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



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COUNTY 022
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 Kiambu 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 Kiambu County Executive was conducted in line with this mandate.

The Special Audit evaluated the human resource and payroll processes at the Kiambu 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 Kiambu 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 Kiambu County Public Service Board and the Governor, Kiambu County Government.

The Annexures contain personal data and will be handled in accordance with the data protection principles as provided for in the Data Protection Act, 2019.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

8 July, 2025

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ABBREVIATIONS

CBA	Collective Bargaining Agreement
COB	Controller of Budget
COs	Chief Officers
CPSB	County Public Service Board
DO	Development Objective
DSA	Daily Subsistence Allowance
DLI	Disbursement-Linked Indicator
FIF	Facility Improvement Fund
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
MDAs	Ministries, Departments and Agencies
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
TSC	Teachers Service Commission

1. EXECUTIVE SUMMARY

Introduction and Background

- 1.1 Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7 (1) (a) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance at national and county government. In addition, Section 34 of the Public Audit Act, 2015 mandates the Auditor-General to conduct periodic audits upon request or at the Auditor-General's own initiative, with a view to evaluating the effectiveness of risk management, control and governance processes in public entities. The Special audit of the Kiambu County Executive (the County Executive) was conducted in line with this mandate.
- 1.2 The Government of Kenya (GoK) received an International Development Association (IDA) Credit of EUR140.7 million (Approximately Kshs. 19,538,432,130 using the prevailing exchange rate as at 28 June 2024) from the World Bank, to implement the Second Kenya Devolution Support Program (KDSP II). KDSP II supports a sub-set of reforms envisaged under the Government's Devolution Sector Plan. The financing agreement, Credit Number IDA-7447-KE, became effective in March 2024 and is set to be implemented over a four-year period; 2023-2027. The development objective of the KDSP II is to strengthen county performance in the financing, management, coordination, and accountability for resources. To achieve the DO, the Program was expected to improve outcomes in the participating counties under three (3) Key Result Areas (KRAs). KRA 1 was on sustainable financing and expenditure management, KRA 2 on intergovernmental coordination, institutional performance, and human resource management, and KRA 3 on oversight, participation, and accountability.
- 1.3 The Special Audit on Payroll Management for the County Executive is linked to Key Result Area (KRA) 2. There are two (2) Disbursement-Linked Indicators (DLIs) under this KRA:

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

Audit Objectives

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

- iv. Determine the accuracy of payroll calculations and payments, and
- v. Evaluate adherence to tax laws, labour laws, and other statutory requirements.

Audit Scope and Limitations

- 1.7 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls.
- 1.8 The Chief Officers did not provide list of staff members in their respective departments as at 30 June 2024. This limitation was mitigated by using data analysis to test the controls.

Methods of Gathering Evidence

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

Summary of Findings

The key audit findings are as follows:

A. Payroll Budgeting

I. Employee Cost to Revenue Ratio Exceeded the Set Threshold

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

II. Budget Votes in the Integrated Payroll and Personnel Database not Aligned with those in Approved Budget

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

B. Recruitment Process

I. Lack of Annual Recruitment Plans

- 1.13 During the period under audit review, the County Executive recruited four hundred and seventy-two (472) employees. However, it was established that the recruiting departments did not have annual recruitment plans to guide the recruitments. Further, no evidence was provided to prove that budgetary availability was sought before initiating the recruitment process. The lack of annual recruitment plans and lack of confirmation of availability of budgets can result in either overstaffing, understaffing, or hiring staff for roles that do not align with organizational priorities.

II. Weaknesses in Recruitment and Management of Casual Workers

1.14 Review of casual employees' records from the departments established the following internal control weaknesses:

- i. There were discrepancies between the recorded days in the payroll and the Muster rolls for the Administration and Public Service Management Department for the year ended 30 June 2023, and for the Department of Health for the year ended 30 June, 2024. As a result, the casual workers were overpaid by Kshs.405,963.
- ii. The total number of days indicated as worked by Departments of Roads, Transport and Public Works, Health Services, and Administration in the months of February, April, June, and November in the financial 2021/2022 exceeded the actual number of calendar days. As a result, the casual workers were overpaid by Kshs.155,174.
- iii. In the financial year 2021/2022, one hundred and seventy-seven (177) casual employees were recorded as having worked every day for a cumulative period ranging between one (1) to eleven (11) non-consecutive months without any rest days resulting to irregular payment totaling to Kshs.1,602,519.

III. Designations in Integrated Payroll and Personnel Database 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 the IPPD System. To facilitate salary processing, the affected employees were placed in similar Job Groups in the payroll 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 System

- 1.16 The Special Audit identified seven hundred and eighty-five (785) employees with inconsistent date of birth. Interview with a sample of seventy-five (75) employees and verification of their identification documents established that the dates captured in the IPPD System for thirty-six (36) employees were different from those in employees' Birth Certificates. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).

II. Officer Engaged in both Kiambu County Executive and Teachers Service Commission

- 1.17 The Special Audit established that during the financial year 2022/2023, one (1) employee was engaged by both Kiambu County Executive and Teachers Service Commission (TSC). During this period of dual engagement, the officer received a total of Kshs.49,460 in payments from the County Executive.

III. Failure of Chief Officers to Account for Human Resources in their Departments

- 1.18 The Chief Officers (COs) were requested to provide a list of staff members in their respective departments as at 30 June, 2024. This list was to be compared with records of employees in the payroll systems maintained by the County Executive.
- 1.19 The County Executive had twelve (12) departments under the oversight of Chief Officers. However, none of the Chief Officers submitted the required information.

