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SPECIAL AUDIT REPORT  
OF THE AUDITOR-GENERAL ON  
**PAYROLL MANAGEMENT FOR**  
**COUNTY EXECUTIVE OF THARAKA NITHI**

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COUNTY 013

JULY 2025



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

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

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

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

### **Audit Objectives**

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

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

### **Audit Scope**

- 1.7 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls.
- 1.8 To test migration from the IPPD System to the HRIS-Ke, the scope was extended to January 2025.

### **Methods of Gathering Evidence**

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

### **Summary of Findings**

The key audit findings are as detailed:

#### **A. Payroll Budgeting**

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

- 1.11 Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires the county government's expenditure on wages and benefits for its public officers exceed thirty-five (35%) percent of the county government's total revenue. The audit established that the ratio of the budgeted compensation of employees to the budgeted revenue exceeded 35% in the three (3) financial years. Further, the ratio of actual compensation of employees

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

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

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

### **B. Recruitment Process**

#### **I. Irregular Recruitment of Staff**

- 1.13 In 2023/2024, there were Twenty-one (21) employees, initially engaged on an internship basis and as casual workers, whose terms were converted to permanent and pensionable without advertisement, shortlisting, interviews or selection of successful candidates
- 1.14 There were inconsistencies between the departments in IPPD and the departments in the approved staff establishment. There was overstaffing in certain departments and designations.

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

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

## **C. Employee Data Management**

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

- 1.16 The Special Audit identified thirty (30) employees with inconsistent date of birth. Interview with thirty (30) employees and verification of their identification documents established that the dates captured in the IPPD System and HRIS-Ke for nineteen (19) employees were different from those in employees' Birth Certificates. This is contrary to the directive outlined in Circular Ref. No: PSC/ADM/ 13(9).

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

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

- 1.17 The Special Audit established that there were misalignments between departmental Vote Heads in IPPD System and 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. Irregular Payment of Extraneous Allowance**

- 1.18 Comparison of allowances spelt out in SRC circular Ref: SRC/TS/CG/ND/3/61/32 (25) dated 17 January 2019 and payments made to employees of the County Executive established that in 2023/2024 a total of Kshs.4,566,000 was paid as extraneous allowance to officers who were not entitled to the allowance.

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

- 1.19 The Special Audit established that there were three (3) employees who were irregularly paid irregularly paid leave allowance during the year 2023/2024. The amount irregularly paid totaled Kshs.262,128 and was paid as arrears. Further, arrears of extraneous allowance totaling Kshs.61,000, was paid to three (3) officers who were not entitled to the allowance.

### **IV. Overpayments of Salaries and Allowances**

- 1.20 Comparison of salary paid to employees during the period under audit review with applicable Salary and Remuneration Commission (SRC) circulars and guidelines established that six (6) officers were overpaid salaries and

allowances by Kshs.1,825,575. Effort by the Director of Human Resource to recover the overpayments from the payroll was not successful since the officers' net pay could not accommodate the recovery.

## **V. Use of Manual Payrolls**

- 1.21 During the years under review, the County Executive had employees whose salary totaling Kshs. 234,482,541 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. Late Remittance of Statutory Deductions**

- 2.1. A comparison of statutory deduction for employees in the IPPD System with bank statements and other payment records provided for audit review established that NHIF, PAYE, NSSF and Housing Levy deductions from employees as well as employer contributions were not remitted on time. The delay ranged two (2) days to fifty-two (52) days. This exposes the County Executive to penalties, interest and reputational risks, thereby undermining stakeholders' confidence.

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

- 2.2. The audit established that 68% of employees in the IPPD System as at 30 June, 2024 were from one dominant ethnic community. This is contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008. However, the dominant community represented 61% of the new recruitment done during the period under review. This demonstrates the management effort to ensure compliance with the requirement on ethnic diversity.

### **III. Other Non-Compliance Issues**

- 1.22 The Special Audit established that the County Executive was not in compliance with the requirement of Section 80 of the County Governments Act, 2012 which provides for the mandatory retirement age for a county public officer and Paragraph C.15(4) and Paragraph C.14(1) of the PSC Human Resource Policies and Procedures Manual for the Public Service, 2016 which limit the

duration an employee can earn Special Duty Allowance and Acting Allowance respectively to six (6) months. This noncompliance presents the risk of litigation proceedings and associated costs.

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

### **I. Overpayment and Underpayment of Allowances on Migration**

- 1.23 Comparison between November, 2024 IPPD data and December 2024 HRIS-Ke data established instances of overpayment and underpayments of salaries and allowances on migration to HRIS-Ke amounting to Kshs.530,000 and Kshs.603,000 respectively.
- 1.24 The overpayments and underpayments indicate inadequate data validation and weak internal controls. This exposes the County Executive to financial loss, legal liabilities, and employee dissatisfaction due to inaccurate compensation.

