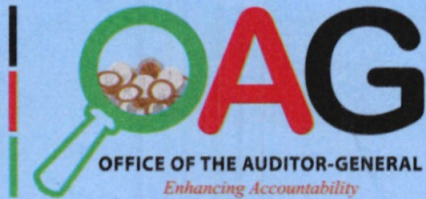


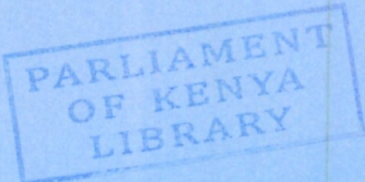


REPUBLIC OF KENYA



REPORT

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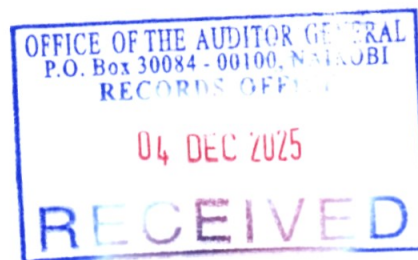
THE AUDITOR-GENERAL

ON

KENYA MEDICAL SUPPLIES AUTHORITY

FOR THE YEAR ENDED
30 JUNE, 2025

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



KENYA MEDICAL SUPPLIES AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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



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1. Acronyms and Definition of Key Terms

A: Acronyms

BARC	Board Audit and Risk Committee
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
ESG	Environmental, social and governance
FMCG	Fast-Moving Consumer Goods
HPTs	Health Product and Technologies
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KEMSA	Kenya Medical Supplies Authority
MCP	Medical Commodity Program
NHIF	National Health Insurance Fund
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
RDC	Regional Distribution Centre
SAP	Systems, Applications, and Products in Data Processing
SC	State Corporations
SDG	Sustainable Development Goals
SHIF	Social Health Insurance Fund
UHC	Universal Health Coverage
UON	University of Nairobi
USAID	United States Agency of International Development
WB	World Bank

B: Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key Authority's Information and Management

(a) Background Information

The Kenya Medical Supplies Authority (KEMSA), initially known as the Kenya Medical Supplies Agency, was established in 2000 and operationalised in 2005 as a semi-autonomous agency of the Ministry of Health. In 2013, The Kenya Medical Supplies Authority Act was assented by the President, leading to a change from being an Agency to an Authority. Currently, KEMSA is a state corporation that is expected to be a self-financing and sustainable entity.

KEMSA is a state corporation whose mandate is to procure, warehouse and distribute medicines and medical supplies for prescribed public health programmes, the national strategic stock reserve, defined essential health packages and national referral hospitals. KEMSA plays an important and strategic role in the National Agenda, including implementation of Universal Health Coverage (UHC), by ensuring availability of supplies in health facilities across the country.

KEMSA's main supply chain centre is in Nairobi. In addition, the authority has 2 regional distribution centres (Mombasa and Kisumu) and 5 regional warehouses (Kakamega, Eldoret, Nakuru, Nyeri, and Meru) across the country to enhance flexibility and quick response to customers' demand.

(b) Principal Activities

➤ Core Mandate

The Authority's Core Mandate as defined in the Act is to:

- i. Procure, warehouse, and distribute drugs and medical supplies for prescribed public health programmes, the national strategic stock reserve, prescribed essential health packages and national referral hospitals.
- ii. Establish a network of storage, packaging and distribution facilities for the provision of drugs and medical supplies to health institutions.
- iii. Enter into partnership with or establish frameworks with county Governments for purposes of providing services in procurement, warehousing, distribution of drugs and medical supplies.
- iv. Collect information and provide regular reports to the national and county governments on the status and cost-effectiveness of procurement, the distribution and value of prescribed essential medical supplies delivered to health facilities, stock status and on any other aspects of supply system status and performance which may be required by stakeholders.
- v. Support county governments to establish and maintain appropriate supply chain systems for drugs and medical supplies.

➤ **Vision**

" Excellence in the provision of HPTs and supply chain solutions in the East Africa Region".

➤ **Mission Statement**

"To provide quality, affordable essential HPTs, and supply chain solutions to save and transform lives".

➤ **Strategic Objectives of the Authority**

Strategic areas considered in this turnaround strategy;

1. **Financial sustainably:** To address the financial challenges, KEMSA will undertake a thorough financial restructuring. This includes cost optimisation measures, reviewing existing contracts with suppliers to ensure the contracts deliver value for money, recapitalisation through the Government of Kenya and development partners, improved debt management and exploring potential sources of funding or strategic partnerships to improve liquidity and financial stability.
2. **Streamline Supply Chain Processes:** KEMSA will undertake a comprehensive evaluation of its supply chain processes to identify inefficiencies and bottlenecks. Through process re-engineering, implementation of lean principles and technological integration, the organisation aims to achieve a more streamlined and responsive supply chain system that is geared to meet the needs of KEMSA customers.
3. **Customer Satisfaction:** This is critical to the success of the Authority and to achieve it, KEMSA will adopt a customer-centric culture, focusing on understanding customer needs and expectations. Regular feedback mechanisms will be enhanced to continuously improve service levels and build lasting relationships with customers and stakeholders.
4. **Technology and Data Integration:** Embracing technology is fundamental to the turnaround plan. KEMSA will invest in a new ERP and relevant software solutions to integrate processes and data across the supply chain, enabling real-time tracking, demand forecasting and inventory optimisation. This data-driven approach will facilitate informed decision-making and enhance overall operational efficiency.
5. **Talent Development and Training:** The success of the strategic plan heavily relies on a skilled and motivated workforce. KEMSA will prioritise talent development and training initiatives to empower employees with the necessary skills, competencies and knowledge to adapt to the changing landscape and drive organisational renewal and success.
6. **Regulatory Compliance and Quality Assurance:** Ensuring compliance with industry regulations and maintaining product quality is paramount. The Authority will maintain rigorous quality assurance protocols and compliance monitoring mechanisms to meet regulatory requirements and maintain trust with stakeholders.
7. **Governance:** KEMSA will put in place a well-structured governance framework that will form the foundation for a successful and sustainable organisation. By prioritising

transparency, compliance, risk management and stakeholder engagement, the Authority will navigate challenges, seize opportunities and deliver essential HPTs efficiently and effectively to all counties. KEMSA will also carry out continuous evaluation and improvement of governance practices that will support the organisation in achieving its mission of providing quality, affordable essential HPTs, and supply chain solutions to save and transform lives.

(c) Key Management

The Authority is governed by a Board of Directors, who are supported by a Secretariat under the leadership of the Chief Executive Officer (CEO), who operates in close coordination with six Directorates, namely: Finance and Strategy, Legal Services, Procurement, Human Resources and Administration, Operations, and Commercial.

No	Designation	Name
1.	Board Chairperson (<i>w.e.f. 23rd August 2024</i>)	Mr. Samuel Tunai, EGH
2.	Board Chairperson (<i>15th May 2023 to 23rd August 2024</i>)	Mr. Irungu Nyakera
3.	Non-Executive Director	FCPA Hesbon Omollo
4.	Non-Executive Director	Dr. Jane Masiga
5.	Non-Executive Director	Hon. Bernard Bett
6.	Non-Executive Director (<i>exited on 6th January 2025</i>)	Ms. Mary Atieno Awino
7.	Non-Executive Director	Dr. Catherine Ngahu
8.	Non-Executive Director (<i>Effective 6th January 2025</i>)	Mr. Victor Marege
9.	Non-Executive Director	Mr. Stephen Bitok
10.	Chief Executive Officer (<i>w.e.f. 26th July 2024</i>)	Dr. Waqo Ejersa, OGW
11.	Ag. Chief Executive Officer (<i>15th May 2023- 26th July 2024</i>)	Dr. Andrew Mulwa
12.	Director- Legal/Corporation Secretary	Fredrick Wanyonyi
13.	Director, Finance & Strategy	Waiganjo Karanja
14.	Director, Operations (<i>Upto 19th September 2024</i>)	Edward Njoroge
15.	Director, Operations (<i>w.e.f. 20th September 2024-17th March 2025</i>)	Dr George Walukana
16.	Director, Operations (<i>w.e.f. 17th March 2025</i>)	Dr. Gloria J. Kigen
17.	Director Human Resource & Administration	Ebla Mohamed
18.	Director Procurement	Moses Sudi
19.	Director Commercial Services	Eliud Mureithi
20.	Ag. Head, KEMSA-USAID MCP Program	John Kabuchi
21.	Internal Audit & Risk Manager	Teresa Mute

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chief Executive Officer (<i>w.e.f. 26th July 2024</i>)	Dr Waqo Ejersa, OGW
2.	Ag. Chief Executive Officer (<i>15th May 2023- 26th July 2024</i>)	Dr Andrew Mulwa
3.	Director- Legal/Corporation Secretary	Fredrick Wanyonyi
4.	Director, Finance & Strategy	CPA, Waiganjo Karanja
5.	Director, Operations (<i>up to 22nd Sep 2024</i>)	Edward Njoroge
6.	Ag. Director, Operations from (<i>23rd Sep 2024 to 16th March 2025</i>)	Dr. George Walukana
7.	Director, Operations (<i>w.e.f 17th March 2025</i>)	Dr. Gloria J. Kigen
8.	Director Human Resource & Administration	Ebla Mohamed
9.	Director Procurement	Moses Sudi
10.	Director, Commercial Services	Eliud Mureithi
11.	Ag. Head, KEMSA-USAID MCP Program	John Kabuchi
12.	Internal Audit & Risk Manager	Teresa Mute
13.	Finance Manager (<i>up to 28th Feb 2025</i>)	Caroline Anunda
14.	Ag. Finance Manager (<i>w.e.f. 1st March 2025</i>)	CPA, Pauline Nyoru

(e) Fiduciary Oversight Arrangements

Audit & Risk Committee

The Committee has a critical role in overseeing various aspects of the Authority’s activities and performance. The roles include the responsibility for overseeing financial reporting and related internal controls, risk management, external and internal auditors, and ethics and compliance.

Finance Committee

The committee is in charge of reviewing and monitoring KEMSA’s financial position, accounts, financial statements, and statutory reports, as well as considering audit matters arising out of KEMSA’s financial position and statements, examining the recommended structural developments, including ICT installations, and making appropriate recommendations.

Parliamentary Oversight Committees

The Parliamentary Oversight Committees ensure that the Authority's activities and performance are held to account by ensuring participation in hearings and cooperation with parliamentary committees by providing the requested information.

Development Partners

To ensure the transparency and accountability of various grants, Development Partners engage 3rd party validators. These validators provide crucial fiduciary oversight, which helps achieve the overarching grants objectives. Development Partners such as Global Fund, World Bank and USAID employ services of validators such as PricewaterhouseCoopers (PWC), Office of Inspector General (OIG) among others.

The composition of KEMSA standing Committees for the year is detailed below.

Finance, Strategy & Development Committee	Human Resources Committee	Audit and Risk Committee	Supply Chain Committee
Composition	Composition	Composition	Composition
Directors and the CEO	Directors and the CEO	Directors and the Internal Audit Manager	Directors and the CEO
Main Function	Main Function	Main Function	Main Function
Finance, Strategy & Development Committee	Human Resources Committee	Audit and Risk Committee	Supply Chain Committee
Frequency of meetings per annum	Frequency of meetings per annum	Frequency of meetings per annum	Frequency of meetings per annum
Quarterly and Special Meetings on need basis	Quarterly and Special Meetings on need basis	Quarterly and Special Meetings on need basis	Quarterly and Special Meetings on need basis
Chairperson	Chairperson	Chairperson	Chairperson
FCPA. Hesbon Omollo	Dr. Catherine Ngahu	Hon. Bernard Bett	Dr. Jane Masiga
Members	Members	Members	Members
Mr. Stephen Bitok Ms. Mary Awino (up to 6 th January 2025)/ Mr. Victor Marege Dr. Jane Masiga	Hon. Bernard Bett Mr. Stephen Bitok Ms. Mary Awino (up to 6 th January 2025)/ Mr. Victor Marege	Dr. Catherine Ngahu Ms. Mary Awino (up to 6 th January 2025)/ Mr. Victor Marege Mr. Stephen Bitok	FCPA. Hesbon Omollo Ms. Mary Awino (up to 6 th January 2025)/ Mr. Victor Marege Mr. Stephen Bitok

(f) Headquarters

Embakasi, Off Airport North Road,
P.O. Box 47715 - 00100,
NAIROBI, KENYA

(g) Contacts

Telephone: +254 111 035 800
Email: info@kemsa.go.ke
Website www.kemsa.go.ke
Facebook [Kemsahhealthcare](#)
X [-Kemsa_Kenya](#)

(h) Bankers

- | | |
|---|---|
| 1. National Bank of Kenya
Harambee Avenue
P. O. Box 72866 – 00200
NAIROBI, KENYA | 2. NCBA
Mara Road, Upper Hill
P. O. Box 44599 – 00100
NAIROBI, KENYA |
| 3. Kenya Commercial Bank
Industrial Area
P. O. Box 18031 – 00500
NAIROBI, KENYA | 4. Co-operative Bank of Kenya
Enterprise Road
P. O. Box 17928 – 00500
NAIROBI, KENYA |
| 5. Equity Bank Ltd
Westlands Supreme Centre
P. O. Box 75104 - 00200
NAIROBI, KENYA | 6. Sidian Bank
Sameer Park
P.O. Box 25363-00603
NAIROBI, KENYA |

(i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 - 00100
NAIROBI, KENYA

(j) Principal Legal Advisers

The Attorney General
State law office, Harambee Avenue
P.O. Box 40112 - 00200
NAIROBI, KENYA

3. The Board of Directors

The Directors who served the Authority during the year were as follows:

	DOB: 15th October 1968 <i>Non-Executive Director</i> Chairperson – KEMSA Board of Directors Effective: 23rd August 2024 Profession/Academic Qualifications: Master of Public Policy and Management, (Strathmore University); Post Graduate Diploma in International Relations (University of Nairobi); Bachelor of Arts in History and Government (University of Nairobi); Award for Exceptional Performance – Elder of the Order of Golden Heart (EGH). Work Experience: Governor, County Government of Narok and Senior Administrator, Office of the President among others.
	DOB: 13th May 1982 <i>Non-Executive Director</i> Chairperson – Board of Directors Effective: 15th May 2023 to 23rd August 2024 Profession/Academic Qualifications: MBA (Ongoing)- Oxford University, Oxford UK, BSc Management Science and Engineering at Stanford University, California USA, (Financial Analysis and Decision Engineering) at Stanford University CA, USA; Awarded the Dean’s Award for Exceptional Academic Achievement at the university; CPA(K); Post Graduate Program at Deerfield Academy, MA, USA. Work Experience; Banker with experiences at Citigroup Investment Bank (New York, London); Regional Director, East and Southern Africa of Guarant Co; (London) Managing Director NIC Capital Limited; Frontier Markets Fund Managers (London); Managing Director Equity Bank Group, Former Principal Secretary Transport & Principal Secretary Planning & Statistics; Chairman, National Tea Steering Task Force.



FCPA Hesbon Omollo

DOB: 23rd February 1975

Non-Executive Director

Profession/Academic Qualifications: BCOM, CPA, CS

Work Experience: Managing Partner-Bon & Drew Associates (Audit, Tax and Management consulting firm)-2011-2023; Elected ICPAK council Member - 2021-to date. Audit senior, Audit manager in the audit space and prior to that was an Accountant in various organizations in the logistics, manufacturing and FMCG.



Dr. Jane Masiga

DOB: 12th March 1960

Non-Executive Director

Profession/Academic Qualifications: Bachelor of Pharmacy; Member, Pharmaceutical Society of Kenya; Certified ISO 9001:2015 Internal Quality Lead Auditor and Supervisory Board Member of the Access to Medicine Foundation in the Netherlands; Master of Business Administration, Strategic Management from the University of Nairobi; Master of Science in Clinical Pharmacy from the Robert Gordon University in Aberdeen, United Kingdom.

Work Experience: Managing Director, Head of Operations, Staff Pharmacist – Mission for Essential Drugs.



Hon. Bernard Bett

DOB: 11th May 1981

Non-Executive Director

Profession/Academic Qualifications: Bachelor of Education, Master of Philosophy in Economics -Moi University

Work Experience Member of National Assembly 2013-2017; Part-time lecturer Eldoret Polytechnic-2009-2012; Former Member of Departmental Committee on Lands and Natural Resources.

 Ms. Mary Atieno Awino	DOB: 25th December 1964 Non-Executive Director – Alternate to Principal Secretary, The National Treasury (<i>exited on 6th January 2025</i>) Profession/Academic Qualifications: MBA, BCOM, Dip-Supply Chain Management. Part III Work Experience Currently Senior Deputy Director, Supply Chain Management/Public Procurement Department, National Treasury; Deputy head of procurement unit Ministry of Health (Feb 2004 to Nov 2008); Deputy head of procurement unit Ministry of health (2003-2004); Head of procurement National Assembly (1992-1996).
 Mr. Victor Marege (<i>Effective 6th January 2025</i>)	DOB: 2nd March 1978 Non-Executive Director – Alternate to Principal Secretary, The National Treasury (<i>effective 6th January 2025</i>) Profession/Academic Qualifications: Master of Science-Procurement & Logistics, BA, Dip-Supply Chain Management, CIPS-UK Work Experience: Currently Deputy Director at Public Procurement Department-National Treasury; Prior to his current deployment, he has served as Assistant Director/SCMS, Principal Supply Chain Management Officer, Chief Supply Chain Management Officer, Manager Supply Chain Services, Senior Procurement Officer and Procurement Officer 1 in various Ministries, Departments and Agencies, a career spanning a period of over 18 years.
 Dr. Catherine Ngahu	DOB :7th May 1961 Non-Executive Director Profession/Academic Qualifications: PhD in Business Administration, MBA and BEd from the U.o.N Work Experience: Senior lecturer at the U.o.N, Business research fellow at Wharton Business School, University of Pennsylvania, USA. She is the founder and chair of SBO Research Limited, and has served in boards of several organizations under diverse regulatory regimes.



Mr. Stephen Bitok

DOB: 12th October,1969

Effective- 31st January 2024

Non-Executive Director – Alternate to Principal Secretary, Ministry of Health: State Department of Medical Services.

Profession/Academic Qualifications: Master’s in business administration (MBA), Certificate in Advanced Public Administration, Certificate in Administrative Officers Paramilitary

Professional Experience: Aug 2023- to Date Senior Deputy Secretary Ministry of Health, Sept 2019- Aug 2023 Senior Deputy Secretary Ministry for Devolution, Aug 2016 - Aug 2019 Undersecretary Projects, Ministry of Health



Dr. Waqo Ejersa, OGW

DOB: 1968

Chief Executive Officer Effective 26th July 2024

Profession/Academic Qualifications: Msc Strategic Planning-University of Edinburg, UK (Ongoing); MPH (University of Melbourne, Australia); Bachelor of Medicine & Bachelor of Surgery (MBChB), University of Nairobi; Post Graduate Certificate in Procurement and Supply Chain Management-UNDP; Certificate in Leadership Development Program (SLDP) - Kenya school of Government; Award for Exceptional Performance-Order of the Grand Warrior (OGW); Member of the Public Health Society of Kenya, Kenya Medical Association and registered with the Kenya Medical and Dentists Practitioners Board.

Work Experience: Project Co-ordinator, Global Fund-Resilient & Sustainable Systems for Health; Head of Division of Non-communicable Diseases; Head, National Tuberculosis, Leprosy & Lung Diseases; Head of National Malaria Control Program; Provincial Director, Ministry of Public Health and Sanitation; District Medical Officer of Health; Medical Officer Intern.



Dr. Andrew Mulwa
Ag. Chief Executive Officer
(17th May 2023-26th July 2024)

DOB: 22nd November 1983

Profession/Academic Qualifications: Master of Science (MSC) Strategic Management, Jomo Kenyatta University of Agriculture and Technology (JKUAT) (2019); International Health Systems Programming, quality of Health Care, Harvard School of Public Health. (2019); International Health System Programming making Decentralization work - Harvard School of Public Health (2015); Managing markets for Health (University of Edinburgh/World Bank (2015);

Bachelor of Medicine and Bachelor of Surgery (MBChB) University of Nairobi (2008).

Professional Experience: Health -Ministry of Health (2021 – May, 2023); Chair, County Executive Committee Member for Health 2015 – 2021); County Executive Committee Member, Health Services, Makueni County (2013 – 2021); District Medical Officer of Health (2009 – 2013).



Mr. Fred Wanyonyi
Director - Legal Services

DOB: 4th April 1966

Corporation Secretary

Profession/Academic Qualifications: LLB, DIP. Law, Certified Public Secretary (CPS)

Work Experience: Company Secretary-Nzoia Sugar, Advocate-Wetangula & Co. Advocate-P.L. Nalo & Co. Advocates, Pupil-Simiyu Wetangula & Co Advocates

4. Key Management Team



Dr. Waqo Ejersa, OGW
Chief Executive Officer

MBChB, MSc. MPH
(Effective from 27th July 2024)



Dr. Andrew Mulwa
Ag. Chief Executive Officer

MBChB, MSc
(15th May 2023-26th July 2024)



Mr. Fred Wanyonyi
Director-Legal Services

LLB, DIP. Law



Mr. Waiganjo Karanja
Director Finance & Strategy

BA (Econ), MBA, CPA, CISA, CS



Mr. Eliud Mureithi
Director, Commercial Services

MSc. IPH, MBA, BA, MCIM, MCIPS, MKISM, MHIRM



Mr. Moses Sudi Otoa
Director-Procurement

Bcom(Supplies), MSC(Supply Chain), MA(Project Planning) MCIPS (UK) CPSP-K & Diploma in Management



Dr. Gloria J. Kigen
Director-Operation
(Effective 17th March 2025)
B.Pharm, MBA. MPSK



Ms. Ebla Mohamed
Director-Human Resource & Administration

MBA, CHRP, K, PROSCI

Kenya Medical Supplies Authority
Annual Report and Financial Statements For the year ended June 30th, 2025



Ms. Pauline Nyoru
Ag. Finance Manager
(effective 1st March 2025)

BBM Finance, MBM,
CPA, DipIFR



Mr. John Kabuchi
Ag. Head-MCP-USAID
Program

Bsc, MBA, CIPS



Ms. Teresa Mute
Internal Audit Manager

MBA, FCCA, CIA,
CERMP



Ms. Caroline Gichinga
Procurement
Manager

CIPS



Ms. Catherine Maingi
Planning and
Continuous
Improvement Manager

BSc. Actuarial,
Ms. MPH-Health
Financing, MASCM



Beatrice Rosana
Ag. Quality Assurance
Manager
BSc, (Chemistry Major)
MBA-Strategic
management
Certified Lean Sigma
greenbelt



Esther K. Somoire,
OGW
Liaison Manager

BA, Masters of Arts,
Diplomacy

5. Chairperson's Statement



I am honoured to present the Chairperson's Statement for the Authority's Annual Report for the year ending June 30, 2025. This report marks a significant milestone in KEMSA's transformation journey as we consolidate reforms, implement strategic priorities, and reinforce our role as a reliable enabler of Kenya's Universal Health Coverage (UHC) agenda.

Strategic Governance Progress

The Authority recorded tangible strides in institutional strengthening and governance this past year. We are pleased to report that the Board of Directors is now fully constituted, bringing together a diverse and skilled leadership team committed to delivering results. The Public Service Commission has endorsed critical Human Resource (HR) instruments, providing a solid foundation for human capital development and performance management.

Further, the Board has commissioned the development of a new Strategic Plan (2025-2030), which will align with the 4th Medium-Term Plan (MTP IV), Vision 2030, and the Bottom-Up Economic Transformation Agenda (BETA). The Board also undertook comprehensive leadership and corporate governance training, underscoring our commitment to transparency, accountability, and ethical stewardship.

Performance Amidst Systemic Challenges

While operating within a constrained fiscal environment and recovering from past institutional challenges, KEMSA continued to play its vital role in procuring and distributing Health Products and Technologies (HPTs). We recognize the ongoing challenge of delayed payments from counties, which continues to strain our cashflow and affect supplier engagement. However, we have engaged in active resource mobilization, convened key stakeholder forums, and implemented internal austerity measures to stabilize operations.

We commend management for successfully delivering HPTs to thousands of public health facilities across the country despite the financial and logistical hurdles. Notably, the completion of Phases One and Two of the National Commodity Storage Centre and the expansion of our Regional Distribution Centres (RDCs) have improved our national distribution capacity and emergency preparedness.

Institutional Reforms and Operational Excellence

We continued to embed the gains of the one-year turnaround strategy initiated in the previous year, focusing on operational excellence, customer satisfaction, and financial discipline. The rollout of a new SAP Enterprise Resource Planning (ERP) system will further improve automation, inventory visibility, and real-time decision-making.

