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REPORT	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE	OF 24 FEB 2026
	DAY. Tuesday.
TABLED BY:	Deputy Leader Majority Party. Hon. Owen Baya, MP MR. Benson Inzetu.

THE AUDITOR-GENERAL

ON

**TRANSFORMING HEALTH SYSTEMS FOR
UNIVERSAL CARE (THS-UC) PROJECT GRANT
IDA CREDIT NO.5836-KE, TFOA2561, TFOA2792
AND CR. P152394**

**FOR THE YEAR ENDED
30 JUNE, 2025**

MINISTRY OF HEALTH



**PROJECT NAME: TRANSFORMING HEALTH SYSTEMS FOR
UNIVERSAL CARE PROJECT
THS – UC PROJECT**

IMPLEMENTING ENTITY: STATE DEPARTMENT FOR MEDICAL SERVICES

PROJECT GRANT/CREDIT NUMBER: 5836-KE, TFOA2561, TFOA 2792 AND P 152394

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public
Sector Accounting Standards (IPSAS)**

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2025

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1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.
PHC	Primary Health Care
RMNCAH	Reproductive, Maternal, Newborn, Child and Adolescent Health Services
IFR	Interim Financial Report
PMT	Project management Team
PDO	Project Development Objectives
VMGP	Vulnerable and Marginalized groups

2. Project Information and Overall Performance

2.1 Name and registered office

Name: The project's official name is Transforming Health Systems for Universal Health Care.

Objective: The Transforming Health Systems for Universal Care aims to improve the utilization and quality of primary health care (PHC) services by supporting a set of evidence-based interventions, which are expected to contribute to Universal Health Care with improved equity and enhanced efficiency.

Address: The project headquarters offices are Nairobi (city), Nairobi County, Kenya.
The address of its registered office is Ministry of Health
P.O. Box 30016-00100 Nairobi.

The project is partly based at the Ministry of Health and at the Council of Governors. The project support county governments and the Ministry of Health departments.

Contacts: The following are the project contacts

Telephone: (254) -020-2717077

E-mail: ps@health.go.ke

Website: www.health.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date is 15 th September, 2016
Project End Date:	The project end date is 30 th September, 2023
Project Manager:	The project manager is Dr Isaac Kimani
Project Sponsor:	The project sponsor is World Bank

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2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department for Medical Services.
Project number	IDA -58360 (THS – UC WA 1) IDA - 58360 (THS – UC MOH – WA 1) TF - A- 2561 (GFF – WA 1) TF - A -2561 (GFF – MOH –WA 1) TF - A- 2792 (PH RD WA 1)
Strategic goals of the project	The strategic goals of the project are to improve utilization and quality of primary health care services with a focus on reproductive, maternal, new-born, child and adolescent health services.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i)Improving access to and demand for quality primary health care (PHC)services; (ii)Strengthening institutional capacity in selected key areas to improve utilization and quality of PHC services; and (iii)Supporting cross-country and intergovernmental collaboration in the recently devolved Kenyan health system.
Other important background information of the project	The project enhances focus on results by allocating resources to each county based on the improved coverage of essential services that are directly linked to the Project Development Objective (PDO) and other factors including equity. The project’s support to strengthen the M&E systems, including the routine HIS, will improve the quality of data for monitoring progress toward the achievement of Project Development Objective.
Current situation that the project was formed to intervene	The Transforming Health Systems for Universal Care aims to improve the utilization and quality of Primary Health Care (PHC) services by supporting a set of evidence-based interventions which are expected to contribute to Universal Health Care with improved equity and enhanced efficiency.
Project duration	The project started on 15 th September 2016 and closed on 30 th September 2023.

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Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the current year for both the project account and designated account:
 Central Bank of Kenya
 P.O. Box 60000-00200
 Nairobi

2.5 Independent Auditor

Auditor- General
 P.O Box 30084 – 00100
 Nairobi.

