



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

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EMPLOYEES

PAYROLL

COUNTY 031

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

The Special Audit evaluated the human resource and payroll processes at the Laikipia 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 Laikipia 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 Laikipia County Public Service Board and the Governor, Laikipia 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
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
OAG	Office of the Auditor-General
PAYE	Pay As You Earn
PFM	Public Finance Management
PSC	Public Service Commission
SRC	Salaries and Remuneration Commission

1. EXECUTIVE SUMMARY

Introduction and Background

- 1.1. Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7 (1) (a) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance at national and county governments. In addition, Section 34 of the Public Audit Act, 2015 mandates the Auditor-General to conduct periodic audits upon request or at the Auditor-General's own initiative, with a view to evaluating the effectiveness of risk management, control and governance processes in public entities. The Special audit of the Laikipia County Executive (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 HRIS-Ke was conducted across Ministries, Departments and Agencies and County Governments in November 2024. This was to ensure the readiness of the HRIS-Ke for roll out. Thereafter, in January 2025, the HRIS-Ke was fully adopted for payroll management.

Audit Objectives

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

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

Audit Scope and Limitations

- 1.7. The Special audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls.
- 1.8. The County Executive did not provide recommendations by the County Human Resource Management Advisory Committee (CHRMAC) on departmental recruitment requests; However, this limitation was mitigated by using data analysis to test the controls.

Methods of Gathering Evidence

- 1.9. The Special Audit on Payroll Management involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County Executive.
- 1.10. The methods used to gather audit evidence included document review, data analytics, interviews with key payroll staff and physical verification of staff. Further, audit evidence was gathered through walk through tests. In addition, data validation was also conducted to test data integrity.

Summary of Audit Findings

The key audit findings are as detailed below: -

A. Payroll Budgeting

I. The Employee Cost 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 the ratio of the budgeted compensation of employees to the budgeted revenue for the County Executive exceeded the thirty-five (35%) in in 2022/2023 and 2023/2024 financial years. Further, a comparison of the actual personal emolument expenditure, with the actual revenue, revealed that the County Executive also exceeded the thirty-five percent (35%) threshold in the three (3) years. This indicates a growing wage bill, which has strained the county's financial resources, limiting funds available for critical development projects and essential service delivery.

B. Recruitment Process

I. Lack of Annual Recruitment Plans

- 1.13. During the period under audit review, the County Executive recruited nine hundred and thirteen (913) employees, excluding casual workers. The audit established that the departments that initiated the recruitments did not have annual recruitment plans to guide the recruitment process.
- 1.14. Further, no evidence was provided to prove that budgetary availability was sought before initiating the recruitment process. The lack of annual recruitment plans and lack of confirmation of availability of budgets can result in either overstaffing, understaffing, or hiring staff for roles that do not align with organizational priorities.

II. Weaknesses in the Recruitment and Management of Casual Employees

- 1.15. The departments that recruited casual employees did not provide records indicating how the employees were hired. Further, the County Public Service Board did not receive periodic returns from the respective departments that engaged casual workers. In addition, during the financial year 2023/2024, the Department of Health recruited casual workers without involving the County Public Service Board (CPSB).
- 1.16. The weaknesses in the recruitment and management of casual employees increases the risk of mismanagement of casual wages. Further, the County Public Service Board's ability to exercise oversight, monitor workforce efficiency, and make informed staffing decisions is undermined.

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

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

IV. Over Establishment of Staff

- 1.18. The Special Audit established that the County Executive had four thousand, eight hundred and seventy-six (4,876) employees in IPPD System against a staff establishment of four thousand, four hundred and eighty-two (4,482). This represents a 9%, over establishment, which may strain the County's financial resources, limiting funds available for critical development projects and essential service delivery.

C. Employee Data Management

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

- 1.19. The Special Audit identified forty-nine (49) employees with inconsistent date of birth. Interview with a sample of ninety-six (96) employees and verification of their

identification documents established that the dates captured in the IPPD System for twenty-two (22) 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. Authenticity of Staff in the Payroll

- 1.20. The Special Audit requested one hundred and ninety-six (96) employees from the County Executive to present themselves for physical verification. However, one (1) employee did not avail themselves for the exercise, despite multiple attempts to reach out to him. During the period under review, the employee collectively received gross salaries amounting to Kshs.351,360. These employees may not exist, presenting the risk of irregular or fraudulent payments.

