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

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COUNTY 024  
JULY 2025



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


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

The Special Audit evaluated the human resource and payroll processes at the West Pokot 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 West Pokot 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 West Pokot County Public Service Board and the Governor, West Pokot 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 West Pokot 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 Objective**

- 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 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 Chief Officer's lists from two departments and manual payrolls for financial year 2022/2023 in the period under review. However, 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. The 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 was within 35% of the revenue in financial year 2021/2022 but exceeded in the other two (2) financial years under audit. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. 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. This indicates a wage bill which has strained 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 Annual Recruitment Plans**

- 1.14 During the period under audit review, the County Executive recruited eight hundred and seventy (870) employees. However, it was established that the recruiting departments did not have annual recruitment plans to guide the recruitments. 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. Lack of a Consolidated and Detailed Staff Establishment**

- 1.15 The County Executive did not have a consolidated staff establishment, the county maintained, departmental staff establishments without the job designations. Out of the fourteen (14) departments, staff establishments for two (2) departments were not submitted for audit.

### **III. Weaknesses in the Recruitment and Management of Casual Employees**

- 1.16 The recruitment process revealed that the County Executive engaged seven hundred and ninety-four (794) casuals 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.

## **C. Employee Data Management**

### **I. Integrity of Dates of Birth Records in the Payroll System**

- 1.17 The Special Audit identified five hundred and ninety (590) employees that had inconsistent date of birth. Interview with a sample of fifty-one (51) employees and verification of their identification documents established that the dates captured in the IPPD System for seventeen (17) 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. Integrity of National Identification and Bank account details in the payroll Systems**

- 1.18 The Special Audit identified two (2) employees in the IPPD System with inconsistent national identification numbers and bank account details. Analysis of the payroll during the financial year 2021/2022 revealed the two (2) casual workers shared both ID number and a bank account number.

## **III. Failure of Chief Officers to Account for Human Resources in their Departments**

- 1.19 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.
- 1.20 A comparison of the staff lists countersigned by various Chief Officer's with staff register from IPPD system, established that there were eight (8) employees in the IPPD System but not in the CO's list who were paid gross pay amounting to Kshs.8,901,460 during the period under review.

## **IV. Use of Manual Payroll**

- 1.21 During the period under review, the County Executive was operating manual payrolls in addition to the IPPD System and and the HRIS-Ke. The salary processed through the manual payroll amounted to Kshs.366,388,732. 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. Charging of Employee Costs to the Wrong Vote Heads**

- 1.22 The Special Audit established that there were misalignments between departmental Vote Heads in IPPD System and 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 change in Job Group**

- 1.23 A comparison between the payroll data and verification of records maintained by the County established that there was one (1) officer in 2021/22, three (3) officers in 2022/23 and four (4) officers in 2023/24 whose promotion had been accelerated, causing the officers to changed job groups more than twice in one financial year. This incident highlights significant weaknesses in internal control processes related to the management of job group changes.

## **III. Payment of Arrears**

- 1.24 The Special Audit established that arrears payments to eleven (11) employees paid Kshs.2,568,620 as arrears multiple times during the three financial years without supporting documentation. Further, examination of records established that ten (10) employees were paid Kshs.604,606 in arrears on allowances that they were not being earned on a monthly basis.

## **IV. Irregular Payment of Special Salary**

- 1.25 The Special Audit established that twenty-four (24) employees who were irregularly paid the Special Salary Allowance totaling Kshs.651,333, in addition to other allowances.

## **V. Irregular Payment of Extraneous Allowance**

- 1.26 The Special Audit established that Extraneous Duty Allowances was paid to eight (8) employees of defunct local authorities amounting to Kshs.828,000 which the applicable Collective Bargaining Agreement (CBA) did not recognize extraneous allowances as a valid earning and did not have a legal basis.

## **VI. Inadequate Recovery of Outstanding Salary Overpayments**

- 1.27 The Special Audit established that as at June 2024, nine (9) employees had outstanding overpayment balances totaling to Kshs.877,383. However, the monthly deductions were prematurely halted 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**

- 1.28 A comparison of statutory deductions for employees in the IPPD payroll system with bank statements established cases of delays in remittance of statutory deductions.

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

- 1.29 The Special Audit established that 84.79% of employees in the IPPD System as at 30 June 2024 were from one dominant ethnic community. This is contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008.

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

- 1.30 The Special Audit established that out of four thousand four hundred and eleven (4,411) employed, only twenty-four (24) 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.

