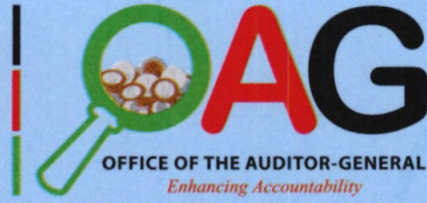


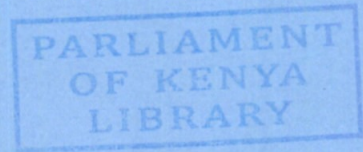
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
*Enhancing Accountability*



**REPORT**




**OF**

**THE AUDITOR-GENERAL**

**ON**

**SOCIAL HEALTH INSURANCE FUND**

**FOR THE NINE MONTHS PERIOD ENDED  
30 JUNE, 2025**

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
DATE: <b>11 FEB 2026</b>	
DAY: <b>WEDNESDAY</b>	
TABLED BY:	LEADER OF MAJORITY PARTY <b>(HON. KIMANI ICHUNGUWA)</b>
CLERK-AT-THE-TABLE:	<b>J. LEMERELLE</b>



# SOCIAL HEALTH INSURANCE FUND

## ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025

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

# **SOCIAL HEALTH INSURANCE FUND**

## **Annual Report and Financial Statements for the year ended June 30, 2025**

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### **1. ACRONYMS AND DEFINITION OF KEY TERMS**

#### **A. Acronyms**

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

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

# **SOCIAL HEALTH INSURANCE FUND**

## **Annual Report and Financial Statements for the year ended June 30, 2025**

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
1. ACRONYMS AND DEFINITION OF KEY TERMS .....	ii
2. KEY INFORMATION .....	iv
3. THE BOARD OF DIRECTORS .....	x
4. KEY MANAGEMENT TEAM .....	xvii
5. FIDUCIARY MANAGEMENT .....	xxi
6. FIDUCIARY OVERSIGHT ARRANGEMENTS.....	xxi
7. CHAIRMAN'S STATEMENT .....	xxiii
8. REPORT OF THE CHIEF EXECUTIVE OFFICER .....	xxv
9. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/25 .....	xxvii
10. CORPORATE GOVERNANCE STATEMENT .....	xxx
11. MANAGEMENT DISCUSSION AND ANALYSIS .....	xxxvii
12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xliii
13. REPORT OF THE BOARD OF DIRECTORS .....	xlviii
14. STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	xlix
15. REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF SOCIAL HEALTH INSURANCE FUND FOR THE YEAR ENDED 30TH JUNE 2025 .....	li
16. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2025 .....	1
17. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025.....	2
18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025 .....	3
19. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025 .....	4
20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2025	5
21. NOTES TO THE FINANCIAL STATEMENTS .....	8
22. APPENDICES .....	26

# **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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## **2. KEY INFORMATION**

### **a) Background information**

The Social Health Authority (SHA), established through the enactment of the Social Health Insurance Act, No. 16 of 2023, represents a critical shift in Kenya's healthcare financing framework. It replaces the National Health Insurance Fund (NHIF) and aims to provide equitable, comprehensive, and sustainable healthcare financing aligned with the constitutional right under Article 43(1)(a), the right to the highest attainable standard of health.

The SHA is designed to advance Universal Health Coverage (UHC) by eliminating financial barriers to healthcare, addressing systemic inefficiencies, and ensuring that all Kenyans can access quality health services without suffering catastrophic out-of-pocket expenditure.

The Social Health Insurance Act, 2023, mandates the establishment of the Social Health Authority as a statutory body to oversee and administer a unified health financing mechanism.

This framework is in line with the Government of Kenya's health sector reforms, and it is built on three dedicated health funds:

- I. Primary Healthcare Fund (PHCF)
- II. Social Health Insurance Fund (SHIF)
- III. Emergency, Chronic, and Critical Illness Fund (ECCIF)

Collectively, these three funding streams embody the SHA's strategic priorities: financial protection from excessive out-of-pocket expenditure, equity in access through standardized tariffs across all sectors public, private, and faith-based, and a comprehensive continuum of care that spans preventive, promotive, curative, rehabilitative, and palliative services. The adoption of fixed tariffs and annual service caps further reinforces sustainability, safeguarding the long-term viability of the scheme.

### **Social Health Insurance Fund**

The Social Health Insurance Fund is the main contributory scheme, providing access to a wide range of inpatient and outpatient services for contributors and their beneficiaries. The funds are pooled from resources from contributions to ensure equitable access to comprehensive healthcare services to protect households from catastrophic health expenditure.

The Social Health Insurance Fund (SHIF) complements the PHC preventive focus and broadens access to specialized outpatient, inpatient, surgical, and advanced diagnostic services. The SHIF

## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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### **B. Definition of Terms**

The following list of definitions of terms shall be used in the annual report and financial statements of the Social Health Authority, Social Health Insurance Fund. They comprise as follows:

**Fiduciary Management** Members of Management directly entrusted with the entity's financial resources.

**Comparative Year** Means the prior period.

**Funds** Means either amounts/ figures or balances being discussed.



# SOCIAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended June 30, 2025

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## Core Values

The following are our values and are essential and must be upheld as they are key to corporate culture and identity:



**Integrity:** Upholding honesty, ethical conduct, and strong moral principles in all operations.



**Customer-Centric:** Putting members' and stakeholders' needs at the centre of service delivery.



**Accountability:** Taking full responsibility for resources, actions, and outcomes with transparency.



**Responsiveness:** Acting swiftly and effectively to stakeholder needs, concerns, and feedback.



**Excellence:** Consistently striving for high standards, continuous improvement, and embracing technology-driven solutions.

**TO REGISTER**

DIAL \*147#  
[www.SHA.go.ke](http://www.SHA.go.ke)

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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provides for inpatient care as well as maternity coverage for both normal deliveries and caesarean sections. Specialized treatments, including dialysis, kidney transplants, oncology care, advanced imaging, and dental services, are offered within clearly defined cost limits to ensure affordability and system sustainability. Mental wellness is incorporated through both outpatient and inpatient provisions, while surgical procedures and advanced imaging further enhance the scope of care. By balancing comprehensive service provision with capped tariffs, the SHIF enables broader access while maintaining financial discipline.

Funding is from mandatory contributions from salaried and non-salaried households, supplemented by government sponsorships for vulnerable groups.

#### **b) Principal Activities**

##### **Vision**

Affordable and accessible quality healthcare for all Kenyans.

##### **Mission**

To ensure every Kenyan has access to quality and affordable healthcare by managing transparent, equitable, and sustainable health financing systems.

##### **Customer Service Charter**

Following the transition from the National Health Insurance Fund (NHIF) to the Social Health Authority (SHA) in October 2024, the implementation of the Citizens' Service Delivery Charter (CSC) under the FY 2024/25 Performance Contract experienced delays. Between July and October 2024, NHIF displayed the CSC at all access points and on the Huduma portal and initiated quarterly reporting on service standards. However, with the operational shift to SHA, key structures, systems, and service delivery processes were redefined to align with the new mandate under the Social Health Insurance Act, 2023.

As a result of this transition, SHA was unable to complete all the deliverables outlined in the Performance Contract during the financial year, particularly the full development and rollout of the Citizens' Service Delivery Charter. The team worked on mapping and restructuring processes to ensure the Charter aligned with SHA's new roles and service standards. SHA is committed to finishing this work in the next period to maintain service quality and transparency.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

#### **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. 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, the representation of the Board in the Financial Year 2024/2025 comprised as follows.

	<b>NAME</b>	<b>TITLE/ REPRESENTING</b>	<b>DATE OF APPOINTMENT</b>
1.	Dr. Mohamed Abdi Mohamed	Chairperson	17 <sup>th</sup> September 2024
2.	Dr. Ouma Oluga	PS, Medical Services, Ministry of Health	17th April 2025
3.	Dr. Andrew Mulwa	Alternate - PS Medical Services	18th March 2025
4.	Mr. Samuel Kiptorus	Alternate - PS National Treasury	22nd November 2023
5.	Dr. Patrick Amoth	Director General for Health, Ministry of Health	22 <sup>nd</sup> November 2023
6.	Dr. Francis Atwoli	Central Organization of Trade Unions	22 <sup>nd</sup> November 2023
7.	Ms. Jacinta Kathamu Mutegi	Consortium of Healthcare Providers	22 <sup>nd</sup> November 2023
8.	Mr. Gerald Macharia	Council of Governors	29 <sup>th</sup> August 2024
9.	Dr. Ibrahim Matende	CS, Ministry of Health Appointee	3rd October 2024
10.	Dr. Angela Ndunge	CS, Ministry of Health Appointee	22 <sup>nd</sup> November 2024
11.	Ms. Roselyn Mungai	Rep. CEC Health Caucus	28th March 2025
12.	Dr. Mercy Mwangangi	Chief Executive Officer/ Ex-Officio Member	11th April 2025
13.	CS. Terry Rotich	Ag. Corporation Secretary/ Secretary	22 <sup>nd</sup> November 2023

The following members of the Board also served during the year under review.

	<b>NAME</b>	<b>TITLE/ REPRESENTING</b>	<b>DATE OF EXIT</b>
1.	Dr. Timothy Olweny	Chairman	17th September 2024
2.	Mr. Harry Kachuwai Kimtai	PS, Medical Services, Ministry of Health	17th April 2025
3.	Dr. Zeinab Gura	Rep. PS Medical Services, MOH	17th March 2025
4.	Dr. Abdi Mohamed	CS Appointee	17th September 2024
5.	Ms. Linda Gebson	Rep. Council of Governors	29th August 2024
6.	Dr. Zakayo Kariuki Gichuki	Rep CEC Health Caucus	12th November 2024
7.	Mr. Elijah Wachira	Chief Executive Officer/ Ex-Officio Member	30th April 2025
8.	CPA. Robert Ingasira	Ag. Chief Executive Officer/Ex-Officio member	30th May 2025

# **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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## **d) Other Key Information of the Fund**

### **Social Health Authority**

#### **Chief Executive Officer**

Dr. Mercy Mwangangi  
P.O. Box 30443, 00100  
Nairobi.

#### **Ag. Corporation Secretary**

CS. Terry Rotich  
P.O. Box 30443-00100  
Nairobi.

#### **Registered Offices**

SHA Building  
Ragati Road, Upper Hill  
Nairobi, Kenya.

#### **Fund Contacts**

Telephone: 0202793003 / 0800720601  
E-mail address: info@sha.go.ke  
Website: www.sha.go.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.

#### **Sidian Bank**

Wood avenue, Kilimani  
P.O. Box 25363-00603  
Nairobi, Kenya.

#### **ABSA Bank Kenya Plc**

ABSA Towers, Westlands  
P.O. Box 30120-00100  
Nairobi, Kenya.

#### **Diamond Trust Bank**

Capital Centre, Mombasa Road  
P.O. Box 61711 -00200  
Nairobi, Kenya.

### **Independent Auditors**

#### **Auditor General**

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

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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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

# **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

## **3. THE BOARD OF DIRECTORS**

### **Dr. Mohamed Abdi Mohamed Chairman SHA**

Dr. Mohamed Abdi Mohamed is the Chairman of the Social Health Authority, leading its historic transition from the defunct National Health Insurance Fund (NHIF) into a revitalized institution central to Kenya's Universal Health Coverage agenda.

A healthcare executive and entrepreneur with over 12 years of experience in both public and private sectors, he brings a proven track record of strategic growth and innovation.

As Co-founder and CEO of Ladnan Hospital, he transformed it from a small facility into a state-of-the-art tertiary care center within four years, introducing critical services such as dialysis and ICU care. His leadership is marked by a strong commitment to community health and a vision for equitable, accessible healthcare for all Kenyans.



He holds a Bachelor of Medicine and Bachelor of Surgery from the University of Nairobi.



### **Dr. Mercy Mwangangi Chief Executive Officer SHA**

Dr. Mercy Mwangangi is the Co-Chair of the Future of Global Health Initiatives, and now the Chief Executive Officer of the Social Health Authority (SHA). Dr. Mwangangi is a Health Economist and Policy Analyst with a background in medicine.

She possesses knowledge and experience in conducting high-quality Strategic Health Program Planning, Monitoring, and Evaluation activities, with a focus on Universal Health Coverage and Primary Health Care.

She has considerable experience in conducting in-depth Health Situation Analyses and producing actionable recommendations and guidelines on future program directions, incorporating international policies and standards tailored to local needs.

## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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**Dr. Fredrick Ouma Oluga**  
PS Ministry of Health



Dr. Fredrick Ouma Oluga is the Principal Secretary in the State Department of Medical Services, Ministry of Health. A medical doctor and public health leader, he has been a strong advocate for the welfare of healthcare workers and the advancement of medical services in Kenya.

He holds a Bachelor of Medicine and Bachelor of Surgery from Moi University, a Master's in Internal Medicine from the University of Nairobi, and a Postgraduate Diploma in Infectious Diseases from Makerere University.

His leadership came to national prominence in 2015 as Secretary-General of the Kenya Medical Practitioners, Pharmacists and Dentists Union (KMPDU), where he championed improved working conditions, fair remuneration, and better resourcing of Kenya's health facilities.

Known for his strategic thinking and collaborative leadership style, Dr. Oluga continues to blend clinical expertise with a passion for systemic health reform, driving policies that strengthen Kenya's healthcare delivery and Universal Health Coverage agenda.

**Dr. Patrick Amoth**  
DG for Health, Ministry of Health



Dr. Patrick Amoth is the Director General for Health in the Ministry of Health and the immediate past Chair of the World Health Organization's Executive Board.

As a consultant obstetrician and gynaecologist, he has contributed in advancing Kenya's Universal Health Coverage agenda and strengthening the country's health systems. Dr. Amoth has had a long career in Kenya's civil service, progressing from medical officer intern to medical superintendent and later serving as the Director of Public Health.

In this role, he developed strategies for delivering effective services in 47 counties. He was also instrumental in managing the COVID-19 pandemic and currently chairs Kenya's National Taskforce on the Ebola Virus Disease.

He holds a Bachelor of Medicine and Bachelor of Surgery degree, as well as a Master of Science degree in Obstetrics and Gynaecology from the University of Nairobi. Additionally, he has a Diploma in Health Systems Management from Galilee College in Israel.

## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*



**Mr. Samuel Kiptorus**  
**Alternate - PS National Treasury**

Mr. Samuel Kiptorus is a highly accomplished professional with extensive experience in economics with specialization on Public Finance. As a Director at the National Treasury and Economic Planning, he has demonstrated exceptional leadership and strategic vision in driving the country's economic policies and planning.

With a distinguished educational background, including a master's degree in economics from the University of Dar es Salaam and a Bachelor of Arts in Economics from the University of Nairobi. Additional expertise on strategic leadership, strategic planning, budgeting, monitoring and evaluation. He

brings a deep understanding of economic principles and their practical applications. His previous role as Chief Economist at the Ministries of Devolution, Planning, Fisheries and Information Communication and Technology further underscores his expertise in shaping and implementing economic strategies at a national level. In addition, the director has served in various boards namely: ICT Authority, Mineral Right Board, Maseno University Council, Lake Victoria North Water Services and Nairobi International Financial Center Authority.

