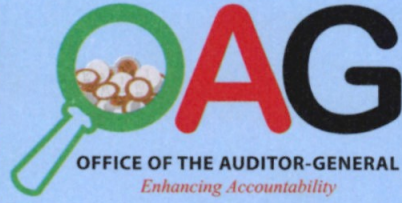


REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
Enhancing Accountability

**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 04 MAR 2025

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BY:

DEPUTY LEADER OF THE  
MAJORITY PARTY

CLERK-AT  
THE-TABLE:

Y. WAMBUI

PARLIAMENT  
OF KENYA  
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**THE AUDITOR-GENERAL**

**ON**

**STATE DEPARTMENT FOR MEDICAL  
SERVICES**

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



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**MINISTRY OF HEALTH  
STATE DEPARTMENT FOR MEDICAL SERVICES**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2025**

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Transitional IPSAS Financial Statements

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**State Department for Medical Services  
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 and Abbreviations

AIE	Authority to Incur Expenditure
CFO	Chief Finance Officer
HAU	Head of Accounting Unit
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
IPPD	Integrated Payroll and Personnel Database
AIA	Appropriation In Aid
PSC	Public Service Commission
MOH	Ministry of Health
BETA	Bottom up Economic Transformation Agenda
PET	Position Emission Tomography
SPECT	Single Photon Emission Computed Tomography
KNBTTS	Kenya National Blood Transfusion Service
WHO	World Health Organisation
KEMSA	Kenya Medical Supplies Authority
NACC	National Syndemic Diseases Control Council
NASCOP	National Aids and STI Control Programme
NHIF	National Hospital Insurance Fund
UHC	Universal Health Coverage
PSC	Public Service Commission
KEMRI	Kenya Medical Research Institute
FY	Financial Year

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**B: Definition of Key Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organisation.

*(This list is an indication of the common acronyms and abbreviations; the STATE DEPARTMENT should include all from the annual report and financial statements prepared)*

## **2. Key MDA Information and Management**

### **(a) Background information**

The Ministry of Health (MoH) is the government body whose key mandate is to coordinate health policy, health regulation, National Referral Health Facilities, capacity building and providing technical assistance to the counties as enshrined in the Constitution of Kenya 2010. Its' vision is to have healthy, productive and globally competitive nation, while its mission is to build a progressive, responsive and sustainable Health care system for accelerated attainment of the highest standard of health to all Kenyans.

The journey to realizing a healthy, productive and globally competitive nation began in post independent Kenya in 1963 with emphasis on preventive, curative and rehabilitative services. Over the years, the Ministry has embraced several policy changes aimed at achieving equitable, affordable, accessible and quality health care for all. This has been realized through increased investment in human resources for health, service delivery, quality assurance and standards, health information research, monitoring and evaluation, health financing, leadership and governance as well as investing in health products and technologies, infrastructure and supply chain.

The State Department for Medical Services was formed on October, 2022 following the Executive Order No. 1 of 2022 and later reaffirmed through executive order No.1 of 2023. As per the executive orders stated; the Ministry was split into two state departments namely; Medical Services and Public health and Professional Standards hence has two accounting officers making two distinct but similar financial entities. At Cabinet Level the entity is represented by the Cabinet Secretary for Health for the oversight and is responsible for the general policy and strategic direction for both entities.

### **(b) Mandate**

#### **Vision**

A healthy, productive, and globally competitive Nation.

**State Department for Medical Services**  
**Annual Report and Financial Statements for the year ended June 30, 2025.**

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**Mission**

To build progressive, responsive and sustainable healthcare system for accelerated achievement of the highest standards of health for all people in Kenya

**Mandate of State Department for Medical Services**

The mandate is drawn from the Executive Order No. 1 of 2023 that assigns the following functions

1. Medical Services Policy
2. Curative Health Services
3. Health Policy and Management
4. Pharmacy and Medicines Control
5. National Health Referral Services
6. Cancer Management Policy
7. Medical Research

**Institutions under the State Department of Medical Services**

1. Social Health Authority (SHA)
2. Kenya Medical Supplies Authority (KEMSA)
3. Kenya Medical Research Institute (KEMRI)
4. Moi Teaching and Referral Hospital
5. Kenyatta University Teaching, Referral and Research Hospital
6. Mathari National Teaching and Referral Mental Hospital
7. Spinal Injury Hospital
8. The National Cancer Institute of Kenya
9. Kenya BioVax Institute Limited
10. Kenya Tissue and Transplant Authority (The Kenya Tissue and Plant Authority Order, 2022)
11. Digital Health Agency

**Functions /Strategic Objectives**

1. To reinforce and improve access to people-centered essential primary health services
2. To increase access to and improve quality of health services at all levels
3. To institutionalize emergency preparedness and response, early recovery and resilience.
4. To build and strengthen partnerships and sector coordination mechanisms .
5. To strengthen the health systems for effective delivery of health services.
6. To advocate and mobilize for adequate financing for health at all levels.

**State Department for Medical Services**  
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**Core Values**

1. Safety:
2. Excellence and Quality:
3. Respect:
4. Justice:
5. Transparency:
6. Sustainability:

**(c) Key Management**

The entity's day-to-day management is under the following key organs:

1. Directorate of Curative Services
2. Directorate of Family Health
3. Directorate of Health products and Technologies
4. Directorate of Shared Services
5. Directorate of Policy, Digital Health and Innovations
6. Directorate of Administrative Services.

**(d) Fiduciary Management**

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

No	Designation	Name	Date of Appointment
1	Cabinet Secretary	Adan Bare Duale,EGH	April 2025
2	Accounting Officer	Dr. Ouma Oluga,OGW	April 2025
3	Director General of Health	Dr.Patrick Amoth	August 2024
4	Senior Chief Finance Officer	Mr. Francis Muteti	May 2025
5	Director of Planning	Mr.Stephen Macharia	July 2017
6	Head of Accounting Unit	CPA Moses Gitari	April 2023
7	Head of Procurement	Mr. Charles Mulandi	August 2024

**(e) Fiduciary Oversight Arrangements**

The State Department has the following key fiduciary committees that are responsible for the day-to-day activities at the State Department;

- Audit committee to support the Accounting Officers with regard to their responsibilities for issues of risk, control and governance and associated assurance
- Budget Implementation Committee helps in monitoring the implementation of the budget
- Public Finance Management Standing Committee coordinates management of public finance.

**(f) State Department Headquarters**

P.O Box 30016-0100 Nairobi

Afya House

Cathedral Road

NAIROBI, KENYA

**(g) State Department Contacts**

Telephone: (254) 020-2717077

E-mail [ps.medical@health.go.ke](mailto:ps.medical@health.go.ke)

Website [www.health.go.ke](http://www.health.go.ke)

**(h) State Department Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
**Nairobi, Kenya**

**(i) Independent Auditors**

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**State Department for Medical Services**  
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**(j) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

### 3. Profile of the cabinet secretary



Aden Bare Duale was born in 1965 in Garissa County. He was raised in a religious family, where his late parents instilled in him and his siblings values such as honesty, integrity, hard work, dedication, and

He enrolled in Boys Town Primary School (Garissa) in 1975 and proceeded to Garissa High School in 1982, then to Moi Forces Academy (Nairobi) in 1986.

In 1988, he joined Moi University and graduated in 1992 with a Bachelor of Education degree.

In 2012, he graduated with a Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT).

He started his career as a graduate teacher at Sankuri Secondary School in 1992 before later joining the family business.

In 1999, Duale joined the Kenya Broadcasting Corporation as a director and served in this position until 2003.

He founded the Livestock Marketing Society of Kenya, an umbrella organization of livestock producers and traders in ASAL regions to counter the challenges livestock farmers were facing then.

In 2007, Duale was elected as a Member of Parliament for Dujis Constituency, Garissa County, on an Orange Democratic Movement (ODM) ticket.

In April 2008, under the grand coalition government, Duale was appointed as the Assistant Minister Livestock, a position he served until August 2011.

In 2010, he was appointed to be the (YES) team leader for North Eastern. His role was to steer the campaign that led to the successful promulgation of the 2010 constitution.

Duale was part of the team that formed the United Republican Party (URP) in 2012. In 2013, he was elected as Garissa Township Member of Parliament on the URP ticket.

	<p>In the same year, the Jubilee Alliance coalition appointed him as the pioneer Leader of Majority party under the 2010 constitution. In this role, he was the leader of government business in the National Assembly. During this role that lasted between 2013-2020, he oversaw the passage of over 200 bills and 500 motions.</p> <p>During Duale’s tenure as Majority Leader, he discharged his duty with style, precision, passion, and loyalty to the Constitution of Kenya. In this period as leader of the majority, he served as the link between the executive and legislature.</p> <p>In 2022, together with the current President, His Excellency William Samoei Ruto, he founded the current ruling party, the United Democratic Alliance party (UDA).</p> <p>Aden Duale was re-elected to serve as a Member of Parliament for a 4th term on the UDA party ticket in August 2022.</p> <p>On October 31, 2022, the President nominated him to serve as the Cabinet Secretary for Defence, a position he held until 2024. He was then transferred to the Ministry of Environment following a cabinet reshuffle on July 19, 2024.</p> <p>Currently, he is leading the Health Docket after being reassigned by the President in yet another cabinet reshuffle on March 25, 2025.</p> <p>A ranking member of parliament, Duale has been a member of parliament for 4 terms on 4 different political parties.</p> <p>Aden Bare Duale is a servant leader who is diligent, honest, and hardworking.</p>
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#### 4. Profile of Accounting Officer and Key Management.

##### Accounting Officer and Key Management



Dr. Ouma Oluga is the Principal Secretary for the State Department for Medical Services in the Ministry of Health Kenya. As the PS, he is the Accounting and Authorized officer overseeing the overall administration and financial management of the State Department.

He previously served as Senior Deputy Director, Medical Services, and as the Director of Health Services in the Executive Office of the President, Nairobi Metropolitan Services, Dr. Oluga also served as the Secretary General & CEO of the Kenya Medical Practitioners and Dentists' Union.

Dr. Oluga is a leading healthcare technocrat and consultant offering leadership, health systems design expertise and specialized health context analysis services to governments, policy makers, organizations, investors, and professionals seeking to engage with Africa's intricate health systems, policies, programs and practices.

He is a board-certified executive physician as well as a Ministry of Labour licensed Designated Health Practitioner.

Dr. Oluga holds a Bachelor's degree in Medicine & Surgery, a Masters Degree in Internal Medicine, a Fellowship in Health Monitoring and Evaluation, and a Post-graduate Diploma in Infectious Diseases.

He is a presidential awardee with the Order of the Grand Warrior (OGW).







Dr. Patrick Amoth is the Director General for Health in the Ministry of Health, Kenya. A consultant obstetrician and gynaecologist of immense repute.

Dr. Patrick Amoth previously headed the Directorate of Public Health, Department of Health Sector Coordination and Intergovernmental Affairs. He has served as Chief Medical Specialist and Senior Deputy Director of Medical Services at Mama Lucy Kibaki Hospital Nairobi, Medical Superintendent and Director of Medical Services for Kiambu East and Kiambu West Districts, now Kiambu County.

Dr. Patrick Amoth is a graduate of the University of Nairobi's Medical School and has a Masters in Obstetrics and Gynaecology from the same university. He also holds a Diploma in Health Systems management from Galilee College in Israel

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	<p>Mr. Stephen Macharia is the current Director of Planning in the Ministry of Health. He holds a Bachelor of Science in Statistics &amp; information Technology; and a Master of Arts in Demography from the University of Nairobi. He has worked as an Economist/Statistician since December 19th, 1994.</p>
	<p>Mr. Francis Muteti is the current Senior Chief Finance Officer at the State Department for Medical Services. He holds a Masters in Economic Policy Management and a Bachelor's Degree in Economics from the University of Nairobi. He has over 30 years' experience in Public Service having served in the National Treasury as an Economist and as a Financial/Expenditure Analyst.</p>
	<p>CPA Moses Gitari is the Head of Accounting Unit, State Department for Medical Services. He holds an MBA in Strategic Management from Nairobi University and BBA in Accounting and Finance from KEMU. Mr Gitari is a practicing Accountant and a member of Institute of Certified Public Accountant of Kenya (ICPAK). He has vast experience in Accounting Systems Implementation and Business process re-engineering.</p>
	<p>Mr. Mulandi is the Head Supply Chain Management, Medical Services He holds an MSC (Procurement and Contract Management) from JKUAT, MBA (Finance) and Bachelor of Laws (LLB) both from the University of Nairobi and Bachelor of Business Management (Finance) from Moi University. Mr. Mulandi also holds a Post Graduate Diploma in Procurement and Supply from the Chartered Institute of Purchasing and Supply (CIPS, UK), a Postgraduate diploma in Law from the Kenya School of Law and is Certified Public Accountant of Kenya (CPA) Finalist. He is a member in good standing of KISM, ICPAK, CIPS and the Law Society of Kenya being an advocate of the High Court of Kenya.</p>


**5. Statement by the Cabinet Secretary**

The government's primary focus on healthcare as a core element of the Bottom-Up Economic Transformation Agenda (BETA) is a commitment to achieve Universal Health Coverage. This includes publicly financed primary healthcare, a digital health information system, and an enhanced social insurance fund by ensuring equitable, accessible, affordable and quality health care. Through this, it has and will continue to prioritize Kenya Vision 2030 Flagship Projects for the Health Sector as outlined in MTP-IV including Social Health Protection, Community Health High Impact intervention, Family Health & Strategic Public Health Programme, National Health Institutions, Local Manufacture of Life-Saving Essential Health Products and Diagnostics, Human Resources for Health, Health infrastructure and Medical Tourism.

The Ministry of Health guided by its policy goal of "attaining the highest possible standard of health in a responsive manner" has the mandate to build a progressive, responsive and sustainable healthcare system for accelerated attainment of the highest standard of health to all Kenyans as enshrined in the Constitution of Kenya 2010.

In the 2024/ 2025 financial year, the health sector offered specialized services to many Kenyans through the National Referral hospitals. These services included open heart surgeries, cardiothoracic surgeries, kidney transplants, minimally invasive surgeries, burns, oncology, external beam radiotherapy sessions, brachytherapy sessions, corneal transplants, PET scans, SPECT- CT scan, and Stereotactic Radiosurgeries. Covid-19 vaccines and other crucial routine immunization vaccines were administered. Over 1.3 million people living with HIV received antiretroviral treatment (ART) and primary care and specialized services were given to combat both the communicable and non-communicable diseases.

In general, the sector performed exceptionally well in its mandates to ensure that the essential services to the ordinary Kenyan was availed at its best.



**Hon. Aden Bare Duale , EGH**

**Cabinet Secretary**

**Ministry of Health**

**State Department for Medical Services  
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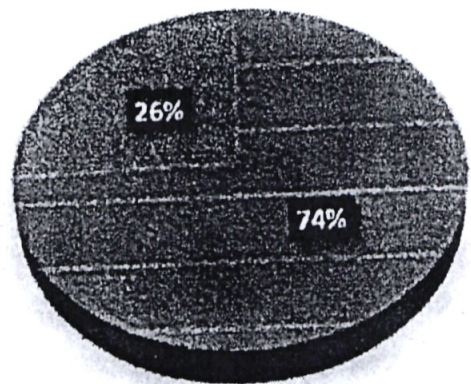
**6. Statement by the Accounting Officer**

The Ministry of Health guided by its policy goal of “attaining the highest possible standard of health in a responsive manner” has the mandate to build a progressive, responsive and sustainable healthcare system for accelerated attainment of the highest standard of health to all Kenyans as enshrined in the Constitution of Kenya 2010.

**Summary of the budget performance**

The total budget for The State Department for Medical Services for the period ended was Kshs. 102,723,906,351. The total approved recurrent estimates were Kshs. 76,467,418,255 while the total approved developmental estimates were Kshs. 26,256,488,096.

**Recurrent and Development Estimates FY  
2024/2025**



- Recurrent Estimates
- Development Estimates

The cumulative expenditure for the period was Ksh. 94,101,223,671 against an approved budget of Kshs. 102,723,906,351

**Actual Budgetary performance**

	Approved	Cumulative
	Estimates	Expenditure
Developmental Expenditure	26,256,488,096	21,011,930,699
Recurrent expenditure	76,467,418,255	73,089,292,972

**State Department for Medical Services**  
**Annual Report and Financial Statements for the year ended June 30, 2025.**

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**Key Achievements**

- i. Kenyatta National Hospital (KNH) conducted 677 open heart surgeries, 1045 cardiothoracic surgeries, 22 kidney transplants and 9,419 minimally invasive surgeries. The hospital gave 478 specialized burns treatment and offered 22,873 oncology sessions to patients. The Average Length of Stay (ALOS) for trauma patients was 34.7 days. Average waiting time (days) for radiotherapy was 37.1 days while Average waiting time (days) for chemotherapy was 2.5 days Furthermore KNH conducted 397 multi-disciplinary outreaches with counties. Mwai Kibaki Hospital undertook 1,559 minimally invasive surgeries, 205 Number of NCD screening sessions and 1492 oncology sessions
- ii. Moi Teaching and Referral Hospital (MTRH) undertook 19 Kidney transplants, 3,126 minimally invasive surgeries, 26,429 chemotherapy sessions, 88 open heart surgeries, 21,482 external beam radiotherapy sessions, 309 brachytherapy sessions and 23 corneal transplants.
- iii. Kenyatta University Teaching, Referral and Research Hospital conducted 4,293 PET scans, 597 SPECT- CT scan, 250 Stereotactic Radiosurgeries, 947 Brachytherapy sessions, 62 open heart surgeries, 4 kidney transplants 1,407 minimally invasive surgeries, 11,751 hemodialysis and 11,064 chemo and radiotherapy treatment.
- iv. Mathari National Teaching and Referral Hospital had 58,784 forensic inpatients receiving psychiatric services, 625 forensic outpatients received psychiatric services and undertook 76 Community mental outreaches
- v. Kenya National Blood Transfusion Services Cumulatively, in FY 2024/25 had 316,057 whole blood units collected, with 80% converted to various blood and blood components. This brought the total number of blood and blood components available for transfusion in the Country to 408,075.
- vi. KEMSA had the Percentage of order fill rate for HPTs at 41.8 %, Order turnaround time(days) for PHFs at 17.2 %, Order turnaround time(days) for Hospitals at 22 % and Percentage of last mile deliveries made to health facilities at 71.12%
- vii. National Syndemic Disease Control Council (NSDCC) distributed 6,649,985 condoms in non-health setting, while NASCOP saw 1,337,544 clients on ART.  
National Cancer Institute Kenya undertook public education in cancer prevention and control reaching a target population of 9.65 million people and established a population.
- viii. based registry in Nakuru as one of the Cancer information platforms established in National and County levels.

**State Department for Medical Services**  
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- ix. Digital Health Programme saw the National Health registries established, these are the client, healthcare worker registry and health facility registries. Taifa Care, Afya yangu-patient portal and Health Provider portal for claims were also established as part of the Comprehensive Integrated Health Information Management System
- x. Social Health Authority (SHA) maintained 1 million indigent households accessed benefits up to Dec 2024 when the cover lapsed. 253,400 indigent households accessed benefits up to Dec 2024 when the cover lapsed. The indigents accessed benefits through Taifa Care in Q4. 58,800-member households accessed benefits up to Dec 2024 when the cover lapsed.
- xi. KEMRI had 632 ongoing Research Projects, 198 new research protocols approved, published 462 research papers, had 250 research abstracts presented and two health scientific conferences (Kenya National Food Systems Summit and 10th East Africa Health Sciences Conference (EAHSC) The number of diagnostic kits produced at KEMRI were 113,183 Moreover, it conducted 622,442 specialized laboratory tests.
- xii. Digital Health Agency was established and is in the operationalization process

### **Emerging Issues**

There are also some emerging issues that could erode fragile gains made.

These issues include

- a. The critical impact of climate change on health
- b. The potential increase and introduction of new and expanded areas conducive for vector-borne diseases and malnutrition-related conditions due to prolonged droughts depressing agricultural production.
- c. The flooding and the increase of water-borne diseases.
- d. Cross border disease surveillance and a case in point is marburg virus

### **Risks and Mitigation Measures**

The state department encountered substantial obstacles in form of budget shortfalls, supply chain challenges, uneven healthcare workforce distribution and the health sector's reliance on other sectors for infrastructure, education, and research, which slowed progress especially in rural areas.

There are also some emerging issues that could erode fragile gains made. These issues include the critical impact of climate change on health, the potential increase and introduction of new and expanded areas conducive for vector-borne diseases and malnutrition-related conditions due to

**State Department for Medical Services**  
**Annual Report and Financial Statements for the year ended June 30, 2025.**

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prolonged droughts depressing agricultural production, In addition, flooding and the increase of water-borne diseases.

These risks underscore the need for improved sustainable financing and equitable deployment of healthcare resources. The supply chain challenges can be mitigated by promoting local manufacturing, expanding cold-chain capacity for immunization and enhancing health facility stock management for essential drugs. The health sector's reliance on other sectors for infrastructure, education, and research underscores the importance of a cross-sector approach. The intensifying climate volatility that challenges Kenya's health sector resilience, stresses the need for robust disease surveillance and adaptable health infrastructure while expanding WASH (Water, Sanitation, and Hygiene) services, and improved capacity for emergency response to health crises tied to environmental instability.

### **Constraints and Challenges**

The State Department experienced some challenges over the review period that affected the service delivery to the public. Some of the include;

- a) Inadequate optimal human resources at the national and county levels for programmes based on the approved establishment compared to in-post.
- b) Unpredictable/ uneven supply of essential commodities in public health facilities.
- c) Budgetary constraints as a result of emergencies and other competing priorities.
- d) Low awareness of the benefit package among the beneficiaries.
- e) Insurance apathy where Kenyans generally are reluctant to pay for an unforeseen occurrence
- f) Rising cost of healthcare services (medical inflation) which many Kenyans are unable to meet.
- g) Constant stock outs of family planning commodities which results to an unexpected population upsurge, increase in adolescent pregnancies and unsafe abortions leading to high morbidity and infant mortality.
- h) KEMSA has had a decreasing order fill rate due to tied up revolving funds on debt by the counties. This therefore, has constrained the cash conversion cycle at the Authority. The long turnaround time in settlement of these amounts has further negatively affected the Authority's service delivery more so on the order fill rates due to delayed supplier payments for commodities supplied, due to pending bills

### **Recommendations**

To overcome some of the implementation challenges experienced in previous financial years, the State Department will first track review and strengthen the legal, policy framework and operations to

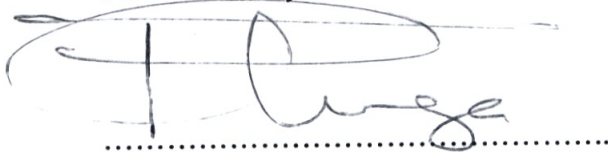
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improve efficiency. It will also strengthen collaboration with various stakeholders including development partners and the private sector. It shall also improve research, development and innovation so as to enhance efficiency, effectiveness and productivity. The State Department will also invest in emergency preparedness and response so as to secure the health and lives of Kenyans.

Health research and innovation is key to unlocking bottlenecks experienced in the health sector and developing capacity to develop solutions for current and emerging health issues is critical. To achieve this, the sub-sector will endeavour to provide end to end digital solutions for health facilities, develop and implement a national information exchange and put in place a comprehensive health information management system. The State department will establish partnerships and collaboration in order to improve research capacity, acquire technologies for manufacturing of HPTs and achieve technology transfer. The State Department will prioritize Digitization of Health services. This will increase efficiency, transparency, ensure seamless service delivery between providers. It will also enhance claims management at health facilities and commodity management through provision of end-to-end supply chain management systems. It will also collaborate with the county governments to ensure retention of funds collected at health facility level for improvement of the facility operations. In partnership with the county governments, the Department will establish and operationalize Primary Care Networks in the counties that will offer effective services to the community, through proper referrals and engagement of multidisciplinary teams at community level. County governments, the National Treasury and the State Department will consider ring-fencing funds for HPTs supply of essential medicines and supplies.

The State Department should ensure that more focus will be put on local manufacturing of Health products and technologies to enable commodity security and enhance self-reliance. Achievement of Universal Health Coverage will be a core theme during the MTEF period to ensure achievement of the objectives of BETA, Kenya Health Policy and international commitments on health. To achieve this, the Sub-sector will continue implementing legal and institutional review in order to improve service delivery and ensure achievement of UHC for all Kenyans.



**Dr. Ouma Oluga, OGW**  
**Principal Secretary**  
**State Department for Medical Services**

**State Department for Medical Services**  
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**7. Statement of Performance Against Predetermined Objectives for FY2024/2025**

The State Department for Medical Services currently does not have a strategic plan but draws its objectives from the Kenya Health Sector Strategic and Investment Plan 2023-2027. The key strategic objectives are:

- Strengthening access to and quality of health services at all levels, including emergency care to accelerate attainment of universal health coverage
- To increase access to quality RMNCAH and curative health care services
- To promote Health Research and Innovations
- To improve health system stewardship and social accountability at all levels through governance and leadership

Linked to these objectives are specific programmes outcomes and outputs and performance indicators. The implemented programmes are tabulated against actual achievements in the format presented in the table below, on programme performance, to demonstrate the progress towards achievement of the predetermined objectives.

