



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



COUNTY 033
JULY 2025



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FOREWORD TO THE AUDITOR GENERAL

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

The Special Audit evaluated the human resource and payroll processes at the Baringo County 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 Narok 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 remitted copies of the report to the Principal Secretary, State Department for Devolution, Chairperson, the Narok County Public Service Board, and the Governor, Narok 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

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 Narok County Executive, referred to as the County Executive in this report, was conducted in line with this mandate.
- 1.2 The Government of Kenya (GoK) received an International Development Association (IDA) Credit of EUR140.7 million (Approximately Kshs. 19,538,432,130 using the prevailing exchange rate as at 28 June 2024) from the World Bank, to implement the Second Kenya Devolution Support Program (KDSP II). KDSP II supports a sub-set of reforms envisaged under the Government's Devolution Sector Plan. The financing agreement, Credit Number IDA-7447-KE, became effective in March 2024 and is set to be implemented over a four-year period; 2023-2027. The development objective of the KDSP II is to strengthen county performance in the financing, management, coordination, and accountability for resources. To achieve the DO, the Program was expected to improve outcomes in the participating counties under three (3) Key Result Areas (KRAs). KRA 1 was on sustainable financing and expenditure management, KRA 2 on intergovernmental coordination, institutional performance, and human resource management, and KRA 3 on oversight, participation, and accountability.
- 1.3 The Special Audit on Payroll Management for the County Executive is linked to Key Result Area (KRA) 2 There are two (2) Disbursement-Linked Indicators (DLIs) under this KRA:

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

Audit Objectives

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

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

Audit Scope 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 bank statements for the three financial years under review. This limitation was mitigated by corroboration of information from different sets of payment records maintained by the County Executive.

Methods of Gathering Evidence

- 1.9 The Special Audit of payrolls 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 Audit Findings

The key audit findings are as follows:

A. Payroll Budgeting

I. Compensation of Employee to Revenue Ratio

- 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 Audit established that the budgeted compensation of employee for the three (3) years under review was within 35% of the budgeted revenue. Similarly, the actual payroll expenditure for the financial years 2022/2023 and 2023/2024 was within the 35% threshold but accounted for 38% of actual revenue in 2021/2022.

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

- 1.13 The Audit established that the budget Vote Heads in the IPPD System and the HRIS-Ke were not aligned with those in the approved budget. This led to inconsistencies between budgetary allocations and actual payroll expenditures, thereby increasing the risk of misallocation and 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 review, the County Executive recruited nine hundred and twenty-three (923) 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. Weakness in the Recruitment Process

- 1.15 The recruitment process revealed several weaknesses, including instances where recruitments were done without advertisements being made, recruitment for individuals who had not applied for the advertised positions, and confirming budget availability after advertisements for recruitment are published. These practices undermine transparency, fairness, and compliance with established recruitment procedures, and may result in unqualified or ineligible individuals being employed, as well as strain on the institution's financial resources.

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

- 1.16 The Special Audit established that there were designations in the approved staff establishment that were not configured in the IPPD System and the HRIS-Ke. To facilitate salary processing, the affected employees were being placed in similar Job groups in the payroll System. This process can lead to inefficiencies in workforce planning and budget overruns.

C. Employee Data Management

I. Integrity of Date of Birth Records in Payroll Systems

- 1.17 Comparison of data maintained by both the IPPD System and HRIS-Ke with that for other government entity identified three hundred and eight (308) employees that had inconsistencies with date of birth.
- 1.18 Interview with two hundred and twenty-nine (229) employees and verification of their identification documents established that the data captured in the IPPD System for eighty-eight (88) employees were different from those in the 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 under their Department

- 1.19 The Chief Officers (COs) were requested to provide a list of staff members in their respective departments as at 30 June, 2024.
- 1.20 A comparison of the staff lists countersigned by the various Chief Officers, with the staff register from the IPPD System, established that there were ten (10) employees in the IPPD System that were not in the staff lists provided by the Chief Officers. The ten (10) employees were paid Kshs.12,036,175 during the period under review.
- 1.21 The failure to account for human resource in various departments presents the risk of irregular or fraudulent payments.

III. Authenticity of Staff in the Payroll

- 1.22 The Special Audit requested sixty-one (61) employees to appear for physical verification. However, ten (10) employees did not appear despite multiple attempts to reach out to them. During the period under review, the ten (10) employees collectively received a gross salary amounting to Kshs.16,242,277.
- 1.23 The employees who failed to appear for physical verification may not exist, raising the risk of irregular or fraudulent payments.

