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

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COUNTY 044

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

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

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

Audit Objectives

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

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

Audit Scope and Limitations

- 1.7 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls.
- 1.8 The County Executive did not provide casual payrolls payment vouchers for the year 2021/2022. This limitation was however mitigated by using data analysis to test the controls.

Methods of Gathering Evidence

- 1.9 The Special Audit on Payroll Management involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County Executive.
- 1.10 The method 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 conducted to test data integrity.

Summary of Audit Findings

The key audit findings are as detailed below: -

A. Payroll Budgeting

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

- 1.11 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 ratio of the actual personal emolument expenditure, with the actual revenue, revealed that the County Executive

exceeded the thirty-five percent (35%) threshold in the three (3) years. This indicates a growing wage bill, which has strained the county's financial resources, limiting funds available for critical development projects and essential service delivery.

II. Budgetary Control and Performance

- 1.13 Regulations, 29(2)(a) of the Public Finance Management (County Executives), Regulations, 2015 require the accounting officer to be responsible, for ensuring that all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of the County Government entity during the financial year.
- 1.14 The Special Audit established that the county overspent on personal emoluments compared to the budgeted amounts in the audited financial statements for the years 2021/2022 and 2022/2023. However, in the year 2023/2024, the county underspent in this category.

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

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

B. Recruitment Process

I. Lack of Annual Recruitment Plans

- 1.16 During the period under audit review, the County Executive recruited One hundred and thirty-five (135) 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.

C. Employee Data Management

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

- 1.17 The Special Audit identified two hundred and sixty-two (262) employees with inconsistent date of birth. This highlight concerns about the accuracy of employee data. Interview with fifty-nine (59) employees and verification of their identification documents established that the dates captured in the IPPD System and the HRIS-Ke for sixteen (16) employees were different from those in employees' Birth Certificates. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).

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

- 1.18 The Chief officers (Cos) were requested to provide a list of staff members in their respective departments as at 30 June 2024. A comparison of staff lists countersigned by various COs with the staff register from the IPPD system established that two hundred and sixty-two (262) employees were in IPPD but were not in the lists provided by COs. These employees collectively received a gross payments totaling to Kshs 25,034,367.

III. Authenticity of Employees in the Payroll

- 1.19 The Special Audit requested sixty-eight (68) employees from the County Executive to present themselves for physical verification. However, five (5) employees did present themselves. The officers collectively received gross salary amounting to Kshs.2,187,760.

IV. Employee sharing Identification Documents in other government entities

- 1.20 The Special Audit identified one (1) employee in the Migori county sharing National Identification Number with employee in other government entities. The total amount paid to these employees at the County was Kshs.357,230.00 while that paid by the other entity was Kshs.810,684.50.

D. Payroll Processing and Payments

I. Charging of Employee Costs to the Wrong Budget Vote

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

II. Promotions Not Supported by Documentation

- 1.22 The Special Audit established that one (1) employee changed job groups more than once within a financial year or skipped job groups within the period under review. Management did not provide evidence to justify the changing or skipping of job groups. In this regard, it was not possible to determine whether the changes in Job Groups were regular.

III. Irregular Payment of Allowances

- 1.23 The Special Audit established that three (3) employees were irregularly paid special salary amounting to Kshs.527,640.00 in the year 2023/2024. This was in addition to basic salary.

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

- 1.24 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024. A comparison between data from the IPPD System for November 2024 and that from the HRIS-Ke data for December 2024 established overpayment of extraneous allowances amounting to Kshs.1,345,000 and non- payment of extraneous duty allowance for sixty-six (66) employees.

Conclusion

- 1.25 The Special Audit of payrolls for the Migori County Executive uncovered several audit issues in payroll and human resource management, which may negatively affect its financial sustainability, compliance, and operational efficiency. In view of the findings, the Special Audit concludes as follows:
- 1.26 The non-compliance with requirements on limiting the Employee Cost within thirty-five (35%) of Revenue indicates weaknesses in internal budgeting process and inadequate oversight role by the County Assembly. Therefore, the County's financial resources are strained, limiting the funds available for critical development projects and essential service delivery.
- 1.27 The 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.
- 1.28 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.
- 1.29 The Special Audit identified weaknesses in the recruitment process, including lack of critical recruitment documents. These weaknesses undermine transparency, fairness, and compliance with established recruitment procedures. It may result in unqualified or ineligible individuals being employed.
- 1.30 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.

