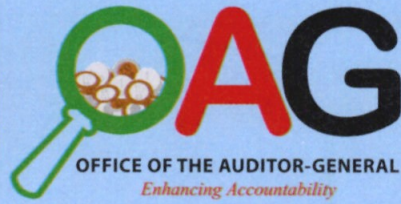


REPUBLIC OF KENYA



REPORT

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CLERK-AT THE-TABLE:	Kandala. T.

THE AUDITOR-GENERAL

ON

**NATIONAL HEALTH INSURANCE FUND
FOR THE SIX (6) MONTHS PERIOD ENDED
30 JUNE, 2024**

OFFICE OF THE AUDITOR GENERAL
P.O. Box 30084 - 00100, NAIROBI
RECORDS OFFICE

8 DEC 2025

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Afya Yetu. Bima Yetu

ANNUAL REPORT AND FINANCIAL STATEMENTS



**FOR THE FINANCIAL YEAR
ENDED DECEMBER 31, 2024**

**PREPARED ON ACCRUAL BASIS OF ACCOUNTING IN ACCORDANCE WITH THE
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

NATIONAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended December 31, 2024

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1. ACRONYMS AND GLOSSARY OF TERMS

The following list of acronyms and glossary of terms shall be used in the annual report and financial statements of the National Health Insurance Fund. They comprise as follows: -

SHA	-	Social Health Authority.
NHIF	-	National Health Insurance Fund.
AUTHORITY	-	Refers to the Social Health Authority.
FUND	-	Refers to the National Health Insurance Fund.
GOK	-	Government of Kenya.
MOH	-	Ministry of Health.
COG	-	Council of Governors.
OCOB	-	Office of the controller of Budget.
OAG	-	Office of the Auditor General.
DCI	-	Directorate of Criminal Investigation.
CS	-	Cabinet Secretary.
PS	-	Principal Secretary.
CEO	-	Chief Executive Officer
DF&FM	-	Director, Finance & Funds Management.
HOD	-	Head of Department.
IFRS	-	International Financial Reporting Standards.
IPSAS	-	International Public Sector Accounting Standards.
IAS	-	International Accounting Standards.
IBNR	-	Incurred But Not Reported.
PFM	-	Public Finance Management.
PPADA	-	Public Procurement and Asset Disposal Act.
OCR	-	Outstanding Claims Reserves.
COTU	-	Central Organization of Trade Union.
FKE	-	Federation of Kenya Employers.
CPAK / CPA.	-	Certified Public Accountant of Kenya / Certified Public Accountant.
CPS / CS.	-	Certified Public Secretary / Certified Secretary.
KISM	-	Kenya Institute of Supplies Management.
NHS	-	National Health Scheme.
UHC	-	Universal Health Coverage.
NPS	-	National Police Service
KPS	-	Kenya Prisons Service.
HISP	-	Health Insurance Subsidy Program.
OPPSD	-	Old Persons & Persons with Severe Disability.
EDUAFYA	-	Secondary School Medical Scheme.
HEFREP	-	Health Financing Reforms Experts Panel.
HCP	-	Health Care Provider.
CHPs	-	Community Health Promoters.
CHVs	-	Community Health Volunteers.
CHWs	-	Community Health Workers.
ENG.	-	Engineer.
MOU	-	Memorandum of Association.
OHS	-	Occupational Health & Safety.
SBP	-	Special benefit packages.
FY	-	Financial Year.
KES	-	Kenyan Shilling.
ERP	-	Enterprise Resource Planning System.
QVTERM	-	NHIF ERP.
REP.	-	Representative.
AG.	-	Acting.
NG-CDF	-	National Government Constituencies Development Fund.
KRA	-	Kenya Revenue Authority.
USAID	-	United States Agency for International Development

NATIONAL HEALTH INSURANCE FUND

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2. KEY SHA INFORMATION

a) Background information

The National Health Insurance Fund (NHIF) was first established under the National Hospital Insurance Fund Act (Cap. 255 of the Laws of Kenya) in 1966, transformed into a state corporation by the National Hospital Insurance Fund Act, No. 9 of 1998, and presently being regulated by the National Health Insurance Fund Act No. 9 of 1998 (Revised 2022).

NHIF's mandate is to sustainably register beneficiaries, generate revenue and pay for health benefits for its members. The key deliverables are securing financial risk protection against the catastrophic effect of out-of-pocket spending on healthcare services for all Kenyan residents through prudent financial management of members' contributions and other resources.

Membership is open to all Kenyans who have attained the age of 18 years and covers members and their declared dependants (spouse and children). Services are available in 156 service outlets including 70 fully-fledged branch offices, 33 satellite offices, and 53 Huduma Centres countrywide. As strategy to bring services closer to members, the Fund has availed selfcare platforms both on mobile and web portal, as well as a 24-hour call centre.

NHIF is now defunct following the enactment of the Social Health Insurance Act, No. 16 of 2023 to succeed the National Health Insurance Fund. SHA now takes over all assets and liabilities of the Fund as per the SHI Act provisions.

b) Principal Activities

Vision

To be the trusted and valued partner in Securing the health of our community.

Mission

To enhance equitable and sustainable health and wellbeing of our community, cushioning them from financial hardship.

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Core Values

- i) **Find a Better Way:** This is about continuous improvement, creativity and innovation, and not letting emerging challenges prevent us from achieving our objectives.
- ii) **We Make a Difference:** In the Fund's decisions and delivery of services, there will be a deliberate effort to enhance the quality of customer services.
- iii) **We Win Together:** SHA recognizes that the achievement of objectives and its corporate vision require teamwork, strategic partnerships and involvement of all stakeholders, including its clientele and Kenyans at large. Thus, the need for togetherness and joint efforts.
- iv) **Do the Right Thing:** Integrity is necessary for effective execution of the Fund's mission. In the day-to-day duties, SHA will remain beholden to high standards of integrity, knowing that making the right decision will always take us a step closer to our vision.

Customer Service Charter

The Fund has a customer service charter that pledges and commits the following to the customer:

- ❖ Treating with courtesy and respect.
- ❖ Upholding professionalism in serving.
- ❖ Providing quality service.
- ❖ Being accessible.
- ❖ Providing accurate, relevant, timely and clear information.
- ❖ Being responsive to customer needs and expectations.
- ❖ Monitoring and evaluating customer satisfaction levels.
- ❖ Handling all customer information with utmost confidentiality.
- ❖ Upholding ethics in a corruption free environment.

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c) Board of Directors

The Board of Directors are representatives of all key stakeholders and are charged with the running of the organization through policy formulation and decision making on all policy matters. The representation of the Board in the period under review comprised as below.

NHIF BOARD

	NAME	TITLE/ REPRESENTING	DATE OF APPOINTMENT
1.	Eng. Michael Kamau	Chairperson	23 rd December 2022
2.	Dr. Jason Kap Kirwok,	Vice Chairperson, CS Appointee MOH	23 rd December 2022
3.	Mr. Andrew Mugambi,	CS Appointee MOH	23 rd December 2022
4.	Mr. Michael Kahiti	Alternate Member, CS National Treasury	24 th November 2021
5.	Mr. Harry Kachuwai Kimtai	PS Ministry of Health	16 th May 2023
6.	Dr. Zeinab Gura	Alternate Member, PS Ministry of Health	15 th June 2023
7.	Dr Andrew. W. Onyino	Kenya Medical Association	25 th March 2022
8.	Ms. Irene Moraa Ogamba	Rep. of Council of Governors	20 th January 2023
9.	Mr. Dennis Muthomi Gitari	Rep. of Council of Governors	20 th January 2023
10.	Mr. Albert Obed Njeru	Central Organization of Trade Unions	25 th March 2022
11.	Dr. Rachel M. Monyoncho	Federation of Kenya Employers	13 th July 2022
12.	Mr. Elijah Wachira	Chief Executive Officer & Secretary	9 th October 2023
13.	CS. Catherine Mungania	Corporation Secretary/ Secretary	7 th October 2023

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d) Other Key Information of the Fund

National Health Insurance Fund

Chief Executive Officer

Mr. Elijah Wachira
P.O. Box 30443, 00100
Nairobi.

Corporation Secretary

CS. Catherine Mungania
P.O. Box 30443-00100
Nairobi

Registered Offices

NHIF Building
Ragati Road, Upper Hill
Nairobi, Kenya.

NHIF Contacts

Telephone: 0202723281 / 2
E-mail address: customercare@nhif.or.ke
Website: www.nhif.or.ke

Corporate Bankers

National Bank of Kenya

Hill Branch
P.O. Box 45219-00100
Nairobi, Kenya

Co-operative Bank of Kenya

Parliament Road Branch
P.O Box 5772-00200
Nairobi, Kenya

Kenya Commercial Bank

Moi Avenue Branch
P.O BOX 30081-00100
Nairobi, Kenya

Equity Bank Limited

Community Branch
P.O Box 8181-00100
Nairobi, Kenya

NCBA Bank Kenya Plc

Mara Rd, Upper hill
P.O Box 44599-00100
Nairobi Kenya

Independent Auditors

Auditor General

Anniversary Towers,
University Way
P.O. Box 30084, GPO 00100
Nairobi, Kenya

NATIONAL HEALTH INSURANCE FUND

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Principal Legal Advisers

The Attorney General

State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

Robson Harris Advocates LLP

P.O. Box 67845-00200, Nairobi
Tel: 0722218900

Moronge & Company Advocates

P. O. Box 44289-00200, Nairobi
Tel: 0740270440

Rachier & Amollo advocates

P.O. Box 55645-00200 Nairobi
Tel: 254722204778

Masire & Mogusu Advocates

P.O. Box 18267-00100 Nairobi
Tel: 0202210040

Ogejo, Omboto & Kijala Company Advocates

P.O. Box 45442-00100, Nairobi
Tel: 0735230723

Kipkenda & Company Advocates

P.O. Box 56832-00200 Nairobi
Tel: 254 022210647

Eno Omoti & Company Advocates

P.O. Box 11118-00200 Nairobi
Tel: 254202241048

Murugu, Rigoro & Co Advocates

P.O. Box 13715-00100 Nairobi
Tel: 0722587795

G & A Advocates

P.O. Box 22966-00100 Nairobi
Tel: 0719851555

Amel Inyangu & Partners

P.O. Box 11203-00100 Nairobi
Tel: 0703551374

McKay & Company Advocates

P.O. Box 29884-00100 Nairobi
Tel: 0774363622

Mwaura & Wachira Advocates

P.O. Box 51667-00200 Nairobi
Tel: 0202725607

Rachier & Amollo advocates

P.O. Box 55645-00200 Nairobi
Tel: 254722204778

Masire & Mogusu Advocates

P.O. Box 18267-00100 Nairobi
Tel: 0202210040

NATIONAL HEALTH INSURANCE FUND

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3. THE BOARD OF DIRECTORS

NHIF BOARD



**Eng. Michael Kamau, CBS, HSC
Chairperson NHIF**

Born In 1958, engineer Kamau has a solid academic foundation and a distinguished career in public service. He's earned a Master of Science in Engineering from the University of Newcastle Upon Tyne in the UK, following a Bachelor of Science in Civil Engineering from the University of Nairobi. This educational background equipped him with a deep understanding of engineering principles and infrastructure management.

Professionally, he has made significant contributions to Kenya's transport and infrastructure sector. He served as the Permanent Secretary at the Ministry of Roads for 6 years, where he was instrumental in overseeing major road projects and infrastructure development.

Subsequently, he was appointed Cabinet Secretary for Transport and Infrastructure from April 2013 to March 2015, further demonstrating his leadership and expertise in shaping the country's transport policies and infrastructure strategies.

**Mr. Elijah Gichaga Wachira
Chief Executive Officer NHIF**



Born in 1968, Mr. Elijah Wachira is a seasoned professional with a comprehensive academic and professional background in business and insurance. Holding a Master of Business Administration and a Bachelor of Arts, he is an active member of the Insurance Institute of Kenya and the Marketing Society, demonstrating his deep expertise and dedication to the fields of business development and insurance.

He has held several prominent roles in private insurers. Since October 2023, he has served as the Chief Executive Officer of the National Hospital Insurance Fund (NHIF) and subsequently as the Acting Chief Executive Officer of the Social Health Authority (SHA). His prior leadership positions include Managing Director at CIC General and Acting Group CEO at CIC Group PLC.

Additionally, he served as a general manager at AAR health services before assuming a similar role at Madison insurance in November 2010. Mr. Wachira's career trajectory highlights his success in driving major insurance and business development initiatives.

NATIONAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended December 31, 2024

Mr. Harry K. Kimtai, CBS
PS Ministry of Health



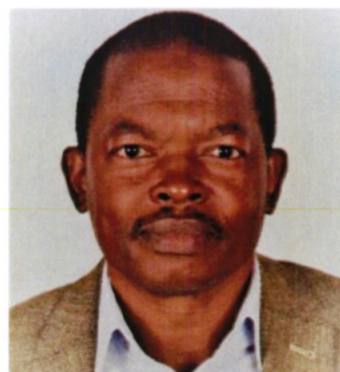
Mr. Harry is the Principal Secretary of the State Department for Medical Services at the Ministry of Health in the Republic of Kenya. He is responsible for coordinating medical services

as the Accounting and Authorized officer under the direction of the Cabinet Secretary for Health. Currently, he is leading the Health Care Services Reforms aimed at achieving universal health coverage (UHC).

Mr. Harry Kimtai was born on December 13, 1968. He holds a Bachelor of Arts degree in Economics, a Master of Arts in Economics, and a Master of Philosophy in Economics with a specialization in Regional Planning and Economic Development from Bhopal University, India (1989 – 1995).

He has served in various capacities in the Government of Kenya. He was first appointed as the Principal Secretary at the State Department for Livestock from 2018 until 2023. He also served as Director at the Capital Markets Authority from 2016 to 2017. Between 2008 and 2014, he held the position of General Manager at Branded Fine Foods Ltd, a leading private industry player. Prior to joining Branded Fine Foods Ltd., he began his career at the Kenya Revenue Authority as a management trainee in 1996 and rose through the ranks to the position of Principal Revenue Officer from 2003 to 2006.

Dr. Jason Kap Kirwok
CS Appointee Ministry of Health



Dr. Jason, born in 1960, is a highly qualified professional with a strong academic background and extensive experience in strategic management and regional economic integration. He holds a Bachelor of

Science from the University of Nairobi and a master's in business administration from Eastern University in the USA. Additionally, he has completed specialized certificates in Strategy Development & Execution from The Wharton School and Leadership Development from the University of Cape Town.

Over the years, he has held prominent roles including his current position as the Deputy Chairperson of the NHIF Board as well as the Chair of the Social Health Authority Transition Committee. With over 30 years of experience, Dr. Jason has demonstrated his expertise in senior leadership roles, consultancy, and as a donor representative.

His career has spanned various sectors, including serving as a Senior Executive at Kenya Airways and holding advisory positions at Trademark East Africa. His blend of executive and board experience, along with his academic credentials, positions him as a distinguished figure in strategic management and regional integration.

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Mr. Andrew Mugambi Mwiricia **CS Appointee Ministry of Health**

Andrew, born in 1974, has a strong academic background in law. He holds a Post Graduate Diploma from the Kenya School of Law and a Bachelor of Laws (LLB Hons) from the University of Nairobi.

With over 15 years of experience, Andrew has been a Partner at Dentons Hamilton Harrison & Mathews since 2006, following his tenure as a Senior Associate there from 2005 to 2006. Prior to that, he held roles as an Associate at Iseme Kamau & Maema Advocates in Nairobi and Bowyer Mahihu & Co Advocates in Mombasa. Recognized by IFLR 1000, Legal 500, and Chambers Global as a leading lawyer in corporate, commercial, banking, and finance law, Andrew has significant expertise in local and multinational transactions, including acquisitions, capital market mandates, and public-private partnership (PPP) projects in energy and infrastructure.



Mr. Dennis Muthomi Gitari **Rep. Council of Governors**



Mr. Dennis born in 1989 Kenya, holds a Bachelor of Laws (LLB) degree and a Post-graduate Diploma from the Kenya School of Law. Currently, Mr. Gitari is

pursuing a Master of Laws (LLM) in Comparative Constitutional Law at the University of Nairobi.

With over six years of legal experience, Mr. Gitari has developed expertise in Commercial, Corporate, and Property Law, along with a notable track record in Employment and Human Rights Law. He serves as a board director at the National Hospital Insurance Fund, representing the Council of Governors after being nominated on January 24, 2023, for a three-year term. Additionally, he is a Commissioner for Oaths, Notary Public, and a registered Patent Agent.

Mr. Albert Obed Njeru **Central Organisation of Trade Unions(K)**



Mr. Njeru, born in 1959, is a professional accountant with certifications in Social Security and Social Health Protection.

He began his leadership journey at an early age, consistently serving as a prefect throughout his education. Njeru started his career as a shop steward and later worked as an accountant at Ramisi Sugar Company before joining KUDHEIHA in the same capacity. He served as the Embu Branch Secretary from 1997 to 2007.

In 2007, he became the General Secretary of KUDHEIHA Workers, where he has been a diligent advocate for workers' rights. His commitment to the Labor movement and his belief in continuous learning have been central to his leadership philosophy, encouraging workers to continually enhance their skills to remain competitive.

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Mr. Michael Kahiti

Alternate Member CS National Treasury



Mr. Kahiti, with a birth year of 1965, is a distinguished professional who holds a master's degree in Economic Policy Management from Makerere University and a Bachelor of Economics from the University of

Nairobi. His educational background has provided him with a solid foundation in economic policy and planning.

With extensive experience in the public sector, he currently holds the esteemed position of Director of Planning at the National Treasury, a role he has served in since July 2020. In this capacity, he is tasked with overseeing the formulation of external borrowing plans and conducting financial negotiations for externally funded development projects. Previously, he steered the Central Planning & Project Monitoring Unit from February 2006 to January 2021, where he refined his skills in project monitoring and economic planning.

Dr. Andrew Were Onyino
CS Appointee Ministry of Health



Dr. Were, born in 1983, is a highly qualified medical professional with a master's degree in Plastic, Reconstructive, and Aesthetic Surgery and a Bachelor of Medicine and Surgery, both

from the University of Nairobi. He is also a fellow in Capacity Building for Effective Health, Human Resource for Health (CBEH-HRH).

With over 14 years of years of experience in the public, private, and non-governmental health sectors and currently serves as the President of the Kenya Medical Association. Dr. Were is also a Consultant Plastic and Reconstructive Surgeon at Kenyatta National Hospital. He has been instrumental in advancing reproductive health policies and contributing to the regulation of medical practice in Africa. As the Founder and CEO of Daktari Media Africa LLC, he spearheads Daktari Online, an influential medical resource portal serving over 50,000 healthcare professionals across Africa. Dr. Were's ongoing work in the reform agenda by the Ministry of Health highlights his commitment to improving the medical field in Kenya and beyond.

NATIONAL HEALTH INSURANCE FUND

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Dr. Rachel Monyoncho Federation of Kenya Employers

Dr. Rachel born in 1963, is a highly accomplished professional in the field of organizational management. She holds a prestigious Doctor of Philosophy (Ph.D.) in Organizational Theory and Behaviour, a Master of Business Administration in Strategic Management and International Business, and a Bachelor of Science in Chemistry, Botany, and Zoology.



Dr. Ogamba brings over two decades of extensive expertise in human resource management and consulting to the table. Her illustrious career includes serving as the Human Resource Director at G4S Security Limited from 2009 to 2011 and as the Human Resource Manager for the Northland and Eastern Africa Coca-Cola Subgroup from 2006 to 2008. Her comprehensive knowledge and proven track record in strategic management and organizational development make her an invaluable asset in any professional setting. Her commitment to excellence, coupled with her innovative approach, sets her apart as a leader in her field and makes her a compelling choice for any organizational endeavour.

Ms. Irene Moraa Ogamba Rep. Council of Governors



Ms. Irene born in 1972, holds a Master of Laws (LLM) in Governance, Law, and Democracy from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law, and a Bachelor of Law (LLB) from Nagpur University. She began her legal career in 1996, gaining early experience at Somaia & Company Advocates, followed by a role as a Legal Associate at Macharia Mukiri & Company Advocates from 1999 to 2001.

Ms. Ogamba has extensive experience in legal services, particularly in government and organizational settings. Since October 2020, she has served as the Director of Legal Services for the Council of Governors. Previously, she was the Manager of Legal and Board Affairs at the National Industrial Training Authority from 2013 to 2020 and held senior positions in the Ministry of Gender, Children, and Social Development, as well as the Department of Administrator-General. Her career reflects a strong commitment to legal governance and public service.

NATIONAL HEALTH INSURANCE FUND

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Dr. Zeinab Gura

Alternate Member, PS Ministry of Health

Dr. Zeinab Roka is a dynamic and accomplished healthcare professional with a remarkable 16-year career encompassing clinical, programmatic, and strategic healthcare management. With over eight years in midlevel to senior management, Dr. Roka has continuously demonstrated her ability to lead and drive impactful change within the public health sector. Her qualifications, including a Master of Science in Applied Epidemiology and a National Security and Strategy course from the National Defense College Kenya, underscore her expertise in addressing complex health challenges at both national and international levels, making her a valuable asset in shaping robust health systems. Dr. Roka's impressive list of over 40 publications on health-related matters reflects her passion for advancing knowledge and best practices within the field.



In addition to her professional achievements, Dr. Roka's leadership extends to her roles as a board member of the National Hospital Insurance Fund, the Kenya Nuclear Regulatory Authority, and the Africa Field Epidemiology Network, as well as her council membership at UMMA University. These positions not only showcase her influence in shaping healthcare policies and regulations but also highlight her dedication to fostering collaborations and partnerships across diverse healthcare institutions.

Overall, Dr. Roka's wealth of experience, coupled with her strong leadership and academic background, positions her as a persuasive and influential figure in driving forward the agenda for Universal Health Coverage and Health Security. Her proven track record and multidisciplinary expertise make her an invaluable asset in addressing the complex challenges facing the healthcare industry today.



CS. Catherine Kinia Mungania

Director, Legal Services NHIF

With over 10 years of experience in corporate law and administration, CS. Catherine is a seasoned professional who has consistently delivered exceptional results. Her qualifications include a Master of Laws and a Bachelor of Laws, demonstrating her deep understanding of legal principles and practices. Additionally, she's an advocate of the high court and holds a diploma in human resource management as well as being a certified public secretary (CS)

Throughout her career, Catherine has successfully navigated complex legal frameworks and provided strategic counsel to senior management. Her expertise in corporate governance, contract negotiation, and risk management has been instrumental in driving organizational success. Catherine's strong leadership and communication skills have enabled her to effectively manage diverse teams and foster a culture of excellence within the corporate services division.

As Director of Corporate Services, Catherine is dedicated to driving operational efficiency, legal compliance, and sustainable growth. Catherine's combination of academic excellence and practical experience uniquely position her as a trusted leader.

NATIONAL HEALTH INSURANCE FUND

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4. KEY MANAGEMENT TEAM

The Key Management team is comprised of the Chief Executive Officer and Directors of departments who are dedicated professionals working with staff and clients to provide strategic planning for the Fund's future goals. The following are the key management of NHIF.

Mr. Elijah Gichaga Wachira **Chief Executive Officer NHIF**



Born in 1968, Mr. Elijah Wacira is a seasoned professional with a comprehensive academic and professional background in business and insurance. Holding a Master of Business Administration and a Bachelor of Arts, he is an active member of the Insurance Institute of Kenya and the Marketing Society, demonstrating his deep expertise and dedication to the fields of business development and insurance.

He has held several prominent roles in private insurers. Since October 2023, he has served as the Chief Executive Officer of the National Hospital Insurance Fund (NHIF) and subsequently as the Acting Chief Executive Officer of the Social Health Authority (SHA). His prior leadership positions include Managing Director at CIC General and Acting Group CEO at CIC Group PLC. Additionally, he served as a general manager at AAR health services before assuming a similar role at Madison insurance in November 2010. Mr. Wacira's career trajectory highlights his success in driving major insurance and business development initiatives.



CPA. Robert Mbarani Ingasira **Director, Financial Services NHIF**

CPA Mbarani is a highly accomplished financial professional with a wealth of experience and a proven track record of success in various leadership roles. With a Master of Business Administration (Executive), Bachelor of Arts, Higher Diploma in Human Resource Management, and completion of the Strategic Leadership Development Programme (SLDP), Robert possesses a strong educational background that complements his extensive practical experience.

During his tenure as the General Manager at Kenya Deposit Insurance Corporation, Robert demonstrated exceptional leadership and strategic thinking, contributing to the organization's success over six years. His role as the Chief Manager Finance and Administration at the Privatization Commission of Kenya further showcased his ability to excel in dynamic and challenging environments.

With a solid background in financial management, hands-on experience and a distinguished member of professional organizations, including the Institute of Certified Public Accountants of Kenya (ICPAK) and others, CPA Robert stands out as a competent, dedicated, and accomplished financial leader, capable of driving success and growth in any organization.

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CPA. Pariken Ole Sankei **Director, Internal Audit NHIF**

CPA Sankei is an accomplished professional with a proven track record in internal audit and financial management. He holds a Master of Business Administration (Executive) and a Bachelor of Science in Internal Business Administration with a focus on Accounting & Finance. Certified as a Public Accountant in Kenya, he has also completed the Strategic Leadership Development Programme (SLDP), further enhancing his strategic acumen.



In his role as Director of Internal Audit, Sankei draws from his rich experience, having served on the ICPAK Audit, Risk, and Compliance Committee, as well as the Office of the Registrar of Political Parties Audit Committee. His previous position as Chief Internal Auditor at the Public Service Commission honed his skills in risk management and compliance.

With such extensive qualifications and diverse experience, CPA Sankei is a valuable asset, providing strategic leadership and expertise in internal audit and financial management.

Ms. Hazel Jemutai Koitaba **Director, Beneficiary & Provider Management**



Ms. Hazel is a visionary leader with an extensive educational background and a proven track record in management. Her qualifications include a Master of Politics & Policy, a Bachelor of Business majoring in Marketing, and a Post Graduate

Diploma in Business (Marketing). In addition, she has successfully completed a Strategic Leadership Development Programme (SLDP) and is a distinguished member of the Marketing Society of Kenya (MSK).

Ms. Koitaba's exceptional academic achievements, combined with her practical expertise, position her as a dynamic force within the organization. Her strategic acumen, leadership prowess, and marketing proficiency uniquely qualify her to steer impactful change and drive outstanding performance in her capacity as Director of Beneficiary & Provider Management.

Mr. Martin Ayoo **Director, ICT NHIF**



With a Master of Science in Data Communications, a Bachelor of Science in Information Technology, and a Diploma and Certificate in Information Technology, Martin comes equipped with a wealth of knowledge and expertise.

He has further refined his skills through completing the Strategic Leadership Development Programme, Senior Management Course, Advanced Certificate in Operational Management, and Executive Leadership and Governance Programme.

Martin holds memberships in prestigious professional organizations such as the Computer Society of Kenya, Information Systems Audit Control Association (ISACA), Project Management Institute (PMI), and Association of Computing Practitioners-Kenya (ACPK). With experience as the Manager ICT at Lapfund, Martin is ready to leverage his extensive qualifications, skills, and managerial acumen to benefit the organization.

NATIONAL HEALTH INSURANCE FUND

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CS. Catherine Kinya Mungania
Director, Legal Services NHIF



With over 10 years of experience in corporate law and administration, CS. Catherine is a seasoned professional who has consistently delivered exceptional results. Her qualifications include a Master of Laws and a Bachelor of Laws,

demonstrating her deep understanding of legal principles and practices. Additionally, she's an advocate of the high court and holds a diploma in human resource management as well as being a certified public secretary (CS)

Throughout her career, Catherine has successfully navigated complex legal frameworks and provided strategic counsel to senior management. Her expertise in corporate governance, contract negotiation, and risk management has been instrumental in driving organizational success. Catherine's strong leadership and communication skills have enabled her to effectively manage diverse teams and foster a culture of excellence within the corporate services division.

As Director of Corporate Services, Catherine is dedicated to driving operational efficiency, legal compliance, and sustainable growth. Catherine's combination of academic excellence and practical experience uniquely position her as a trusted leader.

Mr. Ibrahim Mohamed Alio
Director, Corporate Services NHIF



Mr. Alio is a seasoned professional with a broad spectrum of expertise encompassing the public and private sectors, particularly in energy, logistics,

procurement, human capital management, finance, sales, and marketing. Prior to his current role, Mr. Alio served as the Managing Director of Trojan International Limited, where he oversaw operations across the East Africa region, including countries such as Rwanda, Burundi, DR Congo, and South Sudan. Additionally, he has held notable positions with Isiolo County, Save the Children UK, and Care International Kenya, along with various other public and private sector organizations.

Mr. Alio holds an impressive array of qualifications, including a Master of Science in Supply Logistics and Procurement Management, a Bachelor of Agribusiness Management, a Diploma in Logistics and Supply Management, and a Certificate in Security Management. Moreover, his membership with the Kenya Institute of Supplies Management (KISM) and completion of the Strategic Leadership Development Programme (SLDP) underscore his commitment to continuous professional development.