D. Payroll Processing and Payments

I. Unsupported Payments to Casual Workers

- 1.21. The Special Audit established that there were unsupported payments to casual workers totaling to Kshs.2,781,619 in the 2021/2022 financial year. These payments lacked documentation such as vouchers, invoices, and payment schedules, undermining their authenticity.

II. Use of Manual Payroll

- 1.22. The Special Audit established that during the period under review, the County Executive had employees whose salary totaling to Kshs.871,130,109 were processed through payrolls maintained in excel. The use of manual payroll systems for salary processing is vulnerable to manipulation and fraud, potentially resulting in unauthorized payments and disbursements to unverified personnel.

E. Compliance with Laws and Regulations

I. Non-Compliance with Remittance of Statutory Deductions

- 1.23. A comparison of statutory deductions for employees in the IPPD Payroll System with the County Executive's Bank Statements for the year 2023/2024 revealed instances of delay in remittance of National Health Insurance Fund (now appealed), National Social Security Fund, and Pay As You Earn deductions. The

delay ranged from three (3) days to sixty-six (66) days. This exposes the County Executive to penalties, interest, and reputational risks, thereby undermining stakeholders' confidence

II. Non-Compliance with Requirement on Ethnic Diversity

- 1.24. Analysis of records of employees in the IPPD System as at 30 June 2024 established that 71% of the staff were from one dominant ethnic community, contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008.

III. Other Non-Compliance Issues

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

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

- 1.26. The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December, 2024. Comparison between payroll data from the IPPD System and HRIS-Ke for the month of November, 2024 and December 2024 respectively established instances of overpayment and underpayments of allowances, over-deductions and under-deductions of PAYE, and unjustified upgrades in employee job groups.

Conclusion

- 1.27. The Special Audit of payrolls for Laikipia 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:
- 1.28. 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.
- 1.29. 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.
- 1.30. The recruitments of casual workers without involving the County Public Service Board and lack of a staff establishment demonstrates ineffective workforce planning and deviation from established staffing structures. This practice can result in either overstaffing or hiring staff for roles that do not align with organizational priorities, which have an impact on the budget.
- 1.31. 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.
- 1.32. The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate

employees' dates of birth and the use of manual payrolls. This indicates weak payroll controls, including lack of data validation controls.

- 1.33. The authenticity of an employee could not be established. This was evidenced by the failure of one employee to appear for physical verification. This casts doubt on the authenticity of payroll records and raise the risk of irregular or fraudulent payments, including paying salary to the staff who do not offer services to the County Executive.
- 1.34. The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate dates of birth of employees. This indicates weak payroll controls including lack of data validation controls.
- 1.35. The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances and non-compliance with the requirement on ethnic diversity and with the one-third basic salary rule. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 1.36. 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.
- 1.37. 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.

1.38. The identified audit issues had persisted over time, suggesting a failure of risk identification mechanisms and an underperforming internal audit function that may not have identified and prevented the control breaches in a timely manner.

Recommendations

- 1.39. In view of the findings and conclusions of the Special audit, the following is recommended to the Laikipia County Executive;
- 1.40. 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.
- 1.41. 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.
- 1.42. 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.
- 1.43. 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.
- 1.44. 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.

1.45. To ensure no payment is made to non-existent employees, salary payments to all staff who failed to present themselves for physical verification should be suspended.

1.46. 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.

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 Laikipia 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.