- 1.31 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, inaccurate National ID Numbers and the use of manual payrolls. This indicates weak payroll controls, including lack of data validation controls.
- 1.32 The inconsistencies in the migration of payroll processing from the Integrated Personnel and Payroll Database (IPPD) to the Human Resource Information System-Kenya (HRIS-Ke), effected in December 2024, characterized by significant data integrity and system control weaknesses point to inadequate system testing, lack of reconciliation protocols, and poor change management during the migration process.
- 1.33 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.
- 1.34 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

- 1.35 In view of the findings and conclusion of the Special Audit, the following is recommended for implementation by the Migori County Executive.
- 1.36 To ensure compliance with fiscal responsibility principle on capping expenditure on wages to thirty-five (35%) percent of the County Executive's total revenue, the County Assembly should ensure adherence to the thirty-five (35%) capping before the approval of the budgets.
- 1.37 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.
- 1.38 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.
- 1.39 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.
- 1.40 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 enforce compliance with set labor laws, 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.

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

cleaned payrolls in the human resource management information system;

- ii. Participating counties that are enhancing accountability for results through an integrated performance management framework.

2.4 From 2013, the County Executive was using the Integrated Payroll and Personnel Database (IPPD) System to operate payroll for employees with personal numbers, while excel spreadsheets were used to operate payroll for employees without personal numbers. However, due to technological limitations at the time of its development, IPPD did not comprehensively address all human resource related functions. This led to development of a web-based Human Resource Information System-Kenya (HRIS-Ke) in 2024.

2.5 A parallel run of the IPPD System and HRIS-Ke was conducted across Ministries, Departments and Agencies and County Governments in November 2024. This was to ensure the readiness of the HRIS-Ke for roll out. Thereafter, in January 2025, the HRIS-ke was fully adopted for payroll management.

Number of Employees and Payroll Expenditure

2.6 over the three-year period under review, there was a gradual increase in the number of employees and payroll costs.

2.7 The overall employee percentage change across the audit period was **19%**. While the cumulative growth in employee costs over the same period was approximately **10%** as shown in **Figures 1 and 2**.

