

FOR THE YEAR ENDED
30 JUNE, 2023

NATIONAL HEALTH INSURANCE FUND

ON

THE AUDITOR-GENERAL

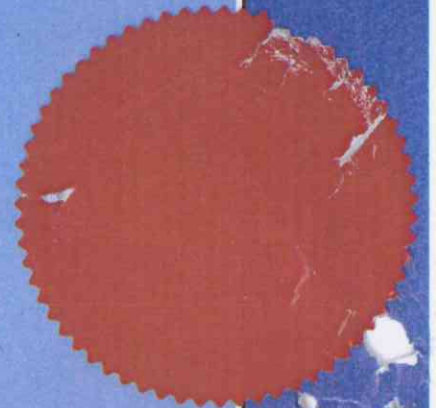
OF

REPORT

Enhancing Accountability



REPUBLIC OF KENYA



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

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

ANNUAL REPORT AND FINANCIAL STATEMENTS

RECEIVED
12 JAN 2024
OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00 00
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NHIF
NATIONAL HEALTH INSURANCE FUND



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Annual Report and Financial Statements for the year ended June 30, 2023

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 NHIF. They comprise as follows: -

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

1. Receive contributions and other payments.
2. Make payments out of the Fund to declared hospitals.
3. Set criteria for the declaration of hospitals and to declare such hospitals in consultation with the Cabinet Secretary.
4. Regulate the contributions payable to the Fund, benefits and other payments made from the Fund.
5. Protect the interests of contributors to the Fund.
6. Advise the Minister on the national policy to be followed regarding national health insurance and to implement all Government policies relating thereto.
7. Facilitate attainment of Universal Health Coverage (UHC) with respect to health insurance.
8. Administer employee benefits as provided under this Act on behalf of employers in respect of their employees.
9. Perform such other functions as are conferred on it by this Act or by any other written law.

NHIF is mandated to: -

b) Principal Activities

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.

a) Background information

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).

2. KEY NHIF INFORMATION

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NATIONAL HEALTH INSURANCE FUND

NATIONAL HEALTH INSURANCE FUND
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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 Funds 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, the Fund 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.

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c) Board of Directors

The Board of Directors are representatives of all key stakeholders and are charged with the running of the Fund through policy formulation and decision making on all policy matters. The Directors who served the Fund during the year ended June 30, 2023, were as follows:

NAME	TITLE/ REPRESENTING	DATE OF APPOINTMENT
1. Eng. Michael Kamau	Chairperson	23 rd Dec 2022
2. Dr. Jason Kap kirwok,	Vice Chairperson, CS Appointee MOH	23 rd Dec 2022
3. Mr. Andrew Mugambi,	CS Appointee MOH	23 rd Dec 2022
4. Mr. Michael Kahiti	Alternate Member, CS National Treasury	24 th Nov 2021
5. Mr. Harry Kachuwai Kimtai	PS Ministry of Health	16 th May 2023
6. Dr. Isabella Maina	Alternate Member, PS Ministry of Health	22 nd Sept 2020
7. Dr Andrew. W. Onyino	Kenya Medical Association	25 th March 2022
8. Ms. Irene Moraa Ogamba	Rep. of Council of Governors	20 th Jan 2023
9. Mr. Dennis Muthomi Gitari	Rep. of Council of Governors	20 th Jan 2023
10. Mr. Albert Obed Njeru	Central Organisation of Trade Unions	25 th March 2022
11. Dr. Rachel M. Monyoncho	Federation of Kenya Employers	13 th July 2022
12. Dr. Samson Kuhura	Ag. Chief Executive Officer & Secretary	13 th March 2023

Other directors who served and left the entity during the first half of 2022/2023 are as listed below.

NAME	TITLE/ REPRESENTING	LEFT ON
1. Hon. Lewis Ngyai	Chairperson	23 rd Dec 2022
2. Mr. Dominic Ndegwah	CS Appointee Ministry of Health	23 rd Dec 2022
3. Dr. Richard T. Kamau	CS Appointee Ministry of Health	23 rd Dec 2022
4. Ms. Susan Mochache	PS Ministry of Health	1 st Dec 2022
5. Mr. Ben Wakhungu	Rep. of Council of Governors	20 th Jan 2023
6. Dr. Silpah Owich	Rep. of Council of Governors	20 th Jan 2023
7. Dr. Peter Kamunyo	Chief Executive Officer & Secretary	13 th March 2023
8. Eng. Peter Tum Kiplagat	PS Ministry of Health	16 th May 2023

d) Other Key Information of the Fund

Registered Office/ Headquarters

NHIF Building
Ragati Road
P.O. Box 30443, 00100
Nairobi, KENYA

Ag. Chief Executive Officer
Dr. Samson Kuhura Kairang'a
P.O. Box 30443, 00100
Nairobi.

Corporate Bankers

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

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

Corporate Contacts

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

Ag. Corporation Secretary
CS Ruth Makallah
P.O. Box 30443-00100
Nairobi

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

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

Actuarial Consultants

Kenbright Actuarial & Financial Services
ACK Garden House, Block D
P O Box 28281 - 00200
Nairobi, Kenya

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Principal Legal Advisers

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




Robson Harris Advocates LLP
Transnational Plaza, 6th Floor
P.O. Box 67845-00200, Nairobi

Moronge & Company Advocates
Electricity House
P. O. Box 44289-00200, Nairobi

Ogejo, Omboto & Kijala Company Advocates
Flamingo Towers, Mara Road, 3rd floor
P. O. Box 21193-00505, Nairobi

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3. THE BOARD OF DIRECTORS

Name	Academic Qualifications
 <p>Eng. Michael Kamau, CBS, HSC Chairperson</p>	<p>Date of Birth: 19th September 1958</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Master of Science in Engineering - University of New Castle Upon Tyne, UK • Bachelor of Science in Civil Engineering - University of Nairobi <p>Work Experience</p> <ul style="list-style-type: none"> • April 2013 - March 2015: Cabinet Secretary, Transport & Infrastructure • Oct 2007 - May 2013: Permanent Secretary, Ministry of Roads <p>Date of Birth: 12th August 1982</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Master of Science in Epidemiology, London School of Hygiene and Tropical Medicine, U. of London • Master of Business Administration, Jomo Kenyatta university of Agriculture and technology • Bachelor of Pharmacy (B.Pharm.), University of Nairobi • Member HEOR, SAA & PSK <p>Work Experience</p> <ul style="list-style-type: none"> • March 2023 - Date: Ag. Chief Executive Officer, NHIF • Dec 2020 - Mar 2023: Technical Advisor/ Head Benefits Design & Claims, NHIF • July 2019 - Dec 2020: Ag. Head Benefits & Claims, NHIF • Aug 2017 - July 2019: Manager Claims Management, NHIF • Aug 2017 - Aug 2017: Manager Healthcare Contracting, NHIF • Mar 2013 - Aug 2017: Technical Advisor Kenya, AIDS Response Program • 2010 - 2013: HSC Specialist/Pharmacist CRS Kenya, AIDS Relief <p>Date of Birth: 13th December 1968</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Master of Philosophy Economics in Regional Planning and Economic Development, Bhopal University India • Master of Arts in Economics, Bhopal University India • Bachelor of Arts degree in Economics, Bhopal University India
 <p>Dr. Samson Kuhora Kairang'a Ag. Chief Executive Officer & Secretary</p>	<p>Date of Birth: 13th December 1968</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Master of Philosophy Economics in Regional Planning and Economic Development, Bhopal University India • Master of Arts in Economics, Bhopal University India • Bachelor of Arts degree in Economics, Bhopal University India
<p>Mr. Harry K. Kimtai, CBS PS Ministry of Health</p>	

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Dr. Isabella Maina
Alternate Member / PS
Ministry of Health



Dr. Jason Kap Kirwok
Appointee Cabinet Secretary
Ministry of Health



<p>Work Experience</p> <ul style="list-style-type: none"> 2023 to Date: Principal Secretary, State Department for Medical Services, Ministry of Health 2023 to 2018: Principal Secretary, State Department for Livestock Ministry of Agriculture 2017 to 2016: Director Capital Markets Authority 2014 to 2008: General Manager at Branded Fine Foods Ltd 2006 to 2003: Principal Revenue Officer, KRA 	<p>Date of Birth: 28th February 1960</p> <p>Qualifications</p> <ul style="list-style-type: none"> Master's in Business Administration - Eastern University, St Davids PA USA Bachelor of Science - University of Nairobi Certificate in Strategy Development & Execution - The Wharton School Certificate in Leadership Development - University of Cape Town <p>Work Experience</p> <ul style="list-style-type: none"> Oct 2019 - Date: Board Director Kenya Trade Remedies Board 2018 - Date: Chief of Party, USAID/RIGO-SSA June 2019 - Oct 2015: Non-Executive Board Director, Kenya Airways July 2018 - Aug 2017: Senior Strategic Advisor, Trademark East Africa July 2017 - Nov 2012: Senior Director TMEA-EAC partnership, Trademark East Africa Nov 2012 - June 2010: Country Director, Trademark East Africa
<p>Work Experience</p> <ul style="list-style-type: none"> 2023 to Date: Principal Secretary, State Department for Medical Services, Ministry of Health 2023 to 2018: Principal Secretary, State Department for Livestock Ministry of Agriculture 2017 to 2016: Director Capital Markets Authority 2014 to 2008: General Manager at Branded Fine Foods Ltd 2006 to 2003: Principal Revenue Officer, KRA 	<p>Date of Birth: 27th December 1970</p> <p>Qualifications</p> <ul style="list-style-type: none"> Ph.D. in Public health (Ongoing) Master's Degree in public Health (UN) Diploma in Health systems management (Galilee) Post graduate Diploma-management of sexually transmitted infections (UN) Fellowship Health systems management (Mahidol) Bachelor's Dental Surgery (UN)

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Work Experience

- 2019 to date: Head, Division of Healthcare Financing, Ministry of Health
- 2017 to 2019: Deputy Head, Universal Health Coverage, Coordination Department, Ministry of Health
- 2013 to 2017: Head, Health Sector monitoring and evaluation unit, Ministry of Health

Date of Birth: 1st January 1965

Qualifications

- Master's degree in Economic Policy Management - Makerere University
- Bachelor of Economics - University of Nairobi

Work Experience

- July 2020 - Date: Director of Planning - National Treasury (Experienced in facilitation completion of external borrowing plan financial negotiations on externally funded development projects)
- Feb 2006 - Jan 2021: Head of Central Planning & Project Monitoring Unit

Date of Birth: 30th August 1983

Qualifications

- Masters, Plastics and Reconstructive and Aesthetics Surgery- University of Nairobi
- Fellow, Capacity Building for Effective Health (CBEH), Human Resource in Health
- Bachelor of Medicine and Bachelor of Surgery degree - University of Nairobi

Work Experience

- July 2020 - Date: President, Kenya Medical association
- Consultant Plastics and Reconstructive and Aesthetics surgeon - KNH (Health regulation, policy development and implementation)
- November 2014 - October 2019: Developed together with IFC- World Bank and other sister regulatory bodies, the Joint Health Inspection Checklist for the Ministry of Health that focused on patient safety



Mr. Michael Kahiti
Alternate Member / CS
National Treasury



Dr. Andrew W. Onyino
Kenya Medical Association

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Mr. Dennis Muthomi Gitari
Rep. Council of Governors



Ms. Irene Mora Ogamba
Rep. Council of Governors



<ul style="list-style-type: none"> • November 2015 - October 2016: Consultant Program Officer-Cluster Team Lead, IMA World Health USAID Afya Jijini Project • April 2014 - November 2015: Technical Officer, Liverpool School of Tropical Medicine 	<p>Date of Birth: 1st January 1972</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Master of Laws (LLM) (Governance, law and Democracy), University of Nairobi • Post Graduate Diploma in Law, Kenya School of Law • Bachelor of Law (LLB), Nagpur University <p>Work Experience</p> <ul style="list-style-type: none"> • October 2020 to date: Director Legal Services, Council of Governors • Dec 2013 to Oct 2020: Manager Legal and Board Affairs, National Industrial Training Authority • July 2010 to Nov 2013: Principal State Counsel, Ministry of Gender, Children and Social Development • Sept 2001 to July 2010: Senior State Counsel, Department of Administrator-General • 1999 to 2001: Legal Associate, Macharia Mukiri & Company Advocates • 1996 to 1999: Pupilage, Holding Over and Associate, Somaia & Company Advocates
	<p>Date of Birth: 12th June 1989</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Master of Laws (Candidate), University of Nairobi • Post Graduate Diploma in law, Kenya School of Law • Bachelor of Laws (LLB Hons) <p>Work Experience</p> <ul style="list-style-type: none"> • 2017 - Date: Managing Partner & Head Litigation Gitari & Co Advocates • 2016 - 2017: Legal Intern, Ashioya, Mogire & Nkatha Advocates

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



Dr. Rachel Monyoncho
Federation of Kenya Employers



Mr. Andrew Mugambi Mwiricia
Appointee Cabinet Secretary
Ministry of Health

Date of Birth: 31st December 1959

Qualifications

- Certifications in Social Security
- Certifications in Social Health Protection

Work Experience

- Secretary General of KUDHEIHA Workers (Accounts and a diligent defender of workers' rights)

Date of Birth: 28th March 1963

Qualifications

- Doctor of Philosophy (Ph.D.) Organisational Theory and Behaviour- University of Nairobi
- Master of Business Administration - Strategic Management and International Business - University of Nairobi
- Bachelor of Science in Chemistry, Botany and Zoology - Punjabi University

Work Experience

- 2015 to date: Independent management consultant and part-time University teaching.
- 2009 to 2011: Human Resource Director, G4S Security Limited
- 2006 to 2008: Human Resource Manager, Northland and Eastern Africa Coca-Cola Subgroup

Date of Birth: 8th March 1974

Qualifications

- Post Graduate Diploma in law, Kenya School of Law
- Bachelor of Laws (LLB Hons), University of Nairobi

Work Experience

- 2006 to date: Partner, Dentons Hamilton Harrison & Mathews.
- 2005 to 2006: Senior Associate, Dentons Hamilton Harrison & Mathews
- 2004 to 2005: Associate, Iseme Kamau & Maema Advocates (Nairobi)
- 1999 to 2004: Associate, Bowyer Mahihu & Co Advocates (Mombasa)



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CS. Ruth Makallah
Ag. Corporation Secretary /
Head Legal Services



Qualifications

- Master of Business Administration (MBA)
- Post Graduate Diploma in law (Dip, Kenya School of Law)
- Bachelor of Laws (LLB)
- Certified Public Secretary - CPS (K)
- Member of the Law Society of Kenya (LSK)

Date of Birth: 13th August 1978

The Key Management team is comprised of the Ag. Chief Executive officer, Directors and Heads of departments who are dedicated professionals working with staff and clients to provide strategic planning for the Fund's future goals. The following are the key management of the Fund.