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1	Dr. Isaac Kimani	Project Manager	MBChB	Project oversight and overall coordination of activities of the Project.
2	Dr Nancy Etiang	Deputy Project Manager	MBChB, MSc. Applied epidemiology	Assistant to the project Manager.
3	Michael Nyale	Monitoring and evaluation officer		M&E of project activities.
4	Caroline Ndungu	Project Accountant	Bcom, CPA(K)	Preparation of Financial reports as required from time to time e.g. IFR, Bank reconciliation, exchequer requisition, Vote book , preparation of project F/S , responding to Audit issues etc.

2.7 Funding summary

The Project is for a duration of 7 years from 2016 to 2023 with an approved budget of US\$ US \$ 191.1 million, equivalent to Kshs 19.6 Billion, of which US \$ 150 million will be financed by International Development Association (IDA) credit, a US \$ 40 million will be granted by the Global Financing Facility (GFF TF) and US \$ 1.1 million will be a grant by the Policy & Human Resource Development Fund (PHRD TF).

Below is the funding summary:

Project information and overall performance (continued)

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 06 2025)		Undrawn balance to date (30 06 2025)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
TF – A 2561	40,000,000	4,120,000,000	27,841,669	2,882,666,297	12,158,331	1,237,333,703
TF – A 2792	1,100,000	114,400,000	1,038,371	113,752,523	61,629	647,477
(ii) Loan						
IDA - 58360	150,000,000	15,450,000,000	145,110,039	15,373,093,018	4,889,961	76,906,982
Other Transfers				45,144,470		45,144,470
Total	191,100,000	19,684,400,000	173,990,079	18,414,656,308	17,109,921	1,360,032,632

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative amount paid to date – (30 th June 2025)		Unutilised balance to date (30 th June 2025)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
TF – A 2561	27,841,669	1,365,906,618	27,841,669	2,882,666,297	0	0
TF – A 2792	1,038,371	113,752,523	1,038,371	113,752,523	0	0
(ii) Loan						
IDA - 58360	145,110,039	16,889,852,697	145,110,039	15,373,093,018	0	0
Other Transfers		45,144,470		45,144,470		0
Total	173,990,079	18,414,656,308	173,990,079	18,414,656,308	0	0

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

The key beneficiaries of the project are women of reproductive age, including adolescents and children under five who utilize Primary Health Care services most. The project supports counties in ensuring that the benefits reach the people at grass root level. The projects aim to ensure that;

- Children younger than one year are fully immunized;
- Pregnant women attend at least four Anti-Natal Care (ANC) visits;
- Births are attended by skilled health personnel; and
- Women of reproductive age are using a modern Family Planning method.

2.9 Summary of Project Compliance:

The project complied with applicable laws and regulations, and essential external financing agreements/covenants and this helped us to achieve the objectives set. The execution of the Procurement Plan was done in accordance with the World Bank's Procurement guidelines for Goods, Works and Services, PPADA, 2015 revised in 2022 and PPADR Regulations, 2016 revised in 2020, the THS Project procurement manual and the provisions stipulated in the Legal Agreement and Grant Agreements.

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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3. Statement of Performance against Project's Predetermined Objectives

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the *project's* plan are to:

- a) Improve the delivery, utilization, and quality of PHC services at the county level with a focus on (Reproductive, Maternal, Newborn, Child and Adolescent health services) RMNCAH. This also includes procurement of Family Planning commodities.
- b) Strengthen institutional capacity to better deliver quality PHC services
- c) Enhance cross-county and intergovernmental collaboration as well as facilitate and coordinate project implementation
- d) Contingency Emergency Response (CERC)- To fund immediate and short-term activities in the national COVID-19 Contingency Response Plan. It supports Emergency Operations Centre and procurement of health commodities to respond to Covid-19 Pandemic.

Progress on the attainment of strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement.