Importantly, the implementation of the Social Health Insurance Fund (SHIF) and the Facilities Improvement Fund (FIF) Acts mark a new era for Kenya's health system. KEMSA is well-positioned to support these reforms by aligning supply chain operations to the evolving health financing landscape and responding to health facility demand in a more responsive and decentralized manner.

People and Culture

Our people remain our greatest asset. As a Board, we recognize the importance of fostering a positive and inclusive organizational culture. I am pleased to report that during the year, all Director positions within the Authority were substantively filled, strengthening leadership stability and technical capacity at the management level. This was complemented by the successful review and approval of KEMSA's Human Resource instruments—namely, the organizational structure, grading system, and HR policy manual—by the Public Service Commission.

Partnerships and Sustainability

To ensure long-term sustainability, we have intensified our stakeholder engagement with the National Treasury, Ministry of Health, development partners, and suppliers. The Board continues to support efforts aimed at recapitalizing the Revolving Fund and improving our Order Fill Rate as a measure of service performance. We are also exploring strategic partnerships and innovative financing models that will enable KEMSA to meet its growing mandate and scale up impact.

Looking Ahead

As we transition into the new Strategic Plan cycle (2025–2030), our focus remains steadfast on strengthening procurement efficiency, reducing delivery lead times, and deepening public-private partnerships. We will continue to build capacity across the health supply chain, invest in data-driven decision-making, and enhance regional outreach through our RDCs. KEMSA is evolving into a modern, efficient, and transparent supply chain agency — one that supports equitable access to quality healthcare for all Kenyans.

Acknowledgements

On behalf of the Board, I extend my sincere gratitude to the Government of Kenya – especially the Ministry of Health and the National Treasury – for their ongoing support. I also express appreciation to my fellow Board members for their steadfast dedication and diligence throughout the year. Most notably, I commend the KEMSA management and staff for their commitment and resilience in fulfilling our mandate.

Together, we look to the future with optimism and determination as we continue delivering health commodities, driving innovation, and building a resilient national supply chain.


.....

Samuel Tunai, EGH

Chairperson – Board of Directors

6. Report of the Chief Executive Officer



The fiscal year 2024/25 represented a significant milestone in the transformation process of KEMSA. Under the guidance of the Board and with the backing of the Ministry of Health, substantial advancements were achieved in fulfilling our primary mandate – providing timely, cost-effective, and high-quality access to Health Products and Technologies (HPTs) throughout Kenya’s public health infrastructure. These achievements were accomplished through structural reforms, operational improvements, and a reinvigorated culture of performance, which are collectively redefining KEMSA’s service to the nation’s health sector.

Organizational Transformation Strategy

During the year, the Authority implemented key institutional reforms that laid the foundation for operational excellence and improved service delivery.

Human Resource

We successfully rolled out approved Human Resource instruments and completed the transition of staff to permanent and pensionable terms, contributing to workforce stability and morale. A fully staffed leadership team was onboarded, enabling better decision-making and accountability. Staff training coverage reached 68%, and administrative service availability and compliance with safety standards showed marked improvement across the organization.

Procurement

Our procurement function was strengthened through improved planning, increased transparency, and digitization. We achieved 100% order submission compliance for key program commodities, demonstrating a renewed focus on timeliness and responsiveness. Procurement execution improved as systems became more data-driven, supporting better forecasting and contract management.

Automation & Technological Enhancement

We enhanced our Monitoring & Evaluation (M&E) framework to track over 170 Key Performance Indicators (KPIs) across all departments. These improvements enabled better visibility of performance, helping us institutionalize a performance-based culture. Integration with program systems also supported a 96% reporting rate for HIV/AIDS indicators, demonstrating the success of our technology investments in improving accountability.

Operational Efficiency

Operationally, we distributed over Kshs. 30.6 billion worth of essential medicines and medical supplies to more than 11,500 public health facilities across the country. Notably, 54% of this throughput served level 2 and 3 facilities, aligning with the government's commitment to strengthen primary healthcare. We achieved a 94% customer retention rate among counties, reflecting restored confidence in our operations. Efficiency gains were seen in inventory turnover, order processing, quality assurance – with a 99% product pass rate – and timely deliveries.

Governance

The Board's active oversight and commitment to good governance were key to our progress. A comprehensive performance framework for FY 2025/26 was developed to guide our shift from recovery to operational excellence. This framework will drive improvements in planning, performance accountability, and service delivery across all directorates.

Health Products and Technologies (HPT) Security

KEMSA continued to align its operations with national health priorities, particularly the Universal Health Coverage (UHC) agenda. Emphasis was placed on the availability and equitable distribution of tracer commodities to prevent stockouts. Our improved planning and order fulfillment processes prioritized last-mile delivery to the community and primary health facilities, ensuring that essential products reached where they were most needed.

Financial Performance

The Authority's performance for the period ending 30th June 2025 recorded a surplus of KSh 2.00 billion, reflecting a significant improvement compared to the loss reported in the same period of FY 2023/2024. This positive outturn is largely attributable to the financial support extended by the Government through the Ministry of Health during the year. The Authority remains committed to sustaining this trajectory by strengthening internal controls, enhancing fiscal discipline, reinforcing cost-management measures, and improving overall operational efficiency.

Partnerships and Collaborations

We deepened collaborations with development partners, counties, and national institutions. Programmatic performance was strong, with 100% order submission compliance achieved for donor-supported commodities. The Ministry of Health and the National Treasury provided continued policy and financial support, while county

engagement remained central to our service delivery model. These partnerships are critical in sustaining the gains of our transformation agenda.

Environmental Sustainability and Corporate Social Responsibility

Although not a primary focus this year, KEMSA maintained its commitment to responsible operations and environmental stewardship. Resource efficiency, regulatory compliance, and safe workplace practices were embedded across functions, with continued efforts to support the community through healthcare-related initiatives.

Challenges and Action Points

Despite the gains, we faced persistent liquidity challenges due to delayed county payments and mixed revenue from donor services. Fill rates and turnaround times, while improved, remain below target and require continued attention. Going forward, we will intensify efforts to resolve county debts, digitize procurement further, strengthen transport and inventory KPIs, and embed our FY 2025/26 Performance Framework across all departments to drive sustained improvement.

Appreciation

I take this opportunity to thank the KEMSA Board for its strategic leadership, and the Ministry of Health and the National Treasury for their support throughout the year. I am also grateful to our development partners for their continued collaboration, and to our county stakeholders for their renewed trust. Above all, I appreciate the dedication and professionalism of KEMSA's staff, whose resilience and commitment have been the driving force behind this year's success.

As we look ahead, we remain committed to repositioning KEMSA as a model of public sector supply chain excellence – not just in Kenya, but across the region.



Dr. Waqo Ejersa, OGW
Chief Executive Officer

7. Statement of Performance against Predetermined Objectives: 24/2025

KEMSA has 5 strategic pillars and 7 objectives within its Strategic Plan for the FY 2019/2020- 2023/2024. These strategic pillars are as follows:

Pillar 1: Operation Excellence:

- To Improve Business Processes
- To Ensure compliance with laws, regulations, and standards
- To Deliver value for money

Pillar 2: Customer Experience

- To Improve Customer and Stakeholder satisfaction

Pillar 3: Financial Sustainability

- To Ensure financial sustainability

Pillar 4: People and Culture

- To Align structure and culture to deliver on the KEMSA mandate

Pillar 5: Governance

- To Strengthen governance systems

KEMSA develops its annual work plans based on the above five pillars. The board's performance against its annual work plan is assessed every quarter.

KEMSA achieved its performance targets set for the FY 2024/25 period for its 5 strategic pillars, as indicated in the diagram below:

Pillar	Strategic Objective	KPI	Target	Actual at the End of FY 2024/25
Operation Excellence	1. To Improve Business Processes	Order fill rate	90%	55% with (41% for KEMSA EMMS & 79% for Programs)
		Order Turnaround Time (Hosp)	7 days	19.5 Days
		Order Turnaround Time (PHFs)	10 days	24.2 Days
	2. To ensure compliance with laws, regulations, and standards	Number of non-conformities arising from audits	0	4 (Closed already)
	3. To deliver value for money	Market Price Index	1	Ongoing
Customer Experience	To Improve Customer and Stakeholder satisfaction	Stakeholder Satisfaction Index	85%	Ongoing
		Customer satisfaction index	85%	73.4%
		Brand perception index	Positive Brand Perception Index/ Score	Ongoing
Financial Sustainability	To ensure financial sustainability	Value of expiries	< 2%	1.99%
		cost/ income ratio	80%	67%
		% capital budget utilized	100%	39%
		Value of KEMSA debt	Less than Kshs. 1 billion	Kes. 6,529,950,508
People and Culture	To align structure and culture to deliver on the KEMSA mandate	Employee Satisfaction Index	80%	65%
		Work Environment Survey index	100%	Ongoing

Pillar	Strategic Objective	KPI	Target	Actual at the End of FY 2024/25
		Number of Approved HR Instruments	5	4
		1. % of Board resolutions implemented	90%	75%
		2. % of risks identified & and risks mitigated	85%	67%
		3. % of audit activities completed	80%	68%

8. Corporate Governance Statement

i. Board Appointment and Removal of Directors

Appointment Process: Board members are appointed by the relevant authority, with appointments formalized through a Kenya Gazette notice. Removal of directors may occur due to resignation, prolonged absence, conviction of an offense, incapacity, or conduct deemed inconsistent with Board membership.

Size and Diversity: The Board consists of a maximum of nine members, ensuring compliance with constitutional and legislative requirements. Members are selected based on professional standing, expertise, and independence, with at least one member being a financial expert.

Board Charter: KEMSA has adopted a Board Charter that defines the roles, responsibilities, and governance practices of the Board, ensuring alignment with Mwongozo and the KEMSA Act, 2013.

ii. Roles and functions of the Board:

The Chairperson acts as the link between the Board and the Chief Executive Officer and plays a lead role in consensus-building between the board members, the Chief Executive Officer and senior management. The Board has delegated the authority for day-to-day management to the Chief Executive Officer. It however retains the overall responsibility for decisions with regard to finances and operations of the Authority. In this regard the main roles are;

- a) Strategic management
- b) Corporate governance
- c) Key personnel management
- d) Financial management
- e) Board Membership and Attendance

To effectively discharge its mandate, the Board has established four (4) committees with specific terms of reference. The Board appoints into these committees, members with the requisite skills and competence to discharge allocated responsibilities. The committees report to the Board any actions taken for ratification and any major developments that they become aware of. The Board receives a report of the committee's findings and actions. These Committees include; the Finance, Strategy & Development Committee, Audit & Risk Committee, Supply Chain Committee, and the Human Resource & Governance Committee.

iii. Induction, training and development

The Board provides new Board members with an effective induction program in order to familiarize them with their responsibilities as directors, general principles of corporate governance and Board practices. The induction program also provides the board members with an orientation of the Authority’s strategic plans, financial status and policies, risk management, compliance programs, and the Code of Conduct and Ethics. Under the year of review, the management would like to confirm that all new board members appointed were taken through the induction program.

iv. Board member performance

The Board conducts annual evaluations to appraise its performance, including the performance of individual members, committees and the CEO. However, for the period under review, board evaluation was not conducted. Evaluations identify strengths, skill gaps, and areas for improvement, ensuring alignment with KEMSA’s strategic objectives and governance standards.

v. Number of board meetings held

During the Financial Year 2024-2025, there were a total of nineteen (19) Full Board Meetings, seven (7) Finance Strategy and Development Committee meetings, seven (7) Human Resource & Governance Committee meetings, six (6) Audit and Risk Committee meetings and four (4) Supply Chain Committee meetings.

Board Membership and Attendance for the Current Directors for the FY 2024-2025

Full Board and Special Meetings Summary FY 24/25			
Board Member	Classification	Designation	Total
Samuel Tunai	Appointed by H.E. the President	Chair	16/19
Irungu Nyakera	Appointed by H.E. the President	Former Chair	3/19
Mary Atieno	Representative of the PS, The National Treasury	Former Member	14/19
Victor Marege	Representing PS, The National Treasury	Member	5/19

Full Board and Special Meetings Summary FY 24/25			
Board Member	Classification	Designation	Total
Stephen Bitok	Representing PS, Ministry of Health	Member	19/19
Bernard Bett	Independent	Member	19/19
Hesbon Omollo	Independent	Member	18/19
Jane Masiga	Independent	Member	19/19
Catherine Ngahu	Independent	Member	17/19

Board Committee Meetings Summary FY 24/25				
Board Member	Finance Strategy and Development Committee	Human Resource & Governance Committee	Audit and Risk Committee	Supply Chain Committee
Mary Atieno	6/7	6/7	5/6	3/4
Victor Marege	1/7	1/7	1/6	1/4
Stephen Bitok	7/7	7/7	6/6	4/4
Bernard Bett	-	7/7	6/6	-
Hesbon Omollo	7/7	-	-	4/4
Jane Masiga	7/7	-	-	4/4
Catherine Ngahu	-	7/7	6/6	-

Out of the 19 Board meetings held in FY 2024/25, eight (8) were regular meetings, while eleven (11) were special meetings convened for the following reasons:

Meeting Continuations: In some cases, the agenda items were voluminous and complex, necessitating the continuation of the same meeting over multiple days.

Special Board Meetings: These were convened to address urgent matters requiring prompt Board attention in order to effectively discharge KEMSA's mandate, as reflected in the respective meeting agendas.

vi. Succession Plan:

The Board has established a succession plan for both Board members and management to ensure continuity and effective leadership.

Appointments are staggered to ensure smooth transitions and avoid disruptions in governance.

The plan is reviewed regularly to address evolving organizational needs and ensure alignment with KEMSA's strategic goals.

vii. Policy to manage conflict of interest

KEMSA has a clear policy to manage conflicts of interest. Board members are required to disclose any real, apparent, or potential conflicts of interest upon appointment and whenever circumstances change.

Conflicts are recorded in a register maintained by the officer rendering secretarial services to the board. Members must abstain from discussions or decisions where conflicts exist.

The policy prohibits Board members from using their position for personal gain or influencing decisions where they have an interest.

viii. Board Remuneration

As per PFM Act, 2012 Section 195(2), the remuneration payable allowances to the members of the Board are determined by the Salaries and Remuneration Commission. Details of Board and committee allowances are included in these financial statements.

ix. Ethics and Conduct:

To govern its dealings with stakeholders, the Authority has developed a Code of Conduct and Ethics which the Board, Management and the employees subscribe to in addition to the Principles of Public Service, the provisions of the Public Officers Ethics Act, 2003 and all other statutory regulations issued from time to time.

x. Governance Audit:

The Board ensures that an annual governance audit is conducted to assess compliance with the highest standards of governance. However, for the period under review governance audit was not conducted.

The audit covers parameters such as leadership, transparency, compliance with laws, stakeholder communication, Board independence, and corporate social responsibility. Recommendations from the audit are implemented to enhance governance practices.

xi. Communication Policy

KEMSA has a communication policy that designates the CEO and Chairperson as the primary spokespersons for the organization.

The policy ensures effective communication with stakeholders, the government, media, and the public while safeguarding confidential information.

Only authorized representatives may speak on behalf of KEMSA, ensuring consistency and alignment with organizational goals.

xii. Terms of Reference for Committee

The Board Audit & Risk Committee (BARC) has in place Terms of Reference. Terms of reference for the Finance, Strategy & Development Committee, Supply Chain Committee and the Human Resource and Governance Committee are yet to be developed.

xiii. Policy on related party transactions

KEMSA ensures transparency in related party transactions by disclosing them in financial statements.

The Board monitors such transactions to prevent conflicts of interest and ensure compliance with applicable laws and regulations.

The policy requires that all transactions are conducted at arm's length and in the best interest of the organization.

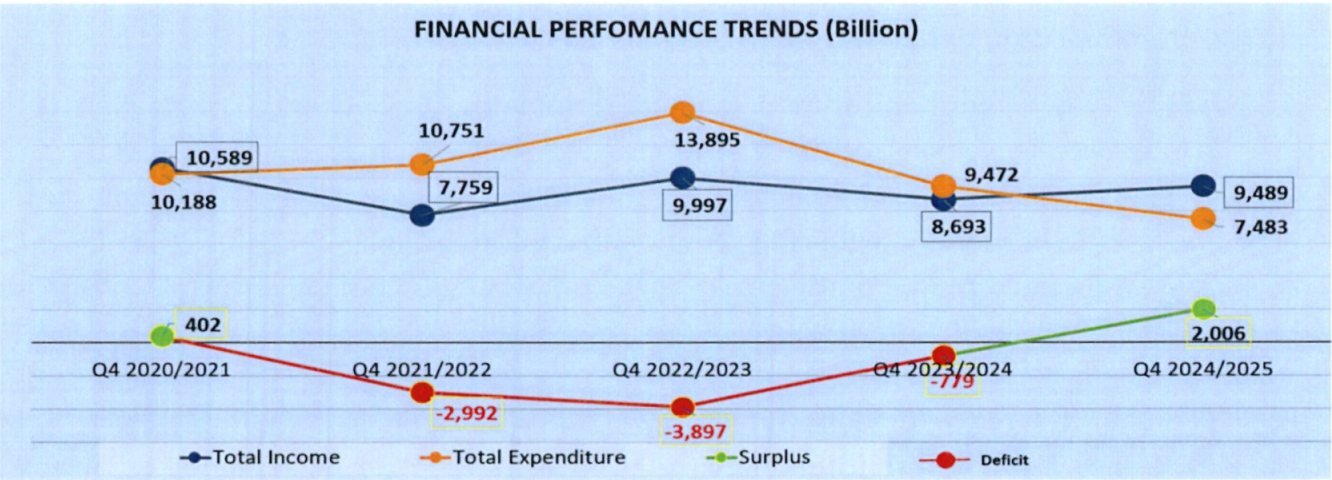
This governance framework reflects KEMSA's commitment to ethical practices, transparency, and accountability, ensuring effective delivery of its mandate while adhering to the highest standards of corporate governance.

9. Management Discussion and Analysis

i. Financial Performance

The Authority generates its revenue from five main sources: the sale of medical commodities, supply chain fees, bank interest, government grants (GoK), and other income.

The following graph represents the financial performance trends for the past 5 years;



The Authority recorded revenue of Ksh. 9.49 billion for the period ending 30th June 2025, representing a 9% increase from the Ksh. 8.69 billion recorded during the same period in FY 2023/2024. Total expenses for the year amounted to Ksh. 7.43 billion, reflecting a 20% decrease compared to the previous year's expenditure of Ksh. 9.40 billion. As a result, the Authority posted a surplus of Ksh. 2.0 billion for the year, a significant improvement from the deficit of Ksh. 779 million recorded in FY 2023/2024.

Material arrears in financial obligations

Receivables from County Governments, Individual facilities and GOK facilities – The Authority is owed over KSh 4 billion, with more than KSh 2.5 billion outstanding for over 90 days. These long-outstanding receivables significantly constrain the Authority's cash flow and adversely affect its ability to deliver timely and uninterrupted services.

Supplier Payables – The Authority has outstanding payables exceeding KSh 3 billion, which has contributed to challenges in maintaining optimal order fill rates and undermines supplier confidence and procurement efficiency.

Review of the sector

Kenya's health sector is undergoing extensive reforms aimed at achieving **Universal Health Coverage (UHC)** and improving efficiency, transparency, and responsiveness in healthcare service delivery. Key government initiatives include:

- **Social Health Insurance Fund (SHIF)** rollout (replacing NHIF)
- **Digitization of Health systems** across counties and national level
- **Pharmaceutical supply chain reforms**, including rationalization of procurement
- **Devolution of Healthcare services** to 47 county governments, which remain major customers of KEMSA

These systemic shifts require KEMSA to adapt to new policy, financial, and operational demands to remain effective as the national medical logistics provider.

ii. Operations performance:

A. Value of HPT Distributed

- B. In FY 2024/25, KEMSA distributed Health Products and Technologies (HPTs) worth KSh 24.698 billion, consisting of KSh 5.130 billion from KEMSA capital sales and KSh 19.567 billion supplied through various Ministry of Health programs and development partners.

C. HPT Distribution by Financial Year:

Financial Year	KEMSA Capital HPT Value- (Kshs.)	Programs HPT Value- (Kshs.)	Totals HPT Value - (Kshs.)
2019-20	11,956,113,932	25,691,698,383	37,647,812,315
2020-21	8,245,609,962	21,444,688,359	29,690,298,321
2021-22	6,636,627,027	20,335,659,587	26,972,286,614
2022-23	8,344,115,966	18,942,301,196	27,286,417,162
2023-24	4,324,181,232	21,413,375,976	25,737,557,208
2024-25	5,130,487,642	19,567,983,957	24,698,471,599

D. Customer Order Fill Rate

Between FY 2019/20 and FY 2024/25, KEMSA's capital order fill rates were 69%, 54%, 50%, 51%, 52%, and 41%, consistently falling short of the 90% target. In contrast, program order fill rates

performed relatively better, recorded at 90%, 94%, 77%, 80%, 72%, and 79% over the same period, though still below the 90% target in most years.

Customer Order Fill Rate for EMMS Orders and Program Orders

Category of Order fill rate	FY 2019/ 20	FY 2020 - 2021	FY 2021 - 2022	FY 2022 - 2023	FY 2023 - 2024	FY 2024 - 2025
Order fill rate for KEMSA EMMS	69%	54%	50%	51%	52%	41%
Target for KEMSA EMMS	90%	90%	90%	90%	90%	90%
Order fill rate for Programs EMMS (HIV, TB, FP, Malaria)	90%	94%	77%	80%	72%	79%
Target for Programs EMMS (HIV, TB, FP, Malaria)	90%	90%	90%	90%	90%	90%

E. Customer Order Turnaround Time in Days

Order turnaround times for hospitals rose from 10.5 days in FY 2019/20 to 19.5 days in FY 2024/25, exceeding the target of 7 days. For primary health facilities, turnaround times increased from 17.3 days in FY 2019/20 to 24.2 days in FY 2024/25, also surpassing the 10-day target throughout the period.

Order Turnaround Time in Days for Hospitals' and Primary Health Facilities' Orders

Financial Year	Hospitals' Orders	Primary Health Facilities' Orders
2019-20	10.5 Days	17.3 Days
2020-21	12.6 Days	18.1 Days
2021-22	14.7 Days	19.8 Days
2022-23	16.3 Days	16.9 Days
2023-24	16.9 Days	20.1 Days
2024-25	19.5 Days	24.2 Days

The Authority has experienced several challenges impacting its operational efficiency and financial performance. Key issues include reduced capital investment, limited stock availability, inefficient logistics, and increased operational pressures. These factors have collectively contributed to underperformance in distribution value, order fill rates, and turnaround times. Addressing these challenges will require a comprehensive approach focused on strengthening resource mobilization, enhancing procurement and inventory management, improving logistics systems, and fostering greater accountability across the supply chain.

iii. Key projects

i-LMIS: Following the implementation of integrated LMIS in 2022, approximately 8,500 health facilities out of 9,500 facilities have adopted the system for managing commodities, ordering, and Family Planning commodities receipt. The County and Sub-County Health Management Teams, have reported improved ease of use and order accuracy. The visibility provided by the commodity alert system facilitated the redistribution of commodities to areas experiencing stockouts or understocking, minimizing expiries, stockouts, and wastage. The wastage rate reduced from 6% to below 1%, stock out rate reduced from 14% to 6%

The enhanced visibility enabled better funding prioritization for various health products, especially those underfunded. The system supported policy guidelines on commodity management, enabling order management through AI-driven allocation to ensure optimal stocking and automated forecasting. This led to a 60% reduction in the cost of expiries for programs, resulting in significant savings in the supply chain. The order fill rates from 65% to 99% and enhanced visibility of scheduled deliveries. The timely resolution of customer complaints further improved the availability of supplies in the supply chain.

The GPS capabilities of the e-POD app ensured that commodities were delivered to the intended facilities, eliminating diversions. Additionally, there was a notable improvement in delivery timelines (reducing OTAT from 20 days to 7 days). This assures OTIFEF deliveries. For KEMSA, the benefit of on-time payment processing enabled timely payments to suppliers and development partners, accelerating commodity flow through real-time information sharing.

Following the above benefits, this led to adoption of the system by the National MOH programs which include; Family Planning, TB and Leprosy, HIV, Ophthalmology, Nutrition, NCD, NTDs. These improvements demonstrate the potential for integrated

LMIS to enhance global supply chain resilience and efficiency in the implementation of Universal Health Coverage under the BREHS project with the World Bank.

National Commodity Storage Centre: The construction of Phases One and Two of the National Commodity Storage Centre is complete. Phase One focused on the warehouse, underground water tank, flammable goods store and civil works while Phase Two involved the office block. Additional works were undertaken to operationalize the new warehouse which included racking of the warehouse and flammable goods store, epoxy flooring, linkage between the new and old warehouses, lifts installation, generators and voltage stabilizers and a gate house.