**Programme performance**

Programme	Delivery Unit	Strategic Objective	Outcome	Output	Output Indicators	Achievement for the FY			Cumulative Achievement by end of FY			Remarks
						Target (2024/25)	Actual	Variance	Target (2024/25)	Actual	Variance	
S P 1.1 National Referral & Specialized Health Services	Kenyatta National Hospital	To provide national referral and specialized services	Increased access and range of quality specialized health care services	Specialized health care services	Number of Heart surgeries done	691	677	14	691	677	14	Cumulatively, 677 heart surgeries have been conducted. The Hospital Conducted monthly multidisciplinary meetings for heart surgeries and iv) Conducted two heart surgery camps
					Number of other cardiothoracic surgeries conducted	1250	1045	205	1250	1045	205	Renovation works at the theatres were completed.
					Number of Kidney Transplants conducted	25	22	3	25	22	3	Cumulatively, 22 kidney transplants have been conducted. The Hospital Screened, identified and prepared 40 patients for Kidney transplant.
					Number of minimally invasive surgeries done	6244	9419	-3175	6244	9419	-3175	Cumulatively 9,419 minimally invasive surgeries have conducted. The Hospital
					Number of oncology sessions on (Chemotherapy and radiotherapy)	40574	22873	17701	40574	22873	17701	Cumulatively, 22, 873 sessions have been conducted. The Hospital is in the process of construction of bunkers to improve on radiotherapy

**State Department for Medical Services**  
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Programme	Delivery Unit	Strategic Objective	Outcome	Output	Output Indicators	Achievement for the FY			Cumulative Achievement by end of FY			Remarks
						Target (2024/25)	Actual	Variance	Target (2024/25)	Actual	Variance	
												sessions. The Hospital also opened satellite chemotherapy centers.
	Mwai Kibaki Hospital	To provide national referral and specialized services	Increased access and range of quality specialized health care services	Specialized health care services	Number of minimally invasive surgeries done	2003	1559	444	2003	1559	444	Target not achieved due to staffing constraints
					Number of NCD screening sessions	163	205	-42	163	205	-42	Target Achieved
	Moi Teaching and Referral Hospital	To provide national referral and specialized services	Increased access and range of quality specialized health care services	Specialized Healthcare Services	Number of Kidney Transplants undertaken	17	19	-2	17	19	-2	Achievement due to continued screening & recruitment of patients from the Clinics and Wards as well as investment in Specialized HRH and Medical Equipment.
					Number of Chemotherapy sessions done	16870	26429	-9559	16870	26429	-9559	Continued availability of Consultants at the Clinics & adherence to chemotherapy sessions schedules.
					Number of Open-Heart Surgeries conducted	27	88	-61	27	88	-61	Achievement due to continuous investment in specialized Human Resources for Health (HRH), modern equipment, timely scheduling for patients, availability of drugs and supplies.
					Number of External Beam Radiotherapy Sessions.	10150	21482	-11332	10150	21482	-11332	Achievement is attributed to the scheduling of patients, timely treatment planning and maintenance of equipment.
					Number of Brachytherapy Sessions	139	309	-170	139	309	-170	Achievement is attributed to the scheduling of patients, timely treatment planning and maintenance of equipment.
	Kenyatta University Teaching, Referral and Research Hospital	To provide national referral and specialized services	Increased access and range of quality specialized health care services	Specialized Health care Services	Number of Open-Heart Surgeries conducted	40	62	-22	40	62	-22	The targets were exceeded due to increased demand for the service
					Number of patients on Hemodialysis	95	11751	-11656	95	11751	-11656	The target was exceeded due to improved efficiency and increased demand for service
					Number of patients receiving chemotherapy & radiotherapy treatment	95	11064	-10969	95	11064	-10969	The target was exceeded due to improved efficiency and increased demand for service

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Programme	Delivery Unit	Strategic Objective	Outcome	Output	Output Indicators	Achievement for the FY			Cumulative Achievement by end of FY			Remarks
						Target (2024/25)	Actual	Variance	Target (2024/25)	Actual	Variance	
					Number of specialized Gynecology procedures conducted	1400	621	779	1400	621	779	The target was not achieved due to low demand
				Cancer Diagnosis & Treatment Services Provided	Number of PET Scan examinations conducted	5000	4293	707	5000	4293	707	The target was not achieved due to challenges in consumables
					Number of SPECT CT-Scan examinations conducted	1800	597	1203	1800	597	1203	The target was not achieved due to challenges in consumables
					Number of Stereotactic Radiosurgeries conducted	800	250	550	800	250	550	The target was not achieved due to challenges with staffing
					Number of Brachytherapy sessions conducted	1000	947	53	1000	947	53	The target was achieved
	Mathari National Teaching and Referral Hospital	To provide national referral and specialized services	Increased access and range of quality specialized health care services	Policies, Standards and Regulations developed to operationalize MNTRH	Number of Policies, Standards and Regulations developed	3	1	2	3	1	2	Insufficient funding impedes the essential development of policies and instruments.
		To provide national referral and specialized services	Increased access and range of quality specialized health care services	Specialized mental health services	Re-admission Rate (proportion of patients readmitted in a year)	32	43.5	-11.5	32	43.5	-11.5	The rise is attributed to the unavailability of community psychiatry services, which affects continuity of care for discharged patients
		To provide national referral and specialized services	Increased access and range of quality specialized health care services		Number of weekly community mental health outreaches conducted	100	76	24	100	76	24	Target was met, through 22 webinars and 3 outreaches activities in Mombasa, Nairobi and Nakuru counties
		To provide national referral and specialized services	Increased access and range of quality specialized health care services		Percentage of patients in need of forensic services attended to	N/A	301	#VALUE!	N/A	301	#VALUE!	100 % of patients are attended to
		To provide national referral and specialized services	Increased access and range of quality specialized health care services		Number of forensic inpatients received psychiatric services	200	58784	-58584	200	58784	-58584	This is attributed by a decentralization of services to counties and the hospital implementing a comprehensive discharge plan
	Spinal Injury Hospital	To provide national referral and specialized services	Increased access and range of quality specialized health care services	Specialized spine services	Out-patient spine services utilization rate	2	1.4	0.6	2	1.4	0.6	
		To provide national referral and specialized services	Increased access and range of quality specialized health care services		Average waiting time for spine services(days)	180	153.75	26.25	180	153.75	26.25	Presence of complications necessitating increased stay
		To provide	Increased access and		Proportion of patients re-	80	0	80	80	0	80	Lack of funds to reintegrate

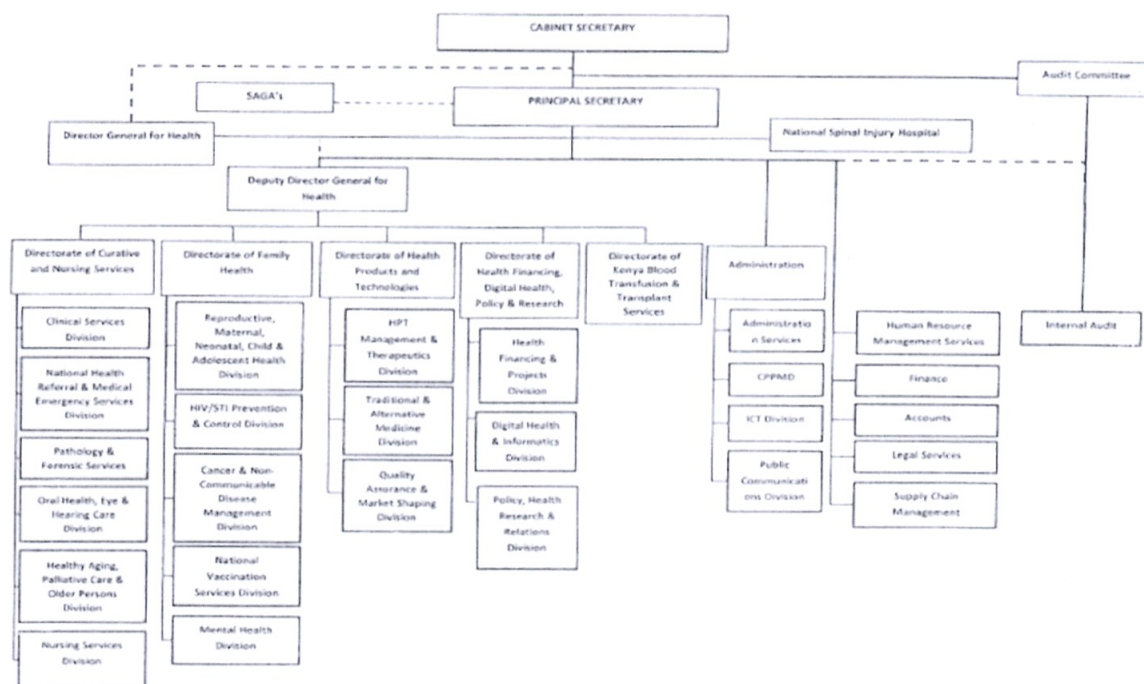
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Programme	Delivery Unit	Strategic Objective	Outcome	Output	Output Indicators	Achievement for the FY			Cumulative Achievement by end of FY			Remarks
						Target (2024/25)	Actual	Variance	Target (2024/25)	Actual	Variance	
		national referral and specialized services	range of quality specialized health care services		integrated into community							patients after rehabilitation

## 8. Governance Statement

Key leadership/governance structure of the State Department.

FIGURE I: APPROVED ORGANIZATION STRUCTURE FOR STATE DEPARTMENT FOR MEDICAL SERVICES



The audit committee and any other management committees (Their formation, roles, composition, and activities/meetings held).

The Ministerial Audit Committee is well constituted in accordance with section 17(4) of the PFMR 2015 as tabulated below.

S/No.	Name	Organization	Position
1	Mr.LloydMetha	Private Sector	Chairman
2	Mr.Caren Oduor	Nuclear Power and Energy Agency	Member
3	Dr. Fauzia K Brek	Vice Chancellor, Islamic University Of Kenya	Member
4	Mr . Simiyu Walucho	National Treasury Representative	Member
5	Joseph Welimo	Head, Internal Audit	MAC Secretary

The committee supports the Accounting Officers in regard to their responsibilities for issues of risk, control and governance and associated assurance.

The Committee held Five (5) meetings in the FY 2024/2025 in compliance with section 179(1) of the PFMR 2015.

Risk management policies within the State Department

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PFM Regulations 2015 Section 165(1) requires an Accounting Officer of a national government entity to develop Risk management strategies which include fraud prevention mechanism and a system of risk management and internal controls that builds robust business operations.

ISO 31000 on Risk Management provides a set of principles, risk management framework and processes which help organizations take a proactive approach to risks that an entity faces.

The State Department for Medical Services developed a Risk Management Framework Policy that has been validated, finalized and approved for implementation by various stakeholders

Report on recent training and development on governance for those in key leadership.

The recent training report for the FY 2024/2025 indicates the nine staff from key leadership positions were trained on governance and other staffs undertook development training for upskilling and reskilling through Kenya School of Government and other professional programs.

Public participation activities

The State Department through Digital Health Agency conducted public participation for Digital Health Regulations in November to December 2024.

Compliance with laws and regulations among others.

The State Department operates within a robust legal and policy environment. This legal architecture provides the enabling environment for policy and regulatory environment in health, particularly in relation to governance, data protection, service delivery, procurement, and institutional mandates. It includes the following instruments:

- a) Constitution of Kenya,
- b) Health Act, 2017
- c) Kenya Health Policy 2014–2030
- d) Data Protection Act, 2019
- e) Public Finance Management Act, 2012
- f) 2010 Digital Health Act, 2023
- g) Public Procurement and Asset Disposal Act, 2015
- h) Kenya Digital Master Plan 2022– 2032
- i) Kenya Health Enterprise Architecture Blueprint
- j) Kenya National e-Health Policy 2016–2030
- k) Social Health Authority Act, 2023
- l) Facilities Improvement Financing Act, 2023

## 9. Management Discussion and Analysis

- **State Department's key Programs/projects or investment decisions implemented or ongoing,**

The functions of the State Department are described under the Executive Order No. 1 of January 2023. The State Department is also constituted of mandated Semi-Autonomous Government Agencies. The Key Programmes/ projects relate to:

- a) Medical Services Policy
- b) Medical research
- c) Curative health services
- d) Health Policy and management
- e) Pharmacy and Medicines Control
- f) National Health Referral Services.
- g) Cancer management policy
- h) E-Health
- i) Immunization Policy and Management.
- j) Reproductive Health Policy and management.
- k) Non-Communicable diseases (NCD) control and management.
- l) Control and protection against HIV/AIDS and STI
- m) Control and management of Leprosy

The focus areas of investments in the State Department includes Health financing, Leadership and governance, Health Products and Technologies, Health information, Service delivery, Health Infrastructure, Research and Development

The National Assembly considered and appropriated the FY 2024/24 Supplementary budget estimates No.3. The total budget for the State Department reduced by **Kshs.842.90 million** from the initial allocation of **Kshs.103.56 billion** to the current **Kshs.102.72 billion**. The recurrent budget has a net reduction of **Kshs.24.50 million** to **Kshs.76.46 billion** from **Kshs.76.51 billion** while the development budget has seen a net reduction of **Kshs.791.40 million** to the current **Kshs.26.25 billion** up from **Kshs.27.0 billion**.

The actual expenditure for the same period was at **Kshs.97 billion**, **Kshs.80.0 billion** and **Kshs.94.1 billion** respectively for the years 2022/23, 2023/24 and 2024/25. This is as tabulated below.

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Vote	Approved Budget Allocation			Actual Expenditure		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
Recurrent	69,199	66,214	76,467	65,620	60,690	73,089
Development	41,986	39,345	26,256	31,057	20,009	21,012
<b>Total</b>	<b>111,185</b>	<b>105,559</b>	<b>102,723</b>	<b>96,677</b>	<b>80,700</b>	<b>94,101</b>

**Breakdown of Recurrent versus Development trends FY 2022/23 to FY 2023/24**

From the analysis above, it is worth noting that the recurrent and development budgetary allocations and actual expenditures for the State Department of Medical services shows that the recurrent vote had been consumed most of the resources in the periods under review; FY 2022/23 to FY 2024/25.

Table below shows the details for the recurrent vote for the period under review.

**Analysis of Recurrent Expenditure (Kshs. Million)**

Economic Classification	Approved Budget			Actual Expenditure		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
Gross	69,199	66,214	76,467	65,620	60,690	73,089
AIA	20,466	20,627	25,826	17,550	16,094	22,400
<b>NET</b>	<b>48,733</b>	<b>45,587</b>	<b>50,641</b>	<b>48,070</b>	<b>44,596</b>	<b>50,689</b>
Compensation to Employees	14,354	8,716	7,798	14,137	8,367	7,748
Transfers	52,520	54,146	67,375	49,111	49,785	63,938
Other Recurrent	2,325	3,352	1,294	2,372	2,041	1,403
<i>Of which</i>						
<i>Insurance Costs</i>	-	-	-	-	-	-
<i>Utilities</i>	104	103	126	78	99	125
<i>Rent</i>	1	4	6	0	4	6

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<i>Contracted Professionals (Guards &amp; Cleaners)</i>	70	75	68	62	73	67
<i>Others</i>	2,150	3,170		2,232	1,865	1,205

Table below shows the details for the Development vote for the period under review.

**Analysis of Development Expenditure (Kshs. Million)**

Description	Approved Budget			Actual Expenditure		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
<b>Gross</b>	<b>41,986</b>	<b>39,345</b>	<b>26,256</b>	<b>31,057</b>	<b>20,009</b>	<b>21,012</b>
GOK	25,561	27,789	19,009	22,567	14,697	17,080
Loans	8,180	6,092	3,320	5,041	3,508	298
Grants	8,245	5,464	3,927	3,449	1,804	3,634
Local AIA						

**Expenditure Analysis of Programmes FY 2021/22 – 2023/24**

This section shows the breakdown of approved and actual expenditures in FY 2022/23 to 2024/25 disaggregated by programmes.

**Analysis of Programme Expenditure (Kshs. Million)**

Expenditure Classification	Approved Budget			Actual Expenditure		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
Programme 1: National Referral and specialized Services	50,822	60,333	57,076	48,126	54,650	48,871
Programme 2: Curative and Reproductive Maternal & Newborn Child Adolescent Health	20,344	16,853	20,083	12,148	8,148	19,668
Programme 3: Health Research and Innovations	10,016	4,789	3,235	7,907	3,638	3,234
Programme 4: General Administration	30,007	23,348	22,329	28,820	18,743	21,328
<b>Total Expenditure for the programme</b>	<b>111,189</b>	<b>105,323</b>	<b>102,724</b>	<b>97,001</b>	<b>85,179</b>	<b>94,101</b>

However, the overall absorption rate for over the period has shown as 87%, 80% & 92% in FY2022/23, FY 2023/24 & FY 2024/25 respectively. The recurrent absorption rate at 95 %, 97% & 95% on FY 2022/23, FY 2023/24 & FY 2024/25 respectively while Development absorption rate was 74%, 51% & 80% in FY 2022/23 FY 2023/24 FY and 2024/25 respectively.

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Key Programs/projects or investment decisions implemented or ongoing

50																					
No.	Project Code & Project Title	Total Est. Cost of Project or Contract Value (a)	Est Cost of the Project (Financing)		Timeline		FY 2022/23					FY 2023/24					FY 2024/25				Remarks
			GOK	Foreign Financed	Start Date	Exp Completion Date	Approved Budget			Approved Budget			Approved Budget			GOK	Foreign	Actual Cumulative Exp up to 30th June 2025	Completion stage as at 30th June 2025 (%)		
							Actual Cumulative Exp up to 30th June 2023	Outstanding Balance as at 30th June 2023	Completion stage as at 30th June 2023 (%)	Actual Cumulative Exp up to 30th June 2024	Outstanding Balance as at 30th June 2024	Completion stage as at 30th June 2024 (%)	Actual Cumulative Exp up to 30th June 2024	Outstanding Balance as at 30th June 2024	Completion stage as at 30th June 2024 (%)						
			Kshs Million		Kshs Million		Kshs Million		Kshs Million		Kshs Million		Kshs Million		Kshs Million		Kshs Million		Kshs Million		
1	10821 00100 KNH Burns and Pediatrics Centre	5,459.00	3,482.00	1,977.00	03/03/2018	20/08/2026	540	502	1,829.24	3,629.76	34	701	1242	2218	3241	41	163.00	105.00	2,431.04	45	Delayed payment from the donor resulting to withdrawal of the contractor from the site. KNH has engaged the National Treasury to device a mechanism to unlock the stalemate.

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2	10821 00200 National Commodities Warehousing Center (KEM SA)	3,977. 93	3,004.8 3	973.10	26/0 1/20 18	30/0 9/20 23	310	0	3,841. 10	136.83	97	300	0	3996			650.0 0	-	4,668	100	The new supply chain center will ensure that medical supplies are handled effectively and efficiently country wide. This will improve access to essential medicines by ensuring regular, shorter supply chains and continuous availability of medicines in the public health facilities.
3	10821 00300 East Africa's Centre of Excellence for Skills & Tertiary Education	3,674. 00	334.00	3,340.00	2/18 /16	18/0 2/20 24	118	1082	2,075. 40	1,598. 60	56	105	520	2,485	1,189	68	201.0 0	400.00	3,173. 58	74	The project is on establishment of a regional (EA) centre of excellence in Urology and Nephrology

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4	10821 00500 Managed Equipment Service-Hire of Medical Equipment for 98 Hospital	79,502.00	79,502.00		10/07/2013	10/07/2026	3375	0	56,047.60	23,454.40	70	1,000	-	57,048	22,454	72	1,112.00	-	6,6817	80	Under the MES project, 5 contractors were contracted to provide specialized services for theatre, renal and radiology. The contracts are expiring on varied dates ranging from December 2022 and May 2023. The survey of MES equipment conducted between May-June 2022 recommended for a 3 year extension of the MES contract
5	10821 00600 Free Maternity Program (Strategic Intervention)	70,088.00	70,088.00		10/07/2013	10/07/2026	4098		42,635.25	27,452.75	61	4,098	-	44,635	25,453	64	2,049.00	-	-	-	Funds disbursed to NHIF to facilitate Linda mama Programme as strategic intervention.

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6	10821 00700 Modernize Wards & Staff house- Matha ri Teachi ng & Referr al Hospit al	1,650. 00	1,650.0 0		30/0 7/20 13	30/0 6/20 25	110		317.9	1,332. 10	19	550	-	486	1,164	29	41.00	-	1,204	32	The project has renovated 4 wards, equipped the kitchen, created a new abolition block, pathways and loading and offloading bays
7	10821 00800 Construct a Wall, renova tion & Procur e Equip ment at Nation al Spinal Injury Hospit al	791.3 0	791.30		30/0 7/20 14	30/0 6/20 26	53		125.5	665.8	16	103	-	212	580	27	50	-	262	30	The project is on-going for procurement of Medical Equipment to support spine services by reducing the waiting time for the patients to access spine surgeries and reduce the average length of stay in the hospital. Spine rehabilitation process include reintegrating the patient back to the



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9	10821 01000 Establishing of Regional Cancer Centres	8,000.00	8,000.00		07/01/2016	30/06/2026	383	1,377.40	6,622.60	17	155	-	1,527	6,473	19	25	-	1,603	24	The project for procurement of chemotherapy drugs distributed to regional cancer treatment centres; Garissa, Mombasa and Nakuru, which were completed in June 2021. Cu
10	10821 01100 Cancer & Chronic Diseases Management Centre - MTRH	1,843.00	1,393.00	450.00	07/01/2013	07/06/2026	93	1,267.50	575.5	69	102	0	1319	525	72	51	-	1369	75	To procure two Radiotherapy Machines (2 Linear Accelerators with 3D Conformal Treatment Unit, CT Simulator, Treatment Plan and all other accessories)
11	10821 01200 Construction and Equipping Children Hospital-	1,080.00	830.00	250.00	01/01/2014	30/06/2026	93	498.3	581.7	46	75	0	573	507	53	-	-	-	-	To equip the children hospital with medical equipment for the Pediatric Burns Unit, ICU,



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14	10821 01500 Construction and upgrading of KEMRI Laboratories (Nairobi, Kwale, Busia, Kirinyaga)	635.00	635.00		01/07/2016	01/07/2026	57		232.37	402.63	37	200	0	282	353	44	60.00	-	-	-	Funds for upgrading research laboratories out of which thirty (30) labs are accredited. Forty-seven (47) labs require upgrading to international standards in order to provide reliable quality data and enhance biosecurity levels.
15	10821 01600 Rollout of Universal Health Coverage	100,000.00	100,000.00		10/07/2018	10/07/2026	6,412.75		33,292.47	66,707.54	33	10,100	-	38,730	61,270	39	-	-	-	-	Funds geared for universal healthcare indexing, and improving accessibility and affordability of healthcare in the country

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16	10821 01700 Construction of a Cancer Center at Kisii Level 5 Hospital	2,280.00	280.00	2,000.00	10/08/2016	10/08/2024	100	195	288.67	1,991.33	13	50	400	634	1,646	28	240	-	818	31	The project has been delayed by the requirement under the loan terms for MoH to get a no objection to implementation processes which take long to obtain. Currently designs have been completed and approved and construction has been initiated
17	10821 01800 Strengthening of Cancer Management at KNH	2,000.00	2,000.00		23/08/2018	09/06/2025	100		471.24	1,528.76	24	300	0	521	1479	26	141.50		663	29	Phase one of the project is completed, equipping and operationalization of phase 1 ongoing

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18	10821 01900 Research and Development - KEMRI	6,400.00	6,400.00		01/07/2014	01/07/2025	292	1,410.80	4,989.20	22	400	0	1,561	4,839	24	-	-	1561	24	This project aims at providing funding for conducting research to address National Health priority areas including COVID-19, Non-communicable diseases, drug discovery and vaccine development, neglected diseases and emerging and re-emerging diseases
19	10821 02000 Integrated Molecular Imaging Centre	2,332.00	2,332.00		07/01/2020	06/01/2024	250	2,132.00	200	91	150	0	2132	200	91	-	-	-	-	Funds were utilized to construct and equip the Integrated Molecular Imaging Centre to offer specialized diagnostic and treatment services to Cancer Patients

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20	10821 02100 renova tion & Impro vement for Gatun du Level 5 Hospit al	770.0 0	770.00		07/0 1/20 20	30/0 6/20 26	276		376	394	49	74	0	400	370	52	-	-	400	52	Renovati on and Improve ment of facilities was complete d. Construc tion of the second tower comprisi ng an Accident & Emergen cy Center, Outpatie nt Clinics, Pharmac y, Radiolog y,Plaster Room, Laborato ry and wards is in progress
21	10821 02200 Infrast ructur al Suppo rt to Kigum o Hopsit al	400.0 0	400.00		07/0 1/20 20	30/0 6/20 26	100	-	150	250	38	103	0	222	178	56	50.00	-	259	59	Funds for upgradin g Kigumo Hospital
22	10811 19600 Procur ement of Cyber knife Radiot herapy Equip ment for KUTR RH	685.0 0	685.00		07/0 1/20 21	30/0 6/20 24	300		650	35	95	150	0	400	285	58	-	-	285	58	Funds for completi ng the pending payments owed to the contracto r due to foreign exchange

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23	receipts 120700- Refurbishment/ Renovation of Infrastructure -KNH	8,059.00	8,059.00		01/01/2022	30/06/2027			150	7,909.00	2	1,100		1,200	6,859	15	249.00		1449	20	Funds for renovation and rehabilitation of Tower Block; civil, electrical, replacement of plumbing system and installation of the solar system, fresh piping for medical gases, mechanical ventilation, structured cabling, power backup, and power protection system, replacement of old and obsolete service lifts and replacement of obsolete equipment and working tools.
24	1082102500 - Expansion of Comprehensive Cancer	300.00	300.00		01/01/2022	30/06/2022	100		100	200	33	100		150	150	50	25.00		204	70	The oncology extension building will have additional beds, doctors and

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	Center - KUTR RH																			nurses offices and patient consultat ion rooms to meet the demand for oncology services in the hospital. Construc tion of the center is ongoing	
25	10821 02700 Emergency Medical Treatment Fund	3,000. 00	3,000.0 0		01/0 7/20 23	06/3 0/20 26	50	-	-	3,000. 00	0	100	0	0	3000	0	-	-	-	-	Seed money to support the Social Health Authorit y
26	10821 03000 Digital Health Platform	10,00 0.00	10,000. 00		01/0 7/20 23	06/3 0/20 26	-	-	-	10,000 .00	0	180	0	51	9949	1	50.00	-	101	3	Dfunds for DHP for purchase of ICT and software to progate UHC

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27	10821 03100 Procurement of Family Planning & Reproductive Health Commodities	12,215.00	12,215.00		13/08/2014	13/08/2026	428	1,916	10,299	16	500	-	1,916	10,299	16	50.00	-	1966	19	The program aims to ensure the availability of family planning commodities of reproductive age using a modern contraception for prevention of unplanned pregnancies. In the FY 2021/22, 50% of the funds were disbursed.
28	10821 03400 Transforming Health Systems for Universal care Project	25,290.00	-	25,290.00	15/09/2016	30/06/2024	-	500	24,491.80	798.2	97	0	-	-	-	-	-	-	-	The project ended, it supported all counties in the health systems strengthening, procurement of family planning commodities and capacity building having an absorption of 81%.