Figure 1: Cumulative Growth in Number of employees

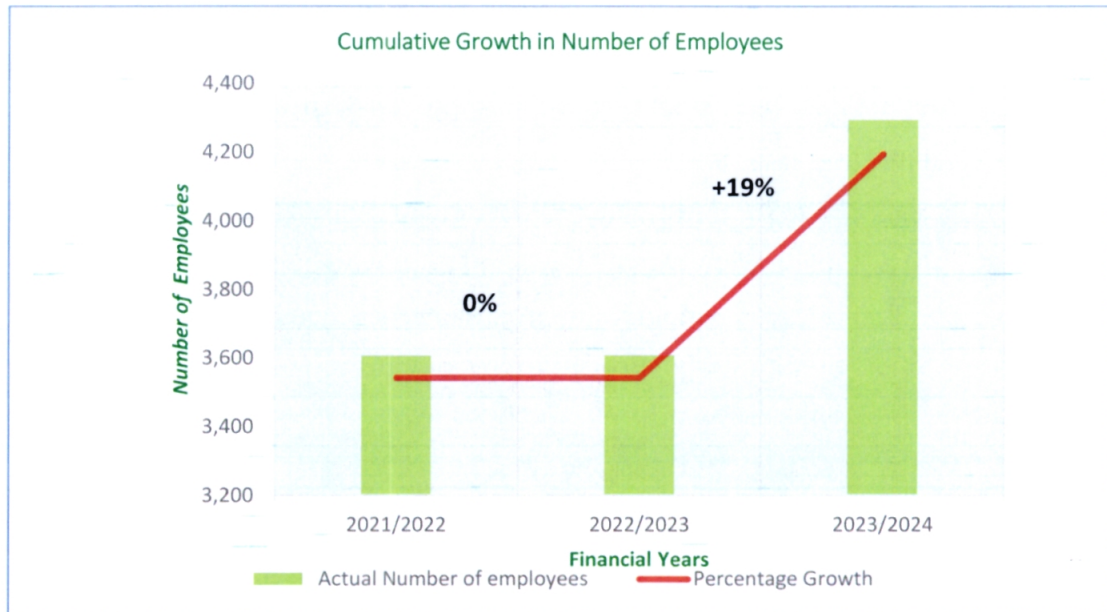
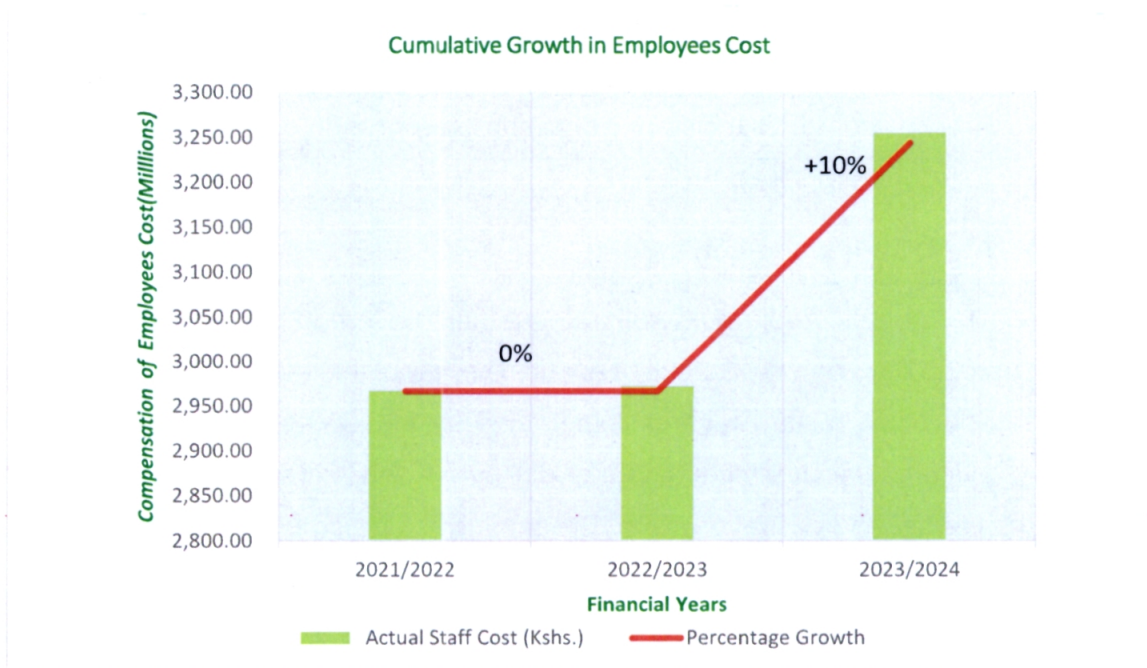


Figure 2: Cumulative Growth in Employee Cost over the three years



Audit Objectives

- 2.8 The objective of the Special Audit on Payroll Management was to assess the adequacy of controls and compliance across the entire payroll process from budgeting, 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 Human Resource Information System – Kenya (HRIS-Ke).

Audit Scope and Limitations

- 2.9 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls. The audit was carried out in the month of March, 2025.
- 2.10 The County Executive did not provide casual salaries payment vouchers for the financial year 2021/2022 and 2022/2023. This limitation was mitigated by using data analysis to test the controls.

Audit Methodology

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

Methods of Gathering Evidence

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

a) Document Review

- 2.14 The Audit Team reviewed various documents in order to set audit criteria and assess compliance with the criteria and in gathering audit evidence. They include:
- i. The Constitution of Kenya, 2010;
 - ii. The Public Finance Management Act, 2012;
 - iii. The Public Finance Management (County Governments) Regulations, 2015;
 - iv. County Governments Act, 2012;
 - v. Employment Act, 2007;
 - vi. National Security Fund Act, 2013;
 - vii. National Health Insurance Fund Act, 1998 (Now Repealed);
 - viii. The SRC Circular SRC/TS/29(81), dated 10 August 2023;
 - ix. The SRC Circular on the Compendium of Remuneration and Benefits for Public Service, dated December 2022;
 - x. The SRC Circular SRC/TS/MDP/3/1/2(2), dated 11 August 2015;
 - xi. Public Service Commission Human Resource Policies and Procedures Manual of May 2016;
 - xii. Employees' physical files;
 - xiii. Collective Bargaining Agreements (CBA), 2013;