## Conclusion

- 1.25 The Special Audit of payrolls for Tharaka Nithi County Executive uncovered several audit issues in payroll and human resource management, which may negatively affect its financial sustainability, compliance, and operational efficiency. In view of the findings, the Special Audit concludes as follows:
- 1.26 The Tharaka Nithi 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 budgeting process and inadequate oversight role by the County Assembly. Therefore, the County's financial resources are strained, limiting the funds available for critical development projects and essential service delivery.
- 1.27 The Vote Heads in the IPPD System and the 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.
- 1.28 The IPPD System and HRIS-Ke were not updated with approved designations in the approved staff establishment. The misalignment undermines budgetary control and increases the risk of unauthorized or irregular salary payments. This weakness compromises the integrity of payroll processing, weakens accountability, and may result in discrepancies between approved staffing structures and actual payroll expenditures.
- 1.29 The controls over processing and payment of salary were not adequate as evidenced by the payment of irregular salary and allowances and the overpayments of salaries and allowances. 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.
- 1.30 The data validation controls in the payroll systems were not adequate. The IPPD System provision for manual entry of arrears without automated controls

or validation and use of manual payroll created loopholes that was been 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.

- 1.31 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.
- 1.32 The County Executive did not comply with tax and labour laws as evidenced by as evidenced by delayed statutory remittances and payment of Special Duty and Acting Allowances for more than six (6) months, engaging staff above sixty (60) years 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 irregular salary and allowance disbursements that arose from migration. 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 conclusions of the Special Audit, the following is recommended for implementation by the Tharaka Nithi County Executive.
- 1.36 To ensure compliance with fiscal responsibility principle on capping expenditure on wages to thirty-five (35) percent of the County Executive's total revenue the County Assembly should ensure adherence to the 35% capping before the approval of the budgets.

- 1.37 For effective management of departmental budgets and enhance accuracy in reporting of personal emolument expenditure per department thus promoting accountability by the Chief Officers, the Chief Officer for Public Finance together with the management of the State Department for Public Service and Human Capital Development (the custodian of the Human Resource Information System-Kenya) should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures. Further, staff costs should be charged to the votes under which their budgets are made.
- 1.38 To enhance transparency, fairness, and accountability in the recruitment process, the County Executive should strengthen recruitment processes, including advertisements that are widely publicized.
- 1.39 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.
- 1.40 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.
- 1.41 To reduce opportunity for process irregular payments by exploiting existing weakness in arrear payments, the management of the County Executive together with that of State Department for Public Service and Human Capital Development should automate the processing of arrears by eliminating manual entry fields and integrating system-based validation rules. This will enhance control, ensure consistency with approved policies, and reduce the risk of irregular or unauthorized payments.

- 1.42 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.
- 1.43 All manual payrolls should be fully onboarded into the HRIS-Ke, with payments effected only through the system upon successful data entry and verification. This will minimize reliance on manual processes that are prone to error and manipulation.
- 1.44 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.
- 1.45 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 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 Tharaka Nithi 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.

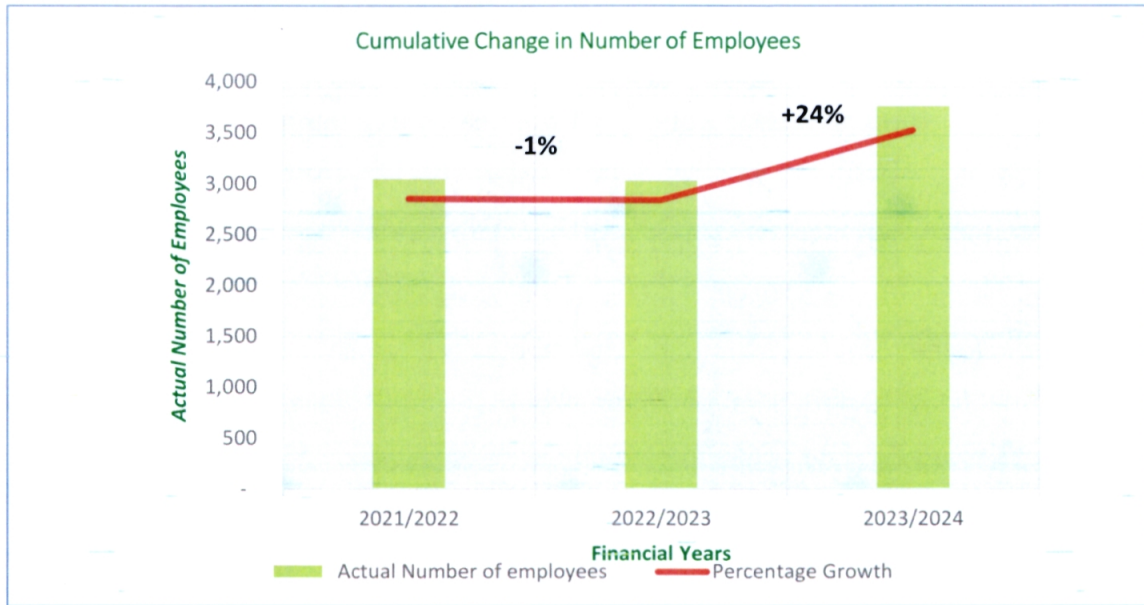
2.5 A parallel run of the IPPD System and HRIS-Ke was conducted across Ministries, Departments and Agencies and County Governments in November 2024. This was to ensure the readiness of the HRIS-Ke for roll out. Thereafter, in January 2025, the HRIS-ke was fully adopted for payroll management.