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT

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Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
	Improve the delivery, utilization, and quality of PHC services at the county level with a focus on RMNCAH.	Increased no. Of children under 1yr who had received third dose of pentavalent vaccine Increased number of women attending at least 4 ANC visits Pregnant women attending ANC supplemented with IFA (Percentage)	The year's average for penta 3 coverage was 78.9%; skilled birth delivery year's coverage stood at 67.4%; the fourth antenatal care year's coverage was 48.4% and the family planning coverage stood at 44.4 %.	Increased immunization of children, attained 84.9% against the set target of 84% Continued increase in women attending ANC visits attained 52% against the set target of 52% Continued increase in women attending ANC supplemented with IFA attained 74.3% against the set target of 73%
	Cross county and intergovernmental Collaboration and Project Management	Mombasa County and Ministry of Education Embu and Kirinyaga Counties and Kenya National Blood Transfusion Service	Improvement of quality ASRH services with specific interest to young mothers in school and community level. Increase access to youth friendly services in every sub county. Strengthening Blood transfusion services	-6 youth friendly centres already established. -Purchased equipments eg video to capture and highlight departmental activities. -Free sanitary pads to schools. -Reduced maternal deaths occasioned by blood shortage. -Establishment of satellite blood bank.
	Strengthen institutional capacity	Inspected health facilities meeting standards.	Number of health facilities inspected, and number meeting standards.	Target was to visit 1,635 facilities but by the end of the project,6932 were inspected.
	Contingency Emergency Response	Reported suspected cases of COVID-19 cases investigated based on national guidelines	Number of cases reported and responded to.	All the reported cases were investigated and positive cases were responded to. Support to Emergency Operations Centre

4. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

To ensure sustainable financing and support of the implemented activities, County governments were facilitated to develop transition plans through the healthcare financing TA support to 47 counties under the World Bank's Kenya Accountable Devolution Program (KADP).

Government has enacted health financing laws (Facilities Improvement Fund (FIF) Act) that will ensure that revenue generated from health facilities is ring fenced for the facility improvement. In addition, the Primary Health Care Act will facilitate payment of monthly stipends to community health volunteers/promoters CHV(P)s and the Social health insurance Act – will increase funding to the health facilities and provide for equitable access and affordable health services to its citizens.

To increase domestic financing for RMNCAH strategic commodities, GOK has allocated USD 10.2 million for procurement of RH commodities including FP commodities (Budget FY 2022/2023) and committed to gradually increase the domestic funding as captured in the budget estimates for subsequent years. The Ministry established family planning logistics technical working groups that reviews the family planning supply chain requirements and coordinate absorption of family planning services.

2. Environmental performance

Major achievements of environmental safeguards included; Trained Health care workers and health care waste handlers on health care waste management, Provided health care waste segregation equipment and consumables such as health care waste bins, bin liners, Personal Protective Equipment (PPE), transportation trollies, Facilitated the transportation of health care waste from point of generation to incineration sites by use of procured health waste transportation vehicles (Kilifi, Nairobi), Promoted health care waste incineration by procuring and installation of incinerators in counties (Lamu, Kilifi, Mandera) which were assessed and cleared by NEMA and licenses issued, and Improved health infrastructure (health facilities) in counties through minor repairs and renovations.

3. Employee welfare

The project follows the Government policies and procedures in the hiring process. The State Departments Human Resource department in collaboration with the Council of Governors (COG) conducts the interviews. In addition, the World Bank requirements are incorporated to ensure that the successful candidate has the necessary qualifications.

4. Marketplace practices-

a) Responsible Supply chain and supplier relations-

Procurement was essential in meeting the operational requirements of the Project Management Team by providing goods and services as and when required, managing the Procurement process efficiently and effectively by obtaining the

best value for money, Striving for Quality and Cost-maximize costs while still meeting quality requirements and needs of the internal (PMT) and external clients and Reducing and minimizing risk during implementation. Procurement planning process was done through identification and consolidation of operational requirements of the Project Management team and determining the time frames for their procurement.

b) Responsible ethical practices

- Continuous updating of the supplier registers by registration of all qualified suppliers
- Ensure confidentiality is maintained during a procurement process. If Any information is to be given, ensure it is shared to all participating suppliers during a procurement process.
- The organization is a government entity and serves and treats all its clients equally.

c) Regulatory impact assessment

- All procurement processes are done in accordance to the procurement regulations of the donor, World Bank (WB) requires fairness in treatment of all citizens and stakeholders
- All procurement processes are to be open to all eligible participants

