REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

ON

NATIONAL HEALTH INSURANCE FUND

FOR THE YEAR ENDED 30 JUNE, 2024

OFFICE OF THE AUDITOR GENERAL
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NHIF | NATIONAL HEALTH INSURANCE FUND

BIMA BORA, AFYA BORA

ANNUAL REPORT

AND FINANCIAL STATEMENTS

THE FINANCIAL YEAR ENDED 30TH JUNE 2024

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

NATIONAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended June 30, 2024

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1. ACRONYMS AND GLOSSARY OF TERMS

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

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

2. KEY INFORMATION

a) Background information

NHIF

The National Health Insurance Fund (NHIF) was first established under the National Hospital Insurance Fund Act (Cap. 255 of the Laws of Kenya) in 1966, transformed into a state corporation by the National Hospital Insurance Fund Act, No. 9 of 1998, and presently being regulated by the National Health Insurance Fund Act No. 9 of 1998 (Revised 2022).

NHIF's mandate is to sustainably register beneficiaries, generate revenue and pay for health benefits for its members. The key deliverables are securing financial risk protection against the catastrophic effect of out-of-pocket spending on healthcare services for all Kenyan residents through prudent financial management of members' contributions and other resources.

Membership is open to all Kenyans who have attained the age of 18 years and covers members and their declared dependants (spouse and children). Services are available in 156 service outlets including 70 fully-fledged branch offices, 33 satellite offices, and 53 Huduma Centres countrywide. As strategy to bring services closer to members, the Fund has availed selfcare platforms both on mobile and web portal, as well as a 24-hour call centre.

SHA

The Social Health Authority (SHA) was established following the enactment of the Social Health Insurance Act, No. 16 of 2023 to succeed the National Health Insurance Fund (NHIF).

The Constitution of Kenya in the Bill of Rights assures every person in Kenya to the highest standard of health which includes the right to health care services. Towards this end, the Government, through the Ministry of Health, embarked on the creation of funds to ensure lower cost of health since many Kenyans will have access to affordable health care. Social Health Insurance Act, No. 16 of 2023 was assented to on 19th October 2023 and came into force on 22nd November 2023. It establishes the Social Health Authority and a framework for managing social health insurance to give effect to Article 43(1)(a) of the Constitution.

The Social Health Insurance (General) Regulations, 2024 ("the Regulations") shall operationalize:

i. The Social Health Insurance Fund (SHIF);

ii. The Primary Health Fund (PHF);

iii. Emergency, Chronic, and Critical Illness Fund (ECCIF);

iv. Mandatory registration of every person resident in Kenya as provided for in the SHIA; and

v. The mode of payment of contributions as provided for under the SHIA.

The Regulations went through public participation and have passed through the necessary stages in parliament. They have now been gazetted ready for publishing. This will operationalize the Social Health Insurance Act.

The Primary Health Care Act of 2023 provides a framework for the delivery of, access to, and management of primary health care. All persons resident in Kenya shall access healthcare services under PHF and must have registered as a member of the SHIF.

Facility-based primary health care services shall be accessed through a level 2 or level 3 health facility empanelled and contracted by the Authority. A person registered as a member of the Social Health Insurance Fund shall access facility-based primary health care services as provided for in the Primary Health Care Act, 2023 purchased under the Primary Healthcare Fund.

b) Principal Activities

Vision

To be the trusted and valued partner in Securing the health of our community.

Mission

To enhance equitable and sustainable health and wellbeing of our community, cushioning them from financial hardship.

Core Values

i) **Find a Better Way:** This is about continuous improvement, creativity and innovation, and not letting emerging challenges prevent us from achieving our objectives.

ii) **We Make a Difference:** In the Fund's decisions and delivery of services, there will be a deliberate effort to enhance the quality of customer services.

iii) **We Win Together:** NHIF recognizes that the achievement of objectives and its corporate vision require teamwork, strategic partnerships and involvement of all stakeholders, including its clientele and Kenyans at large. Thus, the need for togetherness and joint efforts.

iv) **Do the Right Thing:** Integrity is necessary for effective execution of the Fund's mission. In the day-to-day duties, NHIF will remain beholden to high standards of integrity, knowing that making the right decision will always take us a step closer to our vision.

Customer Service Charter

The Fund has a customer service charter that pledges and commits the following to the customer:

- Treating with courtesy and respect.
- Upholding professionalism in serving.
- Providing quality service.
- Being accessible.
- Providing accurate, relevant, timely and clear information.
- Being responsive to customer needs and expectations.
- Monitoring and evaluating customer satisfaction levels.
- Handling all customer information with utmost confidentiality.
- Upholding ethics in a corruption free environment.

c) Board of Directors

The Board of Directors are representatives of all key stakeholders and are charged with the running of the organization through policy formulation and decision making on all policy matters. Following the enactment of the Social Health Insurance Act, No. 16 of 2023, on 19th October 2023 and coming into force on 22nd November 2023, the representation of the Board in the Financial Year 2023/2024 comprised of the Social Health Authority (SHA) and National Health Insurance Fund (NHIF) Boards.

NHIF BOARD

	NAME	TITLE/ REPRESENTING	DATE OF APPOINTMENT
1.	Eng. Michael Kamau	Chairperson	23rd December 2022
2.	Dr. Jason Kap Kirwok,	Vice Chairperson, CS Appointee MOH	23rd December 2022
3.	Mr. Andrew Mugambi,	CS Appointee MOH	23rd December 2022
4.	Mr. Michael Kahiti	Alternate Member, CS National Treasury	24th November 2021
5.	Mr. Harry Kachuwai Kimtai	PS Ministry of Health	16th May 2023
6.	Dr. Zeinab Gura	Alternate Member, PS Ministry of Health	15th June 2023
7.	Dr Andrew. W. Onyino	Kenya Medical Association	25th March 2022
8.	Ms. Irene Moraa Ogamba	Rep. of Council of Governors	20th January 2023
9.	Mr. Dennis Muthomi Gitari	Rep. of Council of Governors	20th January 2023
10.	Mr. Albert Obed Njeru	Central Organization of Trade Unions	25th March 2022
11.	Dr. Rachel M. Monyoncho	Federation of Kenya Employers	13th July 2022
12.	Mr. Elijah Wachira	Chief Executive Officer & Secretary	9th October 2023
13.	CS. Catherine Mungania	Corporation Secretary/ Secretary	7th October 2023

SHA BOARD

	NAME	TITLE/ REPRESENTING	DATE OF APPOINTMENT
1.	Dr. Timothy Olweny	Chairperson	22nd November 2023
2.	Mr. Harry Kachuwai Kimtai	PS Ministry of Health	22nd November 2023
3.	Dr. Patrick Amoth	Director General for Health, Ministry of Health	22nd November 2023
4.	Mr. Samuel Kiptorus	Alternate Member, CS National Treasury	22nd November 2023
5.	Ms. Jacinta Kathamu Mutegi	Consortium of Healthcare Providers	22nd November 2023
6.	Dr. Zakayo Kariuki Gichuki	County Executive Committee Caucus for Health	22nd November 2023
7.	Dr. Francis Atwoli	Central Organization of Trade Unions	22nd November 2023
8.	Ms. Linda Murugi Gebson	Council of Governors	26th January 2024
9.	Dr. Mohamed Abdi Mohamed	CS, Ministry of Health Appointee	26th January 2024
10.	Mr. Elijah Wachira	Ag. Chief Executive Officer/ Ex-Officio Member	22nd November 2023
11.	CS. Terry Rotich	Ag. Corporation Secretary/ Secretary	22nd November 2023

d) Other Key Information of the Fund

National Health Insurance Fund

Registered Office/ Headquarters
NHIF Building
Ragati Road
P.O. Box 30443, 00100
Nairobi, KENYA

Corporate Contacts
Telephone: (254) 020 2723255/6
E-mail : info@nhif.or.ke
Website: www.nhif.or.ke

Chief Executive Officer
Mr. Elijah Wachira
P.O. Box 30443, 00100
Nairobi.

Corporation Secretary
CS. Catherine Mungania
P.O. Box 30443-00100
Nairobi

Social Health Authority

Ag. Chief Executive Officer
Mr. Elijah Wachira
P.O. Box 30443, 00100
Nairobi.

Ag. Corporation Secretary
CS. Terry Rotich
P.O. Box 30443-00100
Nairobi

Corporate Bankers

National Bank of Kenya
Hill Branch
P.O. Box 45219-00100
Nairobi, Kenya

Co-operative Bank of Kenya
Parliament Road Branch
P.O Box 5772-00200
Nairobi, Kenya

Equity Bank Limited

Kenya Commercial Bank
Moi Avenue Branch
P.O BOX 30081-00100
Nairobi, Kenya

Community Branch
P.O Box 8181-00100
Nairobi, Kenya

NCBA Bank Kenya Plc
Mara Rd, Upper hill
P.O Box 44599-00100
Nairobi Kenya

Independent Auditors

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

Principal Legal Advisers

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

Robson Harris Advocates LLP P.O. Box 67845-00200, Nairobi Tel: 0722218900	**Moronge & Company Advocates** P. O. Box 44289–00200, Nairobi Tel: 0740270440
Rachier & Amollo advocates P.O. Box 55645-00200 Nairobi Tel: 254722204778	**Masire & Mogusu Advocates** P.O. Box 18267-00100 Nairobi Tel: 0202210040
Ogejo, Omboto & Kijala Company Advocates P.O. Box 45442-00100, Nairobi Tel: 0735230723	**Kipkenda & Company Advocates** P.O. Box 56832-00200 Nairobi Tel: 254 022210647
Eno Omoti & Company Advocates P.O. Box 11118-00200 Nairobi Tel: 254202241048	**Murugu, Rigoro & Co Advocates** P.O. Box 13715-00100 Nairobi Tel: 0722587795

G & A Advocates P.O. Box 22966-00100 Nairobi Tel: 0719851555	**Amel Inyangu & Partners** P.O. Box 11203-00100 Nairobi Tel: 0703551374
McKay & Company Advocates P.O. Box 29884-00100 Nairobi Tel: 0774363622	**Mwaura & Wachira Advocates** P.O. Box 51667-00200 Nairobi Tel: 0202725607
Rachier & Amollo advocates P.O. Box 55645-00200 Nairobi Tel: 254722204778	**Masire & Mogusu Advocates** P.O. Box 18267-00100 Nairobi Tel: 0202210040

3. THE BOARD OF DIRECTORS

NHIF BOARD



Eng. Michael Kamau, CBS, HSC
Chairperson NHIF

Born In 1958, engineer Kamau has a solid academic foundation and a distinguished career in public service. He's
earned a Master of Science in Engineering from the University of Newcastle Upon Tyne in the UK, following a Bachelor of Science in Civil Engineering from the University of Nairobi. This educational background equipped him with a deep understanding of engineering principles and infrastructure management.

Professionally, he has made significant contributions to Kenya's transport and infrastructure sector. He served as the Permanent Secretary at the Ministry of Roads for 6 years, where he was instrumental in overseeing major road projects and infrastructure development.

Subsequently, he was appointed Cabinet Secretary for Transport and Infrastructure from April 2013 to March 2015, further demonstrating his leadership and expertise in shaping the country's transport policies and infrastructure strategies.

Mr. Elijah Gichaga Wachira
Chief Executive Officer NHIF



Born in 1968, Mr. Elijah Wachira is a seasoned professional with a comprehensive academic and professional background in business and insurance. Holding a Master of Business Administration and a Bachelor of Arts, he is an active member of the Insurance Institute of Kenya and the Marketing Society, demonstrating his deep expertise and dedication to the fields of business development and insurance.

He has held several prominent roles in private insurers. Since October 2023, he has served as the Chief Executive Officer of the National Hospital Insurance Fund (NHIF) and subsequently as the Acting Chief Executive Officer of the Social Health Authority (SHA). His prior leadership positions include Managing Director at CIC General and Acting Group CEO at CIC Group PLC.

Additionally, he served as a general manager at AAR health services before assuming a similar role at Madison insurance in November 2010. Mr. Wachira's career trajectory highlights his success in driving major insurance and business development initiatives.

Mr. Harry K. Kimtai, CBS
PS Ministry of Health



Mr. Harry is the Principal Secretary of the State Department for Medical Services at the Ministry of Health in the Republic of Kenya. He is responsible for coordinating medical services as the Accounting and Authorized officer under the direction of the Cabinet Secretary for Health. Currently, he is leading the Health Care Services Reforms aimed at achieving universal health coverage (UHC).

Mr. Harry Kimtai was born on December 13, 1968. He holds a Bachelor of Arts degree in Economics, a Master of Arts in Economics, and a Master of Philosophy in Economics with a specialization in Regional Planning and Economic Development from Bhopal University, India (1989 – 1995).

He has served in various capacities in the Government of Kenya. He was first appointed as the Principal Secretary at the State Department for Livestock from 2018 until 2023. He also served as Director at the Capital Markets Authority from 2016 to 2017. Between 2008 and 2014, he held the position of General Manager at Branded Fine Foods Ltd, a leading private industry player. Prior to joining Branded Fine Foods Ltd., he began his career at the Kenya Revenue Authority as a management trainee in 1996 and rose through the ranks to the position of Principal Revenue Officer from 2003 to 2006.

Dr. Jason Kap Kirwok
CS Appointee Ministry of Health



Dr. Jason, born in 1960, is a highly qualified professional with a strong academic background and extensive experience in strategic management and regional economic integration. He holds a Bachelor of Science from the University of Nairobi and a master's in business administration from Eastern University in the USA. Additionally, he has completed specialized certificates in Strategy Development & Execution from The Wharton School and Leadership Development from the University of Cape Town.

Over the years, he has held prominent roles including his current position as the Deputy Chairperson of the NHIF Board as well as the Chair of the Social Health Authority Transition Committee. With over 30 years of experience, Dr. Jason has demonstrated his expertise in senior leadership roles, consultancy, and as a donor representative.

His career has spanned various sectors, including serving as a Senior Executive at Kenya Airways and holding advisory positions at Trademark East Africa. His blend of executive and board experience, along with his academic credentials, positions him as a distinguished figure in strategic management and regional integration.

Mr. Andrew Mugambi Mwiricia
CS Appointee Ministry of Health



Andrew, born in 1974, has a strong academic background in law. He holds a Post Graduate Diploma from the Kenya School of Law and a Bachelor of Laws (LLB Hons) from the University of Nairobi.

With over 15 years of experience, Andrew has been a Partner at Dentons Hamilton Harrison & Mathews since 2006, following his tenure as a Senior Associate there from 2005 to 2006. Prior to that, he held roles as an Associate at Iseme Kamau & Maema Advocates in Nairobi and Bowyer Mahihu & Co Advocates in Mombasa. Recognized by IFLR 1000, Legal 500, and Chambers Global as a leading lawyer in corporate, commercial, banking, and finance law, Andrew has significant expertise in local and multinational transactions, including acquisitions, capital market mandates, and public-private partnership (PPP) projects in energy and infrastructure.

Mr. Dennis Muthomi Gitari
Rep. Council of Governors



Mr. Dennis born in 1989 Kenya, holds a Bachelor of Laws (LLB) degree and a Post-graduate Diploma from the Kenya School of Law. Currently, Mr. Gitari is pursuing a Master of Laws (LLM) in Comparative Constitutional Law at the University of Nairobi.

With over six years of legal experience, Mr. Gitari has developed expertise in Commercial, Corporate, and Property Law, along with a notable track record in Employment and Human Rights Law. He serves as a board director at the National Hospital Insurance Fund, representing the Council of Governors after being nominated on January 24, 2023, for a three-year term. Additionally, he is a Commissioner for Oaths, Notary Public, and a registered Patent Agent.

Mr. Albert Obed Njeru
Central Organisation of Trade Unions(K)



Mr. Njeru, born in 1959, is a professional accountant with certifications in Social Security and Social Health Protection. He began his leadership journey at an early age, consistently serving as a prefect throughout his education. Njeru started his career as a shop steward and later worked as an accountant at Ramisi Sugar Company before joining KUDHEIHA in the same capacity. He served as the Embu Branch Secretary from 1997 to 2007.

In 2007, he became the General Secretary of KUDHEIHA Workers, where he has been a diligent advocate for workers' rights. His commitment to the Labor movement and his belief in continuous learning have been central to his leadership philosophy, encouraging workers to continually enhance their skills to remain competitive.

Mr. Michael Kahiti
Alternate Member CS National Treasury



Mr. Kahiti, with a birth year of 1965, is a distinguished professional who holds a master's degree in Economic Policy Management from Makerere University and a Bachelor of Economics from the University of Nairobi. His educational background has provided him with a solid foundation in economic policy and planning.

With extensive experience in the public sector, he currently holds the esteemed position of Director of Planning at the National Treasury, a role he has served in since July 2020. In this capacity, he is tasked with overseeing the formulation of external borrowing plans and conducting financial negotiations for externally funded development projects. Previously, he steered the Central Planning & Project Monitoring Unit from February 2006 to January 2021, where he refined his skills in project monitoring and economic planning.

Dr. Andrew Were Onyino
CS Appointee Ministry of Health



Dr. Were, born in 1983, is a highly qualified medical professional with a master's degree in Plastic, Reconstructive, and Aesthetic Surgery and a Bachelor of Medicine and Surgery, both from the University of Nairobi. He is also a fellow in Capacity Building for Effective Health, Human Resource for Health (CBEH-HRH).

With over 14 years of years of experience in the public, private, and non-governmental health sectors and currently serves as the President of the Kenya Medical Association. Dr. Were is also a Consultant Plastic and Reconstructive Surgeon at Kenyatta National Hospital. He has been instrumental in advancing reproductive health policies and contributing to the regulation of medical practice in Africa. As the Founder and CEO of Daktari Media Africa LLC, he spearheads Daktari Online, an influential medical resource portal serving over 50,000 healthcare professionals across Africa. Dr. Were's ongoing work in the reform agenda by the Ministry of Health highlights his commitment to improving the medical field in Kenya and beyond.



Dr. Rachel Monyoncho
Federation of Kenya Employers

Dr. Rachel born in 1963, is a highly accomplished professional in the field of organizational management. She holds a prestigious Doctor of Philosophy (Ph.D.) in Organizational Theory and Behaviour, a Master of Business Administration in Strategic Management and International Business, and a Bachelor of Science in Chemistry, Botany, and Zoology.

Dr. Ogamba brings over two decades of extensive expertise in human resource management and consulting to the table. Her illustrious career includes serving as the Human Resource Director at G4S Security Limited from 2009 to 2011 and as the Human Resource Manager for the Northland and Eastern Africa Coca-Cola Subgroup from 2006 to 2008. Her comprehensive knowledge and proven track record in strategic management and organizational development make her an invaluable asset in any professional setting. Her commitment to excellence, coupled with her innovative approach, sets her apart as a leader in her field and makes her a compelling choice for any organizational endeavour.



Ms. Irene Moraa Ogamba
Rep. Council of Governors

Ms. Irene born in 1972, holds a Master of Laws (LLM) in Governance, Law, and Democracy from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law, and a Bachelor of Law (LLB) from Nagpur University. She began her legal career in 1996, gaining early experience at Somaia & Company Advocates, followed by a role as a Legal Associate at Macharia Mukiri & Company Advocates from 1999 to 2001.

Ms. Ogamba has extensive experience in legal services, particularly in government and organizational settings. Since October 2020, she has served as the Director of Legal Services for the Council of Governors. Previously, she was the Manager of Legal and Board Affairs at the National Industrial Training Authority from 2013 to 2020 and held senior positions in the Ministry of Gender, Children, and Social Development, as well as the Department of Administrator-General. Her career reflects a strong commitment to legal governance and public service.

Dr. Zeinab Gura
Alternate Member, PS Ministry of Health



Dr. Zeinab Roka is a dynamic and accomplished healthcare professional with a remarkable 16-year career encompassing clinical, programmatic, and strategic healthcare management. With over eight years in midlevel to senior management, Dr. Roka has continuously demonstrated her ability to lead and drive impactful change within the public health sector. Her qualifications, including a Master of Science in Applied Epidemiology and a National Security and Strategy course from the National Defense College Kenya, underscore her expertise in addressing complex health challenges at both national and international levels, making her a valuable asset in shaping robust health systems. Dr. Roka's impressive list of over 40 publications on health-related matters reflects her passion for advancing knowledge and best practices within the field.

In addition to her professional achievements, Dr. Roka's leadership extends to her roles as a board member of the National Hospital Insurance Fund, the Kenya Nuclear Regulatory Authority, and the Africa Field Epidemiology Network, as well as her council membership at UMMA University. These positions not only showcase her influence in shaping healthcare policies and regulations but also highlight her dedication to fostering collaborations and partnerships across diverse healthcare institutions.

Overall, Dr. Roka's wealth of experience, coupled with her strong leadership and academic background, positions her as a persuasive and influential figure in driving forward the agenda for Universal Health Coverage and Health Security. Her proven track record and multidisciplinary expertise make her an invaluable asset in addressing the complex challenges facing the healthcare industry today.



CS. Catherine Kinya Mungania
Director, Legal Services NHIF

With over 10 years of experience in corporate law and administration, CS. Catherine is a seasoned professional who has consistently delivered exceptional results. Her qualifications include a Master of Laws and a Bachelor of Laws, demonstrating her deep understanding of legal principles and practices. Additionally, she's an advocate of the high court and holds a diploma in human resource management as well as being a certified public secretary (CS)

Throughout her career, Catherine has successfully navigated complex legal frameworks and provided strategic counsel to senior management. Her expertise in corporate governance, contract negotiation, and risk management has been instrumental in driving organizational success. Catherine's strong leadership and communication skills have enabled her to effectively manage diverse teams and foster a culture of excellence within the corporate services division.

As Director of Corporate Services, Catherine is dedicated to driving operational efficiency, legal compliance, and sustainable growth. Catherine's combination of academic excellence and practical experience uniquely position her as a trusted leader.

SHA BOARD



Dr. Timothy Olweny
Chairperson SHA

Dr. Timothy Olweny is a distinguished healthcare professional with a rich and varied background in both medical and business fields. Boasting over 25 years of experience in the public, private, and not-for-profit health sectors. Dr. Olweny has demonstrated unwavering dedication to enhancing healthcare delivery in Kenya. His academic credentials include a Bachelor of Medicine, Bachelor of Surgery from the University of Nairobi, a Postgraduate Diploma in Sexually Transmitted Infections from the same institution, and ongoing studies for a Master of Business Administration at Strathmore Business School. Additionally, he has augmented his expertise with a program in Leadership and Management in Health from the University of Washington and a module in Pan African Executive MBA from IESE Business School.

Dr. Olweny's illustrious career encompasses delivering clinical care and assuming pivotal leadership roles in healthcare institutions and professional organizations. His deep engagement with various government bodies and regulatory agencies has equipped him with a profound understanding of the intricacies of the Kenyan healthcare system and the formidable policy challenges it confronts. As the Chairperson of the Social Health Authority Board, Dr. Olweny continues to harness his expertise to spearhead meaningful change and contribute significantly to the realization of Kenya's national health goals and development objectives.



Dr. Mohamed Abdi Mohamed
CS, Ministry of Health Appointee SHA

Dr. Mohamed Abdi Mohamed is a highly esteemed Healthcare Executive and Entrepreneur, equipped with a Bachelor of Medicine and Bachelor of Surgery from the prestigious University of Nairobi. With a wealth of experience exceeding 12 years in both public and private healthcare sectors, Dr. Mohamed has emerged as a leading figure in the industry. As the Co-founder and Managing Director/Chief Executive Officer of Ladnan Hospital, Nairobi, he has showcased remarkable leadership and foresight, propelling the hospital's growth from a modest establishment to a cutting-edge tertiary care center within a mere 4 years. Driven by his vision, the hospital has successfully introduced a 5-bed dialysis unit, a 5-bed ICU Unit, and a substantial increase in bed capacity, significantly elevating the accessibility of top-notch healthcare services in the region.

In addition to his pivotal role at Ladnan Hospital, Dr. Mohamed's professional journey encompasses influential positions such as Director and Chief Operating Officer at Metropolitan Hospital Holdings Limited. His unwavering dedication to community health is underscored by his active participation in medical camps, provision of healthcare services to vulnerable populations, and his role as a mentor and motivational speaker, particularly focusing on entrepreneurship for young individuals. Dr. Mohamed's engaging leadership style and his ability to forge authentic connections with stakeholders, staff, clients, investors, and the local community have garnered widespread recognition.

Mr. Harry K. Kimtai, CBS
PS Ministry of Health



Mr. Harry is the Principal Secretary of the State Department for Medical Services at the Ministry of Health in the Republic of Kenya. He is responsible for coordinating medical services as the Accounting and Authorized officer under the direction of the Cabinet Secretary for Health. Currently, he is leading the Health Care Services Reforms aimed at achieving universal health coverage (UHC).

Mr. Harry Kimtai was born on December 13, 1968. He holds a Bachelor of Arts degree in Economics, a Master of Arts in Economics, and a Master of Philosophy in Economics with a specialization in Regional Planning and Economic Development from Bhopal University, India (1989 – 1995).

He has served in various capacities in the Government of Kenya. He was first appointed as the Principal Secretary at the State Department for Livestock from 2018 until 2023. He also served as Director at the Capital Markets Authority from 2016 to 2017. Between 2008 and 2014, he held the position of General Manager at Branded Fine Foods Ltd, a leading private industry player. Prior to joining Branded Fine Foods Ltd., he began his career at the Kenya Revenue Authority as a management trainee in 1996 and rose through the ranks to the position of Principal Revenue Officer from 2003 to 2006.

Dr. Patrick Amoth
Director General for Health, Ministry of Health



Dr. Patrick Amoth stands as a distinguished leader in the realm of public health and medicine, currently serving as the Director General for Health in the Ministry of Health, Kenya. With a wealth of experience as a consultant obstetrician and gynaecologist, Dr. Amoth has amassed a deep reservoir of expertise in the healthcare domain. His influential roles within the Ministry of Health, including his prior position as the head of the Directorate of Public Health, have empowered him to drive strategic initiatives aimed at elevating the delivery of healthcare services across all 47 counties in Kenya. Dr. Amoth has been instrumental in shaping and implementing Universal Health Coverage in the country, showcasing his unwavering commitment to advancing healthcare accessibility and quality.

Of particular note is Dr. Amoth's pivotal role in managing the country's response to significant health crises, most notably during the COVID-19 pandemic. His involvement in the Multi-Agency National Emergency and Response Committee on Coronavirus pandemic in Kenya, coupled with his co-chairing of the Ministry of Health COVID-19 Management Taskforce, underscores his steadfast dedication to public health emergency preparedness and response. With a robust foundation in the civil service and a proven track record of propelling impactful initiatives, Dr. Patrick Amoth emerges as a revered leader and advocate for the advancement of healthcare systems and services in Kenya.

Dr. Zakayo Kariuki Gichuki
CS Appointee Ministry of Health



Dr. Kariuki Gichuki is a distinguished medical professional with over 30 years of experience. He holds a master's in public health from Moi University, a Bachelor of Medicine and Bachelor of Surgery from the University of Nairobi and has also completed a program in Health Business Management at Strathmore University. Dr. Gichuki has held various leadership roles, including serving as a Medical Superintendent in multiple hospitals, a District Medical Officer of Health in Nakuru, and a Provincial Director of Public Health in Central. His impressive career has led him to his current position as the County Executive Committee Member (CECM) for Health in both Nakuru and Nyandarua counties.
Throughout his career, Dr. Gichuki has made substantial contributions to the healthcare sector, leveraging his expertise to drive improvements in public health and healthcare management. His wealth of experience and qualifications make him a highly respected figure in the medical community, and his leadership has significantly impacted healthcare delivery in various regions.

Mr. Samuel Kiptorus
Alternate Member CS National Treasury



Mr. Kiptorus is a highly accomplished professional with a wealth of experience in economics and public finance. As a Director at the National Treasury and Economic Planning, he has demonstrated exceptional leadership and strategic vision in driving economic policies and financial planning for the country.
With a distinguished educational background, including a master's degree in economics from the University of Dar es Salaam and a Bachelor of Arts in Economics from the University of Nairobi, Mr. Kiptorus brings a deep understanding of economic principles and their practical applications. His previous role as Chief Economist at the Ministry of Devolution and Planning further underscores his expertise in shaping and implementing economic strategies at a national level.

Ms. Jacinta Kathamu Mutegi
Consortium of Healthcare Providers



Ms. Jacinta is a remarkable leader in the health sector with a wealth of experience in health system management. Her academic achievements include a master's in organizational development from the United States International University, a Master of Arts degree in Project Management from the University of Nairobi, and a bachelor's degree in Environment from Kenyatta University.
Currently serving as the Executive Secretary for the Conference of Catholic Bishops– (KCCB) and a member of the Caritas Internationalis Taskforce on the Global Fund, she is renowned for her expertise in forging high-level strategic partnerships, advocacy, and seamlessly coordinating health services.
With over 18 years of proven success, she has established herself as a dynamic senior health systems management leader in Kenya, overseeing a vast network of health facilities, Medical Training Colleges, and Community Based Health Programs. Her specialized skills include resource mobilization, capacity building, and governance, making her an invaluable asset in the realm of public health.

Dr. Francis Atwoli, NOM, CBS, EBS
Central Organization of Trade Unions



Dr. Francis Atwoli stands as a beacon of unwavering dedication and unparalleled leadership in the realm of labor movements and social justice. With over two decades of remarkable service as the Secretary General of the Central Organization of Trade Unions (Kenya) and as a distinguished figure in the international labor arena, Dr. Atwoli has exemplified a steadfast commitment to advancing the rights and well-being of workers. His extensive qualifications, including an Advanced Diploma in Industrial Relations and Labour Studies from the University of University, Italy, an International Diploma from the George Meany Labour University, USA, bachelor's degree in employment and labour studies, underscore his deep expertise and knowledge in labor and trade union studies.

Notably, Dr. Atwoli's outstanding contributions have garnered global recognition, including the prestigious National Order of Merit (NOM) from Algerian President Abdilaziz Bouteflika and the Chief of the Burning Spear (C.B.S), Elder of the Burning Spear (E.B.S), and the Moran of the Burning Spear (MBS) accolades from the Government of Kenya. These accolades honor his exemplary leadership and tireless advocacy for social justice, not only in Kenya but across the African continent.

Moreover, Dr. Atwoli's multifaceted experience extends to pivotal leadership roles in influential institutions, including the National Social Security Fund (NSSF) and the National Bank of Kenya (NBK). His remarkable achievements and global impact, coupled with his esteemed qualifications, position him as an indispensable figure in championing workers' rights, social justice, and economic development on both local and international fronts.

Dr. Linda Murugi Gebson
Rep. Council of Governors



Dr. Linda, a visionary leader with over 12 years of experience at the forefront of strategic research management in the field of vaccines and infectious diseases. Her remarkable expertise spans local and global research initiatives, making her a transformative force in the scientific community. With a PhD in Biomolecular Sciences, an MS in Immunology of Infectious Diseases, and a BS in Biomedical Science & Technology, Dr. Linda's academic prowess is the bedrock of her strategic direction and practical knowledge in vaccine development.

Dr. Linda's impact goes beyond academic achievements. Her exceptional ability to guide and mentor emerging research leaders, coupled with her hands-on experience in developing research proposals and analyzing complex scientific data, has set new standards and best practices in the industry.

Her strategic thinking and comprehensive understanding of pre-clinical and clinical development make her an indispensable asset in advancing cutting-edge technologies for vaccine research.



Mr. Elijah Gichaga Wachira
Ag. Chief Executive Officer SHA

Born in 1968, Mr. Elijah Wachira is a seasoned professional with a comprehensive academic and professional background in business and insurance. Holding a Master of Business Administration and a Bachelor of Arts, he is an active member of the Insurance Institute of Kenya and the Marketing Society, demonstrating his deep expertise and dedication to the fields of business development and insurance.

He has held several prominent roles in private insurers. Since October 2023, he has served as the Chief Executive Officer of the National Hospital Insurance Fund (NHIF) and subsequently as the Acting Chief Executive Officer of the Social Health Authority (SHA). His prior leadership positions include Managing Director at CIC General and Acting Group CEO at CIC Group PLC.

Additionally, he served as a general manager at AAR health services before assuming a similar role at Madison insurance in November 2010. Mr. Wachira's career trajectory highlights his success in driving major insurance and business development initiatives.



Cs. Terry Rotich
Ag. Corporation Secretary SHA

CS. Terry Rotich is an exceptional legal professional with a wealth of experience in the health sector. Currently serving as the Ag. Corporation Secretary at the Social Health Authority, Terry holds a Bachelor of Laws (LLB) and a Post Graduate Diploma in law from the prestigious Kenya School of Law. A Certified Public Secretary (CPS) and a proud member of both the Law Society of Kenya (LSK) and the Institute of Certified Secretaries (ICS).

Terry brings over a decade of experience as a Legal Practitioner and seven years as a State Counsel. Her remarkable contributions to significant projects, such as the Universal Health Coverage Laws and Breast Milk Substitutes Regulations, reflect her expertise in drafting pleadings, legal writing, legislative drafting, and policy formulation and analysis. Terry is deeply committed to advancing the public health agenda and ensuring access to quality and affordable healthcare for all Kenyans, embodying values of teamwork, integrity, and innovation in her work.

4. KEY MANAGEMENT TEAM

The Key Management team is comprised of the Chief Executive Officer and Directors of departments who are dedicated professionals working with staff and clients to provide strategic planning for the Funds's future goals. The following are the key management of NHIF and SHA.

Mr. Elijah Gichaga Wachira
Chief Executive Officer NHIF



Born in 1968, Mr. Elijah Wacira is a seasoned professional with a comprehensive academic and professional background in business and insurance. Holding a Master of Business Administration and a Bachelor of Arts, he is an active member of the Insurance Institute of Kenya and the Marketing Society, demonstrating his deep expertise and dedication to the fields of business development and insurance.

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CPA. Robert Mbarani Ingasira
Director, Financial Services NHIF

CPA Mbarani is a highly accomplished financial professional with a wealth of experience and a proven track record of success in various leadership roles. With a Master of Business Administration (Executive), Bachelor of Arts, Higher Diploma in Human Resource Management, and completion of the Strategic Leadership Development Programme (SLDP), Robert possesses a strong educational background that complements his extensive practical experience.

During his tenure as the General Manager at Kenya Deposit Insurance Corporation, Robert demonstrated exceptional leadership and strategic thinking, contributing to the organization's success over six years. His role as the Chief Manager Finance and Administration at the Privatization Commission of Kenya further showcased his ability to excel in dynamic and challenging environments.

With a solid background in financial management, hands-on experience and a distinguished member of professional organizations, including the Institute of Certified Public Accountants of Kenya (ICPAK) and others, CPA Robert stands out as a competent, dedicated, and accomplished financial leader, capable of driving success and growth in any organization.

CPA. Pariken Ole Sankei
Director, Internal Audit NHIF



CPA Sankei is an accomplished professional with a proven track record in internal audit and financial management. He holds a Master of Business Administration (Executive) and a Bachelor of Science in Internal Business Administration with a focus on Accounting & Finance. Certified as a Public Accountant in Kenya, he has also completed the Strategic Leadership Development Programme (SLDP), further enhancing his strategic acumen.

In his role as Director of Internal Audit, Sankei draws from his rich experience, having served on the ICPAK Audit, Risk, and Compliance Committee, as well as the Office of the Registrar of Political Parties Audit Committee. His previous position as Chief Internal Auditor at the Public Service Commission honed his skills in risk management and compliance.

With such extensive qualifications and diverse experience, CPA Sankei is a valuable asset, providing strategic leadership and expertise in internal audit and financial management.

Ms. Hazel Jemutai Koitaba
Director, Beneficiary & Provider Management



Ms. Hazel is a visionary leader with an extensive educational background and a proven track record in management. Her qualifications include a Master of Politics & Policy, a Bachelor of Business majoring in Marketing, and a Post Graduate Diploma in Business (Marketing). In addition, she has successfully completed a Strategic Leadership Development Programme (SLDP) and is a distinguished member of the Marketing Society of Kenya (MSK).

Ms. Koitaba's exceptional academic achievements, combined with her practical expertise, position her as a dynamic force within the organization. Her strategic acumen, leadership prowess, and marketing proficiency uniquely qualify her to steer impactful change and drive outstanding performance in her capacity as Director of Beneficiary & Provider Management.

Mr. Martin Ayoo
Director, ICT NHIF



With a Master of Science in Data Communications, a Bachelor of Science in Information Technology, and a Diploma and Certificate in Information Technology, Martin comes equipped with a wealth of knowledge and expertise. He has further refined his skills through completing the Strategic Leadership Development Programme, Senior Management Course, Advanced Certificate in Operational Management, and Executive Leadership and Governance Programme.

Martin holds memberships in prestigious professional organizations such as the Computer Society of Kenya, Information Systems Audit Control Association (ISACA), Project Management Institute (PMI), and Association of Computing Practitioners-Kenya (ACPK). With experience as the Manager ICT at Lapfund, Martin is ready to leverage his extensive qualifications, skills, and managerial acumen to benefit the organization.

CS. Catherine Kinya Mungania
Director, Legal Services NHIF



With over 10 years of experience in corporate law and administration, CS. Catherine is a seasoned professional who has consistently delivered exceptional results. Her qualifications include a Master of Laws and a Bachelor of Laws, demonstrating her deep understanding of legal principles and practices. Additionally, she's an advocate of the high court and holds a diploma in human resource management as well as being a certified public secretary (CS)

Throughout her career, Catherine has successfully navigated complex legal frameworks and provided strategic counsel to senior management. Her expertise in corporate governance, contract negotiation, and risk management has been instrumental in driving organizational success. Catherine's strong leadership and communication skills have enabled her to effectively manage diverse teams and foster a culture of excellence within the corporate services division.

As Director of Corporate Services, Catherine is dedicated to driving operational efficiency, legal compliance, and sustainable growth. Catherine's combination of academic excellence and practical experience uniquely position her as a trusted leader.

Mr. Ibrahim Mohamed Alio
Director, Corporate Services NHIF



Mr. Alio is a seasoned professional with a broad spectrum of expertise encompassing the public and private sectors, particularly in energy, logistics, procurement, human capital management, finance, sales, and marketing. Prior to his current role, Mr. Alio served as the Managing Director of Trojan International Limited, where he oversaw operations across the East Africa region, including countries such as Rwanda, Burundi, DR Congo, and South Sudan. Additionally, he has held notable positions with Isiolo County, Save the Children UK, and Care International Kenya, along with various other public and private sector organizations.

Mr. Alio holds an impressive array of qualifications, including a Master of Science in Supply Logistics and Procurement Management, a Bachelor of Agribusiness Management, a Diploma in Logistics and Supply Management, and a Certificate in Security Management. Moreover, his membership with the Kenya Institute of Supplies Management (KISM) and completion of the Strategic Leadership Development Programme (SLDP) underscore his commitment to continuous professional development.

His rich background and experience make him a versatile and an all-rounded leader.

5. FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Mr. Elijah Gichaga Wachira
2.	Director Audit	CPA. Pariken Ole Sankei
3.	Director Beneficiary & Provider Management	Ms. Hazel Jemutai Koitaba
4.	Director Corporate Services	Mr. Ibrahim Mohamed Alio
5.	Director Financial Services	CPA. Robert Mbarani Ingasira
6.	Director ICT	Mr. Martin Ayoo
7.	Director Legal Services	CS. Catherine Kinya Mungania

6. FIDUCIARY OVERSIGHT ARRANGEMENTS

The Finance Committee and Audit and Risk Committee roles in a corporate governance structure are in line with fiduciary oversight to ensure careful financial management, risk reduction, and compliance with laws and regulations.

Finance Committee

The primary fiduciary responsibilities of the National Health Insurance Fund Finance Committee include:

1. Budget and Financial Planning: Overseeing the corporation's budget preparation and implementation to ensure it aligns with strategic goals and long-term financial sustainability.
2. Financial Reporting: Reviewing financial statements, reports, and forecasts to monitor the organization's financial health for accuracy and compliance with accounting standards and legal requirements.
3. Capital Management: Overseeing and recommending policies related to capital allocation and utilization to ensure optimal use of financial resources and effective capital investments.
4. Expenditure Oversight: Monitoring the organization's expenditure for efficiency, cost-effectiveness, and compliance with approved budgets.
5. Funding and Investment Decisions: Recommending funding strategies for the organization's operations and projects and reviewing and approving major financial transactions and investments.

6. Ensuring Internal Financial Controls: Implementing internal financial controls to prevent fraud, financial mismanagement, and waste.

Audit and Risk Committee

The key fiduciary oversight duties of the National Health Insurance Fund Audit and Risk Committee include:

1. Risk Management: Identifying, assessing, and monitoring key financial, operational, and strategic risks facing the corporation and recommending risk mitigation strategies while ensuring effective implementation of risk management policies.
2. Internal Audit Oversight: Overseeing the internal audit functions, including reviewing audit plans, reports, and findings to ensure independent operation in line with best practices.
3. Compliance with Statutory and Regulatory Requirements: Ensuring compliance with all statutory and regulatory requirements, including tax obligations and reporting standards.
4. External Audit Oversight: Reviewing and recommending the selection of external auditors and ensuring timely and transparent external audits. Additionally, reviewing audit reports to address any weaknesses in financial or risk management practices.
5. Financial Integrity: Monitoring and assessing the organization's financial integrity while ensuring that financial policies, procedures, and systems safeguard the corporation's assets.
6. Fraud Prevention and Detection: Establishing mechanisms to detect and prevent fraud, corruption, and unethical conduct, while overseeing investigations into any allegations of fraud or misconduct.
7. Reporting to the Board: Reporting significant risk, control issues, and compliance matters to the Full Board for decision-making and action.

7. CHAIRMAN'S STATEMENT



Dear Members and Stakeholders,

I am pleased to present the annual report for the National Health Insurance Fund for the year ended June 30, 2024.

This has been a year of significant transformation for the Fund, marked by the implementation of the Social Health Insurance Act No. 16 of 2023.

Our primary focus has been to advance equitable access to quality healthcare for all Kenyans, aligning with the government's goal of Universal Health Coverage (UHC).

Despite the challenges posed by the transition from the Enhanced Schemes to the new National Health Scheme (NHS), our Fund has continued to demonstrate resilience and progress. Contributions under the NHS reached KES 43.2 billion, reflecting a strong commitment to expanding coverage and improving the benefits for our members.

Strategic collaborations with county governments, financial institutions, and local communities have been instrumental in achieving our objectives. Programs in counties like Murang'a, Kiambu, and Mombasa have seen remarkable success, improving access to healthcare for thousands of households.

Additionally, the involvement of community health promoters has significantly enhanced public awareness and participation in the UHC agenda.

As we continue to navigate these transformative times, I am confident that our efforts will yield positive, long-lasting outcomes for all Kenyans. Our vision of a healthcare system that is accessible, affordable, and sustainable is within reach. I would like to express my gratitude to the Board, our partners, and the entire NHIF as well as SHA team for their dedication and tireless work in pursuit of this goal.

DR. MOHAMED ABDI MOHAMED
CHAIRPERSON – BOARD OF DIRECTORS SHA

8. REPORT OF THE CHIEF EXECUTIVE OFFICER



The first financial year ending 30 June 2024, has been a period of substantial growth and strategic realignment for the National Health Insurance Fund.