**Dr. Andrew Mulwa**  
**Alternate - PS National Treasury**

Dr. Andrew Mulwa is the Director of Medical Services for Preventive and Promotive Health at the Ministry of Health, Kenya. A public health specialist with a strong record in healthcare leadership and crisis management, he previously served as Acting CEO of the Kenya Medical Supplies Authority (KEMSA), steering the agency through a period of reform.

His expertise also includes a notable role in advancing the Makueni County Universal Health Care initiative.

Dr. Mulwa holds a Bachelor of Medicine and Bachelor of Surgery from the University of Nairobi, an MSc in Strategic Management from Jomo Kenyatta University of Agriculture and Technology and has completed advanced programs in Health Systems from Harvard University and the University of Edinburgh.



## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*



### **Dr. Francis Atwoli, NOM(DZA), CBS, EBS Central Organization of Trade Unions**

Dr. Francis Atwoli is the long-serving Secretary-General of the Central Organisation of Trade Unions (Kenya) and a leading voice for workers' rights in Africa and globally.

With over five decades in labour leadership, he has served on the Governing Body of the International Labour Organisation, as President of the Organisation of African Trade Union Unity, and as Vice President of the International Trade Union Confederation.

He sits on several boards, including the Social Health Authority, and has been honoured with national and international awards for his advocacy of social justice and decent work. Dr. Atwoli holds advanced diplomas in labour and industrial relations, as well as a Doctor of Humane Letters (Honoris Causa) in Labour Relations.

### **Ms. Jacinta Kathamu Mutegi Consortium of Healthcare Providers**

Jacinta Kathamu Mutegi is the National Executive Secretary of the Catholic Health Commission of Kenya at Kenya Conference of Catholic Bishops (KCCB). She manages a network of 497 health facilities, 22 medical training colleges, and over 50 community health programs. With 21 years of experience in health systems leadership, she specialises in governance, health financing, supply chain management, resource mobilisation, and forming strategic partnerships.

Jacinta holds a Master of Arts in Project Planning and Management from the University of Nairobi, a Bachelor of Environmental Studies from Kenyatta University, and an Executive Master's in Organisational Development from USIU-Africa. She has undertaken short courses on leadership, governance, grant management, Good Clinical Practices, Project Management for Clinical Research and Monitoring and Evaluation for population and health programmes.



She is a member of the Caritas Internationalis Task Force on the Global Fund, a member of the Country Coordinating Mechanism for The Global Fund - Kenya focusing on health advocacy and service delivery coordination. She has served in board roles for National Syndemic Diseases Control Council, National Council for Population and Development and Mission for Essential Drugs and Supplies and Novonordisk's iCARE Advisory Board. Ms. Mutegi is the current Chair of the Kenya Faith Based Health Services Consortium.

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

### **Mr. Gerald Macharia Council of Governors**



Gerald Macharia serves as the Vice President for East & Southern Africa for the Clinton Health Access Initiative (CHAI). He

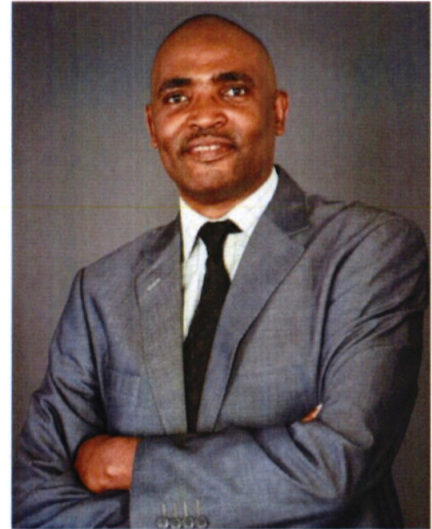
joined CHAI in 2005 as the pioneer Country Director for Kenya, after a 5-year stint as CEO of Kenya based Faulu Microfinance Bank.

In this role, he works closely with the various Governments' Ministries of Health across these countries to design, fund and execute public health programs cutting across various intervention areas geared towards delivering effective solutions that drive impactful results.

As a member of CHAI's global leadership team, he brings to these countries CHAI's well known track record in creating change, making global health solutions that have saved millions of lives over the years.

He earned his undergraduate degree from Kenyatta University and holds a post-graduate Diploma in Marketing from the Chartered Institute of Marketing of the UK, an MBA from the Edinburgh Business School and an MBA from Kenya's Moi University Business School. He is also a Commonwealth Scholar in Corporate Planning & Strategy and an alumnus of Stanford University's Graduate School of Business program on Strategy and Organization.

### **Dr. Ibrahim Ondeko Ndale Matende Kenya Medical Association**



Dr. Matende is a prominent ophthalmologist and healthcare leader in Kenya, specializing in Paediatric Ophthalmology and Strabismus. He holds a Bachelor of Medicine and Surgery, Master of Medicine in Ophthalmology, and Postgraduate Diploma in STI/HIV from the University of Nairobi.

His current leadership positions include Vice President of the Kenya Medical Association, President of the Ophthalmological Society of Kenya, Council Member of COECSA, and Secretary General of the Africa Ophthalmology Council. He previously served as founding President of COECSA and Medical Director of the Lighthouse for Christ Eye Centre.

Dr. Matende has significantly contributed to public health initiatives, playing a key role in Mombasa County's COVID-19 response and leading pioneering anti-trachoma programs, including Kenya's first mass antibiotic treatment initiative. He served on The Queen Elizabeth Diamond Jubilee Trust's Commonwealth Eye Health Consortium steering committee. Passionate about healthcare advocacy, governance, and leadership, Dr. Matende views human resource development as essential for accessible, quality healthcare.

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

### **Dr. Angela Ndunge CS Health Appointee**

Dr. Angela Ndunge is a Chartered Psychologist and a Senior Lecturer in Organisational Behaviour at Strathmore University Business School (SBS). She holds a PhD in Applied Psychology and an MSc in Work and Organisational Psychology from the University of Nottingham UK. She is an expert in leadership development, workplace well-being, and strategic human resource management, with a proven record of translating academic research into transformative executive training.



She currently directs a portfolio of major initiatives as the Principal Investigator on two significant grants: a \$3.2 million project from the Conrad N. Hilton Foundation to support catholic sisters to transform their social ministries into sustainable social enterprises across five African countries (Kenya, Uganda, Tanzania, Zambia and Malawi), and a grant from the Gates Foundation to advance women's leadership in the Kenyan health sector. As the former Deputy Executive Dean of Strathmore University Business School (SBS), Dr. Ndunge was instrumental in driving the school's executive education strategy and expansion across East and Southern Africa.

Beyond her academic and professional endeavors, Dr. Ndunge contributes to the broader community by serving on the board of the Association of African Business Schools (AABS) and chairing the board of St. Patrick's Schools in Mbiuni, Machakos County.



### **Ms. Roselyne Mungai CEC Health Caucus**

Roselyne Wanjiru Mungai is the County Executive Committee Member for Health in Nakuru County. A seasoned development and governance professional, she brings nearly three decades of experience in program management across legislative development, devolution, peacebuilding, and institutional strengthening. Previously,

she served as CEO of the County Assemblies Forum and has led programs with USAID, AHADI, PACT, Oxfam GB, and other prominent development organisations.

Since assuming the CECM Health role, she has taken a hands-on approach to service delivery, conducting facility visits such as to Olunguruone Sub- County

Hospital and Menengai Crater Dispensary where she assessed workflow, ensured immunisation campaigns like the "Big Catch Up" are in place, and championed infrastructure improvements.

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

**Cs. Terry Rotich**  
**Ag. Corporation Secretary SHA**

Terry is a senior legal professional with over 13 years of experience in public and private sectors, specializing in rights-based program development and management. She currently serves as Ag. Corporation Secretary for the Social Health Authority (SHA).

At SHA, Terry supports Board governance by preparing papers and minutes, maintaining the conflicts register, and serving as custodian of the organizational seal. She provides legal advice, oversees court representation, drafts contracts and MOUs, and implements Mwongozo, the Authority's Code of Conduct.

Previously, she served as Principal State Counsel at the Ministry of Health, managing legal matters and advising on negotiations and contracts. She also worked as Senior State Counsel at the Attorney General's Office, advising ministries on contracts and international agreements, and as Senior Associate at Kairu & McCourt Advocates. Terry holds an LLB from Moi University, a Postgraduate Diploma in Law from Kenya School of Law and is pursuing an LLM in Corporate Governance. She is a member of LSK, FIDA-K, and ICS.



**CS Hon. Aden Duale meets with the SHA Board on June 30, 2025, in the boardroom at SHA Building.**

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

### **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 Authority's future goals. The following are the key management of SHA.



***Dr. Mercy Mwangangi***  
**Chief Executive Officer**

Dr. Mercy Mwangangi is the Co-Chair of the Future of Global Health Initiatives, and now the Chief Executive Officer of the Social Health Authority (SHA). Dr Mwangangi is a Health Economist and Policy Analyst with a background in medicine.

She possesses knowledge and experience in conducting high-quality Strategic Health Program Planning, Monitoring, and Evaluation activities, with a focus on Universal Health Coverage and Primary Health Care.

She has considerable experience in conducting in-depth Health Situation Analyses and producing actionable recommendations and guidelines on future program directions, incorporating international policies and standards tailored to local needs.

***CPA. Robert Mbarani Ingasira***  
**Director, Funds & Finance Management**

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.



## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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

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, Provider & Beneficiary 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.



## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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**Cs. Terry Rotich**

**Ag. Corporation Secretary**



Terry is a senior legal professional with over 13 years of experience in public and private sectors, specializing in rights-based program development and management. She currently serves as Ag. Corporation Secretary for the Social Health Authority (SHA).

At SHA, Terry supports Board governance by preparing papers and minutes, maintaining the conflicts register, and serving as custodian of the organizational seal. She provides legal advice, oversees court representation, drafts contracts and MOUs, and implements Mwongozo, the Authority's Code of Conduct.

Previously, she served as Principal State Counsel at the Ministry of Health, managing legal matters and advising on negotiations and contracts. She also worked as Senior State Counsel at the Attorney General's Office, advising ministries on contracts and international agreements, and as Senior Associate at Kairu & McCourt Advocates. Terry holds an LLB from Moi University, a Postgraduate Diploma in Law from Kenya School of Law and is pursuing an LLM in Corporate Governance. She is a member of LSK, FIDA-K, and ICS.



## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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### **Dr. Tracy John** **Ag. Director, Benefits & Claims Management**



Dr. Tracey John is an expert in healthcare management with 20 years of experience in health service delivery, health systems management at all facility levels and the Ministry of Health. She is the current

Benefits and Claims Management Director at the Social Health Authority (SHA).

Dr. John specializes in public health policy, healthcare institution management, health systems strengthening and health financing.

Her educational background includes a Bachelors and Masters Degrees in Medicine and Surgery, Masters Degree in Business Administration and International Healthcare Management. She is also trained in healthcare Financing on mechanisms to enhance revenue generation, resource pooling, and effective utilization for sustainable health outcomes.

Further, Dr. Tracey is trained in health system management and Leadership. Dr. John is also trained in climate change and sustainability, promoting resilient health systems through comprehensive societal and governmental approaches. Her diverse expertise equips her to manage the healthcare sector holistically.

### **Mr. Ibrahim Mohamed Alio** **Director, Corporate Services**



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.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

#### **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:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Chief Executive Officer	Dr. Mercy Mwangangi
2.	Director Audit	CPA. Pariken Ole Sankei
3.	Director Provider & Beneficiary Management	Ms. Hazel Jemutai Koitaba
4.	Director Corporate Services	Mr. Ibrahim Mohamed Alio
5.	Director Funds & Finance Management	CPA. Robert Mbarani Ingasira
6.	Ag. Director Benefits & Claims Management	Dr. Tracey John
7.	Ag. Corporation Secretary	CS. Terry Rotich

#### **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 Social Health Authority 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.

## **SOCIAL HEALTH INSURANCE FUND**

### ***Annual Report and Financial Statements for the year ended June 30, 2025***

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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 Social Health Authority 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.

## ***SOCIAL HEALTH INSURANCE FUND***

***Annual Report and Financial Statements for the year ended June 30, 2025***

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### **7. CHAIRMAN'S STATEMENT**

The Social Health Insurance Fund (SHIF) is the insurance arm of the Social Health Authority (SHA), the vehicle through which members contribute in order to access services. Established under the Social Health Insurance Act, 2023, SHIF represents a decisive break from the limitations of the former National Health Insurance Fund (NHIF) and a bold step toward a more equitable, transparent, and sustainable health financing model.

Unlike grant-based or tax-financed components of SHA, SHIF is a mandatory contributory scheme. It is the primary risk pool that enables solidarity across income groups ensuring that contributions are fair and progressive, while benefits remain universal. Its design ensures that no household is pushed into financial distress due to healthcare costs.

During the year under review, the Board concentrated on building the policy and governance foundation of SHIF in three priority areas:

1. Inclusivity – Contributions were designed to be progressive and linked to ability to pay. The adoption of the 2.75% income-based contribution model was not merely arithmetic, but a deliberate equity measure to balance fairness with financial sustainability.
2. Sustainability – Safeguards were embedded to ensure that SHIF can withstand demographic, epidemiological, and economic shocks. Clear reserve and risk-management frameworks were approved to secure the Fund's longevity.
3. Accountability – Governance structures were strengthened to ensure transparency in collections, contracting, and claims management. This is vital to building trust among contributors, providers, and the public.



## **SOCIAL HEALTH INSURANCE FUND**

### ***Annual Report and Financial Statements for the year ended June 30, 2025***

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In addition, the Benefits Review Panel, appointed under the Act, completed the first systematic review of SHIF's benefit package. The resulting package reflects today's healthcare needs: comprehensive outpatient and inpatient cover, maternity services, preventive and promotive care, chronic disease management, and specialized treatment. The package is dynamic, designed to evolve in line with disease trends and member expectations.

As Kenya transitions fully from the NHIF era, SHIF is a reimagined social contract in health financing. It operationalizes the principle of solidarity, where contributions safeguard households from financial catastrophe, and universal access is not a privilege but a guarantee. Through SHIF, Kenya is moving decisively toward the realization of Universal Health Coverage, anchored in fairness and shared responsibility.



.....  
**DR. MOHAMED ABDI MOHAMED**

**CHAIRPERSON – BOARD OF DIRECTORS SHA**

## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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### **8. REPORT OF THE CHIEF EXECUTIVE OFFICER**



The rollout of SHIF on October 1, 2023, was one of the most ambitious health reforms in Kenya's history. Designed as the backbone of SHA, SHIF provides essential healthcare coverage to millions, ensuring that no household is pushed into poverty because of medical costs.

