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SPECIAL AUDIT REPORT
OF THE AUDITOR-GENERAL ON
PAYROLL MANAGEMENT FOR
COUNTY EXECUTIVE OF GARISSA

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COUNTY 007

JULY 2025



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FOREWORD BY THE AUDITOR-GENERAL


I am pleased to present this Special Audit Report on payrolls for the Garissa County Executive for the financial years 2021/2022, 2022/2023, and 2023/2024. Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7(1)(a) of the Public Audit Act, 2015 requires the Auditor-General to give assurance on the effectiveness of internal controls, risk management and overall governance at national and county governments. The Special Audit of the payrolls for the Garissa County Executive was conducted in line with this mandate.

The Special Audit involved an evaluation of Human Resource and payroll processes and assessing their compliance with law. It was scoped so as to address the requirement of the Second Kenya Devolution Support Programme (KDSP II), whose objective is to strengthen county-level performance and accountability.

The Special Audit identified weaknesses in controls and irregularities in salary processing and payments, and provides recommendations to the Garissa County Executive for enhancing compliance, accuracy, accountability, and efficiency in human resource management and payroll operations.

The report is submitted to Parliament in accordance with Article 229 (7) of the Constitution of Kenya, 2010 and Section 39 (1) of the Public Audit Act, 2015. I have also remitted copies of the report to the Principal Secretary, State Department for Devolution, Chairperson, the Garissa County Public Service Board and the Governor, Garissa County Government.

The Annexures contain personal data and will be handled in accordance with the data protection principles as provided for in the Data Protection Act, 2019.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

8 July, 2025

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ABBREVIATIONS

CBA	Collective Bargaining Agreement
COB	Controller of Budget
COs	Chief Officers
CPSB	County Public Service Board
DO	Development Objective
DSA	Daily Subsistence Allowance
DLI	Disbursement-Linked Indicator
GoK	Government of Kenya
HR	Human Resource
HRIS-Ke	Human Resource Information System – Kenya
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll and Personnel Database
ISSAIs	International Standards of Supreme Audit Institutions
KDSP	Kenya Devolution Support Programme
KRA	Key Result Area
MDAs	Ministries, Departments and Agencies
MIS	Management Information System
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
OAG	Office of the Auditor-General
PAYE	Pay As You Earn
PFM	Public Finance Management
PSC	Public Service Commission
SRC	Salaries and Remuneration Commission
UHC	Universal Health Care

1. EXECUTIVE SUMMARY

Introduction and Background

- 1.1 Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7 (1) (a) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance at national and county governments. In addition, Section 34 of the Public Audit Act, 2015 mandates the Auditor-General to conduct periodic audits upon request or at the Auditor-General's own initiative, with a view to evaluating the effectiveness of risk management, control and governance processes in public entities. The Special Audit on Payroll Management for the Garissa County Executive, referred to as the County Executive in this report, was conducted in line with this mandate.
- 1.2 The Government of Kenya (GoK) received an International Development Association (IDA) Credit of EUR140.7 million (Approximately Kshs.19,538,432,130, using the prevailing exchange rate as at 28 June 2024) from the World Bank, to implement the Second Kenya Devolution Support Program (KDSP II). KDSP II supports a sub-set of reforms envisaged under the Government's Devolution Sector Plan. The financing agreement, Credit Number IDA-7447-KE, became effective in March 2024 and is set to be implemented over a four-year period; 2023-2027. The development objective of the KDSP II is to strengthen county performance in the financing, management, coordination, and accountability for resources. To achieve the DO, the Program was expected to improve outcomes in the participating counties under three (3) Key Result Areas (KRAs). KRA 1 was on sustainable financing and expenditure management, KRA 2 on intergovernmental coordination, institutional performance, and human resource management, and KRA 3 on oversight, participation, and accountability.
- 1.3 The Special Audit on Payroll Management for the County Executive is linked to Key Result Area (KRA) 2 There are two (2) Disbursement-Linked Indicators (DLIs) under this KRA:

- i. Participating counties that have integrated their human resource records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the human resource management information system;
 - ii. Participating counties that are enhancing accountability for results through an integrated performance management framework.
- 1.4 From 2013, the County Executive was using the Integrated Payroll and Personnel Database (IPPD) System to operate payroll for employees with personal numbers, while excel spreadsheets were used to operate payroll for employees without personal numbers. However, due to technological limitations at the time of its development, IPPD did not comprehensively address all human resource related functions. This led to development of a web-based Human Resource Information System-Kenya (HRIS-Ke) in 2024.
- 1.5 A parallel run of the IPPD System and HRIS-Ke was conducted across Ministries, Departments and Agencies and County Governments in November 2024. This was to ensure the readiness of the HRIS-Ke for roll out. Thereafter, in January 2025, the HRIS-ke was fully adopted for payroll management.

Audit Objectives

- 1.6 The objective of the Special Audit on Payroll Management was to assess the adequacy of controls and compliance across the entire payroll process—from budgeting and recruitment to salary processing and payment The specific objectives were to:
 - i. Evaluate whether the preparation and execution of the payroll budget align with relevant laws and approved budgetary provisions;
 - ii. Assess whether the recruitment process complied with applicable legal, regulatory, and organizational frameworks governing employment;
 - iii. Assess the integrity of payroll data and identify any double entries, entries in multiple institutions, unverified employees, or inconsistencies across the County Government Payroll System;
 - iv. Determine the accuracy of payroll calculations and payments;

- v. Evaluate adherence to tax laws, labour laws, and other statutory requirements; and
- vi. Assess whether payroll data was accurately and completely migrated from the Integrated Payroll and Personnel Database (IPPD) System to Human Resource Information System – Kenya (HRIS-Ke).

