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

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FOREWORD BY THE AUDITOR-GENERAL


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

The Special Audit evaluated the human resource and payroll processes at the Kajiado County Executive, and assessed their compliance with the established legal framework on payroll management. The scope of the Special Audit covered the requirements of the Second Kenya Devolution Support Programme (KDSP II), whose objective is to strengthen county-level performance and accountability.

The Special Audit identified weaknesses in controls and irregularities in salary processing and payments, and provides recommendations to the Kajiado 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 Kajiado County Public Service Board and the Governor, Kajiado 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 Gathunge, CBS
AUDITOR-GENERAL

8 July, 2025

TABLE OF CONTENTS

List of Tables	iii
List of Figures.....	iii
ABBREVIATIONS.....	iv
1. EXECUTIVE SUMMARY.....	1
2. INTRODUCTION AND BACKGROUND	1
Introduction and Background	1
Audit Objectives	4
Audit Scope and Limitations.....	4
Audit Methodology	4
Methods of Data Collection	5
3. DETAILED FINDINGS	8
A. Payroll Budgeting.....	8
B. Recruitments Process	10
C. Employee Data Management	14
D. Payroll Processing and Payments	15
E. Compliance with Laws and Regulations.....	16
F. Migration from Integrated Personnel and Payroll Database System (IPPD) to Human Resource Information System-Kenya (HRIS-Ke)	20
4. CONCLUSION	23
5. RECOMMENDATIONS	26
6. APPENDICES	28
Appendix 1: List of Staff Interviewed.....	28
Appendix 2: List of Annexures	28

List of Figures

Figure 1: Cumulative Growth of Staff 3
Figure 2: Cumulative Growth of Payroll Cost..... 3

List of Tables

Table 1: Budgeted Revenue to Budgeted Cost for Personal Emoluments 9
Table 2: Actual Employee Cost to Revenue ratio..... 9
Table 3: Budget Utilization 10
Table 4: Recruitments..... 11
Table 5: Unsupported Payments to Casuals..... 16
Table 6: Exceeding Number of Political, Economic and Legal Advisors 17
Table 7: Non-Compliance with One Third Basic Salary Rule 18
Table 8: Casuals Engaged Beyond Stipulated Period..... 20

ABBREVIATIONS

CBA	Collective Bargaining Agreement
COB	Controller of Budget
COs	Chief Officers
CPSB	County Public Service Board
DO	Development Objective
DSA	Daily Subsistence Allowance
DLI	Disbursement-Linked Indicator
GoK	Government of Kenya
HR	Human Resource
HRIS-Ke	Human Resource Information System – Kenya
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll and Personnel Database
ISSAIs	International Standards of Supreme Audit Institutions
KDSP	Kenya Devolution Support Programme
KRA	Key Result Area
MIS	Management Information System
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
OAG	Office of the Auditor-General
PAYE	Pay As You Earn
PFM	Public Finance Management
PSC	Public Service Commission
SRC	Salaries and Remuneration Commission

1. EXECUTIVE SUMMARY

Introduction and Background

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

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

Audit Objectives

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

- v. Evaluate adherence to tax laws, labour laws, and other statutory requirements; and
- vi. Assess whether payroll data was accurately and completely migrated from 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 the casual payrolls for the period under review and recommendations by the County Human Resource Management Advisory Committee (CHRMAC) on departmental recruitment requests; However, 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 Audit Findings

The key audit findings are as detailed below: -

A. Payroll Budgeting

I. The Employee Cost to Revenue Ratio Exceeded the Set Threshold

- 1.11. Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires the county government's expenditure on wages and benefits for its public officers not to exceed thirty-five (35%) percent of the county government's total revenue.
- 1.12. The Audit established that the ratio of the budgeted compensation of employees to the budgeted revenue for the County Executive exceeded thirty-five (35%) percent in 2022/2023 and 2023/2024 financial years. Further, a comparison of the actual personal emolument expenditure, with the actual revenue, revealed that the County Executive also exceeded the thirty-five (35%) percent threshold in the three (3) years. This indicates a growing wage bill, which has strained the county's financial resources, limiting funds available for critical development projects and essential service delivery.

B. Recruitment Process

I. Weaknesses in the Recruitment and Management of Casual Employees

- 1.13. The County Public Service Board (CPSB) did not receive periodic returns from the respective departments that engaged casual workers. In addition, during the three (3) financial years, the Department of Water, Environment and Natural Resources recruited casual workers without involving the County Public Service Board (CPSB).
- 1.14. The weaknesses in the recruitment and management of casual employees increases the risk of mismanagement of casual wages. Further, the County Public Service Board's ability to exercise oversight, monitor workforce efficiency, and make informed staffing decisions is undermined.

II. Designations in the Payroll Systems not Aligned with the 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 IPPD System. This process can lead to inefficiencies in workforce planning and budget overruns.

III. Lack of a Staff Establishment

- 1.16. The Special Audit established that the County Executive operated without of an approved staff establishment, with reliance on provisional lists submitted by Chief Officers. Additionally, directorates were created without the approval of the County Human Resource Management Advisory Committee (CHRMAC) or County Service Public Board (CPSB).

