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

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COUNTY 026  
JULY 2025



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Making a difference in the lives and livelihoods of the Kenyan people



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Audit services that impact on effective and sustainable service delivery



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## **FOREWORD BY THE AUDITOR-GENERAL**

I am pleased to present this Special Audit Report on Payroll Management for the Trans Nzoia 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 on Payroll Management for the Trans Nzoia Executive was conducted in line with this mandate.

The Special Audit evaluated the human resource and payroll processes at the Trans Nzoia Executive, and assessed their compliance with the established legal framework on payroll management. The scope of the Special Audit covered the requirements 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 Trans Nzoia County Executive for enhancing compliance, accuracy, accountability, and efficiency in payroll management.

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 Trans Nzoia County Public Service Board and the Governor, Trans Nzoia 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
FIF	Facility Improvement Fund
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
TSC	Teachers Service Commission

## **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 Trans Nzoia 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 IPPD system to the Human Resource Information System – Kenya (HRIS-Ke).

### **Audit Scope and Limitations**

- 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 and casual payrolls
- 1.8 The County Executive did not provide the agreement between the County Executive and banks for salary control account with the Kenya Commercial Bank, casuals documentation, including departmental requisitions, approvals from the County Public Service Board (CPSB) or delegated authority to departmental accounting officers and manual payroll data for 2022/2023 was provided with processed payroll data but could not be analysed. This limitation was mitigated by using data analysis to test the controls.

### **Methods of Gathering Evidence**

- 1.9 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.
- 1.10 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**

The key audit findings are as detailed below:

### **A. Payroll Budgeting**

#### **I. Compensation of Employee to Revenue Ratio Exceeded the set Threshold**

- 1.11 The Special Audit established that the budgeted compensation of employee for the three (3) years under review was within 35% of the budgeted revenue. However, the actual payroll expenditure with actual revenue as reflected in the financial statements exceeded the thirty-five (35%) percent threshold in the three (3) financial years.

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

- 1.12 The Special Audit established that the budget Vote Heads in the IPPD System and the HRIS-Ke 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 Annual Recruitment Plans**

- 1.13 During the period under review, the County Executive recruited one thousand and eighty-two (1,082) employees. The Audit established that the departments that initiated the recruitments did not have annual recruitment plans to guide the recruitment process. Further, no evidence was provided to prove that budgetary availability was sought before initiating the recruitment process. The lack of annual recruitment plans and lack of confirmation of availability of budgets can result in either overstaffing, understaffing, or hiring staff for roles that do not align with organizational priorities.

## **II. Designations in the Payroll Systems not Aligned with the Approved Staff Establishment**

- 1.14 The Special Audit established that there were designations in the approved staff establishment that were not configured in IPPD System and HRIS-Ke. 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.

## **III. Weakness in the Recruitment Process and Management of Casual Worker**

- 1.15 The special audit identified systemic weaknesses in the County's human resource practices where there was improper engagement of one hundred and twenty-two (122) casual workers in financial year 2021/2022 without CPSB approvals or proper documentation, contravening Section 74 of the County Governments Act and PFM Regulations. These control failures demonstrate significant non-compliance with statutory requirements, risking budgetary misalignment, unbudgeted personnel costs, and inefficient service delivery, while undermining the integrity of workforce planning and payroll management.

### **C. Employee Data Management**

#### **I. Integrity of Date of Birth Records in Payroll Systems**

- 1.16 The Special Audit identified two hundred and ninety (290) employees with inconsistent date of birth. Interview with two hundred and thirty-four (234) of the employees and verification of their identification documents established that the dates captured in the IPPD System and the HRIS-Ke for fifty-six (56) 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. Failure of Chief Officers to Account for Human Resources in their Departments**

- 1.17 The Chief Officers (COs) were requested to provide a list of staff members in their respective departments as at 30 June, 2024. This list was to be compared with records of employees in the payroll systems maintained by the County Executive.
- 1.18 Further, a comparison of the staff lists countersigned by the various Chief Officers, with the staff register from the IPPD System, established that there were fourteen (14) employees in the staff lists provided by the Chief Officers that were not in the IPPD System. The failure to account for human resource in various departments presents the risk of irregular or fraudulent payments in the County Executive.

## **III. Drawing Salary from Different Government Entities**

- 1.19 The Special Audit established that there were two (2) employees in financial year 2021/2022 who in the audit period drew salary from other government entities. This presents a significant risk of overpayment and hence loss of public funds with staff appearing on more than one payroll. The total amount paid to the employees was Kshs.833,409.

## **D. Payroll Processing and Payments**

### **I. Charging of Employee Costs to the Wrong Budget Vote**

- 1.20 The Special Audit established that there were misalignments between departmental Vote Heads in both IPPD System and HRIS-Ke with those in the Integrated Financial Management System (IFMIS) Ledger Account. As a result, posting of salary in IFMIS was not done as per departmental Vote Heads. This process creates inconsistencies between budget allocations and actual expenditure by departments, therefore presenting the risk of misuse of funds and inaccurate financial reporting.

### **II. Irregular Payment of Arrears**

- 1.21 The Special Audit established that there were thirty-four (34) employees were paid Kshs.7,709,681 as arrears due to the payroll system's failure to automate payment

of recurring allowances. Further, six (6) employees were paid Kshs.436,796 in arrears on allowances that they were not being earned on a monthly basis. The payments did not have supporting documentation such as requests, approvals, and calculations justifying the amounts paid.

