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

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COUNTY 025

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 Samburu 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 Samburu County Executive was conducted in line with this mandate.

The Special Audit evaluated the human resource and payroll processes at the Samburu 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 Samburu 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 Samburu County Public Service Board and the Governor, Samburu 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

CPSB	County Public Service Board
DLI	Disbursement Link Indicator
DO	Development Objective
DO	Development Objective
EUR	The Euro
GoK	The Government of Kenya
HR	Human Resource
HRIS-Ke	Human Resource Information System – Kenya
ID	Identification Document
IDA	International Development Association
IPPD	Integrated Personnel and Payroll Database
ISSAIs	International Standards of Supreme Audit Institutions
KDSP II	Second Kenya Devolution Support Program
KRAS	Key Result Areas
MDAs	Ministries, Departments and Agencies
NHIF	National Health Insurance Fund
NSSF	National Social Security Fund
PAYE	Pay As You Earn
SRC	Salaries and remuneration Commission
UPNs	Universal Personal Numbers
US	The US dollar

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 government. 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 Samburu County Executive referred to as the County Executive 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 the HRIS-Ke was conducted across Ministries, Departments and Agencies and County Governments in November 2024. This was to ensure the readiness of the HRIS-Ke for roll out. Thereafter, in January 2025, the HRIS-ke was fully adopted for payroll management.

Audit Objectives

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

- vi. Assess whether payroll data was accurately and completely migrated from IPPD system to the Human Resource Information System – Kenya (HRIS-Ke).

Audit Scope and Limitations

- 1.7 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), the Human Resource Information System – Kenya (HRIS-Ke), manual and casual payrolls.
- 1.8 To test migration from the IPPD System to the HRIS-Ke, the scope was extended to January 2025.
- 1.9 The County Executive did not provide payment vouchers to support payments made to casual employees. This limitation was mitigated by using data analysis to test the controls.

Methods of Gathering Evidence

- 1.10 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.
- 1.11 The main methods used to gather 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. Data validation was also conducted to test data integrity.

Summary of Audit Findings

The key audit findings are as detailed below:

A. Payroll Budgeting

I. Employee Cost to Revenue Ratio Exceeded the Set Threshold

- 1.12 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.
- 1.13 The Special Audit established that the ratio of budgeted compensation of employee to the budgeted revenue exceeded 35% in two (2) of the three (3) financial years under audit contrary to Regulation 25(1)(a) of Public Finance Management (County Governments) Regulations, 2015. Further, comparison of actual compensation of employees against actual revenue collected established the County Executive exceeded the 35% threshold in the financial year 2023/2024 and 2021/2022.

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

- 1.14 The 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

- 1.15 During the period under review, the County executive recruited seven hundred and forty-six (746) employees. However, it was established that the departments that initiated the recruitments did not have approved annual recruitment plans. Further, no evidence was provided to prove that budgetary availability was sought before the recruitments were done.

II. Non-Compliance with Recruitment Requirements

- 1.16 The Special Audit reviewed recruitments done during the years under review. It was established that the County Public Service Board recruited twenty-six (26) more employees than those advertised in six (6) of the cadres advertised.
- 1.17 The Special Audit established that one hundred and ninety-two staff (192), paid Kshs.47,758,117 were employed without carrying out competitive recruitment. The requisite documentation, including job needs assessment, departmental requisitions, and approvals by the County Public Service Board for their engagement in the recruitment process, was not provided for audit. Further, one hundred and sixty-four interns, remunerated Kshs.19,465,000 were employed with no competitive recruitment.
- 1.18 The recruitment, selection, and appointments of the newly established Governors Delivery Unit cost the County Executive Kshs. 4,805,820. The positions were not incorporated in the approved organization structure and staffing for the Samburu County Executive of November 2022. In addition, the functions and staff establishment of the established units were not indicated. Further, approval from CPSB on the established units and their functions was not provided for audit.
- 1.19 The Special Audit established that The Chief of Staff irregularly appointed eight (8) employees who were remunerated Kshs. 18,533,345. These appointments were irregularly carried done by the Chief of Staff instead of the County Public Service Board as required in Section 63 of the County Government Act dated 24 July 2012.
- 1.20 The Special Audit established that the Director Liaison did not have the requisite academic qualification.
- 1.21 The Special Audit established that one of the Director of Administration did not have an appointment letter in his personal file.

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

- 1.22 The Special Audit team established that there were three hundred and thirty-eight (338) designations that were configured in IPPD system. However, out of the 338 configured designations, two hundred and six (206) were not in the approved staff establishment. There were six hundred and seven (607)

employees who were placed in the 206 designations. Further, there were one hundred and seventy-four (174) designation in the approved establishment not configured in IPPD system. Further, there were eighty (80) employees, paid Kshs. 50,008,905 who did not have any designation assigned to them in IPPD.

IV. Over Establishment

- 1.23 As at 30 June 2024, the County Executive had Two thousand, two hundred and nine (2,209) employees in IPPD system and Seven hundred and seventeen (717) in the manual payroll totaling Two thousand, nine hundred and twenty six (2,926) employees against a staff establishment of Two thousand, five hundred and thirty six (2,536) which represented fifteen(15%) over establishment. Similarly, there was an over establishment of Three (3%) during 2022/2023 financial year.

C. Employee Data Management

I. Integrity of Dates of Birth Records in the payroll Systems

- 1.24 The Special Audit established that birth dates for forty-three (43) employees captured in the IPPD system was different from that captured in employees' birth certificates. Further, Identification Number for one (1) employee did not match those recorded in IPPD system.