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29	10821 03500 Beyond Zero Campaign- NACC	566.0 0	566.00		06/0 1/20 16	30/0 6/20 23	39		218.7	347.3	39	26	0	245	321	43	-	-	-	-	Funds integrate d the Kenya HIV Situation Room and Maisha Digital Platform to enhance data quality, efficienc y, and accounta bility in HIV response and in the health sector.
30	10821 03600 Kenya COVID-19 Emergency Response Project	15,24 0.00	3,000.0 0	12,240.00	01/0 2/20 20	30/0 6/20 24	200	2,501. 00	4,764. 35	10,475 .65	31	0	2444	6444	8796	42	1,582 .80	2,157. 00	1013 3	88	Funds to Prevent, detect and respond to COVID- 19 and strengthe n national systems for public health emergen cy prepared ness

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31	10821 03800 (Vaccines and Immunizations)	61,487.00	61,487.00		02/07/2016	02/07/2028	1708	1800	7,690.80	53,796.20	13	2,000	2,600	8,941	52,546	15	2,957.00	2,600.00	11897	18	This program aims to improve the immunization coverage of children by procuring, distributing, maintenance of the quality chain equipment and vaccines commodities across the country.
32	10821 03900 Supply of Medical Equipment and Associated Services	4,118.00	4,118.00		01/01/2021	30/06/2025		1,000.00	3,920.26	197.74	95		400	4,095	23	99	-	100.00	465	99	Funds towards rehabilitation of the maternal and baby care units at MTRH and to support COVID-19 Emergency
34	10821 0400 GESD eK COVID 19 Response Project	3,860.00	3,860.00		01/01/2021	30/06/2025	-	1,414.00	1,722.70	2,137.30	45		45	1768	2092	46	-	-	-	-	Funds geared towards control and prevention of COVID-19 in the country

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35	10821 04100 Special Global Fund HIV Grant NFM3 (GLO BAL FUND)	38,120.00	25,000.00	13,120.00	01/01/2018	30/06/2027	-	-	12,945.70	25,174.30	34	3100	675	13,709	24,411	36	2,895.00	66.84	16451	40	The program aims to increase access of ARVs and awareness creation to prevent spread of HIV/AIDS.
36	10821 04300 Primary Health Care in the Devol ved Conte xt	1,735.00		1,735.00	01/07/2021	30/06/2026	495	1,102.55	1,233.12	501.88	71		767	1705	30	98		487.00	1254	98	Funds to cater for level II and III public hospitals and National Level activities having consumed 75% of the allocated funds
37	10811 20300 Huma n Vacci ne Produ ction (KBVI)	6,400.00	6,400.00		01/01/2021	30/06/2026	-	-	400	6,000.00	6	150		550	5850	9			550	9	Funds for refurbishment and operationalization of the BIOVAX warehouse in Embakasi
38	10821 04500 Upgra ding of Mater nal & New Born Units Projec t	3,185.00	-	3,185.00	07/07/2022	30/06/2025		-	-	3,185.00	0		1200	1,147	2,038	36		1,270.00	2291	95	Ongoing Project to support, a maternal and new born units across the country

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	Vame d																				
39	10821 04600 Support for Health Sector to Comb at COVI D-19 pande mic- BADE A	79.50		79.50	01/0 7/20 23	6/30/ 2024	-	-	-	79.5	0	80	68	12	85	-	20.00	12	100	The project ended.	
40	10821 04700 EA's Centre s of Excell ence for Skills and tertia y educat ion in Biosci ences II	3,200. 00	-	3,200.00	07/0 1/20 23	6- 30- 2025	-	-	3,200. 00			10	2	3,198	0	-	40.00	34	2	The project is for equipp ing the EAKI complex	
41	10821 04800 GoK/ UNFP A Count y Progra mmes	3,500. 00		3,500.00	07/0 1/20 21	30/0 6/20 27	-	800	1,100. 00	2,400. 00	31		10	1,104	2,396	32	-	10.00	1124	35	Funds to support procure ment of family planning commod ities in the country
42	10821 04900 Integr ated Repro ductiv e Health	3,550. 00	-	3,550.00	01/0 7/20 23	6/30/ 2026	-	-	-	3,550. 00	0	0	10	-	3,550	0	-	410.00	-	-	Ongoing project to support family planning

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	Programme																				
43	10821 05000 Upgrading of Children Ward - Kibugua level 3	500.0 0	500.00	-	07/0 1/20 23	30/0 6/20 26	-	-	-	-	0	150	26	474	5	80.00	-	125	9	Funds to upgrade the children hospital at Kibugua	
44	10821 05100 Upgrading and Equipping of Maternal and New born Ward Endebess Hospital	500.0 0	500.00	-	07/0 1/20 23	30/0 6/20 26	-	-	-	-	0	100	0	38	463	8	100.0 0	-	136	20	Funds to support maternal and new born ward in Endebess
45	10821 05200 Construction of Private Wing Inpatient Complex- MTR H	500.0 0	500.00	-	07/0 1/20 23	30/0 6/20 27				500	100		25	475	5	-		25	5	Ongoing project	

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46	10821 05300 Procurement of Specialized Medical equipment- MTRH	500.00	500.00	-	07/01/2023	30/06/2028					500		75		25	475	5	-	-	475	5	Ongoing project
48	10801 05500 Supply of Medical Supplies and Commodities	500.00	500.00	-	02/07/2023	06/30/2027							500		500	-	100	360.00	-	860	100	Project ended this Allocation was for settlement pending bill
49	10821 05600 upgrading and Equipping of Lusigi Hospital Kikuyu	100.00	100.00		01/07/2023	30/06/2024							28		-	100	0	64.00		64		Project started in FY 24/25
50	10801 05700 Construction of Ugenda Hospital	60.00	60.00		01/07/2023	30/06/2025							60		60	-	100	30.00				Project ended
51	10821 05800 Construction of Urii Hospital	40.00	40.00		01/07/2023	30/06/2025							40		24	16	60	-				Ongoing project
	10821 06000 Acquisition of	26,000.00	26,000.00	-	01/07/2023	30/06/2028							4,450.00		2,250.00		17.00	1,660.00	-	6,110.00	24.00	Ongoing project

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	Specialized Medical Equipment CHP																				
	10821074600 Reproductive Maternal, Neonatal Child & Adolescent Health Project	11,400.00	-	11,400.00	01/07/2024	30/06/2028	-	-	-	-	-	-	-	-	2,577.00	-	1,200.00	5			The project started late in the FY 24/25
	1082107400 Construction and Equipping of Health Centres	2,000.00	2,000.00	-	01/07/2023	30/06/2028	-	-	-	-	-	-	-	-	247.00	-		12.00			Projects ongoing

- **State Department’s compliance with statutory requirements.**

The State Department operates within a robust legal and policy environment. This legal architecture provides the enabling environment for policy and regulatory environment in health, particularly in relation to governance, data protection, service delivery, procurement, and institutional mandates. It includes the following instruments:

- a) Constitution of Kenya,
- b) Health Act, 2017
- c) Kenya Health Policy 2014–2030
- d) Data Protection Act, 2019
- e) Public Finance Management Act, 2012
- f) 2010 Digital Health Act, 2023
- g) Public Procurement and Asset Disposal Act, 2015
- h) Kenya Digital Master Plan 2022– 2032
- i) Kenya Health Enterprise Architecture Blueprint
- j) Kenya National e-Health Policy 2016–2030
- k) Social Health Authority Act, 2023
- l) Facilities Improvement Financing Act, 2023

- **Major risks facing the organisation.**

The country currently has a strong political commitment to delivering good-quality health care services to its citizens. Internal and external political and economic enthusiasm may, however, be affected by a change in country’s leadership and the declining of buy- in/commitment from county leaders. This risk can be mitigated by continuously involving the county leadership in decision-making and implementation of strategies aimed at achieving UHC

Sufficient and sustainable financial and human resources is another risk that needs deliberate actions through innovative and resilient financing and advocacy on human resources

## 10. Environmental and Sustainability Reporting

### a) Sustainability strategy and profile

In sustainability, the State Department has continued to prioritize strengthening of the health system post COVID-19 pandemic in order to proof and prepare the sector for any future potential outbreaks. The activities undertaken within the State Department are also focused in strengthening the health systems blocks which in the long run strengthen and sustain the health system. This in turn supports the implementation of UHC, being a presidential directive and the Country's Global commitment.

### b) Environmental performance /climate change/ mitigation of natural disasters

In collaboration with the sister department of Public Health and Professional Standards, the State Department in the period under review ensured environmental safeguards arrangement for environmental compliance. Regarding climate change and health, the sector committed to ensure a health system that mainstreams sustainable, climate resilient and low carbon emissions in delivery of its functions. As a result, the sector completed the first Kenya climate change and health strategy 2024 – 2028. During the FY ended, the sector finalized the health care waste management guidelines. In addition, to address the commitment on low carbon emission, the sector has prioritized to develop environmentally sustainable (green) health care guidelines in the next FY. Furthermore, with support from the Ministry of Environment, Climate change and Forestry, the State Department received capacity building and training support, where six senior health workers were trained in March 2024 on climate change.

Following the Presidential Directive to Grow 15 billion trees, the State Department was assigned to support tree growing initiative in the county of Elgeyo Marakwet. Several efforts have been undertaken to ensure that this directive has been implemented.

### c) Employee welfare

The hiring process under the recruitment and selection policy, outline procedures for advertising, shortlisting, interviewing and selection of candidates.

The hiring process for the State Department for Medical Services ensures compliance with PSC regulations and Kenyan public sector policies by prioritizing merit, transparency,

and inclusivity. Below is an outline of the procedures incorporated for advertising, shortlisting and selection of candidates:

1. Advertising Procedures:

Job Analysis and Approval:

- Needs Assessment: The State Department for Medical Services identifies staffing needs based on its strategic objectives, workload analysis, or vacant positions, ensuring alignment with the approved organizational structure and establishment.
- Development of indent and advertisement: A detailed job description specifying the job title, grade (per PSC grading structure), duties, minimum qualifications, experience, and skills required is developed
- Submission for PSC Approval: The vacancy details are then submitted to the PSC through the Authorized Officer for approval, as required under Section 35 of the PSC Act, 2017. This includes confirmation of budget availability per the Public Finance Management Act, 2012.

Publication of the Vacancy

- Following the approval by the Public Service Commission the vacancy is advertised either internally or externally through the PSC portal and newspapers.

Application Submission Process

- Online Applications: Direct applicants submit through the Ministry's online provided portals, or the PSC e-recruitment portal, where they complete a standardized application form and upload required documents.

2. Shortlisting and Selection of Candidates

- Screening Process: Applications are evaluated against the advertised job criteria, such as academic qualifications, professional registration, and relevant experience, as stipulated in the job description approved by the PSC (Public Service Commission Act, 2017, Section 35).

- Shortlisting Criteria: From the screening a list of typically 3–10 applicants per position who meet or exceed the minimum qualifications, prioritizing merit as mandated by PSC regulations (Section 34) are shortlisted,
- Notification and Documentation: Sshortlisted candidates are then notified via the PSC e-recruitment portal or email, providing clear instructions on the interview process, timeline, and required documents, ensuring transparency.

### 3. Selection of Candidates

- Evaluation: Candidates are evaluated based on structured interview performance, practical assessments, and alignment with the job’s competencies, using standardized scoring matrices to ensure consistency and merit-based selection.
- Background Checks and Vetting: mandatory vetting is then conducted, including verification of academic and professional credentials and clearance certificates from relevant authorities such as the Ethics and Anti-Corruption Commission, Higher Education Loans Board, Kenya Revenue Authority, Credit Reference Bureau, Directorate of Criminal Investigations, as mandated by PSC regulations and the Leadership and Integrity Act, 2012.
- Final Selection and Offer: The top candidate(s) who best meet the job criteria and demonstrate suitability for the role is selected and offered employment.

Human Resource Management undertook efforts to improve employee skills in cognition with Public Service Commission regulations and guidelines by undertaking a training needs assessment to identify staff training needs.

#### **d) Operational practices**

The State Department employs the following practices to ensure responsible Supply chain and supplier relations

- Honouring Payments on Time – The organization processes supplier invoices promptly in line with agreed payment terms, thereby building trust and sustaining long-term relationships.
- Respecting Contractual Obligations – All contractual terms and conditions, including delivery schedules and payment agreements, are adhered to.

**State Department for Medical Services**

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- Maintaining Open Communication – The organization communicates clearly with suppliers on procurement needs, delivery expectations, and any arising issues.
- Promoting Fair Treatment – Suppliers are treated with respect and evaluated on merit without favouritism or discrimination.
- Ethical Practices – The organization discourages corrupt practices and ensures procurement decisions are guided by integrity, accountability, and professionalism.

**e) Community Engagements**

In an effort to give back to the society, The State Department organised a medical camp at Muhoroni Sub County. Over 5000 people received medical check-ups and medicine.

The State Department has also carried out immense training on mental health seeking to improve mental health awareness in the Country

## **11. Statement of Management Responsibilities**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government State Department shall prepare financial statements in respect of that State Department. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department for Medical Services is responsible for the preparation and presentation of the State Department for Medical Services financial statements, which give a true and fair view of the state of affairs of the State Department for Medical Services for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (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 State Departmental For medical Services , (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 State Department For Medical Services; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

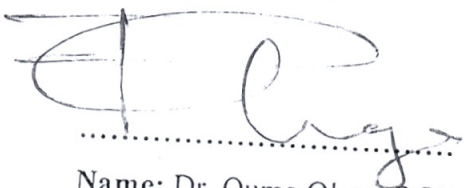
The Accounting Officer in charge of the State Department for Medical Services accepts responsibility for the State Department for Medical Services financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department for Medical Services financial statements give a true and fair view of the state of State Department for Medical Services transactions during the financial year ended June 30, 2025, and of the State Department's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the State Department for Medical Services which have been relied upon in the preparation of the State Department for Medical Services financial statements as well as the adequacy of the system of internal controls.

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The Accounting Officer in charge of the State Department for Medical Services confirms that the State Department has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the State Department funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the State Department financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The State Department for Medical Services financial statements were approved on 23-08-2025 and signed by:



Name: Dr. Ouma Oluga, OGW  
Accounting Officer



Name: CPA Moses Gitari  
Head of Accounting Unit  
ICPAK M/No 4204

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR MEDICAL SERVICES OR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

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

A 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 transitional IPSAS financial statements of State Department for Medical Services set out on pages 1 to 110, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in

accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 transitional IPSAS financial statements present fairly, in all material respects, the financial position of State Department for Medical Services as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards, Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

## **Basis for Qualified Opinion**

### **1. Undisclosed Appropriations-In-Aid**

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects proceeds of sale of assets amount of Kshs.22,400,215,346 being Appropriations-In-Aid (AIA). Included in the amount is AIA of Kshs. 7,179,906,683 for three (3) entities under the State Department. However, the amount differs with the AIA amount in the respective entity financial statements totaling Kshs.18,533,989,275 resulting to an unexplained variance of Kshs. 11,354,082,592 as tabulated below:

No	Agency	AIA as per Entity FS (Kshs)	AIA as Per State Department FS (Kshs)	Variance (Kshs)
1	KEMSA	6,305,164,755	220,000,000	6,085,164,755
2	KEMRI	7,959,032,765	2,684,837,380	5,274,195,385
3	KUTRRH	4,269,791,755	4,275,069,303	-5,277,548
<b>Total</b>		<b>18,533,989,275</b>	<b>7,179,906,683</b>	<b>11,354,082,592</b>

Further, Appropriations-in-Aid for the Social Health Authority (SHA) has not been determined and incorporated in the financial statements.

In the circumstances, the accuracy and completeness of Appropriations-In-Aid amount of Kshs.22,400,215,346 for the period could not be confirmed.

### **2. Undisclosed Receivables**

The statement of financial position reflects Nil receivables from exchange transactions. However, analysis revealed claims totaling to Kshs.359,103,427 due from the Social Health Authority and the defunct National Health Insurance Fund which have not been disclosed in the financial statements. In addition, receivables amounting to Kshs.33,514,805 from six (6) other entities were also not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance could not be confirmed.

### **3. Inaccuracies in Cash and Cash Equivalents**

The statement of financial position and as disclosed in Note 16 to the financial statements reflects cash and cash equivalent balance of Kshs.375,029,542. However, the balance excludes funds held in the Equalization Fund account, one project account, and three hospital accounts, with balance totaling to Kshs.134,152,978. Further, seven (7) dormant bank accounts with nil balances had not been closed. In addition, review of bank account register revealed one donor funded research project account which received Kshs.30,112,048 in the 2023/2024 and Kshs.10,577,253 in 2024/2025 totaling to Kshs.40,689,301 but its operations have not been incorporated in the financial statements.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.375,029,542 could not be confirmed.

### **4. Failure to Prepare Financial Statements**

The statement of financial performance reflects revenue from non-exchange transactions amount of Kshs.94,054,037,542 which includes proceeds from foreign borrowings amount of Kshs.3,634,913,195. However, analysis revealed four (4) loan and grants funded projects of: construction of Kisii Cancer Centre, upgrading maternal and new born care units, Kenyatta National Hospital (KNH) Burns and Paediatrics Centre and NASCOP TLC-1DU research project whose financial statements were not prepared and presented for audit.

In the circumstances, the accuracy and completeness of proceeds from foreign borrowings amount of Kshs.3,634,913,195 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Medical Services 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 final expenses budget amount of Kshs.102,723,906,351 and actual on comparable basis amount of Kshs.94,101,223,671. However, analysis of the budget revealed that the actual expenditure includes Kshs.4,353,754,695 in relation to forty-one (41) programmes whose budget amount was Kshs.3,263,754,640 resulting to over expenditure of Kshs.1,090,300,055.

Expenditure above the budget implies weak budgetary control and poor fiscal discipline.

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 section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **1. Unresolved Prior Year Matters**

In the prior year audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the State Department in 2024/2025 revealed that matters detailed in **Appendix I** remained unresolved as at 30 June, 2025.

### **2. Avoidable Expenditure - Court Awards**

Note 22 to the financial statements reflects court awards of Kshs.68,421,740,034. Review of the case files revealed that the State Department entered into contract for the supply of anti-malaria drugs and equipment on 14 July 1995 for Kshs.1,157,846,150. However, payment was not made to the supplier in a timely manner resulting in a suit for which the contractor was awarded an amount of Kshs.1,862,302,792 for breach of contract. The amount had escalated to Kshs.15,250,000,000 as at 30 June 2025 due to accrued interest. Further, a payment of Kshs.360,000,000 was made after the courts determined that Management failed to perform contractual obligation of paying for the delivered supplies. In addition, review of case files revealed that only Kshs.17,316,763,761 was supported by way of advisory letters from the Attorney General while the rest of the balance of Kshs.51,104,976,273 was unsupported.

In the circumstances, State Department incurred avoidable costs by failing to honor the provisions of the contract and the court awards.

## **Other Information**

The Management is responsible for the Other Information set out on pages iv to lv which comprise of Key MDA Information and Management, Profile of the Cabinet Secretary, Profile of Accounting Officer and Key Management, Statement by the Cabinet Secretary, Statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives for the FY 2024/2025, Statement of Governance, Management Discussion and Analysis, Environmental and Sustainability Reporting and the Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the State Department'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 effect 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. Development Expenditure Below 30% Percent Threshold

The statement of comparison of budget and actual amounts reflects final budget of amount of Kshs.102,723,906,351. However, analysis of the budget revealed that the State Department received Exchequer of Kshs.67,780,783,111 out of which Kshs.17,138,891,616 or 25% was utilized for development programmes while Kshs.50,641,077,626 or 75% was incurred on recurrent expenditures. This was contrary to Regulation 26 (1) (f) of the Public Finance Management (National Government) Regulations 2015 which requires development expenditure to be at least thirty percent.

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

#### 2. Deficiencies of the Vaccination Programme

The statement of comparison of budget and actual amounts reflects final budget of Kshs.102,723,906,351 out of which Kshs.5,530,000,000 was allocated to the vaccination programme. However, the following unsatisfactory matters were noted;

- i) Analysis of the budget revealed that only Kshs.2,930,000,000 was used to procure vaccines resulting to underutilization of Kshs.2,600,000,000 or 47% of the allocated funds. Further, Kshs.200,000,000 earmarked for vaccine production was reallocated through a supplementary budget to other uses.
- ii) Review of vaccine utilization ledgers of three (3) vaccines of BCG, Measles Rubella and Yellow Fever revealed a wastage rate of 75%, 57% and 51% respectively which was higher than the allowable rate of 15%. For instance, out of the 8,602,303 doses of BCG issued to various health facilities, only 2,113,091 doses were

administered resulting to 6,489,212 or 75% wasted doses. This was contrary to Paragraph 8 of the World Health Organization Monitoring Vaccine Wastage at Country Level Guidelines for Programme Managers 2005 which requires countries receiving GAVI support to reduce their wastage rates to 15% for 10-dose and 20-dose presentations within three years.

- iii) The State Department received 35,651,824 doses of various vaccines of undetermined value which were funded by Global Alliance for Vaccine Immunization (GAVI) and Government of Kenya but the GAVI grant portion was not disclosed in the financial statements.

In the circumstances, these deficiencies may indicate significant shortfall and gaps in implementation planning, procurement inefficiencies, or delays, potentially undermining the effectiveness of the vaccination programme.

### **3. Delayed Upgrading of Maternal and New-born Units**

During the year under review, it was noted that the project of upgrading of twenty (20) Maternal and New-born Units to enhance maternal healthcare services through construction, installation of medical equipment, testing, training, and financial handover at EUR 24,000,000 was scheduled for completion within twenty-four (24) months. However, as at 30 June, 2025 approximately nine (9) months past the expected completion date only six (6) health facilities had been completed, while the remaining fourteen (14) were still under construction. Further, an expenditure of Kshs.1,127,146,064 was incurred for shipment of materials but the bill of quantities and details of the value of work done were not provided for audit and the financial statements for the project were not prepared. This was contrary to Regulation 74(6) of the Public Finance (National Government) Regulations, 2015, which requires accounting officers to maintain proper books of accounts and records for all projects and donations.

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

### **4. Irregular Payment for Intangible Preliminaries**

The statement of financial position and as disclosed in Note 17 reflects property, plant and equipment balance of Kshs.736,370,806. However, review of bill of quantities and payment vouchers revealed that intangible preliminaries amounting to Kshs.17,103,333 covering security, site sanitation, and project management expenses were paid to contractors for various construction projects. This was contrary to Section VIII Bill of Quantities Paragraph 3.0(a) of the Public Procurement Oversight Authority Guidelines, 2007 which requires the number of preliminary items to be priced by the tenderer be limited to tangible items such as site office and other temporary works, otherwise items such as security for the works which are primarily part of the contractor's obligations should be included in the Contractor's rates.

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

## **5. Unapproved and Undisclosed Waiver of Patient Bills**

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects Appropriations in Appropriation-In-Aid (AIA) amount of Kshs.22,400,215,346 from Semi-Autonomous Government Agencies (SAGAs) which includes Kshs.458,535,663 from Mathari National Teaching and Referral Hospital. However, review of Hospital records revealed waived patients bills amounting to Kshs.41,764,443 which were not approved by the accounting officer or disclosed in the financial statements. This was contrary to Section 66 (2) and (3) of the Public Finance Management Act, 2012 states that, 'An Accounting Officer shall obtain approval from The National Treasury for the proposed tariff structure. Information on the tariff structure shall be disclosed in the annual report, including information on exemptions, discounts, free services and any other aspect of material influence on the revenue yield.

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

## **6. Stalled Projects**

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects use of goods and services amount of Kshs.5,516,080,179. However, review of project status report revealed that twenty (20) equalization fund projects intended for marginalized areas valued at Kshs.484,048,098 have stalled despite disbursements of Kshs.333,037,912. Further, the construction of Pediatric Emergency Centre and Burns Management Unit at Kenyatta National Hospital at a contract amount of Kshs.2,959,511,555 commenced on 02 August, 2018 and was scheduled for completion by 10 November, 2020. This project is incomplete despite payments amounting to Kshs.1,099,686,586. In addition, The National Treasury approved the establishment of a Neuropsychiatric National Teaching and Referral Hospital at Ngong, Kajiado County at a cost of Kshs.5,000,000,000 over a two-year period with an initial budget allocation of Kshs.2,500,000,000 in the financial year 2021/2022. This project has not commenced since Kshs.579,150,000 disbursed for its implementation was subsequently refunded to The National Treasury on 29 March 2023.

In the circumstances, value for money incurred on these projects could not be confirmed.

## **7. National Equipment Service Programme**

The State Department jointly with the Council of Governors entered into a fixed fee for service contracts with seven (7) suppliers under the National Equipment Service Program. Review of tender documents and contract agreement revealed that the program involved the installation of medical equipment, maintenance services, training and provision of consumables to health facilities. These services were to be financed through a fixed fee-for-service model over a seven-year period, with a possible extension of three additional years. However, the following unsatisfactory matters were noted;

### **7.1. Unapproved National Equipment Service Programme**

It was noted that there was no evidence of approval from the Public Private Partnership Committee before implementation of the programme. This was contrary to Sections 2 and 59 of the Public Private Partnership Act, 2021 which requires any arrangement in which a private entity performs a public function and receives compensation through fees or charges qualifies as a public-private partnership and such arrangements together with its financial risk assessment report require prior approval from the Public Private Partnership Committee.

### **7.2. Unfavorable Revenue Sharing Arrangements**

Review of the contract documents revealed that revenue generated will be shared between the suppliers and health facilities for each service rendered. However, 80% to 255% of revenue generated from one hundred and twenty (120) Social Health Authority (SHA) insured services will be paid out to the suppliers leaving the health facilities with little or no funds for operation. For instance, the pay-out ratio to suppliers for nine (9) services is above 100% forcing health facilities to compensate suppliers over the SHA approved rates. This was contrary to the affordability principle as outlined under Section 2(b) of the Public Private Partnership Act, 2021 since the programme imposes unreasonable financial burden to the health facilities and the end users.

### **7.3. Technical Incapability of Suppliers**

Examination of the tender evaluation criteria outlined in the contract documents revealed that bidders were required to demonstrate a minimum average annual turnover of Kshs.1,000,000,000 over the past three years, along with evidence of having successfully completed at least five (5) similar hospital equipment maintenance contracts within the last five years. However, it was noted that three (3) of the firms had been operational for less than two (2) years, while one (1) had only been in existence for seventy-four (74) days at the time of bidding. This was contrary to Section 47(2)(a) and (b) of the Public Private Partnership Act, 2021 which states that, 'A private party or consortium is eligible to respond to a request for qualification if the party or consortium (a) satisfies the criteria specified in the request for qualification issued by the contracting authority and (b) has the technical capability and financial capacity to undertake the project'.

### **7.4. Risks in the Programme Implementation**

The following risks were identified in the programme implementation;

- i) The services to be offered under the programme include three hundred and twenty-eight (328) tests at various prices which had not been discussed and agreed on by the various health facilities and exposes hospitals to higher prices.
- ii) In addition, the health facilities are required to remit the funds due to the suppliers to a special purpose account to be management jointly by the State Department and the Council of Governors on or before 15th of the following month. Funds from insured services will directly be disbursed from Social Health Authority while health

facilities will deposit funds for uninsured services to the special purpose account. However, there is a risk of delayed release of funds by Social Health Authority and the health facilities which may affect the sustainability of the program.

- iii) Further, no feasibility study was conducted indicating whether the funds to be paid out are commensurate to the expenses incurred and whether the retained amount will be adequate to sustain health facility operations. This may affect the operations of the health facilities contrary to Section 7 (a) of the Facility Improvement Fund Act, 2023 which requires the finances be retained by health facilities to support the optimal operations for effective service delivery throughout the financial year;

In the circumstances, the sustainability of program could not be confirmed.

