REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

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COUNTY 001

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

The Special Audit evaluated the human resource and payroll processes at the Mombasa 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 Mombasa 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 Mombasa County Public Service Board and the Governor, Mombasa 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
<u>AUDITOR-GENERAL</u>

8 July, 2025

TABLE OF CONTENTS

List of Figures

List of Tables

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 Mombasa 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 the 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; and

vi. Assess whether payroll data was accurately and completely migrated from IPPD System to the 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 a 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 failed to provide the indents and interview reports for the recruitment of 29 Clerical Officers [I] who were recruited during the 2021/2022 financial year. In the absence of these records, it was not possible to confirm whether the recruitment process was transparent, competitive, and compliant with applicable laws and policies.

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.

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 conducted to test data integrity.

Summary of Audit Findings

The key audit findings are as detailed below:

A. Payroll Budgeting

I. Employee Cost to Revenue Ratio Exceeded The Set Threshold

1.10 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%) for all three financial years under review. 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.

I. Budget Votes in Payroll Systems not Aligned with those in the Approved Budget.

1.11 The Audit established that the budget vote heads in the IPPD System were not aligned with those in the approved budget. This led to inconsistencies between budgetary allocations and actual payroll expenditure, thereby increasing the risk of misallocation or even misuse of public funds.

B. Recruitment Process

I. Lack of Annual Recruitment Plans

1.12 During the period under review, the County Executive recruited six hundred and six (606) employees. The Audit however, established that the departments that initiated the recruitments did not have annual recruitment plans to guide the recruitment process. Further, no evidence was provided to prove that budgetary availability was sought before initiating the recruitment process. The lack of annual recruitment plans and failure to confirm availability of budgets can result in either overstaffing, understaffing, or hiring staff for roles that do not align with organizational priorities.

II. Lack of Approved Staff Establishment

1.13 The audit established that the Mombasa County Executive did not have an approved staff establishment for the financial years under review. As a result, it was not possible to assess whether the recruitment of staff was based on an approved organizational structure or whether staffing levels were aligned with service delivery requirements. This indicates weaknesses in human resource planning and may lead to overstaffing, understaffing, or misallocation of personnel, thereby affecting operational efficiency.

C. Employee Data Management

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

1.14 The Special Audit established inconsistencies between employee birthdates recorded in the IPPD System and those in the National identification documents for two hundred and fifty-five (255) employees. Interview with a sample of thirty-seven (37) employees and verification of their identification documents established that the dates captured in the IPPD System for thirty-seven (37) 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 Employees' Identification Numbers (ID) in IPPD System

1.15 The Special Audit also established inconsistencies between employee identification numbers recorded in the IPPD System and those provided in the supporting identification documents for two (2) employees. Examination of the identification records maintained by the County Executive against the IPPD System disclosed that the national identification numbers of two (2) employees were inaccurately captured in the system.

III. Authenticity of Staff in the Payroll

1.16 During the physical verification exercise, twenty-nine (29) out of the one hundred and two (102) summoned employees failed to present themselves for physical verification and lacked valid reasons for their absence. These twenty-nine (29) employees were paid a gross salary totaling Kshs.33,228,980 during the period under review.

IV. Employees Appearing in More Than One County Payroll

1.17 The audit identified four (4) employees in the manual payroll whose identification numbers matched those of individuals employed in other County Governments—specifically Kakamega, Nyamira, Kilifi, and Lamu. Attempts to conduct physical verification were unsuccessful, as the employees failed to present themselves as requested.

V. Inadequate Classification of Allowances in The Manual Payroll

1.18 The audit established that the manual payroll system lacked itemized breakdowns for allowances, other than house and commuter allowances. All other allowances were consolidated into a single column, limiting the ability to confirm eligibility and correct computation. Additionally, the payroll did not capture NHIF and NSSF numbers, thereby hindering effective validation of statutory compliance.

VI. Irregular Promotions

1.19 The Special Audit established that a total of 124 employees were promoted without meeting all the requirements outlined in the applicable schemes of service across the financial years 2021/2022 (39), 2022/2023 (68), and 2023/2024 (17). Additionally, five (5) employees promoted during the 2023/2024 financial year were irregularly placed in inappropriate pay scales, contrary to the prescribed remuneration guidelines.

D. Payroll Processing and Payments

I. Irregular Payment of Extraneous Allowance

1.20 The Special Audit established that a total of 2,916 employees were irregularly paid arrears on extraneous allowance during the three financial years under review. Although the payments were approved by accounting officers for activities such as overtime, policy formulation, and participation in technical committees, they were erroneously charged under extraneous allowance arrears instead of the appropriate votes for overtime or lunch/meal allowances, resulting in misclassification of expenditure.