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

- 1.25 The letter of Engagement, Ref: OAG/SAS/SADS/KDSP-PAYROLL/2024-25/2/025 dated 13 February 2025 required the Chief Officers to submit countersigned departmental staff lists as of 30 June 2024. This list was to be compared with employees in the Payroll Systems.
- 1.26 The Special Audit established that three hundred and forty-five (345) employees appeared in the Chief Officers List but not in IPPD. Further, seven hundred and seventy-three (773) employees were in the IPPD system but not in the submitted lists by the Chief Officers. During the years under review, the employees earned total gross pay of Kshs.448,153,502. The failure by the Chief Officers to account for employees cast doubt on authenticity of payroll records.

III. Authenticity of Staff in the Payroll

- 1.27 The Office of the Auditor-General, vide a letter to the County Government of Samburu reference OAG/SA/SADS/KDSP-PAYROLL/04/025 dated 27 February 2025, requested the County to summon eighty-nine (89) staff members for physical verification. However, thirty (30) officers failed to attend the exercise. During the years under review, the thirty (30) employees collectively received Kshs.43,450,271 in the three financial years.

D. Payroll Processing and Payments

I. Charging of Employee Costs to the Wrong Budget Vote

- 1.28 It was established there was a misalignment between departmental vote heads in IPPD system and those in IFMIS ledger account. As a result, comparison of gross salary processed through IPPD system, casual payroll and manual payrolls with salary ledgers from Integrated Financial Management Information System (IFMIS) established posting of salary in IFMIS was not done as per departmental budget votes.

II. Unsupported Expenditure of Casual Wages

- 1.29 The Special Audit established that payment to casual workers was Kshs. 2,199,589 in the financial year 2022/23 and Kshs. 101,964,292 in 2023/2024. However, the payment vouchers, master rolls, and schedules supporting these payments were not provided for audit. This lack of supporting documentation raises concerns over the authenticity and accountability of the payments made.

III. Non-Compliance with SRC Allowances Guidelines

- 1.30 The Special Audit compared allowances paid to members of the County Public Service Board through IPPD system during the three (3) years under review with allowances approved by SRC. It was established that during the three financial years, the Board members were irregularly paid hardship allowance amounting to Kshs.11,070,000.

- 1.31 The Special Audit established that the monthly gross pay for members of the County Public Service Board during the financial years 2021/2022, 2022/2023, and 2023/2024 for seven (7) members was overpaid by Kshs. 16,411,810.

IV. Irregular Promotions and Appointments

- 1.32 The Special Audit established that twenty-seven (27) officers in 2023/2024, seventeen (17) officers in 2022/2023, and three (3) in 2021/2022 skipped job groups without meeting the requirements set in their respective schemes of service. Further, six (6) employees changed job groups more than twice in the financial year 2023/2024.

V. Use of Manual Payroll

- 1.33 The Special Audit established that County Executive manually processed the salaries of seven hundred and seventeen (717) employees, amounting to Kshs. 236,957,240 using Excel spreadsheets during the year ended 30 June 2024.

VI. Payment of Arrears

- 1.34 The audit established that during the three (3) years under review, the County Executive paid salary and allowances as arrears totaling Kshs.47,194,810. There were sixty-two (62) officers who received monthly gross pay in arrears, despite not qualifying for the allowance under their terms of engagement. Management did not explain why the allowances were paid as gross monthly pay yet there were dedicated earning codes for these allowances in IPPD. The total amount paid irregularly was Kshs.12,457,659.

E. Compliance with Laws and Regulations

I. Non-Compliance to Remittance of Statutory Deductions

- 1.35 Comparison of statutory deductions for employees in the IPPD payroll system with Bank Statements established that National Health Insurance Fund (NHIF) and Pay As You Earn (PAYE) deductions were not remitted on time.

II. Non-Compliance with Requirement on Ethnic Diversity

- 1.36 A review of human resource records as of 30 June 2024, revealed 80% 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.

- 1.37 A review of human resource records as of 30 June, 2024, revealed 92% of the staff recruited in the financial year 2023/2024 were from one dominant ethnic community contrary to the requirements of Section 65(1)(e) of the County Governments Act, 2012.

III. Active Staff Above Age 60 Years

- 1.38 The Audit established that there were thirteen (13) employees who had attained the retirement age of 60 years by 30 June 2024, but were still active in the payroll, Contrary to Section 80 of the County Governments Act, 2012. During the years under review, the payments to the employees over 60 years amounted to Kshs.7,077,022.

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

I. Underpayment of Salary and Allowances

- 1.39 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024. Comparison between IPPD data for November 2024 and HRIS-Ke data for January 2025 established instances of underpayment of salaries and allowances. Further, two hundred and six (206) employees were not migrated to HRIS-Ke.

Conclusion

- 1.40 The Special Audit of payrolls for Samburu 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:
- 1.41 The non-compliance with requirements on limiting the Employee Cost within thirty-five (35%) of Revenue 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.
- 1.42 The failure to align budget votes in payroll systems with those in approved budgets and IFMIS ledgers 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.
- 1.43 The absence of annual human resource recruitment plans and over establishment of staff demonstrate ineffective workforce planning and deviation from established staffing structures. This hampers the county's ability to plan, budget, and deploy personnel effectively across departments, leading to staffing gaps or surpluses.
- 1.44 The failure by the County Executive to update the IPPD System with approved designations in the approved staff establishment undermines budgetary control and increases the risk of unauthorized or irregular salary payments. This weakness compromises the integrity of payroll processing, weakens accountability, and may result in discrepancies between approved staffing structures and actual payroll expenditures.
- 1.45 The inaccurate National Identification (ID) number and dates of birth in the IPPD System indicates weak internal controls and increases the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive and miscalculation of retirement dates and pension dues of employees.