IV. Use of manual payroll

- 1.24 During the years under review, the County Executive had employees whose salary totalling to Kshs.41,551,684 was processed through payrolls maintained in excel. The use of manual payroll systems for salary processing is vulnerable to manipulation and fraud, potentially resulting in unauthorized payments and disbursements to unverified personnel.

D. Payroll Processing and Payments.

I. Charging of Employee Costs to the Wrong Budget Vote

- 1.25 The Special Audit established that there were misalignments between departmental Vote Heads in the IPPD System and HRIS-Ke with those in the Integrated Financial Management System (IFMIS) Ledger Account. As a result, posting of salary in the 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 Promotions and Appointments

- 1.26 Analysis of the payroll data and verification of records maintained by the County Executive established that thirty-four (34) employees were either re-designated, promoted, or appointed during the three (3) financial years under audit without meeting the requirements set in the respective schemes of service.

E. Compliance with Laws and Regulations

I. Non-Compliance with Remittance of Statutory Deductions

- 1.27 Comparison of statutory deductions for employees with Bank Statements established Pay As You Earn (PAYE) for three (3) employees with a gross salary of Kshs.157,603 was not deducted from their salary. Further, there were instances of delay in remittance of National Health Insurance Fund (now appealed), National Social Security Fund, and Pay As You Earn deductions. This exposes the County Executive to penalties, interest, and reputational risks, thereby undermining stakeholders' confidence.

II. Non-Compliance with Requirement on Ethnic Diversity

- 1.28 Analysis of records of employees in the IPPD system as at 30 June 2024 established that 69% 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.

III. Other Non-Compliance Issues

- 1.29 During the years under review, the Special Audit established instances where employees acted in a substantive position for more than 6 months, casuals were engaged for more than three (3) consecutive months without a contract, and non-compliance with the requirement for employee to retain one-third of their basic salary. This increases the risk of litigation and reputational damage, thereby undermining stakeholders' confidence.

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

- 1.30 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

- 1.31 The Special Audit of payrolls for Narok 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:
- 1.32 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.

- 1.33 The departments in the County Executive did not have approved annual human resource recruitment plans. The absence of annual recruitment plans demonstrates ineffective workforce planning 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 has an impact on the budget.
- 1.34 The Special Audit identified weaknesses in the recruitment process, including recruitment for positions not advertised, recruitment of staff who did not apply for advertised positions, and confirming budget availability after advertisements for recruitment are published. These weaknesses undermines transparency, fairness, and compliance with established recruitment procedures. It may result in unqualified or ineligible individuals being employed, as well as a strain on the institution's financial resources.
- 1.35 The 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 and the use of manual payrolls. This indicates weak payroll controls, including lack of data validation controls.
- 1.36 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, and the failure by employees to appear for physical verification. 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.
- 1.37 The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances and non-compliance with the requirement on ethnic diversity and with the one-third basic salary rule. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.

- 1.38 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

- 1.39 In view of the findings and conclusions of the Special audit, the following is recommended to the Narok County Executive;
- 1.40 For effective management of departmental budgets and to enhance accuracy in financial reporting the Chief Officer for Public Finance together with the management of the State Department for Public Service and Human Capital Development should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures.
- 1.41 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.
- 1.42 To ensure the integrity of data maintained in the payroll systems, the management should ensure that the validation controls are implemented in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National Identity, National Social Security Fund (NSSF), and Social Health Authority (SHA). Additionally, the use of manual Excel-based payrolls should be discontinued in favor of HRIS-Ke.
- 1.43 To ensure no payment is made to non-existent employees, salary payments to all staff who failed to present themselves for physical verification should be suspended.
- 1.44 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.

- 1.45 All salaries and allowances irregularly paid or overpaid should be recovered, and responsible officers held accountable.

2. INTRODUCTION AND BACKGROUND

Introduction and Background

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

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

Number of Employees and Payroll Expenditure

- 2.6 Over the three years under review, there was a gradual increase in the number of employees and payroll costs. The increase was mainly due to the recruitment of one hundred and ninety (190) staff in 2022/2023 and two hundred and nineteen (219) staff in the 2023/2024 financial years.
- 2.7 The overall staff change across the audit period was 8%, while the cumulative change in payroll costs over the three years was approximately 7% as demonstrated in **Figures 1 and 2**.

