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SPECIAL AUDIT REPORT  
OF THE AUDITOR-GENERAL ON  
**PAYROLL MANAGEMENT FOR**  
**COUNTY EXECUTIVE OF ELGEYO MARAKWET**

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|                      | PAPERS LAID |
| DATE                 | 29.07.25    |
| TABLED BY            | ML          |
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| PRESENT AT THE TABLE | Tiffany K   |

**EMPLOYEES**

**PAYROLL**

COUNTY 028

JULY 2025



## **VISION**

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


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

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

- i. Participating counties that have integrated their human resource records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the human resource management information system;
- ii. Participating counties that are enhancing accountability for results through an integrated performance management framework.

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

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**

1.5 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; and
- 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**

- 1.6 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.

### **Methods of Gathering Evidence**

- 1.7 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.
- 1.8 The methods used to gather audit evidence included document review, data analytics, interviews with key payroll staff and physical verification of staff. Further, audit evidence was gathered through walk through tests. In addition, data validation was also conducted to test data integrity.

## **Summary of Findings**

The key audit findings are as detailed below:

### **A. Payroll Budgeting**

#### **I. Compensation of Employees to Revenue Ratio Exceeded the set Threshold**

- 1.9 The Audit established that the ratio of the budgeted compensation of employees to the budgeted revenue for the County Executive exceeded thirty-five percent (35%) in the three (3) financial years. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. Further, a comparison of the actual personal emolument expenditure, with the actual revenue, revealed that the County Executive also exceeded the thirty-five percent (35%) threshold in the three (3) years. This indicates a wage bill which has strained the county's financial resources, limiting funds available for critical development projects and essential service delivery.

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

- 1.10 The 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. Recruitments Process**

#### **I. Lack of Annual Recruitment Plans**

- 1.11 The County Executive recruited three hundred and forty-one (341) employees during the three (3) the financial years. However, it was established that the recruiting departments did not have annual recruitment plans to guide the recruitments. The lack of annual recruitment plans can result in either overstaffing, understaffing, or hiring for roles that do not align with organizational priorities.

## **II. Designations in the Payroll System not Aligned with Approved Staff Establishment**

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

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

#### **I. Integrity of Date of Birth Records in Payroll Systems**

- 1.13 The Special Audit identified one hundred and eighty-eight (188) employees with inconsistent date of birth. Interview with ten (10) employees and verification of their identification documents established that they all had wrong date of birth captured in the IPPD System. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).

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

- 1.14 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 the staff lists countersigned by various Chief Officers, with the staff register from the IPPD System, established that there were twelve (12) employees in the IPPD System but not in the staff lists provided by Chief Officers. The twelve (12) employees were paid Kshs.3,993,880 during the period under review. The failure to account for human resource in various departments presents the risk of irregular or fraudulent payments in the County Executive.

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

#### **I. Charging of Employee Costs to the Wrong Budget Vote**

- 1.15 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. Drawing Salary from Different Government Entities**

- 1.16 The Special Audit established that in the 2023/2024 financial year, one (1) employee had been engaged by both the Elgeyo Marakwet County Executive and the Turkana County Executive. The gross salary paid by both entities amounted to Kshs.2,315,500.

## **III. Circumventing Payroll Controls to Pay Irregular Salary Arrears**

- 1.17 The Special Audit established that, in the financial year 2023/2024, seventy (70) employees were irregularly paid Kshs.15,547,510 monthly gross pay as arrears. The employees did not meet the eligibility criteria stipulated in the Compendium of Remuneration and Benefits for the Public Service. The irregular payments of salary arrears is a financial losses to the County Executive.

## **IV. Over-payment of Hardship Allowance**

- 1.18 The Special Audit established that in the financial year 2023/2024, there were seventeen (17) employees who were overpaid hardship allowance. The overpayment totaled Kshs.632,400. The overpayment is a financial loss to the County Executive.

## **V. Payment of Salary through Manual Payrolls**

- 1.19 During the years under review, the County Executive had employees whose salary totaling to Kshs.230,406,186. was processed through payrolls maintained in excel. The use of manual payroll systems for salary processing is vulnerable to manipulation and fraud, potentially resulting in unauthorized payments and disbursements to unverified personnel.

