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

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COUNTY 041

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

The Special Audit evaluated the human resource and payroll processes at the Siaya 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 Siaya 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 Siaya County Public Service Board and the Governor, Siaya 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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ABBREVIATION

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 governments. In addition, Section 34 of the Public Audit Act, 2015 mandates the Auditor-General to conduct periodic audits upon request or at the Auditor-General's own initiative, with a view to evaluating the effectiveness of risk management, control and governance processes in public entities. The Special audit of the Siaya 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.

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

Audit Scope and Limitations

- 1.7 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls.
- 1.8 The County Executive did not provide eleven (11) personal files that had been requested to verify the regularity of job group changes. This limited the confirmation of legitimacy of job group changes in the Payroll System.

Methods of Gathering Evidence

- 1.9 The Special Audit of payrolls involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County 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 Exceeding 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 Payrolls Systems not Aligned with those in Approved Budget.

- 1.12 The Special Audit established that the budget Vote Heads in 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. Recruitments Process

I. Lack of Annual Recruitment Plans

- 1.13 During the period under audit review, the County Executive recruited seven hundred and ninety (790) 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.
- 1.14 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. Designations in the 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 the IPPD System and the HRIS-Ke. To facilitate salary processing, the affected employees were being 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 Systems

- 1.16 The Special Audit identified three hundred and eighteen (318) employees with inconsistent date of birth.
- 1.17 Review of two hundred and fifty-five (255) employee personal documents maintained by the County, established that the data captured in the IPPD System for seventy-one (71) employees were different from those in their personal files.
- 1.18 Further, interview with seventeen (17) employees and verification of their identification documents established that the data captured in the IPPD System for five (5) employees were different from those in the employees' Birth Certificates. This is contrary to the directive outlined in Circular Ref. No: PSC/ADM/ 13(9).

II. Integrity of National Identification Data in the Payroll Systems

- 1.19 The Special Audit identified eleven (11) employees with inconsistent National identification documents.
- 1.20 Interview with five (5) employees and verification of their national identification documents established that the data captured in the IPPD System and the HRIS-Ke for one (1) employee was different from those in the employee national Identification document.

III. Officer Engaged in both Siaya County Executive and Ministry of Health.

- 1.21 The Special Audit established that during the financial year 2021/22, one (1) employee was engaged by both Siaya County Executive and Ministry of Health.

During the period of dual engagement, the officer received a total of Kshs.1,185,120 in payments from the County Executive.

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

- 1.22 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.
- 1.23 A comparison of the staff lists countersigned by the various Chief Officers, with the staff register from the IPPD System, established that there were five (5) employees in the IPPD System that were not in the staff lists provided by the Chief Officers. The five (5) employees were paid Kshs. 4,338,060 during the period under review.

V. Authenticity of Staff in the Payroll

- 1.24 The Special Audit requested twenty-nine (29) employees to present themselves for physical verification. However, seven (7) employees did not present themselves despite multiple attempts to reach out to them. During the period under review, the seven (7) officers collectively received a gross salary amounting to Kshs. 5,053,588.

VI. Use of Manual Payroll

- 1.25 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.78,041,345. 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

- 1.26 The Special Audit established that there were misalignments between departmental Vote Heads in the IPPD System and those in the Integrated Financial Management System (IFMIS) Ledger Account. As a result, posting of

salary in the 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 IPPD and Manual Payrolls

- 1.27 A Comparison between manual payrolls and IPPD System generated data revealed that there were three (3) employees in 2021/2022 financial year, one (1) in 2022/2023 and sixteen (16) in 2023/2024, whose salaries were processed through both payroll Systems. A total of Kshs. 3,617,482 was paid through the IPPD Payroll System and Kshs. 6,515,212 was paid through the manual Payroll System.

III. Irregular Promotions

- 1.28 The Special Audit established that promotion for twenty-five (25) officers in 2021/2022 financial year, twenty-four (24) in 2022/2023 and thirteen (13) in 2023/2024, were not done in accordance with relevant schemes of service resulting to the officers skipping job groups.
- 1.29 The Audit further established that one (1) employee who was promoted in 2022/2023 financial year did not have supporting documentation, such as promotion letters or any other official authorization validating the change in job group. Additionally, eleven (11) personal files requested to verify the regularity of job group changes were not availed for audit review, limiting assurance on the regularity of the changes.

IV. Inadequate Recovery of Outstanding Salary Overpayments

- 1.30 The Special Audit established that as at June 2024, one (1) employee had outstanding overpayment balance totaling to Kshs.1,251,119. However, the monthly deductions being made were insufficient to fully recover the amounts before the employee exit service.