Our core mandate - ensuring every Kenyan has access to affordable healthcare - has been our guiding principle as we transitioned to the new Social Health Insurance framework.

Total contributions during this period amounted to KES 72.9 billion, a testament to the ongoing confidence in the Fund. Notably, the NHS saw a 6% increase in contributions compared to the previous year, which underscores the positive impact of our programs and the responsiveness of our stakeholders.

Our partnerships with key county governments and the private sector have expanded the reach of the Universal Health Coverage program. Tailored initiatives, such as the renewal of UHC pilots and targeted outreach to informal sectors like the boda-boda community, have been pivotal in driving enrolment and retention. Collaborations with financial institutions have also opened innovative channels for premium financing, making healthcare more accessible to the underserved.

Looking ahead, we remain committed to enhancing our service delivery through digital innovations, community engagement, and strict adherence to statutory obligations. As we embark on this new phase of development, we are focused on leveraging partnerships, technology, and our expertise to ensure sustainable and equitable healthcare for all.

I extend my sincere thanks to the Board, our partners, and the dedicated NHIF as well as SHA staff who continue to work tirelessly in the pursuit of better health outcomes for all Kenyans.

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MR. ELIJAH WACHIRA.

AG. CHIEF EXECUTIVE OFFICER SHA

9. NHIF STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/24

The National Health Insurance Fund has four (4) Key Result Areas and fifteen (15) objectives within the current Strategic Plan period. These key result Areas are as follows:

1. KRA1: Membership Growth and Benefit Administration
2. KRA 2: Financial Sustainability
3. KRA 3: Operational Efficiency
4. KRA 4: Employee Engagement, motivation & skills development

NHIF develops its annual work plans based on the above Key Result Areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Fund achieved its performance targets set for the FY23/24 period for its 4 Key Result Areas, as indicated in the diagram below:

Key Result Areas	Strategic Objective	Key Performance Indicator	FY2023/24 Target	FY2023/24 Achievement
KRA1: Membership Growth and Benefit Administration	1. To increase UHC enrollment to over 85% coverage of all households by 2027/28	Membership Registration	***45% of coverage***	**16,859,910**
	2. Enhance strategic purchasing	Loss ratio	***85%***	**90%**
	3. Strengthen partnerships with HCPs and members	Customer satisfaction index	***80%***	**61.4%**
	4. Increase brand awareness index from 60% in 2022 to at least 90% by 2027/2028	Brand Awareness Index	***66%***	**85.2%**
KRA 2: Financial Sustainability	5. Grow revenue from 83.4B in 2022 to 174B by 2023/24	Revenue Growth	**174B**	**72.9 B**
	6. Optimize costs	Loss Ratio Admin Ratio	**85%** **<15%**	**90%** **11.2%**
KRA 3: Operational Efficiency	7. Enhance automation, integration & security of ICT systems	Customer Satisfaction	**80%**	**61.4%**
	8. Ensure compliance with legal & regulatory compliance	Regulatory Compliance	**100%**	**100%**
	9. Strengthen Supply Chain Resilience and efficiency	Compliance level to Procurement plan	**100%**	**100%**
	10. Implement & monitor strategic plan, performance &	% Corporate Performance	**100%**	**88%**

Key Result Areas	Strategic Objective	Key Performance Indicator	FY2023/24 Target	FY2023/24 Achievement
	international standards			
	11. Improve inventory management, disposal & asset maintenance	Admin expense Ratio	15%	11.2%
KRA 4: Employee Engagement, motivation & skills development	12. Leadership management & skills development	Corporate Performance	83%	88%
	13. Change Management & adaptability	Employee Satisfaction Index	80%	To be done in yr 2
	14. Employee engagement & well being	Improved Staff Productivity/Corporate Performance	>65%	88%
	15. Mainstream governance and risk	Reduced Loss Ratio	85%	90%

Explanations of Performance in key indicators:

On Membership Registration: The total Membership as at the end of the 2023/24 FY was 16,859,910 with the Formal Sector comprising of Public and Private sector members having 5,057,429 (30%) of total membership while the Informal sector which comprises of voluntary contributors had 9,170,798 (54%). Sponsored programs had 16% of total membership with 2,631,683 members.

On patient satisfaction index: The NHIF Customer Perception Survey carried out within the period aimed to evaluate member opinions and satisfaction levels to identify areas for service improvement. This was conducted across 13 counties with 123 respondents. The findings indicated that 61.4% of the respondents expressed overall satisfaction with NHIF products and services.

Loss ratio: The total benefits pay-out incurred as at 30th June 2024 amounted to Kshs. 68.3 billion against contributions and premiums of Kes. 72.9 billion. This reflects a loss ratio of 94%.

Compliance level to the procurement plan: In adherence to the Buy Kenya Build Kenya initiative, the Authority committed 40% of its procurement to locally manufactured goods and services. During the period under review, the Fund spent **Kes 6,349,123,002** on the procurement of locally produced goods and services. In addition, **Kes 245,194,938** was spent on procuring goods and services from youth, women, and people with disabilities which translated to 87**%** achievement on set target.

On Revenue Growth: The business landscape changed significantly following the repeal of the NHIF Act of 1998 and the enactment of the Social Health Insurance Act, 2023, on November 22, 2023. This

shift prevented the Organization from onboarding enhanced schemes, resulting in reduced revenue collection. Furthermore, uncertainty about the future for the broader population led to a lower enrollment rate in the informal sector and decreased contributions.

Corporate Performance: The Authority, in executing its Strategic Plan, developed an annual work plan and a Performance Contract, with initiatives derived from the 5-year plan. As of the end of June 2024, an evaluation of the set targets compared to achievements shows a corporate performance rate of 88%.



10. CORPORATE GOVERNANCE STATEMENT

Principles of Corporate Governance

The Fund has established strict corporate governance standards that play a crucial role in its long-term success. The Board, which oversees the Fund, is made up of capable, diverse, and qualified members who are able to make impartial and independent decisions.

The composition and appointment of the Board align with the Social Health Insurance Act 2023. The Board has the freedom and authority to carry out its responsibilities and is accountable to shareholders, while also acting responsibly towards stakeholders.

The Board actively promotes corporate governance best practices and operates with the utmost integrity and accountability. It follows the Governance Code outlined in the Mwongozo (The Code of Governance for State Corporations) NHIF Act as well as other Government of Kenya guidelines.

Management Board

In 2023, The Social Health Insurance Act established the Board of Management. This board is responsible for conducting the Fund's business according to high standards of corporate governance and being accountable to all stakeholders. The protection of stakeholders' interests and open corporate communication is of utmost importance to the Fund.

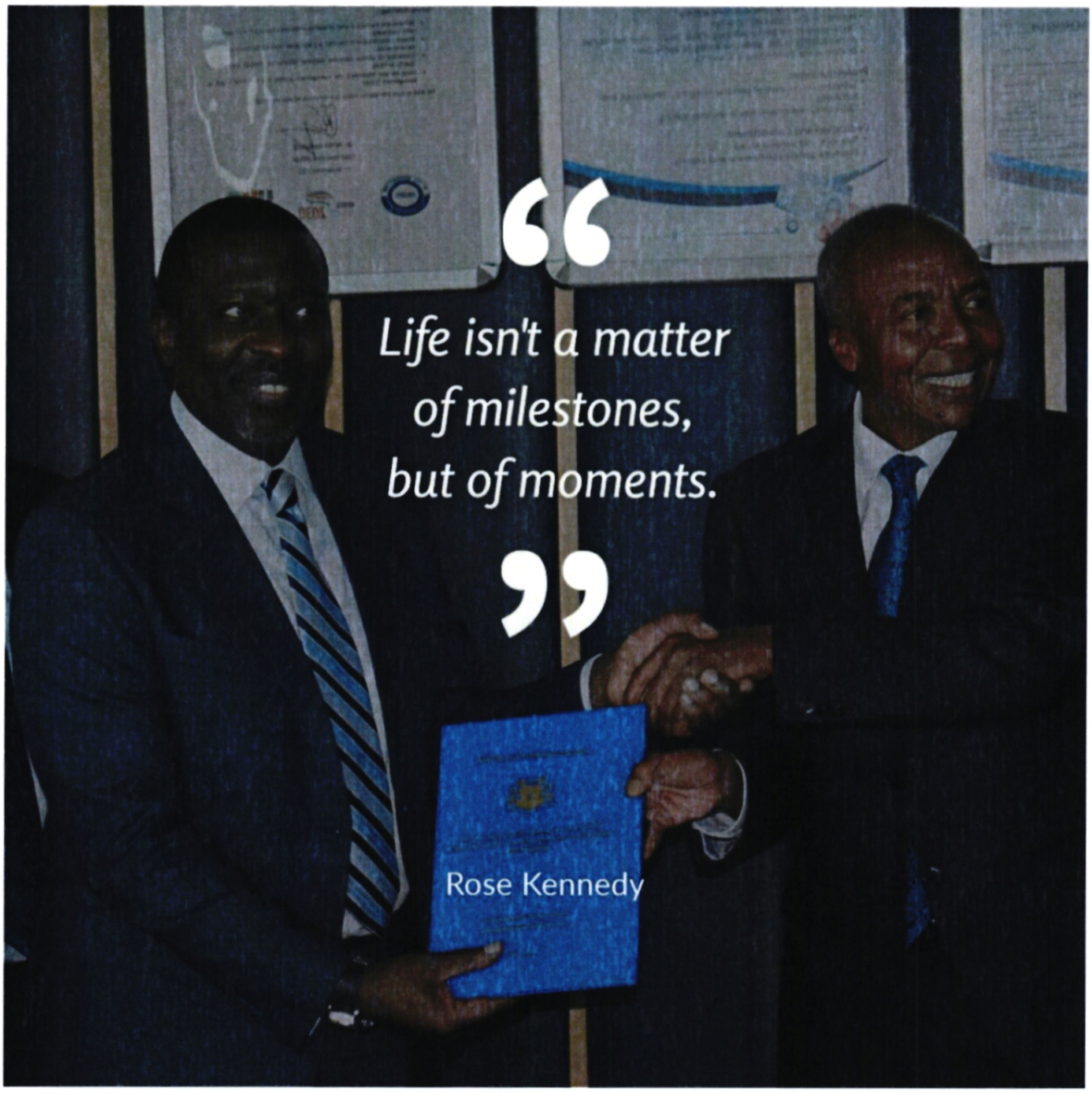
The Board's conduct is governed by the provisions of the Mwongozo, which cover the size, role, responsibilities, functions, and powers of the Chairperson and other members, as well as inductions, appointments, performance evaluation, and remuneration of the members. Additionally, the Board has created a Work Plan that outlines the schedule of Board meetings and the main business to be addressed at those meetings.

The Board conducts annual self-evaluations and reviews its performance, which includes assessing the appropriateness of its composition, the diversity of skills and experience, performance against the terms of reference, and succession planning. These evaluations also cover the performance of the Committees, Chairperson, Chief Executive Officer, and the Authority's Corporate Secretary.

Board Responsibilities

The Board has the responsibility of guiding the Fund and is tasked with formulating NHIF policies and strategies to achieve business objectives that promote and protect stakeholder value.

The Board sets the Fund's strategic intent, objectives, and values, ensuring that measures are in place to safeguard the Fund's assets and reputation. It is accountable for the stewardship of the Fund and assumes full and effective control over it. Board members must conduct themselves in line with their duties and responsibilities to the Fund, staying within the confines of the SHI Act.



To enable the Board to fulfil its duties, Management must provide comprehensive and timely information on the Fund's policies. Additionally, the Management provides an operational report from the Chief Executive Officer, Management Accounting for each quarter, reports from each Board Committee, specific proposals for capital expenditure and acquisitions, as well as major issues and strategic opportunities for the Fund.

The Board ensures continuous training for its members in Board processes. Board members have participated in various training programs on Corporate Governance Principles and Practices.

Adhering to the Mwongozo code on organizational risks, the Board has implemented a Risk and Management Policy and the Whistle Blowing Policy.

Succession plan

The Social Health Insurance Act 2023, First Schedule, Transitional paragraph provides for the succession plan from the National Health Insurance Fund to the Social Health Authority.

It provides under Paragraph 2 that on the day the Act became effective:-

a. All the funds, assets and other property movable and immovable which immediately before that day, were held for and on behalf of the Fund in the name of the National Health Insurance Fund Board shall, and without further assurance, vest in the Authority
b. All rights, powers, liabilities and duties, whether arising under any written law or otherwise, which immediately before the appointed day were vested in, imposed on or enforceable by or against the Government for and on behalf of the Fund shall, by virtue of this paragraph, be transferred to, vested in, imposed on or enforceable by or against the Authority
c. All actions, suits or legal proceedings pending by or against the Government for and on behalf of the Fund shall be carried on or prosecuted by or against the Authority
d. All actions, suits or legal proceedings pending by or against the Government for and on behalf of the Fund shall be carried on or prosecuted by or against the Authority
e. The Board of the Social Health Authority established under section 4 of the Act shall competitively recruit and appoint its staff under section 17 of the Act subject to the approved staff establishment and on such terms and conditions of service as may be determined by the Board.

The process of appointment

The Board Members are appointed in line with the Social Health Insurance Act of 2023.

Section 7 (1) provides that the Board shall consist of :-

a. A non-executive Chairperson, who shall be appointed by the President
b. The Principal Secretary in the ministry for the time being responsible for matters relating to health or a designated representative
c. The Principal Secretary in the ministry for the time being responsible for matters relating to finance or a designated representative
d. The Director-General for Health
e. A representative of the County Executive Committee Health Caucus
f. One person, not being a Governor, nominated by the Council of County Governors with knowledge in field of finance, accounting, health economics, law or business and management
g. One person, not being a public officer with proven experience in matters of health insurance, health financing, financial management, health economics, healthcare administration

h. Our persons, not being public officers, nominated by

i. The Chief Executive Officer of the Authority, who shall be an ex-officio member of the Board

The members of the Board nominated as a Board member under (f,) (g) and (h) above shall be appointed by the Cabinet Secretary by Notice in the Gazette.

Removal of directors

The Social Health Insurance Act has provided that the office of a Board members shall become vacant if the Board Member:-

a. Resigns from office by notice in writing to the appointing authority
b. Is absent from three consecutive meetings of the Board without lawful cause
c. Is adjudged bankrupt or enters into a composition scheme or arrangement with his creditors
d. Is convicted of a criminal offence and sentenced to imprisonment for a term exceeding six months
e. Is incapacitated by prolonged physical or mental illness;
f. Is otherwise unable or unfit to discharge his duties
g. Dies

Roles and functions of the Board

The functions of the Board include assisting the Authority to;-

1. Register the beneficiaries in accordance with this Act;
2. Manage the Funds established under this Act
3. Receive all contributions and other payments required to be made to the Funds
4. Empanel and contract healthcare providers and healthcare facilities upon inspection, licensing and certification of the healthcare providers and healthcare facilities by the relevant body
5. Consider and make payments to contracted healthcare providers and healthcare facilities out of the Funds
6. Develop guidelines for the operations and implementation of the Funds established under the Social Health Insurance Act
7. Establish sectoral linkages for effective management and growth of the Funds.
8. Monitor and evaluate programs and activities under the Funds.
9. Receive and address complaints that may arise from the implementation of this Act
10. Advise the Cabinet Secretary on matters of social health insurance including the formulation of policies
11. Implement all government policies on social health insurance and related functions

Induction and training

The members of the Board undergo an orientation program designed to familiarize them with their roles as directors, fundamental aspects of corporate governance, and Board procedures. This program offers the Board members an introduction to the organization, its strategic goals, financial position and regulations, risk management, compliance initiatives, and the Code of Conduct and Ethics. A yearly development plan is created to tackle identified skill gaps. In this respect, Board members receive access to, or notification of, ongoing development initiatives aimed at keeping them informed about the latest trends in industry best practices, corporate governance, and important issues related to the functioning of public sector boards.

Conflict of interest

At the beginning of every Board or Committee meeting, the Board and the Committee disclosed any potential conflicts, whether real or perceived, for proper documentation.

A Board Member who discloses a conflict of interest refrains from participating in discussions or decision-making related to any subject or transactions in which they have a conflict of interest. They are not allowed to influence any decisions concerning matters in which they have a personal interest.

All declared interests are recorded in the "Declaration of Interest" register maintained by the Corporate Secretary of the Social Health Authority for transparency and accountability purposes.

Board and Member performance

The Board performs a yearly assessment to gauge its effectiveness in line with the Board Evaluation Tool. The evaluation allows Board members to pinpoint their strong points, identify areas where their collective skills fall short, and recognize individual areas for improvement. Additionally, the Board assesses how each committee has performed in comparison to the agreed Terms of Reference. The performance of the CEO and Corporation Secretary is also evaluated

Board remuneration

Remuneration for board members is in line with the current applicable legislative provisions and guidance from the relevant authority.

In compensating the Board, the Authority has followed a policy of taking into account the requests and needs placed on the board in connection with the Authority's business. Board members only receive sitting allowances if they attend board and/or committee meetings as confirmed by the attendance register.

Besides the CEO, no member of the Board or anyone associated with a member has a service agreement or is paid by the Fund.(include details of the Board Members remuneration)

The Board of Management recognizes its responsibility to present a true and fair view of the state of the financial affairs of the Fund. The Fund's financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the PFM Act, the State Corporations Act and the NHIF Act.

Board Committees

To assist the Board better discharge its responsibilities, the Board has constituted four Board Committees comprising a balanced mix of the Board members. Each Board Committee has a Charter which contains provisions relating to the powers delegated by the Board to each Committee, membership of the Committee and the Committee's detailed duties. Annual performance reviews of each Committee are carried out and presented to the Board. The Board has set up the following committees:

NHIF BOARD COMMITTEES

1. Audit and Risk Committee

No.	Name of Member	Organization	Position
1.	Mr. Andrew Mugambi	Appointee CS Ministry of Health	Chairperson
2.	Mr. Michael Kahiti	Alt. Member/PS/ National Treasury	Member
3.	Mr. Albert Obed Njeru	Central Organization of Trade Unions	Member
4.	Ms. Irene Moraa Ogamba	Council of Governors	Member
5.	CPA. Pariken Ole Sankei	Director, Internal Audit	Secretary

2. Finance, Investment and Compliance Committee

No.	Name of Member	Organisation	Position
1.	Mr. Dennis M. Gitari	Council of Governors	Chairperson
2.	Mr. Michael Kahiti	Alt. Member/PS/The National Treasury	Member
3.	Dr. Zeinab Gura	Alt. Member/PS/Ministry of Health	Member
4.	Dr. Andrew Onyino	Kenya Medical Association	Member
5.	Mr. Elijah Wachira	Chief Executive Officer	Secretary

3. Operations, Strategy and Information Technology Committee

No.	Name of Member	Organisation	Position
1.	Dr. Jason Kap Kirwok	Appointee CS Ministry of Health	Chairperson
2.	Mr. Dennis M. Gitari	Council of Governors	Member
3.	Dr. Andrew Onyino	Kenya Medical Association	Member
4.	Dr. Zeinab Gura	Alt. Member/PS/Ministry of Health	Member
5.	Mr. Elijah Wachira	Chief Executive Officer	Secretary

4. Governance and Human Resource Committee

No.	Name of Member	Organization	Position
1.	Dr. Rachel M. Monyoncho	Federation of Kenya Employers	Chairperson
2.	Ms. Irene Moraa Ogamba	Council of Governors	Member
3.	Mr. Andrew Mugambi	Appointee CS Ministry of Health	Member
4.	Mr. Albert Obed Njeru	Central Organization of Trade Unions	Member
5.	Mr. Elijah Wachira	Chief Executive Officer	Secretary

SHA BOARD COMMITTEES

1. Audit and Risk Committee

No.	Name of Member	Organization	Position
1.	Ms. Jacinta Kathamu Mutegi	Consortium of Healthcare Providers	Chairperson
2.	Mr. Harry Kachuwai Kimtai	PS Ministry of Health	Member
3.	Ms. Linda Murugi Gebson	Council of Governors	Member
4.	Dr. Zakayo Kariuki Gichuki	County Executive Committee Caucus for Health	Member
5.	CPA. Pariken Ole Sankei	Director, Internal Audit	Secretary

2. Human Resource & Governance Committee

No.	Name of Member	Organisation	Position
1.	Dr. Patrick Amoth	Director General for Health, Ministry of Health	Chairperson
2.	Mr. Harry Kachuwai Kimtai	PS Ministry of Health	Member
3.	Ms. Linda Murugi Gebson	Council of Governors	Member
4.	Dr. Francis Atwoli	Central Organization of Trade Unions	Member
5.	Mr. Elijah Wachira	Chief Executive Officer	Secretary

3. Strategy and Operations Committee

No.	Name of Member	Organisation	Position
1.	Dr. Mohamed Abdi Mohamed	CS, Ministry of Health Appointee	Chairperson
2.	Dr. Zakayo Kariuki Gichuki	County Executive Committee Caucus for Health	Member
3.	Ms. Jacinta Kathamu Mutegi	Consortium of Healthcare Providers	Member
4.	Mr. Samuel Kiptorus	Alternate Member, CS National Treasury	Member
5.	Mr. Elijah Wachira	Chief Executive Officer	Secretary

4. Finance Committee

No.	Name of Member	Organization	Position
1.	Mr. Samuel Kiptorus	Alternate Member, CS National Treasury	Chairperson
2.	Dr. Patrick Amoth	Ag. Director General for Health, Ministry of Health	Member
3.	Dr. Mohamed Abdi Mohamed	CS, Ministry of Health Appointee	Member
4.	Dr. Francis Atwoli	Central Organization of Trade Unions	Member
5.	Mr. Elijah Wachira	Chief Executive Officer	Secretary

Internal Auditors

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



During the Official unveiling of the Social Health Authority [SHA] Transition Committee on January 30, 2024 .

11. MANAGEMENT DISCUSSION AND ANALYSIS

Member Registration

Membership under the repealed NHIF Act was both statutory (employed) and voluntary (self-employed) to all Kenyans who are ordinarily residents in Kenya and who have attained the age of 18 years.

The financing was from a collection of three sources namely, Statutory Contributions from salaried employees, Informal Sector contributions for individual self-employed contributors and the poor and vulnerable (indigents) persons' contributions through sponsorship by National Government, County Governments, and other sponsors/donors. Membership was therefore categorized into Formal sector, Informal sector, and Sponsored Program.

New SHA Regulations on Member & Beneficiaries

The newly enacted Social Health Insurance Act, No. 16 of 2023 has now introduced three key Funds, namely; the Primary Health Fund, Social Health Insurance Fund and the Emergency, Chronic and Critical Illness Fund, where within ninety days upon the coming into force of the Regulations, every person resident in Kenya shall apply for registration to the Authority as a member of the Social Health Insurance Fund pursuant to section 26 of the Act.

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

Benefits

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

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

The essential healthcare benefits package under Social Health Insurance Fund shall comprise of integrated preventive, promotive, curative, rehabilitative and palliative health services provided at the level 4, 5 and 6 health facilities under the Social Health Insurance Fund.

The essential healthcare benefits package under the Emergency, Chronic and Critical Illness Fund shall comprise of:-

a) Emergency services that shall be provided by a licensed and certified healthcare provider or health facility in accordance with the essential healthcare benefits package.

b) Critical care services beyond the benefits in the essential healthcare benefits package of the Social Health Insurance Fund

c) Treatment and management of chronic illnesses beyond the benefits in the essential healthcare benefits package of the Social Health Insurance Fund.

PARTICULARS	SHA REGULATIONS
Process of registration	Can be done physically or online. application shall be made in Form 1 set out in the First Schedule to the Regulations and shall be accompanied by— • A copy of the national identification document of the applicant; or • In the case of a person without a national identification document, anyother document as may be approved by the Authority.'
Aided Registration	The Authority shall make special arrangements including availing mobile registration services for the registration of persons with disability, older persons, persons under lawful custody, the marginalized communities and persons incapacitated by illness
Amendment of Beneficiary	A contributor may amend the list of beneficiaries under his or her cover by Submitting to the Authority a duly filled Form 1 set out in the First Scheduleto the Regulations.
Notification of Registration	The Authority shall upon successful registration notify the applicant of the registration within fourteen days from the date of the registration.
Deregistration	The Authority shall deregister a person as a beneficiary upon the death of the person. Where a death occurs, the Principal Registrar of Births and Deaths appointed under section 3 of the Births and Deaths Registration Act shall notify the Authority of the death of the beneficiary and shall submit a copy of the certificate of death of the beneficiary to the Authority. Notwithstanding the provisions of sub regulation (2), a household shall notifythe Authority of the death of any beneficiary and shall submit a copy of thecertificate of death of the beneficiary to the Authority. The Authority, upon receipt of notification of the death of the beneficiary,shall— i. Retire the social health insurance number of the deceased beneficiary. ii. Revoke the Social Health Insurance Card of the deceased beneficiary. Where a deregistered person was making contributions on behalf of the household, the other beneficiaries shall continue to access benefits until theend of the period for which the contributions have been paid.
Members Data Protection	The Authority shall comply with the provisions of the Data Protection Act, 2019 and the Digital Health Act, 2023 inthe processing of personal data.

Member statistics

During the year under review, the total principal members in the database was **16,859,910**. The table below shows the growth in registered members.

Sector	Enrolled Members	Annual Target	New Members	% Achieved
Formal	5,057,429	176,721	75,787	**43%**
Informal	9,170,798	1,509,887	520,519	**34%**
Sponsored Programs	2,631,683	216,218	53,576	**25%**
Total	**16,859,910**	**1,902,826**	**649,882**	**34%**

The above data includes members registered under the Government sponsorship programs namely, HISP-OVC (253,400), HISP-OPPSD (58,800), Inua-Jamii (484,400) and UHC Indigents (904,205 registered at nationwide service points as well as selfcare platforms such as USSD, Mobile App and online registration.

Trends in membership registrations

New members registered as of 30th June 2024 was 751,119 as compared to 751,119 in FY 2022/2023 (32% decrease). This decline is attributed to low registration of members across all sectors as shown in the table below.

Quarter period	Financial year	Formal sector	Informal Sector	Total
Quarter 1	2021/22	24,475	360,035	384,510
Quarter 2		23,914	303,605	327,519
Quarter 3		41,022	155,177	196,199
Quarter 4		89,593	111,375	200,968
Total for the year		**179,004**	**930,192**	**1,109,196**
Quarter 1	2021/22	24,475	360,035	384,510
Quarter 2		23,914	303,605	327,519
Quarter 3		41,022	155,177	196,199
Quarter 4		89,593	111,375	200,968
Total for the year		**179,004**	**930,192**	**1,109,196**
Quarter 1	2022/23	59,509	132,499	192,008
Quarter 2		27,007	120,580	147,587
Quarter 3		16,877	218,942	235,819
Quarter 4		20,213	155,492	175,705
Total for the year		**123,606**	**627,513**	**751,119**
Quarter 1	2023/24	23,551	159,460	183,011
Quarter 2		16,582	116,591	133,173
Quarter 3		19,896	173,116	193,012
Quarter 4		15,758	124,928	140,686
Total for the year		**75,787**	**574,095**	**649,882**

Member retention per sector

Retention rate is based on the active members vis-à-vis the total population registered. In this context, active members are defined as the members who have paid at least one month's premium in 12 months. The performance for the 2023/2024 year as per this indicator is as shown below.

	(As at 30th June 2024)		% Retention
	Enrolled members	Active membership	
Formal	5,057,429	4,200,787	83%
Informal	9,170,798	1,819,175	20%
Sponsored Program	2,631,683	1,386,642	53%
TOTAL	**16,859,910**	**7,406,604**	**44%**

As of June 30th, 2024, the retention rate achieved was 44%. The formal sector which constitutes 55% of active membership, achieved a retention of 78% while the informal sector retention rate was 22% and sponsored program retention at 52%.

Revenue Performance

Overall

The National Health Insurance Fund's Financial Strategy identifies the following as sources of income:

- Statutory Contributions by members
- Government funding through the exchequer
- Sponsorship of vulnerable groups through partnerships
- Income from rental properties

As at 30th June 2024, the Fund had received contributions and premiums totalling to **Kes. 72.9 billion.** This was a **Kes. 9.9 billion** decrease from the **Kes. 82.8 billion** collected in the 2022/2023 financial year.

National Health Scheme Revenue

Kes. 40.2 billion was collected under the National Health scheme (NHS) during the year ended 30th June 2024. However, excluded in these amounts are statutory contributions for the enhanced schemes totalling to **Kes. 2.9 billion.** This therefore brings the net contributions under National Health Scheme to **Kes. 43.2 billion**.

Table below gives a summary of National Health Scheme net revenue earned during the 2023/2024 financial year.

STATUTORY CONTRIBUTIONS

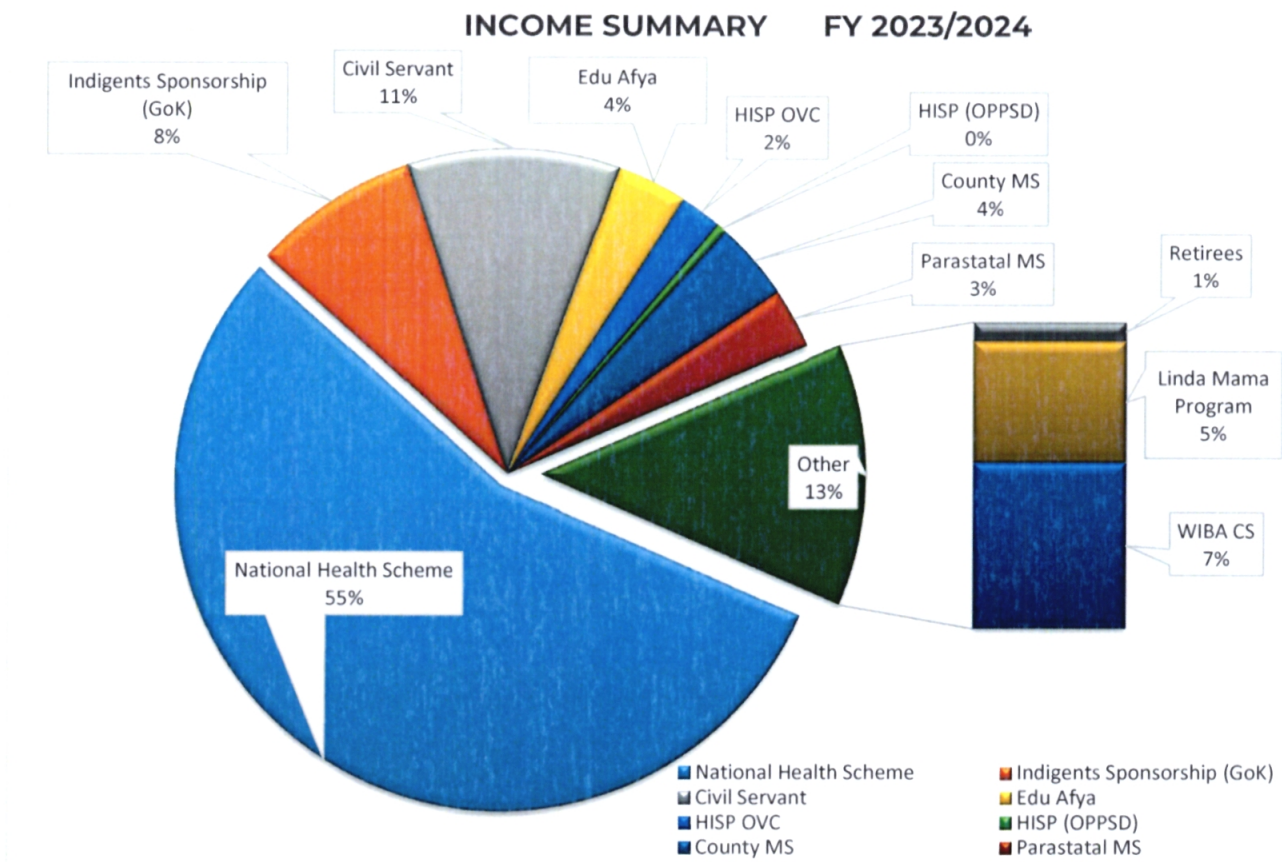
National Health Scheme	**AMOUNT (KES)**
Standard Contribution	34,724,000,681
Self Employed Contributions	5,283,335,577
Penalties	237,398,371
Total	**40,244,734,629**
Other Schemes	
Civil Servant Medical Scheme	1,757,779,200
County Medical Scheme	854,157,646
Parastatals Medical Schemes	366,692,663
Retirees Schemes	10,794,000
Total	**2,989,423,509**
GRAND TOTAL	**43,234,158,139**

Other Income

Included in the total revenue collected was other incomes of **Kes. 698,386,244**. This income comprises of; Interest from Investment, Agency Commission, Recoveries out of Provisions, Miscellaneous Receipts and Gain on Disposal, as disclosed in the Table below.

OTHER INCOMES	**AMOUNT (KES)**
Interest on investment	685,596,807
Agency Commissions	2,326,124
Recoveries out of Provisions	201,300
Miscellaneous Receipts	9,614,058
Gain on Disposal	647,955
Total	**698,386,244**

Income Distribution Chart



Total Expenditure

Main areas of expenditure included:

- Benefits Expenditure – payment to health care providers for the services rendered to the members of the various schemes.
- Administrative expenses – personnel, office administration and other operating expenses.
- Capital expenditure – Property, Plant and Equipment and ICT related expenses.

Benefits Utilization (Loss Ratio)

Total benefits pay-out incurred as at 30th June 2024 amounted to **Kshs. 68.3 billion** against contributions and premiums of **Kshs. 72.9 billion**. This reflects a loss ratio of **94% .**

The table below shows loss ratio per scheme.

Scheme	Contributions & Premiums (Earned)	Benefits	Utilization%
National Health Scheme	40,244,734,629	38,106,069,983	95%
GOK Sponsored Indigents (UHC)	6,000,000,000	3,606,503,209	60%
Civil Servant Medical Scheme	7,737,398,122	9,014,064,517	116%
Edu Afya Medical Scheme	2,545,302,046	3,397,623,458	133%
HISP OVC Program	1,520,400,000	598,457,325	39%
HISP (OPPSD) Program	352,800,000	171,095,250	48%
County Medical Scheme	2,895,817,760	1,326,374,980	46%
Parastatals Medical Schemes	2,156,877,924	2,299,003,469	107%
Retirees Schemes	603,938,537	1,023,868,469	170%
Linda Mama Program	3,745,430,263	3,745,430,263	100%
WIBA CS	5,146,377,439	5,012,085,650	97%
TOTAL	**72,949,076,719**	**68,300,576,571**	**94%**

Enhanced Scheme Receivables

Receivables from Enhanced Schemes as at 30th June 2024 stood at **Kes. 24.2 billion** as shown in the table below.

SCHEME	AMOUNT (KES)
National Health Scheme Receivable	5,596,158,850
GOK Sponsored Indigents (UHC) Receivable	1,000,000,000
Civil Servant Medical Scheme Receivable	5,009,258,403
NPS & KPS Scheme Receivable	1,338,789,314
HISP OVC Receivable	674,291,337
NPS & KPS Exgratia Receivable	334,865,139
HISP (OPPSD) Receivable	264,699,558
County Scheme Receivable	159,192,099
WIBA – Civil Servants' Receivable	9,722,006,162
Total	**24,099,260,862**

Personnel Emoluments and Other Administrative Expenses

Expenditure on Personnel Emoluments as at 30th June 2024 was **Kes. 5.3 billion** against year-to-date budget of **KES 5.6 billion,** representing a variance of **5%.** As at 30th June 2024, other operating expenses stood at **Kes. 2.9 billion** against year-to-date budget of **Kes. 3.8 billion**.

12. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Sustainability Strategy and Profile

The Fund remains committed to integrating environmental, social, and economic considerations into its operations and decision-making processes. In line with the Government commitment to develop and implement resilient Climate Change Action Plan, the Fund developed the Climate Change Policy that provides a framework to Guide in establishing a pathway towards building climate resilient health systems by developing and implementing appropriate initiatives and programs aligned to the Government of Kenya (GOK) Commitments to climate change for sustainable development.

The policy aims:

- To promote actions that will contribute to cutting greenhouse gas emissions;
- To foster the use of sustainable and green energy; To promote waste and waste-water management; To strengthen climate governance and partnerships;
- To establish a framework for monitoring and evaluation of implemented actions;
- and to enable the Fund to develop sustainable procurement mechanisms that promote environmentally friendly products and services.

Going forward, the Fund will continue to pursue a number of strategies to enhance gains in the economic, community and environmental fronts. These strategies will include:

- Increased innovations
- Strengthening the risk management framework
- Adherence to the national values and principles of governance as well as the corporate values
- Strengthening of the governance structures
- Automation and digitalization of the Fund business operations
- Operationalization of the Legal Framework (Social Health Authority Act of 2023 & the Regulations)
- Enhancing of the benefit package
- Mainstreaming climate change initiatives
- Pursuing environmentally friendly initiatives such as Planting and maintenance of trees, efficient use of power and water and recycling of wastepaper.

Further the Fund recognizes and accepts responsibility to enforce occupation health and safety OH&S management system requirements in the provision of a safe and health workspace/s that prevent work- related injuries and ill health to its workers and the interested parties.

The Fund is committed to the operational health and safety requirements, legal requirements and other requirements; as well as proactively continuously improving its OH&S performance. This shall be achieved by:

- ✓ Establishing, implementing and maintaining OH&S management systems to improve occupational health and safety
- ✓ Eliminating hazards and minimizing OH&S risks and capitalizing on the identified OH&S opportunities
- ✓ Addressing all OH&S management systems non-conformities associated with Fund activities
- ✓ Continual performance evaluation and monitoring of the OH&S management system to improve OH&S performance
- ✓ Consultation and participation of workers, and, where they exist, workers' representatives
- ✓ Allocation of the necessary resources to maintain OH&S management systems
- ✓ Provide timely access to clear, understandable and relevant information about the OH&S management system.



13. REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submit their report together with the financial statements for the year ended **June 30, 2024**, which show the state of the Fund's affairs.

i) Principal activities

The principal activity of the Fund is to receive income for healthcare financing of all its members.

ii) Results

The results of the Fund for the year ended **June 30, 2024**, are set out on pages **1 – 95**. Below is a summary of the profit or loss made during the year.

RESULTS	KES
Profit (Loss) before taxation	**(3,316,650,885)**
Tax Charge	(58,736,297)
Surplus (Deficit) for the year	**(3,375,387,182)**

iii) Board of Directors

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

iv) Auditors

The Auditor-General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or a Certified Public Accountant nominated by the Auditor General to carry out the audit of NHIF for the year ended **June 30, 2024**, in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board,

30/9/24

CS. TERRY ROTICH
AG. CORPORATE SECRETARY SHA

DATE

14. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act, Section 38 of the NHIF Act and Part VII on Financial Provisions of the Social Health Insurance Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the state corporation at the end of the financial year and the operating results of NHIF for that year. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of NHIF. The Directors are also responsible for safeguarding the assets of the Fund.

The Directors are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of NHIF for and as at the end of the financial year ended on **June 30, 2024**. These responsibilities include:

(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.

(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund.

(iii) Designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.

(iv) Safeguarding the assets of the Fund.

(v) Selecting and applying appropriate accounting policies and

(vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and the manner required the PFM Act 2012 and the State Corporations Act.

The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of NHIF's transactions during the financial year ended **June 30, 2024**, and of the Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of NHIF's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The National Health Insurance Fund financial statements were approved by the Board on 30/09/24 and signed on its behalf by:

DR. MOHAMED ABDI MOHAMED
CHAIRPERSON BOARD OF DIRECTORS SHA

MR. ELIJAH WACHIRA.
AG. CHIEF EXECUTIVE OFFICER SHA

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL HEALTH INSURANCE FUND FOR THE YEAR ENDED 30 JUNE, 2024

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 the National Health Insurance Fund set out on pages 1 to 90, which comprise of the statement of financial position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income,

statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Health Insurance Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the National Health Insurance Fund, Act 1998 (Revised, 2022) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Misstatement of National Health Scheme Contributions

The statement of profit or loss and other comprehensive income reflects national health scheme contributions balance of Kshs.40,244,734,629 as disclosed in Note 6 to the financial statements. Included in the amount is statutory contribution balance of Kshs.34,724,000,681 whose analysis of system-generated e-slip acknowledgment records revealed an amount of Kshs.27,175,999,300 resulting to an unexplained variance of Kshs.7,548,001,381. Further, analysis revealed that twenty-five thousand four hundred and seventy-seven (25,477) records with values amounting to Kshs.1,987,437,057 were duplicated. In addition, analysis of the individual e-slip acknowledgment records revealed that seven thousand two hundred and thirty-five (7,235) records with values amounting to Kshs.260,029,045 did not relate to the year under review, while another twenty thousand nine hundred and thirty-two (20,932) records valued at Kshs.1,759,408,611 lacked valid dates.

In the circumstances, the accuracy and completeness of statutory contributions amount of Kshs.34,724,000,681 could not be confirmed.

2. Benefits Expenses

The statement of profit or loss and other comprehensive income reflects total benefit expenses balance of Kshs.68,300,576,571 as disclosed in Notes 6 to 18 to the financial statements. However, the following unsatisfactory matters were noted;

2.1 Inaccuracies in Benefit Expenses

Analysis of the claims from the system revealed benefit expenses amounting to Kshs.68,961,086,934 resulting in an unexplained variance of Kshs.660,510,363. Further,

review of payment data against hospital billed amounts revealed variances amounting to Kshs.22,541,114,323 as tabulated below:-

Observation Category	Number of Records	Variance (Kshs.)
Negative visit amount but claim amounts were positive figures	23	144,918
Payment date (cheque date) is before claim date	174,369	3,170,710,592
Payment date (cheque date) is before admission date	6,014	74,693,880
Payment date (cheque date) is before discharge date	8,082	162,808,520
Voucher date (cheque date) is before admission date	45	112,500
Claims amount paid is above the amount invoiced (Bill amount)	144,412	1,290,843,447
Claims processed without pre-authorization	33,507	990,125,888
Claims reported after thirty days ceiling	926,486	16,851,674,578
Total		**22,541,114,323**

2.2 Variances in National Health Scheme Expenses

Included in the amount are National Health Scheme expenses balance of Kshs.38,106,069,983. However, review of the e-claim system revealed variances in caesarean section, normal delivery, drugs and substance abuse, kidney transplants and daily rebate of Kshs.11,817,412, Kshs.44,597,041, Kshs.75,883,831, Kshs.10,034,108 and Kshs.4,791,068 respectively, totaling Kshs.137,089,352. The variances were attributed to calculation of claims using erroneous rates or number of days.

In the circumstances, the accuracy and completeness of the benefit expenses balance of Kshs.68,300,576,571 could not be confirmed.

3. Variances in Unquoted Investments

The statement of financial position and as disclosed in Note 28 to the financial statements reflects unquoted investment balance of Kshs.120,736,974. The amount represents loan balance of Kshs.120,736,974 advanced by the Fund to Moi Teaching and Referral Hospital (MTRH) at an interest rate of 3% per annum. However, MTRH financial statements reflect a balance of Kshs.129,900,997 resulting to unexplained variance of Kshs.9,164,023. Further, the unquoted investment balance of Kshs.120,736,974 was net provision for impaired investment amount of Kshs.54,200,000 which relates to shares in a local bank which were not traded or dividends paid in the past.