The new warehouse supports over 12,000 health facilities and enhances the National Emergency Supply Chain Framework. Key features include a heat-reducing roof, pharmaceutical grade warehouse flooring, adjustable storage racks, and a 1.2 million-litre underground tank. Cold chain amenities consist of four cold rooms and four freezer rooms with a total capacity of 2,496 m³

Compliance: The Authority continues to manage financial resources in compliance with the Constitution of Kenya and the PFM Act. Compliance activities include:

- a) Submission of quarterly financial statements to the National Treasury.
- b) Timely performance contracting evaluation reports to relevant authorities.
- c) Budget submissions to the National Treasury through the Ministry of Health.
- d) Submission of the annual procurement plan by the deadline.
- e) Payment of all statutory deductions as per set guidelines.

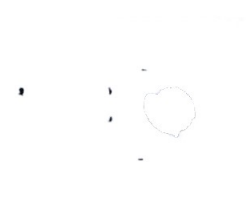
New SAP ERP Implementation Project: The Authority is in the process of implementation of a new SAP Enterprise Resource Planning (ERP) system to enhance operational efficiency. This system will automate finance, warehousing, sales, and distribution. Electronic GPS-enabled locks have been implemented for real-time tracking of deliveries. Additionally, a Wide Area Network (WAN) and Local Area Network (LAN) have been established, improving visibility and order processing between the Kisumu Regional Distribution Centre and the Embakasi Supply Chain Centre.

Enterprise Risk Management:

The Board oversees risk management and internal controls. Supported by the Board Audit Risk Committee (BARC), the Board reviews the risk management framework, ensuring alignment with strategic objectives. The Authority maintains a comprehensive risk management policy that guides the identification, assessment, prioritization, and reporting of risks, supporting

informed decision-making. Below are the Strategic risks facing the Authority and the corresponding risk treatment: -

- i. **Operational inefficiencies in procurement, warehousing and distribution process**
 - Implement activity-based budget
 - Implement change management
 - Organize stakeholder forums and disseminate distribution schedule
 - Automate tracking of tenders and contract management process
 - Strict adherence to procurement timelines
 - Implement use of scanners for picking
- ii. **Cyber risks, data management and ICT inadequacies**
 - Review Disaster Recovery Plan/Business Continuity Plan
 - Sensitization of users on cybersecurity
 - Implement new technologies to counter cybersecurity threats
- iii. **Non-compliance with legal, regulatory and other global standard requirements**
 - Sensitization on legal, regulatory and global standards
 - Punitive action to be taken on non-compliance
- iv. **Slow moving stocks**
 - Accurate demand planning and quantification
 - Periodic review of specifications
 - Conduct robust market survey
 - Automate contract management process
 - Keep updated with trends in treatment guidelines and use a phased approach for new treatments
 - Aggressive follow-up on distribution list
 - Develop donation policy
- v. **Negative public perception on KEMSAs brand**
 - Media training; showcase KEMSA success stories using brand ambassadors; active stakeholder engagement
 - Carry out culture change
 - Implement corruption prevention measures



- vi. **Low customer order fulfilment**
 - Implement supplier performance measurement tool and continuous engagement
 - Ensure accurate product specifications
 - Address debt collection gaps and increase sources of income
 - Timely supplier payments
 - Training of counties on Logistics Management Information System to gather accurate consumption data
- vii. **Low productivity levels**
 - Develop and implement reward and sanctions systems
 - Implement learning and development programs
 - Implement results-oriented performance management
 - Carry out culture change
 - Enforce adherence to set procedures and guidelines
- viii. **Liquidity and cash flow challenges**
 - Stakeholder support in recapitalization
 - Enforce debt collection strategies and billing capacity
 - Streamline internal processes from order raising to dispatch
 - Track Proof of Delivery turnaround time to invoicing
 - Demand-driven procurement
 - Review cost and pricing policy
 - Review and renegotiate current Memoranda of Understanding and Service Level Agreements
- ix. **Failure to absorb funds from Development Partners**
 - Timely approvals of expenditure
 - Ensure clear expenditure plans and specifications
 - Timely follow up on the distribution lists
- x. **Failure to deliver KEMSAs mandate**
 - Resource mobilization and allocation
 - Implement good corporate governance
 - Timely implementation of board resolutions, policies, and guidelines
 - Government and donor stakeholder support
 - Governance audits
 - Ensure implementation of Enterprise Risk Management and proper control environment
 - Review and cascade the Business Continuity Plan across departments

10. Environmental and Sustainability Reporting

In its transformation efforts, KEMSA aims to enhance its operations by prioritizing sustainability and adhering to its strategic plan, which is focused on serving citizens.

i. Sustainability Strategy

In an increasingly connected and environmentally aware world, the role of state agencies like KEMSA must go beyond operational delivery to include responsible resource management, ethical governance, and supporting national and global sustainability objectives. The 2024/2025 financial year marked an important phase in KEMSA's turnaround, requiring resilience, flexibility, and a renewed focus on Environmental, Social, and Governance (ESG) principles.

Global Context and Strategic Imperatives

KEMSA operated in FY 2024/25 under the influence of shifting macroeconomic and political currents: global debt pressures, rising climate risks, and increasing demands for transparency and ESG compliance. The ongoing impact of climate change has intensified the need for green transformation at KEMSA. We understand that aligning with global frameworks such as the Sustainable Development Goals (SDGs), the Paris Agreement, and national climate adaptation policies is not only a moral obligation but also a strategic move for long-term sustainability.

Against this backdrop, KEMSA has started positioning itself as a responsive, accountable, and environmentally conscious public agency. Our strategy this year deliberately integrated sustainability into operational and financial decisions, and for the first time, sustainability audits and tree-planting programs became embedded within our routine planning and performance tracking systems.

Environmental Sustainability and ESG Integration

We launched key initiatives in FY 2024/25 to reduce our environmental footprint. Most notably, KEMSA:

- Planted over 40,000 indigenous trees as part of the Presidential Climate Action Program and directive.
- Initiated solarization pilots at select distribution depots to reduce reliance on grid and generator power.
- Conducted the first comprehensive Environmental Sustainability Compliance Audit, evaluating waste management, energy and water use, hazardous materials handling, and noise pollution across our national network of warehouses.

These actions align KEMSA's operations with SDG 13 (Climate Action), SDG 7 (Affordable and Clean Energy), SDG 12 (Responsible Consumption and Production), and SDG 3 (Good Health and Well-being).

We also started ESG risk ratings for each of our regional depots, with action plans created for facilities flagged as non-compliant. Our internal audit team, working with planning officers, used the ISO 14001 and EMCA 1999 frameworks in these assessments.

Key Achievements and Progress

The financial year witnessed several strategic and operational gains:

- Enhanced order fulfilment rates.
- Improved stakeholder satisfaction metrics through the piloting of performance dashboards.
- **Embedded performance management tools** across departments, strengthening our culture of accountability.

Looking Ahead

In the upcoming financial year, KEMSA will:

- Establish a dedicated Sustainability Coordination Unit under the Planning and Continuous Improvement (PCI) Department as per the newly formulated Sustainable Growth Strategic Plan.
- Launch an ESG Dashboard, tracking key indicators and risks.
- Expand our solar pilot to all our depots in collaboration with development partners.
- Continue our national tree planting contributions in support of the 15 billion trees initiative through our Climate Change and Adaptation Committee.
- Publish our first official ESG report, aligning with the Global Reporting Initiative (GRI) standards through our PCI department.

As KEMSA deepens its institutional reforms, our commitment to sustainable, ethical, and responsible operations will remain central. We understand that financial performance, supply chain excellence, and sustainability are not separate agendas but interdependent pillars of national development and public health security.

ii. Environmental Performance

KEMSA actively protects and enhances the environment for future generations. The disposal of medical waste adheres to relevant laws, ensuring no expired pharmaceuticals harm ecosystems. In support of Kenya’s goal to plant 15 billion trees by 2032, KEMSA achieved its target by planting over 41,240 trees in the financial year 2024 - 2025, collaborating with various stakeholders during these initiatives in the land allocated in Elgeyo Marakwet County.



Tree planting at Yokot Dam in Elgeyo Marakwet in May 2025

Other Environmental Sustainability and Climate Change Activities

- a) **Pollution Control:** A waste segregation structure is in place to facilitate appropriate waste management.
- b) **Climate Change:** In line with the requirements of Climate Change Act of 2016, the Authority set up a Climate Change Unit to handle and report on Climate Change matters as per the requirements of the Act.
- c) **Environmental sustainability:** In line with the Government's National Tree Restoration campaign, the Authority planted 41,240 trees in the Kenya Forest Service-allocated land in Elgeyo-Marakwet County, in liaison with the local communities.
- d) **Environmental Audit:** The Authority in liaison with the National Environmental Management Authority (NEMA) conducted an Environmental Audit to determine the level of compliance to the requirements of the Climate Change Act 2016.

iii. Employee Welfare

a) Policies guiding the hiring process

The Authority's Human Resource Policies & Procedures Manual provides clear and standardized procedures governing all HR operations, including recruitment, selection, and deployment. The recruitment policy, which is an extract from the HR Manual, clearly

outlines the steps in the hiring process and takes into account gender balance, youth, and persons with disabilities (PWD). Stakeholder engagement is also incorporated to ensure transparency and inclusivity throughout the recruitment process.

b) Gender analysis

The Authority is committed to maintaining gender diversity and inclusivity. As of the current workforce data, the gender composition is as follows:

GENDER	PERCENTAGE
FEMALE	39%
MALE	61%
Grand Total	100%

The policies are reviewed periodically, and revisions are undertaken whenever necessary to align with emerging best practices and evolving institutional needs. Recent updates to the Human Resource Policies & Procedures Manual were carried out with the support of the Public Service Commission, ensuring compliance with national standards and continuous improvement.

c) Skills improvement and career management

To enhance skills and support career development, the Authority regularly conducts training programs based on the Training Needs Assessment (TNA) report. In the current financial year 2024/2025, 155 out of 157 approved training programs were successfully implemented.

d) Performance appraisal and reward systems:

A bi-annual performance appraisal framework is in place to ensure accountability, measure individual contributions, and align employee performance with the Authority’s strategic objectives. The performance management system is directly linked to rewards and sanctions, thus encouraging a culture of high performance.

The Authority has developed a Reward and Recognition Policy, which is currently awaiting ratification, to formalize mechanisms for appreciating outstanding performance.

e) Employee Assistance and welfare programs:

The Authority has robust Employee Assistance Programs (EAP) and offers comprehensive medical insurance and wellness programs. These programs address occupational stress, mental health challenges, depression, suicidal tendencies, reduced productivity, and interpersonal conflicts at the workplace.

The initiatives aim to improve employee well-being, increase morale and productivity, reduce absenteeism and medical costs, and ultimately enhance customer satisfaction and workforce engagement. Some of these initiatives include:

- i. Counselling referrals for employees with substance abuse disorder
- ii. Member education on prudent use of medical insurance, group life and WIBA, this activity enhances employee engagement.
- iii. Annual health open day conducted in conjunction with the services providers from jubilee health insurance.
- iv. Pre-retirement trainings
- v. Issuance of work stations to the entire staff
- vi. Provision of clean drinking water and spacious work spaces
- vii. Training and development for all staff
- viii. Provision of gift vouchers

iv. Marketplace Practices

a) Responsible Competition Practices

The Kenya Medical Supplies Authority (KEMSA) upholds the principles of fair and transparent competition in all procurement and tendering processes. All procurement activities are conducted in strict compliance with the Public Procurement and Disposal Act, 2015, ensuring openness, transparency, and accountability. This enables KEMSA to acquire high quality products at competitive prices.

KEMSA regularly undertakes market assessments to maintain low and fair pricing for essential commodities. The Authority continues to expand its product portfolio, particularly in specialized medical categories such as Oncology and Hemodialysis. Our commitment to offering affordable, high-quality health products and technologies is driven by the objective of building sustainable, long-term relationships with our customers.

b) Responsible supply chain and supplier relation

KEMSA has implemented long-term framework agreements, currently spanning two years, for the supply of Health Products and Technologies (HPTs). Effective supplier relationship management is critical to the successful execution of these contracts and to ensuring timely delivery and quality assurance. The Authority has undertaken the following initiatives;

- i. Supplier Conferences and Regular Meetings
- ii. Continuous Communication and Feedback
- iii. Timely Issuance of Procurement Documents

c) Responsible Marketing and Advertisement

In all marketing and advertising efforts, KEMSA ensures that communications are accurate, responsible, and appropriate for the intended audience. Marketing content is carefully reviewed to avoid any form of harmful, illegal, immoral, or misleading information. We are guided by ethical standards, and our messaging is designed to reflect integrity, transparency, and respect for consumer rights.

Our marketing strategy focuses on promoting products that respond effectively to customer needs, while fostering trust-based relationships built on honesty, loyalty, and compliance with applicable laws and regulations.

d) Product Stewardship

KEMSA is committed to upholding the highest standards of product stewardship. This includes ensuring that all products meet stringent quality, safety, and regulatory requirements. We conduct thorough due diligence when onboarding suppliers and strive to minimize the health, environmental, and social impacts associated with our product offerings.

All products undergo comprehensive quality assurance throughout the supply chain, including post-distribution surveillance, to guarantee consumer safety. KEMSA strictly adheres to both local and international standards and regulatory frameworks to ensure reliability, safety, and compliance.

v. Corporate Social Responsibility / Community Engagements

KEMSA continues to position itself as more than just a medical logistics provider; it is a transformative force in Kenya’s healthcare ecosystem. By championing high-impact social investment initiatives, KEMSA seeks to create lasting value for its customers and stakeholders, with an unwavering focus on responding to the diverse healthcare needs of communities nationwide.

In the Financial Year 2024/2025, KEMSA partnered with various stakeholders to support a community health outreach organized by Hon. Geoffrey Wandeto, Member of Parliament for Tetu Constituency. The Partners included Outspan Hospital, PCEA Tumutumu Hospital, Consolata Mathari, KNH Othaya and Jumuia Hospitals.

The free medical camp, held on 7th December 2024 at Aguthi Secondary School, brought together healthcare professionals, volunteers, and local leaders to deliver holistic health services to underserved populations.

The outreach offered:

Free medical consultations and physical examinations

- Wellness screenings, including blood pressure and glucose checks
- Dental and optical assessments
- Mental health support and counselling services

Recognizing the vital role such initiatives play in advancing Universal Health Coverage (UHC), KEMSA mobilized its supply chain network, galvanizing partners to donate essential medical commodities in support of the noble cause.

Among the supplies donated were:

- Antibiotics and antifungals
- Analgesics and antihypertensives
- Multivitamins and paediatric formulations
- Basic screening tools and personal protective equipment (PPE)

Impact & Outcomes

- More than 1,000 community members received free medical services.
- Expanded access to critical healthcare for marginalized groups.
- Reinforced KEMSA's role as a catalyst for UHC delivery at grassroots level.
- Strengthened partnerships across the public-private health ecosystem.
- Showcased KEMSA's proactive CSR strategy-one rooted in impact, inclusion, and health equity.

KEMSA remains committed to delivering people-centred, socially responsive programs that touch lives beyond the supply chain. Through continued collaboration with stakeholders, the Authority will scale up CSR interventions that empower communities and contribute meaningfully to national health outcomes.





Free medical camp, held on 7th December 2024 at Aguthi Secondary School in Tetu Constituency, Nyeri County

11. Report of the Directors

The directors submit this report together with the financial statements for the year ended June 30, 2025, which show the state of KEMSA's affairs.

i) Principal Activities

The Authority's principal activities are;

- a) To procure, warehouse and distribute drugs and medical supplies for the prescribed public health programs, the national strategic reserve stock reserve, prescribed essential health packages and national referral hospitals.
- b) To establish a network of storage, packaging and distribution facilities for the provision of drugs and medical supplies to health institutions.
- c) To enter into partnership with or establish frameworks with county Governments for purposes of providing services in procurement, warehousing, distribution of drugs and medical supplies.
- d) Collect information and provide regular reports to the national and county governments on the status and cost effectiveness of procurement, the distribution and value of prescribed essential medical supplies delivered to health facilities, Stock status and on any other aspect of supply system and performance that may be required by stakeholders.
- e) Support county governments to establish and maintain appropriate supply chain systems for drugs and medical supplies.

ii) Results

The results for the year ended June 30, 2025, are set out on pages 1-97.

iii) Directors

The members of the Board of directors who served during the year are as shown on page XI-XV. During the Financial year 2024/25, Mr. Irungu Nyakera served as Chairperson of the Board until 23rd August 2024. Effective the same date, Mr. Samuel Tunai, EGH, was appointed as Chairperson. Director Mary Awino Atieno retired on 6th January 2025, and Director Victor Marege was appointed with effect from the same date.

iv) Auditors

The Auditor-General is responsible for the statutory audit of the Kenya Medical Supplies Authority (KEMSA) in accordance with Article 229 of the Constitution of Kenya and the Public

Audit Act 2015 to carry out the audit of the Kenya Medical Supplies Authority (KEMSA) for the year/period ended June 30, 2025.

By Order of the Board


.....

 Corporation Secretary

12. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act (2012) and Section 17 of the Kenya Medical Supplies Authority Act (25th January 2013) mandate the Directors to prepare financial statements for the Kenya Medical Supplies Authority (KEMSA). These statements should provide a true and fair view of KEMSA's financial position at the year's end and its operating results for that year. Additionally, the Directors must ensure that KEMSA maintains accurate accounting records that reasonably reflect its financial position. They are also entrusted with the responsibility of safeguarding the Authority's assets. 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 KEMSA.
- (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 KEMSA's assets.
- (v) Selecting and applying appropriate accounting policies
- (vi) Making accounting estimates that are reasonable in the circumstances:

The Directors accept responsibility for KEMSA's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act and the State Corporations Act 2012 and The KEMSA Act (2013).

The Directors believe that the financial statements accurately reflect the transactions and financial position of the Kenya Medical Supplies Authority (KEMSA) for the financial year ending June 30, 2025. They also affirm the integrity of the accounting records maintained by KEMSA, which informed the preparation of these statements, and vouch for the robustness of the internal financial control systems.

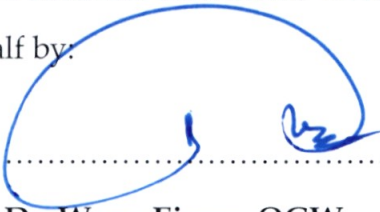
Based on current information, the Directors have no reason to doubt KEMSA's ability to continue its operations for at least the next twelve months from this statement's date.

Approval of the financial statements

The Kenya Medical Supplies Authority (KEMSA)'s financial statements were approved by the Board on 03/12/2025 and signed on its behalf by:


.....

Samuel Tunai, EGH
Chairperson of the Board


.....

Dr. Waqo Ejersa, OGW
Chief Executive Officer

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA MEDICAL SUPPLIES AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Medical Supplies Authority set out on pages 1 to 83, 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 financial statements present fairly, in all material respects, the financial position of Kenya Medical Supplies Authority as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Medical Supplies Authority Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Receivables from Exchange Transactions

The statement of financial position and Note 24 (a) to the financial statements reflect receivables from exchange transactions balance of Kshs.6,283,872,478. The balance includes Kshs.2,700,126,261 owed by the forty-three (43) County Governments. However, confirmations indicated outstanding balance Kshs.1,154,926,374 resulting to an unexplained variance of Kshs.1,545,199,887. Further, the balance includes Kshs.244,364,978 owed by the National Referral Hospitals. However, confirmations from the hospitals revealed outstanding balances of Kshs.22,628,792 resulting to an unexplained variance of Kshs.221,736,186. In addition, the balance includes Kshs.2,991,756,026 in respect to various customers which have been outstanding for durations exceeding one year with no agreed payment plan while there were no provisions for bad and doubtful debts made in the books. Further, analysis of the current year's receivables performance indicates a receivable turnover ratio of 0.75 times or an average collection period of 487 days.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.6,283,872,478 as at 30 June, 2025 could not be confirmed.

2. Inaccuracies in Property, Plant and Equipment

The statement of financial position and Note 27 to the financial statements reflects property, plant and equipment balance of Kshs.9,954,540,028. However, the balance excludes fully depreciated assets with historical cost of Kshs.369,545,065 that are still in use but had not been revalued. Further, physical inspection revealed unserviceable office equipment, furniture and equipment, computer equipment, plant and machinery and motor vehicles which the Authority has accumulated over the years. In addition, review of the valuation report indicated that the ownership documents for three (3) parcels of land in Nairobi, Mombasa and Garissa valued at Kshs.496,500,000 remained unprocessed.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.9,954,540,028 as at 30 June, 2025 could not be confirmed.

3. Inappropriate Disclosure of Inventories

The statement of financial position and Note 26(b) reflects inventories balance of Kshs.7,609,978,044 classified as third-party stocks. However, review of contracts and correspondence indicates that the Authority only provides storage and handling services for the third-party stocks (donor-funded commodities) and does not have ownership or control over these inventories. This was contrary to IPSAS 12, which requires an entity to recognize inventory only when it controls the goods and can derive service potential or economic benefits from them.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.7,609,978,044 as at 30 June, 2025 could not be confirmed.

4. Failure to Recognize Liabilities

Note 26(c) to the financial statements reflects expensed damaged inventories amounting to Kshs.21,927,374, out of which Kshs.21,420,377 relates to third-party (donor-owned) stocks. Despite these losses being attributable to the Authority's actions or failure to maintain adequate storage and handling conditions, Management did not recognize the liability or provision for its potential obligation to compensate donors for the damaged third-party inventories.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.21,420,377 as at 30 June, 2025 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts combined reflects final receipts budget of Kshs.15,211,098,220 and actual on comparable basis of Kshs.11,684,171,750 resulting to underfunding of Kshs.5,256,518,385 or 33% of the budget. Similarly, the Authority of the realized receipts of Kshs.11,684,171,750, the authority incurred total expenditure including capex payments of Kshs.8,820,888,699 resulting in an under absorption of Kshs.2,863,283,051 or 25 % of the receipts.

The underfunding and under-expenditure may have affected the Authority's mandate and may have impacted negatively on service delivery to the public.

2. Unfavourable Liquidity Position

The statement of financial position disclosed net assets and liabilities balance of Kshs.30,529,989,375. It was noted that the current ratio was 1.46, the quick ratio 0.68 while the cash ratio was 0.22. However, the quick and cash ratios remain below the acceptable threshold of 1.0.

In the circumstances, the Authority does not have sufficient liquid assets to meet its short-term obligations without relying heavily on inventory and receivables and available cash is inadequate to cover immediate liabilities.

3. Long Outstanding Trade Payables

The statement of financial position and Note 28 to the financial statements reflect trade and other payables balance of Kshs.5,707,941,158 out of which Kshs.1,727,306,447 has been outstanding for more than ninety (90) days and there was no evidence of an approved payment plan or documented strategy to clear the overdue amounts.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

My opinion is not modified in respect of these matters.

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

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

Other Information

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

In connection with my audit on the Authority'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.

Missed Performance Targets

The Authority had seven (7) strategic pillars, including operation excellence, customer experience, financial sustainability, people and culture, and governance. However, the Authority did not achieve five (5) strategic objectives as indicated in **Appendix II**.

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. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects total revenue budget of Kshs.15,211,098,220 and total expenditure budget of Kshs.15,154,098,218 resulting to an unbalanced budget of Kshs.57,000,002. This was contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which states that the budget should be balanced.

In the circumstances, Management was in breach of law.

2. Deficiencies in the Sale of Medical Commodities

The statement of financial performance and Note 9 to the financial statements reflects total sales revenue of Kshs.4,885,886,910 generated from sale of medical commodities. However, review of the warehouse issue report revealed that twenty-three thousand, three hundred and eight (23,308) medical commodities were sold below the prescribed 15% markup required by KEMSA's Pricing Policy, resulting in a loss of Kshs.234,369,838. Further, the report indicated that eight thousand, seven hundred and seventy-nine (8,779) medical commodities were sold below the initial purchase price incurred by the Authority resulting in a loss of Kshs.124,105,379. In addition, the report indicates that health commodities and technologies with a total

purchase cost of Kshs.558,569,265 were received despite being below 75% shelf life while others with sales value of Kshs.283,901,154 were issued to various facilities with a shelf life of less than six (6) months.

In the circumstances, value for money on the sale of various health products and technologies amounting to Kshs.4,885,886,910 could not be confirmed.

3. Commingling of Supplier Retention Funds

The statement of financial position and Note 28 to the financial statements reflect trade and other payables balance of Kshs.5,707,941,158. The amount includes suppliers' retained money of Kshs.166,472,677. However, the funds were commingled in the Authority's other operational bank accounts without depositing them in a separate bank account. This was contrary to Regulation 43 (b) of the Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer shall ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes for only which they were intended and appropriated by the National Assembly.

