



**REPUBLIC OF KENYA**

**MINISTRY OF PUBLIC SERVICE, GENDER,  
AND AFFIRMATIVE ACTION**

**STATE DEPARTMENT FOR PUBLIC SERVICE**

**DRAFT PAYROLL MANAGEMENT POLICY  
FOR THE PUBLIC SERVICE**

**MARCH, 2023**

## **TABLE OF CONTENTS**

<b>ABBREVIATIONS AND ACRONYMS</b> .....	3
<b>CHAPTER ONE</b> .....	4
<b>1.0 Introduction</b> .....	4
<b>1.2 Rationale</b> .....	5
<b>1.3 Objectives</b> .....	5
<b>1.4 Terms of Reference (TORs)</b> .....	6
<b>1.5 Legal framework</b> .....	6
<b>1.6 Scope</b> .....	7
<b>1.7 Organization of the Document</b> .....	7
<b>CHAPTER TWO: SITUATIONAL ANALYSIS</b> .....	9
<b>2.0 Overview of Payroll Management in the Public Service</b> .....	9
<b>2.1 Status of Payroll Processing Procedures in the Public Service</b> .....	10
<b>2.2 Payroll Management in National Government</b> .....	10
<b>2.3 Payroll Management in:</b> .....	15
<b>a. County Governments</b> .....	15
<b>b. State Corporations</b> .....	15
<b>c. Universities</b> .....	15
<b>d. Commissions</b> .....	15
<b>2.4 Comparative Analysis</b> .....	16
<b>I. REGIONAL</b> .....	16
<b>II. INTERNATIONAL</b> .....	17
<b>2.5 Gaps in Payroll Processing Procedures</b> .....	18
<b>CHAPTER THREE: PAYROLL MANAGEMENT</b> .....	19
<b>3.0 Guiding Principles of Payroll Management</b> .....	19
<b>3.1 Norms and Standards</b> .....	21
<b>3.2 Guidelines</b> .....	22
<b>CHAPTER FOUR: INSTITUTIONAL FRAMEWORK</b> .....	26
<b>4.0 Institutional Arrangement</b> .....	26
<b>4.1 Other Responsibilities:</b> .....	26
<b>CHAPTER FIVE: MONITORING, EVALUATION, REVIEW AND REPORTING</b> .....	29
<b>5.0 Introduction</b> .....	29
<b>5.1 Reporting and Compliance Matrix</b> .....	29
<b>5.1.1. Compliance Matrix</b> .....	29
<b>5.1.2. Evaluation</b> .....	29

## **DEFINITION OF TERMS**

**Constitutional Commissions and Independent Offices** - the Commissions and Independent Offices as established under Article 260 of the Constitution.

**Executive Orders** - They are official documents issued as a rule or order by the President in outlining the operations and functions of the Government.

**Interdiction** - refer to a temporary removal of an officer from performing his normal duties. An officer may be interdicted when disciplinary proceedings for his/her dismissal are being undertaken or are about to be undertaken.

**Payroll** – A list of organization employees and the amount of money they to be paid. It is also the total amount of salaries paid by an organization.

**Payroll Administration** - It is the component that manages remuneration data.

**Payroll Management** - it is the task of compensating employees for services rendered in an organization.

**Policy** - Policy is a law, regulation, procedure, administrative action or practice of governments and other institutions. Policy decisions are frequently reflected in resource allocations.

**Public Service** - all Government Ministries, State Departments and County Governments.

**Suspension** – it occurs when there is need for investigations to determine whether or not the employee should be fired or not depending on the allegations.

## **ABBREVIATIONS AND ACRONYMS**

<b>COR</b>	-	Code of Regulations
<b>DPSM</b>	-	Directorate of Public Service Management
<b>EDMS</b>	-	Education Document Management System
<b>GHRIS</b>	-	Government Human Resource Information System
<b>HRM</b>	-	Human Resource Management
<b>HRMIS</b>	-	Human Resource Management Information System
<b>ICT</b>	-	Information Communication Technology
<b>IHRIS</b>	-	Integrated Human Resource Information System
<b>IPPD</b>	-	Integrated Payroll and Personnel Database
<b>IT</b>	-	Information Technology
<b>MDACs</b>	-	Ministries Departments Agencies and Counties
<b>MDAs</b>	-	Ministries Department and Agencies
<b>MOH</b>	-	Ministry of Health
<b>MSPS</b>	-	Ministry of State for Public Service
<b>NPS</b>	-	National Police Service
<b>PAYE</b>	-	Pay as Your Earn
<b>PE</b>	-	Personnel Emoluments
<b>PMIS</b>	-	Pension Management Information System
<b>PSC</b>	-	Public Service Commission
<b>ISCMIS</b>	-	Integrated State Corporation Information System
<b>TMIS</b>	-	Teachers Management Information System
<b>TPAD</b>	-	Teachers Performance Appraisal and Development System
<b>SAGAS</b>	-	Semi-Autonomous Government Agencies
<b>SDPS</b>	-	State Department for Public Service
<b>SCAC</b>	-	State Corporation Advisory Committee
<b>SRC</b>	-	Salary and Remuneration Commission
<b>UPN</b>	-	Unified Personal Number