Audit Scope

- 1.7 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual payrolls

Methods of Gathering Evidence

- 1.8 The Special Audit on Payroll Management involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County Executive.
- 1.9 The methods used to gather audit evidence included document review, data analytics, interviews with key payroll staff and physical verification of staff. Further, audit evidence was gathered through walk through tests. In addition, data validation was also conducted to test data integrity.

Summary of Findings

1.10 The key audit findings are as detailed below:

A. Payroll Budgeting

I. Compensation of Employees to Revenue Ratio Exceeded the Set Threshold

1.11 Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires the county government's expenditure on wages and benefits for its public officers not to exceed thirty-five (35%) percent of the county government's total revenue.

1.12 The Special Audit established that the ratio of the budgeted compensation of employees to the budgeted revenue for the County Executive exceeded thirty-five percent (35%) in 2021/2022, 2022/2023 and 2023/2024 financial years. Further, a comparison of the actual personal emolument expenditure, with the actual revenue, revealed that the County Executive also exceeded the thirty-five percent (35%) threshold in the three (3) years. Further, the percentage of budgeted compensation of employees to the budgeted revenue declined from forty-seven (47%) in 2021/2022 to forty-one (41%) in 2023/2024. This indicates high allocation to compensation of employee which may strain the county's financial resources, limiting funds available for critical development projects and essential service delivery.

II. Budget Vote Heads in the Payroll Systems not Aligned with those in the Approved Budgets

1.13 The Special Audit established that the budget Vote Heads in IPPD System were not aligned with those in the approved budgets. This led to inconsistencies between budgetary allocations and actual payroll expenditure, thereby increasing the risk of misallocation or even misuse of public funds, as expenditure may be charged under incorrect or obsolete vote heads.

B. Recruitment Process

I. Lack of Recruitment Policies and Procedures

1.14 During the period under audit review, the County Executive recruited three hundred and seventy-two (372) employees. The audit established that the County did not have an approved recruitment policy, which provides a framework for managing, securing, and optimizing human resources in a structured and transparent manner. This absence of a formal policy creates uncertainty and inconsistency in the recruitment process, potentially leading to inefficiencies and lack of accountability.

1.15 Without clear guidelines, recruitment decisions may be influenced by ad-hoc or sector-specific needs, rather than being aligned with the County's overall strategic goals and objectives.

II. Lack of Staff Establishment

1.16 The Special Audit established that the County Executive was managing its human resource without an approved staff establishment. In the absence of an approved establishment, the adequacy, appropriateness, existence and the necessity to fill vacancies or the possibility of staff progression could not be confirmed.

III. Designations Advertised not Aligned with the Approved Payroll Systems

1.17 The Special Audit established that there were four (4) designations advertised during the 2023/2024 financial year which were not among the designations configured in IPPD system. To facilitate salary processing, the affected employees were placed in similar Job Groups in the IPPD System. This process can lead to inefficiencies in workforce planning and budget overruns.

C. Employee Data Management

I. Integrity of Date of Birth Records in the Payroll System

1.18 The Special Audit identified six hundred and thirty-nine (639) employees with inconsistent date of birth. Interview with a sample of one hundred (100) employees and verification of their identification documents established that the dates captured in the IPPD System for twenty-nine (29) employees were different from those in employees' Birth Certificates. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).

II. Authenticity of Staff in the Payroll

- 1.19 The Special Audit requested one hundred (100) employees from the County Executive to present themselves for physical verification. However, fifty-one (51) employees did not avail themselves for the exercise, despite multiple attempts to reach out to them. These employees may not exist, presenting the risk of irregular or fraudulent payments.
- 1.20 The employees who failed to appear for physical verification may not exist, raising the risk of irregular or fraudulent payments.

III. Use of Manual Payrolls

- 1.21 The Special Audit established that during the 2023/2024 financial year, the County Executive had employees whose was processed through payrolls maintained in excel. The use of manual payroll systems for salary processing is vulnerable to manipulation and fraud, potentially resulting in unauthorized payments and disbursements to unverified personnel.

D. Payroll Processing and Payments

I. Irregular Payment of Both House Allowance and Special House Allowance

- 1.22 Comparison of salary paid to employees during the period under audit review with applicable Salary and Remuneration Commission (SRC) circulars and guidelines established that during the three (3) financial years under audit there were one hundred and twenty-two (122), forty-five (45) and sixty-eight (68) employees, respectively, who were irregularly paid house allowance and special house allowance in the same period totaling to Kshs.78,929,704.

E. Compliance with Laws and Regulations

I. Casual Employees Engaged Beyond Stipulated Period

- 1.23 The Special Audit established that the County Executive was not in compliance with the requirement of Section 37 (1) (a) and (b) of Employment Act, 2007 on engagement of casual employees on contract terms if they are anticipated to work for a period exceeding three (3) consecutive months. This noncompliance presents the risk of litigation proceedings and associated costs.

F. Migration from Integrated Personnel and Payroll Database System (IPPD) to Human Resource Information System-Kenya (HRIS-Ke)

- 1.24 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December, 2024. Comparison between payroll data from the IPPD system and HRIS-Ke for the month of November, 2024 and December 2024 respectively established instances where officers were migrated from IPPD to HRIS-Ke with their basic salaries varying after migration.