#### **Numbers of Employees and Payroll Expenditure**

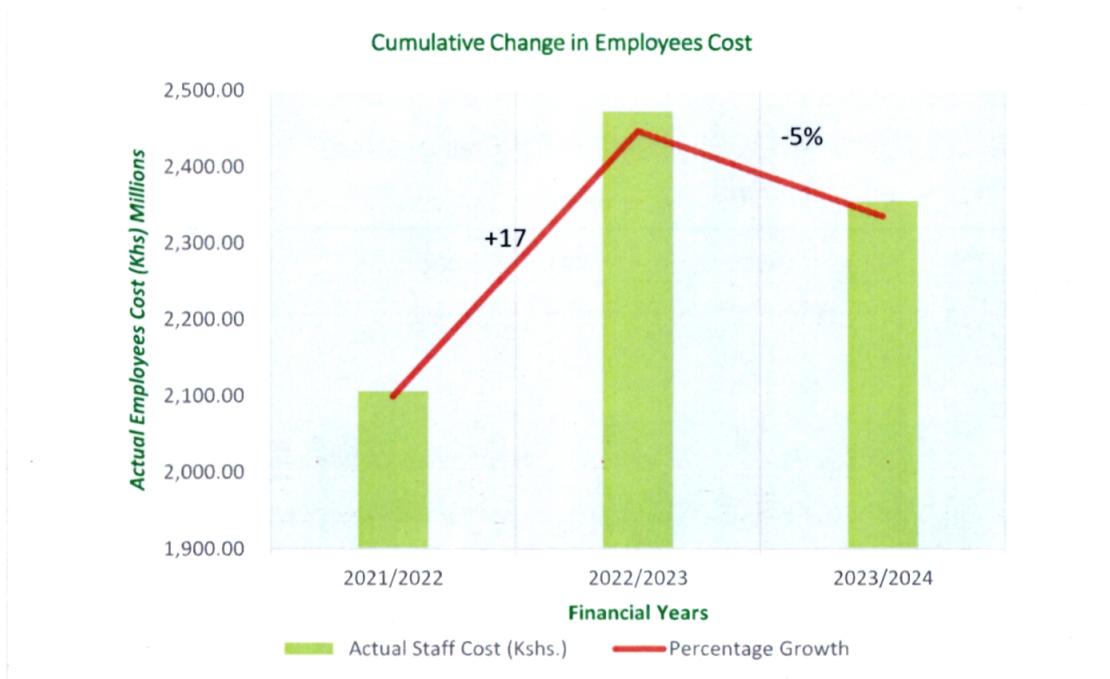
2.6 Over the three-year period under review, there was an increase in the number of employees and payroll costs.

2.7 The overall staff growth across the audit period was 23%, while the cumulative change in payroll costs over the three years was approximately 12% as shown in **Figures 1 and 2**.

**Figure 1: Cumulative Change in Number of Employees**



**Figure 2: Cumulative Change in Employee Cost**



### **Audit Objectives**

- 2.8 The objective of the Special Audit on Payroll Management was to assess the adequacy of controls and compliance across the entire payroll process from budgeting and recruitment to salary processing and payment. The specific objectives were to:
- i. Evaluate whether the preparation and execution of the payroll budget align with relevant laws and approved budgetary provisions;
  - ii. Assess whether the recruitment process complied with applicable legal, regulatory, and organizational frameworks governing employment;
  - iii. Assess the integrity of payroll data and identify any double entries, entries in multiple institutions, unverified employees, or inconsistencies across the County Government Payroll System;
  - iv. Determine the accuracy of payroll calculations and payments;
  - v. Evaluate adherence to tax laws, labour laws, and other statutory requirements; 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) System, Human Resource Information System - Kenya (HRIS-Ke), manual and casual payrolls.
- 2.10 To test migration from the IPPD System to the HRIS-Ke, the scope was extended to January 2025.
- 2.11 The Audit was carried out in the month of February, 2025

### **Audit Methodology**

- 2.12 The Special Audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 4000 for Compliance Audit.

These standards require that the audit is planned and performed so as to draw reasonable audit conclusions on the design, implementation and operating effectiveness of internal controls.

