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REPORT

OF

THE AUDITOR-GENERAL

ON

PRIMARY HEALTH CARE FUND

FOR THE YEAR ENDED 30 JUNE, 2025

THE NATIONAL ASSEMBLY
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Social Health Authority
Bima Bora, Afya Nyumbani

PRIMARY HEALTH CARE FUND

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

PRIMARY HEALTH CARE 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 Primary Health Care Fund. They comprise as follows: -

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

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, Primary Health Care 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.

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.

Primary Health Care Fund

The Social Health Authority seeks to deliver equitable, affordable, and quality healthcare to all citizens through a well-structured benefits framework, ensuring that both everyday health needs and life-threatening conditions are addressed without imposing undue financial burdens on households. The Primary Healthcare Fund is designed to guarantee access to preventive, promotive, and basic curative services at community and primary care levels.

Primary Care Services are provided through a Primary Care Networks (PCNs) model where each County is a PCN with participating healthcare providers comprising of level 2,3 and select level 4 facilities contracted to deliver primary healthcare services nationwide. The participating facilities are allocated and reimbursed monthly through a global budget capitation based on the total number of cases treated, the weights of the conditions treated, and the amount allocated monthly to each PCN. Each County receives an allocated global budget amount (Kes. 900) annually or KES 75 monthly per beneficiary registered in the county. By linking beneficiaries to Primary Care Networks (PCNs), the fund ensures that healthcare delivery remains consistent, coordinated, and population focused.

Beneficiaries receive a wide range of services including outpatient consultations, essential laboratory tests, basic imaging, immunizations, antenatal care, postnatal care, and mental health support. The PHC Fund also covers eye health education, treatment of refractive errors for children below 18 years, and targeted screenings for common diseases and certain cancers.

The Source for Primary Healthcare is from Government allocations. To access services, the beneficiaries do not have to be paid up, but registration is mandatory.

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.

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.

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.

	NAME	TITLE/ REPRESENTING	DATE OF APPOINTMENT
1.	Dr. Mohamed Abdi Mohamed	Chairperson	17th 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	22nd November 2023
6.	Dr. Francis Atwoli	Central Organization of Trade Unions	22nd November 2023
7.	Ms. Jacinta Kathamu Mutegi	Consortium of Healthcare Providers	22nd November 2023
8.	Mr. Gerald Macharia	Council of Governors	29th August 2024
9.	Dr. Ibrahim Matende	CS, Ministry of Health Appointee	3rd October 2024
10	Dr. Angela Ndunge	CS, Ministry of Health Appointee	22nd 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	22nd November 2023

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

	NAME	TITLE/ REPRESENTING	DATE OF EXIT
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

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.

Principal Legal Advisers

The Attorney General
State Law Office
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Nairobi, Kenya

Robson Harris Advocates LLP
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Tel: 0722218900

Moronge & Company Advocates
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Tel: 0740270440

Rachier & Amollo advocates
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Masire & Mogusu Advocates
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Tel: 0202210040

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Tel: 0735230723

Kipkenda & Company Advocates
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Tel: 254 022210647

Eno Omoti & Company Advocates
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Tel: 254202241048

Murugu, Rigoro & Co Advocates
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Tel: 0722587795

G & A Advocates
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Tel: 0719851555

Amel Inyangu & Partners
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Tel: 0703551374

McKay & Company Advocates
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Tel: 0774363622

Mwaura & Wachira Advocates
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Tel: 0202725607

Rachier & Amollo advocates
P.O. Box 55645-00200 Nairobi
Tel: 254722204778

Masire & Mogusu Advocates
P.O. Box 18267-00100 Nairobi
Tel: 0202210040

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.

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.

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, stategicstrategic 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 Unversity Council, Lake Victoria North Water Services and Nairobi InteInternational 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.

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 9KCCB). 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.

Mr. Gerald Macharia
Council of Governors

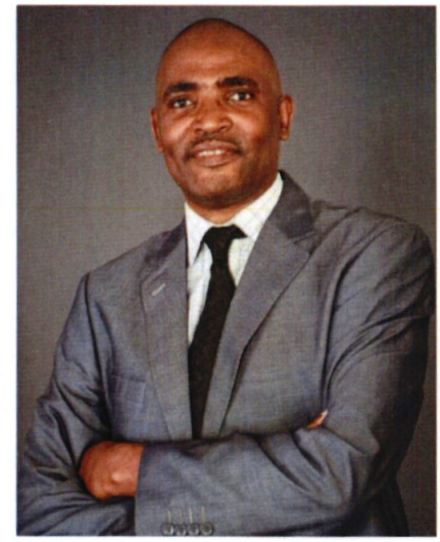
Gerald Macharia serves as the Vice President for East & Southern Africa for the Clinton Health Access Initiative (CHAI). He joined CHAI in 2005 as the pioneer Country Director for Kenya, after a 5-year stint as CEO of Kenya based Faulu Microfinance Bank.