His rich background and experience make him a versatile and an all-rounded leader.

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5. FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Mr. Elijah Gichaga Wachira
2.	Director Audit	CPA. Pariken Ole Sankei
3.	Director Beneficiary & Provider Management	Ms. Hazel Jemutai Koitaba
4.	Director Corporate Services	Mr. Ibrahim Mohamed Alio
5.	Director Financial Services	CPA. Robert Mbarani Ingasira
6.	Director ICT	Mr. Martin Ayoo
7.	Director Legal Services	CS. Catherine Kinya Mungania

6. FIDUCIARY OVERSIGHT ARRANGEMENTS

The Finance Committee and Audit and Risk Committee roles in a corporate governance structure are in line with fiduciary oversight to ensure careful financial management, risk reduction, and compliance with laws and regulations.

Finance Committee

The primary fiduciary responsibilities of the National Health Insurance Fund Finance Committee include:

1. Budget and Financial Planning: Overseeing the corporation's budget preparation and implementation to ensure it aligns with strategic goals and long-term financial sustainability.
2. Financial Reporting: Reviewing financial statements, reports, and forecasts to monitor the organization's financial health for accuracy and compliance with accounting standards and legal requirements.
3. Capital Management: Overseeing and recommending policies related to capital allocation and utilization to ensure optimal use of financial resources and effective capital investments.
4. Expenditure Oversight: Monitoring the organization's expenditure for efficiency, cost-effectiveness, and compliance with approved budgets.
5. Funding and Investment Decisions: Recommending funding strategies for the organization's operations and projects and reviewing and approving major financial transactions and investments.

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6. Ensuring Internal Financial Controls: Implementing internal financial controls to prevent fraud, financial mismanagement, and waste.

Audit and Risk Committee

The key fiduciary oversight duties of the National Health Insurance Fund Audit and Risk Committee include:

1. Risk Management: Identifying, assessing, and monitoring key financial, operational, and strategic risks facing the corporation and recommending risk mitigation strategies while ensuring effective implementation of risk management policies.
2. Internal Audit Oversight: Overseeing the internal audit functions, including reviewing audit plans, reports, and findings to ensure independent operation in line with best practices.
3. Compliance with Statutory and Regulatory Requirements: Ensuring compliance with all statutory and regulatory requirements, including tax obligations and reporting standards.
4. External Audit Oversight: Reviewing and recommending the selection of external auditors and ensuring timely and transparent external audits. Additionally, reviewing audit reports to address any weaknesses in financial or risk management practices.
5. Financial Integrity: Monitoring and assessing the organization's financial integrity while ensuring that financial policies, procedures, and systems safeguard the corporation's assets.
6. Fraud Prevention and Detection: Establishing mechanisms to detect and prevent fraud, corruption, and unethical conduct, while overseeing investigations into any allegations of fraud or misconduct.
7. Reporting to the Board: Reporting significant risk, control issues, and compliance matters to the Full Board for decision-making and action.

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Change of Guard: NHIF Hands Over to SHA



A joint board meeting was held at the SHA Headquarters on November 14, 2024. The primary focus of the meeting was the NHIF Exit Report and the official handover from NHIF, by

Chairman Eng. Michael Kamau, to SHA Chairman Dr. Abdi Mohamed.

The NHIF Exit Report provided an overview of NHIF's background, board performance, regulatory issues, internal audits, unresolved challenges, public consultations, and staff audits, noting that 93 staff members had exited between 2022 and 2024. It also highlighted financial growth in member contributions and registrations through 2024.

Key closing remarks from NHIF board members emphasized the need for SHA to enhance public understanding of its role, communicate the SHA brand clearly, and ensure accessible and affordable healthcare services. This event marked the final official activity of the NHIF board.

SHA board members underscored that SHA's benefits package is more comprehensive than that of NHIF, with improvements in ICT infrastructure and the majority of hospitals contracted by SHA. They stressed the importance of effective communication strategies, including digital engagement and roadshows, to build public trust.

The meeting concluded with both chairpersons and board members expressing optimism for the future, culminating in an official handshake that marked NHIF's exit and SHA's commitment to providing national health coverage.

The departure of Eng. Kamau concludes his tenure at NHIF, having been appointed on December 23, 2022. He is now recognized as the last chairman of the defunct NHIF.

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7. CHAIRMAN'S STATEMENT

Dear Members and Stakeholders,

I am pleased to present the annual report for the National Health Insurance Fund for the year ended December 31, 2024.

This has been a year of significant transformation for the Fund, marked by the implementation of the Social Health Insurance Act No. 16 of 2023.

Our primary focus has been to advance equitable access to quality healthcare for all Kenyans, aligning with the government's goal of Universal Health Coverage (UHC).

Despite the challenges posed by the transition from the Enhanced Schemes to the new National Health Scheme (NHS), our Fund has continued to demonstrate resilience and progress. Contributions under the NHS reached **KES 13.3 billion**, reflecting a strong commitment to expanding coverage and improving the benefits for our members.

Strategic collaborations with county governments, financial institutions, and local communities have been instrumental in achieving our objectives. Programs in counties like Murang'a, Kiambu, and Mombasa have seen remarkable success, improving access to healthcare for thousands of households.

Additionally, the involvement of community health promoters has significantly enhanced public awareness and participation in the UHC agenda.

As we continue to navigate these transformative times, I am confident that our efforts will yield positive, long-lasting outcomes for all Kenyans. Our vision of a healthcare system that is accessible, affordable, and sustainable is within reach. I would like to express my gratitude to the Board, our partners, and the entire SHA team for their dedication and tireless work in pursuit of this goal.



.....
DR. MOHAMED ABDI MOHAMED

CHAIRPERSON – BOARD OF DIRECTORS SHA



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8. REPORT OF THE CHIEF EXECUTIVE OFFICER



The first financial year ending 31 December 2024, has been a period of substantial growth and strategic realignment for the Fund.

Our core mandate - ensuring every Kenyan has access to affordable healthcare - has been our guiding principle as we

transitioned to the new Social Health Insurance framework.

Total contributions during this period amounted to **KES 21.8 billion**, a testament to the ongoing confidence in the Fund. Notably, the NHS saw a 64% decrease in contributions compared to the previous year, following the enactment of the Social Health Insurance Act, No. 16 of 2023, on 19th October 2023 and coming into force on 22nd November 2023.

Our partnerships with key county governments and the private sector have expanded the reach of the Universal Health Coverage program. Tailored initiatives, such as the renewal of UHC pilots and targeted outreach to informal sectors like the boda-boda community, have been pivotal in driving enrolment and retention. Collaborations with financial institutions have also opened innovative channels for premium financing, making healthcare more accessible to the underserved.

Looking ahead, we remain committed to enhancing our service delivery through digital innovations, community engagement, and strict adherence to statutory obligations. As we embark on this new phase of development, we are focused on leveraging partnerships, technology, and our expertise to ensure sustainable and equitable healthcare for all.

I extend my sincere thanks to the Board, our partners, and the dedicated SHA staff who continue to work tirelessly in the pursuit of better health outcomes for all Kenyans.

.....
DR. MERCY MWANGANGI

CHIEF EXECUTIVE OFFICER SHA

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9. SHA STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/25

The National Health Insurance Fund (NHIF) was first established under the National Hospital Insurance Fund Act (Cap. 255 of the Laws of Kenya) in 1966, transformed into a state corporation by the National Hospital Insurance Fund Act, No. 9 of 1998, and presently being regulated by the National Health Insurance Fund Act No. 9 of 1998 (Revised 2022).

NHIF's mandate is to sustainably register beneficiaries, generate revenue and pay for health benefits for its members. The key deliverables are securing financial risk protection against the catastrophic effect of out-of-pocket spending on healthcare services for all Kenyan residents through prudent financial management of members' contributions and other resources.

Membership is open to all Kenyans who have attained the age of 18 years and covers members and their declared dependants (spouse and children). Services are available in 156 service outlets including 70 fully-fledged branch offices, 33 satellite offices, and 53 Huduma Centres countrywide. As strategy to bring services closer to members, the Fund has availed selfcare platforms both on mobile and web portal, as well as a 24-hour call centre.

Role of NHIF

Principal Activities NHIF is mandated to:

1. Receive contributions and other payments.
2. Make payments out of the Fund to declared hospitals.
3. Set criteria for the declaration of hospitals and to declare such hospitals in consultation with the Cabinet Secretary.
4. Regulate the contributions payable to the Fund, benefits and other payments made from the Fund.
5. Protect the interests of contributors to the Fund.
6. Advise the Minister on the national policy to be followed regarding national health insurance and to implement all Government policies relating thereto.
7. Facilitate attainment of Universal Health Coverage (UHC) with respect to health insurance.
8. Administer employee benefits as provided under this Act on behalf of employers in respect of their employees.
9. Perform such other functions as are conferred on it by this Act or by any other written law.

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Performance Monitoring

The Fund had in place a robust performance management system to track the performance of its key indicators based on balanced scorecard, a management system that aims at translating an organization's strategic goals into a set of organizational performance objectives that, in turn, are measured, monitored and changed if necessary to ensure that an organization's strategic goals are met.

The balanced scorecard approach examined performance from four perspectives namely:

- Financial analysis, which included measures such as operating income, profitability and return on investment.
- Customer analysis, which looked at investment in customer service and retention.
- Internal analysis, which looked at how internal business processes are linked to strategic goals.
- The learning and growth perspective assessed employee satisfaction and retention, as well as information system.

The Authority achieved its performance targets set for the FY23/24 period for its 4 Key Result Areas, as indicated in the diagram below:

Key Result Areas	Strategic Objective	Key Performance Indicator	FY2023/24 Target	FY2023/24 Achievement
KRA1: Membership Growth and Benefit Administration	1. To increase UHC enrollment to over 85% coverage of all households by 2027/28	Membership Registration	45% of coverage	16,859,910
	2. Enhance strategic purchasing	Loss ratio	85%	90%
	3. Strengthen partnerships with HCPs and members	Customer satisfaction index	80%	61.4%
	4. Increase brand awareness index from 60% in 2022 to at least 90% by 2027/2028	Brand Awareness Index	66%	85.2%
KRA 2: Financial Sustainability	5. Grow revenue from 83.4B in 2022 to 174B by 2023/24	Revenue Growth	174B	72.9 B
	6. Optimize costs	Loss Ratio Admin Ratio	85% <15%	90% 11.2%
KRA 3: Operational Efficiency	7. Enhance automation, integration & security of ICT systems	Customer Satisfaction	80%	61.4%
	8. Ensure compliance with legal & regulatory compliance	Regulatory Compliance	100%	100%
	9. Strengthen Supply Chain Resilience and efficiency	Compliance level to Procurement plan	100%	100%
	10. Implement & monitor strategic plan, performance &	% Corporate Performance	100%	88%

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Key Result Areas	Strategic Objective	Key Performance Indicator	FY2023/24 Target	FY2023/24 Achievement
KRA 4: Employee Engagement, motivation & skills development	international standards			
	11. Improve inventory management, disposal & asset maintenance	Admin expense Ratio	15%	11.2%
	12. Leadership management & skills development	Corporate Performance	83%	88%
	13. Change Management & adaptability	Employee Satisfaction Index	80%	To be done in yr 2
	14. Employee engagement & well being	Improved Staff Productivity/Corporate Performance	>65%	88%
	15. Mainstream governance and risk	Reduced Loss Ratio	85%	90%

Conclusion

Towards enhancing value to members and stakeholders, the Fund leveraged on the role of collaborations and partnerships and worked with HealthPartners to that effect

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10. CORPORATE GOVERNANCE STATEMENT

Principles of Corporate Governance

The Fund has established strict corporate governance standards that play a crucial role in its long-term success. The Board, which oversees the Fund, is made up of capable, diverse, and qualified members who are able to make impartial and independent decisions.

The composition and appointment of the Board align with the Social Health Insurance Act 2023. The Board has the freedom and authority to carry out its responsibilities and is accountable to shareholders, while also acting responsibly towards stakeholders.

The Board actively promotes corporate governance best practices and operates with the utmost integrity and accountability. It follows the Governance Code outlined in the Mwongozo (The Code of Governance for State Corporations) NHIF Act as well as other Government of Kenya guidelines.

Management Board

In 2023, The Social Health Insurance Act established the Board of Management. This board is responsible for conducting the Fund's business according to high standards of corporate governance and being accountable to all stakeholders. The protection of stakeholders' interests and open corporate communication is of utmost importance to the Fund.

The Board's conduct is governed by the provisions of the Mwongozo, which cover the size, role, responsibilities, functions, and powers of the Chairperson and other members, as well as inductions, appointments, performance evaluation, and remuneration of the members. Additionally, the Board has created a Work Plan that outlines the schedule of Board meetings and the main business to be addressed at those meetings.

The Board conducts annual self-evaluations and reviews its performance, which includes assessing the appropriateness of its composition, the diversity of skills and experience, performance against the terms of reference, and succession planning. These evaluations also cover the performance of the Committees, Chairperson, Chief Executive Officer, and the Fund's Corporate Secretary.

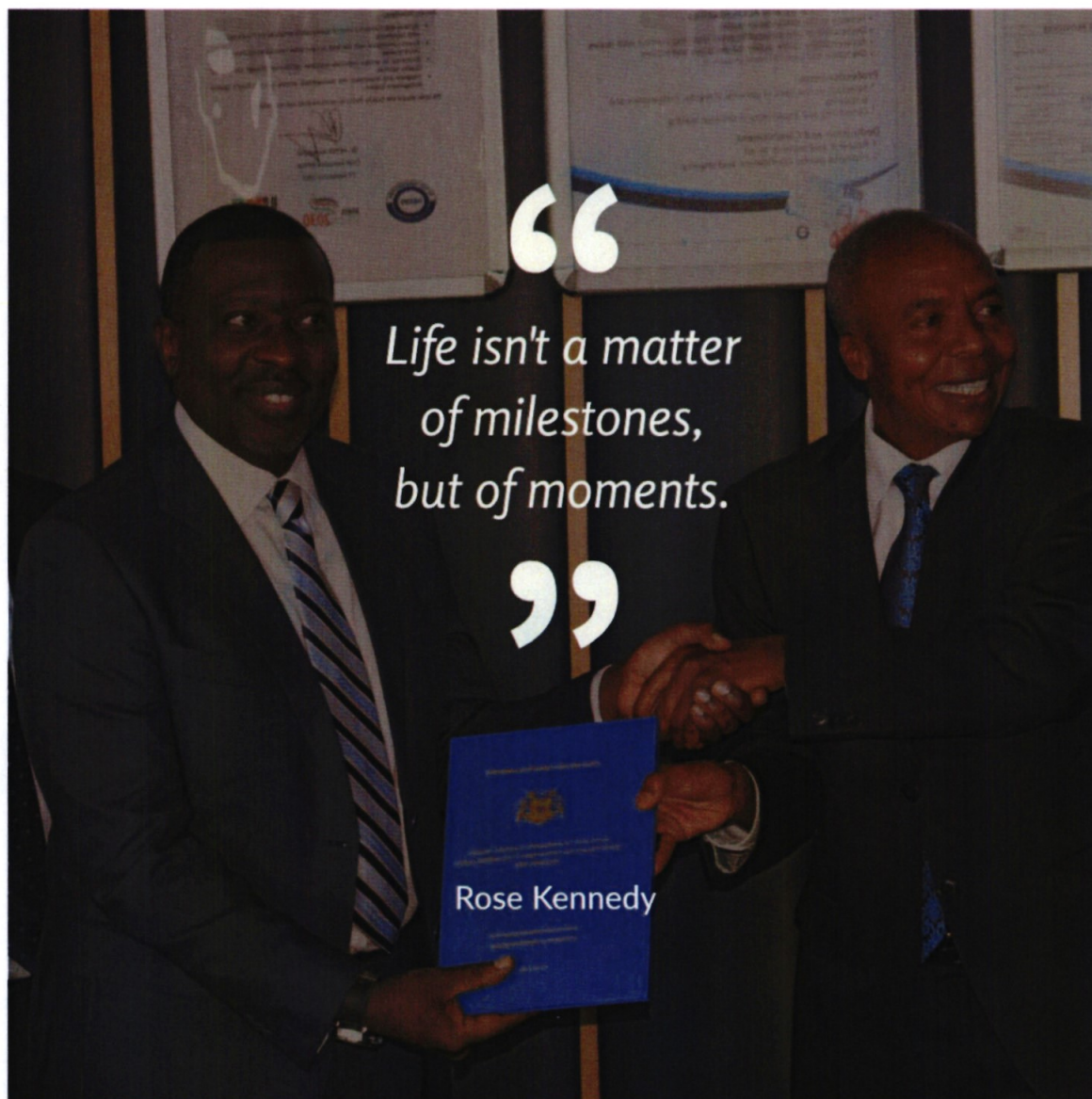
Board Responsibilities

The Board has the responsibility of guiding the Fund and is tasked with formulating SHA policies and strategies to achieve business objectives that promote and protect stakeholder value.

The Board sets the Fund's strategic intent, objectives, and values, ensuring that measures are in place to safeguard the Fund's assets and reputation. It is accountable for the stewardship of the Fund and assumes full and effective control over it. Board members must conduct themselves in line with their duties and responsibilities to the Fund, staying within the confines of the SHI Act.

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To enable the Board to fulfil its duties, Management must provide comprehensive and timely information on the Fund's policies. Additionally, the Management provides an operational report from the Chief Executive Officer, Management Accounting for each quarter, reports from each Board Committee, specific proposals for capital expenditure and acquisitions, as well as major issues and strategic opportunities for the Fund.

The Board ensures continuous training for its members in Board processes. Board members have participated in various training programs on Corporate Governance Principles and Practices.

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Adhering to the Mwongozo code on organizational risks, the Board has implemented a Risk and Management Policy and the Whistle Blowing Policy.

Succession plan

The Social Health Insurance Act 2023, First Schedule, Transitional paragraph provides for the succession plan from the National Health Insurance Fund to the Social Health Authority.

It provides under Paragraph 2 that on the day the Act became effective:-

- a. All the funds, assets and other property movable and immovable which immediately before that day, were held for and on behalf of the Fund in the name of the National Health Insurance Fund Board shall, and without further assurance, vest in the Authority
- b. All rights, powers, liabilities and duties, whether arising under any written law or otherwise, which immediately before the appointed day were vested in, imposed on or enforceable by or against the Government for and on behalf of the Fund shall, by virtue of this paragraph, be transferred to, vested in, imposed on or enforceable by or against the Authority
- c. All actions, suits or legal proceedings pending by or against the Government for and on behalf of the Fund shall be carried on or prosecuted by or against the Authority
- d. All actions, suits or legal proceedings pending by or against the Government for and on behalf of the Fund shall be carried on or prosecuted by or against the Authority
- e. The Board of the Social Health Authority established under section 4 of the Act shall competitively recruit and appoint its staff under section 17 of the Act subject to the approved staff establishment and on such terms and conditions of service as may be determined by the Board.

The process of appointment

The Board Members are appointed in line with the Social Health Insurance Act of 2023.

Section 7 (1) provides that the Board shall consist of:-

- a. A non-executive Chairperson, who shall be appointed by the President
- b. The Principal Secretary in the ministry for the time being responsible for matters relating to health or a designated representative
- c. The Principal Secretary in the ministry for the time being responsible for matters relating to finance or a designated representative
- d. The Director-General for Health
- e. A representative of the County Executive Committee Health Caucus
- f. One person, not being a Governor, nominated by the Council of County Governors with knowledge in field of finance, accounting, health economics, law or business and management
- g. One person, not being a public officer with proven experience in matters of health insurance, health financing, financial management, health economics, healthcare administration

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h. Our persons, not being public officers, nominated by

i. The Chief Executive Officer of the Authority, who shall be an ex-officio member of the Board

The members of the Board nominated as a Board member under (f,) (g) and (h) above shall be appointed by the Cabinet Secretary by Notice in the Gazette.

Removal of directors

The Social Health Insurance Act has provided that the office of a Board members shall become vacant if the Board Member:-

- a. Resigns from office by notice in writing to the appointing authority
- b. Is absent from three consecutive meetings of the Board without lawful cause
- c. Is adjudged bankrupt or enters into a composition scheme or arrangement with his creditors
- d. Is convicted of a criminal offence and sentenced to imprisonment for a term exceeding six months
- e. Is incapacitated by prolonged physical or mental illness;
- f. Is otherwise unable or unfit to discharge his duties
- g. Dies

Roles and functions of the Board

The functions of the Board include assisting the Authority to:-

1. Register the beneficiaries in accordance with this Act;
2. Manage the Funds established under this Act
3. Receive all contributions and other payments required to be made to the Funds
4. Empanel and contract healthcare providers and healthcare facilities upon inspection, licensing and certification of the healthcare providers and healthcare facilities by the relevant body
5. Consider and make payments to contracted healthcare providers and healthcare facilities out of the Funds
6. Develop guidelines for the operations and implementation of the Funds established under the Social Health Insurance Act
7. Establish sectoral linkages for effective management and growth of the Funds.
8. Monitor and evaluate programs and activities under the Funds.
9. Receive and address complaints that may arise from the implementation of this Act
10. Advise the Cabinet Secretary on matters of social health insurance including the formulation of policies
11. Implement all government policies on social health insurance and related functions

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Induction and training

The members of the Board undergo an orientation program designed to familiarize them with their roles as directors, fundamental aspects of corporate governance, and Board procedures. This program offers the Board members an introduction to the organization, its strategic goals, financial position and regulations, risk management, compliance initiatives, and the Code of Conduct and Ethics. A yearly development plan is created to tackle identified skill gaps. In this respect, Board members receive access to, or notification of, ongoing development initiatives aimed at keeping them informed about the latest trends in industry best practices, corporate governance, and important issues related to the functioning of public sector boards.

Conflict of interest

At the beginning of every Board or Committee meeting, the Board and the Committee disclosed any potential conflicts, whether real or perceived, for proper documentation.

A Board Member who discloses a conflict of interest refrains from participating in discussions or decision-making related to any subject or transactions in which they have a conflict of interest. They are not allowed to influence any decisions concerning matters in which they have a personal interest.

All declared interests are recorded in the "Declaration of Interest" register maintained by the Corporate Secretary of the Social Health Authority for transparency and accountability purposes.

Board and Member performance

The Board performs a yearly assessment to gauge its effectiveness in line with the Board Evaluation Tool. The evaluation allows Board members to pinpoint their strong points, identify areas where their collective skills fall short, and recognize individual areas for improvement. Additionally, the Board assesses how each committee has performed in comparison to the agreed Terms of Reference. The performance of the CEO and Corporation Secretary is also evaluated

Board remuneration

Remuneration for board members is in line with the current applicable legislative provisions and guidance from the relevant authority.

In compensating the Board, the Authority has followed a policy of taking into account the requests and needs placed on the board in connection with the Authority's business. Board members only receive sitting allowances if they attend board and/or committee meetings as confirmed by the attendance register.

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Besides the CEO, no member of the Board or anyone associated with a member has a service agreement or is paid by the Fund.(include details of the Board Members remuneration)

The Board of Management recognizes its responsibility to present a true and fair view of the state of the financial affairs of the Fund. The Fund's financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the PFM Act, the State Corporations Act and the NHIF Act.

Board Committees

To assist the Board better discharge its responsibilities, the Board has constituted four Board Committees comprising a balanced mix of the Board members. Each Board Committee has a Charter which contains provisions relating to the powers delegated by the Board to each Committee, membership of the Committee and the Committee's detailed duties. Annual performance reviews of each Committee are carried out and presented to the Board. The Board has set up the following committees:

NHIF BOARD COMMITTEES

1. Audit and Risk Committee

No.	Name of Member	Organization	Position
1.	Mr. Andrew Mugambi	Appointee CS Ministry of Health	Chairperson
2.	Mr. Michael Kahiti	Alt. Member/PS/ National Treasury	Member
3.	Mr. Albert Obed Njeru	Central Organization of Trade Unions	Member
4.	Ms. Irene Moraa Ogamba	Council of Governors	Member
5.	CPA. Pariken Ole Sankei	Director, Internal Audit	Secretary

2. Finance, Investment and Compliance Committee

No.	Name of Member	Organisation	Position
1.	Mr. Dennis M. Gitari	Council of Governors	Chairperson
2.	Mr. Michael Kahiti	Alt. Member/PS/The National Treasury	Member
3.	Dr. Zeinab Gura	Alt. Member/PS/Ministry of Health	Member
4.	Dr. Andrew Onyino	Kenya Medical Association	Member
5.	Mr. Elijah Wachira	Chief Executive Officer	Secretary

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3. Operations, Strategy and Information Technology Committee

No.	Name of Member	Organisation	Position
1.	Dr. Jason Kap Kirwok	Appointee CS Ministry of Health	Chairperson
2.	Mr. Dennis M. Gitari	Council of Governors	Member
3.	Dr. Andrew Onyino	Kenya Medical Association	Member
4.	Dr. Zeinab Gura	Alt. Member/PS/Ministry of Health	Member
5.	Mr. Elijah Wachira	Chief Executive Officer	Secretary

4. Governance and Human Resource Committee

No.	Name of Member	Organization	Position
1.	Dr. Rachel M. Monyoncho	Federation of Kenya Employers	Chairperson
2.	Ms. Irene Moraa Ogamba	Council of Governors	Member
3.	Mr. Andrew Mugambi	Appointee CS Ministry of Health	Member
4.	Mr. Albert Obed Njeru	Central Organization of Trade Unions	Member
5.	Mr. Elijah Wachira	Chief Executive Officer	Secretary

Internal Auditors

The Fund's internal auditors report directly to the Audit and Risk Committee.



During the Official unveiling of the Social Health Authority [SHA] Transition Committee on January 30, 2024 .

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11. MANAGEMENT DISCUSSION AND ANALYSIS

Member Registration

The Law requires NHIF to registers all eligible Kenyans who are of age 18 years and above, together with their dependants as its members.

The members of NHIF are categorised into formal and informal sectors. For those in the formal sector, it is mandatory under the NHIF Act to be a registered member of the Fund. However, for those in the informal sector and retirees, the membership is not mandatory, but it is open and voluntary.

- i. **Formal Sector:** which consists of members from the Private Sector (medium-sized and large companies) and the Public Sector. This category of members makes a monthly contribution between KES. 150 and KES. 1,700 based on their monthly income.
- ii. **Informal Sector:** Comprises of members who are self-employed and retirees. This category of members pays a monthly contribution of KES. 500.
- iii. **Sponsored Program:** Members in the informal sector who are paid for by Government of Kenya, sponsors/donors.

Membership registration being one of the key functions of the Fund, the Fund has been continuously registering new members.

During the period under review, a total of 297,962 members were registered under the formal sector as compared to 933,132 members in the informal sector. According to the table below, the formal sector (statutory contributors) accounts for 4.82 million people, or 31% of the total enrolled population, the informal sector (voluntary contributors) accounts for 8.16 million people, or 53%, whereas the sponsored programs account for 2.48 million which translates to 16%:-

Member statistics

During the year under review, the total principal members in the database was **17,008,024**. The table below shows the growth in registered members.

Sector	Enrolled Members	Annual Target	New Members	% Achieved
Formal	5,077,760	176,721	30,861	17%
Informal	9,209,572	1,509,887	263,116	17%
Sponsored Programs	2,631,683	216,218	3,985	2%
Total	17,008,024	1,902,826	297,962	15%

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The above data includes members registered under the Government sponsorship programs namely, HISP-OVC (253,400), HISP-OPPSD (58,800), Inua-Jamii (484,400) and UHC Indigents (904,205 registered at nationwide service points as well as selfcare platforms such as USSD, Mobile App and online registration.

Trends in membership registrations

New members registered as of December 31, 2024 was 297,962 as compared to 751,119 in FY 2023/2024 (32% decrease). This decline is attributed to low registration of members across all sectors following the enactment of the Social Health Insurance Act, No. 16 of 2023, on 19th October 2023 and coming into force on 22nd November 2023, as shown in the table below.

Member retention per sector

Retention rate is based on the active members vis-à-vis the total population registered. In this context, active members are defined as the members who have paid at least one month's premium in 12 months. The performance for the year as per this indicator is as shown below.

	(As at December 31, 2024)		% Retention
	Enrolled members	Active membership	
Formal	5,077,760	4,309,171	85%
Informal	9,298,088	1,780,664	19%
Sponsored Program	2,632,176	1,383,884	53%
TOTAL	17,008,024	7,473,719	44%

As of December 31, 2024, the retention rate achieved was 44%. The formal sector which constitutes 57% of active membership, achieved a retention of 85% while the informal sector retention rate was 19% and sponsored program retention at 53%.