Figure 1: Cumulative Growth in Payroll Costs

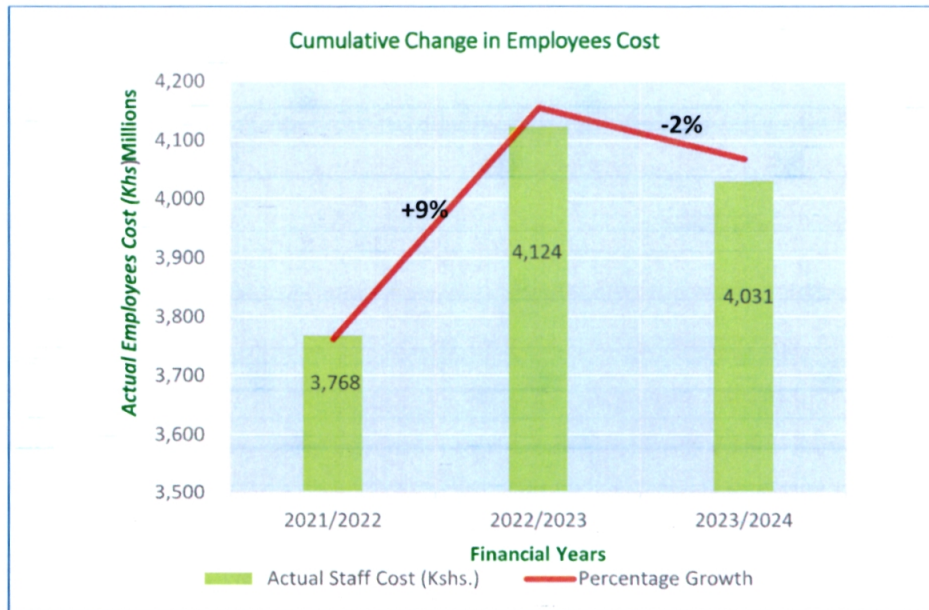
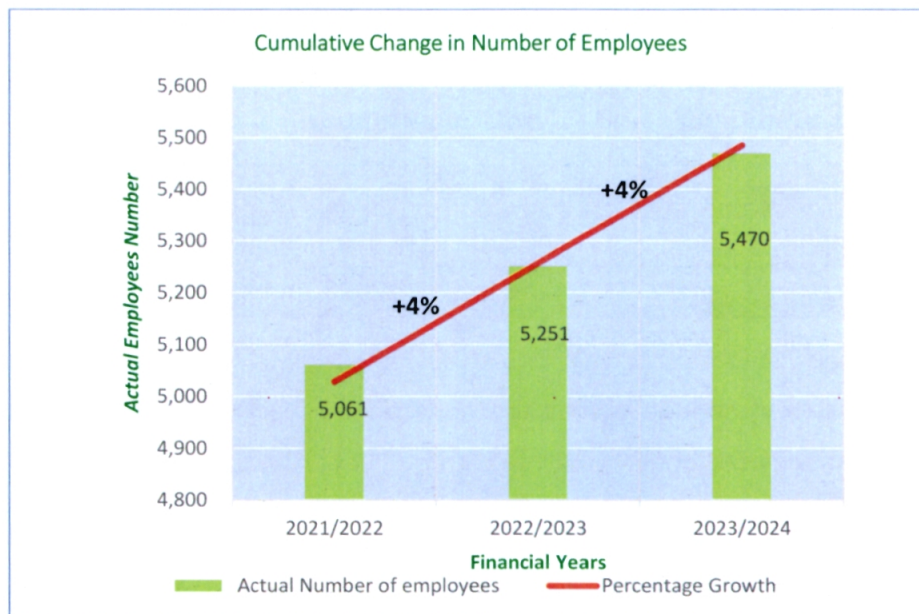


Figure 2: Cumulative Employees Growth



2.8 In the 2022/2023 financial year, the growth in employee costs outpaced the increase in staff numbers. This variance was primarily attributed to the one-off

payment of pension liabilities and other social security contributions, which significantly elevated the overall personnel expenditure.

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; 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

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 County Executive did not provide the bank statements for the three financial years under review. This limitation was mitigated by corroboration of information from different sets of payment records maintained by the County Executive.