IV. Authenticity of Staff in the Payroll

- 1.20 The Special Audit requested one hundred and six (106) employees from the County Executive to present themselves for physical verification. However, twenty-one (21) employees did not avail themselves for the exercise, despite multiple attempts to reach out to them. During the period under review, the twenty-one (21) employees collectively received gross salaries amounting to Kshs.67,849,764. These employees may not exist, presenting the risk of irregular or fraudulent payments.

- 1.21 Further, out of the eighty-five (79) officers who attended the physical verification, only fifty-one (51) personal files were provided. As a result, it could not be ascertained whether the documents maintained by the County Executive for the remaining twenty-eight (28) employees were consistent with the documents maintained by the County Executive.

V. Use of Manual Payroll

- 1.22 During the period under review, the County Executive was operating manual payrolls in addition to the IPPD System. The salary processed through the manual payroll amounted to Kshs.19,333,014. 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.

D. Payroll Processing and Payments

I. Charging of Employee Costs to the Wrong Budget Vote

- 1.23 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. Employees in Both Integrated Payroll and Personnel Database and Manual Payrolls

- 1.24 Comparison between manual payrolls and the IPPD System generated payroll revealed that there were forty-three (43) employees whose salaries were processed through both payrolls in the month of November 2023. A total of Kshs.5,848,828 was paid through the IPPD System and Kshs.1,268,351 through manual payroll.

III. Irregular Promotions

- 1.25 The Special Audit established that promotion for nineteen (19) officers in the financial year 2023/2024 and twenty-two (22) in 2022/2023, were not done in accordance with relevant schemes of service resulting to the officers skipping job groups.

IV. Unexplained Reduction in Overpayment Recovery Balances

- 1.26 The Special Audit established that one (1) employee had an overpayment recovery balance of Kshs.8,268,700, with a monthly recovery of Kshs.31,850 as of July 2023. However, in December 2023 the balance had reduced to Kshs.409,450. There was no evidence provided for audit verification to account for the recovery of Kshs.7,731,850 between August and December 2023. Therefore, the County may have lost these funds.

V. Casual Workers Paid more than once in Casual Payrolls

- 1.27 The casual payroll had data integrity issues like missing IDs. Further, analysis of the payroll established instances of duplicate payments to casual workers in the department of Administration and Public Service totalling to Kshs.2,462,887. The data integrity issues may have contributed to the duplicate payments.

VI. Lack of Transparency in Wages Payment Processes Due to Multiple Account Transfers

- 1.28 The Special Audit established that Kiambu County Executive disburses salaries, wages, and statutory deductions through its Recurrent Account at the Central Bank of Kenya. The total payments associated with the reviewed vouchers amounted to Kshs.122,865,172. Out of this amount, Kshs.31,341,340 was transferred to the County Government Operations Account held with Family Bank.
- 1.29 A review of the Operations Account Bank Statements revealed that after receiving net wages, the funds were commingled with other funds and transferred to other accounts whose statements were not provided for review. Therefore, the recipients of Kshs.31,341,340 could not be ascertained.

VII. Variance Between Payment Vouchers and Statement for Internet Banking System

1.30 The Special Audit revealed variances between payment vouchers and Bank Statements from Internet Banking (IB) as described below;

- i. During the years under review, there was a variance of Kshs.11,864,083 between amounts in payment voucher and that in Bank Statements from IB.
- ii. In the financial year 2022/2023, there were instances where six (6) officers in manual payroll were paid using Payment Vouchers, despite not being included in the supporting payment schedules. It was further established that the officers were not part of the manual payroll. The total unsupported amount was Kshs.2,120,543.

VIII. Irregular Payment of Health Workers Extraneous Allowances

1.31 The Special Audit established that in the period under review, ten (10) officers whose designations were Public Relations Officers, Revenue Clerks, Artisans and Support Staff were receiving Health workers extraneous duty allowance which they were not entitled to. The amount paid to these officers totaled to Kshs.655,070.

E. Compliance with Laws and Regulations

I. Non-Compliance to Remittance of Statutory Deductions

1.32 A comparison of statutory deductions for employees in the IPPD payroll system with bank statements established cases of delay in remittance of statutory deductions. The delay ranged from one (1) day to forty-eight (48) days.

II. Non-Compliance with Requirement on Ethnic Diversity

1.33 The audit established that 85% 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. Further, the dominant community represented 83% of the new recruitment done during the period under review. This is contrary to Section 65(1)(e) of the County Governments Act, 2012.

III. Casuals Employees Engaged Beyond Stipulated Period

- 1.34 Review of casual employees' payment records established that a casual worker in Finance Department continued to be paid despite her contract having expired on 8 March 2023. The total gross pay and NSSF employer contribution for the staff member amounted to Kshs.315,200.

Conclusion

- 1.35 The Special Audit of payrolls management for the Kiambu County Executive revealed several audit issues, with significant implications to financial sustainability, compliance, and operational efficiency. In view of the findings, the Special Audit concludes as follows:
- 1.36 The County Government did not comply with requirement on limiting the Employee Cost within thirty-five (35%) of Revenue. This 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.
- 1.37 The Vote Heads in the IPPD System were not aligned with those in the approved budgets and those configured in the IFMIS ledgers. The misalignment hinders effective management of departmental budgets and control resulting to inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.
- 1.38 The departments in the County Executive did not have approved annual human resource recruitment plans. The absence of the annual recruitment plans demonstrates ineffective workforce planning and deviation from established staffing structures. This practice can result in either overstaffing or hiring staff for roles that do not align with organizational priorities, which have an impact on the budget.
- 1.39 There were weaknesses in recruitment and management of casual workers. As a result, there were instances where number of days recorded in payroll were different from those in muster rolls, recorded work days exceeded calendar days and non-adherence to labor laws on employee rest days. This increases the risk of mismanagement of payroll funds.
- 1.40 The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate dates of

birth, employees drawing salary from different government entities and the use of manual payrolls. 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.