In the circumstances, the accuracy of the unquoted investments balance of Kshs.120,736,974 could not be confirmed.

4. Unsupported Claim Reserves

The statement of financial position and as disclosed in Note 35 to the financial statements reflects a net Incurred But Not Reported (IBNR) debit balance of Kshs.14,598,159,278 as at the end of year in comparison with the prior year debit balance of Kshs.3,923,285,349. However, the Fund did not obtain an actuarial certification for the IBNR reserves at the end of the year balance of Kshs.21,327,733,846 comprising of beginning of the year balance of Kshs.19,641,338,962 and IBNR for the year balance of Kshs.1,686,394,884. Instead Management relied on the prior year's actuarial certificate and did not demonstrate to the audit the actuarial methods or statistical procedures applied to estimate the IBNR reserve.

In the circumstances, the accuracy and valuation of Incurred But Not Reported (IBNR) claims reserves negative balance of Kshs.14,598,159,278 could not be confirmed.

5. Inaccuracies in Trade Payables

The statement of financial position reflects trade payables balance of Kshs.28,877,264,847 as disclosed in Note 37 to the financial statements. Included in the balance are hospital claims payable totaling to Kshs.21,378,129,452. However, analysis from the system revealed an amount of Kshs.23,146,082,846 resulting to an unexplained variance of Kshs.1,767,953,394. Further, circularization of outstanding balances from four (4) sampled hospitals with reported balances of Kshs.511,120,899 revealed an amount of Kshs.721,925,812 as owing resulting in an understatement of Kshs.210,804,913. In addition, the balances were not supported by an aging analysis indicating how long the claims had been outstanding.

In the circumstances, the accuracy and completeness of hospital claims payable balance of Kshs.21,378,129,452 could not be confirmed.

6. Property, Plant and Equipment

The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.12,633,367,728 which includes land valued at Kshs.298,589,665. The following unsatisfactory issues were however noted:-

6.1. Disputed Ownership of Land

Included in the land balance is land measuring 10 hectares valued at Kshs.93,712,675. However, as previously reported, the ownership of the parcel of land was in dispute and the matter is in Court. Further, available information indicated that the Directorate of Criminal Investigations (DCI) commenced investigations to establish whether there was fraudulent transfer of land ownership. However, the progress made on the investigations on the land parcel has not been disclosed in the financial statements.

In the circumstances, the rightful ownership to land valued at Kshs.93,712,675 could not be confirmed.

6.2. Doubtful Work-In-Progress at Karen Land

Included in property, plant and equipment balance is capital work in progress balance of Kshs.1,444,687,484 relating to payments for drawings and designs for the proposed Resource Centre. However, as previously reported, the construction of the Resource Centre had not commenced since the acquisition of the land. Management explained that the delay in construction was due to lack of approval from the parent Ministry and the land ownership dispute in court.

Although the issue had been discussed by the Public Investment Committee, no action had been taken on the Committee recommendation to the Fund to expeditiously pursue the prosecution of the case to its logical conclusion.

In the circumstances, the existence and fair value of capital work in progress balance of Kshs.1,444,687,484 could not be confirmed.

7. Long Outstanding Return to Drawer Cheques

The statement of financial position and Note 30 to the financial statements reflects other receivables balance of Kshs.485,396,896. The balance includes a balance of Kshs.14,589,681 in respect of return to drawer cheques. However, the amount have been long outstanding with some dating back to the year 2013 but have not been reversed and replaced to date.

In the circumstances, the accuracy of return to drawer cheques amounting to Kshs.14,589,681 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.94,914,128,815 and Kshs.80,131,250,619 respectively resulting to a shortfall of Kshs.14,782,878,196 or 16% of the revenue budget.

The shortfall affected the execution of the planned programmes and activities and may have negatively impacted on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters which, in my professional judgment, are of most significance in the audit of the financial statements. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.
I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risk of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my opinion on the accompanying financial statements.

Key Audit Matter	How the Audit Addressed the Key Audit Matter
Claim Payables The statement of financial position reflects trade (claims payable) payables amount of Kshs.28,877,264,847 as disclosed in Note 37 to the financial statements. Focus was given to the trade payables due to the materiality of the balance after the Fund introduced Incurred But Not Reported (IBNR) Reserves in Note 35 to the financial statements which serves as an estimate of the liability for claim-generating events that have taken place but have not yet been reported to the insurer or self-insurer. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period. The Fund's IBNR estimates are computed quarterly. These estimates are then shared with management for inclusion in the financial statements and supported by a certification by a competent actuarial consultant. Further, during the year under review the claims payables balance increased by	**We performed the following Procedures: -** i. Obtained an understanding of the Fund's trade payables. ii. Tested the key controls over the administration of the claims in the claims system. iii. Tested the accuracy and completeness of the Fund's claims data with their supporting documents. iv. Selected a sample of trade payables and carried out circularization to determine the accuracy and completeness of the claims reported during the year. v. Assessed the disclosures included in the financial statements, including their compliance with the requirements of IFRS. vi. Confirmed if the creation of the reserve was done as per requirements of IFRS.

Key Audit Matter	How the Audit Addressed the Key Audit Matter
Kshs.12,357,699,712 from the restated 2022/2023 balance of Kshs.16,519,565,135 to Kshs.28,877,264,847 for the current period.	vii. Confirmed if the opening balances were adjusted as the claims adjustment was pervasive.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above, provide the basis for my audit opinion on the accompanying financial statements.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues as at 30 June, 2024.

Other Information

The Directors are responsible for the Other Information set out on page iii to xlix which comprise of Key Information, the Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting 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 Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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. Duplication of Oversight Roles by Fund Board and Transition Committee

The National Health Insurance Fund (NHIF) Act, 2022 was repealed with effect from the 22 November, 2023 with the role of the Board being limited to winding up the Fund within a period of one year. Subsequently, a Transition Committee was appointed vide Gazette Notice No.603 of 2024 by the Cabinet Secretary on 25 January, 2024 for a period of six (6) months with the mandate of ensuring smooth transition from the Fund to the Social Health Authority (SHA). This is indicative of both the Fund Board and the Authority's Transition Committee were duplication of mandates.

This was contrary to Section 6(1) of the first schedule on transitional provisions of the Social Health Insurance Act, 2023 which stipulates that notwithstanding the provisions of paragraph (2), the Fund Board shall wind up the Fund within one year from the appointed day and the cash balances and all other assets shall be transferred to the Authority.

In the circumstances, the appointing authority to the Transition Committee was in breach of the law while value for money could not be confirmed from the expenditure on the Fund Board and Transition Committee.

2. Staff Cost

The statement of profit or loss and other comprehensive income reflects staff cost balance of Kshs.5,311,457,619 and as disclosed in Note 21 to the financial statements. However, the following unsatisfactory matters were noted:

2.1 Over Payment of Basic Salaries

Included in the amount is basic pay totalling Kshs.4,434,726 paid to twenty-three (23) members of staff above the approved limit and Kshs.458,000 paid as house allowances paid to twelve (12) staff members above the approved limit provided in the Collective Bargaining Agreement. Further, there was no clear framework on how recoveries would be made as the organization is under transition and the Fund's staff have been deployed back to Public Service Commission. The overpayment was also contrary to Salaries and

Remuneration Commission (SRC) letter dated January 2019 on salaries and allowances for NHIF employees.

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

2.2 Staff Earning Less than One-Third Rule on Basic Pay

Analysis of the payroll data revealed that six hundred and twenty-five (625) employees received net salaries that were less than one-third of their basic pay. This was contrary to Section19(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 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.

2.3 Irregular Payment of Acting Allowances

Analysis of the payroll data revealed that fifty-four (54) officers served in acting capacity for more than six (6) months and received acting allowance amounting to Kshs.29,788,168. Although Management attributed extended acting appointments to transitional period where some posts remained vacant or were redefined as part of the integration of NHIF staff into Social Health Authority. The Social Health Insurance Act, 2023 did not provide for integration of NHIF staff to the Authority. In addition, there was no evidence of Social Health Authority Board deliberation and approval of the fifty-four (54) staff members to act in the respective positions. This was contrary to Section 4.5.5 of Fund Human Resource Policy and Procedures Manual on Acting allowance which states that appointment on acting basis is a temporary measure pending the substantive filling of the vacant post by either recruitment or resumption of duty by the substantive holder of the post.

In the circumstances, Management was in breach of the Fund's Human Resource Policy and Procedures Manual.

3. Irregular Secondment of Legal Officer

Review of Board of Management minutes revealed that the Board made a request to the Cabinet Secretary vide letter dated 24 November, 2023 for the secondment of a legal officer to support in its activities which was approved by the Cabinet Secretary on 19 January, 2024. However, there was no evidence that the secondment request was submitted and approved by the Public Service Commission. This was contrary to Section 42 of the Public Service Commission Act, 2017 which states; (1) The authority to second a public officer shall vest in the Commission and shall be carried out on the request of an

authorized officer or a public officer and (5) An authorized officer or other lawful authority shall not approve a request for secondment unless the Commission has approved the secondment in writing.

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

4. Irregular Appointment of Board Liaison Person

Review of Board minutes and attendance register revealed a Board Liaison or the Acting Board Liaison Officer who undertook Corporation Secretary duties without evidence of appointment by the Board. This was contrary to Section 1.8(5) of the Mwongozo Code of Governance for State Corporation, 2015 which states that the Corporation Secretary should attend all Board meetings and, in their absence, or inability to attend for whatever reason, the Board will appoint a Secretary for the meeting from amongst the staff of the Corporation.

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

5. Irregularities in the Procurement Process

The statement of profit or loss and other comprehensive income reflects other operating expenses balance of Kshs.2,902,892,412 as disclosed in Note 23 to the financial statements. Included in the expenditure is hospitality and office refreshments amount of Kshs.39,950,547 out of which an amount of Kshs.11,680,602 was in respect of procurements where professional opinions were issued without Evaluation Committee report. This was contrary to section 84(1) of the Public Procurement and Asset Disposal Act, 2015 which states that the Head of procurement function of a procuring entity shall, alongside the report to the Evaluation Committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the Accounting Officer on the procurement or asset disposal proceedings.

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

6. Un-surrendered Temporary Imprest

The statement of financial position reflects other receivables balance of Kshs.485,396,896 as disclosed in Note 30(a) to the financial statements. Included in the amount is temporary imprest balance of Kshs.6,129,143 out of which an amount of Kshs.3,873,310 had not been surrendered for a period of more than one year. This was contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2020 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

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

7. Construction of Multi Storey Car Park

As previously reported, the Fund entered into an agreement with a local construction firm for the construction and completion of a multi-storey car park at a contract sum of Kshs.909,709,305 which was revised to Kshs.1,179,611,756. Review of records revealed that the project commenced in May, 2002 and was completed at a cost of Kshs.3,342,120,239 in July, 2008, five (5) years after the scheduled completion date of August, 2003. Further, expenditure totalling Kshs.626,635,998 and Kshs.4,706,521 was incurred in 2009/2010 and 2010/2011 financial years respectively on the car park, increasing its total cost to Kshs.3,973,462,758 and resulting to a contract variation of Kshs.3,063,753,453 or 337% of the original contract. Management did not provide satisfactory explanation for the unjustified increase of the total cost of the Project.

Although the issue was discussed by the PIC, no action has been taken on the Committee recommendations that the Ethics and Anti-Corruption Commission should institute and fast-track investigation on the project. Management did not provide any progress report from the Commission.

In the circumstances, the value for money on the variation of contract for the multi-storey car park of Kshs. 1,179,611,756 could not be confirmed.

8. Transitional Arrangements

The statement of profit or loss and other comprehensive income reflects other operating expenses balance of Kshs.2,902,892,412 and as disclosed in Note 23 to the financial statements. Included in the amount is transition committee expenses amounting to Kshs.48,560,900 charged under various votes. However, the following unsatisfactory matters were noted:-

8.1 Failure to Adopt the Transition Committee Report

The Transition Committee was appointed vide gazette notice No.603 of 2024 by the Cabinet Secretary on 25 January 2024 for a period of six (6) months and had the mandate of ensuring smooth transition from National Health Insurance Fund (NHIF) to the Social Health Authority (SHA). However, there was no evidence that the Transition Committee report was adopted for implementation by either the Cabinet Secretary, NHIF Board or SHA Board.

8.2 Lack of Assets and Liabilities Transfer and Handover Plan

The Transition Committee team conducted a country wide verification of assets of assets and liabilities but the term lapsed before formulation of an Assets and Liabilities Transfer and Handover Plan. This Plan would have documented assets that were ready for immediate transfer, the legal transfer instruments of assets and liabilities and assets and liabilities that require further audit and verification. This therefore indicates that some of the Committee's terms of reference were not achieved.

8.3 Unapproved Human Resources Instruments

The Transition Committee Terms of Reference included the classification of Social Health Authority (SHA) by the State Corporations Advisory Committee (SCAC), review of qualifications of all staff, formation of Human Resource (HR) Instruments, including proposed staff establishment, job description manual and a Comprehensive Employee Transition Advisory. However, at the time of audit, only the establishment and staff structure were approved while the job description and other instruments were yet to be approved.

In the circumstances, the lack of clear guideline and framework on implementation of transitional provisions and inability of the Transition Committee to fully execute its terms of reference may have affected the ability of the Fund to fully execute its functions under transitional arrangements.

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. Inadequacies of Information Technology Policies and Ecosystem

Review of the Fund's information system and environment revealed the following weaknesses;

1.1 Out-dated and Non-Operationalized Policies

During the year under review, the Fund did not have an approved Business Continuity Plan and backups were not being tested for successful restoration. In addition, contrary to Clause 8 of the ICT Policy dated 2016, the policy was not updated after three years or from time to time as deemed necessary. Further, the Fund had not developed procedures

or manuals to show how the policy statements were to be operationalized, specific responsibilities for tasks, or specific work areas to be accomplished.

In the circumstances, the effectiveness of internal controls on the Fund's information systems may not be adequately safeguarded against emerging IT risks. In addition, Board and Senior Management intent as spelt out in the ICT policy may not be achieved.

1.2 Use of Unsupported Software

Review of the Fund's software asset register revealed that certain computers and servers were operating on systems which had reached the end of support from Microsoft.

In the circumstances, the effectiveness of internal controls on the Fund running the software expose the Fund information systems to risk of unauthorized access which may compromise confidentiality, integrity and availability of information assets.

1.3 Limited Access to System Logs

It was noted that the e-claims system at the Fund was outsourced and the System Administrators had restricted access to the Write-Ahead Log (WAL) files within the e-claims system. These log files are crucial for audit verification of transactional data but could not be accessed, as administrative privileges, including full access to these critical files, are exclusively managed by the system vendor.

In the circumstances, the effectiveness of internal controls on the e-claim system on access right could not be confirmed.

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

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

The Board of Directors is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I 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

31 December, 2024

16. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2024

	Note	AS AT 30TH JUNE 2024	RESTATED BALANCE 30TH JUNE 2023	AUDITED 30TH JUNE 2023
REVENUES		**KES**	**KES**	**KES**
National Health Scheme Contributions	6	40,244,734,629	38,091,361,156	38,091,361,156
GOK Sponsored Indigents (UHC) Premium	7	6,000,000,000	6,000,000,000	6,000,000,000
Civil Servant Scheme Contributions & Premium	8	7,737,398,122	7,636,775,103	7,636,775,103
NPS & KPS Scheme Contributions & Premium	9	-	4,577,241,910	4,577,238,410
Edu Afya Medical Scheme Premium	10	2,545,302,046	5,247,268,613	4,050,000,000
HISP OVC Program Premium	11	1,520,400,000	1,520,400,000	1,520,400,000
HISP (OPPSD) Program Premium	12	352,800,000	352,800,000	352,800,000
County Scheme Contributions & Premium	13	2,895,817,760	3,434,613,174	3,434,613,174
Parastatal Schemes Contributions & Premium	14	2,156,877,924	2,213,985,086	2,213,985,086
Retirees Schemes Premium	15	603,938,537	487,110,593	426,842,665
Linda Mama Program Premium	16	3,745,430,263	4,134,909,678	4,134,909,678
WIBA – NPS & KPS Premium	17	-	2,295,594,440	2,295,594,440
WIBA – Civil Servants Premium	18	5,146,377,439	6,861,836,585	6,861,836,585
TOTAL REVENUES		**72,949,076,719**	**82,853,896,339**	**81,596,356,297**
BENEFITS EXPENSES				
National Health Scheme Expenses	6	38,106,069,983	34,362,413,090	34,362,413,090
GOK Sponsored Indigents (UHC) Expenses	7	3,606,503,209	3,329,282,962	3,329,282,962
Civil Servant Scheme Expenses	8	9,014,064,517	9,253,322,104	9,253,322,104
NPS & KPS Scheme Expenses	9	-	1,287,328,411	1,287,328,411
Edu Afya Medical Scheme Expenses	10	3,397,623,458	4,324,442,836	4,324,442,836
HISP OVC Program Expenses	11	598,457,325	504,235,421	504,235,421
HISP (OPPSD) Program Expenses	12	171,095,250	141,619,608	141,619,608
County Scheme Expenses	13	1,326,374,980	1,642,009,767	1,642,009,767
Parastatal Schemes Expenses	14	2,299,003,469	2,177,264,508	2,177,264,508
Retirees Schemes Expenses	15	1,023,868,469	934,659,385	934,659,385
Linda Mama Benefit Expenses	16	3,745,430,263	4,134,909,678	4,134,909,678
WIBA – NPS&KPS Expenses	17	-	2,444,109,514	2,393,503,620
WIBA – Civil Servants Expenses	18	5,012,085,650	6,401,863,732	6,401,863,732
TOTAL BENEFIT EXPENSES		**68,300,576,571**	**70,937,461,014**	**70,886,855,120**
GROSS SURPLUS FROM OPERATIONS		**4,648,500,148**	**11,916,435,325**	**10,709,501,178**
Rental Income	19	195,787,656	208,588,056	-
Other Incomes	20	698,386,244	921,706,479	1,200,511,997
TOTAL REVENUES		**5,542,674,048**	**13,046,729,859**	**11,910,013,175**
OPERATING EXPENSES				
Staff Costs	21	5,311,457,619	5,292,182,436	5,289,051,147
Board Expenses	22	30,821,562	33,427,343	33,427,343
Other Operating Expenses	23	2,902,892,412	2,897,127,755	2,920,271,196
Depreciation of PPE	24	250,327,275	243,808,479	243,808,479
Amortization of Intangible Assets	25	363,826,065	368,873,105	368,873,105
Total Operating Expenses		**8,859,324,933**	**8,835,419,119**	**8,855,431,271**
PROFIT (LOSS) BEFORE TAXATION		**(3,316,650,885)**	**4,211,310,740**	**3,054,581,904**
Tax Charge	19	(58,736,297)	(62,576,417)	(46,996,260)
SURPLUS (DEFICIT) FOR THE YEAR		**(3,375,387,182)**	**4,148,734,324**	**3,007,585,644**

17. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	AS AT 30TH JUNE 2024	RESTATED BALANCE 30TH JUNE 2023	AUDITED 30TH JUNE 2023
ASSETS		KES	KES	KES
Non-Current Assets				
Property, Plant and Equipment	24	12,633,367,728	12,822,380,252	12,848,439,122
Intangible Assets	25	273,242,496	637,068,561	637,068,561
Receivable - South B Estate Mortgage	26	32,618	32,618	32,618
Long Term Deposits	27	1,397,079,095	1,371,312,203	1,371,312,143
Unquoted Investments	28	120,736,974	152,755,929	226,762,637
Total Non-Current Assets		**14,424,458,912**	**14,983,549,562**	**15,083,615,081**
Current Assets				
Trade Receivables	29	23,988,018,929	19,234,407,658	19,113,572,813
Other Receivables	30	485,396,896	495,321,206	447,201,868
Short Term Deposits	31	100,000,000	8,232,200,000	8,232,200,000
Cash and Bank Balances	32	1,197,760,818	3,726,586,694	3,726,586,694
Total Current Assets		**25,771,176,643**	**31,688,515,558**	**31,519,561,375**
TOTAL ASSETS		**40,195,635,554**	**46,672,065,120**	**46,603,176,456**
EQUITY AND LIABILITIES				
Capital and Reserves				
Accumulated Fund	33	12,209,923,340	12,209,923,340	12,209,923,340
Retained Earnings	34	9,598,503,950	12,973,891,132	12,154,154,139
Incurred But Not Reported (IBNR) Claims Reserves	35	(14,598,159,278)	(3,923,285,349)	(3,923,285,349)
Total Capital and Reserves		**7,210,268,012**	**21,260,529,124**	**20,440,792,130**
Current Liabilities				
Deferred Income	36	2,445,603,038	7,259,628,689	8,473,232,143
Trade Payables	37	28,877,264,847	16,519,565,135	16,468,959,241
Other Payables	38	1,042,766,978	728,519,436	754,578,306
Tax Payable	39	126,693,294	68,572,542	5,996,126
Provision for Liabilities	40	493,039,385	835,250,194	459,618,511
Total Current Liabilities		**32,985,367,542**	**25,411,535,997**	**26,162,384,327**
TOTAL EQUITY AND LIABILITIES		**40,195,635,554**	**46,672,065,120**	**46,603,176,456**

The financial statements on pages **1 to 95** were approved by the Board of Management on 30/9/24 and signed on its behalf by:

DR. MOHAMED ABDI MOHAMED
Chairperson SHA

MR. ELIJAH WACHIRA.
Ag. Chief Executive Officer SHA

CPA Robert M. Ingasira
Director Financial Services NHIF
ICPAK M/NO: 3594

18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

	Accumulated Fund	Retained Earnings	Total
	KES	KES	KES
NOTE	33	34	
At July 1, 2022	12,209,923,340	8,825,156,809	21,035,080,149
Changes in the year / Total comprehensive income	-	4,148,734,323	4,148,734,323
At June 30, 2023	12,209,923,340	12,973,891,132	25,183,814,472
At July 1, 2023	12,209,923,340	12,973,891,132	25,183,814,472
Changes in the year / Total comprehensive income	-	(3,375,387,182)	(3,375,387,182)
At 30th June, 2024	12,209,923,340	9,598,503,950	21,808,427,290

Adjustments to FY 2022/23

As per The National Treasury requirement, Surplus for the year ended 30th June 2023 was restated from Kshs. 3,007,585,644 to Kshs. 4,148,734,323 as a result of:

- *Less: Kshs. 3,131,289.00 - Staff Cost (Note 21) and Provision for Liabilities (Note 40).*
- *Add Kshs. 60,267,928.40 - Retirees Scheme Premiums (Note 15) and Retirees Scheme Receivables (Note 29).*
- *Add Kshs. 1,365,990.00 - Travel & Accommodation (Note 23) and Provision for Board of Survey (Note 40).*
- *Less Kshs. 1,443,811.39 - Interest on Investment (Note 20) and MTRH Loan (Note 28).*
- *Less Kshs. 62,576,416.79 - Rental Income Tax Expense (Note 19) and Rent Income Tax Payable (Note 39).*
- *Add Kshs. 60.00 - KCB (S&L) Mortgage Scheme (Note 27) and Interest on Investment (Note 20).*
- *Add Kshs. 1,197,268,612.75 - Eduafya Scheme Premiums (Note 10) and Eduafya Deferred Income (Note 36).*
- *Add Kshs. 3,500.00 - NPS/KPS Scheme Premiums (Note 9) and NPS/KPS Scheme Receivable (Note 29).*
- *Less Kshs. 350,000.00 - WIBA (NPS/KPS) Group life Expenses (Note 17) and WIBA Claims Payable (Note 37).*
- *Less Kshs. 50,255,894.40 - WIBA (NPS/KPS) Benefits Expense (Note 17) and WIBA Claims Payable (Note 37).*

Grand Total: Kshs. 1,141,148,679.05.

Adjustments to FY 2021/22

*Retained Earnings as at 1st July 2022 **(Note 34)** was restated from Kshs. 9,146,568,495 to Kshs. 8,825,156,809 as a result of: -*

- *Less: Kshs. 373,887,520.00 - Provision for Tax Liability **(Note 40)**.*
- *Less: Kshs. 164,053.98 - Provision for Salary Arrears **(Note 40)**.*
- *Less: Kshs. 161,047,182.89 - Retirees Scheme Receivable **(Note 29)**.*
- *Less Kshs. 150,675,238.20 - Retirees Scheme Receivable **(Note 29)**.*
- *Add Kshs. 185,190.00 - Provision for Board of Survey **(Note 40)**.*
- *Less Kshs. 3,762,656.78 - MTRH Loan **(Note 28)**.*
- *Less Kshs. 27,917,200.00 - MTRH Loan **(Note 28)**.*
- *Add Kshs. 7,236,298.08 - Sundry Debtors **(Note 30)**.*
- *Add Kshs. 190,200,000.00 - HISP (OPPSD) Receivable **(Note 29)**.*
- *Add Kshs. 152,598,168.79 - Eduafya Deferred Income **(Note 36)**.*
- *Add: Kshs. 267,893,620.08 - WIBA Civil Servants Receivable **(Note 29)**.*
- *Add Kshs. 204,690,166.67 - HISP (OVC) Receivable **(Note 29)**.*
- *Less Kshs. 7,861,625.00 - WIBA NPS/KPS Receivable **(Note 29***
- *Add Kshs. 97,246,525.00 - NPS/KPS Scheme Receivable **(Note 29)**.*
- *Less Kshs. 516,146,177.20 - Civil Servants Scheme receivable **(Note 29)**.*

Grand Total: Kshs. (321,411,685.43).

19. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Notes	AS AT 30TH JUNE 2024 KES	RESTATED BALANCE 30TH JUNE 2023 KES	AUDITED 30TH JUNE 2023 KES
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash generated from/ (used) in operations	41(a)	(11,233,471,652)	(3,500,529,860)	(3,449,168,106)
Tax Paid	19	(58,736,297)	(62,576,417)	(46,996,260)
Net cash generated/ (used) in from operations		**(11,292,207,948)**	**(3,563,106,276)**	**(3,496,164,366)**
CASHFLOWS FROM INVESTING ACTIVITIES				
Interest from investment	20	685,596,807	901,907,178	903,350,929
Proceeds from Disposal of Property, Plant and Equipment	20	647,955	-	(94,636,944)
Purchase of Property, Plant and Equipment	24	(61,314,751)	(68,578,074)	-
Investment in (Redemption of) Long-term Deposit	27	(25,766,893)	(25,080,524)	(25,080,464)
(Purchase) Redemption of unquoted investment	28	32,018,954	126,456,855	84,130,003
Net cash generated from/ (used in) investing activities		**631,182,073**	**934,705,435**	**867,763,525**
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(10,661,025,876)**	**(2,628,400,842)**	**(2,628,400,842)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,958,786,694	14,587,187,535	14,587,187,535
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	41(b)	**1,297,760,818**	**11,958,786,694**	**11,958,786,694**

20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2024

	FY 2023/2024 Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Utilization
REVENUES						
National Health Scheme Contributions	55,058,361,996.00	-	55,058,361,996	40,244,734,629	(14,813,627,367)	-27%
GOK Sponsored Indigents (UHC) Premium	9,000,000,000.00	-	9,000,000,000	6,000,000,000	(3,000,000,000)	-33%
Civil Servant Scheme Contributions & Premium	6,044,328,300.00	-	6,044,328,300	7,737,398,122	1,693,069,822	28%
NPS & KPS Scheme Contributions & Premium	-	-	-	-	-	-
Edu Afya Medical Scheme Premium	4,725,000,000.00	-	4,725,000,000	2,545,302,046	(2,179,697,955)	-46%
HISP OVC Program Premium	1,520,400,000.00	-	1,520,400,000	1,520,400,000	-	0%
HISP (OPPSD) Program Premium	352,800,000.00	-	352,800,000	352,800,000	-	0%
County Scheme Contributions & Premium	2,993,309,585.00	-	2,993,309,585	2,895,817,760	(97,491,825)	-3%
Parastatal Schemes Contributions & Premium	1,535,579,405.00	-	1,535,579,405	2,156,877,924	621,298,519	40%
Retirees Schemes Premium	384,146,.00	-	384,146,433	603,938,537	219,792,104	57%
Linda Mama Program Premium	4,098,000,000.00	-	4,098,000,000	3,745,430,263	(352,569,737)	-9%
WIBA – NPS&KPS Premiums	-	-	-	-	-	-
WIBA – Civil Servants Premiums	6,776,155,665.00	-	6,776,155,665	5,146,377,439	(1,629,778,226)	-24%
WIBA – NMS Premiums	-	-	-	-	-	-
TOTAL REVENUES	**92,488,081,384**	**-**	**92,488,081,384**	**72,949,076,719**	**(19,539,004,665)**	**-21%**
BENEFITS EXPENSES	-					
National Health Scheme Expenses	43,248,438,132	-	43,248,438,132	38,106,069,983	5,142,368,148	12%
GOK Sponsored Indigents (UHC) Expenses	7,650,000,000	-	7,650,000,000	3,606,503,209	4,043,496,791	53%
Civil Servant Scheme Expenses	7,341,126,208	-	7,341,126,208	9,014,064,517	(1,672,938,309)	-23%
NPS & KPS Scheme Expenses	-	-	-	-	-	-
Edu Afya Medical Scheme Expenses	4,298,910,353	-	4,298,910,353	3,397,623,458	901,286,896	21%
HISP OVC Program Expenses	1,292,340,000	-	1,292,340,000	598,457,325	693,882,675	54%
HISP (OPPSD) Program Expenses	299,880,000	-	299,880,000	171,095,250	128,784,750	43%
County Scheme Expenses	3,823,734,987	-	3,823,734,987	1,326,374,980	2,497,360,007	65%
Parastatal Schemes Expenses	1,796,023,565	-	1,796,023,565	2,299,003,469	(502,979,904)	-28%
Retirees Schemes Expenses	354,520,365	-	354,520,365	1,023,868,469	(669,348,105)	-189%
Linda Mama Benefit Expenses	4,098,000,000	-	4,098,000,000	3,745,430,263	352,569,737	9%
WIBA – NPS&KPS Expenses	-	-	-	-	-	-
WIBA – Civil Servants Expenses	6,776,155,666	-	6,776,155,666	5,012,085,650	1,764,070,016	26%
WIBA – NMS Expenses	-	-	-	-	-	-
TOTAL BENEFIT EXPENSES	**80,979,129,274**	**-**	**80,979,129,274**	**68,300,576,571**	**12,678,552,703**	**16%**

	FY 2023/2024 Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Utilization
GROSS SURPLUS	**11,508,952,110**	**-**	**11,508,952,110**	**4,648,500,148**	**(6,860,451,962)**	-60%
Rental Income	195,787,656	-	195,787,656	195,787,656	-	0%
Other Income	2,230,259,775	-	2,230,259,775	698,386,244	(1,531,873,531)	-69%
TOTAL REVENUES	**13,934,999,541**	**-**	**13,934,999,541**	**5,542,674,048**	**(8,392,325,493)**	**-60%**
OPERATING EXPENSES						
Staff Costs	6,219,385,740	(609,197,260)	5,610,188,480	5,311,457,619	298,730,861	5%
Board Expenses	30,000,000	30,000,000	60,000,000	30,821,562	29,178,438	49%
Other Operating Expenses	3,311,292,474	579,197,260	3,890,489,734	2,902,892,412	987,597,322	25%
Depreciation & Amortization	644,750,000	-	644,750,000	614,153,340	30,596,660	5%
TOTAL OPERATING EXPENSES	**10,205,428,214**	**-**	**10,205,428,214**	**8,859,324,933**	**1,346,103,281**	**13%**
SURPLUS BEFORE TAXATION	3,729,571,327	-	3,729,571,327	(3,316,650,885)	(7,046,222,212)	-189%
Tax Charge	-	-	-	(58,736,297)	(58,736,297)	
TOTALS/ SURPLUS FOR THE YEAR	**3,729,571,327**	**-**	**3,729,571,327**	**(3,375,387,182)**	**(7,104,958,508)**	**-191%**

EXPALANTIONS FOR VARIANCES

Revenue

I. **National Health Scheme:** Performance of 73% compared to target.
   - The low performance is attributed to the low member retention rate especially in the informal sector affecting the revenue collected.
   - The migration to a single centralized government paybill (e-citizen) brought in several challenges, notably the introduction of complex procedures such as the prefix "NHIFM" for remittances from self-employed members. These complexities made it hard for members to easily enroll and remit contributions.
   - The uncertainty surrounding the transition has led many prospective members to adopt a 'wait-and-see' attitude before registration with SHIF in anticipation of reduction of the premium to Kes. 300. This cautious stance has negatively affected membership growth and revenue collection.

II. **GoK Indigents Sponsorship Program:** Performance of 67% compared to target.
   - The NHIF had budgeted for upscaling of UHC program as per the Government plan and requirement for financing by the MOH. However, the Government allocation was kept within the previous budget at 6 billion.

III. **EduAfya medical scheme:** Performance of 54% compared to target.
   - The EduAfya cover came to an end on 31st December 2024 and was not renewed due to the new SHI Act that prohibits SHA from managing enhanced schemes. The premiums are therefore for a period of 6 months and the budget is annual.

IV. **Parastatal Medical Schemes:** Performance of 140% compared to target.

V. **Retirees Medical Schemes:** Performance of 157% compared to target.
   - The Retired Officers Medical scheme premiums were more than the budget due to variation of premiums for the 2023/24 contracts arising from high utilization of previous periods. The budget was prepared before the beginning of the financial year when these changes had not been implemented.

VI. **WIBA Civil Servants:** Performance of 76% compared to target.
   - The WIBA civil servant contract lapsed on 15th April 2024 and was not renewed due to the new regulatory changes. The budget, however, is an annual budget that had not anticipated these changes.

Expenditure

I. **Indigents Sponsorship (GoK) Program**: 53% benefits performance compared to the budget.
   - The low utilization is attributed to the fact that the planned upscaling as previously budgeted for was not implemented.
   - Additionally, there is a gap in the registration and sensitization of indigents.

II. **Civil Servant Scheme:** – 123% absorption of budget
   - The scheme recorded a high utilization especially for inpatient and outpatient benefits due to the preference by members to seek services at private facilities rather than public facilities which are low cost.

III. **EduAfya Medical scheme:** – 30% absorption
   - The low utilization against the budget is because the contract was not renewed upon lapse on 31st December 2022. The utilization is for a half year period whereas the budget is annual.

IV. **HISP OVC & OPPSD:** 52% variance
   - The variance is due to low access by beneficiaries of the program due to low awareness. Sensitization activities have been ongoing.

V. **Retirees Schemes**: 189% variance between the budget and the actual
   - There is increased membership from 1,586 in FY2022/23 to 1,814 in FY2023/24
   - The scheme has an adverse selection based on age demographic and therefore a high-risk portfolio. However, premiums were increased during this period and gate keeping fees introduced to alleviate the high utilization.

VI. **WIBA Civil Servants:** Variance of 26% compared to target.
   - The WIBA civil servant contract lapsed on 15th April 2024 and was not renewed due to the new regulatory changes. The budget, however, is an annual budget that had not anticipated these changes.

Other Income

I. **Other income:** Performance of 31% compared to target.
   - The low performance is attributed to reduced investment portfolio compared to the target.

Other Operating Expenses

I. **Board Expenses:** 49% absorption of the Budget.

- The budget anticipated increased meetings and engagements of two Boards, NHIF Board and SHA Board. However, there were very few meetings convened for NHIF Board of Management due to Attorney General advisory on their mandate which was restricted to winding up the Fund hence they majorly carried out winding up activities only.
- There were no trainings' carried out in the year for both NHIF and SHA Board due to increase activities geared towards transition process.
- There were reduced travelling activities than planned because their prioritized activities focused on transition from NHIF to SHA.

II. **Other Operating Expenses:** 25% absorption of the Budget. There was low utilization due to the following reasons:
   - Delay in approval of supplementary budget leading to delays in implementation of activities.
   - Austerity measures adopted due to cash flow challenges.
   - Austerity measures adopted as directed by the National Government.
   - Re-alignment of the Fund activities to emerging issues and mainly to focus on transition from NHIF to SHA.

OPERATING EXPENSES	BUDGET	ACTUAL	% VARIANCE
	2023/2024	2023/2024	
Staff Group Life Insurance	107,283,209	92,786,763	14%
Staff GPA & WIBA	49,552,688	42,131,575	15%
Staff In-house Medical Scheme	372,113,281	393,116,528	-6%
Insurances, Licenses & Permits	64,751,286	63,472,700	2%
Bank Charges & Commissions	37,807,284	15,906,364	58%
Subscriptions	14,628,224	10,194,917	30%
ISO Certification	12,350,000	10,188,736	18%
Legal Expenses	100,000,000	313,397,973	-213%
Security & Safety Expenses	86,264,480	51,236,189	41%
External Audit Fee	5,000,000	9,280,000	-86%
Transport Operating Expenses	147,763,870	120,457,836	18%
Leasing Costs	153,253,154	153,078,894	0%
Uniforms & Protective Clothing	2,400,000	-	100%
Travel & Accommodation - Local	333,414,700	234,639,568	30%
Travel & Accommodation - Foreign	4,176,637	1,601,146	62%

OPERATING EXPENSES	BUDGET	ACTUAL	% VARIANCE
	2023/2024	2023/2024	
Seminars, Conferences, Workshops	21,369,000	15,878,842	26%
Innovation, Research & Development	4,725,000	856,800	82%
Postage & Courier	14,643,746	10,434,534	29%
Telephone, Mobile & Internet Services	66,499,000	26,253,751	61%
Wide Area Network (WAN)	65,242,080	62,458,080	4%
Bulk SMS	54,000,000	37,014,725	31%
Hospitality & Office Refreshments	48,669,180	39,950,547	18%
Utility Costs - Electricity	12,987,214	12,573,380	3%
Utility Costs - Water & Sewerage	1,824,000	1,090,184	40%
Newspapers/ Periodicals/ Books	455,520	18,792	96%
Printing & Office Stationery	46,101,707	35,328,554	23%
Advertising & Publicity	401,000,000	61,125,221	85%
CSR & Sponsorship	15,000,000	14,997,200	0%
Stakeholder Engagement & Member Education	48,997,000	26,823,269	45%
Shows, Exhibitions & Trade Fairs	18,900,000	12,587,297	33%
Member Registration Campaign	100,000,000	-	100%
Staff Welfare	19,260,000	19,961,127	-4%
Cleaning Services	45,445,432	39,550,852	13%
Purchase of Cleaning Materials	3,474,500	2,380,335	31%
Computer Stationary & Material	14,846,135	15,959,077	-7%
Rental Expenses & Rates	313,746,371	287,894,709	8%
Capacity Building	96,238,536	98,842,862	-3%
Maintenance of Office Equipment	20,560,981	5,531,411	73%
Maintenance of Property	19,900,000	2,272,718	89%
Valuation of Fixed Assets	36,000,000	-	100%
Maintenance of IT Equipment	85,000,000	68,579,893	19%
Maintenance of Software & System Support	475,857,920	242,136,835	49%
Software Licenses and Renewals	302,302,600	243,300,389	20%
Management Consultancy Fee	42,000,000	7,601,840	82%
Total	**3,885,804,735**	**2,902,879,098**	**25%**

Following the enactment of the Social Health Insurance Act, and the ongoing transition, SHA implemented several cost-saving measures to prioritize cash flow and ensure financial stability through efficient use of available resources. These measures include aligning expenditures with critical activities, deferring non-essential spending, and rationalizing budget allocations to support transitional priorities.

By focusing on prudent financial management, NHIF aim was to support the successful execution of transition-related initiatives while maintaining essential services.

- **Staff Group Life Insurance:** - The group life premiums were projected based on three years' basic salary, estimated at Kes 4.56 billion. However, a reduction in the planned staff establishment resulted in a lower basic salary and, consequently, a decrease in the actual expenditure.
- **Staff GPA & WIBA:** - Similar to the Group Life Insurance, the projected costs for GPA & WIBA were based on the estimated basic salary. The reduction in planned staff numbers led to lower spending than initially budgeted.
- **Bank Charges & Commissions:** - The lower absorption is due to the migration to a single centralized government paybill (222222 - e-Citizen) from NHIF's previous paybill (200222). In the new arrangement, Mpesa transaction fees are fully borne by the contributor, whereas, in the past, the cost was split between NHIF and the contributor.
- **Subscriptions:** – To align with austerity measures and government directives, subscriptions to international bodies were limited, leading to lower spending.
- **ISO Certification:** - The management integrated internal audit exercises for the four management systems to reduce costs, resulting in decreased expenditure.
- **Legal Expenses**: – Several court cases were concluded during the year, resulting in court awards against NHIF, which led to higher costs than initially estimated.
- **Security & Safety Expenses**: – The budget included fire drills and disaster preparedness activities, which were not carried out in some offices. These activities are now scheduled for the subsequent financial year.
- **Uniforms & Protective Clothing**: – This budget item was unutilized due to the prioritization of expenditures towards transition-related activities.
- **Telephone, Mobile & Internet Services**: – Expenditures were affected by the delayed approval of the Supplementary Budget, which caused delays in procuring and implementing connectivity services.
- **Hospitality & Office Refreshments:** – There was a delay in procuring services under this item pending the approval of the Supplementary Budget. Additionally, austerity measures led to the rationalization of this expenditure.
- **Travel & Accommodation – Local:** - An additional budget was allocated to cover emerging activities related to changes in regulations, including public participation in SHI regulations and

the roll-out of SHA and SHIF. However, the planned roll-out of SHIF, PHCF, and ECCIF was postponed to October 2024, resulting in lower spending.

- **Travel & Accommodation – Foreign:** - Utilization was significantly affected by government austerity measures on foreign travel.
- **Seminars, Conferences, Workshops:** - Spending was reduced due to austerity measures and the realignment of priorities towards transition matters.
- **Innovation, Research & Development:** - Expenditure was limited by austerity measures and the prioritization of transition-related activities.
- **Postage & Courier:** - Increased digitization has led to a reduced need for physical document handling, resulting in lower expenditures.
- **Bulk SMS:** - The delay in the approval of the Supplementary Budget impacted the utilization of this budget item.
- **Newspapers/Periodicals/Books:** – In line with internal and Government austerity measures, spending on this item was significantly rationalized.
- **Printing & Office Stationery:** - Expenditure was reduced in compliance with internal and Government austerity measures.
- **Advertising & Publicity:** - The delay in the approval of the Supplementary Budget impacted spending. Additionally, activities related to the roll-out of SHIF, the new harmonized essential benefit package, and SHA branding were rescheduled to October 2024.
- **Stakeholder Engagement & Member Education:** - Planned activities for SHIF roll-out, the new essential benefit package, and SHA were delayed and rescheduled due to unavoidable circumstances.
- **Shows, Exhibitions & Trade Fairs:** - The transition from NHIF to SHA required realignment of activities, resulting in lower utilization of this budget item.
- **Purchase of Cleaning Materials:** - Spending was minimized due to austerity measures.
- **Maintenance of Office Equipment:** - Austerity measures and the reprioritization of expenditures and cash flow toward critical areas resulted in reduced spending.
- **Maintenance of Property:** - Similar to office equipment maintenance, this expenditure was reduced due to austerity measures and reprioritization of cash flow needs.
- **Valuation of Fixed Assets:** - Valuation was postponed allowing for asset verification by the transition committee.
- **Maintenance of IT Equipment:** - Spending was curtailed due to austerity measures and the focus on priority expenditures.