4. KEY MANAGEMENT TEAM

NATIONAL HEALTH INSURANCE FUND
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Name **Academic Qualifications**



Dr. Samson Kuhura Katiranga
Ag. Chief Executive Officer



Mr. Washington Okoth
Ag. Director ICT



CPA. Fransisca Mwanza
Ag. Director Financial Services

- Master of Science in Epidemiology, London School of Hygiene and Tropical Medicine, U. of London
- Master of Business Administration, Jomo Kenyatta university of Agriculture and technology
- Bachelor of Pharmacy (B.Pharm.), University of Nairobi
- Member of Health Economics & Operations Research
- Member Society for AIDS in Africa (SAA)
- Member Pharmaceutical Society of Kenya (PSK)

- Master of science in Information Systems
- Master of Arts - Project Planning & Management
- Bachelor of Science (Information Systems)
- Diploma in Computer Systems

- Master of Business Administration (Finance)
- Bachelor of Arts (Economics)
- Certified Public Accountant Kenya
- Member of ICPAK

Head, Marketing & Communication

Dr. Phyllis Nyakiba



Head, Provider Management

Ali Abdullahi Issack



Ag. Head, Process & Systems Audit

CPA. Rodgers Miranyi



Head, Administration Services

Mr. Joseph Tonui



- Phd, Development Studies
- Master of Arts (Rural Sociology)
- Bachelor of Arts (Communications)
- Postgraduate Diploma in Marketing Management
- Higher Diploma Level 7, Chartered Institute of Public Relations (CIPR)
- Diploma level 6, Chartered Institute of Marketing (CIM)
- Member of MSK, PRSK & MCK

- Master of Business Administration
- Bachelor of Science in Applied Geology
- Strategic Leadership Development Programme (SLDP)
- Senior Management Course (SMC)

- Master of Business Administration - Finance
- Certified Public Accountant Kenya
- Certified Internal Quality Assessor
- Member of ICPAK
- Member of IIA - Kenya Chapter

- Bachelor of Education
- Higher Diploma in Human Resource
- Member of IHRM
- Member of KIM

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- Master of Arts Sociology (Community Development and Project Management) - Egerton University
- Bachelor of Arts, Economics and Sociology - Egerton University
- Certificate of Proficiency (COP) - College of Insurance Management in Credit Management - School of Credit Management
- Strategic Leadership Development Programme (SLDP)
- Master of Business Administration (Finance) - University of Nairobi
- Bachelor of Arts (Economics) - Kenyatta University
- Certified Public Accountant (K)
- Senior Leadership Development Program (SLDP)
- Certificate in General Insurance - College of Insurance of Kenya
- Certificate in Professional Marketing - Marketing Society of Kenya
- Certificate in Health Financing Policy for Universal Health Coverage - WHO
- Member of ICPAK & MSK
- Master of Business Administration (MBA)
- Post Graduate Diploma in Law (Dip, Kenya School of Law)
- Bachelor of Laws (LLB)
- Certified Public Secretary -CPS (K)
- Member of the Law Society of Kenya (LSK)

Mr. Gibson Muhuhu
Head, Beneficiary Management



CPA. Daniel Mulinge
Ag. Head Policy, Strategy & Planning



CS. Ruth Makallah
Ag. Corporation Secretary/ Head
Legal Services



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Dr. Pamela Nyaboke
Ag. Head Supply Chain



Mr. Oscar Amwoga
Ag. Head Human Resource



- Ph.D. in Supply Chain Management
- Master in business administration (Procurement & Logistics)
- Bachelor of Purchasing & Supplies Management
- Postgraduate Diploma in Purchasing and Supplies
- Member - Chartered Institute of Purchasing and Supplies (CIPS)
- Member - Kenya Institute of Supplies Management (MKISM)
- KISM Licensed Practitioner

- Master of Business Administration (Human Resource Management)
- Bachelor of Arts
- Higher Diploma in Human Resource Management
- Senior Management Course
- Senior Leadership Development Program (ongoing)
- Member of Institute of Human Resource Management

5. CHAIRMAN'S STATEMENT



Dear Members and Stakeholders,

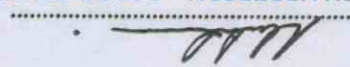
I am pleased to present NHIF's financial statement and annual report for the period ending June 30, 2023, demonstrating our robust financial performance amidst challenging economic conditions. NHIF has remained committed to sound financial management, transparency, and good governance, which has led to several noteworthy achievements.

NHIF achieved significant governance milestones, including the successful amendment of the NHIF Act and the drafting of Regulations that will facilitate its operationalization. These advancements underscore our dedication to maintaining a robust governance framework, ensuring compliance with regulatory requirements, and enhancing our ability to serve our members effectively.

Our strategic focus on fiscal prudence and revenue diversification has yielded favourable outcomes. As of June 30, 2023, NHIF recorded total contributions and premiums amounting to KES 81 billion, reflecting an increase of KES 3.2 billion compared to the corresponding period in the previous year. This revenue growth is a testament to the confidence our members and stakeholders place in NHIF's financial stability and services.

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CHAIRPERSON - BOARD OF DIRECTORS



NHIF remains steadfast in our commitment to optimizing benefits utilization while maintaining financial health. Our loss ratio of 87%, is calculated as benefits pay-out of Kes. 70.8 billion against contributions and premiums of Kes. 81 billion, demonstrates our ability to strike a prudent balance between fulfilling our members' healthcare needs and safeguarding the Fund's long-term financial health.

Moving forward, NHIF continues to play a pivotal role in expanding healthcare coverage and advancing the vision of Universal Health Coverage for all Kenyans. We recognize the evolving healthcare landscape and remain agile in adapting our strategies to meet the dynamic needs of our members and stakeholders. Collaborating with the Government, private sector, and other stakeholders, we are committed to realizing the UHC agenda and ensuring equitable access to affordable and quality healthcare services across the nation.

On behalf of the Board of Management, I extend our deepest appreciation to our esteemed members, valued stakeholders, and dedicated staff for their unwavering support and commitment to NHIF's mission. Your trust and partnership have been instrumental in driving our success and reaffirming NHIF's position as a leading player in the healthcare sector.

We remain focused on our commitment to excellence, financial prudence, and enhancing the well-being of our members. Together, let us embrace the challenges and opportunities ahead as we strive to build a healthier and more prosperous future for all.

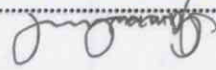
The period ending June 2023 report showcases our robust financial performance and strategic initiatives aimed at enhancing membership, optimizing revenue, and achieving sustainable growth. Our prudent financial management and strategic revenue diversification have contributed to an improved revenue performance compared to the same period in the financial year 2021/22. As of 30th June 2023, NHIF collected KES 81 billion in contributions and premiums, marking an increase of KES 3.2 billion compared to the previous year's performance. Notably, KES 38 billion was collected under the National Health Scheme (NHS), compared to KES 33.8 billion the previous year, while a net contribution of KES 42.5 billion was realized after including statutory contributions for enhanced schemes.

While the revenue performance was impressive, the benefits payout went up significantly. As of 30th June 2023, benefits pay-out amounted to KES 70.8 billion against contributions and premiums of KES 81 billion, resulting in a loss ratio of 87%. This scenario results from strategies to increase beneficiary awareness to ensure increased uptake and retention.



6. REPORT OF THE AG, CHIEF EXECUTIVE OFFICER

DR. SAMSON KUHORA KAIRANG'A,
AG. CHIEF EXECUTIVE OFFICER



As a result, the period under review saw NHIF experience membership growth, with the total number of principal members reaching 16,210,351, representing a year-on-year increase of 751,119 members. This expansion signals strong market penetration and underscores the value of our healthcare offerings to the Kenyan populace.

Our focus on member retention has yielded favorable results. As of 30th June 2023, the overall retention rate stands at 44%. Notably, the formal sector achieved an improved retention rate of 78%, reflecting our ability to maintain long-term engagement with this key segment. In contrast, the informal sector and sponsored program recorded retention rates of 22% and 52%, respectively, highlighting opportunities for targeted improvement.

To fortify our position as a leading provider of healthcare solutions, NHIF has embarked on strategic initiatives and partnerships. We have strategically engaged in partnerships with various financial institutions, implementing Insurance Premium Financing (IPF) options for NHIF members. This approach may be effective in reducing default rates and enhancing revenue streams. Collaborations with institutions such as the National Bank of Kenya, Kenya Commercial Bank, Equity Bank, and Sebin Technologies will reinforce our position as a leading provider of health insurance solutions.

Further, NHIF has strategically aligned with institutions such as Kenya Revenue Authority (KRA), Kenya National Bureau of Statistics (KNBS), Kenya Tea Development Authority (KTDA) Ltd, Long-Distance Drivers and Conductors' Association (LodDCA), Kenya Union of Savings Credit Cooperative (KUSCCO) Ltd, and Medinsure Ltd. These partnerships will not only improve member enrolment and coverage but also enable us to tap into new markets, fostering sustainable growth prospects.

NHIF's financial performance reflects our commitment to responsible financial management, membership growth, and market expansion. We are dedicated to advancing our mission of providing accessible and quality healthcare services to all Kenyans.

PERSPECTIVE	STRATEGIC GOALS (PILLARS)	STRATEGIC OBJECTIVES	PERFORMANCE AGAINST TARGETS
		No. of Proposed Activities (Tactics)	Activities Completed (Tactics) (%)
Financial Perspective	Achieve Financial Sustainability by end of 2022	25	12
Customer Perspective	Strive to Achieve 100% Health Insurance Coverage for all Kenyans by 2022	20	15
Internal Process	Enhance Operational Efficiency with Focus on the Customer, Process Standardization and Automation	To Enhance Operational Excellence	22
		To Manage Risk	14
Organizational Capacity	Enhance Institutional Capacity	29	18
Total		96	59

Summary of Progress Achieved According to Balanced Scorecard Perspectives

In the formulation of the Strategic Plan for the period 2018-2022, the Fund created its strategic goals and objectives in alignment with the Nation's Primary Goal of attaining Universal Health Coverage. The strategic focus was centered on four pivotal thematic areas: Quality Health Insurance Coverage, Strengthening the Financial Base, Augmenting Institutional Capacity, and Cultivating Stakeholder Alliances and Partnerships. However, in recognition of dynamic shifts within the Fund's operational landscape and adherence to industry best practices, a comprehensive mid-term review was undertaken in the financial year 2020/21. This revision precipitated noteworthy modifications in the organization's vision, mission, and core value statements. The vision was reviewed to "To be the trusted and valued partner in securing the health of our community," while the mission was redefined as: "To enhance equitable and sustainable health and wellbeing of our community, cushioning them from financial hardship." Further, the core values were reviewed to: "Find a Better Way," "We Make a Difference," "We Win Together," and "Do the Right Thing."

The revised 2018-2022 Strategic Plan was strategically anchored on four key pillars, signifying the Fund's commitment to its overarching objectives; Achieve Financial Sustainability, Achieve 100% Health Insurance Coverage for all Kenyans, Enhance Operational Efficiency with Focus on Customers, Process Standardization and Automation and Enhance Institutional Capacity.

7. NHIF STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/23

The 2018-2022 strategic plan was structured across the four key Balanced Scorecard perspectives: Financial, Customer, Process, and Organizational Capacity. Under the Financial Perspective, there were 25 initiatives, of which 15 were successfully completed within the designated strategic plan implementation period, yielding an achievement rate of 48%. On the other hand, the customer perspective had 20 initiatives, with 15 being successfully accomplished, which is a 75% achievement rate. Similarly, the internal process dimension comprised 22 initiatives, out of which 14 were satisfactorily executed, resulting in a performance rate of 63.6%. Lastly, the organizational capacity perspective achieved a score of 62%, having executed 18 out of the total 29 initiatives set for implementation.

Comments on the Organization's Strategic plan

During the execution of the Strategic Plan for the period 2018-2022, significant achievements were realized including:

- A remarkable increase in membership from 7.65 million in 2017/18 to an impressive 16.2 million principal members as of June 2023.
- Revenue grew from KES 50 billion in 2017/18 to KES 81 billion as of June 2023 reflecting a 62% increase.
- The successful enactment of the NHIF (Amendment) Act 2022, strengthening the UHC legislation.
- Implementation of cutting-edge E-claim and biometric identification systems, enhancing efficiency and accuracy in service delivery.
- A comprehensive revamping of the NHIF website and the enhancement of self-care portals, along with the introduction of an online registration platform, fostering user accessibility and convenience.
- Introduction of the *155# USSD code and NHIF App, providing members with additional user-friendly channels for engagement.
- The enhancement of call center operations to a 24/7 service, guaranteeing uninterrupted access to NHIF services and steadfast support for our esteemed members

Valuable insights were garnered throughout the implementation process, offering important lessons for consideration. These lessons include:

Timely Budget Approval: The timely approval of budgets proved pivotal in ensuring the prompt execution of planned activities. This necessitated active engagement with relevant stakeholders to facilitate a seamless workflow.

The Fund will strategically align its trajectory with the Bottom-Up Economic Transformation Agenda (BETA) and the Kenya Vision 2030 Medium Term Plan (MTP IV), with a specific focus on Universal Health Coverage (UHC). As part of the commitment to ensuring affordable and accessible healthcare services for all, the Fund has set bold targets, including a doubling of revenue collection. Revenue is

Projections and Next Steps

These lessons accentuate the importance of proactive strategies and collaborative efforts to navigate challenges and achieve the organization's mission effectively.

organizational strategy.

instrumental in fostering understanding, alignment, and active participation in the execution of the **Effective Communication:** Establishing clear and transparent communication channels is

indispensable to optimize the value and outcomes of enhanced schemes.