- ❖ Means Testing Rollout: By June 2025, over **5.9 million** households underwent means testing, enabling government subsidies for the most vulnerable.
- ❖ Premium Financing Innovations: Members accessed flexible contribution channels, such as Lipa SHA pole pole.
- ❖ Employer Recruitment RRI: A Rapid Results Initiative (RRI) targeted employers nationwide with payroll-based SHIF deductions.
- ❖ Informal Sector Outreach: Door-to-door campaigns reached informal sector households, expanding coverage.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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- ❖ Benefits Package Implementation: Early utilization showed uptake in preventive screenings and chronic disease care, aligning with SHA's focus on reducing long-term costs.
- ❖ Digitized Claims: Providers adopted digital claims systems, cutting turnaround times.

SHIF reported contributions of **KES 57 billion**, with benefits paid out totaling **KES 91 billion**. Compared to NHIF's 2023/2024 baseline, contributions grew by 68%, while benefits expanded in tandem with the new package. Administrative costs were contained below the 5% threshold.

In 2025/26, SHIF will:

- Scale up the means-testing rollout to cover 100% of households.
- Deepen informal sector mobilization to expand the contribution base.
- Strengthen provider management systems, ensuring timely reimbursements.
- Enhance public awareness campaigns, reinforcing trust and compliance.
- Establish a continuous review cycle for the benefits package to remain relevant.

SHIF has laid the foundation of an equitable and sustainable system. Its success will depend on building and maintaining public trust.



.....  
**DR. MERCY MWANGANGI**  
**CHIEF EXECUTIVE OFFICER SHA**

## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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

The Government of Kenya, through the Bottom-Up Economic Transformation Agenda (BETA) declared Universal Health Coverage (UHC) a national priority and one of the key deliverables of the Kenya Kwanza Government. Further, UHC was given prominence for National Sustainable Development, amongst Agriculture, Micro-Small and Medium-sized Enterprise (MSME) economy, Affordable Housing, and the Digital Superhighway and Creative Economy.

The Social Health Authority (SHA) was instituted by the Social Health Insurance (SHI) Act of 2023 to advance the realization of (UHC). The SHI Act of 2023 created three key funds: the Primary HealthCare Fund (PHF), the Social Health Insurance Fund (SHIF), and the Emergency, Chronic and Critical Illness Fund (ECCIF), all designed to propel the attainment of UHC within the framework of SHA.

SHA's mission is to achieve complete coverage of the Kenyan population, enhance the accessibility and inclusivity of high-quality essential healthcare interventions, bolster financial risk protection for all Kenyans, with particular attention to the vulnerable demographics, and guarantee the sufficiency of health resources for the effective delivery of healthcare services, among other objectives.

#### **Statement of Performance against Predetermined Objectives for FY 2024/25**

SHA has 5 strategic issues and 10 objectives within the current Strategic Plan for the FY 24- FY 27. These strategic issues are as follows:

1. Health Financing sustainability and independence
2. Customer Centric service delivery Approach
3. Business Process Transformation and digitization
4. Governance, Compliance and Risk Management
5. Strengthening Institutional Capacity and Human Capital

SHA develops its annual work plans based on the above 5 Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 24/25 period for its 5 strategic pillars, as indicated in the diagram below:

# SOCIAL HEALTH INSURANCE FUND

## Annual Report and Financial Statements for the year ended June 30, 2025

Strategic Issues	Objective	Key Performance Indicators	Activities	Achievements
1. Health Financing Sustainability and Independence	To enhance financial suitability and independence in Universal Healthcare coverage funding	Growth in revenue for healthcare financing	Revenue collected under Social Health Insurance Fund in Kshs.	By the end of the FY2024/25, SHA had collected Kshs. 57,707,828,167 and incurred benefit to be paid out of Kshs. 91,535,916,248
	To harmonize allocation and utilization of healthcare financing resources	Payout ratio	Benefit Utilization for SHIF	By the end of the FY2024/25, SHA had collected Kshs. 57,707,828,167 and incurred benefit to be paid out of Kshs. 91,535,916,248 that translates to 158% pay out.
2. Customer Centric service delivery Approach	To facilitate access to affordable and universal healthcare coverage by all categories of beneficiaries	% of the Kenyan Population enrolled and benefiting under UHC	100% of the Kenyan Population enrolled and benefiting under UHC	During FY 2024/2025, the Social Health Authority (SHA) registered a total of 24,702,971 members, including 8,427,130 dependants. Based on an average household size of four members, this translates to approximately 6,175,743 households registered against the annual target of 12.07 million households.
		Coverage of the vulnerable	Enroll and increase access among vulnerable groups	In the period under review, SHA registered <b>67,377</b> orphaned and vulnerable children and <b>14,205</b> Older Persons and Persons Living that were identified by the State Department for Social Protection for health insurance sponsorship at a base premium of Kes. 880 per household. Premium remitted amounted to KES 711,500,000 for the orphaned and vulnerable children and KES 150,000,000 for the older persons and persons with Severe Disability.
	To enhance stakeholder engagement and brand visibility	Customer Satisfaction levels	Sensitize the CHPs, informal sector, eligible members, general public, and all stakeholders on the essential benefit package and information requirements for registration	Social Health Authority (SHA) published the Essential Benefit Package (EBP) through Gazette Notice No. 56. The EBP clearly outlines the entitlements on the Primary Health Care Fund, the Social Health Insurance Fund, and the Emergency, Chronic and Critical Illness Fund
			Develop, review and cascade the SHA service charter	The Authority developed the Social Health Authority Customer Service Charter in both English and Kiswahili in line with the SHI Act of 2023 and its Strategic Plan. The charter will be printed and designated in the 47 county Offices and embedded on the SHA website in the succeeding FY
		Brand index	Engaging the various forms of media to enhance knowledge of SHA services and benefits	SHA continued to engage the Public through the Mainstream media, local Radio stations and on its social media platform to create awareness of its benefits Offerings Registration Platforms. The brand index will be undertaken in the successive period
			Coordinate the development of the communication policy & brand manual for SHA	The Authority developed a draft Communication policy and approved the Social Health Authority branding manual
3. Business Process Transformation and digitization	To institutionalize business processes Re-engineering for enhanced service delivery	Turnaround time in service delivery	Develop policies and guidelines to operationalize business operations in the Authority	The SHA prioritized 5 key operational policies that were discussed to the Board level for approval Including Empanelment and Contracting of Healthcare Providers Enterprise Risk Management, Internal Audit, Business Continuity, Fund Management among others

## SOCIAL HEALTH INSURANCE FUND

### Annual Report and Financial Statements for the year ended June 30, 2025

Strategic Issues	Objective	Key Performance Indicators	Activities	Achievements
			Co-develop the SLA, ensuring it aligns with national digital health frameworks and SHA's operational needs	To integrate into the Health Digital Superhighway, the Authority co-developed an SLA on Health Information Exchange to define the means of engagement between the two agencies to enhance effectiveness and efficiency
	To enhance digitization and system integration	% of digitization and automation	Identify Core Business operation processes for automation	The SHA identified key operational services for automation including the member Registration, E-contracting, E-claim processing, Employer Onboarding Portal, Healthcare Onboarding Portal and Preauthorization among others.
4. Governance, Compliance and Risk Management	To strengthen corporate governance, oversight and regulatory compliance	Compliance index	Induction to create awareness to Board Members of the Mwongozo code of Governance	In the period under review, the eleven (11) Board members were inducted on the Mwongozo Code of Governance
			Hold Board meetings of the Authority through respective committees of the Board	The SHA Board met to discuss and give direction on among others the SHA 2024/25 Budget, SHA Recruitment process, the 2025-2027 Strategic Plan and SHA Policies and Guidelines
	To institutionalize Enterprise Risk Management Framework (ERM F) across SHA operations.	Maturity level of ERMF	Development of Enterprise Risk Management Framework	The SHA Formulated Enterprise Risk Management Framework and guidelines, ERM Registers and Quarterly ERM Performance Report
5. Strengthening Institutional Capacity and Human Capital	To develop human capacity and support systems	% Performance score	Develop all the necessary HR instruments	The Authority in the period under review developed and secured SCAC approval of six (6) SHA Human resource instruments, namely: <ul style="list-style-type: none"> <li>i) HR career Guidelines</li> <li>ii) Staff Establishment</li> <li>iii) HR policy and Procedure Manual</li> <li>iv) Organization and Grading Structure</li> <li>v) Qualification matrix</li> <li>vi) Salary structure</li> </ul>
			Implement the Approved Human Resource Instruments	The Authority has continued to recruit its staff from the approved staff establishment. So far, the CEO, Directors, Deputy Directors, and Principal Officer have been recruited.
	To strengthen internal structures and systems for delivery of the institutional mandate	% Performance score	Monitor and report on implementation of the SHA Performance Contract	In the period under review the Authority was evaluated by the Performance Monitoring and Evaluation Unit and award a composite score of 3.4851 which represents a good Performance

# **SOCIAL HEALTH INSURANCE FUND**

## **Annual Report and Financial Statements for the year ended June 30, 2025**

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### **10. CORPORATE GOVERNANCE STATEMENT**

#### **Corporate Governance Framework**

The Social Health Authority (SHA) has established strict corporate governance standards to ensure its long-term success. The Board of Directors, which oversees SHA, is composed of diverse, capable, and qualified members who can make impartial and independent decisions. This structure is designed to promote corporate governance best practices, integrity, and accountability in all operations. The SHA's governance framework is guided by the Mwongozo (The Code of Governance for State Corporations), the Social Health Insurance (SHI) Act of 2023, as well as other Government of Kenya guidelines.

#### **Board Roles and Responsibilities**

The Board is responsible for the Strategic Direction and oversight of SHA and formulating policies and strategies to achieve business objectives that protect and promote stakeholder value. This includes setting the Authority's strategic intent, objectives, and values, as well as safeguarding the entity's assets and reputation. The Board assumes full and effective control over the SHA and is accountable for its stewardship.

To fulfill its duties, Management provides the Board with comprehensive and timely information on the Authority's policies and operations. The Board ensures its members receive continuous training in Board processes, including corporate governance principles and practices. The Board has also implemented a Risk and Management Policy and a Whistle Blowing Policy to address organizational risks, in line with the Mwongozo code.

#### **Board Functions:**

The functions of the Authority have been provided under the Social Health Insurance Act as follows:-

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

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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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
12. Register the beneficiaries in accordance with this Act;
13. Manage the Funds established under this Act
14. Receive all contributions and other payments required to be made to the Funds
15. Empanel and contract healthcare providers and healthcare facilities upon inspection, licensing and certification of the healthcare providers and healthcare facilities by the relevant body
16. Consider and make payments to contracted healthcare providers and healthcare facilities out of the Funds
17. Develop guidelines for the operations and implementation of the Funds established under the Social Health Insurance Act
18. Establish sectoral linkages for effective management and growth of the Funds.
19. Monitor and evaluate programs and activities under the Funds.
20. Receive and address complaints that may arise from the implementation of this Act
21. Advise the Cabinet Secretary on matters of social health insurance including the formulation of policies
22. Implement all government policies on social health insurance and related functions

Therefore, the functions of the Board that enable the Authority to fulfill the functions listed in the Act are as follows;

#### **Collective and Strategic Functions**

- *Strategic Direction and Control:* The Board provides strategic direction, exercises control and is accountable to shareholders. They determine the organization's mission, vision, purpose, and core values.
- *Policy and Structure:* They set and oversee the overall strategy and approve significant policies and the organizational structure.
- *Financial Oversight:* The Board approves the annual budget, reviews and approves major resource allocations and monitors the organization's financial performance.
- *Sustainability:* The Board ensures the organization's strategy is aligned with long-term sustainability goals and integrates sustainability into its strategy and management practices.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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- *Resource Management:* They ensure the availability of adequate resources to achieve the organization's objectives.

#### **Executive and Managerial Functions**

- *CEO and Senior Management:* The Board is responsible for hiring the CEO under terms and conditions approved by relevant government organs. They also approve the appointment of senior management staff and set the CEO's performance targets.
- *Succession Planning:* The Board ensures that a formal succession plan is in place for both Board members and the CEO and other senior management staff.
- *Performance Monitoring:* They monitor the organization's performance and ensure its sustainability, and they conduct annual evaluations of the Board, its committees, and individual directors.
- *Communication:* The Board ensures effective communication with stakeholders.
- *Image and Reputation:* They work to enhance the corporate image of the organization and promote a positive image.

#### **Individual Duties of Board Members**

As per the provisions of Mwongozo, each individual Board member is required to:

- Exercise the highest degree of care, skill, and diligence in their duties.
- Act in the best interest of the organization, not for any other purpose.
- Act honestly and avoid situations where personal interests conflict with those of the organization.
- Exercise independent judgment at all times.
- Understand and accept the principle of collective responsibility.
- Promote and protect the image of the organization.
- Owe their duty to the organization, not to the nominating or appointing authority.
- Hold in confidence all information available to them by virtue of their position.

The Chairperson of the Board has specific functions, such as providing overall leadership, setting the agenda for meetings, leading the annual Board evaluation, and maintaining a close but independent working relationship with the CEO.

#### **Board Composition and Appointment**

The composition and appointment of the Board are in accordance with the Social Health Insurance Act 2023. The Board has the freedom and authority to carry out its responsibilities and is accountable to shareholders and stakeholders. Section 7 (1) provides that the Board shall consist of :-

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

- 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
- 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.

#### **Board Committees**

To better assist the Board in discharging its duties, four specialized committees have been established, each with a balanced mix of Board members. Each committee has a charter and terms of reference outlining its delegated powers, membership, and detailed duties. Annual performance reviews are conducted for each committee. The committees are:

##### **1. Audit and Risk Committee**

No.	Name of Member	Organization	Position
1.	Ms Jacinta Mutegi	Consortium of Healthcare Providers	Chairperson
2.	Dr Andrew Mulwa	Alternate - PS Medical Services	Member
3.	Dr Ibrahim Matende	CS, Ministry of Health Appointee	Member
4.	Dr. Angela Ndunge	CS, Ministry of Health Appointee	Member
5.	CPA. Pariken Ole Sankei	Director, Internal Audit	Secretary

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

#### **2. Human Resource & Governance Committee**

<b>No.</b>	<b>Name of Member</b>	<b>Organisation</b>	<b>Position</b>
1.	Dr Patrick Amoth, EBS	Director General for Health, Ministry of Health	Chairperson
2.	Dr Francis Atwoli	Central Organization of Trade Unions	Member
3.	Mr Gerald Macharia	Council of Governors	Member
4.	Dr Andrew Mulwa	Alternate - PS Medical Services	Member
5.	Ms. Roselyn Mungai	CECM Health Caucus	Secretary
6.	Dr. Mercy Mwangangi	Chief Executive Officer	Ex-Officio member
7.	CS Terry Rotich	Ag. Corporation Secretary	Secretary

#### **3. Strategy and Operations Committee**

<b>No.</b>	<b>Name of Member</b>	<b>Organisation</b>	<b>Position</b>
1.	Dr Ibrahim Matende	CS, Ministry of Health Appointee	Chairperson
2.	Ms Jacinta Mutegi	Consortium of Healthcare Providers	Member
3.	Mr Samuel Kiptorus	Alternate - PS National Treasury	Member
4.	Dr Angela Ndunge	CS, Ministry of Health Appointee	Member
5.	Dr. Mercy Mwangangi	Chief Executive Officer	Ex-Officio member
6.	CS Terry Rotich	Ag. Corporation Secretary	Secretary

#### **4. Finance Committee**

<b>No.</b>	<b>Name of Member</b>	<b>Organization</b>	<b>Position</b>
1.	Mr Gerald Macharia	Council of Governors	Chairperson
2.	Mr Samuel Kiptorus	Alternate - PS National Treasury	Member
3.	Dr Patrick Amoth, EBS	Director General for Health, Ministry of Health	Member
4.	Dr Francis Atwoli	Central Organization of Trade Unions	Member
5.	Ms. Roselyn Mungai	CECM Health Caucus	Secretary
6.	Dr. Mercy Mwangangi	Chief Executive Officer	Ex-Officio member
7.	CS Terry Rotich	Ag. Corporation Secretary	Secretary

### **Internal Auditors**

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

### **Performance and Remuneration**

#### **Performance Evaluation**

The Board conducts a yearly self-evaluation to assess its effectiveness using a Board Evaluation Tool provided by the State Corporations Advisory Committee (SCAC). This process helps identify collective strengths, skill gaps, and individual areas for improvement. The evaluation also reviews the performance of the committees, the Chairperson, the CEO, the Corporation Secretary & Internal Auditor.