C. Employee Data Management

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

- 1.17. The Special Audit identified forty-eight (180) employees with inconsistent date of birth. Interview with a sample of one hundred and eighty (100) employees and verification of their identification documents established that the dates captured in the IPPD System for forty-eight (48) employees were different from those in employees' Birth Certificates. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).
- 1.18. Further, one (1) employee was found to possess the same KRA Tax PIN while concurrently employed in another County Executive, which suggests possible dual employment.

II. Authenticity of Staff in the Payroll

- 1.19. The Special Audit requested one hundred and eighty-nine (80) employees from the County Executive to present themselves for physical verification. However, ninety-four (94) employees did not avail themselves for the exercise, despite multiple attempts to reach out to them. During the period under review, the ninety-

four (94) employees collectively received gross salaries amounting to Kshs.82,693,113.

- 1.20. The employees who failed to appear for physical verification may not exist, raising the risk of irregular or fraudulent payments.

D. Payroll Processing and Payments

I. Unsupported Payments

- 1.21. The Special Audit established that there were unsupported payments to casual workers totaling to Kshs.3,965,000 across the three (3) financial years. These payments lacked documentation such as vouchers, invoices, and payment schedules, undermining their authenticity.

II. Over Engagement of Advisors

- 1.22. Comparison of salary paid to employees during the period under audit review with applicable Salary and Remuneration Commission (SRC) circulars and guidelines established that the County Executive engaged two (2) Political Advisors, two (2) Economic Advisors, and two (2) Legal Advisors, in the financial years 2022/2023 and 2023/2024, thereby exceeding the authorized establishment. This is contrary to the directive outlined in Circular Ref No: SRC/TS/CGOVT/3/16 and TA/ 7/848.

E. Compliance with Laws and Regulations

I. Non-Compliance with Remittance of Statutory Deductions

- 1.23. A comparison of statutory deductions for employees in the IPPD Payroll System with the County Executive's Bank Statements for the year 2023/2024 revealed instances of delay in remittance of National Health Insurance Fund (now appealed), National Social Security Fund, and Pay As You Earn deductions. The delay ranged from three (3) days to forty-eight (48) days. This exposes the County Executive to penalties, interest, and reputational risks, thereby undermining stakeholders' confidence.

II. Non-Compliance with Requirement on Ethnic Diversity

- 1.24. Analysis of records of employees in the IPPD System as at 30 June 2024 established that 71% 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.

III. Other Non-Compliance Issues

- 1.25. The Special Audit established that the County Executive was not in compliance with the requirement of Section 19 (3) of the Employment Act, 2007 which requires employees to retain at least one third of their basic salary. Further, it did not comply with requirement of Section C.14 (1) of the Public Service Human Resource Policies and Procedures Manual, 2016 on engagement of casual employees on contract terms if they are anticipated to work for a period exceeding three (3) consecutive months. This noncompliance presents the risk of litigation proceedings and associated costs.

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

- 1.26. 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

- 1.27. The Special Audit of payrolls for the Kajiado County Executive uncovered several audit issues in payroll and human resource management, which may negatively affect its financial sustainability, compliance, and operational efficiency. In view of the findings, the Special Audit concludes as follows:
- 1.28. The non-compliance with requirements on limiting the Employee Cost within thirty-five (35%) of Revenue indicates weaknesses in internal budgeting process and inadequate oversight role by the County Assembly. Therefore, the County's financial resources are strained, limiting the funds available for critical development projects and essential service delivery.
- 1.29. The recruitments of casual workers without involving the County Public Service Board and lack of a staff establishment 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.
- 1.30. Further the County under-utilized its budgeted funds for personal emoluments across the three years, highlighting inefficiencies in budget execution and payroll forecasting, contrary to Regulations, 29(2)(a) of the Public Finance Management (County Executives), Regulations, 2015
- 1.31. The recruitment of casual workers by departmental heads was conducted without the involvement or delegated authority of the County Public Service Board (CPSB), violating Section 74 of the County Governments Act, 2012. In addition, creation of departments and directorates without requisite approvals from County Public Service Board (CPSB) and the County Human Resource Management Advisory Committee (CHRMAC) reflects weaknesses in internal control mechanisms governing human resource operations.
- 1.32. The failure by the County Executive to update the IPPD System with approved designations in the approved staff establishment undermines budgetary control and increases the risk of unauthorized or irregular salary payments. This weakness

compromises the integrity of payroll processing, weakens accountability, and may result in discrepancies between approved staffing structures and actual payroll expenditures.

- 1.33. The failure of the County in lacking a formalized staff establishment, undermines structured recruitment, workforce balancing, and succession planning.
- 1.34. 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 of employees. This indicates weak payroll controls including lack of data validation controls.
- 1.35. The failure of employees to present themselves for physical verification cast doubt on authenticity of payroll records and raises the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County.
- 1.36. Engagement of six (6) advisors exceeded the authorized limit set by SRC, contravening SRC Circulars and Transition Authority guidelines, resulting in unbudgeted expenditure.
- 1.37. 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 and non-compliance with one-third basic salary rule. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 1.38. The inconsistencies in the migration of payroll processing from the Integrated Personnel and Payroll Database (IPPD) to the Human Resource Information System-Kenya (HRIS-Ke), effected in December 2024, characterized by significant data integrity and system control weaknesses point to inadequate system testing, lack of reconciliation protocols, and poor change management during the migration process.