V. Casual Workers Paid more than once in Casual Payrolls

- 1.31 The Special Audit established that in 2021/2022 financial year, four (4) casual employees received duplicate payments. Two (2) employees were paid a gross amount of Kshs.441,948 from the Departments of Revenue and Agriculture,

while the other two (2) received Kshs.220,200 from the Departments of Health and Municipality.

VI. Variance in NSSF Voluntary Contributions in the IPPD Payroll System data and Payroll Summaries

- 1.32 A comparison between the NSSF voluntary deduction data extracted from the IPPD Payroll System and the corresponding payroll summaries revealed a variance of Kshs.1,214,480. This discrepancy poses a risk of inaccurate statutory remittances and potential loss of public funds.

VII. Payment of arrears without Approvals

- 1.33 The Special Audit established that arrears totaling to Kshs.25,010,217 and Kshs.6,426,525, were paid without requisite approvals to fifty-nine (59) and thirty-three (33) employees in 2022/2023 and 2023/2024 financial years respectively.

VIII. Irregular payment of Uniform Allowance

- 1.34 The Special Audit established that during the period under review, ten (10) employees who were not designated as nurses received uniform allowances totaling Kshs.150,000. This payment was contrary to the provisions of Paragraph E of the SRC Circular No. SRC/TS/CGOVT/3/61 Vol. III/ (136) dated 14 September 2015, which limits the allowance to nurses.

IX. Irregular payment of Telephone Allowance

- 1.35 The Special Audit established that forty-four (44) and nine (9) employees, were paid telephone allowance totaling to Kshs.1,309,000 and Kshs.320,000 in 2022/2023 and 2023/2024 financial years respectively, contrary to the SRC Compendium Remuneration and Benefits for Public Service dated December 2022 which stipulates that airtime allowance is payable to Governor, the Deputy Governor, and County Executive Committee members.

X. Payment of Extra Duty Allowances Without Clear HR Policy Guidelines on Rates and Eligibility

- 1.36 The Special Audit established that, Extra Duty Allowance totaling Kshs.2,901,300 were paid to forty-two (42) employees in the financial year 2023/2024 as detailed in **Annexure 18**.

- 1.37 Paragraph E.23 of the Siaya County Government Human Resource Policy provides for Extra Duty Allowance. However, it does not define the applicable rates or specify the categories of employees eligible to receive the allowance.

XI. Overpayment of House allowance

- 1.38 The Special Audit established that in 2023/2024 financial year, thirty-three (33) employees were overpaid house allowance totaling to Kshs.1,655,313, contrary to The SRC circular SRC/TS/29(81), dated 10 August 2023, on Remuneration and Benefits for Public Officers in the County Government Executive for The Third Remuneration Review Cycle 2021-2022 - 2023-2025 (7).

E. Compliance with Laws and Regulations

I. Non-Compliance to Remittance of Statutory Deductions

- 1.39 A comparison of statutory deductions for employees in the IPPD Payroll System with bank statements established cases of non-remittance of statutory deductions totaling to kshs.4,559,081 in respect of NSSF contributions and Kshs. 45,783,215 in respect of Housing Levy deductions.
- 1.40 The Special Audit further established cases of delay in remittance of statutory deductions. The delay ranged from two (2) day to one hundred and four (104) days.

II. Non-Compliance with Requirement on Ethnic Diversity

- 1.41 The audit established that 89% 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 94% 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 Engaged Beyond Stipulated Period

- 1.42 Review of casual employee's payroll established that, one thousand seven hundred and four (1,704) casuals employees in 2021/22 financial year, one thousand and twenty-five (1,025) in 2022/2023 and six hundred eighty-two (682) in 2023/2024 were engaged for a period exceeding three (3) months, contrary to Section 37 (1) of the Employment Act, 2007.

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

- 1.43 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December, 2024. Comparison between payroll data from the IPPD system and HRIS-Ke for the month of November, 2024 and December 2024 respectively established instances of overpayment and underpayments of allowances.

Conclusion

- 1.44 The Special Audit of payrolls management for the Siaya 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:
- 1.45 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.
- 1.46 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.
- 1.47 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.
- 1.48 The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate employees' dates of birth, incorrect national identification numbers, inconsistent tax PINs, employees drawing salary from different government entities and the use of manual payrolls. This indicates weak payroll controls, including lack of data validation controls.
- 1.49 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. 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.

- 1.50 The irregular payment of allowance, Variances in NSSF voluntary deductions in Payroll System & payroll summaries and doubtful overpayment recoveries reflects significant weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 1.51 The County Executive did not comply with tax and labour laws as evidenced by non-remittance of statutory deduction, 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.
- 1.52 Collectively, these findings underscore the need for strengthened governance, improved system integration, stricter internal controls, and enhanced compliance mechanisms in payroll and HR management in the County Executive of Siaya.