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

4. Non-Compliance with One Third of Basic Salary Rule

The statement of financial performance and Note 13 to the financial statements reflects employee costs of Kshs.1,095,277,570 which includes basic pay of Kshs.11,307,558 paid to ninety-three (93) employees who earned less than $\frac{1}{3}$ of their basic salary. This was contrary to Section 19(3) of Employment Act 2007 which stipulates that Without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

5. Unidentified Receipts

The statement of financial position and Note 28 to the financial statements reflect trade and other payables balance of Kshs.5,707,941,158, which includes trade debtors - unidentified receipts of Kshs.6,876,495. However, the amount has remained outstanding between the years 2014 to 2023 without resolution or allocation to the respective customer accounts. Further, there was no evidence that the Authority made a report to the Unclaimed Financial Assets Authority (UFAA) regarding these presumed abandoned assets. This was contrary to Section 20(1) of the Unclaimed Financial Assets Act, 2011, which requires any person holding assets presumed abandoned and subject to the custody of the Authority to report such assets to UFAA in accordance with the Act.

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

6. Delays in Implementation of Enterprise Resource Planning System

The statement of financial position and Note 27(a) reflects property, plant and equipment balance of Kshs.9,954,540,028, which includes Kshs.499,730,020 for the procurement of an Enterprise Resource Planning (ERP) system. The contract was scheduled to run from 16 November, 2023 to 15 May, 2024 but as at the time of this audit in May 2025, the ERP system was only about 70% complete.

In the circumstances, value for money on Kshs.499,730,020 for the procurement of an Enterprise Resource Planning (ERP) system could not be confirmed.

7. Delays in Completion of the Modern Warehouse and Office Block

The statement of financial position and Note 27(a) reflects property, plant and equipment balance Kshs.9,954,540,028. The amount includes Kshs.3,079,998,860 contract awarded in March 2018 for the construction of Modern Warehouse and Office Block, which was expected to be completed by 13 September 2021. However, physical verification in the month of May 2025 revealed that the defects reported in the joint inspection report of October 2024 remained unresolved despite extending the defects liability period to 30 April 2025 and the contractor was not on site. Further, a subcontractor was engaged in March 2018 to install mechanical ventilation, smoke vents, and air conditioning at Kshs.38,367,131 but abandoned the project for more than seven years. Later, a joint inspection committee report of October 2024 determined that the subcontractor should pay the Authority Kshs.14,457,307 for uncompleted works and unrecovered advances which has remained outstanding to date.

In the circumstances, value for money on the expenditure incurred in the construction of modern warehouse and office block could not be confirmed.

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. Failure to Develop Regulations

During the year under review, it was noted that Management had not made recommendations to Cabinet Secretary to develop regulations. This was contrary to Section 21 (1) of the Kenya Medical Supplies Authority Act 2013 which states that (1) the Cabinet Secretary may, on recommendation of the Authority, make regulations generally for the better carrying out of the objects of this Act.

In the circumstances, the effectiveness of overall governance of the Authority could not be confirmed.

2. Expired Medical Commodities

The statement of financial performance and Note 12(a) to the financial statements reflects use of goods and services amount of Kshs.5,513,699,516. Included in the amount are expiries & adjustments amount of Kshs.237,147,686. However, the expired inventories were still being held at the central warehouses, with no evidence of an operational reverse logistics framework to guide on the timely redistribution, return to suppliers, or proper disposal of non-usable commodities.

In the circumstances, the effectiveness of internal controls for handling expired inventories could not be confirmed.

3. Customer Unallocated Payments

The statement of financial position and Note 28 to the financial statements reflect trade and other payables balance to Kshs.5,707,941,158. The balance includes an amount of Kshs.17,769,717 in respect to customer unallocated payments due to missing details of order numbers, facility codes, or specific invoices being settled. There is risk of unallocated payments being misapplied.

In the circumstances, the effectiveness of internal controls on identifying customers against payments made could not be confirmed.

4. Outdated Policies

During the year under review, it was noted that the credit policy had not been reviewed or updated for the last ten (10) years ago since the year 2014, while the Stock Holding Policy was approved seven (7) years ago in December 2017.

In the circumstances, the effectiveness of internal controls on updating policies could not be confirmed.

5. Low Order Fill Rate

The statement of financial performance and Note 9 to the financial statements reflects sales revenue of Kshs.4,885,886,910. However, page xxxiii on Management Discussion and Analysis reported an order fill rate of 41% for Essential Medicines and

Medical Supplies, which is significantly below the required key performance indicator of 90%. This shortfall indicates widespread supply failures and gaps in meeting client demand.

In the circumstances, the effectiveness of internal controls in the management of sales revenue could not be confirmed.

6. Failure to Decentralize Warehousing and Distribution Functions

During the year under review, it was noted that out of the seven regional warehouses, only Kisumu is partially operational, handling limited functions. The remaining warehouses located in Eldoret, Mombasa, Nyeri, Meru, Kakamega, and Nairobi-Commercial Street (excluding the central hub) are functioning as passive holding stores (depots) with no distribution capacity. Further, no regional warehouse (except Nairobi's central hub) is equipped with the stock or systems to fulfill orders or dispatch supplies to the counties because the ordering process remains fully centralized, with all procurement routed through Nairobi regardless of proximity to regional facilities.

In the circumstances, the effectiveness of internal controls in the management of sales and inventories could not be confirmed.

7. Failure to Perform Governance Audit

During the year under review, Management did not perform governance audit which should cover the governance practices of the organization in the Leadership and Strategic Management, Transparency and Disclosure, Compliance with Laws and Regulations, Communication with stakeholders, Board independence and governance, Board systems and procedures, Consistent shareholder and stakeholders' value enhancement and Corporate social responsibility and investment.

In the circumstances, the effectiveness of overall governance could not be confirmed.

8. Operating Without a Strategic Plan

During the year under review, it was noted that the strategic plan expired in December 2024 and the Authority has been operating without a strategic plan. This was contrary Circular Number OP/CAB.1/31 dated 13 March, 2024 which requires all public entities to develop the Fifth Generation Strategic Plans and alignment to Bottom-Up Economic Transformation Agenda (BETA) by 30 June, 2024 and notify the Executive Office of the President.

In the circumstances, the effectiveness of internal controls and overall governance could not be confirmed.

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

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International 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 Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

The Board of Directors is responsible for overseeing the Authority'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

05 December, 2025

APPENDICES

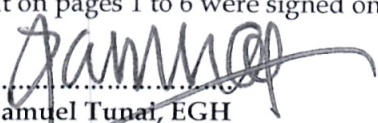
Appendix I- Prior Year Audit Matters

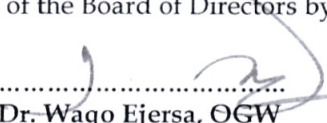
No	Financial Year	Audit Issue
1	2023/2024	Long outstanding receivable
2	2023/2024	Receivables from Ministry of Health
3	2023/2024	Receivables from County Governments
4	2023/2024	Budgetary Control and Performance
5	2023/2024	Inaccuracies in sale of medical commodities
6	2023/2024	Non-Compliance with the Climate Change Regulations
7	2023/2024	Undisclosed expired and damaged medical commodities
8	2023/2024	Staff Earning Less Than a Third of Basic Salary
9	2023/2024	Unconfirmed land ownership
10	2023/2024	Long outstanding trade payables
11	2023/2024	Irregular donations of medical commodities
12	2023/2024	Missed Performance Targets
13	2023/2024	Commingling of supplier retention funds
14	2023/2024	Irregular procurement of transport services
15	2023/2024	Long outstanding imprest
16	2023/2024	Staff over establishment
17	2023/2024	Non-adherence to set credit limits
18	2023/2024	Unallocated customer payments
19	2023/2024	Avoidable tax arrears and penalties
20	2022/2023	Unsupported Cash and Cash Equivalents
21	2022/2023	Un-Approved Exchange of Parcels of Land
22	2022/2023	Undisclosed Assets
23	2022/2023	Land Without Valuation Report
24	2022/2023	Land Without Ownership Documents
25	2022/2023	Misstated Inventory Values
26	2022/2023	Overstatement of Stock Balances
27	2022/2023	Unreconciled Stock Issuance
28	2022/2023	Improper Valuation of Inventories
29	2022/2023	Improper Stock Adjustments
30	2022/2023	Unaccounted for Inventory of Medical Commodities
31	2022/2023	Retrospective Receipts and Issuance of Commodities
32	2022/2023	Incorrect Inventory Transactions Due to Poor Information Technology Environment
33	2022/2023	Receivables from Other Government Entities
34	2022/2023	Prepayments
35	2022/2023	Long Outstanding Receivables
36	2022/2023	Inaccuracies in Receivables
37	2022/2023	Non-Adherence to Credits Limits
38	2022/2023	Unallocated Customer Account
39	2022/2023	Incorrect Credit Notes
40	2022/2023	Medical Commodities Sold Below the Set Price
41	2022/2023	Medical Commodities to Undisclosed Health Facilities

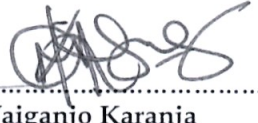
14. Statement of Financial Performance for the year ended 30 June 2025

	Note	Period ended 30th June 2025	Comparative Period Ended 30th June 2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other government entities	6	3,171,972,378	1,188,219,571
Public contributions and donations	7	11,965,794	60,086,348
Total Revenue from non-exchange transactions		3,183,938,172	1,248,305,919
Revenue from exchange transactions			
Rendering of Services	8	1,230,309,868	1,406,201,614
Sale of goods	9	4,885,886,910	5,799,384,197
Rental Revenue	10	3,475,909	1,298,428
Other Income	11	185,492,068	238,092,743
Total Revenue from exchange transactions		6,305,164,756	7,444,976,982
Total revenue		9,489,102,928	8,693,282,900
Expenses			
Use of goods and services	12	5,513,699,516	6,628,161,893
Employee costs	13	1,095,277,570	1,018,196,013
Board expenses	14	17,827,423	23,511,417
Depreciation and amortization expense	15	254,487,545	176,472,045
Repairs and maintenance	16	129,049,248	26,500,079
Contracted Services	17	460,626,459	326,990,822
Total expenses		7,470,967,761	8,199,832,269
Other gains/(losses)			
Gain/(Loss) on foreign exchange transactions	18	41,833,366	(701,405,288)
Gain/(Loss) on sale of asset	19	-	(18,027,596)
Impairment loss	20	-	(481,385,033)
Surplus/(Deficit) before tax		2,059,968,534	(707,367,285)
Corporation Taxation	21	(53,530,027)	(71,782,137.00)
Surplus for the period		2,006,438,507	(779,149,422)

The notes set out on pages 7 to 45 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


.....
Samuel Tunai, EGH
Chairman of the Board


.....
Dr. Waqo Ejersa, OGW
Chief Executive Officer


.....
Waiganjo Karanja
Head of Finance

Date 03/12/2025

Date 03/12/2025

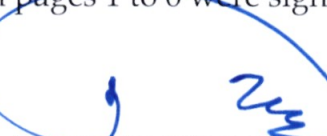
ICPAK M/No: 7023
Date 03/12/2025

15. Statement of Financial Position as at 30 June 2025

	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	22	3,078,669,731	1,729,591,916
Prepayments	23	129,851,793	186,521,098
Receivables from exchange transactions	24a	6,283,872,478	6,749,349,385
Receivables from non-exchange transactions	25	2,476,434	6,216,080
Inventories-KEMSA Capital	26b	3,452,830,587	3,899,766,139
Inventories-Third Party Stocks	26b	7,609,978,044	8,501,866,791
Inventories-Consumable Store	26a	7,288,313	4,139,709
Total current assets		20,564,967,380	21,077,451,119
Non-current assets			
Property, plant and equipment	27	9,954,540,028	9,827,561,266
Receivables from exchange transactions	24b	10,481,967	44,515,683
Total non-current assets		9,965,021,995	9,872,076,948
Total assets		30,529,989,375	30,949,528,067
Liabilities			
Current liabilities			
Trade and other payables	28	5,707,941,158	6,907,296,951
Refundable Deposits and Prepayments from Customers	29	366,461,860	470,029,023
Current Provisions	30	378,045,558	833,915,978
Medical Commodity Fund	31	7,609,978,044	8,501,866,791
Total current liabilities		14,062,426,620	16,713,108,743
Non-current liabilities			
Deferred income	32a	2,106,825,956	1,843,020,169
Total non-current liabilities		2,106,825,956	1,843,020,169
Total liabilities		16,169,252,577	18,556,128,912
Net assets		14,360,736,798	12,393,399,156
KEMSA Capital	33	8,461,576,303	8,461,576,303
Revenue reserves		5,732,701,725	3,472,063,699
Revaluation reserve		166,458,770	459,759,154
Total net assets and liabilities		30,529,989,375	30,949,528,067

The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


 Samuel Tunai, EGH
 Chairman of the Board


 Dr. Waqo Ejersa, OGW
 Chief Executive Officer


 Waiganjo Karanja
 Head of Finance

Date 03/12/2025

Date 03/12/2025

ICPAK M/No: 7023
 Date 03/12/2025

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

Attributable to the owners of the controlling entity					
	Reserves				
	KEMSA Capital	Revaluation Reserve	Accumulated Funds	Retained Earnings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2023	8,461,576,303	783,630,456	-	2,219,826,332	11,465,033,091
Prior year adjustment				1,247,756,334	1,247,756,334
Reclassification of Revaluation Reserve for prior period		(783,630,456)		783,630,456	-
Revaluation Reserve for the period		459,759,154			459,759,154
Surplus/ (Deficit) for the period				(779,149,423)	(779,149,423)
As at June 30, 2024	8,461,576,303	459,759,154	-	3,472,063,699	12,393,399,156
Prior year adjustment					-
As at 1st July 2024	8,461,576,303	459,759,154		3,472,063,699	12,393,399,156
Transfer of excess depreciation on revaluation		(293,300,384)		293,300,384	-
Refund of cash to MOH Malaria program				(39,100,865)	(39,100,865)
Surplus for the period ending 30th June 2025				2,006,438,507	2,006,438,507
Balance as at 30th June 2025	8,461,576,303	166,458,770	-	5,732,701,725	14,360,736,798

The Authority had received approval from the Ministry of Health to utilize Ksh. 39,100,865.90 – estimated to be savings from the ongoing Malaria Program – which had been granted for recapitalization in FY 2023/24. However, in FY 2024/25, the Principal Secretary for Public Health directed the Authority to readjust its financial statements and reclassify the funds back to the Malaria Program.

17. Statement of Cash Flows for the year ended 30 June 2025

		Period ended 30th June 2025	Period ended 30th June 2024
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other government entities	6	3,171,972,378	1,188,219,571
Public contributions and donations	7	11,965,794	60,086,348
Rendering of Services	8b	1,472,385,126	950,515,019
sale of goods	9	5,109,288,559	5,405,735,730
Rental Revenue	10	3,475,909	1,298,428
Other Income	11	185,492,068	238,092,743
Total Receipts		9,954,579,835	7,843,947,838
Payments			
Use of goods and services	12b	6,470,457,488	8,748,860,642
Employee costs	13	1,095,277,570	1,018,196,013
Board expenses	14	17,827,423	23,511,417
Repairs and maintenance	16	129,049,248	26,500,079
Contracted Services	17	460,626,459	326,990,822
Gain/(Loss) on foreign exchange transactions	18	(41,833,366)	701,405,289
Loss on sale of assets	19	-	18,027,596
Impairment loss	20		
Corporation Taxation	21	53,530,027	71,782,137
Total Expenses		8,184,934,848	10,935,273,995
Cash flows from operating activities	34	1,769,644,986	(3,091,326,156)
Cash flow from investing activities			
Prior year adjustments		(39,100,865)	1,238,006,334
Asset Disposal (NBV)		-	29,718,930
Purchase of property, plant, equipment	28	(381,466,306)	(1,353,804,290)
Net cash flows used in investing activities		(420,567,171)	(86,079,026)
Cash Flows from Financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		1,349,077,815	(3,177,405,182)
Cash and cash equivalents at 1 July 2024		1,729,591,915	4,906,997,097
Cash and cash equivalents at 30th June 2025		3,078,669,731	1,729,591,915

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

	Approved Original Budget	Adjustments	Final Budget	Actual Comparative Basis	Performance Difference	% of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	a	b	C=(a+b)	d	e=(c-d)	f=d/c%
Budget carryovers from the previous year				1,729,591,915		
Receipts						
Transfers from Ministries, Departments and Agencies (M)	2,342,000,000	(492,674,000)	1,849,326,000	3,171,972,378	1,322,646,378	↑ 172%
Public contributions and donations	-	-	-	11,965,794	11,965,794	→ 0%
Rendering of Services	569,426,271	500,000,000	1,069,426,271	1,472,385,126	402,958,855	↑ 138%
Sales of goods	11,851,204,746	-	11,851,204,746	5,109,288,559	(6,741,916,187)	↑ 43%
Rental Revenue	26,924,498	-	26,924,498	3,475,909	(23,448,589)	↑ 13%
Other Income	414,216,705	-	414,216,705	185,492,068	(228,724,637)	↑ 45%
Total Receipts	15,203,772,220	7,326,000	15,211,098,220	11,684,171,750	(5,256,518,385)	↑ 77%
Payments						
Use of goods and services	12,934,613,916	121,941,835	13,056,555,750	6,470,457,488	6,586,098,262	↑ 50%
Employee costs	1,020,000,000	200,326,000	1,220,326,000	1,095,277,570	125,048,430	↑ 90%
Board expenses	21,000,000	9,000,000	30,000,000	17,827,423	12,172,577	↑ 59%
Depreciation and amortization expense	265,500,566	(135,260,197)	130,240,369	254,487,545	(124,247,176)	↑ 195%
Repairs and maintenance	67,123,367	83,994,960	151,118,327	129,049,248	22,069,080	↑ 85%
Contracted Services	154,737,066	328,002,479	482,739,545	460,626,459	22,113,087	↑ 95%
Gain/(Loss) on foreign exchange transactions	83,118,226	-	83,118,226	(41,833,366)	41,284,860	↓ -50%
Taxation	52,000,000	(52,000,000)	-	53,530,027	53,530,027	→ 0%
Total Payments	14,598,093,141	556,005,078	15,154,098,218	8,439,422,393	6,738,069,147	↑ 56%
Capital Expenditure Payments	47,900,000	833,518,579	881,418,579	381,466,306	499,952,273	↑ 43%
Surplus	557,779,079	(1,382,197,657)	(824,418,577)	2,863,283,051	(11,994,587,532)	↓ -347%

BUDGET RECONCILIATION	
Actual surplus amount as per the statement of budget	2,863,283,050.54
Reclassification from capitalization to 3rd party fund in prior year	(39,100,865.00)
Depreciation is non -cash expense in cash flow	254,487,544.74
Closing cash and cash equivalents per the statement of cash flow	3,078,669,730.28

Budget notes

Commentary explanation on significant underutilization (below 90% of utilization) and any overutilization

- i. **Transfers from Ministries, Departments, and Agencies (MDAs):** The Authority recorded a total of **Kshs. 3,171,972,378** being; **Kshs. 230,326,000** for Personnel emoluments, **Kshs. 2,941,646,378** for purchase of **KEMSA Capital Health Products & Technologies**.
- ii. **Supply Chain Fees:** As of June 30, 2025, the Authority's supply chain fees amounted to **Kshs. 1.4 billion**, compared to a budgeted **Kshs. 1.07 billion**—representing 138% performance against target. This strong performance was driven by interventions implemented by the Authority to ensure timely recognition of supply chain fees as part of its financial sustainability efforts.
- iii. **Bank Interest Income:** For the period ending June 30, 2025, the Authority recorded **Kshs. 175 million** in bank interest income. This represents **42%** performance against the full-year budget. The shortfall is attributed to a decline in bank interest rates offered by commercial banks, influenced by prevailing market conditions and monetary policy decisions by the Central Bank.
- iv. **Expenditure Performance:** Most expenditure items were below budget. Significant underutilization (below 90%) was recorded in categories such as use of goods and services, employee costs, board expenses, and repairs and maintenance. The underspending is mainly attributed to low revenue performance and delayed customer payments, which necessitated cost-cutting measures to ensure the Authority operated within its available resources. Conversely, overutilization was noted in inventory expiries accounting items that are not budgeted for but must be recognized in financial reporting.

Explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes

The differences between the original and final budget for expenses arose from reallocations made to address emerging business needs, while ensuring the overall budget ceiling was maintained as per the revised budget. The changes in revenue are attributed to the Authority's receipt of recapitalization from the Government of Kenya (GoK) and additional support from the Ministry of Health (MoH).

19. Notes to the Financial Statements

1. General Information

Kenya Medical Supplies Authority (KEMSA) is established by and derives its authority and accountability from Kenya Medical Supplies Authority (KEMSA) Act of 2013. Kenya Medical Supplies Authority (KEMSA) is a state corporation wholly owned by the Government of Kenya and is domiciled in Kenya. Kenya Medical Supplies Authority (KEMSA)'s principal activity is Procurement, Warehousing and Distribution of Health Products and Technologies to Public health facilities.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Kenya Medical Supplies Authority (KEMSA)'s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kenya Medical Supplies Authority (KEMSA).

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, The KEMSA Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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 interpretation in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Authority. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. Adoption of this Standard will affect the way the Authority recognises, measures and presents Lease transactions.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, 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: 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. Adoption of this standard will affect the way the Authority recognises and measures non-current assets held for sale and discontinued operations.
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of

Standard	Effective date and impact:
	land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. This Standard will affect the way the Authority measures Property Plant and Equipment. Specifically, how assets held for operational use will be measured.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. This Standard will provide guidance on how the Authority will measure Assets and Liabilities based on the specified models and basis.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. The Standard will impact how the Authority recognizes, classifies and measures Revenue. Revenue will be classified mainly as Revenue with Binding Arrangements and Revenue without Binding Arrangements.

Standard	Effective date and impact:
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> 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. This standard will not have any impact on the Authority' financial operations since there are no transfers to other Government entities.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st 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. This standard will not have any impact on the Authority' financial operations
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. This standard will not have any impact on the Authority' financial operations.

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in FY 2024/25.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Taxes, Levies and fines

KEMSA recognizes revenues from penalties charged to subcontractors for loss of goods in transit as per the contractual performance agreement. 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 Entity and the fair value of the asset can be measured reliably.

ii) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably. Recurrent grants are recognized as revenue in the statement of financial performance. Development/capital grants are recognized as deferred income, as they relate to conditional grants for the construction of a new warehouse that has not yet been capitalized. The income will be recognized over the useful life of the assets acquired using these funds.

iii) Revenue from exchange transactions

Rendering of services

The KEMSA recognizes revenue derived from the provision of services related to the procurement, warehousing, and distribution of health products and technologies (HPTs) for various entities. This revenue is calculated based on negotiated rates outlined in memoranda of understanding with the respective entities.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority. This revenue is earned from sales of HPTs to Counties, National Referral Hospitals, national state-owned corporations and Faith-based organisations.

Interest income

Interest income is accrued using the effective yield method. The authority earns interest from bank balances held in various commercial banks. 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. The Authority currently has a lease agreement with Kenya Airways.

b) Budget information

The original budget for the current financial year was approved by the National Parliament and the National Treasury by 30th June 2024. Subsequent revisions and additional appropriations were made in accordance with specific approvals granted by the relevant authorities. Upon receiving these approvals, the Authority incorporated the additional appropriations into the original budget to finalize the overall financial plan. Accordingly, the Entity recorded additional appropriations amounting to Ksh. 1.5 billion for the Financial Year 2024/2025, following approval by the governing body.

KEMSA's budget is prepared on a different basis from the actual income and expenditure reported in the financial statements. While the financial statements are prepared on an accrual basis and classified by the nature of expenses in the statement of financial performance, the budget is prepared on a cash basis. To facilitate comparison, the amounts in the financial statements were adjusted from the accrual basis to the cash basis and reclassified to align with the presentation format of 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 The Budget Notes section of these financial statements.

c) *Taxes*

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Authority operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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

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 Authority 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.

Depreciation on property, plant and equipment is recognized in the statement of Financial Performance on a Straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are;	
Lease hold Land	No depreciation
Buildings	2.5%
Motor vehicles	25%
Fixtures and fittings	12.5%
Furniture	12.5%
Equipment	12.5%
Plant and Machinery	10%
Computers	33.3%
Intangible Assets	33.3%
A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal. Depreciation and impairment of property, plant and equipment	

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. In the FY 2024-25, the Authority had one operating lease.

f) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

g) 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.

h) Inventories

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

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 Authority.

i) Provisions

Provisions are recognized when the Authority 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 KEMSA 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.

j) Contingent liabilities

KEMSA 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.

k) Contingent assets

KEMSA 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 Authority 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.

l) Nature and purpose of reserves

KEMSA creates and maintains reserves in terms of specific requirements. KEMSA maintains three types of reserves: KEMSA Capital, revenue reserve and revaluation reserve.