## **8. Unbudgeted Procurement of Medical Equipment on Lease**

During the year under review, Management floated open tenders for the provision of medical equipment on lease for seven (7) years in public health facilities. However, review of tender documents revealed that procurement process was completed and five (5) bidders were recommended for award on 1 August, 2024 but the contract had not been signed as at 30 June, 2025 due lack of budgetary provisions. This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act 2015 states that, 'Accounting officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.

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

## **9. Delayed Construction of Kisii Cancer Centre**

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects transfers to other government entities amount of Kshs.76,675,762,000 out of which Kshs.134,531,199 was a direct payment for the construction of Kisii Cancer Centre. The construction of the main civil works was awarded on 31 January, 2024 a sum of USD.9,237,105 (Kshs.1,479,668,715) for a period of seventy-eight (78) weeks. However, as at 30 June, 2025 approximately seventy-seven (77) weeks later, the value of work done was USD.967,275(Kshs.154,945,364) equivalent to 10%. In addition, the advance payment of Kshs.283,032,102 had not been fully recovered.

Further, the construction of the main civil works was awarded alongside with other five (5) contracts for the supply, installation, commissioning, operation and maintenance of various medical equipment at Kshs.155,467,261 but the period was not specified. However, according to the site meeting minutes held on 1 August, 2025 the medical equipment was already at warehouse waiting completion of the main civil works.

In the circumstances, value for money on expenditure incurred could not be confirmed and warehousing of medical equipment exposes to the risk of becoming absolute before they are put into use.

## **10. Irregular Procurement of Community Health Promoters Kits**

The statement of financial performance and as disclosed in Note 13 reflects use of goods and services amount of Kshs.5,516,080,179 which includes specialized materials and services amount of Kshs.1,572,689,346. The following unsatisfactory matters were observed on the purchase of Community Health Promoters kits;

- i) During the year under review, the State Department procured Community Health Promoters' (CHP) phones at the cost of Kshs.650,000,000 which were not included in the annual procurement plan. This was contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act 2015 which requires that all procurement processes be within the approved budget and through an annual procurement plan.
- ii) On 13 September, 2023 Management procured community health promoters kits on a three-year at a contract cost of Kshs.24,760,791,759 through Specially Permitted Procurement Procedure. However, there was no evidence that the partner incurred the initial investment. This was contrary to Section 114(A)(2)(d) of the Public Procurement and Asset Disposal Act, 2015 which requires the partner would incur the initial investment.
- iii) The contract was awarded to a foreign company which was not registered in Kenya. This was contrary to Section 974(1) of the Company's Act, 2015 which prohibits a foreign company carrying on business in Kenya unless it is registered or it has applied to be so registered and the application has not been dealt with within the period prescribed.
- iv) The kits were procured using a three-year contract out of which Kshs.10,226,991,917 was for year one, Kshs.6,892,000,519 for year two and Kshs.7,641,799,323 for year three. However, the first-year portion of the contract exceeded the approved budget of Kshs.5,000,000,000 by Kshs.5,226,991,917 while there was no budget and procurement plan for the second year. This was contrary to Section 53(7) of the Public Procurement and Asset Disposal Act, 2015 which requires multi-year procurement plans be prepared for projects or contracts that go beyond one year'.
- v) Review of tender documents and contract agreement revealed that the contract was awarded without evidence of Health Cabinet Secretary informing the Cabinet and the National Treasury. This was contrary to Section 134(3) of the Public Procurement and Asset Disposal Act, 2015 which requires each Cabinet Secretary to regularly inform the Cabinet and national treasury of all government contracts exceeding Kenya shillings five billion.

In the circumstances, value for money on expenditure incurred could not be confirmed.

## **11. Unconfirmed Testing of Health Products**

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects use of goods and services amount of Kshs.5,516,080,179 which includes specialized materials and services amount of Kshs.1,572,689,346. However, review of purchase orders revealed that Management procured medical drugs

amounting to Kshs.86,594,830 and delivered to hospitals managed by the State Department without evidence of testing. This was contrary to Section 35D (1) (c) of the Pharmacy and Poisons Act, 2012 which requires the National Quality Control Laboratory to test on behalf of the Government all locally manufactured and imported drugs or medicinal substances to determine whether they comply with the set rules.

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

## **12. Non-Compliance with Persons with Disabilities Staffing Requirements**

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects employee costs amount of Ksh.7,993,113,605. However, analysis of the muster roll revealed that the state department had nine thousand one hundred and forty-one (9,141) staff out of which only sixty-nine (69) or 0.75% were persons living with disabilities. This was contrary to Section B.23(1) of Human Resource Policies and Procedures Manual for the Public Service May, 2016 which states that the government shall appoint at least five (5) percent of persons with disabilities.

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

## **13. Non-Compliance with One Third of Basic Salary Rule**

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects employee costs amount of Kshs.7,993,113,605. However, analysis of payroll data revealed that one hundred and eighty-one (181) employees earned a net salary of less than a third of their basic pay. This was contrary to Section 19(3) Kenya Employment Act, 2007 which requires that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

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 effect 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. Irregularities in the Supplementary Budget Estimates**

The statement of comparison of budget and actual amounts reflects final budget of Kshs.102,723,906,351. Analysis of the budget revealed that an allocation of Kshs.231,000,000 for the construction of five (5) health facilities and the upgrading of laboratories at the Kenya Medical Research Institute was introduced through supplementary estimates. However, these items did not satisfy the criteria of being unforeseen or unavoidable, as required under the regulations for supplementary budgeting. In addition, the supplementary budget includes pending bills amount of Kshs.360,000,000 which should have been in the original budget. Further, budget allocations for one hundred and eleven (111) programmes amounting to Kshs.36,633,270,914 were revised beyond the allowable 10% variation from their original approved budgets while an entire budget allocation of Kshs.1,722,963,426 for fifteen (15) programmes was reallocated through supplementary budget revision.

In the circumstances, effectiveness of internal controls on preparation of the supplementary budget could not be confirmed.

### **2. Unmet Targets on Blood Collection**

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects use of goods and services amount of Kshs.5,516,080,179 which includes expenditure of Kshs.333,402,654 on blood transfusion services. However, the following unsatisfactory matters were noted;

- i) Review of Kenya Blood Transfusion and Transplant Services monitoring and evaluation Unit's 2024/2025 report on blood collection and components preparation revealed that only 333,533 units of blood were collected against World Health Organisation (WHO) estimated annual demand of 500,000 resulting to 166,467 uncollected units of blood.
- ii) In addition, the evaluation Unit's 2024/2025 report revealed that blood establishments received a total of 322,011 requests for blood and components from transfusing facilities out of which only 234,926 (73%) requests were fulfilled resulting to unfulfilled requests of 87,085.
- iii) Further, the Kenya National Blood Transfusion Service's system (DAMU KE) lacks predefined reorder levels and hospitals place blood orders on an ad hoc basis, which adversely affects the timely availability of blood and blood components when needed.
- iv) Similarly, analysis of blood collection data revealed that, out of the total of 196,531 blood donors who donated blood during the year only 6,904 (4%) were regular donors, 17,877 (9%) were repeat donors while majority of 171,750 (87%) were first time donors who may not be consistently available to support a stable and continuous blood supply. This was contrary to Section 5(g) of the Kenya National Blood Transfusion Service Act, 2020 which states that, 'The functions of the Service shall be to mobilize, educate and sensitize potential blood donors to foster

a culture of voluntary blood donation, and build and maintain a safe and sustainable national voluntary non-remunerated blood donor base'

In the circumstances, the effectiveness of internal controls on management of blood collection could not be confirmed.

### **3. Abandoned Patients at Mathari National Teaching and Referral Hospital**

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects Appropriations in Aid (AIA) receipts amount of Kshs.22,400,215,346 from Semi-Autonomous Government Agencies (SAGAs), which includes Kshs.458,535,663 from Mathari National Teaching and Referral Hospital. However, review of the hospital's billing records revealed an outstanding amount of Kshs.92,819,867 related to fifty (50) abandoned patients residing in the hospital post-discharge. These patients continue to utilize limited hospital resources, contributing to increased healthcare costs and reduced bed availability for other patients in need.

In the circumstances, the effectiveness of internal controls on identification, hospitalization and discharging patients could not be confirmed.

### **4. High Mortality Ratios**

Analysis of mortality data for eleven months revealed 292 health facilities recorded 913 maternal deaths out of 359,207 live births translating to a ratio of 254 per 100,000 live births. In addition, 120 health facilities recorded 3,692 neonatal deaths out of 80,120 live births translating into a ratio of 46 per 1,000 live births. These ratios are higher than the Sustainable Development Goal number 3.1 and 3.2 which targets to reduce global maternal mortality ratio by less than 70 per 100,000 live births and reduce death of children under five years to as low as 25 per 1,000 live births.

In the circumstances, the effectiveness of internal controls on managing mortality rates 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 those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal 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 State Department'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.

Those charged with governance are responsible for overseeing the State Department'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

04 December, 2025

## APPENDICES

### Appendix I - Unsolved Prior Year Matters

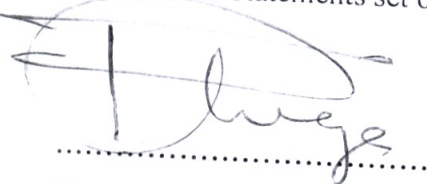
No	Audit Issue
1	<b>Failure to Undertake Assets Valuation</b>
2	Budgetary Control and Performance
3	Budget Credibility
4	Long Outstanding Deposits
5	Failure to Operationalize the Emergency Medical Treatment Fund
6	Unbudgeted Pending Bills
7	Stalled Equalization Fund Projects
8	Underfunding of Maternity Programme
9	Stock Out of Vaccines at the Central Vaccine Store
10	Delayed Completion of Pediatric Emergency Centre and Burns
11	Inadequate Patients Beds at Mathari Hospital
12	Delayed Construction of Kisii Cancer Centre
13	Budget In-Adequacy for Community Health Promoters Kits
14	Delayed Installation of Medical Gases
15	Unconfirmed Testing of Health Products
16	Encroachment of Land at Mathari Teaching and Referral Hospital
17	Proposed Establishment of a Neuropsychiatric National Teaching and
18	Procurement of the Healthcare Information Technology Digitization System
18.1	Unbudgeted Procurement
18.3	Uncompetitive Procurement
18.4	Undefined Scope of Works
18.5	Payment Arrangement Agreement
18.6	Unfavorable Contract Clauses
18.7	Project's Financing and Payment Model
19	Non-Compliance with the One-Third Rule of Basic Salary
20	Non-Compliance with Staffing of Persons with Disabilities
21	Inconsistencies in Vaccine Immunization Data
22	Inadequate Transition Planning from GAVI Vaccine Support

State Department for Medical Services  
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13. Statement of Financial Performance for the year ended 30 June 2025

	Notes	FY 2024/2025 Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from Exchequer	6	67,780,783,111
Proceeds from foreign borrowings	7	3,634,913,195
Proceeds from domestic and foreign grants	8	238,125,890
Proceeds from sale of assets (A.I.A)	9	22,400,215,346
<b>Total</b>		<b>94,054,037,542</b>
<b>Revenue from exchange transactions</b>		
Other Receipts (A.I.A)	10	48,000,000
<b>Total revenue</b>		<b>94,102,037,542</b>
<b>Expenses</b>		
Employee costs	11	7,993,113,605
Use of goods and services	12	5,516,080,179
Transfers to other Government Entities	13	76,675,762,000
Depreciation and amortization expense	14	81,037,405
Other Grants and Subsidies	15	3,761,096,032
<b>Total expenses</b>		<b>94,027,089,221</b>
<b>Surplus/Deficit for the year</b>		<b>74,948,321</b>

The Financial Statements set out on pages 1 to 28 were signed by:



Name: Dr. Ouma Oluga, OGW  
Accounting Officer



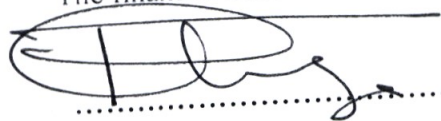
Name: CPA Moses Gitari  
Head of Accounting Unit  
ICPAK M/No.....4204.....


State Department for Medical Services  
Annual Report and Financial Statements for the year ended June 30, 2025.

14. Statement of Financial Position as at 30 June 2025

	Notes	FY 2024/2025	Opening Statement 1 <sup>st</sup> July 2025
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	16	375,029,542	208,081,110
<b>Total Current Assets</b>		<b>375,029,542</b>	<b>208,081,110</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	17	736,370,806	521,989,735
<b>Total Non- Current Assets</b>		<b>736,370,806</b>	<b>521,989,735</b>
<b>Total Assets (a)</b>		<b>1,111,400,347</b>	<b>730,070,845</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	18	5,219,824,504	5,079,577,884
Refundable Deposits	19	374,215,670	206,179,672
<b>Total Current Liabilities</b>		<b>5,594,040,174</b>	<b>5,285,757,556</b>
<b>Total Liabilities (b)</b>		<b>5,594,040,174</b>	<b>5,285,757,556</b>
<b>Net Assets (a-b)</b>		<b>(4,482,639,827)</b>	<b>(4,555,686,710)</b>
Accumulated Surplus		(4,482,639,827)	(4,555,686,710)
<b>Net Assets</b>		<b>(4,482,639,827)</b>	<b>(4,555,686,710)</b>

The financial statements set out on pages pages 1 to 28 were signed by:

  
Name: Dr. Ouma Oluga,OGW  
Accounting Officer

  
Name: CPA Moses Gitari  
Head of Accounting Unit  
ICPAK M/No...4204.....

15. Statement of Changes in Net Assets for the year ended 30 June 2025

	Accumulated Surplus	Total
<b>Fund balance as at 30<sup>th</sup> June 2024</b>	<b>1,901,438</b>	<b>1,901,438</b>
<b>Adjustment:</b>		
Recognition of Assets and Liabilities	(4,515,767,764)	(4,515,767,764)
Opening Depreciation	(41,820,384)	(41,820,384)
<b>As at July 1, 2025</b>	<b>(4,555,686,710)</b>	<b>(4,555,686,710)</b>
Return to Exchequer	(1,901,438)	(1,901,438)
Surplus/ deficit for the year	74,948,321	74,948,321
<b>As at June 30, 2025</b>	<b>(4,482,639,827)</b>	<b>(4,482,639,827)</b>

State Department for Medical Services  
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16. Statement of Cash Flows for the year ended 30 June 2025

		FY 2024/2025
	Notes	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from exchequers	6	67,780,783,111
<b>Total receipts</b>		<b>67,780,783,111</b>
<b>Payments</b>		
Employee costs	11	7,950,337,276
Use of goods and services	12	4,963,445,681
Transfers to other Government Entities	13	52,645,405,772
Other Grants and Subsidies	15	1,652,729,028
<b>Total payments</b>		<b>67,211,917,756</b>
<b>Net cash flows from/(used in) operating activities</b>	20	<b>568,865,355</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE		(400,015,485)
<b>Net cash flows from/(used in) investing activities</b>		<b>(400,015,485)</b>
<b>Cash flows from financing activities</b>		
Return to Exchequer		(1,901,438)
<b>Net cash flows from financing Activities</b>		<b>(1,901,438)</b>
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>166,948,432</b>
Cash and cash equivalents at 1 July	16	208,081,110
<b>Cash and cash equivalents at 30 June</b>	16	<b>375,029,542</b>

(PSASB has prescribed the use of direct method for cashflow preparation)

State Department for Medical Services  
Annual Report and Financial Statements for the year ended June 30, 2025.

17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Recurrent and Development Combined

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Budget utilization difference	% of utilization
	A	B	C=a+b	D	E=c-d	F=d/c %
<b>Revenue</b>						
Transfers from exchequer	65,255,074,385	4,395,831,966	69,650,906,351	67,780,783,111	1,870,123,240	97%
Proceeds from Domestic and Foreign Grants	3,620,000,000	(300,000,000)	3,320,000,000	238,125,890	3,081,874,110	7%
Proceeds from Foreign Borrowings	7,731,333,334	(3,804,333,334)	3,927,000,000	3,634,913,195	292,086,805	93%
Proceeds from Sales of Assets	22,329,000,000	3,449,000,000	25,778,000,000	22,400,215,346	3,377,784,654	87%
Other Receipts	48,000,000	0	48,000,000	48,000,000	0	100%
<b>Total revenue</b>	<b>98,983,407,719</b>	<b>3,740,498,632</b>	<b>102,723,906,351</b>	<b>94,102,037,542</b>	<b>8,621,868,809</b>	<b>92%</b>
<b>Expenses</b>						
Employees Costs	7,940,062,489	(142,160,902)	7,797,901,587	7,748,446,658	49,454,929	99%
Use of goods and services	7,783,016,893	(1,303,356,924)	6,479,659,969	3,935,917,745	2,543,742,224	61%
Transfers to other government units	75,371,159,351	6,675,946,228	82,047,105,579	77,412,904,030	4,634,201,549	94%
Other grants and transfers	2,371,200,000	1,439,891,788	3,811,091,788	3,761,096,032	49,995,756	99%
Social benefits	0	208,660,902	208,660,902	201,890,618	6,770,284	97%
Acquisition of PPE	5,517,968,986	(3,138,482,460)	2,379,486,526	1,040,968,589	1,338,517,937	44%
<b>Total expenses</b>	<b>98,983,407,719</b>	<b>3,740,498,632</b>	<b>102,723,906,351</b>	<b>94,101,223,671</b>	<b>8,622,682,680</b>	<b>92%</b>
<b>Surplus/ deficit</b>				<b>813,871</b>		

Reconciliation table

Description of Particulars		Amount in Kshs
<b>Actual Surplus Amounts as per the statement of Budget</b>		<b>813,871</b>
1	Cash balance brought forward	208,081,111
2	Return to Exchequer FY 2023/2024	(1,901,439)
3	Deposits FY 2023/2024	(206,179,672)
4	Deposits FY 2024/2025	374,215,670
<b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b>		<b>375,029,541</b>

*Variance analysis*

***Proceeds from Domestic and Foreign Grants 7%***

*The under absorption was due to:*

1. *Delays in the disbursement of committed grant funds by development partners.*
2. *Lengthy approval and negotiation processes for financing agreements, which affected the timely release of resources.*
3. *Misalignment between donor disbursement schedules and the government's budget execution cycle leading to delays in accessing funds.*
4. *Capacity and compliance challenges in meeting donor conditions and reporting requirements, which slowed down access to funds.*

***Proceeds from Sales of Assets 87%***

*The under absorption was due to:*

*This was mainly due to:*

1. *Delays in the disbursement of committed grant funds by development partners.*
2. *Lengthy approval and negotiation processes for financing agreements, which affected the timely release of resources.*
3. *Misalignment between donor disbursement schedules and the government's budget execution cycle leading to delays in accessing funds.*
4. *Capacity and compliance challenges in meeting donor conditions and reporting requirements, which slowed down access to funds.*

***Use of goods and services 61%***

*The under absorption was due to:*

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1. Delays in procurement processes, which slowed down implementation of planned activities.
2. Late release of funds, which affected the timely execution and settlement of expenditures.
3. Commitments had been entered into, but the related payments were not processed by the close of the financial year

**Acquisition of PPE 44%**

The under absorption was due to:


1. Delays in procurement processes for capital projects and equipment, which affected timely implementation.
2. Lengthy contract negotiations and approval processes that slowed down project execution.
3. Late release of development funds, which hindered full payment of ongoing works and asset acquisitions.

The changes between the original and final budget was as a result of Supplementary I, II and III.

The entity financial statements were approved on 23-08-2025 and signed by:

  
.....  
Name

Accounting Officer

  
.....  
Name  
Head of Accounting Unit  
ICPAK M/No.....4204.....

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Budget Execution by Programmes and Sub-Programmes for FY 2024/2025

Program	Sub Program	Description	Approved Budget	Actual Payments	Variance
402000000		Curative Health Services	57,076,327,990	53,845,626,566	3,230,701,424
	402010000	National Referral Services	45,216,570,882	44,086,891,653	1,129,679,229
	402040000	Forensic and Diagnostics	-	-	-
	402060000	Specialized Medical Equipment	3,215,018,180	3,140,115,901	74,902,280
	402080000	National Blood Transfusion Service	563,303,922	649,042,340	(85,738,418)
	402090000	Health Products and Technologies	8,081,435,006	5,969,576,673	2,111,858,333
0707000000			20,082,817,261	14,698,806,563	5,384,010,698
	410010000	Communicable Disease Control	5,186,013,236	4,729,292,851	456,720,385
	410020000	Reproductive Maternal Newborn Child Adolescent Health	545,615,541	507,956,977	37,658,564
	410030000	Reproductive Maternal Newborn Child Adolescent Health	4,892,183,491	2,686,850,360	2,205,333,131
	410040000	Immunization Management	9,459,004,993	6,774,706,374	2,684,298,619
411000000			3,235,450,000	3,468,075,354	(232,625,354)
	411010000	Health Innovations	331,500,000	564,125,354	(232,625,354)
	411020000	Medical Research	2,903,950,000	2,903,950,000	-
412000000			22,329,311,100	22,088,715,189	240,595,911
	412010000	Human Resource and Support Services	3,399,079,202	3,342,429,847	56,649,356

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	412020000	Financial Management Services	160,295,938	161,374,567	(1,078,629)
	412030000	Information Communications Services	18,769,935,960	18,584,910,775	185,025,185
<b>402000000</b>		Curative Health Services	57,076,327,990	53,845,626,566	3,230,701,424
		<b>Grand Total</b>	<b>102,723,906,351</b>	<b>94,101,223,671</b>	<b>8,622,682,680</b>

**18. Notes to the Financial Statements**

**1. Establishment**

The State Department for Medical Services is established by and derives its authority and accountability from Executive Order No. 1 of 2022 and executive order No.1 of 2023. The State Department is wholly owned by the Government of Kenya and is domiciled in Kenya. The State Department for Medical Services principal activity is to build progressive, responsive and sustainable healthcare system for accelerated achievement of the highest standards of health for all people in Kenya.

**2. Statement of Compliance and Basis of Reporting**

**Statement of compliance**

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

For the purpose of these financial statements, the State Department for Medical Services has been categorized as a Schedule 1 national government State Department in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. State Departments are reporting entities whose primary objective is to provide policy and coordination of government services.

The use of public resources by MDAs is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Accounting Officer on 25<sup>th</sup> August 2025.

The financial statements have been prepared in accordance with the Public Finance Management Act, and the State Department for Medical Services has taken advantage of the transitional provisions under IPSAS 33 and therefore,

1. In the first year the State Department for Medical Services has recognised Financial Assets bought in the financial year 2023/2024 and financial year 2024/2025, and all Financial Liabilities.
2. In Year two, the State Department for Medical Services will recognise all Inventories
3. In year three the State Department for Medical Services will be fully in compliance with IPSAS Accrual.

## **Notes to the financial statements**

### **Reporting period**

The reporting period for these financial statements is for the period ended 30<sup>th</sup> June 2025.

### **Basis of preparation**

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

### **Critical accounting judgements**

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

#### Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

#### Recognition of non-exchange expenses and liabilities

A liability is a present obligation of State Department for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgment is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The State Department for Medical Services pursues a number of policy targets and outcomes. However, the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the State Department for Medical Services is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the State Department policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the State Departments future actions, expenses (and other related liabilities) are recognized for that policy.

#### Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

#### Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO<sub>2</sub>eq. State Department's commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

#### Physical assets

An asset is a resource presently controlled by the State Department as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

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

There were no new and amended standards issued in the financial year.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of a State Department.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The State Department did not have Leases for the period</i></p>
IPSAS 44:	<p><i>Applicable 1<sup>st</sup> January 2025</i></p>
Non- Current Assets Held for Sale and Discontinued Operations	<p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The State Department did not have Non-Current Held for Sale and Discontinued operations for the period.</i></p>
IPSAS 45-	<p><i>Applicable 1<sup>st</sup> January 2025</i></p>
Property Plant and Equipment	<p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified</p>

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Standard	Effective date and impact:
IPSAS 46	<p>existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>The state Department did not have any Heritage and Infrastructure Assets for the period</i></p> <p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p>
Measurement	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li data-bbox="456 591 1426 703">i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li data-bbox="456 725 1426 815">ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li data-bbox="456 837 1426 949">iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47-	<b><i>Applicable 1<sup>st</sup> January 2026</i></b>
Revenue	<p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>This standard was not applicable for the period as the State Department does not collect any revenue.</i></p>
IPSAS 48-	<b><i>Applicable 1<sup>st</sup> January 2026</i></b>
Transfer Expenses	<p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>

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<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1<sup>st</sup> January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

**iii) Early adoption of standards**

The State Department did not early – adopt any new or amended standards in the financial year.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The State Department recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the State Department and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the State Department and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

**ii) Revenue from exchange transactions**

**Rendering of services**

The State department recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Interest income**

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

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**b) Budget information**

The original budget for FY 2024/2025 was approved by the National Assembly on **07<sup>th</sup> June 2024**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the State Department upon receiving the respective approvals in order to conclude the final budget. Accordingly, the State Department recorded additional appropriations of **Kshs.8,921,543,870 (Recurrent)** and a Reduction of **Kshs.4,525,711,904(Development)** on the 2024/2025 budget following the governing body's approval. The State Department'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 cash flows has been presented under section 17 of these financial statements.

**c) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an *xx*-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-

recognition. Transfers are made to or from investment property only when there is a change in use.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**d) Property, plant and equipment**

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

**e) Right of use asset**

The right-of-use assets comprises 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 State Department 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 IPSAS 21 or IPSAS 26. 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 State Department 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 statement of financial position.

**Notes to the Financial Statements (Continued)**

**f) Tangible Natural Resources**

The State Department recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the State Department; the State Department controls the tangible natural resource as a result of past events; and The tangible natural resource can be measured reliably. Where this criteria is not met, the MDA discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An State Department shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

**g) Leases**

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

**Notes to the Financial Statements (Continued)**

**h) Intangible assets**

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

**i) Research and development costs**

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

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

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

**j) Financial instruments**

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

a) Financial assets

**Classification of financial assets**

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

**Subsequent measurement**

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

**Amortized cost**

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

**Notes to the Financial Statements (Continued)**

**Fair value through net assets/ equity**

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

**Trade and other receivables**

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

**Fair value through surplus or deficit**

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

**Impairment**

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

**b) Financial liabilities**

**Classification**

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

**Notes to the Financial Statements (Continued)**

**k) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the State Department.

**l) Provisions**

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

**Notes to the Financial Statements (Continued)**

**m) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The State Department recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the State Department will incur in fulfilling the present obligations represented by the liability.

**n) Contingent liabilities**

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

**o) Contingent assets**

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

**p) Nature and purpose of reserves**

The State Department creates and maintains reserves in terms of specific requirements. *The State Department does not maintain any reserves.*

**q) Changes in accounting policies and estimates**

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**r) Employee benefits**

**Retirement benefit plans**

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

**s) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**t) Borrowing costs**

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

**u) Related parties**

The State Department regards a related party as a person or a State Department with the ability to exert control individually or jointly, or to exercise significant influence over the State Department, or vice versa. Members of key management are regarded as related parties and comprise the Cabinet Secretary, the Principal Secretary and the Director General.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**v) Service concession arrangements**

The State Department analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the State Department recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the State Department also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w) 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.