Conclusion

- 1.25 The Special Audit of payrolls for Garissa County Executive uncovered several audit issues in payroll and human resource management, which may negatively affect its financial sustainability, compliance, and operational efficiency. In view of the findings, the Special Audit concludes as follows;
- 1.26 The County Executive did not comply with requirement on limiting the Employee Cost within thirty-five percent (35%) of Revenue. The non-compliance with requirements on limiting the Employee Cost within thirty-five percent (35%) of Revenue indicates weaknesses in internal budgeting process and inadequate oversight role by the County Assembly. Therefore, the County's financial resources are strained, limiting the funds available for critical development projects and essential service delivery.
- 1.27 The Vote Heads in the IPPD System and HRIS-Ke were not aligned with those in the approved budgets and those configured in the IFMIS Ledgers. The misalignment hinders effective management of departmental budgets and control resulting to inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.
- 1.28 The departments in the County Executive did not have approved annual human resource recruitment plans. The absence of annual recruitment plans demonstrates ineffective workforce planning. This hampers the county's ability to plan, budget, and

deploy personnel effectively across departments, leading to staffing gaps or surpluses.

- 1.29 The IPPD System and HRIS-Ke were not updated with approved designations in the approved staff establishment. These increases the risk of unauthorized or irregular salary payments. This weakness compromises the integrity of payroll processing, weakens accountability, and may result in discrepancies between approved staffing structures and actual payroll expenditures.
- 1.30 The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by the inaccurate dates of birth in the IPPD System and HRIS-Ke. Data with integrity issues indicates weak internal controls and increases the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive and miscalculation of retirement dates and pension dues of employees.
- 1.31 The authenticity of some of the employees could not be established. This was evidenced by the failure by the Chief Officers to account for employees in their departments and the payroll data Integrity issues. This casts doubt on authenticity of payroll records and raises the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County.
- 1.32 There were instances where employees were overpaid or paid irregular allowances. This reflects weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of financial misstatements, fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 1.33 The County Executive did not comply with tax and labour laws as evidenced by irregular deduction of statutory deduction. This violates legal and regulatory obligations, increasing the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 1.34 The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and failure to migrate some employees.

This indicates weaknesses in data validation, lack of system configuration to enforce salary structures, and insufficient post-migration reconciliation controls, thereby exposing the County Executive to financial loss and reputational risk.

- 1.35 The identified audit issues had persisted over time, suggesting a failure of risk identification mechanisms and an underperforming internal audit function that may not have identified and prevented the control breaches in a timely manner.

Recommendations

- 1.36 In view of the findings and conclusion of the Special Audit, the following is recommended for implementation by the Garissa County Executive.
- 1.37 To ensure compliance with the fiscal responsibility principle on capping expenditure on wages to thirty-five (35%) percent of the County Executive's total revenue, the County Assembly should establish mechanisms to ensure compliance with the PFM Act in the execution of its oversight responsibilities.
- 1.38 For effective management of departmental budgets and enhance accuracy in reporting of personal emolument expenditure per department thus promoting accountability, the Chief Officers for Public Finance together with the Management of the State Department for Public Service and Human Capital Development (the custodian of the Human Resource Information System-Kenya) should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures. Further, staff costs should be charged to the votes under which their budgets are made.
- 1.39 To enhance transparency, fairness, and accountability in the recruitment process, the County Executive should develop and implement annual recruitment plans aligned with staffing needs and budgetary provisions.
- 1.40 To enhance the attainment of optimal staffing levels, management of the County Executive should align the payroll system with the approved staff establishment and ensure consistency between authorized positions and personnel data. Additionally, the staff establishment module in the HRIS-Ke should be fully implemented and configured to enforce recruitment strictly within the approved establishment limits.

- 1.41 To ensure integrity of data maintained in the payroll systems, the Management should ensure the validation controls are implemented in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National Identity, National Social Security Fund (NSSF), Social Health Authority (SHA). Additionally, the use of manual Excel-based payrolls should be discontinued in favour of HRIS-Ke.
- 1.42 To reduce instances of financial loss due to irregular payment of allowances, enhance payroll integrity and support effective personnel management, the County Executive, together with the State Department for Public Service and Human Capital Development should ensure HRIS-Ke is appropriately configured to automatically enforce salary structures, as stipulated in the Salaries and Remuneration Commission Circulars and other relevant directives. Further, validation controls should be implemented in order to ensure compliance, enhance payroll accuracy, and prevent irregular financial transactions.
- 1.43 Management should conduct a comprehensive post-migration payroll reconciliation to identify and correct overpayments and underpayments resulting from the system transition. Further, HRIS-Ke should be configured to enforce approved salary structures and allowance.
- 1.44 All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.

2. INTRODUCTION AND BACKGROUND

Introduction and Background

- 2.1 Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7 (1) (a) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance at national and county governments. In addition, Section 34 of the Public Audit Act, 2015 mandates the Auditor-General to conduct periodic audits upon request or at the Auditor-General's own initiative, with a view to evaluating the effectiveness of risk management, control and governance processes in public entities. The Special Audit on Payroll Management for the Garissa County Executive, referred to as the County Executive in this report, was conducted in line with this mandate.
- 2.2 The Government of Kenya (GoK) received an International Development Association (IDA) Credit of EUR140.7 million (Approximately Kshs. 19,538,432,130 using the prevailing exchange rate as at 28 June 2024) from the World Bank, to implement the Second Kenya Devolution Support Program (KDSP II). KDSP II supports a sub-set of reforms envisaged under the Government's Devolution Sector Plan. The financing agreement, Credit Number IDA-7447-KE, became effective in March 2024 and is set to be implemented over a four-year period; 2023-2027. The development objective of the KDSP II is to strengthen county performance in the financing, management, coordination, and accountability for resources. To achieve the DO, the Program was expected to improve outcomes in the participating counties under three (3) Key Result Areas (KRAs). KRA 1 was on sustainable financing and expenditure management, KRA 2 on intergovernmental coordination, institutional performance, and human resource management, and KRA 3 on oversight, participation, and accountability.
- 2.3 The Special Audit on Payroll Management for the County Executive is linked to Key Result Area (KRA) 2. There are two (2) Disbursement-Linked Indicators (DLIs) under this KRA:

- i. Participating counties that have integrated their human resource records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the human resource management information system;
 - ii. Participating counties that are enhancing accountability for results through an integrated performance management framework.
- 2.4 From 2013, the County Executive was using the Integrated Payroll and Personnel Database (IPPD) System to operate payroll for employees with personal numbers, while excel spreadsheets were used to operate payroll for employees without personal numbers. However, due to technological limitations at the time of its development, IPPD did not comprehensively address all human resource related functions. This led to development of a web-based Human Resource Information System-Kenya (HRIS-Ke) in 2024.
- 2.5 A parallel run of the IPPD System and HRIS-Ke was conducted across Ministries, Departments and Agencies and County Governments in November 2024. This was to ensure the readiness of the HRIS-Ke for roll out. Thereafter, in January 2025, the HRIS-Ke was fully adopted for payroll management.
Number of Employees and Payroll Expenditure
- 2.6 Over the three-year period under review, there was a drastic decrease in the number of employees and payroll costs. The decrease was mainly due to stopping of the Kazi Mtaani programme which had employed one thousand eight hundred and fifty-two (1,852) casuals, the programme was stopped August 2022.
- 2.7 The overall staff decline from financial year 2021/2022 to 2023/2024 was 54%, while the cumulative decline in payroll costs over the same period was approximately 22%, as shown in **Figures 1** and **Figure 2**.

Figure 1: Cumulative Growth in Number of Staff

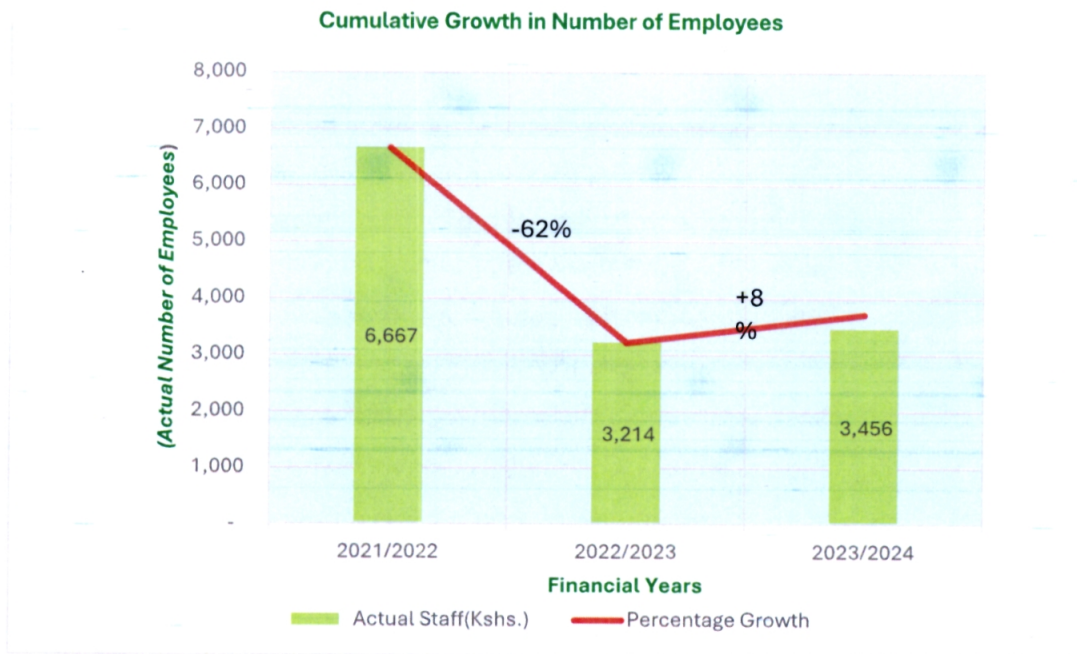
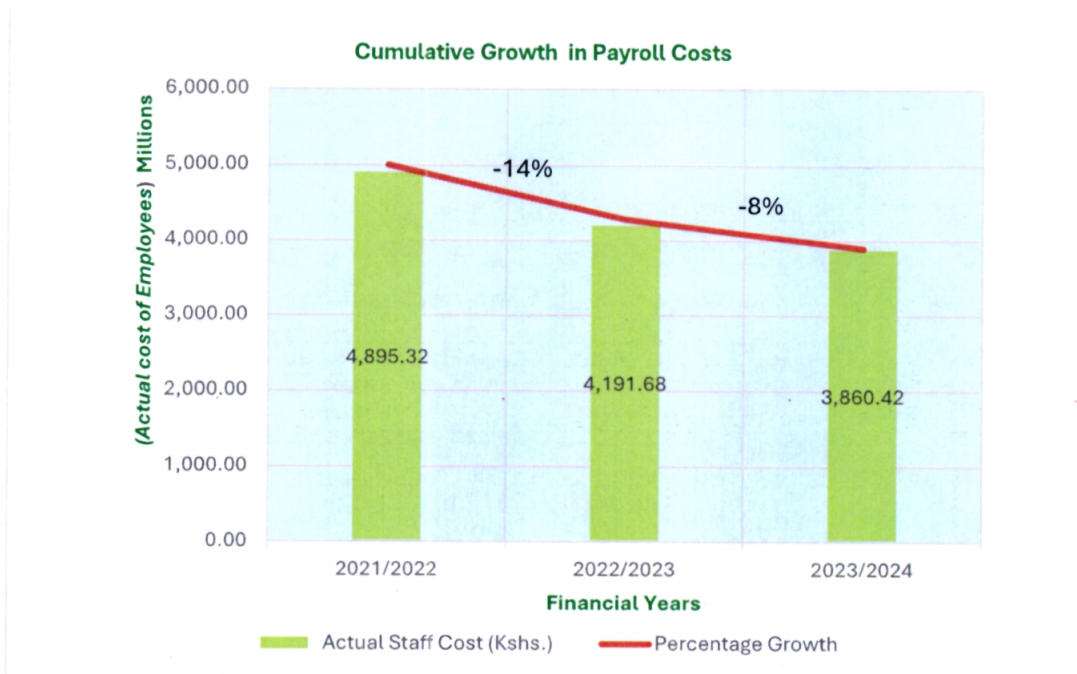