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

- 1.31 The Special Audit established that 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.

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

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

- 1.32 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 of overpayment and underpayments of allowances.

## Conclusion

- 1.33 The Special Audit of payrolls for the West Pokot County Executive revealed several audit issues, with significant implications to financial sustainability, compliance, and operational efficiency. In view of the findings, the Special Audit concludes as follows:
- 1.34 The West Pokot County Government did not comply with requirement on limiting the Employee Cost within thirty-five (35%) of Revenue. This indicates weaknesses in 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.
- 1.35 The Vote Heads in the IPPD System 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.
- 1.36 The departments in the County Executive did not have approved annual human resource recruitment plans. The absence of the annual recruitment plans demonstrates ineffective workforce planning and deviation from established staffing structures. This practice can result in either overstaffing or hiring staff for roles that do not align with organizational priorities, which have an impact on the budget.
- 1.37 The Special Audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate employees' dates of birth, incorrect national identification numbers, employees drawing salary from different government entities and the use of manual payrolls. This indicates weak payroll controls, including lack of data validation controls.
- 1.38 The authenticity of some of the employees could not be established. This was evidenced by the failure of the Chief Officers to account for employees in their

departments. These cast doubt on the authenticity of payroll records and raise the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive.

- 1.39 The irregular payment of allowance and doubtful overpayment recoveries reflects significant weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 1.40 The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances and non-compliance with requirement on ethnic diversity. Additionally, the County Executive also incurred nugatory cost on staff cost expenditure. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 1.41 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.
- 1.42 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

- 1.43 In view of the findings and conclusions of the Special Audit, the following is recommended for implementation by the West Pokot County Government;
- 1.44 To ensure compliance with fiscal responsibility principle on capping expenditure on wages to thirty-five (35) percent of the County Executive's total revenue the County Assembly should ensure adherence to the 35% capping before the approval of the budgets.
- 1.45 For effective management of departmental budgets and enhance accuracy in reporting of personal emolument expenditure per department thus promoting accountability by the Chief Officers, the Chief Officer 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.
- 1.46 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. Additionally, recruitment processes should be strengthened to ensure transparency, including public advertisement of vacancies, consideration of only formally submitted applications, and securing budget approvals before initiating any recruitment activities
- 1.47 The County Executive to reduce instances of financial loss due to irregular payment of allowances, to 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.

- 1.48 To ensure that no payments are made to non-existent employees, salary payments to all staff who were not accounted for by the respective Chief Officers should be investigated. The payroll system and departmental staff lists should also be updated accordingly.
- 1.49 To enforce compliance with set labor laws and statutory deductions, the management of the County Executive should implement monitoring and reporting mechanisms to promptly detect and address compliance issues, alongside staff training on compliance obligations.
- 1.50 All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.
- 1.51 To ensure integrity of data maintained in the payroll systems, the management should ensure the validation controls are implemented in the 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
- 1.52 The management should implement a thorough reconciliation process following system migrations and validate all payroll data before processing payments. Audit trails, should be established to ensure data integrity and avoid financial losses. The management to also 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 allowances.

## **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 of the County Executive of Turkana, 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.

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

- 2.6 Over the three-year period under review, there was a gradual increase in the number of employees and payroll costs.
- 2.7 The overall staff growth from financial year 2021/2022 to 2023/2024 was **-15%**, while the cumulative growth in payroll costs over the same period was approximately **1.3%**, as shown in **Figures 1** and **Figure 2**.

**Figure 1: Cumulative Growth in Payroll Costs**



**Figure 2: Cumulative Growth of Staff**



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

### **Audit Objectives**

- 2.9 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**

- 2.10 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.
- 2.11 The audit was carried out in the month of February, 2024
- 2.12 The County Executive did not provide Chief Officers list from two (2) sectors having fourteen (14) departments and Manual payroll payment vouchers. This limitation was mitigated by using data analysis to test the controls.

### **Audit Methodology**

- 2.13 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**

- 2.14 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.
- 2.15 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**

- 2.16 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, 2018; and

- x. Collective Bargaining Agreements (CBAs), 2013.

**b) Data Analytics**

2.17 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.

2.18 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**

2.19 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**

2.20 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.