- 1.39. The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and irregular salary and allowance disbursements. This indicates weaknesses in data validation, lack of system configuration to enforce salary structures, and insufficient post-migration reconciliation controls, thereby exposing the County Executive to financial loss and reputational risk.
- 1.40. The identified audit issues had persisted over time, suggesting a failure of risk identification mechanisms and an underperforming internal audit function that may not have identified and prevented the control breaches in a timely manner.

Recommendations

- 1.41. In view of the findings and conclusion of the Special Audit, the following is recommended for implementation by the Kajiado County Executive.
- 1.42. 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 thirty-five (35%) capping before the approval of the budgets.
- 1.43. 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.
- 1.44. To enhance the attainment of optimal staffing levels, management of the County Executive should align the payroll system with the approved staff establishment and ensure consistency between authorized positions and personnel data. Additionally, the staff establishment module in the HRIS-Ke should be fully implemented and configured to enforce recruitment strictly within the approved establishment limits.
- 1.45. The recruitment of casual workers by departmental heads was conducted without the involvement or delegated authority of the County Public Service Board (CPSB), violating Section 74 of the County Governments Act, 2012. In addition, creation of departments and directorates without requisite approvals from County Public Service Board (CPSB) and the County Human Resource Management Advisory Committee (CHRMAC) reflects weaknesses in internal control mechanisms governing human resource operations.

- 1.46. To ensure the integrity of data maintained in the payroll systems, the management should ensure that the validation controls are implemented in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National Identity, National Social Security Fund (NSSF), and Social Health Authority (SHA).
- 1.47. To ensure no payment is made to non-existent employees, salary payments to all staff who failed to present themselves for physical verification should be suspended.
- 1.48. To avoid redundancy, and promote fiscal discipline in line with the Public Finance Management Act, 2012, the County Executive should rationalize its engagement of advisory staff to align with the ceilings and staffing guidelines issued by the Salaries and Remuneration Commission (SRC). The County Public Service Boards (CPSBs) should ensure adherence to SRC advisories.
- 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.

2. INTRODUCTION AND BACKGROUND

Introduction and Background

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

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

Numbers of Employees and Payroll Expenditure

- 2.6. Over the three-year period under review, there was a gradual increase in the number of employees and payroll costs.
- 2.7. The overall staff growth from financial year 2021/2022 to 2023/2024 period was **30%**, while the cumulative growth in payroll costs over the three years was approximately **25%** as indicated in **Figures 1 and 2**.

Figure 1: Cumulative Growth of Number of Staff

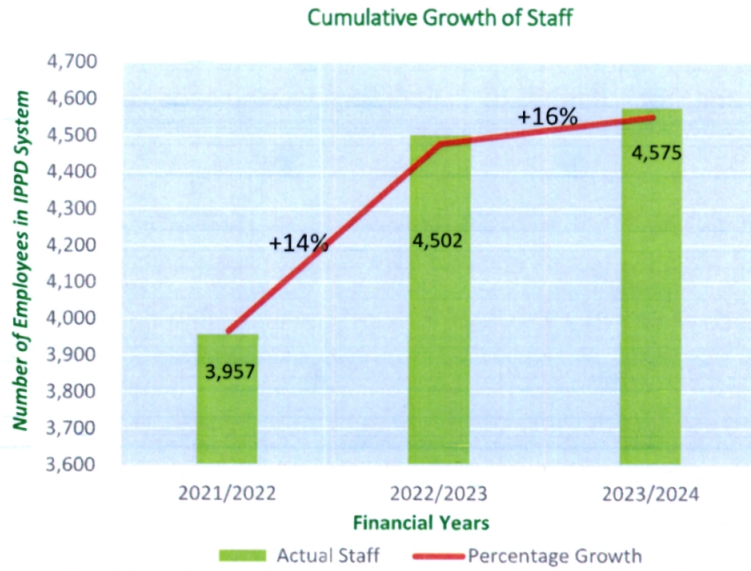
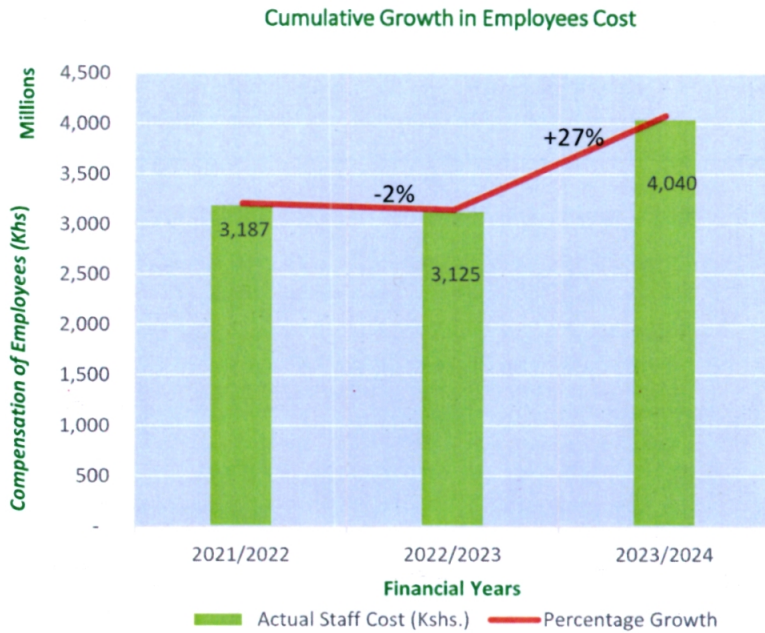