Stakeholder Engagement: Regular reviews and sustained engagement with stakeholders are

objectives effectively.

allocations, staffing, and infrastructure with strategic priorities, are pivotal to realizing set **Resource Management:** Robust resource management practices, including aligning budgetary

long-term sustainability and alignment with the benefit packages.

Suitable Premiums: Regularly reviewing premiums for enhanced schemes is essential to ensure their

by legislative changes.

stakeholders. Effective implementation strategies are vital to harness the opportunities presented Act in support of Universal Health Coverage (UHC) necessitates continuous engagement with relevant **Operationalizing the Amended NHIF Act:** The successful operationalization of the amended NHIF

elevate the member experience, and facilitate seamless access to healthcare services.

and effective service delivery. Embracing digital solutions can enhance operational efficiency, **Digital Transformation:** The ongoing digital transformation initiative remains imperative for efficient

to day operations of the Fund.

by sponsors is of paramount importance in maintaining a healthy financial position and sustaining day adverse effects on the organization's financial stability. Ensuring the prompt remittance of premiums **Timely Premium Remittance:** Delays in the remittance of premiums for government programs had



projected to increase to KES 191 billion by the conclusion of the Strategic Plan implementation period in 2023-2027.

Furthermore, one of the Fund's strategic goals is to expand enrolment to encompass 12 million households by the fiscal year 2027/28. In pursuit of enhanced service delivery, the Fund has planned to acquire a new Enterprise Resource Planning (ERP) system. This move is designed to fortify automation, integration, and the security of ICT systems, fostering efficiency and reliability.

Additionally, the Fund will augment the value offered to members through implementation of the UHC benefit package. At the same time, the Fund takes cognizance of the need to bolster organizational capacity. This effort will involve a comprehensive realignment of staff, with a particular focus on recruiting individuals with a medical background to fortify the Fund's capabilities in claims and case management functions. These strategic initiatives exemplify the Fund's continued dedication to delivering comprehensive and sustainable healthcare solutions to her valued members and the broader community.

The Board continues to undertake annual self-evaluations and reviews of its performance, which include the review of the suitability of its composition, the diversity of skills and experience on the Board performance against the terms of reference and succession planning, together with the performance of the Committees, Chairperson, Chief Executive Officer, and Fund's Corporate Secretary.

The Board of Managements' conduct is regulated by the provisions of the Board Charter. It dictates among other things the size, role, responsibilities, functions and powers of the Chairperson and other members, inductions, appointments, performance evaluation and remuneration of the members. It also comprises a Work Plan setting out the schedule of Board meetings and the main business to be dealt with at those meetings.

The NHIF Act No. 9 of 1998 (amended 2022) establishes the National Health Insurance Fund to be managed by a Board of Management. The Board of Management is ultimately accountable to all stakeholders for ensuring that the Fund's business is conducted in accordance with high standards of corporate governance. Of particular importance to the Fund is the protection of stakeholders' interests and open corporate communication.

Management Board

The Board of Management promotes the best practice of corporate governance and is bound by the highest standards of integrity and accountability in its operations. The Board adheres to the Code of Governance prescribed in the Mwongozo (The Code of Governance for State Corporations) NHIF Act and other Government of Kenya guidelines.

The Board of Management's appointment and composition is in line with the NHIF Act No. 9 of 1998 (amended 2022). The Board has autonomy and authority to exercise its functions and accountable to shareholders and act responsibly towards stakeholders.

NHIF has established high standards of corporate governance which are key contributor to the long-term success of the Fund. The Fund is managed by an effective Board which is composed of competent, diverse, and qualified members capable of exercising objective and independent judgment.

Principles of Corporate Governance

8. CORPORATE GOVERNANCE STATEMENT

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1. A chairperson to be appointed by the President by virtue of his knowledge and experience in matters relating to insurance, financial management, economics, health, or business administration.
2. The Principal Secretary in the Ministry for the time being responsible for matters relating to Health or his representative appointed in writing.
3. The Principal Secretary in the Ministry for the time being responsible for matters relating to Finance or his representative appointed in writing.
4. One person nominated by the Kenya Medical Association.
5. One person nominated by the Federation of Kenya Employers.
6. One Person nominated by the Central Organization of Trade Unions.

Composition of the Board

Section 4 (1) of the Act establishes the Board of management comprising of the following:

Policy and the Whistle Blowing Policy.

In line with the Mwongozo code on organisational risks, the Board has in place Risk and Management attended varied courses on Corporate Governance Principles and Practices.

The Fund also trains its Board members continuously on Board processes. Members of the Board have strategic opportunities for the Fund.

Board Committee, specific proposals for capital expenditure and acquisitions; and major issues and report from the Chief Executive Officer; Management Accounting for each quarter; reports from each to provide adequate and timely information on the Fund's policies. It also considers an operational In order to ensure that the Board is able to discharge its responsibilities, the Management is required must always act within the limitations imposed by the NHIF Act.

conduct of Board members is consistent with their duties and responsibilities to the Fund, and they of the Fund and assumes responsibility for retaining full and effective control over the Fund. The practices are in place to protect the Fund's assets and reputation. It is responsible for the stewardship The Board defines the Fund's strategic intent, objectives, and values to ensure that procedures and and protecting stakeholder value are achieved.

formulating NHIF policies and strategies and ensuring that business objectives, aimed at promoting The Board of Management is charged with the duty of steering the Fund. It is responsible for

Board Responsibilities

Role of the Chairperson vs. the Chief Executive Officer

The Fund publishes an Annual Report, Quarterly Reports and Monthly Bulletin. On an annual basis, the financial statements are published in the Fund's website.

Transparency

The Board members are under a fiduciary duty to act honestly and in the best interests of the Fund. To curb instances where the Board members' self-interests conflict with their duty to act in the best interests of the Fund, the Fund has instituted policies requiring the Board members to make declarations on any such interests at any such meeting where such business will be discussed in addition to absolving themselves from making decisions on the respective business.

Disclosure of Interests

Apart from the Chief Executive Officer, no Board member or a party related to a member has a service contract or receives compensation from the Fund.

Service Contracts and Compensation

Details of the Board of Directors' remuneration are set out on page 25. by the register of attendance.

In remunerating the Board of Management, the Fund's policy has been to consider, the demands and requirements made on the board of management in relation to the business of the Fund and the availability of the board of management for ad hoc consultation. The board members' sitting allowances are only paid subject to attendance at the board and/or committee meetings confirmed

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.

Responsibility for Financial Reporting

The governance, control and administration of the Fund are vested in the Management Board.

10. The Corporation Secretary who shall be the Secretary to the Board.
9. The Chief Executive Officer, who shall be an *ex-officio* member of the Board.
8. Two persons, not being public officers, nominated by the Cabinet Secretary; and
7. Two persons, not being Governor, nominated by the Council of County Governors.

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The roles of the Chairperson and the Chief Executive Officer are clearly defined and are not vested in the same person. The day-to-day executive management of the Fund is delegated to the Chief Executive Officer whereas the running of the Board is the responsibility of the Chairperson. The Chief Executive Officer directs the implementation of the Board of Management's decisions and instructions on the general management of the Fund with the assistance of the Senior Management team. However, both the Chairperson and the Chief Executive Officer work together to achieve the goals of NHIF.

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:

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.	Mr. Rodgers Mitranyi	Ag. Head, Internal Audit	Secretary

2. Finance, Investment and Compliance Committee

No.	Name of Member	Organization	Position
1.	Mr. Dennis M. Gitari	Council of Governors	Chairperson
2.	Mr. Michael Kahiti	Alt. Member/PS/The National Treasury	Member
3.	Dr. Isabella Maina	Alt. Member/PS/Ministry of Health	Member
4.	Dr. Andrew Onyino	Kenya Medical Association	Member
5.	Dr. Samson Kuhora K.	Ag. Chief Executive Officer	Secretary

3. Operations, Strategy and Information Technology Committee

No.	Name of Member	Organization	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. Isabella Maina	Alt. Member/PS/Ministry of Health	Member

The Board of Management submits this annual report and financial statements for the year ended 30 June 2023. The annual report and financial statements present, in the opinion of the directors, a fair, balanced and understandable assessment of the state of the affairs of the Fund's position and prospects. The Board reports that the business is a going concern, and they have no reason to believe that the Fund will not be a going concern into the foreseeable future.

Going Concern

The Fund's internal auditors report directly to the Audit and Integrity Assurance Board Committee.

Internal Auditors

Whereas the Board of Management is responsible for preparing the accounts and for presenting a balanced and fair view of the financial position of the Fund, the external auditors examine and give their opinion on the reasonableness of the financial statements. The auditor reports independently and directly to the Board through the Chief Executive Officer who is the Fund's accounting officer and the Secretary to the Board.

External Auditors

All members of the Board have direct access to the Corporation Secretary who is responsible for ensuring that board procedures, rules and regulations are followed. The Corporation Secretary is also the Chief Legal Officer, she reports independently and directly to the board on litigious matters affecting the Fund.

Corporate Secretary

No.	Name of Member	Organisation	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.	Dr. Samson Kuhora K.	Ag. Chief Executive Officer	Secretary

4. Governance and Human Resource Committee

5.	Dr. Samson Kuhora K.	Ag. Chief Executive Officer	Secretary
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9. MANAGEMENT DISCUSSION AND ANALYSIS

MEMBERSHIP & REVENUE

Membership

The Law requires NHIF to register all eligible Kenyans who have attained the age of 18 years and above, together with their dependants as its members. The amendment of the NHIF Act and under the UHC dispensation, NHIF will provide health insurance coverage to all Kenyans. The financing is expected to be from a collection of three sources namely.

- ❖ Statutory Contributions from salaried employees both in the formal and informal sectors paid for directly to NHIF as stipulated in the NHIF Act.
- ❖ Informal Sector contributions for individual self-employed contributors, paying directly to NHIF. Those currently not contributing to be obligated to pay or through indirect means e.g., tax.
- ❖ Poor and Vulnerable (indigents) persons' contributions. Through sponsorship by National Government, County Governments, and other sponsors/donors.

They membership can therefore be categorized into three categories: -

- i) **Formal Sector:** Consists of employed/salaried members from both the Private and the Public Sector. This category of members makes a monthly contribution between Kes 150 and Kes 1,700 based on their monthly income.
- ii) **Informal Sector:** Comprises of members who are self-employed or in organized groups. They are from the micro-insurance sector and pay a monthly contribution of Kes 500.
- iii) **Sponsored Program:** These are members in the informal sector who are paid for by Government of Kenya or sponsors/donors.

Proposed Regulations on Member & Beneficiaries

The Amendments to the Act provides for mandatory registration. There are proposed regulations to ensure mandatory registration of everyone over 18 years who is not a beneficiary and who is resident in Kenya.

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PARTICULARS PROPOSED REGULATIONS

Process of registration
 Can be done physically or online
 • A person fills information & provides biometric data.
 • NHIF verifies information & issues a member number.

Rejection of application
 Application can be rejected in the case of:
 • Incomplete or missing data
 • Erroneous or false data

Amendment of Beneficiary
 A Member can either remove or replace their spouses as a beneficiary in the case of
 • Divorce
 • Death
 A member must produce a copy of the following documents before any change is made
 • Divorce certificate
 • Death certificate

Deregistration of a member
 • A Member is deregistered upon death
 • Contributions of a deregistered member are relocated to the surviving spouse
 • Where there is no surviving spouse, beneficiaries to access benefits to the end of the period for which the contributions have been paid

Offence
 A person who fails to register as a member commits an offence and will pay a penalty of not more than Kes. 20,000

Member statistics

During the year under review, the total principal members in the database was 16,210,351. The table below shows the growth in registered members.

Sector	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Formal	4,159,630	4,430,093	4,566,604	4,645,981	4,822,423	4,962,191
Informal	4,487,727	5,592,308	6,843,892	7,224,728	8,157,860	8,674,681
Sponsored Programs	714,784	1,430,885	1,691,215	2,071,089	2,478,946	2,573,479
Total	9,362,141	11,453,286	13,101,711	13,941,798	15,459,229	16,210,351
Growth Proportions	34%	22%	14%	6%	11%	5%

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). The

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data also includes members registered at the service points and using the selfcare platforms such as USSD Code, Mobile App and online registration.

Trends in membership registrations

New members registered as of 30th June 2023 was 751,119 as compared to 1,109,196 in FY 2021/2022 (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	2020/21	21,780	274,021	295,801
Quarter 2		22,436	118,489	140,925
Quarter 3		30,664	200,958	231,622
Quarter 4		22,802	130,398	153,200
Total for the year		97,682	723,866	821,548
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

Member retention per sector

Retention rate is based on the active members vis-a-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 2022/23 year as per this indicator is as shown below.

(As at 30th June 2023)		Enrolled members	Active membership	Retention %
Formal		4,962,191	3,880,842	78%
Informal		8,674,681	1,877,417	22%
Sponsored Program		2,573,479	1,348,652	52%
TOTAL		16,210,351	7,106,911	44%

As of June 30th, 2023, 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%.

National Health Scheme	AMOUNT (KES)
Standard Contribution	31,499,399,400
Self Employed Contributions	6,224,474,538
Penalties	367,487,218
Total	38,091,361,156
Other Schemes	
Civil Servant Medical Scheme	1,842,638,400
NPS & KPS Medical Scheme	1,148,081,350
County Medical Scheme	953,134,100
Parastatals Medical Schemes	422,859,871
Retirees Schemes	11,070,000
Total	4,377,783,721
GRAND TOTAL	42,469,144,877

STATUTORY CONTRIBUTIONS

Table below gives a summary of National Health Scheme net revenue earned during the 2022/2023 financial year.

Health Scheme to Kes. 42.5 billion.

schemes totalling to Kes. 4.4 billion. This therefore brings the net contributions under National June 2023. However, excluded in these amounts are statutory contributions for the enhanced Kes. 38.1 billion was collected under the National Health scheme (NHS) during the year ended 30th

National Health Scheme Revenue

As at 30th June 2023, the Fund had received contributions and premiums totalling to Kes. 81.6 billion. This was a Kes. 3.2 billion increase over the Kes. 78.4 billion collected in the 2021/2022 financial year.

- Contributions from members (statutory, informal sector and sponsorship).
- New products (HISP - OVC and HISP - OPWSD, Civil Servants & Disciplined Services Scheme and Secondary School Students).
- Investment income (interest earnings & rental income).
- The Gok Linda Mama project administered by Fund.