Figure 2: Cumulative Growth in Payroll Costs



Audit Objectives

- 2.8 The objective of the Special Audit on Payroll Management was to assess the adequacy of controls and compliance across the entire payroll process from budgeting and recruitment to salary processing and payment. The specific objectives were to:
- i. Evaluate whether the preparation and execution of the payroll budget align with relevant laws and approved budgetary provisions,
 - ii. Assess whether the recruitment process complied with applicable legal, regulatory, and organizational frameworks governing employment,
 - iii. Assess the integrity of payroll data and identify any double entries, entries in multiple institutions, unverified employees, or inconsistencies across the County Government Payroll System,
 - iv. Determine the accuracy of payroll calculations and payments,
 - v. Evaluate adherence to tax laws, labour laws, and other statutory requirements.
 - vi. Assess whether payroll data was accurately and completely migrated from IPPD system to Human Resource Information System – Kenya (HRIS-Ke).

Audit Scope

- 2.9 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls.
- 2.10 The audit was carried out in the month of January, 2025.

Audit Methodology

- 2.11 The Special Audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 4000 for Compliance Audit. These standards require that the audit is planned and performed so as to draw

reasonable audit conclusions on the design, implementation and operating effectiveness of internal controls.

Methods of Gathering Evidence

- 2.12 The Special Audit on Payroll Management involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County Management.
- 2.13 The methods used to gather audit evidence during the audit included, document review, data analytics, interviews with key payroll staff and physical verification of staff.

a) Document Review

- 2.14 The Audit Team reviewed various documents in order to set audit criteria and assess compliance with the criteria and in gathering audit evidence. They include:
- I. The Constitution of Kenya, 2010;
 - II. The Public Finance Management Act, 2012;
 - III. The Public Finance Management (County Governments) Regulations, 2015;
 - IV. County Governments Act, 2012;
 - V. Employment Act, 2007;
 - VI. National Security Fund Act, 2013;
 - VII. National Health Insurance Fund Act, 1998 (Now Repealed);
 - VIII. The SRC Circular SRC/TS/29(81), dated 10 August 2023;
 - IX. The SRC Circular on the Compendium of Remuneration and Benefits for Public Service, dated December 2022;
 - X. The SRC Circular SRC/TS/MDP/3/1/2(2), dated 11 August 2015;
 - XI. Garissa County Government Human Resource Policies and Procedures Manual, December 2021;
 - XII. Public Service Commission Human Resource Policies and Procedures Manual of May 2016;
 - XIII. Employees' physical files;

- XIV. Collective Bargaining Agreements (CBA), 2013;
- XV. Affordable Housing Act, 2024;
- XVI. The County Executive Financial Statements for financial years 2021/2022, 2022/2023 and 2023/2024;
- XVII. The County Executive Budgets financial years 2021/2022, 2022/2023 and 2023/2024;

b) Data Analytics

- 2.15 The payroll and staff register data from the IPPD System was extracted and analyzed. The exceptions from the analysis formed the basis for verification with payroll records maintained by the County Executive.
- 2.16 The following data sets for the financial years 2021/2022, 2022/2023 and 2023/2024 were analyzed: -
 - i. IPPD Staff Registers and Payroll Data;
 - ii. Payment Schedules;
 - iii. Itemized Budgets for Staff Costs; and
 - iv. Chief Officers Staff Lists for Each Department, as at 30 June, 2024.
 - v. HRIS-Ke data for the month of December, 2024
 - vi. Itemized budgets for staff costs

c) Interviews

- 2.17 The Audit Team interviewed relevant payroll officers from the County Executive and County Public Service Board (CPSB). This was in order to understand payroll processes and obtain clarification on audit issues. The officers interviewed as are as listed in **Appendix 1**.

d) Physical Verification of Staff

- 2.18 The Audit Team requested all the Chief Officers to provide countersigned lists of staff members in their departments as at 30 June, 2024. The lists were compared with the IPPD staff registers maintained by the County Executive.

2.19 The Audit Team, through the County Secretary, requested one hundred (100) employees to present themselves in person for a physical verification, which was based on initial exceptions from data analytics. This verification was to confirm the existence of staff, their employment status and the accuracy of the staff personal data maintained in the payroll systems.

Report Structure

2.20 The report is organized as follows:

- i. Executive Summary;
- ii. Introduction and Background;
- iii. Detailed Findings;
- iv. Conclusion;
- v. Recommendations; and
- vi. Appendices.