### **III. Use of Manual Payroll**

- 1.22 The Special Audit established that during the years under review, the County Executive had seven hundred and seventy (770) employees without personal numbers in manual payroll and seven hundred and eighty-one (781) casual workers whose salary was being processed through payrolls maintained in excel presenting the risk of irregular or fraudulent payments.

### **IV. Full Non-recovery of Salary Overpayment Balance**

- 1.23 There were two (2) employees who were prematurely halted recoveries of balances of Kshs.49,264 in overpaid salaries and allowances without justification, resulting in irrecoverable financial losses due to non-compliance with payroll accountability procedures.

### **E. Compliance with Laws and Regulations**

#### **I. Non-Compliance with Remittance of Statutory Deductions**

- 1.24 Comparison of statutory deductions for employees in the IPPD System with Bank Statements revealed systemic non-compliance with statutory payroll obligations, including delayed remittances of P.A.Y.E (violating Income Tax Rules), NSSF contributions (breaching NSSF Act), and NHIF payments (contrary to NHIF Act). These lapses, evidenced by IPPD-bank statement discrepancies expose the County to financial penalties, legal liabilities, and reputational harm. Immediate correction is required to align remittance practices with mandated timelines and restore fiscal accountability.

#### **II. Non-Compliance with Requirement on Ethnic Diversity**

- 1.25 There was non-compliance with Section 7(1) of National Cohesion and Integration Act, 2008, and Section 7(2) having 54% of the staff were from one dominant ethnic

community. Further, analysis established that the dominant community represented 63% of the new recruitment done during the period under review.

### **III. Non-Compliance to Inclusivity for Persons with Disabilities in Recruitment**

- 1.26 Comparison of statutory deductions for employees in the IPPD System with Bank Statements revealed systemic non-compliance with statutory payroll obligations, including delayed remittances of P.A.Y.E (violating Income Tax Rules), NSSF contributions (breaching NSSF Act), and NHIF payments (contrary to NHIF Act). These lapses, evidenced by IPPD-bank statement discrepancies expose the County to financial penalties, legal liabilities, and reputational harm. Immediate correction is required to align remittance practices with mandated timelines and restore fiscal accountability.

### **IV. Non-Compliance with One Third Basic Salary Rule**

- 1.27 There were two hundred and fifty-five (255) employees who were paid net salaries that were less than one-third of their basic salaries contrary to Section 19(3) of the Employment Act, 2007.

### **V. Casuals Employees Engaged Beyond Stipulated Period**

- 1.28 Examination of the casual payrolls established that there were six hundred ninety (690) casual workers who were engaged for more than 3 months during the year 2021/2022. Similarly, six hundred and eighty-five (685) and five hundred and eighty-nine (589) were engaged for more than 3 months in 2022/2023 and 2023/2024 respectively.

### **F. Migration from Integrated Personnel and Payroll Database System to Human Resource Information System-Kenya**

#### **I. Overpayment and Underpayment of Salary and Allowances**

- 1.29 Comparison between data from IPPD system for the month of November, 2024 and that from HRIS-Ke for the month of December 2024 established instances of overpayment and underpayments of salaries and allowances.

1.30 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024. Comparison between November, 2024 IPPD data and December 2024 HRIS-Ke data established instances of overpayment and underpayments of salaries and allowances.

1.31 The overpayments and underpayments indicate inadequate data validation and weak internal controls. This exposes the County Executive to financial loss, legal liabilities, and employee dissatisfaction due to inaccurate compensation.

## Conclusion

- 1.64 The Special Audit of payrolls for Trans Nzoia 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;
- 1.65 The County Executive exceeded its compensation to employees' ratio above the 35% threshold in financial periods under review. This inconsistency suggests weak budget controls and risks long-term fiscal sustainability if compensation is not adequately linked to actual revenue performance. The exceeded budgetary allocation to compensation of employee may strain the county's financial resources, limiting funds available for critical development projects and essential service delivery.
- 1.66 The lack of annual recruitment plan and unconsolidated staff establishments without designations resulted in unharmonized recruitment, employee disparities, and inadequate use of resources. This significantly hinders the County's Executive ability to plan, budget, and deploy personnel effectively across departments, leading to staffing gaps or surpluses.
- 1.67 Appointments were made without following the recruitment process. Further, there was violation of This violates recruitment policies and procedures, which allowed irregular employment, undermining transparency and increasing legal exposure for the county.
- 1.68 The misalignment between payroll ledgers, budget votes in Human Resource Information System – Kenya and Approved Budgets undermines the obligations of Accounting Officers under Section 149(1)(a) of the PFM Act to ensure lawful, efficient, and accountable use of public resources. It hinders effective management of departmental budgets and expenditure control resulting to inaccurate financial reporting.
- 1.69 Consolidation of various sectors within the County not effected in the IPPD system, having salaries votes not configured with the correct budget votes, statutory

deductions not deducted, violations on earning less than one third of basic salary were breached. These reflect weaknesses in payroll control, creating legal and financial exposure for the county.