Revenue Reserves-this is made up of the accumulated surplus which are retained and set aside for future use

Revaluation Reserves- this reserve arises from revaluation of the Authority's assets where the realised fair value is higher than the net book value.

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

KEMSA operates defined contribution benefit plan for its employees. The assets of which are held in a separate trustee scheme managed by a contracted insurance company. KEMSA provides retirement benefits for its employees

Defined contribution plans are post-employment benefit plans under which an Authority pays fixed contributions into a separate Authority (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.

KEMSA provides medical cover to retired employees for a period of five years after retirement.

The Authority also contributes to the National social security funds; the contributions are determined by local statute and the contributions are charged to the statement of performance in the year incurred.

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.

o) 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.

p) Related parties

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held in various commercial banks at the end of the financial year.

r) Comparative figures

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

s) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Authority'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 Authority 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 Authority. 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 Authority.
- 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 31. 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. KEMSA records accruals for revenue earned but not received as at the date of reporting and for expenses when the expense is due but not invoiced as at the date of reporting. The revenue earned and expenses due are estimated based on contracted rates between the Authority and Business Partner.

Notes to the Financial Statements (Continued)

6. Transfers from Ministries, Departments and Agencies (MDAs)	Amount recognized to Statement of Financial Performance	Amount deferred under deferred income	Amount recognized in capital fund	Total transfers (Current FY)	Comparative Period June 2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Health	3,171,972,378	-	-	3,171,972,378	1,188,219,571
Total Transfers from Ministries, Departments and Agencies (MDAs)	3,171,972,378	-	-	3,171,972,378	1,188,219,571
<i>For the period ending 30th June 2025, the Authority received Ksh. 230.3 million. The authority also received recapitalization and receipts from the Ministry of Health totaling to Ksh. 2.94 billion</i>					

7. Public Contributions and Donations (Donated Assets)	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Income recognized for the year	11,965,794	60,086,348
Total Public Contributions and Donations	11,965,794	60,086,348
<i>The amount of Ksh. 11.97 million recorded under public contributions and donations represents deferred income that is amortized for the year</i>		

Notes to the Financial Statements (Continued)

8a. Rendering of Services	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Supply Chain Fees: -USAID	(35,357,985)	102,434,232
-Global Fund	690,213,316	594,340,231
Global Fund -LLINs	102,452,305	127,925,214
-Ministry of Health	332,118,821	487,474,872
-Other Strategic Partners	140,883,411	94,027,065
Total Rendering of Services	1,230,309,868	1,406,201,614
<i>This revenue relates to fees earned for Procurement, Warehousing and Distribution services rendered to KEMSA Strategic partners as listed above.</i>		
8b. Direct cash flow Adjustment	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Total rendering of services as per performance	1,230,309,868	1,406,201,614
Less: Increase in exchange receivables	242,075,258	(455,686,595)
Total rendering of services as per cashflow	1,472,385,126	950,515,019
9. Sales Revenue	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Sale Revenue -Pharmaceutical	3,052,452,131	3,791,887,567
Sale Revenue -Non-Pharmaceuticals	1,792,034,940	1,907,761,197
Sale Revenue -Non-Pharmaceuticals - Covid-19 commodities	29,763,315	97,894,808
Sales Revenue -UHC-Pharmaceuticals	-	1,394,025
Sales Revenue-UHC-Non-Pharmaceuticals	11,636,525	446,600
Total Sales Revenues	4,885,886,910	5,799,384,197
<i>The revenue earned related to sale of medical commodities to public health facilities, county referral hospital, government institution and faith-based health facilities.</i>		
9 (b) Direct cash flow Adjustment		
Total sale of goods as per performance	4,885,886,910	5,799,384,197
Less: Increase in exchange receivables	223,401,649	(393,648,467)
Total sales revenue as per cashflow	5,109,288,559	5,405,735,730

In FY 2024/2025, the Authority aligned its financial statement presentation with the prescribed reporting template for entities reporting under IPSAS Accrual, in order to enhance transparency and ensure compliance with guidance issued by the National Treasury and the Public Sector Accounting Standards Board (PSASB). Under the aligned presentation, gross sales are now reported as revenue on the face of the Statement of Financial Performance and further disclosed in Note 9 of FY 2024/2025

In the previous financial year, FY 2023/2024, sales and cost of sales were presented on a net basis, with net sales reported on the face of the Statement of Financial Performance, while the gross sales and related cost of sales were disclosed in Note 9 of FY 2023/2024.

10. Rental Revenue	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Rental Income	3,475,909	1,298,428
Total Rental Revenue	3,475,909	1,298,428
<i>The Authority earned Ksh. 3.48 million in rental revenue from Kenya Airways for the use of the clinic and caretaker's premises at Embakasi Annex.</i>		

11. Other Income	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Sale of Waste Materials	-	117,382
Inventory loss surcharge	77,571	-
Global fund	-	
Bank Interest Received	185,414,497	237,975,361
Total Other Income	185,492,068	238,092,743
<i>These are revenues earned from other sources as including bank interest and recoveries done for cost of damaged stocks on transit.</i>		

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12a. Use of Good and Services	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Cost of Sales CGS (Pharms)	2,301,721,010	2,721,744,880
Cost of Sales -CGS (Non-Pharms)	1,445,802,450	1,489,828,605
Cost of Sales -CGS (Non-Pharms)-Covid-19 commodities	29,945,390	110,394,659
Cost of Sales-CGS-UHC (Pharms)	-	1,807,088
Cost of Sales-CGS-UHC (Non-Pharms)	10,995,250	406,000
Expiry & Adjustments	237,147,686	371,435,211.55
Damages	506,998	1,252,562.80
Development Partner Reimbursement	-	4,114,881
Outsourced Distribution Cost	663,362,043	721,899,107
Electricity	29,750,625	25,701,158
Water	2,001,221	1,758,388
Subscriptions	2,152,686	2,176,087
Advertising	322,981,793	214,442,605
Admin Expenses	85,139,599	119,833,859
Audit fees	4,730,513	4,836,600
Conferences and delegations	24,882,775	20,344,594
Fuel and oil	57,150,652	57,384,478
Insurance	237,427,143	222,413,553
Licenses and permits	30,734,949	60,709,425
Postage	510,697	143,944
Printing and stationery	15,631,207	15,741,320
Rental	20,017,717	11,105,165
Vehicle Maintenance	38,214,467	17,778,703
Fork Lift Maintenance	4,733,321	834,757
Maintenance of own Trucks	2,959,818	3,072,925
Telecommunication	25,032,677	18,293,616
Training	19,326,452	19,601,741
Travel, accommodation, subsistence & other allowances*	168,221,770	197,153,080
Tax Arrears & Penalties	(269,263,255)	190,311,857
Bank Charges	1,751,861	1,641,044
Other general expenses - Recruitment Cost	130,000	
Use of Good and Services	5,513,699,516	6,628,161,893
<i>The actual expenditure for the period was Ksh. 5.52 billion, compared to Ksh. 6.63 billion in the same period of the previous year, representing a 16% decrease.</i>		

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12b. Direct cash flow Adjustment	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Total Use of Good and Services as per performance	5,513,699,516	6,628,161,893
(Increase) in deferred income	(263,805,788)	(412,413,652)
(Increase)/Decrease in payables	1,199,355,793	1,695,685,359
(Increase)Refundable Deposits and Prepayments from Customers	103,567,163	345,316,648
(Increase) Decrease in current provision	455,870,420	277,990,589
: Increase/Decrease in inventory (KEMSA Capital)	(446,935,553)	138,266,000
: Increase in inventory (consumables)	3,148,604	354,826
Add: Decrease in receivables from non-exchange	(3,739,647)	(844,576)
: Decrease in receivables from exchange (Long-term)	(34,033,715)	(1,650,000)
: Decrease in receivables from Prepayments	(56,669,304)	77,993,556
Total use of goods as per cashflows	6,470,457,488	8,748,860,643

Cost of sales is presented as expenditure under 'Use of Goods and Services' and disclosed in Note 12a of FY 2024/2025. This approach ensures consistency with applicable public sector reporting requirements and enhances comparability across reporting periods.

In the previous financial year, FY 2023/2024, sales and cost of sales were presented on a net basis, with net sales reported on the face of the Statement of Financial Performance, while the gross sales and related cost of sales were disclosed in Note 9 of FY 2023/2024.

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13. Employee costs	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Basic Pay	689,481,281	621,586,946
Overtime	5,480,017	4,816,893
Arrears	6,377,775	16,922,348
House Allowance	148,692,904	140,350,656
Acting Allowance	3,485,261	3,184,253
Bonus	-	-
Leave Allowance	6,227,136	6,313,881
Entertainment Allowance	2,266,516	2,188,000
NSSF (KEMSA Part)	21,202,791	13,905,862
Gratuity and Pensions	117,321,411	107,953,832
Housing Levy (KEMSA Part)	13,618,299	10,659,011
Transport Allowance	37,220,161	355,122,967
Other Taxable Benefits	25,198,084	23,453,615
Casual and Contract Employees	561,022	934,835
Ex-Gratia Payments	2,802,698	4,649,948
Shift Allowance	881,548	1,847,804
Staff Seconded to KEMSA	14,460,667	23,915,835
Total Employee Costs	1,095,277,570	1,018,196,013
<i>These are expenditures incurred by the Authority for compensation of its employees. They include salaries, wages, social security contributions and allowances.</i>		

14. Board expenses	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
BOD Sitting & Lunch Allowances	7,348,000	9,181,600
BOD Travel & Accommodation Exp.	7,013,460	10,565,445
BOD Conferences	2,317,000	2,704,651
BOD Honoraria & Other Allowances	1,044,000	1,044,000
Bod Insurance Expenses	104,963	-
Bod Housing Levy (KEMSA Part)	-	15,720
Total Board expenses	17,827,423	23,511,417
<i>These costs relate to expenses incurred by each Director in connection with attending regular and special meetings of the Board and any committee thereof. They also include Chairman's honoraria as per terms of service.</i>		

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15. Depreciation & amortization	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Buildings - Depreciation	42,277,998	70,617,287
Plant & Machinery - Depreciation	181,826,838	11,114,590
Office Equipment - Depreciation	13,356,097	8,330,960
Furniture & Fittings - Depreciation	4,727,308	2,888,425
Computer Equipment - Depreciation	11,974,976	14,737,680
Intangible Assets - Depreciation	(0)	970,283
Motor Vehicles - Depreciation	324,328	67,812,819
Total Depreciation & Amortization	254,487,545	176,472,045

These costs relate to depreciation charges for the period, on a straight-line basis.

16. Repair & Maintenance	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Repairs To Buildings and Roads	98,766,100	5,168,470
Maintenance Of QA Tools & Equipment	1,092,260	1,885,320
Plant Repairs & Maintenance	1,671,678	1,205,459
Computer Stationery Expenses	17,573,360	13,201,948
Computer Maintenance Expenses	10,000	10,000
Computer Maintenance Agreement	4,635,283	4,285,046
Purchase of Tools & Maintenance	1,774,620	-
Generator Maintenance Expenses	3,525,946	743,836
Total Repair & Maintenance	129,049,248	26,500,079

17. Contracted Services	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Legal expenses	305,057,287	223,002,119
Consulting fees	123,338,193	73,619,280
Security costs	17,563,885	18,761,020
Outsourced Cleaning Expenses	14,361,285	11,462,724
Sanitation Expenses	305,808	145,679
Total Contracted Services	460,626,459	326,990,822

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18. Gain/Loss on foreign exchange transactions	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Forex Unrealized Gain		-
Forex Realized Gain	16,036,667	82,303,558
Bank Charges and Commission – Realized Loss	25,796,699	(783,708,846)
Total Gain/Loss on foreign exchange transactions	41,833,366	(701,405,288)

19. Other gains/(losses) on sale of Asset	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Proceeds from disposal of fixed assets	-	3,327,000
Disposal of fixed assets	-	(21,354,596)
Total Other gains/(losses) on sale of Asset	-	(18,027,596)

20. Impairment loss	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Impairment loss	-	481,385,033
Total Impairment Loss	-	481,385,033

21a. Taxation	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Corporation Tax	53,530,027	71,782,137
Total Taxation	53,530,027	71,782,137
21b. Taxation	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Business income tax charge	-	71,782,137
Tax charged on rental income	1,042,774	-
Tax charged on interest income	52,487,254	71,392,608
Deferred tax:	-	-
Original and reversal of temporary differences	-	-
Income tax expense reported in the statement of financial performance	53,530,027	143,174,745

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22 . Cash and Cash Equivalents	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
NBK - operations	1,050,391,458	319,511,629
NBK distribution	7,096,219	720,193
KCB drugs	14,051,934	223,581,189
KCB distribution	1,274	86
NCBA	152,812	152,961
Co-op - medical grants	211,070,506	281,046,308
Co-op bank GF operations (Ksh)	24,107,079	12,735,495
Co-op bank GF operations (USD)	468,873,944	375,062,255
SSD co-op bank	10,314,770	23,874,746
SSD equity bank	944,111,099	455,535,709
KEMSA Equity warehouse construction project	1,200,656	34,014,737
KEMSA Equity bank operations (Ksh)	5,270,240	2,903,652
KEMSA Equity bank operations (USD)	1,004,280	452,093
Mpesa bulk payment	862	862
Sidian bank	341,022,599	-
Total cash and cash equivalents	3,078,669,731	1,729,591,916
22 (b) Cash and Cash Equivalents	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Current accounts	2,737,647,132	1,729,591,916
On - Call Deposits	341,022,599	-
Total cash and cash equivalents	3,078,669,731	1,729,591,916

23. Prepayments	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Insurance	91,715,440	137,648,728
Corporation Tax Instalment		-
Others	38,136,353	48,872,370
Total receivables from exchange transactions	129,851,793	186,521,098

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24a. Receivables from Exchange Transactions (Current)	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Trade Debtors -Receivable	6,283,872,478	6,749,349,385
Total receivables from exchange transactions	6,283,872,478	6,749,349,385
<i>Receivables from exchange transactions amount to Ksh. 6.28 billion, comprising sale of Health Products and Technologies (HPTs), service charges on supply chain billing</i>		

24b. Receivables from Exchange Transactions (Long-term)	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Long-term Deposit	10,481,967	44,515,683
Total long-term receivables from non-exchange transactions	10,481,967	44,515,683
Total a+b	6,294,354,445	6,793,865,067
<i>These are rental deposits paid for warehouses that the Authority had rented to store medical commodities. Refund of the deposit is in procees after termination of leases</i>		

(24.c Ageing analysis for Receivable from exchange transaction

Description	Period ended June 2025 Kshs.	% of the total	Period ended June 2024 Kshs.	% of the total
Less than 1 year	3,302,598,417	52%	4,521,544,448	67%
Between 1-2 years	1,226,878,654	19%	1,391,912,891	20%
Between 2-3 years	1,031,941,218	16%	(230,323,758)	-3%
Over 3 years	732,936,156	12%	1,110,731,488	16%
Grand Total	6,294,354,445	100%	6,793,865,068	100%

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25. Receivables from Non-Exchange Transactions	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Travel Imprest Debtors	95,642	3,681,787
Staff Salary Advances Debtors	(8)	(8)
Standing Imprest Debtor	131,295	189,060
Board imprest debtor	83,427	307,490
Staff Medical Advances	2,015,815	1,491,543
Staff Accountable Imprest	150,263	546,207
Total receivables from non-exchange transactions	2,476,434	6,216,080

Ageing Analysis- Receivables from non- exchange transactions	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	1,140,636	46.06%	5,411,535	87.06%
Between 1-2 years	86,815	3.51%	52,288	0.84%
Over 3 years	1,248,983	50.43%	752,256	12.10%
Total	2,476,434	100%	6,216,080	100.00%

26a. Inventories	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Medical Supplies-Pharmaceutical & Non-Pharmaceutical Stocks	11,062,808,630	12,401,632,931
Consumable stores-Stationery	5,805,042	3,497,330
Consumable stores-Beverages & Others	1,483,271	642,379
Total inventories at the lower of cost and net realizable value	11,070,096,943	12,405,772,640
<i>Out of stock value of sh. 11 billion for Medical Supplies-Pharmaceutical & Non-Pharmaceutical Stocks the entity is holding 3rd party stocks valued at sh. 7.6 billion.</i>		
26b. Inventories	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
KEMSA capital	3,452,830,587	3,899,766,139
Third Party stock	7,609,978,044	8,501,866,791
Total inventories at the lower of cost and net realizable value	11,062,808,630	12,401,632,931
Total inventories at the lower of cost and net realizable value	11,070,096,943	12,405,772,640

26 c. Detailed disclosure on inventories	
Description	Amount
Opening Balance	12,401,632,930.51
Additional Inventory in the year	
Receipt	23,530,267,253.89
Stock Adjustments- Positive	202,310.26
Sub-Totals-Additional	35,932,102,494.66
Inventory Expensed	
Issues	23,688,396,954.44
Expired	546,893,599.42
Damages	21,927,374.60
QA Samples	2,115,559.15
Supplier Returns	115,200,263.49
Sub-Totals-Subtraction	24,374,533,751.09
Write downs in the year (impairment)	
Other Specify-Variance FY 2024-25	(1,133,235.80)
Other Specify-Price Variation	(493,626,877.59)
Closing Balance	11,062,808,630.18

Inventory Valuation

As at 30th June 2025, the Authority's total inventory was valued at **Ksh. 11,062,808,630.18**, comprising **Ksh. 3,452,830,586.54** in KEMSA Capital Stock and **Ksh. 7,609,978,043.65** in Third-Party Stock.

KEMSA Capital Stock represents commodities procured using internally generated revenue and sold to health facilities at a modest margin to cover distribution and operational costs. Third-Party Stock relates to commodities held in trust on behalf of development partners and Ministry of Health programmes. These items are recognized at cost both as an asset (Note 26b) and as a corresponding liability (Note 31)- (Medical Commodity Funds). For Third-Party Stock; KEMSA is responsible for procurement, warehousing, and distribution, and earns a supply chain services fee (at an agreed percentage) upon completion of procurement and warehousing services and following distribution, based on schedules issued periodically by the Ministry of Health.

Expiry and Damages

During the FY 2024/2025, the Authority incurred losses totalling to **KSh. 547,095 909.67** arising from expired commodities. Of this amount, **KSh 237,147,686.11** relates to KEMSA Capital Stock and has been expensed under Use of Goods and Services (Note 12a), while **KSh 309,948,223.56** relates to Third-Party Stock and has been recognized through the

movement schedule (Note 26c), thereby reducing the value of Third-Party inventory as at 30th June 2025.

In addition, the Authority recorded losses amounting to **KSh 21,927,374.60** due to damaged commodities. Of this, **KSh 506,997.83** relates to KEMSA Capital Stock and has been expensed under Use of Goods and Services (**Note 12a**), while losses relating to Third-Party Stock amounting to **KSh 21,420,376.77** have been accounted for through the movement schedule (**Note 26c**), reducing the Third-Party inventory balance at year-end.

Notes to the Financial Statements (Continued)

27(a) Property, Plant and Equipment as at June 2025

27a. Property, Plant and Equipment									
	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Office equipments	Plant and Machinery	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs	Kshs
As at 30th June (FY22/23)	1,786,967,270	1,451,882,932	243,401,705	40,755,105	81,307,428	87,110,014	228,393,393	5,497,816,075	9,417,633,922
Prior Year adjustment			9,750,000						9,750,000
Additions	14,500,000	30,000,000	22,980,000.00	2,249,600	23,100,420	20,279,403	61,034,024	1,179,660,842	1,353,804,290
Disposals	(10,500,000.00)	(14,005,930.00)	(5,213,000)	-	-	-	-	-	(29,718,930)
Revaluation surplus	365,461,998	24,876,187	41,047,999	1,341,511	4,188,560	1,317,249	21,525,650	-	459,759,154
Impairment	(211,429,268)	(257,598,046)	(4,526.09)	(995,297.95)	(700,973.24)	(8,006,650.55)	(2,650,270.93)		(481,385,033)
Transfer/Adjustment					900,000.00			(900,000)	-
As at 30th June 2024	1,945,000,000	1,235,155,143	311,962,178	43,350,918	108,795,435	100,700,015	308,302,796	6,676,576,917	10,729,843,403
Additions	-	-	-	200,702,675	8,368,416	48,756,269	44,893,800	78,745,145	381,466,306
Disposals									-
Transfers/Adjustments							815,842,477	(815,842,477)	-
As at 30th June (FY24/25)	1,945,000,000	1,235,155,143	311,962,178	244,053,593	117,163,851	149,456,284	1,169,039,073	5,939,479,585	11,111,309,709
Depreciation And Impairment									-
As At 30th June 2023(FY22/23)	-	236,421,015	220,846,971	31,691,901	67,502,683	35,809,821	134,507,983	-	726,780,374
Depreciation for the year	-	74,183,556.01	73,028,405	3,189,380	15,293,088	9,747,816	11,114,590	-	186,556,835
Disposals	-	(3,566,269)	(5,213,000)	-		-	-	-	(8,779,269)
Impairment	-	-	(2,586)	(300,954)	(555,409)	(1,416,856)	-	-	(2,275,805)
Transfer/Adjustment	-	-	-	-	-	-	-	-	-
As at 30th June 2024 (FY23/24)	-	307,038,302	288,659,790	34,580,327	82,240,363	44,140,782	145,622,573	-	902,282,136
Depreciation for the period		42,277,998	324,328	4,727,308	11,974,976	13,356,097	181,826,838		254,487,545
Disposals									
Impairment									
Transfer/Adjustment									
As at 30th June (FY24/25)		349,316,301	288,984,118	39,307,635	94,215,339	57,496,878	327,449,411	-	1,156,769,681
Net Book Values									-
As at 30TH JUNE 2024 (FY23/24)	1,945,000,000	928,116,841	23,302,388	8,770,591	26,555,073	56,559,234	162,680,223	6,676,576,917	9,827,561,267
As at 30th June (FY 24/25)	1,945,000,000	885,838,843	22,978,060	204,745,958	22,948,513	91,959,406	841,589,663	5,939,479,585	9,954,540,028

*The WIP figure of KES 5,939,479,585 mainly includes the cost of construction of the Modern warehouse and Office Block and purchase of the new ERP.

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Notes to the Financial Statements (Continued)

27(b) Intangible Assets

Description	FY 2024/2025	FY 2023/2024
	Kshs	Comparative FY Kshs
Cost		
At beginning of the year	146,664,637	146,664,637
Additions	-	-
At end of the year	146,664,637	146,664,637
Additions-internal development	-	-
At end of the year	146,664,637	146,664,637
Amortization and impairment		
At beginning of the year	146,664,637	145,694,354
Amortization	-	970,283
At end of the year	146,664,637	146,664,637
Impairment loss	-	-
At end of the year	146,664,637	146,664,637
NBV	-	-

Valuation

Land and buildings were valued by The Ministry of Land and Physical Planning in line with the National Assets and Liabilities Management Policy and Guidelines (issued 30th June 2020). The assets were revalued on May 2023. These amounts were adopted by the Board in the financial year 2023-2024.

27(c) Property, Plant and Equipment at Cost

The property Plant and Equipment held by the Authority relates to land, buildings, Office Equipment, Plant & Machinery, Furniture & Fittings, Motor Vehicles, Computer Hardware & Intangible Assets (ERP) and WIP for the new warehouse as summarized below;

Notes to the Financial Statements (Continued)

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	1,945,000,000	-	1,945,000,000
Buildings	1,235,155,143	349,316,301	885,838,843
Plant And Machinery	1,169,039,073	327,449,411	841,589,663
Motor Vehicles, Including Motorcycles	311,962,178	288,984,118	22,978,060
Computers And Related Equipment	117,163,851	94,215,339	22,948,513
Office Equipment, Furniture, And Fittings	393,509,878	96,804,513	296,705,365
Total	5,171,830,124	1,156,769,681	4,015,060,443

Property plant and Equipment include the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	1,000,000	100,000
Motor Vehicles including Motorcycles	247,938,705	61,984,676
Computers and Related Equipment	72,901,286	24,300,429
Office Equipment, Furniture and Fittings	47,705,075	5,963,134
Total	369,545,066	92,348,239

Disclosures on Land

1. The KEMSA Mombasa Regional Distribution Center is located in Changamwe, Mombasa, covering approximately 0.63 hectares (1.5 acres). The land is currently developed with a warehouse, toilet block, and flammables store. This Land is currently recognized in our books at a value of KES 110,000,000.00. The conveyancing process for this property is ongoing, with the available documentation including an allotment letter dated August 2010 and a Part Development Plan (PDP) from 1999. KEMSA's Legal Department has engaged Ong'anda & Associates advocates to oversee and follow up on the conveyancing process.