## ***SOCIAL HEALTH INSURANCE FUND***

### ***Annual Report and Financial Statements for the year ended June 30, 2025***

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#### **Remuneration**

Remuneration for Board members aligns with applicable legislative provisions and guidance from the relevant authorities. Board members receive sitting allowances only for attending board or committee meetings, as confirmed by an attendance register. No Board member, other than the CEO, has a service agreement or is paid by the Authority.

#### **Conflict of Interest**

At the start of every Board or Committee meeting, members must disclose any potential, real, or perceived conflicts of interest for documentation. A member with a conflict of interest is not allowed to participate in related discussions or decision-making. All declared interests are recorded in a "Declaration of Interest" register maintained by the Corporation Secretary for transparency and accountability.

#### **Succession Plan and Financial Reporting**

##### **Succession Plan**

The Social Health Insurance Act 2023 provides for the succession plan from the National Health Insurance Fund to the Social Health Authority. On the day the Act became effective, all funds, assets, liabilities, and legal proceedings of the National Health Insurance Fund were vested in the Authority. The Board of the Social Health Authority is required to competitively recruit and appoint its staff under the Act.

The Board is responsible for implementing a succession plan for both its members and the senior management, which should be reviewed regularly. Board member tenures are staggered to ensure a phased transition and continuity. The renewal of a Board member's term for a second period is contingent on a favourable evaluation. The Chairperson is responsible for ensuring that a formal succession plan is in place for Board members.

##### **Financial Reporting**

The Board of Management is responsible for presenting a true and fair view of the SHA's financial affairs. The financial statements are prepared in accordance with the International Financial Reporting Standards and relevant Acts, including the PFM Act and the SHI Act.

##### **Board Member Training and Development**

Board members undergo an orientation program to familiarize them with their roles as directors, the fundamentals of corporate governance, and Board procedures. This program introduces them to the organization's strategic goals, financial position, and risk management initiatives.

## **SOCIAL HEALTH INSURANCE FUND**

### ***Annual Report and Financial Statements for the year ended June 30, 2025***

An annual Work plan/ Almanac is created to address identified skill gaps. Board members receive access to ongoing development initiatives to keep them informed about the latest trends in industry best practices, corporate governance, and critical issues related to the functioning of public sector boards. The Board ensures that all members receive continuous training in Board processes. Board members should also satisfy themselves that they are up to date with continuous professional development in their respective professional bodies.

The Board evaluates its performance annually, identifying strengths and collective skill gaps, as well as individual areas for improvement. The performance of each committee is also reviewed against their terms of reference.



**CS Hon. Aden Duale, flanked by SHA Board members, engages the media on June 30, 2025 at SHA Building.**

# **SOCIAL HEALTH INSURANCE FUND**

## **Annual Report and Financial Statements for the year ended June 30, 2025**

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### **11. MANAGEMENT DISCUSSION AND ANALYSIS**

The Social Health Insurance Act, 2023, mandates the establishment of the Social Health Authority as a statutory body to oversee and administer a unified health financing mechanism. This framework is in line with the Government of Kenya's health sector reforms, and it is built on three dedicated health funds:

- ❖ Primary Healthcare Fund (PHCF)
- ❖ Social Health Insurance Fund (SHIF)
- ❖ Emergency, Chronic, and Critical Illness Fund (ECCIF)

A person currently registered as a member of the repealed National Health Insurance Fund shall register afresh with the Authority as a member of the Social Health Insurance Fund

Section 26 of the social Health Insurance Act 2023 provides that.

(1) Every Kenyan shall register as a member of Registration the Social Health Insurance Fund.

(2) A person who, being a non-Kenyan, and is ordinarily resident in Kenya, shall be eligible for registration as a member of the Social Health Insurance Fund.

(3) A child born after commencement of this Act shall be registered at birth as a member of the Social Health Insurance Fund.

(4) Registration shall be conducted continuously at various points in such manner as shall be prescribed by the Cabinet Secretary.

(5) Any person who is registerable as a member under this Act shall produce proof of compliance with the provisions of this Act on registration and contribution as a precondition of dealing with or accessing public services from the national government, county government or a national or county government entities.

(6) A person who is a non-Kenyan that intends to enter and remain in the territory of Kenya for a period of less than twelve months shall be required to be in possession of a travel health insurance cover as may be designated by the Cabinet Secretary.

(7) The Cabinet Secretary shall establish the policy, regulatory or administrative measures to give effect to sub section (6).

#### **Member Registration**

The Social Health Authority is tasked with registration of all Kenyans. The Organization embarked on registration of members to ensure compliance with the Act through provision of various self-registration platforms through the Web and USSD and assisted registration by Community Health

**SOCIAL HEALTH INSURANCE FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

Promoters and the SHA service points. Total Members registered at the end of the 2024/25 financial year amounted to **24,702,971** out of which **8,427,130** were dependants.

<b>Total Registrations</b>	<b>24,702,971</b>
Registrations	21,638,937
Transitioned	3,064,034
Dependants	8,427,130

**Strategies For Member Registration**

**Premium Financing**

Section 27(5) of the Social Health Insurance (SHI) Act 2023 mandates premium financing for non-salaried individuals to facilitate annual contributions and address the challenge of intermittent premium payments caused by irregular incomes of this sector members.

Consequently, the Government through SHA, introduced Insurance Premium financing to enhance access to healthcare through flexible contribution plans and empower informal sector workers to consistently participate in payment of SHA premiums. It leverages on technology to bridge healthcare access gaps by utilizing digital innovation to make health inclusive. The Hustler Fund “Lipa Pole Pole enables Kenyans to take charge of their health and eases the burden of medical costs.

**Key Highlights:**

- Flexible Payment Options: Daily, weekly, or monthly SHA premium payments based on ability.
- Targeted Support for Informal Sector: Addresses irregular income challenges.
- Partnership Driven: Joint effort with:
  - Ministry of Health
  - Ministry of Cooperatives & MSMEs
  - Mobile Network Operators
  - Financial Institutions
  - Hustler Fund
- Simple Enrolment: Dial \*147# and follow prompts.
- Uninterrupted Health Coverage: Continued access to services without financial pressure.
- Supports SHA Sustainability: Promotes consistent contributions to keep the fund viable.

Other proposed types of insurance premium financing products include as follows:-

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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- **SHIF Lipa na Airtime:** Customers can opt for a premium service that deducts a set amount daily/weekly from their airtime for SHIF payments.
- **Lipa na Bonga:** Utilizes existing mobile service provider loyalty points for monthly SHIF contributions.
- **Voluntary M-PESA Transaction Payments:** Allows automatic contributions based on a predetermined percentage of each M-PESA transaction.
- **Voice and Data Bundles with SHI Benefit:** Integrates SHIF contributions into the purchase of voice/data bundles.
- **Automated Savings System:** Telcos can enable daily savings and monthly remittances to the fund for efficient member contributions.
- **Healthcare Loans through Cooperatives:** Members can secure loans from their societies to cover SHA premiums.

#### **Compliance Rapid Results Initiative**

A Rapid Results Initiative commenced in Nairobi County where officers from the Nairobi region were deployed to Central Business District to carry out an exercise on registration new employer, follow up on outstanding premiums and confirm adherence to the Act in regard to employer contributions. The exercise will be rolled out to the rest of the Counties.

#### **Sector Specific Focus Partnerships**

Partnerships with other bodies like the Ministry of Lands, Public Works, Housing, and Urban Development for data of affordable housing beneficiaries, Maritime workers, and retirees through RBA among others. Mous, NDAs and the DHA Act provisions enable lawful data sharing and means testing.

#### **Sponsorships**

In partnership with County Governments, SHA has established sponsorship programs to support vulnerable populations. Currently, there is an active County sponsorship program, Murang'a County-Kang'ata Care, which runs from January to December 2025 and supports 37,110 beneficiary households. All beneficiaries have been registered and underwent means testing to determine their premium payments.

Building on this success, the Authority has engaged with other Counties to sponsor at least 20,000 households each. These Counties include Kajiado, Kisumu, Nairobi, Nandi, Laikipia, Kiambu, Makueni, Lamu, Turkana, Busia, Taita Taveta, Baringo, and Mombasa. The ultimate target is to have all 47 Counties sponsoring the poor and vulnerable within their respective jurisdictions.

## ***SOCIAL HEALTH INSURANCE FUND***

### ***Annual Report and Financial Statements for the year ended June 30, 2025***

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Additionally, SHA has engaged UNHCR to continue sponsoring vulnerable refugee groups, maintaining the support that was previously provided under NHIF. A draft MOU is currently being finalized and awaits signing between the two parties to formalize this important partnership.

#### **Means Testing Overview**

The Authority uses means testing to determine the premium amount for non-salaried households through data collected from households based on various social economic aspects. By the end of the financial year, the average means testing amount was Kes. 592 from the 5,974,442 non-salaried members who undertook means testing indicating broad participation in the preliminary eligibility assessment process.

However, a significant proportion of registered individuals have not maintained regular remittance, signalling the need for targeted engagement and follow-up strategies.

#### **Recommendations**

1. Enhance Uptake Among Older Persons (55+ years): Targeted Outreach Campaigns should be designed to raise awareness among older adults, especially in rural and peri-urban areas where access to information may be limited. Collaborate with county governments, religious institutions, and community-based organizations to sensitize older populations on SHA benefits. Consider mobile registration units for door-to-door outreach in regions with low digital penetration.
2. Sustain Momentum Among Younger Populations (Below 55 years): Leverage the digital savviness of this group by intensifying social media and digital campaigns to encourage continued contributions. Provide real-time mobile notifications/reminders on payment schedules, benefit access, and health tips to enhance engagement.
3. Optimize and Scale Up Digital Channels (Afya Yangu Portal): Continue to enhance the usability, speed, and reliability of the Afya Yangu Portal. Include real-time support/chatbots on the portal to address user issues promptly.
4. Strengthen Contribution Compliance Among Non-Salaried Households: Introduce SHA Lipa Pole pole campaigns to promote flexible premium payment models, especially for low-income earners.
5. Address the Gap Between Registration and Remittance: Conduct behavioural research to understand reasons for non-payment post-registration (e.g., affordability, lack of awareness, system barriers). Roll out reminder systems via SMS and IVR for those who have registered but not remitted. Develop early warning dashboards for tracking dormant accounts and initiating timely interventions.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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6. Refine Proxy Means Testing Mechanism: Evaluate the predictive accuracy of the proxy means testing tool and refine it for better identification of the vulnerable. Establish linkages with social protection programs to integrate data for targeted subsidy allocation. Monitor and adjust means testing bands based on real-time data to reflect economic realities and inflation trends.

#### **Benefits**

Beneficiaries are entitled to comprehensive essential healthcare benefits through three distinct funds: the Primary Healthcare Fund, the Social Health Insurance Fund, and the Emergency, Chronic and Critical Illness Fund, as outlined in the Second, Third, and Fourth Schedules to the Regulations.

The Primary Healthcare Fund provides essential healthcare benefits comprising preventive, promotive, curative, rehabilitative, and palliative health services delivered at level 2 and 3 healthcare facilities. Whereas, the Social Health Insurance Fund offers integrated preventive, promotive, curative, rehabilitative, and palliative health services provided at level 4, 5, and 6 healthcare facilities, ensuring comprehensive care at higher-level institutions.

In addition, the Emergency, Chronic and Critical Illness Fund provides specialized essential healthcare benefits that include:

- ✓ *Emergency Services* - Provided by licensed and certified healthcare providers or health facilities in accordance with the essential healthcare benefits package.
- ✓ *Critical Care Services* - Advanced care services that extend beyond the standard benefits available under the Social Health Insurance Fund's essential healthcare benefits package.

*Chronic Illness Management* - Comprehensive treatment and management of chronic illnesses that exceed the scope of benefits provided under the Social Health Insurance Fund's essential healthcare benefits package.

#### **Revenue Performance**

The SHIF Financial identifies the following as sources of income:

- Contributions under the Act;
- Monies appropriated by the National Assembly for indigent and vulnerable persons; and
- Gifts, grants, innovative financing mechanisms or donations.

As of June 30<sup>th</sup>, 2025, the SHIF received cumulative sum of **KES 57 billion** from the Government. This significant milestone marks the inaugural revenue received by SHIF, underscoring its potential and effectiveness in financial management.

# SOCIAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended June 30, 2025

## SHA Expenditure

Main areas of expenditure included:

- Benefits Expenditure – payment to health care providers for the services rendered to the registered members.
- Administrative expenses – administration and other operating expenses.



 | **SHA** | Social Health Authority

**HOW TO CONDUCT MEANS TESTING**  
(for non-salaried contributors)

- 1) Visit [www.afyayangu.go.ke](http://www.afyayangu.go.ke) and login.
- 2) Click "My Profile"
- 3) Click "Income"
- 4) Respond to the set of questions
- 5) An amount payable to SHA per month or annually will be calculated.
- 6) Choose an option to pay.



## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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### **12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Social Health Authority demonstrates unwavering commitment to sustainable development through comprehensive integration of environmental, social, and economic considerations across all operations. Our holistic approach encompasses climate resilient health systems development, inclusive employment practices, ethical stakeholder engagement, robust data protection, and meaningful community partnerships.

Through strategic initiatives ranging from our Climate Change Policy framework to impactful environmental restoration projects like the 53,100-tree planting initiative in Kipkabus Forest, SHA advances both healthcare accessibility and environmental stewardship. This report outlines our systematic efforts to build a sustainable, equitable, and transparent health system that serves all Kenyans while contributing to national climate goals and community development.

This introduction effectively captures the essence of SHA's comprehensive sustainability approach while highlighting key achievements and setting the stage for the detailed report that follows.