- xiv. Affordable Housing Act, 2024;
- xv. The County Executive Financial Statements for financial years 2021/2022, 2022/2023 and 2023/2024;
- xvi. The County Executive Budgets financial years 2021/2022, 2022/2023 and 2023/2024;

b) Data Analytics

- 2.15 The payroll and staff register data from the IPPD System was extracted and analyzed. The exceptions from the analysis formed the basis for verification with payroll records maintained by the County Executive. 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.
 - v. IFMIS Account analysis report

c) Interviews

- 2.16 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

- 2.17 The Audit Team requested all the Chief Officers to provide countersigned list of staff members in their departments as at 30 June 2024. The lists were compared with the IPPD staff registers maintained by the County Executive.
- 2.18 The Audit Team through the County Secretary, requested Sixty-eight (68) employees to present themselves for a physical verification. This was based on initial exceptions from data analytics. The verification was to confirm existence of staff, their employment status and the accuracy of the staff personal data maintained in the payroll systems.

Report Structure

2.19 The report is organized as follows:

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

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

3. DETAILED FINDINGS

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

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

A. Payroll Budgeting

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

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

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

3.4 The Special Audit established that the ratio of budgeted compensation of employee ratio were below the 35% of the budgeted revenue in the three (3) financial years as detailed in **Table 1**.

Table 1: Budgeted Employee Cost to Budgeted Revenue ratio

Period	Budgeted Revenue (Kshs.)	Budgeted Expenditure of Staff Emoluments (Kshs.)	Revenue/ Expenditure Ratio
2021/2022	10,469,528,812.00	3,489,241,830.00	33%
2022/2023	9,411,515,533.00	2,964,884,993.00	32%
2023/2024	9,498,868,982.00	2,626,686,471.00	28%

*Source: Approved Budget

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

Table 2: Actual Employee Cost to Revenue ratio

Financial Year	Actual revenue (Kshs)	Expenditure of Staff Emoluments (Kshs)	Revenue/ Expenditure Ratio
2021/2022	7,903,532,000.00	2,966,768,763.00	38%
2022/2023	7,760,377,638.00	2,971,740,018.00	38%
2023/2024	8,667,087,798.00	3,255,148,943.00	38%

*Source: Audited Financial Statements

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

II. Budget control Performance

- 3.7 Regulations, 29(2)(a) of the Public Finance Management (County Governments), Regulations, 2015 require the accounting officer to be responsible, for ensuring that all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of the County Government entity during the financial year.
- 3.8 The Special Audit established that the county overspent on personal emoluments compared to the budgeted amounts in the audited financial statements for the years 2021/2022 and 2022/2023. However, in the year

2023/2024, the county underspent in this category. These details are presented in **Table 3**.

Table 3: Compensation of Employee Budget Utilization

Financial Year	Budgeted Compensation of employees	Actual Compensation of employees	Over/Under spending
2021/2022	2,626,686,471.00	2,966,768,763.00	340,082,292.00
2022/2023	2,964,884,993.00	2,971,740,018.00	6,855,025.00
2023/2024	3,489,241,830.00	3,255,148,943.00	(234,092,887.00)

*Source: Financial statement

- 3.9 The under/over expenditure indicates poor budget execution and planning, which may negatively impact service delivery to the public.

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

- 3.10 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.
- 3.11 A comparison of payroll reports extracted from IPPD system with approved budget established that the vote heads in IPPD System were not aligned with those in the approved budget as detailed in **Annexure 1**.
- 3.12 One of the primary factors contributing to the misalignment between the departments and the vote lines was the failure to update the IPPD system to reflect changes resulting from the restructuring and consolidation of various sectors within the County Executive.
- 3.13 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, the HRIS-Ke had similar designations to those in the IPPD System.
- 3.14 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

- 3.15 The recruitment process was evaluated 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

- 3.16 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 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.
- 3.17 The County Executive recruited one hundred and thirty-five (135) employees (Excluding casuals) during the financial year 2021/2022. However, it was established that the recruiting departments did not have annual recruitment plans to guide the recruitments. Further, no evidence was provided to prove that budgetary availability was sought before the recruitments were made as detailed in **Annexure 2**.
- 3.18 Lack of annual recruitment plans supported by budgetary evidence can result in either over Employing, under Employing, or hiring for roles that do not align with organizational priorities.