### **Methods of Gathering Evidence**

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

#### **a) Document Review**

- 2.15 The Audit team reviewed various documents in order to set audit criteria and assess compliance with the criteria and in gathering audit evidence. This included:
- i. The Constitution of Kenya, 2010;
  - ii. The Public Finance Management Act, 2012;
  - iii. The Public Finance Management (County Governments) Regulations, 2015;
  - iv. County Governments Act, 2012;
  - v. National Cohesion and Integration Act, 2008;
  - vi. National Social Security Fund Act, 2013;
  - vii. National Health Insurance Fund Act, 1998 (now repealed);
  - viii. Affordable Housing Act, 2024;
  - ix. Income Tax Act, Chapter 470 of the Laws of Kenya;
  - x. Public Service Commission Human Resource Policies and Procedures Manual for the Public Service, 2016;
  - xi. SRC Circular SRC/TS/CGOVT/3/61 VolIII/(136) of 14 September 2015;
  - xii. SRC Circular SRC/TS/29(81) of 10 August 2023;
  - xiii. SRC Circular SRC/TS/29(94) of 10 November 2023;
  - xiv. Public Service Commission Circular Ref. No: PSC/ ADM/ 13(9) dated 19 November, 2020

- xv. SRC Compendium of Remuneration and Benefits for Public Service dated December 2022;
- xvi. Gazette Notice No 6518 of 2017, published in The Kenya Gazette Vol.CXIX No 89 of 7 July 2017;
- xvii. Gazette Notice 8794 of 2022, published in The Kenya Gazette Vol. CXXIV No. 145 of 27 July 2022;
- xviii. Gazette Notice 10348 of 2023, published in The Kenya Gazette Vol. CXXV No.177 of 9 August 2023;
- xix. Annual Recruitment Plans of Tharaka Nithi County Public Service Board, 2021/2022, 2022/2023 and 2023/2024; and
- xx. Approved Organization Structures and Staff Establishments for 2021/2022, 2022/2023 and 2023/2024.

**b) Data Analytics**

- 2.16 Payroll and staff register data from the IPPD System and HRIS-Ke were extracted and analyzed together with manual and casuals' payrolls. The exceptions from the analysis were the basis for verification with staff and payroll records maintained by the County Executive.
- 2.17 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. Manual Payroll Data;
  - iii. Casual Payrolls Data and Muster Rolls;
  - iv. Recruitment and staff exit data;
  - v. IFMIS Salaries Ledgers;
  - vi. Bank Statements
  - vii. IFMIS Recurrent Votebooks for Tharaka Nithi;
  - viii. IPPD Subvote and Vote Head Reports;
  - ix. Chief Officers staff list as at 30 June 2024; and
  - x. HRIS-Ke Payroll data for December 2024 and Staff Register for January 2025.

### **c) Interviews**

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

### **d) Physical Verification of Staff**

2.19 The Audit Team requested all the Chief Officers to provide countersigned list of staff members in their departments as at 30 June 2024. The list was compared with the IPPD staff registers maintained in the County Executive.

2.20 The Audit team through the County Secretary, requested fifty (50) employees to present themselves in person for a physical verification, which was based on initial exceptions from data analytics. This verification was to confirm the existence of staff, their employment status and the accuracy of the staff personal data maintained in the payroll systems.

### **Report Structure**

2.21 The report is organized as follows:

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

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

### 3. DETAILED FINDINGS

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

- i. Payroll Budgeting;
- ii. Recruitment Process;
- iii. Employee Data Management;
- iv. Payroll Processing and Payments;
- v. Compliance with Laws and Regulations; and
- vi. 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 and regulations. The following issues were established:

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

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

3.4 The Special Audit established that the ratio of the budgeted compensation of employees to budget revenue exceeded 35% in the three (3) financial years as shown 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 Budgeted Revenue (Kshs.)	Budgeted Compensation of Employee (Kshs.)	Budgeted Cost / Revenue Ratio
2021/2022	5,461,847,701	2,235,622,424	41%
2022/2023	5,104,469,751	2,579,787,373	51%
2023/2024	5,954,279,762	2,563,818,607	43%

\*Source: Audited Financial Statements

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

**Table 2: Actual Employee Cost to Revenue Ratio**

Financial Year	Actual Revenue (Kshs.)	Actual Compensation of Employee (Kshs.)	Expenditure/ Revenue Ratio
2021/2022	4,152,925,123	2,105,920,582	51%
2022/2023	4,472,918,005	2,471,960,109	55%
2023/2024	4,686,978,781	2,354,655,972	50%

\*Source: Audited Financial Statements

- 3.6 The high ratio of compensation of employee expenditure to total revenue indicates high wage bill, which may become unsustainable in the long term. These 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. Further, Regulation 119(2) of the Public Finance Management (County Governments) Regulations, 2015 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.
- 3.8 A comparison of payroll reports extracted from the IPPD System with approved budgets established that the Vote Heads in IPPD were not aligned with those in the approved budgets as shown in **Annexure 1**
  - 3.9 One of the primary factors that contributed to the misalignment between the departments and Votes Heads was the failure to update the IPPD System when County Executive Orders for reorganization of Departments in the County Executive were issued.
  - 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, HRIS-Ke had similar Votes Heads to those in IPPD System.
  - 3.11 The continued reference to outdated departmental structures in the payroll systems may lead to inconsistencies between budgetary allocations and actual payroll expenditure, increasing the risk of misallocation or even misuse of public funds, as expenditure may be charged under incorrect vote heads.