II. Irregular Payment of Both Extraneous and Health Workers' Extraneous Allowance Concurrently

1.21 The Special Audit established that, over the three financial years under review, a total of 49 employees were paid both Extraneous Allowance and Health Workers' Extraneous Allowance simultaneously, contrary to the Salaries and Remuneration Commission (SRC) Circular No. SRC/TS/29(81) dated 10 August 2023.

E. Compliance with Laws and Regulations

III. Payment of Special Duty Allowance and Acting Allowance for More than Six (6) Months

1.22 The Special Audit established that, during the financial year 2022/2023, five (5) employees were paid special duty allowance and eight (8) employees were paid acting allowance for periods exceeding the six-month limit prescribed in Sections C.15(1) and C.14(1) of the Public Service Commission Human Resource Policies and Procedures Manual (2016), respectively. The irregular payments amounted to Kshs.295,556 and Kshs.905,962 respectively.

IV. Non-Compliance with the 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 one (1) to fifty-eight (58) days. This exposes the County Executive to penalties, interest, and reputational risks, thereby undermining stakeholders' confidence.

V. Non-Compliance with Requirement on Ethnic Diversity

1.24 The audit revealed that thirty-five (35%) of the staff were from one dominant ethnic community, contrary to the requirements of Section 7(2) of the National Cohesion. Further, seventy-six (76%) of employees recruited at the entry level during the financial year 2023/2024 were from the same dominant ethnic community.

VI. Casual Employees Engaged Beyond Stipulated Period

1.25 The Special Audit revealed that thirty-four (34) casual employees were engaged for periods exceeding three (3) months, contrary to applicable labour regulations. Of the ten (10) casuals engaged during the 2023/2024 financial year, only six (6) were subsequently absorbed through a recruitment process. The extended engagement of casual employees without regularization exposes the County Executive to potential litigation and related financial liabilities.

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

1.26 A review of payroll data following the migration to the HRIS-Ke system in December 2024 revealed several instances of salary and allowance overpayments and underpayments such as basic pay, house allowance and other allowances.

Conclusion

1.27 The Special Audit of payrolls for the Mombasa 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 the 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 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 in inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure the lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.

1.30 The departments in the County Executive did not have approved annual human resource recruitment plans. The absence of 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 has an impact on the budget.

1.31 The failure by the County Executive to develop and maintain an approved staff establishment contravenes the requirements of Section 59(1)(g) of the County Governments Act, 2012, and Regulation 19(1) of the Public Finance Management (County Governments) Regulations, 2015, . In the absence of an approved staff establishment, there is a heightened risk of irregular recruitment, uncontrolled wage bill growth, duplication of roles, and mismatch between staffing and service delivery needs, potentially leading to inefficiencies in the utilization of public resources.

1.32 The audit revealed that some of the staff data maintained by the payroll systems used by the County Executive had integrity issues. This was evidenced by inaccurate dates of birth and National Identification numbers of employees. This indicates weak payroll controls, including the lack of data validation controls.

1.33 The authenticity of some of the employees could not be established. This was evidenced by the failure of employees to present themselves for physical verification. These cast doubt on the authenticity of payroll records and raise the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive.

1.34 The engagement of officers concurrently by both the Mombasa County Executive and other County Executives, coupled with the receipt of salaries from both entities, indicates a breach of ethical standards and public service regulations governing employment in the public sector.

1.35 The use of a manual payroll system that lacks detailed itemization of allowances and omits critical statutory information, such as NHIF and NSSF numbers, undermines transparency and accountability in payroll management. This limitation impairs the ability to verify the legitimacy and accuracy of payments made, and raises concerns on compliance with statutory requirements. Consequently, the integrity of the payroll process remains compromised.

1.36 The audit revealed significant weaknesses in the County Executive's management of remuneration and benefits, resulting in irregular and unauthorized payments contrary to guidelines issued by the Salaries and Remuneration Commission (SRC), Collective Bargaining Agreements (CBA), and provisions of the Employment Act.

1.37 The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances and non-compliance with the requirement on ethnic diversity and non-compliance with the one-third basic salary rule. These increase 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, the 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 conclusions of the Special Audit, the following is recommended to the Mombasa County Executive;

1.42 To ensure compliance with the 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.

1.43 For effective management of departmental budgets and enhance accuracy in financial reporting, the Chief Officer for Public Finance, together with the management of the State Department for Public Service and Human Capital Development should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures.