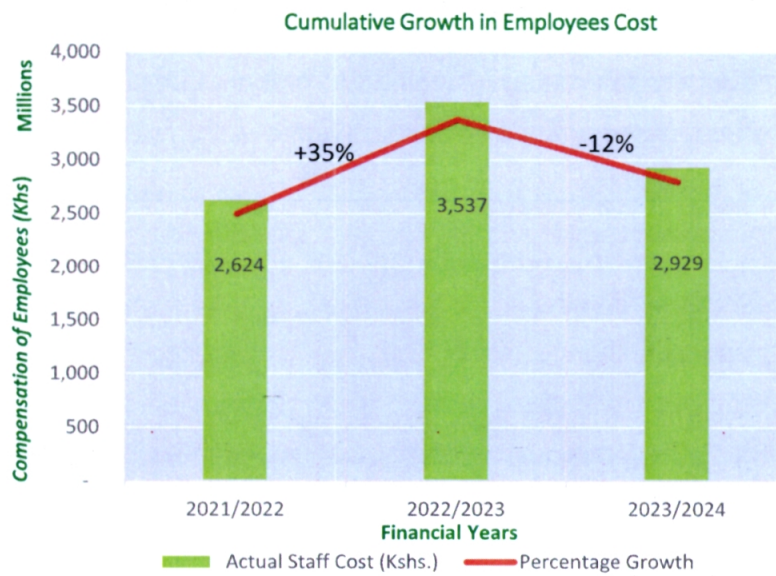
Numbers of Employees and Payroll Expenditure

- 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 **-20%**. While the cumulative growth in payroll costs over the three years was approximately **23%** as indicated in **Figures 1 and 2**.

Figure 1: Cumulative Growth of Number of Staff



Figure 2: Cumulative Growth of Payroll Cost



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 and recruitment to salary processing and payment. The specific objectives were to:
- i. Evaluate whether the preparation and execution of the payroll budget align with relevant laws and approved budgetary provisions,
 - ii. Assess whether the recruitment process complied with applicable legal, regulatory, and organizational frameworks governing employment,
 - iii. Assess the integrity of payroll data and identify any double entries, entries in multiple institutions, unverified employees, or inconsistencies across the County Government Payroll System,
 - iv. Determine the accuracy of payroll calculations and payments,
 - v. Evaluate adherence to tax laws, labour laws, and other statutory requirements.
 - vi. Assess whether payroll data was accurately and completely migrated from the Integrated Payroll and Personnel Database (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.
- 2.10. The audit was carried out in the month of February, 2025.

Audit Methodology

- 2.11. 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

- 2.12. The Special Audit of payrolls involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County Management.
- 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 including: -
- i. The Constitution of Kenya, 2010;
 - ii. The Public Finance Management Act, 2012;
 - iii. The Public Finance Management (County Governments) Regulations, 2015;
 - iv. County Governments Act, 2012;
 - v. Employment Act, 2007;
 - vi. National Security Fund Act, 2013;
 - vii. National Health Insurance Fund Act, 1998 (Now Repealed);
 - viii. The SRC Circular SRC/TS/29(81), dated 10 August 2023;
 - ix. The SRC Circular on the Compendium of Remuneration and Benefits for Public Service, dated December 2022;
 - x. The SRC Circular SRC/TS/MDP/3/1/2(2), dated 11 August 2015;
 - xi. Laikipia County Government Human Resource Policies and Procedures Manual, December 2021;
 - xii. Public Service Commission Human Resource Policies and Procedures Manual of May 2016;
 - xiii. Employees' physical files;

- xiv. Collective Bargaining Agreements (CBA), 2013;
- xv. Affordable Housing Act, 2024;
- xvi. The County Executive Financial Statements for financial years 2021/2022, 2022/2023 and 2023/2024;
- xvii. The County Executive Budgets financial years 2021/2022, 2022/2023 and 2023/2024;

b) Data Analytics

- 2.15. The payroll and staff register data from IPPD System was extracted and analyzed. The exceptions from the analysis formed the basis for verification with payroll records maintained by the County Executive.
- 2.16. The following data sets for financial years 2021/2022, 2022/2023 and 2023/2024 were analyzed: -
- i. IPPD Staff Registers and Payroll data
 - ii. HRIS-Ke Payroll data
 - iii. Manual Payroll data
 - iv. Casual payrolls data
 - v. Payment schedules
 - vi. Itemized budgets for staff costs; and
 - vii. Chief Officers staff list for each department as at 30 June, 2024

c) Interviews

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

d) Physical Verification of Staff

- 2.18. The Audit Team requested all the Chief Officers to provide countersigned lists of staff members in their departments as at 30 June, 2024. The lists were compared with the IPPD staff registers maintained by the County Executive.
- 2.19. The Audit team through the County Secretary, requested ninety-six (96) employees to present themselves in person for a physical verification, which was based on initial exceptions during data analytics. This verification was to ensure existence of staff, their employment status and accuracy of personal data maintained in the payroll systems.