#### **i. Sustainability Framework and Climate Action**

The Social Health Authority integrates environmental, social, and economic considerations into its operations through a comprehensive Climate Change Policy aligned with the Government of Kenya's climate commitments. This framework guides the development of climate resilient health systems while promoting greenhouse gas reduction, sustainable energy adoption, waste management, and environmentally responsible procurement practices.

#### **ii. Environmental Performance**

Our forward-looking strategy encompasses innovation and digitalization, strengthened risk management, enhanced governance structures, legal framework operationalization, and mainstreaming of climate initiatives including tree planting, efficient resource use, and waste recycling.

The Authority maintains a robust Occupational Health and Safety (OH&S) management system that ensures safe workspaces through hazard elimination, continuous monitoring, worker participation, and adequate resource allocation for comprehensive safety protocols.

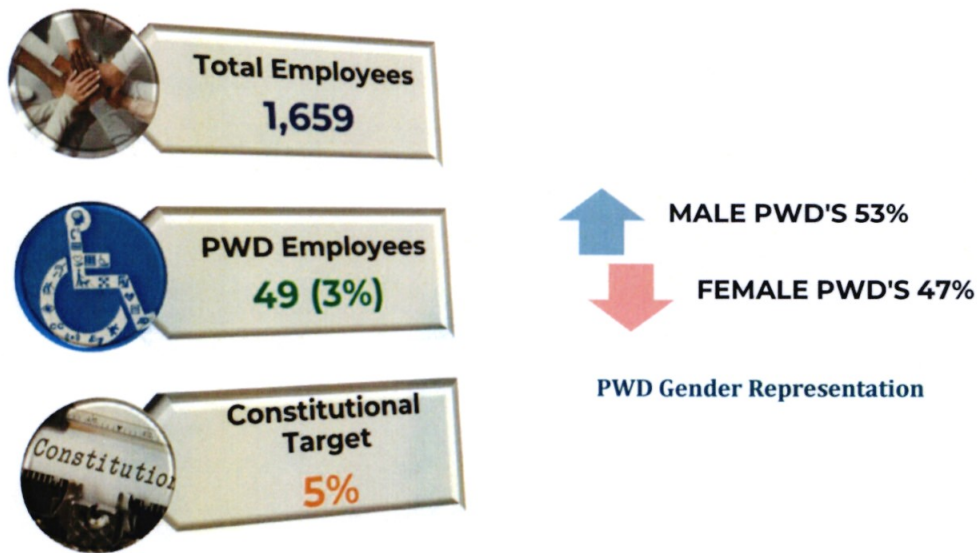
## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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### **iii. Human Resource Excellence and Welfare**

**Inclusive Employment Practices.** As an equal opportunity employer, SHA adheres to constitutional requirements promoting gender balance and inclusion of persons with disabilities (PWDs) and youth. Currently, 49 employees with disabilities (23 female, 26 male) represent 3% of our workforce, demonstrating measurable progress toward the constitutional mandate of 5% PWD representation in public service.



Our structured appointment process ensures Board oversight for senior positions (Grades 2-4) while delegating operational appointments (Grades 5-12) to the CEO, with the Human Resource Management Advisory Committee providing strategic guidance on recruitment and panel constitution.

Performance Excellence and Career Development the Performance Management System (PMS) links individual achievements to institutional strategic objectives through comprehensive appraisal processes. Performance ratings span from Outstanding (90%-100%) to Poor (below 40%), with recognition through annual bonuses, distinguished service awards, and career advancement opportunities. Unsatisfactory performance triggers structured Performance Improvement Plans lasting up to six months.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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Our training and development programs enhance institutional performance while building employee competencies for emerging challenges. Career guidelines, succession planning, and skills upgrading initiatives ensure seamless leadership transitions and professional growth opportunities. Health and Safety Excellence Full compliance with the Occupational Safety and Health Act 2007 includes maintaining DOSH workplace certificates, implementing comprehensive emergency preparedness plans, conducting regular safety drills, and providing Group Personal Accident Insurance coverage. Our systematic approach to injury prevention includes immediate reporting protocols, proper documentation through DOSH forms, and compensation processing under the Work Injury Benefits Act 2007.

#### **iv. Ethical Market Practices and Stakeholder Engagement**

##### **a) Responsible Competition Practice:**

Transparent Service Delivery SHA upholds responsible competition practices through principles of transparency, fairness, and public interest. Our comprehensive Service Charter outlines clear mandates, service standards, member rights and obligations, and established delivery timelines, serving as a binding commitment to stakeholder accountability.

Brand protection mechanisms safeguard corporate identity integrity through consistent visual identity application, proactive monitoring against misrepresentation, and enforcement measures preventing fraudulent use of SHA's name and logo.

##### **b) Responsible Engagement with the Citizens:**

Comprehensive Public Outreach Our multi-channel communication strategy ensures inclusive citizen engagement through nationwide on-ground activations in counties including Garissa, Samburu, Nandi, Elgeyo Marakwet, Lamu, Taita Taveta, Kajiado, and Mombasa. These initiatives feature registration drives, health education material distribution, and community-centered service delivery.

Media engagement leverages vernacular radio platforms, national media campaigns, regular press conferences, and targeted roundtables to ensure accurate information dissemination. Social media infographics across Facebook, X, Instagram, and LinkedIn platforms make complex information accessible and understandable.

Responsive Support Systems Our 24/7 support infrastructure includes toll-free helplines (0800720601 & 147) and dedicated email platforms ([customerservice@sha.go.ke](mailto:customerservice@sha.go.ke), [info@sha.go.ke](mailto:info@sha.go.ke),

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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complaints@sha.go.ke, fraud@sha.go.ke) ensuring comprehensive stakeholder support and feedback mechanisms.

#### **c) Product stewardship or Awareness creation**

##### **Data Protection and Consumer Rights**

**Privacy and Security Excellence.** SHA implements comprehensive data protection measures including secure handling of confidential medical information, robust biometric data security, and consumer-centric portal design with secure member authentication. Our whistleblower protection framework operates under the Witness Protection (Amendment) Act 2011, ensuring employee safety in reporting misconduct.

**Consumer Protection Framework.** We safeguard consumer rights through transparent information provision on benefits, eligibility, premiums, and claim procedures across multiple formats. Fair treatment policies enforce non-discrimination regardless of income, location, gender, disability, or medical condition. Regular audits of empaneled healthcare facilities ensure contracted providers deliver services per agreement terms.

#### **v. Corporate Social Responsibility and Environmental Impact**

**Climate Action Leadership.** In alignment with Kenya's National Tree Growing and Restoration Campaign targeting 15 billion trees by 2032, SHA partnered with Elgeyo Marakwet County Government, Ministry of Health, and local communities in November 2024 for a transformative tree-planting initiative in Kipkabus Forest.

**Project Impact and Results.** Our environmental restoration effort planted 53,100 seedlings (43,100 exotic and 10,000 indigenous) across 54 hectares of priority catchment and degraded areas in Emsoo Location, Keiyo North Constituency. The community-based shamba system enables local food production while ensuring long-term forest stewardship.

##### **Measurable Community Benefits**

- Enhanced livelihoods through income generation from food production and seedling sales
- Climate restoration leading to improved water tower functionality serving Asoo Dam, Turkana, Kisumu, and Nzioa regions
- Biodiversity recovery with increased populations of colobus monkeys, bamboo, birds, and other wildlife

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

**Institutional Value Creation.** This initiative strengthens SHA's sustainability commitment, enhances brand reputation, promotes employee engagement through meaningful team-building activities, and demonstrates tangible contribution to national environmental restoration goals.

Through these comprehensive sustainability initiatives, SHA demonstrates unwavering commitment to environmental stewardship, social responsibility, and economic development while fulfilling our mandate to provide equitable healthcare services for all Kenyans.



**CS Hon. Aden Duale and SHA CEO on June 16, 2025 at Samburu's Blood Satellite Centre**

# **SOCIAL HEALTH INSURANCE FUND**

## **Annual Report and Financial Statements for the year ended June 30, 2025**

### **13. REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors submit their report together with the financial statements for the year ended **June 30, 2025**, 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 **June 30, 2025**, are set out on pages **1 – 31**. Below is a summary of the profit or loss made during the year.

<b>RESULTS</b>	<b>KES</b>
<b>Profit (Loss) before taxation</b>	<b>(38,339,681,375)</b>
Tax Charge	(9,780,378)
<b>(Deficit) for the year</b>	<b>(38,349,461,753)</b>

#### **iii) Board of Directors**

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

#### **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 SHIF for the year ended **June 30, 2025**, 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**

## ***SOCIAL HEALTH INSURANCE FUND***

### ***Annual Report and Financial Statements for the year ended June 30, 2025***

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#### **14. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act, and Part VII on Financial Provisions of the Social Health Insurance Act 2023, 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 SHA 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 SHA. 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 SHA for and as at the end of the financial year ended on **June 30, 2025**. 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 SHA's transactions during the financial year ended **June 30, 2025**, 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 SHA's financial statements as well as the adequacy of the systems of internal financial control.

# **SOCIAL HEALTH INSURANCE FUND**

## **Annual Report and Financial Statements for the year ended June 30, 2025**

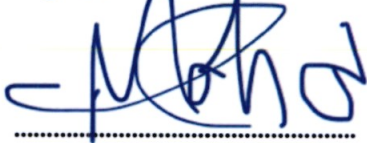
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Nothing has come to the attention of the Directors to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

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

**August 28, 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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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON SOCIAL HEALTH INSURANCE FUND FOR THE NINE MONTHS PERIOD ENDED 30 JUNE, 2025

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### 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 Social Health Insurance Fund set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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. Irregularities in the Claims Management**

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 reflects SHIF benefit expenses of Kshs.91,535,916,248. The following unsatisfactory matters were noted under claims management:

#### **1.1 Overpayment of Claims**

Comparison between the approved claim amounts and the limits prescribed under Legal Notice No. 56 of 2025 revealed that thirty-two thousand, three hundred and ninety-two (32,392) claims were overpaid by Kshs.647,583,387. The total approved claims amounted to Kshs.869,908,677, whereas the allowable limits as per the Legal Notice were Kshs.222,325,290.

#### **1.2 Lumping of Multiple Service Codes in the System into a Single Claim Entry**

Analysis of the approved claims revealed that fifty thousand and forty-five (50,045) claims had multiple service codes consolidated into single claim entries. The total value of these claims amounted to Kshs.4,349,896,609 while the approved claims amounted to Kshs.3,841,688,849. Further analysis of individual service codes revealed that the consolidation resulted in an overpayment of claims amounting to Kshs.1,448,782,119. The lumping of multiple service codes into single claim entries compromises data integrity and increases the risk of inflated payments, inaccurate reporting, and financial losses due to facilities inflating the claim amounts.

#### **1.3 Claims whose Approved Amount is higher than Claimed Amount**

Comparison between the approved claims and the actual claimed amounts revealed that two hundred and twenty-seven (227) approved had amounts exceeding what was initially claimed. The total approved amount was Kshs.3,957,017, whereas the corresponding claim amounted to Kshs.1,511,941, resulting in an excess approval of Kshs.2,445,076. Approving amounts higher than those claimed exposes the Fund to financial loss, potential fraud, and weak internal controls in the claims verification and approval process. The overpayment poses a significant risk of financial loss due to non-compliance with statutory payment limits. It also indicates potential weaknesses in internal controls and exposes SHA to fraudulent payments of claims and mismanagement of the funds.

## **1.4 Claims by Facilities for Unauthorized Medical Services**

An analysis of the claims data revealed that one thousand and ninety-one (1,091) health facilities lodged claims for services not authorized to provide under the applicable Legal Notice. The total claimed amount from these facilities amounted to Kshs.7,506,466,023, while the approved claims amounted to Kshs.7,321,702,272, resulting to financial losses to the Fund due to payments made for unauthorized services.

## **1.5 Claims for Services Offered Exceeding the Allowable Frequency**

Analysis of the claims data revealed the following:

### **1.5.1 Surgical cases done more than once in a year**

An analysis of the Surgical Access Rules, as specified in Legal Notice No. 56 of 2025, revealed that the listed interventions are limited to one procedure per beneficiary per year. However, review of the claims data for the period under review revealed that three thousand two hundred and thirty-five (3,235) patients received the services more than once within the same year. For instance, a patient underwent an open-heart surgery procedure four (4) times in a day, and all the claims were paid. The total amount claimed for the repeat interventions amounted to Kshs.463,825,897, while the approved amount was Kshs.445,416,146.

### **1.5.2 Delivery procedures more than once in a year**

An analysis of the claims data for service codes, SHA-08-005 and SHA-08-006, which relate to Normal Delivery and Cesarean Section, respectively, revealed that six thousand three hundred and ninety-two (6,392) patients had multiple deliveries recorded within a single year. Specifically, there are instances where patients delivered between 2 to 10 times during the period. The total amount claimed for these repeat interventions was Kshs.161,272,541, while the approved amount was Kshs.148,481,037.

Multiple surgical interventions and delivery claims within the same year per patient point to possible data integrity issues, system abuse, or fraudulent billing, which may result in financial loss and undermine the credibility of the claims approval process.

## **1.6 Claims by Non-Contracted Facilities**

Analysis of facilities and claims data for the period under audit review revealed that one hundred and thirty-seven (137) facilities submitted claims for payments related to patients allegedly treated at their facilities, despite not being included in the official list of accredited or empaneled facilities provided by SHA. This raises concerns about the validity and authenticity of the claims, where the total amount claimed by the unauthorized facilities amounted to Kshs.1,567,693,232.

## **1.7 Lodged claims with Service codes not in the Legal Notice**

A comparison between the Gazetted Service Codes and Intervention Names, as outlined in Legal Notice No. 56 of 2025, and those configured in the Provider Portal revealed that one hundred and thirty-six (136) service codes have been configured in the Provider Portal, despite not having been gazetted. The claims lodged and approved under the unapproved service codes amounted to Kshs.4,813,491,542 and Kshs.4,781,666,984, respectively. The use of unauthorized service codes undermines the regulatory framework, increases the risk of fraudulent or unverified claims, and exposes the scheme to substantial financial loss due to payments for non-gazetted interventions.

Under the circumstances, the integrity and the effectiveness of internal controls over claims management process could not be confirmed.

## **2. Discrepancies in Social Health Insurance Fund Reporting Period**

The financial statements for Social Health Insurance Fund submitted for audit are for the year ended 30 June, 2025 contrary to a press release issued by the Principal Secretary, State Department of Medical Services and public notice issued by the Acting Chief Executive Officer, Social Health Authority which indicated the effective date for the roll out and commencement of operations by the Social Health Authority as 1 October, 2024 which is a nine (9) month period.

However, Management did not provide satisfactory explanation or a clear legal basis for preparing annual financial statements for Social Health Insurance Fund.

## **3. Unsupported Claims Liability SHIF Benefits Expenditure**

The statement of profit or Loss, and other comprehensive income and as disclosed in Note 6 to the financial statements reflects total benefit expenses of Kshs.91,535,916,248. The total benefit expenses include SHIF benefits expenses, Incurred But Not Reported (IBNR) claims and Outstanding Claims Reserves (OCR) of Kshs.57,869,621,326, Kshs.6,826,948,283, and Kshs.26,839,346,640 respectively. However, OCR claims liability amount of Kshs.26,839,346,640 was not supported by way of reconciliation to actual outstanding claims from contracted healthcare facilities.