Revenue Performance

Overall

The National Health Insurance Fund's Financial Strategy identifies the following as sources of income:

- Statutory Contributions by members
- Government funding through the exchequer
- Sponsorship of vulnerable groups through partnerships
- Income from rental properties

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As at December 31, 2024, the Fund had received contributions and premiums totalling to **Kes. 22 billion**. This was a **Kes. 50 billion** decrease from the **Kes. 72.9 billion** collected in the 2023/2024 financial year.

National Health Scheme Revenue

Kes. 12 billion was collected under the National Health scheme (NHS) during the year ended December 31, 2024. However, excluded in these amounts are statutory contributions for the enhanced schemes totalling to **Kes. 573 million**. This therefore brings the net contributions under National Health Scheme to **Kes. 13 billion**.

Table below gives a summary of National Health Scheme net revenue earned during the financial year.

STATUTORY CONTRIBUTIONS

National Health Scheme	AMOUNT (KES)
Standard Contribution	10,348,513,124
Self Employed Contributions	2,068,294,601
Penalties	69,018,009
Total	12,485,825,734
Other Schemes	
Civil Servant Medical Scheme	439,444,800
County Medical Scheme	97,490,250
Parastatals Medical Schemes	36,652,150
Total	573,587,200
GRAND TOTAL	13,059,412,934

Other Income

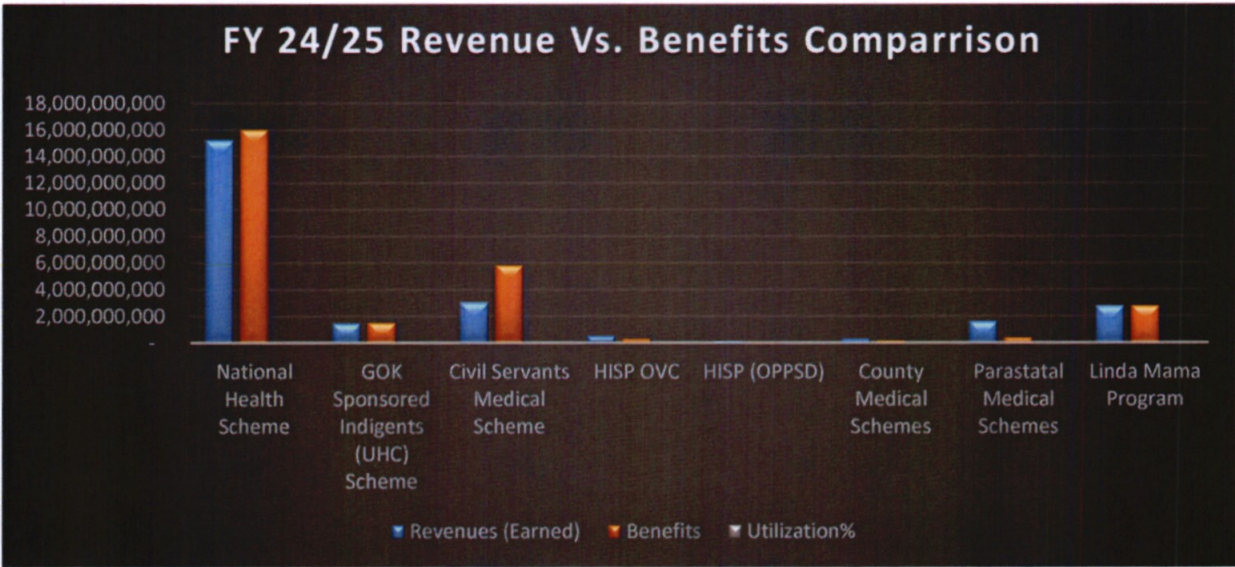
Included in the total revenue collected was other incomes of **Kes. 28,883,728**. This income comprises of; Interest from Investment, Agency Commission, Recoveries out of Provisions, Miscellaneous Receipts and Gain on Disposal, as disclosed in the Table below.

OTHER INCOMES	AMOUNT (KES)
Interest on investment	27,471,449
Agency Commissions	1,156,139
Miscellaneous Receipts	230,640
Gain on Disposal	25,500
Total	28,883,728

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Income Distribution Chart



Total Expenditure

Main areas of expenditure included:

- Benefits Expenditure – payment to health care providers for the services rendered to the members of the various schemes.
- Administrative expenses – personnel, office administration and other operating expenses.
- Capital expenditure – Property, Plant and Equipment and ICT related expenses.

Benefits Utilization (Loss Ratio)

Total benefits pay-out incurred as at December 31, 2024 amounted to **Kshs. 22.4 billion** against contributions and premiums of **Kshs. 22.6 billion**. This reflects a loss ratio of **101%**.

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The table below shows loss ratio per scheme.

Scheme	Contributions & Premiums (Earned)	Benefits	Utilization%
National Health Scheme	12,485,825,734	11,494,827,379	92%
GOK Sponsored Indigents (UHC)	1,500,000,000	1,517,247,105	101%
Civil Servant Medical Scheme	3,058,228,399	5,832,363,795	191%
HISP OVC Program	533,625,000	297,815,727	56%
HISP (OPPSD) Program	112,500,000	89,273,238	79%
County Medical Scheme	315,322,581	191,087,439	61%
Parastatals Medical Schemes	1,633,009,773	393,333,978	24%
Linda Mama Program	2,785,611,930	2,785,611,930	100%
TOTAL	22,424,123,417	22,601,560,591	101%

Enhanced Scheme Receivables

Receivables from Enhanced Schemes as at December 31, 2024 stood at **Kes. 28.5 billion** as shown in the table below.

SCHEME	AMOUNT (KES)
National Health Scheme Receivable	3,578,597,749
GOK Sponsored Indigents (UHC) Receivable	4,000,000,000
Civil Servant Medical Scheme Receivable	3,536,448,517
NPS & KPS Scheme Receivable	1,303,927,675
HISP OVC Receivable	1,059,930,002
NPS & KPS Exgratia Receivable	334,865,139
HISP (OPPSD) Receivable	214,499,558
County Scheme Receivable	377,024,429
Parastatals Medical Schemes	19,750,123
Linda Mama Scheme	2,098,000,000
WIBA – Civil Servants' Receivable	12,064,422,195
Total	28,587,465,388

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12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i. Sustainability Strategy and Profile

The Fund remains committed to integrating environmental, social, and economic considerations into its operations and decision-making processes. In line with the Government commitment to develop and implement resilient Climate Change Action Plan, the Fund developed the Climate Change Policy that provides a framework to Guide in establishing a pathway towards building climate resilient health systems by developing and implementing appropriate initiatives and programs aligned to the Government of Kenya (GOK) Commitments to climate change for sustainable development.

The policy aims:

- To promote actions that will contribute to cutting greenhouse gas emissions;
- To foster the use of sustainable and green energy; To promote waste and waste-water management; To strengthen climate governance and partnerships;
- To establish a framework for monitoring and evaluation of implemented actions;
- and to enable the Fund to develop sustainable procurement mechanisms that promote environmentally friendly products and services.

Going forward, the Fund will continue to pursue a number of strategies to enhance gains in the economic, community and environmental fronts. These strategies will include:

- Increased innovations
- Strengthening the risk management framework
- Adherence to the national values and principles of governance as well as the corporate values
- Strengthening of the governance structures
- Automation and digitalization of the Fund business operations
- Enhancing of the benefit package
- Mainstreaming climate change initiatives
- Pursuing environmentally friendly initiatives such as Planting and maintenance of trees, efficient use of power and water and recycling of wastepaper.

Further the Fund recognizes and accepts responsibility to enforce occupation health and safety OH&S management system requirements in the provision of a safe and health workspace/s that prevent work-related injuries and ill health to its workers and the interested parties. The Fund is committed to the operational health and safety requirements, legal requirements and other requirements; as well as proactively continuously improving its OH&S performance. This shall be achieved by:

- ✓ Establishing, implementing and maintaining OH&S management systems to improve occupational health and safety
- ✓ Eliminating hazards and minimizing OH&S risks and capitalizing on the identified OH&S opportunities

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- ✓ Addressing all OH&S management systems non-conformities associated with Fund activities
- ✓ Continual performance evaluation and monitoring of the OH&S management system to improve OH&S performance
- ✓ Consultation and participation of workers, and, where they exist, workers' representatives
- ✓ Allocation of the necessary resources to maintain OH&S management systems
- ✓ Provide timely access to clear, understandable and relevant information about the OH&S management system.

ii. Market place practices-

The National Health Insurance Fund (NHIF) is committed to ethical marketing and responsible citizen engagement, ensuring that all communication is accurate, inclusive, and respectful, and that citizens are empowered to make informed decisions about their health coverage. Our approach avoids exaggerated claims and anti-social advertising, instead providing factual, timely, and culturally sensitive information through multiple platforms.

Ethical Marketing and Advertising

- Social media notices and press releases provided timely updates on important events and deadlines, such as employer payment due dates, registration process, and benefits to be accessed avoiding coercive messaging while emphasizing service access.
- A comprehensive Brand Guidelines developed to guide consistent and professional use of NHIF's identity across all communications and to prevent unauthorized or misleading representation of the institution.
- Adverts on tenders placed on

Public Awareness and Sensitization

- ✓ **NHIF On-Ground Activations and Registration Drives:** NHIF conducted a nationwide on-ground activation campaigns to bring information and services closer to communities. The activations featured roadshows, market storms, and church storms.
- ✓ **Community and National Media Outreach Campaign:** Complementing the on-ground activities was a robust community and national media campaign, leveraging local vernacular radio and other media platforms.
- ✓ **Press conferences and media roundtables:** NHIF actively engaged journalists and editors through regular press conferences, timely press releases, and targeted media roundtables.
- ✓ **Social Media Infographics and Campaigns:** Infographics breaking down benefit categories and registration steps among others were shared on NHIF's social media pages.
- ✓ **Feedback and Responsiveness Mechanism:** In line with its commitment to transparency and accountability, SHA has established multiple feedback channels to ensure stakeholders, and the public are heard. A 24/7 call centre 0800 720 601 and dedicated email platforms

NATIONAL HEALTH INSURANCE FUND

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(customer@nhif.or.ke, info@nhif.or.ke) were in place to receive inquiries, suggestions, and concerns.

iii. Corporate Social Responsibility / Community Engagements

Kenya supports the global call to action to halt and reverse deforestation and land degradation with consensus to restore at least 30% of the degraded terrestrial and marine ecosystems by 2030. Kenya has more than 90% of landscapes facing degradation (61% high and 27% severe). In response to the global call, the President launched the National Tree Growing and Restoration Campaign to grow 15 billion trees for restoration of 10.6 million hectares by 2032 on 21st December 2022.

In November 2024, NHIF in collaboration with the County Government of Elgeyo Marakwet, the Ministry of Health, and local community groups, undertook a large-scale tree-planting exercise in Elgeyo Marakwet Forest. A total of 43,100 exotic and 10,000 indigenous seedlings were planted across 54 hectares of priority catchment and degraded areas in Emsoo Location, Keiyo North Constituency, within the Sub-Compartment 5D Plantation area.

This initiative reflected NHIF's commitment to environmental sustainability, ecosystem restoration, and community partnerships in advancing public health and climate resilience.

Impact to the Community

- ❖ Livelihood improvement through income generation and self-reliance where members of the community farm their food and the surplus they sell and sales of tree seedlings
- ❖ Since the rehabilitation of the forest started, the climate has improved. In turn, the water towers and rivers have been restored, feeding Asoo Dam, Turkana, Kisumu and Nzioa.
- ❖ The rehabilitation of the area's forest has also witnessed an increase in the population of the columbus monkey, Bamboo, birds and snakes.

Impact to the Institution

- **Positive brand image:** Tree planting shows a commitment to sustainability and can enhance brand reputation.
- **Employee engagement:** Getting employees involved in tree planting events encouraged team building, a sense of purpose, and pride in contributing to a positive cause.

NATIONAL HEALTH INSURANCE FUND
Annual Report and Financial Statements for the year ended December 31, 2024

13. REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submit their report together with the financial statements for the year ended **December 31, 2024**, which show the state of the Fund's affairs.

i) Principal activities

The principal activity of the Fund is to receive income for healthcare financing of all its members.

ii) Results

The results of the Fund for the year ended **December 31, 2024**, are set out on pages **1 – 69**. Below is a summary of the profit or loss made during the year.

RESULTS	KES
Profit (Loss) before taxation	(21,480,165,388)
Tax Charge	(33,842,406)
Surplus (Deficit) for the year	(21,514,007,794)

iii) Board of Directors

The members of the Board of Directors who served during the year are shown on page v.

iv) Auditors

The Auditor-General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or a Certified Public Accountant nominated by the Auditor General to carry out the audit of NHIF for the year ended **December 31, 2024**, in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board,



CS. TERRY ROTICH
AG. CORPORATE SECRETARY SHA

28 August, 2025

DATE

NATIONAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended December 31, 2024

14. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act, Section 38 of the NHIF Act and Part VII on Financial Provisions of the Social Health Insurance Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the state corporation at the end of the financial year and the operating results of NHIF for that year. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of NHIF. The Directors are also responsible for safeguarding the assets of the Fund.

The Directors are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of NHIF for and as at the end of the financial year ended on **December 31, 2024**. These responsibilities include:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund.
- (iii) Designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the Fund.
- (v) Selecting and applying appropriate accounting policies and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and the manner required the PFM Act 2012 and the State Corporations Act.

The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of NHIF's transactions during the financial year ended **December 31, 2024**, and of the Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of NHIF's financial statements as well as the adequacy of the systems of internal financial control.

NATIONAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended December 31, 2024

Nothing has come to the attention of the Directors to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement

Approval of the financial statements

The National Health Insurance Fund financial statements were approved by the Board on

..... **28 August, 2025** and signed on its behalf by:



.....
DR. MOHAMED ABDI MOHAMED

CHAIRPERSON BOARD OF DIRECTORS SHA



.....
DR. MERCY MWANGANGI.

CHIEF EXECUTIVE OFFICER SHA

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL HEALTH INSURANCE FUND FOR THE SIX (6) MONTHS PERIOD ENDED 31 DECEMBER, 2024

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Disclaimer of Opinion is issued when the Auditor-General is unable to obtain sufficient appropriate audit evidence to form an opinion on the financial statements. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of National Health Insurance Fund set out on pages 1 to 63, which comprise of the statement of financial position as at 31 December, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Incomplete Transition from National Health Insurance Fund to Social Health Authority

The Cabinet Secretary for Health appointed the Transition Committee on 25 January, 2024 through a Gazette Notice No. 603 of 2024 to oversee the transition from the National Health Insurance Fund (NHIF) to the Social Health Authority (SHA). The Committee's tenure was for six (6) months and submitted the final report in July, 2024.

The Committee's terms of reference included:

- i. Delineating roles of NHIF, SHA Board, and the Ministry of Health;
- ii. Developing the winding-up resolution for NHIF;
- iii. Preparing transition guidelines and roadmap;
- iv. Reviewing enhanced schemes, ICT contracts and ongoing court cases;
- v. Establishing claims handling guidelines during and after transition; and,
- vi. Verification of assets and liabilities.

However, audit review revealed that the Committee did not fully achieve the set objectives within the prescribed timelines, leaving critical gaps that compromise the integrity of NHIF closing account balance and SHA opening balances as detailed below:

1.1. Failure to Adopt the Transition Committee Report

Although the Transition Committee was appointed for a tenure of six (6) months and with the mandate to ensure smooth transition from NHIF to SHA, there was no evidence provided for audit review indicating that the Committee's final report was formally adopted for implementation by the Cabinet Secretary, NHIF Board or SHA Board.

1.2. Failure to Verify Assets and Liabilities

Section 4.2.2 of the Transition Committee's report states that the schedule of assets provided by NHIF to the Transition Committee and SHA Board requires further verification by an independent party to ascertain its accuracy. Further, Section 3.8 of Annex VI to the Committee's report on verification of assets and liabilities indicates that several asset and liabilities balances could not be verified due to incomplete listing of balances and general ledgers.

1.3. Failure to Wind Up NHIF

Paragraph 6(1) of the First Schedule to the Social Health Authority Act, 2023 required the National Health Insurance Fund Board to wind up the Fund within one year from the appointed day (the day the Act came into operation) and transfer all cash balances and

other assets to the Social Health Authority. However, as at 30 November, 2025, the winding up of the NHIF had not commenced. Further, some assets belonging to NHIF had not been transferred to SHA. In addition, six (6) bank accounts with a balance of Kshs.7,774,702 had not been transferred to SHA. As a result, the six (6) NHIF bank accounts remained open and continued to operate as at the time of the audit.

1.4. Lack of Approved Policies for Social Health Authority

The mandate of the Transition Committee according to Gazette Notice No.603 of 2024, included developing legal and institutional framework for the coordinated transition to the Social Health Authority. In addition, the Committee was to develop guidelines and operational mechanisms for the transition period. However, SHA did not have approved institutional policies, manuals and documents on key functional areas. The gaps include; lack of finance and accounting manual, assets management policy, transport management policy, IT policy, disaster recovery plan, backup and retention strategy and risk management policy and strategic plan.

1.5. Lack of Formal Hand Over Report and Asset Discrepancies

Signed hand-over and take-over report from NHIF to the SHA was not provided for audit review. This was contrary to Regulation 141 of Public Finance Management (National Government) Regulations, 2015, which requires the transferring entity Accounting Officer to prepare an inventory of assets or liabilities and provide all necessary records, including human resource records, to the receiving entity.

Further, the Transition Committee report highlighted significant discrepancies between ERP records and physical assets; over-procurement and underutilization of furniture, excess computer hardware and parts with most of them remaining unused and packed in boxes. In addition, the last valuation of assets was undertaken in 2018.

In the circumstances, the existence, accuracy, completeness and ownership of the Authority's assets and liabilities could not be confirmed.

2. Discrepancy in NHIF Transition to Social Health Authority Date

The financial statements for Social Health Authority prepared and submitted for audit for the 2024/2025 financial year covered six (6) months (1 July, 2024 to 31 December, 2024). However, the financial statements indicates for the year ended 31 December, 2024 implying twelve (12) months. Further, the press release issued by the Principal Secretary, State Department of Medical Services and public notice issued by the Acting Chief Executive Officer of the Social Health Authority, which indicated that the effective roll-out date and commencement of operations as 1 October, 2024. Management did not provide satisfactory explanation or clear legal basis for reporting for a period of six (6) months instead of the three (3) months indicated in the statutory documents.

In the circumstances, the financial statements prepared and presented for audit do not cover the Authority's operating period.

3. Irregular Transfer of Money from Social Health Insurance Fund to National Health Insurance Fund

Review of NHIF bank accounts statements revealed irregular transfer of Kshs.1,597,002,000 from Social Health Insurance Fund to National Health Insurance Fund which included Kshs.1,585,000,000 and Kshs.12,002,000 on 26 May 2025 and 18 February, 2025. Transfer of money from Social Health Insurance Fund (SHIF) to National Health Insurance Fund (NHIF) is irregular since NHIF was transitioning to SHA and Paragraph 6(1) of the First Schedule to the Social Health Insurance Act, 2023 was clear that all assets including cash and bank balances were to be transferred from NHIF to Social Health Authority.

In the circumstances, Management was in breach of law.

4. Failure to Close of NHIF Bank Accounts

The statement of financial positions and as disclosed in Note 29 and Note 30 to the financial statements reflects short term deposits and cash and cash equivalents of Kshs.112,580,471 and Kshs.82,995,586 respectively as at 31 December, 2024 held in 12 bank accounts which confirms NHIF bank accounts continued to operate after transition to SHA contrary to Press release dated 2 October, 2024 by the Principal Secretary, State Department of Medical Services.

In the circumstances, Management was in breach of the law.

5. Payments made from the Unapproved NHIF Bank Accounts Retained

Audit verifications carried out revealed some of the bank accounts recommended for closure by the Social Health Authority Board on 15 April, 2025 were still operational as at 28 May, 2025 and several payments amounting to Kshs.33,049,335 were made from one unauthorized commercial Bank account on 16 May, 2025 which constitute Kshs.29,053,233 paid to health service providers and Kshs.3,996,103 whose payee details were not provided. However, the Social Health Authority Board had approved one operations account for payment of outstanding NHIF debts and other pending bills. It was also noted that the names of some of the health care providers paid were not included in the list of contracted facilities such as a health service provider paid Kshs.13,097,168 and another health service provider paid Kshs.4,988,296.

In the circumstances, Management was in breach of the law.

6. Unsupported Total Revenue and Total Benefit Expenses

The statement of profit or loss and other comprehensive income as disclosed in Notes 6,7,8,10,11,12,13 and 15 reflects total revenues amounting Kshs.22,424,123,417 respectively as detailed below:

Description	Note	Amount (Kshs)
National Health Scheme Contributions	6	12,485,825,734
GOK Sponsored Indigents (UHC) Premium	7	1,500,000,000
Civil Servant Scheme Contributions and Premium	8	3,058,228,399
HISP OVC Program Premium	10	533,625,000
HISP (OPPSD) Program Premium	11	112,500,000
County Scheme Contributions and Premium	12	315,322,581
Parastatal Schemes Contributions and Premium	13	1,633,009,773
Linda Mama Program Premium	15	2,785,611,930
Total Revenues		22,424,123,417

However, the revenue schedules provided amount to Kshs.13,059,412,934 compared to the total revenue of Kshs.22,424,123,417 resulting to a variance of Kshs.9,364,710,483. Further, the schedule of revenue provided was not linked to any of the eight schemes.

In addition, the statement of profit or loss and other comprehensive income as disclosed in Notes 6,7,8,10,11,12,13 and 15 and total benefit expenses amounting 22,601,560,591 respectively as detailed below:

Description	Note	Amount (Kshs)
National Health Scheme Expenses	6	11,494,827,379
GOK Sponsored Indigents (UHC) Expenses	7	1,517,247,105
Civil Servant Scheme Expenses	8	5,832,363,795
HISP OVC Program Expenses	10	297,815,727
HISP (OPPSD) Program Expenses	11	89,273,238
County Scheme Expenses	12	191,087,439
Parastatal Schemes Expenses	13	393,333,978
Linda Mama Benefit Expenses	15	2,785,611,930
Total Benefit Expenses		22,601,560,591

However, the benefit expenses schedules were not provided for audit. It was not therefore not possible to vouch the expenditure. In the circumstances, the accuracy and completeness of the total revenue amount of Kshs.22,424,123,417 and total expenses of Kshs.22,601,560,591 could not be confirmed.

7. Unsupported Specialized Benefit Package Expenses

The statement of profit or loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects GOK sponsored indigents (Universal Health Coverage) scheme revenue of Kshs.1,500,000,000. Further, Note 7 to the financial statements reflects total GOK sponsored indigents (UHC) benefit expenses of Kshs.1,517,247,105 which includes specialized benefits package expenses of Kshs.530,945,265. However, the schedule supporting the specialized benefit package expenses of Kshs.530,945,265 does not include clear criteria for determining eligibility

and scope of specialized services, approvals from relevant authorities and actual payment records to confirm disbursement and utilization of funds.

In the circumstances, the accuracy and completeness of GOK sponsored indigents (UHC) benefit expenses of Kshs.1,517,247,105 could not be confirmed.

8 . Unsupported Civil Servants Scheme

The statement of profit or loss and other comprehensive income and as disclosed in Note 8 to the financial statements reflects Civil Servants (CS) Scheme total premiums and contributions amount of Kshs.3,058,228,399 which includes premiums of Kshs.2,608,913,182, statutory contributions Kshs.439,444,800 and ex-gratia fund of Kshs.9,870,417. However, no evidence was provided to support statutory contributions of Kshs.439,444,800 and whether contributions were remitted in full, and applied in accordance with the scheme's financial framework.

Additionally, the specialized benefits package expenses included in Note 8 to the financial statements of Kshs.62,180,816 was not supported with documentation detailing the scope of services, approvals, and actual payments made.

In the circumstances, the accuracy and completeness of Civil Servants premium and contributions of Kshs.3,058,228,399 and specialized benefit package expenses of Kshs.62,180,816 could not be confirmed

9. Inaccuracies in Other Income

The statement of profit or loss and other comprehensive income and as disclosed in Note 17 and Note 18 to the financial statements reflects rental income and other income of Kshs.112,808,022 and Kshs.28,883,728 respectively. Further, Note 17 reflects gross rent from properties of Kshs.135,769,008, VAT expense on property account of Kshs.22,960,967 and tax charge on rental income of Kshs.33,842,406. However, management did not provide inventory/building register indicating Fund houses including the locations/LR Number, description of the building, building ownership, LR. No., building construction date, cost of construction, number of floors, estimated useful life, annual depreciation and accumulated depreciation contrary to Appendix 6(c) of Guidelines on Asset and Liability Management in the Public Sector, March 2020 which requires buildings register to be maintained.

Note 18 further includes interest on investment of Kshs.27,471,449. However, the interest income of Kshs.27,471,448 does not include interest earned on a commercial bank call deposit of Kshs.70,000,000 invested on 9 September, 2024 to earn an interest of 12.8% amounting Kshs.1,382,409. Further, the investment register was not provided for review.

In the circumstances, the accuracy and completeness of other income totaling to Kshs.141,691,750 could not be confirmed.

10. Unsupported Board Expenses

The statement of profit or loss and other comprehensive income and as disclosed in Note 20 to the financial statements reflects board expenses of Kshs.10,393,937. However, the ledger provided reflects an amount of Kshs.10,808,147 resulting in a variance of Kshs.414,210.

In the circumstances, the accuracy and completeness of board expenses of Kshs.10,393,937 could not be confirmed.

11. Unsupported Prior Year Adjustments

11.1. Unsupported Prior Year Adjustment on Trade Payables

The statement of financial position and as disclosed in Note 36 to the financial statements reflects trade payables of Kshs.31,131,520,097 in the 2023/2024 restated balance column in the 2024/2025 financial statements.

However, Note 37 to the 2023/2024 audited financial statements reflects a balance of Kshs.28,877,264,847 resulting to trade payables increase of Kshs.2,254,255,250 which was not supported with the ledgers, payment vouchers, invoices, fee notes or certificates as a proof of services rendered before 30 June, 2024.

In the circumstances, the accuracy and completeness of trade payables balance of Kshs.31,131,520,097 in the 2023/2024 restated as at 31 December,2024 could not be confirmed.

11.2. Incurred But Not Reported (IBNR) Claims

The statement of financial position and as disclosed in Note 33 to the financial statements reflects Incurred But Not Reported (IBNR) claim reserves of Kshs.4,753,796,655 in the 2023/2024 restated balance column in 2024/2025 financial statements. However, Note 35 to the 2023/2024 audited financial statements reflects Incurred But Not Reported (IBNR) claim reserves balance of Kshs.(14,598,159,278) resulting to a variance of Kshs.19,351,955,933 which was not supported with actuary's certificate and valuation report to support revised balance.

In the circumstances, the accuracy and completeness of Incurred But Not Reported (IBNR) claim reserves of Kshs.4,753,796,655 in the 2023/2024 restated balance column in 2024/2025 financial statements.

11.3. Variances in Retained Earning

The statement of financial position and as disclosed in Note 32 to the financial statements reflects retained earnings of Kshs.(5,908,148,751) in the 2023/2024 restated column balance in the 2024/2025 financial statements. However, Note 34 to the 2023/2024 audited financial statements reflects a balance of Kshs.9,598,503,951 resulting to a

variance of Kshs.15,506,652,701 which was not supported with relevant ledgers and supporting documents.

In the circumstances, the accuracy and completeness of restated retained earnings of Kshs.(5,908,148,751) could not be confirmed.

12. Variances in the Statement of Changes in Equity

The statement of changes in equity reflects retained earnings brought forward on 1 July, 2024 of Kshs.(5,908,148,751) while the 2023/2024 audited financial statements reflect retained earnings of Kshs.9,598,503,950 as at 30 June 2024, resulting to a variance of Kshs.15,506,652,701.

In the circumstances, the accuracy and completeness of retained earning balance brought forward of Kshs.(5,908,148,751) could not be confirmed.

13. Variance in Cash and Bank Balances

The statement of financial position and as disclosed in Note 30 to the financial statements reflects cash and bank balances of Kshs.82,995,586 which includes cash on hand of Kshs.12,794 and bank balance of Kshs.82,982,792. However, the following observations were noted:

- i. The statement of financial position and as disclosed in Note 30 to the financial statements reflects cash and bank balances of Kshs.82,995,586 while the cashbooks provided for audit reflects a balance of Kshs.80,630,031 resulting to variance of Kshs.2,365,555.
- ii. Review of cashbooks revealed that the cash books maintained sometimes do not provide description of transactions recorded and details of the payees were not clear. For examples payments amounting to Kshs.20,532,170 made on 25 November, 2024 did include description on what was being paid and the payee was not specified.

In the circumstances, the accuracy and completeness of cash and bank balances of Kshs.82,995,586 could not be confirmed.