Report Structure

- 2.20. The report is organized as follows:
- i. Executive Summary;
 - ii. Introduction and Background;
 - iii. Detailed Findings;
 - iv. Conclusion;
 - v. Recommendations; and
 - vi. Appendices.
- 2.21. The report should be read in its entirety 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 System to Human Resource Information System-Kenya.

A. Payroll Budgeting.

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

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

- 3.3. Regulation 25(1)(a) of Public Finance Management (County Governments) Regulations, 2015 requires the County Executive Committee Member for Finance with the approval of the County Assembly to set a limit on the county government's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the Public Finance Management Act, 2012. 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 for the in-depth payroll audit established that compensation to employee's ratio exceeded 35% of the budgeted revenue in two (2) of the three (3) financial years contrary to Regulation 25(1)(a) of Public Finance Management (County Governments) Regulations, 2015 as summarized in **Table 1**.

Table 1: Budgeted Revenue to Budgeted Employee Cost

Financial Year	Budgeted Revenue (Kshs.)	Budgeted Cost of Personal Emoluments (Kshs.)	% Of Utilization
2021/2022	8,340,703,410	2,945,073,663	35%
2022/2023	6,425,546,621	3,552,300,640	55%
2023/2024	7,080,656,223	3,046,955,793	43%

*Source: Audited Financial Statements

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

Table 2: Actual Employee Cost to Revenue ratio

Financial Year	Actual Revenue (Kshs)	Actual Employee Cost (Kshs)	Revenue/Employee (%) Ratio
2021/2022	5,275,273,304	2,624,226,998	50%
2022/2023	5,878,950,627	3,536,889,453	60%
2023/2024	5,363,059,747	2,929,101,094	55%

*Source: Audited Financial Statements

- 3.6. The increase in percentage of compensation of employee to the 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.

B. Recruitment Process

- 3.7. 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

- 3.8. Section 59(1)(g) of the County Governments Act 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. 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.
- 3.9. The County Executive recruited three hundred and eighty-two (382), five hundred and twenty-nine (529), and two (2) employees excluding casuals, during the financial years 2021/2022, 2022/2023 and 2023/2024, respectively as indicated in **Annexure 1**. However, it was established that the departments that initiated the recruitments did not have annual recruitment plans to guide the recruitments. Further, no evidence was provided to prove that budgetary availability was sought before the recruitments were initiated.
- 3.10. The lack of annual recruitment plans supported by budgetary provisions can result in either overstaffing, understaffing, or hiring staff for roles that do not align with organizational priorities.

II. Weaknesses in the Recruitment and Management of Casual Workers

- 3.11. Section 74 of the County Governments Act, 2012 states that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers in its public bodies and offices.
- 3.12. Review of records of casual employees from departments within the County Executive revealed that the County Public Service Board approved five hundred and thirty-two (532) casual workers to be recruited, as summarized in Table 3 and detailed in **Annexure 2**.

Table 3: Recruitment for three years

Year	Department	Recruited Employees	
		Casual	Formal
2021/22	<ul style="list-style-type: none"> • County Government Coordination, Administration ICT and Public Service • Livestock and Fisheries • Water Environment and Natural Resources • Youth and Sports Development • Roads and Public Works • Lands Housing and Renewable Energy • Trade Tourism and Cooperative development • Finance and County Treasury • Economic Planning and County Development • Education Social Services and Gender • Laikipia County Revenue Board • Laikipia County Development Authority 	1382	382
2022/23	<ul style="list-style-type: none"> • Education and Social Services • Health 	637	529
2023/24	<ul style="list-style-type: none"> • Health 	1077	2
	Total	3096	913

*Source: County Service Public Board Casual Workers Recruitment Records

3.13. Review of the recruitment process established the following internal control weaknesses:

- i. Enforcement Officers recruited in 2021 for the position of Enforcement Assistant (III), with effect from 3rd January 2022, ratified by the County Public Service Board (CPSB) via letter CGL/CPSB/INT.RESULTS/76/VOL.2(9) dated 15 December 2021, continued working despite their contracts expiring.
- ii. There was no evidence of recruitment advertisements, including notice board memos, to support the engagement of casual workers.
- iii. It was further observed that the County Public Service Board (CSPB) did not receive periodic returns from the respective departments engaging casual workers. The required returns, which include a list of engaged casual workers

and their payment records, were not submitted to facilitate verification and confirmation of the actual engagement of the casual workforce.