2. KEMSA owns a parcel of land approximately 5 acres in size, located in Garissa Town, adjacent to the Kenya Medical Training Institute (Garissa). This property has been recognized in our financial statements at an estimated value of KES 6,500,000.00, based on a previous valuation. However, it is important to note that the available proof of ownership is an unregistered Part Development Plan (PDP) dated 2005. The conveyancing process is currently being managed by KEMSA's counsel, Ong'anda & Associates advocates, in coordination with our Legal Department. A re-valuation of the property will be necessary to reflect its true and fair value in KEMSA's books of account.
3. KEMSA was allocated a parcel of land in Kakamega by the County Government for the construction of a warehouse. The initial site was recognized in KEMSA's financial statements at a value of Kshs. 7,500,000. However, this land was subsequently re-allocated by the County for other developments, and KEMSA was instead allotted an alternative parcel, which has since been duly registered in its name. The previously allocated land has since been derecognized from the financial statements, while the newly allotted land must now be recognized. A valuation of the new site was conducted in June 2025, and KEMSA is awaiting the valuation report from the Ministry of Lands and Physical Planning to facilitate its recognition

Notes to the Financial Statements (Continued)

28. Trade and other payables	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Trade Creditors - Medical	2,330,659,726	3,335,456,885
Trade Creditors - Not Invoiced Receipts	475,073,898	511,644,323
Trade Creditors - Operations	219,469,239	471,748,780
Trade Creditors - Distribution	60,796,508	291,436,755
Trade Creditors-Warehouse Construction	127,867,144	91,609,727
Trade Creditors - Development Partner's Grants	2,284,585,760	1,853,558,036
Customer unallocated Payment	17,769,717	176,458,787
Trade Debtors - unidentified receipts	6,876,495	7,357,111
3rd party Stock loss Recovery Payable	699,310	
Rent Deposit's - Tenants	568,542	-
Withheld Vat	9,987,810	225,898
Vat Output - Due	16,654	51,325
Withheld Tax- Consultancy	4,493,292	204,621
Withheld Tax- Contractors	295,483	459,414
Withheld Tax - Rental Income	3,675	14,700
Suppliers Funds Retained	166,472,677	165,308,683
Paye Imprest Payable	(39,550)	402,850
Board Imprest Payable (Refunds)	-	10,200
Employee Payables	2,344,716	1,348,180
Housing Levy Payable	(0)	600
Payroll Control	(42)	(27)
Sacco Deductions	103	103
Total trade and other payables from exchange transactions	5,707,941,158	6,907,296,951
<i>Out of Ksh. 5.71 billion liabilities there is a liability that relates to balance of funds meant to pay for programme commodities valued at Ksh. 2.28 Billion</i>		

	Current FY 2024/2025	% of the Total	Comparative FY 2023/2024	% of the Total
UNDER ONE YEAR	2,661,832,723	47%	5,217,389,766	76%
1-2 YEARS	1,121,105,353	20%	586,930,303	8%
2-3 YEARS	197,696,635	3%	72,888,646	1%
OVER 3 YEARS	1,727,306,447	30%	1,030,088,236	15%
TOTAL	5,707,941,158	100%	6,907,296,951.00	100%

29. Refundable Deposits and Prepayments from Customers	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Customer Prepayment	366,461,860	470,029,023
Total Refundable Deposits and Prepayments from Customers	366,461,860	470,029,023
<i>These are funds received in advance by the Authority from customers like the Ministry of Health for UHC-Scale Up- to procure medical commodities.</i>		

30. Current Provisions	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Balance Brought Forward	833,915,978	1,111,906,567
Additional Provisions	378,045,558	833,915,978
Provision Utilized	(833,915,978)	(1,111,906,567)
Total provisions	378,045,558	833,915,978

31. Medical Commodity Fund	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Medical Commodity Fund	7,609,978,044	8,501,866,791
Total medical commodity fund	7,609,978,044	8,501,866,791

32a. Deferred income	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Public Contribution and donations (Current Portion recognized from Donated Assets)	2,106,825,956	1,843,020,169
Total deferred income	2,106,825,956	1,843,020,169
32b. Deferred income	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
National Government	1,377,224,940	1,182,956,990
International Funders	729,601,017	660,063,178
Public Contributions and Donations		
Total Deferred Income	2,106,825,956	1,843,020,169

32c. Deferred income	National Government	International Funders	Public contributions and donations	Total
	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward	1,182,956,990	660,063,178	-	1,843,020,169
Additions	198,400,000	77,371,582	-	275,771,582
Transfers To Capital Fund	-	(11,965,794)	-	(11,965,794)
Transfers To Income Statement	-	-	-	-
<i>Other Transfers</i>	-	-		-
Balance Carried Forward	1,381,356,990	725,468,966	-	2,106,825,956

33. KEMSA Capital	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Balance at the end of the Financial Year	8,461,576,303	8,461,576,303
Total KEMSA Capital	8,461,576,303	8,461,576,303

34. Cash Generated from Operations	Period ended June 2025	Period ended June 2024
	Kshs	Kshs
Surplus for the year before tax	2,049,511,548	(770,017,112)
Adjusted for:		
Depreciation	254,487,545	176,472,045
Impairment	-	481,385,033
Gains and losses on disposal of assets	-	(18,027,596)
Working capital adjustments		
Increase in inventory	1,335,675,696	494,142,781
Increase in inventory	14,387,289	(77,993,556)
Increase in receivables	503,250,269	(837,945,200)
Increase in deferred income	263,805,788	412,413,652
Increase in payables	(1,199,355,793)	(1,695,685,359)
Increase in payments received in advance	(103,567,163)	(345,316,648)
Decrease in current provision	(456,661,446)	(277,990,589)
Decrease in medical commodity	(891,888,748)	(632,763,607)
Project Fund	-	-
Net cash flow from operating activities	1,769,644,986	(3,091,326,156)

Notes to the Financial Statements (Continued)

35 Financial Risk Management

The Authority’s activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority’s overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Authority’s financial risk management objectives and policies are detailed below:

i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors.

The amounts presented in the statement of financial position do not include any provision for doubtful receivables even though **Kshs. 2,206,588,881** is beyond one year. From prior experience and their assessment of the current economic environment.

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Authority’s maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows;

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2025				
Receivables from exchange transactions	6,283,872,478	1,551,971,228	4,731,901,250	0.00
Receivables from non-exchange transactions	2,476,434	2,476,434	0.00	0.00
Bank balances	3,078,669,731	3,078,669,731	0.00	0.00
Total	9,365,018,643	4,633,117,393	4,731,901,250	0.00

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2024				
Receivables from exchange transactions	6,749,349,385	2,292,532,319	4,456,817,066	0.00
Receivables from non -exchange transactions	6,216,080	6,216,080	0.00	0.00
Bank balances	1,729,591,916	1,729,591,916	0.00	0.00
Total	8,485,157,381	4,028,340,315	4,456,817,066	0.00

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Authority has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Authority has significant concentration of credit risk on amounts due from counties. The board of directors sets the Authority’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii.) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority’s directors, who have built an appropriate liquidity risk management framework for the management of the Authority’s short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Authority under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 th June (Current FY)				
Trade payables	957,640,955	730,790,411	1,525,435,149	3,213,866,516
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	359,716,512	0.00	17,538,020	377,254,532
Deferred income	0.00	0.00	2,065,064,461	2,065,064,461

Employee benefit obligation	2,305,226	0.00	0.00	2,305,226
Total	1,319,662,693	730,790,411	3,608,037,630	5,658,490,734
As at 30th June (Previous FY)				
Trade payables	1,193,659,354	569,253,460	2,427,339,303	4,190,252,117
Current portion of borrowings	0.00	0.00	0.00	-
Provisions	0.00	0.00	833,915,978	833,915,978
Deferred income	0.00	0.00	1,843,020,169	1,843,020,169
Employee benefit obligation	1,751,030	0.00	0.00	1,751,030
Total	1,195,410,384	569,253,460	5,104,275,450	6,868,939,294

iii) **Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority’s income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Authority’s Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Authority’s exposure to market risks or the manner in which it manages and measures the risk.

iv) **Foreign currency risk**

The *Authority* has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The *Authority* manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Financial Risk Management

The carrying amount of the *Authority’s* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are recorded in Kenya Shillings equivalent.

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 th June 2025			
Financial Assets			
Investments	-	-	-
Cash	2,608,791,507	469,878,224	3,078,669,731
Debtors	6,018,408,293	440,074,427	6,458,482,720
Total Financial Assets	8,627,199,800	909,952,651	9,537,152,451
Financial Liabilities			
Trade And Other Payables	5,363,577,639	344,363,519	5,707,941,158
Borrowings	-	-	-
Total Financial Liabilities	5,363,577,639	344,363,519	5,707,941,158
Net Foreign Currency Asset/(Liability)	3,263,622,161	565,589,132	3,829,211,293

v) Interest rate risk

Interest rate risk is the risk that the Authority’s financial condition may be adversely affected as a result of changes in interest rate levels. The Authority’s interest rate risk arises from bank deposits. This exposes the Authority to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Authority’s deposits.

Management of interest rate risk

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

Sensitivity Analysis

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

rates increase/ decrease by 1% percentage point as a decrease/increase of Kshs 18,393,348 (2024: Kshs 22,170,908). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 91,526,119 (2024 – Kshs 109,008,718)

vi) **Capital Risk Management**

The objective of KEMSA’s management is to safeguard the entity’s ability to continue as a going concern. KEMSA’s capital structure comprises of the following:

Description	2024-25	2024-25
	Kshs	Kshs
Revaluation Reserve	166,458,770	459,759,154
Retained Earnings	5,732,701,725	3,472,063,699
Capital Reserve	-	-
Total Funds	5,899,160,495	3,931,822,853
Total Borrowings	-	-
Less: Cash and Bank Balances	(3,078,669,731)	(1,729,591,916)
Excess Cash and Cash Equivalents	2,820,490,764	2,202,230,937
Gearing	-	-

36. Related Party Disclosures
Nature of related party relationships

Entities and other parties related to the *Authority* 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 *Authority*, holding 100% of the Authority’s equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Authority, both domestic and external.

Other related parties include:

- i) The Ministry of Health
- ii) County Governments
- iii) Other State Corporations and Semi-Autonomous Government Agencies
- iv) The National Treasury

v) Board of directors

Description	FY 2024/2025	FY 2023/2024	
	Kshs	Kshs	
Transactions with related parties			
a) Sales to related parties			
Sales of HPTs to Counties and GOK Facilities	4,885,886,910	5,799,384,197	
Others (specify) e.g. interest and bank charges	-	-	
Total	4,885,886,910	5,799,384,197	
B) purchases from related parties			
Purchases of electricity from KPLC	29,750,625	25,701,158	
Purchase of water from govt service providers	2,001,221	1,758,388	
Rent expenses paid to govt agencies	255,780	341,040	
Training and conference fees paid to govt. Agencies	7,082,820	2,789,229	
Others (specify)	-	-	
Total	39,090,446	30,589,815	
b) Grants /transfers from the government			
Grants from national govt	3,261,861,878	1,188,219,571	
Donations in kind	-	-	
Total	3,261,861,878	1,188,219,571	
c) Expenses incurred on behalf of related party			
Payments of salaries and wages for employees	14,460,667	23,915,835	
Payments for goods and services	-	-	
Total	14,460,667	23,915,835	
d) Key management compensation			
Directors' emoluments	65,629,889	24,038,158	
Compensation to key management	59,473,896	59,473,896	
Total	125,103,785	83,512,054	

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Contingent Assets and Contingent Liabilities

Contingent Assets

The following Assets, which are in Financial Statements, have Ownership disputes

	2023-2024	2022-2023
	Kshs.	Kshs.
CONTINGENT ASSETS		
EMBAKASI GREEN SITE LR Number 28464 and 28465	380,000,000	220,000,000
Total	380,000,000	220,000,000

(i) EMBAKASI GREEN SITE LR NO Number 28464 and 28465

1. EMBAKASI GREEN SITE LR NO Number 28464 and 28465. In January 2019, the Kenya Airports Authority filed a complaint with the National Land Commission seeking the revocation of several parcels of land excised from land parcel no. LR 21919, which is registered in favour of the Kenya Airports Authority. Among the parcels in question were LR Nos. 28464 and 28465, which are registered in favour of KEMSA. After hearing the complaint, the National Land Commission recommended the revocation of KEMSA's title to LR Nos. 28464 and 28465 and the issuance of a sublease instead.

KEMSA subsequently instructed its legal counsel to challenge the National Land Commission's recommendations in court. Judicial review proceedings were initiated before the Environment and Land Court, under Judicial Review Application No. 91 of 2019, filed on 28th March 2019. The case is ongoing, and KEMSA is represented by Gathii Irungu & Co. Advocates.

As per the latest update from counsel, the Attorney General, Public Service Commission, and the Kenya Airports Authority are in negotiations through our lawyer to secure the parcel of land. The land is currently valued at KES 380,000,000.00 (Three Hundred and Eighty Million) in our financial records. If the revocation is upheld, KEMSA will be required to expunge the properties from its books of accounts.

38 Events after the Reporting Period

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

39 Ultimate and Holding Authority

The Authority is a State Corporation under the Ministry of Health. Its ultimate parent is the Government of Kenya.

40 Currency

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

20. Appendices

APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATION				
	Auditors' Observation	Management Comments	Resolved/Not Resolved	Timeframe:
1.1	Long Outstanding Receivables The balance includes trade debtors-receivables of Kshs.6,749,349,385 out of which Kshs.2,894,504,826 relates to various customer balances that had been outstanding for more than one year without any agreed-on payment plan. Further, there was no provision for bad and doubtful debts contrary to Paragraph 2.16 of the Authority's Credit Policy, 2014 which requires adequate provision for bad and doubtful debts for any outstanding debt above three hundred and thirty (330) days.	The Authority takes note of auditor's observation and responds as follows; The Authority has been actively pursuing the recovery of long-outstanding debts, achieving significant success. For instance, Nairobi, Kisumu, and Mombasa counties, which each had overdue balances exceeding 360 days, successfully settled their debts of Ksh 186 million, Ksh 33 million, and Ksh 13 million, respectively. These payments, achieved after up to four years of persistent follow-up, highlight the effectiveness of KEMSA's sustained recovery efforts. To facilitate debt recovery, KEMSA has implemented rigorous measures, including regular physical follow-ups, meetings with customers, suspension of overdue accounts and the issuance of debt confirmation and demand letters. As a result of the substantial payments received from counties during FY 2023/24, the Authority has not classified county debts as doubtful. Eventually the Counties do pay their debts. Additionally, KEMSA is undertaking to revise its credit policy to better align with its customer base,		31 st December 2025

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		with a particular focus on government-to-government transactions. This review seeks to address the unique nature of the Authority's receivables and enhance credit management practices. The Authority is discussing modalities with the Social Health Authority (SHA) on ring fencing Universal Health Coverage (UHC) funds for Health Products and Technologies (HPT).	
1.2	Receivables from Ministry of Health The receivables from exchange transactions balance includes an amount of Kshs.1,258,576,806 owed by the Ministry of Health. However, confirmation from the Ministry of Health indicated a balance of Kshs.48,164,160 resulting to an unexplained and unreconciled variance of Kshs.1,210,412,646.	The Authority takes note of auditor's observation and responds as follows; The Authority acknowledges the auditor's observation regarding the variance in receivables from the Ministry of Health (MoH) and recognizes the critical importance of accurate and complete financial reporting in compliance with the Kenya Medical Supplies Authority Credit Policy (2014), the Public Finance Management Act (2012), and IPSAS 1. As of 30th June 2024, the Ministry of Health (MoH) outstanding debt was recorded at Kshs. 1,258,576,806, broken down as follows: 1. Supply Chain Fees: Kshs. 1,253,576,806 for procurement, warehousing, and distribution services rendered by the Authority for various MoH programs, supported by a detailed summary of invoices (<i>find attached appendix 1.2</i>). 2. Personal Emolument Grant: Kshs. 5,000,000 accrued for June 2024, subsequently received in July 2024.	31 st December 2025

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Description		Amount	
Supply Chain Fees		1,253,576,806.00	
Personal Emolument Grant- June2024		5,000,000.00	
Total	Outstanding Debt	30th	June,2024
	1,258,576,806.00		
Corrective Measures:			
1. Immediate Reconciliation: The Authority shall continually engage with the Ministry of Health to reconcile the variance of Kshs. 1,210,412,646. This involves a detailed review of all transactions and balances to ensure accuracy and agreement. The Authority commits to carry out joint reconciliation with the Ministry of Health.			
2. Enhanced Confirmation Process: The Authority is strengthening the debtor confirmation process, ensuring that confirmation letters are issued promptly at the end of every financial year as required by the Kenya Medical Supplies Authority Credit Policy 2014. This will include: • Regular follow-ups to obtain written confirmations from customers. • Immediate resolution of any discrepancies highlighted during the confirmation process. Commitment to resolve; The Authority is committed to ensuring the accuracy and completeness of its financial statements. The reconciliation of the variance with the Ministry of Health is a priority, and we anticipate resolving this			

		issue promptly. We will continue to uphold best practices in financial management and compliance with statutory requirements.		
1.3	Receivables from County Governments Included in the balance is Kshs.3,379,558,022 owed by the County Governments which further includes an amount of Kshs.2,666,204,261 owed by forty-three (43) County Governments. However, analysis of the amounts disclosed as owing to the Authority in the individual financial statements for the forty-three (43) County Executive revealed a balance of Kshs.825,701,802 resulting to an unexplained variance of Kshs.1,840,502,459 as detailed out at Appendix I. In the circumstances, the accuracy and completeness of the receivables from exchange transactions ((current) balance of Kshs.6,935,870,483 could not be confirmed	The Authority takes note of auditor's observation and responds as follows; In order to confirm and verify county debt, the Authority provides customers statements to various counties as and when requested. In addition, semi-annually and annually, KEMSA sends debt confirmation circularization letters to respective counties. The Management seeks to confirm that the circularization for debt confirmation was done in August 2024. For counties to confirm the debt owed. The organization received a response from Nyandarua and Kirinyaga Counties only.		31 st December 2025
2	Undisclosed Expired and Damaged Medical Commodities The statement of financial performance and as disclosed in Note 20 to the financial statements reflects expenses in respect to expiry and damages of Kshs.376,802,655. However, analysis of warehouse management system indicated that Global Fund and other donated medical commodities valued at Kshs.367,413,734 had expired during the year but they were not incorporated in the financial statements.	The Authority takes note of auditor's observation and responds as follows; Recognition and Treatment of Third-Party Stock and Expired Commodities Valued at Kshs.367,413,734 The third-party stock, including Global Fund and other donated medical commodities, is held by KEMSA in trust and is not owned by the Authority. As per the prevailing accounting treatment, in accordance with IPSAS 12, these items are not recognized as inventory for sale but are accounted for as assets and corresponding liabilities upon receipt.		31 st December 2025

	In the circumstances, the accuracy and completeness of the expiry and damages expense of Kshs.376,802,655 could not be confirmed.	Similarly, when the stock is issued, both the asset and liability are reduced accordingly. The expired stock from third-party programs, including Global Fund commodities, has not been recognized in the financial statements as an expense, as these items are held in trust and not owned by KEMSA. Since these stocks are not expensed when issued in the Authority's operations, any expired or damaged items are reduced from the inventory balance and the corresponding liability without impacting the Authority's income statement. This approach is consistent with the fiduciary role KEMSA plays as a custodian of third-party commodities. However, detailed records of these expiries are maintained and shared with the respective stakeholders for appropriate action. The Authority remains committed to strengthening its collaboration with partners to mitigate future expiries through enhanced planning and communication. KEMSA remains committed to adhering to IPSAS 12 and other applicable regulations to ensure proper accountability for all inventory under its management. Efforts are ongoing to improve collaboration with stakeholders and implement preventative measures to eliminate wastage.		
3	Inaccuracies in Sale of Medical Commodities Note 9 to the financial statements reflects total sales revenue of Kshs.5,799,384,197 generated from sale of various health products and technologies. Included in this amount is	The Authority takes note of auditor's observation and responds as follows; The Authority distributes/delivers as per the Local Purchase Order instructions /or as instructed by its customers. The customers include The Ministry of Health, Strategic Partners and Counties among		31st December 2025

	Kshs.3,791,887,567 and Kshs.1,907,761,197 from the sale of pharmaceuticals and non-pharmaceuticals respectively. Review of the warehouse issue reports revealed that medical commodities valued at Kshs.161,347,184 were issued to thirty-one (31) County headquarters without providing details of the beneficiary health facilities. In the circumstances, the accuracy and completeness of sales revenue amounting to Kshs.5,799,384,197 could not be confirmed.	others. The Ministry of Health through AIE MOH/PH/FIN/1/A VOL 1(6) AIE 738075 instructed KEMSA to distribute HPTs to selected counties from KEMSA HPT list for El- Nino mitigation. Upon distribution and with proof of delivery, KEMSA would invoice the ministry. In this case the drop off points would be the county headquarters as instructed by MOH. Further it's the county health management teams who would be responsible for onward distribution to affected areas as they are best placed to identify areas of need. (list of distribution to counties is attached) The Authority also processes back orders for products that were out of stock by the time of processing the customer orders. Back orders are normally delivered to a centralized county location as instructed by the county pharmacists via the Logistics Management Information System (LMIS) . The County Pharmacists would then facilitate distribution to respective facilities. (West Pokot back order attached). MOH through circular MOH/ADM/1/3/2 and MOH/DC/9/1/33 instructed KEMSA to deliver PPES and associated products to Uasin Gishu, Machakos, Kisumu among others. The county health management teams are then expected to carry out onwards distribution as per needs identified.		
4.	Unconfirmed Land Ownership The statement of financial position and as disclosed in Note 27 to the financial statements reflects net book value of property, plant and equipment of Kshs.9,827,561,267. The balance	The Authority takes note of auditor's observation and responds as follows; The lease expired on 30 June, 2018		31st December 2025

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	includes land valued at Kshs.1,745,500,000 in Nairobi whose lease expired on 30 June, 2018 but it had not been renewed as at 30 June, 2024. In the circumstances, the accuracy and rightful ownership to the parcel of land valued at Kshs.1,745,500,000 could not be confirmed. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Medical Supplies Authority Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.	The lease title to this property expired in 2018 and the renewal of the lease commenced. However, following the Covid 19 pandemic and subsequent national wide automation processes of all national land registries, this process was considerably delayed. Presently, KEMSA received a new letter of allotment to commence the conveyance process in May 2024. The Accounting Officer has since issued the formal acceptance to the National Land Commission and requisite payments done. This precedes the processing of the new lease for KEMSA's execution and registration by the Land Registrar. <i>See appendix 4.0(a)-copy of the new allotment letter for the renewal of the lease.</i> Status: An Ardhi Sasa account was opened and the renewal of lease application marked as processed. The CEO executed the lease on the Ardhi Sasa platform hence KEMSA is awaiting the printing of the leasehold title document. <i>See Appendix 4.0 (b) -copy of an email notification by the Ministry of Lands vide the Ardhi Sasa platform confirming application status as processed to completion.</i>		
1	Budgetary Control and Performance - The statement of comparison of budget and actual amounts reflects final total revenue budget and actual on comparable basis of Kshs.4,452,184,650 and Kshs.4,369,101,668 respectively, resulting to underperformance of Kshs.83,082,982 or 2% of the budget.	The Authority takes note of the auditor's observation and responds as follows; The underperformance of Kshs.83,082,982 or 2% against the total revenue budget is acknowledged. This variance arose due to several factors, including changes in projected revenue streams especially for		31st December 2025

	The underperformance affected the planned activities and may have impacted negatively on service delivery to the public	rendering of services. Despite this shortfall, the Authority has implemented Activity based budget control measures to mitigate the impact on planned activities. The Authority remains committed to ensuring that the negative effects on service delivery are minimized and will continue to monitor and adjust its financial strategies to enhance performance in the future.		
2	Long Outstanding Trade Payables - The statement of financial position and as disclosed in Note 28 to the financial statements reflects trade and other payables balance of Kshs.6,907,296,951. The balance includes an amount of Kshs.2,372,561,841 which has been outstanding for more than ninety (90) days with no plan to clear the outstanding amounts. The nonpayment may lead to litigations and withdrawal of services by the suppliers affecting the operations of the Authority. Failure to settle bills during the year to which they relate adversely affects the budgetary provisions for the subsequent year as they form a first charge. My opinion is not modified in respect of these matters.	The Authority takes note of auditor's observation and responds as follows; The Authority takes note of the Auditor's observations regarding the long-outstanding trade payables balance of Kshs.6,907,296,951, including Kshs.2,372,561,841 that has remained unpaid for over 90 days. We acknowledge the potential risks of non-payment, including supplier litigations, withdrawal of services, and distortions in financial reporting and budgeting. Challenges Leading to Delays in Settlement: The delays in settling these obligations are primarily attributable to cash flow constraints, exacerbated by: • Prolonged Receivables Collection: Significant delays in payments from key clients, including the Ministry of Health, County Governments, and Development Partners.		31st December 2025