- 1.70 Extended casual workers beyond legal timeframes, and unaccounted staff reflect failures in departmental oversight and control. These lapses suggest inadequate monitoring and weak enforcement of HR policies at the departmental level.
- 1.71 Migration from IPPD to HRIS-Ke resulted in payroll anomalies including overpayments and underpayments of allowances. These were due to data transfer errors, unverified changes, and lack of reconciliation between old and new systems, compromising payroll accuracy and financial accountability. 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.
- 1.72 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

- 1.73 In view of the findings and conclusions of the Special audit, the following is recommended to the Trans Nzoia County Executive;
- 1.74 The County Executive should strengthen budget monitoring and align compensation expenditure with revenue trends to maintain compliance with the 35% threshold. Regularly reviewing the wage bills against actual revenues to help promote sustainability and adherence to the set limits. Further, the County Executive Committee Members for Finance, with oversight from the County Assemblies and the Controller of Budget, should strictly enforce Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015, to ensure that the wage bill does not exceed 35% of total county revenue.
- 1.75 Develop and approve annual recruitment plans and staff establishments aligned to goals and objectives in their strategic plans and budget ceilings. This ensures structured and strengthens transparency and accountability in human resource management.
- 1.76 All staff appointments, promotions, acting assignments, and casual engagements must fully comply with the provisions of the Employment Act, the County Governments Act, and relevant Public Service Commission (PSC) regulations and guidelines. The recruitment process must follow established procedures including advertisement, shortlisting, and confirmation of budget allocation. County Public Service Boards should enforce compliance and nullify appointments that contravene policy to maintain integrity and public trust in the hiring process.
- 1.77 The management should reconcile IPPD and HR records with the approved staff establishment, validate employee biodata, and ensure system configurations reflect actual county designations. Periodic data clean-ups and regular payroll audits will improve payroll accuracy and HR planning.
- 1.78 Strengthen internal controls over payroll processing and enforce compliance with budget allocations and salary cap rules. Regular reviews by the accounting officers should be institutionalized to maintain financial discipline and legal compliance.

- 1.79 The County Executive to must uphold the constitutional principles of inclusivity and fairness in public service recruitment. In particular, County Public Service Boards (CPSBs) should progressively align their staffing frameworks with Chapter B.23(2) of the Human Resources Policies and Procedures Manual 2016 and provisions of Section B.23(2) of the Trans Nzoia County Human Resources Policies and Procedures (April 2019), which is mandated to ensure that at least five percent (5%) of all appointments are allocated to persons with disabilities.
- 1.80 The County Public Service Board, to put in place measures to enhance diversity in future recruitment. These include encouraging applications from underrepresented communities, regional outreach, and ensuring all hiring aligns with legal provisions on inclusivity and fairness. This ensures national cohesion, equitable representation, and mitigates the risk of social exclusion within public institutions.
- 1.81 Ensure the timely deduction and remittance of statutory obligations to the relevant agencies. A vigorous system to be in place for monthly reconciliations, and accountability effected to avoid delays, reducing the risk of penalties and ensure compliance with applicable laws.
- 1.82 The management should implement a thorough reconciliation process following system migrations and validate all payroll data before processing payments. All allowances irregularly paid should be recovered and responsible officers held accountable. Audit trails, should be established to ensure data integrity and avoid financial losses.

## **2. INTRODUCTION AND BACKGROUND**

### **Introduction and Background**

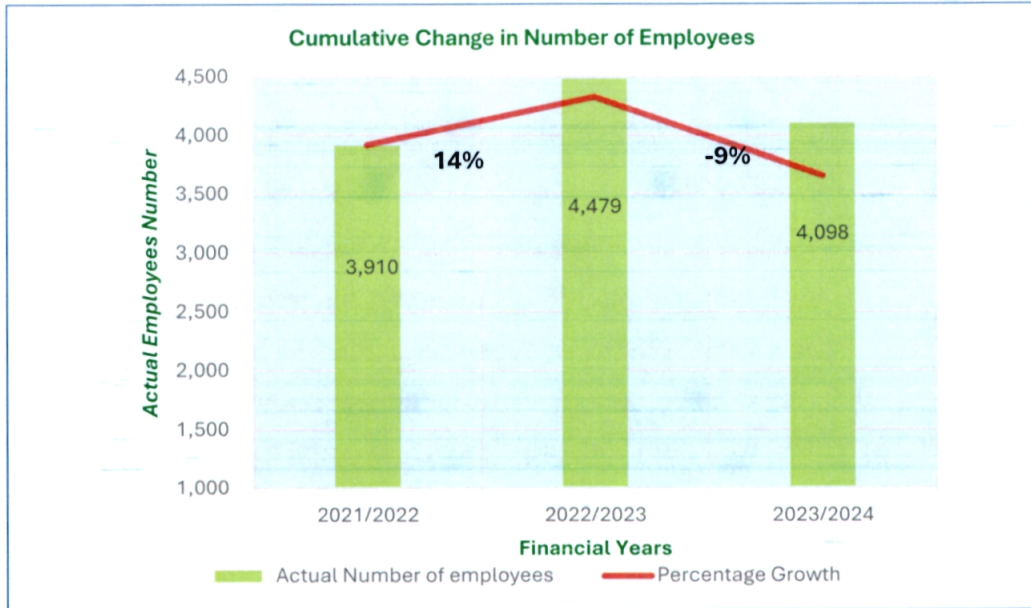
- 2.1 Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7 (1) (a) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management 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 Trans Nzoia 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.
- 2.3 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.

- 2.4 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.
- 2.5 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.
- 2.6 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.