- 1.41 The authenticity of some of the employees could not be established. This was evidenced by the failure of the Chief Officers to account for employees in their departments, and the failure by employees to appear for physical verification. These cast doubt on the authenticity of payroll records and raise the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive.
- 1.42 The presence of duplicate payroll entries, irregular payment of allowance, unexplained reduction in overpayment recoveries and variance between payment vouchers and bank statements reflects significant weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of financial misstatements, fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 1.43 The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances and non-compliance with requirement on ethnic diversity. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.

Recommendations

- 1.44 In view of the findings and conclusions of the Special Audit, the following is recommended to the Kiambu County Government;
- 1.45 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.
- 1.46 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.
- 1.47 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.
- 1.48 To ensure no payment is made to non – existence employees, salary payments to all staff who failed to present themselves for physical verification should be suspended.
- 1.49 To enforce compliance with set labor laws and statutory deductions, the management of the County Executive should implement monitoring and reporting

mechanisms to promptly detect and address compliance issues, alongside staff training on compliance obligations.

- 1.50 All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.

2. INTRODUCTION AND BACKGROUND

Introduction and Background

- 2.1 Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7 (1) (a) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance at national and county government. In addition, Section 34 of the Public Audit Act, 2015 mandates the Auditor-General to conduct periodic audits upon request or at the Auditor-General's own initiative, with a view to evaluating the effectiveness of risk management, control and governance processes in public entities. The Special audit of the Kiambu County Executive (the County Executive) was conducted in line with this mandate.
- 2.2 The Government of Kenya (GoK) received an International Development Association (IDA) Credit of EUR140.7 million (Approximately Kshs. 19,538,432,130 using the prevailing exchange rate as at 28 June 2024) from the World Bank, to implement the Second Kenya Devolution Support Program (KDSP II). KDSP II supports a sub-set of reforms envisaged under the Government's Devolution Sector Plan. The financing agreement, Credit Number IDA-7447-KE, became effective in March 2024 and is set to be implemented over a four-year period; 2023-2027. The development objective of the KDSP II is to strengthen county performance in the financing, management, coordination, and accountability for resources. To achieve the DO, the Program was expected to improve outcomes in the participating counties under three (3) Key Result Areas (KRAs). KRA 1 was on sustainable financing and expenditure management, KRA 2 on intergovernmental coordination, institutional performance, and human resource management, and KRA 3 on oversight, participation, and accountability.
- 2.3 The Special Audit on Payroll Management for the County Executive is linked to Key Result Area (KRA) 2. There are two (2) Disbursement-Linked Indicators (DLIs) under this KRA:

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

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

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

Number of Employees and Payroll Expenditure

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

2.7 The overall staff growth across the audit period was 15% while the cumulative growth in payroll costs over the three (3) years was approximately 5.3% as shown in **Figures 1 and 2**.