Audit Methodology

- 2.12 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

- 2.13 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.
- 2.14 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

- 2.15 The audit team reviewed various documents including: -
- i. The Constitution of Kenya, 2010;
 - ii. The Public Finance Management Act, 2012;
 - iii. The Public Finance Management (County Governments) Regulations, 2015;
 - iv. County Governments Act, 2012;
 - v. Employment Act, 2007;
 - vi. National Security Fund Act, 2013;
 - vii. National Health Insurance Fund Act, 1998 (Now Repealed);
 - viii. The SRC Circular SRC/TS/29(81), dated 10 August 2023;
 - ix. The SRC Circular on the Compendium of Remuneration and Benefits for Public Service, dated December 2022;
 - x. The SRC Circular SRC/TS/MDP/3/1/2(2), dated 11 August 2015;

- xi. County Government of Narok Human Resource Policies and Procedures Manual, December 2021;
- xii. Public Service Commission Human Resource Policies and Procedures Manual of May 2016;
- xiii. Employees' physical files;
- xiv. Collective Bargaining Agreements (CBA), 2013;
- xv. Affordable Housing Act, 2024;
- xvi. The County Executive Financial Statements for financial years 2021/2022, 2022/2023 and 2023/2024;
- xvii. The County Executive Budgets financial years 2021/2022, 2022/2023 and 2023/2024;

b) Data Analytics

- 2.16 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.
- 2.17 The following data sets for 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 list for each department as at 30 June, 2024.

c) Interviews

- 2.18 The audit team interviewed relevant payroll officers from the County Executive and from the County Public Service Board (CPSB) to understand payroll processes and obtain clarification on audit issues. The officers interviewed as are as detailed in **Appendix 1**.

d) Physical Verification of Staff

- 2.19 The audit team requested all the Chief Officers to provide a countersigned list of staff members in their departments as of 30 June, 2024. This list was corroborated with the IPPD staff registers maintained in the County Executive.
- 2.20 The Audit Team, through the County Secretary, requested sixty-one (61) 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

- 2.21 The report is organized as follows:
- i. Executive Summary;
 - ii. Introduction and Background;
 - iii. Detailed Findings;
 - iv. Conclusion;
 - v. Recommendations; and
 - vi. Appendices.
- 2.22 The report should be read in its entirety to fully comprehend the approach to the audit, findings, conclusions, and recommendations made.

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 set laws. The following issues were established:

I. Compensation of Employees to Revenue Ratio

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 budgeted compensation of employee for the three (3) years under review was within 35% of the budgeted revenue. However, actual payroll expenditure accounted for 38% of actual revenue in the financial year 2021/2022.

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

- 3.5 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.
- 3.6 A comparison of payroll reports extracted from the IPPD System with approved budgets established that the Vote Heads in the IPPD System were not aligned with those in the approved budgets, as detailed in **Annexure 1**.
- 3.7 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.
- 3.8 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 the audit, the HRIS-Ke had similar Vote Heads to those in the IPPD System.
- 3.9 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 Vote Heads.

B. Recruitment Process

- 3.10 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

- 3.11 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.

- 3.12 The County Executive recruited three hundred and forty-five (345), three hundred and one (301), and two hundred and seventy-seven (277) employees during the financial years 2021/2022 and 2023/2024, respectively, 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.
- 3.13 The lack of annual recruitment plans can result in overstaffing, understaffing, or hiring for roles that do not align with organizational priorities.

II. Weakness in the Recruitment Process

- 3.14 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.
- 3.15 Review of the recruitment process established the following internal control weaknesses;

a. Recruitment of Persons who did not Apply for Positions

- 3.16 In the financial year 2023/2024, the County Public Service Board recruited four (4) employees who were not in the listing of people who applied for the advertised positions and one (1) employee who was not shortlisted. During the years under review, the employees were paid a total gross pay of Kshs.1,387,100, as shown in **Annexure 3**.

b. Recruitment Without Job Advertisements

- 3.17 In the financial year 2023/2024, the County Public Service Board recruited twenty-two (22) employees vide CPSB letter Ref: NCPSB/GSDU/RATIFICATION/1/2023

dated 09 June 2023, without job adverts. The total amount paid to the staff was Kshs.13,875,052 as shown in **Annexure 4**.

c. Approval of Availability of Budgets Done After Job Advertisements

- 3.18 Two recruitment advertisements posted on the Narok County Government website in April and October 2021 listed ten (10) and twenty-nine (29) vacant positions, respectively. However, it was established that the availability of budgets was confirmed after the advertisements were published. Further, the Board recruited thirteen (13) and seventy-nine (79) additional officers beyond the advertised numbers. During the period under the additional staff were paid a gross salary of Kshs.19,469,076 as shown in **Annexure 5**.
- 3.19 The weaknesses in the recruitment process undermine transparency, accountability, and compliance, thus increasing the risk of irregular hiring.