Figure 2: Cumulative Growth of Payroll Cost



Audit Objectives

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

- 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 January, 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 Data Collection

- 2.12. The Special Audit on Payroll Management involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County Management.
- 2.13. 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 Governments Act, 2012;
 - v. Employment Act, 2007;
 - vi. National Security Fund Act, 2013;
 - vii. National Health Insurance Fund Act, 1998 (Now Repealed);
 - viii. The SRC Circular SRC/TS/29(81), dated 10 August 2023;
 - ix. The SRC Circular on the Compendium of Remuneration and Benefits for Public Service, dated December 2022;
 - x. The SRC Circular SRC/TS/MDP/3/1/2(2), dated 11 August 2015;
 - xi. Public Service Commission Human Resource Policies and Procedures Manual of May 2016;
 - xii. Employees' physical files;
 - xiii. Collective Bargaining Agreements (CBA), 2013;

- xiv. Affordable Housing Act, 2024;
- xv. The County Executive Financial Statements for financial years 2021/2022, 2022/2023 and 2023/2024;
- xvi. The County Executive Budgets financial years 2021/2022, 2022/2023 and 2023/2024;

b) Data Analytics

2.15. The payroll and staff register data from the 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. HRIS-Ke Payroll data
- iii. Manual Payroll data
- iv. Payment schedules
- v. Casual payrolls data
- vi. Chief Officers staff list for each department as at 30 June 2024; and
- vii. Itemized budgets for staff costs

c) Interviews

2.17. 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 as are as listed in **Appendix 1**.

d) Physical Verification of Staff

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

2.19. The Audit Team, through the County Secretary, requested one hundred and eighty (180) employees to present themselves in person for a physical verification, which was based on initial exceptions from data analytics. This verification was to confirm the existence of staff, their employment status and the accuracy of the staff personal data maintained in the payroll systems.

Report Structure

2.20. The report is organized as follows:

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

2.21. The report should be read in its entirety, in order to fully comprehend the approach to the audit, findings, conclusions and the proposed recommendations 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 relevant laws and regulations. The following issues were established: -

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

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

3.4. The Special Audit for the in-depth payroll audit established that compensation to employee's ratio exceeded 35% of the budgeted revenue in two (2) of the three (3) financial years contrary to Regulation 25(1)(a) of Public Finance Management (County Governments) Regulations, 2015 as summarized in **Table 1**.

Table 1: Budgeted Revenue to Budgeted Cost for Personal Emoluments

Financial Year	Budgeted Revenue (Kshs.)	Budgeted Cost for Personal Emoluments (Kshs.)	% Of Utilization
2021/2022	11,022,090,439	3,529,281,768	32%
2022/2023	9,596,829,780	3,973,595,211	41%
2023/2024	10,514,620,540	4,171,735,639	40%

*Source: Audited Financial Statements

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

Table 2: Actual Employee Cost to Revenue Ratio

Financial Year	Actual Revenue (Kshs.)	Expenditure of Staff Emoluments (Kshs.)	Revenue/Employee (%) Ratio
2021/2022	7,489,421,574	3,187,074,305	43%
2022/2023	8,614,812,503	3,125,482,350	36%
2023/2024	7,915,412,157	4,039,723,988	51%

*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. Budgetary Control and Performance

- 3.7. Regulations, 29(2)(a) of the Public Finance Management (County Executives), Regulations, 2015 require the accounting officer to be responsible, for ensuring that all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of the County Government entity during the financial year.

- 3.8. A comparison of the budget employee cost with the actual employee costs for 2021/2022, 2022/2023 and 2023/24 financial years, revealed that the County Executive had under-utilized all its personal emolument budget in indicated in **Table 3**.

Table 3: Budget Utilization

Financial Year	Employee Cost (Kshs.)	Final Budget (Kshs.)	Variance (Kshs.)	% Utilization
2021/2022	3,187,074,305	3,529,281,768	1,154,913,438	90%
2022/2023	3,125,482,350	3,973,595,211	604,634,183	79%
2023/2024	4,039,723,988	4,171,735,639	1,057,162,275	97%

*Source: Audited Financial Statements

- 3.9. The under-expenditure indicates poor budget execution and planning, negatively impacting service delivery to the public.

B. Recruitment Process

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

I. Weaknesses in the Recruitment and Management of Casual Workers

- 3.11. Section 74 of the County Governments Act, 2012 states that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers in its public bodies and offices.
- 3.12. Review of records of casual employees from departments within the County Executive revealed that the County Public Service Board approved three hundred and seventy-four (374) employees, in the formal employment, and two hundred and eighty-five (285) casual workers to be recruited, as indicated in **Table 3**, **Annexure 1** and **Annexure 2**.