NHIF's Financial Strategy identifies the following as sources of income:

Overall

Revenue Performance

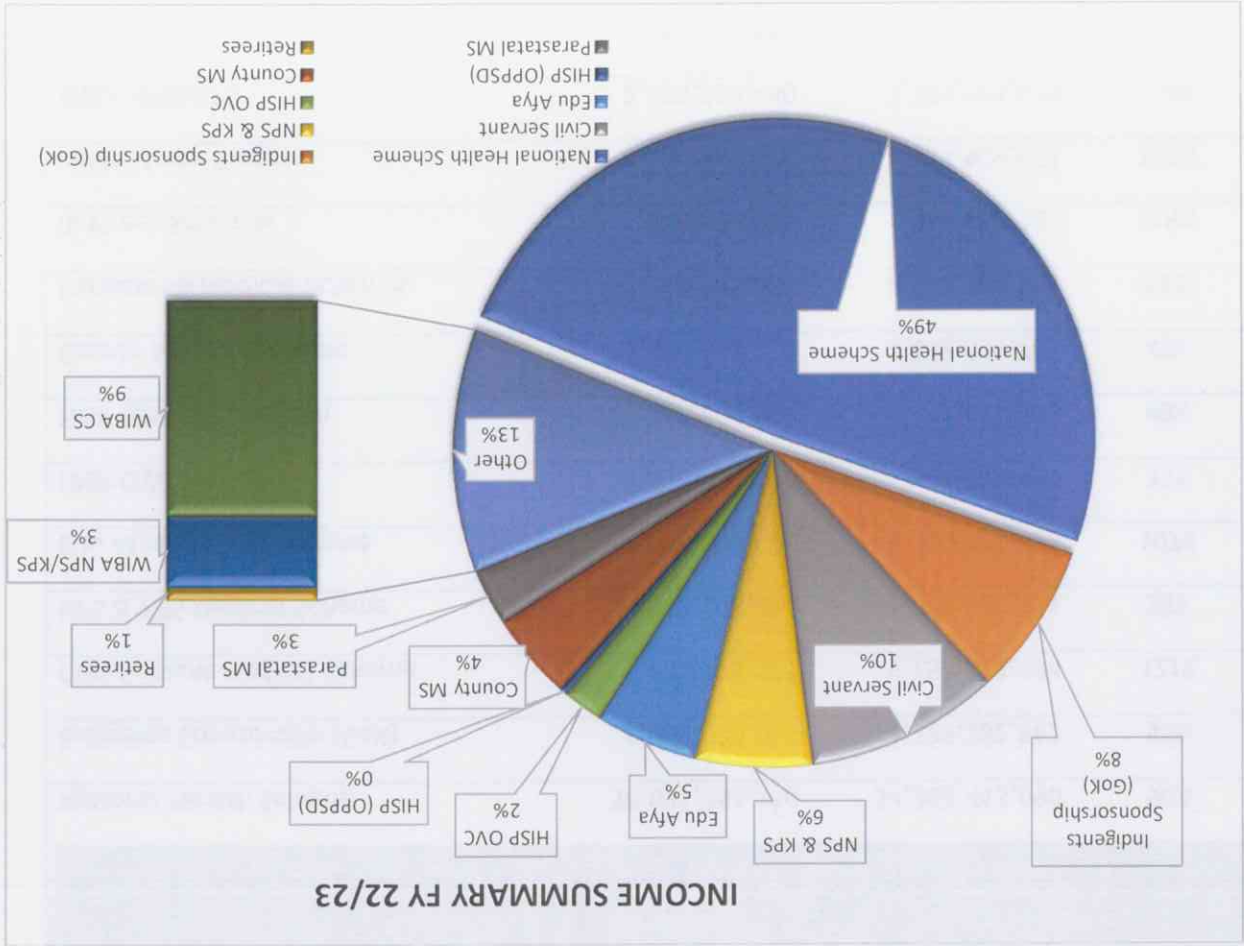
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Other Income

Included in the total revenue collected was other incomes of Kes. 1,200,511,997. This income comprises of; Interest from Investment, Rental Income, Agency Commission, Miscellaneous Receipts and Gain on Disposal, as disclosed in the Table below.

OTHER INCOMES	AMOUNT (KES)
Interest on investment	903,350,929
Rental Income	277,361,767
Agency Commissions	2,495,681
Miscellaneous Receipts	17,303,620
Total	1,200,511,997

Income Distribution Chart



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Total Expenditure

Main areas of the Funds expenses include:

- 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 2023 amounted to Kshs. 70.9 billion against contributions and premiums of Kshs. 81.6 billion. This reflects a loss ratio of 87% as illustrated in the table below per scheme.

Scheme	Contributions & Premiums (Earned)	Benefits	Utilization%
National Health Scheme	38,091,361,156	34,362,413,090	90%
Indigents Sponsorship (Gok)	6,000,000,000	3,329,282,962	55%
Civil Servant Medical Scheme	7,636,775,103	9,253,322,104	121%
NPS & KPS Medical Scheme	4,577,238,410	1,287,328,411	28%
Edu Afya Medical Scheme	4,050,000,000	4,324,442,836	107%
HISP OVC Program	1,520,400,000	504,235,421	33%
HISP (OPPSD) Program	352,800,000	141,619,608	40%
County Medical Scheme	3,434,613,174	1,642,009,767	48%
Parastatals Medical Schemes	2,213,985,086	2,177,264,508	98%
Retirees Schemes	426,842,665	934,659,385	219%
Linda Mama Program	4,134,909,678	4,134,909,678	100%
WIBA NPS&KPS	2,295,594,440	2,393,503,620	104%
WIBA CS	6,861,836,585	6,401,863,732	93%
TOTAL	81,596,356,297	70,886,855,120	87%

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Enhanced Scheme Receivables from Enhanced Schemes as at 30th June 2023 stood at Kes. 13.5 billion as shown in the table below.

SCHEME	AMOUNT (KES)
Civil Servant Medical Scheme	2,996,321,415
NPS & KPS Medical Scheme	1,616,539,289
Retirees Scheme Receivable	174,603,420
HISP OVC Receivable	1,774,017,833
NPS & KPS Exgratia Receivable	334,865,139
HISP (OPPSD) Receivables	349,499,558
WIBA NPS/KPS	7,861,625
WIBA - Civil Servants' Receivable	6,307,735,103
Total	13,561,443,382

Personnel Emoluments and Other Administrative Expenses
 Expenditure on Personnel Emoluments as at 30th June 2023 was Kes. 5.3 billion against year-to-date budget of Kes.6 billion, representing a variance of 12%.
 As at 30th June 2023, other operating expenses stood at Kes. 2.9 billion against year-to-date budget of Kes. 3.43 billion.

Support innovation through Agricultural Society of Kenya (ASK) NHIIF took part in the annual Agricultural Shows organized to showcase services and products by different organizations. The Fund participated in the Nakuru ASK Show in May 2022 where it reached over 10,000 people who attended the weeklong event.

- 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
- Operationalization of the Legal Framework (Revised NHIIF Act, 2022 & the Regulations)
- Enhancing benefit management
- 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.

These strategies include:

Going forward, the Fund will continue to pursue several strategies to pursue its vision and mission.

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 environment friendly products and services.

Sustainability Strategy and Profile

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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- To improve the organizational performance of the Fund by helping all employees to improve on their effectiveness in their present jobs.
- To assist each employee to gain competence and skills in preparation for more responsibility within the Fund and to help each employee to prepare for change, as the Fund develops to meet changing needs.
- To ensure that sufficiently trained manpower is available to meet the Fund's strategic requirements, by identifying those requirements and providing appropriate training and development opportunities for all its employees.
- The Fund shall consult/liaise with organizations involved with training, in the facilitation of required training programmes.

following objectives: -

More particularly, the training and development of employees will be directed towards achieving the

Fund in meeting its overall development programmes. It is, therefore, the policy of the Fund to offer sound training opportunities to its entire staff in order to improve their work performance and enhance their personal development, as well as assist the

objectives.

NHIF recognizes the need for training and development of all its employees as in the end they become better equipped for meeting emerging challenges in their duties, thus achieving the organization's background and/or previous employment shall be verified.

While making decisions on selection on first appointment, preference will be given to qualified and suitable Kenyan citizens for the positions. However, information concerning a candidate's general alienation.

There shall therefore be no discrimination against any of its employees on the basis of gender, race, religion, ethnicity, political inclination, or any other condition that may give rise to any form of the right mix of attitudes and competencies, for the attainment of the Fund's strategic objectives.

The Fund being an equal opportunity employer, shall seek to attract and retain an optimum number of qualified human resource based on their academic and professional qualifications coupled with

a. Recruitment and Selection

Employee welfare

Association of Kenya Insurance (AKI).

their regulators through constant engagement with the Insurance Regulatory Authority (IRA) and the Association of Kenya Insurance (AKI). it has made the Organization the biggest Purchaser of healthcare services in the Country. This has been achieved by recognizing the private sector involvement in purchasing of healthcare services and Attorney General. The Act has enabled the fund to expand coverage to over 25 million Kenyans and premium rates are approved by the Board of Management and gazetted through the office of the statutory i.e., employed, and voluntary contributors i.e., self-employed, or sponsored indigents. The Organization to set up a Fund for purchase of healthcare services for its members who are both With respect to competition, NHIF is governed by an Act of Parliament No. 9 of 1998, that mandates

Market place practices-

- Regularly review our effectiveness and audit our performance in achieving our OHS Objectives
- Recognize and reward good OHS performance.
- Involve all employees, customers, and strategic partners in improving our OHS standard.
- business and conform to appropriate benchmarking standards.
- Implement, sustain, expand upon, and continuously improve our OHS Standard within our resources to carry out their duties successfully.
- Educate employees on their OHS responsibilities and equip them with adequate authority and subscribers to.
- Comply with all applicable statutory and regulatory OHS requirements to which NHIF environment.
- Ensure the health & safety status of our employees, work operations and the work

and society at large. Our key objectives are to:

NHIF is conscious of Health, Safety responsibilities to stakeholders including customers, employees, the establishment and observance of safe working practices.

NHIF recognizes that the effective prevention of accidents and incidents depends as much on a committed attitude of mind to safety, as on design, operation and maintenance of plant and equipment and to this end, it will seek to encourage employee's participation in the contribution to the establishment and observance of safe working practices.

of responsible management.

operations. It considers the promotion of Health and Safety of its employees to be an essential part also to act positively where it can prevent injury, ill health, damage, and loss arising from its it is the policy of NHIF not only to comply with the Health and Safety measures required by law, but

b. Occupational Health & Safety Policy

Additionally, the Fund has undertaken the initiative to train and sensitize employees on matters of Article 10, 232 and Chapter 6 of the Constitution of Kenya (2010) and the integration of the same in the decision-making processes with the aim of containing politics among others that may emerge during execution of the day-to-day mandate of achieving the Fund's objective. Monitoring of practices is done through the oversight of Integrity Assurance Officers Committee and Corruption Prevention Committee which meet on quarterly basis to evaluate progress.

- Anti-Corruption Policy
- Conflict of interest Policy
- Gifts Policy
- Fraud and wastage Policy
- Whistle Blowing Policy
- The Code of Conduct and Ethics

To ensure and continually improve on integrity, efficiency and reputation of the Fund, competitive practices have been factored in the strategic decision-making fabric of the Fund through development and implementation of various Policies, Manuals, and guidelines some of which are:

by supporting indigents through County and NG-CDF Funds.

of UHC, provision of quality healthcare to members and other areas such as expansion of coverage engagements, the fund has benefited from political support especially in the smooth implementation level, NHIF engages the Counties through the regional and branch offices. Through such level, NHIF engages with the parliament mainly through the Ministry of Health and at the County political class is part of the routine stakeholder engagements carried out by the Fund. At the National impartial in politics and not take part in any such engagements. Nonetheless, engagements with the Being a public organization, NHIF adheres to the Public Ethics Act that mandates the Fund to be

Waste and Abuse of benefits.

providers including healthcare providers and suppliers and other partners and its policies on Fraud NHIF is a corruption free zone as it's expressly stated in the NHIF Act Sec. 25, contracts with service was given the green light to market its product to such interested agencies.

the government agencies to procure health insurance for its employees through NHIF though NHIF Presidential directive of promoting government agencies with the sole purpose of cushioning against high spending in purchasing of health insurance for public servants. Notably, it is not mandatory for NHIF also offers enhanced medical schemes to the government and its agencies through the

• Signing of contracts with Healthcare providers that expressly state that in providing of services to NHIF beneficiaries, the health facility shall comply and procure health professionals and all other administrative officers engaged by them to be compliant with applicable laws and the

the various products at our service points and at the contracted HCPs. only includes the product mix, but also the rights of all our customers with respect to access of on various platforms, updating our website and social media pages. The information shared not are shared with the public, sensitization of beneficiaries through the Public Education Division consistent manner. This has been achieved through continuously printing information packs that • Sharing information on its' product mix and services to its members and to the public in a

and interests. It has achieved this through;

The Fund holds all its customers in high regard and has continuously practice protection of their rights

Product stewardship

in the media industry.

media. The process ensures that we maintain a great value for money and level field for all suppliers NHIF is guided by the Government Advertising Agency in regard to placement of adverts in legacy competent manner.

marketing and communication campaigns are done through an honest, accountable, transparent, and standard in service delivery to all stakeholders. NHIF adheres to this by ensuring that whenever The team is guided by the Customer Service charter which ensures that we maintain the highest

Responsible marketing and advertisement

ethical standards and integrity, in line with chapter 6 of the constitution.

3. We will maintain a cordial business relationship with our suppliers while maintaining the highest

specifications and payments to the suppliers will be processed in a timely manner and

2. That good, works and services provided by our suppliers will be received promptly as per the set

asset disposal as contemplated by Article 227 of the Constitution;

and prescribes efficient procurement management system to ensure transparent procurement and 1. Ensure that there is fairness transparency and objectivity in its procurement processes, designed

Procurement Regulations 2020, the Fund commits to:

the Public Procurement and Asset Disposal Act 2015 (revised 2022) and its attendant Public While the Fund is committed to acquire Goods, works and Services from the market in accordance to

Responsible Supply chain and supplier relations

Annual Report and Financial Statements for the year ended June 30, 2023

NATIONAL HEALTH INSURANCE FUND

relevant policies issued by Regulatory Authorities in relation to the Services provided including the Consumer Protection Act, Act No. 46 of 2012, Laws of Kenya.