14. Inaccuracies in Receivables

The statement of financial position and as disclosed in Note 27 and Note 28a to the financial statements reflects trade receivables and other receivables of Kshs.11,348,180,600 and Kshs.75,922,688 respectively. Further, Note 27 to the financial statements reflects total receivables of Kshs.28,587,465,388 which was not supported with schedule and ledgers. However, the provision of doubtful debts of Kshs.17,239,284,787 was not supported with a schedule that is aligned with Clause 4.3.4.2 of NHIF Financial Management Guidelines, 2019 which requires 100% provision on debt aged over 24 months unless payment plans are in place and are being adhered

to and Clause 4.3.4.1 of NHIF Financial Management Guidelines, 2019 which requires a provision of 50% on contributions aged between 12 months and 24 months.

In the circumstances, the accuracy and completeness of trade receivables and other receivables totaling to Kshs.11,424,103,288 could not be confirmed.

15. Variances in Other Payables Balance

The statement of financial position and as disclosed in Note 37 to the financial statements reflects other payables balance of Kshs.456,358,513 which differs with recomputed balance amounting to Kshs.458,310,278 resulting to variance of Kshs.1,951,765. Further, the supporting schedule provided reflects a balance of Kshs.456,358,513 but recomputed balance amount to Kshs.492,773,299 resulting to a variance of Kshs.36,414,786.

In the circumstances, the accuracy and completeness of other payables balance of Kshs.456,358,513 could not be confirmed.

16. Unsupported Deferred Income and Lack of Adequate Disclosure

The statement of financial position and as disclosed in Note 35 to the financial statements reflects deferred income balance of Kshs.69,784,916 which include civil service exgratia payable and county scheme exgratia of Kshs.64,784,916 and Kshs.5,000,000 respectively. This amount comprises of contractual engagements entered into by NHIF relating to future reporting periods. However, Management did not provide detailed schedules and adequate disclosures regarding the timing, nature, and contractual basis of the related obligations.

In the circumstances, the accuracy and completeness of deferred income of Kshs.69,784,916 could not be confirmed.

17. Unsupported Trade Payables and Failure to Provide Ageing Analysis

The statement of financial position and as disclosed in Note 36 to the financial statements reflects trade payables balance of Kshs.39,454,567,013 which includes hospital claims and WIBA claims payable of Kshs.33,520,071,092 and Kshs.5,934,495,922. Further, the hospital claims of Kshs. 33,520,071,092 include inpatient claims and outpatient claims of Kshs.29,943,154,309 and Kshs.3,576,916,782 respectively. However, the inpatient and outpatient claims were not supported with a list of health facilities owed the balance. Further also, trade payables ageing analysis was not provided and included in Note 37 contrary to Note 41 to the Public Sector Accounting Standards Board (PSASB) template which requires ageing analysis of trade and other payables into terms of payables under one year, between one (1) to two (2) years, between two(2) to three(3)years, and over 3 years.

Further, the Fund trade payable have steadily increased over the last four years which may increase to unsustainable levels if not controlled as detailed below:

Financial Year	Year End / Period End	Amount (Kshs)
2021/2022	30 June, 2022	3,804,837,246
2022/2023	30 June, 2023	16,468,959,241
2023/2024	30 June, 2024	28,877,264,837
2024/2025	31 December, 2024	39,454,567,013

It was also noted trade payables increased by 37% within the last six month up to 31 December, 2024. In addition, Management did not provide payment plans or commitments and reconciliations with healthcare providers or insurers and justification for continued non settlement.

In the circumstances, the accuracy and completeness of trade payables balance of Kshs.39,454,567,013 could not be confirmed and prolonged non-settlement of these obligations raise concerns over compliance with statutory obligations, and the Fund's ability to maintain uninterrupted service delivery.

18. Unsupported Fund Payables

The statement of financial position and as disclosed in Note 34 to the financial statements reflects fund payables balance of Kshs.307,085,255. Further, Note 34 to the financial statements attributes the inter fund payable to Social Health Insurance Fund. However, the balance of Kshs.307,085,255 was not recognized in the financial statement of Social Health Insurance as a receivable from National Hospital Insurance Fund.

In the circumstances, the completeness, accuracy, and compliance of Fund Payables of Kshs.307,085,255 could not be confirmed.

19. Unexplained Variances in Property, Plant and Equipment

The statement of financial position and as disclosed in Note 22a to the financial statements reflects property plant and equipment balance of Kshs.12,500,812,344 while the fixed asset register provided reflects a balance of Kshs. 3,787,849,288 resulting to a variance of Kshs.8,712,963,056.

In the circumstances, the accuracy and completeness of property plant and equipment balance of Kshs.12,500,812,344 could not be confirmed.

20. Variances in Current Liabilities in the 2023/2024 Restated Column Balances

The statement of financial position reflects total current liabilities of Kshs.35,240,122,793. However, recomputed balance amount to Kshs.35,160,823,524 resulting to a variance of Kshs.79,299,269.

In the circumstances, the accuracy and completeness of current liabilities of Kshs.35,240,122,793.

21. Variances in Staff Car Loan and Mortgage Balance

Appendix 1 to the financial statements reflects staff car loan and mortgage balance of Kshs.1,605,989,108 which differs with recomputed amount of Kshs.1,410,425,845 resulting to variance of Kshs.195,563,263.

In the circumstances the accuracy and completeness of staff car loan and mortgage balance of Kshs.1,605,989,108 could not be confirmed.

22. Non-Compliance with Public Sector Accounting Standards Board Template

Review of the financial statements revealed the inter entity confirmation letter was not signed by the Head of Accounts in the disbursing entities. The accuracy and completeness of reported amounts could not therefore be confirmed.

In the circumstances, the financial statements did not comply with Public Sector Accounting Standards Board reporting template.

23. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total actual revenue on a comparable basis of Kshs.22,565,815,167 and total actual expenditure of Kshs.49,339,193,641 resulting to over utilization of Kshs.26,773,378,474 or 119%.

In the circumstances, the Fund's actual expenses were significantly higher than the actual revenue which could result in accumulation of debts.

24. Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Fund in 2024/2025 revealed that several matters remained unresolved as detailed in Appendix 1.

25. Performance and Solvency of the Fund

The statement of profit or loss and other comprehensive income reflects revenue from the schemes of Kshs.22,424,123,417 and total benefit expenses of Kshs.22,601,560,591. The following observations were noted in regard to the performance and solvency of the Fund:

25.1. Significant Deficits in the Operations of the Fund

The statement of profit or loss and other comprehensive income reflects total revenue from the schemes of Kshs.22,424,123,417 and total benefit expenses of Kshs.22,601,560,591 resulting to a deficit from operations of Kshs.177,437,173 in six months.

25.2. Deficit Making Schemes

The statement of profit or loss and other comprehensive income reflects total contributions income of Kshs.22,424,123,417 and benefit expenses of Kshs.22,601,560,591 resulting to a deficit of Kshs.177,437,174. The deficit was attributed to civil servants medical scheme and GOK Sponsored indigents schemes as detailed below:

Scheme	Contribution (Kshs)	Benefit expenses (Kshs)	Surplus/ (Deficit) Kshs.	Utilization rate%
GOK Sponsored Indigents	1,500,000,000	1,517,247,105	-17,247,105	101%
Civil Servants Medical Scheme	3,058,228,399	5,832,363,795	2,774,135,396	191%

25.3. Negative Working Capital

The statement of financial position reflects current assets of Kshs.11,619,679,346 and current liabilities of Kshs.40,941,051,299 resulting to negative working capital of Kshs.29,321,371,953 or 28% current assets to current liabilities ratio. The Fund might therefore not be able to cover its short term obligations as and when they fall due.

25.4.Low Contributor Retention Mechanisms and Over Reliance on Formal Sector

Management discussion and analysis report indicates that the total registered members as at 31 December, 2024 were 17,008,024. However, member contribution retention rate as at 31 December, 2024 was 44% compared to 100% targeted as detailed below:

	Enrolled members	Percentage of total enrolled members	Active Members	Retention (%)
Formal	5,077,760	30%	4,309,171	85%
Informal	9,298,088	55%	1,780,664	19%
Sponsored	2,632,176	15%	1,383,884	53%
Total	17,008,024	100%	7,473,719	44%

Further, there was no evidence of strategies to improve the retention rate to 100% since members contribution is the main source of revenue. It was also noted that formal sector recorded the highest active membership of 85% while the informal sector despite recording the highest membership numbers or 55% of total enrolled membership only 19% were active.

In the circumstances, the Fund's ability to settle obligation as they fall due and sustainability could not be confirmed and is adversely affected by contribution revenue

deficit, deficit making schemes, negative working capital, low contributor retention mechanisms and low informal sector uptake and compliance.

26. Failure to Achieve Performance Targets

The Management discussion and analysis report indicates the Fund had targeted to enroll 1,902,826 new members but recruited 297,962 new members or 15% achievement of new member statistics as detailed below:

	Enrolled members	Target	New Members	Performance achieved
Formal	5,077,760	176,721	30,861	17%
Informal	9,298,088	1,509,887	263,116	17%
Sponsored	2,632,176	216,218	3,985	2%
Total	17,008,024	1,902,826	297,962	15.6%

In the circumstances, failure to enroll the target new members affects contribution revenue.

27. Long Outstanding Receivables

The statement of financial position and as disclosed in Note 27 to the financial statements reflects trade receivables of Kshs.11,348,180,600. Further Note 29 reflect gross trade receivables of Kshs.22,587,465,388 before provision of doubtful debts of Kshs.17,239,284,787.

However, trade receivables amounting Kshs.7,965,607,982 have been outstanding for more than two years and Management has not disclosed measures put in place to collect these receivables contrary to Regulation 64(1) (a) of Public Finance Management (National Government Regulations), 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all national government revenue and other public moneys relating to their Ministries, departments or agencies.

28. Failure to Pay Taxes

The statement of financial position and as disclosed in Note 38 to the financial statements reflected tax payable of Kshs.160,678,215, comprising rental income tax of Kshs.155,155,120 and withholding tax of Kshs.5,523,096. The Note also reflects increase of tax payable from Kshs.126,693,294 as at 30 June, 2024 to Kshs.160,678,216 as at 31 December, 2024 resulting to increase of Kshs.33,984,922 or 27%. Failure and delay to pay taxes attract penalties and interest and contravenes Section 72 D of Income Tax Act, 2012 which states that where any amount of tax remains unpaid after the due date a penalty of twenty percent shall immediately become due and payable.

29. Trade Payables Relating to Unlicensed Facilities

Review of Hospital Creditors listing balance as at 30 September, 2024 revealed creditors amounting to Kshs.785,614,753 did not have the KMPDC licenses for the year 2024 and had not renewed their 2025 annual licenses contrary to First Schedule to National Health Insurance Fund (Empanelment and Contracting) Regulations, 2022 which states that a healthcare provider desirous of empanelment under these Regulations shall have certificate of registration by Kenya Medical practitioners and Dentist Council(KMPDC) and license to operate a facility by-Kenya Medical practitioners and Dentist Council (KMPDC).

30. Irregularities in Payment of Claims

30.1. Payments to Uncontracted Health Service Providers

A comparison between the National Hospital Insurance Fund (NHIF) list of contracted healthcare facilities and the inpatient claims data revealed payments of inpatient claims totaling Kshs.10,466,500 paid to three (3) uncontracted hospitals not included in the official NHIF list of contracted facilities at the time the services were rendered. This contravenes Section 22(1) of National Health Insurance Fund Act, 2022 which states the Board shall pay from the Fund benefit to an empaneled or contracted health care provider for an expense incurred by the provider, for the provision of health care services through the centralized healthcare provider management, to the number of beneficiaries determined by the Board.

In the circumstances, Management was in breach of the law.

30.2. Claims Paid Exceeding the Billed Amounts

Review of billed claims compared to paid claims revealed eight thousand one hundred and sixty-six (8,166) claims whose total billed amount totaling to Kshs.112,017,188 differed with claims paid amounting to Kshs.182,471,612 resulting to an overpayment of Kshs.70,454,424. This is contrary to Section 22(1) of National Health Insurance Fund Act, 2022 which states the Board shall pay from the Fund, benefit to an empaneled or contracted health care provider for an expense incurred by the provider.

30.3. Claims Calculated using Erroneous Rates or Days

Review of the E-Claim system revealed control weaknesses that led to claims being calculated using erroneous rates or number of days as detailed below:

- i. The signed hospital contract annexures cap the Renal Dialysis fees at Kshs.9,500 for the National Health Scheme and Linda mama. Analysis done revealed that there were one hundred and fifty (150) claims paid amounting Kshs.7,790,750 that were paid at rate greater than Kshs.9,500 the claims' authorized amount of Kshs.1,415,500 resulting to an overpayment of Kshs.6,375,250.
- ii. Further analysis revealed that there were thirty-nine (39) claims submitted by level 4 hospitals under case code 4 which exceeded the allowable claim limit of Kshs.3,000 per case. The total amount claimed and paid was Kshs.1,532,000

against an allowable total of Kshs.474,000 resulting to overpayment of claims by Kshs.1,058,000.

In the circumstances, Management was in breach of the law and the value for money of the payments in respect of claims could not be confirmed.

31. Staff Costs

The statement of profit or loss and other comprehensive income and as disclosed in Note 19 to the financial statements reflects staff costs of Kshs.2,655,943,610. However, the following was noted:

31.1. Acting Allowance Paid for More than Six (6) Months

Analysis of the NHIF payroll data as at 30 September 2024 revealed that fifty-nine (59) employees were still working in an acting capacity for more than six (6) months. The officers were paid an acting allowance totaling Kshs.7,959,687 contrary to Section 4.5.5 of NHIF Human Resource Policy and Procedures Manual which states that appointment on acting basis is a temporary measure pending the substantive filling of the vacant post by either recruitment or resumption of duty by the substantive holder of the post. The appointment shall normally be limited to a continuous period of six (6) months or until the vacant post is filled whichever is the earlier, but may be extended by the Board or Chief Executive Officer if the post remains vacant.

31.2. Staff Earning Less Than One-Third of Basic Pay

An analysis of NHIF payroll data as at 30 September, 2024 revealed that there were three hundred and twenty-nine (329) employees who were receiving net salaries that were less than a third of their basic pay contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, deductions from wages is not to exceed two-thirds such wages or such additional or other amount as may be prescribed by the Cabinet Secretary responsible for labor matters.

32. Lack of Documentation on Digitization Systems

During the period under review, the NHIF relied on multiple legacy digital platforms to support its core operations, including Enterprise Resource Planning (ERP), Payroll Management, and Digital Claims Management Systems. However, management did not provide a comprehensive project file documenting the full lifecycle of these digitization initiatives. Specifically, the following were not availed:

- i. Missing details on service-level agreements (SLAs), governance structures, steering committees, and procurement approvals.
- ii. Absence of system specifications, user requirements, integration plans, user acceptance testing (UAT) results, data migration records, training materials, and rollout plans.
- iii. Lack of approved operational manuals, user guides, standard operating procedures (SOPs), helpdesk protocols, user access controls, and clearly defined roles and responsibilities for both SHA staff and vendors.

- iv. No documentation on post-implementation evaluations, maintenance agreements, version control, audit trails, or system interoperability across key platforms like registration, claims, and provider management.

In the circumstances, the accuracy, completeness, and reliability of claims processing through the digital systems could not be confirmed.

33. Failure to Review Risk Management Framework

Audit verifications carried out revealed that risk assessment was not conducted during the year under review and National Health Insurance Fund does not have a reviewed risk management framework. This contravenes Regulation 165 (1) (a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which states that the accounting officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and that the national government entity develops a system of risk management and internal control that builds robust business operations.

Further, audit verifications revealed the current risk management framework came into effect on June 2017 and was due for review in July 2020 contrary to Chapter eight of National Hospital Insurance Fund Risk Management Policy, 2017 which states that the Risk Management Policy shall be reviewed every three (3) years or from time to time as deemed necessary.

In the circumstances, the effectiveness of internal control over risk management process could not be confirmed.

34. Legal Expenses

The statement of profit or loss and other comprehensive income and as disclosed in Note 21 to the financial statements reflects operating expenses of Kshs.18,463,614,000 which includes legal expenses of Kshs.10,850. This reflects significant decline compared to Kshs.313,397,973 reported in 2023/2024 financial year. However, a review of the active litigation register revealed over 40 active legal matters, many involving substantial claims and ongoing proceedings. This indicates that the amount recognized for the current period could be materially understated and does not reflect the legal exposure of the entity.

In the circumstances the accuracy and completeness of legal expenses of Kshs.10,850 could not be confirmed.

REPORT ON THE LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1) (a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48

of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 December, 2025

Appendix 1 : Prior Year Audit Matters

No.	Audit Issue
1.	Misstatement of National Health Contributions
2.	Inaccuracies in benefit expenses
3.	Variances in National Health Scheme expenses
4.	Variances in Unquoted Investments
5.	Unsupported Claim Reserves
6.	Inaccuracies in Trade Payables
7.	Disputed Ownership of Land Karen
8.	Doubtful Work-In-Progress at Karen Land.
9.	Long Outstanding Return to Drawer Cheques
10.	Duplication of Oversight Roles
11.	Staff Cost Irregularities -Over Payment of Basic Salaries
12.	Staff Earning Less than One-Third Rule on Basic Pay
13.	Irregular Payment of Acting Allowances
14.	Irregular Secondment of Legal Officer
15.	Irregular Appointment of Board Liaison
16.	Irregularities in Procurement Process
17.	Un-surrendered Temporary Imprest
18.	Multi-Storey Car Park Project
19.	Failure to Adopt Transition Committee Report
20.	Lack of Assets and Liabilities Transfer and Handover Plan
21.	Unapproved Human Resources Instruments
22.	Inadequacies of Information Technology Policies and Ecosystem
23.	Out-dated and Non-Operationalized Policies
24.	Use of Unsupported Software
25.	Limited Access to System Logs

NATIONAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended December 31, 2024

16. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2024

	Note	AS AT DEC 31, 2024	RESTATED JUNE 30, 2024	AUDITED JUNE 30, 2024
REVENUES		KES	KES	KES
National Health Scheme Contributions	6	12,485,825,734	40,244,734,629	40,244,734,629
GOK Sponsored Indigents (UHC) Premium	7	1,500,000,000	6,000,000,000	6,000,000,000
Civil Servant Scheme Contributions & Premium	8	3,058,228,399	7,737,398,122	7,737,398,122
Edu Afya Medical Scheme Premium	9	-	2,545,302,046	2,545,302,046
HISP OVC Program Premium	10	533,625,000	1,520,400,000	1,520,400,000
HISP (OPPSD) Program Premium	11	112,500,000	352,800,000	352,800,000
County Scheme Contributions & Premium	12	315,322,581	2,895,817,760	2,895,817,760
Parastatal Schemes Contributions & Premium	13	1,633,009,773	2,156,877,924	2,156,877,924
Retirees Schemes Premium	14	-	603,938,537	603,938,537
Linda Mama Program Premium	15	2,785,611,930	3,745,430,263	3,745,430,263
WIBA – Civil Servants Premium	16	-	5,146,377,439	5,146,377,439
TOTAL REVENUES		22,424,123,417	72,949,076,719	72,949,076,719
BENEFITS EXPENSES				
National Health Scheme Expenses	6	11,494,827,379	38,106,069,983	38,106,069,983
GOK Sponsored Indigents (UHC) Expenses	7	1,517,247,105	3,606,503,209	3,606,503,209
Civil Servant Scheme Expenses	8	5,832,363,795	9,014,064,517	9,014,064,517
Edu Afya Medical Scheme Expenses	9	-	3,397,623,458	3,397,623,458
HISP OVC Program Expenses	10	297,815,727	598,457,325	598,457,325
HISP (OPPSD) Program Expenses	11	89,273,238	171,095,250	171,095,250
County Scheme Expenses	12	191,087,439	1,326,374,980	1,326,374,980
Parastatal Schemes Expenses	13	393,333,978	2,299,003,469	2,299,003,469
Retirees Schemes Expenses	14	-	1,023,868,469	1,023,868,469
Linda Mama Benefit Expenses	15	2,785,611,930	3,745,430,263	3,745,430,263
WIBA – Civil Servants Expenses	16	-	5,012,085,650	5,012,085,650
TOTAL BENEFIT EXPENSES		22,601,560,591	68,300,576,571	68,300,576,571
GROSS SURPLUS FROM OPERATIONS		(177,437,173)	4,648,500,148	4,648,500,148
Rental Income	17	112,808,022	195,787,656	195,787,656
Other Incomes	18	28,883,728	698,386,244	698,386,244
TOTAL REVENUES		(35,745,424)	5,542,674,048	5,542,674,048
OPERATING EXPENSES				
Staff Costs	19	2,655,943,610	5,311,457,619	5,311,457,619
Board Expenses	20	10,393,937	31,321,562	30,821,562
Other Operating Expenses	21	18,463,614,000	2,902,892,412	2,902,892,412
Depreciation of PPE	22	132,555,384	250,327,275	250,327,275
Amortization of Intangible Assets	23	181,913,032	363,826,065	363,826,065
Total Operating Expenses		21,444,419,964	8,859,824,933	8,859,324,933
PROFIT (LOSS) BEFORE TAXATION		(21,480,165,388)	(3,317,150,885)	(3,316,650,885)
Tax Charge	17	(33,842,406)	(58,736,297)	(58,736,297)
SURPLUS (DEFICIT) FOR THE YEAR		(21,514,007,794)	(3,375,887,182)	(3,375,387,182)

NATIONAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended December 31, 2024

17. STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31 2024

	Note	AS AT DEC 31, 2024	RESTATED BALANCE JUNE 30, 2024	AUDITED JUNE 30, 2024
		KES	KES	KES
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	22	12,500,812,344	12,633,367,728	12,633,367,728
Intangible Assets	23	91,329,464	273,242,496	273,242,496
Receivable - South B Estate Mortgage	24	-	32,618	32,618
Long Term Deposits	25	1,410,425,844	1,397,079,095	1,397,079,095
Unquoted Investments	26	106,571,097	120,736,974	120,736,974
Total Non-Current Assets		14,109,138,749	14,424,458,912	14,424,458,912
Current Assets				
Trade Receivables	27	11,348,180,600	30,008,778,143	23,988,018,929
Other Receivables	28	75,922,688	485,396,896	485,396,896
Short Term Deposits	29	112,580,471	100,000,000	100,000,000
Cash and Bank Balances	30	82,995,586	1,197,760,818	1,197,760,818
Total Current Assets		11,619,679,346	31,791,935,856	25,771,176,643
TOTAL ASSETS		25,728,818,094	46,216,394,768	40,195,635,554
EQUITY AND LIABILITIES				
Capital and Reserves				
Accumulated Fund	31	12,209,923,340	12,209,923,340	12,209,923,340
Retained Earnings	32	(27,422,156,545)	(5,908,148,751)	9,598,503,950
Incurred But Not Reported Claims Reserves	33	-	4,753,796,655	(14,598,159,278)
Total Capital and Reserves		(15,212,233,205)	11,055,571,244	7,210,268,012
Current Liabilities				
Funds Payables	34	307,085,255	-	-
Deferred Income	35	69,784,916	2,366,303,770	2,445,603,038
Trade Payables	36	39,454,567,013	31,131,520,097	28,877,264,847
Other Payables	37	456,358,513	1,043,266,978	1,042,766,978
Tax Payable	38	160,678,216	126,693,294	126,693,294
Provision for Liabilities	39	492,577,385	493,039,385	493,039,385
Total Current Liabilities		40,941,051,299	35,240,122,793	35,239,622,793
TOTAL EQUITY AND LIABILITIES		25,728,818,094	46,216,394,768	40,195,635,554

The financial statements on pages 1 to 69 were approved by the Board of Management on

28 August, 2025 and signed on its behalf by:



Dr. Mohamed Abdi Mohamed
Chairperson SHA



Dr. Mercy Mwangangi
Chief Executive Officer SHA



CPA Jonathan Leisen
Director F & FM SHA
ICPAK M/NO: 7465

Restatement Disclosure: Notes 32, 33, and 36 have been restated from the amounts previously reported in the audited financial statements for the year ended 30 June 2024. The restatement relates to the adjustment of Incurred But Not Reported (IBNR) reserves following the cessation of NHIF operations.

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18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2024

	Accumulated Fund	Retained Earnings	Total
	KES	KES	KES
NOTE	31	32	
At July 1, 2023	12,209,923,340	(2,532,261,569)	9,677,661,771
Changes in the year / Total comprehensive income	-	(3,375,887,182)	(3,375,887,182)
At June 30, 2024	12,209,923,340	(5,908,148,751)	6,301,774,589
At July 1, 2024	12,209,923,340	(5,908,148,751)	6,301,774,589
Changes in the year / Total comprehensive income	-	(21,514,007,794)	(21,514,007,794)
At December 31, 2024	12,209,923,340	(27,422,156,545)	(15,212,233,205)

JUNE 30, 2024 RESTATEMENT DISCLOSURE

Restatement of Prior Period Comparatives

Notes 32, 33, and 36 have been restated from the amounts previously reported in the audited financial statements for the year ended 30 June 2024. The restatement relates to the adjustment of Incurred But Not Reported (IBNR) reserves following the cessation of NHIF operations.

Nature and Reason for Restatement:

Following the Fund's decision to cease admitting new members and patients after 30 September 2024, and subsequent closure of its books on 31 December 2024, management determined that no further claims were expected to be incurred beyond the transition date. Consequently, the IBNR reserves previously recognized at 30 June 2024 were derecognized, and all actual claims incurred were reclassified to trade and other payables to reflect the Fund's obligation to settle these liabilities. This restatement ensures that the financial statements accurately reflect the substance of transactions in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the accrual basis of accounting prescribed by IAS 1 *Presentation of Financial Statements*.

Impact of Restatement:

The following adjustments were made to the previously reported amounts as at 30 June 2024:

Line Item	As Previously Stated	Adjustment	As Restated
Trade Receivables (Note 27)	23,988,018,929	6,020,759,214	30,008,778,143
Retained Earnings & IBNR Reserves (Note 32/33)	(4,999,655,328)	3,845,303,232	(1,154,352,096)
Trade and Other Payables (Note 36)	29,920,031,824	2,254,755,250	32,174,787,075
Deferred Income (Note 35)	2,445,603,038	79,299,268	2,366,303,770

Key IFRS Considerations Addressed:

1. **IAS 8 compliance** - Clear explanation of nature, reason, and impact of restatement
2. **Accrual basis** - Recognition of actual payables rather than estimated provisions
3. **IAS 37** - Appropriate derecognition of provisions when no longer probable
4. **Transparency** - Comparative information and cross-references to affected notes.

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19. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

	Notes	AS AT DEC 31, 2024 KES	AUDITED JUNE 30, 2024 KES
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash generated from/ (used) in operations	40(a)	(1,096,691,050)	(11,233,471,652)
Net cash generated/ (used) in from operations		(1,096,691,050)	(11,233,471,652)
CASHFLOWS FROM INVESTING ACTIVITIES			
Tax Paid	17	(33,842,406)	(58,736,297)
Interest from investment	18	27,471,449	685,596,807
Proceeds from Disposal of Property, Plant and Equipment	22	25,500	647,955
Purchase of Property, Plant and Equipment	22	-	(61,314,751)
Proceeds from sale of South B estate	24	32,618	-
Purchase of Long-term Deposit	25	(13,346,749)	(25,766,893)
Redemption of unquoted investment	26	14,165,878	32,018,954
Net cash generated from/ (used in) investing activities		(5,493,711)	572,445,776
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		(1,102,184,760)	(10,661,025,876)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,297,760,818	11,958,786,694
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	40(b)	195,576,058	1,297,760,818

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20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED DECEMBER 31, 2024.