## **CHAPTER ONE**

*This Chapter provides the introduction, the rationale for the policy, objectives, Legal framework, Scope and organization of the policy document.*

### **1.0 Introduction**

The Constitution of Kenya established the National and County levels of Government. The structure of National Government emanates from the Constitution and issuance of Executive Orders issued from time to time by the President which spell out the mandates of various institutions in the Public Service. The Public Service in Kenya comprises of National Government, County Governments, Commissions, Independent Offices and Semi-Autonomous Government Agencies (SAGAs) among others. The Ministry responsible for Public Service has the mandate to provide strategic leadership and guidance to the Public Service on Human Resource Management and Development including Management and Administration of Payroll.

Payroll management is the administrative task of compensating employees for services rendered. It provides a financial record of employee gross earnings, payroll deductions, and net pay. It involves processing, balancing and reconciling payroll data as well as processing statutory and other deductions.

Before the development and use of Information Technology Information (ICT) in Kenya in the 1990s, Human Resource Management in the public service was manual except for the payroll system which was based on the national main-frame computer in the National Treasury. However, since then technological advancement has been embraced by entities within the public service through independent and unstructured initiatives.

Integrated Payroll and Personnel Database (IPPD) is a desktop-based application system developed by the then Directorate of Public Service Management (DPSM). It is a decentralized application that handles HR and Payroll data. It's currently deployed in at least 180 sites, with the main instance existing at IPPD unit. Payroll data is exchanged between each client site and IPPD unit for merging or consolidation,

updates and backup via flash drives or email. The IPPD unit also provides technical support to each IPPD client.

IPPD system captures, merges, synchronizes and harmonizes information pertaining to the payroll, complement control and personnel emolument budgeting in Government Ministries/Departments. The system is also used by about 30 (thirty) State Corporations, Independent Offices, Commissions, State Agencies and County Governments.

The IPPD was introduced in 2004 mainly to manage the payroll in the Civil Service, which was at that time marred with duplications and other inefficiencies resulting from manual management of the employee data in the Public Service.

## **1.2 Rationale**

Review of several Public Organizations indicate that almost all the organizations do not have a payroll management policy in place. The justification is that payroll is not a stand-alone function and therefore the policies governing the payroll are anchored in the Human Resource Policies.

A well outlined payroll management policy framework would be key to an efficient payroll process in the Public Service. Procedures documented in a payroll policy ensure a clear and defined approval process, efficient payroll activities and appropriate controls. The policy will ensure data integrity and adherence to data protection ACT (2020).

## **1.3 Objectives**

### **1.3.1 Main Objective**

The purpose of the policy is to detail out the strategies and procedures relating to the preparation, processing, payment and accounting for payroll expenses or personnel emoluments. It is therefore to serve as the basis for standard practices for all users of the Government payroll system. It will also serve as a reference point for policy review in future

### **1.3.2 Specific Objectives**

The objectives of the payroll management policy are to:

- i) Develop a standardized Government Payroll policy which is accurate and effective.
- ii) Ensure clear, defined and efficient payroll management through appropriate standards and norms.
- iii) Provide adequate incentives for increased managerial efficiency, improved accountability and controls.
- iv) Provide the best practices and procedures in the management and administration of the payrolls in the Public Service.

### **1.4 Terms of Reference (TORs)**

The Terms of Reference for the Inter-Agency Team were to:

- i) Study the current payroll systems, policies, regulations and procedures in the Public Service and identify existing gaps;
- ii) Review existing security measures on the management of the payroll systems to ensure protection of its database;
- iii) Identify payroll management best practices both locally and globally for consideration;
- iv) Develop a draft payroll management policy for the Public Service;
- v) Validate the draft payroll management policy with both internal and external stakeholders; and
- vi) Develop a payroll management policy for the Public Service.

### **1.5 Legal framework**

Payroll Management in the Public Service has over time relied on official documents which are acknowledged to be authentic and reliable for policy guidance. These include:

#### **1.5.1 Public Finance Management Act, 2012**

It regulates financial management in the national government and County governments and ensures that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively. It also provides for the responsibilities of persons entrusted with financial management in those governments.