Figure 1: Cumulative Growth in Employee Cost

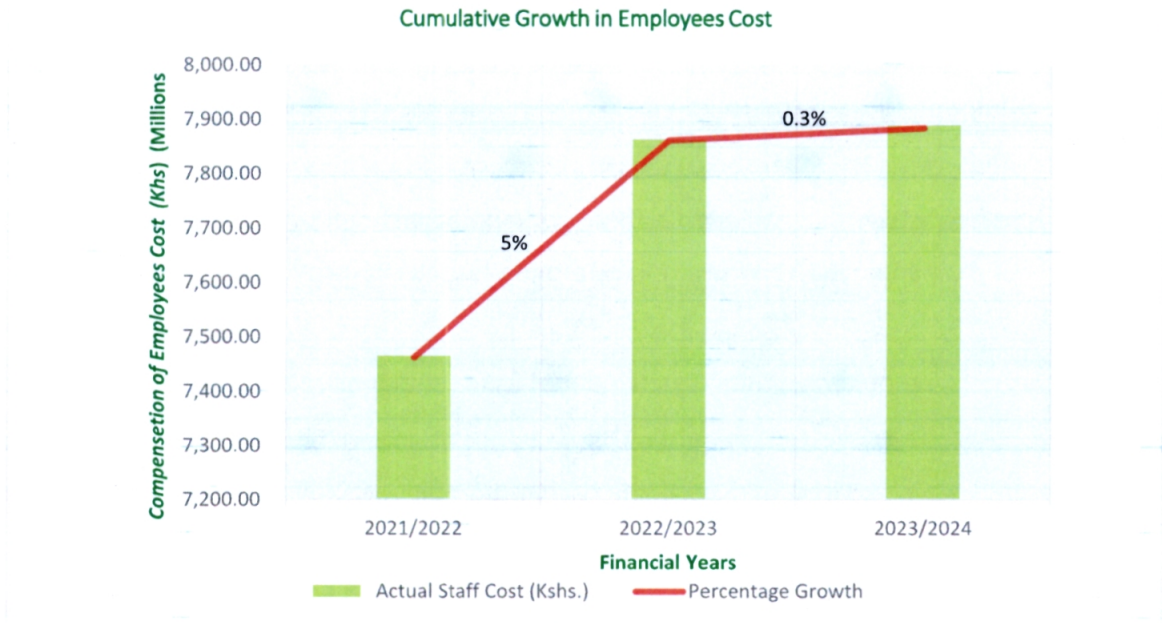
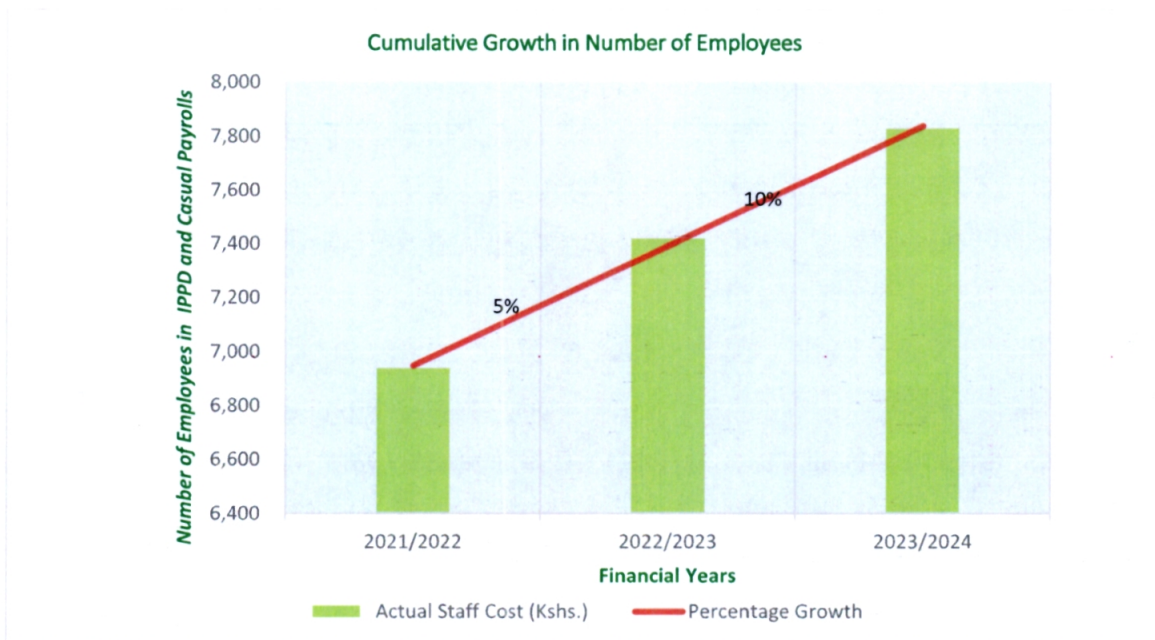


Figure 2: Cumulative Growth in Number of Employees



* employee numbers in the manual payroll were not considered in plotting the graph.

Audit Objectives

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

Audit Scope and Limitations

- 2.9 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls.
- 2.10 The audit was carried out in the month of November and December, 2024
- 2.11 The Chief Officers did not provide list of staff members in their respective departments as at 30 June 2024. This limitation was mitigated by using data analysis to test the controls.

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 of payrolls involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the 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. They include:
- i. The Constitution of Kenya, 2010;
 - ii. The Public Finance Management Act, 2012;
 - iii. The Public Finance Management (County Governments) Regulations, 2015;
 - iv. County Government Act, 2012;
 - v. Employment Act, 2007;
 - vi. SRC Circular, Ref No: SRC/TS/CGOVT/3/16 dated 29 July 2013;
 - vii. SRC Circular, Ref No: SRC/TS/29(81) dated 10 August 2022;
 - viii. Compendium of Remuneration and Benefit for Public Service dated December 2022.
 - ix. Approved Staff Establishments, 2022; and

- x. Collective Bargaining Agreements (CBAs), 2012.

b) Data Analytics

- 2.16 The payroll and staff register data from the IPPD System was extracted and analyzed together with manual and casuals' payrolls. The exceptions from the analysis formed the basis for verification of payroll records maintained by the County.
- 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
 - iv. Chief Officers staff list as at 30 June, 2024.

c) Interviews

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

d) Physical Verification of Staff

- 2.19 The Audit Team requested all the Chief Officers to provide countersigned list of staff members in their departments as at 30 June 2024. This list was corroborated with the IPPD staff registers maintained in the County.
- 2.20 The Audit Team through the County Secretary, requested specific 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.

e) Report Structure

2.21 The report is organized as follows:

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

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

3. DETAILED FINDINGS

3.1 The detailed findings are in the ensuing paragraphs and have been categorized into the following five (5) broad areas:

- a. Payroll Budgeting;
- b. Recruitment Process;
- c. Employee Data Management;
- d. Payroll Processing and Payments; and
- e. Compliance with Laws and Regulations.

A. Payroll Budgeting

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

I. Employee Cost 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) the Public Finance Management Act, 2012. Further, Regulation 25(1)(b) requires the limit set not to exceed thirty-five (35) percent of the county government's total revenue.

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

Table 1: Budgeted Employee Cost to Revenue Ratio

Financial Year	Total Budgeted Revenue (Kshs.)	Total Budgeted Staff Emoluments (Kshs.)	Expenditure/Revenue Ratio
2021-2022	16,008,845,088	7,867,692,620	49%
2022-2023	16,034,027,199	7,875,301,925	49%
2023-2024	21,458,869,952	7,975,287,177	37%

* Source: Audited financial statements.

- 3.5 Further, it was established that actual expenditure against actual revenue collected exceeded the thirty-five (35) percent threshold in the three (3) financial years under review as shown in **Table 2**.