## **B. Recruitment Process**

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

### **I. Irregular Recruitment of Staff**

- 3.13 Section 74 of the County Governments Act, 2012 states that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers in its public bodies and offices. Further, Section 65(1)(f) requires the County Public Service Board, when selecting a candidate for appointment, to consider the need for open and transparent recruitment of public servants. In addition, section 65(2) requires merit, fair competition and diversity to be overriding factors in determining whether appointment was undertaken in a fair and transparent manner.
- 3.14 The County Executive recruited three hundred and twenty-one (321) employees in 2021/2022, 2022/2023 and 2023/2024 financial years as summarized in **Table 3**.

**Table 3: Employees Recruited**

<b>Year</b>	<b>Formal</b>
<b>2021/2022</b>	102
<b>2022/2023</b>	71
<b>2023/2024</b>	148
<b>Total</b>	<b>321</b>

\*Source: Tharaka Nithi County Executive Recruitment Records

- 3.15 Review of the recruitment records established the employment terms for twenty-one (21) employees, initially hired as interns and on casual basis were converted to permanent and pensionable without advertisement and interviews. The monthly wage bill for the twenty-one (21) employees after conversion of terms increased by Kshs.87,548 from Kshs.535,335 to Kshs.622,883, as detailed in **Annexure 2**.
- 3.16 The appointments without advertisements that are widely publicized, circumvent processes that guarantee fair competition, merit and transparency in recruitment processes.

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

- 3.17 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.
- 3.18 Comparison of the departments as implemented IPPD with the approved staff establishment of the County Executive for 2023/2024 financial year, established inconsistencies between the departments (as represented by the Vote Heads and Sub-vote Heads) in the IPPD System and the departments in the approved staff establishment. For example: ICT was placed under the Department of Health, Medical Services, and ICT in the staff establishment but categorized under Energy and ICT in the IPPD System. Similarly, Cooperative Development was under Agriculture in the staff establishment but listed under Trade, Industry, and Cooperative Development in IPPD.
- 3.19 Further, a comparison between IPPD in-post staff and optimal staffing levels per in the approved staff establishment indicated overstaffing in certain departments and designations as follows:

- i. Trade, Industry, and Cooperative Development had 237 staff members in IPPD, whereas the optimal number indicated in the approved establishment was 75.
- ii. The support staff in this department totaled 152 in IPPD, while the optimal staffing level in the establishment was 25.

3.20 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 departments and designations to those in the IPPD System.

3.21 The misalignment between the configuration in the payroll systems and the approved staff establishment may have resulted to the overstaffing or understaffing. This may lead irregular payments and budget overruns.

3.22 The main cause of the misalignment was due to failure to update the IPPD System with County Executive Orders for reorganization of Departments in the County.

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

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

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

3.24 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective. Further, Circular Ref. No: PSC/ ADM/ 13(9) dated 19 November, 2020 from Public Service Commission to all authorized officers stipulates that the date of birth as per the Birth Certificate should be considered as a public officer's official date of birth. This stipulation supersedes provisions of preceding circulars on the matter of dates of birth.

3.25 Comparison of data maintained by IPPD System and that for other government entity flagged thirty (30) employees with inconsistencies with date of birth.

3.26 Interview with thirty (30) employees and verification of their identification documents established that the captured in the IPPD System for nineteen (19)

- employees were different from those in employees' Birth Certificates as detailed in **Annexure 3**. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).
- 3.27 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before 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.
- 3.28 The inaccurate capturing of dates of birth increases the risk of employees retiring before or after the legal retirement age, leading to potential miscalculation of pension dues and other age-based entitlements.

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

- 3.29 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. The following issues were established:

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

- 3.30 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.
- 3.31 The Special Audit established that, whereas there were personnel emolument budgets under eighteen (18) departments, charging of salary in Integrated Financial Management Information System (IFMIS) was not done as per respective departments as demonstrated in **Annexure 4**.
- 3.32 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, HRIS-Ke had similar Votes Heads to those in the IPPD System.
- 3.33 These misalignments led to inconsistencies between budget allocations and actual expenditure by departments, thereby increasing the risk of misuse of funds and inaccurate financial reporting.