- iv. The recruitment was conducted without a documented job needs assessment review by CHRMAC (County Human Resource Management Advisory Committee) and approval by the County Public Service Board.

3.14. The lack of supporting evidence, such as muster rolls and failure to provide periodic returns presents the risk of mismanagement of casual wages and undermines the County Public Service Board's ability to exercise oversight, monitor workforce efficiency, and make informed staffing decisions.

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

3.15. Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness.

3.16. The Special audit established that there were three hundred eighty-nine (389) designations that were configured in the IPPD System. However, out of these configured designations, three hundred eighty-nine (389) configured designations, thirty-five (35) did not align with the approved designations in the staff establishment. Further, there were one thousand (1000) employees who were grouped in these thirty-five (35) designations as indicated in **Annexure 3**.

3.17. Similarly, certain designations included in the approved staff establishment had not been configured within the IPPD System. For example, such as Assistant Director Library Services, Leather Development Officer, Assistant Director Survey & Mapping, Assistant Electrical Engineer II, Enterprise Development Officer I, Commissioner of Co-operative, Artisan Grade [2]-Building and Assistant Public Health Officer [1], as indicated in **Annexure 4**.

3.18. 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.

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

IV. Over Establishment of Staff

- 3.20. Section 59 (1)(a) of the County Governments Acts, 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.
- 3.21. As at 30 June, 2024, the County Executive had four thousand, eight hundred and seventy-six (4876) employees in the IPPD System, against a staff establishment of four thousand, four hundred and eighty-two employees (4,482) which represents nine (9%) percent over establishment. Further there was an over-established by fifteen (15%) and eleven (11%) in the 2021/2022 and 2022/2023 financial years respectively as summarized in **Table 4**.

Table 4: Over Establishment of Staff in the County

Financial Year	Staff Establishment	IPPD	Manual	In Post (Both Manual and IPPD)	Variance
2021/2022	4,482	4157	821	4978	496 (11%)
2022/2023	4,482	4502	659	5161	679 (15%)
2023/2024	4,482	4494	382	4876	394 (9%)

*Source: Approved Staff Establishment and IPPD data

- 3.22. 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

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

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

- 3.24. 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.
- 3.25. The Special audit identified forty-nine (49) employees in the IPPD System with inconsistent dates of birth.
- 3.26. Interview with a sample of ninety-six (96) employees and verification of their identification documents established that the dates captured in the IPPD System for twenty-two (22) employees were different from those in employees' Birth Certificates as detailed in **Annexure 5**. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).
- 3.27. 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.
- 3.28. Inaccurate capture 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

II. Authenticity of Staff in the Payroll

- 3.29. The Office of the Auditor-General requested for a physical verification of sampled staff via the letter OAG/SA/SADS/KDSP-PAYROLL/4/031 dated 13 February 2025, which was addressed to the County Secretary, Laikipia County Government.
- 3.30. The Letter requested ninety-six (96) employees to present themselves for physical verification. However, one (1) employee did not present himself despite multiple attempts to reach out to him. During the period under review, the officer received a gross salary amounting to Kshs.351,360.00 as detailed in **Annexure 6**.
- 3.31. The employee who failed to present himself for the physical verification may not exist, raising the risk of irregular or fraudulent payments.

D. Payroll Processing and Payments

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

I. Irregular Payment of Extraneous Allowance.

- 3.33. Paragraph 43 of the Collective Bargaining Agreement (CBA), 2012 spells out payment of Honoraria allowance to employees from defunct local authority. The CBA further required payment of the Honoraria Allowance to be paid for extraneous service.
- 3.34. Analysis of extraneous allowances paid through the IPPD System revealed that there were two (2) employees who were paid extraneous allowance totaling to Kshs.223,660.00 as indicated in **Table 5** and detailed in **Annexure 7**. The Management did not provide evidence to prove that the employees were offering any extraneous service.