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.

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 Olenguruone 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.

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.

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.

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.

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.

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.

5. FIDUCIARY MANAGEMENT

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

No.	Designation	Name
1.	Chief Executive Officer	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.

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.

7. CHAIRMAN'S STATEMENT

When the Government of Kenya unveiled the Bottom-Up Economic Transformation Agenda (BETA), it set out a clear vision: that the health of the nation could not wait until people became sick. The emphasis was placed on prevention, early detection, and community-based care as the most cost-effective way to safeguard families and build national productivity. It is within this policy direction that the Primary Healthcare Fund (PHCF) was born, as one of the three funds under the Social Health Authority (SHA).

The reform was anchored in four complementary laws passed in 2023: the Social Health Insurance Act, the Primary Health Care Act, the Facility Improvement Financing Act, and the Digital Health Act. Together, they have created a financing and governance framework that allows facilities to receive money directly from SHA, gives communities structured care through Primary Care Networks (PCNs), and builds the digital backbone for accountability through the Digital Health Agency.

For the first time health facilities, from dispensaries in Turkana to health centers in Kilifi, are receiving funds directly from the Social Health Authority, without bureaucratic detours. This is possible because the FIF Act ringfences resources at the facility level, while the Digital Health Act provides the digital rails for accountability and traceability. Meanwhile, the Primary Healthcare Act ensures that these resources translate into services, by structuring delivery around Primary Care Networks (PCNs), one for each county, linking level 2, 3, and select level 4 facilities into a coherent ecosystem of care.

For the first time, Kenya has a dedicated national fund for primary healthcare. This is a deliberate shift from a hospital-centric system to one where families can access services close to home. By

investing at the primary care level, the government is reducing the burden on referral hospitals and addressing the root causes of ill health before they become catastrophic.

In the year under review, the PHCF was allocated **KES 10.2 billion**. Out of this, **KES 9.7 billion** (95 percent) went directly into services, consultations, diagnostics, antenatal visits, vaccinations, family planning, and more, while KES 489 million (5 percent) was used for administration. In effect, every KES 20 invested in PHCF put KES 19 straight into frontline care. That is the kind of efficiency and transparency Kenyans have long demanded from public health financing.

The Board's work during this period has focused on three priorities:

1. Strengthening governance structures to ensure funds are safeguarded and facilities are accountable for service delivery.
2. Embedding digitalisation in registration, disbursements, and reporting, to improve transparency and minimise leakages.
3. Ensuring equity by monitoring how PCNs across counties are resourced and how citizens access benefits.

The opportunity now is to build on this strong foundation. PHCF must continue to deepen portability of services, expand the role of Community Health Promoters, and sustain the culture of direct facility financing. Preventive and promotive care must remain at the heart of SHA's strategy, because this is where the promise of BETA is most tangible: a healthier population, lower out-of-pocket spending, and a more productive workforce.

Looking ahead, PHCF will be judged on how much money it spends, and on how well it keeps people healthy, reduces hospital admissions, and protects families from financial strain. These are the metrics that matter, and these are the benchmarks against which this Board will hold itself accountable.

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DR. MOHAMED ABDI MOHAMED
CHAIRPERSON – BOARD OF DIRECTORS SHA

8. REPORT OF THE CHIEF EXECUTIVE OFFICER

The When Kenyans think about healthcare, most think about a visit to the hospital. But the real battle for health is won, or lost, in homes, schools, community dispensaries, and local health centres. That is what the Primary Healthcare Fund (PHCF) was built to finance: the first point of contact with the health system, the place where prevention, education, and early treatment take place.

By 30 June 2025, a total of **24,702,971** Kenyans had registered with the Social Health Authority, including **8,427,130** dependants. This represents about **6.1 million** households mapped to Primary Care Networks (PCNs) across the 47 counties.

It is important to emphasize that members and their dependants are only required to be registered under SHA to access PHCF services payment is not a prerequisite. This guarantees equity, ensuring that no household is excluded from essential preventive and promotive services due to inability to pay.

To make registration seamless, SHA has adopted multiple user-friendly platforms:

- *USSD 147# for instant mobile registration.
- Web portals: www.sha.go.ke and www.afyayangu.go.ke.
- Community Health Promoters (CHPs), who assist households directly at the community level.
- SHA service offices and Huduma Centres nationwide.

This multi-channel approach has made enrolment convenient for both urban and rural populations, accelerating nationwide coverage.