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

### **I. Non-deduction and Non-Remittance of Statutory Deductions**

The Special Audit established that Kshs.348,000 was not deducted and remitted to Kenya Revenue Authority. Further employee and employer contributions to the National Social Security Fund (NSSF) amounting to Kshs.656,640 were not remitted. Additionally, there were cases of delay in

remittance of the NHIF, PAYE and NHIF deductions. This exposes the County Executive to penalties, interest and reputational risks, thereby undermining stakeholders' confidence.

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

- 1.20 Analysis of employees in the IPPD System as at 30 June 2024 established that 95% of the staff were from one dominant ethnic community contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008. Further in the year 2023/2024, the Board recruited sixty-four (64) employees, 97% of whom were from the same dominant community. This is contrary to Section 65(1)(e) of the County Governments Act, 2012.

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

- 1.21 An analysis of records in the IPPD System for the month of June 2024 revealed that fifty-four (54) employees received net salaries that were less than one-third of their basic salaries. This is contrary to Section 19 (3) of the Employment Act, 2007.

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

- 1.22 The County Executive adopted the Human Resource Information System (HRIS-Ke) effective December 2024. A comparison between data from the IPPD System for the November 2024 and that from the HRIS-Ke for the month of December 2024 revealed there were employees who were overpaid allowances by Kshs.8,100 and others underpaid by Kshs.1,938,000. Further, record for two (2) employees had not been migrated to HRIS-Ke.

## Conclusion

- 1.23 The Special Audit of payrolls for the Elgeyo Marakwet 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
- 1.24 The Elgeyo Marakwet County Government did not comply with requirement on limiting the Employee Cost within thirty-five (35%) of Revenue. 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.
- 1.25 The Vote Heads in the IPPD System and HRIS-Ke were not aligned with those in the approved budgets and those configured in the IFMIS Ledgers. The misalignment hinders effective management of departmental budgets and control resulting to inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.
- 1.26 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. This hampers the county's ability to plan, budget, and deploy personnel effectively across departments, leading to staffing gaps or surpluses.
- 1.27 The IPPD System and HRIS-Ke were not updated with approved designations in the approved staff establishment. These 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.
- 1.28 The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by the inaccurate

dates of birth in the IPPD System and HRIS-Ke. Data with integrity issues indicates weak internal controls and increases the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive and miscalculation of retirement dates and pension dues of employees.

- 1.29 The authenticity of some of the employees could not be established. This was evidenced by the failure by the Chief Offices to account for employees in their departments and the payroll data Integrity issues. This casts 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.
- 1.30 There were instances where employees were overpaid or paid irregular allowances. This reflects weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of financial misstatements, fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 1.31 The controls over processing and payment of salary were not adequate as evidenced by the unauthorized job group changes and circumventing payroll controls to pay irregular salary arrears. This indicates weak financial and human resource controls, that were exploited to process irregular payments. This weakness undermines the reliability of payroll data, increases the risk of financial loss, and reflects inadequate system and management controls.
- 1.32 The County Executive did not comply with tax and labour laws as evidenced by non-deduction, non-remittance, late remittance of statutory deduction and non-compliance with requirement on ethnic diversity and non-compliance with one third basic salary rule. This violates legal and regulatory obligations, increasing the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 1.33 The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and failure to migrate some employees. 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 Elgeyo Marakwet County Executive.
- 1.36 To ensure compliance with the fiscal responsibility principle on capping expenditure on wages to thirty-five (35) percent of the County Executive's total revenue, the County Assembly should establish mechanisms to ensure compliance with the PFM Act in the execution of its oversight responsibilities.
- 1.37 For effective management of departmental budgets and enhance accuracy in reporting of personal emolument expenditure per department thus promoting accountability, the Chief Officers for Public Finance together with the management of the State Department for Public Service and Human Capital Development (the custodian of the Human Resource Information System-Kenya) should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures. Further, staff costs should be charged to the votes under which their budgets are made.
- 1.38 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.
- 1.39 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.
- 1.40 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.

