

**Digital Personal Data Protection Act
(DPDP) 2023**

INDIA



ICoFR requirements in compliance with DPDP Act for payroll process

DPDP Act requirements mapping	Organization's Responsibility	Auditors Responsibility
Data Collection & Consent	Organizations must obtain explicit consent from employees before collecting their personal data, including payroll information.	Audit working papers should include documentation of employee consent forms or declarations that authorize the collection and processing of their payroll data. The papers should verify that the payroll process complies with the consent requirement for collecting data such as salary, benefits, and tax details.
Purpose Limitation	Personal data must be processed for specific and lawful purposes , such as payroll processing, and not for any other unauthorized use.	Audit working papers should confirm that the payroll data collected and processed is solely for payroll-related activities, such as salary calculation, tax deductions, and statutory payments. Any other use of payroll data must be flagged for non-compliance with the DPDP Act.

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Data Minimization	<p>Only the necessary data required for payroll processing should be collected, stored, and used.</p> <p>Unnecessary or excessive data collection is not allowed.</p>	<p>Working papers should reflect that the payroll system only collects essential data (e.g., salary, tax details, employee ID, etc.). The auditor should verify that no additional, irrelevant personal data is being collected, ensuring compliance with the data minimization principle.</p>
Data Accuracy	<p>Employers must ensure that personal data, such as payroll records, is accurate and up-to-date.</p>	<p>Audit documentation should include checks to ensure data accuracy, such as reconciliation of employee payroll details (e.g., salary revisions, tax updates) with official records. Any discrepancies or inaccuracies should be corrected, and the process for handling such issues should be documented in the working papers.</p>

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<p>Data Retention & Disposal</p>	<p>Personal data must not be retained longer than necessary for the purpose it was collected. Employers must have a retention policy and securely dispose of data.</p>	<p>Audit working papers should document the payroll data retention policy and confirm compliance with statutory requirements for data retention. The audit should verify that payroll data is deleted or anonymized after the retention period expires, ensuring secure disposal of sensitive information.</p>
<p>Data Security & Access Control</p>	<p>Adequate security measures must be in place to protect personal data, and access to payroll data should be restricted to authorized personnel.</p>	<p>Audit documentation should include verification of the internal controls surrounding payroll data access. The working papers should demonstrate that only authorized personnel have access to payroll records and that data security measures, such as encryption or access logs, are in place to prevent unauthorized access or breaches.</p>

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Right to Rectification & Erasure	Employees have the right to request corrections to inaccurate data and to request erasure of data that is no longer required for payroll processing.	Audit working papers should confirm that the payroll process includes mechanisms for handling employee requests for data correction (rectification) and deletion (erasure) of outdated or irrelevant payroll information. The auditor should verify that such requests are handled promptly and documented in the working papers.
Cross-Border Data Transfer	Personal data should not be transferred outside India unless the destination country offers equivalent data protection standards, or specific consent is obtained.	If payroll processing involves the transfer of data outside India , audit working papers should include documentation of compliance with cross-border data transfer regulations . The audit should verify that necessary employee consents or data protection agreements are in place when payroll data is sent to foreign jurisdictions.

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Breach Notification	Organizations must notify employees and the Data Protection Board in case of a data breach involving their personal data.	Audit working papers should assess whether there are processes in place for breach notification and whether any incidents related to payroll data have occurred. Documentation of any breach events and the steps taken by the employer should be included in the working papers, along with compliance with breach reporting timelines.
Data Audits & Compliance	The DPDP Act requires organizations to conduct regular audits of data processing activities to ensure compliance with the Act's provisions.	Payroll audit working papers should include evidence that regular data protection audits are conducted to ensure that payroll processing complies with the DPDP Act. The audit should document compliance with DPDP requirements and identify any weaknesses or areas for improvement in handling employee payroll data.