Table 5 : Irregular Payment of Extraneous Allowance

Financial Year	Number of Employees	Amounts Paid (Kshs.)
2021/2022	1	60,000
2022/2023	1	46,760
2023/2024	1	116,900
Total		223,660

*Source: IPPD Data

II. Use of Manual Payroll

- 3.35. Regulation 22 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015, requires the accounting officer to maintain effective systems of internal controls and have measures to ensure their effectiveness.
- 3.36. The Special Audit established that during the period under review, the County Executive had one thousand, eight hundred and sixty-two, (1,862) casual employees whose salaries totaling to Kshs.871,130,109 were being processed through payrolls maintained in Excel as indicated in **Table 6**.
- 3.37. These salary payments were processed for ECDE teachers, Revenue Clerks, Preparatory assistants and those employees on Contracts.

Table 6: Use of Manual Payroll for processing Salary

Financial Year	No. of Employees on Manual Payroll	Amount Paid (Kshs.)
2021/2022	821	638,473,433
2022/2023	659	99,667,984
2023/2024	382	132,988,692
Total	1,862	871,130,109

*Source: Manual payrolls

III. Unsupported Payment to Casuals Workers

- 3.38. Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective.
- 3.39. Analysis of the salary ledgers from IFMIS revealed that payments to casual workers during the three (3) years under review amounted to Kshs.482,841,171.

However, Kshs.2,781,619 of the transactions lacked adequate supporting documents like payment vouchers, and payment schedules, raising doubt about the authenticity of the payments as indicated in **Table 7**.

Table 7: Unsupported Payments to Casuals

Financial Year	Supported Payments to Casuals (Kshs.)	IFMIS Payments (Kshs.)	Variance (Kshs.)
2021/2022	129,684,756	134,500,000	2,781,619
Total			2,781,619

*Source: IFMIS Payments Accounts and Payment Vouchers

E. Compliance with Laws and Regulations

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

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

- 3.41. Section C.14 (1) of the Public Service Human Resource Policies and Procedures Manual, 2016 provides that acting allowance will not be payable to an officer for more than six (6) months.
- 3.42. The Special Audit established that one (1) employee, acted in substantive posts for eight (8) months and ten (10) months respectively as from 9 February 2022. This is contrary to Section C.14 (1) of the Public Service Human Resource Policies and Procedures Manual, 2016. The acting allowance paid to the officer amounted to Kshs.1,829,214 as detailed in **Annexure 8**.
- 3.43. Having one officer perform responsibilities in both the substantive and acting roles, for a long period may compromise their productivity, undermine accountability, and hinder effective service delivery.

II. Casuals Employees Engaged Beyond Stipulated Period

- 3.44. Section 37(1) of the Employment Act, 2007 provides that if a casual employee works continuously for a period equivalent to one month or performs tasks that extend beyond three months, their employment shall be deemed to be on a monthly wage contract basis.

- 3.45. Review of casual employee approval records from County Public Service Board revealed that revealed that one thousand seventy-seven (1077) casual employees who were engaged for more than three (3) consecutive months during the years under review.
- 3.46. The engagement of casuals beyond the stipulated period exposes the County Executive to litigation proceedings and associated costs.

III. Non-Compliance with One Third Basic Salary Rule

- 3.47. Section 19 (3) of Employment Act, 2007 require the total amount of all deductions that may be made by an employer from the wages of his employee at any one time not to exceed two-thirds of such wages.
- 3.48. An analysis of the staff payrolls at 30 June, 2024 established that two thousand, nine hundred five (2905) employees were paid net salaries that were less than one-third of their basic salaries as summarized in **Table 8** and detailed in **Annexure 9**. This is contrary to Section 19(3) of the Employment Act, 2007.

Table 8: Non-Compliance with One Third Basic Salary Rule

Financial Year	Month	Total Number of Employees
2021/2022	As at 30 June 2022	222
2022/2023	As at 30 June 2023	341
2023/2024	As at 30 June 2024	2,342
	Total Number of Employees	2,905

*Source: IPPD Payroll System

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

IV. Non-Compliance with Requirement on Ethnic Diversity

- 3.50. 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.