2.21 The report should be read in its entirety, in order to fully comprehend the approach to the audit, findings, conclusions and the proposed recommendations made.

3. DETAILED FINDINGS

3.1 The detailed findings are in the ensuing paragraphs and have been categorized into the following five (5) broad areas:

- a) Payroll Budgeting;
- b) Recruitment Process;
- c) Employee Data Management;
- d) Payroll Processing and Payments; and
- e) Compliance with Laws and Regulations.
- f) Migration from IPPD and Payroll Database System to Human Resource Information Systems-Kenya

A. Payroll Budgeting

3.2 The review of payroll budgeting aimed at assessing the reasonableness of payroll forecasts, alignment with the approved budgets and compliance with relevant laws and regulations. The following issues were established: -

I. The Compensation of Employees to Revenue Ratio Exceeded the Set Threshold

3.3 Regulation 25(1)(a) of Public Finance Management (County Governments) Regulations, 2015 requires the County Executive Committee Member for Finance, with the approval of the County Assembly to set a limit on the county government's expenditure on wages and benefits for its public officers. This is pursuant to Section 107(2) of the Public Finance Management Act, 2012. Further, Regulation 25(1)(b) requires the limit set not to exceed thirty-five (35%) percent of the county government's total revenue.

3.4 The Special Audit established that the ratio of the budgeted compensation of employee to budgeted revenue exceeded 35% in the three (3) financial years under audit, as shown in **Table 1**. This is contrary to Regulation 25(1)(a) of Public Finance Management (County Governments) Regulations, 2015.

Table 1: Budgeted Employee Cost to Budgeted Revenue Ratio

Financial Year	Total Budgeted Revenue (Kshs.)	Budgeted Personal Emolument (Kshs.)	% Of Utilization
2021/2022	10,440,738,131	4,897,733,767	47%
2022/2023	11,678,312,519	4,232,297,751	36%
2023/2024	9,568,689,395	3,907,490,449	41%

*Source: Audited Financial Statements

- 3.5 Further, a comparison of the actual personal emolument expenditure with the actual revenue, as reflected in the financial statements, revealed that the County Executive had exceeded the thirty-five (35%) percent threshold in the three (3) financial years as shown in **Table 2**.

Table 2: Actual Employee Cost to Revenue Ratio

Financial Year	Total Revenue (Kshs.)	Actual Personal Emolument (Kshs.)	Revenue/Employee Ratio (%)
2021/2022	7,748,750,749	4,895,318,924	63%
2022/2023	11,002,912,245	4,191,679,367	38%
2023/2024	7,935,375,572	3,860,417,424	49%

*Source: Audited Financial Statements

- 3.6 The increase in percentage of compensation of employee to total revenue indicates a growing wage bill, which may be unsustainable in the long term. Further, the high allocation to compensation of employee may strain the county's financial resources, limiting funds available for critical development projects and essential service delivery.

II. Budget Votes in Payroll Systems not Aligned with those in the Approved Budget

- 3.7 Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness.

- 3.8 A comparison of payroll reports extracted from the IPPD System with the approved budgets established that the Vote Heads in IPPD were not aligned with those in the approved budgets, as shown in **Annexure 1**.
- 3.9 One of the primary factors contributing to the misalignment between the departments and the Vote Heads was the failure to update the IPPD System to reflect changes resulting from the restructuring and consolidation of various sectors within the County Executive.
- 3.10 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, at the time of audit, the HRIS-Ke had similar designations to those in the IPPD System.
- 3.11 The continued referencing to outdated departmental structures leads to inconsistencies between budgetary allocations and actual payroll expenditures, increasing the risk of misallocation or even misuse of public funds, as expenditure may be charged under incorrect or obsolete vote heads.

B. Recruitment Process

- 3.12 The recruitment process was reviewed in order to establish whether the hiring practices were fair and aligned with the County Executive's policies and legal requirements. The following issues were revealed:
- I. Lack of Recruitment Policies and Procedures**
- 3.13 Section 59(1)(g) of the County Governments Act, 2012 requires the County Public Service Board of a county to facilitate the development of coherent, integrated human resource planning and budgeting for personnel emoluments in counties.
- 3.14 The County Executive recruited three hundred and seventy-two (372) during the financial year 2023/2024. The Management did not have an approved recruitment policy, which provides a framework for managing, securing, and optimizing human resources in a structured and transparent manner. This absence of a formal policy creates uncertainty and inconsistency in the recruitment process, potentially leading to inefficiencies and lack of accountability.

- 3.15 Without clear guidelines, recruitment decisions may be influenced by ad-hoc or sector-specific needs, rather than being aligned with the County's overall strategic goals and objectives.

II. Lack of Staff Establishment

- 3.16 Part B.2 (2) of the Human Resource Policies Procedural Manual for Public Service, 2016 states that every entity shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plans. The plans should be based on comprehensive job analysis and should be reviewed every year to address emerging issues and needs.
- 3.17 The County Executive was managing its human resource without an approved staff establishment. The absence of an approved staff establishment hinders the county's ability to effectively plan and manage its human resources, leading to potential overstaffing or understaffing in critical departments. This situation poses risks such as inefficient service delivery, budgetary overruns due to a rising wage bill, and challenges in workforce planning and succession management.

III. Designations Advertised not Aligned to Payroll Systems

- 3.18 Section B 5(2) and Section B 6(3) of the County Public Service Human Resource Manual 2013 requires each County Government entity to maintain optimum staffing levels derived from an authorized establishment and organization structure. Further, Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness.
- 3.19 Review of IPPD system established that there were four hundred and forty (440) designations that were configured in the system. However, out of the four hundred and forty (440) configured designations, 4 designations advertised during the 2023/2024 financial year were not among the designations configured in IPPD system as shown in **Table 3**.