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

- 3.20 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.
- 3.21 The Special Audit established that there were six hundred and fifty-six (656) designations that were configured in the IPPD System. However, out of the configured designations, one hundred and seventy-two (170) were not in the approved staff establishment. Further, there were one thousand seven hundred and nineteen (1,719) employees who were grouped in the one hundred and seventy (170) designations as detailed in **Annexure 6 (a-b)**.
- 3.22 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, at the time of audit, the HRIS-Ke had similar designations to those in the IPPD System.

- 3.23 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.

C. Employee Data Management

- 3.24 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

- 3.25 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 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
- 3.26 Comparison of data maintained by the IPPD System and that for other government entity identified three hundred and eight (308) employees that had inconsistencies with date of birth.
- 3.27 Interview with two hundred and twenty-nine (229) employees and verification of their identification documents established that the captured in the IPPD System for eighty-eight (88) employees were different from those in employees' Birth Certificates as detailed in **Annexure 7**. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).
- 3.28 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.

- 3.29 The inaccurate capturing of dates of birth increases the risk of employees retiring before or after the legal retirement age, leading to potential miscalculation of pension dues and other age-based entitlements.

II. Failure of Chief Officers to Account for Human Resources under their Departments

- 3.30 Section 148(1) of the 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.
- 3.31 The Letter of Engagement Ref: OAG/SAS/SADS/KDSP-PAYROLL/3/033 dated 24 February 2025, addressed to the County Secretary, requested all Chief Officers (COs) to submit a countersigned departmental staff list as of 30 June, 2024. This list was to be compared with records of employees in the payroll systems maintained by the County Executive.
- 3.32 A comparison of the staff lists countersigned by various respective COs with registers from the IPPD System revealed that ten (10) employees were in the IPPD System but not in the CO's list. This raises concerns about their existence. During the years under review, the ten (10) employees were paid gross pay amounting to Kshs.12,036,175 as detailed in **Annexure 8**.

III. Authenticity of Staff in the Payroll

- 3.33 The Office of the Auditor-General requested for a physical verification of sampled staff via the letter Ref OAG/SA/SADS/KDSP-PAYROLL/033/4 dated 11 March 2024, addressed to the County Secretary.
- 3.34 The Letter requested that sixty-one (61) employees present themselves for physical verification. However, ten (10) did not present themselves. During the

years under review, the ten (10) employees were paid Kshs.16,242,277, as detailed in **Annexure 9**.

- 3.35 The employees who did not present themselves for physical verification may not exist, raising the risk of irregular or fraudulent payments.

IV. Use of Manual Payrolls

- 3.36 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.
- 3.37 The Special Audit established that during the period under review, the County Executive had ninety-seven (97) casual employees whose salaries totalling Kshs.41,551,684 were being processed through payrolls maintained in Excel as shown in **Table 1**.

Table 1: Use of Manual Payrolls

Financial Year	Number of Employees in Manual Payroll	Amount Paid (Kshs.)
2021/2022	89	12,732,196
2022/2023	90	14,852,915
2023/2024	97	13,966,573
Total		41,551,684

*Source: Manual's payrolls

- 3.38 Management did not explain why the employees were not migrated to the IPPD System.

D. Payroll Processing and Payments

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

I. Charging of Employee Costs to the Wrong Budget Vote

- 3.40 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.
- 3.41 The Audit established that there were misalignments between departmental Vote Heads in the IPPD System and those in the Integrated Financial Management Information System (IFMIS) Ledger accounts. As a result, comparison of gross salary processed through the IPPD System, casual payroll and manual payrolls to salary ledgers from the IFMIS established that posting of salary in IFMIS was not done as per departmental Budget Vote Heads as detailed in **Annexure 10**.
- 3.42 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 the audit, HRIS-Ke had similar Vote Heads to those in the IPPD System.
- 3.43 This misalignment led to inconsistencies between budget allocations and actual expenditures by departments, therefore increasing the risk of misuse of funds.