Table 4: Recruitments

Financial Year	Department	Recruited Employees	
		Casual	Formal
2021/2022	Environment and Health	95	232
2022/2023	Environment, Health, Roads, Transport, Public Works, Housing and Energy	95	111
2023/2024	Environment, Trade, Cooperative Development and Enterprise Development	95	31
	Total	285	374

*Source: County Service Public Board Casual Workers Recruitment Records

3.13. Review of the recruitment process established the following internal control weaknesses:

- vii. During the three (3) financial year 2023/2024, the Departments recruited casual workers without involving the County Public Service Board, contrary to Section 74 of the County Governments Act, 2012. There was no documented evidence indicating that the County Public Service Board had delegated authority to the respective departments to undertake the recruitment of casual workers.
- viii. It was further observed that the County Public Service Board (CSPB) did not receive periodic returns from the respective departments engaging casual workers. The required returns, which include a list of engaged casual workers and their payment records, were not submitted to facilitate verification and confirmation of the actual engagement of the casual workforce.
- ix. There was no evidence of recruitment advertisements, including notice board memos, to support the engagement of casual workers.
- x. The recruitment was conducted without a documented job needs assessment review by CHRMAC (County Human Resource Management Advisory Committee) and approval by the County Public Service Board.

- 3.14. The lack of supporting evidence, such as muster rolls and failure to provide periodic returns presents the risk of mismanagement of casual wages and undermines the County Public Service Board's ability to exercise oversight, monitor workforce efficiency, and make informed staffing decisions.

II. Lack of a Staff Establishment

- 3.15. Section B 5(2) and Section B 6(3) of the County Public Service Human Resource Manual, 2013 requires each County Government entity to maintain optimum staffing levels derived from an authorized establishment and organization structure.
- 3.16. Further, 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 for the in-depth payroll audit established that the Kajiado County Executive did not have an approved staff establishment, as it remained in draft form. As a result, the County relied on provisional staff lists submitted by the respective Chief Officers.
- 3.18. It was further established that the creation of new departments was done without adequate consultation with the Public Service Management, County Service Public Board and without approval from the County Human Resource Management Advisory Committee, contrary to Section B.5(2) of the County Public Service Human Resource Manual. For example, the Chief Officer for the Department of Education authorized the establishment of the Library and Information Services Directorate without following the required consultation and approval processes.
- 3.19. The absence of an approved staff establishment hinders the county's ability to effectively plan and manage its human resources, leading to potential overstaffing

or understaffing in critical departments. This situation poses risks such as inefficient service delivery, budgetary overruns due to a rising wage bill, and challenges in workforce planning and succession management.

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

- 3.20. 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.
- 3.21. The Special Audit established that there were five hundred and sixty-four (564) designations were configured in the IPPD System. However, out of the configured designations, two hundred and ninety-six (296) did not align with the designations in the Chief Officers list, which was used in lieu of an approved staff establishment. Further, there were two thousand and thirty (2030) employees were grouped in these two hundred and ninety-six (296) designations, as detailed in **Annexure 3**.
- 3.22. Similarly, certain designations included in the Chief Officers lists had not been configured within the IPPD System. For example, Senior Education Quality Assurance and Standards Officer, Principal Education Quality Assurance and Standards Officer, Assistant Director-Education Quality Assurance and Standards, Deputy director- education Quality assurance and Standards, Environment scouts and Plant operators.
- 3.23. 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.
- 3.24. As a result of the misalignment between the staffing records in the IPPD System and the Chief Officers lists, and lack of an approved staff establishment, it was not possible to establish whether the County filled all positions in accordance with the drafted staff establishment. This may lead to inefficiencies in workforce planning and budget overruns.

C. Employee Data Management

- 3.25. 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

- 3.26. 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 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 one hundred and eighty (180) employees in the IPPD System with inconsistent dates of birth.
- 3.28. Interview with a sample of one hundred and ninety-one (100) employees and verification of their identification documents established that the dates captured in the IPPD System for forty-eight (48) employees were different from those in employees' Birth Certificates as detailed in **Annexure 4**. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).
- 3.29. 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.
- 3.30. Inaccurate capture of birthdates leads to the risk of exceeding the legal retirement age or forcing an employee to retire before they are due for retirement. There is also the risk of miscalculation of retirement dates and pension dues of employees, as well as other entitlements that are calculated based on age.

II. Employees with Tax Pins in other Government Entities

- 3.31. The Special audit established that one officer who possessed identical Tax Personal Identification Numbers (PINs) in another government entity as detailed in **Annexure 5**.
- 3.32. Review of Payroll data for the financial year 2023/2024 revealed that the employee was employed in two government entities, namely, County Executive of Kajiado and County Executive of Kisumu. However, physical verification of the employee could not be ascertained as the employee did not present herself for the verification process, raising concerns regarding the authenticity of her employment status.