- 1.46 The failure by the County Executive to update the IPPD system with approved designations in the approved staff establishment undermines budgetary control and increases the risk of unauthorized or irregular salary payments. This weakness compromises the integrity of payroll processing, weakens accountability, and may result in discrepancies between approved staffing structures and actual payroll expenditures.
- 1.47 The payment of irregular allowances reflects weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of financial misstatements, fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 1.48 The non-compliance with tax and labour laws as evidenced by delayed remittances of statutory deduction, non-compliance with requirement on ethnic diversity, active staff above sixty (60) years and prolonged engagement of casuals violates legal obligations, increasing the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 1.49 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.
- 1.50 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

- 1.51 In view of the findings and conclusions of the Special Audit, the following is recommended to the Samburu County Executive;
- 1.52 To ensure compliance with fiscal responsibility principle on capping expenditure on wages to thirty-five percent (35%) of the County Executive's total revenue the County Assembly should ensure adherence to the 35% capping before the approval of the budgets.
- 1.53 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.
- 1.54 To enhance the attainment of optimal staffing levels, management of the County Executive should align the payroll system with the approved staff establishment and ensure consistency between authorized positions and personnel data. Additionally, the staff establishment module in the HRIS-Ke should be fully implemented and configured to enforce recruitment strictly within the approved establishment limits.
- 1.55 To ensure uncoordinated staffing and reduce potential budget overruns, all recruitments should be based on approved annual recruitment plans. Further, all recruitments should follow established procedures including advertisement, shortlisting, and confirmation of budget allocation.
- 1.56 To reduce instances of financial loss due to irregular payment of allowances, enhance payroll integrity and support effective personnel management, the County Executive, together with the State Department for Public Service and Human Capital Development should ensure HRIS-Ke is appropriately configured to automatically enforce salary structures, as stipulated in the Salaries and Remuneration Commission Circulars and other relevant directives. Further, validations controls should be implemented in order to

ensure compliance, enhance payroll accuracy, and prevent irregular financial transactions.

- 1.57 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. Further, Chief Officers should be held accountable for enforcing compliance in their departments.
- 1.58 Management of the County Executive should conduct a comprehensive post-migration payroll reconciliation to identify and correct overpayments, and underpayments resulting from the system transition. Further, HRIS-Ke should be configured to enforce approved salary structures and allowance.
- 1.59 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 government. 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 Samburu 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.

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 across the audit period was **24%**. While the cumulative growth in payroll costs over the three years was approximately **16%** as detailed in **Figures 1 and 2**.

Figure 1: Cumulative Growth in Payroll Costs

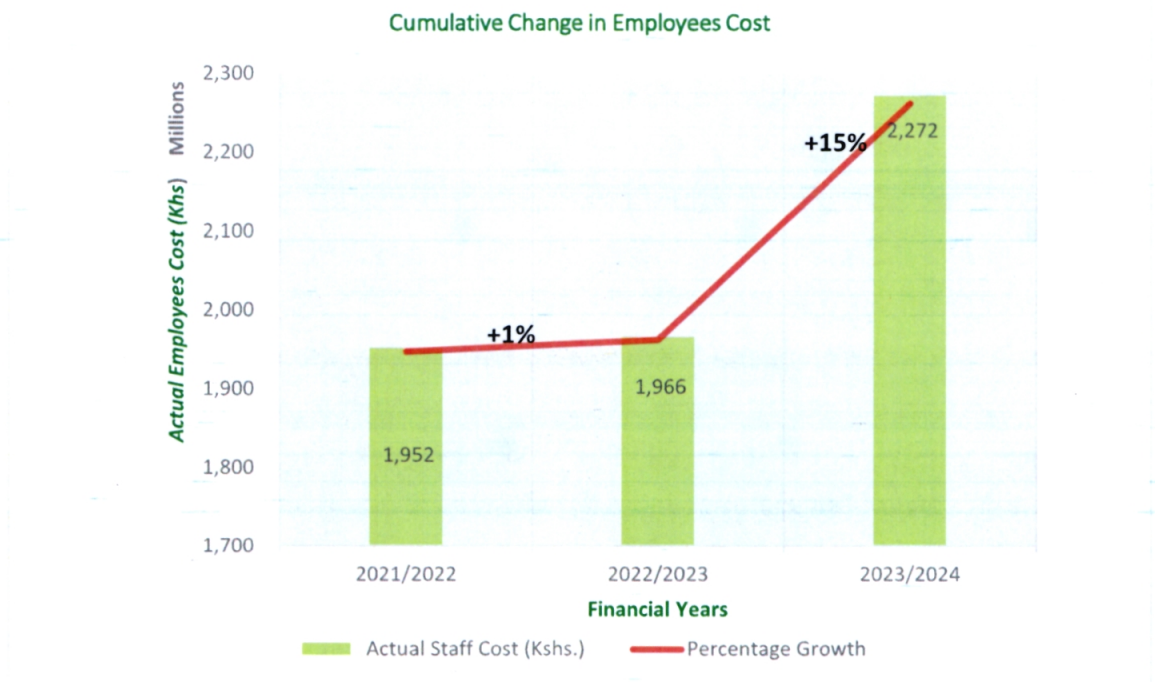
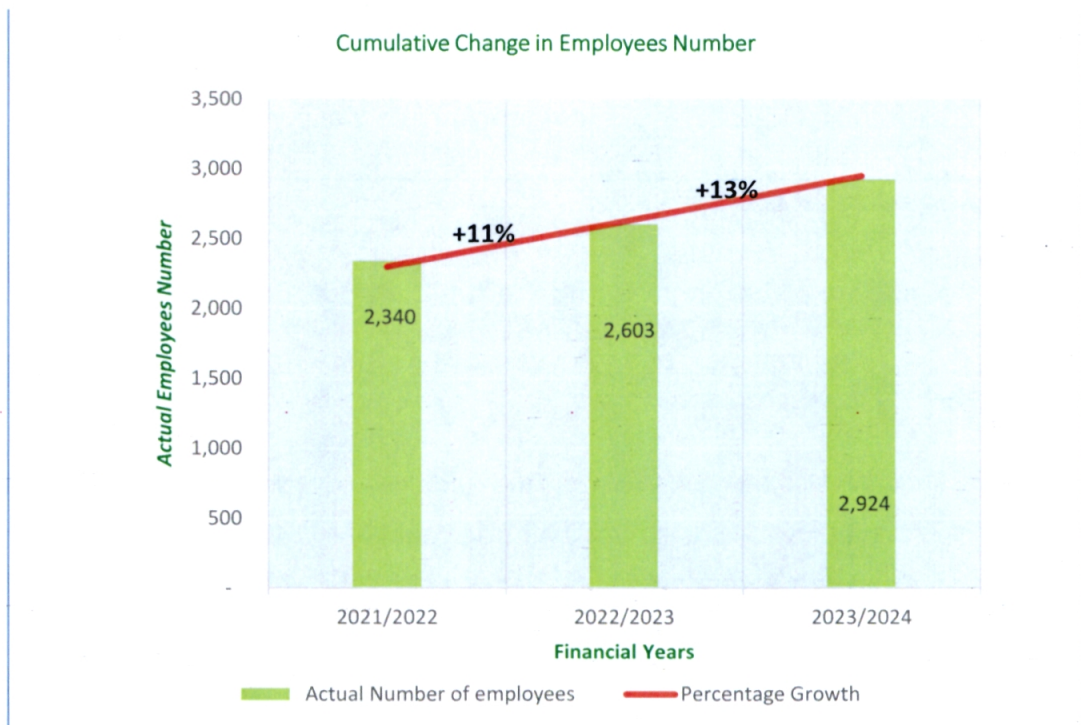