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c = a + b	d	E = c - d	d/c%
Budget carryovers from the previous year*	-	-	-	-	-	-
Revenue						
National Health Scheme Contributions	12,255,813,793	-	12,255,813,793	12,485,825,734	(230,011,941)	102%
GOK Sponsored Indigents (UHC) Premium	2,629,393,456	-	2,629,393,456	1,500,000,000	1,129,393,456	57%
Civil Servant Scheme Premium	2,758,913,181	-	2,758,913,181	3,058,228,399	(299,315,218)	111%
HISP OVC Program Premium	355,750,000	-	355,750,000	533,625,000	(177,875,000)	150%
HISP (OPPSD) Program Premium	75,000,000	-	75,000,000	112,500,000	(37,500,000)	150%
County Scheme Premium	287,086,846	-	287,086,846	315,322,581	(28,235,735)	110%
Parastatal Schemes Premium	255,195,901	-	255,195,901	1,633,009,773	(1,377,813,872)	640%
Retirees Schemes Premium	876,631	-	876,631	-	876,631	0%
Linda Mama Program Premium	4,098,000,000	(2,049,000,000)	2,049,000,000	2,785,611,930	(736,611,930)	136%
SubTotal Premiums	22,716,029,808	(2,049,000,000)	20,667,029,808	22,424,123,417	(1,757,093,609)	109%
Rental Income	68,300,593	-	68,300,593	112,808,022	(44,507,429)	165%
Other Income	1,359,213	-	1,359,213	28,883,728	(27,524,515)	2125%
SubTotal Other Income	69,659,806	-	69,659,806	141,691,750	(72,031,944)	203%
Total Revenue	22,785,689,614	(2,049,000,000)	20,736,689,614	22,565,815,167	(1,829,125,553)	109%
Benefits Expenses						
National Health Scheme Expenses	9,804,651,034	-	9,804,651,034	11,494,827,379	(1,690,176,345)	117%
GOK Sponsored Indigents (UHC) Expenses	1,800,000,000	-	1,800,000,000	1,517,247,105	282,752,895	84%
Civil Servant Scheme Expenses	2,207,130,545	-	2,207,130,545	5,832,363,795	(3,625,233,250)	264%
HISP OVC Program Expenses	284,600,000	-	284,600,000	297,815,727	(13,215,727)	105%
HISP (OPPSD) Program Expenses	60,000,000	-	60,000,000	89,273,238	(29,273,238)	149%
County Scheme Expenses	269,861,635	-	269,861,635	191,087,439	78,774,196	71%
Parastatal Schemes Expenses	239,884,147	-	239,884,147	393,333,978	(153,449,831)	164%
Retirees Schemes Expenses	824,033	-	824,033	-	824,033	0%
Linda Mama Benefit Expenses	3,852,120,000	(1,803,120,000)	2,049,000,000	2,785,611,930	(736,611,930)	136%
Total Benefits Expenses	18,519,071,395	(1,803,120,000)	16,715,951,395	22,601,560,591	(5,885,609,196)	135%
Operating Expenses						
Staff Costs	2,336,990,407	-	2,336,990,407	2,655,943,610	(318,953,203)	114%
Board Expenses	10,500,000	-	10,500,000	10,393,937	106,063	99%
Other Operating Expenses	998,746,968	-	998,746,968	23,756,827,087	(22,758,080,119)	2379%
Depreciation & Amortisation	224,888,021	-	224,888,021	314,468,416	(89,580,396)	140%
Total Operating Expenses	3,571,125,396	-	3,571,125,396	26,737,633,050	(23,166,507,654)	749%
Total expenditure	22,090,196,790	(1,803,120,000)	20,287,076,790	49,339,193,641	(29,052,116,851)	243%
Capital Expenditure	-	-	-	-	-	-
Profit or Loss Before Taxation	695,492,824	(245,880,000)	449,612,824	(26,773,378,474)	27,222,991,298	-5955%
Tax Charge				33,842,406		
Surplus/deficit for the period	695,492,824	(245,880,000)	449,612,824	(26,807,220,880)	27,256,833,704	-5962%

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Budget notes:

The National Health Insurance Fund (NHIF) was formally repealed under the Social Health Insurance Act (SHI) of 2023 and succeeded by the Social Health Authority (SHA). The SHA administers three distinct funds: the Social Health Insurance Fund (SHIF), the Primary Healthcare Fund (PHCF), and the Emergency, Chronic, and Critical Illness Fund (ECCIF). This transition represents a significant restructuring of Kenya's health financing architecture aimed at achieving universal health coverage and improving service delivery. All assets, liabilities, contracts and any obligations of NHIF have been transferred to SHA in line with the SHI Act of 2023.

Reasons for Performance Difference:

The financial year 2024/25 represents the final operational period for NHIF following its repeal under the Social Health Insurance Act of 2023. During this period, NHIF has experienced higher expenditure utilization relative to revenue collection, primarily attributable to a provision for doubtful debts totalling KES 22 billion. This provision has been necessitated by outstanding receivables from the National Government, County Governments, and certain parastatals, which have remained unpaid for periods exceeding twelve months. In accordance with established accounting policies and prudent financial management practices, Management has deemed it necessary to create this provision to reflect the realistic collectability of these debts.

Way Forward:

The Authority remains committed to pursuing the recovery of outstanding NHIF receivables to ensure adequate cash flow for the settlement of existing payables and the maintenance of operational continuity. These legacy debts have been incorporated into the funding requirements of the SHA to ensure the Government prioritizes them in the upcoming budget period. This is aimed at ensuring that the transition does not compromise service delivery or the financial sustainability of the new health financing system, SHA.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	(26,807,220,881)
1	Less: Trade Receivable	(19,750,123)
2	Less: Other Receivables	(11,081,596)
3	Add: Provision for Doubtful debts	22,018,970,482
4	Add: Prior Period claims processed	4,753,796,655
5	Add: IBNR Reserves at the end of the year	(40,679,689,778)
6	Add: Trade payables	39,454,567,013
7	Add: Fund payables	307,085,255
8	Add: Other payables	456,358,513
9	Add: Tax payables	160,678,216
10	Add: Provision for liabilities	492,577,385
11	Add: Deferred Income	69,784,916
	Closing Cash and Cash Equivalent as per the statement of Cash flows	195,576,058

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21. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

NHIF is established by and derives its authority and accountability from Social Health Insurance Act. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is receiving of contributions and paying of benefits to its members.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in [Note 5](#).

The financial statements are presented in Kenya Shillings (Kes), which is also the functional and reporting currency of NHIF, and all values are rounded off to the nearest Kenya shillings.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, IPSAS 24, Social Health Insurance Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes.

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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i. New and amended standards and interpretations in issue and effective in the year ended 31 December 2024.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. <i>The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.</i>	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss. <i>The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.</i>	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.	1 January 2026. Earlier application is permitted.

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The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2024.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. <i>The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.</i>	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19. <i>The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.</i>	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

iii. Early adoption of standards

NHIF did not early – adopt any new or amended standards in the 2024/2025 financial year.

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4. SUMMARY OF ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is measured based on the consideration to which the Fund expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. NHIF recognizes revenue when it transfers control of a service to a customer. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Fund's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Fund's activities as described below.

- i) Revenue is recognized in the year in which the Fund delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Finance income comprises interest receivable from bank deposits and investment in securities and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iii) Rental income is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- iv) Other income is recognized as it accrues.

b) Benefit Expenses (Claims)

These are payments on claims to health care providers and general claimants arising from hospitalization and any other goods or services incurred by the Fund for the direct benefit of the contributor in the approved and accredited health care providers. Health care providers report claims upon admission by way of notification and upon discharge, the health care provider presents the claims to the Fund for payment. Claims are recognized as liabilities only after verification. The average length of stay in the health care providers is 5 days. Claims not received within 90 days from date of discharge are not admissible.

At the close of business on 30 June of the financial period, any valid claims not presented to the Fund are automatically accounted for in the subsequent financial period.

c) In-kind contributions

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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d) Property, Plant and Equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items and are recognised in profit or loss in the income statement.

e) Depreciation And Impairment Of Property, Plant And Equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of on-going but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates as guided by National Treasury policy on assets depreciation are:

ASSET/ ASSET CLASS	ASSET LIFE/ LEASE PERIOD	PERCENTAGE DEPRECIATION
Land	999 years	0%
Buildings and Civil Works	40 years	2.5%
Plant and Machinery	8 years	12.5%
Motor Vehicles & Motorcycles	5 years	20%
Computers and Related Equipment	3 years	33.3%
Office Equipment	8 years	12.5%
Furniture and Fittings	5 years	20%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

f) Intangible Assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

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g) Amortizations and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

h) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

i) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

j) Fixed Interest Investments (Bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. The bonds are measured at cost.

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k) Unquoted Investments

Unquoted investments stated at cost under non-current assets and comprise equity shares held in other Government owned or controlled entities.

l) Trade and Other Receivables

Trade and other receivables are recognised at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

m) Taxation

The Fund measures amounts expected to be paid or recovered from the taxation authority (KRA) based on NHIF's earned rental income. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the area where the Fund's properties operate and generates taxable income.

The Fund is an appointed agent for Withholding tax and Value Added Tax. Tax payable for the current period and prior periods are measured at the amounts expected to be paid to the tax authorities and in accordance with the VAT Act and the income Tax act. Withholding tax expense relates to Interest on investment and is deducted from Surplus before taxation.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

o) Trade & Other Payables

These payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Fund or not, less any payments made to the suppliers.

p) Retirement Benefit Obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2001. The scheme is administered by a Board of Trustees comprising both member-elected and sponsor-appointed trustees. It is funded by contributions from both the company and its employees.

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The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KES. 2,160 per employee per month.

q) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

r) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

s) Budget information

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under **page 5** of these financial statements.

t) Comparative Figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

u) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended December 31, 2024.

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5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the NHIF financial statements in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared.

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by NHIF.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.

c) Provisions

Provisions for bad and doubtful debts when raised, management determines an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

d) Incurred But Not Reported (IBNR)

The Fund estimates liabilities for claim-generating events that have taken place but have not yet been reported to the insurer at the reporting period. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period. The IBNR estimates form part of NHIF's reserves in the Statement of financial Position.

These estimates are supported by a certificate issued by a competent actuarial consultant.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUES)

6. NATIONAL HEALTH SCHEME (NHS)	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
Statutory Contribution	10,348,513,124	34,724,000,681
Self Employed Contributions	2,068,294,601	5,283,335,577
Penalties	69,018,009	237,398,371
Total Contributions	12,485,825,734	40,244,734,629
Expenses:		
Group Life Expenses	-	45,300,000
Outpatient Expenses	1,833,672,653	7,369,935,440
Inpatient Expenses	3,304,603,569	11,800,176,870
Specialized Benefits Package	6,356,551,157	18,248,101,731
Evacuation Services Expenses	-	245,061,022
IBNR Claims (Actuarial Estimate)	-	397,494,920
Total Expenses	11,494,827,379	38,106,069,983
(Deficit) Surplus for the Period	990,998,355	2,138,664,646

Contributions are recognized in accordance with the NHIF Act, through employee contributions and voluntary contributions. This forms the primary health insurance cover for all members and declared dependants as provided in the NHIF Act.

The medical benefits paid out to health care facilities for medical services rendered to members of the national scheme has seen a significant growth trend in recent years due to high level of awareness of what NHIF's 'Supa Cover' pays for as benefits.

7. GOK SPONSORED INDIGENTS (UHC)

Premiums	1,500,000,000	6,000,000,000
Total Contributions	1,500,000,000	6,000,000,000
Expenses:		
Outpatient Expenses	355,126,175	1,279,609,455
Inpatient Expenses	631,175,665	1,248,290,950
Specialized Benefits Package	530,945,265	1,078,602,804
IBNR Claims (Actuarial Estimate)	-	-
Total Expenses	1,517,247,105	3,606,503,209
Surplus (Deficit) for the Period	(17,247,105)	2,393,496,791

The Fund entered into a Memorandum of Understanding with the government to provide medical insurance cover to indigents and the vulnerable in the country. The scheme was launched by H.E the President launched the scheme on 7th February 2022 in Mombasa County.

Under this medical insurance, principal members together with their dependents are entitled to outpatient & inpatient care and the specialized benefits package.

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8. CIVIL SERVANTS (CS) SCHEME

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
Premiums	2,608,913,182	5,817,746,682
Statutory Contributions	439,444,800	1,757,779,200
Ex-gratia fund	9,870,417	161,872,240
Premiums & Contributions	3,058,228,399	7,737,398,122
Expenses:		
Group Life Expenses	-	2,740,000
Administrative Expenses	301,000	821,950
Outpatient Expenses	3,486,121,265	4,328,004,021
Inpatient Expenses	2,273,890,297	2,204,277,477
Specialized Benefits Package	62,180,816	1,740,797,596
Evacuation Services Expenses	-	5,071,772
Ex-gratia Expenses	9,870,417	161,872,240
IBNR Claims (Actuarial Estimate)	-	570,479,461
Total Expenses	5,832,363,795	9,014,064,517
(Deficit) Surplus for the Period	(2,774,135,396)	(1,276,666,395)

The Fund entered into a contract with the government to provide enhanced medical insurance cover to civil servants and their dependants. The civil Servants scheme is now in its 12th year since inception on 1st January 2012. As at 30th June 2024 the scheme had a membership of 122,068. Under this medical insurance, principal members together with their dependents (M+6) are entitled to outpatient & inpatient care, group life and last expense cover.

The Outpatient cover caters for all outpatient procedures including dental & optical services while inpatient cover is received in NHIF accredited facilities and includes all inpatient procedures. All scheme members have been assigned limits for both outpatient and inpatient benefits in the current 2023-2024 contract. This is a departure from previous year when civil servants in job categories A-K used the capitation model of healthcare financing to receive outpatient services.

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9. EDUAFYA MEDICAL SCHEME (LAPSED)

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
Premiums	-	2,545,302,046
Expenses:		
Group Life Expenses	-	235,000,000
Administrative Expenses	-	208,720,145
Outpatient Expenses	-	1,166,377,798
Inpatient Expenses	-	1,011,485,144
Specialized Benefits Package	-	577,420,114
Evacuation Services Expenses	-	-
IBNR Claims (Actuarial Estimate)	-	198,620,256
Total Expenses	-	3,397,623,458
Surplus (Deficit) for the Period	-	(852,321,412)

The Ministry of Education contracted NHIF to provide medical insurance to all public secondary school students for the duration of their study in line with the Government Agenda of achieving Universal healthcare coverage. The Fund was expected to cover at least 3.6 million students enrolled in public secondary schools. Students were the primary participants of this cover, and they received inpatient, outpatient, dental, optical, last- expense, and group life benefits. They accessed outpatient services under the Fixed Fee For Service (FFFS) model in contracted health care facilities.

The scheme lapsed on 31st December 2023 with a membership of 3,000,000.

10. HISP - OVC PROGRAM

Premiums	533,625,000	1,520,400,000
Expenses:		
Outpatient Expenses	19,068,468	62,512,179
Inpatient Expenses	189,323,000	332,300,620
Specialized Benefits Package	89,424,259	209,253,141
IBNR Claims (Actuarial Estimate)	-	(5,608,614)
Total Expenses	297,815,727	598,457,325
Surplus (Deficit) for the Period	235,809,274	921,942,675

The Health Insurance Subsidy program for orphaned and vulnerable children (HISP-OVC) scheme is administered by the Fund in partnership with the Ministry of Health. The program is aimed at providing comprehensive medical cover to a selected households with orphaned and most vulnerable children in Kenya. The membership has increased over time to 253,400.

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11. HISP - OPPSD PROGRAM

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
Premiums	112,500,000	352,800,000
Expenses:		
Outpatient Expenses	3,144,050	7,861,843
Inpatient Expenses	47,630,269	82,525,534
Specialized Benefits Package	38,498,919	80,770,728
IBNR Claims (Actuarial Estimate)	-	(62,855)
Total Expenses	89,273,238	171,095,250
Surplus (Deficit) for the Period	23,226,762	181,704,750

The Government through the Ministry of Health entered into an MOU to administer a Health Insurance Subsidy program for Older Persons and Person's with severe disabilities (HISP- OPPSD). This is in line with the Constitutional requirement for the State to ensure widest possible enjoyment of the right to health while protecting the right to the highest attainable standard of health for all Kenyans. The Older Persons and Persons with Severe Disability program commenced in 2015 with a population of 42,000. The membership has increased overtime to 58,800.

12. COUNTY GOVERNMENT SCHEMES

Premiums	217,832,331	2,041,660,114
Statutory Contributions	97,490,250	854,157,646
Premiums & Contributions	315,322,581	2,895,817,760
Expenses:		
Group Life Expenses	17,140,000	42,710,000
Administrative Expenses	-	5,541,400
Outpatient Expenses	61,961,080	519,795,653
Inpatient Expenses	48,762,341	332,894,996
Specialized Benefits Package	63,224,018	386,348,052
Evacuation Services Expenses	-	2,203,884
IBNR Claims (Actuarial Estimate)	-	36,880,995
Total Expenses	191,087,439	1,326,374,980
Surplus (Deficit) for the Period	124,235,142	1,569,442,780

The Fund entered into a contract with County Governments to provide private medical insurance cover to their staff. The county government scheme started in 2014 and currently 25 counties have signed up with an overall scheme membership of 60,174.

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The benefits vary from one to the next entity as each county, county assemblies and executives negotiate for their own scheme benefits package. The benefits under county schemes include inpatient and outpatient benefits, dental and optical, and last expense and group life covers. The medical benefits are accessed through either capitation or Fixed Fee For Service (FFFS) depending on the benefits package negotiated with each county Government.

13. PARASTATALS MEDICAL SCHEMES

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
Premiums	1,596,357,623	1,790,185,261
Statutory Contributions	36,652,150	366,692,663
Premiums & Contributions	1,633,009,773	2,156,877,924
Expenses:		
Group Life Expenses	100,000	3,600,000
Administrative Expenses	9,396,156	37,093,646
Outpatient Expenses	237,078,105	741,629,397
Inpatient Expenses	138,657,613	495,585,135
Specialized Benefits Package	8,102,104	332,786,303
Evacuation Services Expenses	-	947,662
IBNR Claims (Actuarial Estimate)	-	687,361,326
Total Expenses	393,333,978	2,299,003,469
Surplus (Deficit) for the Period	1,239,675,795	(142,125,544)

The Fund entered into contracts with Parastatals to offer enhanced medical insurance cover to their employees at premiums negotiated separately with each corporation in line with the desired benefits. 43 Parastatals are included in this scheme. The entire membership of these Parastatals covered by the Fund during this period stood, at 21,921 and their benefits varied from one organization to the other.

The benefit package includes Inpatient, outpatient, dental, optical, last expense as well as group life. The mode of accessing medical benefits is largely capitation and Fixed Fee For Service in line with the negotiated benefits for each state corporation.

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14. RETIREES' MEDICAL SCHEMES (LAPSED)

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
Premiums	-	593,144,537
Statutory Contributions	-	10,794,000
Premiums & Contributions	-	603,938,537
Expenses:		
Group Life Expenses	-	5,225,000
Outpatient Expenses	-	259,197,865
Inpatient Expenses	-	350,353,823
Specialized Benefits Package	-	288,742,125
IBNR Claims (Actuarial Estimate)	-	120,349,657
Total Expenses	-	1,023,868,469
Surplus (Deficit) for the Period	-	(419,929,932)

The Fund entered into contracts with organizations for retired officers to offer enhanced medical insurance cover for their members at a premium. Included in the scheme is the Kenya Association of Retired Officers (KARO), CBK Pension Scheme, KENGEN Pension Scheme and Former Parliamentarians Association (FOPA).

15. LINDA MAMA PROGRAM

Premiums & Contributions	2,785,611,930	3,745,430,263
Expenses:		
Inpatient Expenses	924,573,777	1,177,061,830
Caesarean Delivery Expenses	397,454,913	576,314,400
Normal Delivery Expenses	1,140,151,766	1,778,324,567
Antenatal Expenses	323,322,124	475,409,614
Postnatal Expenses	109,350	57,440,113
IBNR Claims (Actuarial Estimate)	-	(319,120,262)
Total Expenses	2,785,611,930	3,745,430,263

This is a sponsored program by the government of Kenya through the Ministry of Health (MOH) targeting pregnant mothers from all backgrounds launched on 1st June 2013.

A memorandum of understanding was signed between the Government and NHIF to actualize the implementation of the program on 27th February 2017. The program targets all expectant mothers without insurance where mothers are entitled to access antenatal care, maternity services, postnatal care and care for new-born from NHIF contracted public as well as private health facilities. The MOU between NHIF and MOH provides that the Fund should reimburse Healthcare facilities for services rendered to the mothers.

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16. WORK INJURY BENEFITS ACT CIVIL SERVANTS (*LAPSED*)

Premiums & Contributions	-	5,146,377,439
Expenses:		
WIBA Group Life Expenses	-	2,539,496,098
WIBA Administrative Expenses	-	543,850
WIBA Benefits Expenses	-	2,472,045,701
Total Expenses	-	5,012,085,650
Surplus (Deficit) for the Period	-	134,291,789

Work Injury Benefit Act (WIBA) Civil Servants scheme commenced on 15th April 2021 to compensate Public Service Commission employees for work related injuries and diseases contracted in the course of their employment. WIBA, Group Life, Last Expense and Group Personal Accident expenses under the scheme were outsourced to private Co-insurers and Facultative Insurers.

The scheme is currently inactive after the contract lapsed on April 15, 2024.

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17. RENTAL INCOME

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
Rent from Properties	135,769,008	271,260,830
Expenses:		
Cleaning Services	-	250,809
Maintenance of Property	-	7,235,185
Land Rates	-	20,325,833
Vat Expense - Property A/C	22,960,987	47,661,347
Total Expenses	22,960,987	75,473,174
Surplus (Deficit) before Tax	112,808,022	195,787,656
Tax Charge – Rent Income	33,842,406	58,736,297
Surplus (Deficit) After Tax	78,965,615	137,051,359

The rental incomes for NHIF come from several owned properties namely the NHIF building, NHIF Parking complex, Contrust house, and Meru building. All these properties are managed by GIMCO property agents, except for the Meru Building.

According to the Income Tax Act, expenses incurred wholly and exclusively in the production of rental income are allowable and deducted for purposes of determining the total income for NHIF during the period. A fixed rate of 30% is levied on the taxable rental income by the Kenya Revenue Authority.

18. OTHER INCOMES

Interest on Investments	27,471,449	685,596,807
Agency Commissions	1,156,139	2,326,124
Recoveries out of Provisions	-	201,300
Miscellaneous Receipts	230,640	9,614,058
Gain on Disposal	25,500	647,955
Total	28,883,728	698,386,244

Other incomes are those that accrue to the Fund from Short-term and Long-term Investments as well as services rendered to third parties. This consists of proceeds from sundry receipts (tender fees & card replacement charges), agency commissions as well as disposal of obsolete assets. The drop in income is due to decrease in investment income from investments.

Gain on disposal figure of Kshs. 25,500 relates to the disposal of motor vehicle KAY048V in July 2024.

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19. STAFF COSTS

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
Basic Salary	1,795,285,900	3,637,574,037
Gratuity / Pension Contributions	221,539,419	460,892,546
House Allowance	319,301,613	651,907,896
Staff Overtime Allowance	-	3,568,516
Commuter Allowance	127,671,937	260,088,168
Responsibility Allowance	13,812,900	27,399,192
N.S.S.F - Employer Contributions	22,338,720	32,191,560
Transfer Allowance	3,210,848	19,315,150
Acting Allowance	14,577,186	31,623,320
Hardship Allowance	16,491,318	34,396,789
Utilities	3,426,097	7,101,262
Non-Practicing Allowance	2,400,000	2,530,000
Leave Allowance	81,454,302	83,226,015
Housing Levy	34,433,371	59,643,167
Total	2,655,943,610	5,311,457,619

These are sum of all wages paid to employees as compensation, cost of employee benefits and payroll taxes paid by the Fund. The Management is committed towards Human resource strategic planning and the provision of equitable compensation as well as benefits to staff. It focuses on strategically aligning the Fund's human capital to the corporate strategic objectives.

The average number of employees at the end of the year was:

Employee Type	As at Dec 31 2024	As at June 30, 2024
Permanent employees – Management	574	584
Permanent employees – Unionisable	1,120	1,142
Temporary and contracted employees	7	7
TOTAL	1,701	1,733

The CEO and Directors are contracted for a three year renewable term whereas the Heads of departments, Managers and supervisors are on a permanent basis.

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20. BOARD EXPENSES

	As at Dec 31, 2024 KES	Restated Balance June 30, 2024 KES	Audited June 30, 2024 KES
Honoraria	240,000	1,541,333	1,541,333
Sitting Allowance	9,083,127	14,740,000	14,240,000
Accommodation and Subsistence	691,600	5,585,794	5,585,794
Board Training Expenses	-	40,000	40,000
Traveling Expenses	4,020	829,662	829,662
Mileage	10,500	20,672	20,672
Lunch Allowance	258,900	5,194,600	5,194,600
Board Medical Insurance	85,790	3,163,834	3,163,834
Telephone and Postage	20,000	205,667	205,667
Total	10,393,937	31,321,562	30,821,562

This expenditure caters for Board members sitting allowances, travelling expenses, meetings expenses, training on corporate governance and workshops. The expenditure is influenced by the number of full board and committee meetings, number of seminars, and travel activities.

21. OTHER OPERATING EXPENSES

	Dec 31, 2024 KES	June 30, 2024 KES
Staff Group Life Cover	-	92,786,763
Staff Medical Scheme	269,160,674	393,116,528
Staff GPA & WIBA Insurance	6,247,547	42,131,575
Bank Charges & Commissions	6,619,269	15,906,364
Subscriptions	789,361	10,194,917
Audit Expenses	-	9,280,000
Legal Expenses	10,850	313,397,973
Security & Safety Expenses	22,952,620	51,236,189
Transport Operating Expenses	19,202,362	120,457,836
Leasing Costs	28,503,611	153,078,894
Travel & Accommodation	10,839,865	234,639,568
Travel & Accommodation - Foreign	1,365,691	1,601,146
Seminars, Conferences, Workshops	1,643,700	15,878,842
Postage & Courier	2,125,860	10,434,534
Telephone, Mobile & Internet Services	6,513,495	26,253,751
Wide Area Network (WAN)	14,570,520	62,458,080
Bulk SMS	2,970,000	37,014,725
ISO Certification	-	10,188,736
Hospitality & Office Refreshments	11,782,377	39,950,547
Utility Costs - Electricity	3,743,074	12,573,380
Utility Costs - Water & Sewerage	429,844	1,090,184

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	Dec 31, 2024 KES	June 30, 2024 KES
Purchase of Cleaning Materials & Detergents	599,062	2,380,335
Stakeholder Engagement & Member Education	8,299,670	26,823,269
Newspapers/ Periodicals/ Books	-	18,792
Printing & Office Stationery	6,749,704	35,328,554
Advertising, Promotions & Publicity	24,373,729	61,125,221
Shows, Exhibitions & Trade Fairs	2,460,000	12,587,297
Cleaning Materials & Services	9,931,541	39,550,852
Computer Stationary & Material	196,100	15,959,077
Monitoring & Evaluation	7,291,515	-
Rental Expenses & Rates	134,716,031	287,894,709
CSR & Sponsorships	533,600	14,997,200
Insurances, Licenses & Permits	30,003,513	63,472,700
Staff Welfare	622,049	19,961,127
Capacity Building	31,492,197	98,842,862
Innovation, Research & Development	-	856,800
Software Licenses & Renewals	28,265,720	243,300,389
Maintenance of Office Equipment	486,639	5,531,411
Maintenance of Software & System Support	160,276,609	242,136,835
Maintenance of Property	483,310	2,272,718
Maintenance of IT Equipment	12,608,946	68,579,893
Management Consultancy Fee	-	7,601,840
Provision for Doubtful Receivables	17,594,753,345	-
Total	18,463,614,000	2,902,892,412

These are recurrent operating expenses that ensure the Fund operates and carries out its activities smoothly. They include expenses associated with the general administration of the organization.

During the period, new expenditure lines were introduced to align the statement with the year's budget formats according to Government Investment Management Information System (GIMIS) as guided by the National Treasury.

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22. a. PROPERTY, PLANT AND EQUIPMENT AS AT DECEMBER 31, 2024

	Land	Buildings	Motor Vehicles & Motorcycles	Computers & Related Equipment	Office Equipment, Furniture & Fittings	Capital Work In Progress	Total
COST	KES	KES	KES	KES	KES	KES	KES
As at July 1, 2024	298,589,665	9,775,278,064	387,697,500	3,407,947,401	2,697,475,072	1,444,687,484	18,011,675,186
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Cost as at December 31, 2024	298,589,665	9,775,278,064	387,697,500	3,407,947,401	2,697,475,072	1,444,687,484	18,011,675,186
DEPRECIATION							
As at July 1, 2024	-	2,473,239,918	375,280,968	1,304,319,953	1,225,466,619	-	5,378,307,458
Depreciation	-	68,065,909	2,963,212	33,507,188	28,019,076	-	132,555,384
On Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Depreciation as at December 31, 2024	-	2,541,305,827	378,244,180	1,337,827,140	1,253,485,695	-	5,510,862,842
Net Book Value December 31, 2024	298,589,665	7,233,972,237	9,453,320	2,070,120,261	1,443,989,378	1,444,687,484	12,500,812,344

IAS 16 establishes principles for recognizing property, plant and equipment as assets, measuring their carrying amounts, and measuring the depreciation charges and impairment losses to be recognized in relation to them. The Fund's assets include, land, buildings, motor vehicles & motorcycles, office equipment furniture & fittings and computer equipment.

Depreciation is on a straight-line basis as per clause 5.2.5 of NHIF's Financial Policy and Regulations (2017).