**x) Comparative figures**

In preparing these financial statements, the State Department has elected to apply paragraph 79 of IPSAS 33, which allows for the election by a State Department to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

**y) 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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**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 State Department based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the State Department. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual value**

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

- a) The condition of the asset based on the assessment of experts employed by the State Department.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

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. *(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).*

Notes to the Financial Statements (Continued)

6. Transfers from Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended June 2025
	Kshs	Kshs	Kshs
Recurrent	50,629,861,722	-	50,629,861,722
Development	17,150,921,389	-	17,150,921,389
<b>Total</b>	<b>67,780,783,111</b>	<b>-</b>	<b>67,780,783,111</b>

7. Proceeds from foreign borrowings

Description	FY 2024/2025
	Kshs
Foreign borrowing-Direct payments	3,634,913,195
<b>Total</b>	<b>3,634,913,195</b>

<b>Total Proceeds from foreign borrowings</b>	<b>3,634,913,195</b>
<b>Adjusted for non-cash items</b>	
Direct Payments: EAKI	(420,098,607)
VAMED	(906,108,139)
VAMED	(65,808,246)
Kisii Cancer Centre	(134,531,199)
Covid	(2,108,367,004)
<b>Cash flow on Proceeds from foreign borrowings</b>	<b>-</b>

8. Proceeds from Domestic and Foreign Grants

Description	FY 2024/2025
	Kshs
Direct Payments	238,125,890
<b>Total</b>	<b>238,125,890</b>

<b>Total Proceeds from domestic and foreign grants</b>	<b>238,125,890</b>
<b>Adjusted for non-cash items</b>	
Direct payments: VAMED	(238,125,890)
<b>Cash flow on Proceeds from domestic and foreign grants</b>	<b>-</b>

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9. Proceeds from Sale of Assets (A.I.A)

Description	FY 2024/2025
	Kshs
Direct Payments	22,400,215,346
<b>Total</b>	<b>22,400,215,346</b>
<b>AIA BREAKDOWN</b>	
Kenya National Hospital	10,047,263,000
Kenya National Hospital (Othaya)	550,510,000
Moi Teaching and Referral	4,164,000,000
KU Referral	4,275,069,303
KEMRI	2,684,837,380
KEMSA	220,000,000
Mathari National Teaching and Referral	458,535,663
<b>TOTAL</b>	<b>22,400,215,346</b>

<b>Total Proceeds from Proceeds from sale of assets</b>	<b>22,400,215,346</b>
Adjusted for non-cash items	
AIA Receipts from SAGAs	(22,400,215,346)
<b>Cash flow on Proceeds from sale of assets</b>	<b>-</b>

10. Other Receipts -AIA

Description	FY 2024/2025
	Kshs
Administrative Fees and Charges	48,000,000
<b>Total</b>	<b>48,000,000</b>

<b>Other Receipts -AIA</b>	<b>48,000,000</b>
Adjusted for non-cash items	
AIA Receipts from Spinal Injury hospital	(48,000,000)
<b>Cash flow on Other Receipts -AIA</b>	<b>-</b>

**State Department for Medical Services**  
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**11. Employee Costs**

Description	FY 2024/2025
	Kshs
Basic salaries of permanent employees	1,100,736,010
Basic wages of temporary employees	5,105,996,304
Personal allowances – as part of salary	1,331,920,497
Pension and other social security contributions	226,209,624
Employer contributions to compulsory national social security schemes	228,251,170
<b>Total Employee costs</b>	<b>7,993,113,605</b>

\* *Other employee related costs- please provide a brief explanation for these costs*

<b>Total Employee costs</b>	<b>7,993,113,605</b>
Adjusted for:	
Employee payables for the period	(42,776,329)
<b>Cash flow on Employee Costs</b>	<b>7,950,337,276</b>

**12. Use of Goods and Services**

Description	FY 2024/2025
	Kshs
Utilities, supplies and services	145,355,582
Communication, supplies and services	955,300
Domestic travel and subsistence	118,522,271
Foreign travel and subsistence	9,916,546
Printing, advertising, and information supplies & services	6,614,800
Rentals of produced assets	5,804,100
Training expenses	366,509,012
Hospitality supplies and services	30,280,075
Specialized materials and services	1,572,689,346
Office and general supplies and services	1,038,389,411
Fuel Oil and Lubricants	34,085,412
Routine maintenance – vehicles and other transport equipment	15,047,260
Routine maintenance – other assets	1,140,109,109
Other operating expenses	1,031,801,955
<b>Total Use of Goods and Services</b>	<b>5,516,080,179</b>

**State Department for Medical Services  
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<b>Total Use of Goods and Services</b>	<b>5,516,080,179</b>
<b>Adjusted for non-cash items</b>	
AIA: Administrative Fees and Charges	(48,000,000)
Direct payment: Kisii cancer centre	(134,531,199)
Changes in payables	(370,103,300)
<b>Cash flow on Employee Costs</b>	<b>4,963,445,681</b>

**State Department for Medical Services****Annual Reports and Financial Statements for the year ended June 30, 2025.****Notes to the Financial Statements (Continued)****13. Transfers to Other Government Entities**

<b>Description</b>	<b>FY 2024/2025</b>
	<b>Kshs</b>
Transfers to national govt entities- SAGAs & SC	73,529,951,504
Others capital grants and transfers	3,145,810,496
<b>Total</b>	<b>76,675,762,000</b>

<b>Total Transfers to other government entities</b>	<b>76,675,762,000</b>
<b>Adjusted for non-cash items</b>	
AIA from SAGAs	(2,400,215,346)
Direct Payments: VAMED	(238,125,890)
EAKI	(420,098,607)
VAMED	(906,108,139)
VAMED	(65,808,246.00)
<b>Cash flow on Transfers to other Government Entities</b>	<b>52,645,405,772</b>

**14. Depreciation and Amortization Expense**

<b>Description</b>	<b>FY 2024/2025</b>
	<b>Kshs</b>
Property, plant and equipment	81,037,405
<b>Total</b>	<b>81,037,405</b>

Notes to the Financial Statements (Continued)

15. Other Grants and Subsidies

Description	FY 2024/2025
	Kshs
Emergency relief and refugee assistance	3,761,096,032
<b>Total Grants and Subsidies</b>	<b>3,761,096,032</b>

<b>Total Other Grants and Subsidies</b>	<b>3,761,096,032</b>
Adjusted for:	
Direct Payment: COVID	(2,108,367,004)
<b>Cash flow on Other Grants and Subsidies</b>	<b>1,652,729,028</b>

16. Cash and Cash Equivalents

Description	FY 2024/2025	Opening statement 1 <sup>st</sup> July 2024
	Kshs	Kshs
Recurrent Account	271,595	82,462
Development Account	542,276	261,875
Deposits Account	374,215,670	206,179,672
Cash on Hand	-	1,557,101
<b>Total</b>	<b>375,029,542</b>	<b>208,081,110</b>

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

16 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	FY 2024/2025	Opening statement 1 <sup>st</sup> July 2024
		Kshs	Kshs
CBK-Recurrent Account	1000733748	271,595	82,462
CBK-Development Accounts	1000733764	542,276	261,875
CBK-Deposits Accounts	1000733888	374,215,670	206,179,672
<b>Others (Specify)</b>			
Cash on Hand		-	1,557,101
<b>Sub- Total</b>		-	1,557,101
<b>Grand Total</b>		<b>375,029,542</b>	<b>208,081,110</b>

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Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment

	Office Equipment	Buildings	Plant and Equipment	Furniture and fittings	Computers & ICT Equipment	Medical Equipment	Capital Work in progress	Total
<b>Depreciation Rate</b>	12.50%	2%	12.50%	12.50%	30%	12.50%		
<b>Cost</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Opening Bal as 1<sup>st</sup> July 2024</b>	7,822,500	-	42,334,854	34,977,000	56,537,255	113,739,305	308,399,205	563,810,119
Additions	29,079,562	28,950,000	-	80,897,292	84,411,470	62,105,815	9,974,336	295,418,475
<b>As At 30 Jun 2025</b>	<b>36,902,062</b>	<b>28,950,000</b>	<b>42,334,854</b>	<b>115,874,292</b>	<b>140,948,725</b>	<b>175,845,120</b>	<b>318,373,541</b>	<b>859,228,594</b>
<b>Depreciation and Impairment</b>								
Opening depreciation	977,813	-	5,291,857	4,372,125	16,961,177	14,217,413	-	41,820,384
Depreciation	4,490,531.19	579,000.00	4,630,375	13,937,771	37,196,265	20,203,463	-	81,037,405
<b>As At 30 June 2025</b>	<b>5,468,344</b>	<b>579,000.00</b>	<b>9,922,231</b>	<b>18,309,896</b>	<b>54,157,441</b>	<b>34,420,876</b>	<b>-</b>	<b>122,857,789</b>
<b>Net Book Values</b>								
<b>Opening Bal as at 1<sup>st</sup> July 2025</b>	<b>6,844,688</b>	<b>-</b>	<b>37,042,997</b>	<b>30,604,875</b>	<b>39,576,079</b>	<b>99,521,892</b>	<b>308,399,205</b>	<b>521,989,735</b>
<b>As At 30 June, 2025</b>	<b>31,433,718</b>	<b>28,371,000</b>	<b>32,412,623</b>	<b>97,564,396</b>	<b>86,791,284</b>	<b>141,424,244</b>	<b>318,373,541</b>	<b>736,370,806</b>

(Include a brief description of WIP as a footer.)

**Notes to the Financial Statements (Continued)**

**Valuation**

Items of PPE are valued at Historical cost at the point of recognition in the financial statements. Where historical cost is not available or the item has been acquired at , PPE has been valued at the current operational value which is the amount the State Department would pay for the remaining service potential of an asset at the measurement date.

**18. Trade and Other Payables**

Description	FY 2024/2025		Opening Statement 1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Trade payables- goods and services	4,885,871,064		4,515,767,764	
Trade payables- acquisition of assets	291,177,111		563,810,119	
Employee payables	42,776,329		-	
<b>Total trade and other payables</b>	<b>5,219,824,504</b>		<b>5,079,577,884</b>	
<b>Ageing analysis: (Trade and other payables)</b>		% of the		% of
	Current FY	Total	1st July	the Total
Under one year	2,017,068,491	39%	4,975,516,304	98%
1-2 years	3,202,756,013	61%	104,061,579	2%
<b>Total (tie to above total)</b>	<b>5,219,824,504</b>	<b>100%</b>	<b>5,079,577,884</b>	<b>100%</b>

**State Department for Medical Services**  
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**Notes to the Financial Statements (Continued)**

**19. Refundable Deposits and Prepayments**

Description	Insert Current FY		Opening Statement 1 <sup>st</sup> July 20XX	
	Kshs		Kshs	
Retention	274,715,365		188,906,486	
Deposits	99,500,305		17,273,186	
<b>Total deposits</b>	<b>374,215,670</b>		<b>206,179,672</b>	
<b>Ageing analysis: (Refundable deposits)</b>	Current FY	% of the Total	1st July	% of the Total
Under one year	172,553,050	46%	46,909,766	23%
1-2 years	59,072,239	16%	-1,402,570	-1%
2-3 years	25,728,746	7%	75,041,306	36%
Over 3 years	116,861,635	31%	85,631,169	42%
<b>Total</b>	<b>374,215,670</b>	<b>100%</b>	<b>206,179,672</b>	<b>100%</b>

**20. Cash Generated from Operations**

	FY 2024/2025
	Kshs
<b>Surplus for the year before tax</b>	74,948,321
<b>Adjusted for:</b>	
Depreciation	81,037,405
Less: Non-cash grants received	(26,273,254,431)
Add: Non-cash grants paid	26,273,254,431
<b>Working capital adjustments</b>	
Increase in payables	412,879,629
<b>Net cash flow from operating activities</b>	<b>568,865,355</b>

**21. Related Party Disclosures**

**Nature of related party relationships**

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

**Government of Kenya**

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

**Other related parties include:**

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

**State Department for Medical Services  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

	2024/2025
<b>Related Party Transactions</b>	<b>Kshs</b>
<b>a) purchases from related parties</b>	
Purchases of electricity from KPLC	63,788,085.05
Purchase of water from govt service providers	9,090,567.60
Training and conference fees paid to govt. Agencies	31,375,074.00
<b>Total</b>	<b>104,253,726.65</b>
<b>b)Grants /transfers from the government</b>	
Grants from national govt- National Treasury	67,780,783,111
<b>Total</b>	<b>67,780,783,111</b>
<b>c)Key management compensation</b>	
Compensation to key management	14,288,298
<b>Total</b>	<b>14,288,298</b>

**22. Contingent Liabilities**

	FY 2024/2025
	<b>Kshs</b>
<b>Contingent Liabilities</b>	
Court Case against the State Department	68,421,740,034
Managed Equipment Services (MES)	1,177,265,531
KEMSA Debt	1,719,669,889
<b>Total</b>	<b>71,318,675,454</b>

No.	Nature of Contingent liability	Details of Court Awards	Date of Award	Amount
1	Court Award	Nairobi HCJR No. 173 of 2016 Formerly Nakuru CMCC No. 357 of 2004 Susan Wamaitha Kamau vs Ministry of Health	2016	63,702.40
2	Court Award	Kitale HC Petition No. 3 Of 2016 Michael Nyongesa Simiyu Vs Kitale County Hospital & The Hon. Attorney General	2016	212,500
3	Court Award	NRB HCJR No. E164 of 2021 Rockey Africa Limited vs Principal Secretary, Ministry of Health	2021	3,347,971,667
4	Court Award	HCCC No. 1361 of 2000 Vulcan Limited vs The Hon. Attorney General (On behalf of the Ministry of Health)	2000	4,825,823,565
5	Court Award	Nairobi HCCC No. 159 of 2006 Equip Agencies vs The Hon. Attorney General	2006	58,000,000,000
6	Court Award	Milimani HCCC E479 of 2020 & In the Matter of and Arbitration between Seven Seas Technologies Limited and the Ministry of Health.	2020	2,178,779,230
7	Court Award	Homabay SPMCC 17/2011 Elisha Okinyi Ogola -Vs- Medical Superintendent Suba District Hospital & Attorney General	2011	1,043,900
8	Court Award	ELRC Petition No. 32 of 2020 Dr. David Kamau Ndege vs Principal Secretary Ministry of Health, Ministry of Health and the Hon. Attorney General & 2 Others.	2020	32,013,590
9	Court Award	Nakuru Petition 36 of 2012 Christine Gakuhi Kubai vs The Principal Secretary Ministry of Health, the Hon. Attorney General and the County Government of Nakuru.	2012	20,000,000
10	Court Award	Maseno SRMCC No. 250 of 2008 Bernard Wasonga (Minor suing through his father and next friend Ernest Ogada Oyier) vs Attorney General	2008	225,072
11	Court Award	Nairobi ELRC Cause No. 1116 of 2012 Kenya National Union of Nurses vs The Permanent Secretary Ministry of Health & 2 Others	2012	385,164
12	Court Award	Meru CMCC No. 239 of 2012 Harriet Muthoni Kaugi (suing as legal representative of the Estate of Justus Kaugi Ragwa) Vs the Medical Superintendent Mathari Psychiatric Hospital and the Attorney General	2012	6,386,028
13	Court Award	Nairobi High Court Commercial Case No. 245 of 2013 <i>Faram E.A Limited vs Hon. Attorney General &amp; 2 Others</i>	2013	8,835,616
<b>TOTAL</b>				<b>68,421,740,034</b>

**23. Events after the Reporting Period**

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

**24. Ultimate and Holding State Department**

The State Department ultimate parent is the Government of Kenya.

**25. Currency**

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

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19. Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
422	<b>Misclassification of Expenditure</b> The financial statements presented for audit contained the following misclassifications	We have since reclassified in the amended financial statements (copy attached) appendix...422 (1)	Resolved	
423	<b>Unsupported Other Operating Expenses</b> The statement of receipts and payments reflects use of goods and services of Kshs.12,183,660,271 as disclosed in Note 7 to the financial statements. The amount includes other operating expenses balance of Kshs.2,070,212,450 out of which an amount of Kshs.24,200,000 was paid to a Company being 1st installment for consultancy services on public awareness campaigns to reduce Covid-19 vaccine hesitancy. However, Management did not provide for audit the bidders' documents for the eight (8) companies that tendered to offer the services	The bidders have since been availed for Audit Appendix..423	Resolved	
424	<b>Unsupported Specialized Materials and Services</b>	The vouchers in question have since been provided to auditors for verification and are hereby attached as appendix 424  We attach payment vouchers and the Journal vouchers Appendix 424	Resolved	
425	<b>Unreleased Deposit Amounts</b>	The deposit outstanding for more than 6 months were for Equalization Fund project which had stalled as a result of Litigation  copies of the outstanding deposits amounting to Ksh 109,105,844	Not Yet resolved	31 <sup>st</sup> October 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		are hereby attached		
426	<b>Unsupported Credit Entry</b> The statement of receipts and payments reflects payment of other grants and transfers of Kshs.2,168,422,341 as disclosed in Note 9 to the financial statements. The amount includes Kshs.2,164,269,767 for emergency relief and refugee assistance whose ledger revealed a credit entry of Kshs.106,959,911 which was not supported by journal vouchers	The approved Journal Entry (JE NO. 34366588/33114161 of 29 <sup>th</sup> June 2022 is hereby attached as Appendix 426	Resolved	31 <sup>st</sup> October 2025
427	<b>Unsupported Disbursements</b> The statement of receipts and payments reflects transfers to other Government units of Kshs.77,155,075,338 as disclosed in Note 8 to the financial statements. The amount includes current grants to Government Agencies and other level of government of Kshs.49,519,739,794 out of which Kshs.2,848,630 was disbursed to an International Company for settlement of outstanding amounts for a vector control project and a further Kshs.10,499,556 to the health attaches office in Geneva which were not supported. In addition, Kshs.37,845,650 was transferred to the same office without detailed explanations on purpose of the funds.	payment voucher no. 0001840 disbursed Kshs. 2,848,630 to Labiofam in Cuba to settle outstanding amounts for a vector control project has been attached  i) Kshs. 37,845,650 was transferred to International health office in Geneva .attached Appendix 426  Amounts payable to International Health Office, Geneva are budgeted for under vote head 1081008302- classified as Health Education, the entity is not self- reporting but the payments are made through the Ministry of Foreign Affairs which is a self-reporting entity.	Resolved	31 <sup>st</sup> October 2025
430	<b>Unconfirmed Commitments of Goods, Works and Services</b> The statement of comparison of budget and actual amounts reflects actual expenditure of Kshs.107,345,805,714. Review of the budget revealed negative commitments of Kshs.769,494,918. However, an analysis indicating the	Negative values in the commitments resulted from budget cuts in the supplementary budget which was approved after the commitments had already been done.	Resolved	31 <sup>st</sup> October 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	description of the goods, works and services and the respective dates of commitments was not provided for audit	Find attached supplementary budget Appendix 430		
431	<b>Unsupported Contingent Liabilities - Court Awards</b>	We have attached an update list for your review Appendix 431	Not Yet resolved	31 <sup>st</sup> October 2025
432	<b>Undisclosed Asset Disposals</b> The summary of fixed asset register in Annex 3 reflects historical cost amount of Kshs.4,198,764,838 with no disposals during the year under review. However, Note 4 to the financial statements indicates proceeds from sale of assets of Kshs.10,742,319,287. Further, the details of specific items disposed were not provided for audit	the summary of fixed asset register under annex 3 reflect nil disposals during the year; but Note 4 in the financial statements indicates proceeds from sale of assets of Kshs.10,742,319,287.00. This amount comprises of Appropriations in Aid (AIA) amounts from different Agencies within the Ministry for the respective Financial Year, denoted in the budget as 'Receipts from sales and other inventories, stocks and commodities', and itemized as 3520200.  Annex 432....Summary of the AIA component amount of Kshs.10,742,319,287 as Captured -various budget extracts from the respective entities (i.e. KNH, MTRH, KUTRRH, KENRA and KPDMC)	Resolved	31 <sup>st</sup> October 2025
433	<b>Delayed Construction of Kisii Cancer Center</b> The statement of receipts and payments reflects acquisition of assets amount of Kshs.2,000,223,435 as disclosed in Note 11 to the financial statements. The amount includes construction of buildings of Kshs.1,088,277,999 out which Kshs.6,420,100 was a payment on	<i>We have attached the payment vouchers and necessary attachments for your review Appendix 433</i>	Resolved	31 <sup>st</sup> October 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>behalf of the donor by the Ministry of Health but there was no evidence of its refund after renewal of the contract. In addition, a payment of Kshs.3,210,500 for consultancy services was not supported by payment voucher and other supporting documents. Further, the project duration was six (6) years from 10 August, 2016 to 10 August, 2022 but the construction had not commenced by 30 June, 2022.</p>			
434	<p><b>Unaccounted for Expenditure on Construction of Paediatric Emergency Centre and Burns</b>            The statement of receipts and payments reflects acquisition of assets balance of Kshs.2,000,223,435 as disclosed in Note 11 to the financial statements. The amount includes Kshs.1,088,277,999 for the construction of buildings out of which an amount of Kshs.40,655,752 was paid for construction of paediatric emergency centre and burns management centre. However, payment vouchers, procurement file detailing how the contractor was identified and to show the bills of quantities were not provided for audit. In addition, physical inspection carried out revealed that no works were ongoing at the centre.</p>	<p>That at the time of the audit some vouchers were not provided which have since been availed for audit review. <b>Appendix 434</b></p>	Resolved	31 <sup>st</sup> October 2025
435	<p><b>Budgetary Control and Performance</b>            The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.130,469,107,784 and actual on comparable basis of Kshs.107,376,446,249, resulting to underfunding of Kshs.23,092,661,535 or 17% of the budget. Similarly, the Ministry spent an amount of Kshs.107,345,805,714 out of the</p>	<p>That the issue of under expenditures resulted from non-issuance of exchequer by The National Treasury on time. This affected planning, procurement and execution of projects resulting to underperformance</p>	Resolved	31 <sup>st</sup> October 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	approved expenditure budget of Kshs.130,469,107,784, resulting in an under expenditure of Kshs.22,123,302,070 or 17% of the budget.			
436	<b>Variiances Between Financial Statements and Vote Book</b>	We have reconciled the financial statements and have amended the financial statements accordingly. We attach copies of ledgers for your review. <b>Appendix 436.....</b>	Resolved	31 <sup>st</sup> October 2025
437	<b>Undisclosed Pending Bills</b>  Note 19 to the financial statements reflects pending bills amount of Kshs.106,671,192. However, the Ministry's pending bills report for financial year 2021/2022 dated 26 July, 2022 reflects outstanding amounts of Kshs.45,899,794,836 resulting to an undisclosed pending bills of Kshs.45,793,123,644.	The financial statement disclosed the current pending pending bill of 106,671,192 while the pending bill list contains the current and historical figures However the Financial statements for the year ended 30 <sup>th</sup> June 2022 has been amended (Copy attached as Appendix 437)	Resolved	31 <sup>st</sup> October 2025
438	<b>Unresolved Prior Year Audit Matters</b>  In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.	Its true some Audit issues have not been resolved. The remaining unresolved issues are being resolved progressively. We have attached a list of last year's audit issues for your review in the financial statements appendix 438	Not Yet resolved	31 <sup>st</sup> October 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
439	<b>Failure to Operationalise Institutions</b>	<p>- Mathari Teaching and Referral Hospital The CEO had not been recruited to transition the institution, however a substantive CEO has since been recruited</p> <p>- Kenya Health Human Resource Advisory Council The board has since been appointed</p> <p>- Kenya Health Professions Oversight Authority</p>	Not Yet resolved	31 <sup>st</sup> October 2025
		<p>The SAGAs budget is yet to be captured as a grant, it is currently spending from the Ministry headquarters vote</p> <p>- Tobacco Control Fund The fund is yet to be operationalized because the regulations to govern the fund have not been finalized</p>		
440	<p><b>Unremitted National Social Security Fund (NSSF) Contributions</b></p> <p>Review of Ministry's Integrated Personnel and Payroll Data base records revealed that Management did not deduct and remit an amount of Kshs.93,359,823 to the National Social Security Fund. This was contrary to Section 19(1) and Section 20(1) (a)(b) of the National Social Security Fund Act, 2013.</p>	<p>The prevailing regulations provide for exemptions to contribute towards the NSSF Fund.</p> <p>The categories of employees that are exempt are eligible to retirement benefits under other schemes thus not deducted NSSF. These include officers eligible to service gratuity, officer contributing to any pension scheme and officers that will derive</p>	Resolved	31 <sup>st</sup> October 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>pension under the Pension Act Cap 189.</p> <p>It is also important to note that NSSF was not remitted since it was not deducted from the employees due to system failure.</p> <p>The system is configured to automatically effect statutory deductions on staff salaries. The issue of unremitted NSSF contribution arose out of failure of the IPPD system to make deductions on some categories of staff contrary to what is expected of the system during processing of the payroll.</p> <p>The Ministry has taken the necessary action towards correction of the anomaly in liaison with State Department of Public Service to effect the deductions and the issue has been fully addressed.</p>		
441	<p><b>Delayed Closure of Donor Funded Projects</b></p> <p>The following donor projects had not been closed despite them not having any transactions or activities during the year under review;</p> <p>i. Support of the Health Financing Strategy-Output Based Approach Programme (OBA);</p>	<p><b>1. OBA-RH</b></p> <p><i>It is true that this project ended in January 2017 but the bank account is yet to be closed.</i></p> <p><i>Even though the project activities ended in 2017, the accounts remained open because of the pending litigations. KFW had agreed to send any contingency funds that would be requested by PwC emanating from the proceedings and or determination by the</i></p>	Resolved	31 <sup>st</sup> October 2025

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Reference No, on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeline (Put a date when you expect the issue to be resolved)
	<p>ii. Ministry of Health - United Nations Population Fund - (UNFPA);</p> <p>iii. East Africa Public Health Laboratory Networking Project (KEMSA);</p> <p>iv. Health Sector Services Fund (HSSF) Grant No.4771-Ke and TF-16027;</p> <p>v. Health Sector Support Project (KEMSA); and,</p> <p>vi. Support of the Health Financing Strategy - Output Based Approach - Reproductive Health (OBA-RH) No 20106-5853</p>	<p><i>courts. The email communication between KFW and PwC is annexed. The programme account will be closed as soon as the court cases are concluded.</i></p> <p><b>Annex 4.32.1 Communication from KFW Allowing Expenditure on ongoing Litigation</b></p> <p><b>2. EAPHLN-KEMSA</b></p> <p><i>It is true that the East Africa Public Health Laboratory Networking Project was closed on 30 September 2020. However, the project account is yet to be closed as the entity awaits National Treasury approval. The approval was sought in July 2022 and the National Treasury vide letter REF: EA/FA/78/7/028/D dated 22<sup>nd</sup> July 2022 asked the Ministry to provide Concurrence/No Objection from the donor. This was sought from the donor and the Ministry wrote back to the National Treasury vide letter REF: MOH/ACCT/BA/55 VOL.111(85) of 7<sup>TH</sup> November, 2022. We await the response to enable closure of the account hence the project.</i></p> <p><b>Annex 4.32.2(a)National Treasury letter REF: EA/FA/78/7/028/D</b></p> <p><b>Annex 4.32.2(b)KEMSA letter to the World Bank REF:</b></p>		