Recommendations

- 1.53 In view of the findings and conclusions of the Special Audit, the following is recommended to the Siaya County Government;
- 1.54 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.
- 1.55 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.
- 1.56 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.
- 1.57 To ensure that no payments are made to non-existent employees, salary payments to all staff who were not accounted for by the respective Chief Officers should be investigated. The payroll system and departmental staff lists should also be updated accordingly.
- 1.58 To avoid misuse, the County Executive should review and revise the Siaya County Government Human Resource Policy to clearly define the applicable rates and eligibility criteria for the payment of extra duty allowance. This should

include specifying eligible job categories, justification requirements, approval procedures, and caps on the amounts payable to ensure consistency, accountability, and prudent use of public resources.

1.59 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.

1.60 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 Siaya 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.

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 a slight decrease in payroll cost.

2.7 The overall staff growth across the audit period was 4% while the cumulative reduction in payroll costs over the three (3) years was approximately 1% as shown in **Figures 1 and 2**.

Figure 1: Cumulative Growth in Employee Cost

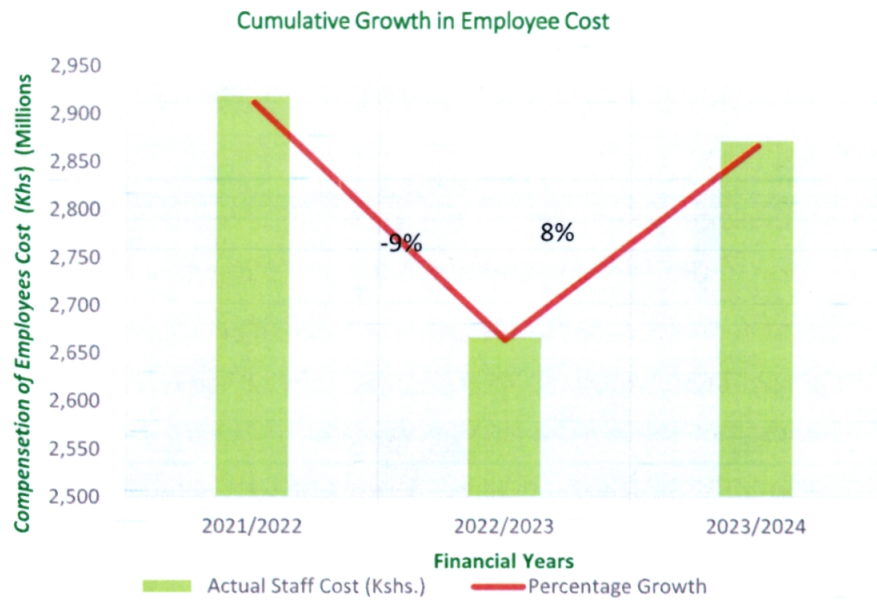
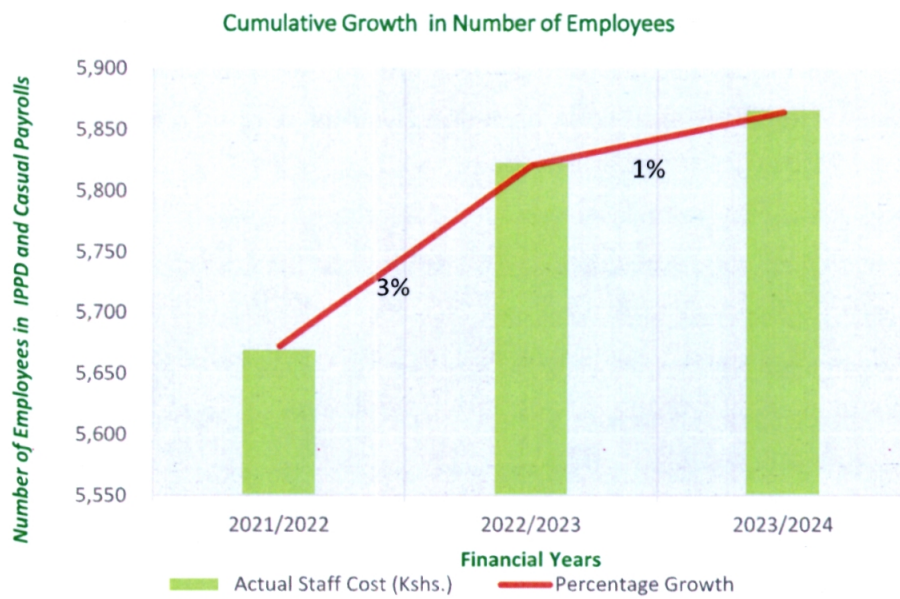


Figure 2: Cumulative Growth in Number of Employees



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 the Integrated Payroll and Personnel Database (IPPD) System to Human Resource Information System – Kenya (HRIS-Ke).