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b. PROPERTY, PLANT AND EQUIPMENT AS AT JUNE 30, 2024

	Land	Buildings	Motor Vehicles & Motorcycles	Computers & Related Equipment	Office Equipment, Furniture & Fittings	Capital Work In Progress	Total
COST	KES	KES	KES	KES	KES	KES	KES
As at July 1, 2023	298,589,665	9,771,266,564	387,697,500	3,350,644,150	2,697,475,072	1,444,687,484	17,950,360,435
Additions	-	4,011,500	-	57,303,251	-	-	61,314,751
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Cost as at June 30, 2024	298,589,665	9,775,278,064	387,697,500	3,407,947,401	2,697,475,072	1,444,687,484	18,011,675,186
DEPRECIATION							
As at July 1, 2023	-	2,337,108,101	369,354,544	1,251,545,825	1,169,971,713	-	5,127,980,183
Depreciation	-	136,131,817	5,926,424	52,774,127	55,494,906	-	250,327,275
On Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Depreciation as at June 30, 2024	-	2,473,239,918	375,280,968	1,304,319,953	1,225,466,619	-	5,378,307,458
Net Book Value June 30, 2024	298,589,665	7,302,038,146	12,416,532	2,103,627,448	1,472,008,454	1,444,687,484	12,633,367,728

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23. INTANGIBLE ASSETS

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
COST		
As at 1st July 2023	3,029,268,212	3,029,268,212
Additions	-	-
Transfer/ Adjustment	-	-
As at 30th June 2024	3,029,268,212	3,029,268,212
AMORTIZATION		
As at 1st July 2023	2,756,025,716	2,392,199,651
Charge for the year	181,913,032	363,826,065
Transfer/ Adjustment	-	-
As at 30th June 2024	2,937,938,748	2,756,025,716
NBV as at 30th June 2024	91,329,464	273,242,496

This comprises software purchased by the Fund and are amortized over a three-year period.

24. RECEIVABLE – SOUTH B ESTATE MORTGAGE

Balance at the beginning of the year	32,618	32,618
Less Payments Received in the Year	(32,618)	-
Balance at the end of the year	-	32,618

The Fund sold houses in South B estate to staff members through mortgage at a rate of 6%. Balances at the beginning of the year and balance as at December 31, 2024 are as shown above.

25. LONG TERM DEPOSITS

KCB Savings & Loan (Mortgage)	1,351,592,976	1,338,701,009
NBK (Car Loan)	58,832,869	58,378,086
Total	1,410,425,844	1,397,079,095

NHIF has held deposits in NBK and KCB as a guarantee for staff Car Loan and Mortgages respectively issued at negotiated interest rate to the Fund's employees. The schemes are negotiated at 5% per annum between NHIF and the appointed banks who are the scheme managers. The interest earned is shared between the fund and the administrators at 2% and 3% respectively as approved by the board.

These funds have been reported separately and reflected in the balance sheet as required by the PFM Act and PSASB templates and guidelines.

NATIONAL HEALTH INSURANCE FUND

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26. a). UNQUOTED INVESTMENTS

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
Consolidated Bank Shares (Non-performing)	54,200,000	54,200,000
MTRH Loan	106,571,097	120,736,974
Total Unquoted Investments	160,771,097	174,936,974
Less: Provision for Impaired Investments	(54,200,000)	(54,200,000)
Total	106,571,097	120,736,974

Shares held at Consolidated Bank Ltd comprised 590,000 ordinary shares valued at KES. 11,800,000 and 2,120,000 preference shares valued at KES. 42,400,000 totaling to KES. 54,200,000.

MTRH Loan refers to a loan advanced by the Fund to the Moi Teaching and Referral Hospital (MTRH) earning an interest of three percent (3%) per annum. The interest is recognized among interest on investments under other incomes.

b). IMPAIRED UNQUOTED INVESTMENTS

Consolidated Bank Shares	54,200,000	54,200,000
Total	54,200,000	54,200,000

IAS 36, Impairment of Assets, seeks to ensure that an entity's assets are not carried at a value greater than its recoverable amount (i.e., the higher of fair value less costs of disposal and value in use).

The KES. 54,200,000 in consolidated bank shares are non-performing ordinary and preference shares previously invested by the Fund. In accordance with IAS 36, provision has been made in the financial statements for impaired investments in order to appropriately reflect the recoverable amount of assets and impairment losses.

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27. TRADE RECEIVABLES

	As at 30th June 2024 KES	Restated Balance 2022/2023 KES	Audited 2022/2023 KES
Civil Servants Scheme Receivables	3,536,448,517	4,324,094,819	5,009,258,403
GOK Sponsored Indigents Receivable	4,000,000,000	2,500,000,000	1,000,000,000
County Scheme Receivable	377,024,429	159,192,099	159,192,099
HISP (OPPSD) Receivable	214,499,558	151,999,558	264,699,558
NPS&KPS Scheme Receivable	1,303,927,675	1,303,927,675	1,338,789,314
Parastatals Scheme Receivable	19,750,123	-	-
Linda Mama Receivable	2,098,000,000	1,336,888,070	-
HISP (OVC) Receivable	1,059,930,002	763,471,671	674,291,337
Outstanding Contributions	3,578,597,749	5,596,158,850	5,596,158,850
NPS/KPS Exgratia Receivable	334,865,139	334,865,139	334,865,139
WIBA – Civil Servants' Receivable	12,064,422,195	13,649,422,195	9,722,006,162
Total Receivables	28,587,465,388	30,120,020,075	24,099,260,862
Less Provisions for Doubtful Debts (Note 28b)	(17,239,284,787)	(111,241,933)	(111,241,933)
Total	11,348,180,600	30,008,778,143	23,988,018,929

The Fund recognizes revenue on an accrual basis, therefore, amounts relating to the period under review but not received are recognized as receivable. These amounts include monies owed to NHIF as at the end of the period by entities engaged by the Fund for its core business.

Gross Trade Receivables	28,587,465,388	-
Provision for Doubtful Receivables	(17,239,284,787)	-
Net Trade Receivables	11,348,180,600	-
Ageing analysis of gross trade receivables		
Over 120 Days	17,239,284,787	-
Total	17,239,284,787	-

28. a) OTHER RECEIVABLES

Electricity Deposit	1,394,385	1,394,385
Fuel Deposit	150,000	150,000
Hospital & Creditors Surcharges	125,774,262	117,095,897
Interest Receivable	-	5,934,066
Return to Drawer Cheques	14,254,831	14,589,681
Rent Deposit	59,132,904	58,763,954
Rent Receivable	331,531,735	293,416,745
Staff Medical Scheme Deposit	3,900,000	3,900,000
Staff Receivables	8,121,509	6,602,198
Sundry Prepayments	-	1,112,656
Sundry Debtors	60,825,823	53,589,525
Telephone Deposits	263,804	263,804

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Temporary Imprest	14,829,081	6,129,143
Total Receivables	620,178,333	562,942,052
Less: Provision for Doubtful Debt (Note 28b)	(544,255,646)	(77,545,157)
Total	75,922,688	485,396,896

These are amounts owed to the Fund as at the end of the period by entities and individuals. They include Staff, institutions, employers, healthcare facilities and government ministries.

Gross Other Receivables	620,178,333	-
Provision for Doubtful Receivables	(544,255,646)	-
Net Other Receivables	75,922,688	-
Ageing analysis of gross other receivables		
Over 120 Days	620,178,333	-
Total	620,178,333	-

b) PROVISION FOR DOUBTFUL DEBTS

As at
Dec 31, 2024
KES

Audited
June 30, 2024
KES

Provision for Doubtful Trade Receivables		
Outstanding Contributions	3,578,597,749	111,241,933
Civil Servants Scheme Receivables	356,375,210	-
GOK Sponsored Indigents Receivable	2,000,000,000	-
HISP (OPPSD) Receivable	188,099,558	-
NPS/KPS Scheme Receivables	1,060,063,156	-
Linda Mama Receivable	1,049,000,000	-
HISP (OVC) Receivable	1,011,230,001	-
WIBA – Civil Servants' Receivable	7,995,919,114	-
Sub-total	17,239,284,787	111,241,933
Provision for Doubtful Other Receivables		
Staff Receivables	4,399,854	678,199
Temporary Imprest	7,469,141	109,200
Return to Drawer Cheques	14,254,831	14,589,681
Rent Receivable	331,531,735	29,327,052
Sundry Debtors	60,825,823	7,246,750
Hospital & Creditors Surcharges	125,774,262	25,594,275
Sub-total	544,255,646	77,545,157
Total	17,783,540,433	188,787,089

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis as per IAS 36. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

The Fund's financial policy and regulations (2017) clause 4.3.4.2 on provision for doubtful debt, allows 100% inclusion of amounts overdue for debts aged over 24 months, unless payment plans are in place and are being adhered to.

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29. SHORT TERM INVESTMENTS

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
KCB Call Deposit	112,580,471	100,000,000
Total	112,580,471	100,000,000

These are short-term investments in call deposits and Treasury Bills held for periods less than one year.

30. CASH AND BANK BALANCES

Cash in Hand	12,794	22,794
Cash at Bank	82,982,792	1,197,738,023
Total	82,995,586	1,197,760,818

Cash at bank balances are funds held at Cooperative Bank of Kenya, Equity Bank, National Bank of Kenya, NCBA, Safaricom and Kenya Commercial Bank. The **KES 82.9 million** is cash held in collection accounts and cash mopped up to pay claims processed at the end of the period.

FINANCIAL INSTITUTION	PURPOSE OF ACCOUNT	ACCOUNT NUMBER	AMOUNT
a) Current Account			
Kenya Commercial Bank	Collection - NHIF	1107111226	119,499
Kenya Commercial Bank	Settlement - NHIF	1167080416	121,600
Equity Bank	Collection - NHIF	170263180280	-
Equity Bank	Operations NHIF	170273733939	47,793,496
Equity Bank	Settlement - NHIF	170263318584	-
National Bank of Kenya	Collection - NHIF	1023033223900	4,197,893
National Bank of Kenya	Operations NHIF	1003000904002	21,558,908
National Bank of Kenya	Operations NHIF	1023000904000	1,104,222
National Bank of Kenya	Settlement - NHIF	1003000904001	-
Cooperative Bank of Kenya	Operations NHIF	1141162180500	6,718,191
Cooperative Bank of Kenya	Collection - NHIF	1136011317300	1,541
Cooperative Bank of Kenya	Collection - NHIF	1141011317300	13,755
NCBA APL Collection account	Collection - NHIF	4783380012	(983)
Safaricom	Collection - NHIF	M-pesa Pay Bill	-
E-Citizen	Collection - NHIF	222 222	1,354,670
Total			82,982,792

NATIONAL HEALTH INSURANCE FUND

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31. ACCUMULATED FUND

	As at Dec 31, 2024 KES	Restated Balance June 30, 2024 KES	Audited June 30, 2024 KES
Balance at the beginning of the Year	12,209,923,340	-	12,209,923,340
Changes in the Year	-	-	-
Balance at the end of the Year	12,209,923,340	-	12,209,923,340

These are capital funds held by NHIF and represented by the Fund's various accumulated fixed assets. There were no changes to the accumulated Fund during the period.

32. RETAINED EARNINGS

Balance at the beginning of the Year	(5,908,148,751)	(2,532,261,569)	12,973,891,133
Changes in the Year	(21,514,007,794)	(3,375,887,182)	(3,375,387,182)
Balance at the end of the Year	(27,422,156,545)	(5,908,148,751)	9,598,503,951

The Fund made a Deficit after tax of **KES. 21,514,007,794** in the 2024/2025 FY compared to a deficit of **KES. 3,375,887,182** in the same period last year.

33. INCURRED BUT NOT REPORTED (IBNR) CLAIMS

IBNR at the beginning of the year	40,679,689,778	38,993,294,895	19,641,338,962
Add: IBNR for the year	-	1,686,394,884	1,686,394,884
IBNR Reserves at the end of year	40,679,689,778	40,679,689,778	21,327,733,846
Less:			
Prior years claims at the Beginning	(35,925,893,124)	(23,564,624,311)	(23,564,624,311)
Prior period claims processed in the year	(4,753,796,655)	(12,361,268,813)	(12,361,268,813)
Prior years claims at the end	(40,679,689,778)	(35,925,893,124)	(35,925,893,124)
Net IBNR Reserves at the end of the year	-	4,753,796,655	(14,598,159,278)

Incurred but Not Reported (IBNR) — an estimate of the liability for claim-generating events that have taken place but have not yet been reported to the insurer or self-insurer. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period. The IBNR, therefore, form part of an entity's reserves in the Statement of financial Position.

The Fund's IBNR estimates are computed by on a quarterly/annual basis and included in the Financial Statements. The IBNR estimates are supported with a certified certificate by a competent actuarial consultant.

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34. FUND PAYABLES

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
NHIF Fund Payables - SHIF	307,085,255	-
Total	307,085,255	-

During the year, NHIF had a payable balance of **KES 307,085,255** to SHA.

Aging Analysis for Fund Payables

Description	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Under one year	307,085,255	100%	-	0%
Total	307,085,255		-	

35. DEFERRED INCOME

NHS Deferred Income	-	893,213,504
Parastatal schemes Deferred income	-	1,393,434,933
CS Exgratia Payable	64,784,916	74,655,333
County Schemes Exgratia Payable	5,000,000	5,000,000
Total	69,784,916	2,366,303,770

Deferred income are funds remitted by entities for contractual engagements for periods subsequent to the period under review. These funds are held in the books as current liabilities due within 12 months and are to be recognized as revenues in the reporting period they relate to.

36. TRADE PAYABLES

	As at Dec 31, 2024 KES	Restated Balance June 30 2024 KES	Audited June 30, 2024 KES
a) Hospital Claims Payable			
Inpatient Claims	29,943,154,309	22,643,321,488	20,389,066,238
Outpatient Claims	3,576,916,782	989,063,214	989,063,214
Total Hospital Claims	33,520,071,092	23,632,384,702	21,378,129,452
b) WIBA Claims Payable			
WIBA Benefits	5,934,495,922	7,499,135,395	7,499,135,395
Total WIBA Claims	5,934,495,922	7,499,135,395	7,499,135,395
Total Trade Payables	39,454,567,013	31,131,520,097	28,877,264,847

These are claims owed to healthcare providers who offer services to the Fund's registered members arising from hospitalization. The amounts were outstanding as at close of business on December 31, 2024. WIBA balance remained outstanding as premiums have not been received.

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37. OTHER PAYABLES

	As at Dec 31, 2024 KES	Restated Balance June 30, 2024 KES	Audited June 30, 2024 KES
Accruals	255,629	13,190,429	12,690,429
Agency General Payment (Staff Payables)	1,682,367	1,682,367	1,682,367
Agency: Group Personal Life/ Ac	643,163	643,163	643,163
Legal Fees NHIF Tenants	157,000	157,000	157,000
Staff Pension Payable	(4,000)	1,046,306	1,046,306
Rent Deposits	26,301,695	25,361,178	25,361,178
Contributions Refunds	940,922	2,042,731	2,042,731
Retention Money	287,500	671,534	671,534
Rockefeller Foundation Grant	12,415	12,415	12,415
Salary Clearance Accounts	138,299,934	221,000,378	221,000,378
Tender Refundable Deposits	1,906,000	1,906,000	1,906,000
Trade Creditors	193,402,288	629,197,310	629,197,310
Unapplied Funds Control Account	5,644,086	6,512,721	6,512,721
Korea Foundation for International	572,702	572,702	572,702
International Labour Org (ILO)	1,981,959	1,981,959	1,981,959
V.A.T Agency A/C – Creditors	62,525,307	75,023,792	75,023,792
V.A.T Payable – Rental Income	(36,410,785)	1,281,721	1,281,721
W.H.T Payable - Creditors	33,826,655	35,311,039	35,311,039
Sundry Payables	26,285,441	25,672,234	25,672,234
Total	456,358,513	1,043,266,978	1,042,766,978

These are a mix of SHA's short-term commitments and liabilities owed to other entities as at the end of the period. Commitments and Liabilities arise when economic value has accrued to the Fund. These balances are as a result of the timing factor of the invoice due dates and reporting date.

Aging Analysis for Other Payables

Description	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Under one year	1,553,724	1%	-	0%
Under one year	454,804,789	99%	-	0%
Total	456,358,513		-	

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38. TAX PAYABLE

	As at Dec 31, 2024 KES	Audited June 30, 2024 KES
Income Tax Payable - Rental Income	155,155,120	121,312,714
W. H. Tax on Rent	5,523,096	5,380,581
Total	160,678,216	126,693,294

These are amounts withheld at source based on the nature of the tax item. 30% is levied on the taxable rental income, 15% is imposed on interests earned from all SHA's investments and 10% on rent payable to Fund's landlords. These amounts are payable to KRA.

39. PROVISION FOR LIABILITIES

Provision for Civil Servants Scheme	150,056,674	150,056,674
Provision for External Audit Fees	14,280,000	14,280,000
Provision for Board of Survey	-	462,000
Provision for Open Heart Surgery	267,900	267,900
Provision for IRMS	297,123,353	297,123,353
Provision for Pending Staff Emoluments	27,096,634	27,096,634
Provision For Salary Arrears	3,752,824	3,752,824
Total	492,577,385	493,039,385

- The provision of KES 150,056,674 for the Civil Servants Scheme represents the remaining amount as per IAS 37. This provision is set aside for pending fee-for-service claims and capitation payments for various hospitals, including Clinix and Meridian hospitals.
- NHIF has allocated KES 14,280,000 for pending Kenya National Audit Office 2022/2023 FY Invoice and current 2023/2024 audit fees.
- A balance of KES 267,900 is in the provision for sponsorship for the Open heart surgery program. The Fund still has a few invoices pending as unpaid. However, due diligence is being undertaken before payments are made as the matter has been picked up for investigation.
- The provision balance of KES 297,123,353 was set up for the Integrated Revenue Management System (IRMS) pending adjudication of the case lodged.
- Management has provided KES 27,096,634 for pending staff emoluments related to staff on disciplinary cases and accrued CEO & Directors gratuities. Additionally, there is a remaining balance of KES 3,752,824 for staff arrears pertaining to inactive staff who left the organization and had not received their final dues as at December 31, 2024.

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40. NOTES TO THE STATEMENT OF CASH FLOWS

As at
Dec 31, 2024
KES

Audited
June 30, 2024
KES

a) Reconciliation of Operating Surplus to Cash Generated from Operations

Operating Surplus	(21,480,165,388)	(3,317,150,885)
Depreciation	132,555,384	250,327,275
Amortization	181,913,032	363,826,065
Gain on Disposal	(25,500)	(647,955)
Interest From Investments	(27,471,449)	(685,596,807)
Operating Surplus before Working Capital Changes	(21,193,193,920)	(3,389,242,307)
Working Capital Changes		
(Increase)/decrease in Prior Year Adjustments	-	6,100,058,482
(Increase)/decrease in Trade Receivables	18,660,597,543	(10,774,370,485)
(Increase)/decrease in Other Receivables	409,474,208	9,924,310
(Increase)/decrease in Fund Payables	307,085,255	-
Increase /(Decrease) in Trade Payables	8,323,046,916	14,611,954,962
Increase /(Decrease) in Deferred Income	(2,296,518,854)	(4,893,324,919)
Increase /(Decrease) in IBNR Reserves	(4,753,796,655)	(12,929,129,179)
Increase/(Decrease) in Other Payables	(586,908,464)	314,747,541
Increase/(Decrease) in Tax Payable	33,984,921	58,120,752
Increase/(Decrease) in Provisions	(462,000)	(342,210,809)
Net Working Capital Changes	20,096,502,871	(7,844,229,345)
Cash Generated from Operations	(1,096,691,050)	(11,233,471,652)

b) Analysis of cash and cash equivalents

Short term deposits	112,580,471	100,000,000
Cash at Bank	82,982,792	1,197,738,023
Cash in Hand	12,794	22,794
Total	195,576,058	1,297,760,818

41. CAPITAL COMMITMENTS

There were no capital commitments in the year under review.

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42. CONTINGENT ASSETS & LIABILITIES

CONTINGENT LIABILITIES	As at December 31, 2024	Audited 30th June 2024
	KES	KES
Total claims on all court cases filed against the Fund	14,249,131,557	14,249,131,557
Total legal fees on all court cases filed against the Fund	361,841,423	361,841,423
KRA Tax Assessment on Corporation tax (2009 - 2012)	-	373,887,520
TOTAL	14,610,972,980	14,984,860,500

The Fund has a civil suit filed by Clinix Healthcare in the High Court of Kenya, Milimani Commercial Courts (Civil suit No.35 of 2018). The Plaintiff filed the claim to be paid for services offered to Civil Servants and Disciplined Services Medical Pilot project. As the amount to be awarded by the courts cannot be determined, this contingent liability is hereby disclosed by way of note as per IAS 37.

M/s Webtribe Ltd, trading as Jambo pay filed a case in the High Court of Kenya, Milimani Commercial Courts (Commercial suit No. E152 of 2021). The Plaintiff filed the claim to be paid for costs relating to the installation of Integrated Revenue Management System. As the amount to be awarded by the courts cannot be determined, this contingent liability is hereby disclosed by way of note as per IAS 37. Baseline Architects vs NHIF one of the Karen land related cases, Court of Appeal delivered on 2nd December 2022 upholding the High Court decision and thus saving the Fund approximately Kshs 2.2 billion. This amount had been awarded by the Arbitrator. Advocates fees is pending.

Counterclaim filed by NHIF against Web Tribe Limited for the approximate sum of Kshs 82,000,000. These are contributions paid into their accounts but not remitted/forwarded to NHIF accounts as required in the contract.

The KRA Commissioner issued NHIF with a Kes 1,159,949,072 demand in relation to corporation tax additional and default assessments between 2009 and 2012 arising from non-declaration of corporation income. NHIF objected the obligation citing Section 45A of the First Schedule to the Income Tax Act (Cap 470), listing NHIF income as exempt. The matter is yet to be concluded and hereby disclosed by way of a note as per IAS 37.

43. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse

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effect of such risks on its performance by setting acceptable levels of risk. NHIF does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

NHIF's financial risk management objectives and policies are detailed below:

a) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. NHIF has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The Fund's exposure and the credit rating of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by setting counterparty limits that are reviewed and approved by management at regular interval.

Trade receivables consist of a large number of clients, spread across diverse geographical areas. On an ongoing basis, a credit evaluation is performed on the financial condition of the clients. The credit risk on bank balances and short-term deposits is limited because the counterparties are banks with high credit ratings assigned by the banking regulatory authority. As at the end of the reporting period, no collateral was being held as a means of mitigating the risk of financial loss from default.

The clients under the fully performing category are paying their debts as they continue benefiting. The default rate is low. Part of the debt that is past due is not impaired and continues to be paid. The finance department is actively following up this debt. The debt that is impaired has been fully provided for. However, the finance department is pursuing various measures to recover the impaired debt.

b) Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has developed and put in place an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. NHIF manages liquidity risk by maintaining adequate reserves, banking facilities and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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At End of the Year	2024/2025 KES	2023/2024 KES
Trade Payables	39,454,567,013	31,131,520,097
Fund Payables	307,085,255	-
Tax Payable	160,678,216	126,693,294
Other Payables	456,358,513	1,043,266,978
Provisions	492,577,385	493,039,385
Deferred Income	69,784,916	2,366,303,770
Total	40,941,051,299	27,265,873,788

The short-term obligations have increased from 35B to 40B majorly driven by hospital claims payable and WIBA payables. This poses a risk in case of a shortfall in collections or in case of delays in remittances of premiums by the National Government.

The risks would include failure in meeting payment obligations when they fall due which would affect access to benefits by members and discontent among providers.

c) Market Risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the organization's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

Financial Services Directorate is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

d) Interest rate risk

Interest rate risk is the risk that the organization's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from bank

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deposits. This exposes the organization to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the organization's deposits.

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

e) Reputational risk

Reputational risk refers to the potential for negative publicity, public perception or uncontrollable events to have an adverse impact on an organization's reputation.

To manage reputational risk management has set up a 24-hour call centre that has seen customer calls received rise from 200 to 3000 per day. This has helped the Fund understand its customer expectations better and enabled it to focus on creating a positive image and communication. The Fund has also established a division in its structure mandated with the reconciliation of claims launched by healthcare providers. Transparency and clear communication in processing of claims will ensure that our healthcare providers are satisfied with our processes.

f) Sensitivity analysis

NHIF analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

i) Foreign exchange risk

The Board does not undertake transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations do not arise.

ii) Price risk

The company does not hold investments that would be subject to price risk hence the risk is not relevant.

g) Capital risk management

NHIF manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balances.

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The capital structure of the Fund comprises the following funds:

CAPITAL RISK MANAGEMENT	2024/2025 KES	2023/2024 KES
Capital reserve	12,209,923,340	12,209,923,340
Retained earnings	(27,422,156,545)	(5,908,148,751)
IBNR Claims Reserves	-	4,753,796,655
Revaluation reserve	-	-
TOTAL	(15,212,233,205)	11,055,571,244

44. RELATED PARTY DISCLOSURES

a) Nature of related party relationships

Companies and other parties related to the company include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The Fund is related to:

- i. Government of Kenya
- ii. Social Health Authority
- iii. The National Treasury and Planning
- iv. Other Ministries, Departments and Agencies
- v. County Governments
- vi. GOK Facilities
- vii. Semi-Autonomous Government Agencies
- viii. Key management and
- ix. Board of Directors

b) Related Party Transactions

The GOK has provided full guarantees to all long-term lenders of the Fund, both domestic and external.

GOK finances the GOK Sponsored Indigents' (UHC), Civil Servants Medical, Edu Afya Medical, HISP - OVC & HISP - OPPSD, County, Parastatals, Linda Mama and Work Injury Benefit Act (WIBA) Schemes. The transactions have been shown under notes 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18 & 34 respectively.

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Description	DEC 31, 2025	JUNE 30, 2024
	KES	KES
a) Grants / Premiums from the government		
Premiums from Ministry of Public Service	3,396,507,984	-
Grants from Ministry of Health State Department of Medical Services (OPPSD)	50,000,000	-
Premiums from Various Parastatals	183,172,567	
Premiums from Ministry of Public Service - WIBA	1,585,000,000	
Grants from Ministry of Health State Department of Medical Services (HISP)	237,166,669	
Grants from Ministry of Health State Department of Medical Services (LINDA MAMA)	2,024,500,000	
Total	7,476,347,220	-

45. INCORPORATION

The National Health Insurance Fund (NHIF) was first established under the National Hospital Insurance Fund Act (Cap. 255 of the Laws of Kenya) in 1966, transformed into a state corporation by the National Hospital Insurance Fund Act, No. 9 of 1998.

The Fund is now transitioning to the Social Health Authority with the enactment of the Social Health Insurance Act, No. 16 of 2023.

46. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non-adjusting events after the reporting period.

47. CURRENCY

The quarterly financial statements are presented in Kenya Shillings (KES).