- **Maintenance of Software & System Support:** - Support for non-critical software's and systems was reduced to align with transition plans, as the new SHA will adopt a digitized environment under the Government's digital superhighway initiative.
- **Software Licenses and Renewals:** - Purchases of new system licenses were put on hold, and existing licenses were maintained at the minimum required level to prepare for the rollout of a new digital superhighway and ERP.
- **Management Consultancy Fee:** - The delay in acquiring the services of an external actuary impacted the utilization of this budget item.



21. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

NHIF is established by and derives its authority and accountability from Social Health Insurance Act. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is receiving of contributions and paying of benefits to its members.
For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements are presented in Kenya Shillings (Kes), which is also the functional and reporting currency of NHIF, and all values are rounded off to the nearest Kenya shillings.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, IPSAS 24, Social Health Insurance Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.
The financial statements comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes.

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

i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. *The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss. *The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. *The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. *The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

iii. Early adoption of standards

NHIF did not early – adopt any new or amended standards in the 2023/2024 financial year.

4. SUMMARY OF ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is measured based on the consideration to which the Fund expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. NHIF recognizes revenue when it transfers control of a service to a customer. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Fund's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Fund's activities as described below.

i) Revenue is recognized in the year in which the Fund delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
ii) Finance income comprises interest receivable from bank deposits and investment in securities and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iii) Rental income is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
iv) Other income is recognized as it accrues.

b) Benefit Expenses (Claims)

These are payments on claims to health care providers and general claimants arising from hospitalization and any other goods or services incurred by the Fund for the direct benefit of the contributor in the approved and accredited health care providers. Health care providers report claims upon admission by way of notification and upon discharge, the health care provider presents the claims to the Fund for payment. Claims are recognized as liabilities only after verification. The average length of stay in the health care providers is 5 days. Claims not received within 90 days from date of discharge are not admissible.

At the close of business on 30 June of the financial period, any valid claims not presented to the Fund are automatically accounted for in the subsequent financial period.

c) In-kind contributions

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

d) Property, Plant and Equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items and are recognised in profit or loss in the income statement.

e) Depreciation And Impairment Of Property, Plant And Equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of on-going but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates as guided by National Treasury policy on assets depreciation are:

ASSET/ ASSET CLASS	ASSET LIFE/ LEASE PERIOD	PERCENTAGE DEPRECIATION
Land	999 years	0%
Buildings and Civil Works	40 years	2.5%
Plant and Machinery	8 years	12.5%
Motor Vehicles & Motorcycles	5 years	20%
Computers and Related Equipment	3 years	33.3%
Office Equipment	8 years	12.5%
Furniture and Fittings	5 years	20%

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

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

f) Intangible Assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

g) Amortizations and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

h) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

i) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

j) Fixed Interest Investments (Bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. The bonds are measured at cost.

k) Unquoted Investments

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

l) Trade and Other Receivables

Trade and other receivables are recognised at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

m) Taxation

The Fund measures amounts expected to be paid or recovered from the taxation authority (KRA) based on NHIF's earned rental income. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the area where the Fund's properties operate and generates taxable income.

The Fund is an appointed agent for Withholding tax and Value Added Tax. Tax payable for the current period and prior periods are measured at the amounts expected to be paid to the tax authorities and

in accordance with the VAT Act and the income Tax act. Withholding tax expense relates to Interest on investment and is deducted from Surplus before taxation.

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

n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

o) Trade & Other Payables

These payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Fund or not, less any payments made to the suppliers.

p) Retirement Benefit Obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2001. The scheme is administered by a Board of Trustees comprising both member-elected and sponsor-appointed trustees. It is funded by contributions from both the company and its employees.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KES. 2,160 per employee per month.

q) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

r) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

s) Budget information

The original budget for FY 2023/24 was approved by the Ministry of Health on 31st July 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded reduced appropriations of Kes 4,685,000 on the FY 2023/24 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under **page 5** of these financial statements.

t) Comparative Figures

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

u) 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, 2024.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared.

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by NHIF.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.

c) Provisions

Provisions for bad and doubtful debts when raised, management determines an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

d) Incurred But Not Reported (IBNR)

The Fund estimates liabilities for claim-generating events that have taken place but have not yet been reported to the insurer at the reporting period. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period. The IBNR estimates form part of NHIF's reserves in the Statement of financial Position.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUES)

6. NATIONAL HEALTH SCHEME (NHS)

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Statutory Contribution	34,724,000,681	31,499,399,400	31,499,399,400
Self Employed Contributions	5,283,335,577	6,224,474,538	6,224,474,538
Penalties	237,398,371	367,487,218	367,487,218
Total Contributions	**40,244,734,629**	**38,091,361,156**	**38,091,361,156**
Expenses:			
Group Life Expenses	45,300,000	14,000,000	14,000,000
Outpatient Expenses	7,369,935,440	6,050,973,443	6,050,973,443
Inpatient Expenses	11,800,176,870	7,785,577,288	7,785,577,288
Specialized Benefits Package	18,248,101,731	19,766,224,984	19,766,224,984
Evacuation Services Expenses	245,061,022	348,142,454	348,142,454
IBNR Claims (Actuarial Estimate)	397,494,920	397,494,920	397,494,920
Total Expenses	**38,106,069,983**	**34,362,413,090**	**34,362,413,090**
Surplus (Deficit) for the Period	**2,138,664,646**	**3,728,948,066**	**3,728,948,066**

Contributions are recognized in accordance with the NHIF Act, through employee contributions and voluntary contributions. This forms the primary health insurance cover for all members and declared dependants as provided in the NHIF Act. There was a total of 16,859,910 members as at 30th June 2024 which is comprised of 9,170,798 members in the informal sector (self-employed contributors), 2,619,104 Sponsored program members and 5,057,429 in the formal sector. Out of the total 16 million members, active members were 7,406,604 with 4,200,787 in the formal sector representing 83%, 1,386,642 in the sponsored program representing 53%, as well as 1,819,175 in the informal sector representing 20%.

The medical benefits paid out to health care facilities for medical services rendered to members of the national scheme has seen a significant growth trend in recent years due to high level of awareness of what NHIF's 'Supa Cover' pays for as benefits.

7. GOK SPONSORED INDIGENTS (U

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums	6,000,000,000	6,000,000,000	6,000,000,000
Total Contributions	**6,000,000,000**	**6,000,000,000**	**6,000,000,000**
Expenses:			
Outpatient Expenses	1,279,609,455	1,262,657,161	1,262,657,161
Inpatient Expenses	1,248,290,950	834,057,917	834,057,917
Specialized Benefits Package	1,078,602,804	1,232,567,884	1,232,567,884
IBNR Claims (Actuarial Estimate)	-	-	-
Total Expenses	**3,606,503,209**	**3,329,282,962**	**3,329,282,962**
Surplus (Deficit) for the Period	**2,393,496,791**	**2,670,717,038**	**2,670,717,038**

The Fund entered into a Memorandum of Understanding with the government to provide medical insurance cover to indigents and the vulnerable in the country. The scheme was launched by H.E the President launched the scheme on 7th February 2022 in Mombasa County.

Under this medical insurance, principal members together with their dependents are entitled to outpatient & inpatient care and the specialized benefits package.

8. CIVIL SERVANTS (CS) SCHEME

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums	5,817,746,682	5,700,093,000	5,700,093,000
Statutory Contributions	1,757,779,200	1,842,638,400	1,842,638,400
Ex-gratia fund	161,872,240	94,043,703	94,043,703
Premiums & Contributions	**7,737,398,122**	**7,636,775,103**	**7,636,775,103**
Expenses:			
Group Life Expenses	2,740,000	8,440,000	8,440,000
Administrative Expenses	821,950	313,684,022	313,684,022
Outpatient Expenses	4,328,004,021	3,702,932,838	3,702,932,838
Inpatient Expenses	2,204,277,477	2,375,981,456	2,375,981,456
Specialized Benefits Package	1,740,797,596	2,116,011,954	2,116,011,954
Evacuation Services Expenses	5,071,772	71,748,671	71,748,671
Ex-gratia Expenses	161,872,240	94,043,703	94,043,703
IBNR Claims (Actuarial Estimate)	570,479,461	570,479,461	570,479,461
Total Expenses	**9,014,064,517**	**9,253,322,104**	**9,253,322,104**
Surplus (Deficit) for the Period	**(1,276,666,395)**	**(1,616,547,001)**	**(1,616,547,001)**

The Fund entered into a contract with the government to provide enhanced medical insurance cover to civil servants and their dependants. The civil Servants scheme is now in its 12th year since inception on 1st January 2012. As at 30th June 2024 the scheme had a membership of 122,068. Under this medical insurance, principal members together with their dependents (M+6) are entitled to outpatient & inpatient care, group life and last expense cover.

The Outpatient cover caters for all outpatient procedures including dental & optical services while inpatient cover is received in NHIF accredited facilities and includes all inpatient procedures. All scheme members have been assigned limits for both outpatient and inpatient benefits in the current 2023-2024 contract. This is a departure from previous year when civil servants in job categories A-K used the capitation model of healthcare financing to receive outpatient services.

The scheme closed with a receivable balance of Kes. 5,009,258,403 as at 30th June 2024.

9. NPS & KPS MEDICAL SCHEME (*LAPSED CONTRACT*)

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums	-	3,400,427,097	3,400,423,597
Statutory Contributions	-	1,148,081,350	1,148,081,350
Ex-gratia fund	-	28,733,463	28,733,463
Premiums & Contributions	**-**	**4,577,241,910**	**4,577,238,410**
Expenses:			
Group Life Expenses	-	77,150,000	77,150,000
Administrative Expenses	-	35,953,477	35,953,477
Outpatient Expenses	-	1,461,276,013	1,461,276,013
Inpatient Expenses	-	1,472,946,189	1,472,946,189
Specialized Benefits Package	-	1,316,754,618	1,316,754,618
Evacuation Services Expenses	-	48,776,006	48,776,006
Ex-gratia Expenses	-	28,733,463	28,733,463
IBNR Claims (Actuarial Estimate)	-	(3,154,261,356)	(3,154,261,356)
Total Expenses	**-**	**1,287,328,411**	**1,287,328,411**
Surplus (Deficit) for the Period	**-**	**3,289,913,499**	**3,289,909,999**

The National Police Service & the Kenya Prisons Service (NPS & KPS) contracted The Fund to provide comprehensive medical insurance cover to its employees. The scheme covered inpatient, outpatient coverage, dental and optical benefits as well as last expense. Officers in job groups A – L were entitled to unlimited inpatient coverage in institutions that were specifically designated for them while outpatient benefits remained available under the Fixed Fee for Service model. Job groups M-T had access to outpatient and inpatient benefits within their allocated limits.

The scheme lapsed on 31st December 2022 with a membership of 132,282.

10. EDUAFYA MEDICAL SCHEME

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums	**2,545,302,046**	**5,247,268,613**	**4,050,000,000**
Expenses:			
Group Life Expenses	235,000,000	345,500,000	345,500,000
Administrative Expenses	208,720,145	105,867,345	105,867,345
Outpatient Expenses	1,166,377,798	1,569,743,747	1,569,743,747
Inpatient Expenses	1,011,485,144	1,354,785,043	1,354,785,043
Specialized Benefits Package	577,420,114	549,276,000	549,276,000
Evacuation Services Expenses	-	200,650,445	200,650,445
IBNR Claims (Actuarial Estimate)	198,620,256	198,620,256	198,620,256
Total Expenses	**3,397,623,458**	**4,324,442,836**	**4,324,442,836**
Surplus (Deficit) for the Period	**(852,321,412)**	**922,825,777**	**(274,442,836)**

The Ministry of Education contracted NHIF to provide medical insurance to all public secondary school students for the duration of their study in line with the Government Agenda of achieving Universal healthcare coverage. The Fund was expected to cover at least 3.6 million students enrolled in public secondary schools. Students were the primary participants of this cover, and they received inpatient, outpatient, dental, optical, last- expense, and group life benefits. They accessed outpatient services under the Fixed Fee For Service (FFFS) model in contracted health care facilities.

The scheme lapsed on 31st December 2023 with a membership of 3,000,000.

11. HISP - OVC PROGRAM

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums	**1,520,400,000**	**1,520,400,000**	**1,520,400,000**
Expenses:			
Outpatient Expenses	62,512,179	32,458,552	32,458,552
Inpatient Expenses	332,300,620	244,156,235	244,156,235
Specialized Benefits Package	209,253,141	233,229,249	233,229,249
IBNR Claims (Actuarial Estimate)	(5,608,614)	(5,608,614)	(5,608,614)
Total Expenses	**598,457,325**	**504,235,421**	**504,235,421**
Surplus (Deficit) for the Period	**921,942,675**	**1,016,164,579**	**1,016,164,579**

The Health Insurance Subsidy program for orphaned and vulnerable children (HISP-OVC) scheme is administered by the Fund in partnership with the Ministry of Health. The program is aimed at providing comprehensive medical cover to a selected households with orphaned and most vulnerable children in Kenya. The membership has increased over time to 253,400.

12. HISP - OPPSD PROGRAM

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums	**352,800,000**	**352,800,000**	**352,800,000**
Expenses:			
Outpatient Expenses	7,861,843	2,786,170	2,786,170
Inpatient Expenses	82,525,534	57,765,718	57,765,718
Specialized Benefits Package	80,770,728	81,130,575	81,130,575
IBNR Claims (Actuarial Estimate)	(62,855)	(62,855)	(62,855)
Total Expenses	**171,095,250**	**141,619,608**	**141,619,608**
Surplus (Deficit) for the Period	**181,704,750**	**211,180,392**	**211,180,392**

The Government through the Ministry of Health entered into an MOU to administer a Health Insurance Subsidy program for Older Persons and Person's with severe disabilities (HISP- OPPSD). This is in line with the Constitutional requirement for the State to ensure widest possible enjoyment of the right to health while protecting the right to the highest attainable standard of health for all Kenyans. The Older Persons and Persons with Severe Disability program commenced in 2015 with a population of 42,000. The membership has increased over time to 58,800.

13. COUNTY GOVERNMENT SCHEMES

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums	2,041,660,114	2,481,479,074	2,481,479,074
Statutory Contributions	854,157,646	953,134,100	953,134,100
Premiums & Contributions	**2,895,817,760**	**3,434,613,174**	**3,434,613,174**
Expenses:			
Group Life Expenses	42,710,000	84,340,000	84,340,000
Administrative Expenses	5,541,400	773,350	773,350
Outpatient Expenses	519,795,653	526,854,571	526,854,571
Inpatient Expenses	332,894,996	451,446,216	451,446,216
Specialized Benefits Package	386,348,052	537,151,606	537,151,606
Evacuation Services Expenses	2,203,884	4,563,029	4,563,029
IBNR Claims (Actuarial Estimate)	36,880,995	36,880,995	36,880,995
Total Expenses	**1,326,374,980**	**1,642,009,767**	**1,642,009,767**
Surplus (Deficit) for the Period	**1,569,442,780**	**1,792,603,408**	**1,792,603,408**

The Fund entered into a contract with County Governments to provide private medical insurance cover to their staff. The county government scheme started in 2014 and currently 25 counties have signed up with an overall scheme membership of 60,174.

The benefits vary from one to the next entity as each county, county assemblies and executives negotiate for their own scheme benefits package. The benefits under county schemes include inpatient and outpatient benefits, dental and optical, and last expense and group life covers. The medical benefits are accessed through either capitation or Fixed Fee For Service (FFFS) depending on the benefits package negotiated with each county Government.

14. PARASTATALS MEDICAL SCHEMES

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums	1,790,185,261	1,791,125,215	1,791,125,215
Statutory Contributions	366,692,663	422,859,871	422,859,871
Premiums & Contributions	**2,156,877,924**	**2,213,985,086**	**2,213,985,086**
Expenses:			
Group Life Expenses	3,600,000	3,540,000	3,540,000
Administrative Expenses	37,093,646	25,375,035	25,375,035
Outpatient Expenses	741,629,397	651,366,467	651,366,467
Inpatient Expenses	495,585,135	450,890,098	450,890,098
Specialized Benefits Package	332,786,303	354,876,170	354,876,170
Evacuation Services Expenses	947,662	3,855,411	3,855,411
IBNR Claims (Actuarial Estimate)	687,361,326	687,361,326	687,361,326
Total Expenses	**2,299,003,469**	**2,177,264,508**	**2,177,264,508**
Surplus (Deficit) for the Period	**(142,125,544)**	**36,720,579**	**36,720,579**

The Fund entered into contracts with Parastatals to offer enhanced medical insurance cover to their employees at premiums negotiated separately with each corporation in line with the desired benefits. 43 Parastatals are included in this scheme. The entire membership of these Parastatals covered by the Fund during this period stood, at 21,921 and their benefits varied from one organization to the other.

The benefit package includes Inpatient, outpatient, dental, optical, last expense as well as group life. The mode of accessing medical benefits is largely capitation and Fixed Fee For Service in line with the negotiated benefits for each state corporation.

15. RETIREES' MEDICAL SCHEMES

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums	593,144,537	476,040,593	415,772,665
Statutory Contributions	10,794,000	11,070,000	11,070,000
Premiums & Contributions	**603,938,537**	**487,110,593**	**426,842,665**
Expenses:			
Group Life Expenses	5,225,000	10,975,000	10,975,000
Outpatient Expenses	259,197,865	203,707,947	203,707,947
Inpatient Expenses	350,353,823	340,899,591	340,899,591
Specialized Benefits Package	288,742,125	258,727,190	258,727,190
IBNR Claims (Actuarial Estimate)	120,349,657	120,349,657	120,349,657
Total Expenses	**1,023,868,469**	**934,659,385**	**934,659,385**
Surplus (Deficit) for the Period	**(419,929,932)**	**(447,548,792)**	**(507,816,720)**

The Fund entered into contracts with organizations for retired officers to offer enhanced medical insurance cover for their members at a premium. Included in the scheme is the Kenya Association of Retired Officers (KARO), CBK Pension Scheme, KENGEN Pension Scheme and Former Parliamentarians Association (FOPA).

16. LINDA MAMA PROGRAM

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums & Contributions	**3,745,430,263**	**4,134,909,678**	**4,134,909,678**
Expenses:			
Inpatient Expenses	1,177,061,830	616,056,856	616,056,856
Caesarean Delivery Expenses	576,314,400	763,311,433	763,311,433
Normal Delivery Expenses	1,778,324,567	2,420,885,420	2,420,885,420
Antenatal Expenses	475,409,614	587,355,726	587,355,726
Postnatal Expenses	57,440,113	66,420,505	66,420,505
IBNR Claims (Actuarial Estimate)	(319,120,262)	(319,120,262)	(319,120,262)
Total Expenses	**3,745,430,263**	**4,134,909,678**	**4,134,909,678**

This is a sponsored program by the government of Kenya through the Ministry of Health (MOH) targeting pregnant mothers from all backgrounds launched on 1st June 2013.

A memorandum of understanding was signed between the Government and NHIF to actualize the implementation of the program on 27th February 2017. The program targets all expectant mothers without insurance where mothers are entitled to access antenatal care, maternity services, postnatal care and care for new-born from NHIF contracted public as well as private health facilities. The MOU between NHIF and MOH provides that the Fund should reimburse Healthcare facilities for services rendered to the mothers.

17. WORK INJURY BENEFITS ACT NPS & KPS (*LAPSED*)

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums & Contributions	**-**	**2,295,594,440**	**2,295,594,440**
Expenses:			
WIBA Group Life Expenses	-	965,945,284	965,945,284
WIBA Administrative Expenses	-	119,909,611	119,909,611
WIBA Benefits Expenses	-	1,358,254,619	1,307,998,725
Total Expenses	**-**	**2,444,109,514**	**2,393,503,620**
Surplus (Deficit) for the Period	**-**	**(148,515,074)**	**(97,909,180)**

The Work Injury Benefit Act (WIBA) NPS & KPS scheme began on January 1, 2021, where the Fund borne benefits and associated risks from 1st January 2021 to 14th April 2021, after which WIBA, Last Expense, and Group Life benefits were outsourced to private Co-insurers and Facultative Insurers.

The scheme is currently inactive after the contract lapsed on December 31, 2022.

18. WORK INJURY BENEFITS ACT CIVIL SERVANTS

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Premiums & Contributions	**5,146,377,439**	**6,861,836,585**	**6,861,836,585**
Expenses:			
WIBA Group Life Expenses	2,539,496,098	3,207,322,062	3,207,322,062
WIBA Administrative Expenses	543,850	72,407,826	72,407,826
WIBA Benefits Expenses	2,472,045,701	3,122,133,844	3,122,133,844
Total Expenses	**5,012,085,650**	**6,401,863,732**	**6,401,863,732**
Surplus (Deficit) for the Period	**134,291,789**	**459,972,853**	**459,972,853**

Work Injury Benefit Act (WIBA) Civil Servants scheme commenced on 15th April 2021 to compensate Public Service Commission employees for work related injuries and diseases contracted in the course of their employment. WIBA, Group Life, Last Expense and Group Personal Accident expenses under the scheme were outsourced to private Co-insurers and Facultative Insurers.

The scheme is currently inactive after the contract lapsed on April 15, 2024.

19. RENTAL INCOME

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Rent from Properties	**271,260,830**	**277,361,767**	**277,361,767**
Expenses:			
Cleaning Services	250,809	1,036,627	-
Maintenance of Property	7,235,185	8,982,444	-
Land Rates	20,325,833	-	-
Security & Safety	-	11,773,042	-
Vat Expense - Property A/C	47,661,347	46,981,598	-
Total Expenses	**75,473,174**	**68,773,711**	**-**
Surplus (Deficit) before Tax	**195,787,656**	**208,588,056**	**-**
Tax Charge – Rent Income	58,736,297	62,576,417	-
Surplus (Deficit) After Tax	**137,051,359**	**146,011,639**	**277,361,767**

The rental incomes for NHIF come from several owned properties namely the NHIF building, NHIF Parking complex, Contrust house, and Meru building. All these properties are managed by GIMCO property agents, except for the Meru Building.

According to the Income Tax Act, expenses incurred wholly and exclusively in the production of rental income are allowable and deducted for purposes of determining the total income for NHIF during the period. A fixed rate of 30% is levied on the taxable rental income by the Kenya Revenue Authority.

20. OTHER INCOMES

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Interest on Investments	685,596,807	901,907,118	903,350,929
Agency Commissions	2,326,124	2,495,681	2,495,681
Recoveries out of Provisions	201,300	-	-
Miscellaneous Receipts	9,614,058	17,303,620	17,303,620
Gain on Disposal	647,955	-	-
Total	**698,386,244**	**921,706,419**	**923,150,230**

Other incomes are those that accrue to the Fund from Short-term and Long-term Investments as well as services rendered to third parties. This consists of proceeds from sundry receipts (tender fees & card replacement charges), agency commissions as well as disposal of obsolete assets. The drop in income is due to decrease in investment income from investments.

Gain on disposal figure of Kshs. 647,955 relates to the disposal of obsolete records and waste-paper done in August 2023.

21. STAFF COSTS

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Basic Salary	3,637,574,037	3,702,033,075	3,699,697,707
Gratuity / Pension Contributions	460,892,546	491,341,283	491,049,362
House Allowance	651,907,896	664,844,162	664,844,162
Staff Overtime Allowance	3,568,516	2,473,814	2,473,814
Commuter Allowance	260,088,168	266,743,386	266,611,386
Responsibility Allowance	27,399,192	28,089,802	28,089,802
N.S.S.F - Employer Contributions	32,191,560	12,172,880	12,172,880
Transfer Allowance	19,315,150	7,887,895	7,887,895
Acting Allowance	31,623,320	23,722,475	23,722,475
Hardship Allowance	34,396,789	35,795,117	35,795,117
Utilities	7,101,262	7,360,015	7,360,015
Non-Practicing Allowance	2,530,000	-	-
Leave Allowance	83,226,015	49,718,533	49,718,533
Housing Levy	59,643,167	-	-
Total	**5,311,457,619**	**5,292,182,436**	**5,289,051,147**

These are sum of all wages paid to employees as compensation, cost of employee benefits and payroll taxes paid by the Fund. The Management is committed towards Human resource strategic planning and the provision of equitable compensation as well as benefits to staff. It focuses on strategically aligning the Fund's human capital to the corporate strategic objectives.

The average number of employees at the end of the year was:

Employee Type	As at 30th June 2024	As at 30th June 2023
Permanent employees – Management	584	607
Permanent employees – Unionisable	1,142	1,184
Temporary and contracted employees	7	2
TOTAL	**1,733**	**1,793**

The CEO and Directors are contracted for a three year renewable term whereas the Heads of departments, Managers and supervisors are on a permanent basis.

22. BOARD EXPENSES

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Honoraria	1,541,333	960,000	960,000
Sitting Allowance	14,240,000	8,940,000	8,940,000
Accommodation and Subsistence	5,585,794	12,684,387	12,684,387
Board Training Expenses	40,000	3,919,278	3,919,278
Traveling Expenses	829,662	4,382,442	4,382,442
Mileage	20,672	164,834	164,834
Lunch Allowance	5,194,600	2,262,102	2,262,102
Board Medical Insurance	3,163,834	40,000	40,000
Telephone and Postage	205,667	74,300	74,300
Total	**30,821,562**	**33,427,343**	**33,427,343**

This expenditure caters for Board members sitting allowances, travelling expenses, meetings expenses, training on corporate governance and workshops. The expenditure is influenced by the number of full board and committee meetings, number of seminars, and travel activities.

23. OTHER OPERATING EXPENSES

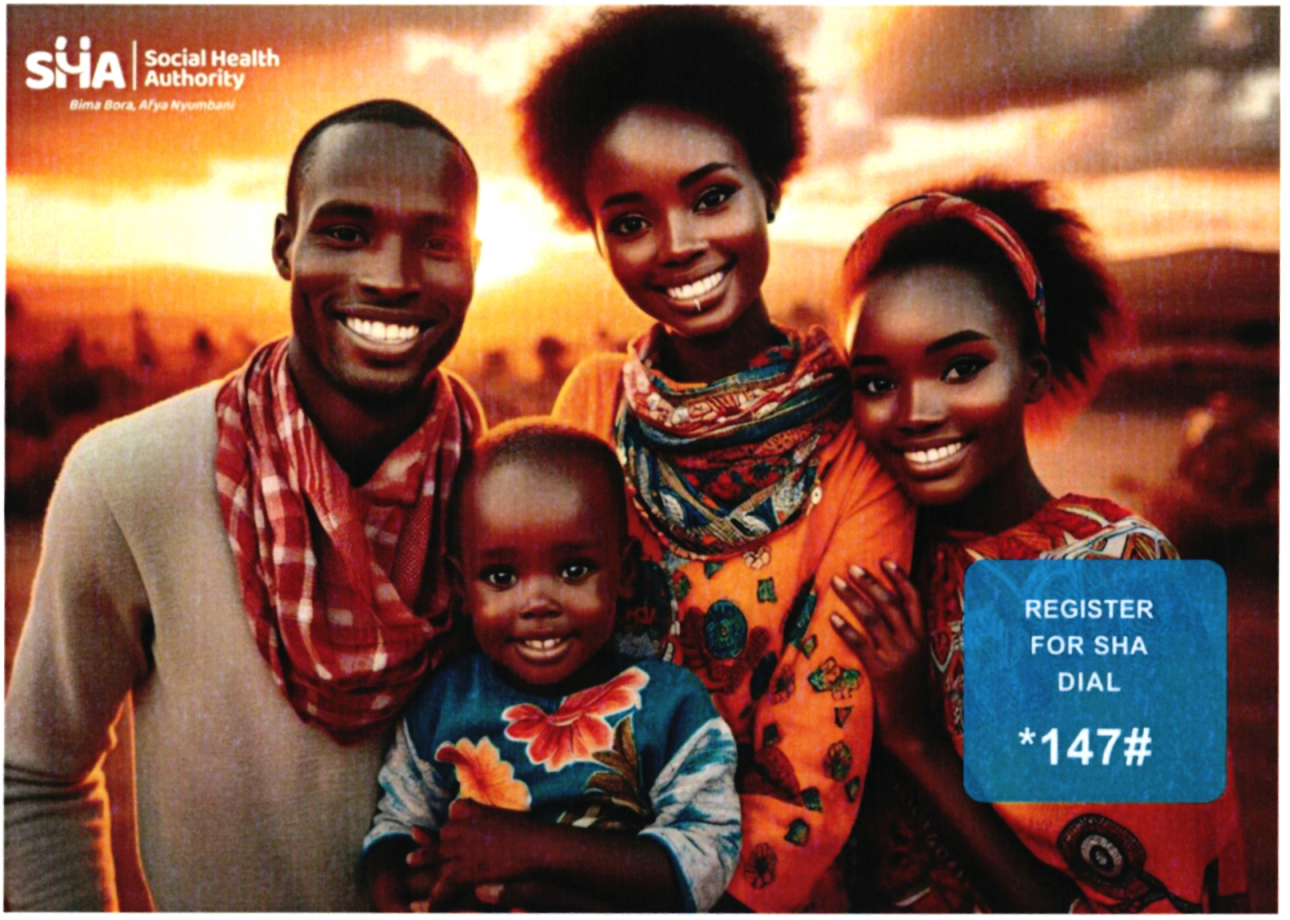
	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Staff Group Life Cover	92,786,763	23,527,370	23,527,370
Staff Medical Scheme	393,116,528	322,617,565	322,617,565
Staff GPA & WIBA Insurance	42,131,575	-	-
With Holding Tax Expense	-	14,663	-
Bank Charges & Commissions	15,906,364	38,277,213	38,277,213
Subscriptions	10,194,917	32,307,315	32,307,315
ISO Certification	10,188,736	-	-
Audit Expenses	9,280,000	5,000,000	5,000,000
Legal Expenses	313,397,973	293,669,000	293,669,000
Security & Safety Expenses	51,236,189	45,176,693	56,949,735
Provision for Doubtful Investments	-	54,200,000	54,200,000
Transport Operating Expenses	120,457,836	228,866,641	228,866,641
Leasing Costs	153,078,894	-	-
Travel & Accommodation	234,639,568	323,873,498	325,239,488
Travel & Accommodation - Foreign	1,601,146	-	-
Innovation, Research & Development	856,800	-	-
Seminars, Conferences, Workshops	15,878,842	-	-
Postage & Courier	10,434,534	13,131,384	13,131,384
Telephone, Mobile & Internet Services	26,253,751	91,357,660	91,357,660
Wide Area Network (WAN)	62,458,080	-	-
Bulk SMS	37,014,725	-	-
Hospitality & Office Refreshments	39,950,547	39,706,570	39,706,570
Utility Costs - Electricity	12,573,380	13,360,291	13,360,291
Utility Costs - Water & Sewerage	1,090,184	-	-

23. OTHER OPERATING EXPENSES (Cont'd)

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Newspapers/ Periodicals/ Books	18,792	-	-
Printing & Office Stationery	35,328,554	41,060,170	41,060,170
Advertising, Promotions & Publicity	61,125,221	185,229,242	185,229,242
Stakeholder Engagement & Member Education	26,823,269	-	-
CSR & Sponsorships	14,997,200	-	-
Shows, Exhibitions & Trade Fairs	12,587,297	-	-
Cleaning Services	39,550,852	41,705,663	42,742,290
Purchase of Cleaning Materials & Detergents	2,380,335	-	-
Computer Stationary & Material	15,959,077	21,576,715	21,576,715
Rental Expenses & Rates	287,894,709	262,022,179	262,022,179
Insurances, Licenses & Permits	63,472,700	1,055,973	1,055,973
Staff Welfare	19,961,127	29,953,692	29,953,692
Capacity Building	98,842,862	215,658,475	215,658,475
Maintenance of IT Equipment	68,579,893	520,584,418	520,584,418
Software Licenses & Renewals	243,300,389	-	-
Maintenance of Software & System Support	242,136,835	-	-
Maintenance of Office Equipment	5,531,411	26,800,627	35,783,071
Maintenance of Property	2,272,718	-	-
Management Consultancy Fee	7,601,840	26,394,740	26,394,740
Total	**2,902,892,412**	**2,897,127,755**	**2,920,271,196**

These are recurrent operating expenses that ensure the Fund operates and carries out its activities smoothly. They include expenses associated with the general administration of the organization.

During the period, new expenditure lines were introduced to align the statement with the year's budget formats according to Government Investment Management Information System (GIMIS) as guided by the National Treasury.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24 a. PROPERTY, PLANT AND EQUIPMENT AS AT 30TH JUNE 2024

	Land	Buildings	Motor Vehicles & Motorcycles	Computers & Related Equipment	Office Equipment, Furniture & Fittings	Capital Work In Progress	Total
COST	**KES**	**KES**	**KES**	**KES**	**KES**	**KES**	**KES**
As at 1ST July 2023	298,589,665	9,771,266,564	387,697,500	3,350,644,150	2,697,475,072	1,444,687,484	17,950,360,435
Additions	-	4,011,500	-	57,303,251	-	-	61,314,751
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Cost as at 30th June 2024	**298,589,665**	**9,775,278,064**	**387,697,500**	**3,407,947,401**	**2,697,475,072**	**1,444,687,484**	**18,011,675,186**
DEPRECIATION							
As at 1st July 2023	-	2,337,108,101	369,354,544	1,251,545,825	1,169,971,713	-	5,127,980,183
Depreciation	-	136,131,817	5,926,424	52,774,127	55,494,906	-	250,327,275
On Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Depreciation as at 30th June 2024	**-**	**2,473,239,918**	**375,280,968**	**1,304,319,953**	**1,225,466,619**	**-**	**5,378,307,458**
Net Book Value 30th June 2024	**298,589,665**	**7,302,038,146**	**12,416,532**	**2,103,627,448**	**1,472,008,454**	**1,444,687,484**	**12,633,367,728**

IAS 16 establishes principles for recognizing property, plant and equipment as assets, measuring their carrying amounts, and measuring the depreciation charges and impairment losses to be recognized in relation to them. The Fund's assets include, land, buildings, motor vehicles & motorcycles, office equipment furniture & fittings and computer equipment.

Depreciation is on a straight-line basis as per clause 5.2.5 of NHIF's Financial Policy and Regulations (2017).

b. PROPERTY, PLANT AND EQUIPMENT AS AT 30TH JUNE 2023

	Land	Buildings	Motor Vehicles & Motorcycles	Computers & Related Equipment	Office Equipment, Furniture & Fittings	Capital Work In Progress	Total
COST	**KES**	**KES**	**KES**	**KES**	**KES**	**KES**	**KES**
As at 1ST July 2022	298,589,665	9,771,266,564	387,697,500	3,324,755,619	2,654,785,529	1,444,687,484	17,881,782,361
Additions	-	-	-	25,888,531	42,689,543	-	68,578,074
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Cost as at 30th June 2023	**298,589,665**	**9,771,266,564**	**387,697,500**	**3,350,644,150**	**2,697,475,072**	**1,444,687,484**	**17,950,360,435**
DEPRECIATION							
As at 1st July 2022	-	2,200,976,284	363,428,119	1,200,161,815	1,119,605,486	-	4,884,171,704
Depreciation	-	136,131,817	5,926,424	51,384,011	50,366,227	-	243,808,479
On Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Depreciation as at 30th June 2023	**-**	**2,337,108,101**	**369,354,544**	**1,251,545,825**	**1,169,971,713**	**-**	**5,127,980,183**
Net Book Value 30th June 2023	**298,589,665**	**7,434,158,463**	**18,342,956**	**2,099,098,324**	**1,527,503,360**	**1,444,687,484**	**12,822,380,252**

25. INTANGIBLE ASSETS

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
COST			
As at 1st July 2023	3,029,268,212	3,029,268,212	3,029,268,212
Additions	-	-	-
Transfer/ Adjustment	-	-	-
As at 30th June 2024	**3,029,268,212**	**3,029,268,212**	**3,029,268,212**
AMORTIZATION			
As at 1st July 2023	2,392,199,651	2,023,326,545	2,023,326,545
Charge for the year	363,826,065	368,873,105	368,873,105
Transfer/ Adjustment	-	-	-
As at 30th June 2024	**2,756,025,716**	**2,392,199,651**	**2,392,199,651**
NBV as at 30th June 2024	**273,242,496**	**637,068,561**	**637,068,561**

This comprises software purchased by the Fund and are amortized over a three-year period.

26. RECEIVABLE – SOUTH B ESTATE MORTGAGE

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Balance at the beginning of the year	32,618	32,618	32,618
Less Payments Received in the Year	-	-	-
Balance at the end of the year	**32,618**	**32,618**	**32,618**

The Fund sold houses in South B estate to staff members through mortgage at a rate of 6%. Balances at the beginning of the year and balance as at 30th June 2024 are as shown above.

27. LONG TERM DEPOSITS

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
KCB Savings & Loan (Mortgage)	1,338,701,009	1,313,661,405	1,313,661,345
NBK (Car Loan)	58,378,086	57,650,798	57,650,798
Total	**1,397,079,095**	**1,371,312,203**	**1,371,312,143**

NHIF has held deposits in NBK and KCB as a guarantee for staff Car Loan and Mortgages respectively issued at negotiated interest rate to the Fund's employees. The schemes are negotiated at 5% per annum between NHIF and the appointed banks who are the scheme managers. The interest earned is shared between the fund and the administrators at 2% and 3% respectively as approved by the board.

28. a). UNQUOTED INVESTMENTS

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Consolidated Bank Shares (Non-performing)	54,200,000	54,200,000	54,200,000
MTRH Loan	120,736,974	152,755,929	152,755,929
Total Unquoted Investments	**174,936,974**	**206,955,929**	**206,955,929**
Less: Provision for Impaired Investments	(54,200,000)	(54,200,000)	(54,200,000)
Total	**120,736,974**	**152,755,929**	**152,755,929**

Shares held at Consolidated Bank Ltd comprised 590,000 ordinary shares valued at KES. 11,800,000 and 2,120,000 preference shares valued at KES. 42,400,000 totaling to KES. 54,200,000.

MTRH Loan refers to a loan advanced by the Fund to the Moi Teaching and Referral Hospital (MTRH) earning an interest of three percent (3%) per annum. The interest is recognized among interest on investments under other incomes.

b). IMPAIRED UNQUOTED INVESTMENTS

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Consolidated Bank Shares	54,200,000	54,200,000	54,200,000
Total	**54,200,000**	**54,200,000**	**54,200,000**

IAS 36, Impairment of Assets, seeks to ensure that an entity's assets are not carried at a value greater than its recoverable amount (i.e., the higher of fair value less costs of disposal and value in use).

The KES. 54,200,000 in consolidated bank shares are non-performing ordinary and preference shares previously invested by the Fund. In accordance with IAS 36, provision has been made in the financial statements for impaired investments in order to appropriately reflect the recoverable amount of assets and impairment losses.

29. TRADE RECEIVABLES

	As at 30th June 2024 KES	Restated Balance 2022/2023 KES	Audited 2022/2023 KES
Civil Servants Scheme Receivables	5,009,258,403	2,480,175,237	2,996,321,415
GOK Sponsored Indigents Receivable	1,000,000,000	-	-
County Scheme Receivable	159,192,099	-	-
Edu Afya Receivable	-	59,412,255	-
HISP (OPPSD) Receivable	264,699,558	539,699,558	349,499,558
NPS&KPS Scheme Receivable	1,338,789,314	1,713,789,314	1,616,539,289
Retirees) Receivable	-	-	174,603,420
HISP (OVC) Receivable	674,291,337	1,978,708,000	1,774,017,833
Outstanding Contributions	5,596,158,850	5,663,371,364	5,663,371,364
NPS/KPS Exgratia Receivable	334,865,139	334,865,139	334,865,139
WIBA – NPS/KPS Receivable	-	-	7,861,625
WIBA – Civil Servants' Receivable	9,722,006,162	6,575,628,723	6,307,735,103
Total Receivables	**24,099,260,862**	**19,345,649,590**	**19,345,649,590**
Less Provisions for Doubtful Debts ***(Note 30b)***	(111,241,933)	(111,241,933)	(111,241,933)
Total	**23,988,018,929**	**19,234,407,658**	**19,234,407,658**

The Fund recognizes revenue on an accrual basis, therefore, amounts relating to the period under review but not received are recognized as receivable. These amounts include monies owed to NHIF as at the end of the period by entities engaged by the Fund for its core business.

30. a) OTHER RECEIVABLES

Electricity Deposit	1,394,385	1,353,885	1,353,885
Fuel Deposit	150,000	150,000	150,000
Hospital & Creditors Surcharges	117,095,897	142,832,138	142,832,138
Interest Receivable	5,934,066	30,386,301	30,386,301
Return to Drawer Cheques	14,589,681	14,790,981	14,790,981
Rent Deposit	58,763,954	50,207,656	50,207,656
Rent Receivable	293,416,745	236,942,505	236,942,505
Staff Medical Scheme Deposit	3,900,000	3,900,000	3,900,000
Staff Receivables	6,602,198	9,152,078	9,152,078
Sundry Prepayments	1,112,656	4,671,034	4,671,034
Sundry Debtors	53,589,525	65,540,573	17,421,235
Telephone Deposits	263,804	263,804	263,804
Temporary Imprest	6,129,143	12,876,708	12,876,708
Total Receivables	**562,942,052**	**573,067,663**	**524,948,325**
Less: Provision for Doubtful Debt **(Note 30b)**	(77,545,157)	(77,746,457)	(77,746,457)
Total	**485,396,896**	**495,321,206**	**447,201,868**

These are amounts owed to the Fund as at the end of the period by entities and individuals. They include Staff, institutions, employers, healthcare facilities and government ministries.

b) PROVISION FOR DOUBTFUL DEBTS

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Provision for Doubtful Trade Receivables			
Outstanding Contributions	111,241,933	111,241,933	111,241,933
Sub-total	**111,241,933**	**111,241,933**	**111,241,933**
Provision for Doubtful Other Receivables			
Staff Receivables	678,199	678,199	678,199
Temporary Imprest	109,200	109,200	109,200
Return to Drawer Cheques	14,589,681	14,790,981	14,790,981
Rent Receivable	29,327,052	29,327,052	29,327,052
Sundry Debtors	7,246,750	7,246,750	7,246,750
Hospital & Creditors Surcharges	25,594,275	25,594,275	25,594,275
Sub-total	**77,545,157**	**77,746,457**	**77,746,457**
Total	**188,787,089**	**188,988,389**	**188,988,389**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis as per IAS 36. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

The Fund's financial policy and regulations (2017) clause 4.3.4.2 on provision for doubtful debt, allows 100% inclusion of amounts overdue for debts aged over 24 months, unless payment plans are in place and are being adhered to.