Unlike the former National Health Insurance Fund (NHIF) outpatient model, where members were tied to a single facility, PHCF introduces portability. Beneficiaries can seek care at any contracted public, private, or faith-based facility within their PCN whether level 2, 3, or select level 4. This flexibility means families are no longer locked into one option and can choose care that best suits their needs and location.

The Fund reimburses contracted facilities through a global budget capitation system, where payments are calculated at **KES 900** per beneficiary per year (**KES 75 per month**). Disbursements are made monthly, based on the number of registered beneficiaries in a county's PCN and the services delivered. This ensures predictable, steady funding at the facility level, enabling them to plan, stock supplies, and retain staff more effectively.

At the current membership of **24.7 million** Kenyans, this translates into an annual financing requirement of approximately **KES 22.2 billion** for PHCF when fully scaled. This figure provides a clear picture of the long-term commitment needed to sustain universal primary care across all counties.

Since rollout, insert number Kenyans have accessed PHCF services. The most common benefits have been outpatient consultations, essential laboratory diagnostics, immunizations, antenatal and postnatal visits, and family planning services. Preventive interventions, such as screenings and eye health checks for children, have also been widely accessed. This demonstrates that PHCF is addressing the everyday health needs of households while promoting prevention and early detection.

At the heart of this system are the **100,000** CHPs deployed nationwide. They register households, provide health education, conduct screenings, and make referrals. Equipped with kits and digital tools, CHPs have become the human face of PHCF, strengthening the link between households and facilities and ensuring no one is left behind.

We executed a phased national campaign: self-registration via USSD/portal; assisted registration at hospitals and county service points; community barazas and chiefs' forums; CHP door-to-door onboarding; and county-level outreach supported by Interior and county teams. These efforts were reinforced with media explainers and demonstrations on how to register and use benefits. Operational test runs of the digital enrollment and verification flows were conducted ahead of the full rollout to ensure readiness.

As PHCF matures, utilisation is expected to increase significantly. With more Kenyans aware of their entitlements, we project that service uptake will at least double in the coming year. Government

allocations are expected to rise in tandem, ensuring sustainability of the Fund. Our focus will remain on:

- Expanding PCN contracting to include more providers across public, private, and faith-based sectors.
- Strengthening digital verification to reduce fraud and leakage.
- Scaling CHP activities to deepen household engagement.
- Continuing awareness campaigns to build a culture of prevention.

In this first year, PHCF has proven that financing prevention and early care is a moral imperative and a financially sound strategy. The road ahead is about scale, quality, and trust. We will keep pushing until every Kenyan family can say: *"When we needed care, SHA was there."*

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DR. MERCY MWANGANGI
CHIEF EXECUTIVE OFFICER SHA

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:

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 the Primary Health Care Fund in Kshs.	By the end of the FY2024/25, SHA had collected Kshs. 10,243,358,169 from the exchequer and paid out kshs. 8,606,560,053 for beneficiaries across the country under the Primary Care Fund
	To harmonize allocation and utilization of healthcare financing resources	Payout ratio	Benefit Utilization for PHCF	By the end of the FY2024/25, SHA had collected Kshs. 10,243,358,169 from the exchequer and paid out kshs. 8,606,560,053 for beneficiaries across the country under the Primary Care Fund that translates to a payout ratio of 95%
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 **67,377** orphaned and vulnerable children and **14,205** 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

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: i) HR career Guidelines ii) Staff Establishment iii) HR policy and Procedure Manual iv) Organization and Grading Structure v) Qualification matrix vi) Salary structure
			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

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

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.

- *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 :-

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

2. Human Resource & Governance Committee

No.	Name of Member	Organisation	Position
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

No.	Name of Member	Organisation	Position
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

No.	Name of Member	Organization	Position
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.

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.

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.

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)

PHCF Benefits Package

A beneficiary shall be entitled to the benefits under the essential healthcare benefits packages under the Primary Healthcare Fund, the Social Health Insurance Fund and the Emergency, Chronic and Critical Illness Fund provided in the Second, Third and Fourth Schedules to the Regulations.

The essential healthcare benefits package under the Primary Healthcare Fund shall comprise of preventive, promotive, curative, rehabilitative and palliative health services provided at the level 2 and 3 health care facilities.

Revenue Performance

The PHCF Financial identifies the following as sources of income:

- Monies appropriated by the National Assembly.
- Any grants, gifts, donations or bequests.
- Monies allocated for those purposes from fees or levies administered; and
- Monies accruing to or received by the Fund from any other source.

As of June 30th, 2025, the PHCF received cumulative sum of **KES 10 billion** from the Government. This significant milestone marks the inaugural revenue received by PHCF, underscoring its potential and effectiveness in financial management.