III. Authenticity of Staff in the Payroll

- 3.33. The Office of the Auditor-General requested for a physical verification of sampled staff via the letter OAG/SA/SADS/KDSP-PAYROLL/4/034 dated 12 January, 2025, which was addressed to the County Secretary, Kajiado County Government.
- 3.34. The Letter requested one hundred and ninety-eight (198) to present themselves for physical verification. However, ninety-four (94) employees did not present themselves, despite multiple attempts to reach out to them. During the period under review, the ninety-four (94) officers collectively received gross salary amounting to Kshs.82,693,113 as detailed in **Annexure 6**.
- 3.35. The employees who failed to present themselves for physical verification may not exist, raising the risk of irregular or fraudulent payments.

D. Payroll Processing and Payments

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

I. Unsupported Payments to Casual Workers

- 3.37. 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.
- 3.38. Analysis of the salary ledgers from IFMIS revealed that payments to casual workers during the three (3) years under review amounted to Kshs.3,965,000 as detailed in **Table 5** and detailed in **Annexure 6**. However, the transactions lacked adequate supporting documentation such as payment vouchers, invoices, and payment schedules, raising doubt about the authenticity of the payments.

Table 5: Unsupported Payments to Casuals

No	Casual Workers Engaged	IFMIS Payments (Kshs.)	Cancelled payments (Kshs.)	Supported Payments (Kshs.)	Unsupported Variance (Kshs.)
1	Danida Casual Wages	10,685,500	10,185,500	-	500,000
2	Casual Salaries for Dispensaries	14,620,000	-	14,000,000	620,000
3	Mazingira Casuals	2,270,000	500,000	920,000	850,000
4	Casual wages Ngong Municipality	7,760,000	1,100,000	6,195,000	465,000
5	Casual Wages for Kitengela Municipality	3,950,000	-	2,420,000	1,530,000
	Total Amounts	39,285,500	11,785,500	23,535,000	3,965,000

*Source: IFMIS Payments Accounts and Payment Vouchers

E. Compliance with Laws and Regulations

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

I. Non-Compliance to SRC guidelines on Engagement of Advisors

- 3.40. 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.

- 3.41. Salaries and Remuneration Commission Circular Ref. No. SRC/TS/CGOVT/3/16 dated 29 July, 2013 on Remuneration and Benefits for staff serving in the County Government provides for remuneration and benefits of three (3) categories of advisors in the County Governments. These include economic advisor, legal advisor and political advisor.
- 3.42. Further, Transition Authority directives on staffing and remuneration on political appointments, as outlined in the document prepared in consultation with the Salaries and Remuneration Commission (SRC) (Ref No: SRC/TS/CGOVT/3/16 dated 29th July 2013) and circular letter TA/ 7/848 dated 6 September, 2013
- 3.43. The Special Audit established that that the County Executive engaged two (2) Political Advisors, two (2) Economic Advisors, and two (2) Legal Advisors, in the financial years 2022/2023 and 2023/2024, thereby exceeding the authorized establishment by a total of three (3) advisory positions in each year as detailed in **Table 6** and **Annexure 8**.

Table 6: Exceeding Number of Political, Economic and Legal Advisors

Payroll	Financial Year	Political Advisors	Economic Advisors	Legal Advisors
IPPD	2022/2023	2	2	2
	2023/2024	2	2	2
	Total	4	4	4

*Source: IPPD Payroll System

- 3.44. Non-adherence to SRC guidelines in the engagement of individuals in advisory positions may lead to unnecessary and unbudgeted financial expenditures and compliance with public service regulations.

II. Non-Compliance with One Third Basic Salary Rule

- 3.45. Section 19 (3) of Employment Act, 2007 require the total amount of all deductions that may be made by an employer from the wages of his employee at any one time not to exceed two-thirds of such wages.
- 3.46. An analysis of the staff payroll for the years under audit established that seven thousand, three hundred and forty employees (7,340) were paid net salaries that

were less than one-third of their basic salaries contrary to Section 19(3) of the Employment Act, 2007, as detailed in **Table 7**, and **Annexure 9**.

Table 7: Non-Compliance with One Third Basic Salary Rule

Financial Year	Month	Total Number of Employees
2021/2022	As at 30 June 2022	1755
2022/2023	As at 30 June 2023	1127
2023/2024	As at 30 June 2024	4458
	Total Number of Employees	7340

*Source: IPPD Payroll System

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

III. Non-Compliance with Requirement on Ethnic Diversity

3.48. 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.

3.49. 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.

3.50. Analysis of employees in the IPPD System as at 30 June 2024 established that 71% 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 10**.

3.51. Further, 76% of employees recruited at the entry level were from one dominant ethnic community contrary to Section 65(1)(e) of the County Governments Act,

2012, that requires the County 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 vacant posts at entry level.

- 3.52. The non-compliance to ethnic diversity is a violation of legal requirements and may lead to litigation proceedings.