Table 2: Actual Employee Cost to Revenue Ratio

Period	Total Revenue (Kshs.)	Actual Personnel Emoluments (Kshs.)	Expenditure/Revenue Ratio
2021-2022	13,349,920,611	7,465,056,009	56%
2022-2023	12,879,518,422	7,864,014,565	61%
2023-2024	17,677,673,302	7,890,419,502	41%

* Source: Audited financial statements.

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

II. Budget Votes in the Integrated Payroll and Personnel Database System not Aligned with those in Approved Budget

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

- 3.8 A Comparison of payroll reports extracted from the IPPD system with the approved budget established that the Vote Heads in the IPPD System were not aligned with those in the approved budgets as shown in **Annexure 1**.
- 3.9 One of the primary factors contributing to the misalignment between the departments and the Vote Heads was the failure to update the IPPD system to reflect changes resulting from the restructuring and consolidation of various sectors within the County Executive.
- 3.10 The continued referencing to outdated departmental structures leads to inconsistencies between budgetary allocations and actual payroll expenditures, increasing the risk of misallocation or even misuse of public funds, as expenditure may be charged under incorrect vote heads.

B. Recruitment Process

- 3.11 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 audit issues were revealed:

I. Lack of Annual Recruitment Plans

- 3.12 Section 59(1)(g) of the County Governments Act, 2012 requires the County Public Service Board of a county to facilitate the development of coherent, integrated human resource planning and budgeting for personnel emoluments in counties. Further, Regulation 119(2) of the Public Finance Management (County Governments) Regulations, 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.
- 3.13 The County Executive recruited fifty-nine (59), sixteen (16) and three hundred and ninety-seven (397) employees during the financial years 2021/2022, 2022/2023 and 2023/2024 respectively. However, it was established that the recruiting departments did not have annual recruitment plans to guide the recruitments.

Further, no evidence was provided to prove that budgetary availability was sought before the recruitments were initiated.

- 3.14 Lack of annual recruitment plans that are not supported by budgetary evidence can result in either overstaffing, understaffing, or hiring for roles that do not align with organizational priorities.

II. Weaknesses in the Recruitment and Management of Casual Workers

- 3.15 The Public Finance Management (County Governments) regulations of 2015 require Accounting Officers in accordance with Article 226(2) of the Constitution and Section 149 (1) of Public Finance Management Act, 2015 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, Section 27 (2) of the Employment Act, 2007 states that, an employee shall be entitled to at least one (1) rest day in every period of seven (7) days.

- 3.16 Review of casual employees' records from the departments established the following internal control weaknesses:

a. Inconsistencies in Number of Days Recorded in Payroll and Muster Roll Data

- 3.17 There were discrepancies between the recorded days in the payroll and the Muster rolls for the Administration and Public Service Management Department for the year ended 30 June 2023, and for the Department of Health for the year ended 30 June, 2024. As a result, casual workers were overpaid by Kshs.405,963 as shown in **Table 3** and detailed in **Annexure 2**.

Table 3: Inconsistencies in Number of Days Recorded in Muster Rolls and Payrolls

Financial Year	Department	Muster Roll	Payroll	Overpayment (Kshs.)
		Number of Days		
2022-2023	Administration and Public Service Management	508	1061	394,796
2023-2024	Health	141	151	11,167
	Total			405,963

* Source: Departmental Muster rolls and Casual employees' payrolls.

b. Recorded Work Days Exceeding Calendar Days

- 3.18 The total number of days reported as worked by Departments of Roads, Transport and Public Works, Health Services, and Administration in the months of February, April, June, and November of the financial year 2021/2022 exceeded the actual number of calendar days in those months. The discrepancy resulted in overpayments amounting to Kshs.155,174 as detailed in **Annexure 3**.
- 3.19 The control weaknesses in the management of casual workers indicates gaps in payroll management and oversight that could be exploited, potentially leading to irregularities in payments.

c. Non-Adherence to Labor Laws on Employee Rest Days

- 3.20 In the year ended 30 June, 2022, one hundred and seventy-seven (177) casual employees were recorded as having worked every day for a cumulative period ranging between one (1) to eleven (11) non-consecutive months without any rest days. The amount paid for the extra days amounted to Kshs.1,602,519 as detailed in **Annexure 4**.
- 3.21 The control weaknesses in the management of casual workers indicates gaps in payroll management and oversight that led to irregular payments.

III. Designations in the Integrated Payroll and Personnel Database System not Aligned with Approved Staff Establishment

- 3.22 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.
- 3.23 The Special Audit established that there were six hundred and twenty-three (623) designations that were configured in the IPPD System. However, out of the configured designations, ninety-eight (98) were not in the approved staff establishment. Further, there were three hundred and eighty-five (385) employees who were grouped in the ninety-eight (98) designations, as detailed in **Annexure 5**.
- 3.24 As a result of the misalignment between the staffing records in the IPPD system and the approved staff establishment, it was not possible to establish whether the County filled positions in accordance with the approved staff establishment. This may lead to inefficiencies in workforce planning, budget overruns and service delivery.

C. Employee Data Management

- 3.25 Review of employee's data management involved assessing the accuracy and completeness of both manually maintained and IPPD based staff registers. The following audit issues were established:

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

- 3.26 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 the Public Service Commission to all authorized officers stipulates that the date of birth as per the Birth Certificate should be considered as a public officer's official date of birth.

- 3.27 The Special Audit identified seven hundred and eighty-five (785) employees in the IPPD System with inconsistent dates of birth.
- 3.28 Interview with a sample of seventy-five (75) employees and verification of their identification documents established that the dates captured in the IPPD System for thirty-six (36) employees were different from those in employees' Birth Certificates as detailed in **Annexure 6**. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).