5. Community Engagements

Major Achievements and results realized through implementation of the VMGPs (Vulnerable and Marginalized Groups) included: Improved demand and utilization of Primary health Care services especially RMNCAH services; Improved Equity in health service delivery to the Vulnerable and Marginalized communities; Increased empowerment of VMG groups on their community/constitutional rights; Through Citizen engagement with VMGs, led to improvement in addressing negative and limiting sociocultural and religious beliefs and practices including Female genital Mutilation (FGM), early marriages and teenage pregnancies (Tana River, Kisumu, Migori); Increased number of health care workers from VMG communities through training of nurses from VMG communities; Improved health infrastructure of VMG serving health facilities which promoted access, utilization and quality of PHC services; and Strengthened referral system through procurement of ambulances for VMG serving health facilities.

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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5. Statement of Project Management Responsibilities

The Principal Secretary for the State Department for Medical Services and the Project Manager for Transforming Health Systems for Universal Care – (THS – UC Project) Secretariat are responsible for the preparation and presentation of the Project’s financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangement 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 Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the State Department for Medical Services and the Project Manager for Transforming Health Systems for Universal Care – (THS – UC Project) Secretariat accept responsibility for the Project’s financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

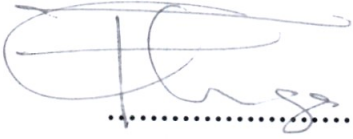
The Principal Secretary for the State Department for Medical Services and the Project Manager for Transforming Health Systems for Universal Care – (THS – UC Project) Secretariat are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year ended June 30, 2025 and of the Project’s financial position as at that date. The Principal Secretary for the State Department for Medical Services and the Project Manager for Transforming Health Systems for Universal Care – (THS – UC Project) Secretariat further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the State Department for Medical Services and the Project Manager for Transforming Health Systems for Universal Care – (THS – UC Project) Secretariat confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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Approval of the Project Financial Statements

The Project financial statements were approved by The Principal Secretary for the State Department for Medical Services and the Project Manager for Transforming Health Systems for Universal Care (THS – UC Project) Secretariat on 1st October 2025 and signed by them.



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Name

Principal Secretary

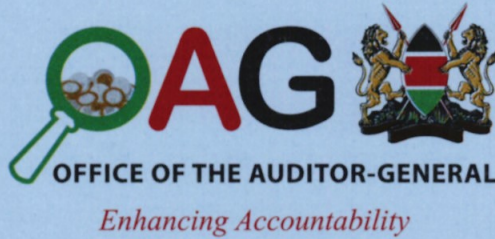


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Dr. Isaac Kimani
Project Manager

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REPORT OF THE AUDITOR-GENERAL ON TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE (THS-UC) PROJECT GRANT IDA CREDIT NO.5836-KE, TFOA2561, TFOA2792 AND CR. P152394 FOR THE YEAR ENDED 30 JUNE, 2025 – MINISTRY OF HEALTH

PREAMBLE

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

- A. Report on the 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 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 the 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.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. 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.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Transforming Health Systems for Universal Care (THS-UC) Project Grant IDA Credit No.5836-KE, TFOA2561, TFOA2792 and Cr. P152394 set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Transforming Health Systems for Universal Care (THS-UC) Project Grant IDA Credit No.5836-KE, TFOA2561, TFOA2792 and Cr. P152394 as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Grant Agreement No.5836-KE, TFOA2561 and TFOA2792 dated 04 July, 2016 between International Development Association and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Transforming Health Systems for Universal Care (THS-UC) Project Grant IDA Credit No.5836-KE, TFOA2561, TFOA2792 and Cr. P152394 Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Un-surrendered County Disbursements

The statement of financial position and as disclosed in Note 8 to the financial statements reflects receivables balance of Kshs.35,010,523 which relates to un-surrendered County disbursements. Management did not offer satisfactory explanations as to why the imprests have remained outstanding for the prolonged duration despite the Project having ended on 30 September, 2023.

In the circumstances, the continued delay in surrender may expose the project to penalties by the donor.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Management is responsible for the Other Information set out on page iii to xiii which comprises of Project Information and Overall Performance, Statement of Performance Against the Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. In my opinion, except for the matter described below, I confirm that the other information is not materially inconsistent with the financial statements.