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		<p><i>KEMSA/FIN/WB/22/23/09/07/001</i>  <i>Annex 4.32.2(c)Email communication with the World Bank</i>  <i>Annex 4.32.2(d)Ministry of Health letter MOH/ACCT/BA/55 VOL.111(85)</i></p>		
442	<p><b>Unremitted Pension Contributions</b></p> <p>Review of Integrated Personnel and Payroll Data base records revealed that Management did not deduct Kshs.2,245,580 pension contribution for employees below the age of 45 years who were engaged on permanent and pensionable terms.</p>	<p>The Ministry has been working on the issue and it was only fourteen officers (14) whose pension contribution had not been remitted and as at today, the problem has been fully addressed.</p> <p>The anomaly of non-deduction and remittance towards Defined Benefit scheme was due to the wrong capture of engagement terms on employment; for few officers' records were not updated at the time the scheme was established and for other officers that are members of other pension schemes.</p> <p>The appendix 442 provides a summary of the deductions effected in the month of November, 2022.</p>	Resolved	31 <sup>st</sup> October 2025
443	<p><b>Irregular Use of Low Value Procurement</b></p> <p>Note 7 to the financial statements reflects routine maintenance – vehicles and other transport equipment of Kshs.23,319,869 out of which Kshs.8,723,434 relates to repair of vehicles paid through cash</p>	<p>The Ministry incurred expenditure of Ksh 8,723,434 for minor repair of vehicles paid through standing imprest, this is mainly due to the large pool of motor vehicles that the ministry holds.</p>	Resolved	31 <sup>st</sup> October 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeliness (Put a date when you expect the issue to be resolved)
	<p>advances to employees. This is contrary to second schedule of the Public Procurement and Asset Disposal Regulations, 2020 which sets the maximum low value procurement at Kshs.50,000 per item per financial year. In the circumstances, Management was in breach of the regulation.</p>			
444	<p><b>Upgrading of Kigumo Sub-County Hospital</b></p> <p>The statement of receipts and payments reflects grants and transfers to other Government entities balance of Kshs.77,155,075,338 as disclosed in Note 8 to the financial statements. The amount includes capital grants to government agencies and other level of Government amount of Kshs.15,537,403,394 out of which Kshs.23,375,738 was paid on account of an interim payment certificate No. 2 from contract sum of Kshs.383,242,795. However, procurement records of tender advertisement, bid documents, tender opening, evaluation and comparison minutes, professional opinion, notification and acceptance of the award letters, schedules and summary of the other principal terms and conditions of the tender were not provided for audit. In addition, the Project had a start date of 23 June, 2021 and completion date 21 December, 2022, but the contractor has sought for extension by twenty-four (24) weeks which had not been granted</p>	<p>The documents are hereby provided for review as appendix 444</p>	Not Yet resolved	31 <sup>st</sup> October 2025
445	<p><b>Weaknesses on Compensation of Employees</b></p> <p>The statement of receipts and payments and reflects compensation of employees amount of Kshs.13,712,918,331 as disclosed in</p>	<p><b>a) TAX PINS</b></p> <p>These officers did not submit the tax pins as required. However, currently the IPPD system has been configured not to</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>Note 6 to the financial statements. However, one hundred and sixty-eight (168) had their net pay less than a third of their basic pay and eight (8) employees shared bank accounts. In addition, an amount of Kshs.54,253,428 was paid to interns and clinical officers outside the IPPD system as well as salary paid under AFD projects of Kshs.6,544,585. Further, two thousand two hundred and ninety-six (2,296) employees were paid Kshs.93,987,280 as basic pay and Kshs.58,880,866 as special salary which was not explained.</p>	<p>load any officer without a Tax pin.</p> <p>Please note that we cannot update the records of affected officers since their salaries were stopped prior to them availing their respective tax pin certificate and the officers have not traceable.</p> <p>The appendix 34 A. details provide the details on un-captured tax pins.</p> <p><b>b) Below legal age</b></p> <p>Although the audit report shows that there are 3 employees that were employed at an age below the legal age, our analysis of records indicate that the cited officers had reached the legal age of 18 years old as outlined in the table below: The three (3) employees are under UHC and were engaged by their respective County Public Service Boards'. The Boards thereafter submitted to the ministry appointment documents for processing of salary. Indeed we can confirm by the time we were loading them into the payroll they had attained the legal age of 18 years.</p> <p><b>c)</b></p> <p>The following circumstance led to the officers' net salaries</p>		

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		<p>reducing below one third of their basic salary:</p> <ul style="list-style-type: none"> <li>• Upward review of personal contribution to the Public Service Superannuation Scheme from 2% to 5%.</li> <li>• Expiry of tax exemption for officers living with disabilities.</li> <li>• Officers, whose contract ends before</li> </ul> <p>close of the month, did not earn a full salary. The Ministry has taken the necessary action towards correction of the anomaly except for officers placed on interdiction and officers that are being recovered overpayment. The appendix 34 C provides further details.</p> <p><b>d) Shared Bank Accounts</b></p> <p>The ministry has since corrected the shared bank accounts through updating of the payroll.</p> <p>The bank accounts were erroneously captured during the transition from manual loading into the IPPD of over 12,000 employees.</p> <p>Please note no fund were no funds were lost as a</p>		

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		<p>result of duplicate bank accounts. The appendix 34 d provides further details.</p> <p><b>e) Payments Outside the IPPD system</b></p> <p>These are interns and officers appointed to manage COVID 19 who had not been loaded into the payroll by the time their internship ended or contract was not renewed in good time. Consequently, they had to be paid by a separate voucher. The appendix 34 E provides further details.</p> <p><b>f) Special and Basic Salary Payment</b></p> <p>It is indeed true that the Ministry has officers' paid special salary as basic salary for reasons detailed herein:</p> <ul style="list-style-type: none"> <li>✓ Payment of special salary is for employees that are not within the civil service salary scale. This is in specific reference to categories of employees such as: <ul style="list-style-type: none"> <li>• UHC contractual staff, interns and</li> </ul> </li> </ul>		

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		<p>officers drawing consolidated pay</p> <ul style="list-style-type: none"> <li>• Officers with salary personal to self.</li> </ul> <p>✓ These categories of employees regular payment is depicted as special salary while their arrears are picked as basic salary.</p> <p>It is therefore confirmed that the payments were valid and there were no cases of double payment.</p>		
446	<p><b>Failure to Maintain Fixed Assets Register</b></p> <p>The Ministry did not maintain a fixed asset register to record the assets indicating their nature, date of purchase, amount, unique identifier, depreciation among other details.</p> <p>Further, details of assets acquired and those disposed were not recorded.</p> <p>In the circumstances, the effectiveness of controls on management of Ministry fixed assets could not be confirmed.</p>	Fixed asset register has been attached as appendix 446	Not Yet resolved	31 <sup>st</sup> October 2025
541	<p><b>Inaccurate Fixed Assets Register</b></p> <p>The summary of fixed assets register as disclosed in Annex 2 to the financial statements</p>	It is true that the State Department is the legitimate proprietor of various land parcels	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>reflects fixed assets balance at historical cost of Kshs.9,547,916,600 with a Nil balance for land. However, the State Department is in possession of three (3) title deeds for parcels of land of undetermined value. In addition, title deed for a parcel of land where the Ministry of Health headquarters is located was not provided for audit. Further, the fixed assets balance excludes the Ministry of Health headquarters buildings and a list of twenty-four (24) medical equipment of undetermined value. In the circumstances, the ownership, accuracy, completeness and valuation of fixed assets balance of Kshs.9,547,916,600 could not be confirmed.</p>	<p>situate across the country including in Ngong Kajiado County, Mathari National Teaching and Referral Hospital, the National Spinal Injury Hospital and Afya House with the attendant land parcel along cathedral road where the Ministry of Health headquarters is located. Whereas the ownership documents (title deeds) for the three parcels of land in Ngong Kajiado County, Mathari National Teaching and Referral Hospital and Spinal Injury hospital have been fully processed and were availed for audit review, the ownership documents for the parcel of land along cathedral Road where the Ministry of Health headquarters (Afya House) is located has not been fully processed to specifically capture the parcel to be designated as Afya House and its compound. This is because the entire chunk of land where Afya House is situate also includes Kilimo House where the Ministry of Agriculture and Livestock is headquartered.</p>		

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		<p>All these land parcels and the fixtures therein have however not been valued by the relevant government departments but are properly fenced to avoid encroachment. The omission of Afya House and some 24 Equipment in the submitted Fixed Assets Register was inadvertent and has now been rectified.</p>		
542	<p><b>Budgetary Control and Performance</b>                      The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.105,559,624,287 and Kshs.80,702,060,243 respectively resulting to an underfunding of Kshs.24,857,564,044 or 24% of the budget. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public. My opinion is not modified in respect of this matter.</p>	<p>It's true that during the year under review there was an under funding of 20% of the budget. The under funding of Kshs. 21,525,263,147 resulted from non-issuance of exchequer by The National Treasury.</p>	Not Yet resolved	31 <sup>st</sup> October 2025
543	<p><b>Unresolved Prior Year Matters</b>                      In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2024 and no explanation was provided for failure to implement recommendations.</p>	<p>It is true that as at the time of the audit, there were unresolved prior year matters. These have since been resolved as the State Department appeared before the Public Accounts Committee on 28<sup>th</sup> November 2024 and 03<sup>rd</sup> December 2024.</p>	Resolved	31 <sup>st</sup> October 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
544	<p><b>Non-Compliance with Budgeting Process</b></p> <p>The statement of comparison of budget and actual amounts reflects final payments budget of Kshs.105,559,624,287 out of which Kshs.200,000,000 relates to construction of three (3) hospitals which were introduced through supplementary estimates. However, these hospitals did not meet the conditions in respect to unforeseen or unavoidable in circumstances where no budget provision was made. The supplementary budget also includes pending bills amount of Kshs.779,000,000 which should have been budgeted during the normal budgeting process. This was contrary to Regulation 40(3) of the Public Finance Management (National Government) Regulations, 2015 which states that the purpose for which approval is sought for a supplementary budget shall be (a) for unforeseen and unavoidable, in circumstances where no budget provision was made; or (b) unavoidable, in circumstances where there is an existing budgetary provision which however is inadequate. In the circumstances, Management was in breach of the law.</p>	<p>We agree with auditors' observation.</p> <p>The three projects Lusigeti, Ugenya and Uriri were introduced through the Act of Parliament and sent to the National Treasury through Certificate. Having the projects approved under our vote the State Department had to carry on with the implementation of the Projects</p>	Not Yet resolved	31 <sup>st</sup> October 2025
545	<p><b>Long Outstanding Deposits</b></p> <p>The statement of financial assets and financial liabilities and as disclosed in Note 13 to the financial statements reflects third party deposits and retention balance of Kshs.206,179,672 out of which Kshs.84,980,883 relates to long outstanding deposits for over five (5) years from 2016/2017. This was contrary to Regulation 106 of the Public</p>	<p>We agree with auditor's observation that as at 30<sup>th</sup> June 2024, there were long outstanding deposits for over 5 years. Most of these deposits relates to the Equalization Fund. The State Department has initiated the process of</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>Finance Management (National Government) Regulations, 2015 which states that unless otherwise exempted by an Act of Parliament, any deposit which has remained unclaimed for five (5) years may, with the approval of the Cabinet Secretary, be paid into Consolidated Fund and thereafter the Accountant-General may refund the deposit to any person entitled thereto, if he or she is satisfied that the claim is authentic.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>surrendering the deposits to the National Treasury.</p>		
546	<p><b>Failure to Operationalize the Emergency Medical Treatment Fund</b></p> <p>The statement of comparison of budget and actual amounts reflects final payments budget of Kshs.105,559,624,287 out of which Kshs.90,000,000 relates to emergency medical treatment fund meant for emergency treatment and management of chronic illnesses. However, the vote book indicated that the funds remained unutilized since no regulations had been enacted to guide its implementation. In addition, this appropriation lapsed at the end of the financial year due to failure to operate a separate fund account contrary to Section 15(1)(x) of the Health Act, 2017 which states that ‘The national Government ministry responsible for health shall establish an emergency medical treatment fund for emergencies to provide for unforeseen situations calling for supplementary finance.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>We agree with auditors’ observation.</p> <p>These funds were seed money for SHA/SHIF. The funds remained unutilized due to the fact that the FY 2023/24 there was an ongoing court case for SHIF/SHA that remained unsolved up to the closure of the FY 2023/24.</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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547	<p><b>Unbudgeted Pending Bills</b> The statement of comparison of budget and actual amounts reflects final payments budget of Kshs.105,559,624,287. Schedules provided for audit revealed pending bills balance of Kshs.1,557,873,023 for use of goods and services and Kshs.24,389,033,396 for legal cases carried forward from financial year 2022/2023. However, these amounts were not budgeted for in the financial year 2023/2024 despite payments of Kshs.1,453,811,444 and Kshs.82,622,195 under use of goods and services and legal cases respectively. This was contrary to Paragraph 20 of The National Treasury Circular number 7/2023 dated 21 June, 2023 which states that in order to ensure there is no accrual in payment of arrears (pending bills), Accounting Officers should ensure that carryover payments emanating from FY2022/2023 are treated as a first charge against the financial year 2023/24 budgetary allocation before entering into any new commitments. Further, the State Department incurred Kshs.8,202,829,963 in respect to interest and penalties on legal cases due to non-payment leading to loss of funds. In the circumstances, Management was in breach of the law and value for money on expenditure incurred in respect of interest and penalties could not be obtained.</p>	<p>It is true that during the year under review, pending bills amounting to Kshs1,453,811,444 and Kshs. 24,389,033,396 for legal cases were paid after their approval and verification. The pending bills arose due to inadequate issue of exchequer in the year 2022/2023. Considering majority of the pending bills were for the supply of goods and services, the right chargeable items had available funds which were utilized since the pending bills form the first charge. Despite the budget cuts that were effected during the year, the National Treasury replenished some of these funds through supplementary I and II.</p>	Not Yet resolved	31 <sup>st</sup> October 2025
548	<p><b>Stalled Equalization Fund Projects</b> Review of project documents provided for audit revealed that forty-four (44) equalization</p>	We concur with the Auditor that the project status report provided did	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>fund projects were at various stages of implementation. Twenty-eight (28) projects were ongoing while sixteen (16) projects of undetermined value had stalled. However, details of these projects including contract price and value of work done were not provided for audit. It was therefore not possible to confirm the completion status of these Projects as at 30 June, 2024. In the circumstances, the value for money spent on the stalled projects could not be confirmed.</p>	<p>not show the contract price and the value of works done up to the end of the year under review. The Equalization fund – Health Project has been implementing 84 projects since its inception. The projects had stalled as a result of a court case filed by the Council of Governors under Constitution Petition No. 272 of 2016 Council of Governors -vs-The Attorney General &amp; 2 Others. The Council of Governors was challenging the Guidelines issued by the National Treasury on Administration of the Equalization Fund published on 13<sup>th</sup> March 2015. The Ministry sought legal advice from the Attorney General Office on the Judgement issued in the said Petition vide letter Ref: No. EF/ADM GEN/VOL I/ (1). The Attorney General advised on the way forward vide letter Ref. No. AG/CONF/21/53 dated 21<sup>st</sup> March, 2023 and the Ministry has since taken action pursuant to the advice.)</p>		
549	<b>Underfunding of Maternity Programme</b>	We agree with auditors’	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>The statement of comparison of budget and actual amounts reflects final payments budget of Kshs.105,559,624,287 out of which Kshs.4,098,000,000 relates to implementation of free maternity programme. However, only Kshs.2,000,000,000 was transferred to the National Health Insurance Fund for the implementation of the programme resulting to an underfunding of Kshs.2,098,000,000 or 51% of the budget. This was contrary to Article 43(1)(a) of the Constitution of Kenya 2010 which states that, 'Every person has the right to the highest attainable standard of health, which includes the right to health care services, including reproductive health care. In the circumstances, Management was in breach of the law.</p>	<p>observation. However, the funds were processed to transfer the Kshs. 2,098,000,000 but lacked exchequer from the National Treasury in the FY 2023/24 against the expenditure of Kshs. 2,000,000,000.</p>		
550	<p><b>Stock Out of Vaccines at the Central Vaccine Store</b> Review of the vaccine stock ledgers revealed that during the year, three antigens (BCG, OPV and Measles Rubella) were out of stock for an average of sixty-five (65) days due to delays in providing funding to the procuring agent. The stock outs at the Central Vaccine Store (CVS) affects the availability of vaccines at the health facilities which significantly affects the life of citizens. This was contrary to Section 160(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall manage its inventory, assets and stores for the purpose of</p>	<p>A few unfortunate instances have been experienced in the country where certain vaccines have gone out of stock. In the latest of this instance, there was a stock out of Measles Rubella, BCG and OPV vaccines mid this year; 2024. Vaccine financing and procurement is executed through a Memorandum of Understanding between UNICEF (On behalf of GAVI) and the Kenyan government. In 2022, Kenya entered into the Accelerated transition Phase having attained</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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	preventing wastage and loss, and continuing utilization of supplies.	<p>middle income level with a previous three year rolling average GNI per capita of USD 1,710 which exceeded GAVI's eligibility threshold of USD 1,660. The country is now expected to co-finance vaccine purchases with the current obligations having doubled since 2023. Thereafter the countries obligations will increase at a rate of 10 % up to 2029 December when the country is expected to be fully self-financing. This is a very recent development that has necessitated key adjustments in the governments part on funding vaccination services in the country. The Ministry of Health continues to lobby for funds from the National treasury to facilitate a seamless transition process. Other considerations would include:</p> <p>Contingency Stock Management: Prepositioning critical vaccine stocks in high-risk areas.</p> <p>Treasury Engagement: Sustained advocacy for timely release of funds to procuring agents.</p>		

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		<p>Flexible Procurement: Developing adaptive frameworks to address procurement bottlenecks.</p> <p>Climate Logistics Adaptation: Implementing strategies such as mobile cold storage to sustain vaccine supply during floods or other extreme weather conditions.</p>		
551	<p><b>Delayed Completion of Pediatric Emergency Centre and Burns Management Centre</b></p> <p>The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects acquisition of assets amount of Kshs.3,256,146,761 out of which Kshs.34,047,734 relates to construction of Pediatric Emergency Centre and Burns Management Centre at Kenyatta National Hospital. The project duration was two (2) years from 02 August, 2018 to 10 November, 2020 at a contract sum of Kshs.2,959,511,555. However, the value of work done as at 30 June, 2024 about two and half years after the expected completion date was Kshs.1,099,686,586 and the project was verified to be incomplete. In addition, the value of work done includes interest on delayed payments of Kshs.68,043,601 which could have been avoided. This was contrary to Section 151 (2) (c) of the Public</p>	<p>The Paediatric Emergency and Burns Management Center project at Kenyatta National Hospital is financed by three financiers; the Government of Kenya 58.2%, Arab Bank for Economic Development of Africa (BADEA) 12.0%, Opec Fund for International Development (OFID) 17.2% and Saudi Fund for Development (SFD) 12.6%. The Project commenced on 20th August 2018 and construction of builder's works is currently 77% complete. There has been delays in project progress / completion due to the following reasons;</p> <p>1</p> <p>.</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>Procurement and Asset Disposal Act, 2015 which requires a procuring entity to meet all its payment and other obligations on time and in accordance with the contract.</p> <p>In the circumstances, value for money on expenditure of Kshs.34,047,734 in respect to the construction of Pediatric Emergency Centre and Burns Management Centre could not be confirmed.</p>	<p><b>Underpayment/Delayed Payments</b></p> <p>a. <b>Project Consultant:</b> The Project Consultant suspended their consultancy services on 1<sup>st</sup> March 2021 due to non-payment of fee notes Nos.1 to 3, which amounted to Kes.20,190,983.00. The Project Consultant resumed their services on 20<sup>th</sup> September 2021 after the Ministry of Health (MoH) and The National Treasury approved KNH to settle the pending payments using the GoK allocation for the project. The Consultant suspended works again on 13<sup>th</sup> May 2024 again due nonpayment of fee note number 4 of Ksh. 5,863,309.20 by external financiers, claim on interest on delayed payments and claim on compensation for change of scope. The Ministry of Health facilitated the payment of interest on delayed payment and the</p>		

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		<p>consultant resumed work. However, the payment of fee note 4 by external financiers and claim on change of scope is still pending.</p> <p><b>b. Contractor:</b> The Contractor has previously suspended work thrice, with the first suspension lasting from April to August 2019; the second from January to February 2021; and the third from 1<sup>st</sup> July 2021 to 2<sup>nd</sup> December 2022. These suspensions were a result of delayed payment. At the time the Contractor suspended all construction on 1<sup>st</sup> July 2021, the delayed payments amounted to <b>KES.78,848,666.22</b>, exclusive of accrued interest. However, the Contractor has since received payment amounting to <b>KES.36,950,667.46</b> from GoK and the development partners. The outstanding balance of <b>KES.41,897,998</b> is owed by the development partners due to underpayments resulting from withholding 3%</p>		

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		<p>withholding tax payable to KRA. The summary of the underpayments is as follows: -</p> <p><b>2</b></p> <p><b>. Accrued Interest Contractor:</b> The Contractor raised has raised 14 Payment Certificates to date with amount certified at 1,217,956,722. IPC 1-14 have been paid by GOK and submitted to the development partners for processing however the outstanding balance of KES 78,503,943 is still pending and the requested MOH to give guidance on settlement of accrued interest as at certificate 12&amp;13 amounting of KES. 33,678,938. The interest on delayed payment of Ksh. 68,043,601 charged by the contractor was occasioned by non-provision of adequate budget to the project in the Financial Year 2019/20 and delays in disbursement of payments by the external financiers to the contractor. This resulted to suspension of works by</p>		

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		<p>the contractor and subsequent prolongation of the project period. The Ministry of Health has taken the necessary measures ensure provision of the project in the budget and streamlined the disbursement of funds to the contractor by the external financiers to ensure completion of the project.</p> <p>3</p> <p><b>. Idle Plant &amp; Machinery – KES.905,279,216.16</b></p> <p>At the date of resumption of works on site, the Contractor had submitted claims on disrupted labour, idle plant, and machinery amounting to <b>KES.905,279,216.16</b>. The consultant has since reviewed claims 1-13, and noted admissible claim of <b>KES.283,257,855.47</b>. The Hospital and consultants have requested the Contractor for additional supporting documents to enable finalizing tabulation of the claim. The contractor has issued a notice to suspend works due to delay in certification and</p>		

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		<p>payment of his financial claims. The Ministry of Health has taken the necessary measures ensure provision of the project in the budget and streamlined the disbursement of funds to the contractor by the external financiers to ensure completion of the project.</p>		
552	<p><b>Inadequate Patients Beds at Mathari Hospital</b> Note 9 to the financial statements reflects construction of buildings amount of Kshs.572,941,804 out of which Kshs.12,579,005 relates to renovations of wards at Mathari Hospital. Data maintained at the Hospital indicated a total of six hundred and fifty-three (653) hospital beds. However, review of the daily inpatient attendances indicated the number of inpatients exceeded the available beds resulting to patients being kept on the floor or sharing of beds for a period of two hundred and sixty-one (261) days thereby raising the risk of cross infection. This was contrary to Article 43 (1) (a) of the Constitution of Kenya 2010 which states that, ‘Every person has the right to the highest attainable standard of health, which includes the right to health care services, including reproductive health care. In the circumstances, Management was in breach of the law.</p>	<p>The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects construction of buildings amount of Kshs.572,941,804 out of which Kshs.12,579,005 relates to renovations of wards at Mathari Hospital. Data maintained at the hospital indicated a total of six hundred and fifty-three (653) hospital beds. However, review of the daily inpatient attendances indicated the number of inpatients exceeded the available beds resulting to patients being kept on the floor or sharing of beds for a period of two hundred and sixty-one (261) days thereby raising the risk of cross infection. This was</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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		<p>contrary to Article 43 (1) (a) of the Constitution of Kenya 2 010 which states that, 'Every person has the right to the highest attainable standard of health, which includes the right to health care services, including reproductive health care. In the circumstances, Management was in breach of the law. <b>Management Response</b> It is true there are inadequate beds in the hospital this attributed to various issues including:</p> <ul style="list-style-type: none"> <li>a. High number of abandoned patients who have recuperated but are yet to be picked by their next of Kin;</li> <li>b. Large number of Unknown mentally-ill patients who were brought to the hospital by well-wishers and taken in for treatment but they have not regained their cognitive functions/insight to remember where they come from.</li> <li>c. A constrained repatriation budget as one recovered Patient repatriation exercise has to be</li> </ul>		

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		<p>accompanied by Security Personnel, Nurses, psychologist, a Social Worker and a Driver further constraining the Hospital Human Resource. The exercise further involves engaging the patients' local NGAO representative who help in identifying the patient's home. This is costly to the hospital as the van has to be fueled and the accompanying staff are entitled to DSA. Every month the hospital repatriates approximately 80 patients from across the country.</p> <p>d. High number of patients who have been treated and are well but are unable to settle their medical bills and are therefore held at the Hospital awaiting the decision of the Hospitals Waiver Committee;</p> <p>e. Government policy that no patient seeking mental health care should be turned away from accessing healthcare from a public health facility</p>		

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		<p>therefore crowding of patients at the Hospital wards;</p> <p>f. The hospital undertook to expand two wards but currently we are not able to operationalize the wards due to lack of enough staff to man the wards.</p> <p>g. Increased patient traffic to the Hospital seeking mental healthcare.</p> <p>h. The hospital lacks enough vehicles to facilitate the exercise.</p> <ul style="list-style-type: none"> <li>• The Hospital however notes that it is only recovered patients who sleep on the floor. This eliminates any occurrence or possibility of cross-infection as alleged.</li> <li>• Further, the National Treasury has provided funds in the 2025/26 Financial Year for the construction of male and female acute wards which will greatly help in the decongestion of the wards. To further address this challenge, the management proposes that all abandoned patients be put under the State Department for Social Protection. This will enable these abandoned patients</li> </ul>		