Figure 2: Cumulative Employees Growth



- 2.8 The higher rate of growth in employee cost in 2023/2024 compared to the numbers of staff was caused by recruitment at senior management level, payment of salary arrears and promotions among other.

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 IPPD system to the 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), the Human Resource Information System – Kenya (HRIS-Ke), manual and casual payrolls
- 2.11 To test migration from the IPPD System to the HRIS-Ke, the scope was extended to January 2025.
- 2.12 The Audit was conducted in the month of March, 2025.

- 2.13 The County Executive did not provide payment vouchers made to casual employees. This limitation was mitigated by comparing data from different sources.

Audit Methodology

- 2.14 The Special Audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 4000 for Compliance Audit. These standards require that the audit is planned and performed so as to draw reasonable audit conclusions on the design, implementation and operating effectiveness of internal controls.

Methods of Data Collection

- 2.15 The Special Audit on Payroll Management involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County Executive.

- 2.16 The methods used to gather evidence during the audit included, document review, data analytics, interviews with key payroll staff and physical verification of staff.

a) Document Review

- 2.17 The Audit Team reviewed various documents in order to set audit criteria and assess compliance with the criteria and in gathering audit evidence. They include:

- i. The Constitution of Kenya, 2010;
- ii. The Public Finance Management Act, 2012;
- iii. The Public Finance Management (County Governments) Regulations, 2015;
- iv. County Governments Act, 2012;
- v. National Health insurance Fund Act, 1998 (Repealed);
- vi. The SRC circular SRC/TS/29(81), August 2023;
- vii. The SRC circular on the Compendium of Remuneration and Benefits for Public Service, December 2022;
- viii. The SRC circular SRC/TS/MDP/3/1/2(2), August 2015;

- ix. Public Service Commission Human Resource Policies and Procedures Manual , May 2016;
- x. Employees' physical files;
- xi. Payment vouchers;
- xii. Financial Statements for financial years 2021/2022, 2022/2023 and 2023/2024;
- xiii. Budgets for financial years 2021/2022, 2022/2023 and 2023/2024.

b) Data Analytics

- 2.18 Payroll and staff register data from IPPD system and HRIS-Ke were extracted and analyzed together with manual and casuals' payrolls. The exceptions from the analysis formed the basis for verification with payroll records maintained by the County.
- 2.19 The following data sets for the financial years 2021/2022, 2022/2023 and 2023/2024 were analyzed: -
- i. IPPD Staff Registers and Payroll data;
 - ii. Chief Officers' departmental staff lists as at 30 June 2024; and
 - iii. HRIS-Ke Payroll data for the month for December 2024.

c) Interviews

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

d) Physical Verification of Staff

- 2.21 The Audit Team requested all the Chief Officers to provide countersigned list of staff members in their departments as of 30 June 2024. The lists were compared with the IPPD staff registers maintained by the County Executive.
- 2.22 The Audit Team through the County Secretary, requested certain employees to present themselves in person for a physical verification, which was based on initial exceptions from data analytics. This verification was to confirm the

existence of staff, their employment status and the accuracy of the staff personal data maintained in the payroll systems.

Report Structure

2.23 The report is organized as follows:

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

2.24 The report should be read in its entirety in order to fully comprehend the approach to the audit, findings, conclusions and the proposed recommendations 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 (IPPD) to Human Resource Information System-Kenya (HRIS-Ke).

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

3.3 Regulation 25(1)(a) of Public Finance Management (County Government) 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 Act. Further, Regulation 25(1)(b) requires the limit set not to exceed thirty-five (35) percent of the county government's total revenue.

3.4 The Special Audit established that the ratio of budgeted compensation of employee to budgeted revenue exceeded 35% in two (2) of the three (3) financial years under audit as shown in table 1. This is contrary to Regulation 25(1)(b) of Public Finance Management (County Governments) Regulations, 2015 as shown in **Table 1**.

