? Yes: the Payroll Officer corrects the account and pays again (step 16). About 2 payments a month.

8. Exceptions

- Employee leaves mid-month (about 3 a month): final pay includes leave days, notice rules and any advances, and is reviewed by the Payroll Manager.
- Retroactive salary change (about 1 a month): calculated back to the effective date and shown as a separate line, with a note to the employee.
- Payment date falls on a weekend or bank holiday: the payment file is sent one working day earlier.
- Payroll package fails or the bank portal is unavailable: the Payroll Manager decides whether to delay or make an urgent manual transfer for the largest payments, and informs employees.

9. Controls

- Segregation of duties: the person who enters pay changes does not approve the payroll, and the person who creates the payment file does not sign it.
- Every change to master data, such as a bank account or salary, is supported by a document or a manager approval, and is traceable in the HR system.
- A bank account change is confirmed with the employee by a second channel before the next payment.
- The variance report compares every employee with the previous month, and each difference over the limit has a written explanation.
- The payment file total is compared with the payroll net total before it is sent.
- Payroll data is restricted to payroll and HR roles, and access is reviewed twice a year.

10. Known issues today

- Changes arrive by email after the cut-off, and the list of what is late is kept in the Payroll Officer's head.
- Managers approve timesheets late, and the Payroll Officer spends two days chasing them.
- Bonuses and allowances are collected in an Excel sheet, retyped into the payroll package and sometimes entered wrongly.
- There is only one person who knows the payroll package well, and holidays in the closing week put the run at risk.
- The same question about a payslip is asked every month, because allowances are not explained on the payslip.

11. RACI matrix

R = responsible (does the work), A = accountable (owns the outcome), C = consulted, I = informed.

Activity	Line Manager	HR Admin	Payroll Officer	Payroll Manager	Finance Controller	Tax Accountant
Record starters, leavers and contract changes	C	A/R	I			
Approve timesheets, overtime and expenses	A/R		I			
Load hours, absences and variable pay	C	C	A/R	I		
Run the calculation and explain differences		C	R	A		
Decide on late changes	C	C	R	A		
Approve the payroll			C	A/R	I	
Create and approve the payment file			R	C	A	
Release payslips		I	R	A		
Submit the statutory filings			C	C	A	R

12. KPIs

KPI	Definition	Target
Payroll accuracy	Share of payslips issued without a later correction. Today 98.4%.	[set]
Late changes	Number of changes received after the cut-off, per month and by sender. Target: under 5.	[set]
Corrections in the next run	Number of payments corrected in the following month, as a count and as a share of payslips.	[set]
Timesheets approved by the cut-off	Share of timesheets approved by line managers before the cut-off date.	[set]
Payroll cycle time	Working days from the cut-off date to the approved payroll. Target: 3 working days.	[set]
Filings submitted on time	Number of statutory returns submitted before the deadline, out of the total due.	[set]

13. Revision history

Version	Date	Author	Change
1.0	[date]	[name]	First as-is version

Free template from processfix.ai. You may copy and adapt it. The company in the example is fictional.