Audit Scope

- 2.9 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls.
- 2.10 The audit was carried out in the month of February 2025.

Audit Methodology

- 2.11 The Special Audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 4000 for Compliance Audit. These standards require that the audit is planned and performed so as to draw reasonable audit conclusions on the design, implementation and operating effectiveness of internal controls.

Methods of Gathering Evidence

- 2.12 The Special Audit of payrolls involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the management.
- 2.13 The methods used to gather audit evidence during the audit included, document review, data analytics, interviews with key payroll staff and physical verification of staff.

a) Document Review

- 2.14 The audit team reviewed various documents 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, 2023; and
 - x. Collective Bargaining Agreements (CBAs), 2012.

b) Data Analytics

- 2.15 The payroll and staff register data from IPPD system was extracted and analyzed. The exceptions from the analysis formed the basis for verification with payroll records maintained by the County Executive.
- 2.16 The following data sets for 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 lists as at 30 June, 2024.

c) Interviews

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

d) Physical verification of staff

- 2.18 The audit team requested all the Chief Officers to provide countersigned list of staff members in their departments as of 30 June 2024. This list was corroborated with the IPPD staff registers maintained in the County.
- 2.19 The audit team through the County Secretary, requested sixty-five (65) employees to appear in person for a physical verification, which was based on initial exceptions during data analytics. This verification was to ensure existence of staff, their employment status and accuracy of personal data maintained in the payroll systems.

Report Structure

- 2.20 The report is organized as follows:
- i. Executive Summary;
 - ii. Detailed Findings;
 - iii. Conclusion;
 - iv. Recommendations; and
 - v. Appendices.
- 2.21 The report should be read in its entirety to fully comprehend the approach to the audit, findings, conclusions and recommendations made.

3. DETAILED FINDINGS

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

- a. Payroll Budgeting;
- b. Recruitment Process;
- c. Employee Data Management;
- d. Payroll Processing and Payments;
- e. Compliance with Laws and Regulations; and
- f. Migration from Integrated Payroll and Personnel Database System to Human Resource Information System-Kenya.

A. Payroll Budgeting

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

I. Employee Cost to Revenue Ratio Exceeding Set Threshold

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

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

Table 1: Budgeted Employee Cost to Budgeted Revenue Ratio

Financial Year	Total Budget Revenue (Kshs.)	Budgeted Personal Emolument (Kshs.)	% of Utilization
2021-2022	11,248,535,017.00	4,887,669,647.00	43%
2022-2023	11,111,397,362.00	4,635,539,865.00	42%
2023-2024	12,557,553,292.00	5,026,747,982.00	40%

* Source: Audited financial statements.

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

Table 2: Actual Employee Cost to Revenue Ratio

Financial Year	Total Revenue (Kshs.)	Actual Personal Emolument (Kshs.)	Revenue/Employee (%) Ratio
2021-2022	7,884,939,562	2,918,749,245	37%
2022-2023	6,388,024,849	2,666,925,706	42%
2023-2024	7,095,447,929	2,872,515,819	40%

* Source: Audited financial statements.

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

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

- 3.7 Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness.
- 3.8 A Comparison of payroll reports extracted from the IPPD system with 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 County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, at the time of audit, the HRIS-Ke had similar Votes Heads to those in the IPPD System.
- 3.11 The continued referencing to outdated departmental structures leads to inconsistencies between budgetary allocations and actual payroll expenditures, increasing the risk of misallocation or even misuse of public funds, as expenditure may be charged under incorrect vote heads.

B. Recruitments 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 audit issues were revealed:

I. Lack of Annual Recruitment Plans

- 3.13 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.
- 3.14 The County Executive recruited two hundred and twenty (220), eleven (11), and five hundred and fifty-nine (559) employees during the financial years 2021/2022, 2022/2023 and 2023/2024 respectively. However, it was established that the departments which initiated the recruitments did not have annual recruitment plans to guide the recruitments. Further, no evidence was provided to prove that budgetary availability was sought before the recruitments were made.

- 3.15 The lack of annual recruitment plans supported by budgetary provisions can result in either overstaffing, understaffing, or hiring staff for roles that do not align with organizational priorities.