2.21 The Audit Team, through the County Secretary, requested eighty-eight (88) 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**

2.22 The report is organized as follows:

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

2.23 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 Payroll and Personnel 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 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 was within 35% of the revenue in financial year 2021/2022 but exceeded in the other two (2) financial years under audit, as illustrated 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 Budget Revenue (Kshs.)	Budgeted Personal Emolument (Kshs.)	% Of Utilization
2021-2022	7,671,679,349	2,670,019,324	35%
2022-2023	6,786,849,903	2,477,861,526	37%
2023-2024	6,878,909,805	2,630,921,355	38%

\*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 under review as illustrated 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	6,744,278,798	2,580,026,894	38%
2022-2023	6,322,620,940	2,471,619,899	39%
2023-2024	5,967,223,847	2,613,594,025	44%

\*Source: Audited Financial Statements

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

## **II. Budget Votes in the 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 I**.
- 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 Votes Heads to those in the IPPD System.
- 3.11 As a result of the misalignment between the staffing records in the payroll system and the approved staff establishment, it was not possible to establish whether the County filled positions in accordance with the approved staff establishment. This may lead to inefficiencies in workforce planning, budget overruns and service delivery.

#### **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 Annual Recruitment Plans**

- 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. 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.

- 3.14 The County Executive recruited four hundred and fifty-nine (459) officers during the financial year 2021/2022, two hundred and eighty-six (286) officers during 2022/2023 financial year, and one hundred and twenty-five (125) officers during 2023/2024 financial year respectively as detailed in **Annexure 2**. However, it was established that the departments which initiated the recruitments did not have annual recruitment plans to guide the recruitments. Further, no evidence was provided to prove that budgetary availability was sought before the recruitments were initiated.
- 3.15 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. Lack of a Consolidated and Detailed Staff Establishment**

- 3.1 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.
- 3.2 The County Executive did not have a consolidated staff establishment, the county maintained, departmental staff establishments without the job designations. Out of the fourteen (14) departments, staff establishments for two (2) departments were not submitted for audit as detailed in **Annexure 3**.
- 3.3 Failure to have the annual recruitment plans risks misaligning the staffing levels which undermines strategic labour force planning, potentially leading to inefficiencies and resource misallocation.

### **III. Weaknesses in the Recruitment and Management of Casual Workers**

- 3.4 Section 74 of the County Governments Act, 2012 requires the County Public Service Board to regulate the engagement of staff on contract, volunteer and casual workers in its public bodies and offices.
- 3.5 The Special Audit further established that, review of employee recruitment records revealed that the County Executive engaged seven hundred and ninety-four (794) casuals 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 as detailed in **Annexure 4.**
- 3.6 The control weakness in the recruitment process undermines transparency, accountability, and compliance, thus increasing the risk of irregular hiring.
- 3.7 The over establishment may strain the County's financial resources, limiting funds available for critical development projects and essential service delivery.

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

- 3.8 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 Dates of Birth Records in the Payroll Systems**

- 3.9 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.
- 3.10 The Special audit identified six hundred and seventy-four (674) employees in the IPPD System with inconsistent dates of birth.

- 3.11 Interview with a sample of twenty-seven (27) employees and verification of their identification documents established that the dates captured in the IPPD System for eleven (11) employees were different from those in employees' Birth Certificates as detailed in **Annexure 5**. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/13(9).
- 3.12 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 date of birth to those in the IPPD System.
- 3.13 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. Integrity of National Identification and Bank account detail in the payroll Systems**

- 3.14 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.
- 3.15 The Special Audit identified two (2) employees in the IPPD System with inconsistent national identification numbers and bank account details. Analysis of the payroll during the financial year 2021/2022 revealed the two (2) casual workers shared both ID number and a bank account number. A total of Kshs.22,000 was paid to the two officers in December 2022 as detailed in **Annexure 6**.
- 3.16 Employees sharing bank account details presents a critical control failure in payroll management. This deficiency creates a high risk of fraudulent salary disbursements, duplicate payments, and potential misappropriation of the county executive funds, constituting a material financial control weakness.

### III. Failure of Chief Officers to Account for Human Resources in their Departments

- 3.17 Section 148(1) of the Public Finance Management Act, 2012 requires a County Executive Committee Member for Finance to, 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.
- 3.18 The Letter of Engagement addressed to the County Secretary for the audit of payroll, Ref: OAG/SAS/SADS/KDSP-PAYROLL/3/024 dated 31 January 2025 required Chief Officers (COs) to provide list of staff members in their respective departments as at 30 June 2024. This list was to be compared with employees in the Payroll Systems maintained by the County Executive.
- 3.19 A Comparison of the staff lists countersigned by various COs with registers from the IPPD system revealed that eight (8) employees in the IPPD System but not in the CO's list. This raises concerns about their existence of the employees who during the years under review, the eight (8) employees were paid gross pay amounting to Kshs.8,901,460 as detailed in **Annexure 7**.