### **1.5.2 Pension Act**

The Pensions Act (Cap. 189) makes provisions for the granting and regulating the payment of pensions, gratuities and other allowances in respect of the public service for officers under the Government of Kenya.

### **1.5.3 Salaries and Remuneration Commission Act**

Sets and regularly reviews the remuneration and benefits of all State officers. It advises the national and county governments on the remuneration and benefits of all other public officers.

### **1.5.4 Data Protection Act**

The Act gives effect to Article 31(c) and (d) of the Constitution that contains the right to privacy which is a fundamental human right. Data protection is the process of safeguarding personal information, in accordance with a set of principles laid down by law.

## **1.6 Scope**

This policy shall apply to all Public Service Institutions in Kenya who are directly or indirectly funded by the ex-chequer.

## **1.7 Organization of the Document**

This policy has been organized in five chapters as follows:

Chapter 1: Introduction;

Chapter 2: Situational Analysis;

Chapter 3: Payroll Management;



Chapter 4: Institutional Framework; and

Chapter 5: Monitoring, Evaluation, Review and Reporting.

## **CHAPTER TWO: SITUATIONAL ANALYSIS**

*This Chapter on Situational analysis provides information on the overview of Payroll Management in the Public Service, payroll Management in National Government, counties, universities, state corporations & Independent commissions, comparative analysis and Gaps in Payroll Processing Procedures.*

### **2.0 Overview of Payroll Management in the Public Service**

The Constitution of Kenya has established the National and County levels of Government. The structure of National Government emanates from the Constitution and issuance of Executive Orders issued from time to time by the President which spell out the mandates of various institutions in the Public Service. The Ministry responsible for Public Service is mandated to provide strategic leadership and guidance to the Public Service on Human Resource Management and Development including Management and Administration of Payroll.

State Corporations are established by the President as per the provisions of State Corporations Act Cap.446 Section 3 to perform the functions specified in that order. A State Corporation may also be formed by an Act of Parliament or Companies Act Cap.486 where the Government controls majority or all the shares/stocks. The management of human resource in State Corporations, is vested in their Boards of management in consultation with the parent Ministry, PSC and The National Treasury. The oversight is provided by Inspectorate of State Corporations and State Corporations Advisory Committee (SCAC).

There are also other Semi-Autonomous Government Agencies (SAGAs) that include Water Boards, Regional Development Authorities, Tertiary and Subsidiary Institutions that may or may not be state corporations but fall within the category of Public Agencies.

The Salaries and Remuneration Commission (SRC) under Article 230 is mandated to set and regularly review the remuneration and benefits of all state officers and advise the National and County Governments on the remuneration and benefits of all other public officers.

An assessment of the Payroll Management by the SRC on Public Sector Wage Bill Study Report of 2019 reveals that despite the fact that some institutions have embraced an integrated system, 68.3% are using both manual and automated systems, while 9% are manual. The use of a mixed system was most common among the County Executive (96.3%) and County Assemblies (93.3%).

## **2.1 Status of Payroll Processing Procedures in the Public Service**

Review of several Public Organizations indicate that almost all the organizations do not have payroll management policies in place. The explanation being that payroll is not a stand-alone function and therefore the policies governing the payroll are anchored in the Human Resource Policies. Public Sector organizations sampled include; KEPHIS, OAG, County Government, KEBS, EPRA, KCA, KAA, NCIC.

Payroll processing procedures are in existence in almost all the organizations sampled. The procedures outline standard payroll guidelines and internal controls that should be applied by payroll staff in processing monthly payroll and maintenance of payroll records. Human Resource Policies sampled such as the PSC HR Policy and procedures manual (2016) has a detailed section outlining salary administration and payment procedures but no policy.

## **2.2 Payroll Management in National Government**

There are several Human Resource Information Systems that are currently in use for payroll management in the Public Service. These include:

### **I. Pre-IPPD**

Before the development and use of Information Technology Information (ICT) in Kenya in the 1990s, Human Resource Management in the public service was manual except for the payroll system which was based on the national main-frame computer in the National Treasury (NT). Public Service Payroll was centrally processed at Herufi House (NT) up to 2006 when the Integrated Personnel and Payroll Database system (IPPD) was launched. Management of the payroll in the Civil Service at that time was marred with duplications and other inefficiencies resulting from manual management of the employee data in the Public Service.