Table 1: Budgeted Revenue to Budgeted Cost for Personal Emoluments

Financial Year	Budgeted Revenue (Kshs.)	Budgeted Cost for Personal Emoluments (Kshs.)	% Of Utilization
2021/2022	5,405,493,703	2,050,610,879	38%
2022/2023	5,776,006,230	2,146,643,827	37%
2023/2024	6,977,942,770	2,414,714,408	35%

*Source: Audited Financial Statements

3.5 Further, comparison of actual Compensation of employee's expenditure against actual revenue collected established that the County Executive was within the **35%** threshold in 2022/2023 but exceeded the **35%** in 2023/2024 and 2021/2022 as detailed in **Table 2**.

Table 2: Actual Employee Cost to Revenue Ratio

Financial Year	Actual Revenue (Kshs.)	Expenditure of Staff Emoluments (Kshs.)	Revenue/Employee (%) Ratio
2021/2022	4,961,253,008	1,951,850,999	39%
2022/2023	5,633,360,934	1,965,732,294	35%
2023/2024	5,724,353,308	2,272,177,408	40%

*Source: Audited Financial Statements

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

II. Budget Votes in Payroll Systems not Aligned with those in 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 approved budget established that the vote heads in IPPD were not aligned with those in the approved budget as shown in **Annexure 1**.

- 3.9 One of the primary factors contributing to the misalignment between the departments and the Vote Heads was the failure to update the IPPD system to reflect changes resulting from the restructuring and consolidation of various sectors within the County Executive.
- 3.10 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, at the time of audit, the HRIS-Ke had similar Votes Heads to those in the IPPD System.
- 3.11 The continued referencing to outdated departmental structures leads to inconsistencies between budgetary allocations and actual payroll expenditures, increasing the risk of misallocation or even misuse of public funds, as expenditure may be charged under incorrect or obsolete vote heads.

B. Recruitment Process

- 3.12 The recruitment process was reviewed in order to establish whether the hiring practices were fair and aligned with the County Executive's policies and legal requirements. The following issues were revealed:

I. Lack of 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 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 seven hundred and forty-six (746) employees over the three financial years under review. However, it was established that the departments that initiated the recruitments did not have approved annual recruitment plans. Further, no evidence was provided to prove that budgetary availability was sought before the recruitments were initiated. Refer **Annexure 2**.

- 3.15 The lack of annual recruitment plans supported by budgetary evidence can result in either overstaffing, understaffing, or hiring for roles that do not align with organizational priorities.

II. Non-Compliance with Recruitment Requirements

- 3.16 Section 63 of the County Governments Act, 2012 empowers the County Public Service Board to make appointments and promotions to offices in the County Public Service at the request of the Chief Officer of the department to which the appointment is to be made or on the County Public Service Board's own motion on account of the best interest of the county public service.
- 3.17 Review of recruitment made during the year 2021/2022 established that the County Public Service Board recruited twenty-six (26) more employees than those advertised in six (6) of the cadres advertised for as shown in **Table 3**.

Table 3: Over Recruitment

Position	Job Group	Advert	Recruited	Variance
Assistant Procurement Officer	11	1	3	2
Accountant II	10	2	5	3
Cooperative Officer I	9	1	2	1
Village Administrator	11	8	12	4
Agriculture Officer	9	2	4	2
ECDE Teacher	14	10	24	14
Over recruitment		24	50	26

*Source: County Public Service Board Recruitment file

- 3.18 The Special Audit established that one hundred and ninety-two staff (192), paid Kshs. 47,345,317 were employed without carrying out competitive recruitment. Refer **Annexure 3**. The requisite documentation, including job needs assessment, departmental requisitions, and approvals by the County Public Service Board for their engagement in the recruitment process, was not provided for audit. Further, one hundred and sixty-four interns, remunerated Kshs.19,465,000 were employed with no competitive recruitment as detailed in **Annexure 4**.
- 3.19 The recruitment, selection, and appointments of the newly established Governors Delivery Unit cost the County Executive Kshs.4,805,820 as detailed in **Annexure 5**. The positions were not incorporated in the approved

organization structure and staffing for the Samburu County Executive of November 2022. In addition, the functions and staff establishment of the established units were not indicated. Further, approval from CPSB on the established units and their functions was not provided for audit.

- 3.20 The Special Audit established that The Chief of Staff irregularly appointed eight (8) employees who were remunerated Kshs.18,533,345 as detailed in **Table 4**. These appointments were irregularly carried done by the Chief of Staff instead of the County Public Service Board as required in Section 63 of the County Government Act dated 24 July 2012.

Table 4: Irregular Appointments done by Chief of Staff

Designation-IPPD	Total Gross Pay (Kshs.)
Administrative Officer	1,486,755
Director - Education	2,218,618
Director Administration	2,218,618
Director Administration	1,797,434
Director Administration	1,479,974
Assistant Director of Administration	147,566
Director Administration	1,401,666
Deputy Director - Public Communications	2,048,516
Director - Supply Chain Management Services	2,476,568
Gender Advisor	3,257,630
Total	18,533,345

*Source: Employees' Appointment Letters

- 3.21 The audit established that the Director Liaison did not have the requisite academic qualification. **Annexure 6**.
- 3.22 The audit established that one of the Director of Administration did not have an appointment letter in his personal file as detailed in **Annexure 7**.
- 3.23 The hiring of employees beyond the advertised number strains the county's financial resources, limiting funds available for critical development projects and essential service delivery. It also indicates weak internal controls in the recruitment process.