##### **II. Irregular Payment of Extraneous Allowance**

- 3.34 Paragraph C.13 of the PSC HR Policies and Procedures Manual, 2016 states that extraneous allowance shall be paid to officers who are called upon to

undertake extra responsibilities in addition to their normal duties and therefore work over and above the official working hours on a continuous basis. SRC circular Ref: SRC/TS/CG/ND/3/61/32 (25) dated 17 January 2019, stipulates that extraneous allowance is payable only to two (2) Secretaries, two (2) Drivers, and (2) Security Officers attached to the offices of the Governor and Deputy Governor.

- 3.35 The Special Audit established that in 2023/2024 a total of Kshs.4,566,000 was paid as extraneous allowance to officers who were not entitled to the allowance, as detailed in **Annexure 5**.

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

- 3.36 Article 201 (d) of the Constitution of Kenya, 2010, on the Principles of Public Finance require accountability in financial matters, responsible financial management and use of public money in a prudent and responsible way.
- 3.37 Section 149(1)(b) of the Public Finance Management Act, 2012 imposes on an accounting officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized, and effective, efficient, economical and transparent. Further, Regulation 120(3) of the Public Finance Management (County Governments) Regulations 2015 requires the accounting officer to certify the correctness of the payroll at least once every month.
- 3.38 During the financial years 2021/22, 2022/23 and 2023/24 the County Executive paid arrears amounting to Kshs.19,867,907, Kshs.12,788,714 and Kshs.17,650,982 respectively. Review of records supporting the payments established the following:
- i. There were three (3) employees who were paid leave allowance twice in December 2023. The employees were entitled to leave allowance totalling Kshs.30,000 but were paid a total of Kshs.292,128. The additional Kshs.262,128 was paid as arrears, detailed in **Annexure 6**.
  - ii. In 2023/2024, arrears of extraneous allowance totaling Kshs.61,000, was paid to three (3) officers who were not entitled to the allowance as detailed in **Annexure 7**.

#### IV. Overpayments of Salaries and Allowances

- 3.39 SRC Circular SRC/TS/CGOVT/3/61 VolIII/(136) of 14 September 2015 on Health Workers Allowances stipulated the allowances to which health workers were entitled, and the allowed rates per job group, with effect from 01 July 2015.
- 3.40 SRC Circular SRC/TS/JE/CG/3/33/6 VOL.III(30) of 8 July 2020 salaries, allowances and benefits applicable to county government employees in service on or after 1 July 2020.
- 3.41 SRC Circular SRC/TS/29(81) of 10 August 2023 stipulated the salary structure in the County Executive with effect from 01 July 2023, comprising of basic salary, house allowance and commuter allowance payable to public officers in each job group. Other remunerative items were to provided based on existing government circulars and guidelines as advised by SRC from time to time.
- 3.42 The Special Audit established that six (6) officers were overpaid salaries and allowances by Kshs 1,825,575 as detailed in **Annexure 8**. Further, effort by the Director of Human Resource to recover the overpayments from the payroll was not successful since the officers' net pay could not accommodate the recovery.
- 3.43 The failure to recover the overpaid amount in a timely manner reduces the likelihood of full recovery of funds as staff members may exit the organization before recovery of some or all of the amounts owed.

#### V. Use of Manual Payrolls

- 3.44 Regulation 22 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015, requires the accounting officer to maintain effective systems of internal controls and have measures to ensure their effectiveness.
- 3.45 The Special Audit established that during the years under review, the County Executive had employees whose salary was processed through payrolls maintained in excel as shown in **Table 4**.

**Table 4: Use of Manual Payrolls**

Financial Year	Casual Payroll	Manual Payroll	Amount paid (Kshs)
2021/2022	48,270,680	5,112,081	53,382,761
2022/2023	60,243,674	14,247,428	74,491,102
2023/2024	89,645,432	16,963,246	106,608,678
<b>Total</b>	<b>198,159,786</b>	<b>36,322,755</b>	<b>234,482,541</b>

\*Source: Tharaka Nithi County Executive Manual and Casual Payrolls

- 3.46 The use of manual payroll systems for salary processing is vulnerable to manipulation and fraud, potentially resulting to unauthorized payments.

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

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

#### **I. Late Remittance of Statutory Deductions**

- 3.48 Section 4(3) of the Affordable Housing Act, 2024 requires the Housing Levy to be remitted not later than the ninth working day after the end of the month in which the gross salary was due or gross income was received or accrued.
- 3.49 Section 20(1A) of the National Social Security Fund Act, 2013 requires an employer to remit NSSF deductions on the ninth day of each month or on such later date as the Board may, in consultation with the Cabinet Secretary responsible for matters relating to social security, prescribe.
- 3.50 Under section 15(4) of the National Health Insurance Fund Act, 1998 (now repealed), contributions were due on the ninth day of each month or on such later date as the Board, in consultation with the Cabinet Secretary responsible for matters relating to health, may prescribe.
- 3.51 A comparison statutory deduction for employees in the IPPD System with bank statements and other payment records provided for audit review established that NHIF, PAYE, NSSF and Housing Levy deductions from employees as well as employer contributions were not remitted on time as detailed in **Annexure 9**. The delay ranged from two (2) days to fifty-two (52) days.
- 3.52 The failure to remit statutory deductions on time exposes the County Executive to penalties, interest and reputational risks, thereby undermining stakeholders' confidence.