Further, the actuarial certificate relied on was based on actuarial principles and the methodology (Basic Chain Ladder and bootstrapping) which assumes stable reporting patterns and accurate outstanding claims registers. However, Management recognizes at the beginning there were incomplete claims and duplicates which could significantly misstate liabilities.

In the circumstances, the accuracy and completeness of Outstanding Claim Reserves expenditure amount of Kshs.26,839,346,640 could not be confirmed.

#### **4. Variances in Cash and Bank Balances**

The statement of financial position and as disclosed in Note 13 to the financial statements reflects cash and cash equivalents balance of Kshs.2,650,801,533. However, the cash book for one commercial bank account with a balance of Kshs.685,577 was not provided for audit verification and the cash book for another bank account with a balance of Kshs.61,114,257 reflects a balance of Kshs.61,319,626 resulting to a variance of Kshs.209,369. Further, review of the bank account revealed the cash book did not provide adequate description but used coded language.

Further the cash books are maintained in excel which lacks adequate controls despite the high volume of transactions conducted by the Fund and the investment in Enterprise Resource Planning (ERP) system cash book modules are not operational. Further it was noted that the description of transactions in the cashbooks are inadequate to support both the receipting of funds and payments.

In the circumstances, the accuracy and completeness of cash and bank balances of Kshs.2,650,801,533 as at 30 June, 2025 could not be confirmed.

#### **5. Inappropriate Classification of Trade Receivables**

The statement of financial position and as disclosed in Note 11 to the financial statements reflects trade receivables of Kshs.3,994,770,995 which comprise of outstanding contributions, hospital surcharges and MPESA receivables balances of Kshs.3,972,545,263, Kshs.5,815,388 and Kshs.16,410,343 respectively. However, the MPESA balance of Kshs.16,410,343 was inappropriately classified as receivables instead of cash and bank balances.

Further, Note 10(a) indicates trade receivables of Kshs.3,994,770,905 were less than thirty (30) days but detailed ageing analysis in support of the balance was not provided for audit review.

In the circumstances, the accuracy and completeness of the trade receivables balance of Kshs.3,994,770,905 could not be confirmed.

#### **6. Unsupported Fund Receivables Balances**

The statement of financial position and as disclosed in Note 10 to the financial statements reflects fund receivables balance of Kshs.7,331,654,737. The supporting schedule provided indicates that the amount was transferred from Social Health Insurance Fund collection bank account to Social Health Authority. However, the financial statements of Social Health Authority reflects fund payables balance of Kshs.3,965,819,747 resulting to unexplained variance of Kshs.3,365,834,990. Further, the approvals and repayment agreements for inter entity transfers were not provided for audit review.

Further, audit review revealed that some of the transactions included in the schedule supporting fund receivables were transfers within the Social Health Insurance Fund but not inter fund transfers to Social Health Authority as reported. The transfers includes

Kshs.1,929,142,893 and Kshs.921,491,674 effected on 13 December, 2024 and 16 April, 2025 respectively from the Social Health Insurance Fund collection account to its operation bank account.

Further, included in the schedule on transfers is Kshs.421,350,710, Kshs.55,185,000, Kshs.141,731,800 and Kshs.418,281,000 irregularly transferred from SHIF collection bank account to NHIF operations bank account on 29 January, 2025, 28 April, 2025, 29 April 2025 and 30 June, 2025 respectively. As a result, the amount transferred to Social Health Authority was overstated and no satisfactory explanation was provided to justify transfer of funds from Social Health Insurance Fund to National Health Insurance Fund after transition date and is contrary to Section 2(1) and Section (6) of the First Schedule to the Social Health Authority Act, 2023 which requires that all the funds, assets, other property movable and immovable and cash balances which immediately before that transition were held for and on behalf of the Fund in the name of the National Health Insurance Fund Board to be transferred to the Social Health Authority.

In the circumstances, the accuracy and completeness of fund receivables balances of Kshs.7,331,654,737 as at 30 June, 2025 could not be confirmed.

#### **7. Variances in Fund Payables Balance**

The statement of financial position and as disclosed in Note 17 to the financial statements reflects fund payables balance of Kshs.4,576,795,812. However, the ledger provided for audit in support of the balances reflects an amount of balance of Kshs.2,908,584,745 resulting to a variance of Kshs.1,668,211,067.

In the circumstances, the accuracy and completeness of fund payables balance of Kshs.4,576,795,812 could not be confirmed.

#### **8. Unsupported Deferred Income Balance**

The statement of financial position and as disclosed in Note 18 to the financial statements reflects deferred income balance of Kshs.599,333,330, comprising of Health Insurance Subsidy Program (HISP) for Orphans and Vulnerable Children (OVC) of Kshs.474,333,330 and Old Persons and Persons with Disability (OPPSD) of Kshs.125,000,000. However, significant judgements and assumptions in making the revenue recognition on contract terms to determine whether conditions have been met and recognition timelines were not disclosed.

In the circumstances, the accuracy and completeness of deferred income balance of Kshs.599,333,330 as at 30 June,2025 could not be confirmed.

#### **9. Unconfirmed Trade Payables Paid Outside the Automated System**

The statement of financial position and as disclosed in Note 16 to the financial statements reflects trade payables of Kshs.13,558,970,809 which comprise of SHIF claims payable and unapplied funds of Kshs.13,416,416,348 and Kshs.142,554,460 respectively. Further the SHIF claims payable balance of Kshs.13,416,416,348 include SHIF manual claims of

Kshs.366,289,638 processed outside the automated system. The subject claims raises concerns over potential duplication, lack of audit trail, unsupported entries, and absence of system-based controls. Similarly, the unapplied funds consist of transactions across various dates and facilities without clear linkage to verified claims, with some entries reflecting inconsistent formatting, missing transaction details, and lack of reconciliation to approved disbursements.

In the circumstances, the accuracy and completeness of trade payables balances of of Kshs.366,289,638 could not be confirmed.

#### **10. Non- Compliance with the Prescribed Reporting Framework for Public Entities**

Review of the financial statements revealed that the Statement of Performance Against Pre-determined Objectives does not include performance indicators in quantifiable and measurable parameters. Further, the inter-entity confirmation letter is not signed by the Head of Accounts in the disbursing entity.

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

#### **11. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on a comparable basis of Kshs.78,971,783,582 and Kshs.57,763,200,914 respectively resulting to revenue shortfall of Kshs.21,208,582,668 or 27%. Further, the statement reflects actual expenditure and revenue of Kshs.96,112,712,060 and Kshs.57,763,200,914 respectively resulting to over expenditure of Kshs.38,349,511,146 or 66%.

In the circumstances, the revenue under performance and the over expenditure is an indication of inaccuracies in budget forecasting and exposes the Fund to sustainability and liquidity risks and threatens the ability of the fund to continue as a going concern.

#### **12. Performance and Solvency of the Fund**

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2025 reflects that SHIF generated income of Kshs.57,707,828,167 as disclosed in Note 6 to the financial statements. The following observations were noted in regard to the operational position, solvency and sustainability of the Fund.

##### **i. Significant Deficits in the Operations of the Fund**

The statement of profit or loss and other comprehensive income reflects SHIF generated income of Kshs.57,707,828,167 and other income of Kshs.65,202,518 totalling to Kshs.57,773,030,685. Further the statement reflects total expenses amount of Kshs.91,535,916,248 and other operating expenses of Kshs.4,576,795,812 totaling to Kshs.96,112,712,060. This resulted in an income deficit of Kshs.38,339,681,375.

## ii. Negative Working Capital

The statement of financial position reflects current assets of Kshs.14,051,933,121 and current liabilities of Kshs.18,735,099,951 resulting to negative working capital of Kshs.4,683,166,830 or current ratio of 0.75.

## iii. Over Reliance on Income from the Formal Sector

The statement of profit or loss and other comprehensive income as disclosed in Note 6 to the financial statements reflects SHIF income of Kshs.57,707,828,167 for the year ended 30 June 2025, against an approved budget of Kshs.78,971,783,582 resulting in a shortfall of Kshs.21,263,955,415 or 27%. Further, Note 6 to the financial statements indicates that Kshs.51,990,157,526 or 90% and Kshs.5,717,670,642 or 10% were earned from the formal sector and the informal sector respectively, reflecting over reliance on formal sector.

In the circumstances, the Fund's sustainability and ability to settle obligations when they fall due could not be confirmed.

## 13. Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. These matters were addressed in the context of the audit of the financial statements as a whole and in forming my opinion thereon. I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

Key Audit Matter	How the Key Audit Matter was Addressed
<p><b>Claims Payable</b></p> <p><b>i) Trade Payables</b></p> <p>The statement of financial position and as disclosed in Note 16 to the financial statements reflects total trade payables of Kshs.13,558,970,809.</p> <p><b>ii) Incurred But Not Reported (IBNR) Claims</b></p> <p>The statement of financial position and as disclosed in Note 15 to the financial statements reflects Incurred But Not Reported Claims Reserves of Kshs.33,666,294,923. However, the actuary's report reflects Reported But Not Paid</p>	<p><b>Audit Procedures</b></p> <p><b>We performed the following Procedures:</b></p> <ol style="list-style-type: none"><li>i. Obtained an understanding of the Fund's trade payables.</li><li>ii. Tested the key controls over the administration of the claims in the claims system.</li><li>iii. Tested the accuracy and completeness of the Fund's claims data with their supporting</li></ol>

Key Audit Matter	How the Key Audit Matter was Addressed
<p>reserve of Kshs.33,520,071,092 resulting to a variance of Kshs.146,223,831.</p> <p>Focus was given to the trade payables and Incurred But Not Reported (IBNR) Claims Reserves due to the materiality of the balance. Note 15 to the financial statements which serves as 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.</p> <p>The Fund's IBNR estimates are computed quarterly. These estimates are then shared with management for inclusion in the financial statements and supported by a certification by a competent actuarial consultant.</p>	<p>documents.</p> <p>iv. Assessed the disclosures included in the financial statements, including their compliance with the requirements of IFRS.</p> <p>v. Confirmed if the creation of the reserve was done as per requirements of IFRS.</p> <p>vi. Reviewed Independent Actuarial Review and Estimation</p>

#### 14. Delays in Payment of Trade Payables

The statement of financial position and as disclosed in Note 16 to the financial statements reflects trade payables of Kshs.13,558,970,809 which includes SHIF claims payable of Kshs.13,416,416,348 and unapplied funds of Kshs.142,554,461. Further, SHIF claims payable of Kshs.13,416,416,348 includes SHIF Enterprise Resource Planning (ERP) claims of Kshs.12,995,060,094, SHIF manual claims of Kshs.366,289,638 and SHIF Primary Health Care Claims of Kshs.55,066,616.

Review of the SHIF Enterprise Resource Planning (ERP) claims payables list of Kshs.12,995,060,094 revealed that some of the trade payables amounting to Kshs.44,413,802 are long outstanding and services were rendered before 31 December, 2024 and were still outstanding as at 30 June, 2025 contrary to Regulation 139(6) of Public Procurement and Asset Disposal Regulations, 2020 which states that a procuring entity shall plan its procurement and cash or fund flows to ensure that contractors are paid promptly as per the terms of contract and Clause 12.8 of Social Health Authority Contracts for Provision of health care services to beneficiaries which states that Claims shall be paid within ninety (90) days of receipt of the claim from the Healthcare Provider/Health Facility, in strict compliance with the provisions of this Contract.

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

## **15. Failure to Levy Penalties to Non-Compliant Employers on Remittance of Statutory Deductions**

Analysis of employer contribution data for the period under review revealed that two hundred and one (201) employers had not remitted their monthly SHA statutory dues. Further, the system failed to impose penalties for delayed or non-remittance, as required, contrary to Section 27(6) of The Social Health Insurance Act No. 16 of 2023 which states that, any person who fails to pay any contribution in respect of any period on or before the day on which payment is due shall be liable to a penalty equal to two percent of the amount due for contribution for the period which the contribution remains unpaid and the total annual contributions. Further, Section 27(7) states that a person shall pay all outstanding contributions and penalties accrued before resuming access to the healthcare services provided under this Act.

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

## **16. Weaknesses in IT Governance and Claims Processing Controls**

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statement reflects benefits expense amounting Kshs.91,535,916,248. Further, the benefit expenses were processed through an automated system operated by a consortium of companies, incorporating key components such as the Provider Portal, Payer System, and Enterprise Resource Planning (ERP) platform.

However, it was noted that the system was deployed prior to comprehensive user requirement testing, raising concerns about its readiness and alignment with operational needs. Furthermore, Management did not provide sufficient documentation to support critical governance elements, including IT governance structures, standard operating procedures (SOPs), service level agreements (SLAs), internal control frameworks and IT compliance protocols. The absence of documented controls and oversight structures exposes the Fund to significant operational, financial, and reputational risks in the management of claims.

In the circumstances, the adequacy and effectiveness of the IT infrastructure's governance and compliance mechanisms could not be confirmed.

## **17. Wrongly Mapped Intervention Names in the Provider Portal**

An analysis of claims data submitted through the Social Health Authority (SHA) provider portal revealed discrepancies between the intervention names listed in the portal and those officially published in Legal Notice 56 of 2025. Specifically, a sample of eighty-nine (89) interventions captured and billed by healthcare providers did not match the interventions specified in Legal Notice 56 of 2025. This inconsistency undermines the accuracy and integrity of the claims process, creating room for misclassification of interventions.

In the circumstances, the accuracy and integrity of the claims process could not be confirmed.

## **18. Weakness in the Controls of the Employer Revenue Collection System**

Analysis of the Employers contributions data revealed that the SHA Admin Portal is not properly configured to automatically update employer contributions upon payment. Analysis showed that while recent employer contributions are reflected in the system as completed, contributions for earlier months remain as awaiting payment. Section 27(6) of the Social Health Insurance Act No. 16 of 2023 states that, any person who fails to pay any contribution in respect of any period on or before the day on which payment is due shall be liable to a penalty equal to two percent of the amount due for contribution for the period which the contribution remains unpaid and the total annual contributions. Further, Section 27(7) states that a person shall pay all outstanding contributions and penalties accrued before resuming access to the healthcare services provided under this Act.

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

In the circumstances, the internal controls over employer revenue collection could not be confirmed.