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.

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.

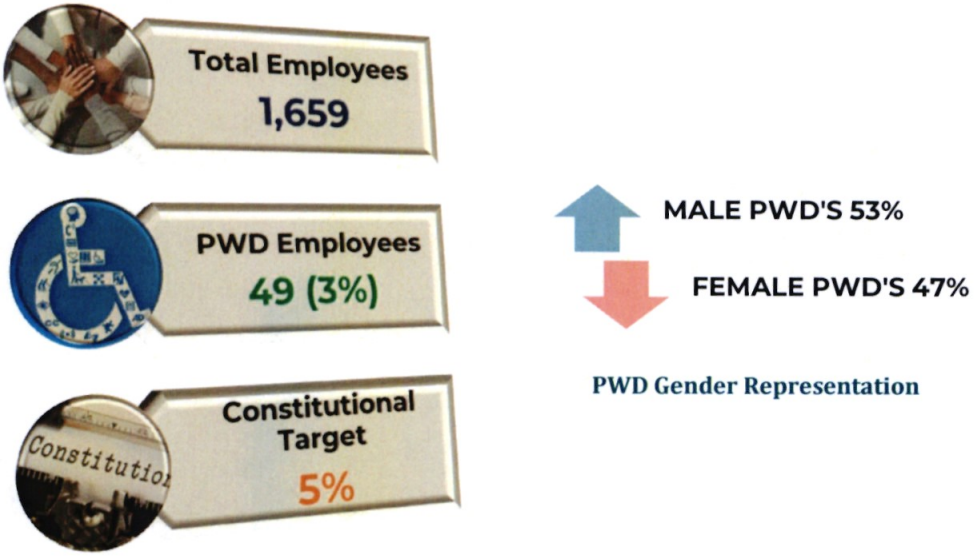
ii. Environmental Performance

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.

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.

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, info@sha.go.ke,

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

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

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 – 26**. Below is a summary of the profit or loss made during the year.

RESULTS	KES
Profit (Loss) before taxation	**4,838,073**
Tax Charge	(4,838,073)
Surplus for the year	**-**

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 PHCF 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

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.

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 Primary Health Care Fund financial statements were approved by the Board on ..... **28 August, 2025** ..... and signed on its behalf by:

.....	.....
DR. MOHAMED ABDI MOHAMED	**DR. MERCY MWANGANGI.**
CHAIRPERSON BOARD OF DIRECTORS SHA	**CHIEF EXECUTIVE OFFICER SHA**

REPUBLIC OF KENYA

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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PRIMARY HEALTH CARE FUND FOR THE YEAR ENDED 30 JUNE, 2025

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 Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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 are aimed at addressing the statutory roles and responsibilities of the Auditor-General 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

Qualified Opinion

I have audited the accompanying financial statements of Primary Health Care Fund set out on pages 1 to 23, which comprise of the statement of financial position as at

30 June, 2025 and the statement of profit or loss and other comprehensive, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Primary Health Care Fund at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Primary Health Care Act, 2023 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variances in Other Income

The statement of profit or loss and other comprehensive income reflects other income of Kshs.32,253,819 which differs with the disclosure under Note 7 to the financial statements of Kshs.27,415,746 resulting to a variance of Kshs.4,838,073.

In the circumstances, the accuracy and completeness of the other income amount of Kshs.32,253,819 could not be confirmed.

2. Unsupported Trade Receivables

The statement of financial position and as disclosed in Note 10 to the financial statements reflects trade receivables of Kshs.4,268,358,169 however, the support schedules for trade receivables amounting to Kshs.3,143,358,169 was not provided for audit verification.

In the circumstances, the accuracy, completeness and existence of the receivable balance amounting Kshs.4,268,358,169 could not be confirmed.

3. Variances in the Statement of Cash Flows: Variances in Receipts

The statement of cash flows reflects cash and cash equivalents balance of Kshs.341,912,223 as at 30 June, 2025. Included is receipts from exchequer of Kshs.5,974,999,999 which differs with the primary health care income of Kshs.10,270,773,915 reflected in the statement of comparison of budget and actual amounts resulting to unexplained variance of Kshs.4,295,773,916.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.341,912,223 as at 30 June, 2025 reflected in statement of cash flows could not be confirmed.

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

Note 18 to the financial statements reflects grants from national government of Kshs.5,974,999,999. However, the national government entity was not specified.

In the circumstances, the financial statements are not fully compliant with the Public Sector Accounting Standards Board reporting requirements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Primary Health Care Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget and total actual revenue on a comparable basis of Kshs.61,100,912,457 and Kshs.10,270,773,915 respectively resulting to a variance of Kshs.50,830,138,542 or 83%.