1.44 The County Executive should urgently develop a comprehensive staff establishment that outlines the required positions, job descriptions, grades, and number of staff per department, based on workload analysis and service delivery needs. This establishment should be submitted for approval to the County Public Service Board (CPSB) in line with Section 59(1)(g) of the County Governments Act, 2012.

1.45 The County Executive should develop and implement approved annual human resource recruitment plans aligned with the approved staff establishment, departmental objectives, and available budget provisions. These plans should be reviewed and approved by the County Public Service Board to ensure effective workforce planning and prevent irregular or misaligned recruitment. All recruitment should strictly adhere to the approved plans, with any exceptions properly justified and documented. Additionally, the County should establish monitoring mechanisms to track compliance, report deviations, and build HR capacity to enhance planning and adherence to legal and regulatory requirements.

1.46 To ensure the integrity of data maintained in the payroll systems, the management should ensure that validation controls are implemented in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National

Identity, the National Social Security Fund (NSSF) and the Social Health Authority (SHA).

1.47 The County Executive should immediately suspend salary payments to staff who did not present themselves for physical verification until their employment status is confirmed through due process.

1.48 Management should conduct a comprehensive post-migration payroll reconciliation to identify and correct overpayments and underpayments resulting from the system transition. Further, HRIS-Ke should be configured to enforce approved salary structures and allowances.

1.49 To enforce compliance with set labor laws and statutory deductions, the management of the County Executive should implement monitoring and reporting mechanisms to promptly detect and address compliance issues, alongside staff training on compliance obligations.

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

2. INTRODUCTION AND BACKGROUND

Introduction and Background

2.1 Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7 (1) (a) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance at national and county 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 Mombasa County Executive referred to as the County Executive in this report was conducted in line with this mandate.

2.2 The Government of Kenya (GoK) received an International Development Association (IDA) Credit of EUR140.7 million (Approximately Kshs. 19,538,432,130 using the prevailing exchange rate as at 28 June 2024) from the World Bank, to implement the Second Kenya Devolution Support Program (KDSP II). KDSP II supports a sub-set of reforms envisaged under the Government's Devolution Sector Plan. The financing agreement, Credit Number IDA-7447-KE, became effective in March 2024 and is set to be implemented over a four-year period; 2023-2027. The development objective of the KDSP II is to strengthen county performance in the financing, management, coordination, and accountability for resources. To achieve the DO, the Program was expected to improve outcomes in the participating counties under three (3) Key Result Areas (KRAs). KRA 1 was on sustainable financing and expenditure management, KRA 2 on intergovernmental coordination, institutional performance, and human resource management, and KRA 3 on oversight, participation, and accountability.

2.3 The Special Audit on Payroll Management for the County Executive is linked to Key Result Area (KRA) 2. There are two (2) Disbursement-Linked Indicators (DLIs) under this KRA:

i. Participating counties that have integrated their human resource records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the human resource management information system;

ii. Participating counties that are enhancing accountability for results through an integrated performance management framework.

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

Audit Objectives

2.6 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; and

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

Number of Employees and Payroll Expenditure

2.7 Over the three-year period under review, Staff numbers declined by **8%** over the audit period, while the cumulative growth in payroll costs over the three years was approximately **19%** as shown in **Figures 1** and **2.**