- 1.41 To reduce instances of financial loss due to irregular payment of allowances, enhance payroll integrity and support effective personnel management, the County Executive, together with the State Department for Public Service and Human Capital Development should ensure HRIS-Ke is appropriately configured to automatically enforce salary structures, as stipulated in the Salaries and Remuneration Commission Circulars and other relevant directives. Further, validations controls should be implemented in order to ensure compliance, enhance payroll accuracy, and prevent irregular financial transactions.
- 1.42 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.
- 1.43 All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.

## **2. INTRODUCTION AND BACKGROUND**

### **Introduction and background**

- 2.1 Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7 (1) (a) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance at national and county government. In addition, Section 34 of the Public Audit Act, 2015 mandates the Auditor-General to conduct periodic audits upon request or at the Auditor-General's own initiative, with a view to evaluating the effectiveness of risk management, control and governance processes in public entities. The Special Audit of the Elgeyo Marakwet 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.

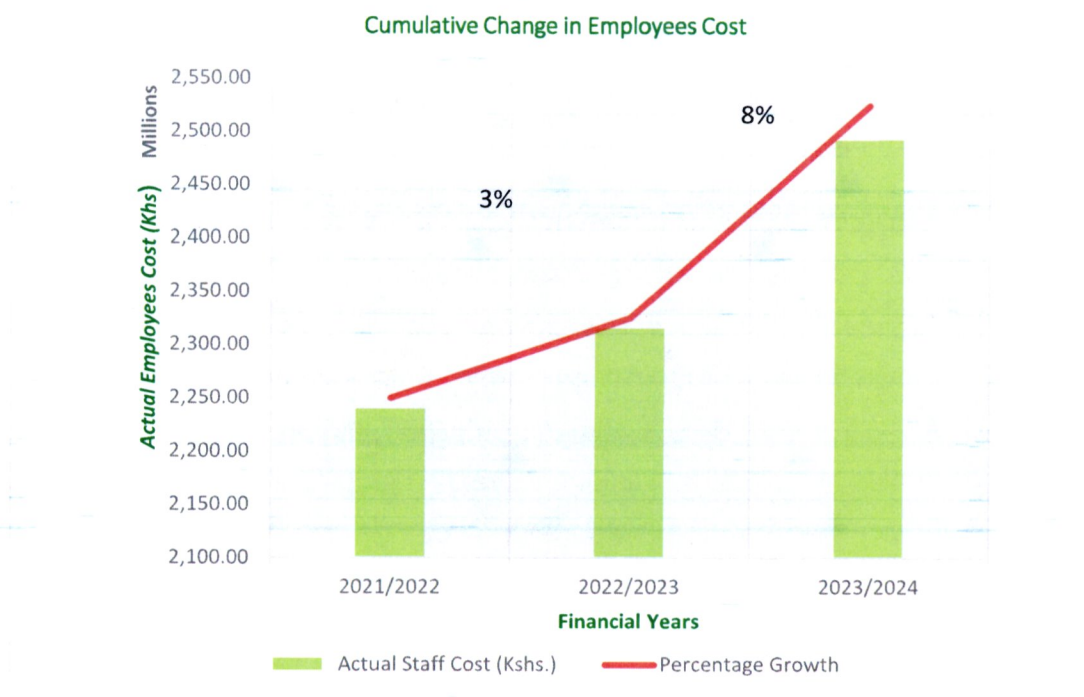
2.5 A parallel run of the IPPD System and HRIS-Ke was conducted across Ministries, Departments and Agencies and County Governments in November 2024. This was to ensure the readiness of the HRIS-Ke for roll out. Thereafter, in January 2025, the HRIS-ke was fully adopted for payroll management.