### **REPORT ON 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 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

## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

### **16. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2025**

		Year Ended June 30, 2025	Year Ended June 30, 2024
<b>REVENUES</b>	<b>NOTE</b>	<b>KES</b>	<b>KES</b>
SHIF income	6	57,707,828,167	-
<b>TOTAL INCOMES &amp; PREMIUMS</b>		<b>57,707,828,167</b>	-
<b>BENEFIT EXPENSES</b>			
SHIF – Benefits expenses	6	91,535,916,248	-
<b>TOTAL BENEFIT EXPENSES</b>		<b>91,535,916,248</b>	-
<b>GROSS PROFIT</b>		<b>(33,828,088,081)</b>	-
Other Income	7	65,202,518	-
<b>TOTAL REVENUES</b>		<b>(33,762,885,563)</b>	-
<b>Operating Expenses</b>			
Other Operating Expenses	8	4,576,795,812	-
<b>Total Operating Expenses</b>		<b>4,576,795,812</b>	-
<b>PROFIT BEFORE TAXATION</b>		<b>(38,339,681,375)</b>	-
Tax Charge	9	(9,780,378)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(38,349,461,753)</b>	-

## SOCIAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended June 30, 2025

### 17. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

ASSETS	NOTE	YEAR ENDED JUNE 30, 2025	YEAR ENDED JUNE 30, 2024
<b>Current Assets</b>			
Fund Receivables	10	7,331,654,737	-
Trade Receivables	11	3,994,820,388	-
Short-term investments	12	74,656,464	-
Cash and Bank Balances	13	2,650,801,533	-
<b>Total Current Assets</b>		<b>14,051,933,121</b>	-
<b>TOTAL ASSETS</b>		<b>14,051,933,121</b>	-
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Retained Earnings	14	(38,349,461,753)	-
Incurred Claims Reserves	15	33,666,294,923	-
<b>Total Capital and Reserves</b>		<b>(4,683,166,830)</b>	-
<b>Current Liabilities</b>			
Trade Payables	16	13,558,970,809	-
Fund Payables	17	4,576,795,812	-
Deferred Income	18	599,333,330	-
<b>Total Current Liabilities</b>		<b>18,735,099,951</b>	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,051,933,121</b>	-

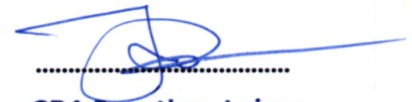
The financial statements on pages 1 to 31 were approved by the Board of Management on **August 28, 2025** and signed on its behalf by:



**Dr. Mohamed Abdi Mohamed**  
Chairperson SHA



**Dr. Mercy Mwangangi.**  
Chief Executive Officer SHA



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

## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

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### **18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025**

	Retained Earnings	Total
	KES	KES
NOTE	14	
At October 1, 2024	-	-
Changes in the year / Total comprehensive income	(38,349,461,753)	(38,349,461,753)
At June 30, 2025	<b>(38,349,461,753)</b>	<b>(38,349,461,753)</b>

## **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

### **19. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025**

		YEAR ENDED JUNE 30, 2025 KES	YEAR ENDED JUNE 30, 2024 KES
	Notes		
<b>Cash Flows From Operating Activities</b>			
<b>Cash generated from/(used in) operations</b>	19a		
Cash generated/used from/in operations		2,670,035,856	-
<b>Net Cash generated from/(used in) operations</b>		<b>2,670,035,856</b>	-
<b>Cash Flows From Investing Activities</b>			
Interest Income		65,202,518	-
Tax Charge		(9,780,378)	-
Short Term Investment		(74,656,464)	-
<b>Net cash generated from/(used in) investing activities</b>		<b>(19,234,323)</b>	-
<b>Cash Flows From Financing activities</b>			
<b>Net cash generated from/(used in) Financing activities</b>		-	-
<b>Increase/Decrease In Cash And Cash Equivalents</b>		<b>2,650,801,533</b>	-
Cash And Cash Equivalents At Beginning Of Year		-	-
<b>Cash And Cash Equivalents At End Of The Year</b>	19a	<b>2,650,801,533</b>	-

## SOCIAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended June 30, 2025

### 20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2025

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%
<b>Budget carryovers from the previous year 2023/24</b>						
<b>Revenue</b>						
SHIF Income (Premiums)	77,510,391,302	1,461,392,280	78,971,783,582	57,763,200,914	21,208,582,668	73%
<b>Total Revenue</b>	<b>77,510,391,302</b>	<b>1,461,392,280</b>	<b>78,971,783,582</b>	<b>57,763,200,914</b>	<b>21,208,582,668</b>	73%
<b>Expenses</b>						
SHIF - Benefits	73,634,871,737	1,388,322,666	75,023,194,403	91,535,916,248	(16,512,721,845)	122%
Other Operating Expenses	3,875,519,565	73,069,614	3,948,589,179	4,576,795,812	(628,206,633)	116%
<b>Total expenditure</b>	<b>77,510,391,302</b>	<b>1,461,392,280</b>	<b>78,971,783,582</b>	<b>96,112,712,060</b>	<b>(17,140,928,478)</b>	122%
Capital Expenditure	-	-	-	-	-	
Surplus/deficit for the period	-	-	-	<b>(38,349,511,146)</b>	<b>38,349,511,146</b>	

#### Budget notes:

The Social Health Insurance Fund (SHIF), was introduced through the Social Health Insurance Act of 2023, marking a significant shift in the country's healthcare system by replacing the National Hospital Insurance Fund (NHIF). SHIF became effective from 1<sup>st</sup> October, 2024, and it aims to advance Universal Health Coverage (UHC) by ensuring equitable access to comprehensive healthcare services for all Kenyans, including those in the informal sector and with chronic illnesses. SHIF's funding primarily comes from contributions. It mandates a 2.75% contribution of gross income from salaried and non-salaried individuals, with a minimum contribution of KES 300 for unemployed or low-income households. SHIF's funding also includes government subsidies for vulnerable populations, ensuring broader coverage and reduced out-of-pocket healthcare costs.

SHIF offers an expanded benefits package, including outpatient care (KES 1,200–5,000 depending on facility level), normal delivery (KES 11,200), caesarean section (KES 32,600), haemodialysis (KES 10,500 per session), and diagnostic services like MRI (KES 11,000) and CT scans (KES 9,600). Other services include chemotherapy administration (KES 5,000), PET scans (KES 53,000), and free pharmacy packages in public facilities.

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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### **Reasons for low Utilization of PHCF:**

1. SHIF Income:

- The SHIF income was initially estimated at Kes 77.51 billion which was adjusted upwards through a Supplementary budget No.1 of 2024/25. This was informed by increased contributions from the formal sector.
- However, SHIF income fell below target by Kes 21.2 billion attributed to low contributions from the informal sector. Majority of members in the informal sector who have registered have not paid their contributions. SHIF is significantly affected by adverse selection where members only pay to access benefits.
- **Shortfall in National Government and County Government sponsored programs funding:** A total of Kes 10.4 billion was estimated as funding for vulnerable population. However, only Kes 4.5 billion was received in support of the indigents due to exchequer challenges.

2. SHIF Benefits:

- The SHIF Benefits which makes up 85% of the collections, were initially costed at Kes 73.63 billion and adjusted to Kes 75.02 billion to align the benefits to revised contribution estimates.
- SHIF Claims have significantly grown with payments amounting to Kes 57.8 billion having been made and an IBNR reserves estimated at Kes 33.6 billion has been provided for to take care of claims in process. This growth is attributed to a comprehensive range of services including preventive, promotive, curative, rehabilitative, and palliative care. These services are available at level 4, 5, and 6 health facilities.

3. Other Operating Expenses:

- These estimates comprise of the Fund 5% administration costs transferred to SHA as per the SHI Act, 2023. The performance of 116% is attributed to the high annual expenditure experienced within the period compared to the target.

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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### **Way Forward:**

The Authority will review the benefits to align them with the available funding levels through exchequer.

### **Budget Reconciliation**

	<b>Description of Particulars</b>	<b>Amount in Kshs</b>
	<b>Actual Surplus Amounts as per the statement of Budget</b>	<b>(38,349,511,146)</b>
1	Less: SHA Receivable - Mpesa/Ecitizen	(16,410,343)
2	Less: Inter-Fund Receivables	(7,331,654,737)
3	Less: Trade Receivables	(3,978,360,651)
4	Add: Short-term investments	(74,656,464)
5	Less: Deferred Income	599,333,330
6	Add: IBNR & OCR Claims reserves	33,666,294,923
7	Add: Trade payable	13,558,970,809
8	Add: Fund payables	4,576,795,812
	<b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b>	<b>2,650,801,533</b>

# **SOCIAL HEALTH INSURANCE FUND**

## **Annual Report and Financial Statements for the year ended June 30, 2025**

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### **21. NOTES TO THE FINANCIAL STATEMENTS**

#### **1. GENERAL INFORMATION**

SHA is established by and derives its authority and accountability from Social Health Insurance Act. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is receiving income for healthcare financing of all its members.

The Social Health Insurance Fund is the main contributory scheme, providing access to a wide range of inpatient and outpatient services for contributors and their beneficiaries. The funds are pooled from resources from contributions to ensure equitable access to comprehensive healthcare services to protect households from catastrophic health expenditure.

Funding is from mandatory contributions from salaried and non-salaried households, supplemented by government sponsorships for vulnerable groups.

#### **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 Authority'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 SHA, 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 2023 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.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

#### **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 30 June 2025.**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
<b>Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)</b>	<p>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.</p> <p><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></p>	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
<b>Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)</b>	<p>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.</p> <p><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></p>	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
<b>Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7</b>	<p>The amendments specify:</p> <ol style="list-style-type: none"> <li>i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>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</li> <li>iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through</li> </ol>	January 1, 2026. Earlier application is permitted.

## SOCIAL HEALTH INSURANCE FUND

### Annual Report and Financial Statements for the year ended June 30, 2025

	<p>other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.</p> <p><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></p>	
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#### 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 30 June 2025.*

Title	Description	Effective Date
<b>IFRS 18 Presentation and Disclosure in Financial statements</b>	<p>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.</p> <p><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></p>	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
<b>IFRS 19 Subsidiaries without Public Accountability</b>	<p>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.</p> <p><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></p>	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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#### **iii. Early adoption of standards**

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

#### **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 Authority expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. SHA 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 SHA's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the SHA's activities as described below.

- i) Revenue is recognized in the year in which the Authority 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) 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.

##### **c) 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.

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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### **d) 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:

<b>ASSET/ ASSET CLASS</b>	<b>ASSET LIFE/ LEASE PERIOD</b>	<b>RATES</b>
<b>Land</b>	999 years	Nil
<b>Buildings and Civil Works</b>	40 years	2.5%
<b>Plant and Machinery</b>	8 years	12.5%
<b>Motor Vehicles &amp; Motorcycles</b>	5 years	20%
<b>Computers and Related Equipment</b>	3 years	33.3%
<b>Office Equipment</b>	8 years	12.5%
<b>Furniture and Fittings</b>	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.

### **e) Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses

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.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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#### **f) 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.

#### **g) 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.

#### **h) 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.

#### **i) 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.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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#### **j) Unquoted Investments**

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

#### **k) 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.

#### **l) Taxation**

The Authority measures amounts expected to be paid or recovered from the taxation authority (KRA) based on SHA'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 Authority's properties operate and generates taxable income.

The Authority 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.

#### **m) 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.

#### **n) 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 Authority or not, less any payments made to the suppliers.

#### **o) 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.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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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.

#### **p) 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.

#### **q) 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.

#### **r) 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.

#### **s) Comparative Figures**

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

#### **t) 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 June 30, 2025.

## **SOCIAL HEALTH INSURANCE FUND**

### **Annual Report and Financial Statements for the year ended June 30, 2025**

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#### **5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the SHA 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 Authority 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 Authority. 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 SHA.
- 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 Authority 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 SHA's reserves in the Statement of financial Position.

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

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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### **e) HISP Deferred Income**

The Fund reports under IFRS accrual accounting and applies judgement in determining when revenue should be recognized. In accordance with IFRS 15 Revenue from Contracts with Customers (or relevant standard), premiums received are deferred when the Fund has not yet satisfied its performance obligations.

At the reporting date, the HISP - OVC and HIPSP – OPPSD, had no active coverage following the operationalization of SHIF on 1 October 2024. Specifically:

- No beneficiary lists had been finalized or shared with the Fund
- Premium rates applicable to these programs had not been determined
- The number of beneficiaries and their dependents remained unidentified

Coverage under these programs was scheduled to commence only after the determination of new premium rates and identification of eligible beneficiaries and dependents. Management has exercised judgement and determined that the performance obligation to provide insurance coverage to the vulnerable groups had not commenced as at the reporting date.

Consequently, premiums received in advance have been deferred as unearned revenue in accordance with the accrual basis of accounting and industry practice. Revenue will be recognized in future periods when coverage becomes active and the Fund begins to satisfy its performance obligations.

## SOCIAL HEALTH INSURANCE FUND

### Annual Report and Financial Statements for the year ended June 30, 2025

#### NOTES TO THE FINANCIAL STATEMENTS (CONTINUES)

##### 6. SHIF INCOME

	AS AT JUNE 30, 2025 KES	AS AT JUNE 30, 2024 KES
<b>Revenue:</b>		
SHIF – Informal Sector	5,717,670,642	-
SHIF – Formal Sector	51,990,157,526	-
<b>Total</b>	<b>57,707,828,167</b>	<b>-</b>
<b>Expenses:</b>		
SHIF Benefits Expenses	57,869,621,326	-
Incurred Claims Liability - IBNR	6,826,948,283	-
Incurred Claims Liability - OCR	26,839,346,640	-
<b>Total Expenses</b>	<b>91,535,916,248</b>	<b>-</b>
<b>(Deficit) for the Year</b>	<b>(33,828,088,081)</b>	<b>-</b>

Contributions to the Social Health Insurance Fund (SHIF) are regulated by the Social Health Insurance Act (SHIA) of 2023, with a contribution rate of 2.75% applied to the gross salaries of employees and households without salaried income, based on means testing. The SHIF became operational on October 1, 2024, following the conclusion of admissions to the National Hospital Insurance Fund on September 30, 2024. The revenues include all collections for the Fund up to 30th June 2025. The accrued revenue and benefits for the Fund have not been included in the above amounts.

The essential healthcare benefits package under the Social Health Insurance Fund includes a comprehensive range of integrated services: such as, preventive, promotive, curative, rehabilitative, and palliative care. These services are available at level 4, 5, and 6 health facilities under the SHIF.

##### 7. OTHER INCOMES

Interest Income on Bank Balance	65,202,518	-
<b>Total</b>	<b>65,202,518</b>	<b>-</b>

Other incomes comprised interest earned on the Fund's bank balances maintained with commercial banks. The interest income was recognized on an accrual basis as it accrued.

##### 8. OTHER OPERATING EXPENSES

SHA Administration Cost	4,576,795,812	-
<b>Total</b>	<b>4,576,795,812</b>	<b>-</b>

These is 5% applied on the Fund to cater for recurrent operating expenses to ensure the Authority operates and carries out Fund's activities smoothly. They include expenses associated with the general administration of the Fund.

## SOCIAL HEALTH INSURANCE FUND

### Annual Report and Financial Statements for the year ended June 30, 2025

#### 9. TAX CHARGE

	AS AT JUNE 30, 2025 KES	AS AT JUNE 30, 2024 KES
WHT on Bank Interest	9,780,378	-
<b>Total</b>	<b>9,780,378</b>	<b>-</b>

Interest income earned by the Fund from bank deposits is subject to withholding tax at a rate of 15%, which constitutes final tax. The withholding tax is deducted at source by banks and financial institutions with whom the Fund transacts. The Fund complies with all applicable tax regulations, and no further tax obligations arise on such interest income as the withholding tax is treated as a final tax under Kenyan tax law.