Figure 1: Cumulative Growth in Payroll Costs

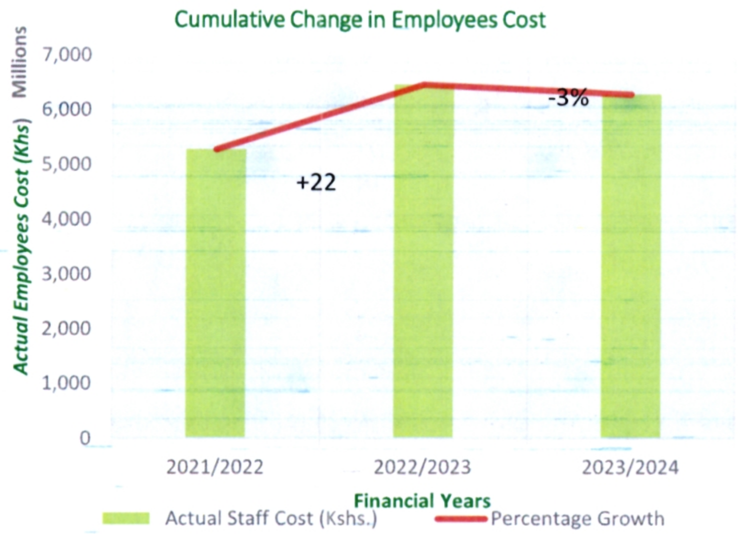
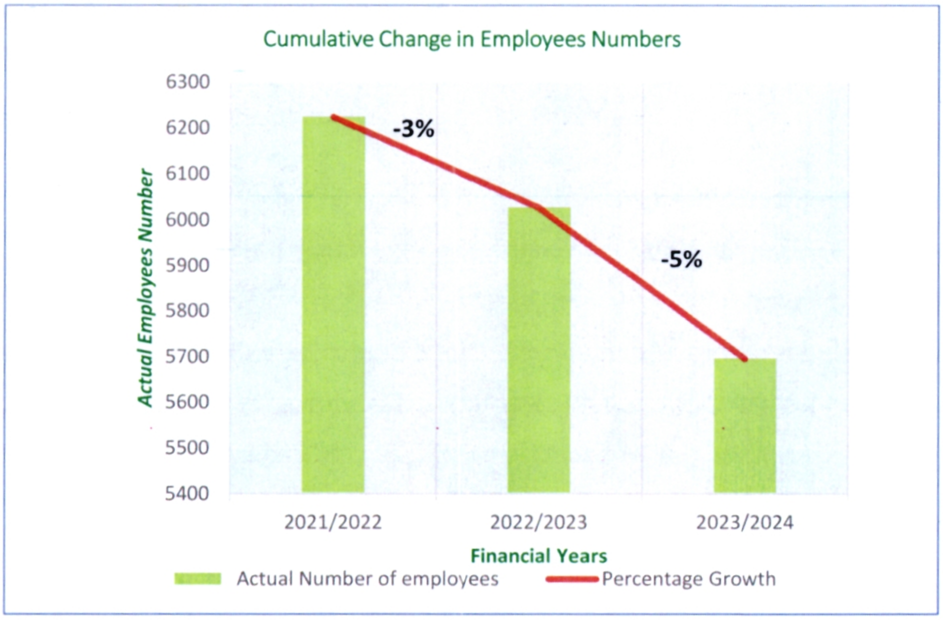


Figure 2: Cumulative Growth of the Number of staff



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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.

2.11 The County Executive failed to provide the indents and interview reports for the recruitment of 29 Clerical Officers [I] who were recruited during the 2021/2022 financial year. In the absence of these records, it was not possible to confirm whether the recruitment process was transparent, competitive, and compliant with applicable laws and policies.

Audit Methodology

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

Methods of Gathering Evidence

2.13 The Special Audit on Payroll Management involved the review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County Management.

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

a) Document Review

2.15 The audit team reviewed various documents in order to set audit criteria and assess compliance with the criteria and in gathering audit evidence. They include:

i. The Constitution of Kenya, 2010;
ii. The Public Finance Management Act, 2012;
iii. The Public Finance Management (County Governments) Regulations, 2015;
iv. County Government Acts, 2012;
v. Employment Act, 2007 SRC Circular, Ref No: SRC/TS/CGOVT/3/16, July 2013;
vi. SRC Circular, Ref No: SRC/TS/29(81), August 2022;
vii. Compendium of Remuneration and Benefit for Public Service, December 2022;
viii. Approved Staff Establishments; and
ix. Collective Bargaining Agreements (CBAs), 2013.

b) Data Analytics

2.16 The payroll and staff register data from the IPPD System and HRIS-Ke were extracted and analyzed. The exceptions from the analysis formed the basis for verification with payroll records maintained by the County Executive.

2.17 The following data sets for the financial years 2021/2022, 2022/2023 and 2023/2024 were analyzed: -

i. IPPD Staff Registers and Payroll data;
ii. Payment schedules;
iii. Itemized budgets for staff costs; and
iv. Chief Officers staff list for each department as at 30 June, 2024.
v. The HRIS-Ke payroll data for December 2024

c) Interviews

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

d) Physical Verification of Staff

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

2.20 The Audit Team through the County Secretary, requested one hundred and one (101) employees to present themselves in person for 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's personal data maintained in the payroll systems.

Report Structure

2.21 The report is organized as follows:

i. Executive Summary;

ii. Introduction and Background;

iii. Detailed Findings;

iv. Conclusion;

v. Recommendations; and

vi. Appendices.

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

3. DETAILED FINDINGS

A. Payroll Budgeting

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

3.2 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 Act. Regulation 25(1)(b) requires the limit set not to exceed thirty-five (35) percent of the county government's total revenue.

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

Table 1: Budgeted Compensation of Employee to Budgeted Revenue Ratio

Financial Year	Total Budget Revenue (Kshs.)	Budgeted Personal Emolument (Kshs.)	% of Utilization
2021/2022	14,000,000,000	5,339,559,958	38%
2022/2023	13,095,216,979	6,972,392,713	53%
2023/2024	15,990,000,000	6,484,413,377	41%

*Source: Audited Financial Statements and Budgets

3.4 Further, actual compensation of employees as reflected in the financial statements had also exceeded the thirty-five (35) percent threshold in all three (3) financial years, as indicated in **Table 2**.