II. Irregular Promotions and Appointments

- 3.44 Section 65(1) of the County Governments Act, 2012 sets out factors the 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.
- 3.45 An analysis of the payroll data and verification of records maintained by the County Executive established that thirty-four (34) employees were appointed during the three (3) financial years under audit without meeting the requirements set in respective schemes of service as detailed in **Annexure 11**.
- 3.46 The irregularities in job group progressions may result in unforeseen payroll expenditures, disrupting planned financial allocations.

E. Compliance with Laws and Regulations

3.47 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-Deduction of Pay As You Earn

3.48 Section 37(1) of the Income Tax Act, 1973 requires an employer paying emoluments to an employee to deduct therefrom and account for tax thereon, to such extent and in such manner as may be prescribed.

3.49 The Special Audit established that three (3) employees with no evidence of disability were not being deducted Pay As You Earn, contrary to Section 37(1) of the Income Tax Act, 1973. During the years under review, the three (3) employees were paid a gross salary of Kshs.157,603, as detailed in **Annexure 12**.

II. Late Remittance of Statutory Deductions

3.50 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.

3.51 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.

3.52 Section 20(1A), an employer is required to pay the contribution under subsection (1) on the ninth day of each month or on such later date as the Board may, in consultation with the Cabinet Secretary, prescribe.

3.53 Comparison of statutory deductions for employees in the IPPD payroll system with Bank Statements established that NHIF, NSSF, and PAYE deductions for eight months in 2021/2022 and nine months in 2023/2024 were not remitted on time as detailed in **Annexure 13**.

3.54 The non-remittance and delayed remittance of statutory deductions may attract penalties and interest as stipulated in the respective laws, increasing the county's financial burden.

3.55 The County Executive did not comply with tax and labour laws as evidenced by non-deduction and delayed statutory remittances, non-compliance with the requirement on ethnic diversity. These increase the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.

III. Payment of Acting Allowance for more than Six (6) Months

3.56 Section C.14 (1) of the Public Service Human Resource Policies and Procedures Manual, 2016 provides that acting allowance will not be payable to an officer for more than six (6) months.

3.57 The Special Audit established that two (2) employees acted in substantive posts for nine (9) months and ten (10) months, respectively, as from 9 February 2022. This is contrary to Section C.14 (1) of the Public Service Human Resource Policies and Procedures Manual, 2016. The acting allowance paid to the two (2) officers amounted to Kshs.738,878.

3.58 Having one officer perform responsibilities in both the substantive and acting roles for a long period may compromise their productivity, undermine accountability, and hinder effective service delivery.

IV. Casuals Engaged Beyond Stipulated Period

3.59 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.

3.60 The Special Audit established that there were eighty-four (84) casual employees who were engaged for more than three (3) consecutive months during the years under review as detailed in **Annexure 14**.

3.61 The engagement of casuals beyond the stipulated period exposes the County Government to litigation proceedings and associated costs.

V. Non-Compliance with One-Third Basic Salary Rule

3.62 Section 19 (3) of the Employment Act, 2007 requires 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.

3.63 An analysis of the staff payroll as at 30 June, 2024 established that one hundred and forty (140) employees were paid net salaries that were less than one-third of their basic salaries as detailed in **Annexure 15**. This is contrary to Section 19(3) of the Employment Act, 2007

3.64 The employees earning less than one-third of their basic salary may be unable to meet their personal financial obligations. This can adversely affect their productivity, decision-making, and ability to effectively safeguard county interests.

VI. Non-Compliance with Requirement on Ethnic Diversity

3.65 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 of its staff from the same ethnic community.

3.66 Section 65(1)(e) of the County Governments Act, 2012 require County Public Service Board to consider, in selecting candidates for appointment, the need to ensure that at least thirty (30%) percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

3.67 Analysis of employees in the IPPD System as at 30 June, 2024 established that 69% 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.

3.68 Further analysis established that the dominant community represented 69% of the new recruitment done during the period under review as detailed in **Annexure 16**.

This demonstrates the management's effort to ensure compliance with the requirement on ethnic diversity.

- 3.69 The non-compliance with ethnic diversity is a violation of legal requirements and may lead to legal suits.

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

- 3.70 The migration of salary processing from the 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

- 3.71 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.