IV. Non-Compliance to Remittance of Statutory Deductions

- 3.53. Rule 10(1) of Income Tax (P.A.Y.E) Rules requires that before the tenth day following the end of every month or before any other day which may be notified to him by the Commissioner, an employer shall pay all amounts of tax which the employer has deducted during such month
- 3.54. Section 15(4) of the National Health Insurance Fund (NHIF) Act, 1998 (now repealed) required contributions to NHIF be made by ninth day of the month following that of deduction.
- 3.55. Section 20(1) of the National Social Security Fund Act requires employers to make payments deducted from employees' earnings together with employer amounts to NSSF. Under section 20(1A), an employer is required to pay the contribution under subsection (1) on the ninth day of each month or on such later date as the Board may, in consultation with the Cabinet Secretary, prescribe.
- 3.56. A comparison of statutory deductions for employees in the IPPD Payroll System with bank statements revealed cases of delay in remittance of statutory deductions ranging from three (3) days to sixty (60) days, totaling to Kshs.2,210,367,429 were not remitted on time to the fund as indicated in **Annexure 11**.
- 3.57. The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances, non-compliance with requirement on ethnic diversity. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.

IV. Casuals Employees Engaged Beyond Stipulated Period

- 3.58. 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.
- 3.59. Review of casual employee approval records from the department of Environment and Natural Resource Planning revealed that revealed that ninety-five (95) casual workers had been continuously engaged by Mazingira Unit in various Municipalities for periods exceeding three (3) months as indicated in **Table 8**.
- 3.60. The Department of Environment and Natural Resource Planning approved their continued engagement through successive approvals in response to Municipalities requests.

Table 8: Casuals Engaged Beyond Stipulated Period

Financial Year	Unit	No. of Casuals	Amount Paid
2023/2024	Mazingira Unit	95	Kshs. 9,535,000

*Source: IFMIS Payments

- 3.61. 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 (IPPD) to Human Resource Information System-Kenya (HRIS-Ke).

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

I. Over deductions of PAYE

- 3.63. Section 149(2)(a) of the Public Finance Management Act, 2012 requires the accounting officer of a county government to ensure that all expenditure made by

the entity complies with requirements on lawful, authorized, and transparent use of resources of the entity.

- 3.64. The Kajiado 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 PAYE over-deductions affecting ten (10) employees as detailed in **Table 9** and **Annexure 12**.

Table 9: Over-deductions of PAYE

Deduction	Total Amount Over deducted (Kshs.)	
	Number of Employees	Amount (Kshs.)
IPPD	10	20,728
HRIS-Ke	10	285,746
	Variance	(265,019)

*Source: IPPD Payroll System and HRIS-Ke Payroll System

II. Job-Group Changes

- 3.65. During the transition to the HRIS-Ke system, it was established that the job groups of twenty-one (21) employees were downgraded compared to their previous designations in the IPPD System, as indicated in **Annexure 13**.

III. Non-payment of Extraneous Health Allowance

- 3.66. A total of forty-one (41) employees did not receive their extraneous health allowance, totaling to Kshs.828,000, in the month of December, through the HRIS-Ke system, as detailed in **Annexure 14**.

IV. Overpayment and Underpayment of health workers' extraneous allowance

- 3.67. Comparison between November 2024 IPPD data and December 2024 HRIS-Ke data established instances of overpayment and underpayments of health workers

extraneous allowance as summarized in **Table 9**, and detailed in **Annexure 15** and **Annexure 16**.

Table 10: Overpayment and Underpayment of health workers' extraneous allowance

Allowance	Total Amount Over deducted (Kshs.)		Total Amount Under deducted (Kshs.)	
	Number of Employees	Amount (Kshs.)	Number of Employees	Amount (Kshs.)
Health Workers Extraneous Allowance				
IPPD	231	5,270,000	136	3,650,000
HRIS-Ke	231	6,455,000	136	2,300,321
	Variance	1,185,000	Variance	1,349,678

*Source: IPPD Payroll System and HRIS-Ke Payroll System

V. Non-deduction of SACCO loans:

- 3.68. In December 2024, SACCO loan deductions for one hundred and sixty-one (161) employees amounted to Kshs.793,546 compared to Kshs.3,362,504 in November 2024. This indicated an under-deduction amounting to Kshs.2,568,959 as detailed in **Annexure 17**.

VI. Missing employees:

- 3.69. The IPPD payroll for November 2024 recorded four thousand, five hundred and ten (4,510) employees, while the HRIS-Ke payroll for December 2024 recorded four thousand, five hundred and two (4,502) employees. This resulted in a variance of eight (8) employees who were omitted during the system migration and consequently did not receive their salaries, as indicated in **Annexure 18**.

4. CONCLUSION

- 4.1. The Special Audit of payrolls for Kajiado County Executive uncovered several audit issues in payroll and human resource management, which may negatively affect its financial sustainability, compliance, and operational efficiency. In view of the findings, the Special Audit concludes as follows:
- 4.2. The non-compliance with requirements on limiting the Employee Cost within thirty-five (35%) of Revenue indicates weaknesses in budgeting process and inadequate oversight role by the County Assembly. Therefore, the County's financial resources are strained, limiting the funds available for critical development projects and essential service delivery.
- 4.3. To enhance the attainment of optimal staffing levels, management of the County Executive should align the payroll system with the approved staff establishment and ensure consistency between authorized positions and personnel data. Additionally, the staff establishment module in the HRIS-Ke should be fully implemented and configured to enforce recruitment strictly within the approved establishment limits.
- 4.4. The recruitment of casual workers by departmental heads was conducted without the involvement or delegated authority of the County Public Service Board (CPSB), violating Section 74 of the County Governments Act, 2012. In addition, creation of departments and directorates without requisite approvals from County Public Service Board (CPSB) and the County Human Resource Management Advisory Committee (CHRMAC) reflects weaknesses in internal control mechanisms governing human resource operations.
- 4.5. The failure by the County Executive to update the IPPD System with approved designations in the approved staff establishment undermines budgetary control and increases the risk of unauthorized or irregular salary payments. This weakness compromises the integrity of payroll processing, weakens accountability, and may

result in discrepancies between approved staffing structures and actual payroll expenditures.