## **II. Integrated Payroll and Personnel Database (IPPD)**

### **a. Technical overview**

Integrated Payroll and Personnel Database (IPPD) is a desktop-based application system developed by the then Directorate of Public Service Management (**DPSM**). It is a decentralized application that handles HR and Payroll data. It's currently deployed in at least 180 sites, with the main instance existing at IPPD unit. In 2007, an IPPD system management handbook was prepared to facilitate the management of the IPPD system at the installation sites. Payroll data is exchanged between each client site and IPPD unit for merging or consolidation, updates and backup via flash drives or email. The IPPD unit also provides technical support to each IPPD client.

IPPD system captures, merges, synchronizes and harmonizes information pertaining to the payroll, complement control and personnel emolument budgeting in Government Ministries/Departments. The system is also used by about 30 State Corporations, Independent Offices, Commissions, and State Agencies.

The system comprises the following components:

(i) Complement Control

This component manages identification, employment and deployment data for serving officers. It also incorporates an establishment control.

(ii) Payroll Administration

This component manages remuneration data, which is then incorporated with complement control data to produce monthly payrolls. The National and county governments use the payroll system to process payments for public sector employees in their entities.

(iii) Budget for Personnel Emoluments

This component merges the Complement Control data and the Payroll data (of a specific month) to project the expected expenditure.

(iv) Education and Skills Inventory

This is a data bank of employee's academic and professional qualifications.

(v) Personal Details

The system also provides for inclusion of details which have potential effect on pay and benefits for the employee such as disciplinary cases, annual/sick leave and dependents.

## **b. User Functional Components**

### **(i) Compliment Control [Staff Register] Component**

This component identifies each serving officer. A fundamental part of this component is the establishment control – a reporting tool for keeping track of utilization of authorized establishment in relation to the number of officers in the service.

### **(ii) Payroll Administration Component**

This component manages remuneration data, which is then incorporated with Compliment Control data to produce monthly payrolls.

### **(iii) Budgets for Personal Emoluments Component**

This component merges the Compliment Control Data and the Payroll Data (of a specific chosen month) to project the expected expenditure for any number of months.

## **Advantages of IPPD Payroll System**

### **1) User friendly**

The system is user friendly since users in Ministries Departments and Agencies (MDAs) have been able to use the system with minimal difficulties as well as enable employees in the public service to enable them submit their tax returns.

### **2) Fast and accurate salary processing**

The processing of payroll is undertaken with minimal delays and the MDA's are able to finalize all the payroll processing by 15th of each month and submit data to IPPD center by 20th of every month.

### 3) **Able to process bulk data**

The system is able to process payroll and HR data for about 2000-3000 employees per MDA. The data is uploaded to a data base containing data for over 300,000 employees in the Public Service.

### 4) **Reporting**

The system provides several reports for users in MDA's and through the system stakeholders are also able to get data from the system. The IPPD data can be exported to Excel to carry out additional analysis for reporting. Long listings and short summaries can be produced by the click of a button.

### 5) **Efficiency in Retrieval**

The on-line aspect of the system makes it possible to quickly and accurately determine substantial details pertaining to an employee.

### 6) **Smooth Integration of Data**

Inherent synchronization of data in the system ensures that at any time, complement control statistics are the same as those in the payroll and personal emoluments budget reports.

### 7) **Accountability**

Erroneous entries can easily be attributed to an individual officer accurately.

### 8) **Enhanced Operational Efficiency**

Reduced cost of software development and maintenance; reduced workload in the preparation of salaries, budget, and reports; and elimination of Voucher Payments on Personnel Emoluments (PE).

## **c. Challenges experienced with IPPD system**

While IPPD has improved the payroll management as well as alleviating duplication in personnel records, the System has the following challenges: -

- (i) A Small Scope of Work
- (ii) Stand - alone Installations (decentralized)
- (iii) No direct employee interaction

In view of the above, the Ministry embarked on the design and development of a GHRIS that addresses the challenges experienced by the IPPD System.

### **III. Government Human Resource Information System (GHRIS)**

Government Human Resource Information System (GHRIS) is a system which was designed and developed from the year 2011 by the then Ministry of State for Public Service (MSPS) to manage human resource information for Ministries/Departments. The system was intended to fill in some of the gaps found in IPPD and was developed in-house by a team of ICT and HRM Officers from Government Ministries/Departments. All Civil Servants and County Government employees access their pay-slips through GHRIS. Users of the GHRIS are MDCAs who benefit from a centralized, readily accessible, efficient and transparent system.

#### **Information security**

Access to the servers is through a perimeter checkpoint firewall, which has explicit rules on only HTTPS request through ghris.co.ke domain.