Table 2: Actual Compensation of Employee to Revenue Ratio

Financial Year	Total Revenue (Kshs.)	Expenditure of Staff Emoluments (Kshs.)	Revenue/ Expenditure %)Ratio
2021/2022	11,263,379,921	5,282,042,665	47%
2022/2023	10,153,060,276	6,460,757,728	64%
2023/2024	10,996,664,502	6,287,283,596	57%

*Source: Audited Financial Statements

3.5 The increase in the percentage of compensation of employees to total revenue indicates a growing wage bill, which may be unsustainable in the long term. This persistent breach raises concerns about the county's ability to manage its wage bill within sustainable limits. Continued high expenditure on employee compensation may constrain the county's fiscal space, limiting resources available for development initiatives and essential public services.

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

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

3.7 A comparison of payroll reports extracted from the IPPD System with the approved budgets established that the departmental Vote Heads in the IPPD System were not aligned with those in the approved budgets as detailed in **Annexure 1.**

3.8 The primary factor that led to the misalignment was that all the County's salaries were budgeted under the Public Service and Administration department only.

3.9 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 Vote Heads to those in the IPPD System.

3.10 The continued referencing to outdated departmental structures leads to inconsistencies between budgetary allocations and actual payroll expenditures, increasing the risk of misallocation or even misuse of public funds, as expenditure may be charged under incorrect Vote Heads.

B. Recruitment Process

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

I. Lack of Annual Recruitment Plans

3.12 Section 59(1)(g) of the County Governments Act, 2012 requires the County Public Service Board of a county to facilitate the development of coherent, integrated human resource planning and budgeting for personnel emoluments in counties. Further, Regulation 119(2) of the Public Finance Management (County Governments) Regulations 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

3.13 The County Executive recruited four hundred and seventy-four (474) employees during the financial year 2021/2022, one hundred and seventy-one (171) during the 2022/2023 financial year and one hundred and twenty-eight (28) during the 2023/2024 financial year, as detailed in **Annexure 2**. However, it was established that the recruiting departments did not have annual recruitment plans to guide the recruitment. Further, no evidence was provided to prove that budgetary availability was sought before the recruitments were made.

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

II. Lack of Approved Staff Establishment.

3.15 Section B 5(2) and Section B 6(3) of the County Public Service Human Resource Manual 2013 require each County Government entity to maintain optimum staffing levels derived from an authorized establishment and organization structure. 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.

3.16 The Special Audit established that the Mombasa County Executive did not have an approved staff establishment for the three years under review. Consequently, it was not possible to determine the criteria used in recruiting new staff or whether staffing levels were aligned with service delivery needs.

C. Employee Data Management

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

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

3.18 Regulation 110(1) of the Public Finance Management (County Government) Regulations 2015, require the Accounting Officer for a County Executive entity to institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity, and loss of business continuity. Further, Circular Ref. No: PSC/ ADM/ 13(9) dated 19th 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.

3.19 The Special Audit identified four hundred and ninety-five (495) employees in the IPPD System with inconsistent dates of birth, as detailed in **Annexure 3**.

3.20 Interviews with a sample of twenty-five (25) employees and verification of their identification documents established that the dates captured in the IPPD System the twenty-five (25) were different from those in the employees' Birth Certificates. This is contrary to the directive outlined in Circular Ref. No: PSC/ ADM/ 13(9).

3.21 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before data cleaning to improve its quality and reliability. As a result, at the time of the audit, the HRIS-Ke had similar dates of birth to those in the IPPD System. An inaccurate date of birth may lead to errors in determining retirement age.

I. Integrity of Employees' Identification Numbers (ID) in the IPPD System

3.22 Regulation 110(1) of the Public Finance Management (County Government) Regulations 2015, requires the Accounting Officer for a County Executive entity to institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity, and loss of business continuity.

3.23 Examination of the identification records maintained by the County Executive against the IPPD System disclosed that the national identification numbers of ten (10) employees were inaccurately captured in the system, as detailed in **Annexure 4.**

3.24 A review of employee records established that the identification numbers of three (3) employees captured in the Integrated Payroll and Personnel Database (IPPD) were different from those provided in the supporting documentation.

3.25 Further, the Special Audit established that the migration to HRIS-Ke was done before data cleaning to improve its quality and reliability. As a result, at the time of the audit, the HRIS-Ke had similar IDs as those in the IPPD System.