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		<p>have access to shelter and food under various social protection services and homes. Further, the Department for Social Protection has the capacity to take these patients through Community Empowerment Programmes wherein the abandoned patients can in the long-run be empowered to be social-economically productive and self-independent,</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>The management also proposes that all mentally ill patients to be registered as indigents under SHA to allow discharges on time as 70% of discharges who are well are patients who have no capacity to pay hospital bills</p>		
553	<p><b>Delayed Construction of Kisii Cancer Centre</b></p> <p>Note 9 to the financial statements reflects construction of buildings amount of Kshs.572,941,804 out of which Kshs.283,032,102 is advance payment for the construction of Kisii Cancer Centre. The construction works were awarded on 31 January, 2024 for a period of seventy-eight (78) weeks alongside other five (5) contracts for the</p>	<p>The contract for the Kisii Cancer Centre was signed in <b>November 2024</b>, with an advance payment of 20% stipulated. However, the financiers released their payments at varying timelines, with the final tranche paid in <b>July 2024</b>. Despite receiving the advance payment, the contractor has failed to</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>supply, installation, commissioning, operation and maintenance of various medical equipment at Kshs.155,467,261 but the period was not specified. In addition, Management had previously awarded procurement of other medical equipment and furniture on 05 December, 2023 at Kshs.235,230,551 before the award of construction works. However, as at 30 June, 2024 about nine (9) years after the loan signing date, the project had not commenced despite payment of an advance. This was contrary to Section 151(2)(a) and (c) of the Public Procurement and Asset Disposal Act, 2015 which provides that 'for the purpose of managing complex and specialized procurement contracts the contract implementation team shall be responsible for monitoring the performance of the contractor, to ensure that all delivery or performance obligations are met or appropriate action taken by the procuring entity in the event of obligations not being met and ensure that the procuring entity meets all its payment and other obligations on time and in accordance with the contract. In the circumstances, the value for money on advance payment of Kshs.283,032,102 for the construction of Kisii Cancer Centre could not be confirmed.</p>	<p>mobilize within the agreed 30-day period. On <b>September 18, 2024</b>, the contractor submitted a program of works, which was rejected by the Project Implementation Unit (PIU) team for non-compliance. The contractor has yet to resubmit a compliant program of works, prompting the Ministry to take decisive actions to mitigate further delays.</p> <p><b>Interventions Undertaken</b></p> <ul style="list-style-type: none"> <li>. <b>Bi-Weekly Site Meetings:</b> The Ministry has increased the frequency of site visits and meetings to every <b>two weeks</b>. This ensures close monitoring of the project's progress and allows for immediate identification and resolution of any issues hindering implementation.</li> <li>. <b>Resident Engineer Appointment:</b> To strengthen supervision, the Ministry has contracted a <b>Resident Engineer</b> to represent its interests on-site. The Resident Engineer is tasked with daily oversight of the project, ensuring adherence to contractual obligations and</li> </ul>		

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		<p>coordination among stakeholders.</p> <p><b>Warning Letter to the Contractor:</b> The contractor has been formally issued a <b>warning letter</b> for delays caused by failure to mobilize and submit a compliant program of works. The letter outlines consequences for continued non-compliance, including potential penalties as stipulated in the contract.</p> <p><b>Contractor Accountability:</b> The Ministry, through the PIU team, has communicated specific feedback on the rejected program of works and set clear expectations for resubmission. The contractor is being closely monitored to ensure a revised program of works is submitted and approved promptly.</p> <p><b>Facilitation of Financing:</b> With all financiers having completed their disbursements by <b>July 2024</b>, the Ministry has ensured that there are no further funding-related delays. All financial prerequisites have been</p>		

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		<p>met to enable the contractor to fulfill their obligations.</p> <p><b>Strengthened Communication Channels:</b> Regular updates are being shared between the Ministry, the PIU team, and the contractor to ensure alignment on timelines, deliverables, and any arising challenges.</p> <p>Most of the delays were experienced with respect to obtaining ‘‘No Objections’’ for the various stages of project procurement processing and compliance with conditions precedent to the implementation of the projects including payment of advance payments. These delays have however been addressed to the extent that a good number of contracts have been signed and the main works commenced on the 20<sup>th</sup> August 2024</p>		
554	<p><b>Budget In-Adequacy for Community Health Promoters Kits</b></p> <p>The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects acquisition of assets amount of Kshs.3,256,146,761. The amount</p>	<p>The budget for this procurement was provided under the <b>item 3111101</b>. The state department has since written to National Treasury to provide enough funds for the</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>includes purchase of specialized plant, equipment and machinery amount of Kshs.2,629,748,382 out of which Kshs.2,500,000,000 relates to community health promoters' kits. Review of expenditure records revealed that the kits were procured using a three-year contract of Kshs.24,760,791,759 out of which Kshs.10,226,991,917 relates to the first year. However, the first-year portion of the contract exceeded the approved budget estimate of Kshs.5,000,000,000 by Kshs.5,226,991,917. This was contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates. In the circumstances, Management was in breach of the law.</p>	<p>implementation of this important UHC program</p>		
555	<p><b>Delayed Installation of Medical Gases</b></p> <p>Note 9 to the financial statements reflects purchase of specialized plant, equipment and machinery amount of Kshs.2,629,748,382 out of which Kshs.32,390,255 relates to supply, installation, testing and commissioning of medical gases plant and pipeline system at Trans Mara Subcounty Hospital. The project was awarded to a contractor on 17 May, 2022 at a contract sum of Kshs.61,845,550 for a period of forty weeks. However</p>	<p>It is true that the Ministry of Health entered into various contracts under the governance for service delivery in Kenya (GESDeK) program including the following two contracts.</p> <p><b>1</b></p> <p>. Contract for Supply, installation, testing and commissioning of medical gases plants and pipeline system at Transmara</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>as at 30 June, 2024 about two years later, the project was incomplete based on the value of work done totalling Kshs.32,390,255 or 52%. In addition, Management awarded another contract for the supply, delivery, installation, testing, training, commissioning and maintenance of medical oxygen generating plant at the same hospital on 15 June, 2022 of Kshs.74,564,711 for a period of twelve (12) weeks. However as at 30 June 2024 about two years later, the work had not started and the performance security had expired.</p> <p>Audit indicated that the two (2) contracts above totalling Kshs.136,410,261 for the oxygen system were financed through Governance for Services Delivery in Kenya (GESDEK) project dated 2 October 2020. The project lapsed on 30 June, 2023 but Management continued to incur expenses contrary to Article 10 of the Credit Facility Agreement which requires no further drawdown be made under the project after 30 June, 2023.</p> <p>Further, despite the delay, no interest on delayed performance was charged. This was contrary to Section 140 (b) of the Public Procurement and Asset Disposal Act, 2015 which states that ‘the contractor shall be liable to liquidated damages for delayed performance’.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>West Sub County Referral Hospital in Narok County, Tender No. MOH/GESDEK/ONT/10/2021-2022 signed with M/S Elton Designs Limited, P. O Box 64932-00620, Nairobi on 17<sup>th</sup> May, 2022 at contract sum of <b>Kshs. 61,845,550.00</b></p> <p>it is also true that the contract had faced various challenges relating to the procurement and shipment of the plants to Kenya and the associated installation works and training after installation. These challenges led to the project managers the State Department for Works granting various extensions on the contract period the last of which was granted on 29<sup>th</sup> February, 2024 for a period of 28 weeks. The contractor has however handled all the challenges and the project was completed and handed over to the Ministry on 29<sup>th</sup> March, 2024. Provided as annexed are the contract period extension letters, Certificate of practical completion and the Handing over Certificate.</p> <p>2</p>		

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		<p>. Contract for supply, delivery, installation, testing, training, commissioning and maintenance of medical oxygen generating plant at Transmara West Sub County Referral Hospital in Narok County Tender No. MOH/SDPH&amp;PS/GES DeK-AFD/ONT/01/2022-2023 signed with M/S Crawford Contractors Ltd, P. O. Box 90-00200 Nairobi on 15<sup>th</sup> June, 2023 at a contract sum of <b>Kshs. 7456,471.00</b></p> <p>The contract had also faced challenges to do with plant procurement and shipment and also electrical installation by KPLC. The contract period for the contract was extended on <b>4<sup>th</sup> March, 2023.</b></p> <p>The project has now been satisfactorily completed and handed over to the Ministry. Provided on Annex--- in the Certificate of practical completion as prepared on <b>2<sup>nd</sup> March, 2024</b> and the Contract period extension letter.</p> <p>It was observed that the challenges faced by the contractors in completion</p>		

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		of the projects in time was beyond their control and therefore the Ministry opted not to levy any liquidated damages on delayed performance. These projects have however been transferred to be under the jurisdiction of the State Department for Public Health and Professional Standards.		
556	<p><b>Unconfirmed Testing of Health Products</b> The statement of receipts and payments reflects use of goods and services amount of Kshs.5,138,695,802 out of which Kshs.49,597,602 relates to health medical drugs issued to hospitals without evidence of testing. This was contrary to Section 35D(1)(c) of the Pharmacy and Poisons Act, 2012 which requires the National Quality Control Laboratory to test on behalf of the Government all locally manufactured and imported drugs or medicinal substances to determine whether they comply with the set rules. In the circumstances, Management was in breach of the law.</p>	<p>Testing of medicines is done during pre-registration, at delivery, during post market surveillance or if there is a quality issue. Testing of health products on receipt is not done for the whole consignment but random samples are picked from different batches for testing for compliance against prescribed specifications or for investigative testing of suspicious, illegal or counterfeit substances or products. This is for purposes of confirming the quality of the health products.</p>	Not Yet resolved	31 <sup>st</sup> October 2025
557	<p><b>Encroachment of Land at Mathari Teaching and Referral Hospital</b> The summary of fixed assets register as disclosed in Annex 2 to the financial statements</p>	<p>It is true that Ministry of Health owns a parcel of land No. NAIROBI/BLOCK45/160 measuring approximately 31.47 Hectares which</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>reflects Nil land balance. Available information confirmed that the Ministry owns a parcel of land which houses Mathari Teaching and Referral Hospital of undetermined value. Physical verification conducted in the month of October 2024 indicated that the land was partially fenced making it an easy target for private developers to grab or encroach. Further, it was observed that an undisclosed developer had erected a temporary fence on the unfenced portion of the land. This was contrary to Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015 which states that ‘The Accounting Officer of a national Government entity shall take full responsibility and ensure that proper control systems exist for assets and that (a) preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse; (b) movement and conditions of assets can be tracked. In the circumstances, Management was in breach of the law.</p>	<p>houses Mathari National Teaching &amp; Referral Hospital and its staff quarters. The land initially measured 34.3 Hectares but during expansion of the Thika Superhighway part of the land was hived off to accommodate Thika Road Expansion and other supporting public amenities. Part of the said land was partially fenced by Nairobi Metropolitan Services for temporary use but has since been reverted back to the hospital. Therefore, the land has not been encroached and is still part of the Hospital property. The Hospital is in possession of the title deed for the entire piece of the land measuring approximately 31.47 Hectares. The management commits itself to fencing the land immediately funds are made available by the National Treasury.</p>		
558	<p><b>Proposed Establishment of a Neuropsychiatric National Teaching and Referral Hospital</b> The summary of fixed assets register as disclosed in Annex 2 to the financial statements</p>		Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>reflects Nil land balance. According to a letter dated 27 October 2021, The National Treasury approved the establishment of a Neuropsychiatric National Teaching and Referral Hospital at Ngong Kajiado County at a cost of Kshs.5,000,000,000 over a two-year period with an initial budget allocation of Kshs.2,500,000,000 in the year 2021/2022.</p> <p>Further, an amount of Kshs.579,150,000 paid for the implementation of the project was later refunded to The National Treasury on 29 March, 2023 without explanation. In addition, it was not possible to confirm the total amount paid out and whether the refund was for the full amount earlier paid. As at 30 June, 2024, this project had not commenced contrary to Section 68(1) of the Public Finance Management Act, 2012 which states that ‘An accounting officer for a national Government entity, Parliamentary Service Commission and the Judiciary shall be accountable to The National Assembly for ensuring that the resources of the respective entity for which he or she is the Accounting Officer are used in a way that is:— (a) lawful and authorised; and (b) effective, efficient, economical and transparent’ In the circumstances, Management was in breach of the law.</p>			
559	<p><b>Procurement of the Healthcare Information Technology Digitization System</b></p> <p>The State Department procured the Healthcare Information Technology Digitization</p>		Not Yet resolved	31 <sup>st</sup> October 2025

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	system of Kshs.104,808,136,478. However, review of tender documents, contract agreement and financial proposal indicated the following unsatisfactory matters;			
559.1	<p><b>Unbudgeted Procurement</b> During the year under audit, the State Department initiated procurement for the provision of Healthcare Information Technology Digitization for Universal Health Care. The system was procured at a cost Kshs.104,808,136,478 through Specially Permitted Procurement Procedure but was not included in the procurement plan nor the medium-term budgetary expenditure framework. This was contrary to Section 53 (7) of the Public Procurement and Asset Disposal Act, 2015 which states that, ‘multi-year procurement plans may be prepared in a format set out in the Regulations and shall be consistent with the medium-term budgetary expenditure framework for projects or contracts that go beyond one year’. In the circumstances, Management was in breach of the law.</p>	<p>The State Department is not in breach of the law as it adopted Specially Permitted Procurement Procedure pursuant to Section 114(A) (2) (d) of the PPDA .This procurement procedure was approved by the National Treasury as can be confirmed by the letter dated 13<sup>th</sup> June, 2023 from the National Treasury with respect to the approval of the procurement procedure, this particular proposal <b>did not require the provision of a budget</b> as it involves a strategic investor partner and the project costs are expected to be recovered from charges levied for the use of the developed system. <b>Appendix 17.1</b> provides the National Treasury letter exempting the project from the requirement of being budgeted for within the State Department’s budget. In view of the cited</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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		<p>National Treasury approval exempting the project from budgetary requirements on the basis of the adopted procurement procedure under section 114A of the PPADA 2015, the management was not in breach of section 53 of the Act.</p> <p>The contract for the procurement of the IHITIS is however the subject of active proceedings in the High Court in Nairobi under petition No. E513 of 2024 and may therefore be considered as sub judice. The office of the Auditor General may therefore consider holding any matter with respect to the same in abeyance until the final determination of the same by the court.</p>		
559.2	<p><b>Uncompetitive Procurement</b> The system was procured through Specially Permitted Procurement Procedure pursuant to Section 114(A) (2)(d) by directly sourcing a partner at a cost of Kshs.104,808,136,478. However, this process was contrary to Article 227(1) of the Kenya Constitution 2010 which requires a fair, equitable, transparent, competitive and cost-effective ways of acquiring goods and services.</p>	<p>The procurement of the IHITIS was not uncompetitive or a breach of the law but only that the procedure adopted was SPPP which is provided in section 114A of the PPADA 2015 and in which Safaricom PLC was onboarded as a strategic</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>In the circumstances, Management was in breach of the law.</p>	<p>investor partner for the reasons that;</p> <ol style="list-style-type: none"> <li>1</li> <li>2</li> <li>3</li> <li>4</li> </ol> <ul style="list-style-type: none"> <li>. Safaricom PLC has got the largest network of ICT Infrastructure in Kenya</li> <li>. Safaricom PLC is believably the largest system integrator in Kenya</li> <li>. Safaricom PLC has the largest network of support system</li> <li>. Safaricom PLC is reasonably the only Kenyan corporate entity that can deploy a nationwide ICT system</li> </ul> <p>The contract price was properly considered by the Evaluation Committee against the expansive system scope and determined to be reasonable and within the normal rates of return for projects which involve strategic investor partners who invest heavily in the upfront and maintenance support cost of a project.</p> <p>Our understanding is that the PPADA 2015 was enacted on the basis of Article 227 of the Constitution. Article 227 of the Constitution</p>		

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		<p>therefore, recognizes the PPADA 2015 as the primary legislation on matters of procurement of public goods and services. Section 3 of the PPADA 2015 provides the guiding principles of the entire public procurement law and the SPPP is no exception. These public procurement guiding principles are heavily borrowed from the Constitution and the Act goes further to provide the SPPP as a procurement method as prescribed in the Regulations. The PPADR 2020 prescribes the procedure and conditions for use of the SPPP and in our view there would be nothing in that procedure that goes against the tenets of the Constitution and the public procurement law. The only integral part of the procedure that is decided by the Procuring Entity and National Treasury is the tendering and contracting conditions and which is fettered to the extent that the same</p>		

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		<p>must be in tandem with the public procurement law guiding principles. It is to be noted that the procedure adopted in this procurement being SPPP is constructively single source selection in which Safaricom PLC was identified as the strategic investor to save the procuring entity from the heavy upfront initial investment costs required of the system, which clearly is in public interest considering the shrinking government fiscal space.</p> <p>It is noted that though the SPPP finds its expression as section 114 A of the PPADA 2015, the review and approval or otherwise of the tendering and contracting conditions is determined under section 7 (2) (1) of the PPADA 2015 and it is on the basis of these guidelines that the Cabinet Secretary National Treasury granted the approval upon the</p>		

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		<p>determination of the appropriateness of the adopted procedure within the prevailing circumstances.</p> <p>Section 91(2) as read together with Section 92((1)(m) of the PPADA 2015 further prescribes the use of the alternative procurement procedures as may be provided in the Act, the Regulations and described in the tender documents. The procurement of the IHITS under an alternative procurement procedure, the SPPP, employed the latter where open competition was not envisaged having identified the strategic investor partner. The process having complied with all the required prescribed procedures and was however open, transparent, accountable, cost effective and fit for purpose.</p> <p>In our considered opinion, there is therefore nothing unconstitutional with the employed procurement procedure, the SPPP. The contract for the procurement of the</p>		

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		<p>IHITIS is however the subject of active proceedings in the High Court in Nairobi under Petition No.E513 of 2024 and may therefore be considered as sub judice. The office of the Auditor General may therefore consider holding any matter with respect to the same in abeyance until the final determination of the same by the court.</p>		
559.3	<p><b>Undefined Scope of Works</b> The works involves installation of the system in public health facilities but the number of health facilities to be installed were not disclosed in the contract agreement. In addition, the contract price includes training, support and customer education costs of Kshs.7,023,810,224 but the number of healthcare workers to be trained on the system and the mode of training to arrive at the costs was not disclosed in the contract agreement. This was contrary to Section 150(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer or his or her appointed representative shall be responsible for ensuring that the goods, works and services are of the right quality and quantity. In the circumstances, Management was in breach of the law.</p>	<p>The management is not in breach of the law .The procurement of the IHITS was done through a Request for Proposal (RFP) and the whole scope of the project is captured under the Terms of Reference and conditions of contracting. The number of Public Health Facilities targeted for example is Six Thousand, Five Hundred and Thirty-Five (6,535) and is captured under landscape overview in the Terms of Reference. The RFP provides that the continues training throughout the project period of the Healthcare Workers</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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		<p>targets all the Health Care Workers in the stated Public Health Facilities and therefore the costing was done by the consortium on that understanding bearing in mind that the number of Health Care Workers would be established with certainty as of the time of training estimate to be 86,000 as per the baseline survey undertaken by the Ministry of Health and to be confirmed by the baselines survey to be undertaken by the consortium in the initial stages of the project . Submitted as <b>Appendix 17.3</b> in the RFP document in which the Scope of Works is comprehensively captured. The contract for the procurement of the IHITIS is however the subject of active proceedings in the High Court in Nairobi under Petition No. E513 of 2024 and may therefore be considered as sub judice. The office of the Auditor General may therefore consider holding any matter with respect to the same in abeyance</p>		

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		until the final determination of the same by the court.		
559.4	<p><b>Lack of Payment Arrangement Agreement</b> According to the financial proposal, the consortium proposed the adoption of a funding model which entails charging fees from member contributions to Social Health Authority (SHA), claims from health facilities and charges for the track and trace solution at a rate of 2.5%, 5% and 1.5% respectively for ten (10) years resulting to projected revenues of Kshs.111,019,068,754. These funds according to Clause 12.4 of the general conditions of the contract are to be transferred to an Escrow account daily or at a frequency of not less than one week. This substantially means membership contributions to Social Health Authority and claims from health facilities have expressly guaranteed the repayment of the project. This is a material fact which entails levying fees from the public but was not supported by evidence of public participation contrary to the principles of public finance as outlined under Article 201(a) of the Constitution of Kenya 2010 which requires openness and accountability including public participation in financial matters. In the circumstances, Management was in breach of the law.</p>	<p>The payment arrangement is expressly provided for under the agreement under Paragraphs 12 and 13. The clauses provide for the opening of an Escrow account and the settlement of approved invoices from the account from user fees that are to be charged on the users of the system.</p> <p>The user fees that are to form the substantial revenue to the Escrow account are not charged on the member's contributions but from the use of the system by all users and the Escrow account is to be managed jointly between the Ministry and the consortium partners with separate account from the State Department. The Escrow account may therefore not be construed as part of the State Department financial statements. The systems will be paid for from payments made to MOH from the use of</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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		<p>the system by users of the system. The SHA system for example is already in use and collecting monies from the informal sector and formal sector from 9<sup>th</sup> November 2024 as per the Social Health Insurance Act, 2023. The GOK will only pay for completed and accepted components of the system as they are being used by the relevant agencies. The project will be completed in a 2 years' period. However, this project has sub-projects (System components) that are built, completed and accepted at different times as per the project plan. Some systems for example the Social Health Authority registration, claim processing, delivery of devices Health Information Exchange (HIE) components etc have already been developed and tested. MOH will only pay for accepted works as per the law. The payment schedule is the projected repayment schedule which is tied to</p>		

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		<p>works completion, accepted and certified invoices as per the invoice schedule. Therefore, the MOH will only pay for completed, tested, accepted and invoiced works as per the contract. The levying fees highlighted is a proposal by the consortium member which has not been accepted by the procuring entity. The levied fees on any system is undergoing public participation under the Digital Health Regulation. In view of the adopted procurement procedure and the provided escrow account in the contract, the management was not in breach of the law. The contract for the procurement of the IHITIS is however the subject of active proceedings in the High Court in Nairobi under Petition No. E513 of 2024 and may therefore be considered as sub judice. The office of the Auditor General may therefore consider holding any matter with respect to the same in abeyance</p>		

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		until the final determination of the same by the court.		
559.5	<p><b>Unfavorable Contract Clauses</b> Review of the contract agreement indicated the following unfavorable clauses;</p> <p>i. The contract prohibits the State Department from developing another system or a product with similar functionalities to compete with the system being procured putting the Government at risk in the event of growing needs or for technological changes. Clause 16.2.5 (c) of the general conditions of the contract states that, ‘The procuring entity shall ensure neither the procuring entity nor the Government health agencies nor the procuring entity authorized users shall access all or any part of the system in order to build a product or service which competes with the system or undertake similar functionalities to the system or attempt to do so’.</p> <p>ii. In addition, Clause 39.1 of the contract agreement requires any dispute arising from the contract be settled by arbitration under the rules of London Court of International Arbitration. However, the procurement was conducted based on the provisions of the Public Procurement and Asset Disposal Act, 2015 and any dispute should be referred to the Public Procurement Administrative Review Board as per Section 28(1) of the Public Procurement and Asset Disposal Act 2015.</p>	<p><b>(i) Prohibition from delivering another system</b> The referenced clause 16.2.5 (c) prohibits the State Department, the Health Agencies or any authorized users of the system from accessing any part of the system developed by the consortium if the access is for the purposes of building a product that competes with the system or with similar functionalities as the system. This is a reasonable contractual provision to the extent that the consortium is investing heavily in the upfront costs of the system including the maintenance and support for the ten (10) years and expects to recover such costs from the use of the system. Besides the provision also protects the procuring entity to the extent that the users of the system are not restricted to Public Health Facilities and</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>iii. Further, according to Clause 15 of the general conditions of the contract, mobile network operator company consortium will deliver the system as a service (SaaS) solution where end users will connect to the system hosted by the consortium without the need for installation or management of the software in the end users' devices. However, ownership of the system, system components and all intellectual property rights shall remain in the ownership of the consortium except for the infrastructure which is to be transferred to the procurement. In the circumstances, value for money on the procurement of Healthcare Information Technology Digitization system at Kshs.104,808,136,478 could not be confirmed.</p>	<p>therefore the provision protects the intellectual property rights in the system from being infringed. In view of the foregoing, this provision does not warrant any interpretation as to infer lack of value for money in the delivery of the system</p> <p><b>(ii) Contractual disputes</b></p> <p>It is true that the Contract Agreement requires any dispute under the contract be settled by arbitration under the rules of the London Court of international arbitration. The said rules only provide the procedure of the conduct of arbitration and are further articulated under paragraphs 39.1.2 to 39.1.9 providing for the venue of the arbitration, number of arbitrators, language, appointment of arbitrated costs, form of award enforcement mechanism and rights of the parties with respect to the appointment of arbitrators. The said provisions are not unfavorable in any way to the procuring entity since they only prescribe the rules</p>		

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		<p>of procedure and the forum but the governing law remains the law of Kenya as provided under paragraph 38 of the contract submitted fund an extract of the contract in which the governing law is provided as the law of Kenya.</p> <p>Additionally, it should be noted that the Public Procurement Administrative Review Board has jurisdiction to adjudicate tendering disputes and not contracted matters and therefore no contract dispute can reasonably be submitted to the Review Board.</p> <p>Further vide Attorney General Circular Ref AG/CIRCULAR/2018 dated 1<sup>st</sup> March, 208 (copy attached), the Hon. Attorney General guided as follows with regard to dispute resolution under paragraphs 62, 63 and 64; 6</p> <p>2: Where Government Contracts provides for the resolution of disputes by arbitration or other alternative dispute resolution mechanisms, it is critical for</p>		

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		<p>all Government Ministries, Departments, Semi-Autonomous Agencies, State Corporations, State Agencies, Constitutional Commissions and Independent Offices to seek the advice of the Attorney General in the event of a dispute;</p> <p>6</p> <p>3: All Government Ministries, Departments, Semi-Autonomous Agencies, State Corporations, State Agencies, Constitutional Commissions and Independent Offices shall ensure that all arbitration clauses in Contracts that they intend to enter into subscribe to the National Centre for International Arbitration (NCIA) and its rules as the institution for arbitration. In the event that the other party to the contract is not agreeable to the use of the NCIA and its rules as an institution, then Government Ministries, Departments, Semi-Autonomous Agencies, State Corporations, State</p>		

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		<p>Agencies, Constitutional Commissions and Independent Offices shall seek legal advice from the Attorney General at the earliest opportunity on the issue.</p> <p>6</p> <p>4: All contracts providing for arbitration clauses naming foreign jurisdictions as the seat and place of arbitration, should be cleared by the Attorney General, prior to the signing of the Contract.</p> <p>It should be noted that the draft Contract was reviewed by the Hon. Attorney General prior to execution and the same was approved for signing vide letter dated 13<sup>th</sup> June, 2024.</p> <p>In view of the foregoing, this provision does not warrant any interpretation as to infer lack of value for money in the delivery of the system.</p> <p><b>(iii) Intellectual property rights</b> <b>Clause 15.1</b> of the contract agreement provides that “<b>the Safaricom Consortium</b></p>		