- 4.6. The failure of the County in lacking a formalized staff establishment, undermines structured recruitment, workforce balancing, and succession planning.
- 4.7. The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by inaccurate dates of birth employees and use of manual payrolls. This indicates weak payroll controls including lack of data validation controls.
- 4.8. The failure of employees to present themselves for physical verification cast doubt on authenticity of payroll records and raises the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County.
- 4.9. Engagement of six (6) advisors exceeded the authorized limit set by SRC, contravening SRC Circulars and Transition Authority guidelines, resulting in unbudgeted expenditure.
- 4.10. 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 and non-compliance with one-third basic salary rule. These increases the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 4.11. The inconsistencies in the migration of payroll processing from the Integrated Personnel and Payroll Database (IPPD) to the Human Resource Information System-Kenya (HRIS-Ke), effected in December 2024, characterized by significant data integrity and system control weaknesses point to inadequate system testing, lack of reconciliation protocols, and poor change management during the migration process.
- 4.12. The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and irregular salary and allowance

disbursements. This indicates weaknesses in data validation, lack of system configuration to enforce salary structures, and insufficient post-migration reconciliation controls, thereby exposing the County Executive to financial loss and reputational risk

- 4.13. The identified audit issues had persisted over time, suggesting a failure of risk identification mechanisms and an underperforming internal audit function that may not have identified and prevented the control breaches in a timely manner.

5. RECOMMENDATIONS

- 5.1. In view of the findings and conclusions of the Special audit, the following is recommended to the Kajiado County Executive;
- 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 thirty-five (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 enhance the attainment of optimal staffing levels, management of the County Executive should align the payroll system with the approved staff establishment and ensure consistency between authorized positions and personnel data. Additionally, the staff establishment module in the HRIS-Ke should be fully implemented and configured to enforce recruitment strictly within the approved establishment limits.
- 5.5. The recruitment of casual workers by departmental heads was conducted without the involvement or delegated authority of the County Public Service Board (CPSB), violating Section 74 of the County Governments Act, 2012. In addition, creation of departments and directorates without requisite approvals from County Public Service Board (CPSB) and the County Human Resource Management Advisory

Committee (CHRMAC) reflects weaknesses in internal control mechanisms governing human resource operations.

- 5.6. To ensure the integrity of data maintained in the payroll systems, the management should ensure that the validation controls are implemented in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National Identity, National Social Security Fund (NSSF), and Social Health Authority (SHA).
- 5.7. 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.
- 5.8. To avoid redundancy, and promote fiscal discipline in line with the Public Finance Management Act, 2012, the County Executive should rationalize its engagement of advisory staff to align with the ceilings and staffing guidelines issued by the Salaries and Remuneration Commission (SRC). The County Public Service Boards (CPSBs) should ensure adherence to SRC advisories.
- 5.9. 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.

6. APPENDICES

Appendix 1: List of Staff Interviewed

No.	Designation	Department
1.	Chief Officer -Public Service and Administration	Public Service and Administration
2.	Chief Executive Officer	County Public Service Board of Kajiado
2.	Director Human Resource	Public Service and Administration
4.	Payroll Manager	Finance and Accounting
5.	Payroll Officers	Finance and Accounting

Appendix 2: List of Annexures

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

No.	Name	Description
1.	Annexure 1	New Hires
2.	Annexure 2	Recruited Casuals
3.	Annexure 3	Job Designations that did not match in IPPD
4.	Annexure 4	Employees with Different Birth Dates in IPPD and Birth Certificate.
5.	Annexure 5	Employees with Tax Pins in other different Government Entities
6.	Annexure 6	Employees who were Non-Compliant with the Physical Verification Exercise
7.	Annexure 7	Unsupported Payments to Casual Workers
8.	Annexure 8	Non-Compliance to SRC guidelines on Engagement of Advisors
9.	Annexure 9	Non-Compliance with One Third Basic Salary Rule: for the financial years- [2021/2022-2023/2024]
10.	Annexure 10	Non-Compliance with National Cohesion & Integration act 2008 on ethnic Diversity
11.	Annexure 11	Non-Compliance with Remittance of Statutory Deductions
12.	Annexure 12	Over-deduction of PAYE in HRIS-Ke
13.	Annexure 13	Job Group Changes in HRIS-Ke
14.	Annexure 14	Non-Payment of Extraneous Health allowances in HRIS-Ke
15.	Annexure 15	Over-Payment of Extraneous Health allowances in HRIS-Ke
16.	Annexure 16	Under-Payment of Extraneous Health allowances in HRIS-Ke
17.	Annexure 17	Varying Loan Deductions in IPPD and HRIS-Ke
18.	Appendix 18	Varying Staff Numbers in IPPD and HRIS-Ke

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