### **IV. Unified Human Resource Information System (UHR)**

In order to mitigate weak controls in human resource management data that limits the Government's ability to make sound decisions on wage bill management, budgeting and national planning it was recommended that a Unified HR Information System (UHR) be developed with sufficient capacity to securely capture, process, store and supply information for the proper execution of the Human Resource Management (HRM) function in the Public Service in line with the National and County Governments Coordinating Summit resolution of 2016.

The objective of the UHR system which is about to roll out is to consolidate all HR Data in the Public Service and integrate them through a single System.

## **V. Pension Management Information System (PMIS)**

The National Treasury Pensions Department mandate includes the following: Processing and payment of pensions, death gratuities and other benefits to retired, deceased or officers who have terminated their services in the Public Service as well as their dependents and legal representatives.

Pension Management Information System (PMIS) was developed in 2009 to process and pay retirement benefits (Pensions and Gratuity) to Civil Servants, Teachers, Military Personnel, Members of Parliament, Judiciary Staff, retired Presidents and dependents, as guided by a set of Acts on pension that have been enacted.

The system pays monthly pensions, through the payroll module to more than 280,000 pensioners and dependents.

### **2.3 Payroll Management in:**

#### **a. County Governments**

All County governments use the IPPD system for their payroll management and access their online pay slips through GHRIS.

#### **b. State Corporations**

Majority of the Parastatals benchmarked are on Enterprise Resource Planning (ERP) and others are using standalone and tailor-made systems including Excel sheets for payroll management.

#### **c. Universities**

Most Universities are using standalone (Tailor-made) Payroll systems. Others are on Enterprise Resource Planning (ERP) with payroll modules.

#### **d. Commissions**

Most independent Commissions use the Government IPPD and GHRIS systems. Others are using ERP and some have adopted standalone (tailor made systems).



## **2.4 Comparative Analysis**

### **I. REGIONAL**

#### **A. Rwanda**

Rwanda has a salary policy whose objectives is to:-

- a. Rationalize the salary system by harmonizing different salary systems;
- b. Clarify the salary system by making both the remuneration rules and their implementation simple and transparent; and
- c. Use salary as a benchmark to implement the labour and human resources management policy in the whole public sector.

#### **B. Ghana**

A policy statement on 'Total Compensation' has been developed within the 'Human Resource Management Policy Framework and Manual for the Ghana Public Service.' The purpose of this policy is to provide for an equitable and consistent application of both salary and non-salary elements of total compensation, and to define the requirements for the administration of compensation for public servants. This is to ensure the attraction and acquisition of qualified personnel, retention of performing workers, rewarding desired behaviour, controlling costs, complying with legal regulations, facilitating understanding and promoting administrative efficiency.

#### **C. South Africa**

A booklet on 'Salaries and Benefits in the Public Service' was developed by the Department of Public Service and Administration with the intention of explaining further the salaries and benefits government is offering to public servants. It provides a comprehensive remuneration package that is prudent, forward looking and paves the way towards improving service delivery and public service performance and at the same time, ensuring improved conditions of service for all public servants.

The Principles underpinning the salary adjustments to the public servants include the following:

- General salary increases that keep pace with inflation so that the buying power of public servants is not compromised and additional increases that are linked to performance and service delivery;
- The attraction and retention of skills in the public service through the introduction of occupation specific dispensation (OSDs); and
- Growing the capacity of the State through job creation.

## **II. INTERNATIONAL**

### **A. Canada**

The Government of Canada has the Financial Administration Act (FAA) and Treasury Board policies and guidelines, such as the Policy Framework for the Management of Compensation, Financial Management of Pay Administration, and Pay Administration Control Framework. The guideline recommends pay administration procedures, controls and monitoring activities to be carried out by departments using one of four pay administration models.

### **B. Australia**

The Australia Public Service Executive Remuneration Management Policy (the policy) sets out arrangements for the management of executive remuneration, including an approval process for remuneration proposals above a notional amount.

### **C. UK**

In the Pay Policy, the Treasury pay remit process covers the pay setting arrangements across the Civil Service, including Non-Departmental Public Bodies (NDPBs) like the British Council. HM Treasury produces annual pay remit guidance which all Civil Service employers must follow when preparing their annual pay remit.

As set out throughout the guidance, the government expects every part of the public sector to demonstrate that it is using public money efficiently and

responsibly and to ensure that pay and terms are always proportionate, justifiable and deliver value for money for taxpayer. Each Local authority must publish an annual pay policy statement setting out its approach to a range of matters on pay and reward, particularly for senior staff, including matters covered in this guidance.