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

- 3.19 Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness,
- 3.20 The Special Audit established that three hundred and eighty (380) designations were configured. However, out of the configured designations, sixteen (16) were not in the approved employee's establishment as detailed in **Annexure 3**.

Further, three thousand, one hundred and Seventy-Seven (3177) employee were grouped in the three hundred and eighty (380) designation.

- 3.21 As a result of the misalignment between the staffing records in the payroll system and the approved Employees establishment, it was not possible to establish whether the County filled positions in accordance with the approved Employees establishment. This may lead to inefficiencies in workforce planning, budget overruns.

C. Employee Data Management

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

I. Integrity of Dates of Birth Records in Payroll Systems.

- 3.23 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective. Further, Circular Ref. No: PSC/ ADM/ 13(9) dated 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.
- 3.24 The Special Audit identified two Hundred and sixty-two (262) employees in the IPPD system with inconsistent date of birth.
- 3.25 Interview with fifty-nine (59) employees and verification of their identification documents established that the dates captured in the IPPD System and the HRIS-Ke for sixteen (16) employees were different from those in employees' Birth Certificates. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9) dated 19 November, 2020 as detailed in **Annexure 4**.
- 3.26 The inaccurate capture 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 in their Departments.

- 3.27 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.
- 3.28 The Letter of Engagement addressed to the County Secretary for the in-depth audit of payroll, dated 13 February 2025, Ref: OAG/SAS/SADS/KDSP-PAYROLL/3/043 required Chief Offices (COs) to provide list of Employees in their department as at 30 June 2024. This list was to be compared with employees in the payroll systems.
- 3.29 A comparison of staff lists countersigned by various COs with the staff register from the IPPD system established that two hundred and sixty-two (262) employees were in IPPD but not in the lists provided by COs. These employees collectively received a gross payments amounting to Kshs.25,034,367.35 as detailed in **Annexure 5**.

III. Authenticity of Employees in the Payroll

- 3.30 The Office of the Auditor-General requested for a physical verification of sampled Employees via the letter OAG/SA/SADS/KDSP-PAYROLL/4/044 dated 6 March 2025, addressed to the County Secretary of the Migori County Government.
- 3.31 The letter requested sixty-eight (68) employees to present themselves for physical verification. However, five (5) employees did present themselves. The officers collectively received gross salary amounting to Kshs.2,187,760 as shown in **annexure 6**.

IV. Drawing Salary from Different Government Entities

- 3.32 Section 149(1) of the Public Finance Management Act, 2012 imposes on an accounting officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is (a) lawful and authorized, and (b) effective, efficient, economical and transparent.
- 3.33 The Special Audit further established that during the financial year 2023/2024, one (1) employee in the county shared National Identification Number with employees in other government entities. The total amount paid to these employees at the County was Kshs.357,230.00 while that paid by the other entity was Kshs.810,684.50 as shown in **Annexure 7**.

D. Payroll Processing and Payments

- 3.34 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

- 3.35 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.
- 3.36 The Audit established that there was a misalignment between departmental Vote Heads in the IPPD System and those in the Integrated Financial Management Information System (IFMIS) Ledger Accounts. As a result, a comparison of the gross salary processed through the IPPD System, casual payrolls and manual payrolls with salary ledgers from the IFMIS established the Vote Head configured in the IPPD System were different from that in the IFMIS as shown in **Annexure 8**.
- 3.37 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, at the time of audit, the HRIS-Ke had similar date of birth to those in the IPPD System.

3.38 This misalignment creates inconsistencies between budget allocations and actual expenditures by departmental, therefore increasing the risk of misuse of funds.

II. Promotions Not Supported by Documentation

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

3.40 The Special Audit established that one (1) employee changed job groups more than once within a financial year or skipped job groups within the years under review as shown in **Annexure 9**. The Management did not provide evidence to justify the changing or skipping of job groups. In this regard, it was not possible to determine whether the changes in Job Groups were regular.

III. Irregular payment of Special Salaries

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

3.42 The Special Audit established that three (3) employees were irregularly paid special salary in addition to basic salary in the year 2023/2024. The total amount irregularly paid was Kshs.222,000 as shown in **Annexure 10**.

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

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

I. Overpayment and non-payment of extraneous duty allowance

3.44 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.