In the circumstances, the revenue shortfall might have affected implementation of planned activities which might have affected service delivery to the citizens.

My opinion is not modified in respect of this matter.

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. Except for the effect of the matters described in the Basis for Qualified Opinion. I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Directors are responsible for the Other Information set out on page iv to xlvi which comprise of Key Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund'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. I have nothing to report in this regard.

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 conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else 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

1. Payment to a Service Provider Without an Active Contract

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects Primary Health Care (PHC) benefit expenses of Kshs.9,781,689,443 which was paid from December, 2024 to June, 2025. Review of the bank statement revealed payments amounting Kshs.33,706,234 were made to a health care service provider who did not have an active contract Section 33(1) of the Social Health Insurance Act, 2023 which states that the Authority shall make payments out of the funds to health care providers or health care facilities that are empaneled and contracted in accordance with the payments under the funds shall only be made to health care providers or facilities that are empaneled and contracted in accordance with this Act. In addition, the schedules, payment vouchers, invoices, receipts and reason for the payments were not provided and as a result the authenticity of the payment could not be confirmed.

Further, the health facility which is a level 2 facility was paid the highest amount in May and June, 2025.The amount paid to this facility was also higher than the amount paid to level 3 and level 4 facilities and the same health care service provider had three vendor codes.

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

2. Irregular Payment of Benefits Using Capitation Method

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects benefits expenses of Kshs.9,781,689,443. Review of the bank statements revealed that the Fund made payments of Kshs.1,318,146,975 which include Kshs.1,314,551,925 and Kshs.3,595,050 made on 25 November, 2024 and 31 January, 2025 respectively using the Capitation Method instead of the Global Budget Provider Mechanism (PPM) model.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on 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

1. Incomplete Benefits Expenses Ledger

The statement of profit or loss and other comprehensive income reflects benefits expenses of Kshs.9,781,689,443. Review of the supporting schedules revealed that the full names of beneficiaries per facility, Social Health Authority identification number, the amount claimed, approved amount, and amount paid and the intervention name/type were not indicated in the ledgers.

In the circumstances, the accuracy and credibility of benefit expenses data could not be confirmed.

2. Wrongly Mapped Intervention Names in the Provider Portal

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects benefit expenses of Kshs.9,781,689,443. 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 intervention.

In the circumstances, the effectiveness of internal control over claims processing could not be confirmed.

The audit was conducted in accordance with 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.

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

18 December, 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
REVENUES	**NOTE**	**KES**	**KES**
PHCF income	**6**	10,243,358,169	-
TOTAL INCOMES & PREMIUMS		**10,243,358,169**	**-**
BENEFIT EXPENSES			
PHCF – Benefits expenses	**6**	9,781,689,443	-
TOTAL BENEFIT EXPENSES		**9,781,689,443**	**-**
GROSS PROFIT		**461,668,726**	**-**
Other Incomes	**7**	32,253,819	-
TOTAL REVENUES		**493,922,545**	**-**
Operating Expenses			
Other Operating Expenses	**8**	489,084,472	-
Total Operating Expenses		**489,084,472**	**-**
PROFIT BEFORE TAXATION		**4,838,073**	**-**
Tax Charge	**9**	(4,838,073)	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**

17. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

		YEAR ENDED JUNE 30, 2025	YEAR ENDED JUNE 30, 2024
ASSETS			
Current Assets			
Trade Receivables	10	4,268,358,169	-
Cash and Bank Balances	11	341,912,223	-
Total Current Assets		**4,610,270,391**	**-**
TOTAL ASSETS		**4,610,270,391**	**-**
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained Earnings	12	-	-
Incurred Claims Reserves	13	1,175,129,390	-
Total Capital and Reserves		**1,175,129,390**	**-**
Current Liabilities			
Trade Payables	14	2,946,056,529	-
Fund Payables	15	489,084,472	-
Total Current Liabilities		**3,435,141,001**	**-**
TOTAL EQUITY AND LIABILITIES		**4,610,270,391**	**-**

The financial statements on pages **1 to 26** were approved by the Board of Management on ..... *August 28, 2025* ..... and signed on its behalf by:

Dr. Mohamed Abdi Mohamed	**Dr. Mercy Mwangangi.**	**CPA Jonathan Leisen**
Chairperson SHA	**Chief Executive Officer SHA**	**Director F & FM**
		ICPAK M/NO: 7465

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

	RETAINED EARNINGS	TOTAL
	KES	KES
NOTE	12	
At October 1, 2025	-	-
Changes in the year / Total comprehensive income	-	-
At June 30, 2025	-	-