#### Numbers of Employees and Payroll Expenditure

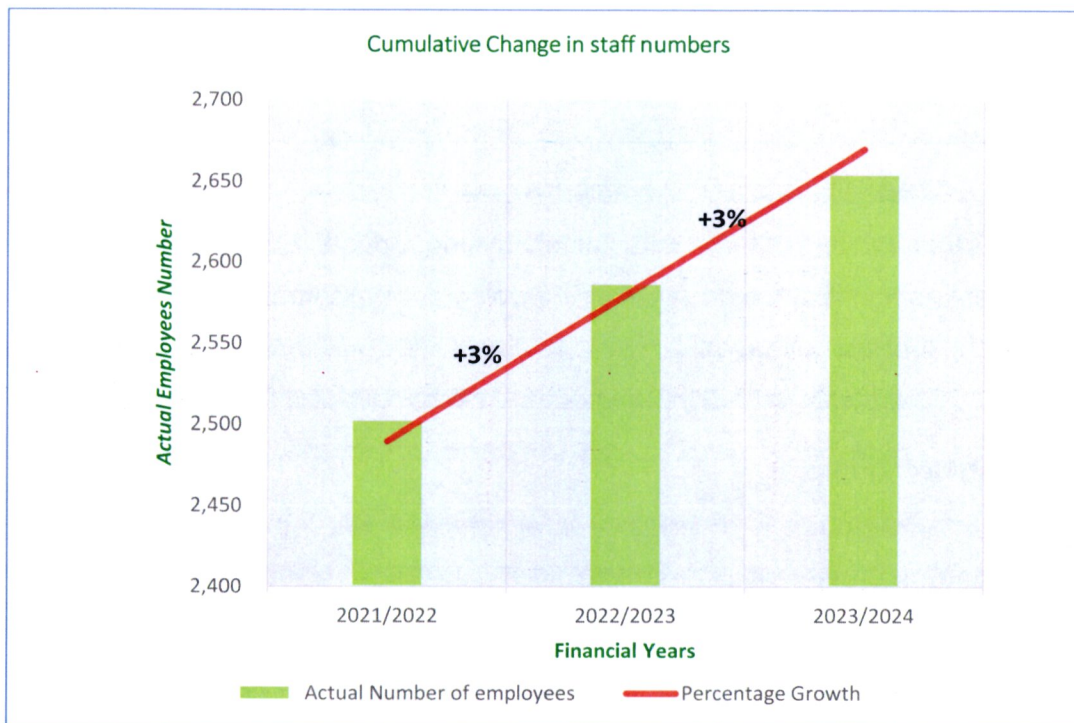
2.6 Over the three-year period under review, there was a gradual increase in the number of employees and payroll costs.

2.7 The overall staff growth across the audit period was **11%**. While the cumulative growth in payroll costs over the three years was approximately **6%** as detailed in **Figures 1 and 2**.

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



**Figure 2: Cumulative Growth of Staff**



### **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; and
  - 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**

- 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 November and December, 2024.

### **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 of Payroll Management involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County management.
- 2.13 The methods used to gather evidence during the audit included, document review, data analytics, interviews with key employees from the County Executive 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; County Governments Act, 2012;
  - iv. Employment Act, 2007;
  - v. National Security Fund Act, 2013;
  - vi. National Health Insurance Fund Act, 1998 (Now Repealed);
  - vii. The SRC Circular SRC/TS/29(81), dated 10 August 2023;
  - viii. The SRC Circular on the Compendium of Remuneration and Benefits for Public Service, dated December 2022;
  - ix. The SRC Circular SRC/TS/MDP/3/1/2(2), dated 11 August 2015;
  - x. County Government of Narok Human Resource Policies and Procedures Manual, December 2021;
  - 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 Payroll and staff register data from the IPPD System and the HRIS-Ke were extracted and analyzed together with manual and casual's payrolls. The exceptions from the analysis were the basis for verification with payroll records maintained by the County Executive.

2.16 The following data sets for the financial years 2021/2022, 2022/2023 and 2023/2024 were analyzed: -

- i. IPPD Staff Registers and Payroll Data;
- ii. Payment Schedules;
- iii. Itemized Budgets for Staff Costs; and
- iv. Chief Officers Staff List for each department as at 30 June, 2024.
- v. HRIS-Ke data for the month of December 2024

**c) Interviews**

2.17 The Audit Team interviewed relevant employees from the County Executive and County Public Service Board (CPSB). This was done 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**

2.18 The Audit Team requested all the Chief Officers (COs) to provide countersigned lists of staff members in their departments as at 30 June, 2024. The lists were corroborated with the IPPD staff registers maintained by the County Executive.

2.19 The Special Audit Team through the County Secretary, requested sixty-one (61) employees to present themselves in person for a physical verification, which was based on initial exceptions from data analytics. This verification was to confirm existence of staff, their employment status and the accuracy of the staff 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 in order to fully comprehend the approach to the audit, findings, conclusions and the proposed recommendations.