II. Inadequate Classification of Allowances in The Manual Payroll

3.26 Regulation 110(1) of the Public Finance Management (County Government) Regulations 2015, requires the Accounting Officer for a County Executive entity to institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity, and loss of business continuity.

3.27 The Special Audit established that the manual payroll system did not provide itemized details for allowances, except for house and commuter allowances.

3.28 All other allowances were consolidated in one column as a single entry, making it difficult to ascertain whether payments were made to eligible officers and at the correct rates as detailed in **Annexure 5**. In addition, the manual payroll lacked fields for NHIF and NSSF numbers, hindering the validation of statutory compliance.

3.29 This reflects weak payroll controls, increasing the risk of irregular payments and undetected non-compliance with statutory obligations.

III. Authenticity of Staff in the Payroll

3.30 The Office of the Auditor-General requested for physical verification of sampled staff via the letter OAG/SA/SADS/KDSP-PAYROLL/4/001 dated 21st January 2025, addressed to the County Secretary of the County Executive.

3.31 The letter requested that forty (102) employees present themselves for physical verification. However, ten (10) did not present themselves. During the years under review, the ten (10) employees were paid salaries amounting to Kshs.33,228,980, as detailed in **Annexure 6**.

3.32 The ten (10) employees who failed to present themselves for physical verification may be non-existent, raising the risk that payments made to them were irregular or fraudulent.

IV. Employees Appearing in More Than One County Payroll

3.33 Regulation 110(1) of the Public Finance Management (County Government) Regulations states that the accounting officer for a County Executive entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity, and loss of business continuity.

3.34 The audit identified four (4) employees who were in the manual payroll and had identification numbers that matched those of individuals employed in other County Governments, namely Kakamega, Nyamira, Kilifi, and Lamu. Efforts to conduct physical verification of the employees were unsuccessful as they failed to present themselves when requested. A total of Kshs.3,389,382 was paid to the affected employees over the three-year audit period as detailed in **Annexure 7**.

3.35 The county has since communicated to the affected officers and other County Governments for the recovery of salaries erroneously earned.

3.36 This raises the risk of fictitious or dual employment, which may lead to loss of public funds and undermine the integrity of the County's payroll management system.

V. Irregular Promotions

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

3.38 The Special Audit established that thirty-nine (39), sixty-eight (68) and seventeen (17) employees during the 2021/2022, 2022/20233 and 2023/2024 financial years respectively, were promoted without meeting all the requirements set in the respective schemes of service as detailed in **Annexure 8.**

3.39 Further, there were five (5) employees during the 2023/24 financial year who were promoted but were irregularly placed in the wrong pay scale as detailed in **Annexure 9**.

3.40 The irregularities in promotions undermine the principles of fairness and transparency in human resource management and may expose the County Executive to legal disputes, employee dissatisfaction, and potential financial loss.

D. Payroll Processing and Payments

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

I. Irregular Payment of Extraneous Allowance.

3.42 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.

3.43 The Special Audit established that nine hundred and ninety (990) and one thousand nine hundred and twenty-six (1926) were irregularly paid arrears on extraneous allowance during the financial years 2022/2023 and 2023/2024 respectively.

3.44 It was revealed that these allowances had been approved by the relevant accounting officers for payments of either overtime or to employees who had been assigned tasks that were extra from their normal duties such as policy formulation, technical committees with different thematic areas such which required payment of Lunch/Meal allowance, this had however been irregularly charged on the wrong vote and paid as extraneous allowance arrears. As a result, a total of Kshs. 273,909,600 was irregularly paid as arrears in extraneous allowance as detailed in **Annexure 10**.

3.45 Inappropriate use of the Extraneous Allowances creates vulnerabilities in payroll control, opens opportunities for fraudulent payments, and reduces alignment with public sector compensation policy. It also hampers transparency and may result in regulatory penalties.

II. Irregular Payment of Both Extraneous and Health Workers' Extraneous Allowance Concurrently

3.46 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.

3.47 The Special Audit revealed that six (6) and forty-three (43) employees were paid both Extraneous Allowance and Health Workers' Extraneous Allowance during the financial years 2022/2023 and 2023/2024 respectively. As a result, a total of Kshs. 5,937,500 was irregularly paid as detailed in **Annexure 11**.

3.48 The irregular payment of both Extraneous Allowance and Health Workers' Extraneous Allowance contravenes the Salaries and Remuneration Commission (SRC) guidelines and undermines the integrity of the payroll system, leading to unjustified expenditure and loss of public funds.