Unachieved Project Objectives

The financial statements under source of funds information at page vi reflects an amount of Kshs.1,360,032,632 in respect to undrawn balance. This is indicative of project objectives that may not have been fully realized since the project end date was 30 September, 2023.

In the circumstances, the objective of the project to improve the utilization and quality of Primary Health Care (PHC) services may not have been realized.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The Standards requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Handover Project Assets

The statement of financial position and as disclosed in Note 10 to the financial statements reflects property, plant and equipment balance of Kshs. 124,104,474. However, there was no evidence of handing over assets to the State Department despite the Project having closed on 30 September, 2023.

In the circumstances, the internal controls over the management of the Project's assets could not be confirmed.

The audit was conducted in accordance with the ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the International Development Association, I report based on my audit that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The International Development Association requires that, I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Projects' compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control 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 Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern 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.

Those charged with governance are responsible for overseeing the Project'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 International Standards for 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 also 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

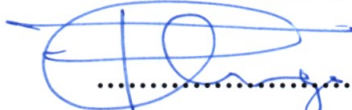
15 October, 2025

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2025


7. Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	FY 2024/25
		Kshs
Revenue		
Total revenue		0
Expenses		
Depreciation and amortization expense	6	19,440,082
Total expenses		19,440,082
Other gains/(losses)		
Surplus/ (deficit)		(19,440,082)


The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



 Name
 Principal Secretary



 Name
 Project Manager



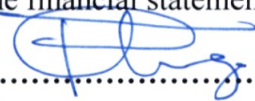
 Name
 Project Accountant
 ICPAK Member No: 9040

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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For the financial year ended June 30, 2025

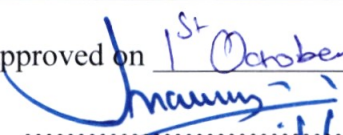
8. Statement of Financial Position as at 30th June 2025

	Note	FY 2024/25	1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash & cash equivalents	7	0	0
Receivables	8	35,010,523	54,463,440
Total Current Assets		35,010,523	54,463,440
Non-Current Assets			
Property, Plant and Equipment	10	124,104,474	143,544,556
Total Non- Current Assets		124,104,474	143,544,556
Total Assets (a)		159,114,997	198,007,996
Liabilities			
Current Liabilities			
Payables	9	35,010,523	54,463,440
Total Current Liabilities		35,010,523	54,463,440
Total Liabilities (b)		35,010,523	54,463,440
Net Assets (a-b)		124,104,474	143,544,556
Represented By:			
Accumulated Surplus		124,104,474	143,544,556
Total Net Assets		124,104,474	143,544,556

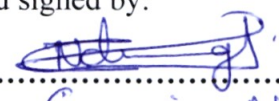
The financial statements were approved on 1st October 2025 and signed by:



.....
Name
Principal Secretary



.....
Name
Project Manager



.....
Name
Project Accountant
ICPAK Member No. 9040

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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9. Statement of Changes in Net Assets

Description	Accumulated Surplus
	Kshs
As at 30th June 2024 (Cash Basis)	0
Adjustments:	
Asset Recognition	143,544,556
Liabilities recognition	0
As at 1st July 2024	143,544,556
Surplus/(Deficit) for the year	19,440,082
As at 30th June 2025	124,104,474

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

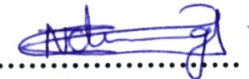
The financial statements were approved on 1st October 2025 and signed by:



Name
Principal Secretary



Name
Project Manager



Name Caroline W. Ndungu
Project Accountant
ICPAK Member No. 9040

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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10. Statement of Cashflow for the year ended 30th June 2025

Description	Note	FY 2024/25
		Kshs
Cashflow from operating activities		
Receipts		
Total receipts		0
Payments		
Total payments		0
Net cash flow from operating activities		0.00
Cashflow from investing activities		
Acquisition of non-financial assets		0
Net cash flows from investing activities		0
Cash flow from financing activities		
Net cash flow from financing activities		0
Net increase/Decrease in cash and cash equivalents		0
Cash and cash equivalent at 1st July 2024	7	0
Cash and cash equivalent at end June 2025	7	0

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Miscellaneous Revenue	0	0	0	0	0	0%
Total Revenue	0	0	0	0	0	
Payments						
Transfer to other Government Entities	0	0	0.	0	0	0%
Total Payments	0	0	0	0	0	
Surplus	0	0	0	0	0	

Following the closure of the project of 30th September 2023, the project was not allocated any budget during the year under review.