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

- 3.16 Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness.
- 3.17 The Special Audit established that there were four hundred and thirty-four (434) designations that were configured in the IPPD system. However, out of the configured designations, thirty-one (31) were not in the approved staff establishment. Further, there were eighty-three (83) employees who were grouped in the thirty-one (31) designations as detailed in **Annexure 2**.
- 3.18 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, at the time of audit, the HRIS-Ke had similar designations to those in the IPPD System.
- 3.19 As a result of the misalignment between the staffing records in the Payroll Systems 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

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

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

- 3.21 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective. Further, Circular Ref. No: PSC/ ADM/ 13(9) dated 19 November, 2020 from Public Service Commission

- to all authorized officers stipulates that the date of birth as per the Birth Certificate should be considered as a public officer's official date of birth.
- 3.22 The Special Audit identified three hundred and eighteen (318) employees in the IPPD System with inconsistent dates of birth.
- 3.23 A review of two hundred and fifty-five (255) employee personal documents maintained by the County executive, established that the data captured in the IPPD System for seventy-one (71) employees were different from those in their personal files as detailed in **Annexure 3**.
- 3.24 Further, interview with seventeen (17) employees and verification of their identification documents established that the data captured in the IPPD System for five (5) employees were different from those in the employees' Birth Certificates. This is contrary to the directive outlined in Circular Ref. No: PSC/ADM/ 13(9), dated 19 November, 2020.
- 3.25 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, at the time of audit, the HRIS-Ke had similar date of birth to those in the IPPD System.
- 3.26 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.

II. Integrity of National Identification Data in Payroll System

- 3.27 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective.
- 3.28 The Special Audit identified eleven (11) employees with inconsistent National identification documents.
- 3.29 Interview with five (5) employees and verification of their national identification documents established that the data captured in the IPPD System for one (1) employee was different from those in the employee national Identification document as detailed in **Annexure 4**.

- 3.30 The inaccurate capturing of employee identification details in the payroll system poses a risk of statutory and pension deductions being credited to the wrong beneficiary accounts, potentially requiring manual follow-up and intervention by the affected employee to rectify the misallocation.

III. Officer Engaged in both Siaya County Executive and Ministry of Health.

- 3.31 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective.
- 3.32 Analysis of the IPPD Payroll System data, along with an interview with the employee established that during the financial year 2021/22, established that one (1) employee was engaged by both Siaya County Executive and Ministry of Health. During the period of dual engagement, the officer received a total of Kshs.1,185,120 in payments from the County Executive as detailed in **Annexure 5.**

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

- 3.33 Section 148(1) of the Public Finance Management Act, 2012 requires a County Executive Committee Member for Finance to, 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.
- 3.34 The Letter of Engagement addressed to the County Secretary for the special audit of payroll, Ref: OAG/SAS/SADS/KDSP-PAYROLL/3/041 dated 31 January, 2025 required Chief Officers to provide list of staff members in their departments as at 30 June, 2024. This list was to be compared with employees in the Payroll Systems maintained by the County Executive.
- 3.35 A comparison of the staff lists countersigned by the various Chief Officers, with the staff register from the IPPD System, established that there were five (5) employees in the IPPD System that were not in the staff lists provided by the

Chief Officers. The five (5) employees collectively received a gross salary of Kshs. 4,338,060 during the period under review as detailed in **Annexure 6**.

V. Authenticity of Staff in the Payroll

- 3.36 The Office of the Auditor-General requested for a physical verification of sampled staff via letter OAG/SA/SADS/KDSP-PAYROLL/4/041 dated 13 February 2025, addressed to the County Secretary of the County Executive.
- 3.37 The letter requested that twenty-nine (29) employees present themselves for physical verification. However, seven (7) did not present themselves. During the period under review, the seven (7) employees collectively received a gross salary of Kshs. 5,053,588 as detailed in **Annexure 7**.
- 3.38 The employees who failed to present themselves for physical verification may not exist, raising the risk of irregular or fraudulent payments.

VI. Use of Manual Payroll

- 3.39 Regulation 22(1)(b) of the Public Finance Management (County Government) Regulations require an accounting officer is to be accountable to the County Assembly for maintaining effective systems of internal control and measures taken to ensure that they are effective.
- 3.40 The Special Audit established that during the period under review, the County Executive had one hundred and twenty-six (126) employees whose salary totaling Kshs.78,041,345 was being processed through payrolls maintained in Excel as detailed in **Annexure 8**.
- 3.41 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

- 3.42 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

- 3.43 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.
- 3.44 The Special Audit established that there were misalignments between departmental Vote Heads in the IPPD System and those in the Integrated Financial Management Information System (IFMIS) Ledger accounts. As a result, comparison of gross salary processed through the IPPD System, casual payroll and manual payrolls to salary ledgers from the IFMIS established that posting of salary in IFMIS was not done as per departmental Budget Vote Heads as detailed in **Annexure 9**.
- 3.45 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.
- 3.46 This misalignment led to inconsistencies between budget allocations and actual expenditures by departments, therefore increasing the risk of misuse of funds.