### 3. DETAILED AUDIT 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 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 the approved budgets and compliance with set laws. The following issues were established:

##### I. Compensation of Employee to Revenue Ratio

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

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

**Table 1: Budgeted Compensation of Employee to Budgeted Revenue Ratio**

| Financial Year | Total Revenue (Kshs.) | Compensation of Employee (Kshs.) | % of Utilization |
|----------------|-----------------------|----------------------------------|------------------|
| 2021/2022      | 5,961,136,889.00      | 2,294,064,700.00                 | 38%              |
| 2022/2023      | 5,522,993,884.00      | 2,366,673,713.00                 | 43%              |
| 2023/2024      | 5,820,971,067.00      | 2,498,589,267.00                 | 43%              |

\*Source: Audited financial statements

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

**Table 2: Compensation of Employee Cost to Revenue Ratio**

| Period    | Total Revenue (Kshs.) | Compensation of Employee (Kshs.) | Revenue/Expenditure% Ratio |
|-----------|-----------------------|----------------------------------|----------------------------|
| 2021/2022 | 4,588,451,226.00      | 2,239,580,441.00                 | 49%                        |
| 2022/2023 | 4,479,577,024.00      | 2,315,122,316.00                 | 52%                        |
| 2023/2024 | 4,522,701,628.00      | 2,492,554,613.00                 | 55%                        |

\*Source: Audited financial statements

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

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

- 3.7 Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness.
- 3.8 A comparison of payroll reports extracted from the IPPD System with approved budget established that the Vote Heads in the IPPD System were not aligned with those in the approved budgets as detailed in **Annexure 1**.
- 3.9 One of the primary factors contributing to the misalignment between the departments and the Vote Heads was the failure to update the IPPD System to reflect changes resulting from the restructuring and consolidation of various sectors within the County Executive.
- 3.10 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, at the time of audit, the HRIS-Ke had similar Votes Heads to those in the IPPD System.
- 3.11 The continued referencing to outdated departmental structures leads to inconsistencies between budgetary allocations and actual payroll expenditures, increasing the risk of misallocation or even misuse of public funds, as expenditure may be charged under incorrect or obsolete vote heads.

### **B. Recruitments Process**

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

#### **I. Lack of Annual Recruitment Plans**

- 3.13 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.

- 3.14 The County Executive recruited three hundred and forty-one (341) employees during the three (3) financial years as indicated in **Annexures 2**. However, it was established that the recruiting departments did not have annual recruitment plans to guide the recruitments.
- 3.15 The lack of annual recruitment plans can result in either overstaffing, understaffing, or hiring for roles that do not align with organizational priorities.

## **II. Designations in Payroll Systems not Aligned with Approved Staff Establishment**

- 3.16 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.
- 3.17 The Special Audit established that there were three hundred and eleven (311) designations configured in the IPPD System. However, out of the configured designations, two hundred and sixty (260) designations were not in the approved staff establishment. A total of one thousand, one hundred and fifty-three (1,153) employees were placed in the two hundred and sixty (260) designations, as detailed in **Annexures 3**.
- 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 positions in accordance with the approved staff establishment. This may lead to inefficiencies in workforce planning, budget overruns.

### C. Employee Data Management

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

#### I. Integrity of Date of Birth Data in Payrolls Systems

- 3.21 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.
- 3.22 The Special Audit identified) one hundred and eighty-eight (188) employees in the IPPD System with inconsistent dates of birth as detailed in **Annexure 4**.
- 3.23 Interview with a sample of ten (10) employees and verification of their identification documents established that the dates captured in the IPPD System for ten (10) employees were different from those in employees' Birth Certificates This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).
- 3.24 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before data cleaning to improve its quality and reliability. As a result, at the time of audit, the HRIS-Ke had similar date of birth to those in the IPPD System.
- 3.25 The inaccurate dates of birth increase 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

- 3.26 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.
- 3.27 The Letter of Engagement addressed to the County Secretary for the in-depth payroll audit, vide letter Ref: OAG/SAS/SADS/KDSP-PAYROLL/3/028, dated 5 January 2025, required Chief officers (Cos) to provide a list of staff members in their department as at 30th June 2024. This list was to be compared with employees in the payroll systems maintained by the County Executive.
- 3.28 A comparison of staff lists countersigned by the various Chief Officers with the IPPD Staff Register established that there were twelve (12) employees in the IPPD System but not in the Chief Officers' lists. During the period under review, the twelve (12) employees were paid Kshs. 3,993,880 as detailed in **Annexure 5**.
- 3.29 The failure by the Chief Offices to account for employees cast doubt on authenticity of payroll records.