Table 3: Designations advertised not aligned to payroll systems

Position Advertised	Posts
Sub County Administrator	1
Deputy Sub County Administrator	11
Ward Administrator	10
Ward Revenue Clerk	30
Sub County Administrator	1
Totals	52

*Source: County Service Public Board Recruitment Records

- 3.20 To facilitate salary processing, the affected employees were placed in similar Job Groups in the IPPD System. As a result of the misalignment, it was not possible to ascertain whether the County had filled the positions as per the requisite vacancies. This process can lead to inefficiencies in workforce planning and budget overruns.

C. Employee Data Management

- 3.21 Review of employee's data management involved assessing the accuracy and completeness of both manually maintained records and data from the IPPD System. The following issues were established: -

I. Integrity of Date of Birth Record in the Payroll Systems

- 3.22 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective. Further, Circular Ref. No: PSC/ ADM/ 13(9) dated 19 November, 2020 from the Public Service Commission to all authorized officers stipulates that the date of birth, as per the Birth Certificate, should be considered as a public officer's official date of birth.
- 3.23 The Special Audit identified six hundred and thirty-nine (639) employees in the IPPD System with inconsistent dates of birth.
- 3.24 Interview with a sample of one hundred (100) employees and verification of their identification documents established that the dates captured in the IPPD System for twenty-nine (29) employees were different from those in employees' Birth

Certificates as detailed in **Annexure 2**. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).

- 3.25 The inaccurate capturing of dates of birth leads to the risk of exceeding the legal retirement age or forcing an employee to retire before they are due for retirement. There is also the risk of miscalculation of retirement dates and pension dues of employees, as well as other entitlements that are calculated based on age.

II. Authenticity of Staff in the Payroll

- 3.26 The Office of the Auditor-General requested for a physical verification of sampled staff via letter Ref. OAG/SA/SADS/KDSP-PAYROLL/4/07, dated 17 January, 2025, which was addressed to the County Secretary, the Garissa County Government.
- 3.27 The Letter requested one hundred (100) employees to present themselves for physical verification. However, fifty-one (51) employees as detailed in **Annexure 3** did not present themselves, despite multiple attempts to reach out to them.
- 3.28 The employees who did not present themselves for physical verification may not exist, raising the risk of irregular or fraudulent payments.

III. Use of Manual Payroll

- 3.29 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and measures taken to ensure that they are effective.
- 3.30 The Special Audit established that the County Executive operated both the IPPD system and excel spreadsheets to process payrolls. Manual payroll systems can be susceptible to payroll fraud the employee cost process Kshs.392,500,398 and Kshs.464,437,119 for the financial years 2022-2023 and 2023-2024 respectively.

D. Payroll Processing and Payments

- 3.31 Assessment was carried out on controls in payroll processing and payments to determine whether employee salaries and deductions were accurately calculated, authorized, and comply with the applicable laws. The following issues were established: -

II. Irregular Payment of House Allowance and Special House Allowance

- 3.32 Section 149(1) of the Public Finance Management Act, 2012 imposes on an accounting officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is (a) lawful and authorized, and (b) effective, efficient, economical and transparent.
- 3.33 The Special Audit established that there were one hundred and twenty-two (122) in 2021/2022 employees, forty-five (45) in 2022/2023 and sixty-eight (68) in 2023/2024 who were irregularly paid house allowance and special house allowance in the same period totaling to Kshs.78,929,704 as shown in **Table 4** and detailed in **Annexure 4**.

Table 4: Payment of Both House Allowance and Special House Allowance

Financial Year	Number of Employees	Amount Paid (Kshs.)
2021-2022	122	41,394,328
2022-2023	45	16,404,876
2023-2024	68	21,130,500
Total		78,929,704

*Source: IPPD Payroll Data

E. Compliance with Laws and Regulations

- 3.34 An assessment of the County Executive's adherence to labor laws was conducted, and the following issue was established: -

I. Casual Employees Engaged Beyond the Stipulated Period

- 3.35 Section 37(1) of the Employment Act, 2007 provides that if a casual employee works continuously for a period equivalent to one (1) month or performs tasks that extend beyond three (3) months, their employment shall be deemed to be on a monthly wage contract basis.
- 3.36 Review of casual employees' approval records from the County Public Service Board revealed that two hundred and fifty-two (252) casual workers were engaged for a period exceeding three (3) months. The County Public Service Board approved their continued engagement through successive approvals in response

to departmental requests. This is contrary to Section 37 (1) of the Employment Act, 2007.

- 3.37 The engagement of casuals beyond the stipulated period exposes the County Executive to litigation proceedings and associated costs.

F. Migration from Integrated Personnel and Payroll Database System (IPPD) to Human Resource Information System-Kenya (HRIS-Ke)

- 3.38 The migration of salary processing from the IPPD System to the HRIS-Ke was reviewed to establish the completeness, accuracy, and integrity of the data transferred.

I. Officers with different basic salaries between IPPD and HRIS-Ke

- 3.39 The County Executive of Garissa adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024. Comparison between November 2024 IPPD data and December 2024 HRIS-Ke migration established eight (8) instances where officers were migrated from IPPD to HRIS-Ke with their basic salaries varying between HRIS-Ke and IPPD as detailed in **Annexure 5**.
- 3.40 Further, analysis revealed that the employees' incremental month was not December, and the job groups had not changed during the months under review.