- The Contract also expressly outlines the benefits that each NHIF beneficiary is entitled to and has clauses that outline patient rights to access accurate and adequate information on their cover, treatment plan and bills that arise thereof, rights to access to “mandatory services”, customer rights to non-discrimination and equitable treatment.

- Setting up an end-to-end customer service, support, and complaint and dispute resolution mechanism through available channels to do so e.g., a State of the Art 24 hour call centre with a Toll free line, availing a complaints and enquiry email with the public and continuous engagement on our social media pages. These mechanisms have provided our customers with expeditious, fair, transparent, inexpensive, accessible, speedy, and effective enquiry/complaint/dispute resolution.

NATIONAL HEALTH INSURANCE FUND
Annual Report and Financial Statements for the year ended June 30, 2023

11. REPORT OF THE BOARD OF DIRECTORS

The Board of Management submit their report together with the financial statements for the year ended June 30, 2023, 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, 2023, are set out on pages 1 - 69 Below (Page 1 is the summary of Income and Expenditure for the year).

iii) Board of Directors
The members of the Board of Management 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 the Fund for the year ended June 30, 2023, in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board,


CS. RUTH MAKALLAH
AG. CORPORATE SECRETARY

DATE
28/9/2023

The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, 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 the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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.

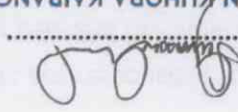
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund.
- (iii) Designing, implementing, 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.

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and Section 38 of the NHIF Act, require the Directors to prepare financial statements in respect of that Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results of the Fund 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 the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

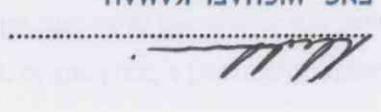
12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Faint, illegible text, likely bleed-through from the reverse side of the page.

DR. SAMSON KUHORA KAIRANG'A,
AG. ACCOUNTING OFFICER



ENG. MICHAEL KAMAU
CHAIRPERSON OF THE BOARD



The NHIF financial statements were approved by the Board on 29/09/2023 and signed on its behalf by:

Approval of the financial statements

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.

Annual Report and Financial Statements for the year ended June 30, 2023

NATIONAL HEALTH INSURANCE FUND



Enhancing Accountability

OFFICE OF THE AUDITOR-GENERAL

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REPORT OF THE AUDITOR-GENERAL ON NATIONAL HEALTH INSURANCE FUND
FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

Adverse Opinion

I have audited the accompanying financial statements of National Health Insurance Fund set out on pages 1 to 65, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions

of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the National Health Insurance Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and do not comply with the National Health Insurance Fund, Act 1998 (Revised Edition 2022) and the Public Finance Management Act, 2012.

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.

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.

3. Other Receivables

3.1 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.

Benefit	Specified Limit Kshs.	Payments Made Kshs.	Overpayment Kshs.
Normal Delivery	370,000	1,709,953	1,339,953
C-Section	930,000	2,207,800	1,277,800
Rehabilitation	1,260,000	4,606,500	3,346,500
Minor Surgery	43,950,000	73,384,853	29,434,853
Major Surgery	401,960,000	687,788,129	285,828,129
Specialized Surgery	4,500,000	8,133,678	3,633,678
Basic Chemotherapy	20,700,000	46,285,883	25,585,883
Complex Chemotherapy	2,700,000	3,468,000	768,000
MRI	5,271,060	21,387,950	16,116,890
CT-Scan	19,920,000	114,764,963	94,844,963
Total	501,561,060	963,737,709	462,176,649

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:

5.1 Unexplained Overpayment on National Health Scheme Expenses

5. Benefit Expenses

In the circumstances, the accuracy and completeness of statutory contributions amounting to Kshs.4,377,783,721 could not be confirmed.

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.

4. Unsupported Statutory Contributions

In the circumstances, the existence, ownership and recoverability of lost computers amounting to Kshs.2,832,000 could not be confirmed.

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.

3.2 Lost Computers

In the circumstances, the accuracy and recoverability of creditor's surcharge balance of Kshs.142,832,138 could not be confirmed.

In the circumstances, the accuracy and completeness of the benefit expenses amount of Kshs.308,101,454 could not be confirmed.

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.

5.4 Irregular Claims Management and Payments

In the circumstances, the accuracy and completeness of the Linda Mama expenditure of Kshs.47,045,700 could not be confirmed.

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.

5.3 Duplicate Payment for C-Sections and Normal Deliveries

In the circumstances, the accuracy and completeness of the parastatal scheme expenses of Kshs.1,750,250 could not be confirmed.

Benefits	Specified Limit	Payment made	Overpayment
Kshs.	Kshs.	Kshs.	Kshs.
1,080,000	2,076,950	2,076,950	996,950
488,000	1,241,300	1,241,300	753,300
Total	1,568,000	3,318,250	1,750,250

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:

5.2 Overpayment on Parastatal Scheme Expenses

In the circumstances, the accuracy and completeness of the National Health Scheme expenses of Kshs.963,737,709 could not be confirmed.

In the circumstances, the accuracy, completeness and regularity of WIBA administration expenses of Kshs.54,513,886 could not be confirmed.

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.

5.8 Irregular Expenditure on Medical Camps

In the circumstances, the accuracy and completeness of the expenditure Kshs.18,400,000 on surgical packages could not be confirmed.

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.

5.7 Surgical Expenditure without Evidence of Peer Review

In the circumstances, the accuracy and completeness of the indigents' sponsorship (GOK) program amount of Kshs.6,000,000,000 could not be confirmed.

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.

5.6 Variances in Indigents Sponsorship (GOK) Program

In the circumstances, the accuracy and completeness of the Indigents' Sponsorship (GOK) Program amount of Kshs.3,329,282,962 could not be confirmed.

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.

5.5 Irregular Management of Indigents' Sponsorship (GOK) program

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

6. Unsupported Claim Reserves

In the circumstances, the accuracy, completeness and regularity of benefit expenses of Kshs.185,142,488 could not be confirmed.

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.

5.10 Irregular Claims by Health Care Providers

In the circumstances, the accuracy, completeness and regularity of the claims paid amount of Kshs.814,893,467 could not be confirmed.

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.

Scheme	Claims Paid Kshs.	Hospitals Billed Amounts Kshs.	Variance/ Overpayments Kshs.
NPS/KPS Scheme	39,376,250	23,171,787	16,204,463
NHS Scheme	486,570,605	280,620,092	205,950,513
UHC Scheme	103,887,599	56,292,704	47,594,895
Civil Servant Scheme	15,016,390	8,523,069	6,493,321
Edu Afya Scheme	48,611,804	24,499,976	24,111,829
HISP(OVC)	19,844,824	11,283,160	8,561,664
HISP(OPPSD)	6,769,000	3,706,148	3,062,852
County Scheme	1,439,200	777,429	661,771
Parastatal Scheme	1,762,576	1,123,876	638,700
Linda mama	91,615,219	37,123,900	54,491,319
Total	814,893,467	447,122,141	367,771,326

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;

5.9 Variance Between Hospital Billed Amounts and Claims Paid

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.

7. Overpayment of Legal Fees

The statement of financial position and Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.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 of 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.

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 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.

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 Kshs.1,444,687,484 relating to payments for drawings and designs for the proposed Resource Centre. However, as previously reported, the

The PIC recommended in the 2^{1st} 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 the then Finance Manager for colluding with NHIF to mismanage the invested funds and NHIF should relentlessly pursue Consolidated Bank Officer.

under which the Fund's deposit was used as a guarantee by the then Chief Executive Officer. It is not clear and Management has not explained the circumstances against a guarantee executed by the former Fund Chief Executive Officer on behalf of Consolidated Bank Limited. The entire deposit of Kshs.49,500,000 was offset by the Bank Kshs.49,500,000 which had been deposited by the Fund on 26 June, 2001 with the impaired investments. As previously reported, the provision includes an amount of term deposits (investments) balance of Kshs.8,232,200,000 which is net of provision for The statement of financial position and Note 31 to the financial statements reflects short

12. Short Term Deposits (Investments)

In the circumstances, the accuracy and completeness of buildings balance of Kshs.7,434,158,463 could not be confirmed.

received from the Commission. 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.

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

11. Construction of Multi Storey Car Park

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

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.

dispute in court. 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 construction of the Resource Centre has not commenced since the acquisition of the land.

In the circumstances, the accuracy and completeness of trade payables balance of Kshs.16,468,959,241 could not be confirmed.

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.

15. Inaccuracies in Trade Payables

In the circumstances, the accuracy and completeness of trade receivables balance of Kshs.19,113,572,813 could not be confirmed.

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.

14. Inaccuracies in Trade Receivables

In the circumstances, the accuracy and completeness of claims payable balance of Kshs.2,907,196,082 could not be confirmed.

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.

13. Duplicate Claims Payable

In the circumstances, the value and existence of the short-term deposits (investments) balance of Kshs.8,232,200,000 could not be confirmed.

Management to recover the loss of Kshs.49,500,000. However, no action appears to have been taken by for recovery of Kshs.49,500,000.

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 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.

19. Variances in Unquoted Investments

In the circumstances, the accuracy and completeness of long-term deposits balance of Kshs.1,371,312,803 could not be confirmed.

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.

18. Failure to Prepare Financial Statements

In the circumstances, the accuracy and recoverability of return to drawer cheques balance of Kshs.14,790,981 could not be confirmed.

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.

17. Long Outstanding Return to Drawer Cheques

In the circumstance, the accuracy and completeness of staff costs amount of Kshs.8,269,380 could not be confirmed.

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.

16. Clustered Staff Debtors in the Payroll System

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 4(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.

Membership Type	Enrolled Members Kshs.	Active Members Kshs.	Retention Rate
Formal sector	4,962,191	3,880,842	78%
Informal	8,674,681	1,877,417	22%
Sponsored program	2,573,479	1,348,652	52%
Total	16,210,351	7,106,911	44%

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.

2.1 Member's Retention Rate

2. Performance and Solvency of the Fund

The underfunding and underperformance may have affected the Fund's key mandate of sustainably registering beneficiaries, generating revenue and paying health benefits for members. 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 Kshs.89,309,469,729 resulting to under absorption of Kshs.9,567,183,338 or 11%.

1. Budgetary Control and Performance

Emphasis of Matters

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Health Insurance Fund Management in accordance with ISSAI 130 on 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 adverse opinion.

In the circumstances, the accuracy and completeness of unquoted investments balance of Kshs.226,762,637 could not be confirmed.

<p>How Audit Addressed the Key Audit Matter</p> <p>We performed the following Procedures: -</p> <p>i. Obtained an understanding of the Fund's trade payables.</p> <p>ii. Tested the key controls over the administration of the claims in the claims system.</p>	<p>Key Audit Matter</p> <p>Claim Payables</p> <p>The statement of financial position reflects trade (claims payable) payables amount of Kshs.16,468,959,241 as disclosed in Note 37 to the financial statements.</p>
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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 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.

Key Audit Matters

My opinion is however not modified in respect to these matters.

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.

Scheme	Benefits Kshs.	Premiums/Contributions Kshs.	Loss Kshs.	Percentage
1 Civil Servant Medical Scheme	9,253,322,104	7,636,775,103	1,616,547,001	21%
2 Retirees Schemes	934,659,385	426,842,665	507,816,720	119%
3 WIBA NPS & KPS	2,393,503,620	2,295,594,440	97,909,180	4%
Total	12,581,485,109	10,359,212,208	2,222,272,901	

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.

2.2 Loss-Making Schemes

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

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.

- 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.

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:

1. Transition from National Health Insurance Fund (NHIF) to Social Health Authority (SHA)

Other Matter

How Audit Addressed the Key Audit Matter	Key Audit Matter
<p>iii. Tested the accuracy and completeness of the fund's claims data with their supporting documents.</p> <p>iv. Selected a sample of trade payables and carried out circularization to determine the accuracy and completeness of the claims reported during the year.</p> <p>v. Assessed the disclosures included in the financial statements, including their compliance with the requirements of IFRS.</p> <p>vi. Confirmed if the creation of the reserve was done as per requirements of IFRS.</p> <p>vii. Confirmed if the opening balances were adjusted as the claims adjustment was pervasive.</p>	<p>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.</p> <p>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.</p> <p>Further, the claims payables balance increased significantly during the year from Kshs.3,804,837,246 as per the year 2021-2022 compared to Kshs.16,468,959,241 for the period under review.</p>

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)

1. Reimbursement of Claims on Empanelled Health Care Providers

Basis for Conclusion

As required by Article 229 (6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and effectively.

Conclusion

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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.

2. Unresolved Prior Year Matters

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.

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).

- 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

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:

Further, Note 29 to the financial statements reflects the National Police Service and Kenya Police Service receivables balance of Kshs.1,616,539,289 and National 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

Further, Note 29 to the financial statements reflects the National Police Service and Kenya Police Service receivables balance of Kshs.1,616,539,289 and National 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 wing aircraft.

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-

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

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.

less.

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 Board expenses. Further, the approved budget for Board expenses was only 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

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

Regulations, 2022 which state that the tariffs payable under the Fund in respect of any provider contract published on the website of the Fund.

benefits to an empaneled health care provider shall be as specified in the health care

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.

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.

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:

6. Emergency Road Evacuation Services

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

5. Unauthorized Expenditure

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

Gok shall make full payments of premiums within three (3) months from the commencement date of the contract.

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

10. Low Utilization of Health Insurance Subsidy Programme (HISP) - Orphaned and Vulnerable Children Program

In the circumstances, Management was in breach of the law.
report concerning the assets to the Authority.
subject to the custody of the Authority as unclaimed assets under the Act shall make a Assets Act, 2011 which states that a person holding assets presumed abandoned and Assets Authority (UFAA). This was contrary to section 20(1) of the Unclaimed Financial more than six (6) years and which had not been reported to the Unclaimed Financial However, included in the amount is Kshs.58,770,484.84 which has been outstanding for The amount includes unapplied control account funds totalling to Kshs.213,773,709. The statement of financial position reflects other payables balance of Kshs.754,578,306.