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		<p>shall deliver the System as a SaaS solution” and that “accordingly, the Intellectual property Rights in the System shall remain vested in the respective Consortium Member and/or Subcontractor.” The software as a service and infrastructure as a service model is a well-established method of service delivery in ICT contracts, both locally and internationally, where the service provider, in this case the Safaricom Consortium, retains ownership of the intellectual property rights of the software and/or and the customer, in this case the Ministry of Health, is provided with an <b>irrevocable license</b> in respect of the software as provided for under <b>Clauses 16.1 and 16.2</b> of the Contract which provides as follows:  “16.1 <b>Subject to the terms of this Contract, the Safaricom Consortium hereby grants to the Procuring Entity a license to use the System</b></p>		

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		<p>on a SaaS basis for the contract period solely for the purposes specified in the Technical Specifications.</p> <p>1            6.2 Such license to use the Software shall in accordance with the Technical Specifications:</p> <p>1            .            be:</p> <p>a) non-exclusive;            b) for the purpose specified in the Technical Specifications;            c) non-transferable, provided <b>that the Procuring Entity may sub-license the System strictly on the same terms as those set out in this GCC Clause 16 (other than the right to further sublicense) to the Government Health Agencies and the Procuring Entity Authorised Users solely for compliance with the Legal Requirements or fulfilling the Technical Specifications;</b></p>		

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		<p><i>d) irrevocable during the Contract Period</i> (except as otherwise expressly provided for in this Contract);</p> <p><i>e) be subject to the System Restrictions.”</i></p> <p>If the Government were to follow the traditional route of an outright purchase of the entire system, it would have to bear the higher cost that would come with the purchase of multiple licenses as well as incur additional costs in the maintenance and regular upgrade of the system. However, under the SaaS model, as explained hereinabove, the Safaricom Consortium will be responsible for the delivery of software and the provisioning, maintenance, replacement and lifecycle management of infrastructure in accordance with the technical specifications, for the installation, configuration, maintenance and upgrade of the software, making the SaaS model a more prudent use of</p>		

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		<p>taxpayers' funds.            Under <b>Clause 16.2.1(d)</b>, the license to the Government to use the software shall be irrevocable during the contract period. However, in the event of termination or expiry of the contract, the same also provides for a transition plan under <b>Clause 32.9</b> which envisions a transfer of the system either to a new service provider or to the Government as follows:  <b>"32.9 Transition Plan</b>            3  <b>2.9.1 The Parties shall simultaneously with the preparation and agreement of the Agreed Project Plan, prepare and agree on a transition plan setting out a plan for the transfer of the Infrastructure and continuation of the System with minimal disruption to the public including (subject to agreement between the Parties):</b>  <b>a) transferring relevant Infrastructure to the Procuring Entity;</b>  <b>b) providing reasonable assistance in procuring</b></p>		

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		<p>novations or assignments of third-party contracts to a new services provider or to the Procuring Entity; and</p> <p>c) the manner of transitioning the System to a new service provider or to the Procuring Entity.”</p> <p>Further, as the system will also include integrations with software owned by third parties, for example Oracle and Microsoft, in the event of termination or expiry of the contract, the said third parties retain ownership of their software and Intellectual Property. However, the clause governing the transition plan in the event of termination or expiry of the contract, more specifically <b>Clause 32.9.1(b)</b> of the contract, envisages novation to or assignment of the rights under the third-party contracts to either a new service provider of the procuring entity which would ensure continuity of service</p>		

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		<p>provision in a seamless manner.</p> <p>Further, under <b>Clause 27</b>, the contract provides that save for infrastructure used to provide the infrastructure as a service component of the system, the ownership of infrastructure to be supplied and transferred to the Ministry upon delivery. However, this clause as read with <b>Clause 32.9</b> of the contract ensures that there too exists a route of transfer of the infrastructure under the infrastructure as a service component of the system, through the transition plan.</p> <p>The intellectual property rights referenced herein only relate to the software licenses and the Clause was provided to acknowledge the interest of the consortium partners in the system until the final transfer of the system to the Procuring Entity on the tenth year when the Safaricom consortium is expected to transfer all the IP rights to the Procuring Entity as</p>		

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		<p>provided under paragraph 15.3</p> <p>In view of the foregoing, the referenced provisions are not considered as prejudicial to the Procuring Entity whether with respect to the development of a new system or the dispute resolution.</p> <p>In view of the foregoing, this provision does not warrant any interpretation as to infer lack of value for money in the delivery of the system</p> <p>The contract for the procurement of the IHITIS is however the subject of active proceedings in the High Court in Nairobi under Petition No. E513 of 2024 and may therefore be considered as sub judice. The office of the Auditor General may therefore consider holding any matter with respect to the same in abeyance until the final determination of the same by the court.</p>		
559.6	<p><b>Project's Financing and Payment Model Risks</b></p> <p>The following project's financing and payment model risks were identified;</p> <p>i. The project is to be financed from projected revenues of Kshs.111,019,068,754 from</p>	<p>The projected revenues to the Escrow account were done on the basis of a scientific model developed by actuaries engaged for the</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>member contributions to Social Health Authority (SHA), claims from health facilities and charges for the track and trace solution at a rate of 2.5%, 5% and 1.5% respectively. However, this model was not supported by baseline survey reports indicating the viability of this proposal to meet the payment obligations.</p> <p>ii. In addition, the projected revenues include 5% to be deducted from claims made by health facilities which has the effect of increasing healthcare costs indicative of a service charge of 5% to citizens every time they access healthcare services.</p> <p>iii. Further Clause 12.4 of the general conditions of the contract, requires the projected revenues be transferred to an Escrow account to be held by an escrow agent appointed by both parties. However, details on the signatories to the account were not disclosed in the contract agreement. In the circumstances, Management was in breach of the law.</p>	<p>purpose. These revenues are projected on paltry 5% of service charges which may not materially affect the citizens access to quality and affordable healthcare.</p> <p>The details of the signatories to the escrow account have been provided to the extent that the same will be the authorized representatives of the consortium partners and the procuring entity including the escrow agent as provided in the contract agreement.</p> <p>The payments to the Safaricom Consortium are expected to be generated through the use of the system and various other avenues such as license fees and other monies collected by the procuring entity or the relevant government health agencies and are pegged on the user of the system so that if the system doesn't function, no payments are due. The project is self-funding and no payments will be drawn from the Consolidated Fund.</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		Further, payments shall be issued based on completion certificates, issued by the procuring entity, on systems and sub-systems after completion of rigorous commissioning and acceptance tests.		
560	<p><b>Non-Compliance with the One-Third Rule of Basic Salary</b>            Review of the payroll indicated that three hundred and eighty-six (386) employees earned a net salary of less than a third (1/3) of the basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 (Revised 2012) which requires the total amount of all deductions which may be made by an employer from the wages of his employee at any one time not to exceed two-thirds of the basic pay.            In the circumstances, Management was in breach of the law.</p>	<p>It is observed that indeed a number of employees earned less than a third of their basic salary during the period under review. This was mainly occasioned by:</p> <ul style="list-style-type: none"> <li>a. Introduction of mandatory NSSF contribution</li> <li>b. Introduction of mandatory Housing levy fund contribution</li> <li>c. Expiry of Tax Exemptions for some officers with disabilities</li> <li>d. Interdictions which placed officers on half salary &amp;</li> <li>e. Recovery of salary overpayment.</li> <li>f. Employees whose contracts ended mid-month were paid only for the few days worked.</li> </ul>	Not Yet resolved	31 <sup>st</sup> October 2025
561	<p><b>Non-Compliance with Staffing of Persons with Disabilities</b>            The statement of receipts and payments reflects compensation of employee amount of</p>	It is true the analysis of the muster roll of (1394) employees, 32 or (2.3%) reflects the composition the	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>Kshs.8,367,225,596. Analysis of the muster roll revealed that the State Department had one thousand three hundred and ninety-four (1394) staff out of which only thirty-two (32) or (2.3%) are persons living with disability. This was contrary to Section B.23 (1) of Human Resource Policies and Procedures Manual for the Public Service May, 2016 which states that the Persons with disability shall be accorded equal opportunities for employment provided they have the necessary qualifications and are suitable for such employment and that the Government shall implement the principle that at least five (5) percent of all appointments shall be for persons with disabilities. In the circumstances, Management was in breach of the law.</p>	<p>compliment of Persons with disability in the State Department. The State Department has little control over the number of employees living with disability because;</p> <ul style="list-style-type: none"> <li>. Recruitment of its technical cadres at Diploma entry and above is the responsibility of the Public Service Commission while cadres under shared services are recruited by the Ministry of Public Service and Human Capital Development.</li> <li>. Deployment of staff in support services cadres to the State Department of Medical Services is done by respective Scheme Administrators</li> <li>. The State Department has not undertaken any recruitment in recent years.</li> </ul>		
562	<p><b>Inconsistencies in Vaccine Immunization Data</b> Review of immunization data at the Central Vaccine Store revealed inconsistencies in three vaccines (PCV, HPV and DPT) where the total administered doses of 9,641,888 exceeded the available doses of 8,440,170 by 1,201,718.</p>	<p>The discrepancy has been noted. This has been occasioned by incomplete reporting of stock levels at the facility levels on the data platform KHIS. Emphasis has previously been put on reporting coverage data which highlights the</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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	<p>In the circumstances, the effectiveness of internal controls in the management of vaccine immunization data could not be confirmed.</p>	<p>greater numbers reported for doses administered. Physical records on Immunization Vaccine Ledger books are however up to date and accurate across the country. The National Vaccines and Immunization Program uses the eLMIS Chanjo to manage and reconcile stocks upto the sub-county level. To address this challenge, NVIP undertakes to:</p> <p>Strengthen reporting by health facilities on data related to vaccine supplies and logistics, as tallied in summary sheets MOH 710 on KHIS.</p> <p>Cascade Chanjo eLMIS to the Health facility level – this is subject to availability of funds.</p> <p>Enhanced KHIS Capabilities: Upgrading data capture and reporting functionalities to reflect accurate vaccine stocks and administration figures.</p> <p>Healthcare Worker Training: Nationwide training on accurate stock documentation and immunization data reconciliation.</p>		

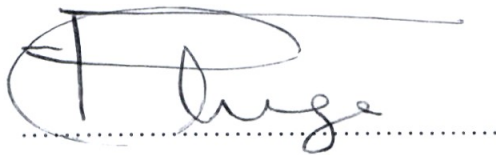
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Systematic Data Reconciliation: Regular data quality audits of central and sub-national vaccine stock ledgers to address discrepancies.</p> <p>eLMIS Expansion: Integrating Chanjo eLMIS to the Ministry of Health Digital super highway and meet Kenya data protection standards and Gavi TSS best practices. This will enable granular visibility.</p>		
563	<p><b>Inadequate Transition Planning from GAVI Vaccine Support</b> The Government of Kenya entered the accelerated transition phase from Gavi support in January, 2022 and is expected to fully finance its vaccine needs by 1 January, 2030. However as at 30 June, 2024 there was no clear transition roadmap as the vaccines currently received as donations and other support activities provided in kind are not costed and reported. The lack of an overall cost schedule of all fixed and operational immunization activities hinders planning and decision making during the transition period. In the circumstances, the effectiveness of the internal controls in transition from GAVI vaccine support where the Management could have a clear transition roadmap and have an overall cost schedule including purchase of vaccines, maintaining infrastructure, staffing, cold chain equipment, waste disposal and vaccines campaign programmes could not be confirmed.</p>	<p>As Kenya is graduating from Gavi the Government is required to pay more for vaccines as the Gavi funding wanes. The Program is working closely with treasury and Gavi and other stakeholders to manage a transition with donor funds reducing.</p> <p>Developing a meticulous multi-year transition roadmap covering:</p> <ul style="list-style-type: none"> <li>Comprehensive vaccine procurement planning</li> <li>Infrastructure maintenance strategies</li> <li>Staffing and capacity building</li> <li>Vaccination campaign logistics</li> </ul> <p>Proactively engaging the National Treasury to</p>	Not Yet resolved	31 <sup>st</sup> October 2025

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		secure sustainable funding  Building national expertise in vaccine financing and procurement systems The NVIP is working closely with Kenya BioVax to support Kenya BioVax in selecting vaccines to support Kenyan children.		



Accounting Officer

Date

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Appendix II: Projects implemented by State Department for Medical Services

Project title	Project Number	Donor	Donor commitment	Period/Duration	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Million(Kshs)						
1082100100 KNH Burns and Pediatrics Centre	6,160.0	SFD,BADE A & OPEC	1,977.0	10 Years	Yes	Yes
1082100300 East Africa's Centre of Excellence for Skills & Tertiary Education	5,174.0	ADB	4,540.0	11 Years	Yes	Yes
1082104300 Primary Health Care in the Devolved Context	2,935.0	DANIDA	2,935.0	5 years	Yes	Yes
1082104700 EA's Centres of Excellence for Skills and tertiary education in Biosciences II	3,200.0	ADB	3,200.0	6 years	Yes	Yes
1082106200 Health Emergency Preparedness, Response and Resilience Program	2,000.0	WORLD BANK	2,000.0	3 years	Yes	yes
1082107700 Special Global Fund HIV Grant NFM4	37,641.0	GLOBAL FUND	5,735.0	3 years	Yes	yes
1082104800 9TH GoK/ UNFPA 10th County	3,500.0	UNFPA	3,500.0	3 years	Yes	yes

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Programmes MOH NSDCC HIV -UNFPA						
1082107600 Reproductive, Maternal, Neonatal Child & Adolescent Health Project	11,661.0	SUSAN THOPMPS ON BUFFETT FOUNDAT ION	11,661.0	3 years	Yes	yes
1082101700 Construction of a Cancer Centre at Kisii Level 5 Hospital	2,280.0	BADEA & SFD	2,000.0	5 years	yes	yes
1082104900 Integrated Reproductive Health Programme	3,550.0	UNFPA	3,550.0	3 years	Yes	yes
1082103600 Kenya COVID-19 Emergency Response Project	25,700.0	WORLD BANK	24,700.0	6 years	Yes	yes
1082103800 Vaccines Programme	88,889.0	GAVI	17,890.0	10 Years	Yes	yes
1082103900 Supply of Medical Equipment and Associated Services & Fight for Maternal y and Infant Mortality	4,254.0	BADEA	4,254.0	3 years	Yes	yes
1082104500 Upgrading of Maternal & New Born Units Project-VAMED- FINLAND	3,185.0	GOVERN MENT OF FINLAND	3,185.0	3 years	Yes	yes
1082100100 KNH Burns and Pediatrics Centre	6,160.0	SFD,BADE A & OPEC	1,977.0	10 Years	Yes	Yes

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**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)*

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds	
						GOK	Donor
1082100100 KNH Burns and Pediatrics Centre	6,160	2,431.04	39	268.12	213.04	163.12	105.00
1082102400 Refurbishment/Renovation and Replacement of Obsolete Equipment - KNH	8,059	1,949.00	24	249.00	249.00	249.00	
1082102500 Expansion of Comprehensive Cancer Centre - KUTRRH	6,160	200.00	3	25.00	50.00	25.00	
1082100700 Renovation/Equipping Buildings-Mathari Teaching & Referral Hospital	1,650	727.00	44	41.00	40.57	41.00	
1082101800 Strengthening of Cancer Management at KNH	3,656	712.50	19	141.50	141.50	141.50	
1082100300 East Africa's Centre of Excellence for Skills & Tertiary Education	5,174	3,173.58	61	601.00	648.52	201.00	400.00
1082102200 Infrastructural Support ton Kigumo Hospital	770	469.50	61	50.00	37.98	50.00	
1082107400 Construction and Equipping of Health Centres	2,000	333.00	17	247.00	330.00	247.00	-
1082107800 Construction and Equipping of Level 4 Hospitals		27.00		27.00	27.00	27.00	-
1082104300 Primary Health Care in the Devolved Context	2,935	1,205.00	41	487.50	-	-	487.50
1082104700 EA's Centres of Excellence for Skills and tertialy education in Biosciences II	3,200	34.94	1	40.00	34.94	-	40.00
1082100900 Procurement of Equipment at the National Blood Transfusion Services	10,396	3,281.00	32	300.00	300.00	300.00	-
1082106200 Health Emergency Preparedness, Response and Resilience Program	2,000	-	0	5.00	-		5.00
1082107700 Special Global Fund HIV Grant NFM4	37,641	215.90	1	949.11	215.90	949.11	-
1082104800 9TH GoK/ UNFPA 10th County Programmes MOH NSDCC HIV -UNFPA	3,500	1,112.33	32	10.00	8.33	-	10.00

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1082107600 Reproductive, Maternal, Neonatal Child & Adolescent Health Project	11,661	1,292.00	11	2,577.00	1,292.02	-	2,577.00
1082101700 Construction of a Cancer Centre at Kisii Level 5 Hospital	2,280	634.00	28	240.00	282.89	50.00	190.00
1082103100 Procurement of Family Planning & Reproductive Health Commodities	12,215	2,416.00	20	500.00	500.00	500.00	-
1082104500 Upgrading of Maternal & New Born Units Project-VAMED-FINLAND	3,185	2,334.00	73	1,270.00	1,270.00		1,270.00
1082104900 Integrated Reproductive Health Programme	3,550	-	0%	410.00	-	-	410.00
1082103600 Kenya COVID-19 Emergency Response Project	25,700	12,905.00	50	3,739.89	3,761.23	-	3,739.89
1082103800 Vaccines Programme	88,889	55,656.00	63	5,557.00	5,556.00	2,957.00	2,600.00
1082103900 Supply of Medical Equipment and Associated Services & Fight for Maternal y and Infant Mortality	4,254	3,488.00	82	100.00	65.80	-	100.00
1082104400 Human Vaccine Production (BIOVAX)	6,400	550.00	9	-	-	-	-

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Appendix III: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Buildings and structures	-	28,950,000	-	-	28,950,000
Transport equipment	110,378,000	-	-	-	110,378,000
Office equipment, furniture and fittings	67,036,590	80,897,292	-	-	147,933,882
ICT Equipment	63,545,000	84,411,470	-	-	147,956,470
Medical Equipment		62,105,815	-	-	62,105,815
Work in Progress	-	9,974,336	-	-	9,974,336
<b>Total</b>	<b>240,959,590</b>	<b>266,338,913</b>	<b>-</b>	<b>-</b>	<b>507,298,503</b>

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**Appendix IV: Transfers from Other Government Entities**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Statement of Cash Flow	Deferred Income	Receivables	Others - must be specific	
The National Treasury	8 Aug 2024	Recurrent	2,786,931,691.35	✓	✓				2,786,931,691.35
The National Treasury	11 Sep 2024	Recurrent	3,973,993,569.20	✓	✓				3,973,993,569.20
The National Treasury	20 Sep 2024	Recurrent	154,893,364.00	✓	✓				154,893,364.00
The National Treasury	26 Sep 2024	Recurrent	5,134,317.55	✓	✓				5,134,317.55
The National Treasury	11 Oct 2024	Recurrent	2,741,022,079.45	✓	✓				2,741,022,079.45
The National Treasury	23 Oct 2024	Recurrent	2,000,000,000.00	✓	✓				2,000,000,000.00
The National Treasury	24 Oct 2024	Recurrent	25,649,790.80	✓	✓				25,649,790.80
The National Treasury	31 Oct 2024	Recurrent	2,000,000,000.00	✓	✓				2,000,000,000.00
The National Treasury	7 Nov 2024	Recurrent	3,365,036,091.60	✓	✓				3,365,036,091.60
The National Treasury	14 Nov 2024	Recurrent	14,504,722.25	✓	✓				14,504,722.25
The National Treasury	10 Dec 2024	Recurrent	2,813,825,870.70	✓	✓				2,813,825,870.70
The National Treasury	20 Dec 2024	Recurrent	145,482,653.25	✓	✓				145,482,653.25
The National Treasury	3 Jan 2025	Recurrent	2,805,725,062.55	✓	✓				2,805,725,062.55
The National Treasury	23 Jan 2025	Recurrent	90,953,686.10	✓	✓				90,953,686.10
The National Treasury	27 Jan 2025	Recurrent	235,962,479.00	✓	✓				235,962,479.00
The National Treasury	7 Feb 2025	Recurrent	626,678,160.65	✓	✓				626,678,160.65

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The National Treasury	11 Feb 2025	Recurrent	2,179,891,664.00	✓	✓				2,179,891,664.00
The National Treasury	17 Feb 2025	Recurrent	67,756,717.45	✓	✓				67,756,717.45
The National Treasury	28 Feb 2025	Recurrent	28,408,364.00	✓	✓				28,408,364.00
The National Treasury	11 Mar 2025	Recurrent	596,845,125.00	✓	✓				596,845,125.00
The National Treasury	12 Mar 2025	Recurrent	2,179,891,664.00	✓	✓				2,179,891,664.00
The National Treasury	17 Mar 2025	Recurrent	765,517,226.55	✓	✓				765,517,226.55
The National Treasury	4 Apr 2025	Recurrent	690,287,964.05	✓	✓				690,287,964.05
The National Treasury	9 Apr 2025	Recurrent	4,213,988,569.35	✓	✓				4,213,988,569.35
The National Treasury	16 Apr 2025	Recurrent	206,651,563.30	✓	✓				206,651,563.30
The National Treasury	30 Apr 2025	Recurrent	707,219,057.00	✓	✓				707,219,057.00
The National Treasury	6 May 2025	Recurrent	1,500,000,000.00	✓	✓				1,500,000,000.00
The National Treasury	7 May 2025	Recurrent	52,437,488.55	✓	✓				52,437,488.55
The National Treasury	8 May 2025	Recurrent	3,892,971,194.60	✓	✓				3,892,971,194.60
The National Treasury	22 May 2025	Recurrent	108,083,414.80	✓	✓				108,083,414.80
The National Treasury	9 Jun 2025	Recurrent	691,550,296.30	✓	✓				691,550,296.30
The National Treasury	11 Jun 2025	Recurrent	3,809,167,031.45	✓	✓				3,809,167,031.45
The National Treasury	16 Jun 2025	Recurrent	212,326,528.60	✓	✓				212,326,528.60
The National Treasury	24 Jun 2025	Recurrent	105,730,566.00	✓	✓				105,730,566.00
The National Treasury	25 Jun 2025	Recurrent	4,591,541,182.00	✓	✓				4,591,541,182.00
The National Treasury	3 Jul 2025	Recurrent	127,960,362.15	✓	✓				127,960,362.15
The National Treasury	4 Jul 2025	Recurrent	56,758,601.30	✓	✓				56,758,601.30

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The National Treasury	9 Jul 2025	Recurrent	59,083,603.00	✓	✓	59,083,603.00
The National Treasury	13 Aug 2024	Development	36,850,158.50	✓	✓	36,850,158.50
The National Treasury	9 Sep 2024	Development	88,848,755.85	✓	✓	88,848,755.85
The National Treasury	23 Sep 2024	Development	1,450,000,000.00	✓	✓	1,450,000,000.00
The National Treasury	26 Sep 2024	Development	8,326,887.00	✓	✓	8,326,887.00
The National Treasury	26 Sep 2024	Development	109,258,982.00	✓	✓	109,258,982.00
The National Treasury	23 Oct 2024	Development	1,000,000,000.00	✓	✓	1,000,000,000.00
The National Treasury	25 Oct 2024	Development	34,402,087.00	✓	✓	34,402,087.00
The National Treasury	31 Oct 2024	Development	1,024,500,000.00	✓	✓	1,024,500,000.00
The National Treasury	14 Nov 2024	Development	72,593,300.00	✓	✓	72,593,300.00
The National Treasury	21 Nov 2024	Development	61,016,976.00	✓	✓	61,016,976.00
The National Treasury	20 Dec 2024	Development	117,259,544.55	✓	✓	117,259,544.55
The National Treasury	31 Dec 2024	Development	16,968,747.40	✓	✓	16,968,747.40
The National Treasury	27 Jan 2025	Development	173,258,128.00	✓	✓	173,258,128.00
The National Treasury	28 Jan 2025	Development	580,565,384.25	✓	✓	580,565,384.25
The National Treasury	14 Feb 2025	Development	197,012,680.55	✓	✓	197,012,680.55
The National Treasury	17 Feb 2025	Development	40,961,500.00	✓	✓	40,961,500.00
The National Treasury	28 Feb 2025	Development	224,712,091.25	✓	✓	224,712,091.25
The National Treasury	10 Mar 2025	Development	29,804,697.00	✓	✓	29,804,697.00
The National Treasury	17 Mar 2025	Development	189,744,878.80	✓	✓	189,744,878.80
The National Treasury	24 Mar 2025	Development	585,000,000.00	✓	✓	585,000,000.00

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The National Treasury	25 Mar 2025	Development	1,205,758,818.65	✓	✓	1,205,758,818.65
The National Treasury	8 Apr 2025	Development	1,292,026,477.85	✓	✓	1,292,026,477.85
The National Treasury	16 Apr 2025	Development	105,291,897.75	✓	✓	105,291,897.75
The National Treasury	16 Apr 2025	Development	322,991,872.00	✓	✓	322,991,872.00
The National Treasury	6 May 2025	Development	1,450,450,660.00	✓	✓	1,450,450,660.00
The National Treasury	12 May 2025	Development	1,000,000,000.00	✓	✓	1,000,000,000.00
The National Treasury	21 May 2025	Development	103,676,478.00	✓	✓	103,676,478.00
The National Treasury	30 May 2025	Development	102,012,441.05	✓	✓	102,012,441.05
The National Treasury	16 Jun 2025	Development	152,616,630.00	✓	✓	152,616,630.00
The National Treasury	24 Jun 2025	Development	574,645,395.80	✓	✓	574,645,395.80
The National Treasury	26 Jun 2025	Development	140,560,591.40	✓	✓	140,560,591.40
The National Treasury	30 Jun 2025	Development	961,190,000.00	✓	✓	961,190,000.00
The National Treasury	4 Jul 2025	Development	1,339,027,426.95	✓	✓	1,339,027,426.95
The National Treasury	10 Jul 2025	Development	1,194,969,573.55	✓	✓	1,194,969,573.55
The National Treasury	11 Jul 2025	Development	197,493,184.10	✓	✓	197,493,184.10
The National Treasury	11 Jul 2025	Development	967,125,143.95	✓	✓	967,125,143.95
The National Treasury			<b>67,780,783,111.10</b>			<b>67,780,783,111.10</b>

**Appendix V: Reporting of Climate Relevant Expenditures**

*The State Department did not incur any Climate Relevant Expenditures for the period.*

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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**Appendix VI: Disaster Expenditure Reporting Template**

*The State Department did not incur any disaster related expenditure for the period.*

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