II. Officer Engaged in both Kiambu County Executive and Teachers Service Commission

- 3.29 The Special Audit established that during the financial year 2022/2023, one (1) employee was engaged by both Kiambu County Executive and Teachers Service Commission (TSC). During this period of dual engagement, the officer received a total of Kshs.49,460 in payments from the County Executive.

III. Missing Bio Data in Casual Payroll(s)

- 3.30 The Special Audit established that the Identification Number for thirty-six (36) payroll records for casual workers in the financial year 2023/2024 and one hundred and forty-five (145) in the financial year 2021/2022, was non captured as detailed in **Annexure 7**. These gaps indicate weaknesses in data validation controls, that might be exploited to make irregular payments.

IV. Failure of Chief Officers to Account for Human Resources in their Departments

- 3.31 Section 148(1) of Public Finance Management Act, 2012 requires a County Executive Committee member for finance to, except as otherwise provided by law, in writing designate accounting officers to be responsible for managing the finances of the county government entities as is specified in the designation. Further, Sub-Section (2) requires the person responsible for the administration of a county government entity to be the accounting officer responsible for managing the finances of that entity except as otherwise stated in other legislation.

- 3.32 The Letter of engagement addressed to the County Secretary for the special audit of payroll Ref: OAG/SAS/SADS/KDSP-PAYROLL/3/022 dated 25 November 2024 required Chief Officers to provide list of staff members in their department as at 30 June 2024. This list was to be compared with employees in the Payroll Systems maintained by the County Executive.
- 3.33 The County Executive had twelve (12) departments under the oversight of Chief Officers. All the Chief Officers did not comply with the request to submit the required information. The authenticity of the payroll records could therefore, not be confirmed.

V. Authenticity of Staff in the Payroll

- 3.34 The Office of the Auditor-General requested for a physical verification of sampled staff via letter Ref: OAG/SA/SADS/KDSP-PAYROLL/4/022 dated 4 December 2024, which was addressed to the County Secretary, the Kiambu County Government.
- 3.35 The letter requested one hundred and six (106) to present themselves for physical verification. However, six (6) employees had exited service and twenty-one (21) employees did not present themselves despite multiple attempts to reach out to them. During the period under review, the twenty-one (21) officers collectively received gross salary amounting to Kshs.67,849,764 as detailed in **Annexure 8**.
- 3.36 The employees who did not present themselves for physical verification may not exist, raising the risk of irregular or fraudulent payments.
- 3.37 It was further established that out of the seventy-nine (79) officers who presented themselves for the physical verification, only fifty-one (51) personal files were provided. As a result, it could not be ascertained if the documents maintained by the County Executive for the remaining twenty-eight (28) employees were consistent with the documents maintained by the County Executive. **Annexure 9**.

VI. Use of Manual Payroll

- 3.38 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and measures taken to ensure that they are effective.
- 3.39 Clause 6.3 of the Kiambu County Financial Accounting and Reporting Manual, require salaries, allowances, and/or arrears of the County Government staff to be paid through the IPPD System. However, during the period under review, the County Executive processed payrolls amounting to Kshs.19,333,014 as shown in **Table 4.**

Table 4: Officers Paid Through Manual Payroll

S.No.	Department	Number of Employees	Amount (Kshs.)
1	Health	57	4,559,345
2	Administration & Public Service	225	6,312,950
3	County Executive	9	2,163,009
4	Finance & Economic Planning	7	581,402
5	Roads, Transport and Public Works	4	405,638
6	Lands, Physical Planning and Housing	42	2,872,101
7	Education, Culture, ICT & Social Services	28	723,910
8	Youth & Sports	2	95,333
9	Agriculture, Livestock & Fisheries	8	545,996
10	Water, Environment & Natural Resources	1	54,300
11	Trade, Industry Tourism & Cooperatives	21	1,019,030
	Total	404	19,333,014

* Source: County Executive Manual payroll.

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

D. Payroll Processing and Payments

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

I. Charging of Employee Costs to the Wrong Budget Vote

- 3.42 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.
- 3.43 The audit established that there were misalignments between departmental Vote Heads in the IPPD System and those in the IFMIS Ledger Account as the Vote Heads in IPPD were not updated to align with those in IFMIS. As a result, a comparison of the gross salary processed through the IPPD System, casual payroll and manual payrolls to salary ledgers from the Integrated Financial Management Information System (IFMIS), revealed that posting of salary in IFMIS was not done as per departmental Budget Vote Heads, as Detailed in **Annexure 10**.
- 3.44 These misalignments led to inconsistencies between budget allocations and actual expenditures by departments, therefore increasing the risk of payroll overruns, inability to track payroll costs and misuse of funds.

II. Employees in Both Integrated Payroll and Personnel Database and Manual Payrolls

- 3.45 Section 149(1) of the Public Finance Management Act, 2012 imposes on an accounting officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is (a) lawful and authorized, and (b) effective, efficient, economical and transparent.
- 3.46 During the period under review, the County Executive was maintaining payroll in the IPPD System for employees with Payroll Numbers, Manual Payrolls for employees without payroll numbers and casual payrolls for casual workers.

3.47 A comparison between the manual payrolls and the IPPD generated payroll revealed that there were forty-three (43) employees whose salaries were processed through both payrolls in November 2023. A total of Kshs.5,848,828 was paid through the IPPD System and Kshs.1,268,351 through manual payroll as detailed in **Annexure 11**.