31. SHORT TERM INVESTMENTS

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
KCB Call Deposit	100,000,000	100,000,000	100,000,000
CBK Treasury Bills	-	6,932,200,000	6,932,200,000
Equity Bank Call Deposit	-	1,200,000,000	1,200,000,000
Total	**100,000,000**	**8,232,200,000**	**8,232,200,000**

These are short-term investments in call deposits and Treasury Bills held for periods less than one year.

32. CASH AND BANK BALANCES

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Cash in Hand	22,794	143,164	143,164
Cash at Bank	1,197,738,023	3,726,443,530	3,726,443,530
Total	**1,197,760,818**	**3,726,586,694**	**3,726,586,694**

Cash at bank balances are funds held at Cooperative Bank of Kenya, Equity Bank, National Bank of Kenya, NCBA, Safaricom and Kenya Commercial Bank. The **KES 1.97 billion** is cash held in collection accounts and cash mopped up to pay claims processed at the end of the year.

33. ACCUMULATED FUND

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Balance at the beginning of the Year	**12,209,923,340**	**12,209,923,340**	**12,209,923,340**
Changes in the Year	-	-	-
Balance at the end of the Year	**12,209,923,340**	**12,209,923,340**	**12,209,923,340**

These are capital funds held by NHIF and represented by the Fund's various accumulated fixed assets. There were no changes to the accumulated Fund during the period.

34. RETAINED EARNINGS

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Balance at the beginning of the Year	**12,973,891,133**	**8,825,156,809**	**9,146,385,454**
Changes in the Year	(3,375,387,182)	4,148,734,324	3,007,585,644
Balance at the end of the Year	**9,598,503,951**	**12,973,891,133**	**12,153,971,098**

The Fund made a Deficit after tax of **KES. 3,375,387,182** in the 2023/2024 FY compared to a surplus of **KES. 4,148,734,324** in the same period last year. The 2022/2023 FY surplus changed from **KES. 3,007,585,644** to **KES. 4,148,734,324** as a result of prior period adjustments.

35. INCURRED BUT NOT REPORTED (IBNR) CLAIMS RESERVES

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
IBNR at the beginning of the year	**19,641,338,962**	**21,109,205,434**	**21,109,205,434**
Add: IBNR for the year	1,686,394,884	(1,467,866,472)	(1,467,866,472)
IBNR Reserves at the end of year	**21,327,733,846**	**19,641,338,962**	**19,641,338,962**
Less:			
Prior years claims at the Beginning	**(23,564,624,311)**	**(14,496,826,882)**	**(14,496,826,882)**
Prior period claims processed in the year	(12,361,268,813)	(9,067,797,428)	(9,067,797,428)
Prior years claims at the end	**(35,925,893,124)**	**(23,564,624,311)**	**(23,564,624,311)**
Net IBNR Reserves at the end of the year	**(14,598,159,278)**	**(3,923,285,349)**	**(3,923,285,349)**

Incurred but Not Reported (IBNR) — an estimate of the liability for claim-generating events that have taken place but have not yet been reported to the insurer or self- insurer. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period. The IBNR, therefore, form part of an entity's reserves in the Statement of financial Position.

The Fund's IBNR estimates are computed by on a quarterly basis and included in the Financial Statements. The IBNR estimates are supported with a certified certificate by a competent actuarial consultant.

Claims totaling to **KES. 12,361,268,813** relating to prior periods were processed during the period but posted to the IBNR Reserves.

36. DEFERRED INCOME

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
NHS Deferred Income	893,213,504	180,663,236	180,663,236
UHC Deferred Income	-	3,000,000,000	3,000,000,000
Edu Afya Deferred income	-	-	1,290,454,527
County Scheme Deferred income	-	338,440,799	338,440,799
Parastatal schemes Deferred income	1,393,434,933	1,602,416,478	1,602,416,478
Retirees Schemes Deferred Income	-	76,851,073	-
Linda Mama Program Deferred Income	79,299,268	1,824,729,531	1,824,729,531
CS Exgratia Payable	74,655,333	236,527,572	236,527,572
County Schemes Exgratia Payable	5,000,000	-	-
Total	**2,445,603,038**	**7,259,628,689**	**8,473,232,143**

Deferred income are funds remitted by entities for contractual engagements for periods subsequent to the period under review. These funds are held in the books as current liabilities due within 12 months and are to be recognized as revenues in the reporting period they relate to.

37. TRADE PAYABLES

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
a) Hospital Claims Payable			
Inpatient Claims	20,389,066,238	10,509,362,003	10,509,362,003
Outpatient Claims	989,063,214	1,551,741,660	1,551,741,660
Total Hospital Claims	**21,378,129,452**	**12,061,103,663**	**12,061,103,663**
b) WIBA Claims Payable			
WIBA Benefits	7,499,135,395	4,458,461,472	4,407,855,578
Total WIBA Claims	**7,499,135,395**	**4,458,461,472**	**4,407,855,578**
Total Trade Payables	**28,877,264,847**	**16,519,565,135**	**16,468,959,241**

These are claims owed to healthcare providers who offer services to the Fund's registered members arising from hospitalization. The amounts were outstanding as at close of business on 30th June 2024. WIBA balance has remained outstanding as premiums have not been received.

38. OTHER PAYABLES

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Accruals	12,690,429	105,988	105,988
Agency General Payment (Staff Payables)	1,682,367	298,350	298,350
Agency: Group Personal Life/ Ac	643,163	-	-
Legal Fees NHIF Tenants	157,000	157,000	157,000
Staff Pension Payable	1,046,306	3,914,087	3,914,087
Rent Deposits	25,361,178	23,895,074	23,895,074
Contributions Refunds	2,042,731	-	-
Retention Money	671,534	7,396,174	7,396,174
Rockefeller Foundation Grant	12,415	12,415	12,415
Salary Clearance Accounts	221,000,378	8,341,189	8,341,189
Tender Refundable Deposits	1,906,000	1,906,000	1,906,000
Trade Creditors	629,197,310	354,803,485	380,413,064
Unapplied Funds Control Account	6,512,721	213,773,709	213,773,709
Korea Foundation for International	572,702	662,262	662,262
International Labour Org (ILO)	1,981,959	462,360	462,360
V.A.T Agency A/C – Creditors	75,023,792	76,378,934	76,378,934
V.A.T Payable – Rental Income	1,281,721	1,267,921	1,267,921
W.H.T Payable - Creditors	35,311,039	35,144,489	35,144,489
Sundry Payables	25,672,234	-	-
Total	**1,042,766,978**	**728,519,436**	**754,578,306**

These are a mix of NHIF's short-term commitments and liabilities owed to other entities as at the end of the

period. Commitments and Liabilities arise when economic value has accrued to the Fund. These balances are as a result of the timing factor of the invoice due dates and reporting date.

39. TAX PAYABLE

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Income Tax Payable - Rental Income	121,312,714	62,576,417	-
W. H. Tax Payable - Investments	-	2,007,945	2,007,945
W. H. Tax on Rent	5,380,581	3,988,181	3,988,181
Total	**126,693,294**	**68,572,542**	**5,996,126**

These are amounts withheld at source based on the nature of the tax item. 30% is levied on the taxable rental income , 15% is imposed on interests earned from all NHIF's investments and 10% on rent payable to Fund's landlords. These amounts are payable to KRA.

40. PROVISION FOR LIABILITIES

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES
Provision for Civil Servants Scheme	150,056,674	150,056,674	150,056,674
Provision for External Audit Fees	14,280,000	5,000,000	5,000,000
Provision for Board of Survey	462,000	2,820,710	4,371,890
Provision for Open Heart Surgery	267,900	267,900	267,900
Provision for IRMS	297,123,353	297,123,353	297,123,353
Provision for Pending Staff Emoluments	27,096,634	3,131,289	-
Provision For Salary Arrears	3,752,824	2,962,748	2,798,694
Provision for Tax Liability	-	373,887,520	-
Total	**493,039,385**	**835,250,194**	**459,618,511**

- The provision of KES 150,056,674 for the Civil Servants Scheme represents the remaining amount as per IAS 37. This provision is set aside for pending fee-for-service claims and capitation payments for various hospitals, including Clinix and Meridian hospitals.
- NHIF has allocated KES 14,280,000 for pending Kenya National Audit Office 2022/2023 FY Invoice and current 2023/2024 audit fees.
- There is a remaining provision balance of KES 462,000 for the Board of Survey from the 2022/2023 financial year.
- A balance of KES 267,900 is in the provision for sponsorship for the Open heart surgery program. The Fund still has a few invoices pending as unpaid. However, due diligence is being undertaken before payments are made as the matter has been picked up for investigation.
- The provision balance of KES 297,123,353 was set up for the Integrated Revenue Management System (IRMS) pending adjudication of the case lodged.

- Management has provided KES 27,096,634 for pending staff emoluments related to staff on disciplinary cases and accrued CEO & Directors gratuities. Additionally, there is a remaining balance of KES 3,752,824 for staff arrears pertaining to inactive staff who left the organization and had not received their final dues as at June 30, 2024.

- The Fund established a provision for tax liability and carried out a prior period adjustment to account for the contingent liability of KES 373,887,520 related to KRA assessment on NHIF's rental income tax for FY 2017 to 2020. The matter was concluded, and NHIF paid the sum in three installments, resulting in a provision balance of nil as at June 30, 2024.

41. NOTES TO THE STATEMENT OF CASH FLOWS

	As at 30th June 2024 KES	Restated Balance 30th June 2023 KES	Audited 30th June 2023 KES

a) Reconciliation of Operating Surplus to Cash Generated from Operations

Operating Surplus	(3,316,650,885)	4,211,310,740	3,054,581,904
Depreciation	250,327,275	243,808,479	243,808,479
Amortization	363,826,065	368,873,105	368,873,105
Gain on Disposal	(647,955)	-	-
Interest From Investments	(685,596,807)	(901,907,178)	(903,350,929)
Operating Surplus before Working Capital Changes	**(3,388,742,307)**	**3,922,085,146**	**2,763,912,559**
Working Capital Changes			
(Increase)/decrease in Trade Receivables	(4,753,611,272)	(9,215,671,800)	(8,828,937,044)
(Increase)/decrease in Other Receivables	9,924,310	73,664	(149,243,296)
Increase /(Decrease) in Claims Payables	12,357,699,712	12,714,727,889	12,664,121,994
Increase /(Decrease) in Deferred Income	(4,814,025,651)	196,872,603	1,257,877,888
Increase /(Decrease) in IBNR Reserves	(10,674,873,929)	(10,535,663,900)	(10,535,663,900)
Increase/(Decrease) in Other Payables	314,247,541	(482,592,188)	(456,533,318)
Increase/(Decrease) in Tax Payable	58,120,752	62,295,717	(280,700)
Increase/(Decrease) in Provisions	(342,210,809)	(162,656,990)	(164,422,289)
Net Working Capital Changes	**(7,844,729,345)**	**(7,422,615,006)**	**(6,213,080,665)**
Cash Generated from Operations	**(11,233,471,652)**	**(3,500,529,860)**	**(3,449,168,106)**

b) Analysis of cash and cash equivalents

Short term deposits	100,000,000	8,232,200,000	8,232,200,000
Cash at Bank	1,197,738,023	3,726,443,530	3,726,443,530
Cash in Hand	22,794	143,164	143,164
Total	**1,297,760,818**	**11,958,786,694**	**11,958,786,694**

42. CAPITAL COMMITMENTS

There were no capital commitments in the year under review.

43. CONTINGENT ASSETS & LIABILITIES

CONTINGENT LIABILITIES	As at 30th June 2024	Restated 30th June 2023	Audited 30th June 2023
	KES	KES	KES
Total claims on all court cases filed against the Fund	14,249,131,557	17,136,524,084	17,136,524,084
Total legal fees on all court cases filed against the Fund	361,841,423	765,098,502	765,098,502
KRA Tax Assessment on Corporation tax (2009 - 2012)	373,887,520	373,887,520	373,887,520
TOTAL	**14,610,972,980**	**17,901,622,586**	**17,901,622,586**

The Fund has a civil suit filed by Clinix Healthcare in the High Court of Kenya, Milimani Commercial Courts (Civil suit No.35 of 2018). The Plaintiff filed the claim to be paid for servicesoffered to Civil Servants and Disciplined Services Medical Pilot project. As the amount to be awarded by the courts cannot be determined, this contingent liability is hereby disclosed by way of note as per IAS 37.

M/s Webtribe Ltd, trading as Jambo pay filed a case in the High Court of Kenya, Milimani Commercial Courts (Commercial suit No. E152 of 2021). The Plaintiff filed the claim to be paidfor costs relating to the installation of Integrated Revenue Management System. As the amountto be awarded by the courts cannot be determined, this contingent liability is hereby disclosedby way of note as per IAS 37. Baseline Architects vs NHIF one of the Karen land related cases, Court of Appeal delivered on 2nd December 2022 upholding the High Court decision and thus saving the Fund approximately Kshs 2.2 billion. This amount had been awarded by the Arbitrator. Advocates fees is pending.

Counterclaim filed by NHIF against Web Tribe Limited for the approximate sum of Kshs 82,000,000. These are contributions paid into their accounts but not remitted/forwarded to NHIF accounts as required in the contract.

The KRA Commissioner issued NHIF with a Kes 1,159,949,072 demand in relation to corporationtax additional and default assessments between 2009 and 2012 arising from non-declaration ofcorporation income. NHIF objected the obligation citing Section 45A of the First Schedule to the Income Tax Act (Cap 470), listing NHIF income as exempt. The matter is yet to be concluded and hereby disclosed by way of a note as per IAS 37.

44. RELATED PARTY DISCLOSURES

a) Nature of related party relationships

Companies and other parties related to the company 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.

The Fund is related to:

I. Government of Kenya
II. Board of Directors
III. Key management

b) Related Party Transactions

The GOK has provided full guarantees to all long-term lenders of the Fund, both domestic and external.

GOK finances the GOK Sponsored **Indigents'** (UHC), Civil Servants Medical, Edu Afya Medical, HISP - OVC & HISP - OPPSD, County, Parastatals, Linda Mama and Work Injury Benefit Act (WIBA) Schemes. The transactions have been shown under notes 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, & 18 respectively.

45. INCORPORATION

The National Health Insurance Fund (NHIF) was first established under the National Hospital Insurance Fund Act (Cap. 255 of the Laws of Kenya) in 1966, transformed into a state corporation by the National Hospital Insurance Fund Act, No. 9 of 1998.

The Fund is now transitioning to the Social Health Authority with the enactment of the Social Health Insurance Act, No. 16 of 2023.

46. EVENTS AFTER THE REPORTING PERIOD

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

47. CURRENCY

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

22. APPENDICES

APPENDIX I: DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

	Balance as at June 30, 2024	Balance as at June 30, 2023	Account Number
FINANCIAL INSTITUTION	**KES**	**KES**	
a) Current Account			
Kenya Commercial Bank	286,762,600	357,362,709	**1107111226**
Kenya Commercial Bank	-	34,750	**1167080416**
Equity Bank	526,021,364	656,012,489	**170263180280**
Equity Bank	41,923,295	372,990	**170273733939**
Equity Bank	41,000	-	**170263318584**
National Bank of Kenya	20,044,480	128,311,157	**1023033223900**
National Bank of Kenya	7,374,701	4,787,272	**1003000904002**
National Bank of Kenya	1,021,369	724,533	**1023000904000**
National Bank of Kenya	86,008	188,350	**1003000904001**
Cooperative Bank of Kenya	37,438,617	2,237,225,297	**1141162180500**
Cooperative Bank of Kenya	220,004,194	227,048,487	**1136011317300**
Cooperative Bank of Kenya	6,600	-	**1141011317300**
NCBA APL Collection account	2,584,038	96,904,163	**4783380012**
Safaricom	97,964	17,471,332	**M-pesa Paybill**
E-Citizen	54,331,794	-	**222 222**
Sub-Total	**1,197,738,023**	**3,726,443,530**	
b) On - Call Deposits			
National Bank of Kenya	-	-	
Kenya Commercial Bank	100,000,000	100,000,000	
Central Bank of Kenya	-	6,932,200,000	
Equity Bank	-	1,200,000,000	
NCBA	-	-	
Sub- total	**100,000,000**	**8,232,200,000**	
c) Staff Car Loan & Mortgage			
Savings & Loan - Mortgage	1,338,701,009	1,313,661,345	**1100162666**
NBK - Car Loan - Deposit a/c	43,710,975	57,650,798	**1288032515200**
NBK - Car Loan - Interest a/c	14,667,111	-	**1021032515200**
Sub- total	**1,397,079,095**	**1,371,312,143**	
Grand Total	**2,694,817,119**	**13,329,955,673**	

APPENDIX II: INCURRED BUT NOT REPORTED (IBNR) CLAIMS RESERVES SUMMARY

SCHEME	Cumulative IBNR as at 1st July 2022	IBNR for the Year 2022/2023	Cumulative IBNR as at 30th June 2023	Cumulative IBNR as at 1st July 2023	IBNR for the Year 2023/2024	Cumulative IBNR as at 30th June 2024
National Health Scheme	9,654,060,584	3,534,131,896	10,051,555,504	10,051,555,504	397,494,920	10,449,050,424
Indigent's Sponsorship Program (GoK)	-	-	-	-	-	-
Civil Servants Scheme	2,924,352,428	323,304,501	3,494,831,890	3,494,831,890	570,479,461	4,065,311,351
NPS&KPS Scheme	4,013,338,324	391,909,782	859,076,968	859,076,968	-	859,076,968
Edu-Afya Scheme	683,915,008	118,271,774	882,535,264	882,535,264	198,620,256	1,081,155,520
HISP OVC Scheme	31,286,794	13,463,572	25,678,180	25,678,180	(5,608,614)	20,069,566
HISP OPPSD Scheme	6,450,745	2,741,979	6,387,890	6,387,890	(62,855)	6,325,035
County Schemes	525,302,763	89,232,192	562,183,758	562,183,758	36,880,995	599,064,753
Parastatals Schemes	780,711,624	85,652,512	1,468,072,950	1,468,072,950	687,361,326	2,155,434,276
Retirees Schemes	190,181,545	45,496,407	310,531,202	310,531,202	120,349,657	430,880,859
Linda Mama Program	2,299,605,618	620,483,365	1,980,485,357	1,980,485,357	(319,120,262)	1,661,365,095
GRAND TOTAL	21,109,205,434	5,224,687,979	19,641,338,961	19,641,338,961	1,686,394,884	21,327,733,845

Incurred but Not Reported (IBNR) — an estimate of the liability for claim-generating events that have taken place but have not yet been reported to the insurer or self- insurer. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period. The IBNR, therefore, form partof an entity's reserves in the Statement of financial Position. The IBNR and OCR reserves caters for claims that lie at stages of claims processing and verification from notifications at the hospitals to the posting to accounts stage.

APPENDIX III- IMPLEMENTATION STATUS OF AUDITOR-GENERAL PRIOR YEAR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor in the financial report for the year ended 30th June 2023, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
BASIS FOR ADVERSE OPINION					
1	***Unsupported Benefit Expenses*** *The statement of profit or loss and other comprehensive income reflects total benefit expenses amounting to Kshs.70,886,855,120 as disclosed in Note 6 to 18 to the financial statements. However, analysis of the benefits expenses revealed that supporting schedules for various schemes amounting to Kshs.94,219,905 lacked details of member numbers, identification numbers, hospital names, employer codes and in some instances the claim amounts contained negative values.* *Further, schedules for administration expenses balance of Kshs.673,197,316 for various enhanced schemes lacked details on the actual activities carried out, items procured, number of parties receiving services and payee details. In some instances, the payee columns included description information instead of payee names.* *In the circumstances, the accuracy and completeness of benefit expenses amount of Kshs.767,417,221 could not be confirmed.*	The schedules detailed in the Appendix provided relate to claim reversals that are done mainly to return an incomplete or erroneous claim back to the branch or hospital to correct specific errors or adjustments. In addition, claims reversals are carried out at the stage where the claims have already been posted to the ledger. The key record for the ledger is an Accounts Payable Document number which does not carry the detailed information of member, disease coding information, case codes, and hospital name and employer code among other details. The reversal transactions typically aim to correct errors or adjust amounts without revealing the full specifics of the original claim to maintain privacy and confidentiality. Therefore, to maintain a clear and concise record, only essential information is included in reversal entries. Further, being reversals, the claim amounts reflect as negatives which are then deducted from the total claims figure to give the correct value.	NHIF Management	Resolved	FY 2023/2024
2	***Unsupported Other Operating Expenses*** *The statement of profit or loss and other comprehensive income and Note 22 to the financial statements reflects other operating expenses amounting to Kshs.2,920,271,196. The balance includes an amount of Kshs.2,475,593,076 whose schedules lacked details on the activities carried out, items procured, number of recipients and nature of services rendered and payee details. In some cases, the payee columns included description information instead of payee names.* *In the circumstances, the accuracy and completeness of other operating expenses amount of Kshs.2,475,593,076 could not be confirmed.*	Payments for activities like air tickets, hire of vans and leasing of motor vehicles which are procured for groups of staff members usually travelling for the same activity e.g., trainings, workshops and other field work exercises. During the payment process, details of the parties and activities are included in the supporting documents to the payment vouchers. However, only limited information is captured in the system due to limitation in the field size although the details are retained in the Payment Vouchers. The same case applies when processing payments for leasing and hire of vans. The invoices are paid in batches whereby only the invoice numbers are fed into the description field. Supporting documents however contain all other details. Going forward the system will be reviewed and reconfigured to allow for capturing of more details and further provide for separation of the expenditures. Where possible, procurements will also be separated based on cost center/activity. A sample of such cases has been attached for perusal	NHIF Management	Resolved	FY 2023/2024
3 3.1	***Other Receivables*** ***Long Outstanding Receivables*** *The statement of financial position and Note 30 to the financial statements reflects other receivables balance of Kshs.447,201,868. The amount includes hospital and creditors surcharge amount of Kshs.142,832,138 out of which Kshs.25,594,275 has been outstanding since the year 2018 and whose recoverability was doubtful.*	The surcharges of Ksh. 142,832,138 involved 101 healthcare facilities being surcharged. The surcharges were initiated based on various reasons such fraud, overpayment or duplicated payments which were observed through audit findings or observations by respective branch offices in course of processing the claims. The recovery was initiated by debiting respective hospital ledger account to automatically recover any claim submitted for payment until the entire amount is fully recovered before any payment is made to the hospital concerned. As of 22 December 2023, an amount of Ksh.	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the accuracy and recoverability of creditor's surcharge balance of Kshs.142,832,138 could not be confirmed.	17,115,687.84 had been recovered from the facilities leaving a balance of Ksh.125, 716,450. Schedule provided in soft copy. However, for the facilities that do not submit claims we have initiated a process of issuing demand notices with a view of collecting the surcharge.			
3.2	***Lost Computers*** *Further, the balance includes an amount of Kshs.17,421,235 on sundry debtors out of which Kshs.2,832,000 relates to lost computers. However, the report provided for audit did not give details on the progress and status of the matter or action taken and there was no evidence that the computers were insured.* *In the circumstances, the existence, ownership and recoverability of lost computers amounting to Kshs.2,832,000 could not be confirmed.*	As correctly pointed out included in the sundry debtors are 16 desktop computers amounting to Kshs. 2,832,000 lost on transit from the NHIF head office to the then NHIF satellite office in Isiolo and later to be distributed within various NHIF satellite and window office. Investigations were initiated and suspects were arrested and arraigned in court as per the attached reports and documents. The serial numbers are also indicated in the investigation report (Pg2) attached (Appendix 27-a) The items had initially been presented in PPE schedule on acquisition but then transferred to Sundry debtors from the year 2020 and thereafter a provision was made on the same as shown in the year under review. This was to fairly present the loss of equipment as well as the recovery follow-up through the disciplinary procedures instituted. This movement was reflected in the audited report and financial statements for the year 2020/21.	NHIF Management	Resolved	FY 2023/2024
4	***Unsupported Statutory Contributions*** *The statement of profit or loss and other comprehensive income reflects total revenue amount of Kshs.81,596,356,297. Included in the amount are statutory contributions of Kshs.4,377,783,721 from five (5) schemes. However, the amount was not supported with detailed schedules indicating the dates the money was received, E-slip reference numbers and customer code numbers. Further, the schedules provided reflected amounts in block figures instead of showing a breakdown on monthly basis of each member's contribution.* *In the circumstances, the accuracy and completeness of statutory contributions amounting to Kshs.4,377,783,721 could not be confirmed.*	The national health scheme contribution schedules were bulky and took some time to extract, but they have since been provided. The printed copies for sample pages are attached (Refer to Appendix 4.10 provided with ML) and the soft copies are provided as (Refer to Annex 4.10 provided with ML). It's important to note that the NHS contribution under Note 6 excludes statutory contributions from managed schemes which are accounted for under their respective schemes as per their notes in the financial statements (i.e. Note 8, 9, 13, 14 & 15).	NHIF Management	Resolved	FY 2023/2024
5 5.1	***Benefit Expenses*** ***Unexplained Overpayment on National Health Scheme Expenses*** *The statement of profit or loss and other comprehensive income reflects National Health Scheme expenses balance of Kshs.34,362,413,090. However, the amount includes payments of Kshs.963,737,709 while their specified limits was Kshs.501,561,060 resulting to unexplained overpayments of Kshs.462,176,649 as shown below:*	The process of authorization, approval and processing of claims is an informed interactive system wide process that begins with defined benefits, approved package rates, contracting of declared healthcare service providers and adherence to the set criteria as member's access healthcare. The National Scheme expenses balance amounting to Kshs.434,232,656 were not overpayments, rather they were combined packages per claim for MRI, CT-SCAN, Basic and complex Chemotherapy, Ultrasound, PET Scan, Kidney transplant, Radiotherapy and Rehabilitation but the data provided picked the cost of one package.	NHIF Management	Resolved	FY 2023/2024

<table>
<tr><th>Reference No. on the external audit Report</th><th>Issue / Observations from Auditor</th><th>Management comments</th><th>Focal Point person to resolve the issue (Name and designation)</th><th>Status: (Resolved / Not Resolved)</th><th>Timeframe: (Put a date when you expect the issue to be resolved)</th></tr>
<tr><td></td><td>
<table>
<tr><th>Benefit</th><th>Specified Limit Kshs.</th><th>Payments Made Kshs.</th><th>Overpayment Kshs.</th></tr>
<tr><td>Normal Delivery</td><td>370,000</td><td>1,709,953</td><td>1,339,953</td></tr>
<tr><td>C-Section</td><td>930,000</td><td>2,207,800</td><td>1,277,800</td></tr>
<tr><td>Rehabilitation</td><td>1,260,000</td><td>4,606,500</td><td>3,346,500</td></tr>
<tr><td>Minor Surgery</td><td>43,950,000</td><td>73,384,853</td><td>29,434,853</td></tr>
<tr><td>Major Surgery</td><td>401,960,000</td><td>687,788,129</td><td>285,828,129</td></tr>
<tr><td>Specialized Surgery</td><td>4,500,000</td><td>8,133,678</td><td>3,633,678</td></tr>
<tr><td>Basic Chemotherapy</td><td>20,700,000</td><td>46,285,883</td><td>25,585,883</td></tr>
<tr><td>Complex Chemotherapy</td><td>2,700,000</td><td>3,468,000</td><td>768,000</td></tr>
<tr><td>MRI</td><td>5,271,060</td><td>21,387,950</td><td>16,116,890</td></tr>
<tr><td>CT-Scan</td><td>19,920,000</td><td>114,764,963</td><td>94,844,963</td></tr>
<tr><td>Total</td><td>501,561,060</td><td>963,737,709</td><td>462,176,649</td></tr>
</table>
In the circumstances, the accuracy and completeness of the National Health Scheme expenses of Kshs.963,737,709 could not be confirmed.
</td><td>
<table>
<tr><th>Member No.</th><th>Claim No.</th><th>Date Of Admission</th><th>Date Of Discharge</th><th>Benefit Accessed</th><th>Amount Paid</th><th>Reason</th></tr>
<tr><td>2353864</td><td>16445607</td><td>02/07/2021</td><td>02/07/2021</td><td>MRI</td><td>30,000.00</td><td>2 MRIs were done @15,000 each.</td></tr>
<tr><td>2915107</td><td>21746222</td><td>20/02/2023</td><td>01/03/2023</td><td>CT-SCAN</td><td>256,000.00</td><td>Includes craniotomy for aneurysm @ 250,000. Hence not CT-Scan only pad @ 256,000</td></tr>
<tr><td>14652856</td><td>21677533</td><td>14/02/2023</td><td>14/02/2023</td><td>CT-SCAN</td><td>12,000</td><td>2 CT-Scans done, @ 6,000 each.</td></tr>
<tr><td>8401163</td><td>20332705</td><td>29/09/2023</td><td>29/09/2023</td><td>CT-SCAN</td><td>12,000</td><td>2 CT-Scans done, same day</td></tr>
<tr><td>0321807</td><td>20867747</td><td>22/11/2022</td><td>29/11/2022</td><td>Specialized Surgery & ICU Admission</td><td>850,000</td><td>Enhanced Scheme [KARO] beneficiary paid @ FFS.</td></tr>
<tr><td>8694922</td><td>19531076</td><td>01/07/2022</td><td>18/08/2022</td><td>Specialized Surgery & Medical Devices</td><td>1,508,500.00</td><td>Enhanced Scheme [NPS] beneficiary paid as FFS.</td></tr>
</table>
Find below a schedule of the sampled cases analyzed. Also, the printed sampled healthcare provider invoice/encounter forms are availed. (Refer to Appendix 4.16.1 provided with ML)

NHIF continuously reviews all cases appearing as anomalies and where any overpayment is detected a recovery system is immediately initiated.
</td><td></td><td></td><td></td></tr>
<tr><td>5.2</td><td>
Overpayment on Parastatal Scheme Expenses

The statement of profit or loss and other comprehensive income reflects parastatal schemes expenses amount of Ksh.2,177,264,508. Analysis of the expenses revealed unexplained overpayment balance Kshs.1,750,250 above the specified limits on MRI and CT-Scan claims as shown below:
<table>
<tr><th>Benefits</th><th>Specified Limit Kshs.</th><th>Payment made Kshs.</th><th>Overpayment Kshs</th></tr>
<tr><td>MRI</td><td>1,080,000</td><td>2,076,950</td><td>996,950</td></tr>
<tr><td>CT-Scan</td><td>488,000</td><td>1,241,300</td><td>753,300</td></tr>
<tr><td>Total</td><td>1,568,000</td><td>3,318,250</td><td>1,750,250</td></tr>
</table>
In the circumstances, the accuracy and completeness of the parastatal scheme expenses of Kshs.1,750,250 could not be confirmed.
</td><td>
Beneficiaries under enhanced schemes upon accessing healthcare are billed on a fee for service basis. This applies also to members in the parastatal schemes and hence payments were not made above specified limits but were made as billed.

There are instances where the case code highlighted does not correspond to the claim amount paid; this is due to the system picking one case code when queried instead of the total amount of all case codes related to the Claim.

What appeared as double payments occurred when members accessed non-comprehensive facilities, then the Fund was notified though services were offered at a later date. This phenomenal where date of notification and services happen on different dates can occur due to system challenges during the day of the service delivery or when the member is a recurrent patient in a facility for terminal illnesses.

Invoices of the same are attached (Refer to Appendix 11.1 provided with ML)

1. Example; Member no. 0017259, accessed care on 01/07/2022 but the notification for dialysis was sent on 08/07/2022 alongside a similar one that the member was accessing on the same day. Both healthcare provider invoice and encounter forms are attached.
</td><td>NHIF Management</td><td>Resolved</td><td>FY 2023/2024</td></tr>
</table>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		2. Member no. 0058840, notification for both radiotherapy services were done on 04/01/2023, billed same amount of Kshs. 10,200.00 but accessed on 05/01/2022 and a week later 12/01/2022. NHIF is embarking on sensitizing health facilities on the importance of timely notification and providing service on the same date.			
5.3	***Duplicate Payment for C-Sections and Normal Deliveries*** *The statement of profit or loss and other comprehensive income and Note 16 to the financial statements reflects Linda Mama Program expenses amount of Kshs.4,134,909,678. The amount includes an amount of Kshs.5,713,000 paid to NHIF accredited hospitals whose analysis revealed six hundred and fifty-six (656) duplicate case code (01) on caesarean section deliveries procedures carried out on the same patient. Similarly, the amount includes a balance of Kshs.41,332,700 whose analysis revealed ten thousand eight hundred and sixty (10,860) duplicated case code (02) on normal deliveries on the same patient.* *In the circumstances, the accuracy and completeness of the Linda Mama expenditure of Kshs.47,045,700 could not be confirmed.*	The Management had noted these anomalies and corrective measures instituted including recoveries. The management wrote to Regional managers vide letters dated 11th October 2023 and sent a reminder on 27th November 2023, vide letter referenced HF/HQ/ADM/62/18B VOL.I/(38), herein attached. (Refer to Appendix 12.1provided with ML).	NHIF Management	Resolved	FY 2023/2024
5.4	***Irregular Claims Management and Payments*** *The statement of profit or loss and other comprehensive income reflects total benefit expenses amount of Kshs.70,886,855,120. Analysis of claims payment schedules revealed an amount of Kshs.247,021,907 on duplicate payment of claims in respect to National Health Scheme at Kshs.221,448,407 and Indigent' Sponsorship (GOK) Program at Kshs.25,573,500. Further, the amount includes a balance of Kshs.9,968,332 for one thousand and nine (1009) duplicate claims with same medical procedures, on the same admission dates but with different discharge dates. Further, an amount of Kshs.51,111,215 for four (4) schemes was incurred on payment of two thousand eight hundred and eight (2808) claims where the same patient was admitted in different hospitals at the same time.* *In the circumstances, the accuracy and completeness of the benefit expenses amount of Kshs.308,101,454 could not be confirmed.*	Of the Kshs. 221,448,407 worth of claims, the amount of Kshs. 7,763,460 management noted the duplication and reversed thus no claims were paid. This is depicted in the appendix that was provided and also in the first five (5) claims tabulated below. The other claims indicated as double payments relate to claims emanating from services which have running sessions like Radiotherapy, Chemotherapy and Dialysis. The healthcare providers combine the different sessions and claim them together and not separately though services were offered at different visits and dates. Notably, these services must be pre-authorized, hence removing the risk of over claim because the claim is tied to the number of sessions per treatment cycle. The supporting documents for the duplicate claims tabulated below have been presented. (Refer to Appendix 4.17 provided in ML) Benefits accessed @ St. Leonard's Hospital and Kericho County Referral. What appears as an overlap was due to similar date of notification by the two facilities. The dialysis session @ the County Hospital was accessed on 29/11/2022. Healthcare provider invoice /encounter form availed. Claim No. 22589447 was notified on 05th May 2023 alongside another dialysis session being offered on the same day, yet the service had been accessed on 22nd April 2023. Hence a late notification and not a double payment. Healthcare provider invoice /encounter form availed. Claim No. 19588804 was ordered for CT scan of the chest while Claim No. 19588242 was CT-scan of the abdomen, all ordered and done on the same day. Member No. 0208936 accessed services in different healthcare providers on the same day, hence appearing as duplicate claims yet they are not. Healthcare provider invoice /encounter form availed.	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Member No. 3491145 dialysis notifications were sent on the same day but accessed on different dates and different hospitals. Claim no. 19372231 was accessed on 09/06/2022 @ Kericho District Hospital while claim no. 19366259 was billed on 15/06/2022 from MTRH. On Kshs.51,111,215 that was incurred on payment of 2808 claims where the same patient was admitted in different hospitals at the same time, it is important to note that daycare procedures e.g. imaging services, Chemotherapy, Radiotherapy etc are treated as admissions though they are admitted and discharged same day. A sampled claim from Appendix 8 that was incurred on claims where the same patient was admitted and discharged in different hospitals at the same time showed that the patient member number 18908374 benefited from chemotherapy services from both Meru Doctors Plaza and Meru Teaching and Referral Hospital on 30th May 2022 and 07th June 2022 respectively despite being notified on the same day which was 07th June 2022. Further, Management has initiated the process of enhancement of the system to detect and disallow notifications/admissions of the same patient on the same date in different facilities.			
5.5	***Irregular Management of Indigents' Sponsorship (GOK) program*** *Note 7 to the financial statements reflects total Indigents Sponsorship (GOK) Program expenses of Kshs.3,329,282,962. It was noted that the Program commenced in January, 2022 with the launch of Universal Health Coverage taking place on 07 February, 2022. However, examination of claim data revealed claims amounting to Kshs.11,924,766 for the years 2017 to 2021 which were presented before the Program commenced. Further, a total of Kshs.3,263,425 was paid out of the Scheme to members who are enrolled by NHIF in formal and informal categories and whose contributions were updated and active and therefore they could not be categorized as poor and vulnerable.* *In the circumstances, the accuracy and completeness of the Indigents' Sponsorship (GOK) Program amount of Kshs.3,329,282,962 could not be confirmed.*	A member can change from one scheme/employer to another, but the historical utilization information does not change. This therefore explains claim data where a member who is in the indigent scheme having prior details belonging to a different employer code. In relation to the claims arising from years 2017-2021 before the UHC program was unveiled, service delivery (when the patients received service) was rendered when the members were under other employer codes (Formal/Informal). However, during the time of claim settlement, their employer codes had transitioned to UHC program. On payment of claims for members who are enrolled by NHIF in formal and informal categories, NHIF receives indigent data from the County government and uploads in the system. NHIF is only able to validate and determine those who are in managed schemes and sponsored programmes, for self and formal employed members who are in the county indigent list, NHIF will continue working closely with the respective Counties with a view to validate and clean the data. On the issue of data clean-up for members whose employment/financial status has since changed; it is important to note that NHIF is not mandated to add/remove an indigent from the UHC Scheme (code 500-500) unless with instructions from the sponsor which is GOK in consultation with the scheme beneficiaries who are the County Governments. NHIF recommends therefore, that there is need to implement administrator guidelines to manage UHC data.	NHIF Management	Resolved	FY 2023/2024
5.6	***Variances in Indigents Sponsorship (GOK)*** *Note 7 to the financial statements reflects the Indigents' Sponsorship (GOK) Program premiums amount of Kshs.6,000,000,000. It was noted that the contract was based on one million principal members at the rate of Kshs.6,000 but in the year under review, the program had only 878,104 members which translates to Kshs.5,268,624,000 total premiums. This resulted to an unexplained variance of Kshs.731,376,000.* *In the circumstances, the accuracy and completeness of the indigents' sponsorship (GOK) program amount of Kshs.6,000,000,000 could not be confirmed.*	The Former President presided over a national roll-out of Universal Health Coverage (UHC) programme across all the 47 counties of Kenya, marking a significant milestone in the country's healthcare journey. The Kenya National Bureau of Statistics Housing and Population survey of 2019 noted that there was a total of 5,110,390 indigents Households in Kenya. Phase one of the program targeted sponsorship of 20% of the total indigent population which translates to 1,022,078 households. Following the expansion of UHC to the 47 Counties through the signing of the Inter-governmental Participatory Agreements (IPA) between the National Government and the County Governments, the Government set aside Ksh.6 billion to provide health insurance to the first cohort of 1 million indigent and vulnerable households across the Country. The	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		indigents that were validated consequently started accessing Health care services in January 2022. Presidential Directive on Boda Boda Riders The training of Boda-boda riders commenced on March 24, 2022, following a presidential directive to St. John Ambulance and the Ministry of Transport. This directive aimed to collaborate in training 200,000 Boda-Boda riders to enhance first aid response capabilities. Subsequently, NHIF received a letter (Ref. MOH/ADM/1/2/37/Vol. II) from PS Health dated June 17, 2022, instructing the onboarding of the 200,000 Boda-Boda riders. By this time, 882,639 indigents were already registered for Universal Health Coverage, accessing benefits. The remaining 117,361 households, not submitted by county governments, were allocated to the Boda-Boda riders. The UHC scale-up programme aimed to ensure that all individuals, including Boda Boda riders, had access to affordable, accessible, and quality healthcare services without financial hardships. Authority The programme resulted from collaboration between St. John Ambulance, the Ministry of Transport, the National Transport Safety (NTSA), and NHIF. Its primary goal was to empower 117,361 Boda Boda riders with first-aid response capabilities, road safety, and essential healthcare services. This training aligned with the government's industry reform efforts and supported the UHC objective of leaving no one behind. National Launch The launch event took place on June 26, 2023, at the KICC, and the chief guest was H.E. the President. The event was attended by prominent figures from various industries, including government officials, business leaders, and renowned personalities. The President's presence added prestige to the occasion, highlighting the significance of the launch and its impact on the country's development. Current status of Boda boda Riders NHIF has successfully validated and auto registered a total of 115,996 Boda Boda as of 20-11-2023 since the program commenced. The balance of 5,900 Boda Boda Riders is work in progress (This is considering the active UHC members of 878,104). NHIF is actively working towards validating and auto registering the remaining balance of Boda Boda Riders. The organization is committed to ensuring that all Boda Boda Riders have access to the benefits provided by NHIF. Variance NHIF notes that the Auditor General report correctly noted that during the year under review, the Programme had a target of 1million indigent households. Notably, NHIF registered 878,104 members submitted by the County Governments and closed the gap by registering 115,996 Boda Boda riders as directed by the PS Health vide a letter dated 17th June 2022 Ref. MOH/ADM/1/2/37/Vol. II (Refer to Appendix 5.4 provided with ML) thereby bringing the total number to 994,100.			
5.7	***Surgical Expenditure without Evidence of Peer Review*** *The statement of profit or loss and other comprehensive income reflects total benefit expenses amount of Kshs.70,886,855,120 out of which Kshs.18,400,000 was paid for surgeries conducted on patients. However, analysis of the claim data expenses revealed that hip and knee replacements were conducted on patients without peer review from three doctors as required in the hospitals contracts signed with NHIF.*	Implementation of this requirement has proved not to be feasible due to the following reasons: - 1. NHIF contract with facilities does not: a) Define peer review in the definition of terms and interpretation. It does not guide on constitution of peer review team in hospitals, implementation, and reporting criteria to support pre-authorization. It neither spells out actions to be taken based on reporting nor the stage in the patient's journey at which to implement peer review: i.e., should it be done	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the accuracy and completeness of the expenditure Kshs.18,400,000 on surgical packages could not be confirmed.	before pre-authorization, before or post-procedure? Additionally, it does not guide who initiates the process, who pays for it, and how the same shall be monitored and reported (documented) for use by NHIF. b) express peer review under clause 2 "obligations of healthcare provider" No guidance is given on how to constitute the peer review team and how the process of review of cases should be implemented. c) defines it under 11. Pre-authorization clause 11.1. The Health Care Provider shall ensure that it submits timely requests for pre-authorization as per the Board's policies and guidelines and the Board shall not be liable to pay the costs (other than rebate where applicable) for services that are not pre-authorized as per the terms of this Agreement. This has not guided the implementation of the peer review process and no policies and guidelines have been provided to guide on peer review implementation process and reporting criteria. However in reviewing preauthorization requests, Case management ensures the request is made by the correct Doctor/Specialist, signed by an anesthetist to confirm the patient is fit for surgery, and the requisite diagnosis support documents have been availed and reports signed by the radiographer/radiologist. 2. Access to Specialists: In many counties, there is limited access to specialized healthcare professionals. The availability of orthopedic surgeons or specialists in joint replacement procedures is restricted, making it challenging to consult multiple experts. 3. Resource Constraints: patients and health facilities often face resource constraints, including limited healthcare infrastructure, funding, and medical supplies. This may impact the feasibility of implementing a multi-surgeon peer review process. 4. Geographical Barriers: Patients in rural or remote areas may face difficulties in accessing multiple surgeons due to geographical barriers, scarcity of specialists and a lack of transportation infrastructure. 5. Cultural Factors and patient's rights: Cultural beliefs and attitudes toward healthcare decision-making varies and choosing a care provider is a patient's right and a human right. Some patients are accustomed to relying on the advice of a single trusted healthcare provider rather than seeking opinions from multiple sources. 6. Cost Considerations: Consulting multiple surgeons could incur additional costs for the patient, which may not be feasible for individuals with limited financial resources. 7. Some patients may get lost to follow-up in the process, which delays care and affects quality of life. 8. This could erode patient's confidence in doctors and; 9. This could create a barrier to the access tenet in UHC. Premised on the above, Management will consider reviewing some of the requirements in the contracts to address the current challenges. We propose to implement this in the new contracts under the Universal Health Care (UHC). The modalities of how the peer review process will be undertaken shall be formulated during the next Health Care Providers contracting cycle 2024-2026 in consultation with the Orthopaedics Specialists Association of Kenya and the KMPDC for input and professional ownership.			
5.8	***Irregular Expenditure on Medical Camps***	As correctly noted, the medical camps were conducted within the second half of the financial year under review. During the National Police/ Kenya prisons and NHIF Work injury	NHIF Management	Resolved	

<table>
<tr><th>Reference No. on the external audit Report</th><th>Issue / Observations from Auditor</th><th>Management comments</th><th>Focal Point person to resolve the issue (Name and designation)</th><th>Status: (Resolved / Not Resolved)</th><th>Timeframe: (Put a date when you expect the issue to be resolved)</th></tr>
<tr><td></td><td>Note 17 to the financial statements reflects Work Injury Benefit Act (WIBA) administration expenses of Kshs.119,909,611. Included in the amount is a balance of Kshs.54,513,886 incurred on payment of imprest, conference facilities and transportation costs incurred by NHIF, National Police Service and Kenya Police Service staff to conduct medical camps. However, the activities were conducted between the months of January and June, 2023 after the expiry of the contract on 31 December, 2022.