### D. Payroll Processing and Payments

- 3.30 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 and the accuracy of payments. The following issues were established:

### I. Charging of Employee Costs to the Wrong Budget Vote

- 3.31 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.
- 3.32 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 Account. As a result, a comparison of the gross salary processed through the IPPD System, casual payroll and manual payrolls to salary ledgers from the the IFMIS established that posting of salary in the IFMIS was not done as per departmental Budget Votes as demonstrated in **Annexure 6**.
- 3.33 This misalignment led to inconsistencies between budget allocations and actual expenditures by departments, therefore increasing the risk of misuse of funds and inaccurate financial reporting.

### III. Drawing Salary from Different Government Entities

- 3.34 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.
- 3.35 The Special Audit established that one (1) employee was for twelve (12) months during the financial year 2023/2024 earning salary from both the County executive and the Turkana County Executive. The total amount paid to the individual by both entities amounted to Kshs.2,315,500 as detailed in **Annexure 7**.
- 3.36 Management indicated that the County Executive had written to the employee concerning the irregularity. However, at the time of the audit, the money had not been recovered.

#### IV. Circumventing Payroll Controls to Pay Irregular Salary Arrears

- 3.37 Article 201 (d) of the Constitution of Kenya, 2010 on principles of public finance require accountability in financial matters, responsible financial management and use of public money in a prudent and responsible way.
- 3.38 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. Further, Regulation 120(3) of the Public Finance Management (County Governments) Regulations, 2015 requires the accounting officer to certify the correctness of the payroll at least once every month.
- 3.39 During the period under review, the County Executive paid salary and allowances totaling Kshs.45,552,750 as arrears. Further examination of records supporting the payment established that in the financial year 2023/2024, monthly gross pay arrears to seventy (70) employees totaling to Kshs.15,547,51 was irregularly paid. as detailed in **Annexure 8**. The officers did not meet the eligibility criteria stipulated in Compendium of Remuneration and benefits for Public Service.
- 3.40 This indicates weak financial and human resource controls. Further, the irregular payments of the allowances is a financial losses to the County Executive.

#### V. Over-payment of Hardship Allowance

- 3.41 The Collective Bargaining Agreement (CBA), 2012 stipulates that hardship allowance is payable at the rate of 30% of an officer's basic salary.
- 3.42 The Special Audit established that in the financial year 2023/2024, there were seventeen (17) employees who were overpaid hardship allowance. The overpayment totaled Kshs.632,400 as detailed in **Annexure 9**.
- 3.43 The overpayment is a financial loss to the County Executive.

## **VI. Payment of Salary through Manual Payrolls**

- 3.44 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and measures taken to ensure that they are effective.
- 3.45 The Special Audit established that the County Executive maintained two sets of payrolls; the Integrated Payroll and Personnel Database (IPPD) payroll and excel spreadsheets (Manual payrolls). The salary processed through the manual payroll during the year under review amounted to Kshs.230,406,186.
- 3.46 Manual payroll systems are susceptible to payroll fraud, such as non-existent employees, unauthorized earnings and deletions without audit trail.

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

- 3.47 An assessment the County Executive's adherence to laws on statutory deductions and labour laws was conducted and the following issues were established:

#### **I. Non-deduction and Non-Remittance of Statutory Deductions**

- 3.48 Section 37(1) of the Income Tax Act requires an employer paying emoluments to an employee to deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed. 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.
- 3.49 Section 20(1) of the National Social Security Fund (NSSF) Act requires employers to remit both the employee deductions and the employer's contributions to the NSSF. Under Section 20(1A), these contributions must be paid by the ninth day of each month, or on such later date as may be prescribed by the Board in consultation with the Cabinet Secretary.