## **2.5 Gaps in Payroll Processing Procedures**

The following are some of the gaps in the payroll processing that are witnessed in most institutions in the Public Service:

- a. There are no properly outlined payroll processing procedures in the public service.
- b. The payroll approval process entails too much paperwork and file movement leading to delays in payroll processing and delays in effecting various payroll changes.
- c. In some organizations, Payroll processing is under finance while in others it is under HR. There is no consensus on which department should be overseeing payroll, example EPRA. This may lead to lack of checks & balances especially if the same department (Finance) processes the payroll and also makes salary payments.
- d. Shortage of payroll professionals. Most organizations have no payroll continuity plan in place. They only have one employee who is capable of processing the payroll.
- e. Payroll processing also entails long periods of on-job training to improve efficiency.
- f. Internal control/check and balance lacking. Where the payroll is centralized, the ability to cross-check and validate information hardly exist. This can make errors likely to be overlooked and reoccur.
- g. Most organizations hardly run training sessions to update their payroll staff on any legislative or payroll changes. The payroll staff have to learn on such changes on their own or through memos. There is need for modules of training and equipping Payroll Officers with necessary skills to manage and administer the Payroll in the Public Service more effectively and efficiently.

## **CHAPTER THREE: PAYROLL MANAGEMENT**

*This chapter outlines guiding principles, Standards and Norms and guidelines on payroll management.*

### **3.0 Guiding Principles of Payroll Management**

The following guiding principles on Payroll Management in the Public Service shall apply: -

- (i) **Unified Payroll Number** All Public servants will be issued with a Unified Payroll Number (UPN).
- (ii) **Consolidation of payroll data**

Public service organizations shall have one consolidated payroll data in a specified format and deposit into the public Data warehouse/depository on monthly basis. A specific link will be provided.

- (iii) **One Payroll**

Each public Service organizations shall maintain one payroll. Consequently, all manual payroll will cease to exist upon implementation of this policy.

- (iv) **Professionalism in payroll management**

The payroll shall be managed by qualified human resource professionals.

- (v) **Training for payroll staff**

Capacity building programmes will be conducted to equip staff handling the payroll with relevant skills, knowledge and attitudes. Accordingly, the Ministry responsible for Public Service in conjunction with stakeholders will develop curriculum and training programmes for payroll staff.

- (vi) **Timeliness**

The payroll processing shall to be carried out within the stipulated timelines.

(vii) **Statutory obligations-KRA, NHIF, Pension and NSSF**

The statutory obligations should be recovered, verified and remitted to the various agencies within the stipulated timeframes.

(viii) **Payroll cleansing**

To promote integrity, Payroll cleansing shall be done continuously and reports on the same filed to the head of Human Resource.

(ix) **Payroll Audit**

MDCAs shall conduct a routine pre-payroll audit before generating a monthly payroll. In addition, they will also undertake quarterly payroll audits.

(x) **Compliance to Legislations/policies and regulations**

Public service organizations shall at all times adhere to existing service regulations, policies and legislations that affect staff remuneration and allowances.

(xi) **Completeness and accuracy of Employees Records**

Every Public service organization shall maintain a complete and accurate employees' records that is accessible and retrievable.

(xii) **Electronic Data Exchange between government and third party organizations.**

Public Service organizations that have arrangements with third parties, shall exchange electronic data with other agencies where such arrangements are in place. However, the exchange will be done within the confines of the law.

### **3.1 Norms and Standards**

Standards and Norms in payroll management in the public service helps to streamline process and procedures. Accordingly, the following Standards and Norms shall be applicable in the process of payroll management.

i) **Mandatory Employee records**

Public Service Institutions shall maintain an up-to-date inventory of all their employee's bio-data. The data will include employees' identification and payment details.

ii) **Identification of Employees**

A unique and proper identifier, the Unified Payroll Number (UPN) will be issued to all Public Servants. Accordingly, the agency responsible for UPN shall ensure that issuance of payroll numbers in the Public Service is done centrally and is streamlined. The UPN will be linked to specific payroll data applicable to the employee.

iii) **Classification of Employees**

Classification of Employees shall be based on their career progression guidelines.

iv) **Payroll processing dates**

Each Public Service institution shall process their payroll between 15<sup>th</sup> and 22<sup>nd</sup> day of the month on monthly basis this will provide ample time for payment of salaries.

v) **Statutory obligations**

Statutory deductions shall be recovered, verified and remitted as per existing regulations. This includes KRA, NHIF, NSSF, Pension schemes among others.

vi. **Third party data**

Each Public Service institution shall ensure that third party data is authentic and credible before being used for payroll processing.

vi. **Payment of salaries**

All public service employees' earnings and allowances will be implemented in accordance with the approved salary structures from SRC.

vii. **Information security and Data protection**

All Public institutions should maintain security safeguards to protect data as guided by data protection Act.