#### 10. FUND RECEIVABLES

SHA Receivable	7,331,654,737	-
<b>Total</b>	<b>7,331,654,737</b>	<b>-</b>

SHIF 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 SHIF as at the end of the period by entities engaged by the Fund for its core business.

##### 10 (a) FUND RECEIVABLES

<b>Gross Fund Receivables</b>	<b>7,331,654,737</b>	<b>-</b>
Provision for Doubtful Receivables	-	-
<b>Net Fund Receivables</b>	<b>7,331,654,737</b>	<b>-</b>
<b>ageing analysis of gross Fund Receivables</b>		
Less than 30 Days	814,945,000	-
Between 30 and 60 Days	34,337,000	-
Between 61 and 90 Days	1,684,738,419	-
Between 91 and 120 Days	-	-
Over 120 Days	4,797,634,318	-
<b>Total</b>	<b>7,331,654,737</b>	<b>-</b>

#### 11. TRADE RECEIVABLES

Outstanding Contributions	3,972,545,263	-
Hospital Surcharges	5,815,388	-
Mpesa Receivable -	16,459,737	-
<b>Total</b>	<b>3,994,820,388</b>	<b>-</b>

SHIF recognizes revenue on an accrual basis, therefore, amounts relating to the year under review but not received are recognized as receivable. These amounts include monies owed to SHIF as at the end of the year by entities engaged by the Fund for its core business. **KES. 3.9 billion** was owed to the Fund as at **30th June 2025**.

## SOCIAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended June 30, 2025

### 11 (a) TRADE RECEIVABLES

<b>Gross Trade Receivables</b>	<b>3,994,770,995</b>	-
Provision for Doubtful Receivables	-	-
<b>Net Trade Receivables</b>	<b>3,994,770,995</b>	-
<b>ageing analysis of gross Trade Receivables</b>		
Less than 30 Days	3,989,005,000	-
Over 120 Days	5,815,388	-
<b>Total</b>	<b>3,994,770,995</b>	-

### 12. SHORT TERM INVESTMENT

AS AT  
JUNE 30, 2025  
KES

AS AT  
JUNE 30, 2024  
KES

Short-term investments	74,656,464	-
<b>Total</b>	<b>74,656,464</b>	-

These are financial assets that the Fund converted into cash within one year or the current operating cycle, serving as an important liquidity management tool that provides insight into the Fund's cash management strategy and short-term financial flexibility.

### 13. CASH AND BANK

Cash at Bank	2,650,801,533	-
Cash in Hand	-	-
<b>Total</b>	<b>2,650,801,533</b>	-

Cash at bank balances are funds held at the SHIF bank at the end of the year.

FINANCIAL INSTITUTION	PURPOSE OF ACCOUNT	ACCOUNT NUMBER	AMOUNT
<b>a) Current Account</b>			
Absa Bank Kenya Plc	Collection - SHIF	2052202135	61,114,257
Absa Bank Kenya Plc	Disbursement USD	2052202100	-
Cooperative Bank of Kenya	Collection - SHIF	01101176474001	173,553,167
Cooperative Bank of Kenya	Disbursement - SHIF	01101176474002	192,817,974
Diamond Trust Bank	Collection - SHIF	0298631001	18,593,213
Equity Bank	Collection - SHIF	0170285746991	78,719,185
Equity Bank	Disbursement - SHIF	0170285747102	685,577
Kenya Commercial Bank	Collection - SHIF	1329035704	632,705,372
Kenya Commercial Bank	Disbursement USD	1333606893	-
Kenya Commercial Bank	Disbursement - SHIF	1333606249	115,453,411
National Bank of Kenya	Collection - SHIF	000007717932784	167,122,430
NCBA Bank	Collection - SHIF	1000880427	67,180,108
Sidian Bank	Collection - SHIF	01036020040330	1,142,856,839
			2,650,801,533

## SOCIAL HEALTH INSURANCE FUND

### Annual Report and Financial Statements for the year ended June 30, 2025

#### 14. RETAINED EARNINGS

<b>Balance at the beginning of the Year</b>	-	-
<b>Changes in the Year</b>	(38,349,461,753)	-
<b>Balance at the end of the Year</b>	<b>(38,349,461,753)</b>	-

The Fund had no retained earnings in the year under review. There was no comparative period for the 2024/2025 FY.

#### 15. INCURRED BUT NOT REPORTED (IBNR) CLAIMS RESERVES

	JUNE 30, 2025 KES	JUNE 30, 2024 KES
<b>IBNR at the beginning of the year</b>	-	-
Add: IBNR for the year	6,826,948,283	-
OCR for the year	26,839,346,640	-
<b>IBNR Reserves at the end of year</b>	<b>33,666,294,923</b>	-
Less:		
Prior years claims at the Beginning	-	-
Prior period claims processed in the year	-	-
<b>Prior years claims at the end</b>	-	-
<b>Net IBNR Reserves at the end of the year</b>	<b>33,666,294,923</b>	-

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/yearly basis and included in the Financial Statements. The IBNR estimates are supported with a certified certificate by a competent actuarial consultant.

#### 16. TRADE PAYABLES

	AS AT JUNE 30, 2025 KES	AS AT JUNE 30, 2024 KES
<b>Hospital Claims Payable</b>		
SHIF Claims Payable	13,416,416,348	-
Unapplied Funds	142,554,461	-
<b>Total Trade Payable</b>	<b>13,558,970,809</b>	-

These are claims owed to healthcare providers who offer services to the Fund's registered members. The **13.5 billion** are amounts outstanding as at close of business 30th June 2025.

## SOCIAL HEALTH INSURANCE FUND

### Annual Report and Financial Statements for the year ended June 30, 2025

#### Aging Analysis for Trade Payables

Description	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Under one year	13,558,970,809	100%	-	0%
<b>Total</b>	<b>13,558,970,809</b>		<b>-</b>	

#### 17. FUND PAYABLES

SHA Payable - Administration Cost	4,576,795,812	-
<b>Total</b>	<b>4,576,795,812</b>	<b>-</b>

In the spirit of The Social Health Insurance Act, 2023, subsection (1) of the financial provisions, SHIF recognises administrative expenses incurred to SHA. The administrative cost is pegged at 5% of the annual expenditure of the Fund.

During the year, SHIF had a payable balance of **KES 4,576,795,812**.

#### Aging Analysis for Fund Payables

Description	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Under one year	4,576,795,812	100%	-	0%
<b>Total</b>	<b>4,576,795,812</b>		<b>-</b>	

#### 18. DEFERRED INCOME

<b>AS AT</b>	<b>AS AT</b>
<b>JUNE 30, 2025</b>	<b>JUNE 30, 2024</b>
<b>KES</b>	<b>KES</b>

HISP - OVC Deferred Income	474,333,330	-
HISP - OPPSD Deferred Income	125,000,000	-
<b>Total</b>	<b>599,333,330</b>	<b>-</b>

Deferred income represents amounts received in advance from members and sponsors for services to be rendered in future periods. These prepayments are initially recognized as a liability and are subsequently recognized as revenue when the performance obligations are satisfied or over the period during which the related services are provided.

During the year, SHIF had a payable balance of **KES 599,333,330**.

## SOCIAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended June 30, 2025

### 19. NOTES TO THE STATEMENT OF CASH FLOWS

#### a. Reconciliation of Operating Surplus to Cash Generated from Operations

	AS AT JUNE 30, 2025	AS AT JUNE 30, 2024
	KES	KES
<b>Operating Surplus (Deficit)</b>	(38,349,511,146)	-
Depreciation	-	-
Amortization	-	-
<b>Operating Surplus (Deficit) before Working Capital Changes</b>	<b>(38,349,511,146)</b>	-
<b>Working Capital Changes</b>		
(Increase)/decrease in Fund Receivables	(7,331,654,737)	-
Increase/(Decrease) in Trade Payables	(3,994,820,388)	-
Increase in Retained Earnings derived from investing Activities	(55,422,140)	-
Increase / (Decrease) in Claims Reserves (IBNR & OCR)	33,666,294,923	-
Increase / (Decrease) in Trade Payables	13,558,970,809	-
Increase / (Decrease) in Fund Payables	4,576,795,812	-
Increase / (Decrease) in Deferred Income	599,333,330	-
<b>Net Working Capital Changes</b>	<b>41,019,497,609</b>	-
<b>Cash Generated from Operations</b>	<b>2,670,035,856</b>	-

#### b. Analysis of cash and cash equivalents

Cash at Bank	2,650,801,533	-
Cash in Hand	-	-
<b>Total</b>	<b>2,650,801,533</b>	-

### 20. CAPITAL COMMITMENTS

There were no capital commitments in the year under review.

### 21. CONTINGENT ASSETS & LIABILITIES

Contingent Liabilities	AS AT JUNE 30, 2025	AS AT JUNE 30, 2024
	KES	KES
Total claims on all court cases filed against the Fund	-	-
Total legal fees on all court cases filed against the Fund	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

The SHIF has no contingent liability is and hereby disclosed by way of note as per IAS 37.

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

### **22. RELATED PARTY DISCLOSURES**

#### **a) Nature of related party relationships**

Entities and other parties related to the Fund 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.

SHIF is a subsidiary of the Social Health Authority which is fully state owned by the Government of Kenya. In line with the exemptions in IAS 24, and by virtue that the government is the only shareholder of the company, we do not consider as related parties: providers of finance, trade unions, public utilities and any agencies, departments of the government of Kenya, any state corporations or other state or county entities that do not control, jointly control or significantly influence the reporting entity.

Other related parties to the Authority include:

- 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.

Description	JUNE 30, 2025	JUNE 30, 2024
	KES	KES
<b>a) Grants from the government</b>		
Grants from Ministry of Health State Department of Medical Services (OPPSD)	125,000,000	-
Grants from Ministry of Health State Department of Medical Services (HISP)	474,333,330	-
Grants from Ministry of Health State Department of Medical Services (LINDA MAMA)	2,024,500,000	
<b>Total</b>	<b>2,623,833,330</b>	<b>-</b>
<b>b) Social Health Authority</b>		
5% administration Cost	4,576,795,812	-
<b>Total</b>	<b>4,576,795,812</b>	<b>-</b>

## **SOCIAL HEALTH INSURANCE FUND**

### ***Annual Report and Financial Statements for the year ended June 30, 2025***

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#### **23. INCORPORATION**

The Social Health Authority was established following the enactment of the Social Health Insurance Act, No. 16 of 2023, as a state corporation with several distinct Funds to serve the Nation.

#### **24. EVENTS AFTER THE REPORTING PERIOD**

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

#### **25. CURRENCY**

The annual financial statements are presented in Kenya Shillings (KES / KSHS).

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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### **22. APPENDICES**

#### **APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL PRIOR YEAR RECOMMENDATIONS**

There were no prior year recommendations as the Fund commenced operations during the current year.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>



.....  
*Dr. Mercy Mwangangi*  
*Accounting Officer*  
*Date*

# SOCIAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended June 30, 2025

## APPENDIX II: 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
Ministry of Health State Department of Medical Services (OPPSD)	19/08/2024	Direct Payment	12,500,000							125,000,000
"	16/09/2024	"	12,500,000							
"	15/10/2024	"	12,500,000							
"	12/11/2024	"	12,500,000							
"	13/12/2024	"	12,500,000							
"	08/01/2025	"	12,500,000							
"	12/02/2025	"	12,500,000							
"	17/03/2025	"	12,500,000							
"	15/04/2025	"	12,500,000							
"	12/05/2025	"	12,500,000							
Ministry of Health State Department of Medical Services (HISP)	08/01/2025	"	59,291,666							474,333,330
"	15/10/2024	"	59,291,666							
"	12/11/2024	"	59,291,666							
"	13/12/2024	"	59,291,666							
"	12/02/2025	"	59,291,666							
"	17/03/2025	"	59,291,666							
"	19/08/2024	"	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							2,024,500,000
"	02/11/2024	"	1,024,500,000							
<b>Total</b>			<b>2,623,833,330</b>							<b>2,623,833,330</b>

# **SOCIAL HEALTH INSURANCE FUND**

*Annual Report and Financial Statements for the year ended June 30, 2025*

## **APPENDIX III: INTER-ENTITY CONFIRMATION LETTER**

**Name of Transferring entity: State Department of Medical Services**

**Name of Beneficiary entity: Social Health Insurance Fund**

<b>Confirmation of amounts received by SHIF as at 30<sup>th</sup> June 2025</b>					
<b>Reference Number</b>	<b>Date Disbursed</b>	<b>Recurrent (A)</b>	<b>Development (B)</b>	<b>Total (C)=(A+B)</b>	<b>Remarks</b>
	19/08/2024	12,500,000	-	12,500,000	SHIF receipts
	16/09/2024	12,500,000	-	12,500,000	SHIF receipts
	15/10/2024	12,500,000	-	12,500,000	SHIF receipts
	12/11/2024	12,500,000	-	12,500,000	SHIF receipts
	13/12/2024	12,500,000	-	12,500,000	SHIF receipts
	08/01/2025	12,500,000	-	12,500,000	SHIF receipts
	12/02/2025	12,500,000	-	12,500,000	SHIF receipts
	17/03/2025	12,500,000	-	12,500,000	SHIF receipts
	15/04/2025	12,500,000	-	12,500,000	SHIF receipts
	12/05/2025	12,500,000	-	12,500,000	SHIF receipts
	08/01/2025	59,291,666	-	59,291,666	SHIF receipts
	15/10/2024	59,291,666	-	59,291,666	SHIF receipts
	12/11/2024	59,291,666	-	59,291,666	SHIF receipts
	13/12/2024	59,291,666	-	59,291,666	SHIF receipts
	12/02/2025	59,291,666	-	59,291,666	SHIF receipts
	17/03/2025	59,291,666	-	59,291,666	SHIF receipts
	19/08/2024	59,291,667	-	59,291,667	SHIF receipts
	16/09/2024	59,291,667	-	59,291,667	SHIF receipts
	24/10/2024	1,000,000,000	-	1,000,000,000	SHIF receipts
	02/11/2024	1,024,500,000	-	1,024,500,000	SHIF receipts

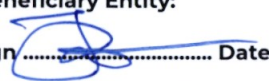
# SOCIAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended June 30, 2025

Confirmation of amounts received by SHIF as at 30 <sup>th</sup> June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total		2,623,833,330		2,623,833,330	

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  Date 28/6/2025

# **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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## **APPENDIX IV: REPORTING OF CLIMATE RELEVANT EXPENDITURES**

### **SOCIAL HEALTH AUTHORITY**

Telephone: 0800 720 601 & 147

Email: [info@sha.go.ke](mailto:info@sha.go.ke)

*Dr. Mercy Mwangangi*

**Chief Executive Officer**

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									

## **SOCIAL HEALTH INSURANCE FUND**

**Annual Report and Financial Statements for the year ended June 30, 2025**

### **APPENDIX V: REPORTING DISASTER MANAGEMENT EXPENDITURE**

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