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

- 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 Special Audit established that there were three hundred and thirty-eight (338) designations that were configured in the IPPD System. However, out of the three hundred and thirty-eight (338) configured designations, two hundred and six (206) were not in the approved staff establishment. There were six hundred and seven (607) employees who were placed in the 206 designations. **Annexure 8.** Further, there were one hundred and seventy-four (174) designation in the approved establishment not configured in IPPD system as detailed in **Annexure 9.** Further, there were eighty (80) employees, paid Kshs. 50,008,905 who did not have any designation assigned to them in IPPD. **Annexure 10.**
- 3.26 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.
- 3.27 As a result of the misalignment between the staffing records in the payroll systems 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.

IV. Over Establishment

- 3.28 Section 59 (1)(a) of County Governments Act, 2012, sets one of functions of the County Public Service Board as to establish and abolish offices in the county public service. Sub-section (g) further requires the board to facilitate the development of coherent, integrated human resource planning and budgeting for personnel emoluments in counties. In addition, Section 119(4) requires the responsible county government department for public service management matters and the County Public Service Board to only approve establishment of

new public service positions after getting confirmation of availability of budgetary provisions from the County Treasury.

- 3.29 The Special Audit established that the County Executive adopted a staff establishment approved in November 2022. Comparison of staff establishment and payroll data established that the County Executive was over and understaffed, as detailed in **Table 5**.

Table 5: Over Establishment of Staff in the County

Financial Year	Staff Establishment	IPPD	Manual	Total	Variance
2023/2024	2,536	2,209	717	2,926	390
2022/2023	2,536	1,981	622	2,603	67
2021/2022	2,536	1,763	577	2,340	(196)

*Source: County Staff Establishment

- 3.30 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

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

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

- 3.32 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. Further, Circular Ref. No: PSC/ ADM/ 13(9), dated 19 November 2020, which stipulates that the date of birth as per the Birth Certificate should be considered the official and legal document for determining a public officer's date of birth.

a. Integrity in Date of Birth in Payroll Systems

- 3.33 The Special Audit identified three hundred (300) employees in the IPPD System with inconsistent dates of birth.
- 3.34 Interview with a sample of eighty-two (82) employees and verification of their identification documents established that the dates captured in the IPPD

System for forty-two (42) employees were different from those in employees' Birth Certificates as detailed in **Annexure 11**. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).

- 3.35 The inaccurate capturing of birthdates 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.
- 3.36 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.

b. Integrity of Identification Number in Payroll Systems

- 3.37 The Special Audit established that the Identification Numbers for one (1) employee did not match those recorded in IPPD system and HRIS-Ke.
- 3.38 Interview of sampled employees and verification of documents maintained in their personal files revealed that the identification number captured in the two (2) payroll systems were erroneous. **Annexure 12**.
- 3.39 Inaccurate capture of identification number indicates weak input controls which may result in inaccurate statutory remittances and creation of non-existent employees. These weak controls expose the County to payroll fraud.

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

- 3.40 Section 148(1) of Public Finance Management Act, 2012 requires a County Executive Committee member for finance to, except as otherwise provided by law, in writing designate accounting officers to be responsible for managing the finances of the county government entities as is specified in the designation. Further, Sub-Section (2) requires the person responsible for the administration of a county government entity to be the accounting officer responsible for managing the finances of that entity except as otherwise stated in other legislation.
- 3.41 The Letter of Engagement, Ref: OAG/SAS/SADS/KDSP-PAYROLL/3/025 dated 13 February 2025 required Chief Officers to submit countersigned departmental staff lists as of 30 June 2024. This list was to be compared with records of employees in the Payroll Systems maintained by the County Executive.
- 3.42 The Special Audit established that three hundred and forty-five (345) employees appeared in the Chief Officers List but not in the IPPD System as detailed in **Annexure 13**. Further, seven hundred and seventy-three (773) employees were in the IPPD System but not in the submitted lists by the Chief Officers. During the years under review, the employees earned total gross pay of Kshs.448,153,502. Refer **Annexure 14**.
- 3.43 The failure to account for human resource in various departments presents the risk of irregular or fraudulent payments in the County Executive.

III. Authenticity of Staff in the Payroll

- 3.44 The Office of the Auditor-General, requested for a physical verification of sampled staff via letter Ref OAG/SA/SADS/KDSP-PAYROLL/04/25 dated 27 February 2025, which was addressed to the County Secretary, the Samburu County Government.
- 3.45 The letter requested eighty-nine (89) employees to present themselves for physical verification. However, thirty (30) officers did not present themselves, despite multiple attempts to reach out to them. During the period under review,

the thirty (30) employees collectively received gross salary amounting to Kshs.43,450,271 as detailed in **Annexure 15**.

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

D. Payroll Processing and Payments

- 3.47 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 and policies. The following issues were established:

I. Charging of Employee Costs to the Wrong Budget Vote

- 3.48 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.
- 3.49 The audit established that there was a misalignment between departmental Vote Heads in the IPPD System and those in the IFMIS Ledger Account. As a result, a comparison of the gross salary processed through the IPPD System, casual payroll and manual payrolls with 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 shown in **Annexure 16**.
- 3.50 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the employee cost were aligned to budget votes.
- 3.51 This misalignment creates inconsistencies between budget allocations and actual expenditures by departments, therefore affecting effective budget monitoring. This misalignment also increases the risk of misuse of funds and inaccurate financial reporting.

II. Unsupported Expenditure of Casual Wages

- 3.52 Regulation 104 (1) of the Public Finance Management (County Governments) Regulations, 2015 states that all receipts and payment vouchers of public moneys shall be properly supported by pre-numbered receipts and payment vouchers and shall be supported by the appropriate authority and documentation.
- 3.53 The Special Audit established that payment to casual workers was Kshs. 2,199,589 in the financial year 2022/23 and Kshs. 101,964,292 in 2023/24. However, the payment vouchers, master rolls, and schedules supporting these payments were not provided for audit. This lack of supporting documentation raises concerns over the authenticity and accountability of the payments made.