4. CONCLUSION

- 4.1 The Special Audit of payrolls for Garissa County Executive uncovered several audit issues in payroll and human resource management, which may negatively affect its financial sustainability, compliance, and operational efficiency. In view of the findings, the Special Audit concludes as follows;
- 4.2 The County Executive did not comply with requirement on limiting the Employee Cost within thirty-five percent (35%) of Revenue. The non-compliance with requirements on limiting the Employee Cost within thirty-five percent (35%) of Revenue indicates weaknesses in internal budgeting process and inadequate oversight role by the County Assembly. Therefore, the County's financial resources are strained, limiting the funds available for critical development projects and essential service delivery.
- 4.3 The Vote Heads in the IPPD System and HRIS-Ke were not aligned with those in the approved budgets and those configured in the IFMIS Ledgers. The misalignment hinders effective management of departmental budgets and control resulting to inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.
- 4.4 The departments in the County Executive did not have approved annual human resource recruitment plans. The absence of annual recruitment plans demonstrates ineffective workforce planning. This hampers the county's ability to plan, budget, and deploy personnel effectively across departments, leading to staffing gaps or surpluses.
- 4.5 The IPPD System and HRIS-Ke were not updated with approved designations in the approved staff establishment. These increases the risk of unauthorized or irregular salary payments. This weakness compromises the integrity of payroll

processing, weakens accountability, and may result in discrepancies between approved staffing structures and actual payroll expenditures.

- 4.6 The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by the inaccurate dates of birth in the IPPD System and HRIS-Ke. Data with integrity issues indicates weak internal controls and increases the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive and miscalculation of retirement dates and pension dues of employees.
- 4.7 The authenticity of some of the employees could not be established. This was evidenced by the failure by the Chief Officers to account for employees in their departments and the payroll data Integrity issues. This casts doubt on authenticity of payroll records and raises the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County.
- 4.8 There were instances where employees were overpaid or paid irregular allowances. This reflects weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of financial misstatements, fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 4.9 The County Executive did not comply with tax and labour laws as evidenced by irregular deduction of statutory deduction. This violates legal and regulatory obligations, increasing the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 4.10 The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and failure to migrate some employees. This indicates weaknesses in data validation, lack of system configuration to enforce salary structures, and insufficient post-migration

reconciliation controls, thereby exposing the County Executive to financial loss and reputational risk.

- 4.11 The identified audit issues had persisted over time, suggesting a failure of risk identification mechanisms and an underperforming internal audit function that may not have identified and prevented the control breaches in a timely manner.

5. RECOMMENDATIONS

- 5.1 In view of the findings and conclusion of the Special Audit, the following is recommended for implementation by the Garissa County Executive.
- 5.2 To ensure compliance with the fiscal responsibility principle on capping expenditure on wages to thirty-five (35%) percent of the County Executive's total revenue, the County Assembly should establish mechanisms to ensure compliance with the PFM Act in the execution of its oversight responsibilities.
- 5.3 For effective management of departmental budgets and enhance accuracy in reporting of personal emolument expenditure per department thus promoting accountability, the Chief Officers for Public Finance together with the Management of the State Department for Public Service and Human Capital Development (the custodian of the Human Resource Information System-Kenya) should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures. Further, staff costs should be charged to the votes under which their budgets are made.
- 5.4 To enhance transparency, fairness, and accountability in the recruitment process, the County Executive should develop and implement annual recruitment plans aligned with staffing needs and budgetary provisions.
- 5.5 To enhance the attainment of optimal staffing levels, management of the County Executive should align the payroll system with the approved staff establishment and ensure consistency between authorized positions and personnel data. Additionally, the staff establishment module in the HRIS-Ke should be fully implemented and configured to enforce recruitment strictly within the approved establishment limits.
- 5.6 To ensure integrity of data maintained in the payroll systems, the Management should ensure the validation controls are implemented in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National Identity, National Social Security Fund (NSSF), Social Health Authority (SHA).

Additionally, the use of manual Excel-based payrolls should be discontinued in favour of HRIS-Ke.

- 5.7 To reduce instances of financial loss due to irregular payment of allowances, enhance payroll integrity and support effective personnel management, the County Executive, together with the State Department for Public Service and Human Capital Development should ensure HRIS-Ke is appropriately configured to automatically enforce salary structures, as stipulated in the Salaries and Remuneration Commission Circulars and other relevant directives. Further, validations controls should be implemented in order to ensure compliance, enhance payroll accuracy, and prevent irregular financial transactions.
- 5.8 Management should conduct a comprehensive post-migration payroll reconciliation to identify and correct overpayments and underpayments resulting from the system transition. Further, HRIS-Ke should be configured to enforce approved salary structures and allowance.
- 5.9 All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.

6. APPENDICES

Appendix 1: List of Staff Interviewed

No.	Designation	Department
1.	Chief Officer - Public Service and Administration	County Public Service Board and Administration
2.	Chief Executive Officer	County Public Service Board and Administration
3.	Deputy Director Human Resource	County Public Service Board and Administration
4.	Deputy Director- Finance	Finance and Accounting
5.	Payroll Manager	Finance and Accounting
6.	Finance Manager	Finance and Accounting

Appendix 2: List of Annexures

The **Annexures** referenced in the report, as listed below, will be provided in soft copies.

No.	Annexure	Description
1.	Annexure 1	Budget votes in payroll system not aligned with those in approved budget
2.	Annexure 2	Integrity of birth dates records in IPPD system
3.	Annexure 3	Officers who did not turn up for physical verification
4.	Annexure 4	Irregular payment of house allowance and special house allowance
5.	Annexure 5	Officers with different basic salary between IPPD and HRIS-ke

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