- 3.50 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.
- 3.51 The Special Audit established that Kshs.348,000 was not deducted and remitted to Kenya Revenue Authority and National Social Security Fund (NSSF) as detailed in **Annexure 10(a)**. Further employee and employer contributions to the National Social Security Fund (NSSF) amounting to Kshs.656,640 were not remitted as detailed in **Annexure 10(b)**.
- 3.52 Additionally, a comparison of statutory deduction for employees in the IPPD System with bank statements established cases of delay in remittance of the NHIF, PAYE and NHIF deductions as detailed in **Annexure 10(c)**.
- 3.53 The failure to deduct and remit statutory deductions on time exposes the County Executive to penalties, interest and reputational risks, thereby undermining stakeholders' confidence.

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

- 3.54 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.
- 3.55 Section 65(1)(e) of the County Governments Act, 2012 require County Public Service Board to consider, in selecting candidates for appointment, the need to ensure that at least thirty (30%) percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.
- 3.56 Analysis of employees in the IPPD System as at 30 June 2024 established that 95% 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 **Annexure 11**. Further in the year 2023/2024, the Board recruited sixty-four (64) employees, 97% of whom were from the same dominant community as detailed **Annexure 12**. This is contrary to Section 65(1)(e) of the County Governments Act, 2012.

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

### **III. Overpayment of Hardship Allowance**

3.58 The CBA, 2023 sets hardship allowance at the rate of 30% of an officer's basic salary.

3.59 The Special Audit established that in the financial year 2023/2024, there were seventeen (17) employees who were overpaid hardship allowance. The overpayment totaled Kshs.632,400 as detailed in **Annexure 13**.

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

3.60 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.

3.61 An analysis of the staff payroll for the month of June 2024 revealed that nineteen (19) employees who received net salaries that were less than one-third of their basic salaries as detailed in **Annexure 14**. This is contrary to Section 19 (3) of the Employment Act, 2007.

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

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

3.63 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.

#### **I. Overpayment and Underpayments of Salaries and Allowance**

3.64 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024.

3.65 Comparison between data from the IPPD System for the month of November, 2024 and from the HRIS-Ke for the month of December 2024 established instances of overpayment and underpayments of salaries and allowances as shown in **Table 3** and detailed in **Annexure15(a-e)**.

**Table 3:Overpayment and Underpayments of Salaries and Allowance**

| Allowance                                    | Total Amount Underpaid |                  | Total Amount Overpaid |                |
|--|------------------------|------------------|-----------------------|----------------|
|  | Number of Employees    | Amount (Kshs.)   | Number of Employees   | Amount (Kshs.) |
| Non-Payment of Extraneous Health Allowance   | 34                     | 658,000          | 1                     | 1,000          |
| Under-Payment of Extraneous Health Allowance | 236                    | 1,280,000        |                       |                |
| Non-deduction of Voluntary contributions     |                        |                  | 12                    | 7,100          |
| <b>Total</b>                                 |                        | <b>1,938,000</b> |                       | <b>8,100</b>   |

\*Source: HRIS System analysis

## II. Employees Not Migrated to HRIS

3.66 The Special Audit established that there were two (2) employees in the November 2024 payroll from the IPPD System who were not migrated to the December 2024 HRIS-Ke.

## 4 CONCLUSIONS

- 4.1 The Special Audit of payrolls for the Elgeyo Marakwet 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 Elgeyo Marakwet County Government did not comply with requirement on limiting the Employee Cost within thirty-five (35%) of Revenue. 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 Vote Heads in the IPPD System and HRIS-Ke were not aligned with those in the approved budgets and those configured in the IFMIS Ledgers. The misalignment hinders effective management of departmental budgets and control resulting to inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.
- 4.4 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. This hampers the county's ability to plan, budget, and deploy personnel effectively across departments, leading to staffing gaps or surpluses.
- 4.5 The IPPD System and HRIS-Ke were not updated with approved designations in the approved staff establishment. These 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 the inaccurate dates of birth in the IPPD System and HRIS-Ke. Data with integrity issues indicates weak internal controls and increases the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive and miscalculation of retirement dates and pension dues of employees.
- 4.7 The authenticity of some of the employees could not be established. This was evidenced by the failure by the Chief Offices to account for employees in their departments and the payroll data Integrity issues. This casts 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 There were instances where employees were overpaid or paid irregular allowances. This reflects weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of financial misstatements, fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 4.9 The controls over processing and payment of salary were not adequate as evidenced by the unauthorized job group changes and circumventing payroll controls to pay irregular salary arrears. This indicates weak financial and human resource controls, that were exploited to process irregular payments. This weakness undermines the reliability of payroll data, increases the risk of financial loss, and reflects inadequate system and management controls.
- 4.10 The County Executive did not comply with tax and labour laws as evidenced by non-deduction, non-remittance, late remittance of statutory deduction and non-compliance with requirement on ethnic diversity and non-compliance with one third basic salary rule. This violates legal and regulatory obligations, increasing the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.