In the circumstances, the accuracy, completeness and regularity of WIBA administration expenses of Kshs.54,513,886 could not be confirmed.</td><td>medical scheme exit meeting held at NPS headquarters, it was resolved that medical assessment camps should be held as a way of a close out M& E as well as to enable collect vital documentation and information to hasten WIBA claims processing which had adversely affected beneficiaries due to delays. Medical assessment for purposes of ascertaining the degree of disability that supports processing of claims is done after recovery which may fall past the contract period. See attached communication from Inspector general of the National Police service (Appendix 28-a)

The programs for the activities are also herein attached (Appendix 28-b)

It is also noteworthy that premiums to fund these activities as well as pay claims were received within the second half of the financial year (Appendix 28-c)</td><td></td><td></td><td>FY 2023/2024</td></tr>
<tr><td>5.9</td><td>Variance Between Hospital Billed Amounts and Claims Paid

The statement of profit or loss and other comprehensive income reflects total benefit expenses of Kshs.70,886,855,120 for claims paid to empanelled and contracted health facilities. However, review of payment data revealed that the hospitals billed Kshs.447,122,141 against claims paid amounting to Kshs.814,893,467 resulting to unexplained variance of Kshs.367,771,326 as detailed below;
<table>
<tr><th>Scheme</th><th>Claims Paid Kshs.</th><th>Hospitals Billed Amounts Kshs.</th><th>Variance/ Overpayments Kshs.</th></tr>
<tr><td>NPS/KPS Scheme</td><td>39,376,250</td><td>23,171,787</td><td>16,204,463</td></tr>
<tr><td>NHS Scheme</td><td>486,570,605</td><td>280,620,092</td><td>205,950,513</td></tr>
<tr><td>UHC Scheme</td><td>103,887,599</td><td>56,292,704</td><td>47,594,895</td></tr>
<tr><td>Civil Servant Scheme</td><td>15,016,390</td><td>8,523,069</td><td>6,493,321</td></tr>
<tr><td>Edu Afya Scheme</td><td>48,611,804</td><td>24,499,976</td><td>24,111,829</td></tr>
<tr><td>HISP(OVC)</td><td>19,844,824</td><td>11,283,160</td><td>8,561,664</td></tr>
<tr><td>HISP(OPPSD)</td><td>6,769,000</td><td>3,706,148</td><td>3,062,852</td></tr>
<tr><td>County Scheme</td><td>1,439,200</td><td>777,429</td><td>661,771</td></tr>
<tr><td>Parastatal Scheme</td><td>1,762,576</td><td>1,123,876</td><td>638,700</td></tr>
<tr><td>Linda mama</td><td>91,615,219</td><td>37,123,900</td><td>54,491,319</td></tr>
<tr><td>Total</td><td>814,893,467</td><td>447,122,141</td><td>367,771,326</td></tr>
</table>
Although Management attributed the variance to typing errors made by hospital clerks while inputting bill amounts in the E-claim system, there was no evidence of reconciling the billed amount to claims paid or requests for refunds for overpayments.

In the circumstances, the accuracy, completeness and regularity of the claims paid amount of Kshs.814,893,467 could not be confirmed.</td><td>Payments to hospitals above the bill amount incurred on patients are attributed to the variances that occur between rebate amounts and bill incurred by members whenever they access comprehensively contracted healthcare providers where the rebate applies regardless of the total bill in in-patient, package amounts for pre-authorized services and capitation payment method for outpatient services.

In the summary above, all the listed schemes are comprehensively covered in comprehensive facilities in Public, Faith-Based and Private facilities. Review of the Claims leading to these amounts in query established the following:

1.That some claims are medical inpatients where rebate amount is higher than the Bill Amount. The contractual provision for Medical Inpatient in comprehensive facilities is that the Fund pays for the rebate amount despite the bill being less or more than the rebate amount, the principal of cross subsidization applies where the facility gains when the bill amount is less than rebate amount and loses when the bill amount is more than rebate amount.

2.Case-based packages are paid as a package amount comprehensively, the bill amount notwithstanding whether lower or higher. Case based packages include surgical, dialysis, maternity, oncology, radiology and free maternity at rates.

3.Where a member accessed several services and multiple case codes were approved, when queried, they appear as added packages under one notification. Example, in instances of admission and a case-based package is preauthorized, it will all appear under one code i.e., as inpatient rebate.

4.Linda mama for example under MTRH, rebate is payable on admission for the mother in addition to Linda Mama Package rates. Should the child be admitted, the baby's bill will be added on the admission bill. This claim will then carry one notification for the baby(s) and the mother, plus the Linda Mama delivery package hence appearing as excess.

5.That in some cases though the bill amount is less than the payable amount as per the system, scrutiny of the invoices for the claims establishes that the Invoice amounts are more or equal to the Claim amounts. The Fund pays the claim amount. The bill amount is typed in by the healthcare provider staff/accountant and likely clerical typo errors occur at the healthcare facility level as on amounts billed. This led to these variances. The Fund system is not configured to respond to these typos in the billed amounts.

6.Enhanced scheme inpatient payments are payable subject to scheme rules and on invoice amount and not rebate. Hence appearing as a payment above bill amounts.

The above scenarios are summarized below from the sampled healthcare provider invoice/encounter forms which are availed. (Refer to Appendix 4.8 in ML)</td><td>NHIF Management</td><td>Resolved</td><td>FY 2023/2024</td></tr>
</table>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		The member is a beneficiary under the NHS where rebate is applicable upon admission. In this case, the member was admitted for 3 days @ 2,000 KShs per night giving a bill of KShs 6,000. The hospital billing keyed KShs 1,111,020.00. The Audit report instead of subtracting 6,000 from 1,111,020 to give 1,105,020 as variance, it instead added to give 1,117,020.00 as the variance! If the explanation in the audit observation is to go by, then the Fund 'saved' KShs 1,105,020.00. The Fund's liability in this case was KShs 6,000.00 and that is what was claimed. The Fund did not pay over and above by 1,117,020.00 as computed in the appendix provided. The member stayed for 50 days in the hospital for cancer management in a private wing of the facility incurring KShs 1,082,818.00 but the facility captured Kshs.16,000.00 as the bill amount. The member is a beneficiary of the enhanced KPS/NPS scheme where the Fund pays the invoice amount. Here the rebate does not apply otherwise the Fund's liability would have been KShs 200,000. The hospital billing reads KShs 16,000 while the Fund paid KShs 1,082,818.00 giving a variance of KShs1,066,818.00. The variance is therefore not that the Fund incurred a loss by paying over and above billed amount, but that that was the actual bill. The beneficiary is a member under the UHC Scheme in which the Funds' sole liability upon admission is rebate amount. The healthcare provider typed a bill of 215.904.00. With a rebate of 4,000, MTRH claimed the total rebate amount for the 180 days inpatient which is KShs 720,000.00 which the Fund paid and by so doing, did not lose KShs 504,000.00 as reported. A printed sample of healthcare provider invoice/encounter form is availed for reference. This member had an inpatient admission of 81 days. With a rebate of 4,000 the amount came to 324,000 which MTRH claimed. The bill amount keyed was 129,356.00. The Fund's rebate liability was 324,000.00 from the computation which the Fund and by so doing did not pay over and above its liability. The immediate next example is of a beneficiary whose of admission 3 days was and the hospital billed KShs 700 for a beneficiary of this enhanced scheme, clearly signaling a typing error. The Fund's liability was KShs 10,500 which was paid. By so doing, the Fund did not pay over and above its liability. The beneficiary is a student under the Edu Afya Scheme in which the Funds' sole liability upon admission is rebate amount in a comprehensive facility. The healthcare provider typed in a bill of 1,500.00 but claimed KShs 9,000 which is the rebate of 3,000, for the 3 days inpatient admission for the student. The Fund paid and by so doing, did not lose KShs 7,500.00 as indicated. A printed sample of healthcare provider invoice/encounter forms has been provided. This member had a surgical procedure that was approved at KShs 100,000 in addition to rebate amount of 126,000 during the 42 days of admission giving a total of 226,000 that was claimed. The Fund did not pay any over and above amounts for this member. This member had a hospital length of stay of 39 days in a comprehensively contracted facility. Under this scheme the Fund's liability is rebate for in-patient admission. At 3,500 rebate the total bill is KShs 136,500 which was claimed. The Fund incurred the correct bill. The Fund did not pay any over and above amounts for this member. This member accessed a comprehensively contracted facility under a comprehensive scheme where the Fund's liability upon admission is rebate amounts only. The member had admission days totaling 44 days at a rebate of KShs 3,000 giving a total of KShs 132,000 that was claimed. The hospital billed KShs 132 which certainly is a typing error as it's not practical to incur a cost of 132 Shs for 44 days in-patient. The Fund did not pay any bill over and above for this member.			

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5.10	***Irregular Claims by Health Care Providers*** *The statement of profit or loss and other comprehensive income reflects total benefit expenses amount of Kshs.70,886,855,120. However, review of the Internal Audit report conducted on Healthcare Providers between July, 2022 and June, 2023 revealed irregularities in claims for twenty-six (26) hospitals amounting to Kshs.185,142,488. Further, the report indicates that the hospitals have since been suspended from the scheme and further investigations are ongoing.* *In the circumstances, the accuracy, completeness and regularity of benefit expenses of Kshs.185,142,488 could not be confirmed.*	As highlighted above, management commissioned investigations into the operations of select facilities as listed in the table below: The findings of the investigations by the internal audit made recommendations including but not limited to suspension, surcharge of the facilities, disciplinary of the NHIF staff which are being implemented. The report has since been discussed in parliament and further shared with other investigative agencies.	NHIF Management	Resolved	FY 2023/2024
6.	***Unsupported Claim Reserves*** *The statement of financial position and Note 35 to the financial statements reflects Incurred But Not Reported (IBNR) claims reserves balance of negative Kshs.3,923,285,349. Although the actuarial certificate was provided for audit indicating claim reserves balance of Kshs.19,641,338,962 as at 30 June, 2023, there was no evidence to show the actuarial method applied and statistical procedures to predict the IBNR reserve required.* *In the circumstances, the accuracy and valuation of Incurred But Not Reported (IBNR) claims reserves balance of negative Kshs.3,923,285,349 could not be confirmed.*	The report from Ken Bright showing how estimates for the claims were established is now available for verification and is hereby attached. (Refer to Appendix 4.13 provided with ML)	NHIF Management	Resolved	FY 2023/2024
7.	***Overpayment of Legal Fees*** *The statement of profit or loss and other comprehensive income and Note 22 to the financial statements reflects other operating expenses amount of Kshs.2,920,271,196. The amount includes legal expenses of Ksh.293,669,000 out of which Kshs.41,286,800 was paid to a law firm to represent the Fund. However, based on services rendered as articulated in schedule 6 of the advocate's remuneration order, the law firm was supposed to be paid Kshs.2,477,574 resulting in an unexplained overpayment of Kshs.38,809,226.* *In the circumstances, the accuracy, completeness and regularity of legal expenses amount of Kshs.41,286,800 could not be confirmed.*	The Fund prequalifies service providers as required by provisions of PPADA Act, toward this, fees payable to the law firm appointed by the Fund is guided by provisions of the Advocates Remuneration Order and this takes into account the nature of the matters, whether there is a specific amount is dispute or whether it is a constitutional matter where the subject matter does not provide for an actual cost but in review of the matter the complexity and severity of impact of the matter to Fund is taken into account. The Federation of Kenya Employers filed a suit against the Fund. The Petition alleged that the Fund violated the Constitution in the following manner: 1.The values and principles of Public Participation under Article 10 were violated by failing to disseminate relevant information to FKE, failing to consider FKE's views and giving inadequate time for collection and collation of FKE's membership's views. 2.The Respondents violated FKE's membership's right to property under Article 40 by requiring matching contributions: this amounted to a backdoor tax and arbitrary deprivation of their members' property. It would also increase the cost of doing business and adversely affect the ability of Kenya to attract foreign investment. 3.The Respondents discriminated against FKE's members because the public sector employers will pay matching contributions by levying taxes on FKE's members while those same FKE members are required by law to make contributions towards their own employees' medical fees (under the Employment Act)- therefore private sector employers are carrying an unfair double burden. 4.The respondents have violated the right to fair administrative action under Article 47(1). This is through the provision of an exemption from matching contributions for employers	NHIF Management	Resolved	FY 2023/2024

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		with private insurance without adequate procedural safeguards such as the requirement to give notice to the employer seeking exemption, the requirement to give reasons for a decision with respect to exemption or the opportunity to appeal such a decision. 5.Similarly, the respondents violated the petitioner's right to fair administrative action with respect to review of the tariffs payable every 2 years. There was no explicit requirement to give reasons in the Amendment Act. 6.The respondents violated the petitioner's legitimate expectation the burden of health care would not be shifted from the public sector to the private sector. FKE sought declarations by the Constitutional Court that the amendments of the NHIF Act unconstitutional, were flawed and inconsistent, violated member rights to public participation, private property. They also sought damages for violation of or threat to rights and fundamental freedoms. The prayers sought were a. A permanent injection restraining the Fund and any other persons from enforcing the amendments to the Act, b. A permanent injunction restraining the Ministry of Health Fund from submitting draft regulations to the National Assembly c. A permanent injunction restraining the Ministry of Health from causing to be gazette any regulations and thus operationalizing the NHIF Act. The impact of concession by the Court in granting these orders essentially paralysis the Fund's activities and thus affects all the delivery and access to health care services a requirement that also a Constitutional right. Attached is a substantive explanation from the Advocates. (Refer to Appendix 17.1 provided with ML)			
8.	***Unsupported Purchase of Filing Racks*** *The statement of financial position and Note 23 to the financial statements reflects property, plant and equipment balance of Ksh.12,848,439,122. Included in the balance is an amount of Kshs.20,200,000 for the supply of filing racks. However, there were no local purchase orders, invoices, delivery notes, inspection and acceptance committee minutes to support the procurement the items. In addition, there was no S13 counter receipt voucher, S11 counter requisition and issue voucher to confirm how the items were delivered and taken on charge in the stores.* *In the circumstances, the accuracy, completeness, existence and ownership of filing racks balance of Kshs.20,200,000 could not be confirmed.*	The requisition form (S11) was raised from the finance department for 800 units of filing racks. Evaluation was done alongside other requests at the Procurement department. Contracts were signed and awarded on 13th June 2023. The supplier failed to deliver the requested items until the expiry of the contracts on 12th June 2024. The transactions have since been reversed as reflected in the subsequent financial statements. See attached S11, signed contract and commitment letter.	NHIF Management	Resolved	FY 2023/2024
9.	***Disputed Ownership of Land*** *The statement of financial position and Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.12,848,439,122 which includes land valued at Kshs.298,589,665. Included in the balance is an amount of Kshs.93,712,675 for land measuring 10 hectares situated in Karen. However, as previously reported, the ownership of the parcel of land is in dispute and the matter is in Court. The information available indicates that the Directorate of Criminal Investigations (DCI) has commenced investigations to establish*	BACKGROUND NHIF invested in the acquisition of Land, Survey and Designs of a Medical Centre of Excellence and Institute. This was part of the Fund's efforts to respond to challenges related to health and quality healthcare. Documents available indicate that the proposed medical Centre would consist of a Referral Centre, Medical Education Centre, Medical Research Centre, resource center and support Facilities. The purchase of the property commenced in 2001 after identification of a property in Karen, which was deemed suitable for the project. The purchase was approved by the full Board on	Directorate of Criminal Investigation Attorney General for guidance	Not Resolved	FY 2024/2025

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	whether there was fraud in the transfer of ownership of the land. Progress made on the investigation has not been disclosed in the financial statements. *In the circumstances, the ownership of land valued at Kshs.93,712,675 could not be confirmed.*	the 27th March 2002 vide board minutes attached. (Appendix A-1- page11& 24) The Fund undertook valuation of the property, by appointment of Tyson Limited and subsequently obtained a valuation report from Ministry of Lands and settlement, Ref No. VAL. 852/V/8 dated 24th January 2002 (Appendix A-2). The letter from the Ministry ascertained the value of the property as at that period was Kenya Shillings One Hundred Million Five Sixty-Nine Thousand Seven Hundred only (Kshs. 100,569,700/=). The property; Land Reference No 24968/2 is approximately 9.250 hectares (22.86 acres) and held on leasehold interest for a term of 99 years from 1st March 1999. The property is situated in the Karen Plains Road off Karen Road approximately 12 kilometers west of the City Centre. See attached title (Appendix A-3). The Fund further appointed a law firm Kipkenda Lilan & Co Advocates who oversaw the entire purchase process. See attached correspondence between NHIF and the law firm (Appendix A-4). The advocate executed a sale agreement with the purchase price for the entire property being determined at Kshs. 93,712,675 (Appendix A-5). As per the title, the transfer was successfully done on 20th December 2002. Attached find transfer and copy of grant (Appendix A-6). In September 2004, NHIF learned that a contractor had been commissioned by a third party (Crown line Freighters Ltd) to develop the said plot, claiming ownership. The Fund instructed M/S. Rachier and Amollo advocates to protect the interest of the Fund by pursuing appropriate action to restrain the third party from interfering with the property. (Appendix A-7) The Fund is pursuing the matter and has already taken the necessary steps to ensure the matter is determined in its favor. The Fund is relying on the evidence from the Commissioner of Lands confirming that the land is registered under the Fund's Board of Management. The Commissioner of Lands in his letter referenced 186267/7 dated 10th May 2006 and 186267/T.C/17 dated 22nd August 2007 addressed to the Attorney General stated categorically that the property L.R. NO. 209/24968/2/R 87345 is registered in favor of the NHIF board of management (Appendix A-8). The Attorney General's office in their letter referenced AG/MLS/292/04 dated 9th November 2009 confirmed receipt of the instructions from the Commissioner of Lands and put up a defense of the land (Appendix A-9) The matter was moved to the Environment and Land Division and assigned a new number HCCC.ELC NO. 691 of 2011. This was in a bid to ensure the matter is expedited. NHIF filed an application seeking an inhibition (caveat) on the tittle of the land to bar any subsequent registration of a right/interest over the said parcel of land until the matter is fully heard and determined. The court allowed the application on 27th July 2016 and issued orders that NHIF can put up a fence around the entire property, and an order inhibiting registration of any dealing with the parcel of land (Appendix A-10). Inquiry by the National Land Commission Following the recommendations by PIC that the National Land Commission conducts further investigations on the issue of the land within six months after adoption of the Report, The National Land Commission indeed notified NHIF of the inquiry as mandated under Section 6 of the National Land Commission Act. NHIF attended the inquiry on 15th June, 2017 and made its submissions before the Commission. The Commission pronounced itself and observed that the issue of ownership of the said parcel of Land was in Court. CURRENT STATUS In the 21st Public Investment Committee Report on the Audited Financial statements of State Corporations the above issue was discussed, and as per recommendations given by			

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		Public Investment Committee, the Directorate of Criminal Investigations commenced the inquiry/ investigations on the land and its acquisition in the year 2018. The DCI engaged the Chief Land Registrar from Ministry of Lands, the Land Surveyor from Survey of Kenya, Chief Valuer from Nairobi City County Government and all parties who hold titles to the land. DCI requested NHIF to surrender the original titles for purposes of investigation and attached find letter surrendering the title to DCI. (Appendix A-11). The Fund wrote a reminder to DCI on 20th May 2022 requesting an update on the same. Further, the Directorate of Criminal Investigations vide letter Ref NO. DCI/IB/LFIU/SEC/4/4/1/VOL.XLVI/125 dated 21st August 2023 (Appendix A-12) advised the Fund to fence the property and to follow up with ODDP on the case in court. NHIF wrote to Ministry of Lands, public Works and Urban Development requesting for costing of the fence which the Ministry replied via their letter Ref: QD 108/GEN/VOL. XII/45 dated 18th May 2023 with the attached cost estimates; (Appendix A-13). Based on these estimates NHIF is in the process of seeking a supplementary budget to facilitate the fencing of the Land. On the 15th May 2023, two businessmen were arraigned at the Mililani Law Courts where they were charged with conspiring to defraud NHIF land (Appendix A-14). The current status of the matter indicates that the criminal matter is still ongoing Nairobi Criminal Case NO. E341 of 2023 - Republic vs Peter David Leparkwo & Fredrick Kimemia Kimani. The matter was in court on 9th April 2024 for mention and issuance of directions, however, the same was stayed pending determination a judicial application review filed by one of the accused. Further, the matter is coming up on 29th July 2024. The Fund appointed a law firm to watch brief. OTHER ADDITIONAL SUPPORTING DOCUMENTS 1. A copy of court injunction barring NHIF from developing the Karen Land (appendix A-15) 2. Letter dated 27th December 2005 from NHIF to AG on the disputed Land (Appendix 16) 3. NHIF letter dated 12th May 2008 to commissioner of lands requesting their appearance in court (Appendix A-17) 4. NHIF letter dated 13TH Feb 2009 to PS medical services, being an updated on the case (Appendix A-18) 5. NHIF letter dated 13th July 2009 to AG, request for AG to intervene and give clear instruction on NHIF defense (Appendix A-19) 6. NHIF letter dated 7th October 2009 to AG, request for a meeting between NHIF and AG on the land dispute to chart way forward (Appendix A-20) 7. AG letter dated 9th November 2009 to NHIF, confirming receipt of Instruction from the commissioner of lands (Appendix A-21) 8. NHIF letter dated 11th Feb 2010 to AG, seeking status of the amendment of the defense (Appendix A-22) 9. AG letter dated 23rd April 2010 to NHIF, providing status of the amendment of the defense (Appendix A-23) 10. NHIF letter dated 14th May 2010 to AG, requesting AG to fast-track the matter in court (Appendix A-24) 11. Letter appointing law firm to watch brief and current update of the matter.			
10.	***Doubtful Work-In-Progress at Karen Land*** *The statement of financial position and Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.12,848,439,122 which includes capital work in progress balance of*	BACKGROUND It is true that as of 30 June 2021 there was work in progress of Kshs. 1,444,687,484 in respect of payments for the proposed Resource Centre on the Karen Land whose construction has not yet commenced to date and whose amount remains in our books. The amount	Directorate of Criminal Investigation	Not Resolved	FY 2024/2025

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	Kshs.1,444,687,484 relating to payments for drawings and designs for the proposed Resource Centre. However, as previously reported, the construction of the Resource Centre has not commenced since the acquisition of the land. Management has explained that construction of the Resource Centre was yet to commence due to lack of approval from the parent Ministry and the land ownership dispute in court. *Although the issue had been discussed by the Public Investment Committee (PIC), no action appears to have been taken on the PIC recommendations that the Fund should expeditiously pursue the prosecution and conclusion of the case to its logical conclusion.* *In the circumstances, the existence and valuation of capital work in progress balance of Kshs.1,444,687,484 could not be confirmed.*	comprises of payments to various consultants and professionals that had been engaged to provide services which include quantity surveys, business plans and financial analysis consultancy, legal fees, architectural design services fees, feasibility study, environmental impact analysis. A number of these payments arose from arbitration award as below In the year 2001/2002 the Fund planned to build a Resource Centre on the land acquired in Karen. The establishment and implementation of a Resource Centre on the land was approved by the board in 2002 (Appendix B-1 page 11&24). The then Chief Executive commissioned various consultants in accordance with the Architects and Quantity Surveyors Act Cap 525 of the Laws of Kenya to carry out a feasibility study on the development of a resource center (Appendix B-2). Arbitration by Architects and Quantity Surveyors on the Proposed Resource Centre The Architects and Quantity Surveyors did the work as commissioned and submitted their report together with their fee notes for Kshs. 734,524,029.25. Upon delay by the Fund to honor the fee notes, The Architects and Quantity Surveyors then commenced Arbitration proceedings against the Fund for the demand for their fees. The Arbitrator after reviewing the matter reduced the claim from Kshs. 734,524,029.25 and awarded the Architects and Quantity Surveyors Kshs. 352,131,345.15. Following the decision of the Arbitrator and claimants' filing of documents to enforce the Award, the Funds Lawyers gave their opinion that the Award be challenged at the High Court. The Fund disputed the award and proceeded to the high court to seek redress. Upon further guidance from the parent ministry to terminate the court processes and negotiate with the consultants with a view to settle pending bills in accordance with work done (APPENDIX B3-Letter from Ministry) NHIF and the Architects and Quantity Surveyors recorded a consent order in the High Court and the matter was settled (Appendix B-4). The Architects and Quantity Surveyors were paid a sum of Kshs. 407,107,645.00. Claims lodged by engineers and other consultants totaling Kshs. 333,846,784 were arrived at after settlement deeds were entered into on 24th June 2011 (Appendix B-5). The claims were fully paid. The Karen Medical Centre of Excellence The Original Project was revised to a Medical Center of Excellence and a Vision 2030 flagship project for the Ministry of Health following approval of a cabinet memorandum on the NHIF medical Resource Centre as communicated to NHIF CEO by the Minister of Health in a letter ref. MMS/ADM/1/16/1 dated 4th December 2008 (Appendix B-6). The Karen Medical center of excellence project led to litigations from the consultants. Litigation Arising from the Dispute on the Karen Medical Centre of Excellence The following are the litigations commenced by the Consultants in respect to the Karen Medical Centre of Excellence. High Court Civil Suit No. 504 of 2016: National Hospital Insurance Fund Vs. Baseline Architects Ltd. Rebman Ambalo Malala T/A Ujenzi Consultants Vs NHIF HCCC NO. 25 OF 2016 Comm Case No. 255 Of 2016 - NHIF Vs. Eng. Peter Scott And Manga And Associates Civil Suit No. 176 Of 2017 – Professional Consultants Ltd –Vs- NHIF 21ST REPORT OF PIC – COMMITTEE RECOMMENDATIONS This matter was presented to the committee in its last sitting where it recommended that: - The Fund fast tracks the hearing and determination of case HCCC.ELC NO.691 of 2011; and The Fund secures the disputed parcel of land through fencing and hire a competent security firm to guard the property until the case is fully determined (Appendix B-7).	Attorney General for guidance		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		CURRENT STATUS Although the case has not come to its logical conclusion, the Fund has pursued the case regarding ownership of the land in Karen through the DCI and the matter is court. Reference is made to the pending matters in court and communications showing the status of the cases. The dispute of ownership and the dispute with the quantity surveyors is still unresolved, except for the matter of Baseline Architects. The Court of Appeal upheld the decision of the High Court and ruled in favor of the Fund, attached is a copy of the Judgment (Appendix B-8). NHIF Vs Crownline Freighters and others Nairobi ELC No. 691 of 2011 (as Consolidated with ELC 152 of 2018) was mentioned before the court on 9th May 2022 and the court gave the parties more time to file relevant documents. The Fund filed its defense on 25th October 2022 and is currently awaiting directions from the courts. According to the DCI findings the parcel of land in question is registered in favor of National Hospital Insurance Fund. The Fund has taken steps to ensure the ownership rights of the Fund are protected, even as it awaits the determination of the Court matter. a. NHIF vs Crownline Freighters and others, Nairobi ELC No. 691 Of 2011 (as consolidated with ELC 152 of 2018) was heard on the 22nd and on the 23rd April 2024.The matter was adjourned to 22nd and 23rd October 2024, for further hearing after one of the defendants filed bulky documents. The Fund confirms that it has complied with provisions of Rule 11 of the Civil Procedure Rules and is ready to proceed with the hearing. In the Matter of Arbitration between Manga & Associates vs NHIF, the matter came up before the Arbitrator however a query was raised on instructions noting the Attorney General's Office in regard to engagement of external counsel. Fund has already sought guidance from the Attorney General noting that this was an existing matter. Attorney general responded and approved use of Ogetto Otachi Advocates to represent the Fund on the Karen land matters and the cases related to the same. This matter was scheduled for mention on the 14th September 2023 to confirm compliance. However, the matter did not proceed by reason that the Tribunal did not sit. Parties were advised by the Arbitrators Secretary to await further directions. Hearing was scheduled for 9th October 2023 but this did not proceed as the tribunal did not affirm its proceeding schedule. b. In the matter of Arbitration between Manga and Associate vs NHIF. The matter came up before the Tribunal on 24th May 2024.The Counsel on behalf of the Fund affirmed on the need for clarity as to the particular representatives that have the authority to attend the arbitral proceeding for privacy purposes. The Fund also requested for additional time to consult and formulate on a relevant strategy due to the claimant serving additional evidentiary outside the allowed period. Consequently, the Tribunal allowed the request and scheduled the mention to verify the status of filing for the 26th July, 2024 with a tentative hearing date placed on the 10th-12th September,2024. HCCC No. 25 of 2016 Rebman Ambalo t/a Ujenzi Consultant vs NHIF (Consolidated with HCCC No. 176 of 297 Professional Consultant Limited vs NHIF). The Fund introduced the then Chief Executive Officer as a witness and an expert witness, in procurement matters to support the Fund's defense. The matter came up for mention on 6th February 2023, however, the matter did not proceed to hearing by reason that the learned judge was away on his annual leave. Consequently, the matter was rescheduled for mention on 24th March 2023. However, the matters were reallocated to be placed and seized by the Learned Justice Sifuna. This matter last came up in court on the 4th of July 2023 where the court directed that parties file their respective trial bundles and the same was scheduled for mention on 23rd of October 2023 to verify compliance. This was done and the matter is now scheduled for hearing on 11th March 2024.			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		With the Court of Appeal upholding the High Court ruling (Cause No. 504 of 2016) in Fund's favor on the matter of Baseline Architects, the Fund is relying on this judicial precedence and is confident that the cases listed under b) and c) above shall be dispensed with in Fund's favor. c. HCC No. 25 of 2016 Rebman Amalo T/A Ujenzi Consultants vs NHIF (Consolidated with HCCC No. 176 of 297 Professional Consultant Limited vs NHIF). The matter came up for mention on 20th May 2024, however the court did not proceed due to engagements in other official duties. The matter was thus rescheduled for mention on 17th September 2024. Find a schedule of breakdown of Kshs. 1,444,687,484 (Appendix B-9).			
11.	***Construction of Multi Storey Car Park*** *As previously reported, the Fund entered into an agreement with a local construction firm for construction and completion of a multi-storey car park at a contract sum of Kshs.909,709,305 which was revised to Kshs.1,179,611,756. A review of records revealed that the project commenced in May, 2002 and was completed at a cost of Kshs.3,342,120,239 in July, 2008, five (5) years after the scheduled completion date of August, 2003. Further, expenditure totalling to Kshs.626,635,998 and Kshs.4,706,521 was incurred in 2009/2010 and 2010/2011 respectively on the car park, increasing its total cost to Kshs.3,973,462,758 resulting to a contract variation of Kshs.3,063,753,453 or 337% of the original contract. Management has not provided explanation for the unjustified increase of the total cost of the project.* *Although the issue has been discussed by the PIC, no action has been taken on the Committee recommendations that the Ethics and Anti-Corruption Commission should institute and fast-track investigation on the project and no progress report has been received from the Commission.* *In the circumstances, the accuracy and completeness of buildings balance of Kshs.7,434,158,463 could not be confirmed.*	BACKGROUND The Car Park is a seven Storey Building with basement floors, which is designed to accommodate 780 cars. The project commenced in May 2002 and was scheduled for completion in August 2003. The original cost of the project was Kshs. 909,709,305.40 over a contract period of 65 weeks. (APPENDIX-C-1, Board Minutes,page8). The completion period was revised from August 2003 due to suspensions of all projects by the Government vide Treasury circular no. 10 dated 22nd May 2003 as well as the Fund giving preference to core strategic activities resulting to reduced cash flow. (APPENDIX-C-2) As per contract with N.K. brothers, NHIF evoked contract provision for variations (APPENDIX-C-3(a)) and introduced vehicular lifts hence the variation in cost from the initial 909,709,305.40. The cost could not be retained at the original cost of Kshs. 909,709,305.40 since the Contractor had already increased the service area of the project. This led to Design changes to the structure and foundation works. An additional basement floor was created to cater for the displaced area arising because of vehicular lifts, ramps and design overhaul. This led to an increase in service area and an additional cost of Kshs. 673, 465,787.10 making the total cost to be Kshs. 1,583,175,092.50. The vehicular lifts were later found not to be viable leading to downward variation to Kshs. 1,179,611,756.00 as observed in audit report. See attached board minutes on the inclusion of Vehicular lifts – Appendix C-3(b& C). The variation from Kshs. 1,179,611,756.00 to Kshs. 3,342,120,239.00 was due to price escalations as per contract provisions .These were contractual claims which were as per contract provisions and mostly occasioned by delays in completion period and upward increase in cost of materials. From the documents available, these were part of the reasons that necessitated the price escalation. The Chief quantity surveyor Min of Roads and Public works released the final certificate on 10th August 2007 (Appendix C4). As noted in the audit report the Multi Storey Car Park was completed in July 2008. The Fund wrote to the Chief Quantity Surveyor under Ministry of Public Works vide letter Ref HF/C/958VOL.X/114 (APPENDIX C-5) requesting for a technical report on the completed Multi Storey Car Park. The chief quantity surveyor replied vide letter Ref. No. QD15/GEN/1369(APPENDIX C-6)- on the draft final account recommending release of the retention money after the issue of certificate of making Good Defects (APPENDIX C-7) and payment of 60% of the projected Final Account. In June 2009 the Architect's completion certificate was issued to NHIF (Appendix C-8). On 30th of March 2010 the Fund received Final Account from the chief quantity surveyor instructing payment of the final dues to the contractor Ref. No. QD15/GEN/1613 (Appendix C-9) Payments totaling to Kshs. 626,635,998.00 incurred in 2009/10 and Kshs. 4,706,521 incurred in 2010/11 are related to pending claims which were payable to the contractor after completion of the Multi Storey Car Park. The Fund appeared before the PIC Committee on 15th of March 2018 and this matter was discussed thereafter the committee visited the Car park Building.	Ethics & Anti-Corruption Commission	Not Resolved	FY 2024/2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		21ST REPORT OF PIC – COMMITTEE RECOMMENDATIONS This matter was presented to the 21st PIC committee, where it recommended that Ethics and Anti-Corruption Commission should fast track investigations into the procurement process of the Multi-Storage Car Park, with a view of preferring charges against all those found culpable of defrauding the Fund. (APPENDIX-C-10) CURRENT STATUS Some of the organizations that are currently occupying the building are government institutions such as Ministry of environment, Kenya Fishery Services, NACADA, Cabinet affairs office, National Land Commission, Kenya Copyrights Board, Water services Regulatory Board, Cabinet Secretariat, Kenya Roads Board, Kenya Water Towers Agency and other small private firms as well as NHIF's Nairobi branch office. The matter was therefore referred to EACC as directed by Public Investment Committee and EACC commenced investigations by requesting for original documentation. In September 2022 the Fund's CEO was invited by EACC to record a statement on status of the documents. EACC guided that they would give way forward. As part of the follow up with EACC on the issues surrounding this and other projects, management has engaged EACC on a 45-day preventive audit that will detail how gaps noted could have been addressed. ADDITIONAL INFORMATION Further to the request from PIC through Ref: NA/DAA&OSC/PIC-SSAA/2023/ (122) dated 4th September 2023, the management would wish to submit as follows; The escalation of the project cost was tabled before the NHIF Board project committee meeting held on 29th July 2005. Information from the minutes indicates that the Chief Architect noted that the main factors contributing to price escalations were: · Contractual claims mainly due to prolongation of the contract and delay in payments. · Price escalation. · Mechanical installation and equipment. · Extended service parking (between NHIF building and Maji House). · Adjustment to the storey heights by 600mm. Copy of the board minutes are attached in (APPENDIX-C-11).			
12.	***Short Term Deposits (Investments)*** *The statement of financial position and Note 31 to the financial statements reflects short term deposits (investments) balance of Kshs.8,232,200,000 which is net of provision for impaired investments. As previously reported, the provision includes an amount of Kshs.49,500,000 which had been deposited by the Fund on 26 June, 2001 with the Consolidated Bank Limited. The entire deposit of Kshs.49,500,000 was offset by the Bank against a guarantee executed by the former Fund Chief Executive Officer on behalf of Euro Bank Limited. It is not clear and Management has not explained the circumstances under which the Fund's deposit was used as a guarantee by the then Chief Executive Officer.* *The PIC recommended in the 21st report that the then Chief Executive Officer (CEO) of NHIF be held accountable for any losses incurred in the irregular investment of the surplus funds in Consolidated Bank alongside*	BACKGROUND In June 2001 NHIF placed a fixed deposit with consolidated bank of Kshs. 600 million. (APPENDIX-E-1)- In August 2001 the then Chief Executive of NHIF made a guarantee on behalf of Euro Bank to enable Consolidated Bank to use the Fixed Deposit as security. (APPENDIX E-2) When Euro Bank defaulted on payment, Consolidated bank was unable to recover payment and therefore offset Kshs. 49.5 million from the total amount of Kshs. 600 million investments by the Fund. See attached letter from consolidated bank to NHIF on set-off (Appendix-E-3). On 20th February 2003, the Central Bank of Kenya appointed the Deposit Protection Fund Board to liquidate and wind up the operations of Euro bank Limited. Therefore, in its capacity as the Statutory Liquidator the Deposit Protection Fund Board had taken over all the affairs of Euro bank Limited including all records. The Fund had deposited funds with Euro bank Ltd and at the time of the liquidation, therefore a lawyer Ahmednasir Abdikadir and Co Advocates was appointed to pursue the matter of Euro bank with a view to pursuing the Directors of the Bank.	NHIF Management	Not Resolved	FY 2024/2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the then Finance Manager for colluding with NHIF to mismanage the invested funds and NHIF should relentlessly pursue Consolidated Bank for recovery of Kshs.49,500,000. However, no action appears to have been taken by Management to recover the loss of Kshs.49,500,000. *In the circumstances, the value and existence of the short-term deposits (investments) balance of Kshs.8,232,200,000 could not be confirmed.*	Following the advice of the Advocate a suit was filed against the following: - 1. The deposit Protection Fund Board 2. Euro bank Limited 3. Solomon Bundi Mathamia 4. John Paul Wachira Munge 5. Firdosh EbrahiJamal 6. Harry Mutuma Kathurima The 6th Defendant filed a Chamber Summons seeking orders that the Plaintiff's suit be struck out against him. Justice L. Njagi delivered the ruling on 29th October 2003 where he directed that since the Suit against the 6th Defendant had been withdrawn, the plaintiff should pay the 6th Defendant costs of the Suit, which was to be taxed. The 6th Defendant filed a Bill of Cost on 4th November 2003 where he claimed Kshs 11,072,767. The billed was taxed and a ruling delivered on 31st March 2004 taxed at Kshs 8,282,772. The fund filed an objection to the Registrar's Ruling on 8th august 2004 and further filed a chamber summons seeking to set aside the taxing master's ruling in its entirety. Justice Kamau, who dismissed our application with costs to the 6th Defendant, delivered a ruling on this application on 28th July 2014. Vide a letter dated 18th December 2014, the advocates of the 6th Defendant requested for the payment of their taxed costs and accrued interest, as well as the costs of the dismissed application, making a total of Kshs 19,231,031. The advocates of the Fund engaged the 6th Defendant to have them reduce the amount they were demanding. The 6th Defendant accepted a sum of Kshs 10,000,000 as the final settlement. The first and second defendant also filed an application to strike out the suit against them. The parties made their submissions about the suit and on 28th June 2013, the Judge allowed the application seeking to have the matter struck out. The court allowed the application with costs to the 1st and 2nd Defendant. On 14th May 2014, the 1st and 2nd Defendant filed their Bill of Cost at Kshs 23,480,914. The Fund's advocates objected to the same through written submissions. The ruling was delivered on 16th November 2017; the bill was taxed at Kshs 10,000,000. Because the advocates had filed to set down the matter for hearing, the Fund withdrew the instructions on 20th April 2018 from the firm of Ahmed Nasir, Abdikadir and Co Advocates and on 6th September 2018, the firm of Migos Ogama and Co was instructed to take up the matter as evidenced by letter reference HF/LD/19 VOL.II/(12).(APPENDIX E-4) This matter was handled by the Inspectorate of State Corporations, which was of the view that the Fund had no capacity to provide a guarantee for a loan to a private bank. The Inspectorate of State Corporation further noted that consolidated bank should pay back the amount of Kshs. 49.5 million. Attached is the report from the Inspector General (Appendix-E-5). 21ST REPORT OF PIC – COMMITTEE RECOMMENDATIONS The Fund acknowledges the 21st PIC committee report observation that action be taken by relevant government agencies as recommended in its 19th report. PIC also recommended in its 21st Report that the query should be excluded from subsequent Reports of the Auditor General, provided that the management makes full disclosure of this unresolved matter in its financial statements as required by the International Accounting Standards no. 37. (on page 309 of 21st PIC Report – APPENDIX E-6). Management makes full disclosure of the matter in its annual reports as recommended in the 21st PIC committee report.			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		CURRENT STATUS This matter (HCCC NO. 505 OF 2003) came up before Lady Justice Njoki Mwangi on the 25th May 2023 for Notice to show cause why it should not be dismissed for non-prosecution. The Fund's Advocates successfully defended the Notice to Show Cause and the Court fixed the case for hearing on the 28th of September 2023 (APPENDIX E-7). The Court further directed the parties to file any additional documents they may wish to rely on within 30 days. Management has, made full disclosure of the matter in its 2020/2021 financial statements as required by the International Accounting Standard (IAS) No. 37 and as recommended in the 21st PIC committee report. ADDITIONAL INFORMATION Additionally, as per letter ref MO/N/0341/16/18 dated 13th June, 2023 the matter came up for hearing on 28th September, 2023. However, it was set aside and parties were asked to obtain a new date in the registry.			
13.	***Duplicate Claims Payable*** *The statement of financial position and Note 37 to the financial statements reflects trade payables balance of Kshs.16,468,959,241 being amount owed to healthcare providers. The amount includes hospital claims payable balance of Kshs.12,061,103,663 whose analysis revealed an amount of Ksh.2,907,196,082 in respect to duplicated healthcare providers with the same name but different outstanding amounts and different hospital codes.* *In the circumstances, the accuracy and completeness of claims payable balance of Kshs.2,907,196,082 could not be confirmed.*		NHIF Management	Resolved	FY 2023/2024
14.	***Inaccuracies in Trade Receivables*** *The statement of financial position and Note 29 to the financial statements reflects trade receivables balance of Kshs.19,113,572,813 (2022 – Kshs.10,284,635,769). This resulted to an unexplained increase by Kshs.8,828,937,044 or 46% which is indicative of ineffective debt recovery measures. Further, one hundred eighty-eight (188) circularized debtors confirmed an outstanding balance of Kshs.4,415,667,371 while National Health Insurance Fund reflects a balance of Kshs.13,388,255,412 resulting in an unexplained variance of Kshs.8,972,588,040.* *In the circumstances, the accuracy and completeness of trade receivables balance of Kshs.19,113,572,813 could not be confirmed.*	It is true that there was increase in receivables due to delays by government to settle the premiums for various enhanced schemes as follows: • Civil Servants Scheme - Ksh 2,996,314,415, • WIBA-Civil Servant Scheme - Ksh 6,307,735,103, • NPS/KPS – Kshs. 1,616,539,289. • HISP –OPPSD –Kshs. 349,499,558 • HISP-OVC – Kshs. 1,774,017,833 among others The Fund has made several follow ups to respective Ministries to settle the same and as a result we received Ksh 1,520,000,000 in July 2023 on HISP Account. See attached follow up letters ***(Refer to Appendix 19.1 provided with ML).*** Resulting from this follow-up, several payments relating to the year under review have been received within the financial year 2023/24 as follows: HISP OVC – Kshs 1,876,149,999 (being prior year arrears and current year) HISP OPPSD – Kshs. 427,800,000 (being prior year arrears and current year) WIBA civil servants Kshs. 2,000,000,000 (being part payment of arrears)	NHIF Management	Not Resolved	FY 2024/2025
15.	***Inaccuracies in Trade Payables***	The Fund is always committed to making good it's obligations as and when they fall due though this can sometimes be affected by delay of revenue receipt from the government. In	NHIF Management	Not Resolved	FY 2024/2025

<table>
<tr><th>Reference No. on the external audit Report</th><th>Issue / Observations from Auditor</th><th>Management comments</th><th>Focal Point person to resolve the issue (Name and designation)</th><th>Status: (Resolved / Not Resolved)</th><th>Timeframe: (Put a date when you expect the issue to be resolved)</th></tr>
<tr><td></td><td>The statement of financial position and Note 37 to the financial statements reflects trade payables balance of Kshs.16,468,959,241 in respect of amount owed to healthcare providers. However, the balance increased by Kshs.12,664,121,995 from Kshs.3,804,837,246 in financial year 2021/2022. Further, confirmation of outstanding balances from sampled one hundred and two (102) health providers revealed an outstanding balance of Kshs.5,551,173,502 while National Health Insurance Fund reflects a balance of Kshs.2,174,443,195 resulting in an unexplained variance of Kshs.3,376,730,307. In addition, the balance was not supported by aging analysis to show how long the claims have been outstanding and there was no evidence to show measures put in place to settle the amounts promptly. This is indicative of challenges in settling its obligations as and when they fall due.