### IV. Use of Manual Payroll

- 3.20 Regulation 22(1)(b) of the Public Finance Management (County Government) Regulations require an accounting officer is to be accountable to the County Assembly for maintaining effective systems of internal control and measures taken to ensure that they are effective.
- 3.21 The Special Audit established that during the period under review, the County Executive had two thousand two hundred and eighty-nine (2289) employees whose salary totaling Kshs.366,388,732 was being processed through payrolls maintained in Excel as detailed in **Annexure 8**.

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

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

- 3.23 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**

- 3.24 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.
- 3.25 The audit established that there were misalignments between departmental Vote Heads in the IPPD System and those in the IFMIS Ledger Account as the Vote Heads in IPPD were not updated to align with those in IFMIS. As a result, a comparison of the gross salary processed through the IPPD System, casual payroll and manual payrolls to salary ledgers from the Integrated Financial Management Information System (IFMIS), revealed that posting of salary in IFMIS was not done as per departmental Budget Vote Heads, as Detailed in **Annexure 9**.
- 3.26 These misalignments led to inconsistencies between budget allocations and actual expenditures by departments, therefore, increasing the risk of misuse of funds and inaccurate financial reporting.

##### **II. Irregular change in Job Group**

- 3.27 Section 65(1) of the County Governments Act, 2012 set out factors County Public Service Board should consider in selecting candidates for appointment. Further section 65(2) specifies merit as one of the overriding factors in determining whether appointment, promotion or re-designation are undertaken in a fair and transparent manner.

- 3.28 During the years under review, the County Executive was maintaining payroll in IPPD system for employees with Payroll Numbers and casual Payrolls for employees without payroll numbers.
- 3.29 Examination of the payroll data and verification of records maintained by the County established that there was one (1) officer in 2021/22, three (3) officers in 2022/23 and four (4) officers in 2023/24 whose promotion had been accelerated, causing the officers to changed job groups more than twice in one financial year. Refer to **Annexure 10**.
- 3.30 Expedited job group advancements where officers transitioned through multiple grades within a single fiscal year constitute non-compliant promotion practices. This irregular progression pattern creates unplanned payroll liabilities, distorts workforce budgeting, and risks violating established career progression guidelines.

### **III. Payment of Arrears**

- 3.31 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.
- 3.32 The County Executive paid arrears amounting to Kshs.67,639,464 in 2021/2022, Kshs.118,839,629 in 2022/2023 and Kshs.133,839,802 in 2023/2024. Further examination of records and verification of the arrears established that Eleven (11) employees were paid Kshs.2,568,620 as arrears multiple times during the three financial years as detailed in **Annexure 11**. However, the payments did not have supporting documentation such as requests, approvals, and calculations justifying the amounts paid.

3.33 Further examination of records established that eleven (11) employees were paid Kshs.604,606 in arrears on allowances that they were not being earned on a monthly basis as detailed in **Annexure 12**. Further, the payments did not have supporting documentation such as requests, approvals, and calculations justifying the amounts paid.

3.34 The Special Audit identified instances where 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.

#### **IV. Irregular Payment of Leave Allowances**

3.35 SRC circular SRC/TS/29(81), dated 10 August 2023 on Remuneration and Benefits for Public Officers in the County Government Executive for The Third Remuneration Review Cycle 2021-2022 - 2023-2025 (7), lists all the earnings county executive officers are entitled to. The compendium of Remuneration and Benefits for Public Service dated December 2022 outlined Remuneration and Benefits for Public Officers serving in the County Government Executive.

3.36 There were sixteen (16) employees who were paid leave allowance more than twice in one financial year totaling Kshs.266,600 as detailed in **Annexure 13**.

#### **V. Irregular Payment of Special Salary**

3.37 There were twenty-four (24) employees who were irregularly paid the Special Salary Allowance totaling Kshs.651,333.40, in addition to other allowances, as detailed in **Annexure 14**.

#### **VI. Irregular Payment of Extraneous Allowance**

3.38 The Compendium of Remuneration and Benefits for Public Service (December 2022) references SRC circular Ref: SRC/TS/CG/ND/3/61/32 (25) dated 17 January 2019, which stipulates that extraneous allowance is payable only to Secretaries, Drivers, and Security Officers attached to the offices of the Governor and Deputy Governor.