3.48 The existence of employees in both payrolls indicates loss of public funds due to double payments.

III. Irregular Promotions

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

3.50 The Special Audit established that promotion for nineteen (19) officers in the financial year 2023/2024 and twenty-two (22) in the financial year 2022/2023, were not done in accordance with relevant schemes of service resulting to the officers skipping job groups as detailed in **Annexure 12**.

IV. Unexplained Reduction in Overpayment Recovery Balances

3.51 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.

3.52 The Special Audit established that as at July 2023, one (1) employee had an overpayment recovery balance of Kshs.8,268,700, with a monthly recovery of Kshs.31,850. However, in December 2023 the balance had reduced to Kshs.409,450. Management did not provide evidence to support recovery of the Kshs.7,731,850. as shown in **Annexure 13**.

V. Casual Workers Paid More than once per Month

- 3.53 Section 149(1) of the Public Finance Management Act, 2012 imposes on an accounting officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is 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.
- 3.54 The Special Audit established instances of duplicate payments to casual workers in the department of Administration & Public Service totalling to Kshs.2,462,887 as shown in **Table 5** and detailed in **Annexure 14**.

Table 5: Officers Appearing more than once in Casual Payroll

S/no.	Year/Month	Overpayment (Kshs.)
1.	2021-2022	362,708.
2.	2022-2023	365,654
3.	2023-2024	1,734,525
	Total	2,462,887

* Source: Casual Payrolls for the Department of Administration & Public Service.

VI. Lack of Transparency in Wages Payment Processes Due to Multiple Account Transfers

- 3.55 Section 149(1) of the Public Finance Management Act, 2012 imposes on an accounting officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is (a) lawful and authorized, and (b) effective, efficient, economical and transparent. Section 149(2) provides that in carrying out this responsibility, the accounting officer shall ensure that all expenditure made by the entity complies with subsection (1).
- 3.56 A review of payment vouchers and related bank statements for casual wages from the Administration, Finance, Education, and Agriculture/Livestock Departments was conducted to verify that funds reached the intended recipients.

- 3.57 The Special Audit established that Kiambu County Executive disburses salaries, wages, and statutory deductions through its Recurrent Account at the Central Bank of Kenya, into two (2) accounts held with Family Bank Limited; -the Family Bank operations account, operated by the County Executive, and the Family Bank suspense salary account, maintained under a contractual arrangement between the County Executive and Family Bank.
- 3.58 The total payments associated with the reviewed payment vouchers amounted to Kshs.122,865,172 out of which, Kshs.31,341,340 was transferred to the County Government Operations Account held with Family Bank and Kshs. 77,846,720 transferred to Family Bank suspense salary account as detailed in **Annexure 15**.
- 3.59 Further, review of the operations account bank statements revealed that after receiving net wages, the funds were commingled with other funds and transferred to other accounts whose Bank Statements were not provided for review. Additionally, bank statements for the Family Bank suspense salary account were not provided for review. As a result, the recipients of Kshs.31,341,340 and Kshs 77,846,720 could not be ascertained.

VII. Variance Between Payment Vouchers and Statement for Internet Banking System

- 3.60 Section 149(1) of the Public Finance Management Act, 2012 imposes on an accounting officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is (a) lawful and authorized, and (b) effective, efficient, economical and transparent. Section 149(2) provides that in carrying out this responsibility, the accounting officer shall ensure that all expenditure made by the entity complies with subsection (1).
- 3.61 The Special Audit revealed variances between payment vouchers and the Internet Bank Statements as described below;

- i. During the years under review, comparison of a sample of payment vouchers with Statements from Internet Banking (IB) established variance of Kshs.11,864,083 between amounts in payment voucher and that in IB Statements as shown in **Annexure 16**.
- ii. In the financial year 2022/2023, there were instances where six (6) officers in manual payroll were paid using Payment Vouchers, yet they were not included in the supporting payment schedules. It was further established that the officers were not part of the manual payroll. The total unsupported amount was Kshs.2,120,543 as shown in **Annexure 17**.

VIII. Irregular Payment of Health Workers Extraneous Allowances

- 3.62 The SRC Circular Ref. No. SRC/TS/CGOVT/3/61 VOL.III/ (136), dated 14 September 2015, stipulates the allowances payable to health workers and outlines the categories of health workers eligible to receive these allowances.
- 3.63 The Special Audit established that in the financial years under review, there were ten (10) officers who were paid Health workers extraneous duty allowance totaling to Kshs.655,070 despite not meeting the eligibility criteria stipulated in the SRC Circular as shown in **table 6** and detailed in **Annexure 18**.

Table 6: Irregular Payment of Health Workers Extraneous Allowances

Financial Period	Number of Staff	Amount (Kshs.)
2021/2022	5	102,000
2022/2023	1	180,000
2023/2024	4	373,070
Total		655,070

* Source: IPPD payroll data for the financial years 2021/2022, 2022/2023 and 2023/2024.

E. Compliance with Laws and Regulation

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

I. Non-Compliance to Remittance of Statutory Deductions

- 3.65 Employers are legally required to deduct and remit various statutory contributions within specified timelines. Under Rule 10(1) of the Income Tax (PAYE) Rules, PAYE must be paid by the 10th day of the month following the deduction.
- 3.66 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.
- 3.67 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.
- 3.68 A comparison of statutory deductions for employees in the IPPD payroll system with bank statements established cases of delay in remittance of statutory deductions as demonstrated in **Annexure 19**. The delay ranged from one (1) day to forty-eight (48) days.
- 3.69 The failure to remit statutory deductions on time exposes the County to penalties, interest and reputational risks, thereby undermining stakeholders' confidence.