**3.2 Guidelines**

**a) Allocation or Reactivation of UPN**

Requests by Agencies/Employers for employee UPN will be directed to the State Department responsible for issuance of UPN.

**b) Data Capture and Exchange**

(i) **Earning and Departmental Deductions**

This will be guided by the existing service regulations. Departmental deductions will not be subjected to the one third rule. In addition, Departmental recoveries should be recovered before any other deductions.

(ii) **Third Party Deduction**

The third-party deduction will be subjected to one third rule. To ensure parity of treatment, third party deduction shall be captured on first come first, first serviced rule.

(iv) **Payroll Data Exchange**

Data exchange should be done in the prescribed format and media by respective agency.

(v) **Data Cleansing**

MCDAs shall ensure prompt action on transfers, exits and temporary detachment from the Payroll.

c) **Data Security**

(i) **Security of payroll data**

Each public institution shall maintain an offline and online back-up of the payroll data.

(ii) **Access controls:**

Every officer dealing with the payroll will be issued with a password. Each officer will be responsible with the security and usage of the password issued. Accordingly, officers will be required to exercise caution on use passwords and keep the passwords secret. Officers will be held accountable for any action done using their passwords.

(iii) **Payroll data Storage**

Payroll records shall be held both in soft and hard copy depending on use and the need for retrieval. Soft copy storage shall be kept in a manner that is free from any form of interference to ensure authenticity of the record.

(iv) **Payroll Hosting**

Payroll information for employees in public service institutions shall be hosted by Government agencies.

d) **Payroll Generation**

Payroll managers will observe the following while generating institutional payrolls:

- (i) The Statutory and departmental deductions should be recovered first;



- (ii) The third-party deductions should be processed on first come, first served basis;
- (iii) The payroll system should maintain the history of deferred deductions; and
- (iv) The payroll system should not process negative salary.

#### **e) Payroll Reports**

Payroll reports will be generated from time to time. Such reports shall be electronic and hard copy format informed by the need of the user. Among reports that will be generated are:

- (i) standard reports on wage bill, bank summaries, earning & deductions;
- (ii) Ad hoc reports by user needs; and
- (iii) Authorized Payroll summaries.

The reports on wage bill, earning & deductions and deduction posting should be printed filled and brought to the attention of accounting officer on monthly basis. The Payroll managers should discourage printing of listing such as bank-list and Sacco-list unless sanctioned.

#### **f) Payments**

The HR of respective agencies to provide authorized hard copy & electronic data to paying department who in turn will provide details of all electronic payments made to staff. Consequently, cash payrolls will cease to exist.

#### **g) Payroll Audit**

To ensure payroll data is credible and accurate, public service institutions will conduct both internal and external audits.

##### **(i) Internal Audit**

It will be the responsibility HR of the respective agencies to conduct a pre-payroll audit while Internal auditors will conduct a payroll audit before and after payroll generation.

(ii) **External Audit**

The Kenya National Audit Office (KENAO), PSC, CPSB and State Department for Public Service will conduct Payroll audit periodically.

## CHAPTER FOUR: INSTITUTIONAL FRAMEWORK

*This chapter outlines the institutional arrangements necessary for the implementation of this policy and their respective roles that they play.*

### 4.0 Institutional Arrangement

The Ministry responsible for Public Service will:

- (i) Develop and review policy on payroll management;
- (ii) Develop guidelines for implementation;
- (iii) Coordinate implementation Policy;
- (iv) Provide guidance on Human Resource Information systems to the Public Service for effective coordination of all the human resource information management services;
- (v) Coordinate development and review of Payroll Check-off facilities for use by Third Party Organizations (these are private financial institutions which are authorized to interact with Government payroll).
- (vi) Implement measures to enhance data integrity and accuracy for accountability and efficiency in decision making;
- (vii) Coordinate data analysis to generate informative reports to support strategic decision-making with regard to Public Service management;
- (viii) Develop designation codes for newly created positions in the Public Service, updating and maintaining the designation Master file;

#### 4.1 Other Responsibilities:

In addition to the above, the following institutions will be responsible for roles as shown below;

Agency	Current Roles
Head of Public Service	<ul style="list-style-type: none"><li>○ Provides policy guidelines and circulars for compliance purposes.</li></ul>
Public Service Commission (PSC)	<ul style="list-style-type: none"><li>○ Responsible for establishment management and control across the public service. This includes approval of staff structures, grading schemes and appointment and dismissal of staff.</li></ul>