E. Compliance with Laws and Regulations

3.49 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 Payment of Special Duty Allowance and Acting Allowance

3.50 Paragraph C.15 (1) states that when an officer is called upon to perform duties of a higher post but does not possess the necessary qualifications for appointment to that post, he shall be paid special duty allowance at the rate of fifteen per cent (15%) of the officer's basic salary. Under paragraph C.15 (4), Special Duty Allowance will not be payable to an Officer for more than six (6) months.

3.51 The Special Audit established that five (5) employees were paid special duty allowance for a period exceeding six months during the financial year 2021/22 and four (4) employees during the 2023/24 financial year contrary to PSC HR Policies and Procedures Manual, Section C.15(1). As a result, a total of Kshs. 295,556 was irregularly paid as detailed in **Annexure 12**.

3.52 Further, the Special Audit also revealed that eight (8) employees were paid acting allowance for a period exceeding six months during the 2022/23 financial year, contrary to Section C.14(1) of the Public Service Commission – Human Resource Policies and Procedure Manual (2016). As a result, a total of Kshs.905,962 was irregularly paid as detailed in **Annexure 13.**

3.53 The payment of Special Duty and Acting Allowances beyond the six-month limit contravenes Section C.14(1) and C.15(4) of the Public Service Commission Human

Resource Policies and Procedures Manual. This reflects non-compliance with human resource policies and may result in irregular expenditure. Additionally, when an officer holds two positions concurrently over extended periods, their productivity in both roles may decline, as each role is designed to be held and executed by one officer.

II. Non-Compliance with the Remittance of Statutory Deductions

3.54 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.

3.55 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 Further, section 15(1) of the National Health Insurance Fund Act (now repealed) required Kenyans over the age of 18 with employment income to contribute to the fund. Section 15(1A)(b) of the Act makes each county government liable as a contributor to the fund in respect of all public officers, state officers and employees working in the county government and county government entities. Under section 15(4) of the NHIF Act, contributions were due on the ninth day of each month or on such later date as the Board, in consultation with the Cabinet Secretary, may prescribe

3.57 The Special Audit established that the County Executive delayed remitting employee statutory deductions NHIF, NSSF, PAYE within the legally prescribed periods across the financial years. The delays ranged from one (1) day to fifty-eight (58) days and the amount totaled to Kshs.683,050,394 as detailed as detailed in **Annexure 14.**

3.58 Failure to deduct and 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

3.59 Section 7(1) of the National Cohesion and Integration Act, 2008, states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. Section 7(2) states that no public establishment shall have more than one-third of its staff from the same ethnic community.

3.60 Analysis of the staff ethnic composition revealed that thirty-five (35%) percent 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. The Special Audit established that thirty-five (35%) percent 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 15.**

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

IV. Casual Employees Engaged Beyond Stipulated Period

3.62 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.

3.63 A review of casual employee payment records revealed that thirty-four (34) casual employees were engaged for a period exceeding three (3) months, as detailed in **Annexure 16**. It was however noted that out of the ten (10) casual employees engaged during the 2023/2024 financial year, six (6) were absorbed through a recruitment process.

3.64 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.

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

I. Overpayment and Underpayment of Salary and Allowances

3.66 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.

3.67 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024. Comparison between IPPD data for November, 2024 and HRIS-Ke data for January 2025 established instances of overpayment and underpayments of salaries and allowances as indicated in **Table 3**, and detailed in **Annexures 17, 18, 19, 20 and 21.**

Table 3: Overpayment and Underpayment of Salary and Allowances

Salary/ Allowance	Total Amount Underpaid		Total Amount Overpaid	
	Number of Employees	Amount (Kshs.)	Number of Employees	Amount (Kshs.)
Basic Pay	0	0	30	778,060
House Allowance	0	0	30	536,138
Commuter Allowance	12	61,774	25	310,372
Health Risk Allowance	11	20,688	16	116,700
Emergency Call Allowance	0	0	4	70,000

4. CONCLUSION

4.1 The Special Audit of payrolls for the Mombasa 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 the 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 in inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure the 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 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 has an impact on the budget.

4.5 The failure by the County Executive to develop and maintain an approved staff establishment contravenes the requirements of Section 59(1)(g) of the County Governments Act, 2012, and Regulation 19(1) of the Public Finance Management (County Governments) Regulations, 2015. In the absence of an approved staff establishment, there is a heightened risk of irregular recruitment, uncontrolled wage bill growth, duplication of roles, and mismatch between staffing and service delivery needs, potentially leading to inefficiencies in the utilization of public resources.

4.6 The audit revealed that some of the staff data maintained by the payroll systems used by the County Executive had integrity issues. This was evidenced by inaccurate dates of birth and National Identification numbers of employees. This indicates weak payroll controls, including the lack of data validation controls.