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

	Notes	YEAR ENDED JUNE 30, 2025 KES	YEAR ENDED JUNE 30, 2024 KES
Cash Flows From Operating Activities			
Cash generated from/(used in) operations	16a		
Receipts from Exchequer		5,974,999,999	-
Claims Paid		(5,718,324,457)	-
Unapplied Funds		57,820,935	-
Net Cash generated from/(used in) operations		**314,496,477**	-
Cash Flows From Investing Activities			
Interest Income		32,253,819	-
Tax Charge		(4,838,073)	-
Net cash generated from/(used in) investing activities		**27,415,746**	-
Cash Flows From Financing activities			
Net cash generated from/(used in) Financing activities		-	-
Increase/Decrease In Cash And Cash Equivalents		**341,912,223**	-
Cash And Cash Equivalents At Beginning Of Year		-	-
Cash And Cash Equivalents At End Of The Year	16a	**341,912,223**	-

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%
Budget carryovers from the previous year 2023/24						
Revenue						
PHCF - Income	76,593,491,653	(15,492,579,196)	61,100,912,457	10,270,773,915	50,830,138,542	17%
Total Revenue	**76,593,491,653**	**(15,492,579,196)**	**61,100,912,457**	**10,270,773,915**	**50,830,138,542**	17%
Expenses						
PHCF - Benefits	72,763,817,070	(14,717,950,236)	58,045,866,834	9,781,689,443	48,264,177,391	17%
Other Operating Expenses	3,829,674,583	(774,628,960)	3,055,045,623	489,084,472	2,565,961,151	16%
Total expenditure	**76,593,491,653**	**(15,492,579,196)**	**61,100,912,457**	**10,270,773,915**	**50,830,138,542**	17%
Capital Expenditure	-	-	-	-	-	
Surplus/deficit for the period	-	-	-	-	-	0%

Budget notes:

The PHCF provides for access to primary health care to residents in Kenya upon registering as a member of the SHIF. The facility-based primary health care services are accessed at level II and III empanelled and contracted health facilities in Kenya. It covers inpatient local treatment, Maternity, Outpatient, Surgeries, Optical, Last Expense, Screening and Dental care.

The initial budget requirements were estimated at Kes 76,593,491,653 based on the estimated benefits to be covered. Supplementary budget No. I for FY 2024/25 reduced the budget to Kes 61,100,912,457 to align it with the final benefits tariffs for PHCF.

Reasons for low Utilization of PHCF:

1. PHCF Income:
    - The PHCF relies entirely on exchequer funding. The Fund was initially allocated Kes 4.10 billion by the Government which was increased to Kes 7.10 billion within the financial year. This is a huge shortfall compared to the funding requirements of Kes 61.10 billion. Consequently, the Fund was compelled to scale back the benefits offered to members to align with available resources. Despite these adjustments, actual expenditure reached Kes 9.78 billion, resulting in a budget absorption rate of 17% against the total assessed funding needs.

2. PHCF Benefits:
    - The PHCF Benefits were initially costed at Kes 72.76 billion. The estimates were reduced to Kes 58.05 billion in the Supplementary budget No. I for FY 2024/25 to align to the revised funding requirements.
    - The implementation of PHCF was phased due to the significant funding gap. The shortfall in funding from the exchequer led to reduced utilization of the benefits estimates.

3. Other Operating Expenses:
    - These estimates comprise of the Fund 5% administration costs transferred to SHA. The original allocation of Kes 3.83 billion was revised downward to Kes 3.05 billion during Supplementary Budget No. I for FY 2024/25, adjusted to correspond with the Fund's revised overall funding allocation.
    - The actual inter-fund payable amounted to Kes 489 million, determined in accordance with the Fund's realized expenditure and in full compliance with the provisions of the Social Health Insurance Act, 2023.

Way Forward:

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

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	-
1	Less: Exchequer Receivable	(4,268,358,169)
2	Add: PHCF Claims payable	2,888,236,171
3	Add: Unapplied Funds	57,820,360
4	Add: Inter-Fund Payables (SHA-5% Admin cost)	489,084,472
5	Add: IBNR Reserves at the end of the year	1,175,129,390
	Closing Cash and Cash Equivalent as per the statement of Cash flows	**341,912,223**

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.

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.

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.*

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

	other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. *The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*	

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

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. *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.*	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19. *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.*	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January2027.Earlier application is permitted.

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

Government financing for the Primary Health Care Fund (PHCF) is accounted for as a government grant in accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance. Under IAS 20, grants are recognized when the conditions attached to the funding have been met, rather than when cash is received.