- 4.11 The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and failure to migrate some employees. 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.
- 4.12 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 conclusion of the Special Audit, the following is recommended for implementation by the Elgeyo Marakwet County Executive.
- 5.2 To ensure compliance with the fiscal responsibility principle on capping expenditure on wages to thirty-five (35) percent of the County Executive's total revenue, the County Assembly should establish mechanisms to ensure compliance with the PFM Act in the execution of its oversight responsibilities.
- 5.3 For effective management of departmental budgets and enhance accuracy in reporting of personal emolument expenditure per department thus promoting accountability, the Chief Officers for Public Finance together with the management of the State Department for Public Service and Human Capital Development (the custodian of the Human Resource Information System-Kenya) should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures. Further, staff costs should be charged to the votes under which their budgets are made.
- 5.4 To enhance transparency, fairness, and accountability in the recruitment process, the County Executive should develop and implement annual recruitment plans aligned with staffing needs and budgetary provisions.
- 5.5 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.
- 5.6 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.

- 5.7 To reduce instances of financial loss due to irregular payment of allowances, enhance payroll integrity and support effective personnel management, the County Executive, together with the State Department for Public Service and Human Capital Development should ensure HRIS-Ke is appropriately configured to automatically enforce salary structures, as stipulated in the Salaries and Remuneration Commission Circulars and other relevant directives. Further, validations controls should be implemented in order to ensure compliance, enhance payroll accuracy, and prevent irregular financial transactions.
- 5.8 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.
- 5.9 All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.

## 6. APPENDICES

### Appendix 1: List of Employees Interviewed

| No. | Designation                                       | Name of Department                |
|-----|---|-----------------------------------|
| 1.  | Chief Officer - Public Service and Administration | Public Service and Administration |
| 2.  | Chief Executive Officer                           | County Public Service Board       |
| 3.  | Director Human Resource                           | Public Service                    |
| 4.  | Payroll Manager                                   | Finance and Accounting            |
| 6.  | Finance Manager                                   | Finance and 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   |
|-----|-----------------------------|---|
| 2.  | <b>Annexure 2</b>           | Budget Votes in Human Resource Information System – Kenya not Aligned with those in Approved Budget.        |
| 3.  | <b>Annexure 3</b>           | Lack of Annual Recruitment Plans  |
| 4.  | <b>Annexure 4</b>           | Designations in the Human Resource Information System - Kenya not Aligned with Approved Staff Establishment |
| 5.  | <b>Annexure 5</b>           | Integrity of Date of Birth Data in IPPD Systems   |
| 6.  | <b>Annexure 6</b>           | Failure of Chief Officers to Account for Human Resources in their Departments                               |
| 7.  | <b>Annexure 7</b>           | Charging of Employee Costs to the Wrong Budget Vote   |
| 8.  | <b>Annexure 8</b>           | Drawing Salary from Different Government Entities   |
| 9.  | <b>Annexure 9</b>           | Circumventing Payroll Controls to Pay Irregular Salary Arrears  |
| 10. | <b>Annexure 10(a)(b)(c)</b> | Non-deduction and Non-Remittance of Statutory Deductions  |
| 11. | <b>Annexure 11</b>          | Non-Compliance with Requirement on Ethnic Diversity   |
| 12. | <b>Annexure 12</b>          | Non-compliance with Defunct Local Authority Collective Bargaining Agreement                                 |
| 13. | <b>Annexure 13</b>          | Non-Compliance with One Third Basic Salary Rule   |
| 14. | <b>Annexure 14</b>          | Migration from Integrated Personnel and Payroll Database System to Human Resource Information System-Kenya  |

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