		• Insufficient Budgetary Allocations: Funding gaps in allocations relative to the Authority's operational demands. Despite these challenges, the Authority has consistently prioritized essential services to ensure minimal disruption to its operations. 2. Corrective Measures and Commitment: a. Turnaround Strategy Implementation: • The Board and Management have adopted a comprehensive turnaround strategy aimed at addressing the financial challenges and ensuring sustainable operations. • Government Support for Recapitalization: The Authority has engaged the National Treasury for financial support to stabilize cash flow and enable the settlement of long-outstanding obligations. • World Bank Recapitalization Program: Discussions are ongoing with development partners, including the World Bank, for additional funding to enhance financial capacity. b. Enhanced Credit Control and Debt Management: • Aggressive efforts are underway to recover overdue receivables from clients, with a		
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		focus on improving collections from key stakeholders. - Strengthened debt management policies and stakeholder engagement have been prioritized to improve cash flow. c. Structured Payment Plan: - A phased payment plan is being developed to progressively settle outstanding trade payables, prioritizing urgent and high-risk obligations to mitigate litigation risks and ensure uninterrupted service delivery. - The phased plan will be guided by cash flow availability and contractual obligations to ensure fairness and transparency. d. Commitment to Compliance and Improvement: - The Authority is fully committed to clearing outstanding trade payables within a specified timeline, with a target of significant reductions in the coming quarters. - Regular updates will be provided to stakeholders on progress made in resolving outstanding obligations. 3. Impact Mitigation: The Authority has taken proactive steps to mitigate potential risks associated with delayed payments,		
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		including engaging suppliers to secure their continued support and demonstrating commitment to resolving outstanding balances. We appreciate the Auditor's concerns and reiterate our unwavering dedication to restoring financial stability, enhancing operational efficiency, and maintaining trust with all stakeholders.		
1	Unresolved Prior Year Matters 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, the Management had not resolved the issues as of 30 June, 2024.	The Authority takes note of auditor's observation and responds as follows; The Authority acknowledges the auditor's observations regarding delays in addressing issues raised in the previous year's audit report. Management affirms its commitment to resolving all outstanding matters comprehensively.		31 st December 2025
	Other Information			
2	Missed Performance Targets- The Authority had seven (7) strategic objectives including improving business processes, improving customer and stakeholder satisfaction, ensuring financial sustainability, and aligning structure and culture to deliver on the KEMSA mandate, delivering value for money, ensuring compliance with laws, regulations, and standards and strengthening governance	The Authority takes note of auditor's observation and responds as follows; The authority acknowledges the findings of the audit regarding missed performance targets and appreciates the recommendations provided. The Authority recognizes the importance of achieving its strategic objectives to strengthen governance systems, ensure operational excellence, and meet financial sustainability goals.		31 st December 2025

	systems. However, the Authority did not achieve five (5) of the strategic objectives. 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.	It is important to highlight that the strategy targets are aligned with the timeline of the turnaround strategic plan, which spans 1.5 years. Below is our response to the specific concerns raised. Root Causes and Challenges Identified: Operational Challenges: The lower-than-target order fill rate (62% vs. 90%) and extended turnaround times were primarily due to disruptions in the supply chain, long procurement lead times, unavailability of funds to pay suppliers, and inadequate stock levels of key commodities. Financial constraints and systemic inefficiencies contributed to operational bottlenecks. Customer Experience Challenges: The stakeholder and customer satisfaction indices were impacted by service delivery issues like low order fill rate and order turnaround Financial Constraints: High cost-to-income ratios and low capital budget utilization were due to financial constraints, high expenditures, and delay in receipt of long outstanding receivables.		
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		Governance and Culture Gaps: While progress has been made on some governance metrics, such as board performance (91%), gaps remain in risk mitigation (0%) and audit activity completion (66%). Delays in implementing Human Resource instruments and finalizing surveys were a result of resource limitations. Corrective Actions and Commitments: Operational Excellence: Action Plan: Conduct a comprehensive review of supply chain processes with help of KAIZEN and establish a task force to address procurement, Order turnaround delays. Implement advanced inventory management systems to optimize order fulfilment and turnaround times. Customer Experience: Action Plan: Strengthen stakeholder engagement through regular forums and feedback mechanisms. Enhance customer service training for staff and align service delivery with expectations. Financial Sustainability: Action Plan: Develop a robust financial management framework, focusing on cost		
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		optimization, reducing expiries, and improving budget utilization. Collaborate with the National Treasury, Ministry of Health and Counties to address debt and funding challenges. Governance and Risk Mitigation: Action Plan: Expedite the completion of pending governance and Human Resource instruments. Allocate dedicated resources to risk identification and mitigation frameworks. Performance Monitoring and Accountability: Action Plan: Introduced with the support of KAIZEN a performance monitoring dashboard to track progress against strategic KPIs in real-time. Regularly report progress to the board and stakeholders to ensure transparency and accountability. In conclusion, as the Authority embarks on development of the KEMSA 2025-2030 Strategic plan, it will ensure the activities are well aligned to achievement of the organizational goals and objectives in order to address some of the non-performance issues noted herein.		
1	Non-Compliance with the Climate Regulations- Section (5) of the Climate Change Act, 2016 states that each state department and national government public entity shall (a) integrate the climate change action plan into sectoral	The Authority takes note of auditor's observation and responds as follows; The Authority acknowledges the auditor's observations and takes full responsibility for ensuring compliance with the National Climate		31st December 2025

	strategies, action plans and other implementation projections for the assigned legislative and policy functions; and (f) report annually to the Council on the status and progress of performance and implementation of all assigned climate change duties and functions. However, Management did not provide evidence for audit to confirm that the Authority reports annually to the Council on the status and progress of performance and implementation on climate change. In the circumstances, Management was in breach of the law.	Change Action Plan (NCCAP)III 2023-2024 guidelines. Corrective Measures Actions In the current financial year, the Authority commits to create a unit to prepare annual reports to the Council. As part of enhancing Green Energy initiatives, the Authority is in the process of implementing a Solarization Project whose aim to reduce on power consumption from the main grid while relying heavily on natural solar energy. In the same vein, the Authority has in place an existing Environmental Sustainability Committee that looks at Environmental sustainability aspects - which have an impact on matters Climate Change. A Concept Paper to this effect will be submitted to the Board for approval. In addition, the Authority appointed an Environmental Sustainability Committee, whose mandate among others is to champion strategies and programs related to environmental sustainability that includes tree planting. Under the National Tree Growing Restoration Campaign, the Authority planted trees in Elgeyo Marakwet and Murang'a Counties. From FY 2024-25, in compliance to the requirements of the National Climate Change Action Plan (NCCAP) III 2023-2024, and the Climate Change		
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		Act, 2016, the Authority has undertaken the following: a) Setting up a Climate Change Unit. b) Developed a Work-plan for activities of the Climate Change Unit. c) Submitting Annual Reports on performance and implementation of the National Climate Change Action Plan (NCCAP) III 2023-2024 to the Council. The Annual Report will be submitted by 10th July 2025. d) Undertaken National Tree Restoration Campaigns in liaison with the Kenya Forestry Service, the Ministry of Health and Local Communities in the allocated land area in Elgeyo Marakwet County.		
2	Irregular Donations of Medical Commodities - Note 12 to the financial statements reflects an amount of Kshs.214,442,605 in respect of advertising expenses out of which Kshs.37,299,685 relates to donations to health institutions. However, the donations included medical commodities valued at Ksh.5,804,764 with a shelf life exceeding six (6) months. This was contrary to Section 8.2 of the KEMSA Standard Operating Procedures, which requires donated medical commodities to have a shelf life of less than six months. Further, controls were not	The Authority takes note of auditor's observation and responds as follows; The audit identified 20 items referenced under "Short-dated donations request," valued at KES Kshs.5,804,764. An analysis of the provided schedule indicates that the items in question are valued at Kshs.4,904,442.85. KEMSA clarifies as follows:		31st December 2025

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in place to ensure the donated medical drugs are not sold to patients or recognized as part of purchases by the recipient institutions. In the circumstances, Management was in breach of the law.	1. Clarification on Items in Question: Hema fuse-Auto Transfusion Device (Complete Unit with Accessories): Value: KES 2,753,400 The Item was short dated at the time of issue. The item's accessories were originally expiring on 18th August 2023. At the time of issue, the item was not a long expiry item however the system expiry date was adjusted as advised by Quality Assurance since the pump does not expire. The system was adjusted to 17th April 2030 to enable picking and issuance for customers who request as a donation. 2. ESR Tube with Stand: Value: KES 377,533.54 This dormant item, received in 2018, did not have an original expiry date. It was donated upon request by the County. Donations were utilized as a strategic mitigation measure to avert potential expiries and prevent the loss of taxpayer funds. A system-allocated expiry date was entered to enable picking and system compliance. Wooden Tongue Depressor (140MMX19MM): Value: KES 681,164.87		
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		· As a non-expiry item, the system expiry date was extended to facilitate its issuance as a donation. Donations were utilized as a strategic mitigation measure to avert potential expiries and prevent the loss of taxpayer funds. 3. Bandages (Cotton Crepe, Ridged/Elastic, 5CM x 4.5M BP): Value: KES 800,459 The item was dormant and slow-moving. Donations were utilized as a strategic mitigation measure to avert potential expiries and prevent the loss of taxpayer funds. The commodities were issued to health facilities with critical shortages, addressing urgent healthcare needs. All donated items are fully traceable and documented in KEMSA's systems. 4. Pharmaceutical and Non-Pharmaceutical Items: Value: KES 291,885,441 · These items, flagged in the short-dated donation list were short date and the expiry dates were adjusted in the system to allow for warehouse picking as part of the donation process. Donations were utilized as a strategic mitigation measure to avert potential expiries and prevent the loss of taxpayer funds.		
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3	Commingling of Supplier Retention Funds - Note 28 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.6,907,296,951 which includes supplier's retention funds of Kshs.165,308,683. However, the funds were commingled in the Authority's operational bank accounts instead of depositing them in a separate bank account exposing them to unintended use. This was contrary to Regulation 43(b) of the Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer shall ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes for only which they were intended and appropriated by the National Assembly. In the circumstances, Management was in breach of the law.	KEMSA acknowledges the importance of strict adherence to its Standard Operating Procedures (SOPs) to ensure that donated medical commodities comply with the established shelf-life criteria of less than six months.		31 st December 2025
	The Authority takes note of auditor's observation and responds as follows; The Authority acknowledges the Auditor's observation regarding the commingling of supplier retention funds amounting to Kshs.165,308,683 with other operational funds. We recognize the critical importance of safeguarding public funds and ensuring their strict application for intended purposes, as stipulated in Regulation 43(b) of the Public Finance Management (National Government) Regulations, 2015. The Authority operates on a revolving fund system heavily reliant on receivables from the Ministry of Health, Development Partners, and County Governments, with delays in collections significantly impacting cash flow and limiting the immediate segregation of retention funds. To address this, the Authority is actively engaging stakeholders to expedite the settlement of outstanding receivables and stabilize cash flows while implementing short-term cash flow management strategies to balance operational needs and ensure compliance. 1. Corrective Actions Taken and Planned:			

		a. Segregation of Funds: · The Authority is in the process of establishing a dedicated bank account exclusively for supplier retention funds and refundable deposits. · By the end of FY 24-25, all retention funds, including outstanding amounts, will be transferred systematically into the designated account. A monthly transfer plan has been developed to ensure ongoing compliance. b. Enhanced Internal Controls: · Reconciliation of the retention funds account Contract Implementation Team for all provisions made as retentions will be conducted to continually ascertain the outstanding obligation. · Moving forward, all supplier retention funds will be deposited in the newly established account, and withdrawals will be restricted solely to their intended purposes.		
5	Irregular Procurement of Transport Services Note 12(b) to the financial statements reflects outsourced distribution expenses of Kshs.721,899,107. The service provider owned	The Authority takes note of auditor's observation and responds as follows; The Authority takes note of auditor's observation and responds as follows;		31st December 2025

eleven (11) against the requisite thirteen (13) 7-10 tonnes vehicles. Further, the provider did not present evidence of Global Positioning System (GPS) for all their listed vehicles as per the evaluation criteria. This was contrary to Regulations 76(1&2) of the Public Procurement and Asset Regulations, 2020 which states that upon completion of the preliminary evaluation under Regulation 74, the evaluation committee shall conduct a technical evaluation by comparing each tender to the technical requirements of the goods, works or services in the tender document. In the circumstances, Management was in breach of the law.	KEMSA advertised tender for provision of transport services for essential medical and program commodities to various counties/health facilities country wide for FY 2023/2026 on 13th February, 2024 in the Daily Nation newspaper in compliance with Public Communications and Government Advertising Agency. The tender document was published on the Public Procurement Information Portal (PPIP) and KEMSA website. The tender closed on 28th February, 2024 at 10.00am. The Ag. Chief Executive Officer awarded the above tender following Procurement Professional Opinion No. KEMSA/ONT22/2023-2026 dated 26th April, 2024. Subsequently Notification of intention to award letters were sent to all bidders on 13th May, 2024. After the lapse of stand still period, the successful bidders were awarded the tender on 30th May, 2024. • The awarded bidder (Sai Cargo Masters Ltd) provided evidence of cold chain vehicles (KDC 602V, KCU 328H and KDC 980V) which were all in companies' names. The bidder also attached evidence of calibration certificates for the same as per the attached. • The awarded bidder also provided evidence of all motor vehicles between 7-10 tonnes which belong to the company, this is evidenced by the attached copies of logbook documents belonging to them. Out of the 15		
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		logbooks attached only four (4) were jointly in Sai Cargo masters Ltd and bank names. There was evidence of a GPS tracking certificate which was issued by Unique Tracking Company and covers all their fleet.		
6	Long Outstanding Imprest- Review of expenditure records and the imprest register revealed imprests issued totalling to Kshs.4,835,244 that were due for surrender but were outstanding as at 30 June, 2024. This was contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Further no action had been taken to recover the long outstanding imprests from the payroll for the affected staff. In the circumstances, Management was in breach of the law.	The Authority takes note of auditor's observation and responds as follows The Authority takes note of auditor's observation and responds as follows; The Authority takes note of the auditor's observation regarding the unsettled imprests amounting to Kshs. 4,835,244 as at 30 June 2024. We recognize the importance of adhering to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015, which mandates the surrender of temporary imprests within seven working days upon returning to the duty station. Corrective Measures Undertaken: 1. Enhanced Accountability for Imprests: The Authority has initiated a robust process to ensure all outstanding imprests are either fully surrendered or recovered through the payroll system. This ensures compliance with statutory requirements and promotes financial accountability. 2. ERP System Controls: Controls have been implemented within the Enterprise Resource Planning (ERP) system to prevent employees from raising a new imprest until any previous imprest is fully accounted for or		31 st December 2025

		surrendered. This automation enforces compliance and eliminates the risk of unresolved balances. 3. Strengthened Monitoring and Follow-Up: The Authority has established a dedicated team within the finance department to regularly monitor imprest balances and follow up with holders to ensure timely accountability. Commitment to compliance The Authority is committed to enhancing internal controls over imprests management to prevent recurrence of such issues. With the measures already implemented and additional monitoring mechanisms in place, we are confident that all future imprests will be surrendered or accounted for within the stipulated timelines. These steps demonstrate the Authority's dedication to aligning its financial management practices with statutory regulations and ensuring effective use of public resources.		
7	Staff Over Establishment During the year under review, the Authority's approved staff establishment was three hundred and forty-one (341) positions. However, the staff in post as per the master roll numbered five hundred and seventy-one (571) resulting to an over establishment two hundred and three (203). In the circumstances, Management was in breach of the law.	The Authority takes note of auditor's observation and responds as follows; We wish to inform you that the Authority did not surpass its approved establishment. As indicated in your observation above, the staff establishment of 341 was approved by the Board of Directors in its 37th meeting held on the 8th May 2014 and has not been surpassed. Despite the massive changes within the organization due to adoption of the new business		31st December 2025

		model which was implemented to support the devolved healthcare system, the management has adhered to the approved establishment by limiting the number of staff on permanent and pensionable terms to be within the approved establishment of 341. The extra 230 staff are on contractual terms which was necessitated by the following factors; a) Implementation of the new business model to support the devolved county health facilities which necessitated that KEMSA come up with a new business architecture and organizational structure that supports devolved healthcare system. b) Implementation of the Government's Big Four Agenda - specifically the Universal Health Coverage (UHC), where KEMSA was a key implementing partner. UHC demands that all Kenyans have access to quality and affordable medical health care. The above two factors necessitated the engagement of staff on contract basis to enable KEMSA effectively respond to the county demands/workload, appropriate UHC implementation, while at the same time offering supply chain services to KEMSA's various strategic partners; who have variable and unpredictable workload. The above reasons necessitated the engagement of contractual staff, who however do not form part of		
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		the approved staff in the establishment since they are required for specific period of time. The extra 230 employees fall in this category. This initial decision to start engaging staff on contractual basis was arrived at by the KEMSA Board during its 35th meeting held on 15th October 2013 - where it granted the approval for engagement of short-term contractual employees due to the increased and unpredictable workload <u>Corrective action and way forward.</u> In order to address the staff establishment issue, the Board has taken the following measure; a) Initiated the review of KEMSA's Human Resource Instruments. The Board directed Management to conduct a review of its Human Resource Instruments which include the Organization Structure, Staff Establishment, Career Progression Guidelines and the Human Resource Policies and Procedures Manual. The exercise commenced in August 2023 through support, engagements and discussions with representatives from the Public Service Commission and Ministry of Health. The last workshop was held in October 2024 which led to the development of Draft Staff Establishment, Career Progression Guidelines, Organization Structure and a Reviewed Human Resource		
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		Policies & Procedures Manual. These Human Resource Management Instruments have since been approved by the Board and forwarded to the Public Service Commission for approval through the Ministry of Health (<i>see</i> Once fully approved Implementation of the same to commence once all approvals are done. It is envisaged that the above review will help determine the Authority's optimal staffing numbers and address the issue of over establishment.		
8	Non-Adherence to Set Credit Limits Note 24(a) to the financial statements reflects trade debtors-receivables balance of Kshs.6,749,349,385 out of which Kshs.3,379,558,022 relates to balances owed by County Governments while Kshs.3,369,791,363 relates to other credit customers. However, the Authority did not adhere to the set credit limit and continued to trade with customers beyond the credit policy period of up to 45 days. This was contrary to Paragraph 2.7 of the Authority's Credit Policy, 2014. In the circumstances, Management was in breach of policy.	The Authority takes note of auditor's observation and responds as follows; The credit policy was established in 2014 at the onset of devolution. At that time, KEMSA anticipated that counties would operate efficiently within a 30-day credit period. However, it has become evident over time that this timeline is unrealistic, given that counties are reliant on fund disbursements from the National Treasury. These disbursements are frequently subject to uncertainty and delays, resulting in prolonged Counties payment turnaround times that extend well beyond the 30-day credit period. In response to these challenges, the credit policy is currently under review to align with the evolving business environment. The revised policy proposes extending the credit period to a more practical 90		31st December 2025

		days from the date of invoice to reflect the realities of county payment cycles. To further enhance financial controls, KEMSA has implemented measures within the LMIS ordering platform. These include automatically deactivating overdue accounts from further transactions unless specific exemptions are granted. Such exemptions require the approval of the CEO or Commercial Director, following a thorough assessment of the customer account's history and the establishment of a payment commitment plan for any outstanding balances. Additionally, the new ERP system will include customer-specific credit ageing cut-off dates to strengthen internal controls and ensure greater accountability.		
1	1. Unallocated Customer Payments – The statement of financial position and as disclosed in Note 28 to the financial statements reflects trade and other payables of Kshs.6,907,296,951. The balance includes customer unallocated payments amounting to Kshs.176,458,787 and trade debtor-unidentified receipts of Kshs.7,357,111. The balances relate to amounts in the bank but whose details including facility codes and order numbers on what the payments relate to have not been disclosed. Further, reconciliations to match the funds with the orders paid for have not been carried out. Failure to allocate customer payments in a timely manner poses the risk of irregular allocations.	The Authority takes note of auditor's observation and responds as follows; KEMSA processes customer orders as per LPOs submitted by customers. Some customers process payments based on LPO amounts or Proforma generated. Upon order processing some products are depleted due to unpredictable demand. As such the amount paid by the customer remains unallocated until such a time the Authority restocks the products. The Authority has instituted the following corrective measures; Proactive engagement with the customers to ensure back orders are processed		31st December 2025

	In the circumstances, the effectiveness of internal controls over allocation of customer payments could not be confirmed.	- Engaging the customers to draw other products which are needed and are in stock - Engaging suppliers on long term frameworks contract which will ensure stock availability just in time		
2	Avoidable Tax Arrears and Penalties Note 12 to the financial statements reflects an amount of Kshs.190,311,857 in respect to tax arrears and penalties which includes a penalty of Kshs.359,697 that was imposed due to the late filing of the June, 2024 Pay As You Earn tax. Further, tax liabilities of Kshs.187,952,160 emanated from filing Nil tax returns for the financial years 2021/2022 and 2022/2023. In the circumstances, the effectiveness of internal controls over filing of tax returns could not be confirmed.	The Authority takes note of auditor's observation and responds as follows; KEMSA acknowledges that the principal tax was KES 189,952,160 and not KES 187,952,160 as captured in basis for conclusion of Audit Opinion for FY 23-24. This emanated from filing of amended income tax returns for the years 2021/2022 and 2022/2023. KEMSA had initially filed NIL returns in the respective years based on a misunderstanding that the provisions of the Income Tax Act were not applicable to KEMSA. However, after intensive engagements with KRA it was noted that KEMSA is not an exempt body and therefore eligible to declare the taxable income by correctly filing the income tax returns which necessitated the need for a return amendment for the years in question. KEMSA has since paid the amount of KES 189,952,160. In respect to tax arrears and penalties which includes a penalty of Kshs.359,697 that was imposed due to the late filing of the June, 2024 Pay As You Earn tax, KEMSA		31 st December 2025

		inadvertently paid the filled return after the due date, this was due to change in top management who are the signatories to the bank. KEMSA has taken note of the above instances of noncompliance and has taken proactive measures to ensure that the same does not recur. This includes and not limited to the following: 1. Set reminders on filing and payment of taxes to ensure full compliance on the same. 2. Seek approval of fund payment of taxes due on time 3. Engaging Tax consultant who advise on measures to adhere to be compliant		
3	Expiry of Essential Drugs for Lack of Distribution Lists- The statement of financial performance and as disclosed in Note 20 to the financial statements reflects expired stock of Kshs.376,802,655. The expired stock included third party stocks from Ministry of Health commodities valued at Kshs.23,957,138 which include cancer treatment drugs valued at Kshs.9,257,110. Management attributed the expiry to lack of a distribution list from the Ministry of Health and low demand despite the increase in cancer cases in the country.	The Authority takes note of auditor's observation and responds as follows; Expired Ministry of Health Commodities Valued at Kshs.23,957,138 While the Authority is responsible for procurement, warehousing, and distribution, forecasting and supply planning are coordinated with the Ministry of Health and other stakeholders. The distribution system operates on a pull-based approach, where health facilities requisition commodities based on their specific needs. However, challenges in quantification and demand variability have led to inefficiencies. The Authority has continuously		31st December 2025