4.7 The authenticity of some of the employees could not be established. This was evidenced by the failure of employees to present themselves for physical verification. These cast doubt on the authenticity of payroll records and raise the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive.

4.8 The engagement of officers concurrently by both the Mombasa County Executive and other County Executives, coupled with the receipt of salaries from both entities, indicates a breach of ethical standards and public service regulations governing employment in the public sector.

4.9 The use of a manual payroll system that lacks detailed itemization of allowances and omits critical statutory information, such as NHIF and NSSF numbers, undermines transparency and accountability in payroll management. This limitation impairs the ability to verify the legitimacy and accuracy of payments made, and raises concerns about compliance with statutory requirements. Consequently, the integrity of the payroll process remains compromised.

4.10 The audit revealed significant weaknesses in the County Executive's management of remuneration and benefits, resulting in irregular and unauthorized payments contrary to guidelines issued by the Salaries and Remuneration Commission (SRC), Collective Bargaining Agreements (CBA), and provisions of the Employment Act.

4.11 The County Executive did not comply with tax and labour laws as evidenced by delayed statutory remittances and non-compliance with the requirement on ethnic diversity and non-compliance with the one-third basic salary rule. These increase the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.

4.12 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.

4.13 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, the 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.

4.14 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 Mombasa County Executive;

5.2 To ensure compliance with the 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 financial reporting, the Chief Officer for Public Finance, together with the management of the State Department for Public Service and Human Capital Development should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures.

5.4 The County Executive should urgently develop a comprehensive staff establishment that outlines the required positions, job descriptions, grades, and number of staff per department, based on workload analysis and service delivery needs. This establishment should be submitted for approval to the County Public Service Board (CPSB) in line with Section 59(1)(g) of the County Governments Act, 2012.

5.5 The County Executive should develop and implement approved annual human resource recruitment plans aligned with the approved staff establishment, departmental objectives, and available budget provisions. These plans should be reviewed and approved by the County Public Service Board to ensure effective workforce planning and prevent irregular or misaligned recruitment. All recruitment should strictly adhere to the approved plans, with any exceptions properly justified and documented. Additionally, the County should establish monitoring mechanisms to track compliance, report deviations, and build HR capacity to enhance planning and adherence to legal and regulatory requirements.

5.6 To ensure the integrity of data maintained in the payroll systems, the management should ensure that validation controls are implemented in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National

Identity, the National Social Security Fund (NSSF) and the Social Health Authority (SHA).

5.7 The County Executive should immediately suspend salary payments to staff who did not present themselves for physical verification until their employment status is confirmed through due process.

5.8 Management should conduct a comprehensive post-migration payroll reconciliation to identify and correct overpayments and underpayments resulting from the system transition. Further, HRIS-Ke should be configured to enforce approved salary structures and allowances.

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.

5.10 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.	Chief Officer	Public Service and Administration
2.	Chief Executive Officer	Public Service Board
3.	Deputy Director	Public Service and Administration
4.	Chief Accountant	Finance and Accounting

Appendix 2: List of Annexures

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

No	Annexure	Description
1	**Annexure 1**	Budget Votes in Payroll Systems not Aligned with those in the Approved Budget.
2	**Annexure 2**	Lack of Recruitment Plans
3	**Annexure 3**	Integrity of Date of Birth Records in IPPD Systems
4	**Annexure 4**	Integrity of Employees' IDs in IPPD System
5	**Annexure 5**	Allowances Not Defined In The Manual Payroll
6	**Annexure 6**	Authenticity of Staff in the Payroll
7	**Annexure 7**	Officers engaged by both the County Executive of Mombasa and TSC
8	**Annexure 8**	Irregular Promotion
9	**Annexure 9**	Employees Promoted and Placed in The Wrong Pay Scale
10	**Annexure 10**	Irregular Payment of Extraneous Allowance
11	**Annexure 11**	Paid Both Extraneous and Health Workers' Extraneous Allowance
12	**Annexure 12**	Payment of Special Duty Allowance for more than 6 months
13	**Annexure 13**	Payment of Acting Allowance For More Than 6 Months
14	**Annexure 14**	Late Remittance of Statutory Deductions
15	**Annexure 15**	Non-Compliance with Requirement on Ethnic Diversity
16	**Annexure 16**	Casual Engaged More Than 3 Months
17	**Annexure 17**	Over payment of Basic Pay
18	**Annexure 18**	Overpayment Of House Allowance
19	**Annexure 19**	Under and Over payment Of Commuter Allowance
20	**Annexure 20**	Under and Over payment Of Health Risk Allowance
21	**Annexure 20**	Overpayment of Emergency Call Allowance

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