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22. APPENDICES

APPENDIX I: DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

	Balance as at December 31, 2024	Balance as at June 30, 2024	Account Number
FINANCIAL INSTITUTION	KES	KES	
a) Current Account			
Kenya Commercial Bank	119,499	286,762,600	1107111226
Kenya Commercial Bank	121,600	-	1167080416
Equity Bank	-	526,021,364	170263180280
Equity Bank	47,793,496	41,923,295	170273733939
Equity Bank	-	41,000	170263318584
National Bank of Kenya	4,197,893	20,044,480	1023033223900
National Bank of Kenya	21,558,908	7,374,701	1003000904002
National Bank of Kenya	1,104,222	1,021,369	1023000904000
National Bank of Kenya	-	86,008	1003000904001
Cooperative Bank of Kenya	6,718,191	37,438,617	1141162180500
Cooperative Bank of Kenya	1,541	220,004,194	1136011317300
Cooperative Bank of Kenya	13,755	6,600	1141011317300
NCBA APL Collection account	(983)	2,584,038	4783380012
Safaricom	-	97,964	M-pesa Paybill
E-Citizen	1,354,670	54,331,794	222 222
Sub-Total	82,982,792	1,197,738,023	
b) On - Call Deposits			
National Bank of Kenya	-	-	
Kenya Commercial Bank	112,580,471	100,000,000	
Central Bank of Kenya	-	-	
Equity Bank	-	-	
NCBA	-	-	
Sub- total	112,580,471	100,000,000	
c) Staff Car Loan & Mortgage			
Savings & Loan - Mortgage	1,351,592,976	1,338,701,009	1100162666
NBK - Car Loan - Deposit a/c	44,165,758	43,710,975	1288032515200
NBK - Car Loan - Interest a/c	14,667,111	14,667,111	1021032515200
Sub- total	1,605,989,108	1,397,079,095	
Grand Total	1,605,989,108	2,694,817,119	

SOCIAL HEALTH AUTHORITY

Annual Report and Financial Statements for the year ended June 30, 2024

APPENDIX II- IMPLEMENTATION STATUS OF AUDITOR-GENERAL PRIOR YEAR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor in the financial report for the year ended 30th June 2024, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
BASIS FOR ADVERSE OPINION					
1	Misstatement of National Health Scheme Contributions The statement of profit or loss and other comprehensive income reflects the national health scheme contributions of Kshs.40,244,734,629 and as disclosed in Note 6 to the financial statements. Included in the amount is statutory contributions of Kshs.34,724,000,681 whose analysis of system-generated e-slip acknowledgment records (generated from NHIF systems by employers), e-slip payment records (generated after payment in bank), and the standard contribution ledger indicated an amount of Kshs.27,175,999,300 resulting to an unexplained variance of Kshs.7,548,001,381. Further, analysis revealed that 25,477 records valued at Kshs.1,987,437,057 were duplicated. In addition, analysis of the individual e-slip acknowledgment records revealed that 7,235 records valued at Kshs.260,029,045 were not for the year under review and 20,932 records valued at Kshs.1,759,408,611 lacked valid dates. In the circumstances, the accuracy and completeness of statutory contributions amount of Kshs.34,724,000,681 could not be confirmed.	<u>E-slips generation and acknowledgement vis' a vis revenue receipting</u> It should be noted that E-slips generation and the actual banking of revenues will never be the same at any one time since an employer can generate an E-slip but decide not to pay through the bank/mpesa for one reason or the other. E-slips are created for the purposes of acknowledging downloading of payroll by-product and as an actual reference to the by-product data vis' a vis the cheque or the cash being presented at the bank teller point. Once an employer presents the cheque/cash at the bank teller point, the teller keys in the E-slip number, then the bank system validates against the ERP by-product data, that indeed that's a valid e-slip number and that the by-product data was downloaded. Thus, if everything checks out the teller proceeds to accept the monies and the bank system posts directly to the bank core banking system and to the NHIF end-point. This is usually real-time and precise thus ensuring clients get services on time. Based on the above for proper verification of revenues received it is prudent to check against revenues posted in the revenue system vis' a vis the actual bank balances to confirm against any variances, since E-slips ledgers will not give actual balances since not all e-slips generated will amount to revenues received. Duplicate Entries of E-slip numbers It should be noted that the system is designed with a header/detail screen format. With the header providing the details of the employer and the detail providing the details of Document No, Customer Code, Type of revenue, Account Number, Department, Period of payment, Amount An example of E-slip '9515526' of employer ET33595 having 25 duplicates (Appendix A) is simply an example of an employer paying for several months. Note the e-slip number will duplicate across the various months since it was one cheque. Check the example below: - Actually, there was a single posted receipt (nhrevenx) but it was distributed across 25 periods (2022-06 : 2024-07) in the detail lines (nhrevedx) Nhrevenx(header) doc_no 84979695 rcpt_num BK-7029670 rcpt_ref rcpt_date 29/06/2024	NHIF Management	Resolved	FY 2024/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (put a date when you expect the issue to be resolved)																																																																																																																																																																																						
		emp_code 133595 cust_code E133595 from NBK check_no FT24181ZV5KC check_date 29/06/2024 doc_desc E-SLIP amount 19800.00 cash_acct 103244 cash_dept 23002 post_journal CR post_doc_no 1441317453 added_by bank_api added_date 29/06/2024 nhrevedx(detail) <table><thead><tr><th>doc_no</th><th>cust_code</th><th>trx_class</th><th>acct_no</th><th>dept</th><th>period</th><th>amt</th></tr></thead><tbody><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2022-10</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-03</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-08</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2024-01</td><td>600.00</td></tr><tr><td>84979695</td><td>E133595</td><td>CCP</td><td>620603</td><td>23002</td><td>2024-07</td><td>600.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2022-06</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2022-11</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-04</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-09</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2024-02</td><td>600.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2022-07</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2022-12</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-05</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-10</td><td>600.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2024-03</td><td>600.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2022-08</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-01</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-06</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-11</td><td>600.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2024-04</td><td>600.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2022-09</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-02</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-07</td><td>900.00</td></tr><tr><td>84979695</td><td>E133595</td><td>LATE</td><td>620603</td><td>23002</td><td>2023-12</td><td>600.00</td></tr><tr><td>84979695</td><td>E133595</td><td>CCP</td><td>620603</td><td>23002</td><td>2024-06</td><td>600.00</td></tr></tbody></table> Based on the above explanation we do hope the system design is clear and thus answers the question on e-slip number duplicates.	doc_no	cust_code	trx_class	acct_no	dept	period	amt	84979695	E133595	LATE	620603	23002	2022-10	900.00	84979695	E133595	LATE	620603	23002	2023-03	900.00	84979695	E133595	LATE	620603	23002	2023-08	900.00	84979695	E133595	LATE	620603	23002	2024-01	600.00	84979695	E133595	CCP	620603	23002	2024-07	600.00	84979695	E133595	LATE	620603	23002	2022-06	900.00	84979695	E133595	LATE	620603	23002	2022-11	900.00	84979695	E133595	LATE	620603	23002	2023-04	900.00	84979695	E133595	LATE	620603	23002	2023-09	900.00	84979695	E133595	LATE	620603	23002	2024-02	600.00	84979695	E133595	LATE	620603	23002	2022-07	900.00	84979695	E133595	LATE	620603	23002	2022-12	900.00	84979695	E133595	LATE	620603	23002	2023-05	900.00	84979695	E133595	LATE	620603	23002	2023-10	600.00	84979695	E133595	LATE	620603	23002	2024-03	600.00	84979695	E133595	LATE	620603	23002	2022-08	900.00	84979695	E133595	LATE	620603	23002	2023-01	900.00	84979695	E133595	LATE	620603	23002	2023-06	900.00	84979695	E133595	LATE	620603	23002	2023-11	600.00	84979695	E133595	LATE	620603	23002	2024-04	600.00	84979695	E133595	LATE	620603	23002	2022-09	900.00	84979695	E133595	LATE	620603	23002	2023-02	900.00	84979695	E133595	LATE	620603	23002	2023-07	900.00	84979695	E133595	LATE	620603	23002	2023-12	600.00	84979695	E133595	CCP	620603	23002	2024-06	600.00			
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2	The statement of profit or loss and other comprehensive income reflects total benefit expenses of Kshs 68,300,576,571 and as disclosed in Notes 6 to 18 to the financial statements. However, the following unsatisfactory matters were noted;	i. Whereas the bill amount is indicated as negative, it is important to note that this figure is manually inputted by the facility claim staff hence they are errors, the true amount payable (Claim amount is usually verified by the Branch staff against the attached invoices no. OIN0230904965, OIN0230803449, OIN0230805416, 2INB230900444, OIN0230901633, OIN0230901183 (Appendix B – I). In the case examples given the invoice	NHIF Management	Resolved	FY 2024/2025																																																																																																																																																																																						

NATIONAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended December 31, 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (put a date when you expect the issue to be resolved)																														
2.1	Inaccuracies in Benefit Expenses Analysis of the claims from the system revealed benefit expenses of KShs.68,961,086,934 not Kshs.68,300,576,571 reported in the financial statements resulting to an unexplained variance of Kshs.660,510,363. Further, review of payment data against hospital billed amounts revealed the following observations <table><thead><tr><th>Observation</th><th>Number of Records</th><th>Variance Ksh.</th></tr></thead><tbody><tr><td>Negative visit amount but claim amounts were positive figures</td><td>23</td><td>144,918</td></tr><tr><td>Payment date (cheque date) is before claim date</td><td>174,349</td><td>3,170,710,592</td></tr><tr><td>Payment date (cheque date) is before admission date</td><td>6,014</td><td>74,497,880</td></tr><tr><td>Payment date (cheque date) is before discharge date</td><td>8,082</td><td>162,808,320</td></tr><tr><td>Voucher date (cheque date) is before admission date</td><td>45</td><td>112,000</td></tr><tr><td>Claims amount paid is above the amount Invoiced (Bill amount)</td><td>144,412</td><td>1,200,841,447</td></tr><tr><td>Claims Processed Without Pre-Authorization</td><td>33,507</td><td>990,125,888</td></tr><tr><td>Claims Reported After Thirty Days Celling</td><td>936,486</td><td>16,851,874,578</td></tr><tr><td>Total</td><td></td><td>22,541,114,323</td></tr></tbody></table> In the circumstances, the accuracy and completeness of the benefit expenses of Kshs.68,300,576,571 could not be confirmed.	Observation	Number of Records	Variance Ksh.	Negative visit amount but claim amounts were positive figures	23	144,918	Payment date (cheque date) is before claim date	174,349	3,170,710,592	Payment date (cheque date) is before admission date	6,014	74,497,880	Payment date (cheque date) is before discharge date	8,082	162,808,320	Voucher date (cheque date) is before admission date	45	112,000	Claims amount paid is above the amount Invoiced (Bill amount)	144,412	1,200,841,447	Claims Processed Without Pre-Authorization	33,507	990,125,888	Claims Reported After Thirty Days Celling	936,486	16,851,874,578	Total		22,541,114,323	amount and the Claims amount tally, hence no financial loss to the Organization. Further, all the Negative bill amounts noted relate to one Hospital-Mater Hospital hence can be labelled as a clerical issue on the part of the hospital. ii. Claim dates are later than cheque dates, however the important dates which are admission, received, captured and authorized relate to dates earlier than the cheque dates. iii. Cheque dates are on or before the admission dates, however the capturing date and authorizing dates are after admission date except the cheque date. This is a case of paying later claims using an old EFT batch which is not a financial risk but a system challenge. Cheque dates are before the discharge dates however the capturing date and authorizing dates are on or after discharge date except the cheque date. This is a case of paying later claims using an old EFT batch which is not a financial risk but a system issue iv. All admission dates are prior to cheque dates. v. These are inpatient admissions whose payment is the rebate amount irrespective of the bill amount. The facilities are comprehensively contracted to offer all inpatient cases within the contracted rebate. See a copy of a sample contract for Kiriani Consolata Hospital, Muranga (Appendix B - 2). vi. Though it is a requirement that claims be submitted within 30 days and NHIF enforced that, it is not absolute that Claims submitted after 30 days are unpayable. Such Claims if submitted are subjected to a Claims committee which vets the reasons given for late submission. There are usually understandable reasons given for late submission and the committee verifies them and if satisfied they can be able to approve them for processing. vii. Claims submitted late and the reason for late submission is not satisfactory are rejected. viii. All Claims were pre-authorized and have LOUs other than case code 39 for National scheme where rebate applied hence no requirement for LOU.	NHIF Management	Resolved	FY 2024/2025
Observation	Number of Records	Variance Ksh.																																	
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2.2	Variances in National Health Scheme Expenses Included in the amount is National Health Scheme expenses balance of Kshs.38,106,063,983. However, review of the e-claim system revealed variances in caesarean section, normal delivery, drugs and substance abuse, kidney transplant a daily rebate of Kshs.11,817,412, Kshs. 44,597,041, Kshs.75,883,831, Kshs.10,034,108 and Kshs.4,791,068 all totalling Kshs.137,089,352 respectively, totalling Kshs.137,089,352. The variances were attributed to calculations of claims using erroneous rates or number of days. In the circumstances, the accuracy and completeness of the benefit expenses balance of Kshs. 68,300,576,571 could not be confirmed.	i. Caesarian sections were paid in line with the package and existing contracts then, however the amount payable included the mother inpatient care in instances where the mother got another admissible condition after delivery and in cases where the baby also got a disease condition after delivery including but not limited to admissions to Newborn units. A sample of claims for Linda Mama from different facilities are attached (Appendix C - 1). ii. The first Claim in the 10435663 relate to the period of the OLD Eclaim and there were known challenges then with the system, that is why the system was temporarily stopped then. The other Claims are cases of combined Claims for deliver and the child (in case where the child was sick) or adding mothers bill in cases where the mother got complications post-delivery. iii. The Claims relate to Managed scheme members whose payment terms as per the contract was the total bill which was paid through Pre-Authorization. The package of Ksh. 60,000 for Drugs and substance abuse covers for the members of the National Scheme. Enhanced and managed schemes claims are paid as invoiced unless the member exhausts their scheme allocation which would attract co-payment by the member. See a copy of a sample contract for The Retreat Limited (Appendix C - 2).																																	

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		iv. The Claims relate to Managed scheme members whose payment terms as per the contract was the total bill which was paid through Pre-Authorization. The package of Ksh, 500,000 is for the members of the National Scheme only. v. Majority of the Claim period relate to 2019, 2020 and 2021 where there were no predefined benefit rules and hospitals were allocated rebates by management-based on requests for added services and notable Quality improvements. This was during the old Manual claims systems. As a result of these irregularities, The Board approved and gazetted uniform rebate per KEPH Level and category under benefit rules of 2022-2024 health care providers contracts, after which the current biometric claim system was adopted. Further analysis of the claims revealed that, most of the claims were not rebates but Maternity package. The others paid as rebate, the payment was in line with the allocated rebate amount then.			
3.	Variances in Unquoted Investments The statement of financial position and Note 28 to the financial statements reflect an unquoted investment balance of Kshs 120,736,974. The amount includes loan balance of Kshs.120,736,974 advanced by the Authority to Moi Teaching and Referral Hospital (MTRH) at an interest rate of 3% per annum. However, confirmation from MTRH financial statements revealed a balance of Kshs.129,900,997 resulting in an unexplained variance of Kshs.9,164,023. Further, the unquoted investment balance of Kshs.120,736,974 was net provision for impaired investment amount of Kshs.54,200,000. The impaired amount relates to a local bank's shares which are not traded, and no dividend has been paid in the past. In the circumstances, the accuracy and completeness of unquoted Investments balance of Kshs.120,736,974 could not be confirmed.	It is true from the audit observation that MTRH loan balance and SHA book balance varies. In light of this, management is conducting joint reconciliation to establish the variance between the two institutions. SHA has since contacted MTRH on the same with a bid to harmonize both statements through letter ref. HF/C/833/ VOL. XIII/034 dated 30th January 2025 (Appendix - D). This reconciliation shall be shared with the OAC as soon as it is complete due to the short time provided to respond.	NHIF Management	Resolved	FY 2024/2025
4.	Unsupported Claim Reserves The statement of financial position and Note 35 to the financial statements reflects Incurred but Not Reported (IBNR) claims reserves balance of negative Kshs.14,598,159,278 (2023 - negative Kshs.3,923,285,349). However, NHIF did not obtain an actuarial certification for the IBNR reserves balance of Kshs.21,327,733,846 as at the end of the year. Instead it relied on the prior year's actuarial certificate. As a result, there is no evidence to demonstrate the actuarial methods or statistical procedures applied to estimate the IBNR reserve required. In the circumstances, the accuracy and valuation of Incurred but Not Reported (IBNR) claims reserves balance of negative Kshs.14,598,159,278 could not be confirmed.	The actuarial certificate was provided for audit review during the prior year audit but shall be resubmitted. The methods and statistical procedure applied is an actuarial technic and therefore the certificate is provided by a certified Actuary NHIF began the procurement process to engage an actuarial professional to perform a current and comprehensive actuarial valuation of the IBNR claims reserves. However, at the time of submission of the financial statements this process was not completed and therefore the reserves set aside could only be supported by the prior year's certificate (Appendix – E).	NHIF Management	Resolved	FY 2024/2025
5	Inaccuracies in Trade Payables The statement of financial position reflects trade payables balance of Kshs.28,877,264,847 and as disclosed in Note 37 to the financial statements. Included in the balance are total hospital claims payable totalling Kshs.21,378,129,452. However, analysis from the system revealed an amount of Kshs.23,146,082,846 resulting to an unexplained variance of	The claims processes have different stages such admission, discharge, transfer to accounts, accounts payable, return to hospital under investigation, and paid among others. The payment system in place for recognition of Hospitals trade payables is such that it picks the claims that are fully expensed and posted to accounts payable. The Hospital on the other hand recognizes claims under all the stated stages hence the difference between the trade payable figures from NHIF ERP and hospital figures provided under circularization.	NHIF Management	Resolved	FY 2024/2025

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	Kshs.1,767,953,394. Further, circularization of outstanding balances from four (4) sampled hospitals with reported balance of Kshs.511,120,899 revealed an amount of Kshs.721,925,812 as owing resulting in an understatement of Kshs.210,804,912. In addition, the balances were not supported by an aging analysis indicating how long the claims have been outstanding. In the circumstance, the accuracy and completeness of hospital claims payable balance of Kshs.21,378,129,452 could not be confirmed.	The difference between the two figures has been addressed by creating a reserve IBNR as per IFRS17 which provides for disclosure of claims incurred but not yet reported at the close of the financial year.			
6.	Property, Plant and Equipment The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs. 12,633,367,728 which includes land valued at Kshs. 298,589,665 The following unsatisfactory issues were, however, noted -	Background NHIF invested in the acquisition of Land, Survey and Designs of a Medical Centre of Excellence and Institute. This was part of the Fund's efforts to respond to challenges related to provision of quality healthcare. Documents available indicate that the proposed medical Centre was to consist of a Referral Centre, Medical Education Centre, Medical Research Centre, resource center and support Facilities. The purchase of the property commenced in 2001 after the identification of a property in Karen, which was deemed suitable for the project. The purchase was approved by the full Board on the 27th of March 2002 wide board minutes attached (Appendix F-1, page 11-note 18 and page 24-Board Resolution). The Fund undertook a valuation of the property, by appointing Tyson Limited who provided their valuation report. A further valuation report from the Ministry of Lands and Settlement was obtained, Ref No. VAL. 852/V/8 (Appendix F-2). The letter from the Ministry ascertained the value of the property as at that period was Kenya Shillings One Hundred Million Five Sixty-Nine Thousand Seven Hundred only (Kshs. 100,569,700/=). The property, Land Reference No 24968/2 is approximately 9,250 hectares (22.86 acres) and held on leasehold interest for a term of 99 years from 1st March 1999. The property is situated in the Karen Plains Road off Karen Road approximately 12 kilometers west of the City Centre as per the attached title (Appendix F-3). The Fund further appointed a law firm Kipkenda Lian & Co Advocates who oversaw the entire purchase process. See attached correspondence between NHIF and the law firm. The advocate executed a sale agreement with the purchase price for the entire property being determined at Kshs. 93,712,675. As per the title, the transfer was successfully done on 20th December 2002. Attached find transfer and copy of grant (Appendix F- 4). In September 2004, NHIF learnt that a contractor had been commissioned by a third party (Crown line Freighters Ltd) to develop the said plot, claiming ownership. The Fund instructed M/S. Rachier and Amollo advocates through letter ref HF/C/960/50 dated 28th September 2001 to protect the interest of the Fund by pursuing appropriate action to restrain the third party from interfering with the property (Appendix F-5). The Fund is pursuing the matter and has already taken the necessary steps to ensure the matter is determined in its favor. The Fund is relying on the evidence from the Commissioner of Lands confirming that the land is registered under the Fund's Board of Management. The Commissioner of Lands in his letter referenced 186267/7 dated 10th May 2006 and 186267/1/C/17 dated 22nd August 2007 addressed to the Attorney General stated categorically that the property LR. NO. 209/24968/2/R 87345 is registered in favor of the NHIF board of management (Appendix F-6).	Directorate of Criminal Investigation Attorney General for guidance	Not Resolved	FY 2024/2025
6.1	Disputed Ownership of Land The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.12,633,367,728 which includes land valued at Kshs.298,589,665. Included in the balance is an amount of Kshs.93,712,675 for land measuring 10 hectares situated in Karen. However, as previously reported, the ownership of the parcel of land is in dispute and the matter is in Court. Further, available information indicates that the Directorate of Criminal Investigations (DCI) has commenced investigations to establish whether there was fraud in the transfer of ownership of the land and the progress made on the investigation has not been disclosed in financial statements. In the circumstances, the ownership of land valued at Kshs.93,712,675 could not be confirmed.				

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6.2	Doubtful Work-In-Progress at Karen Land The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.12,633,367,728 which includes capital work in progress balance of Kshs.1,444,687,484 relating to payments for drawings and designs for the proposed Resource Centre. However, as previously reported, the construction of the Resource Centre has not commenced since the acquisition of the land. Management has explained that construction of the Resource Centre was yet to commence due to lack of approval from the Parent Ministry and the land ownership dispute in court. Although the issue had been discussed by the Public Investment Committee (PIC), no action appears to have been taken on the PIC recommendations that the Authority should expeditiously pursue the prosecution and conclusion of the case to its logical conclusion. In the circumstances, the existence and valuation of capital work in progress balance of Kshs.1,444,687,484 could not be confirmed.	The Attorney General's office, in their letter referenced AG/MLS/292/04 dated 9th November 2009 confirmed receipt of the instructions from the Commissioner of Lands and put up a defense of the land (Appendix F-7). The matter was moved to the Environment and Land Division and assigned a new number HCCC.ELC NO. 691 of 2011. This was in a bid to ensure the matter is expedited. NHIF filed an application seeking an inhibition (caveat) on the title of the land to bar any subsequent registration of a right/interest over the said parcel of land until the matter is fully heard and determined. The court allowed the application on 27th July 2016 and issued orders that NHIF can put up a fence around the entire property, and an order inhibiting registration of any dealing with the parcel of land (Appendix F-8).	NHIF Management	Resolved	FY 2024/2025
7.	Long Outstanding Return to Drawer Cheques The statement of financial position and Note 30 to the financial statements reflects other receivables balance of Kshs.485,396,896. The amount includes a balance of Kshs.14,589,681 being return to drawer cheques. However, the amount relates to various institutions which has been long outstanding with some dating back to the year 2013 and they had not been replaced as at 30 June, 2024. In the circumstances, the accuracy and recoverability of return to drawer cheques balance of Kshs.14,589,681 could not be confirmed. The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Social Health Authority. Management in accordance with ISSAI 130 on the Code of Ethics, I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.	It is true that as at 30th June 2019, work in progress ended and the amount of Kshs. 1,444,687,484, in respect of payments for the proposed resource center on the Karen Land whose construction has not yet commenced. The amount comprises arbitration award to the consultants and further payments to other professionals that had been engaged. They include quantity surveys, business plans and financial analysis consultancy, legal fees, architectural design services and feasibility study. A number of these payments arose from arbitration award as below. - In the year 2001/2002 the Fund planned to build a Resource Centre on the land acquired in Karen. The establishment and implementation of a Resource Centre on the land was approved by the board via Board minutes of 27th March 2002 (Appendix G-1, Page 11 & 24). The then Chief Executive commissioned various consultants in accordance with the Architects and Quantity Surveyors Act Cap 525 of the Laws of Kenya to carry out a feasibility study on the development of a resource center (Appendix G-2).	NHIF Management	Resolved	FY 2024/2025

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EMPHASIS OF MATTER					
	Budgetary Control and Performance The statement of comparison of budget and actual amounts reflects revenue budget of Kshs.92,488,081,384 and actual revenue on comparable basis of Kshs.72,949,076,719 resulting to revenue shortfall of Kshs.19,539,004,665 or 21% of the budget. Similarly, the Authority spent Kshs.68,300,576,571 on benefit expenses against an approved budget of Kshs.80,979,129,274 resulting to under absorption of Kshs.12,678,552,703 or 16%. The shortfall and underperformance may have affected the Authority's key mandate of sustainably registering beneficiaries, generating revenue and paying health benefits for members.	Revenue I. National Health Scheme: - The low performance is attributed to the low member retention rate especially in the informal sector affecting the revenue collected. - The migration to a single centralized government payroll (e-citizen) introduced several challenges and complexities that made it hard for members to easily enrol and remit contributions. - The uncertainty surrounding the transition has led many prospective members to adopt a cautious stance that has negatively affected membership growth and revenue collection. II. Indigents Sponsorship (GoK) Program: - The authority had budgeted for upscaling of UHC program as per the Government plan and requirement for financing by the MOH. However, the Government allocation was kept within the previous budget at 6 billion. III. EduAfiya medical scheme: - The EduAfiya cover came to an end on 31st December 2024 and was not renewed due to the new SHI Act that prohibits SHA from managing enhanced schemes. The premiums are therefore for a period of 6 months and the budget is annual. IV. Retirees Medical Schemes: - The Retired Officers Medical scheme premiums were more than the budgeted due to variation of premiums for the 2023/24, contracts arising from high utilization of previous periods. The budget was prepared before the beginning of the financial year when these changes had not been implemented. V. WIBA Civil Servants: - The WIBA civil servant contract lapsed on 15th April 2024 and was not renewed due to the new regulatory changes. The budget, however, is an annual budget that had not anticipated these changes. Expenditure I. Indigents Sponsorship (GoK) Program: - The low utilization is attributed to the fact that the planned upscaling as previously budgeted for was not implemented. - Additionally, there is a gap in the registration and sensitization of indigents. II. Civil Servant Scheme: - The scheme recorded a high utilization especially for inpatient and outpatient benefits due to the preference by members to seek services at private facilities rather than public facilities which are low cost. III. EduAfiya Medical scheme:	NHIF Management	Resolved	FY 2024/2025

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		□ The low utilization against the budget is because the contract was not renewed upon lapse on 31st December 2022. The utilization is for a half year period whereas the budget is annual. IV. HISP OVC & OPPSD: □ The variance is due to low access by beneficiaries of the program due to low awareness. Sensitization activities have been ongoing. V. Retirees Schemes: □ There was an increase in membership from 1,586 in FY2022/23 to 1,814 in FY2023/24 □ The scheme has an adverse selection based on age demographic and therefore a high-risk portfolio. However, premiums were increased during this period and gate keeping fees introduced to alleviate the high utilization. VI. WIBA Civil Servants: □ The WIBA civil servant contract lapsed on 15th April 2024 and was not renewed due to the new regulatory changes. The budget, however, is an annual budget that had not anticipated these changes.			
REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES					
1.	Duplication of Roles by the National Health Insurance Fund Board and Transition Committee The National Health Insurance Fund (NHIF) Act was repealed with effect from the 22 November, 2023 with the role of the Board being limited to winding up the Authority within a period of one year. However, a transition committee was appointed vide gazette notice No.603 of 2024 by the Cabinet Secretary on 25 January 2024 for a period of six (6) months with the mandate of ensuring smooth transition from National Health Insurance Fund (NHIF) to the Social Health Authority (SHA). This is indicative of both the NHIF Board and Transition committee were executing the same mandate. This was contrary to section 6(1) of the first schedule on transitional provisions of the Social Health Insurance Act, 2023 which stipulates that notwithstanding the provisions of paragraph (2), the National Health Insurance Fund Board shall wind up the Fund within one year from the appointed day and the cash balances and all other assets shall be transferred to the Authority. In the circumstances, Management was in breach of the law.		NHIF Management	Resolved	FY 2024/2025
2.	Staff Cost The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.5,311,457,619 and as disclosed in Note 21 to the financial statements. However, the following unsatisfactory matters were noted. Over Payment of Basic Salaries Included in the amount is basic pay totalling Kshs.4,434,726 paid to twenty-three (23) staff members above the stipulated basic pay limit and	Management undertook a thorough review of the organization's salary structure and identified several anomalies affecting various staff categories. These discrepancies stemmed from errors during the implementation of the Collective Bargaining Agreement (CBA) and administrative oversights. The review, as per the audit findings, revealed that Kes. 4,434,726 in basic pay was disbursed to twenty-three (23) staff members, exceeding the stipulated basic pay limits, while Kes. 458,000 was paid as house allowance to twelve (12) staff members above the allowable limits outlined in the CBA. To address these over payments, management has developed a structured framework for recovery. This framework includes the following key steps:	NHIF Management	Resolved	FY 2024/2025
2.1					

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	Kshs.458,000 house allowance paid to twelve (12) staff members above the house allowance limit as provided in the Collective Bargaining Agreement. Further, there was no clear framework on how recoveries would be made since the organization is under transition and the Fund's staff were deployed back to Public Service Commission. In addition, the overpayment was contrary to SRC letter Ref. No. SRC/TS/NHIF/3/39 (38) dated January 2019 on salaries and allowances for NHIF employees. <i>In the circumstances, the Management was in breach of the law.</i>	a. Gradual Recoveries: Overpayments will be recovered gradually to minimize financial strain on affected staff members. Recoveries will be deducted in manageable installments from future salaries. See attached samples of payslips of affected staff before and after recoveries of basic pay (Appendix L - 1) and of house allowance (Appendix L - 2). b. Transparent Communication: All affected staff will receive detailed explanations of the discrepancies, the recovery plan, and the timeline for implementation. c. Compliance with Transition Context: The framework aligns with the ongoing transition to the Social Health Authority (SHA), ensuring that no recovery disrupts staff welfare or morale. In line with the Public Service Commission's directive, staff temporarily deployed to the SHA can be reassured that their positions remain secure. The Social Health Insurance Act, 2023, provides clear options for staff during this transition, including: 1. Absorption into the SHA: Eligible staff may transition to roles within the SHA structure based on suitability and available positions. 2. Voluntary Retirement: Staff who wish to exit the public service can opt for voluntary retirement with applicable benefits. 3. Redeployment to the Public Service: Staff not absorbed into the SHA may be redeployed to roles within the wider public service. It is also important to note that the overpayments were contrary to the Salaries and Remuneration Commission (SRC) letter (Ref. No. SRC/TS/NHIF/3/39 (38)) dated January 2019, which set clear limits on salaries and allowances for NHIF employees. Immediate corrective actions have been implemented to ensure compliance with these directives, promote fairness in pay distribution, and align with organizational policies. Moving forward, management is committed to maintaining transparency, supporting staff throughout the transition process, and adhering to the frameworks and provisions established under the Social Health Insurance Act, 2023.			
2.2	Staff Earning Less than One-Third Rule on Basic Pay Analysis of the payroll data revealed six hundred and twenty-five (625) employees who received net salaries that were less than a third of their basic pay. This was contrary to Section19(3) of employment Act, 2007 which stipulates that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry. <i>In the circumstances, Management is in breach of the law.</i>	Management acknowledges the observation regarding the violation of Section 19(3) of the Employment Act, 2007, which stipulates that deductions from an employee's salary should not exceed two-thirds of their basic pay. The issue of six hundred and twenty-five (625) employees receiving net salaries below one-third of their basic pay is a matter of significant concern. Management is committed to addressing this issue comprehensively through immediate corrective actions and long-term strategies, while remaining aligned with the directives of the Public Service Commission (PSC) and the Social Health Insurance (SHI) Act, 2023. A detailed review of the affected employees' payroll records has been undertaken to identify the root causes of these violations. Contributing factors, such as high loan commitments, authorized voluntary deductions, and recent increases in statutory deductions including enhanced NSSF contributions, SHIF deductions, and the Housing Levy will be assessed. These mandatory deductions have significantly impacted employees' net pay, further complicating compliance with the one-third rule. Key Measures to Address the Issue 1. Alignment with the Public Service Commission and the SHI Act The PSC letter and transitional provisions of the SHI Act, 2023, highlight the need to protect employees' welfare during the transition to the Social Health Authority (SHA). As per these guidelines:	NHIF Management	Resolved	FY 2024/2025