II. Employees in Both IPPD and Manual Payrolls

- 3.47 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.
- 3.48 During the years under review, the County Executive was maintaining payroll in IPPD System for employees with Payroll Numbers, Manual Payrolls for employees without payroll numbers and Casual Payrolls for casual workers.
- 3.49 A comparison between manual payrolls and the IPPD generated payroll revealed that there were three (3) employees in 2021/22 financial year, one (1) in 2022/2023 and sixteen (16) in 2023/2024, whose salaries were processed through both payrolls. A total of Kshs. 3,617,482 was paid through the IPPD Payroll System and Kshs. 6,515,212 was paid through the manual Payroll System as shown in **Table 3** and detailed in **Annexure 10**.

Table 3: Employees Paid Through Both IPPD and Manual Payrolls

Financial Year	Number of employees	Amount paid (IPPD payroll) (Kshs.)	Amount paid -Manual payroll (Kshs.)
2021-2022	3	2,580,580	5,183,037.00
2022-2023	1	14,675	14,675
2023-2024	16	1,022,227	1,317,500
Total		3,617,482	6,515,212

* Source: IPPD Payroll System and Manual Payrolls.

- 3.50 The existence of employees in both payrolls indicates likelihood of fraudulent activities, that may result to loss of public funds due to double payments.

III. Irregular Promotions and Appointments

- 3.51 Section 65(1) of the County Governments Act, 2012 set out factors 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.

- 3.52 The Special Audit established that promotion for twenty-five (25) employees in the financial year 2021/2022, twenty-four (24) in 2022/2023 and thirteen (13) in the financial year 2023/2024, were not done in accordance with relevant schemes of service resulting to the officers skipping job groups as detailed in **Annexure 11**.

- 3.53 The Audit further established that one (1) employee who was promoted during the financial year 2022/2023 did not have supporting documentation, such as promotion letters or any other official authorization validating the change in job group. Additionally, eleven (11) personal files requested to verify the regularity of job group changes were not availed for audit review as detailed in **Annexure 12**, limiting assurance on the regularity of the changes.

IV. Inadequate Recovery of Outstanding Salary Overpayments

- 3.54 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.

3.55 The Special Audit established that as at June 2024, one (1) employee had outstanding overpayment balance totaling to Kshs.1,251,119. However, the monthly deductions being made were insufficient to fully recover the amounts before the employee exit service, posing a risk of financial loss to the County Government as detailed in **Annexure 13**.

V. Casual Workers Paid more than once in Casual Payrolls

3.56 Regulation 23(1c) of Public Finance Management (National Government) Regulations, 2015 require an accounting officer to be accountable to the National Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective.

3.57 The Special Audit established that, in the financial year 2021/2022, four (4) casual employees received duplicate payments. Two (2) of the employees were paid a gross amount of Kshs.441,948 from both the Departments of Revenue and Agriculture, while the other two (2) received a total of Kshs.220,200 from the Departments of Health and Municipality, as detailed in **Annexure 14**.

3.58 This indicates weak controls in casual labor management and pose a risk of double payment and budgetary overruns.

VI. Variance in NSSF Voluntary Contributions in the IPPD Payroll System Data and Payroll Summaries

3.59 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.

3.60 Payroll summaries are prepared using data extracted from Payroll Systems and are subsequently used to prepare payment vouchers used to process payments. A comparison between the NSSF voluntary deduction data extracted from the IPPD Payroll System and the corresponding payroll summaries revealed a variance of Kshs.1,214,480, with the deductions recorded in IPPD being lower, as shown in **Table 13**.

- 3.61 This discrepancy poses a risk of inaccurate statutory remittances and potential loss of public funds.

Table 13: Variance in NSSF voluntary contributions in IPPD Payroll system and Payroll summaries

Month	IPPD Voluntary Deductions (Kshs.)	Payroll Summaries (Kshs.)	Variance (Kshs.)
April-2024	40,780	157,780	117,000
March-2024	35,780	152,300	116,520
February-2024	38,780	154,780	116,000
January-2024	37,780	155,500	117,720
December-2023	37,780	159,380	121,600
November-2023	37,780	160,380	122,600
October-2023	27,780	150,900	123,120
September-2023	27,780	151,980	124,200
August-2023	30,780	158,980	128,200
July-2023	30,780	158,300	127,520
Total	345,800	1,560,280	1,214,480

* Source: IPPD Payroll System and Payroll Summaries.

XII. Payment of arrears without Approvals

- 3.62 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.
- 3.63 The Special Audit established that arrears totaling to Kshs.25,010,217 and Kshs.6,426,525, were paid without requisite approvals to fifty-nine (59) and thirty-three (33) employees in 2022/2023 and 2023/2024 financial years respectively as detailed in **Annexure 17**.
- 3.64 This indicates non-adherence to established human resource and payroll guidelines, raising concerns about compliance with applicable regulations.