In the circumstances, the accuracy and completeness of trade payables balance of Kshs.16,468,959,241 could not be confirmed.</td><td>the year under review the Fund had Kshs. 19B pending receivables from varies government units as shown in the table below.

<table>
<tr><th>Institution</th><th>Amount (Kshs.)</th></tr>
<tr><td>Civil Servants Scheme Receivables</td><td>2,996,321,415</td></tr>
<tr><td>HISP (OPPSD) Receivable</td><td>349,499,558</td></tr>
<tr><td>NPS/KPS Scheme Receivables</td><td>1,616,539,289</td></tr>
<tr><td>Retirees Scheme Receivable</td><td>174,603,420</td></tr>
<tr><td>HISP (OVC) Receivable</td><td>1,774,017,833</td></tr>
<tr><td>Outstanding Contributions</td><td>5,663,371,364</td></tr>
<tr><td>NPS/KPS Ex-gratia Receivable</td><td>334,865,139</td></tr>
<tr><td>WIBA NPS/KPS Receivable</td><td>7,861,625</td></tr>
<tr><td>WIBA - Civil Servants' Receivable</td><td>6,307,735,103</td></tr>
<tr><td>Total Receivables</td><td>19,224,814,746</td></tr>
</table>

This therefore contributed to the increase in outstanding trade payables as has been correctly noted. The Fund is however pursing all mechanisms within its disposal including through the Ministry as per communications earlier shared.</td><td></td><td></td><td></td></tr>
<tr><td>16.</td><td>Clustered Staff Debtors in the Payroll System

The statement of profit or loss and other comprehensive income and Note 20 to the financial statements reflects staff cost amount of Kshs.5,289,051,147. Review of payroll data revealed that salary advance, training levy and imprest recoveries amounting to Kshs.8,269,380 were clustered under staff debtors instead of disclosing each individual component separately.

In the circumstance, the accuracy and completeness of staff costs amount of Kshs.8,269,380 could not be confirmed.</td><td>The ERP system in place has a challenge as it recognizes staff debtors as one unit regardless of the category of the debt. The recovery measures in place ensure that salary advances are recovered within one year while imprests are recovered in full to the extent of the pay slip.

Further, plans are underway to procure a new system that will be customized and configured to address all the current gaps.</td><td>NHIF Management</td><td>Not Resolved</td><td>FY 2024/2025</td></tr>
<tr><td>17.</td><td>Long Outstanding Return to Drawer Cheques

The statement of financial position and Note 30 to the financial statements reflects other receivables balance of Kshs.447,201,868. The amount includes a balance of Kshs.14,790,981 being return to drawer cheques. However, the amount relates to various institutions which has been long outstanding with some dating back to the year 2013 and they had not been replaced as at 30 June, 2023.

In the circumstances, the accuracy and recoverability of return to drawer cheques balance of Kshs.14,790,981 could not be confirmed.</td><td>Regarding the RD cheques totaling Kshs 14,790,981, these are associated with companies that are either active or inactive. Management has conducted an exercise to clear these outstanding issues and as at 27th October 2023, 32 employers have replaced the RD cheques amounting to Kshs. 1,480,995.00 Appendix F1

Out of the 480 employers whose RD totaled to Kshs. 14,790,981, there were 168 closed companies whose RD cheques totaled to 5,332,807.00. These companies shall be forwarded to the Board for consideration for write off. Further It has been established that a total of 245 Employers are active and these have been assigned to respective branch offices to pursue with a view of collection unremitted contributions as well as any bank charges and penalties that have accrued. Finally, Management is unable to trace 67 Employers totaling to Kshs. 2,252,806 due to the fact that the Funds is unable to trace them at their respective addresses as per the NHIF Data Base. NHIF is engaging sister government agencies to try and trace the companies. This collaboration aims to locate the non-traceable companies through shared resources and information.

Further to address the issue of RD Cheques Management has implemented a system module that automatically reverses payments from employers when their cheques bounce, prompting immediate pursuit of the unpaid amount for that specific month. NHIF collection</td><td>NHIF Management</td><td>Not Resolved</td><td>FY 2024/2025</td></tr>
</table>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		banks, KCB and Co-operative banks, now only accept their own drawn cheques, which are verified for account status before acceptance, further reducing instances of "Refer to Drawer" cheques. ***Additional information*** Management has also written to the Registrar of companies to confirm the operational status of the companies to further guide the course of action. ***(Appendix-F-2)***.			
18.	***Failure to Prepare Financial Statements*** *The statement of financial position and Note 27 to the financial statements reflects long-term deposits balance of Kshs.1,371,312,803. The amount includes car loan amount of Kshs.1,313,662,005 and mortgage balance of Kshs.57,650,798 held at commercial banks both advanced to staff at an interest rate of 5%. However, the financial statements for the Car Loan and Mortgage Fund were not prepared and presented for audit verification. In addition, schedules indicating loan disbursements, recoveries made, duration and outstanding amounts were not provided for audit.* *In the circumstances, the accuracy and completeness of long-term deposits balance of Kshs.1,371,312,803 could not be confirmed.*	Management has extracted the financial statements for Car loan and mortgage for the year 2022/2023. However, the separation in the financial statements for the Fund will be effected in the period 2023/2024. The financial statements for the car loan and mortgage are hereby attached. **(Refer to *Appendix 23.0 provided with ML)***	NHIF Management	Resolved	FY 2023/2024
19.	***Variances in Unquoted Investments*** *The statement of financial position and Note 28 to the financial statements reflects an unquoted investment balance of Kshs.226,762,637. The amount includes loan balance of Kshs.226,762,637 advanced by the Fund to Moi Teaching and Referral Hospital (MTRH) at an interest rate of 3% per annum. However, confirmation from MTRH financial statements revealed a balance of Kshs.166,130,959 resulting to unexplained variance of Kshs.60,631,678.* *Further, the unquoted investment balance of Kshs.226,762,637 was net provision for impaired investment amount of Kshs.54,200,000. The impaired amount relates to Consolidated Bank shares which are not traded and no dividend has been paid in the past.*	The unquoted investment includes a loan advanced to Moi Teaching and Referral Hospital of Ksh. 312,669,869.20 at an interest rate of 3% payable within 10 years. The balance as 30th June 2023 stands at Kshs. 229,571,468.94. This figure includes capitalized legal fee of Ksh. 27,917,200.00 paid in May 2018 and Ksh. 40,883,040.00 in September 2018 for Legal opinion on the procurement and acquisition of medical equipment and acceptance of instruction for engagement of MTRH to procure Radiotherapy equipment respectively at fee of 2% of Ksh. 1,762,200,000.00 as per attached copies of payment vouchers ***(Refer to Appendix 24a provided with ML).*** **Shares in Consolidated Bank – KES 54,200,000** The shares held at Consolidated Bank Ltd comprised 590,000 ordinary shares valued at Kshs. 11,800,000 and 2,120,000 preference shares valued at Kshs. 42,400,000 totaling to Kshs. 54,200,000 ***(Refer to Appendix 24b provided in ML).*** On the Ordinary shares held at Consolidated Bank Ltd, it is true that the Fund included the total value at cost of Kshs. 54,200,000 in its financial statements. Management, however, having explored all recovery options provided for in its policies, considers the investment as impaired and its recoverability doubtful. It has therefore created a provision to reflect this position in its books in the financial year 2022/23	NHIF Management	Resolved	FY 2023/2024
EMPHASIS OF MATTERS					
1	***Budgetary Control and Performance*** *The statement of comparison of budget and actual amounts reflects revenue budget of Kshs.93,071,651,930 and actual revenue on comparable basis of Kshs.82,796,868,294 resulting to revenue shortfall of Kshs.10,274,783,636 or 11% of the budget. Similarly, the Fund spent Kshs.79,742,286,391 on benefit expenses against an approved budget of*	**I. Civil Servants Medical Scheme:** This is a negotiated scheme that forms part of resource pooling that creates an opportunity to merge different pools to increase critical mass in population covered, diversity of health needs and risks.	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Kshs.89,309,469,729 resulting to under absorption of Kshs.9,567,183,338 or 11%. *The underfunding and underperformance may have affected the Fund's key mandate of sustainably registering beneficiaries, generating revenue and paying health benefits for members.*	As a result of the deficit reported in the cover period 2022/2023, the following measures have been taken to safeguard the scheme form loss: a) There is an increase in premiums from Kes 7.63 billion to Kes 7.78 billion for the cover period July to June 2024 (inclusive of statutory contributions). b) Renegotiation of benefits pricing for NHIF products and procedures with health care providers during the 2022/2024 contracting cycle c) Enhanced case management to reduce on claim exposure. This includes approval of hospital admissions and review of bills at discharge. d) Biometric registration and identification at the point of access to reduce cases of fraud. **II. Retirees Medical Scheme** This scheme has a higher health risk. This has been alleviated through a number of initiatives aimed at improving the performance of the scheme. a) Increase in the premiums payable per each member of the scheme b) Introduction of co-payment for the retirees scheme of 20% of the bill incurred for both in and outpatient if the member visits a high-end hospital c) Retirees who have been out of employment for more than one-year were given a grace period of 3 months d) Incentives to members of the Civil service and the National Police who retires to immediately join the cover with an aim to increase the population and to achieve critical mass. e) Preauthorization for certain services before members access them, except in an emergency to reduce on claim exposure. f) Biometric registration and identification at the point of access to reduce cases of fraud. **III. WIBA - NPS/KPS** The WIBA for NPS/KPS cover run from 1st January 2021 - 31st December 2021 at a budget of Kes 2,295,594,440. The cover period did not align with the financial year period of July 2021 to June 2022. The premiums received and apportioned to the period July 2021 to December 2021 was Kes 1,147,797,220. An extension was done covering the period January 2022 to 31st March 2022 at a premium of Kes 573,898,610. Another extension for the period 1st April to 30th June 2022 for a premium of Kes 1,155,559,931 was done.			
2 **2.1**	***Performance and Solvency of the Fund*** ***Member's Retention Rate*** *Note 6 to the financial statements reflects contributions from the National Health Scheme amount of Kshs.38,091,361,156. However, during the year under review it was noted that the member's retention rate was only 44% compared to the targeted 100% as tabulated below.*	The variance in revenue from National Health Scheme is attributed to the low retention rate especially in the informal sector. Various ongoing UHC strategic partnerships have been entered into aimed at increasing NHIF informal sector membership and addressing low retention of the sector members. These include: I. A partnership with Sponsors – There is an agreement between UNHCR and NHIF, whereby NHIF committed to develop, maintain, and regularly update a register of all targeted beneficiaries. Biometric registration of the beneficiaries in Kakuma & Kolobeyei is on-going to enable them to access health services in the NHIF contracted healthcare providers. II. Partnerships with organized groups – The Fund has partnered with KTDA and USAID aimed at bolstering the promotion of NHIF enrollment and health awareness within	NHIF Management	Resolved	FY 2023/2024

<table>
<tr><th>Reference No. on the external audit Report</th><th>Issue / Observations from Auditor</th><th>Management comments</th><th>Focal Point person to resolve the issue (Name and designation)</th><th>Status: (Resolved / Not Resolved)</th><th>Timeframe: (Put a date when you expect the issue to be resolved)</th></tr>
<tr><td></td><td>
<table>
<tr><th>Membership Type</th><th>Enrolled Members Kshs.</th><th>Active Members Kshs.</th><th>Retention Rate</th></tr>
<tr><td>Formal sector</td><td>4,962,191</td><td>3,880,842</td><td>78%</td></tr>
<tr><td>Informal</td><td>8,674,681</td><td>1,877,417</td><td>22%</td></tr>
<tr><td>Sponsored program</td><td>2,573,479</td><td>1,348,652</td><td>52%</td></tr>
<tr><td>Total</td><td>16,210,351</td><td>7,106,911</td><td>44%</td></tr>
</table>
Further, there was no evidence of strategies to improve the retention rate to 100% since members' contribution is the main source of revenue. Further, the Fund had a liquidity ratio of 1:2 instead of the recommended 2:1 meaning that the Fund is not able to cover its short-term obligations as and when they fall due. In addition, Management has not demonstrated that it has the recommended capital adequacy ratio of one hundred percent. This was contrary to Section 41(1) of the Insurance Act, 2020, which states that an insurer carrying on insurance business in Kenya shall at all times maintain the capital adequacy ratio of one hundred per centum.

In the circumstances, the Fund's ability to settle its obligations when they fall due could not be confirmed.</td><td>the community. Other partnerships are with Long Distance Drivers and Conductors' Association (LoDDCA) and KUSCCO Ltd with the MOUs awaiting full execution.
III. Agency Model - The Agency model was introduced to enhance channels for NHIF products through strategic partnerships for service delivery and increase Informal sector members through robust and effective registration. This is in collaboration with Equity Bank Ltd and Pharm-Access Foundation.
Partnerships to support enrolment include:
I. USAID and Health Partners: USAID and health partners have expressed interest to partner with NHIF by leveraging on the well-established and highly trusted co-operative movement in Kenya to increase enrolment and retention of the informal sector members. The key areas of focus are:
a) Administration - Make NHIF enrolment, registration, and renewal easy for co-operatives.
b) Mobilization - Target co-operative networks and communication through existing channels.
c) Expand Accredited Providers - Increase rural accreditation and make benefits of NHIF easy to see.
d) Feedback loop - Leverage on existing tools and bridge gaps for continuous quality.
e) Improvement and improved member satisfaction and value for cost.
II. World Bank: World Bank has expressed interest to partner with NHIF in identification and registration of the remaining phase 1 UHC indigent households, member education through electronic and digital communication, Roadshows, and sensitization of healthcare providers. In addition, World Bank is willing to partner in ICT transformation through upgrading the existing hardware, development of tier III data centre, having unified communications systems, Business intelligent and enterprise data warehousing solution. A concept note on this has been written awaiting approval.
III. Transition to Social Health Authority that will bring on board everyone as indicated in the enacted Acts of parliament on Social Health Authority.
The Fund's current assets were Kshs. 31,519,561,375 while current liabilities stood at Kshs. 26,162,384,327 as at 30th June 2023. Quick computation of the current ratio of the Fund is 1.2:1 which is falling short of the industry recommended current ratio of 2:1. To mitigate this shortfall, the Fund has undertaken the following measures:
i. The Fund has undertaken measures to recover the outstanding premiums from Government institutions such as Civil Servants Medical Scheme, NPS/KPS and MOH sponsored schemes like HISP which had outstanding premiums total to Kshs. 19,224,814,746 as at 30th June 2023.
ii. The Fund has undertaken stopgap measures on the rising trend of claims to reduce the claims payable that stood at Kshs. 12,061,103,663 as at 30th June 2023.
These measures will improve the Fund's current ratio a great deal.</td><td></td><td></td><td></td></tr>
<tr><td>2.2</td><td>Loss- Making Schemes

The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.81,596,356,297 and total benefit expenses of Kshs.70,886,855,120 but the following schemes incurred losses.</td><td>The Fund has entered into contracts with diverse employers, mostly government entities to provide enhanced schemes that are modelled against the private insurances. It is worth noting that the above schemes form part of the Funds resource pooling creating an opportunity to merge different pools and thereby increasing critical mass in population covered diversity of health needs and risks.
Risk in medical insurance is common due to uncertainties in the health needs of members and fluctuations in healthcare costs. It is therefore acceptable that some products or pools</td><td>NHIF Management</td><td>Resolved</td><td>FY 2023/2024</td></tr>
</table>

<table>
<tr><th>Reference No. on the external audit Report</th><th>Issue / Observations from Auditor</th><th>Management comments</th><th>Focal Point person to resolve the issue (Name and designation)</th><th>Status: (Resolved / Not Resolved)</th><th>Timeframe: (Put a date when you expect the issue to be resolved)</th></tr>
<tr><td></td><td>
<table>
<tr><th></th><th>Scheme</th><th>Benefits Kshs.</th><th>Premiums/ Contributions Kshs.</th><th>Loss Kshs.</th><th>Percentage</th></tr>
<tr><td>1</td><td>Civil Servant Medical Scheme</td><td>9,253,322,104</td><td>7,636,775,103</td><td>1,616,547,001</td><td>21%</td></tr>
<tr><td>2</td><td>Retirees Schemes</td><td>934,659,385</td><td>426,842,665</td><td>507,816,720</td><td>119%</td></tr>
<tr><td>3</td><td>WIBA NPS & KPS</td><td>2,393,503,620</td><td>2,295,594,440</td><td>97,909,180</td><td>4%</td></tr>
<tr><td></td><td>Total</td><td>12,581,485,109</td><td>10,359,212,208</td><td>2,222,272,901</td><td></td></tr>
</table>
However, Management has not explained the sources of finances used to finance the above schemes with deficits.

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

My opinion is however not modified in respect to these matters.</td><td>may experience higher expenditures than the premiums received (hence deficit) which may then be cross subsidized by other pools that have members with lower health risks (resulting in surpluses). It is therefore important to measure the performance of the Fund by looking at the overall performance of the business rather than individual contracts/schemes. This is because the overall position harmonizes across pools that have different demographics, parameters and risks. This mix balances of or compensates each other.

To safeguard the schemes from losses and ensuring a positive outlook in the subsequent periods, NHIF uses the claim experience and the actual utilization to inform into the negotiations for renewal of the scheme.</td><td></td><td></td><td></td></tr>
<tr><td colspan="6">OTHER MATTER</td></tr>
<tr><td>1</td><td>Transition from National Health Insurance Fund (NHIF) to Social Health Authority (SHA)

The Social Health Insurance Fund Act (SHIFA), No 16 of 2023 was assented into law on 19 October, 2023 and came into force on 22 November, 2023 following a Gazette Notice and appointment of the Board by the Cabinet Secretary. It was observed that Section 3 states that the objects of the Act shall be to;

a) Provide a framework for improved health outcomes and financial protection in line with the right to health and universal health coverage;
b) Realign healthcare systems, processes and programs for responsiveness, reliability and sustainability of healthcare in Kenya;
c) Enhance the pooling of resources and risks based on the principles of solidarity, equity and efficiency so as to guarantee access to health care services to all; and
d) Promote strategic purchasing of healthcare services.

Further, SHIFA establishes the Social Insurance Authority (the Authority) which will take over all the functions and operations of the Board of National Health Insurance Fund (NHIF) and shall be managed by a Board comprising eleven (11) members.

In addition, the Act established the Social Health Authority and framework for managing social health insurance to give effect to Article 43(1)(a) of the Constitution of Kenya, 2010. The Social Health Insurance (General) Regulations, 2024 have been published to operationalize:

i. The Social Health Insurance Fund (SHIF);
ii. The Primary Health Fund (PHF);
iii. Emergency, Chronic, and Critical Illness Fund (ECCIF);
iv. Mandatory registration of every person resident in Kenya as provided for in the SHIFA; and
v. The mode of payment of contributions as provided for under the SHIFA</td><td></td><td>NHIF Management</td><td>Resolved</td><td>FY 2023/2024</td></tr>
</table>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	On 25 January, 2024 the Cabinet Secretary appointed a Transition Committee to ensure seamless transition from National Health Insurance Fund (NHIF) to Social Health Authority (SHA). *At the time of finalization of the audit in May 2024, the Social Health Insurance (General) Regulations, 2024 had been Gazetted awaiting member's contributions that will be effective on 1 July, 2024.*				
2	***Unresolved Prior Year Matters*** *In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues some of which are highlighted below.*				
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES					
1.	***Reimbursement of Claims on Empanelled Health Care Providers*** *The statement of profit or loss and other comprehensive income reflects total benefit expenses amount of Kshs.70,886,855,120. Included in the amount is Kshs.106,110,400 paid to reimburse claims incurred by accredited four (4) healthcare providers empaneled by the Fund. However, the hospitals signed the contract in the month of May 2023 instead of 1 July, 2022. Further, an expenditure of Kshs.1,170,000 incurred on payment of surgical packages paid to three (3) hospitals was not included in the contract. This was contrary to Regulations 20 of the National Health Insurance Fund (claims and Benefits) Regulations, 2022 which state that the tariffs payable under the Fund in respect of any benefits to an empaneled health care provider shall be as specified in the health care provider contract published on the website of the Fund.* *In the circumstances, Management was in breach of the law.*	As observed, NHIF enters in agreements with all Health Care Providers. We have therefore attached copies of the contracts. ***(Refer to earlier provided contracts)*** dully signed by both parties for the following facilities: - a) Bristol Park Hospital Machakos b) Shalom Hospital c) Life springs HealthCare Ltd Further Contracts of the facilities listed under Appendix 5 have a provision for Surgical packages. Copies of the contracts are attached for your review (Appendix 5) a) Thika Nursing Home b) Vineyard Hospital Ltd c) Grace pack Medical Centre	NHIF Management	Resolved	FY 2023/2024
2.	***Un-Approved Board Expenditure*** *As disclosed in Note 21 to the financial statements, the statement of profit or loss and other comprehensive income reflects an expenditure of Kshs.33,427,343 incurred on the Board expenses. However, an amount of Kshs.2,866,600 was re-allocated from other votes to finance Board expenses. Further, the approved budget for Board expenses was only Kshs.30,000,000 which resulted in an unapproved over-expenditure of Kshs.3,427,343. This was contrary to Part D (1) of Office of the President Circular Ref; OP/CAB.9/1A dated March 11, 2020 which capped Board expenses at Kshs.30 million or 5% of the Operations and Maintenance budget of the State Corporation, whichever is less.* *In the circumstances, Management was in breach of the law.*	The Fund acknowledges the need to prepare and adhere to provisions of the law and subsequent guidelines on expenditure. In adherence to this, the Fund sent its Board members and various officers to attend various training and conferences in Dubai, South Africa, and Thailand. These training courses and conferences are intended to ensure continuous professional development of each member and further to ensure knowledge gathering and subsequent improvement of both Board and individual member performance in carrying out their duties. This is supported by the Mwongozo guidelines and the Board Almanac that support the need for training and professional development. As these trainings were carried out overseas, the requisite approvals were sought and obtained both from the Office of the President and the parent Ministry. Attached is correspondence supporting the authorized travel for the Board members. Attached is as a report from the team that visited Thailand proposing changes to the Ministry of Health on universal Health Coverage. ***(Refer to Appendix 16.2b provided in ML*** The training was addressed in the Board Almanac for the year 2022/2023 as up-coming events.	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		It is noted that this is the first time the Fund has been able to send Board members for training overseas and towards this, amendments will be made in future budgets considering the increased expenditure on transport and accommodation dockets.			
3.	***Claims Reported After Thirty Days Ceiling*** *The statement of profit or loss and other comprehensive income reflects total benefit expenses of Kshs.70,886,855,120. However, included in the amount is Kshs.383,336,435 incurred on claims that were submitted to NHIF between 100 and 1862 days after the expiry of the thirty days. This was contrary to Regulation 8(3) of the National Health Insurance Fund (claims and benefits) Regulations, 2022 which states that a healthcare provider shall submit to the Fund a claim for payment of any medical treatment within thirty days from the date of discharge of the patient from the healthcare provider.* *In the circumstances, Management was in breach of the law.*	The previous iteration of the Claims Management ERP was operational between June 2018 and August 2019, following its closure, several claims had not been submitted. Later in the year 2022 the challenges of that system were addressed, and the system configured to enable the facilities submit the pending claims. This explains the number of days in question. Currently Validation of the remaining claims is ongoing.	NHIF Management	Resolved	FY 2023/2024
4.	***Irregular Administration of Schemes – National Police Service and Kenya Prisons Service Medical Schemes*** *The statement of profit or loss and other comprehensive income and Note 9 to the financial statements reflects National Police Service and Kenya Prisons Service Medical Scheme Benefits expenses of Kshs.1,287,328,411. Included in the balance is an amount of Kshs.48,776,006 for offering road evacuation services and air evacuation services to the beneficiaries of the scheme in Kenya. This was contrary to clause 6.1.4.2 of the contract for the provision of comprehensive medical cover for the National Police Service and Kenya Prisons service which states that emergency road evacuation shall be provided within the East Africa Community (excluding Kenya) on a case by case basis and clause 6.1.5.2 of the same contract which states that emergency air rescue shall be provided within the East African Community (excluding Kenya) through fixed and rotary-wing aircraft.* *Further, Note 29 to the financial statements reflects the National Police Service and Kenya Police Service Scheme receivables balance of Kshs.1,616,539,289 and National Police Service and Kenya Police Service ex-gratia receivables of Kshs.334,865,139 owed to the Fund. This was contrary to clause 9.2.1 of the contract agreement which states that GoK shall make full payments of premiums within three (3) months from the commencement date of the contract.* *In addition, it was noted that the contract for the medical schemes expired on 30 June, 2022 but communication dated 23 June, 2022 indicated that the Accounting Officer approved the extension of the contract for a period of three months from 1 July, 2022 to 30 September, 2022. This was followed by another communication dated 20 September, 2022 which further extended the contract from 1 October, 2022 to 31 December, 2022. However, both extensions were not backed up by concurrence from both parties who had initially signed the contract.*	NHIF has adhered to the provisions of the NPS/KPS Contract on provision of both air and road rescue services as stipulated in Clauses 6.10 and 6.11 of the contracts **(Refer to Appendix 7.3 provided with ML)** ensuring that evacuation is done within East Africa Community. We wish to note that the 'excluding Kenya" was an anomaly in the contract. NHIF through the Ministry of Health is proactively following up with the Ministry of Interior to settle the outstanding funds of Kshs.1,616,539,289 as at 30th June 2023. Copies of the demand letters attached. ***(Refer to Appendix 7.2a provided with ML)*** As per clause 9.2.1 to the contract agreement between NHIF and the Ministry of Interior, NHIF received the ex-gratia approvals for expenses incurred on members who exceeded their cover limits. Find attached samples of the approvals. **(Refer to *Appendix 7.2b provided with ML)*** The payment vouchers supporting administrative expenses totalling to Kshs. 35,953,477 have since been availed to the auditor. These administrative expenses relate to M&E and sensitization activities as per the contract. Samples of the vouchers are attached. **(Refer to *Appendix 7.2c provided with ML)***	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In addition, there was no prior three (3) months' notice. This was contrary to part 25.2 of the contract which states that NHIF shall not be bound to renew this contract upon its expiry and NHIF reserves the right to decline or qualify the terms of the insurance in respect of all or any member on giving GoK a thirty (30 days) written notice prior to the date of expiry of the contract. *In the circumstances, Management was in breach of the law.*				
5.	***Unauthorized Expenditure*** *The statement of profit or loss and other comprehensive income and Note 22 to the financial statements reflect other operating expenses amount of Kshs.2,920,271,196 Included in the balance is an amount of Kshs.228,866,641 incurred on transport operating expenses whose approved budget was Kshs.221,409,000 resulting in unauthorized expenditure of Kshs.7,457,641. This was contrary to Regulation 52(1)(b) of the Public Finance Management (National Government) Regulations, 2015 which requires AIE holders to spend within the limit prescribed by the Authority.* *In the circumstances, Management was in breach of the law.*	The other operating expenses were within the approved allocation of Kes 4,133,895,741 for the year 2022/23. The sub-item of transport operating expenses however was over-absorbed by only 3% due to pending bills cleared during the year for leasing of motor vehicles. The pending bills amounting to Ksh 35 million resulted into a strain on the planned activities for the year. All the expenditures were properly examined and authorized before payments. The Fund has put in measures to ensure that all categories of expenditures and sub-items are within the approved allocations.	NHIF Management	Resolved	FY 2023/2024
6.	***Emergency Road Evacuation Services*** *The statement of profit or loss and other comprehensive income reflects total benefit expenses of Kshs.70,886,855,120. Included in the balance is an amount of Kshs.696,192,156 analysed from eight (8) schemes for evacuation services offered to NHIF scheme members on a three-year contract renewable annually. Review of the contract revealed the following anomalies:* *I. The notice to renew the contract for the second cycle starting 1 October, 2021 to 30 September, 2022 was issued on 29 September, 2021 a day before the expiry of the contract contrary to Clause 28.1.1 of the contract which requires NHIF to give 30 days' written notice.* *II. The user department stated that the service provider had consistently failed to adequately undertake relevant education activities to NHIF members as per Clause 29.1(q) of the contract. They cited instances where the service provider had not carried out any electronic media (television and radio) media advertisements, bulk short messaging service was only done once and only 20,000 flyers had been done. This led to only 11,103 members being evacuated during the third cycle of the contract against 6,990,603 eligible principal members.* *III. The terms of the security bond were to be based on 10% of the contract sum but the Fund accepted the initial performance bond of Kshs.71,871,049 based on the first cycle of 1 October, 2020 to 30 September, 2021 contract sum of Kshs.718,710,498. However, the amount should have been Kshs.100,664,684 based on 10% of the contract sum of Kshs.1,006,646,832 as per the issued professional opinion. This resulted to an unexplained variance of Kshs.28,793,634. The bond was delivered in the second quarter of the contract on 15*	The delay in issuing notice of renewal of the contract for Emergency Road Evacuation services for the 2nd Annual Cycle was noted and corrected in the subsequent 3rd Annual Cycle where the Notice to Renew was issued on 29th July 2022 (copy of the Notice of Renewal for the 3rd Cycle 2022/2023 (1st October 2022 to 30th September 2023 Ref. No. HF/C/1000 VOL.VII/(47) dated 29th July 2022 **(Refer to *Appendix 7.7.1 provided with ML)*** Following the advice by the User Department on unfulfilled obligations by the Service Provider a Notice of Intention not to renew Ref. No. HF/CB/15B/109 dated 7th July 2022. (Refer to Appendix 7.7.2a provided with ML) However, the Service Provider appealed the Notice of Intention not to Renew through E-Plus letter dated 13th July 2022. Upon appeal NHIF considered and gave a notice of renewal through letter Ref. No. HF/C/1000 VOL.VII/(47) (Refer to Appendix 7.7.2b provided with ML) dated 29th July 2022 but with conditions that the Service Provider should meet. The Service Provider then issued another letter dated 18th August 2022 committing to some actions on continuous member education. Based on the engagement and commitments by the Service Provider by the end of the 2nd Quarter the uptake of the benefits had improved with 392% from 200 evacuations as the commencement of 2nd Annual Cycle to 984 per month in September 2022 from 200 in October 2021 Through a letter dated 18th August 2022 the Service Provider outlined a five-point Integrated Marketing Plan to include Bulk SMS, Online Adverts, Co-Branding of Ambulances and Flyers/Brochures. See attached letter from Service Provider. A Joint Technical Standing Committee meeting held on 11th May 2023 appraised the performance of the obligations of the Service Provider and recommended payment of outstanding capitation payments then due to improved performance. The performance bond provided was based on the initial contract value of Kshs. 718,710.00. The law under section 142 of the PPADA 2015 requires the awarded bidder to provide the performance bond of not more than 10% of the contract. This means that 10% is the maximum and therefore any % below 10% is acceptable. The Performance Bond issued by Diamond trust Bank dated 10th March 2023 was valid for 365 days from 1st 2022 to 30th September 2023. This is clearly stated in the attached Performance Bond on paragraph 4	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	March 2023 which exposed the Fund to risk in case of the failure of E-plus to meet obligations in the contract. *IV. An extension for the project for the third cycle from 1 October, 2022 to 31 December, 2022 for three months was awarded through professional opinion dated 30 September, 2022 but the contract was not signed. Further, another extension was done from 1 January, 2023 to 30 September, 2023 in February, 2023 and backdated to cover 1 October, 2022 to September, 2023 without evaluation committee recommendations, signed professional opinion by the head of procurement and approval by the accounting officer.* *V. It was observed that during the month of June and July, 2023 the service provider did not offer services to the members of NHIF prompting Management to issue offer letters to County hospitals, sub-county hospitals and mission hospitals requesting them to offer the services on a fee for service model with payment terms of Kshs.5,500 for the distance within 25km radius and Kshs.170 for any kilometres covered above the 25km. Based on the same request if it was adopted as earlier advised by the user department the fund would have saved a total of Kshs.1,364,361,435 comprised of Kshs.564,421,919 in the second cycle of the contract and Kshs.799,939,515 in the third cycle of the contract.* *In the circumstances, value for their money on the expenditure of Kshs.696,192,156 analysed from eight (8) schemes for evacuation services could not be confirmed.*	(Refer to Appendix 7.7.4 provided with ML). Therefore, the Fund was not in exposed in anyway. The extension of the 2021/2022 (1st October 2021 to 30th September 2022) contract was done vide letter Ref. No. HF/C/814/VOL.XXXII/233 dated 30th September 2022 (Refer to Appendix 7.7.5a provided with ML) to the Service Provider. Kindly note that this was a temporary 3 months extension of the existing and fully executed contract which was in force. This was done for the Service Provider to demonstrate commitment to the obligations stated in the contract. The period of the extension was therefore adequately covered within the terms of the extended contract Upon appraisal and determination that the Service Provider had demonstrated commitment to fulfil the contractual obligations a new full year contract was signed on 30th December 2023 (Refer to Appendix 7.7.5b provided with ML) The none provision of services followed a notice by the Service Provider to terminate services effective 1st June 2023. The option of contracting Government healthcare providers was considered to avoid any gaps in provision of Emergency Road Evacuation Services. The offer letter signed by the Procuring Entity (NHIF) required the Government Healthcare provider to confirm by signing the Offer Letter and the fully executed Offer Letter was to form an addendum to the healthcare providers contract. This was on a Government to Government arrangement to ensure NHIF is not financially exposed. However, the arrangement didn't kick off as negotiations for resumption of services by E-plus started bearing fruits. There was therefore no financial loss to the Fund. The tender was advertised on 30th May 2023 and was due to open on 14th June 2023. However, the tender, among other tenders, was cancelled on the advice of the Public Procurement Regulatory Authority (PPRA) due to several gaps that were identified and because of the many clarification requests from the bidders. Before re-advertisement, one bidder contested the cancellation at the Public Procurement Administrative Review Board. The complaint was heard and determined by the Board that issued orders for the process to be conducted to its logical conclusion. The tenders were re-advertised on 22nd August 2023 and were due for opening on 31st August 2023. The re-advertisement was also contested at the Review Board on 30th August 2023 leading to a suspension of the procurement proceedings. The Board heard the complaint and ruled in favor of the Fund; thus, the suspension was lifted allowing interested tenderers to submit their bids on 26th September 2023. However, on the same date, immediately after the tender opening exercise, the Fund was served with court orders suspending the procurement proceedings until the matter is heard and determined. The court heard the matter and referred the case back to the review board. To ensure continued of services provision to the NHIF membership, the Fund decided to use direct procurement to the then Service provide E-Plus Medical Services to quote for Fee for Service (FFS) payment model (DP/NHIF/006/2023-2024). However, the supplier declined to quote for FFS and instead quoted for capitation indicating that FFS is not applicable for Corporate Organization. E-plus proposal is attached *(Refer to Appendix 7.7.7a provided with ML).* Given that their proposal was not responsive to the Fund's requirements, the tender was terminated. E-Plus was invited for a meeting on 3rd October 2023 to discuss the way forward. They agreed to look into the matter on FFS and provide feedback immediately. However, on 5th October 2023 vide the attached letter *(Refer to Appendix 7.7.7a provided with ML)* E-Plus wrote indicating that FFS is not their business model.			
7.	***Emergency Air Evacuation Services*** *The statement of profit or loss and other comprehensive income reflects total benefit expenses of Kshs.70,886,855,120. Included in the balance is*	The contracting process involves several stakeholders including the awarded bidders for purposes of concurrence. However, going forward the Fund will endeavour to sign the contracts with the allowed timeframes as per the law. It is also important to note that no	NHIF Management	Resolved	FY 2023/2024

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	an amount of Kshs.48,363,910 for air evacuation services to NHIF scheme members on a three-year contract renewable annually. A review of the contract revealed the following concerns; *I. The contract for the first cycle period covering 13 October, 2021 to 12 October, 2022 was signed 4 months after the commencement date on 23 February, 2022. Also, the second cycle contract covering for the period 13 October, 2022 to 12 October, 2023 was signed 2 months after the commencement date on 22 December, 2022.* *II. The initial Tender Evaluation Committee Minutes dated 9 September, 2021 were not signed by two members out of the five members who were involved in the evaluation process, without explanations.* *III. The utilization report and evidence to confirm continuous member education as per the special condition and scope of the contract were not provided for audit review.* *IV. It was noted that the service provider was not given access to the NHIF member database to view for confirmation of eligibility. This affected decision-making and turn-around time in response to the emergencies as the service provider had to write an e-mail to NHIF to confirm the eligibility of the beneficiary and wait the same through the e-mail. The beneficiaries will have to wait long for approval in case of delayed response due to internet challenges and human delays in the process.* *In the circumstances, the value for money on the expenditure of Kshs.48,363,910 on air evacuation services could not be confirmed.*	payments for the contract cycle in question were paid before full execution of the contract since the financial guidelines require that a fully executed contract be appended to the invoices. This has been noted and going forwarded the Fund will ensure that all the members sign the report. (Refer to Appendix 7.8.2 provided with ML) It was a agreed between the parties that all payment invoices from the Service Provider are accompanied by Flight Tech Log and Medical Summary detailing timelines at each node of action for each patient evacuated. These form part of the payments documents and no payment is done without them. In the current contract cycle the Service Provider was given access to the NHIF Member Database and specific officers of their Service Provider issued with logins to access NHIF Member Database. This is the current practice.			
8.	***Non-Compliance with Public Procurement and Assets Disposal Act, 2015*** *The statement of profit or loss and other comprehensive income and Note 22 to the financial statements reflect other operating expenses of Kshs.2,920,271,196. The amount includes cleaning materials and services amount of Kshs.42,742,290. Included in the amount is Kshs.3,430,454 paid to suppliers but their tax compliance certificates and AGPO certificates had expired. This was contrary to S106(2) (a) of the Public Procurement & Asset Disposal Act 2015 which states that an Accounting Officer of a procuring entity shall give the request to such persons as are registered by the procuring entity.* *In the circumstances, Management was in breach of the law.*	Most of the suppliers under appendix 17 (4 & 5) are under AGPO and on checking using the NT website, their certificates were valid. The sample certificates attached. (Refer to Appendix 17.5 provided with ML).	NHIF Management	Resolved	FY 2023/2024
9.	***Non-Compliance with Unclaimed Financial Assets Act, 2011*** *The statement of financial position reflects other payables balance of Kshs.754,578,306. The amount includes unapplied control account funds totalling to Kshs.213,773,709. However, included in the amount is Kshs.58,770,484.84 which has been outstanding for more than six (6) years and which had not been reported to the Unclaimed Financial Assets Authority (UFAA). This was contrary to section 20(1) of the Unclaimed Financial Assets Act, 2011 which states that a person holding assets presumed abandoned and subject to the custody of the Authority*	The amount quoted of Ksh. 6,273,016.00 as Appendix 21(4), was reconciled and the Fund processed and paid the funds to the respective creditors during the year 2022/23. Therefore, the creditors are not listed in the list of unapplied funds as at 30th June 2023. The ageing analysis of the unapplied funds is hereby provided in (Refer to Appendix 21.4a provided with ML). In an effort to reconcile the unapplied funds account the management has initiated the following measures; i. Daily reconciliation of the unapplied funds account. ii. Writing letters to branches to follow up on the progress	NHIF Management	Resolved	FY 2023/2024