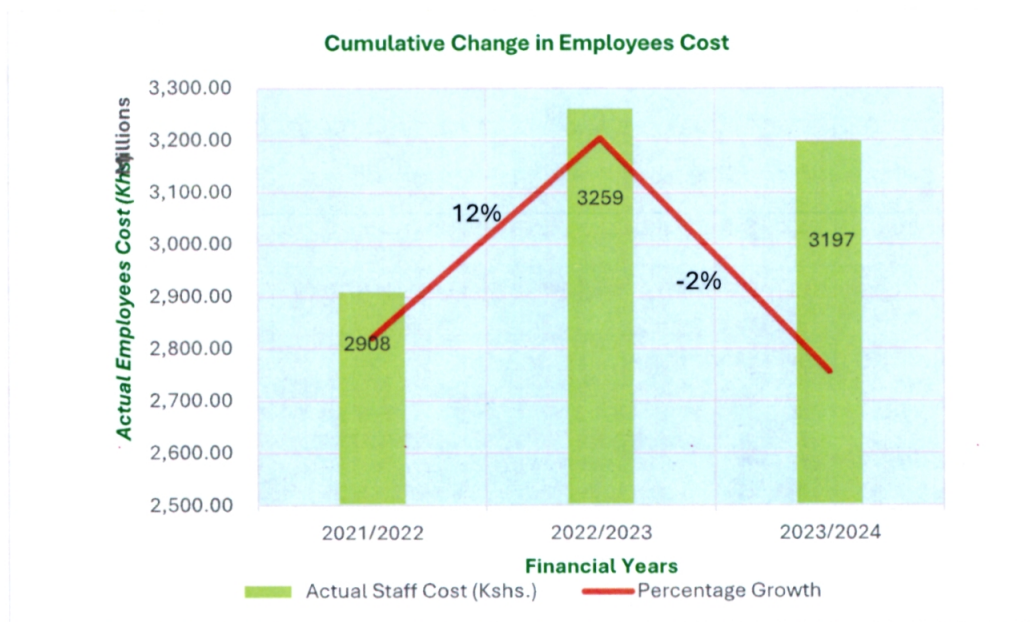
#### **Numbers of Employees and Payroll Expenditure**

- 2.7 Over the three (3) year period under review, there was an increase in the number of employees and payroll costs. The increase in employees and payroll cost in 2022/2023 was mainly due to hiring of contract and casual staff, with decrease in subsequent year attributed to staff turnover.
- 2.8 The overall staff growth across the audit period was **9.9%** while the cumulative growth in payroll costs over the three (3) years was approximately **4.7%** as illustrated in **Figures 1 and 2**.

**Figure 1: Growth Rate of the Number of Staff**



**Figure 2: Growth Rate of Compensation of Employee**



2.9 The higher rate of growth in staff numbers compared to payroll expenditure is primarily due to the recruitment of lower-grade, entry-level employees who are on modest salary scales.

### **Audit Objectives**

- 2.10 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 and Limitations**

- 2.11 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.
- 2.12 The Special Audit was carried out in the month of January, 2025.
- 2.13 The County Executive did not provide salary control account agreements with the Kenya Commercial Bank, and complete manual payroll data for 2022/2023. This limitation was mitigated by using data analysis to test the controls.

### **Audit Methodology**

- 2.14 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**

- 2.15 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.
- 2.16 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**

- 2.17 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. SRC Circular, Ref No: SRC/TS/CGOVT/3/16, dated 29 July, 2013;
  - vii. SRC Circular, Ref No: SRC/TS/29(81), dated 10 August, 2022;
  - viii. Compendium of Remuneration and Benefit for Public Service, dated December 2022;
  - ix. Approved Staff Establishments, 2022; and
  - x. Collective Bargaining Agreements (CBAs), 2012

### **b) Data Analytics**

- 2.18 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.
- 2.19 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.

### **c) Interviews**

- 2.20 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 are as listed in **Appendix 1**.

### **d) Physical Verification of Staff**

- 2.21 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.
- 2.22 The Audit Team, through the County Secretary, requested two hundred and ninety (290) 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**

- 2.23 The report is organized as follows:
- i. Executive Summary;
  - ii. Introduction and Background;

- iii. Detailed Findings;
- iv. Conclusion;
- v. Recommendations; and
- vi. Appendices.

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

### 3. DETAILED FINDINGS

3.1 The detailed findings are in the ensuing paragraphs and have been categorized into the following six (6) broad areas:

- a. Payroll Budgeting;
- b. Recruitment Process;
- c. Employee Data Management;
- d. Payroll Processing and Payments;
- e. Compliance with Laws and Regulations; and
- f. Migration from Integrated Personnel and Payroll Database System to Human Resource Information System-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 Employee 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 budgeted compensation of employee to budgeted revenue was within 35% of the revenue in the three (3) financial years. However, a comparison of actual personal emolument expenditure with actual revenue as reflected in the financial statements revealed the County Executive had exceeded the thirty-five (35) percent threshold in the three (3) financial years, as illustrated in **Table 1**.

**Table 1: Actual Employee Cost to Revenue ratio**

Financial Year	Total Revenue (Kshs.)	Actual Personal Emolument (Kshs.)	Revenue/Employee (%) Ratio
2021/2022	7,953,219,439	2,842,519,399	36%
2022/2023	7,752,954,391	3,259,544,723	42%
2023/2024	8,621,915,309	3,197,121,378	37%

\*Source: Audited Financial Statements

- 3.5 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 were not Aligned with those in Approved Budgets**

- 3.6 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.
- 3.7 A comparison of payrolls reports extracted from the IPPD System with the approved budget established that the Vote Heads in the IPPD System were not aligned with those in the approved budgets as shown in **Annexure 1**.
- 3.8 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.
- 3.9 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 Votes Heads to those in the IPPD System.