- 3.72 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 months of November 2024 and December 2024, respectively, established instances of overpayment and underpayments of salaries and allowances as shown in **Table 2** and detailed in **Annexures 17**.

Table 2: Overpayment and Underpayment of Allowances

Allowance	Total Amount Underpaid		Total Amount Overpaid	
	Number of Employees	Amount (Kshs.)	Number of Employees	Amount (Kshs.)
Health Risk Allowance	83	60,420		
Health Workers Extraneous Allowance	146	1,790,000	69	375,000
Total		1,850,420		375,000

*Source: HRIS-KE data

II. Over-Deduction of PAYE

- 3.73 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and measures taken to ensure that they are effective.
- 3.74 The Special Audit established that after migration of payroll processing to the HRIS-Ke, five thousand and thirty (5,030) employees were over-deducted PAYE by Kshs.16,677,910 as shown in **Annexure 18**.

4. CONCLUSION

- 4.1 The Special Audit of payrolls for Narok 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 Vote Heads in the IPPD System and the HRIS-Ke were not aligned with those in the approved budgets and those configured in the IFMIS Ledgers. The misalignment hinders effective management of departmental budgets and control resulting to inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.
- 4.3 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.
- 4.4 The Special Audit Identified weaknesses in the recruitment process, including recruitment for positions not advertised, recruitment of staff who did not apply for advertised positions, and confirming budget availability after advertisements for recruitment are published. These weaknesses undermine transparency, fairness, and compliance with established recruitment procedures. It may result in unqualified or ineligible individuals being employed, as well as strain on the institution's financial resources.
- 4.5 The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate dates of birth employees and 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 by the Chief Offices to account for employees in their departments, and failure by employees to appear for physical verification. These cast doubt to the authenticity of payroll records and raises the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive.
- 4.7 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 and non-compliance with one-third basic salary rule. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 4.8 The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and irregular salary and allowance disbursements. 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 Narok County Executive;
- 5.2 For effective management of departmental budgets and enhance accuracy in financial reporting the Chief Officer for Public Finance together with the management of the State Department for Public Service and Human Capital Development should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures.
- 5.3 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.
- 5.4 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 in favor of HRIS-Ke.
- 5.5 To ensure no payment is made to non – existence employees, salary payments to all staff who failed to present themselves for physical verification should be suspended.
- 5.6 Management should conduct a comprehensive post-migration payroll reconciliation to identify and correct overpayments, and underpayments resulting from the system transition. Further, HRIS-Ke should be configured to enforce approved salary structures and allowance.

- 5.7 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.

6. APPENDICES

Appendix 1: List of Staff Interviewed

No.	Designation	Department
1	County Executive Committee Member	Public Service Management & Labour
2	Chief Officer	Public Service Management
3	Payroll Manager	Public Service Management
4	Director of Human Resource Management	County Public Service Board
5	Director of Finance	Finance and Economic Planning

Appendix 2: List of Annexures

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

No	Annexure	Title
1	Annexure 1	Budget Vote Code Compared to IPPD Budget
2	Annexure 2	Recruitments in 2021/2022, 2022/2023 & 2023/2024 financial year
3	Annexure 3	Weakness in the Recruitment Process
4	Annexure 4	Recruitment without Job Advertisements 2023/2024
5	Annexure 5	Approval of Availability of Budget done after Job Advertisements
6	Annexure 6 a	Designations in the Payroll Systems not Aligned with the Approved Establishment
	Annexure 6 b	Designations in the Human Resource Information System as at 30 June 2024
7	Annexure 7	Integrity of Date of Birth Records in IPPD Systems
8	Annexure 8	Failure of Chief Officers to Account for Resources under their Department
9	Annexure 9	Authenticity of Staff in the Payroll
10	Annexure 10	Charging of Employee Costs to the Wrong Budget Vote
11	Annexure 11	Irregular Promotions and Appointments
12	Annexure 12	Non-Deduction of Pay As You Earn
13	Annexure 13	Late Remittance of Statutory Deductions
14	Annexure 14	Casuals Engaged Beyond Stipulated Period
15	Annexure 15	Non-Compliance with One-Third Basic Salary Rule
16	Annexure 16	Non-Compliance with ethnicity requirements
16	Annexure 17	Overpayment and Underpayment of Salary Allowances
17	Annexure 18	Over-Deduction of PAYE

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