- 3.51. 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 (30%) percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.
- 3.52. Analysis of employees in the IPPD System as at 30 June 2024 established that seventy-one (71%) percent of the staff were from one dominant ethnic community contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 as detailed in **Annexure 10**.
- 3.53. Further, it was established that the County recruited twenty-five percent (25%) of the employees from other communities at the entry level contrary to Section 65(1)(e) of the County Governments Act, 2012, that requires the County to ensure that at least thirty (30%) percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county vacant posts at entry level.
- 3.54. The non-compliance to ethnic diversity is a violation of legal requirements leading to legal disputes.

V. Non-Compliance to Remittance of Statutory Deductions

- 3.55. Rule 10(1) of Income Tax (P.A.Y.E) Rules requires that before the tenth day following the end of every month or before any other day which may be notified to him by the Commissioner, an employer shall pay all amounts of tax which the employer has deducted during such month.
- 3.56. Section 15(4) of the National Health Insurance Fund (NHIF) Act, 1998 (now repealed) required contributions to NHIF be made by ninth day of the month following that of deduction.
- 3.57. Section 20(1) of the National Social Security Fund Act requires employers to make payments deducted from employees' earnings together with employer amounts to NSSF. Under section 20(1A), an employer is required to pay the contribution under subsection (1) on the ninth day of each month or on such later date as the Board may, in consultation with the Cabinet Secretary, prescribe.

- 3.58. A comparison of the statutory deductions for employees in the IPPD Payroll System with Bank Statements established cases of delay in remittance of NSSF, and PAYE deductions ranging from three (3) days to sixty-four (64) days statutory deductions amounting to Kshs.1,722,341,373.00 as indicated in **Annexure 11**.
- 3.59. The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances, non-compliance with requirement on ethnic diversity. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.

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

- 3.60. 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. Over-deductions and Under-deductions of PAYE

- 3.61. Section 149(2)(a) of the Public Finance Management Act requires the accounting officer of a county government to ensure that all expenditure made by the entity complies with requirements on lawful, authorized and transparent use of resources of the entity.
- 3.62. The Laikipia County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024. Comparison between November, 2024 IPPD data and December 2024 HRIS-Ke data established instances of PAYE over-deductions and under-deductions of salaries and allowances affecting forty-five (45) employees as summarized in **Table 9**, and detailed in **Annexure 12**.

Table 9: Over-deductions and Under-deductions of PAYE

Allowance	Total Amount Over deducted (Kshs.)		Total Amount Under deducted (Kshs.)	
	Number of Employees	Amount (Kshs.)	Number of Employees	Amount (Kshs.)
IPPD	45	1,710,686	2253	42,095,309
HRIS-Ke	45	1,927,102	2253	35,695,886
	Variance	216,417		6,399,422

*Source: IPPD Payroll System and HRIS-Ke Payroll System

I. Job-Group Changes

- 3.63. During the transition to the HRIS-Ke system, it was established that the job groups of two hundred and twelve (212) employees were upgraded compared to their previous designations in the IPPD System as indicated in **Annexure 13**.

II. Overpayment and Underpayment of health workers' extraneous allowance

- 3.64. A comparison between November 2024 IPPD data and December 2024 HRIS-Ke data established instances of overpayment and underpayments of health workers extraneous allowance as summarized in **Table 10**, and detailed in **Annexure 14**.

Table 10: Overpayment and Underpayment of health workers' extraneous allowance

Allowance	Total Amount Over deducted (Kshs.)		Total Amount Under deducted (Kshs.)	
	Number of Employees	Amount (Kshs.)	Number of Employees	Amount (Kshs.)
Health Workers Extraneous Allowance				
IPPD	7	165,000	268	7,720,000
HRIS-Ke	7	230,000	268	5,824,354
	Variance	65,000.	Variance	5,824,354

Source: IPPD Payroll System and HRIS-Ke Payroll System

III. Non-Payment of Salaries

- 3.65. A total of thirty (30) employees who received salaries amounting to Kshs.1,731,309.45 in November 2024, did not receive their salaries in the month of December, through the HRIS-Ke system, as detailed in **Annexure 15**.

IV. Missing Employees

- 3.66. The IPPD payroll for November 2024 reflected a total of two thousand, three hundred and seventy-four (2,374) employees, whereas the HRIS-Ke payroll for December 2024 had two thousand three hundred and forty-five (2,345) employees, resulting in a variance of twenty-nine (29) employees as detailed in **Annexure 16**.
- 3.67. Financial losses may occur due to irregular or overpayment of salaries. In addition, the morale of the overtaxed officers may be negatively affected, leading to decreased productivity.