III. Irregular Payment of Allowances

- 3.54 The SRC Circular SRC/TS/JE/CG/3/33/6 Vol. III (30) dated 8 July 2020 and 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.
- 3.55 An analysis of payroll data and comparison of salary and allowance processed through the IPPD System and Manual payrolls with respective rates stipulated in SRC circulars revealed the following anomalies:

a. Irregular Payment of Hardship Allowance

- 3.56 The Special Audit compared allowances paid to members of the County Public Service Board through IPPD system during the three (3) years under review with allowances approved by SRC. It was established that during the three financial years, the Board members were irregularly paid hardship allowance amounting to Kshs.11,070,000 as shown in **Annexure 17**.

b. Overpayment of Salary to CBSP Members

- 3.57 The Special Audit established that the monthly gross pay for members of the County Public Service Board during the financial years 2021/22, 2022/23, and 2023/24 for seven (7) members was overpaid by Kshs.16,411,810 as detailed

in **Table 6** and **Annexure 18**. This was as a result of the members being placed on salary scale point 2 at the start of their appointments. This placement contravenes the provisions of SRC Circular No. SRC/TS/29(94) dated 10 November 2023, which stipulates that full-time County Public Service Board members must commence at the minimum point of the designated salary scale upon appointment.

Table 6: Overpayment of Monthly Gross Pay to CPSB

Financial Year	Gross Salary paid (Kshs.)	Correct Gross pay per SRC Circular (Kshs.)	Amount overpaid(Kshs.)
2021/2022	21,216,436	15,829,187	5,387,249
2022/2023	22,454,601	16,704,817	5,749,784
2023/2024	22,551,730	17,276,953	5,274,777
Total			16,411,810

*Source: IPPD

IV. Irregular Promotions and Appointments

- 3.58 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.
- 3.59 An examination of the payroll data and verification of records maintained by the County executive established that twenty-seven (27) officers in 2023/2024, seventeen (17) officers in 2022/2023, and three (3) in 2021/2022 skipped job groups without meeting the requirements set in their respective schemes of service, as detailed in **Annexure 19**. Further, six (6) employees changed job groups more than twice in the financial year 2023/24, as detailed in **Annexure 20**.
- 3.60 Irregularities in job group progressions may result in unforeseen payroll expenditures, disrupting planned financial allocations.

V. Use of Manual Payroll

- 3.61 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.
- 3.62 The Special Audit established that County Executive manually processed the salaries of seven hundred and seventeen (717) employees, amounting to Kshs. 236,957,240 using Excel spreadsheets during the year ended 30 June 2024 as detailed in **Annexure 21**.
- 3.63 The management did not explain why the county government failed to migrate the payroll to the IPPD system.

VI. Payment of Arrears

- 3.64 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.
- 3.65 The Special Audit established that during the three (3) years under review, the County Executive paid salary and allowances as arrears totaling Kshs.47,194810. There were sixty-two (62) officers who received monthly gross pay in arrears, despite not qualifying for the allowance under their terms of engagement. Management did not explain why the allowances were paid as gross monthly pay yet there were dedicated earning codes for these allowances in IPPD. The total amount paid irregularly was Kshs.12,457,659. Refer to **Annexure 22**.
- 3.66 The Payment of allowances as arrears and not through dedicated earning codes increases the risk of unauthorized payments, payroll fraud, and accounting errors, making the process prone to abuse.

E. Compliance with Laws and Regulations

3.67 Assessment of the County Executive's adherence to laws on statutory deductions and labour laws was conducted and the following issues were established:

I. Non-Compliance to Remittance of Statutory Deductions

3.68 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.

3.69 Section 15(4) of the National Health Insurance Fund Act, 1998 (currently Social Health Insurance Act, 2023) states that contributions were due on the ninth day of each month or on such later date as the Board, in consultation with the Cabinet Secretary, may prescribe.

3.70 Comparison of statutory deductions for employees in the IPPD payroll system with Bank Statements established that National Health Insurance Fund (NHIF) and Pay As You Earn (PAYE) deductions were not remitted on time. **Annexure 23.**

3.71 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

3.72 Section 7(1) of National Cohesion and Integration Act, 2008, states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. Section 7(2) states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

3.74 A review of human resource records as of 30 June 2024, revealed 80% 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. Further in the year 2023/2024, the Board recruited one hundred and sixty-one (161) employees, one hundred and forty-eight (148) representing 92% of whom were from the same dominant community, contrary to Section 65(1)(e) of the County Governments Act, 2012.

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

III. Active Staff Above Age 60 Years

3.76 Section 80 of the County Governments Act, 2012 provides that the mandatory retirement age for a county public officer generally or for any category of public officers, shall be prescribed by policy of the national government.

3.77 Regulation 70 (1) of the Public Service Commission Regulations, prescribes the mandatory retirement age in the public service as sixty years, and sixty-five for persons with disability.

3.78 The audit established that there were thirteen (13) employees who had attained the retirement age of 60 years by 30 June 2024, but were still active in the payroll. During the years under review, the payments to the employees over 60 years amounted to Kshs.7,077,022. See **Annexure 24**.

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

3.79 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. Underpayment of Salary and Allowances

3.80 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.

3.81 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024. Comparison between November 2024 IPPD data and January 2025 HRIS-Ke data established instances of underpayment of salaries and allowances as shown in **Table 7** below and detailed in **Annexure 25**.