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

- 3.53 Section 7(1) of the 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 representing 33% of its staff from the same ethnic community.

- 3.54 Analysis of employees in the IPPD system as at 30 June, 2024 revealed that 68% of the staff were from one dominant ethnic community as detailed in **Annexure 10**. This is contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008.
- 3.55 Further analysis established that the dominant community represented 61% of the new recruitment done during the period under review as detailed in **Annexure 11**. This demonstrates the management effort to ensure compliance with the requirement on ethnic diversity.

### **III. Payment of Special Duty Allowance for More than Six Months**

- 3.56 Paragraph C.15(4) of the PSC Human Resource Policies and Procedures Manual for the Public Service, 2016 provides that Special Duty Allowance will not be payable to an officer for more than six (6) months.
- 3.57 The Special Audit established that two (2) officers were paid Special Duty Allowance for more than six months. The total amount of the allowances paid to these officers from July 2021 to December 2023 was Kshs.653,967, as detailed in **Annexure 12**.

### **IV. Payment of Acting Allowance for More than Six Months**

- 3.58 Paragraphs C.14(1) of the PSC Human Resource Policies and Procedures Manual for the Public Service, 2016 provides that acting allowance will not be payable to an officer for more than six (6) months.
- 3.59 The Special Audit established that one (1) officer was paid acting allowance for more than six months. The total amount of the allowance paid to the officer during the period under review was Kshs.179,648, as detailed in **Annexure 13**.

### **V. Active Staff Above 60 Years**

- 3.60 Section 80 of the County Governments Act, 2012 provides that the mandatory retirement age for a county public officer generally or for any category of public officers, shall be prescribed by policy of the national government.
- 3.61 The policy of the national government on retirement age is prescribed in Regulation 70 (1) of the Public Service Commission Regulations, under which the mandatory retirements age in the public service is sixty years and sixty-five for persons with disability.

3.62 The Special Audit established that there were three (3) active employees in the payrolls for the financial year 2022/2023 who had attained the retirement age of sixty (60) years. The total amount paid for the extra years amounted to Kshs.3,349,150 as shown in **Annexure 14**.

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

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

**I. Overpayment and Underpayment of Allowances on Migration**

3.64 Section 149(2)(a) of the Public Finance Management Act, 2012 requires the accounting officer of a county government to ensure that all expenditure made by the entity complies with requirements on lawful, authorized, and transparent use of resources of the entity.

3.65 SRC Circular SRC/TS/CGOVT/3/61 VolIII/(136) of 14 September 2015 defined the types and rates of allowances to which health workers are entitled, including Health Workers Extraneous Allowance.

3.66 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024. Comparison between November, 2024 IPPD data and December 2024 HRIS-Ke data established instances of overpayment and underpayments of salaries and allowances as shown in **Table 5** and detailed in **Annexure 15**.

**Table 5: Underpayment and Overpayment of Health Workers Extraneous Allowance on Migration to HRIS-Ke**

Allowance	Total Amount Underpaid or Unpaid		Total Amount Overpaid	
	Number of Employees	Amount (Kshs)	Number of Employees	Amount (Kshs)
Health Workers Extraneous Allowance	63	603,000	74	530,000

\*Source: HRIS-Ke Payroll for December 2024

3.67 The overpayments and underpayments during migration from the IPPD System to the HRIS-Ke indicate inadequate data validation and weak internal controls. This exposes the County Executive to financial loss, legal liabilities, and employee dissatisfaction due to inaccurate compensation.

#### 4. CONCLUSION

- 4.1 The Special Audit of payrolls for Tharaka Nithi 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 Tharaka Nithi County Government did not comply with requirement on limiting the Employee Cost within thirty-five (35%) of Revenue. The non-compliance indicates weaknesses in budgeting process and inadequate oversight role by the County Assembly. Therefore, the County's financial resources are strained, limiting the funds available for critical development projects and essential service delivery.
- 4.3 The Vote Heads in the IPPD System and the 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 IPPD System and HRIS-Ke were not updated with approved designations in the approved staff establishment. The misalignment undermines budgetary control and increases the risk of unauthorized or irregular salary payments. This weakness compromises the integrity of payroll processing, weakens accountability, and may result in discrepancies between approved staffing structures and actual payroll expenditures.
- 4.5 The controls over processing and payment of salary were not adequate as evidenced by the payment of irregular salary and allowances and the overpayments of salaries and allowances. 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.
- 4.6 The data validation controls in the payroll systems were not adequate. The IPPD System provision for manual entry of arrears without automated controls or validation and use of manual payroll created loopholes 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.