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	as unclaimed assets under the Act shall make a report concerning the assets to the Authority. *In the circumstances, Management was in breach of the law.*	iii. Physical visit to the creditors' premises in June 2023 to obtain the relevant bank details iv. Phone calls to individual creditors. As a result of the above efforts, the management have reconciled, processed and paid Ksh. 55,267,028.00 out of the 213,773,709.00 reported in June leaving out an outstanding balance of Ksh. 158,506,681.00 as per the attached schedule. (Refer to Appendix 21.4b provided with ML)			
10.	***Low Utilization of Health Insurance Subsidy Programme (HISP) - Orphaned and Vulnerable Children Program*** *As disclosed in Note 11 to the financial statements, the statement of profit or loss and other comprehensive income reflects the Health Insurance Subsidy Programme for Orphaned and Vulnerable Children HISP-OVC program expenditure of Kshs.504,235,421 against the received premium of Kshs.1,520,400,000 resulting to a surplus of Kshs.1,016,164,579. However, this indicates low absorption on the program which can be attributed to the Fund's laxity in carrying out member sensitization and not utilizing the 3% administrative fees to do the same. This was contrary to clause 9.3 which states that a minimum administrative fee not exceeding three (3%) percent of the total premium amount paid and transferred to NHIF will be utilized to support operational costs for the Program. Further, there was no evidence to show the register is regularly maintained to capture all changes that might have affected the membership of the program and it was not synchronized to related Government cash transfer programs. This was evident in the fact that the membership was increased to 253,400 in 2020 since then nothing has been done. In addition, monitoring and evaluation reports were not provided for audit review.* *In the circumstances, Management was in breach of the law.*	It should be noted that the disbursements for this program are delayed from the Ministry of Health which were received on 5th May 2023 which was during the last quarter of the financial year 2022/23. This disrupted the planning and conduct of sensitizations for the HISP beneficiaries and therefore NHIF did not conduct the sensitizations, monitoring, and evaluations. Going forward, monitoring and evaluation exercises will be conducted in FY 2023/24 following timely disbursement of program funds from the Ministry of Health. In the case of maintaining a register, NHIF has a member listing of all program beneficiaries which is updated on case-by-case basis. Notably, according to the HISP-OVC MOU (Refer to Appendix 8.1a provided with ML) Clause 5 (5.1) scale up of the program is subject to availability of funds and advice from the Ministry of Health. NHIF has not received communication from the Ministry of Health for scale up of beneficiaries. In the case of low utilization of benefits, HISP-OVC is an insurance cover, and as such the principle of risk pooling applies to all programs run by NHIF. It should also be noted that the HISP-OVC beneficiaries comprise households which receive cash transfers from the Government and the households use the transfers to get nutritious food, better housing, and improve other social determinants of health. These external factors have affected the utilization of medical benefits under this program. A review of the utilization of the benefits by the HISP-OVC beneficiaries over the last five (5) years revealed that although the provision of the medical cover has provided financial protection against medical expenses, there are benefit design gaps that need to be reviewed to better meet their needs. Going forward, the Social Health Authority will utilize the lessons learnt from managing the current scheme, to review the benefit package offering for poor and vulnerable households that will optimize benefit utilization and provide value addition to the HISP-OVC beneficiaries. In addition, the SHA will consolidate and merge the program under the Universal Health Cover for proper administration and implementation of social health protection programs targeting poor and vulnerable households.	NHIF Management	Resolved	FY 2023/2024
11.	***Low Utilization of Health Insurance Subsidy Programme (HISP)- Older Persons and Persons with Severe Disabilities Program*** *As disclosed in Note 12 to the financial statements, the statement of profit or loss and other comprehensive income reflects Health Insurance Subsidy Programme for Older Persons and Person's with Severe Disabilities (HISP-OPPSD) program expenditure of Kshs.141,619,608 against the received premium of Kshs.352,800,000 resulting to a surplus of Kshs.211,180,392. However, this indicated low absorption on the program which can be attributed to the Fund's laxity in carrying out member sensitization interventions and not utilizing the 3% administrative fees to do the same contrary to clause 9.3 which states that a minimum administrative fee not exceeding three (3%) percent of*	It should be noted that the disbursements for this program are delayed from the Ministry of Health which were received on 5th May 2023 which was during the last quarter of the financial year 2022/23. This disrupted the planning and conduct of sensitizations for the HISP beneficiaries and therefore NHIF did not conduct the sensitizations, monitoring, and evaluations. Going forward, monitoring and evaluation exercises will be conducted in FY 2023/24 following timely disbursement of program funds from the Ministry of Health. In the case of maintaining a register, NHIF has a member listing of all program beneficiaries which is updated on a case-by-case basis. Notably, according to the HISP-OPPSD MOU (Refer to Appendix 9.1 provided with ML) Clause 5 (5.1) scale up of the program is subject to availability of funds and advise from the Ministry of Health. NHIF has not received	NHIF Management	Resolved	FY 2023/2024

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	the total premium amount paid and transferred to NHIF will be utilized to support operational costs for the program. Further, there was no evidence that the register is regularly maintained to capture all changes that might have affected the membership of the program and it was not synchronized to related Government cash transfer programs. This is evident in the fact that the membership was increased to 58,800 in April, 2021 since then nothing has been done. In addition, monitoring and evaluation reports were not provided for audit review. *In the circumstances, Management was in breach of the contract terms.*	communication from the Ministry of Health for scale up of beneficiaries. Attached is the member listing of the HISP-OPPSD beneficiaries. In the case of low utilization of benefits, HISP-OPWD is an insurance cover, and as such the principle of risk pooling applies to all programs run by NHIF. It should also be noted that the HISP-OPPSD beneficiaries comprise households which receive cash transfers from the Government and the households use the transfers to get nutritious food, better housing, and improve other social determinants of health. These external factors have affected the utilization of medical benefits under this program. A review of the utilization of the benefits by the HISP-OPWD beneficiaries over the last five (5) years revealed that although the provision of the medical cover has provided financial protection against medical expenses, there are benefit design gaps that need to be reviewed to better meet their needs. Going forward, the Social Health Authority will consolidate and utilize the current lessons in reviewing the benefit package offering for poor and vulnerable households that will optimize benefit utilization and provide value addition to the HISP-OPWD beneficiaries. In addition, the SHA will consolidate and merge the program under the Universal Health Cover for proper administration and implementation of social health protection programs targeting poor and vulnerable households.			
12.	***Irregular Procurement of Group Life and Work Injury Benefit Act Insurance Cover*** *As disclosed in Note 17 to the financial statements, the statement of profit or loss and other comprehensive income reflects Work Injury Benefit Act (WIBA) National Police Services and Kenya Prison Service total expenses of Kshs.2,393,503,620 while Note 18 reflects Work Injury Benefit Act (WIBA) Civil Servants total expenses of Kshs.6,401,863,732. The contract was awarded under contract number NHIF/027/2020-2021 on provision of co-insurance and facultative reinsurance services for group life and last expenses to NHIF members to cover the period between 15 April, 2022 to 14 April, 2023 at contract price of Kshs.3,207,322,062 for civil servants and Kshs.956,319,364 for National Police Service. However, it was noted that the initial contract was to run for one-year period from 15 April, 2021 to 14 April, 2022 without renewal. However, the contract was renewed for the period 15 April, 2022 to 14 July, 2023 through an addendum which was not signed by all parties.* *Further, the professional opinion issued and approved in the initial contract recommended to the Accounting Officer to approve the floating of fresh bids inviting bidders to apply for shortlisting as co-insurers and facultative insurers under group personal accident and WIBA category. However, an amount of Kshs.1,094,204,464 was paid to a firm for offering the WIBA and GPA services without evidence of competitive procurement since the procurement documents such as tender advertisement records, tender opening committee minutes, tender evaluation committee minutes, appointment letters of both opening and evaluation committees, notification of award, regret letters and professional opinion were not provided for audit review.* *In the circumstances, Management was in breach of the law.*	The extended contract is available and provided- (Appendix 13.1.1a) The contracts for Group Life and Last Expense and WIBA covers have several stakeholders that are involved in the decision making hence a lot of bureaucracy in the process. These include the National Treasury, Public Service Ministry, Insurance Regulatory Authority and NHIF. On 5th /01/2023 through letter Ref: HF/C/814VOL.XXXIII/285 and letter dated 8th /02.2023 Ref: HF/C/814/VOL.XXX111/311, the Supply Chain Management department wrote to remind the user department on soon to expire contract. (Refer to Appendix 13.1.1b provided with ML) Consultation between the several stakeholders took time and the user department got actual instruction to initiate procurement very late. The purchase requisition No. 005748 dated 21/3/2023 was received in SCM department 25 days to expiry of the contract that was not adequate to start and finalize procurement/tendering process. The process at a minimum requires at least 60 days i.e. 5 days for preparation of the tender document, 7 days for submission of bids, 30 days for evaluation of tenders, 2 days for professional opinion and approval of award and 14 days stand still period. The three-months contract extension was not irregular as all the necessary steps and procedures were followed as per section 139 of PPADA 2015: Extension was initiated by user department through purchase requisition No. 005748 dated 21/3/2023. (Refer to Appendix 13.1.1c provided with ML) 1)Evaluation Committee's recommendations through minutes dated 11/04/23 as per regulation 132(1) b of PPADR 2020. (Refer to Appendix 13.1.1d provided with ML) Professional Opinion Ref: HF/PROC/17/VOL.1V/254 that was approved by Ag. Chief Executive Officer for the three months extension (Refer to Appendix 13.1.1e provided with ML) The services were procured and the contract is in place and will expire in April 2024. A copy is attached. *(Refer to Appendix 13.1.2 provided with ML)*	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		The requested schedules and supporting documents have since been availed to the auditor for review (received by the Auditors on 24th November 2023 and additional supportive documents received on 30th November 2023, copy of pages of the signed delivery is attached) (Refer to *Appendix 13.1.3a provided with ML).* However, copies of the same documents are herein attached (Refer to *Appendix 13.1.3b provided with ML).* Further, payment vouchers, evidence of carrying out sensitization and appraisal reports to support administrative expenses have since been availed to the auditor for review and copies are herein attached. *(Refer to Appendix13.1.3c provided with ML)* The process of onboarding the co-insurers was done through procedure Ref. No. NHIF/032/2020-2021- Prequalification for Provision of Co-Insurance and Facultative re-insurance Services to NHIF for Group Personal Accident & Work Injury Benefit Act Insurance Cover. The documents were issued on 18th February 2021 and opened on 26th February 2023. Twenty-Three (23) Firms responded and were subjected to the evaluation process. Six (6) firms qualified as co – insurers and Eleven (11) qualified for Facultative Insurance. The list of the pre-qualified firms is attached (Refer to Appendix 13.1.4a provided with ML). The contract for GPA & WIBA was therefore awarded to the following six co-insurers: 1. Jubilee Allianz General Insurance K. Limited 2. Britam General Insurance Kenya Limited 3. CIC General Insurance Limited 4. UAP Insurance Limited 5. APA Insurance Limited 6. GAA Insurance Limited Copy of contract is attached (Refer to Appendix 13.1.4b provided with ML)			
13.	***Irregular Payment of Transport Operating Expenditure*** *The statement of profit or loss and other comprehensive income reflects other operating expenses amount of Kshs.2,920,270,536. The amount includes Kshs.228,866,641 under transport operating expenditure out of which Kshs.69,994,655 was lease of motor vehicles. It was noted that Management entered into a three-year lease of motor vehicles for the period 1 August, 2018 to 31 July, 2021 under the framework agreement. However, after the expiry, the contract was extended to 31 January, 2023 contrary to Public Procurement and Asset Disposal Act, 2015 Section 114 (2) which states that the maximum term for the framework agreement shall be three years and, for agreements exceeding one year, a value-for-money assessment is undertaken annually to determine whether the terms designated in the framework agreement remain competitive.* *In the circumstances, Management was in breach of the law.*	NHIF did not have funds due to austerity measures to initiate new procurement process. Ms. Rentco East Africa Limited the then existing service provider was willing to continue providing the services in the situation until funds were available to facilitate payment under the same terms and conditions. This was important to sustain NHIF countrywide operations and service delivery to stakeholders. Austerity measures letter dated 16th November 2022, Ref: HF/C/814 VOL.XXXIII/264 is attached (Refer to Appendix 17.4 provided with ML) This letter made reference to National Treasury Letter Ref. No. ESI/02 "4(19) Circular No. 08/2022 dated 7th November 2022. The last extension was addendum II for the period 1st November 2023 to 31st January 2023 that was forwarded to the supplier using the letter Ref. HF/HQ/PRC/23/VOL II/200 dated 1st January 2023.	NHIF Management	Resolved	FY 2023/2024
14.	***Access to Government Procurement Opportunities*** *The statement of profit or loss and other comprehensive income and Note 22 to the financial statements reflects other operating expenses of Kshs.2,920,271,196. The amount includes Kshs.84,158,877 explained to be budgeted and awarded to enterprises owned by women, youth, persons with disabilities and other disadvantaged groups. However, the Access to Government Procurement Opportunities (AGPO) certificates for suppliers paid this amount were not found in the AGPO registry.*	Most of the suppliers under appendix 17 (4 & 5) are under AGPO and on checking using the NT website, their certificates were valid. The sample certificates checked are attached (Refer to Appendix 17.5 provided with ML).	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Further, only Kshs.448,947,149 was allocated to youth, women and persons with disabilities out of total procurement for the year of Kshs.6,398,440,550 representing only 7%. This was contrary to Section 53(6) of the Public Procurement and Asset Disposal Act, 2015 which states that that all procurement and asset disposal planning shall reserve a minimum of thirty per cent of the budgetary allocations for enterprises owned by women, youth, persons with disabilities and other disadvantaged groups. *In the circumstances, Management was in breach of the law.*				
15.	***Failure to Dispose Unserviceable Assets*** *The statement of financial position reflects property, plant and equipment balance of Kshs.12,848,439,122. However, Management had not disposed its assets since the year 2019 despite physical verifications revealing immovable/ unserviceable motor vehicles and motorcycles that lie unutilized at the yard. This was contrary to Section 164 (1) of the Public Procurement and Asset Disposal Act, 2015 which states that the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the disposal committee through the head of the procurement function.* *In the circumstances, Management was in breach of the law.*	The Fund has a disposal committee appointed yearly as required by law. Letter of appointment for members of the disposal committee is attached. (Refer to Appendix 18.3a provided with ML). The disposal committee has held several meetings from the year 2019 and made their recommendations. Minutes of the latest meeting held by the disposal committee are available. Copies attached (Refer to Appendix 18.3b provided with ML). However, since the enactment and coming into force of the new Social Health Act repealing NHIF Act and the Fund management transition, the recommendations of the committee for any disposal is dependent on the Transition clause. We've further provided list of current obsolete items as shared by the disposal committee.	NHIF Management	Resolved	FY 2023/2024
16.	***Irregular Procurement Process*** *The statement of profit or loss and other comprehensive income and Note 22 to the financial statements reflects other operating expenses of Kshs.2,920,271,196. The amount includes payments amounting to Kshs.239,745,421 paid to suppliers whose Local Purchase Orders (LPOs) were issued after presentation of invoices for payment. This was indicative of regularizing the procurement process after the delivery of goods or services which is contrary to Section 69(2) of the Public Procurement and Asset Disposal Act, 2015 which states that no procurement approval shall be made to operate retrospectively to any date earlier than the date on which it is made except on procurements in response to an urgent need.* *In the circumstances, Management was in breach of the law.*	Appendix 17(8) refers mostly to provision of air tickets and conference facilities which are acquired on a real time basis. For example: Emergency medical air ticket for clients under managed schemes travelling for medical attention where patients need urgent travel to various destinations to seek medical attention as approved by the Ministry of Health. The NHIF system is designed in a way that it's not practical to make payment for acquired services and goods without LPO/LSO/contract Numbers. Hence need to raise LPO/LSO.	NHIF Management	Resolved	FY 2023/2024
17.	***Irregular Payment of Acting Allowances*** *The statement of profit or loss and other comprehensive income and Note 20 to the financial statements reflect staff cost of Kshs.5,289,051,147. However, analysis of the payroll data for the period under review revealed that thirty (30) officers had been working in acting capacity for more than six (6) months and received acting allowance amounting to Kshs.14,746,793. This was contrary to Section 4.5.5 of NHIF HR Policy and Procedures Manual on Acting allowance which states that appointment on acting basis is a temporary measure pending the substantive filling of the vacant post by either recruitment or resumption of duty by the substantive holder of the post. The appointment shall normally be limited to a continuous period of 6 months or until the vacant post is filled whichever is the earlier, but may be extended by the Board or Chief Executive Officer if the post remains vacant.*	It is acknowledged that the Fund has had several officers in acting capacities for periods exceeding six months. However, it should be noted that these officers are acting in critical positions approved and provided for in the Human Resource Instruments (Refer to Appendix 15.2a). These positions are vital for business continuity in various departments, divisions, and branches. To ensure this continuity, management issued extensions of the acting positions as per internal memo Ref: HF/HR/21 VOL V/145 dated 5th February 2021 (Refer to Appendix 15.2b). To address this issue, management has taken the following steps: Board Consideration: The matter is currently under consideration by the NHIF Board. It is anticipated that with the change in law and the operationalization of the Social Health Authority, new HR Instruments, including an organizational structure, will be developed. All staff will be required to apply for available positions, thereby resolving the issue. This will	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, Management was in breach of the policy.	ensure that all acting positions are substantively filled in compliance with the SHA HR Policy and Procedures Manual. Transition to Social Health Authority (SHA): As the Fund transitions to the Social Health Authority, it is expected that the Social Health Insurance Board will develop and implement Human Resource Instruments as per the First Schedule on Transitional Provisions of The Social Health Insurance Act of 2023 (Appendix 15.2c). This will include a comprehensive review and restructuring of the current HR framework to align with the new organizational goals and legal requirements. The transition process will involve: 1. Development of New HR Instruments: Creating updated policies and procedures that reflect the new operational framework under the SHA. 2. Organizational Restructuring: Designing a new organizational structure that supports the strategic objectives of the SHA. 3. Staff Reassignment and Recruitment: Ensuring that all positions, including those currently held on an acting basis, are substantively filled through a transparent and competitive process. Management remains committed to adhering to the NHIF HR Policy and Procedures Manual and ensuring that all acting positions are substantively filled in a timely and compliant manner. The ongoing efforts to review and update HR policies, coupled with the transition to the SHA, will address the current irregularities and strengthen the overall HR management framework.			
18.	***Non-Compliance with One-Third Rule on Basic Pay*** *The statement of profit or loss and other comprehensive income and Note 20 to the financial statements reflects staff cost of Kshs.5,289,051,147. Review of the payroll data revealed that there were four hundred and fifty two (452) staff who received net salaries that were less than a third of their basic pay. This was contrary to part C.1 (3) of Public Service Commission - Human Resource Policies and Procedures Manual (2016) which states that the Public Officers shall not over-commit their salaries beyond two-thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance. Further, it was also contrary to Section19(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 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 is in breach of the law.*	It is important to clarify that all six (6) employees retired from service in the month of July 2022. The salaries of the officers listed in Appendix 15(4) fell below the one-third basic salary rule primarily due to third-party deductions. Specify the reasons and give statistics To remedy this situation, the affected staff members have been advised to renegotiate repayment terms with the concerned third parties, with the aim of adjusting their take-home pay to at least one-third of their basic salary. Attach evidence Steps taken by management to address this issue include: The Human Resource Services section have been instructed to closely monitor payroll deductions to prevent future occurrences of non-compliance. This involves implementing stricter oversight mechanisms and ensuring that all deductions are within the legal limits. Correction of Data Errors: Continuous Improvement: Management is committed to continuously improving payroll management processes to prevent future non-compliance. Feedback from employees and third parties will be regularly sought to identify areas for improvement and to ensure that payroll policies remain fair and compliant with legal requirements. Management remains committed to adhering to the Public Service Commission - Human Resource Policies and Procedures Manual and the Employment Act, 2007. Ensuring that employees' net salaries comply with the one-third rule is a priority, and necessary measures are being implemented to rectify any discrepancies and prevent future breaches.	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
19.	***Short-term Deposits*** *As disclosed in Note 31 to the financial statements, the statement of financial position reflects short-term investments of Kshs.8,232,200,000. However, despite having this short-term investment balance, the Fund reported trade payables of Kshs.16,468,959,241 and other payables of Kshs.754,578,306 totalling Kshs.17,223,537,547. This may be indicative of Management prioritizing investments which may negate providing medical insurance cover to all its members and their declared dependants which is the core mandate of the Fund.* *In the circumstances, value for money and effectiveness on use of public resources was compromised.* *The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, 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.*	The core mandate of the fund is payment of hospital claims to contracted health providers. The fund normally pays claims within its credit period and any funds not required for immediate use are invested in treasury bills or on call deposits. The management embarked on the review of its current investment policy from November 2022 to June 2023 due to changes in its operating environment. The investment policy was presented to the operation, strategy and information technology board committee on 14th November 2023 as per attached - Refer to Appendix 22 provided with ML. It is however waiting for full board approval. Further, management with the approval of the Board is considering liquidating this investment and utilising the proceeds to settle any outstanding liabilities before transitioning to SHA. The new law has also put restrictions on SHA's ability to invest. The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, 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.	NHIF Management	Resolved	FY 2023/2024
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE					
1.	***Failure to Update Fixed Assets Register*** *The statement of financial position and Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.12,848,439,122. However, it was noted that the Fund did not maintain and update the fixed asset register to control its assets. This was contrary to Section 143(1) of the Public Financial Management (National Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the Fund has ever evaluated its assets to ascertain the correct market values.* *In the circumstances, the existence of an effective mechanism to safeguard assets could not be confirmed.*	The Fund maintains a fixed assets register for its property, plant and equipment updated regularly for additions, disposals and depreciation. However, the assets are not geo mapped to the branch offices. The Fund management has initiated the procurement process to geo map its assets, capture those that have been transferred and identify those to be disposed-off to position it's self during the transition period to SHA (Refer to Appendix 18.1 (c) provided with ML – User Letter to Supply chain Management). Please find our fixed assets register attached for your audit review. (Refer to Appendix 18.1 (a) provided with ML – Fixed Assets Register) The revaluation of the Fund assets was last done in the year 2017 (Revaluation report attached). The Fund is currently in the process of revaluing its PPE assets and has written to the Ministry of Lands, Housing and Urban Development requesting for a professional valuer to undertake the revaluation of its land and buildings to ascertain its current value (Refer to Appendix 18.1 (b)provided with ML – Letter to the Ministry).	NHIF Management	Resolved	FY 2023/2024
2.	***Inadequate Staffing Levels*** *Review of the payroll for the month of June, 2023 revealed one thousand seven ninety-three (1,793) staff while the staff establishment required two thousand one hundred and thirty-two (2,132) resulting to understaffing by three hundred and thirty-nine (339).* *In the circumstances, inadequate staffing level is likely to affect the achievement of the Fund's organizational goals and objectives.*	The current staffing inadequacies are largely due to a government-imposed freeze on employment, as outlined in circular Ref: OP/CAB.39/4A dated 28th July 2017 Attach the evidence. Since the issuance of this circular, the Fund has been unable to recruit new staff. The freeze has significantly impacted on the ability to maintain optimal staffing levels across various departments. To maximize the productivity of our current workforce, the Fund is investing in training and development programs to enhance staff skills and capabilities. This includes cross-training (Attach evidence) employees to handle multiple roles and responsibilities, thereby increasing flexibility and resilience within the workforce. Once the hiring freeze is lifted, the Fund will implement a comprehensive recruitment plan to fill the 339 vacant positions promptly.	NHIF Management	Not Resolved	FY 2024/2025

<table>
<tr><th>Reference No. on the external audit Report</th><th>Issue / Observations from Auditor</th><th>Management comments</th><th>Focal Point person to resolve the issue (Name and designation)</th><th>Status: (Resolved / Not Resolved)</th><th>Timeframe: (Put a date when you expect the issue to be resolved)</th></tr>
<tr><td>3.</td><td>Failure to Achieve Strategic Plan Targets
The 2018-2022 Strategic Plan was structured across financial, customer, process, and organizational perspectives. Analysis conducted by policy, strategy and planning department revealed the following outcomes;
<table><tr><th>Perspective</th><th>No of Initiatives</th><th>Achieved Initiative</th><th>Percentage of Achievement</th><th>Percentage Not Achieved</th></tr><tr><td>Financial</td><td>25</td><td>15</td><td>60%</td><td>40%</td></tr><tr><td>Customer</td><td>20</td><td>15</td><td>75%</td><td>25%</td></tr><tr><td>Internal Process</td><td>22</td><td>14</td><td>64%</td><td>36%</td></tr><tr><td>Organizational Capacity</td><td>29</td><td>18</td><td>62%</td><td>38%</td></tr></table>Further, the Fund projected to increase the number of principal members from 7 million to 19 million by 2022 but as at 30 June, 2023, the membership was 16.2 million resulting to missed target by 2.8 million members.
In the circumstances, the effectiveness of controls to realise addition revenues through increased membership did not achieve 100% on financial, customer, process and organizational perspectives as envisaged in the strategic plan.</td><td>The following are the key factors that contributed to the missed targets during the 2022/23 Financial Year:
1. Delayed signing of Performance Contracts for FY 2022/23
To enhance public accountability every financial year, Ministries, Departments and Agencies (MDA's) are expected to sign performance contracts. This establishes the linkage to the National Vision and the broad organizational priorities. In the case of NHIF the PC is negotiated with the Ministry of Health (MOH), vetted by the Performance Contracting unit and subsequently cascaded to Management for implementation. The Performance Contracts for FY 2022/23 were signed in February 2023 causing a seven-month delay in implementation. The performance contracting process is outside the control of the Fund and once this happens, it affects the commitment, implementation and achievement of set targets.
2. Delayed Budget Approval and Rationalization
The approval of the 2022/23 budget was delayed thus affecting its implementation. The budget was also rationalized affecting some of the planned activities and thus missed targets. The timely approval of budgets is pivotal in ensuring the prompt execution of planned activities.
3. Delayed Remittance of premiums by Government:
As at 30th June 2023, The Government had not remitted over Ksh 13 Billion in premiums for Government financed schemes. This negatively affected the achievement of set financial target. Delays in the remittance of premiums for government programs had an adverse effect on the organization's liquidity thus affecting the timely implementation of activities. Going forward the Fund has put in place measures to ensure that there is prompt remittance of premiums by sponsors; this include drafting of contracts with remedial clauses and constant follow where there is delay.
4. Lack of Operationalization the Amended NHIF Act:
The NHIF (Amendment) Act 2022 commenced on 28th January 2022, the aim was to create the legal reforms necessary to restructure NHIF towards attainment of Universal Health Coverage. The subsequent regulation made it mandatory to register persons who are 18 years and above and set contribution rates to 2.75% of gross income provided it is not less than ksh 300. The Amended Act was not operationalized due to court litigations. The achievement of the set member registration target of 19M was premised on the operationalization of the NHIF (Amendment) Act 2022. To avoid future litigations, the Fund is keen to ensure comprehensive stakeholder engagements and public participation.</td><td>NHIF Management</td><td>Resolved</td><td>FY 2023/2024</td></tr>
<tr><td>4.</td><td>Failure to Update County Government Membership Codes
As disclosed in Note 13 to the financial statements, the statement of profit or loss and other comprehensive income reflects total expenses amount of Kshs.1,642,009,767 paid to various health hospitals for offering health services to County Government employees. However, the data provided for audit was not updated with the current individual County Government employer codes. During the year under review, sixty-three (63) employees moved from one employer to another but retained the previous employer's code. This was indicative of the claim system's failure to update employer codes immediately an employee moves from one entity to another.</td><td>The members of the enhanced scheme are uploaded using data provided by the employer/client. Therefore, the employer code is not a factor during upload of the cover and access to services.
NHIF works very closely with the National Registration Bureau with a view to validate the data and further advice the respective employers on any discrepancies.

Going forward, the Fund will communicate to all employers to provide accurate employee information to facilitate automatic update of member information whenever there is a change.</td><td>NHIF Management</td><td>Resolved</td><td>FY 2023/2024</td></tr>
</table>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the effectiveness of internal controls on the system's capabilities to update employer codes could not be confirmed.				
5.	***Inadequate Number of Quality Assurance Officers*** *The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.5,289,051,147. However, during field verification, it was noted that fifty (50) NHIF branches had only one or two quality assurance officers covering between forty-two (42) to three hundred and thirty-four (334) facilities per branch. Further, it was noted that Kisii branch did not have a quality assurance officer despite having two hundred (200) health facilities under their control. In addition, most branches had only one motor vehicle which is used for office duties and to facilitate surveillance and reinforcement teams.* *In the circumstances, the monitoring of NHIF patient admissions or performance of surprise checks to confirm treatments are as per the requests authorized by Fund could not be confirmed.*	The current inadequate number of Quality Assurance Officers is primarily due to a government-imposed freeze on employment, as outlined in circular Ref: OP/CAB.39/4A dated 28th July 2017. Since the issuance of this circular, the Fund has not recruited new staff. This hiring freeze has significantly impacted on the Funds ability to maintain adequate Quality Assurance staffing levels across various branches. To address the issue of inadequate Quality Assurance staffing, management has taken the following steps: Immediate Measures for Critical Branches: Recognizing the critical nature of the Quality Assurance function, Management prioritized posting a Quality Assurance Officer to the Kisii branch in October 2023 to address the immediate need (Refer to Appendix 36 for the transfer letter). Management redistributed existing Quality Assurance Officers to support high-need areas temporarily to ensure that critical functions are maintained without interruption.	NHIF Management	Resolved	FY 2023/2024
6.	***Failure to Rotate Staff*** *Review of human resource records revealed that twenty-three (23) branch managers and twenty-nine (29) quality assurance officers who are key personnel in the management of claims have been in the same branch for between 5-13 years. This may result to familiarity or friendly approach to clients which is likely to compromise surveillance and enforcement duties.* *In the circumstances, the effectiveness of internal controls on staff rotation could not be confirmed.*	To effectively address the issue of inadequate staff rotation and mitigate associated risks, management has initiated a series of proactive measures aimed at implementing a robust framework for staff transfers and rotations. These measures include: 1.Initiation of Transfer Processes: o Management has already commenced the transfer process for staff members who have served in one station for more than three (3) years. Notably, branch managers were the first group transferred in August 2023, as documented in the attached list. 2. Scheduled Transfers for Quality Assurance Officers: o A comprehensive schedule detailing the transfer of quality assurance officers has been prepared. This schedule is pending due to budgetary constraints. By rotating key personnel, management aims to mitigate the risks associated with prolonged tenure, such as client familiarity and potential conflicts of interest.	NHIF Management	Resolved	FY 2023/2024
7.	***Weaknesses in Claims Management System*** *Note 22 to the financial statements reflects the maintenance of Information Technology (IT) equipment of Kshs.520,584,418. Included in the amount is Kshs.322,932,749 for maintaining two systems. However, it was established that both systems share the same capabilities such as member management, member updates, member inquiries, claims management and contract management which are key in claims management.* *Further, there have been instances where the system merges some case codes and gives wrong claims values, cases of double payments, excess payments above specified limits and double admissions on the same dates in different facilities.*	Fourgen and EHMIS business tools: Fourgen (QVTerm/Tera term System) is the NHIF ERP System while HICS/BIOMETS (Electronic Health Information Management System (EHIMS)/E-claim system) is the application that takes care of Biometric registration of Members and E-claim processing at the Hospital (HICS) and at NHIF (Biomets) Fourgen is responsible for: ▯ Maintaining and supporting the core database that holds all NHIF's ERP data; this includes assisting the systems administrator with configuration and tuning of the primary and secondary servers, configuring for security, monitoring, etc. ▯ The core applications, which cover financial accounts, payroll and H/R data, member and employer management, revenue, processing, and payment of claims. ▯ Providing support to the system administrator for the operating system platforms and services on which the database and applications are deployed.	NHIF Management	Resolved	FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the effectiveness of internal controls on the claim management and value for money on duplicate systems could not be confirmed.	▯ Maintaining database schemas, and implementing business rules for, all claim-related data such as registered facilities, doctors, managed schemes, and sponsored members ▯ Providing secure interfaces (API's) to the database for other applications and services, both in-house and external, for example: · integration of EHMIS E-claim/Biomets system to the ERP database and financial applications, in particular Member/Scheme Verification and processing up as far as Accounts Payable ledgers and Cashbook/EFT payment processing, which are handled by the core financials. · back-end API's to support Integrations of mobile self-service applications, including member enquiries and self-registration, as well as the SMS notification services, they provide. · API to support e-Citizen's payment process: verification and notification and subsequent posting into NHIF's revenue system and ledgers. · interface to Ministry of Education for auto-registration of students, and provision of health-care utilization statistics · interface to BRS for auto-registration of new employers · interfaces to various other organizations for sharing of approved data, e.g. KMPDC. · working with NHIF ICT to train staff to handle front-line support and in-house development tasks. ▯ In addition, the Fourgen maintainers may from time to time be engaged to develop and deploy new applications or services, as the Fund's requirements change. HICS/BIOMETS SYSTEM The E-claim/EHMIS (HICS/Biomet's) system was initially developed to digitize the Civil Servants Medical Scheme. It was a pre-requisite for the government to allow NHIF administer the Civil Servants Medical Scheme. The requirements were for the system to be able to identify all civil servants and disciplined forces biometrically and to process all claims electronically. The initial requirements were achieved and NHIF decided to extend the system functionalities to the national NHIF cover. With the extension of the functionalities to all schemes, it become mandatory for all NHIF members to be registered biometrically and all claims to be processed electronically with the submission of manual claims eliminated apart from government level 1, level 2, and level 3 health facilities. HICS/BIOMETS system has been able to integrate with the Fourgen application software to achieve the following: - ▯ (Fourgen) Members/Dependents, and Employer registration and validation ▯ (Fourgen) Managed Schemes, Sponsored Schemes, and contract levels ▯ (Fourgen) Contribution and Penalty revenue receipting and member cover status ▯ (Fourgen) HCP and Doctor Masterfile's, including hospital rebate and reg. status. ▯ (Fourgen) Posting of claims into Accounts Payable, and payment via EFT to the bank. Note that throughout the process, the treatment and claim data is recorded, tracked, and validated (business rule checking) in the Primary ERP. FOURGEN and EHMIS work together to ensure seamless integration of these systems. HICS system provides the E-CLAIM processing capabilities whilst integrating with the Fourgen system for onward processing to the financials aspect of the ERP. The HICS system provides all the business rules (business matrix) that all hospital facilities are subjected to before claiming. The BIOMETS system			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		integrates with the Fourgen membership system to provide the biometric registration aspect. With this integration between the two systems (FOURGEN/EHMIS) the HICS systems took over as the primary user software in claim processing from the hospital to the NHIF accountant, whilst the BIOMETS system become the primary software in biometric registration but utilizing the Fourgen membership database. Merging of some case codes and giving wrong claims values Merging of some case codes has been cured by having an end to end process in E-claims system hence the Claims values will be correct. On instances where the system merges some case codes and gives wrong claim values, though Combination of case codes happens for one care episode in the e-claims system, generated report for that care on QVT picks the claim amount for the first case code thus omitting the other case codes, further reporting on Claims will be on the E-claim platform and not QVT thus addressing the issue of wrong Claims where a number of packages are added to one Claim. It is important to note that, though the report gave the wrong Claims values, the payable amount to facilities was correct and no loss of Funds.			
8.	***Lack of a Modern Tier IV Data Center*** *During the year under review, it was noted that the Fund lacked a modern and state of the art Tier IV Data Centre with redundancy in all critical data center services such as power, power backup, communication links and fire detection and suppression systems. Further, there was no active secondary disaster recovery site to provide services in case the primary site was affected by a power outage or downtimes.* *In the circumstances, the effectiveness of internal controls and risk control management could not be confirmed.*	NHIF planned and budgeted for the following in the FY 2023/24: 1. Redundant KPLC line to the Data Centre 2. Redundant Generator to the Data Centre 3. Modern Tier III Data Centre 4. Active Disaster Recovery Site A request was sent to Ministry of Public Works for development of Bills of Quantities to be used for sourcing a service provider to undertake task 1 and 2. TOR for sourcing for a consultant to design and develop Technical specifications for Modern Tier III Data Centre has already been developed. NHIF will seek authorization from MOH to allow for the above tasks to be implemented since there was a hold on capital expenditure during the transition period. Attached are: Budget items, Letter to Ministry of Public works, TOR for consultant and Response letter from Ministry of Public Works	NHIF Management	Not Resolved	FY 2024/20254
9.	***Inadequate Information Technology Contingency Plans and Policies*** *During the year under review, the Fund did not have an approved Business Continuity Plan and backups were not being tested for successful restoration. In addition, contrary to Clause 8 of the ICT Policy dated 2016, the policy was not updated after three years or from time to time as deemed necessary. Further, there were no approved change management policy/ user change manual and procedures required to manage the changes done in NHIF systems. This made it difficult to trace any change requests from users/departments to the implementation stage and post-implementation.* *In the circumstances, the effectiveness of risk management to guard on emerging IT risks and (IT) controls at application, network and database level 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*	Existing Disaster Recovery Plan and Business Continuity Plan were reviewed by both management and Board. The comments received during the review workshop have been incorporated and the final document forwarded to the CEO for onward transmission to Board for approval. Attached are Reviewed Disaster Recovery Plan and Reviewed Business Continuity Plan (Appendix 26a). ICT policies have been developed and reviewed by management and NHIF Board. The final documents have been collated together with other corporate policies and forwarded to the CEO for onward transmission to the board for approval. Attached are Draft Policies and Board Paper (Appendix 26b) It is worth noting that most of the activities on policies and ICT plans having been affected by the ongoing transition from NHIF to SHA.	NHIF Management	Not Resolved	FY 2024/2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	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.				

.....
MR. ELIJAH WACHIRA.
AG. CHIEF EXECUTIVE OFFICER SHA
Date 30/09/24

.....
DR. MOHAMED ABDI MOHAMED
CHAIRPERSON - BOARD OF DIRECTORS SHA
Date 30/09/24

APPENDIX IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Where Recorded/recognized									
	Date received as per bank statement	Nature: Recurrent	Total Amount	Statement of Financial Performance	Capital Fund	Balance B/F from previous FY	2023/2024 FY			Total Transfers during the Year
			Kes	Kes	Kes	Deferred Income	Receivables	Deferred Income	Receivables	Kes
State Department for Public Services, Youth and Gender	22/02/2024	Direct Payment	2,000,000,000	**7,737,398,122**	-	-	2,480,175,237	-	**5,009,258,403**	**3,288,492,016**
"	18/04/2024	"	1,288,492,016							
Ministry of Health - OPPSD	06/07/2023	Direct Payment	352,800,000	**352,800,000**	-	-	539,699,558	-	**264,699,558**	**627,800,000**
"	13/09/2023	"	25,000,000							
"	13/09/2023	"	25,000,000							
"	23/10/2023	"	25,000,000							
"	05/01/2024	"	25,000,000							
"	05/01/2024	"	25,000,000							
"	14/02/2024	"	25,000,000							
"	13/03/2024	"	25,000,000							
"	12/04/2024	"	25,000,000							
"	17/05/2024	"	25,000,000							
"	17/05/2024	"	25,000,000							
"	18/06/2024	"	25,000,000							
Ministry of Health – HISP OVC	06/07/2023	Direct Payment	583,800,000	**1,520,400,000**	-	-	1,978,708,000	-	**674,291,337**	**2,824,816,663**
"	11/07/2023	"	936,600,000							
"	13/09/2023	"	118,583,333							
"	13/09/2023	"	118,583,333							
"	23/10/2023	"	118,583,333							
"	05/01/2024	"	118,583,333							
"	05/01/2024	"	118,583,333							
"	05/01/2024	"	118,583,333							
"	14/02/2024	"	118,583,333							
"	13/03/2024	"	118,583,333							
"	12/04/2024	"	118,583,333							
"	17/05/2024	"	118,583,333							
"	18/06/2024	"	118,583,333							
Ministry of Education – Edu Afya	26/09/2023	Direct Payment	2,604,714,300	**2,545,302,046**	-	-	59,412,255	-	-	**2,604,714,300**

Name of the MDA/Donor Transferring the funds				Where Recorded/recognized						
	Date received as per bank statement	Nature: Recurrent	Total Amount	Statement of Financial Performance	Capital Fund	Balance B/F from previous FY		2023/2024 FY		Total Transfers during the Year
			Kes	Kes	Kes	Deferred Income	Receivables	Deferred Income	Receivables	Kes
Ministry of Interior office of the president - NPS & KPS	03/07/2023	Direct Payment	375,000,000	-	-	-	1,713,789,314	-	**1,338,789,314**	**375,000,000**
Ministry of Health – Linda Mama	19/04/2024	Direct Payment	2,000,000,000	**3,745,430,263**	-	1,824,729,531	-	**79,299,268**	-	**2,000,000,000**
Counties (List provided)	Various	Direct Payment	1,486,220,616	**2,895,817,760**	-	338,440,799	-	-	**159,192,099**	**1,486,220,616**
Parastatals (List provided)	Various	Direct Payment	1,581,203,716	**2,156,877,924**	-	1,602,416,478	-	**1,393,434,933**	-	**1,581,203,716**
WIBA – Civil Servants	19/10/2023	Direct Payment	500,000,000	**5,146,377,439**	-	-	6,575,628,723	-	**9,722,006,162**	**500,000,000**
"	19/10/2023	"	500,000,000							
"	11/12/2023	"	500,000,000							
"	11/12/2023	"	500,000,000							
County Exgratia	05/12/2023	Direct Payment	5,000,000	-	-	-	-	**5,000,000**	-	**5,000,000**
Civil Servants Exgratia		No Payment	-	-	-	236,527,572	-	**74,655,333**	-	-
NPS & KPS Exgratia		No Payment	-	-	-	-	334,865,139	-	**334,865,139**	**2,000,000,000**
YPP Ministry of Health - UHC	19/04/2024	Direct Payment	2,000,000,000	**6,000,000,000**	-	3,000,000,000	-	-	**1,000,000,000**	**2,000,000,000**
Total			**18,793,247,311**	**32,100,403,553**	**-**	**7,002,114,380**	**13,682,278,226**	**1,552,389,534**	**18,503,102,012**	**19,293,247,311**

APPENDIX V: REPORTING OF CLIMATE RELEVENT EXPENDITURES

NATIONAL HEALTH INSURANCE FUND
Telephone: (254) 020 2723255/6
Email: info@nhif.or.ke

Mr. Elijah Waweru
Ag. Chief Executive Officer

Name and contact details of contact person (in case of any clarifications) .....

Project Name	Project Description	Project Objectives	Project Activities					Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
No Expenditure in the current year									

APPENDIX VI: REPORTING DISASTER MANAGEMENT EXPENDITURE

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


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