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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For the financial year ended June 30, 2025

12. Notes to the Financial Statements

1. General Information

Transforming Health Systems for Universal Care project entity is established by and derives its authority and accountability from xxx Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to improve utilization and quality of primary health care services with a focus on reproductive, maternal, new-born, child and adolescent health services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

These financial statements were authorized for issue by the accounting officer on 18th August 2025.

3. Adoption of New and Revised Standards

i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT**Reports and Financial Statements****For the financial year ended June 30, 2025**

Standard	Effective date and impact:
IPSAS 45- Property Plant and Equipment	Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer	Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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Standard	Effective date and impact:
Expenses	apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	Applicable 1st January 2027 The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

Following the closure of the project on 30september 2023, the project did not have a budget during the current financial year. 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 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.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The assets were depreciated at the following rates;

Furniture and fittings-12.5%

Motor vehicles-12.5

ICT equipments-30%

Specialized equipment-12.5%

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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Notes to the financial statements

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the financial statements

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
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Notes to the financial statements

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables 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.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT

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For the financial year ended June 30, 2025

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Entity*.

i) Provisions

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Entity* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The *Entity* does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The *Entity* does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the *Entity* in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

The *Entity* creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted*).

k) Changes in accounting policies and estimates

The *Entity* recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the financial statements

l) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) Related parties

The *Entity* regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

Notes to the financial statements

p) Service concession arrangements

The *Entity* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) 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.

r) 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.

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2025

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *Entity's* financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent 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.

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 Entity based its assumptions and estimates on parameters available when the consolidated 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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 the *Entity*.
- 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 asset.
- Changes in the market in relation to the asset

Provisions

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.

TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2025

Notes to the financial statements

6. Depreciation and Amortization expense

Description	FY 2024/25
	Kshs
Property, Plant and Equipment	19,440,082
Total	19,440,082

7. Cash and Cash Equivalents

Description	FY 2024/25	1st July 2024
	Kshs	Kshs
Cash in Bank	0	0
Total Cash and Cash Equivalents	0	0

Project Bank Accounts

Details	FY 2024/25	1st July 2024
	Kshs	Kshs
Local Currency Accounts		
Central Bank of Kenya [A/c No 1000736585]	0	0
Total bank account balances	<u>0</u>	<u>0</u>

8. Receivables

Description	FY 2024/25	1st July 2024
	Kshs	Kshs
<i>Other Receivables from the counties</i>	35,010,523	54,463,440
Total Receivables	35,010,523	54,463,440

Ageing analysis for Receivables

Description	FY 2024/25		1st July 2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Between 1- 2 years	35,010,523	100%	54,463,440	100%
Total (a+b)	35,010,523	100%	54,463,440	100%

These are unspent balances from the counties. During the year under review, kshs 19,452,917 was received from the counties.

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9. Trade and Other Payables

Description	Insert Current FY		1 st July 2024	
	Kshs		Kshs	
Trade payables	35,010,523		54,463,440	
Total trade and other payables	35,010,523		54,463,440	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	0	%	0	%
1-2 years	35,010,523	%	54,463,440	%
Total (tie to above total)	35,010,523		54,463,440	

These are expected to be paid to the National Treasury one received from the counties. During the year under review, kshs 19,452,917 was paid to the National Treasury as unutilized funds from counties.