- 3.39 There were eight (8) employees of defunct local authorities who were paid the extraneous allowances amounting to Kshs.828,000 which the applicable Collective Bargaining Agreement (CBA) did not recognize extraneous allowances as a valid earning and did not have a legal basis. Refer to **Annexure 15**.
- 3.40 This was contrary to eligibility criteria stipulated In the Compendium of Remuneration and Benefits for Public Service of December 2022 that extraneous allowance is payable only to Secretaries, Drivers, and Security Officers attached to the offices of the Governor and Deputy Governor.

### **VII. Inadequate Recovery of Outstanding Salary Overpayments**

- 3.41 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.
- 3.42 The Special Audit established that as at 30 June 2024, nine (9) employees had outstanding overpayment balances totaling to Kshs.877,383. However, the monthly deductions were prematurely halted without justification, resulting in irrecoverable financial losses due to non-compliance with payroll accountability procedures as detailed in **Annexure 16**.

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

- 3.43 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**

- 3.44 Rule 10(1) of the Income Tax (P.A.Y.E) Rules 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.

3.45 Under section 15(4) of the National Health Insurance Fund Act,1998 (now repealed), contributions were due on the ninth day of each month or on such later date as the Board, in consultation with the Cabinet Secretary responsible for matters relating to health, may prescribe.

3.46 A comparison of statutory deduction for employees in the IPPD payroll system with bank Statements established cases of delay in remittance of statutory deductions on time, which exposes the County Executive to penalties, interest and reputational risks, thereby undermining stakeholders' confidence as detailed in **Annexure 17**.

3.47 Failure to remit statutory deductions on time exposes the County Executive to penalties, interest and reputational risks, thereby undermining stakeholders' confidence.

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

3.48 Section 7(1) of the 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, representing 33%, of its staff from the same ethnic community.

3.49 Analysis of employees in the IPPD system as at 30 June, 2024 that 84.79 % of employees 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 18**.

3.50 The non-compliance to ethnic diversity is a violation of legal requirements and may lead to litigation proceedings.

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

3.51 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.

This commitment is essential for fostering an inclusive workforce and adhering to established equity standards.

- 3.52 Review of the recruitment process revealed non-compliance with the provisions of Section B.23(2) of the West Pokot County Human Resources Policies and Procedures (April 2019). Out of four thousand four hundred and eleven (4,411) employed, only twenty-four (24) 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.

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

- 3.53 Section 19 (3) of the 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.
- 3.54 An analysis of the staff payroll for the years under review established that two hundred and fifty-five (255) employees were paid net salaries that were less than one-third of their basic salaries, as detailed in **Annexure 19**. This is contrary to Section 19(3) of the Employment Act, 2007.
- 3.55 The employees earning less than one-third of their basic salary may be unable to meet their personal financial obligations. This may adversely affect their productivity, decision-making, and ability to effectively safeguard county interests.

#### **V. Casual Employees Engaged Beyond the Stipulated Period**

- 3.56 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.
- 3.57 Review of casual employees' payrolls for the years 2021/2022 and 2022/2023 revealed that two thousand two hundred and eighty-eight (2,288) casual workers were engaged for more than three (3) consecutive months. The total amount paid to the workers amounted to Kshs.296,169,500 as detailed in **Annexure 20**. The

County Executive risks labor laws suit from the affected casual workers who worked for more than 3 months. This is contrary to Section 37 (1) of the Employment Act, 2007.

3.58 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 to Human Resource Information System-Kenya**

3.59 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**

3.60 Section 149(2)(a) of the Public Finance Management Act 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.

3.61 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 the HRIS-Ke for the month of November 2024 and December 2024 respectively established instances of overpayment and underpayments of salaries and allowances as illustrated in **Table 3** and detailed in **Annexure 21**.