Agency	Current Roles
	<ul style="list-style-type: none"> <li>○ Determination of remuneration for the Civil Service in consultation with SRC</li> </ul>
State Department of Public Service	<ul style="list-style-type: none"> <li>○ Responsible for Policy development and policy guidance as well as coordinating the human resource functions across Government</li> </ul>
Salaries and remuneration Commission (SRC)	<ul style="list-style-type: none"> <li>○ Provides advice on salaries and remuneration of all public service employees.</li> <li>○ Required to approve staff salary structure across all MDCAs</li> </ul>
The National Treasury (TNT)	<ul style="list-style-type: none"> <li>○ Processing Payments for staff Salaries and other emoluments.</li> <li>○ TNT processes pension payments using the IFMIS.</li> <li>○ Coordination of budgeting and funding.</li> </ul>
Teacher Services Commission (TSC)	<ul style="list-style-type: none"> <li>○ Responsible for the administration of the Human resource management function for teachers across the country</li> <li>○ Determination of remuneration for the teachers in consultation with SRC</li> </ul>
Police Service Commission	<ul style="list-style-type: none"> <li>○ Responsible for the administration of the Human resource management function for regular and Administration Police across the country</li> <li>○ Determination of remuneration for the police service in consultation with SRC</li> </ul>
Council of Governors (CoG)	<ul style="list-style-type: none"> <li>○ Handles all matters relating to Labour, Human Resource and Social Welfare of workers in the Counties.</li> </ul>
County Service Boards	<ul style="list-style-type: none"> <li>○ Develop and implement HR policies and framework for the County Governments.</li> </ul>
State Corporations	<ul style="list-style-type: none"> <li>○ Advice on the terms and conditions of public servants in State Corporations.</li> </ul>

Agency	Current Roles
Advisory Committee (SCAC)	
Inspectorate of State Corporations (ISC)	<ul style="list-style-type: none"> <li>○ Advise Government on all matters affecting effective running of State Corporations.</li> <li>○ Report periodically on management practices in State Corporations.</li> <li>○ Conduct special inspections and audits in State Corporations.</li> <li>○ Surcharge for institutions.</li> </ul>
Ministry of ICT	<ul style="list-style-type: none"> <li>○ Oversee development of ICT infrastructure for internet connectivity</li> </ul>
Auditor General	<ul style="list-style-type: none"> <li>○ Audits and reports Public Accounts in MDCAs.</li> </ul>
Other MDCAs	<ul style="list-style-type: none"> <li>○ Responsible for the implementation of human resources policies and with their entities. These responsibilities are executed mainly by the Authorised Officers, the Accounting Officer supported by the HR units established within each of these entities</li> </ul>

## **CHAPTER FIVE: MONITORING, EVALUATION, REVIEW AND REPORTING**

*This chapter provides a framework for monitoring, evaluation, review and reporting mechanism.*

### **5.0 Introduction**

The Payroll Monitoring and Evaluation Process will be done on annual basis by respective entities which are constituted or mandated by the regulations in the Public Service and its report is submitted to the Ministry responsible for Public Service and the Office of the Auditor General for further necessary action.

The review of the policy will be done after a five years as this is determined by dynamic Technological and Human Resources Practises and Procedures which keep on changing in the Public Service from time to time.

### **5.1 Reporting and Compliance Matrix**

A reporting template (Annex I) will be used by MCDAs to record all issues emanating from the payroll the would affect the accuracy and integrity of the payroll. The staff involved in payroll preparation will address the issues by analyzing the root cause, action taken to correct the issue and corrective action taken to eliminate reoccurrence of the same.

The information generated from the template will be compiled and shared to other MCDAs for best practice and may assist in the review of the policy.

#### **5.1.1. Compliance Matrix**

The compliance matrix audit issues raised during the quarterly audits. The audits may be internally or externally generated. The matrix will also be used as an audit compliance reporting tool. MCDAs will submit quarterly audit reports of their payroll to the State Department for Public Service using Annex II.

#### **5.1.2. Evaluation**

Evaluation will be done on quarterly basis taking into consideration reporting and compliance matrices. The results of the evaluation will inform training support required for each MCDA.

**Annex I: Reporting template for MCDAs**

Name of organization .....

<b>S/NO</b>	<b>Issues noted during Payroll Generation</b>	<b>Probable causes of the issue</b>	<b>Remedial action taken</b>	<b>Corrective action taken</b>

**Annex II: Compliance Matrix**

<b>S/NO</b>	<b>Name of Organization</b>	<b>Quarter I</b>	<b>Quarter II</b>	<b>Quarter III</b>	<b>Quarter IV</b>