- 4.7 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.
- 4.8 The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances and payment of Special Duty and Acting Allowances for more than six (6) months, engaging staff above sixty (60) years violates legal and regulatory obligations, increasing the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 4.9 The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and irregular salary and allowance. This indicates weaknesses in data validation, lack of system configuration to enforce salary structures, and insufficient post-migration reconciliation controls, thereby exposing the County Executive to financial loss and reputational risk.
- 4.10 The identified audit issues had persisted over time, suggesting a failure of risk identification mechanisms and an underperforming internal audit function that may not have identified and prevented the control breaches in a timely manner.

## 5. RECOMMENDATIONS

- 5.1 In view of the findings and conclusions of the Special Audit, the following is recommended for implementation by the Tharaka Nithi County Government.
- 5.2 To ensure compliance with fiscal responsibility principle on capping expenditure on wages to thirty-five (35) percent of the County Executive's total revenue the County Assembly should ensure adherence to the 35% capping before the approval of the budgets.
- 5.3 For effective management of departmental budgets and enhance accuracy in reporting of personal emolument expenditure per department thus promoting accountability, the Chief Officer for Public Finance together with the management of the State Department for Public Service and Human Capital Development (the custodian of the Human Resource Information System-Kenya) should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures. Further, staff costs should be charged to the votes under which their budgets are made.
- 5.4 To enhance transparency, fairness, and accountability in the recruitment process, the County Executive should strengthen recruitment processes, including advertisements that are widely publicized.
- 5.5 To ensure integrity of data maintained in the payroll systems, the management should ensure the validation controls are implemented in the in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National Identity, National Social Security Fund (NSSF), Social Health Authority (SHA). Additionally, the use of manual Excel-based payrolls should be discontinued in favour of HRIS-Ke.
- 5.6 To reduce instances of financial loss due to irregular payment of allowances, enhance payroll integrity and support effective personnel management, the County Executive, together with the State Department for Public Service and Human Capital Development should ensure HRIS-Ke is appropriately configured to automatically enforce salary structures, as stipulated in the Salaries and Remuneration Commission Circulars and other relevant directives. Further, validations controls should be implemented in order to

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

- 5.7 To reduce opportunity for process irregular payments by exploiting existing weakness in arrear payments, the management of the County Executive together with that of State Department for Public Service and Human Capital Development should automate the processing of arrears by eliminating manual entry fields and integrating system-based validation rules. This will enhance control, ensure consistency with approved policies, and reduce the risk of irregular or unauthorized payments.
- 5.8 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.
- 5.9 All manual payrolls should be fully onboarded into the HRIS-Ke, with payments effected only through the system upon successful data entry and verification. This will minimize reliance on manual processes that are prone to error and manipulation.
- 5.10 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.
- 5.11 All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.

## 6. APPENDICES

### Appendix 1: List of Staff Interviewed

NO	DESIGNATION	DEPARTMENT
1	Director, Human Resource Management	Public Service and Administration
2	Director, Accounting Services	Finance & Economic Planning
3	Principal Officer, HRM & Development	Public Service and Administration
4	Payroll Manager	Public Service and Administration
5	Municipal Manager	Kathwana

### Appendix 2: List of Annexures


The Annexures referenced in the report, as listed below, will be provided in soft copy.


Name	Description
<b>Annexure 1</b>	Mapping Of IPPD Subvote And Votehead Fields to IFMIS Votes
<b>Annexure 2</b>	Employees Recruited Irregularly
<b>Annexure 3</b>	Staff Whose Dates of Birth were Inaccurately Captured in IPPD
<b>Annexure 4</b>	Charging Of Employee Costs In 2023/2024
<b>Annexure 5</b>	Payment Of Extraneous Allowance to Officers Not Entitled to the Earning
<b>Annexure 6</b>	Leave Allowance Paid in Twice, Partial Arrears in December 2023
<b>Annexure 7</b>	Extraneous Allowance Paid in Arrears to Staff Not Ordinarily Entitled to Extraneous Allowance
<b>Annexure 8</b>	Overpaid Salaries Not Recovered as at 30 June 2024
<b>Annexure 9</b>	Late Remittance of Statutory Deduction
<b>Annexure 10</b>	Ethnic Representation of Tharaka Nithi County Executive Staff as at 30 June 24
<b>Annexure 11</b>	Ethnic Representation of New Appointments in Tharaka Nithi County Executive in 2023/2024
<b>Annexure 12</b>	Extension Of Special Duty Allowance Beyond Six Months
<b>Annexure 13</b>	Extension Of Acting Allowance Beyond Six Months
<b>Annexure 14</b>	Active Staff Above Age 60
<b>Annexure 15</b>	Overpayment/Underpayment/Non-Payment of Health Workers Extraneous Allowance In HRIS-Ke in December 2024
<b>Annexure 16</b>	Overpayment/Underpayment/Non-Payment of Health Workers Extraneous Allowance In HRIS-Ke in December 2024


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