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		a. Employees temporarily deployed to SHA will not lose their jobs during the transition process. b. Employees have the choice to: 1. Be absorbed into SHA based on suitability and available positions. 2. Opt for voluntary retirement with applicable benefits. 3. Be redeployed to roles within the broader public service. 2. Structured Adjustments to Deductions A phased recovery plan will be implemented to ensure overpayments and excessive deductions are recovered in manageable installments. This will minimize financial strain on employees while adhering to statutory requirements. 3. Review of Voluntary Deductions All voluntary deductions will be reviewed for affected employees. Where necessary, adjustments or temporary suspensions will be implemented to align with statutory requirements while reducing financial strain. 4. Employer-Assisted Financial Solutions With consultation with affected staff, collaborate with lending institutions to consolidate employees' loans into single, manageable repayment plans. 5. Payroll Monitoring System The payroll system will be assessed to identify and prevent violations of the one-third rule. Automation will enhance compliance and reduce administrative errors. 6. Periodic Compliance Audits Regular payroll audits will be conducted to ensure deductions adhere to the Employment Act and other statutory requirements. 7. Individual Employee Engagement Each affected employee has been engaged individually to review their financial commitments and explore options for restructuring loan repayments and adjusting voluntary deductions within six (6) months to comply with statutory requirements. Commitment to Compliance and Employee Welfare Management reiterates its commitment to ensuring compliance with Section 19(3) of the Employment Act, 2007, while safeguarding employees' welfare. Steps have already been taken to adjust deductions for most affected staff. Moving forward, Management will: - O Ensure adherence to statutory requirements and the SHI Act's transitional provisions. - O Support employees in managing financial commitments during the transition. By implementing these measures, management aims to resolve the identified payroll discrepancies while aligning with the Public Service Commission's directives and the Social Health Insurance Act, 2023.			
2.3	Irregular Payment of Acting Allowances Analysis of the payroll data revealed that fifty-four (54) officers had been working in acting capacity for more than six (6) months and received acting	NHIF is currently undergoing a transition to the Social Health Authority (SHA), in line with the requirements of the Social Health Insurance (SHI) Act, 2023. This transition is centered around restructuring and aligning staff roles with the new organizational framework, which includes redefining positions, filling vacancies, and integrating NHIF staff into SHA's structure.	NHIF Management	Resolved	FY 2024/2025

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	allowance amounting to KShs.29,788,168. Although management attributed extended acting appointments as a result of transitional period where some posts have remained vacant or have been redefined as part of the integration of NHIF staff into Social Health Authority, the SHI Act, 2023 did not provide for integration of NHIF staff to the Authority. In addition, there was no evidence of Social Health Authority Board deliberation and approval of the fifty-four (54) staff members to act in the respective positions. This was contrary to Section 4.5.3 of NHIF HR Policy and Procedures Manual on Acting allowance which states that appointment on acting basis is a temporary measure pending the substantive filling of the vacant post by either recruitment or resumption of duty by the substantive holder of the post. In the circumstances, Management is in breach of the law.	The SHA Board is actively working to implement the transition clauses outlined in the SHI Act, 2023. This includes restructuring positions, redefining roles, and ensuring that vacancies are filled according to the new organizational setup. These efforts are critical for the successful integration of NHIF functions into SHA, ensuring compliance with both statutory requirements and internal policies. As part of the transition process, all acting appointments have been stopped with effect from 1st December 2024, as per Memo Ref: SHA/HQ/ADM/006/VOL 1/39 dated 21st December 2024 (Appendix M-1). Attached see sampled copies of payrolls for affected staff as a proof of action taken to stop the acting allowance (Appendix M-2). The cessation of acting appointments aims to bring clarity and stability during this transitional phase. The extended acting appointments had largely been a result of the transitional period, during which certain posts remained vacant or were temporarily redefined as part of the integration process. The cessation is necessary to move towards permanent appointments and alignment with the new SHA organizational structure. This change is part of the broader restructuring efforts, which include the filling of vacancies and the alignment of staffing roles within the new framework. The SHA Board's actions are in direct response to the need to streamline operations, enhance efficiency, and comply with both the SHI Act, 2023 and internal policy guidelines. Moving forward, management is committed to ensuring a smooth transition for staff members. Efforts will be made to ensure that roles are clearly defined, and staff members are fully integrated into the new structure in line with SHA's long-term objectives.			
3.	Irregular Secondment of Legal Officer Review of SHA Board of Management minutes revealed that the Board made a request to the Cabinet Secretary vide letter Ref. SHA/BOD/Vol.1 dated 24 November 2023 for the secondment of a legal officer to support in its activities which was approved by the Cabinet Secretary on 19 January 2024. However, there was no evidence that the secondment request was submitted and approved by the Public Service Commission. This was contrary to section 42 of the Public Service Commission Act, 2017 which states; (f) The authority to second a public officer shall vest in the Commission and shall be carried out on the request of an authorized officer or a public officer and (5) An authorized officer or other lawful authority shall not approve a request for secondment unless the Commission has approved the secondment in writing. In the circumstances, Management was in breach of the law.	The Office of the Attorney General delinked from the mandate of the Public Service Commission through amendment of the Office of the Attorney General Act, 2012 vide the Statute Law (Miscellaneous Amendment) Act, 2024. Therefore, the mandate of Human Resource functions under the Office of The Attorney General vest with the Advisory Board under the Office of the Attorney General Act and not the Public Service Commission. The Public Service Commission, noting the deployment of the State Counsel to the Social Health Authority, correctly guided that the secondment should be granted by the Office of the Attorney General (Appendix N-1). The Board of the Social Health Authority ratified the appointment of the State Counsel vide Board meeting held on 22nd January 2024 (Appendix N - 2) and Office of the Attorney General approved secondment of the State Counsel to the Social Health Authority (Appendix N-3).	NHIF Management	Resolved	FY 2024/2025
4.	Irregular Appointment of Board Liaison Person Review of SHA board minutes and attendance register revealed a board liaison or the acting board liaison officer who undertook Corporation Secretary duties without evidence appointment by the Board. This was contrary to section 1.8 (5) of the Mwongozo code of governance for the state corporation 2015 which states that the Corporation Secretary should attend all Board meetings and, in their absence, or inability to attend for whatever reason, the Board will appoint a Secretary for the meeting amongst the staff of the Corporation.	The Social Health Insurance Act, 2023 under the First Schedule did not provide for the automatic transition of NHIF Staff to SHA. Therefore, once the Board was constituted, the Authority did not have any Staff to assist the Board to carry out its activities and operationalize. The officer in question is an officer attached to the Ministry of Health Legal Office and who was to support the Office of the Corporation Secretary in the performance of Board Liaison Activities such as support in Board logistics including those related to meetings, updates and other important communications.	NHIF Management	Resolved	FY 2024/2025

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	In the circumstances, Management is in breach of the law.	It is important to note that the Board Liaison never takes Minutes of the meeting and is merely facilitatory in terms of the Logistics of the Board. Where the Ag. Corporation Secretary was away such as when she fell sick on 31st January and was admitted in hospital, (Appendix O - I) the Ag. CEO then was the one who took the Minutes and not the Board Liaison. Further, Section 10 of the Social Health Insurance Act provides that the conduct and regulation of the business and affairs of the Board shall be as provided in the Second Schedule, but subject thereto, the Board may regulate its own procedure. The Board did note the presence of the Officer to support the Office of the Corporation Secretary. In addition, Mwingozo code of governance under section 18 (5) on Board meetings, the Corporation Secretary should attend all Board meetings and, in their absence, or inability to attend for whatever reason, the Board will appoint a Secretary for the meeting from amongst the staff of the Corporation. See a copy extract of Mwingozo code of Governance (Appendix O - 2).			
5.	Irregular Procurement Process The statement of profit or loss and other comprehensive income reflects other operating expenses of Kshs.2902,892,412 and as disclosed in Note 23 to the financial statements. Included in the expenditure is hospitality and office refreshments amount of Kshs.39,950,547 out of which Kshs.11,680,602 were procurements where professional opinions were issued without evaluation committee report. This was contrary to section 84 (1) of the Public Procurement and Asset Disposal Act, 2015 which states that the head of procurement function of a procuring entity shall, alongside the report to the evaluation committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the accounting officer on the procurement or asset disposal proceedings. In the circumstances, Management is in breach of the law.	The evaluation of tenders and quotations are normally conducted in compliance with section 80(1-7) of Public Procurement and Asset Disposal Act, 2015; (revised 2022). However, they are usually filed separately and some of the samples of the evaluation reports are hereby attached (Appendix PQ).	NHIF Management	Resolved	FY 2024/2025
6.	Un-surrendered Temporary Imprest The statement of financial position reflects other receivables balance of Kshs 485,396,896 as disclosed in Note 30(a) to the financial statements. Included in the amount is temporary/imprest of Kshs.6,129,143 out of which an amount of Kshs.3,873,310 has not been surrendered for a period of more than one year. This was contrary to Regulation 93 (5) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station. In the circumstances, Management was in breach of the law.	It is true that an imprest of Kshs 3,873,310 had not been surrendered for a period of more than one year, but an amount of Kshs 568,400 has since been surrendered, leaving a balance of Kshs 3,304,910 (Appendix R) whose surrender and Recovery is in progress.	NHIF Management	Resolved	FY 2024/2025
7.	Construction of Multi Storey Car Park As previously reported, the Fund entered into an agreement with a local construction firm for construction and completion of a multi-storey car park at a contract sum of Kshs.909,709,305 which was revised to Kshs.1,179,611,756. Review of records revealed that the project commenced in May, 2002 and was completed at a cost of Kshs.3,342,120,239 in July, 2008, five (5) years after the scheduled completion date of August, 2003. Further, expenditure totalling Kshs.626,635,998 and Kshs.4,706,521 was incurred in	The Car Park is a seven storey Building with basement floors, which is designed to accommodate 780 cars. The project commenced in May 2002 and was scheduled for completion in August 2003. The original cost of the project was Kshs. 909,709,305.40 over a contract period of 65 weeks (Appendix S - 1, Board Minutes, Page 8, Ex- Min. 81/2002). The completion period was revised from August 2003 due to the suspension of all projects by the government vide Treasury circular no. 10 dated 22nd May 2003 as well as the Fund giving preference to core strategic activities resulting to reduced cash flow (Appendix S - 2).	Ethics & Anti-Corruption Commission	Not Resolved	FY 2024/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	2009/2010 and 2010/2011 respectively on the car park, increasing its total cost to Kshs.3,973,462,758 resulting to a contract variation of Kshs.3,063,753,453 or 337% of the original contract. Management has not provided an explanation for the unjustified increase of the total cost of the project. Although the issue has been discussed by the PIC, no action has been taken on the Committee recommendations that the Ethics and Anti-Corruption Commission should institute and fast-track investigation on the project and no progress report has been received from the Commission. In the circumstances, the value for money on the variation of contract for the multi-storey car park of Kshs. 1,179,611,756 could not be confirmed.	As per the contract with N.K. brothers, NHIF evoked contract provision for variations (Appendix S – 3 (a) and introduced vehicular lifts hence the variation in cost from the initial 909,709,305.40. The cost could not be retained at the original cost of Kshs. 909,709,305.40 since the Contractor had already increased the service area of the project. This led to Design changes to the structure and foundation works. An additional basement floor was created to cater for the displaced area arising because of vehicular lifts, ramps and overhaul design. This led to an increase in the service area and an additional cost of Kshs. 673, 465,787.10 making the total cost to be Kshs. 1,583,175,092.50. The vehicular lifts were later found not to be viable leading to downward variation to Kshs. 1,179,611,756.00. See attached board minutes on the inclusion of vehicular lifts (Appendix S – 3(b), page 6, Min PC/14/7/2006 (lii) on page 8, & page 11, Board Committee's recommendation, Appendix S- 3(C) page 3, Ex-Min/14/9/2006 and Page 4, Min PC/16/9/2006, Addendum 1). The variation from Kshs. 1,179,611,756.00 to Kshs. 3,342,120,239.00 was due to price escalations as per contract provisions. The escalation of the project cost was tabled before the NHIF Board project committee meeting held on 29th July 2005, board minutes are attached (Appendix S – 4) Information from the minutes indicates that the Chief Architect noted that the main factors contributing to price escalations were: I. Contractual claims mainly due to prolongation of the contract and delay in payments. II. Price escalation. III. Mechanical installation and equipment. IV. Extended service parking [between NHIF building and Maji House]. V. Adjustment to the Storey heights by 600mm. These were contractual claims which were as per contract provisions. The Chief Quantity Surveyor Min of Roads and Public works released the final certificate on 10th August 2007 (Appendix S – 5). The Multi Storey Car Park was completed in July 2008. The Fund wrote to the Chief Quantity Surveyor under the Ministry of Public Works vide letter Ref HF/C/958VOLX/114 (Appendix S – 6) requesting a technical report on the completed Multi Storey Car Park. The Chief Quantity Surveyor replied vide letter Ref No. QD15/GEN/1369, (Appendix S- 7) on the draft final account recommending release of the retention money after the issue of certificate of making Good Defects (Appendix S – 8) and payment of 60% of the projected Final Account. In June 2009 the Architect's completion certificate was issued to NHIF (Appendix S – 9). On 30th of March 2010 the Fund received Final Account from the chief quantity surveyor instructing payment of the final dues to the contractor Ref. No. QD15/GEN/1613 (Appendix S – 10). In the year 2009/10 payments totaling to Kshs. 626,635,998.00 was incurred and a further Kshs. 4,706,521 was incurred in the year 2010/11 all related to pending claims which were payable to the contractor after completion of the Multi Storey Car Park. The Fund appeared before the PIC Committee on 15th of March 2018 and this matter was discussed thereafter the Committee visited the Car park Building. 21st Report of PIC – Committee Recommendations.			

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8.	Transitional Arrangements The statement of profit or loss and other comprehensive income reflects other operating expenses of Kshs.3,902,892,412 and as disclosed in Note 23 to the financial statements. Included in the amount is transition committee expenses of Kshs.48,560,900 charged under various votes. However, the following unsatisfactory matters were noted: Failure to Adopt the Transition Committee Report The Transition committee was appointed vide gazette notice No.603 of 2024 by the Cabinet Secretary on 25 January 2024 for a period of six (6) months and had the mandate of ensuring smooth transition from National Health Insurance Fund (NHIF) to the Social Health Authority (SHA). However, there was no evidence that the transition committee report was adopted for implementation by either the Cabinet Secretary, NHIF Board or SHA Board.	This matter was presented to the 21st PIC Committee, where it recommended that Ethics and Anti-Corruption Commission should fast track investigations into the procurement process of the Multi-Storage Car Park, with a view of preferring charges against all those found culpable of defrauding the Fund (Appendix S – 11). The matter was therefore referred to EACC as directed by the Public Investment Committee and EACC commenced investigations by requesting for original documentation. In September 2022 the Fund's CEO was invited by EACC to record a statement on the status of the documents. EACC guided they would give way forward. Transition Committee submitted the report to the Cabinet Secretary on 15th August 2024 and both Chairpersons were present. There was no action point for NHIF Board since the Board's Mandate was purely limited to winding up as per the Hon. Attorney Generals advisory dated 7th February 2024. The Board was taken through the report for noting purpose and vide Special Board Minutes dated 27th September 2024 Minute No. SB/054-0/2024 (Appendix – TU) the Board took note of the contents of the report and stated that recommendations of the report would be implemented by the Social Health Authority noting that all physical assets of NHIF had been handed over to SHA.	NHIF Management	Not Resolved	FY 2024/2025
8.2	Lack of Assets and Liabilities Transfer and Handover Plan The transition committee conducted a country wide verification of assets of assets and liabilities, but the term lapsed before formulation of an assets and liabilities Transfer and Handover Plan. This plan would have documented assets that were ready for immediate transfer, the legal transfer instruments of assets and liabilities and assets and liabilities that require further audit and verification. This therefore indicates that some of the committee's terms of reference were not achieved.	Transition of Assets and Liabilities The TC accomplished its tasks as per the TORs by conducting a country wide verification and assessment of NHIF assets and liabilities. It further formulated the appropriate recommendations and proposed mechanisms for the transfer of the Assets and liabilities to SHA. However, had the TC term been extended it would have assisted in developing the asset handover plan along with relevant legal instruments. This was explained to the CS MOH during the handover. MOH further committed to implementing the tasks that remained as per TC recommendations. Noteworthy there were several other reports which the Boards acted upon during and after the transition term.	NHIF Management	Resolved	FY 2024/2025
8.3	Unapproved Human Resources Instruments The transition committee terms of reference included the classification of Social Health Authority (SHA) by the State Corporations Advisory Committee (SCAC), review of qualifications of all staff, formation of Human Resource (HR) Instruments, including proposed staff establishment, job description manual and a comprehensive Employee Transition Advisory. However, at the time of audit, only the establishment and staff structure	As of the time of the audit, it is indeed accurate that only the establishment and staff structure had been approved, while the job description manual and other HR instruments were still under review. The review process for these key documents has taken longer than initially anticipated, largely due to the complexity involved in ensuring alignment with both statutory requirements and the strategic goals of the transition. However, it is important to emphasize that the lack of these documents did not impede the SHA Board's efforts in establishing a clear and functional staff framework. This framework is critical for the ongoing integration of NHIF functions into SHA. Despite the absence of some	NHIF Management	Not Resolved	FY 2024/2025

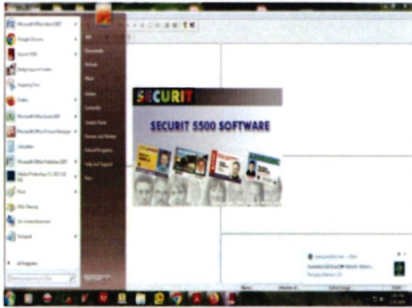
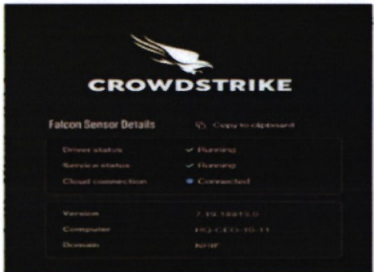
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	were approved while the job description and other instruments were yet to be approved. In the circumstances, the lack of clear guidelines and framework on implementation of transitional provisions and inability of the Transition Committee to fully execute its terms of reference may have affected the ability of the Authority to fully execute its functions under transitional arrangements.	documents, the Board has continued its work within the current limitations and has made significant progress in other critical areas. To address the concerns raised regarding the lack of clear guidelines and a comprehensive framework for implementing transitional provisions, the SHA Board is fully committed to bridging these gaps and ensuring that all necessary documents are finalized promptly. The following actions have already been taken: Realignment of Directors and Deputy Directors: The SHA Board, through Memo Ref: SHA/BOD/VOL 1, dated 11th December 2024 (Appendix VW) has implemented a temporary realignment of Directors and Deputy Directors in line with the SHA-approved organizational structure and the organization's strategic priorities. These temporary assignments have been strategically implemented to ensure improved service delivery and operational efficiency during the transition period. Temporary Assignments: The realignment involves temporary assignments, pending the competitive recruitment of substantive office holders. These assignments are designed to provide immediate leadership and maintain continuity while the recruitment process is underway. The Board remains focused on ensuring that the transition is effectively managed and that all necessary structural changes are made in accordance with the Social Health Insurance Act, 2023.			
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE					
1.	Inadequacies of Information Technology Policies and Ecosystem Review of the Authority's information system and environment revealed the following weaknesses. Out-dated and Non-Operationalized Policies During the year under review, the Authority did not have an approved Business Continuity Plan and backups were not being tested for successful restoration. In addition, contrary to Clause 8 of the ICT Policy dated 2016, the policy was not updated after three years or from time to time as deemed necessary. Further, the Authority had not developed procedures or manuals to show how the policy statements were to be operationalized, specific responsibilities for tasks, or specific work areas to be accomplished. In the circumstances, the effectiveness of internal controls on the Authority's information systems may not be adequately safeguarded against emerging IT risks. In addition, the Board and Senior management intent as spelt out in the ICT policy may not be achieved.	1. The ICT directorate developed an ICT policy, procedures & manuals and Business Continuity Plan and forwarded the same to the Department of Strategy & Planning who were to convene a board meeting for the ratification of the same (Appendix X - 1). 2. Given the volume of data contained within snapshot backups, restoring them may not be feasible on a regular basis to confirm tests. In light of this, NHIF already has in-place automated real-time backups for quick failover, ensuring business continuity and significantly reducing risks of prolonged downtimes (Appendix X - 2).	NHIF Management	Not Resolved	FY 2024/2025
1.1					
1.2	Use of Un-Supported Software Review of the Authority's software asset register revealed that certain computers and servers were operating on systems which have reached the end of support from Microsoft.	1. Licensed Microsoft Operating Systems The organization operates exclusively on genuine and licensed Microsoft operating systems, ranging from desktop operating systems to server environments. All licenses are managed under the Microsoft Enterprise Agreement, specifically through the Microsoft 365 (O365)	NHIF Management	Not Resolved	FY 2024/2025

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	In the circumstances, the effectiveness of internal controls on the Authority running software that has reached the end of life expose the Authority information systems to risk of unauthorized access which may compromise confidentiality, integrity and availability of information assets.	suite, ensuring compliance with licensing requirements. See contract attached (Appendix X-3). 2. Use of Specific Operating Systems for Certain Applications Some critical system applications in our environment are designed to run only on specific operating systems. This operational dependency has necessitated the continued use of certain operating systems, such as Windows 7, Windows 8, and Windows Server 2012, despite these platforms having reached the end of support. See below screenshots of software application designed to operate only on specific operating systems i.e. Windows 7.  3. Mitigation Measures for End-of-Support Systems To minimize risks associated with the use of end-of-support software, the following measures have been implemented: Continuous patching through available third-party tools to address vulnerabilities. Anti-virus has been installed. see the screenshot attached below; 			

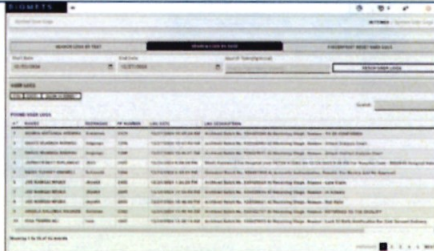
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		Enhanced monitoring of these systems within the organization's security framework. see the screenshot attached below in reference to monitoring.  Isolation of unsupported systems where applicable to reduce exposure to potential threats. 4. Plans for Migration and Upgrades The organization recognizes the importance of running fully supported software and is in the process of migrating or upgrading systems to more current and supported operating systems. A phased approach has been adopted to ensure minimal disruption to business operations while addressing compatibility issues with legacy applications. We are committed to ensuring that all systems within our environment comply with best practices and remain secure and efficient. Documentation regarding licensing and the ongoing upgrade plan is available for review.			
1.3	Limited Access to System Log Files <i>It was noted that the E-Claims system at the Authority is outsourced and the system administrators had restricted access to the Write-Ahead Log (WAL) files within the E-Claims system. These log files are crucial for audit verification of transactional data but could not be accessed, as administrative privileges, including full access to these critical files, are exclusively managed by the system vendor.</i> <i>In the circumstances, the effectiveness of internal controls on the E-claim system on access rights could not be confirmed.</i>	Please refer to the response provided in point 2.3 (Lack of Formal Reviews of System Logs and Audit Trails), which also addresses this point. The Biometrics system (Internal E-claims payer system) has audit logs that enable business process owners to track application layer activities. See screenshot below: -	NHIF Management	Resolved	FY 2023/2024

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DR. MERCY MWANGANGI
CHIEF EXECUTIVE OFFICER SHA

Date..... 28 August, 2025



DR. MOHAMED ABDI MOHAMED
CHAIRPERSON - BOARD OF DIRECTORS SHA

Date..... 28 August, 2025

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APPENDIX III: PROJECTS IMPLEMENTED BY SHA

Projects

There were no projects being implemented by SHA during the period under review.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. No project during the year						

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1. No project during the year							

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APPENDIX IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds			Where Recorded/recognized							
Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent	Total Amount	Statement of Financial Performance	Capital Fund	Balance B/F from previous FY	2024/2025 FY			Total Transfers during the Year
<u>FY 2024/2025</u>			Kes	Kes	Kes	Deferred Income	Receivables	Deferred Income	Receivables	Kes
State Department of Public Services, Youth & Gender	08/07/2024	Direct Payment	2,111,507,984	3,058,228,399			1,000,000,000		2,500,000,000	3,396,507,984
"	24/09/2024	"	1,285,000,000							
Ministry of Health State Department of Medical Services (OPPSD)	04/07/2024	"	25,000,000	112,500,000			264,699,558		327,199,558	
"	20/08/2024	"	12,500,000							
"	16/09/2024	"	12,500,000							
Ministry of Health State Department of Medical Services (HISP)	04/07/2024	"	118,583,335	533,625,000			674,291,337		970,749,668	237,166,669
"	20/08/2024	"	59,291,667							
"	16/09/2024	"	59,291,667							
Ministry of Health State Department of Medical Services (LINDA MAMA)	24/10/2024	"	1,000,000,000	2,785,611,930		79,299,268			681,812,662	2,024,500,000
"	06/11/2024	"	1,024,500,000							
State Department of Public Services, Youth & Gender	28/10/2024	"	1,585,000,000	-			9,722,006,162		8,137,006,162	1,585,000,000
Various Parastatals	Varied dates	"	183,172,567	1,633,009,773		1,338,789,314			19,750,123	183,172,567
Total			7,476,347,220							7,476,347,220

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APPENDIX V: INTER-ENTITY CONFIRMATION LETTER

Name of Transferring entity: Ministry Of Health State Department Of Medical Services

Name of Beneficiary entity: National Health Insurance Fund

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 31 st December 2024					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	04/07/2024	25,000,000	-	25,000,000	OPPSD receipts
	20/08/2024	12,500,000	-	12,500,000	OPPSD receipts
	16/09/2024	12,500,000	-	12,500,000	OPPSD receipts
	04/07/2024	118,583,335	-	118,583,335	HISP receipts
	20/08/2024	59,291,667	-	59,291,667	HISP receipts
	16/09/2024	59,291,667	-	59,291,667	HOSP receipts
	24/10/2024	1,000,000,000	-	1,000,000,000	Linda Mama receipts
	06/11/2024	1,024,500,000	-	1,024,500,000	Linda Mama receipts
Total		2,311,666,669		2,311,666,669	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Janetha Leise Sign [Signature] Date 28/8/2025

NATIONAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended December 31, 2024

APPENDIX V: INTER-ENTITY CONFIRMATION LETTER

Name of Transferring entity: State Department of Public Services, Youth & Gender

Name of Beneficiary entity: National Health Insurance Fund

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 31 st December 2024					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	08/07/2024	2,111,507,984	-	2,111,507,984	CS receipt
	28/10/2024	1,585,000,000	-	1,585,000,000	WIBA receipt
Total		3,696,507,984		3,696,507,984	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Jonathan Leisen Sign [Signature] Date 28/12/2025

NATIONAL HEALTH INSURANCE FUND

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APPENDIX VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES

NATIONAL HEALTH INSURANCE FUND

Telephone: (254) 020 2723255/6

Email: info@nhif.or.ke

Dr. Mercy Mwangangi

Chief Executive Officer SHA

Name and contact details of contact person (in case of any clarifications)

Project Name	Project Description	Project Objectives	Project Activities					Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
No Expenditure in the current year									

NATIONAL HEALTH INSURANCE FUND

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APPENDIX VII: REPORTING DISASTER MANAGEMENT EXPENDITURE

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
No Expenditure in the current year						