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10. Property, Plant and Equipment

Cost	Motor vehicles	Furniture and fittings	ICT Equipment	Speialised equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	12.5%	12.5%	30%	12.5%	
As At 1July 2024 (opening balances)	64,595,071	22,813,545	12,220,516	66,865,893	166,495,025
Depreciation As at 1July 2024	(8,074,384)	(2,851,693)	(3,666,155)	(8,358,236)	(22,950,468)
Disposals	0.00	0.00	0.00	0.00	0.00
Transfers/Adjustments	0.00	0.00	0.00	0.00	0.00
As at 1st July 2024	56,520,687	19,961,852	8,554,361	58,507,656	143,544,556
Depreciation and Impairment					
As at 1July 2024	(8,074,384)	(2,851,693)	(3,666,155)	(8,358,236)	(22,950,468)
Depreciation charge for the year	(7,065,086)	(2,495,231)	(2,566,308)	(7,313,457)	(19,440,082)
Impairment loss	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Transfers/ Adjustments	(0.00)	0.00	(0.00)	(0.00)	(0.00)
As At 30th June 2025	49,455,601	17,466,620	5,988,052	51,194,199	124,104,474
Net Book Values					
As at 1st July 2024	56,520,687	19,961,852	8,554,361	58,507,656	143,544,556
As at 30th June 2025	49,455,601	17,466,620	5,988,052	51,194,199	124,104,474

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11. Cash Generated from Operations

Description	2024/25
	Kshs
Surplus/(Deficit)for the year	(19,440,082)
Adjusted for:	
Depreciation	19,440,082
Working capital adjustments	
Decrease in receivables	19,452,917
Decrease in payables	(19,452,917)
Net cash flow from operating activities	0

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12. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

Description	Fy 2024/2025	1st July 2024
	Kshs	Kshs
(i) A/c Name [A/c No 1000308621]		
Opening balance	0.00	0.00
Total amount deposited in the account	0.00	0.00
Total amount withdrawn	<u>0.00</u>	<u>0.00</u>
Closing balance (as per SDA bank account reconciliation attached)	<u>0.00</u>	<u>0.00</u>
(ii) A/c Name [A/c No 1000308637]		
Opening balance (as per the SDA reconciliation)	0.00	0.00
Total amount deposited in the account	0.00	0.00
Total amount withdrawn	<u>0.00</u>	<u>0.00</u>
Closing balance (as per SDA bank account reconciliation attached)	<u>0.00</u>	<u>0.00</u>

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13. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* 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.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

14. Events after the Reporting Period

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

15. Ultimate And Holding Entity

The *Entity* is a donor funded project under the State Department for Medical Services. Its ultimate parent is the Government of Kenya.

16. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Un-Surrenderd Cash and Cash Equivalents: The statement of financial assets reflects nil bank balance while documents provided for audit revealed unsurrendered county disbursements amounting to Kshs.47,883,457 held in 30 counties which was not surrendered to the project bank account. Further, analysis of the un-surrendered balances for six (6) sampled counties revealed total balance of Kshs 3,880,935 as per certificate of bank balances while the Project's disbursement schedule reflected balance of Kshs 29,454,208 resulting to an unexplained variance of Kshs</p>	<p>It is true that there were unsurrendered bank balances in the counties even after the project had come to a close. Any unspent balances were to be refunded back to the World Bank through the National Treasury. Some of the counties with unspent balances refunded back to the project account and these funds together with unutilized balances at the project account were all refunded to</p>	Unresolved	30 th Oct 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	5,573,273. In the circumstances, the accuracy and completeness of nil bank balance could not be confirmed.	<p>the National Treasury, hence the nil balance as at 30th June 2024. The project, through the Council of Governors has used different channels and forums and so far, only a balance of Kshs 12 million is pending.</p> <p>The balances as per the Head Quarter Balances were derived after all the expenditures incurred were received from the counties. In addition, a reconciliation had been done with the accountants from the 47 counties before the closure of the project. However, some counties</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		had utilized some of these funds in non-project activities and were therefore to refund these funds eg Bungoma county.		
2	<p>Unachieved Project Objectives: The financial statements under source of funds information on page vii reflects an amount of Kshs.1,340,579,715 in respect to undrawn balance. This amount is indicative of the intended project objectives not having been fully realized since the project end date was 30 September, 2023.</p>	<p>It is true that during the project's life, there were undrawn balances of Kshs 1,340,579,715. Being a conditional grant, the counties had to meet certain minimum conditions in order to qualify for disbursements. In the year 2021/22 only 30 counties qualified for</p>	Unresolved	30 th Dec 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>disbursement and it was also the last disbursement under the project. Due to this some funds were not withdrawn. However, the Project has achieved its objectives of improving primary health care with a focus on the Reproductive, Maternal, New-born, child and Adolescent Health Services (RMNCAH)</p> <p>In addition, the project has supported Counties and health facilities though equipping, rehabilitations, outreach services and many other strategies, aimed at</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>increasing utilization and access to quality health care services. The project realized its objectives as reported in the World Bank Implementation Completion Report and Results Framework.</p>		
3	<p>Unresolved Prior Year matter:In the audit report of the previous year,an issue was raised under the report on the effectiveness of internal controls,risk management and governance .However management had not resolved the issues or given any explanation for failure to implement the</p>	<p>The project utilised the structures of the ministry during its operation. The internal audit department thru the audit committee was continuously monitoring and auditing the processes and implementation of the project.</p>	Unresolved	30 th Dec 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	recommendation.			
4	<p>Unauthorized Expenditure: The statement of comparative budget and actual amount reflects nil final receipts and expenditure budgets. However, the statements also reflect actual receipts and expenditure of Kshs 25,691,553 and Kshs 314,923,413 respectively indicative of unauthorised expenditure, contrary to section 68(2)(h) of the public finance management Act, 2012 which requires an accounting officer to prepare estimates of expenditure and revenues of the entity in conformity with its strategic plan. In the</p>	<p>It is true that during the year under review the actual receipts were Kshs 25,691,553 and actual expenditure were Kshs 314,923,413. However, these were not authorised expenditures. The amount of Kshs 25,691,553 was unspent balance from the counties and they were transferred to the National Treasury for onward submission to World Bank. The expenditure of Kshs 314,923,413 was payment for expenditures incurred up to 30th September 2023 when the project closed.</p>	Unresolved	30 th Dec 2025

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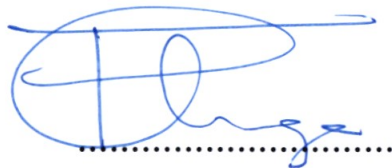
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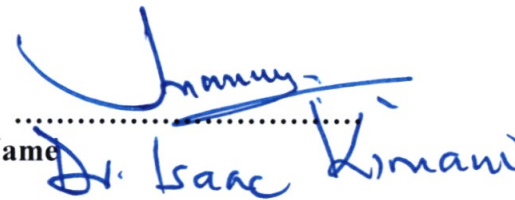
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	circumstances Management was in breach of the law.			
5	<p>Incomplete Asset Register and Failure to Handover Project Assets: The statement of receipts and payments reflects cumulative to-date (from inception) amount of Kshs.166,495,025 in respect to acquisition of non-financial assets as reflected in Annex 3 of the summary of fixed assets register. However, the register is does not reflect the assets valued at Kshs.6,931,260 acquired during the year under review. Further no handing over report of the project assets as at the closure of the Project on 30 September, 2023 was provided for audit review.</p> <p>In the circumstances, the internal controls over the management of</p>	<p>It's true that during that the assets acquired during the year under review were valued at Kshs 6,931,260.00.</p> <p>It is also true that at the time of review, the assets had not been updated in the register but they have now been updated. The register is available for your review.</p>	Unresolved	30 th Dec 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the Project's assets and handover to the State Department could not be confirmed.			



Name
Principal Secretary



Name
Project Manager

Annex 2: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Transport equipment	64,595,071.00	0.00	0.00	0.00	64,595,071.00
Office equipment, furniture and fittings	22,813,545.00	0.00	0.00	0.00	22,813,545.00
ICT Equipment	12,220,516.00	0.00	0.00	0.00	12,220,516.00
Specialised Equipment	66,865,893.00	0.00	0.00	0.00	66,865,893.00
Total	166,495,025.00	0.00	0.00	0.00	166,495,025.00

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Annex 3: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2025
- ii. Board of Survey Report
- iii. Special Deposit Account(s) reconciliation statement(s)