- 3.10 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**

- 3.11 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 Annual Recruitment Plans**

- 3.12 Section 59(1)(g) of the County Governments Act, 2012 require 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. Further, Regulation 119(2) of the Public Finance Management (County Governments) Regulations, 2015 requires the budgetary allocation for personnel costs to be determined on the basis of a detailed costing of a human capital plan of a county government entity as approved by the responsible county department for public service management matters, the County Public Service Board and County Treasury.
- 3.13 The County Executive recruited four hundred seventy-eight (478) employees during the financial year 2021/2022, three hundred twenty-five (325) employees during 2022/2023, and two hundred seventy-nine (279) employees during 2023/2024 as detailed in **Annexure 2**. However, it was established that the departments that initiated the recruitments did not have annual recruitment plans to guide the recruitments.
- 3.14 The lack of annual recruitment plans supported by budgetary provisions can result in either overstaffing, understaffing, or hiring staff for roles that do not align with organizational priorities.

## II. Designations in the Payroll Systems not Aligned with the Approved Staff Establishment

- 3.15 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.
- 3.16 Review of IPPD system revealed that there were three hundred eighty-four (384) designations that were configured. However, of the configured designations, ninety-six (96) were not in the approved staff establishment. There were one thousand two hundred two (1202) employees who were placed in the ninety-six (96) designations. Refer to **Annexure 3**. Similarly, there were five hundred (500) designations in the approved establishment not configured in IPPD system as detailed in **Annexure 4**.
- 3.17 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, the HRIS-Ke had similar designations to those in the IPPD System.
- 3.18 As a result of the misalignment between the staffing records in the IPPD system and the approved Employees establishment, it was not possible to establish whether the County Executive filled positions in accordance with the approved Employees establishment. This may lead to inefficiencies in workforce planning, budget overruns and service delivery.

## III. Weakness in the Recruitment and Management of Casual Workers

- 3.19 Section 74 of the County Governments Act, 2012 states that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers in its public bodies and offices. 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.
- 3.20 Review of the recruitment process established that seven departments recruited one hundred and twenty-two (122) casual workers in financial year 2021/2022 without the requisite documentation, including departmental requisitions,

approvals from the County Public Service Board (CPSB) or delegated authority to departmental accounting officers. Refer to **Annexure 5**.

- 3.21 The lack of requisite documentation for the recruitment of casual workers increases the risk of mismanagement of casual wages and undermines the County Public Service Board's ability to exercise oversight, monitor workforce efficiency, and make informed staffing decisions.

### **C. Employee Data Management**

- 3.22 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 Records in Payroll Systems**

- 3.23 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 19th 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.
- 3.24 The Special audit identified two hundred and fifty (250) employees in the IPPD System with inconsistent dates of birth.
- 3.25 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before data cleaning to improve its quality and reliability. As a result, at the time of audit, the HRIS-Ke had similar date of birth to those in the IPPD System.
- 3.26 Interview with a sample of two hundred and thirty-four (234) of the employees and verification of their identification documents established that the dates captured in the IPPD System and the HRIS-Ke for fifty-six (56) employees were different from those in employees' Birth Certificates. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9) as detailed in **Annexure 6**.

3.27 The inaccurate capture of birthdates leads to the risk of exceeding the legal retirement age, compelling the employees 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. Failure of Chief Officers to Account for Human Resources in their Departments**

3.28 Section 148(1) of Public Finance Management Act, 2012 requires a County Executive Committee Member for Finance to, except as otherwise provided by law, in writing designate accounting officers to be responsible for managing the finances of the county government entities as is specified in the designation. Further, Sub-Section (2) requires the person responsible for the administration of a county government entity to be the accounting officer responsible for managing the finances of that entity except as otherwise stated in other legislation.

3.29 The Letter of Engagement addressed to the County Secretary for the in-depth audit of payroll, dated 3 January 2025, ref: OAG/SAS/SADS/KDSP-PAYROLL/3/026 required Chief Officers (COs) to provide a list of staff members in their department as at 30 June, 2024. This list was to be compared with employees in the payroll systems.

3.30 The Special Audit established that a comparison of staff lists countersigned by various Chief Officers with the IPPD Employees register established there were fourteen (14) employees appearing on the Chief Officer's lists but not in the Integrated Personnel and Payroll Database (IPPD). Refer to **Annexure 7**.

3.31 The staff who are not on the payroll lists may not exist, raising the risk of onboarding unauthorized staff into the payroll leading to irregular or fraudulent payments.

### III. Drawing Salary from Different Government Entities

- 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 during the 2021/2022 financial year, two (2) employees were engaged by both Trans Nzoia County Executive and another government entity. During this period of dual engagement, the officers received a total gross pay of Kshs.833,409 as detailed in **Annexure 8**.
- 3.34 The employees will not be able to serve in two full-time positions, in the two entities and may not meet the requirements of their employment contracts. Further, the employees may also be improperly enriching themselves by drawing two salaries under two full-time engagements.

### D. Payroll Processing and Payments

- 3.35 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: -

#### I. Charging of Employee Costs to the Wrong Budget Vote

- 3.36 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.
- 3.37 The Special Audit established that there was a misalignment between departmental vote heads in IPPD system and those in IFMIS ledger account. As a result, comparison of gross salary processed through IPPD system, manual and casual payrolls with salary ledgers from Integrated Financial Management Information System (IFMIS) established the vote head configured in the IPPD

system were different from those in IFMIS. Consequently, charging of salary in IFMIS was not done as per respective departments as detailed in **Annexure 9**.