Table 7: Underpayment of Salary and Allowances

Allowance	Total Amount Underpaid	
	Number of Employees	Amount (Kshs.)
Basic Salary	24	715,533
House Allowance	4	40,941
PAYE	1689	1,867,614
Total		

*Source: IPPD

II. Introduction of Employees in HRIS-Ke

- 3.82 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.
- 3.83 Comparison between November 2024 IPPD data and January 2025 HRIS-Ke data established that two hundred and six (206) employees were not migrated to HRIS-Ke as detailed in **Annexure 26**.

4. CONCLUSION

- 4.1. The Special Audit of payrolls for Samburu 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 non-compliance with requirements on limiting the Employee Cost within thirty-five (35%) of Revenue 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 failure to align budget votes in payroll systems with those in approved budgets and IFMIS ledgers 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 absence of annual human resource recruitment plans and over establishment of staff demonstrate ineffective workforce planning and deviation from established staffing structures. This hampers the county's ability to plan, budget, and deploy personnel effectively across departments, leading to staffing gaps or surpluses.
- 4.5. The failure by the County Executive to update the IPPD System with approved designations in the approved staff establishment undermines budgetary control and increases the risk of unauthorized or irregular salary payments. This weakness compromises the integrity of payroll processing, weakens accountability, and may result in discrepancies between approved staffing structures and actual payroll expenditures.
- 4.6. The inaccurate National Identification (ID) number and dates of birth in the IPPD System indicates weak internal controls and increases the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive and miscalculation of retirement dates and pension dues of employees.

- 4.7. The failure by the County Executive to update the IPPD system with approved designations in the approved staff establishment undermines budgetary control and increases the risk of unauthorized or irregular salary payments. This weakness compromises the integrity of payroll processing, weakens accountability, and may result in discrepancies between approved staffing structures and actual payroll expenditures.
- 4.8. The payment of irregular allowances reflects weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of financial misstatements, fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 4.9. The non-compliance with tax and labour laws as evidenced by delayed remittances of statutory deduction, non-compliance with requirement on ethnic diversity, active staff above sixty (60) years and prolonged engagement of casuals violates legal obligations, increasing the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 4.10. The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and 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.

5. RECOMMENDATIONS

- 5.1. In view of the findings and conclusions of the Special Audit, the following is recommended for implementation to the Samburu County Executive;
- 5.2. To ensure compliance with fiscal responsibility principle on capping expenditure on wages to thirty-five percent (35%) of the County Executive's total revenue the County Assembly should ensure adherence to the thirty-five (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 the attainment of optimal staffing levels, management of the County Executive should align the payroll system with the approved staff establishment and ensure consistency between authorized positions and personnel data. Additionally, the staff establishment module in the HRIS-Ke should be fully implemented and configured to enforce recruitment strictly within the approved establishment limits.
- 5.5. To ensure uncoordinated staffing and reduce potential budget overruns, all recruitments should be based on approved annual recruitment plans. Further, all recruitments should follow established procedures including advertisement, shortlisting, and confirmation of budget allocation.
- 5.6. To reduce instances of financial loss due to irregular payment of allowances, enhance payroll integrity and support effective personnel management, the County Executive, together with the State Department for Public Service and Human Capital Development should ensure HRIS-Ke is appropriately configured to automatically enforce salary structures, as stipulated in the Salaries and Remuneration Commission Circulars and other relevant directives. Further, validations controls should be implemented in order to

- ensure compliance, enhance payroll accuracy, and prevent irregular financial transactions.
- 5.7. 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. Further, Chief Officers should be held accountable for enforcing compliance in their departments.
 - 5.8. Management of the County Executive should conduct a comprehensive post-migration payroll reconciliation to identify and correct overpayments, and underpayments resulting from the system transition. Further, HRIS-Ke should be configured to enforce approved salary structures and allowance.
 - 5.9. All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.

6. APPENDICES

Appendix I: List of Staff interviewed

No	Designation	Department
1	CEO – County Public Service Board	County Public Service Board
2	Director of Human Resources	Public Service and Administration
3	Payroll Officer	Public Service and Administration
5	Payroll Manager	Public Service and Administration

Appendix II: List of Annexures

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

No	Annexure	Description
1	Annexure 1	Budget Votes in Payrolls Systems not Aligned with those in Approved Budget
2	Annexure 2	Employees recruited in the financial years 2021/22,2022/23,2023/24
3	Annexure 3	Recruitment made with no advertisement
4	Annexure 4	Interns recruited with no advertisement
5	Annexure 5	Irregular creation of Governor delivery unit
6	Annexure 6	Employee with no requisite academic qualification
7	Annexure 7	Employee with no appointment letter in his personal file

8	Annexure 8	Designation not in the Staff Establishment
9	Annexure 9	Designation not in IPPD
10	Annexure 10	Designation not defined in IPPD
11	Annexure 11	Birthdate captured incorrectly in IPPD
12	Annexure 12	Identification captured incorrectly in IPPD
13	Annexure 13	Employees in chief officers list but not captured in IPPD
14	Annexure 14	Employees in IPPD but not captured in the chief officers list
15	Annexure 15	Employees who did not show up for the physical verification exercise
16	Annexure 16	Charging of Employee Costs to the Wrong Budget Vote
17	Annexure 17	Payment of Hardship Allowance to Members of the County Public Service Board
18	Annexure 18	Overpayment of salary to county public service board members
19	Annexure 19	Employee skipping more than one job Group in the same financial year
20	Annexure 20	Employees Skipping Job group more than twice in a year
21	Annexure 21	Use of Manual Payroll
22	Annexure 22	Payment of Arrears as Monthly Gross Pay
23	Annexure 23	Non-Compliance to Remittance of Statutory Deductions
24	Annexure 24	Active employees over 60 years as at 30 JUNE 2024
25	Annexure 25	Underpayment of Salary and allowances in HRIS-Ke
26	Annexure 26	Introduction of Employees in HRIS-Ke

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