XIII. Irregular payment of Uniform Allowance

- 3.65 Paragraph E of the SRC Circular SRC/TS/CGOVT/3/61 VoL.III/ (136) dated 14 September 2015, stipulates that Uniform Allowance is payable to nurses at a flat rate of Kshs.10,000.

- 3.66 The Special Audit established that during the period under review, ten (10) employees who were not designated as nurses received uniform allowances totaling Kshs.150,000, as detailed in **Annexure 15**. This payment was contrary to the provisions of Paragraph E of the SRC Circular No. SRC/TS/CGOVT/3/61 Vol. III/ (136) dated 14 September 2015, which limits the allowance to nurses.

XIV. Irregular Payment of Telephone Allowance

- 3.67 Paragraph 6.1 of the SRC Compendium Remuneration and Benefits for Public dated December 2022, on Remuneration and benefits for State and other Public Officer serving in the County Government, stipulates that airtime allowance is payable to: Governor, the Deputy Governor, and County Executive Committee members.
- 3.68 The Special Audit established that forty-four (44) and nine (9) employees, were paid telephone allowance totaling to Kshs.1,309,000 and Kshs.320,000 in 2022/2023 and 2023/2024 financial years respectively, contrary to the SRC Compendium Remuneration and Benefits for Public Service dated December 2022 which stipulates that airtime allowance is payable to Governor, the Deputy Governor, and County Executive Committee members.

XV. Extra Duty Allowance Payments Made Without Defined Rates and Eligibility Criteria in HR Policy

- 3.69 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.
- 3.70 The Special Audit established that, Extra Duty Allowance totaling Kshs.2,901,300 were paid to forty-two (42) employees in the financial year 2023/2024 as detailed in **Annexure 18**.
- 3.71 Paragraph E.23 of the Siaya County Government Human Resource Policy provides for Extra Duty Allowance. However, it does not define the applicable rates or specify the categories of employees eligible to receive the allowance.

- 3.72 This poses a risk of arbitrary payments, inconsistent application, and potential misuse of public funds.

XVI. Overpayment of House allowance

- 3.73 The SRC circular SRC/TS/29(81), dated 10 August 2023, on Remuneration and Benefits for Public Officers in the County Government Executive for The Third Remuneration Review Cycle 2021-2022 - 2023-2025 (7), lists all the earnings county executive officers are entitled to.
- 3.74 The Special Audit established that, thirty-three (33) employees were overpaid house allowance totaling to Kshs.1,655,313, in the financial year 2023/2024, contrary to The SRC circular SRC/TS/29(81), dated 10 August 2023, on Remuneration and Benefits for Public Officers in the County Government Executive for The Third Remuneration Review Cycle 2021-2022 - 2023-2025 (7) as detailed in **Annexure 19**.

E. Compliance with Laws and Regulations

- 3.75 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

- 3.76 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.
- 3.77 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.
- 3.78 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.
- 3.79 Section 4(3) of the Affordable Housing Levy Act, 2024, requires employer to remit Affordable housing levy deductions to the collector for remittance into the

Fund, 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.

- 3.80 An examination of statutory deductions and corresponding bank statements for the periods under review established the following;

i. Non-Remittance of Statutory Deductions

- 3.81 A comparison of statutory deduction for employees in the IPPD Payroll System with Bank Statements established that the County Executive had not remitted NSSF deductions totaling to Kshs.4,559,081 and Housing Levy totaling to Kshs.45,783,215 to the respective authorities/funds as detailed in **Annexure 20**.

ii. Late remittance of statutory deductions.

- 3.82 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 two (2) day to one hundred and four (104) days as detailed in **Annexure 21**.
- 3.83 Failure to remit statutory deductions on time exposes the County to penalties, interest and reputational risks, thereby undermining stakeholders' confidence.

iii. Non-Compliance with Requirement on Ethnic Diversity

- 3.84 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.
- 3.85 Section 65(1)(e) of the County Governments Act, 2012 require 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.
- 3.86 Analysis of employees in the IPPD System as at 30 June 2024, established that 89% of employees were from one dominant ethnic community as detailed in

Annexure 22, contrary to the requirements of section 7(2) of the National Cohesion and Integration Act, 2008.

3.87 Further, analysis established that the dominant community represented 94% of the new recruitment done during the period under review as detailed in **Annexure 23**. This is contrary to Section 65(1)(e) of the County Governments Act, 2012.