- 3.38 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, HRIS-Ke had similar Votes Heads to those in the IPPD System.
- 3.39 This misalignment creates inconsistencies between budget allocations and actual expenditures by departmental, therefore increasing the risk of misuse of funds and inaccurate financial reporting.

## **II. Irregular Payment of Arrears**

- 3.40 Article 201 of the Constitution of Kenya, 2010 on principles of public finance require accountability in financial matters, responsible financial management and use of public money in a prudent and responsible way. 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 lawful and authorized, and effective, efficient, economical and transparent. Further, Regulation 120(3) of the Public Finance Management (County Governments) Regulations 2015 requires the accounting officer to certify the correctness of the payroll at least once every month.
- 3.41 During the three years (3) under review, the County Executive paid salary and allowances as arrears totaling Kshs.277,018,441. Further examination of records and verification of the arrears established that thirty-four (34) employees were paid Kshs.7,709,681 as arrears due to the payroll system's failure to automate payment of recurring allowances as detailed in **Annexure 10**.
- 3.42 Further examination of records established that six (6) employees were paid Kshs.436,796 in arrears on telephone and overtime allowances that they were not entitled as detailed in **Annexure 11**. Further, the payments did not have supporting

documentation such as requests, approvals, and calculations justifying the amounts paid.

- 3.43 The Special Audit identified instances where six (6) employees received multiple arrears payments and ineligible allowances due to breakdowns in payroll verification processes. These irregular payments represent both wasteful expenditure and potential fraud exposure.
- 3.44 Irregular payment of allowances contrary to the approved SRC Circulars and CBA salary rates indicates noncompliance with negotiated agreements, potentially leading to financial inefficiencies and disputes over fairness and equity in public service remuneration.

### III. Use of Manual Payroll

- 3.45 Regulation 22 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015, requires the accounting officer to maintain effective systems of internal controls and have measures to ensure their effectiveness.
- 3.46 The Special Audit established that during the years under review, the County Executive had seven hundred and seventy (770) employees without personal numbers in manual payroll and seven hundred and eighty-one (781) casual workers whose salary was being processed through payrolls maintained in excel paid a total amounting to Kshs.679,399,779 as illustrated in **Table 2**:

**Table 2: Employees' salaries processed through manual payrolls**

Financial Year	Number of Manual Employees	Amount Paid	Number of Casual Employees	Amount Paid
2021/2022	503	152,934,456.00	748	101,102,313.00
2022/2023	464	192,209,167.00	697	133,648,673.00
2023/2024	20	8,171,232.00	593	91,333,938.00
TOTAL		353,314,855.00		326,084,924.00

\*Source: Manual Payrolls

- 3.47 The use of manual payroll systems for salary processing is vulnerable to manipulation and fraud, potentially resulting to unauthorized payments.

#### **IV. Full Non-recovery of Salary Overpayment Balance**

- 3.48 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 lawful and authorized, and effective, efficient, economical and transparent. Further, Regulation 120(3) of the Public Finance Management (County Governments) Regulations 2015 requires the accounting officer to certify the correctness of the payroll at least once every month.
- 3.49 The Special Audit established that the overpayment recovery for two (2) employees with a balance of Kshs.49,264 was stopped without being fully recovered. Management did not provide evidence to support payment of the balance. Refer to **Annexure 12**.

#### **E. Compliance with Laws and Regulations**

- 3.50 An assessment of the County Executive's adherence to laws on statutory deductions and labor laws was conducted, and the following issues were established: -

##### **I. Non-Compliance to Remittance of Statutory Deductions**

- 3.51 Rule 10(1) of Income Tax (P.A.Y.E) Rules, 1973 requires that before the tenth day following the end of every month or before any other day which may be notified to him by the Commissioner, an employer shall pay all amounts of tax which the employer has deducted during such month.
- 3.52 Section 15(4) of the National Health Insurance Fund (NHIF) Act, 1998 (now repealed) required contributions to NHIF be made by ninth day of the month following that of deduction.
- 3.53 Section 20(1)(A) of National Social Security Fund Act, 2013, an employer is required to pay the contribution under subsection (1) on the ninth day of each month.

- 3.54 A comparison of statutory deduction for employees in the IPPD payroll system with Bank Statements established delays in remittance of statutory deductions (PAYE, NHIF and NSSF) in the months of August 2023 and November 2023 as detailed in **Annexure 13**. This exposes the County Executive to penalties, interest and reputational risks, thereby undermining stakeholders' confidence.
- 3.55 The failure to remit statutory deductions and late remittance exposes the County Executive to penalties, and legal sanctions while also denying employees their lawful benefits and protections.

## **II. Non-Compliance with Requirement on Ethnic Diversity**

- 3.56 Section 7(1) of National Cohesion and Integration Act, 2008, states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. Section 7(2) states that no public establishment shall have more than one third of its staff from the same ethnic community.
- 3.57 Section 65(1)(e) of the County Governments Act, 2012 requires the County Public Service Board to consider, in selecting candidates for appointment, the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.
- 3.58 Analysis of employees in the IPPD system as at 30<sup>th</sup> June 2024 established that 54% of the staff were from one dominant ethnic community contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 as detailed in **Annexure 14**.
- 3.59 Further, analysis established that the dominant community represented 63% of the new recruitment done during the period under review as detailed in **Annexure 15**. This is contrary to Section 65(1)(e) of the County Governments Act, 2012.
- 3.60 The non-compliance to ethnic diversity is a violation of legal requirements and may lead to legal suits.