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	In the circumstances, the effectiveness of internal controls over the distribution of medical commodities could not be confirmed.	enhanced its internal control systems to manage and monitor medical commodities effectively. Key measures applied include: 1. The adoption of an Enterprise Resource Planning (ERP) system to improve tracking, visibility, and accountability throughout the supply chain. 2. Periodic evaluations of inventory processes help minimize wastage and ensure efficient utilization of medical commodities. 3. Deployment of an integrated LMIS equipped with a Commodity Early Warning and Alert System (CEWAS) to provide real-time visibility into the supply chain. The system identifies issues such as losses, expiries, overstocking, and understocking while streamlining scheduled ordering processes. 4. Introduction of a scheduled ordering process to reduce reliance on ad-hoc requests and ensure strict adherence to the First In, First Out (FIFO) principle to minimize the risk of expiries during allocation and picking. 5. Strengthening communication with stakeholders by ensuring the timely sharing of reports, including comprehensive monthly stock status updates with the National Cancer Control Program. These reports are then disseminated to health	
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		facilities, equipping them with essential information for making timely and informed requisitions.		
4	Failure to Hedge against Foreign Exchange Losses- Note 18 to the financial statements reflects loss on foreign exchange transactions of Kshs.701,405,289 which increased by Kshs.205,828,839 compared to prior year period loss of Kshs.495,576,450. Review of procurement records indicated that contracts were entered using foreign currency while payments were made using Kenyan currency. However, Management had not put in place hedging strategies to safeguard against foreign exchange volatilities. In the circumstances, the effectiveness of internal controls over foreign exchange transactions could not be confirmed.	The Authority takes note of auditor's observation and responds as follows; The Authority acknowledges the auditor's observation regarding the foreign exchange loss of Kshs. 701,405,289 reported in Note 18 of the financial statements, reflecting an increase of Kshs. 205,828,839 compared to the previous year. This loss arose from the difference between the exchange rate at the time of issuing purchase orders and the prevailing rate at the time of payment. Historically, the Authority has allowed tenderers to submit bids in any freely convertible currency. However, successful bidders whose bids were in foreign currency were paid in Kenya Shillings based on the prevailing Central Bank of Kenya (CBK) exchange rate at the time of payment. The persistent depreciation of the Kenya Shilling over the past two years has exposed the Authority to significant exchange rate fluctuations, resulting in the reported losses. Corrective Measures:		31 st December 2025

		To address this issue and mitigate future foreign exchange risks, the Authority has implemented the following measures: 1. Strategic Currency Utilization: The Authority now prioritizes the use of foreign currency earnings (e.g., donor funds or other dollar-denominated inflows) to settle obligations with suppliers whose contracts are denominated in foreign currencies. This reduces the need to convert Kenya Shillings into foreign currencies, minimizing exposure to exchange rate volatility. 2. Requirement for Local Bidders to Bid in Kenya Shillings: The Authority has revised its procurement guidelines to mandate that local bidders submit bids exclusively in Kenya Shillings. This change eliminates currency conversion risks for local contracts, providing more predictable financial outcomes. These actions demonstrate the Authority's commitment to addressing foreign exchange challenges and ensuring compliance with sound financial management practices. Moving forward, these measures will significantly mitigate foreign exchange risks, enhance operational efficiency, and safeguard public resources.		
5	Unfulfilled Customer Orders -	The Authority takes note of auditor's observation and responds as follows;		31 st December 2025

Note 9 to the financial statements reflects total sales revenue of Kshs.5,799,384,197 generated from the sale of Pharmaceuticals and non-pharmaceuticals. The Authority received customer quantity orders of 18,349,024 units from various health facilities out of which only 1,523,207 order units or 8.3 % were fulfilled resulting to unfulfilled customer orders of 16,825,817 units or 92% valued at Kshs.1,587,444,222. In the circumstances, the effectiveness of internal controls over fulfilment of customer orders could not be confirmed.	Unfulfilled customer orders often result from the unavailability of certain health products and technologies (HPT) during order processing after customer submissions. The consistent availability of commodities in the supply chain is frequently impacted by delayed payments from counties, which in turn hinder KEMSA's ability to settle payments with suppliers on time. This delay in supplier payments leads to disruptions and inconsistencies in the supply of commodities, ultimately reducing the number of orders fulfilled. To address these challenges and improve the fulfilment of customer orders, KEMSA has implemented the following measures: 1. Processing backorders: Ensuring that previously stocked-out products are promptly processed and delivered once stock becomes available. 2. Management has put in place a demand and supply committee to consider demand and supply imperatives to mitigate stockouts. 3. The Authority has strengthened and resourced the Contract Management Department to enhance supplier monitoring and relationships. 4. The Authority has strengthened stakeholder engagement in demand and forecasting for efficiency in demand forecasting.		
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		5. The Authority has reviewed its portfolio of products focusing on vital tracer and class A products. With class B and C now accounting for less than 10% of the products. This allows resources to be utilized for the much-needed essential HPT. 6. Stakeholder Engagement on outstanding debt: Maintaining continuous dialogue with the Council of Governors (COG) and County governments to prioritize timely payments to KEMSA. 7. Recapitalization of KEMSA: Lobbying for financial support from the government and development partners, such as the World Bank, to strengthen KEMSA's operational capacity.		
6	Non-Optimal Utilization of Trucks in Distribution of Medical Commodities - Note 12(b) to the financial statements reflects outsourced distribution expenses of Kshs.721,899,107. Review of this expenditure revealed that the Authority did not have a mechanism of ensuring commodities are loaded on the vehicles according to the truck capacities. This was evidenced by the dispatch report showing one thousand seven hundred and seventy-six (1,776) vehicles dispatched to various destinations using trucks that carried loads of less than 75% of the vehicle's load capacity. Further,	The Authority takes note of auditor's observation and responds as follows; KEMSA has under contract KEMSA/ONT3/2020-2023 contracted transporters to undertake distribution as direct deliveries using tonnage rates and County distribution using County rates. In the Financial Year 2023/2024, the 1.0 and 1.5Ton vehicles were used in the following circumstances; a. Distribution of cold chain supplies is undertaken using cold chain vehicles which are mainly one (1) ton and above. This is billed together with normal temperature vehicles using County distribution schedule rate. Where		31 st December 2025

there were instances of multiple trucks dispatched on the same day to the same County carrying small loads each of which could have been consolidated and loaded into fewer trucks. In addition, review of dispatch report revealed medical commodities worth Kshs.331,248,308 were distributed by vehicles with a capacity of between one (1) and one and point five (1.5) tonnes which were not captured in tender specifications and contract terms. In the circumstances, the effectiveness of internal controls optimal utilization of trucks in distribution of medical commodities could not be confirmed.	distribution is done as stand-alone using between 1-1.5T, County distribution rate is applicable. Vehicles captured as 1-1.5 Tons used are cold chain trucks from various transporters. However, cold chain vehicles used during County distribution are billed together using County distribution rate. With the new ERP Module, the contracts will be uploaded and the system will not allow any vehicle tonnage outside contracted tonnage. b. G4S was engaged by the National TB program to undertake distribution of Multi- Drug-Resistant TB (TB/MDR) medicines countrywide. During this period KEMSA did not have a Courier contract in place to distribute small loads, the vehicles were captured as 1T in WMS. Remarks column under inappropriate vehicle tonnage indicates G4S loaded TB/MDR on various dates to various facilities. This has been corrected with a new courier service in place. c. KEMSA collaborates with various stakeholders and at times allow self-collection during emergency. There are several loading plans indicating self-collection. For example, loading plan number 1034187 with 10 boxes to Kirinyaga County was a self-collection. This has also been highlighted under remarks column inappropriate vehicle tonnage.		
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		d. All supplementary plans are not billed, as 1T is not in the contract. The use of 1T and 1.5T would ensure that transporters do not bill for supplementary plans since there are not rates applicable. Transporters are aware that these are billed to the main loading plan. Supplementary plans are generated due to merging single orders TB/MDR after the main plan had been closed. The Authority requested for tonnage (1T) that is not in the contract. Supplementary plans are highlighted under Appendix 6-report on usage of inappropriate vehicle tonnage. <i>The sampled transport requisition numbers queried by the auditors are explained as follows:</i> 2. Transport requisition number 1034187 was a self-collection vehicle to Kirinyaga County which was under one ton and is not billed to KEMSA. Loading plan number 1034147 is also a self-collection for Meru TRH. With the new ERP Module self-collection option will be captured. 3. Plan number 1034146 was supplementary plan carrying Hola, Garsen H/C, Ngao DH and Bura SCH to main plan 1034130 which was seven (7) ton with 226 boxes destined to 17 facilities within Tana River, Kilifi, Lamu and Taita Taveta. This was billed under the main requisition. 4. Plan number 1033662 was for cold chain vehicle 1T vehicle KCY 037Y billed with the		
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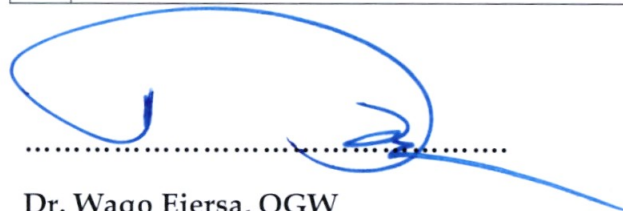
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		main loading plan number 1033597 for Kitui, plan number 1033553 for Mombasa, plan number 1033534 for Taita Taveta, plan number 1033635 for Makueni and plan number 1033649 for Kilifi. 5. Transport requisition number 1036422 was a supplementary requisition to main plans 1036408 (10T vehicle requested for 400 boxes) and 1036407 was 28Tons with 1337 boxes to Kapenguria CRH and Sigor SCH. Transporters are required to attach any supplementary plan to the main plan at the point of billing. 6. Transport requisition number 1036806 was also a supplementary plan to main plan 1037789 to Busia County loaded to 10T with 575boxes 7. Transport requisition number 1037013 was a supplementary to 1036983 to Meru and Samburu Counties loaded seven (7) ton truck with 186 boxes of ARVs. The supplementary order was for TB and TB/MDR. This was billed to the main requisition. 8. County Distribution is not billed based on tonnage and the transporter is at liberty to bring more trucks in order to complete distribution within the agreed timeline. The Authority ensures that all supplementary transport requisitions are billed together with the main requisition and this is verified at the	
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		point of billing. And all self-collections are not billed to KEMSA. The Authority hence did not lose any funds.		
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Dr. Waqo Ejersa, OGW
Chief Executive Officer

Appendix II-Projects implemented by KEMSA

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
National Commodities Storage (KEMSA Supply Chain Center)	1081101800	GLOBAL FUND/KEMSA AIA/GOK	14th March 2018-24th August 2022	973,103,460.00	NO	YES

Status of Project Completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	National Commodities Storage (KEMSA Supply Chain Centre)	5,419,388,556	5,419,388,556	99%	5,044,615,166	5,419,388,556	GLOBAL FUND/KEMSA AIA/GOK
2	Warehouse Racking Project	935,792,318	815,842,477	100%	959,598,729	815,842,477	KEMSA AIA
3	Operationalization of Warehouse	394,856,990.35	207,341,471	52%	394,856,990	207,341,471	GLOBAL FUND

Appendix III: Transfers from other government entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/D evelopment/ Others	Total Amount- KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of financial performance	Capital Fund	Deferred Income	Receivables	Others- must be specific	
Ministry of Health	4/7/2024	Recurrent June Grant	5,000,000.00	5,000,000					5,000,000
Ministry of Health	14/8/2024	Recurrent July Grant	29,110,500.00	29,110,500					29,110,500
Ministry of Health	16/9/2024	Recurrent August Grant	29,110,500.00	29,110,500					29,110,500
Ministry of Health	16/10/2024	Recurrent September Grant	29,110,500.00	29,110,500					29,110,500
Ministry of Health	12/11/2024	Recurrent October Grant	29,110,500.00	29,110,500					29,110,500
Ministry of Health	13/12/2024	Recurrent November Grant	29,110,500.00	29,110,500					29,110,500

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Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/D evelopment/ Others	Total Amount- KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of financial performance	Capital Fund	Deferred Income	Receivables	Others- must be specific	
Ministry of Health	8/1/2025	Recurrent December Grant	29,110,500.00	29,110,500					29,110,500
Ministry of Health	12/2/2025	Recurrent January Grant	29,110,500.00	29,110,500					29,110,500
Ministry of Health	17/03/2025	Recurrent February Grant	29,110,500.00	29,110,500					29,110,500
Ministry of Health	15/04/2025	Recurrent March Grant	29,110,500.00	29,110,500					29,110,500
Ministry of Health	9/5/2025	Funds For Recapitalizat ion- recurrent	1,500,000,000.00	1,500,000,000					1,500,000,000
Ministry of Health	12/5/2025	Recurrent April Grant	29,110,500.00	29,110,500					29,110,500
Ministry of Health	17/6/2025	Recurrent May Grant	29,110,500.00	29,110,500					29,110,500

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/D evelopment/ Others	Total Amount- KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of financial performance	Capital Fund	Deferred Income	Receivables	Others- must be specific	
TOTAL			1,825,215,500.00	1,825,215,500					1,825,215,500

Following the year-end reporting period, the Ministry of Health issued guidance via letter REF: MOH/SDMS/ACCT/SAGAS/VOL.I/274 dated 1st July 2025, regarding a refund of Ksh. 89,889,500.00 arising from a downward revision of disbursements under Supplementary III.

Funds Received for the Procurement of HPT's									
Ministry of Health	5/8/2024	Procurement of indoor residual spraying & larval source management services AIE 738426	86,800,000	86,800,000					86,800,000
Ministry of Health	30/9/2024	Procurement of HIV Commodities under AIE 738350	1,300,000,000	1,300,000,000					1,300,000,000

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Name of the MDA/Donor Transferring the funds				Where Recorded/recognized					
				Statement of financial performance	Capital Fund	Deferred Income	Receivables	Others- must be specific	
	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount- KES						Total Transfers during the Year
Ministry of Health	30/9/2024	Procurement of Family Planning under AIE 738349	150,000,000	150,000,000					150,000,000
Ministry of Health	6/11/2024	Distribution of Chemotherapy Medicine to Regional Cancer Center AIE No. 738117	25,000,000	25,000,000					25,000,000

Name of the MDA/Donor Transferring the funds			Where Recorded/recognized						
			Total Amount-KES	Statement of financial performance	Capital Fund	Deferred Income	Receivables	Others- must be specific	
Ministry of Health	17/03/2025	Funds for payments for Goods procured through KEMSA under the Covid-19 Health Emergency Response Project (Funds received via AIE No. A738310)	672,270	672,270					672,270
Ministry of Health	8/5/2025	GOK/MOH HIV PROGRAM -	1,000,000,000	1,000,000,000					1,000,000,000

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Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/D evelopment/ Others	Total Amount- KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of financial performance	Capital Fund	Deferred Income	Receivables	Others- must be specific	
		MOH/SDM S/FIN/BGT /VOL III (71) - 1 B							
Ministry of Health	13/06/2025	Procurement of Indoor Residual Spraying and Larval Source Managemen t Services	16,838,377	16,838,377					16,838,377
TOTAL			2,579,310,647	2,579,310,647					2,579,310,647

Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as of 30th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

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Confirmation of amounts received by [Insert name of beneficiary Entity] as of 30th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Head of Accounts Department - Beneficiary Entity: Name Sign Date.....					

Appendix VI Reporting of Climate Relevant Expenditure

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Activate County Forest Surveys for tree planting activities (Site mapping) in the following areas; Nyandarua, Isiolo, Narok, Mombasa and Kakamega counties.	Climate change adaptation and management committee members visited and identified areas to determine suitable site for tree planting	1. To assess the cost of tree planting activities. 2. To evaluate the survival strength and maintenance needs of trees. 3. To collect data in respective areas.	Visit Kenya Forest Services in the identified Counties to determine suitable indigenous or exotic tree species and assess related costs.		531,200.00			KEMSA FUNDS	Committee members
Site mapping for tree planting (Elgeyo Marakwet & West Pokot)	Following a meeting between CEO's in SAGAs under MOH and the Principal Secretary, the committee was informed that the Ministry of Health was designated parcels of land in West Pokot and Elgeyo Marakwet for tree planting. The committee was tasked to identify the specific planting sites.	1. To conduct environmental assessment and mapping for enhanced sustainability leveraging short rains. 2. To assess survival rates of trees planted in the previous financial year and plan future activities. 3. To collect data for budget preparation.	Plan tree planting activities in collaboration with Kenya Forest Services. Visit tree nurseries to select seedlings.			531,200.00		KEMSA FUNDS	Committee members
Invitation from the Ministry of Health to support the Cabinet Secretary in tree growing campaign	SAGAs from the Ministry of Health invited the CEO's and focal person's to attend a tree growing campaign in Yokot Dam and Kipkabus	1) To monitor and evaluate trees planted in Elgeyo Marakwet County in the previous year. 2) Support the Cabinet secretary in the tree growing initiative	Assess survival rate of trees planted in the previous years and report to Ministry of Health Focal Person and plant trees in the MOH designated areas			573,200.00			
Tree planting campaign (Phase 1) in Elgeyo Marakwet County	Phase 1 Tree Growing Activity	1) To maintainance of trees planted in previous financial years 2) To continue tree planting activities	Purchase and transport of tree seedlings, engage the Community in planting, supervise activities and manage waste.			1,458,300.00		KEMSA FUNDS	Committee members
Tree planting campaign in Elgeyo Marakwet Forest (Phase 2). Accelerated tree growing program scheduled for May 2025 i.e Yokot Dam and Elgeyo Marakwet forest	Phase 2 Tree growing Activity	1. To carry out beating up 2. To plant and maintain tree seedlings. 3. To ensure full coverage of the designated forest area of 22.7 acres.	Purchase and transport seedlings, engage the Community in planting supervise activities and manage waste.			1,176,000.00		KEMSA FUNDS	Committee members
Attend and participate in World Environment Day 2025 activities in Tharaka Nithi under theme "Ending Plastic Pollution".	Educational and awareness campaign	1. To enable stakeholders from all sectors to share information, experiences and best practices on environmental issues.	Attend and actively participate.				212,800.00	KEMSA FUNDS	Committee members
Energy and environmental sustainability compliance Audit	Conduct energy and environmental audits across all KEMSA premises	1. To assess KEMSA's environmental performance and ensure compliance with the National Climate Change Action Plan of 2023/2024 and the Climate Change Act of 2016	Visit all KEMSA Depots/Regional Distribution Centres and other premises and fill out the Environmental Sustainability compliance audit checklist.				630,100.00	KEMSA FUNDS	Committee members

KENYA MEDICAL SUPPLIES AUTHORITY

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Tel: +254 719 033000, +254 111 035 800
Email: info@kemsa.go.ke

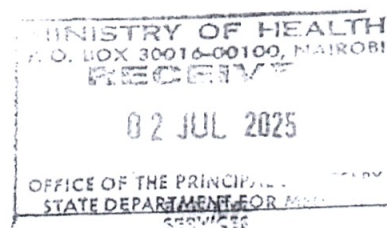
All Correspondence should be addressed to Chief Executive Officer

When replying please quote our ref:

REF: KEMSA/FIN/25/26/07/01(02)

Date: 01st July, 2025

Dr. Ouma Oluga, OGW
Principal Secretary,
State Department for Medical Services,
Ministry of Health,
P.O Box 30016, 00100
NAIROBI



Dear *PS,*

RE: CONFIRMATION OF FUNDS TRANSFERS FROM THE MINISTRY OF HEALTH

Kenya Medical Supplies Authority (KEMSA) acknowledges receipt of Kshs. 4,317,726,146.65 being funds for procurement of health products and technologies (HPT's) and recurrent grant for the FY 2024/2025. Enclosed find a schedule showing the amount received during the financial year.

The purpose of this letter is to request for confirmation of remittance of the above funds to KEMSA for FY 2024/2025.

Yours *[Signature]*

[Signature]
Dr. Waqo Ejersa, OGW
CHIEF EXECUTIVE OFFICER

Encls

KENYA MEDICAL SUPPLIES AUTHORITY

National Supply Chain Centre,
Airport North Road, Embakasi,
P.O. Box 47715 - 00100,
Nairobi, Kenya.

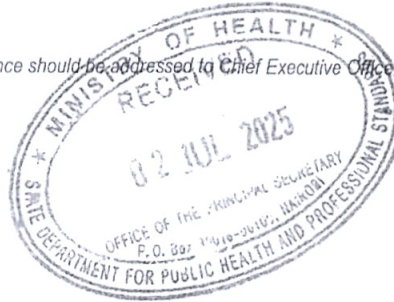


Tel: +254 719 033000, +254 111 035 800
Email: info@kems.go.ke

All Correspondence should be addressed to Chief Executive Officer

When replying please quote our ref:

REF: KEMSA/FIN/25/26/07/01(01)



01st July, 2025

Ms. Mary Muthoni, HSC
Principal Secretary
State Department for Public Health and Professional Standards
Ministry of Health
P.O Box 30016, 00100
NAIROBI

Dear PS,

RE: CONFIRMATION OF FUNDS TRANSFERS FROM THE MINISTRY OF HEALTH

Kenya Medical Supplies Authority (KEMSA) acknowledges receipt of Kshs. 86,800,000.00 being funds for procurement of health products and technologies (HPT's) for the FY 2024/2025 as detailed below;

Date Received as per Bank Statement	Nature	Total Amount(Kes)
05/08/2024	Procurement of indoor residual spraying & larval source management services AIE 738426	86,800,000.00
TOTAL		86,800,000.00

The purpose of this letter is to request for confirmation of remittance of the above funds to KEMSA for FY 2024/2025.

Yours

Dr. Waqo Ejersa, OGW

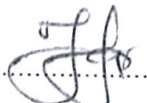
CHIEF EXECUTIVE OFFICER

TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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	Capital Fund	Deferred Income	Receivables	Others- must be specific	
Funds Received for the Procurement of HPT's									
Ministry of Health	5/8/2024	Procurement of indoor residual spraying & larval source management services AIE 738426	86,800,000.00	86,800,000.00					86,800,000.00
Ministry of Health	13/06/2025	Procurement of Indoor Residual Spraying and Larval Source Management Services	16,838,376.65	16,838,376.65					16,838,376.65
TOTAL			103,638,376.65	103,638,376.65					103,638,376.65

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

Head of Accounts Department - Disbursing Entity:

Name.....FRANCIS ORONI..... Sign.......... Date.....28/11/2025.....

TRANSFERS FROM OTHER GOVERNMENT ENTITIES

TRANSFERS FROM OTHER GOVERNMENT ENTITIES									
Name of the MDA/Donor Transferring the funds	Date received as per bank statement			Where Recorded/recognized					Total Transfers during the Year
		Nature: Recurrent/Development/Others	Total Amount-KES	Statement of financial performance	Capital Fund	Deferred Income	Receivables	Others-must be specific	
Recurrent Grants									
Ministry of Health	4/7/2024	June Grant	5,000,000.00	5,000,000.00					5,000,000.00
Ministry of Health	14/8/2024	July Grant	29,110,500.00	29,110,500.00					29,110,500.00
Ministry of Health	16/9/2024	August Grant	29,110,500.00	29,110,500.00					29,110,500.00
Ministry of Health	16/10/2024	September Grant	29,110,500.00	29,110,500.00					29,110,500.00
Ministry of Health	12/11/2024	October Grant	29,110,500.00	29,110,500.00					29,110,500.00
Ministry of Health	13/12/2024	November Grant	29,110,500.00	29,110,500.00					29,110,500.00
Ministry of Health	8/1/2025	December Grant	29,110,500.00	29,110,500.00					29,110,500.00
Ministry of Health	12/2/2025	January Grant	29,110,500.00	29,110,500.00					29,110,500.00
Ministry of Health	17/03/2025	February Grant	29,110,500.00	29,110,500.00					29,110,500.00
Ministry of Health	15/04/2025	March Grant	29,110,500.00	29,110,500.00					29,110,500.00
Ministry of Health	9/5/2025	Funds For Recapitalization	1,500,000,000.00	1,500,000,000.00					1,500,000,000.00
Ministry of Health	12/5/2025	April Grant	29,110,500.00	29,110,500.00					29,110,500.00
Ministry of Health	17/6/2025	May Grant	29,110,500.00	29,110,500.00					29,110,500.00
TOTAL			1,825,215,500.00	1,825,215,500.00					1,825,215,500.00

TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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	Capital Fund	Deferred Income	Receivables	Others-must be specific	
Funds Received for the Procurement of HPT's									
Ministry of Health	30/9/2024	Procurement of HIV Commodities under AIE 738350	1,300,000,000.00	1,300,000,000.00					1,300,000,000.00
Ministry of Health	30/9/2024	Procurement of Family Planning under AIE 738349	150,000,000.00	150,000,000.00					150,000,000.00
Ministry of Health	6/11/2024	Distribution of Chemotherapy Medicine to Regional Cancer Center AIE No. 738117	25,000,000.00	25,000,000.00					25,000,000.00
Ministry of Health	17/03/2025	Funds for payments for Goods procured through KEMSA under the Covid-19 Health Emergency Response Project (Funds received via AIE No. A738310)	672,270.00	672,270.00					672,270.00
Ministry of Health	8/5/2025	GOK/MOH HIV PROGRAM - MOH/SDMS/FIN/BGT/VOL III (71) - 1 B	1,000,000,000.00	1,000,000,000.00					1,000,000,000.00
TOTAL			2,475,672,270.00	2,475,672,270.00					2,475,672,270.00

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

f. Head of Accounts Department - Disbursing Entity:

Name.....Narayan SP..... Sign.....[Signature]..... Date.....28/11/25.....