9. Non-Compliance with Unclaimed Financial Assets Act, 2011

In the circumstances, Management was in breach of the law.
entity.
procuring entity shall give the request to such persons as are registered by the procuring Procurement & Asset Disposal Act 2015 which states that an Accounting Officer of a AGPO certificates had expired. This was contrary to S106(2) (a) of the Public amount is Kshs.3,430,454 paid to suppliers but their tax compliance certificates and includes cleaning materials and services amount of Kshs.42,742,290. Included in the financial statements reflect other operating expenses of Kshs.2,920,271,196. The amount The statement of profit or loss and other comprehensive income and Note 22 to the

8. Non-Compliance with Public Procurement and Assets Disposal Act, 2015

evacuation services could not be confirmed.
In the circumstances, the value for money on the expenditure of Kshs.48,363,910 on air due to internet challenges and human delays in the process.
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

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

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

12. Irregular Procurement of Group Life and Work Injury Benefit Act Insurance Cover

In the circumstances, Management was in breach of the contract terms. not provided for audit review.

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 Persons 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 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

11. Low Utilization of Health Insurance Subsidy Programme (HISP)- Older Persons and Persons with Severe Disabilities Program

In the circumstances, Management was in breach of the law. not provided for audit review.

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/ unseizable 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 unseizable, 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.

15. Failure to Dispose Unseizable Assets

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 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.

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.

14. Access to Government Procurement Opportunities

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

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.

13. Irregular Payment of Transport Operating Expenditure

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

opening and evaluation committees, notification of award, regret letters and professional opinion were not provided for audit review.

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 Section 19(3) of employment Act, 2007 which stipulates that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which 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.

18. Non-Compliance with One-Third Rule on Basic Pay

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

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.

17. Irregular Payment of Acting Allowances

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

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.

16. Irregular Procurement Process

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).

2. Inadequate Staffing Levels

In the circumstances, the existence of an effective mechanism to safeguard assets could not be confirmed. 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.

1. Failure to Update Fixed Assets Register

Basis for Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Conclusion

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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. In the circumstances, value for money and effectiveness on use of public resources was compromised.

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.

19. Short-term Deposits

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 Kisumu 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.

5. Inadequate Number of Quality Assurance Officers

In the circumstances, the effectiveness of internal controls on the system's capabilities to update employer codes could not be confirmed.

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.

4. Failure to Update County Government Membership Codes

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.

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.

Perspective	No of Initiatives	Achieved Initiative	Percentage of Achievement	Percentage of Not Achieved
Financial	25	15	60%	40%
Customer	20	15	75%	25%
Internal Process	22	14	64%	36%
Organizational Capacity	29	18	62%	38%

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;

3. Failure to Achieve Strategic Plan Targets

In the circumstances, inadequate staffing level is likely to affect the achievement of the Fund's organizational goals and objectives.

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.

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.

9. Inadequate Information Technology Contingency Plans and Policies

In the circumstances, the effectiveness of internal controls and risk control management could not be confirmed.

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.

8. Lack of a Modern Tier IV Data Center

In the circumstances, the effectiveness of internal controls on the claim management and value for money on duplicate systems could not be confirmed.

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.

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.

7. Weaknesses in Claims Management System

In the circumstances, the effectiveness of internal controls on staff rotation could not be confirmed.

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.

6. Failure to Rotate Staff

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 audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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.

Auditor-General's Responsibilities for the Audit

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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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 preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

Responsibilities of Management and Board of Directors

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.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

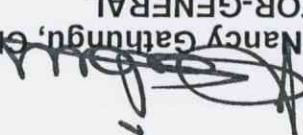
Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

08 May, 2024

Nairobi


FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

- Perform such other procedures as I consider necessary in the circumstances.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR

ENDED 30TH JUNE 2023

	Note	JUNE 2023	RESTATED BALANCE JUNE 2022	CLOSING BALANCE JUNE 2022
REVENUES		KES	KES	KES
National Health Scheme Contributions	6	38,091,361,156	33,801,153,977	34,071,068,025
Indigents' Sponsorship (Gok) Program Premium	7	6,000,000,000	3,000,000,000	3,042,000,000
Civil Servant Scheme Contributions & Premium	8	7,636,775,103	7,941,258,645	7,941,258,645
NPS & KPS Scheme Contributions & Premium	9	4,577,238,410	7,130,267,535	7,130,267,535
Edu Arya Medical Scheme Premium	10	4,050,000,000	4,050,000,000	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	3,434,613,174	4,426,061,322	4,426,061,322
Parastatal Scheme Contributions & Premium	14	2,213,985,086	1,747,066,758	1,201,445,249
Retirees Schemes Premium	15	426,842,665	508,194,530	508,194,530
Linda Mama Program Premium	16	4,134,909,678	4,164,582,667	4,164,582,667
WIBA - NPS & KPS Premium	17	2,295,594,440	2,877,255,761	2,877,255,761
WIBA - Civil Servants Premium	18	6,861,836,585	6,873,209,875	6,873,209,875
TOTAL REVENUES		81,596,356,297	78,392,251,071	78,158,543,610
BENEFITS EXPENSES				
National Health Scheme Expenses	6	34,362,413,090	27,353,750,116	27,353,750,116
Indigents' Sponsorship (Gok) Program Expenses	7	3,329,282,962	1,361,557,798	1,361,557,798
Civil Servant Scheme Expenses	8	9,253,322,104	8,618,131,112	8,618,131,112
NPS & KPS Scheme Expenses	9	1,287,328,411	9,884,509,523	9,884,509,523
Edu Arya Medical Scheme Expenses	10	4,324,442,836	3,248,095,999	3,248,095,999
HISP OVC Program Expenses	11	504,235,421	290,537,742	290,537,742
HISP (OPPSD) Program Expenses	12	141,619,608	91,413,962	91,413,962
County Scheme Expenses	13	1,642,009,767	1,966,058,021	1,966,058,021
Parastatal Scheme Expenses	14	2,177,264,508	1,317,076,537	1,317,076,537
Retirees Schemes Expenses	15	934,659,385	705,634,479	705,634,479
Linda Mama Benefit Expenses	16	4,134,909,678	4,164,582,667	4,164,582,667
WIBA - NPS&KPS Expenses	17	2,393,503,620	2,862,753,432	2,862,753,432
WIBA - Civil Servants Expenses	18	6,401,863,732	6,790,954,170	6,790,954,170
TOTAL BENEFIT EXPENSES		70,886,855,120	68,655,055,557	68,655,055,557
GROSS PROFIT		10,709,501,178	9,737,195,514	9,503,488,052
Other Incomes	19	1,200,511,997	1,567,597,066	1,567,597,066
TOTAL REVENUES		11,910,013,175	11,304,792,580	11,071,085,119
OPERATING EXPENSES				
Staff Costs	20	5,289,051,147	4,861,960,470	4,861,960,470
Board Expenses	21	33,427,343	32,166,770	32,166,770
Other Operating Expenses	22	2,920,271,196	2,827,264,422	2,850,096,833
Depreciation of PPE	23	243,808,479	253,784,560	253,784,560
Amortization of Intangible Assets	24	368,873,105	292,182,233	292,182,233
Total Operating Expenses		8,855,431,271	8,267,358,455	8,290,190,866
PROFIT/ (LOSS) BEFORE TAXATION		3,054,581,904	3,037,434,125	2,780,894,252
Tax Expense	25	(46,996,260)	(50,053,040)	(50,053,040)
SURPLUS FOR THE YEAR		3,007,585,644	2,987,381,085	2,730,841,212

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Annual Report and Financial Statements for the year ended June 30, 2023

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

ASSETS	JUNE 2023	RESTATED BALANCE	JUNE 2022	CLOSING BALANCE
	Note			
Non-Current Assets				
Property, Plant and Equipment	23	12,848,439,122	12,997,610,657	12,997,610,657
Intangible Assets	24	637,068,561	1,005,941,666	1,005,941,667
Receivable - South B Estate Mortgage	26	32,618	32,618	32,618
Long Term Deposits	27	1,371,312,143	1,346,231,679	1,346,231,679
Unquoted Investments	28	226,762,637	310,892,640	310,892,640
Total Non-Current Assets		15,083,615,081	15,660,709,260	15,660,709,261
Current Assets				
Trade Receivables	29	19,113,572,813	10,284,635,769	10,284,635,769
Other Receivables	30	447,201,868	297,958,572	297,958,572
Short Term Deposits	31	8,232,200,000	13,388,971,803	13,388,971,803
Cash and Bank Balances	32	3,726,586,694	1,198,215,732	1,198,215,732
Total Current Assets		31,519,561,375	25,169,781,876	25,169,781,876
TOTAL ASSETS		46,603,176,456	40,830,491,136	40,830,491,137
EQUITY AND LIABILITIES				
Capital and Reserves				
Accumulated Fund	33	12,209,923,340	12,209,923,340	12,209,923,340
Retained Earnings	34	12,154,154,139	9,146,568,495	8,889,845,581
Incurred But Not Reported (IBNR) Claims Reserves	35	(3,923,285,349)	6,612,378,551	6,612,378,551
Total Capital and Reserves		20,440,792,130	27,968,870,386	27,712,147,473
Current Liabilities				
Deferred Income	36	8,473,232,143	7,215,354,255	7,449,061,716
Trade Payables	37	16,468,959,241	3,804,837,246	3,804,837,246
Other Payables	38	754,578,306	1,211,111,624	1,238,724,036
Tax Payable	39	5,996,126	6,276,826	6,276,826
Provision for Liabilities	40	459,618,511	624,040,801	619,443,841
Total Current Liabilities		26,162,384,327	12,861,620,751	13,118,343,665
TOTAL EQUITY AND LIABILITIES		46,603,176,456	40,830,491,137	40,830,491,137

The financial statements on pages 1 to 69 were approved by the Board of Management on 29/09/2023 and signed on its behalf by:

Dr. Samson Kuhora K.

Ag. Chief Executive Officer

CPA Francisca W: Mwanza

Ag. Director, Financial Services

Eng. Michael Kamau

Chairperson of the Board

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16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

NOTE	Accumulated Fund		Retained Earnings		Total
	KES	KES	KES	KES	
At July 1, 2021					
Changes in the year / Total comprehensive income	12,209,923,340	33	6,159,187,410	34	18,369,110,750
At June 30, 2022			2,987,381,085		2,987,381,085
At June 30, 2022	12,209,923,340		9,146,568,495		21,356,491,835
At July 1, 2022					
Changes in the year / Total comprehensive income	12,209,923,340		9,146,568,495		21,356,491,835
At 30th June, 2023	12,209,923,340		12,154,154,139		24,364,077,479

As per The National Treasury requirement, Surplus for the year ended 30th June 2022 was restated from Kshs. 2,730,841,212 to Kshs. 2,441,759,576 as a result of:-

- Less: Kshs. 42,000,000 - Kitui County Government Enhanced scheme premiums earlier recorded under indigents scheme (Note 7 & 36).
- Add: Kshs. 27,612,412 - Reversal of Invoice for legal fees charged to Legal expenses during the financial year FY 2021-22 (Note 22 & 38).
- Less: Kshs. 4,780,000 - To cater for under provision of External Audit fees during the financial year 2021/22 (Note 22 & 40).
- Less: Kshs. 269,914,048 - NHS Deferred income reported as revenue for the financial year 2021/22 (Note 6 & 36).
- Add: Kshs. 545,621,509 - To recognise scheme contracts executed during the financial year FY 2021-22 (Note 14 & 36).

Grand Total: Kshs. 256,539,873.

Retained Earnings as at 1st July 2021 was restated from Kshs. 6,159,187,410 to Kshs. 6,159,004,369 as a result of:-

- Less: Kshs. 183,041 - Reversal of Provision created in the financial year 2020/2021 which remained unutilised after the activity (Note 40).
- Grand Total: Kshs. 183,041.**

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17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

Notes	2023	2022
	KES	KES
CASHFLOWS FROM OPERATING ACTIVITIES		
Cash generated from/ (used) in operations	41(a)	(3,449,168,106)
Tax Paid	25	(46,996,260)
Net cash generated/ (used) in from operations		(3,496,164,366)
CASHFLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of Property, Plant and Equipment	23	(94,636,944)
Purchase of Intangible Assets	24	-
Interest from investment	19	903,350,929
Proceeds from sale of South B estate	26	-
Purchase of Long-term Deposit	27	(25,080,464)
(Purchase)/Redemption of unquoted investment	28	84,130,003
Net cash generated from/ (used in) investing activities		867,763,525
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		(2,628,400,842)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		14,587,187,535
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	41(b)	11,958,786,694
		14,587,187,535

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18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