3.45 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024. A comparison between November, 2024 IPPD data and December 2024 HRIS-Ke data established instances of overpayment and non-payments of extraneous duty allowance as demonstrated in **Table 4** and detailed in **Annexure 11** and **12**.

Table 4: Overpayment and nonpayment of extraneous duty allowance

Earnings	Total Amount Overpaid		Not Paid	
	NO of Employees	Amount (Kshs)	No of Employees	Amount
Extraneous Duty Allowance	205	1,345,000	66	0

*Source: Payroll Systems

3.46 This may result to loss of funds arising from irregular or overpayment of salary and allowances. Further, the morale of the underpaid employees may be negatively affected resulting to reduced productivity.

4. CONCLUSION

- 4.1 The Special Audit of payrolls for the Migori 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 internal budgeting process and inadequate oversight role by the County Assembly. Therefore, the County's financial resources are strained, limiting the funds available for critical development projects and essential service delivery.
- 4.3 The 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.
- 4.4 The Vote Heads in the IPPD System were not aligned with those in the approved budgets and those configured in the IFMIS Ledgers. The misalignment hinders effective management of departmental budgets and control, resulting to inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.
- 4.5 The Special Audit identified weaknesses in the recruitment process, including lack of critical recruitment documents. These weaknesses undermine transparency, fairness, and compliance with established recruitment procedures. It may result in unqualified or ineligible individuals being employed.
- 4.6 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.

- 4.7 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, inaccurate National ID Numbers and the use of manual payrolls. This indicates weak payroll controls, including lack of data validation controls.
- 4.8 The County Executive did not comply with statutory deductions and ethnicity requirements as evidenced by delayed statutory remittances and non-compliance with the requirement on ethnic diversity. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 4.9 The inconsistencies in the migration of payroll processing from the Integrated Personnel and Payroll Database (IPPD) to the Human Resource Information System-Kenya (HRIS-Ke), effected in December 2024, characterized by significant data integrity and system control weaknesses point to inadequate system testing, lack of reconciliation protocols, and poor change management during the migration process.
- 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.
- 4.11 The identified audit issues had persisted over time, suggesting a failure of risk identification mechanisms and an underperforming internal audit function that may not have identified and prevented the control breaches in a timely manner.

5. RECOMMENDATION

- 5.1 In view of the findings and conclusion of the Special Audit, the following is recommended for implementation by the Migori County Executive:
- 5.2 To ensure compliance with fiscal responsibility principle on capping expenditure on wages to thirty-five (35%) percent of the County Executive's total revenue, the County Assembly should ensure adherence to the thirty-five (35%) capping before the approval of the budgets.
- 5.3 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.
- 5.4 To enhance transparency, fairness, and accountability in the recruitment process, the County Executive should develop and implement annual recruitment plans aligned with staffing needs and budgetary provisions. Additionally, recruitment processes should be strengthened to ensure transparency, including public advertisement of vacancies, consideration of only formally submitted applications, and securing budget approvals before initiating any recruitment activities.
- 5.5 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.
- 5.6 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.

- 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.

6. APPENDICES

Annexure 1: List of Staff Interviewed

No	Designation	Department
1	CEO CPSB	CSPB
3	Payroll Manager	Payroll
4	Payroll Accountants	Finance and environment
5	IFMIS Accountant	Finance and accounting
6	Human Resource Officer	Health
7	Head of Accounts	Finance and accounting

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


Annexure 2: List of Annexures


No	Annexure	Descriptions
1	Annexure 1	Budget Votes in Payroll Not Aligned with Those in Approved Budget
2	Annexure 2	Employees Employed without annual recruitment plan
3	Annexure 3	Designations in the Human Resource Information System - Kenya not Aligned with Approved Staff Establishment
4	Annexure 4	Employees with Different Birth Dates in IPPD and Birth Certificate.
5	Annexure 5	Staff in IPPD Payroll but not in the COs Staff list
6	Annexure 6	Employee who did not present themselves for physical verification
7	Annexure 7	Employees in the county sharing National Identification Number with employees in other government entities
8	Annexure 8	Misalignment Of IPPD with Ledger Summary (Ifmis)
9	Annexure 9	Irregular Promotions and Appointments
10	Annexure 10	Employee Irregularly paid special salary in Addition to Basic salary
11	Annexure 11	Staff Overpaid Extraneous Duty Allowance
12	Annexure 12	Nonpayment of Extraneous duty allowance


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