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

iv. Casuals Engaged Beyond Stipulated Period

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

3.90 Review of Casual Payrolls established that six hundred eighty-two (682) casual workers in 2023/2024 financial year, one thousand and twenty-five (1,025) in 2022/2023 and one thousand seven hundred and four (1,704) in 2021/2022, were engaged for a period exceeding three (3) months, contrary to Section 37 (1) of the Employment Act, 2007 as shown in **Annexure 24**.

3.91 The engagement of casuals beyond the stipulated period exposes the County Executive to litigation proceedings and associated costs.

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

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

Overpayment and Underpayment of Salary and Allowances

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

3.94 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 of allowances as shown in **Table 4**.

Table 4: Overpayment and Underpayment of allowances

Allowance	Total Amount Underpaid		Total Amount Overpaid		Annexure
	Number of Employees	Amount (Kshs.)	Number of Employees	Amount (Kshs.)	
Commuter			190	380,000	Annexure 25
Extraneous Duty	1	7,000	64	375,500	Annexure 26
Special House	1	21,934	-	-	Annexure 27
Health Risk	2	4,000	-	-	
Health Workers Extraneous	33	555,000	-	-	
Health Service Allowance	4	80,000	-	-	
Total	41	667,934	254	755,500	

*Source: HRIS-KE data

4. CONCLUSION

- 4.1 The Special Audit of payrolls management for the Siaya 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:
- 4.2 The Siaya 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.
- 4.3 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.
- 4.4 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.
- 4.5 The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate employees' dates of birth, incorrect national identification numbers, inconsistent tax PINs, employees drawing salary from different government entities and the

- use of manual payrolls. This indicates weak payroll controls, including lack of data validation controls.
- 4.6 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. 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.
 - 4.7 The irregular payment of allowance, Variances in NSSF voluntary deductions in Payroll System & payroll summaries and doubtful overpayment recoveries reflects significant weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
 - 4.8 The County Executive did not comply with tax and labour laws as evidenced by non-remittance of statutory deduction, 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.
 - 4.9 Collectively, these findings underscore the need for strengthened governance, improved system integration, stricter internal controls, and enhanced compliance mechanisms in payroll and HR management in the County Executive of Siaya.

5. RECOMMENDATIONS

- 5.1 In view of the findings and conclusions of the Special Audit, the following is recommended to the Siaya 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 that no payments are made to non-existent employees, salary payments to all staff who were not accounted for by the respective Chief Officers should be investigated. The payroll system and departmental staff lists should also be updated accordingly.
- 5.6 To avoid misuse, the County Executive should review and revise the Siaya County Government Human Resource Policy to clearly define the applicable rates and eligibility criteria for the payment of extra duty allowance. This should

include specifying eligible job categories, justification requirements, approval procedures, and caps on the amounts payable to ensure consistency, accountability, and prudent use of public resources.

- 5.7 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.
- 5.8 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
2	Payroll Manager	Human Resource
3	Accountant	Finance-IFMIS
4	Secretary to the County Public Service Board	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 in Approved Budget.
2	Annexure 2	Designations in IPPD that are not defined in the approved staff establishment
3	Annexure 3	Integrity of Dates of Birth Records in the Payroll System
4	Annexure 4	Integrity of National Identification Data in Payroll System
5	Annexure 5	Officer Engaged in both Siaya County Executive and Ministry of Health.
6	Annexure 6	Failure of Chief Officers to Account for Human Resources in their Departments.
7	Annexure 7	Authenticity of Staff in the Payroll
8	Annexure 8	Use of Manual Payroll
9	Annexure 9	Charging of Employee Costs to the Wrong Budget Vote
10	Annexure 10	Employees in Both IPPD and Manual Payrolls
11	Annexure 11	Irregular Promotions and Appointments
12	Annexure 12	Unsupported Appointment & Files Not Provided for Physical Verification
13	Annexure 13	Inadequate Recovery of Outstanding Salary Overpayments
14	Annexure 14	Casual Workers Paid more than once in Casual Payrolls
15	Annexure 15	Irregular payment of Uniform Allowance
16	Annexure 16	Irregular Payment of Telephone Allowance
17	Annexure 17	Unsupported payment of arrears
18	Annexure 18	Extra Duty Allowance Payments Made Without Defined Rates and Eligibility Criteria in HR Policy
19	Annexure 19	Overpayment of House allowance
20	Annexure 20	Non-Remittance of Statutory Deductions
21	Annexure 21	Late Remittance of Statutory Deduction
22	Annexure 22	Non-Compliance with Requirement on Ethnic Diversity
23	Annexure 23	Non-Compliance with Requirement on Ethnic Diversity-Recruitments
24	Annexure 24	Casuals Engaged Beyond Stipulated Period
25	Annexure 25	Overpayment of Commuter Allowance

26	Annexure 26	Overpayment of Allowance
27	Annexure 27	Underpayment of Allowances

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