4. CONCLUSION

- 4.1. The Special Audit of payrolls for Laikipia 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 departments in the County Executive did not have approved annual human resource recruitment plans. The absence of the annual recruitment plans demonstrates ineffective workforce planning and deviation from established staffing structures. This practice can result in either overstaffing or hiring staff for roles that do not align with organizational priorities, which have an impact on the budget.
- 4.4. The Special Audit Identified weaknesses in the recruitment process, including recruitment for positions not advertised, recruitment of staff who did not apply for advertised positions, and confirming budget availability after advertisements for recruitment are published. These weaknesses undermine transparency, fairness, and compliance with established recruitment procedures. It may result in unqualified or ineligible individuals being employed, as well as strain on the institution's financial resources.
- 4.5. The 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 audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate dates of birth employees and use of manual payrolls. This indicates weak payroll controls including lack of data validation controls.
- 4.7. The failure of employees to present themselves for physical verification cast doubt on authenticity of payroll records and raises the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County.
- 4.8. The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances and non-compliance with requirement on ethnic diversity and non-compliance with one-third basic salary rule. These increase the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 4.9. 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.
- 4.10. The identified audit issues had persisted over time, suggesting a failure of risk identification mechanisms and an underperforming internal audit function that may not have identified and prevented the control breaches in a timely manner.

5. RECOMMENDATIONS

- 5.1. In view of the findings and conclusions of the Special audit, the following is recommended to the Laikipia 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 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 integrity of data maintained in the payroll systems, the management should ensure the validation controls are implemented in the in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National Identity, National Social Security Fund (NSSF), Social Health Authority (SHA). Additionally, the use of manual Excel-based payrolls should be discontinued in favour of HRIS-Ke.
- 5.6. To ensure no payment is made to non – existence employees, salary payments to all staff who failed to present themselves for physical verification should be suspended.

- 5.7. Management should conduct a comprehensive post-migration payroll reconciliation to identify and correct overpayments, and underpayments resulting from the system transition. Further, HRIS-Ke should be configured to enforce approved salary structures and allowance.
- 5.8. 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

Appendix 1: List of Staff Interviewed

No.	Designation	Department
1.	County Secretary	County Secretary and Head of Public Service
2.	Chief Officer - Public Service	Public Service and Administration
3.	Chief Executive Officer	County Service Public Board of Laikipia
4.	Chief Officer - Finance and Accounting	Finance & Accounting
5.	Director Human Resource and Administration	Public Service and Administration
6.	Payroll Manager	Finance & Accounting
7.	Senior Finance Officer(s)	Finance & Accounting

Appendix 2: List of Annexures

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


No.	Name	Description
1.	Annexure 1	New Hires: for the financial years- [2021/2022-2023/2024]
2.	Annexure 2	Casual Workers Hired: for the financial years- [2021/2022-2023/2024]
3.	Annexure 3	Designations Not Aligned to the Staff Establishment
4.	Annexure 4	Designations not Configured in the IPPD system
5.	Annexure 5	Employees with different Birth Dates in both the Integrated Personnel and Payroll Database (IPPD), Birth Certificates and National ID.
6.	Annexure 6	Non-Compliance with Physical Verification Exercise- Authenticity of Staff
7.	Annexure 7	Irregular Payment of Extraneous Allowance
8.	Annexure 8	Acting Allowance Paid for more than 6 months
9.	Annexure 9	Non-Compliance with One Third Basic Salary Rule: for the financial years- [2021/2022-2023/2024]
10.	Annexure 10	Non-Compliance with National Cohesion & Integration act 2008 on Ethnic Diversity: for the financial years- [2021/2022-2023/2024]
11.	Annexure 11	Late Remittance of Statutory Deductions
12.	Annexure 12	Over-deductions and Under-deductions of PAYE in HRIS-Ke
13.	Annexure 13	Changes in Job-Groups in HRIS-Ke
14.	Annexure 14	Over-payment and Underpayment of Health Extraneous Allowance in HRIS-Ke


14.	Annexure 15	Non-Payment of Salaries
16.	Annexure 16	Variance in Number of Staff in IPPD and HRIS-Ke


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