**Table 3: Over/Underpayment of Allowances**

Allowance	Total Amount Underpaid		Total Amount Overpaid	
	Number of Employees	Amount (Kshs.)	Number of Employees	Amount (Kshs.)
Basic salary	14	640,456	138	5,037,833
Housing Allowance	12	12,479	188	953,023
Commuter Allowance	6	19,484	96	1,186,350

\*Source: HRIS-KE data

#### 4. CONCLUSION

- 4.1 The Special Audit of payrolls for the West Pokot County Executive revealed several audit issues, with significant implications to financial sustainability, compliance, and operational efficiency. In view of the findings, the Special Audit concludes as follows:
- 4.2 The West Pokot County Government did not comply with requirement on limiting the Employee Cost within thirty-five (35%) of Revenue. This indicates weaknesses in 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 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 the annual recruitment plans demonstrates ineffective workforce planning and deviation from established staffing structures. This practice can result in either overstaffing or hiring staff for roles that do not align with organizational priorities, which have an impact on the budget.
- 4.5 The Special Audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate employees' dates of birth, incorrect national identification numbers, employees drawing salary from different government entities and the use of manual payrolls. This indicates weak payroll controls, including lack of data validation controls.
- 4.6 The authenticity of some of the employees could not be established. This was evidenced by the failure of the Chief Officers to account for employees in their

departments. These cast doubt on the authenticity of payroll records and raise the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive.

- 4.7 The irregular payment of allowance and doubtful overpayment recoveries reflects significant weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 4.8 The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances and non-compliance with requirement on ethnic diversity. Additionally, the County Executive also incurred nugatory cost on staff cost expenditure. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 4.9 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.
- 4.10 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 for implementation by the West Pokot County Government;
- 5.2 To ensure compliance with fiscal responsibility principle on capping expenditure on wages to thirty-five (35) percent of the County Executive's total revenue the County Assembly should ensure adherence to the 35% capping before the approval of the budgets.
- 5.3 For effective management of departmental budgets and enhance accuracy in reporting of personal emolument expenditure per department thus promoting accountability by the Chief Officers, the Chief Officer 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. Additionally, recruitment processes should be strengthened to ensure transparency, including public advertisement of vacancies, consideration of only formally submitted applications, and securing budget approvals before initiating any recruitment activities
- 5.5 The County Executive to reduce instances of financial loss due to irregular payment of allowances, to 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.

- 5.6 To ensure that no payments are made to non-existent employees, salary payments to all staff who were not accounted for by the respective Chief Officers should be investigated. The payroll system and departmental staff lists should also be updated accordingly.
- 5.7 To enforce compliance with set labor laws and statutory deductions, the management of the County Executive should implement monitoring and reporting mechanisms to promptly detect and address compliance issues, alongside staff training on compliance obligations.
- 5.8 All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.
- 5.9 To ensure integrity of data maintained in the payroll systems, the management should ensure the validation controls are implemented in the 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
- 5.10 The management should implement a thorough reconciliation process following system migrations and validate all payroll data before processing payments. Audit trails, should be established to ensure data integrity and avoid financial losses. The management to also 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.

## 6. APPENDICES

### Appendix 1: List of Staff Interviewed

No.	Designation	Name of Department
1.	Chief Officer - Public Service and Administration	Public Service and Administration
2.	Chief Executive Officer	County Public Service Board
3.	Deputy Director Human Resource	Public Service 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	Title
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>	Lack of a Consolidated and Detailed Staff Establishment
4	<b>Annexure 4</b>	Weaknesses in Recruitment and Management of Casual Workers
5	<b>Annexure 5</b>	Integrity of Date of Birth Data in Payroll Systems
6	<b>Annexure 6</b>	Integrity of National Identification and Bank account detail in the payroll Systems
7	<b>Annexure 7</b>	Failure of Chief Officers to Account for Human Resources in their Departments
8	<b>Annexure 8</b>	Use of Manual Payroll
9	<b>Annexure 9</b>	Charging of Employee Costs to the Wrong Budget Vote
10	<b>Annexure 10</b>	Irregular change in Job Group
11	<b>Annexure 11</b>	Payment of Arrears Multiple Times During the 3 Years
12	<b>Annexure 12</b>	Payment of Arrears on Allowances Not Earned Monthly
13	<b>Annexure 13</b>	Irregular Payment of Leave Allowances
14	<b>Annexure 14</b>	Irregular Payment of Special Salary
15	<b>Annexure 15</b>	Irregular payment of Extraneous Allowances
16	<b>Annexure 16</b>	Inadequate Recovery of Outstanding Salary Overpayments
17	<b>Annexure 17</b>	Non-Compliance to Remittance of Statutory Deductions
18	<b>Annexure 18</b>	Non-Compliance with Requirement on Ethnic Diversity
19	<b>Annexure 19</b>	Non-Compliance with One Third Basic Salary Rule
20	<b>Annexure 20</b>	Casuals Employees Engaged Beyond Stipulated Period
21	<b>Annexure 21</b>	Overpayment and Underpayment of Salary and Allowances

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