	FY 2022/2023		Actual on comparable basis	Performance difference	% of Utilization	
	Original budget	Adjustments				Final budget
REVENUES						
National Health Scheme Contributions	43,097,617,655	-	43,097,617,655	38,091,361,156	(5,006,256,499)	-12%
Indigents' Sponsorship (Gok) Program	7,499,700,000	-	7,499,700,000	6,000,000,000	(1,499,700,000)	-20%
Civil Servant Scheme Contributions & Premium	7,924,437,037	-	7,924,437,037	7,636,775,103	(287,661,934)	-4%
NPS & KPS Scheme Contributions & Premium	7,008,782,806	-	7,008,782,806	4,577,238,410	(2,431,544,396)	-35%
Edu Afya Medical Scheme Premium	4,050,000,000	-	4,050,000,000	4,050,000,000	-	0%
HISP OVC Program Premium	1,520,400,000	-	1,520,400,000	1,520,400,000	-	0%
HISP (OPPSD) Program Premium	352,800,000	-	352,800,000	352,800,000	-	0%
County Scheme Contributions & Premium	3,769,012,441	-	3,769,012,441	3,434,613,174	(334,399,267)	-9%
Parastatal Schemes Contributions & Premium	1,913,458,052	-	1,913,458,052	2,213,985,086	300,527,034	16%
Retirees Schemes Premium	192,987,224	-	192,987,224	426,842,665	233,855,441	121%
Linda Mama Program Premium	4,098,000,000	-	4,098,000,000	4,134,909,678	36,909,678	1%
WIBA - NP&KPS Premiums	2,295,594,440	-	2,295,594,440	2,295,594,440	-	0%
WIBA - Civil Servants Premiums	6,876,250,651	-	6,876,250,651	6,861,836,585	(14,414,066)	0%
WIBA - NMS Premiums	666,552,232	-	666,552,232	-	(666,552,232)	-100%
TOTAL REVENUES	91,265,592,538	-	91,265,592,538	81,596,356,297	(9,669,236,241)	-11%
BENEFITS EXPENSES						
National Health Scheme Expenses	36,632,975,007	-	36,632,975,007	34,362,413,090	2,270,561,917	6%
Indigents' Sponsorship (Gok) Program Expenses	6,374,745,000	-	6,374,745,000	3,329,282,962	3,045,462,038	48%
Civil Servant Scheme Expenses	6,480,771,481	-	6,480,771,481	9,253,322,104	(2,772,550,623)	-43%
NPS & KPS Scheme Expenses	5,787,465,386	-	5,787,465,386	1,287,328,411	4,500,136,975	78%
Edu Afya Medical Scheme Expenses	3,442,500,000	-	3,442,500,000	4,324,442,836	(881,942,836)	-26%
HISP OVC Program Expenses	1,292,340,000	-	1,292,340,000	504,235,421	788,104,579	61%
HISP (OPPSD) Program Expenses	299,880,000	-	299,880,000	141,619,608	158,260,392	53%
County Scheme Expenses	3,131,410,575	-	3,131,410,575	1,642,009,767	1,489,400,808	48%
Parastatal Schemes Expenses	1,617,939,344	-	1,617,939,344	2,177,264,508	(559,325,164)	-35%
Retirees Schemes Expenses	164,039,140	-	164,039,140	934,659,385	(770,620,245)	-470%
Linda Mama Benefit Expenses	4,098,000,000	-	4,098,000,000	4,134,909,678	(36,909,678)	-1%
WIBA - NP&KPS Expenses	2,295,594,440	-	2,295,594,440	2,393,503,620	(97,909,180)	-4%
WIBA - Civil Servants Expenses	6,876,250,651	-	6,876,250,651	6,401,863,732	474,386,919	7%
WIBA - NMS Expenses	666,552,232	-	666,552,232	-	666,552,232	100%
TOTAL BENEFIT EXPENSES	79,160,463,256	-	79,160,463,256	70,886,855,120	8,273,608,136	10%

NATIONAL HEALTH INSURANCE FUND

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	FY 2022/2023		Final budget	Actual on comparable basis	Performance difference	Utilization % of
	Original budget	Adjustments				
GROSS SURPLUS	12,105,129,282	-	12,105,129,282	10,709,501,178	(1,395,628,104)	-12%
Other Income	1,806,059,392	-	1,806,059,392	1,200,511,997	(605,547,395)	-34%
TOTAL REVENUES	13,911,188,674	-	13,911,188,674	11,910,013,175	(2,001,175,499)	-14%
OPERATING EXPENSES						
Staff Costs	5,083,075,601	960,616,951	6,043,692,552	5,289,051,147	754,641,405	12%
Board Expenses	30,000,000	-	30,000,000	33,427,343	(3,427,343)	-11%
Other Operating Expenses	2,663,844,934	766,718,987	3,430,563,921	2,920,271,196	510,292,725	15%
Depreciation & Amortization	644,750,000	-	644,750,000	612,681,584	32,068,416	5%
TOTAL OPERATING EXPENSES	8,421,670,535	1,727,335,938	10,149,006,473	8,855,431,271	1,293,575,202	13%
SURPLUS BEFORE TAXATION	5,489,518,139	1,727,335,938	3,762,182,201	3,054,581,904	(707,600,297)	-19%
Tax Expense				(46,996,260)	(46,996,260)	
TOTALS/ SURPLUS FOR THE YEAR	5,489,518,139	1,727,335,938	3,762,182,201	3,007,585,644	(754,596,557)	-20%

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EXPLANATIONS FOR VARIANCES

Revenue

I. National Health Scheme - These are both statutory and voluntary contributions received from the active members of the primary health insurance cover. The low performance can be attributed to the low member retention rate especially in the informal sector affecting the revenue collected.

II. Indigents Sponsorship (Gok) Program - This is a government initiative that relies on funds from MOH to cover indigents. A sum of Kes 6 billion was received for the scheme against an annual budget of Kes 7.49 billion with the balance to be disbursed in subsequent periods.

III. NPS/KPS scheme - Premiums received were for the cover period 1st July 2022 to 30th December 2022. The NPS/KPS contract was not renewed upon lapse on 31st December 2022.

IV. Parastatal Medical Schemes - The variance can be attributed to premiums from the previous cover periods that were remitted during the period under review.

V. Retirees Schemes -

Expenditure

I. Indigents Sponsorship (Gok) Program - The low utilization is due to a gap in registration and sensitization of indigents. Measures have since been adopted to increase awareness.

II. Civil Servant Scheme - 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. NPS/KPS scheme - The low utilization against the budget for the period under review is because the contract was not renewed upon lapse on 31st December 2022.

IV. Secondary School Medical Scheme - The high absorption is due to an increase in inpatient and outpatient benefits at private high-cost facilities.

V. HISP OVC & OPPSD - The variance is due to a lack of awareness by members of this program. Sensitization activities have been planned in the subsequent periods.

VI. Retirees Schemes - membership for this scheme has increased leading to increased utilization. Further, this scheme is a high-risk portfolio. However, measures have been put in place such as increased premiums per member.

VII. Operating Expenses.

	2023	2023	
	ACTUALS	BUDGET	% VARIANCE
Group Life Cover	23,527,370	43,117,843	-45%
Subscriptions	32,307,315	41,723,594	-23%
Legal Expenses	293,669,000	293,781,425	0%

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Security & Safety Expenses	87,522,480	56,949,735	-35%
External Audit Fee	5,000,000	5,000,000	0%
Provision for Doubtful Receivables	-	-	0%
Provision for Doubtful Investments	-	54,200,000	0%
Transport Operating Expenses	221,409,000	228,866,641	3%
Travel & Accommodation	325,954,440	325,239,488	0%
Postage & Courier	14,643,746	13,131,384	-10%
Telephone, Mobile & Internet Services	146,883,516	91,357,660	-38%
Hospitality & Office Refreshments	46,272,180	39,706,570	-14%
Utility Costs - Electricity	14,811,214	13,360,291	-10%
Newspapers/ Periodicals/ Books	1,095,957	-	-100%
Printing & Stationery-General	40,716,328	41,060,170	1%
Advertising & Publicity	377,840,000	185,229,242	-51%
Security Printing	-	-	0%
Cleaning Materials & Services	47,743,750	42,742,290	-10%
Computer Stationary & Material	28,403,220	21,576,715	-24%
Monitoring & Evaluation	-	-	0%
Rental Expenses & Rates	294,454,290	262,022,179	-11%
Member Registration Campaign	-	-	0%
Insurances, Licenses & Permits	20,436,080	1,055,973	-95%
Communication & Public Participation	-	-	0%
Staff Welfare	45,260,000	29,953,692	-34%
Capacity Building	216,199,200	215,658,475	0%
Staff Medical Scheme	353,333,022	322,617,565	-9%
Maintenance of Office Equipment	64,255,352	35,783,071	-44%
Maintenance of IT Equipments	612,500,000	520,584,418	-15%
Management Consultancy Fee	47,000,000	26,394,740	-44%
Bank Charges & Commissions	37,807,284	38,277,213	1%
Total	3,428,163,921	2,920,271,196	

- *Staff Group Life & Last Expense & GPA* - The low utilization is due to lack of GPA cover for staff during the period under review.
- *Subscriptions* - The low absorption was due to an integration of management standards which led to a reduction of internal audit expenses.
- *Security & Safety Expenses* - Budgeted under this vote was a fire drill and disaster preparedness activities which were not done in some offices which are earmarked for the subsequent financial year.
- *Telephone, Mobile & Internet Services* - This item was affected by the late approval of the Supplementary Budget leading to a delay in procurement of connectivity services.
- *Hospitality & Office Refreshments* - There was a delay in procurement of services under this vote pending the approval of the Supplementary Budget.

- *Newspapers/Periodicals/Books* - The user department earmarked this budget for integration of the Resource Centre with the Kenya National Library Services. This would reduce future expenditure on books and newspapers. This process was however delayed.
 - *Advertising & Publicity* - Pending activities under this budget include Road shows, purchase of promotional materials and media buying for which the procurement process/contract signing was not complete by 30th June 2023.
 - *Computer Stationery & Materials* - This item had no approved amount in the annual budget but later reviewed in the supplementary budget. All expenditure had to wait for approval of the Supplementary budget by the National Treasury and therefore the low absorption.
 - *Rental Expenses* - Owing to a delay in approval of the new structure, 2 additional regional offices that were earmarked for operationalization were not set up as planned. This led to reduced spending on rent.
 - *Insurances and Licenses* - Insurance premiums for the cover period beginning 1st July 2022 were paid in the prior period 2021/2022 hence the low utilization in 2022/2023.
 - *Staff Welfare* - The approved budget for this item was Kes 10.26 million against the proposed Kes 45.26 million. The shortfall was part of the Supplementary budget which meant that activities were put on hold awaiting approval.
 - *Maintenance of office equipment* - Repainting of the NHIF building and Parking were earmarked to be done during the period under review. However, this was put on hold and instead, there were plans for the refurbishment of the entire building in the subsequent financial year.
 - *Management Consultancy fee* - Research external studies consultancy was planned to cater for the survey needs of the Fund with particular emphasis on UHC. This was however rolled over to the subsequent financial year pending implementation of changes in UHC.
- VIII. Staff costs - The period under review saw the implementation of the CBA in February/March 2023 leading to increment in gross pay and allowances.
- IX. Board Expenses - During period under review, there was a rise in the frequency of board meetings and sessions. This was driven by the heightened responsibilities assigned to the Fund during a period marked by reforms, structural adjustments, and regulatory changes aligning with the Government's pursuit of Universal Health Coverage.

financial position, statement of changes in equity, statement of cash flows, and notes.

The financial statements comprise the statement of comprehensive income, statement of

accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, IPSAS 24, NHIF Act and International Financial Reporting Standards (IFRS). The

reporting currency of the Fund.

The financial statements are presented in Kenya Shillings (Kes), which is also the functional and

statements, are disclosed in Note 5.

judgement or complexity, or where assumptions and estimates are significant to the financial

process of applying the Fund's accounting policies. The areas involving a higher degree of

the use of estimates and assumptions. It also requires management to exercise judgment in the

financial statements in conformity with International Financial Reporting Standards (IFRS) allows

The financial statements have been prepared on a historical cost basis. The preparation of

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

comprehensive income in these financial statements.

of financial position and the profit and loss account by the statement of profit or loss and other

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement

is receiving of contributions and paying of benefits to its members.

wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity

NHIF is established by and derives its authority and accountability from NHIF Act. The Fund is

1. GENERAL INFORMATION

19. NOTES TO THE FINANCIAL STATEMENTS

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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 2023.

Title	Description	Effective Date
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IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The company is an insurance company. The adoption of IFRS 17 has had the following effects: <ul style="list-style-type: none"> ✓ Creation of IBNR reserves ✓ OCR recognition. 	Effective for annual periods beginning on or after 1 st January 2023.
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IAS 8 - Accounting Policies, Errors, and Estimates	<p>1. IBNR - Creation of IBNR reserves that takes into consideration liability for claim-generating events that have taken place but have not yet been reported to the insurer or self-insurer.</p> <p>2. Prior Period Claims - Posted back to the IBNR reserves in the current year.</p> <p>3. Current claims liabilities (FY 2022/23) have been accounted for in this year's claims expenditures and IBNR reserves accounts.</p>	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.
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IAS 8 - Accounting Policies, Errors, and Estimates	<p>Management has assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, it does not expect that there will be a significant impact on the Fund's financial statements.</p>	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.
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NATIONAL HEALTH INSURANCE FUND

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Title	Description	Effective Date
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. Management has assessed the applicable standards and amendments. Based on its assessment of impact of application of the above, it does not expect that there will be a significant impact on the Fund's financial statements.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Management has assessed the applicable standards and amendments. Based on its assessment of impact of application of the above, it does not expect that there will be a significant impact on the Fund's financial statements.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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
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. Management does not plan to apply any of the above until they become effective. Based on its assessment of the potential impact of application of the above, it does not expect that there will be a significant impact on the Fund's financial statements.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

NATIONAL HEALTH INSURANCE FUND

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Title	Description	Effective Date
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. Management does not plan to apply any of the above until they become effective. Based on its assessment of the potential impact of application of the above, it does not expect that there will be a significant impact on the Fund'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. Management does not plan to apply any of the above until they become effective. Based on its assessment of the potential impact of application of the above, it does not expect that there will be a significant impact on the Fund's financial statements.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

!!! Early adoption of standards

The Entity adopted the IFRS 17 standards on insurance contracts early in the year 2021/2022.

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 recognised to the extent that it is probable that future economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Fund activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Fund activities as described below.

- i) Revenue is generally recognized in the income statement on accrual basis. Best estimates of what is receivable are included in the accounts.
- 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 to the Fund the claims 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) 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 property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items and are recognized in profit or loss in the income statement.

d) Depreciation And Impairment Of Property, Plant And Equipment

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

Depreciation on property, plant and equipment is recognized 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 in use 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%

- e) **Intangible Assets**
 Intangible assets comprise purchased computer software licenses, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.
- f) **Amortizations and impairment of intangible assets**
 Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.
- g) **Investment property**
 Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.
- a) **Finance and Operating Leases**
 Leases which confer substantially all the risks and rewards of ownership to the Fund are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.
 All other leases are treated as operating leases and payments made under operating leases are recognised in profit or loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.
- h) **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.
- i) **Unquoted Investments**
 Unquoted investments stated at cost under non-current assets and comprise equity shares held in other Government owned or controlled entities.

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.

o) Exchange rate differences

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.

n) Provision for staff leave pay

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. The company also contributes to the statutory National Social Security Fund (NSSF). This is a monthly employer contributions which have been fully remitted to the scheme.

m) Retirement Benefit Obligations

The Fund operates a defined contribution scheme (NHIF Staff Retirement Benefit Scheme) for all full-time employees. The scheme started in July 2001 and the scheme structure was converted from defined benefits to defined contribution with effect from 1st January 2008. The employer (Sponsor) and its employees. The employer therefore has no liability safe for the monthly employer contributions which have been fully remitted to the scheme.

l) 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.

k) 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.

j) Trade and Other Receivables

Trade and other receivables are recognised at fair values 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.