II. Non-Compliance with Requirement on Ethnic Diversity

- 3.70 Section 7(1) of National Cohesion and Integration Act, 2008, states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. Section 7(2) states that no public establishment shall have more than one third of its staff from the same ethnic community.
- 3.71 Section 65(1)(e) of the County Governments Act, 2012 requires the County Public Service Board to consider, in selecting candidates for appointment, the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

- 3.72 Analysis of employees in the IPPD System as at 30 June 2024 established that 85% of the staff were from one dominant ethnic community contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 as detailed in **Annexure 20**.
- 3.73 Further, analysis established that the dominant community represented 83% of the new recruitment done during the period under review as detailed in **Annexure 21**. This is contrary to Section 65(1)(e) of the County Governments Act, 2012.
- 3.74 The non-compliance to ethnic diversity is a violation of legal requirements and may lead to litigation proceedings.

III. Casual Worker Engaged Beyond Stipulated Period

- 3.75 Section 37(1) of the Employment Act, 2007 provides that if a casual employee works continuously for a period equivalent to one month or performs tasks that extend beyond three (3) months, their employment shall be deemed to be on a monthly wage contract basis.
- 3.76 Review of casual employees' approval records established that a casual worker in Finance department continued to be included in the payroll despite her contract having expired. The total gross pay and employer contribution to for this staff member amounted to Kshs.315,200 as detailed in **Annexure 22**.
- 3.77 The engagement of casuals beyond the stipulated period exposes the County Executive to litigation proceedings and associated costs.

4. CONCLUSION

- 4.1 The Special Audit of payrolls management for the Kiambu County Executive revealed several audit issues, with significant implications to financial sustainability, compliance, and operational efficiency. In view of the findings, the Special Audit concludes as follows:
- 3.1. The County Government did not comply with requirement on limiting the Employee Cost within thirty-five (35%) of Revenue. This 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.
- 3.2. The Vote Heads in the IPPD System were not aligned with those in the approved budgets and those configured in the IFMIS ledgers. The misalignment hinders effective management of departmental budgets and control resulting to inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.
- 4.2 The departments in the County Executive did not have approved annual human resource recruitment plans. The absence of the annual recruitment plans demonstrates ineffective workforce planning and deviation from established staffing structures. This practice can result in either overstaffing or hiring staff for roles that do not align with organizational priorities, which have an impact on the budget.
- 4.3 There were weaknesses in recruitment and management of casual workers. As a result, there were instances where number of days recorded in payroll were different from those in muster rolls, recorded work days exceeded calendar days and non-adherence to labor laws on employee rest days. This increases the risk of mismanagement of payroll funds.

- 4.4 The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate dates of birth, employees drawing salary from different government entities and the use of manual payrolls. 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.
- 4.5 The authenticity of some of the employees could not be established. This was evidenced by the failure of the Chief Officers to account for employees in their departments, and the failure by employees to appear for physical verification. These cast doubt on the authenticity of payroll records and raise the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive.
- 4.6 The presence of duplicate payroll entries, irregular payment of allowance, unexplained reduction in overpayment recoveries and variance between payment vouchers and bank statements reflects significant weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of financial misstatements, fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 4.7 The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances and non-compliance with requirement on ethnic diversity. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.

5. RECOMMENDATIONS

- 5.1 In view of the findings and conclusions of the Special Audit, the following is recommended to the Kiambu 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 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.
- 5.4 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.
- 5.5 To ensure no payment is made to non – existence employees, salary payments to all staff who failed to present themselves for physical verification should be suspended.
- 5.6 To enforce compliance with set labor laws and statutory deductions, the management of the County Executive should implement monitoring and reporting

mechanisms to promptly detect and address compliance issues, alongside staff training on compliance obligations.

- 5.7 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	Deputy Director	Public Service and Administration
2	Senior Accounts Clerk	Finance
3	Accountant	Finance
4	Deputy Director Records	County Public Service Board

Appendix 2: List of Annexures


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


No.	Annexure	Title
1	Annexure 1	Budget Votes in Payrolls Systems not Aligned with Those Aligned in Approved Budget
2	Annexure 2	Inconsistencies in Number of Days Recorded in Payroll and Muster Roll Data
3	Annexure 3	Recorded Work Days Exceeding Calendar Days
4	Annexure 4	Non-Adherence to labor laws on employee rest days
5	Annexure 5	Designations in the IPPD System not Aligned with Approved Staff Establishment
6	Annexure 6	Integrity of Birth Dates Data in the IPPD System
7	Annexure 7	Missing Bio Data in Casual Payroll(s)
8	Annexure 8	Officers who did not attend Physical verification exercise
9	Annexure 9	Files not provided for staff who attended physical verification
10	Annexure 10	Charging of Employee Costs to the Wrong Budget Vote
11	Annexure 11	Employees in both IPPD & manual payroll
12	Annexure 12	Irregular Promotions
13	Annexure 13	Unexplained reduction in overpayment recovery balance
14	Annexure 14	Casuals Workers Paid More than once per Month
15	Annexure 15	Lack of Transparency in Wages Payment Processes Due to Multiple Account Transfers
16	Annexure 16	Variance Between Payment Vouchers and Statement for Internet Banking System
17	Annexure 17	Payment to officers who were not part of manual payroll
18	Annexure 18	Irregular Payment of Health Workers Extraneous Allowances
19	Annexure 19	Non-Compliance to Remittance of Statutory Deductions
20	Annexure 20	Non-Compliance with Requirements in Ethnic Diversity
21	Annexure 21	Non-Compliance with Requirements in Ethnic Diversity-New recruitments
22	Annexure 22	Casual Worker Engaged Beyond Stipulated Period


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