### III. Non-compliance to Inclusivity for Persons with Disabilities in Recruitment

- 3.61 Section 13 of the Persons with Disabilities Act, 2013 provides that the Council shall endeavor to secure the reservation of five (5%) of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities.
- 3.62 Chapter B.23(2) of the Human Resources Policies and Procedures Manual 2016, customized in April 2018, the County Government is mandated to ensure that at least five percent (5%) of all appointments are allocated to persons with disabilities.
- 3.63 Review of the recruitment process revealed non-compliance with the provisions of Section B.23(2) of the Trans Nzoia County Human Resources Policies and Procedures (April 2019). Out of three thousand six hundred eighty-six (3,686) employed, only fifty-one (51) positions representing one percent (1%) were filled by individuals with disabilities, indicating a lack of adherence to the policy on inclusivity and equal opportunity employment.
- 3.64 The non-compliance to inclusivity requirements for Persons with Disabilities is in contravention of established equity standards affecting persons living with disabilities and a violation of legal requirements and may attract legal suits.

### IV. Non-Compliance with One-Third Basic Salary Rule

- 3.65 Section 19 (3) of Employment Act, 2007 require the total amount of all deductions that may be made by an employer from the wages of his employee at any one time not to exceed two-thirds of such wages.
- 3.66 An analysis of the staff payroll for the years under audit established that two hundred and fifty-five (255) employees were paid net salaries that were less than one-third of their basic salaries contrary to Section 19(3) of the Employment Act, 2007. Refer to **Annexure 16**.
- 3.67 Employees earning less than one-third of their basic salary, may be unable to meet personal financial obligations which may adversely affect their productivity, decision-making, and ability to effectively safeguard county interests.

## **V. Casuals Engaged Beyond Stipulated Period**

- 3.68 Section 37(1) of the Employment Act, 2007 provides that if a casual employee works continuously for a period equivalent to one month or performs tasks that extend beyond three months, their employment shall be deemed to be on a monthly wage contract basis.
- 3.69 The Special Audit established that there were six hundred ninety (690) casual workers who were engaged for more than 3 months during the year 2021/2022. Similarly, six hundred and eighty-five (685) and five hundred and eighty-nine (589) were engaged for more than 3 months in 2022/2023 and 2023/2024 respectively. The total amount paid to the workers amounted to Kshs.309,096,287 as detailed in **Annexure 17**.
- 3.70 The engagement of casual workers continuously for more than three (3) months without formalizing their employment contravenes Section 31(1) of the Employment Act, 2007, and exposes the County to legal liability, potential claims for regularization, and increased wage-related disputes.

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

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

## **I. Overpayment and Underpayment of Salary and Allowances**

- 3.72 Section 149(2)(a) of the Public Finance Management Act, 2012 requires the accounting officer of a county government to ensure that all expenditure made by the entity complies with requirements on lawful, authorized, and transparent use of resources of the entity.
- 3.73 Comparison between data from the IPPD System for the month of November, 2024 and that from HRIS-Ke for the month of December 2024 established instances of

overpayment and underpayments of salaries and allowances as shown in **Table 3** and detailed in **Annexure 18**.

**Table 3: Overpayment and Underpayments of Salaries and Allowances**

Allowance	Total Amount Underpaid (Kshs)		Total Amount Overpaid (Kshs)	
	Number of Employees	Amount (Kshs)		Amount (Kshs)
Basic salary	11	192,816	304	3,833,574
Housing Allowance	12	163,947	188	1,466,325
Commuter Allowance	129	531,385	9	51,742
Special Housing Allowance	4	19,767	1	6,267

\*Source: HRIS-Ke Payroll System

3.74 The overpayments and underpayments indicate inadequate data validation and weak internal controls. This exposes the County Executive to financial loss, legal liabilities, and employee dissatisfaction due to inaccurate compensation.

#### **4. CONCLUSION**

- 4.1 The Special Audit of payrolls for Trans Nzoia 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 exceeded its compensation to employees' ratio above the 35% threshold in financial periods under review. This inconsistency suggests weak budget controls and risks long-term fiscal sustainability if compensation is not adequately linked to actual revenue performance. The exceeded budgetary allocation to compensation of employee may strain the county's financial resources, limiting funds available for critical development projects and essential service delivery.
- 4.3 The lack of annual recruitment plan and unconsolidated staff establishments without designations resulted in unharmonized recruitment, employee disparities, and inadequate use of resources. This significantly hinders the County's Executive ability to plan, budget, and deploy personnel effectively across departments, leading to staffing gaps or surpluses.
- 4.4 Appointments were made without following the recruitment process. Further, there was violation of recruitment policies and procedures, which allowed irregular employment, undermining transparency and increasing legal exposure for the county.
- 4.5 The misalignment between payroll ledgers, budget votes in Human Resource Information System – Kenya and Approved Budgets undermines the obligations of Accounting Officers under Section 149(1)(a) of the PFM Act to ensure lawful, efficient, and accountable use of public resources. It hinders effective management of departmental budgets and expenditure control resulting to inaccurate financial reporting.
- 4.6 Consolidation of various sectors within the County not effected in the IPPD system, having salaries votes not configured with the correct budget votes, statutory deductions not deducted, violations on earning less than one third of basic salary

were breached. These reflect weaknesses in payroll control, creating legal and financial exposure for the county.