The Social Health Insurance Act requires the Authority to provide uninterrupted primary health care services within the approved budget and restricts PHCF resources exclusively to eligible primary health care expenditure. The Authority therefore satisfies the grant conditions upon incurring eligible expenditure related to this mandate.

Revenue is recognized on a systematic basis aligned with the related expenditure, consistent with IAS 20.12. This approach ensures that PHCF revenue reflects the Authority's delivery of mandated services during the reporting period, irrespective of the timing of government disbursements.

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.

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:

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

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

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

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.

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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUES)

6. PHCF INCOME

	AS AT JUNE 30, 2025 KES	AS AT JUNE 30, 2024 KES
Revenue:		
Funds from GOK Exchequer	10,243,358,169	-
Total	**10,243,358,169**	**-**
Expenses:		
PHCF Benefits Expenses	8,606,560,053	-
Outstanding Claims Reserve - OCR	1,175,129,390.00	-
Total Expenses	**9,781,689,443**	**-**
Surplus for the Year	**461,668,726**	**-**

Primary Healthcare Fund (PHF) is designed to provide universal access to essential health services for all Kenyans. It is part of the Social Health Insurance (SHI), established by the Social Health Insurance Act (SHIA) of 2023. The mission of the PHF is to ensure that every Kenyan can receive the necessary care, regardless of their location or financial status. The revenue and benefits for the Fund are accrued when earned and incurred respectively.

The PHCF is funded through various sources, including appropriations by the National Assembly, grants, gifts, donations, bequests, fees and levies, as well as funds from other relevant sources. The PHCF offers free services at level 2 and 3 facilities for registered individuals. These services include outpatient consultations, lab tests, medications, counselling and mental support, KEPI vaccines, and services for expectant mothers, including delivery.

7. OTHER INCOMES

Interest Income on Bank Balance	27,415,746	-
Total	**27,415,746**	**-**

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	489,084,472	-
Total	**489,084,472**	**-**

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.

9. TAX CHARGE

	AS AT JUNE 30, 2025 KES	AS AT JUNE 30, 2024 KES
WHT on Bank Interest	4,838,073	-
Total	**4,838,073**	**-**

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. TRADE RECEIVABLES

Exchequer Receivable Note 9(a)	4,268,358,169	-
Total	**4,268,358,169**	**-**

PHCF 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 PHCF as at the end of the year by entities engaged by the Fund for its core business. **KES. 4.2 billion** was owed to the Fund as at **30th June 2025**.

9 (a) TRADE RECEIVABLES

Gross Trade Receivables	**4,268,358,169**	**-**
Provision for Doubtful Receivables	-	-
Net Trade Receivables	**4,268,358,169**	**-**
ageing analysis of gross Trade Receivables		
Less than 30 Days	4,268,358,169	-
Total	**4,268,358,169**	**-**

11. CASH AND BANK

Cash at Bank	341,912,223	-
Cash in Hand	-	-
Total	**341,912,223**	**-**

Cash and bank balances comprised funds held by the Fund with commercial banks as at year end.

Detailed analysis of the cash and cash equivalents

FINANCIAL INSTITUTION	ACCOUNT PURPOSE	ACCOUNT NUMBER	JUNE 30, 2025
		KES	KES
a) Current Account			
Kenya Commercial Bank	Disbursement - PHCF	1333607288	341,912,223
Grand Total			341,912,223

12. RETAINED EARNINGS

Balance at the beginning of the Year	-	-
Changes in the Year	-	-
Balance at the end of the Year	**-**	**-**

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

13. INCURRED BUT NOT REPORTED (IBNR) CLAIMS RESERVES

IBNR at the beginning of the year	-	**-**
Add: IBNR for the year	-	-
OCR for the year	1,175,129,390	-
IBNR Reserves at the end of year	**1,175,129,390**	**-**
Less:		
Prior years claims at the Beginning	-	-
Prior period claims processed in the year	-	-
Prior years claims at the end	**-**	**-**
Net IBNR Reserves at the end of the year	**1,175,129,390**	**-**

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.

14. TRADE PAYABLES

	AS AT JUNE 30, 2025 KES	AS AT JUNE 30, 2024 KES
Hospital Claims Payable		
PHCF Claims Payable	2,888,236,171	-
Unapplied Funds	57,820,359	-
Total Trade Payable	**2,946,056,529**	**-**

These are claims owed to healthcare providers who offer services to the Fund's registered members. The **2.9 billion** are amounts outstanding as at close of business 30th June 2025.

Aging Analysis for Trade and other Payables

Description	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Under one year	2,946,056,529	100%	-	0%
Total	**2,946,056,529**		**-**	

15. FUND PAYABLES

SHA Payable - Administration Cost	489,084,472	-
Total	**489,084,472**	**-**

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

During the year, PHCF had a payable balance of **KES 489,084,472.**

Aging Analysis for Trade and other Payables

Description	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Under one year	489,084,472	100%	-	0%
Total	**489,084,472**		**-**	

16. NOTES TO THE STATEMENT OF CASH FLOWS

a. Reconciliation of Operating Surplus to Cash Generated from Operations

	AS AT JUNE 30, 2025 KES	AS AT JUNE 30, 2024 KES
Operating Surplus (Deficit)	-	-
Depreciation	-	-
Amortization	-	-
Operating Surplus (Deficit) before Working Capital Changes	**-**	**-**
Working Capital Changes		
(Increase)/decrease in Trade Receivables	(4,295,773,915)	-
Increase/(Decrease) in Trade Payables	2,946,056,529	-
Increase/(Decrease) in Fund Payables	489,084,472	-
Increase/(Decrease) in Reserves	1,175,129,390	-
Net Working Capital Changes	**314,496,477**	**-**
Cash Generated from Operations	**314,496,477**	**-**

The net receivable from Exchequer has been reduced by Kes 27M. representing net interest income earned during the year. This interest income has been classified as a cash inflow from investing activities in the statement of cash flows in accordance with IAS 7 Statement of Cash Flows.

b. Analysis of cash and cash equivalents

Cash at Bank	341,912,223	-
Total	**341,912,223**	-

17. CAPITAL COMMITMENTS

There were no capital commitments in the year under review.

18. CONTINGENT ASSETS & LIABILITIES

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

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

19. 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.

PHCF 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
a) Grants from the government		
Grants from national govt	5,974,999,999	-
Total	**5,974,999,999**	-
b) Social Health Authority		
5% administration Cost	489,084,472	-
Total	**489,084,472**	-
c) Expenses incurred on behalf of related party		
Payments for services (Claims)	5,716,490,382	-
Total	**5,716,490,382**	-

20. INCORPORATION

The Fund 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.

21. EVENTS AFTER THE REPORTING PERIOD

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

22. CURRENCY

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

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.

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)*

.....

Dr. Mercy Mwangangi
Accounting Officer
Date: August 28, 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
FY 2024/2025			Kes	Kes	Kes	Deferred Income	Receivables	Deferred Income	Receivables	Kes
Ministry of Health State Department of Medical Services (PHCF)	15/10/2024	Direct Payment	341,666,666	10,243,358,169	-	-	4,268,358,169	-	-	**5,974,999,999**
"	12/11/2024	"	341,666,666							
"	16/09/2024	"	341,666,667							
"	15/04/2025	"	750,000,000							
"	12/05/2025	"	750,000,000							
"	17/06/2025	"	750,000,000							
"	24/10/2024	"	1,000,000,000							
"	06/11/2024	"	1,700,000,000							
Total			**5,974,999,999**							**5,974,999,999**

Name of the MDA/Donor Transferring the funds - Receipts After FY 24/25									
Name of the MDA/Donor Transferring the funds	Where Recorded/recognized		Name of the MDA/Donor Transferring the funds	Where Recorded/recognized		Name of the MDA/Donor Transferring the funds	Where Recorded/recognized		Name of the MDA/Donor Transferring the funds	Where Recorded/recognized
FY 2025/2026										
Ministry of Health State Department of Medical Services (PHCF)	01/07/2025	Direct Payment	750,000,000							**750,000,000**
Total			**750,000,000**							**750,000,000**

APPENDIX III: INTER-ENTITY CONFIRMATION LETTER

Name of Transferring entity: State Department of Medical Services

Name of Beneficiary entity: Primary Health Care Fund

Confirmation of amounts received by SHA as at 30th June 2025

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	15/10/2024	341,666,666		341,666,666	PHCF receipts
	12/11/2024	341,666,666		341,666,666	PHCF receipts
	16/09/2024	341,666,667		341,666,667	PHCF receipts
	15/04/2025	750,000,000		750,000,000	PHCF receipts
	12/05/2025	750,000,000		750,000,000	PHCF receipts
	17/06/2025	750,000,000		750,000,000	PHCF receipts
	24/10/2024	1,000,000,000		1,000,000,000	PHCF receipts
	06/11/2024	1,700,000,000		1,700,000,000	PHCF receipts
Total		**5,974,999,999**		**5,974,999,999**	

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 Leiso **Sign** ..... **Date** 28/8/2025

APPENDIX IV: REPORTING OF CLIMATE RELEVENT EXPENDITURES

SOCIAL HEALTH AUTHORITY
Telephone: 0800 720 601 & 147
Email: 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									

APPENDIX V: REPORTING DISASTER MANAGEMENT EXPENDITURE

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