- 4.7 Extended casual workers beyond legal timeframes, and unaccounted staff reflect failures in departmental oversight and control. These lapses suggest inadequate monitoring and weak enforcement of HR policies at the departmental level.
- 4.8 Migration from IPPD to HRIS-Ke resulted in payroll anomalies including overpayments and underpayments of allowances. These were due to data transfer errors, unverified changes, and lack of reconciliation between old and new systems, compromising payroll accuracy and financial accountability. 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.
- 4.9 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 conclusions of the Special Audit, the following is recommended to the Trans Nzoia County Executive;
- 5.2 The County Executive should strengthen budget monitoring and align compensation expenditure with revenue trends to maintain compliance with the 35% threshold. Regularly reviewing the wage bills against actual revenues to help promote sustainability and adherence to the set limits. Further, the County Executive Committee Members for Finance, with oversight from the County Assemblies and the Controller of Budget, should strictly enforce Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015, to ensure that the wage bill does not exceed 35% of total county revenue.
- 5.3 Develop and approve annual recruitment plans and staff establishments aligned to goals and objectives in their strategic plans and budget ceilings. This ensures structured and strengthens transparency and accountability in human resource management.
- 5.4 All staff appointments, promotions, acting assignments, and casual engagements must fully comply with the provisions of the Employment Act, the County Governments Act, and relevant Public Service Commission (PSC) regulations and guidelines. The recruitment process must follow established procedures including advertisement, shortlisting, and confirmation of budget allocation. County Public Service Boards should enforce compliance and nullify appointments that contravene policy to maintain integrity and public trust in the hiring process.
- 5.5 The management should reconcile IPPD and HR records with the approved staff establishment, validate employee biodata, and ensure system configurations reflect actual county designations. Periodic data clean-ups and regular payroll audits will improve payroll accuracy and HR planning.
- 5.6 Strengthen internal controls over payroll processing and enforce compliance with budget allocations and salary cap rules. Regular reviews by the accounting officers should be institutionalized to maintain financial discipline and legal compliance.

- 5.7 The County Executive to must uphold the constitutional principles of inclusivity and fairness in public service recruitment. In particular, County Public Service Boards (CPSBs) should progressively align their staffing frameworks with Chapter B.23(2) of the Human Resources Policies and Procedures Manual 2016 and provisions of Section B.23(2) of the Trans Nzoia County Human Resources Policies and Procedures (April 2019), which is mandated to ensure that at least five percent (5%) of all appointments are allocated to persons with disabilities.
- 5.8 The County Public Service Board, to put in place measures to enhance diversity in future recruitment. These include encouraging applications from underrepresented communities, regional outreach, and ensuring all hiring aligns with legal provisions on inclusivity and fairness. This ensures national cohesion, equitable representation, and mitigates the risk of social exclusion within public institutions.
- 5.9 Ensure the timely deduction and remittance of statutory obligations to the relevant agencies. A vigorous system to be in place for monthly reconciliations, and accountability effected to avoid delays, reducing the risk of penalties and ensure compliance with applicable laws.
- 5.10 The management should implement a thorough reconciliation process following system migrations and validate all payroll data before processing payments. All allowances irregularly paid should be recovered and responsible officers held accountable. Audit trails, should be established to ensure data integrity and avoid financial losses.

## 6. APPENDICES

### Appendix 1: List of Staff Interviewed

No.	Designation	Department
1	County Secretary	Governor's Office
2	Chairman	CPSB
3	Chief Officer	Finance
4	Payroll Manager	Public Service and Administration
5	Chief Officer	Public Service and Administration

### Appendix 2: List of Annexures

The **Annexures** referenced in the report and which are listed below will be provided in soft copies.

No.	Name	Description
1	<b>Annexure 1</b>	Budget Votes in Payrolls Systems not Aligned with those in Approved Budget
2	<b>Annexure 2</b>	Lack of Annual Recruitment Plans
3	<b>Annexure 3</b>	Designations not in the approved staff establishment
4	<b>Annexure 4</b>	Designations in the approved establishment not configured in IPPD system
5	<b>Annexure 5</b>	Casual workers recruited
6	<b>Annexure 6</b>	Integrity of Date of Birth Data in IPPD Systems
7	<b>Annexure 7</b>	Failure of Chief Officers to Account for Human Resources in their Departments
8	<b>Annexure 8</b>	Drawing Salary from Different Government Entities
9	<b>Annexure 9</b>	Charging of Employee Costs to the Wrong Budget Vote
10	<b>Annexure 10</b>	Recurring payments of Arrears
11	<b>Annexure 11</b>	Arrears on allowances that they were not being earned
12	<b>Annexure 12</b>	Full Non-recovery of Salary Overpayment Balance
13	<b>Annexure 13</b>	Non-Compliance to Remittance of Statutory Deductions
14	<b>Annexure 14</b>	Non-Compliance with Requirement on Ethnic Diversity
15	<b>Annexure 15</b>	Non-Compliance with County Acts Requirement on Ethnic Diversity
16	<b>Annexure 16</b>	Non-Compliance with One Third Basic Salary Rule
17	<b>Annexure 17</b>	Casuals Employees Engaged Beyond Stipulated Period
18	<b>Annexure 18</b>	Overpayment and Underpayment of Salary and Allowances

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