- p) Budget information**
- The original budget for FY 2022/2023 was approved by the Board of Directors on 14th December 2021 and forwarded through the GIMIS platform as per the National Treasury Circular No. 1/2021 to the Ministry of Health. The budget estimates were approved by the Ministry of Health as per recommendations from the National Treasury and its approval was conveyed through the GIMIS platform on 24th August 2022. Subsequent revisions were made to the original budget and approvals obtained from both the Ministry of Health and the National Treasury as per the PFM Act, 2012. The additional budget estimates are added to the original budget upon receiving the respective approvals to arrive at the final budget for the year.
- The Fund's approved income and expenditure estimates are compared to the actual income and expenditure disclosed in the financial statements. This is for all the voted budgetary items in line with NHIF classification of income and expenses. A comparison of budget and actual amounts, to evaluate performance, compliance and inform appropriate management decisions is prepared and presented in the statement of comparison of budget and actual amounts.
- The statement of comparison of budget and actual amounts considers the actual performance in cash basis leading to a difference in the base of preparation between the financial statement which uses accrual and the management account report which uses cash basis. A reconciliation statement is then prepared to note and harmonize any differences arising thereof.
- q) Comparative Figures**
- Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.
- r) Subsequent Events**
- There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.
- s) Taxation**
- 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.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of 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 the Entity.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the 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.

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 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.

	JUNE 2023	JUNE 2022	CLOSING BALANCE JUNE 2022
Premiums	6,000,000,000	3,000,000,000	3,042,000,000
Total Contributions	6,000,000,000	3,000,000,000	3,042,000,000
Expenses:			
Outpatient Expenses	1,262,657,161	453,808,320	453,808,320
Inpatient Expenses	834,057,917	340,445,405	340,445,405
Specialized Benefits Package	1,232,567,884	567,304,073	567,304,073
Total Expenses	3,329,282,962	1,361,557,798	1,361,557,798
Surplus for the Year	2,670,717,038	1,638,442,202	1,680,442,202

7. SURPLUS FROM INDIGENTS' SPONSORSHIP (GOK) PROGRAM

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.

There was a total of 16,210,351 members as at 30th June 2023 which is comprised of 8,674,681 members in the informal sector (self-employed contributors), 2,573,479 sponsored program members and 4,962,191 in the formal sector. Out of the total 16 million members, active members were 7,106,911 with 3,880,842 in the formal sector representing 78%, 1,348,652 in the sponsored program representing 55%, as well as 1,877,417 in the informal sector representing 22%).

Contributions are recognised 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.

	JUNE 2023	JUNE 2022	CLOSING BALANCE JUNE 2022
Statutory Contribution	31,499,399,400	27,495,433,480	27,765,347,528
Self Employed Contributions	6,224,474,538	5,985,005,603	5,985,005,603
Penalties	367,487,218	320,714,894	320,714,894
Total Contributions	38,091,361,156	33,801,153,977	34,071,068,025
Expenses:			
Group Life Expenses	14,000,000	-	-
Outpatient Expenses	6,050,973,443	4,965,797,649	4,965,797,649
Inpatient Expenses	7,785,577,288	6,918,578,913	6,918,578,913
Specialized Benefits Package	19,766,224,984	15,630,104,124	15,630,104,124
Evacuation Services Expenses	348,142,454	426,925,868	426,925,868
IBNR Claims	397,494,920	(587,656,438)	(587,656,438)
Total Expenses	34,362,413,090	27,353,750,116	27,353,750,116
Surplus for the Year	3,728,948,066	6,447,403,861	6,717,317,909

6. SURPLUS FROM NATIONAL HEALTH SCHEME (NHS)

	JUNE 2023	JUNE 2022	CLOSING BALANCE JUNE 2022
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUES)

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	CLOSING BALANCE	RESTATED BALANCE	CLOSING BALANCE
	JUNE 2023	JUNE 2022	JUNE 2022
8. (DEFICIT) FROM CIVIL SERVANTS (CS) SCHEME			

Premiums	5,700,093,000	5,500,241,737	5,500,241,737
Statutory Contributions	1,842,638,400	2,149,924,450	2,149,924,450
Ex-gratia fund	94,043,703	291,092,458	291,092,458
Premiums & Contributions	7,636,775,103	7,941,258,645	7,941,258,645
Expenses:			
Group Life Expenses	8,440,000	33,520,000	33,520,000
Administrative Expenses	313,684,022	174,761,886	174,761,886
Outpatient Expenses	3,702,932,838	3,111,777,198	3,111,777,198
Inpatient Expenses	2,375,981,456	2,710,382,774	2,710,382,774
Specialized Benefits Package	2,116,011,954	1,921,326,339	1,921,326,339
Evacuation Services Expenses	71,748,671	25,376,790	25,376,790
Ex-gratia Expenses	94,043,703	291,092,458	291,092,458
IBNR Claims	570,479,461	349,893,668	349,893,668
Total Expenses	9,253,322,104	8,618,131,112	8,618,131,112
(Deficit) for the Year	(1,616,547,001)	(676,872,467)	(676,872,467)

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 10th year since inception on 1st January 2012. As at 30th June 2023 the scheme had a membership of 127,961. 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 2022-2023 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.

NATIONAL HEALTH INSURANCE FUND

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CLOSING BALANCE JUNE 2023 RESTATED BALANCE JUNE 2022 CLOSING BALANCE JUNE 2022

9. SURPLUS FROM NPS & KPS MEDICAL SCHEME

Premiums	3,400,423,597	4,585,805,560	4,585,805,560
Statutory Contributions	1,148,081,350	2,257,664,483	2,257,664,483
Ex-gratia fund	28,733,463	286,797,493	286,797,493
Premiums & Contributions	4,577,238,410	7,130,267,535	7,130,267,535
Expenses:			
Group Life Expenses	77,150,000	165,750,000	165,750,000
Administrative Expenses	35,953,477	155,196,967	155,196,967
Outpatient Expenses	1,461,276,013	2,349,733,178	2,349,733,178
Inpatient Expenses	1,472,946,189	4,352,203,863	4,352,203,863
Specialized Benefits Package	1,316,754,618	1,906,493,853	1,906,493,853
Evacuation Services Expenses	48,776,006	65,612,988	65,612,988
Ex-gratia Expenses	28,733,463	286,797,493	286,797,493
IBNR Claims	(3,154,261,356)	602,721,182	602,721,182
Total Expenses	1,287,328,411	9,884,509,523	9,884,509,523
Surplus for the Year	3,289,909,999	(2,754,241,988)	(2,754,241,988)

The National Police Service & The Kenya Prisons Service (NPS & KPS) contracted The Fund to provide comprehensive medical insurance cover to its employees. The scheme is in its fifth year of implementation and lapses 31st December 2022. As at 31st December 2022 the scheme membership stood at 132,282.

The scheme covers inpatient, outpatient coverage, dental and optical benefits as well as last expense. Officers in job groups A - L are entitled to unlimited inpatient coverage in institutions that are specifically designated for them while outpatient benefits are available under the Fixed Fee for Service model. Job groups M-T have access to outpatient and inpatient benefits within the allocated limits.

10. (DEFICIT) FROM EDUAFYA MEDICAL SCHEME

Premiums	4,050,000,000	4,050,000,000	4,050,000,000
Expenses:			
Group Life Expenses	345,500,000	279,000,000	279,000,000
Administrative Expenses	105,867,345	66,162,838	66,162,838
Outpatient Expenses	1,569,743,747	1,354,911,343	1,354,911,343
Inpatient Expenses	1,354,785,043	782,108,105	782,108,105
Specialized Benefits Package	549,276,000	395,793,578	395,793,578
Evacuation Services Expenses	200,650,445	242,073,633	242,073,633
IBNR Claims	198,620,256	128,046,502	128,046,502
Total Expenses	4,324,442,836	3,248,095,999	3,248,095,999
(Deficit) for the Year	(274,442,836)	801,904,001	801,904,001

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The Ministry of Education contracted NHIF to provide medical insurance to all public secondary school students for the duration of their study. This is in line with the Government Agenda of achieving Universal healthcare coverage. The Fund is expected to cover at least 3 million students enrolled in public secondary schools. Students are the primary participants of this cover, and they receive inpatient, outpatient, dental, optical, last-expense, and group life benefits. They access outpatient services under the Fixed Fee For Service (FFFS) model in contracted health care facilities.

CLOSING BALANCE	RESTATED BALANCE	JUNE 2023	JUNE 2022	CLOSING BALANCE
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11.

SURPLUS FROM HISP - OVC PROGRAM

Premiums	Expenses:	Outpatient Expenses	Inpatient Expenses	Specialized Benefits Package	IBNR Claims	Total Expenses	Surplus for the Year
1,520,400,000	32,458,552	5,071,571	143,218,980	139,022,206	3,224,985	290,537,742	1,229,862,258
1,520,400,000	5,071,571	5,071,571	143,218,980	139,022,206	3,224,985	290,537,742	1,229,862,258
1,520,400,000	32,458,552	5,071,571	143,218,980	139,022,206	3,224,985	290,537,742	1,229,862,258

The Health Insurance Subsidy programme 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. There was increase in membership in December 2020 from 181,968 to 253,400.

12.

SURPLUS FROM HISP - OPPSD PROGRAM

Premiums	Expenses:	Outpatient Expenses	Inpatient Expenses	Specialized Benefits Package	IBNR Claims	Total Expenses	Surplus for the Year
352,800,000	2,786,170	807,150	41,891,736	47,978,395	736,681	91,413,962	261,386,038
352,800,000	2,786,170	807,150	41,891,736	47,978,395	736,681	91,413,962	261,386,038
352,800,000	2,786,170	807,150	41,891,736	47,978,395	736,681	91,413,962	261,386,038

The Government through the Ministry of Health entered into an MOU to administer a Health Insurance Subsidy programme for Older Persons and Persons 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 and thereafter increased membership to 58,800 in April 2021.

NATIONAL HEALTH INSURANCE FUND

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CLOSING BALANCE JUNE 2023 RESTATED BALANCE JUNE 2022 CLOSING BALANCE JUNE 2022

13. SURPLUS FROM COUNTY MEDICAL SCHEME

Premiums	2,481,479,074	2,736,876,022	2,736,876,022
Statutory Contributions	953,134,100	1,689,185,300	1,689,185,300
Premiums & Contributions	3,434,613,174	4,426,061,322	4,426,061,322
Expenses:			
Group Life Expenses	84,340,000	76,690,000	76,690,000
Administrative Expenses	773,350	-	-
Outpatient Expenses	526,854,571	533,302,529	533,302,529
Inpatient Expenses	451,446,216	695,039,929	695,039,929
Specialized Benefits Package	537,151,606	544,740,409	544,740,409
Evacuation Services Expenses	4,563,029	9,781,783	9,781,783
IBNR Claims	36,880,995	106,503,370	106,503,370
Total Expenses	1,642,009,767	1,966,058,021	1,966,058,021
Surplus for the Year	1,792,603,408	2,460,003,302	2,460,003,302

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. There were a total of 31 engagements under the schemes which brought on board County Governments, County Assemblies and County Executive Enhanced Staff Medical Schemes with a total membership of 58,427.

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. (DEFICIT) FROM PARASTATALS MEDICAL SCHEMES

Premiums	1,791,125,215	1,285,346,988	739,725,479
Statutory Contributions	422,859,871	461,719,770	461,719,770
Premiums & Contributions	2,213,985,086	1,747,066,758	1,201,445,249
Expenses:			
Group Life Expenses	3,540,000	16,590,000	16,590,000
Administrative Expenses	25,375,035	-	-
Outpatient Expenses	651,366,467	455,872,126	455,872,126
Inpatient Expenses	450,890,098	437,653,900	437,653,900
Specialized Benefits Package	354,876,170	280,302,632	280,302,632
Evacuation Services Expenses	3,855,411	1,781,668	1,781,668
IBNR Claims	687,361,326	124,876,210	124,876,210
Total Expenses	2,177,264,508	1,317,076,537	1,317,076,537
(Deficit) for the Year	36,720,579	429,990,222	(115,631,287)

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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 were brought on board during the year, and the total membership covered by the Fund under the scheme stood at 22,332. Their benefits package 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 (FFS) in line with the negotiated benefits for each state corporation.

CLOSING BALANCE	RESTATED BALANCE	CLOSING BALANCE
JUNE 2023	JUNE 2022	JUNE 2022

15. (DEFICIT) FROM RETIREES' SCHEMES

485,316,530	485,316,530	485,316,530
415,772,665	426,842,665	415,772,665
11,070,000	22,878,000	11,070,000
485,316,530	508,194,530	485,316,530
Expenses:		
Group Life Expenses	7,100,000	7,100,000
Outpatient Expenses	203,707,947	147,888,616
Inpatient Expenses	340,899,591	339,307,802
Specialized Benefits Package	258,727,190	174,343,805
Evacuation Services Expenses	-	279,228
IBNR Claims	120,349,657	36,715,028
Total Expenses	934,659,385	705,634,479
(Deficit) for the Year	(507,816,720)	(197,439,949)

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

4,134,909,678	4,164,582,667	4,134,909,678
Expenses:		
Inpatient Expenses	747,279,078	747,279,078
Caesarean Delivery Expenses	616,056,856	598,954,101
Normal Delivery Expenses	763,311,433	1,978,327,987
Antenatal Expenses	2,420,885,420	426,515,462
Postnatal Expenses	587,355,726	41,859,556
IBNR Claims	66,420,505	371,646,482
Total Expenses	(319,120,262)	4,164,582,667
4,134,909,678	4,164,582,667	4,164,582,667
Premiums & Contributions	4,164,582,667	4,164,582,667

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 programme 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

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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.

CLOSING BALANCE	RESTATED BALANCE	CLOSING BALANCE
JUNE 2023	JUNE 2022	JUNE 2022

17. (DEFICIT) WORK INJURY BENEFIT ACT (WIBA) NPS & KPS

Premiums & Contributions	2,295,594,440	2,877,255,761	2,877,255,761
Expenses:			
WIBA Group Life Expenses	965,595,284	658,381,312	658,381,312
WIBA Administrative Expenses	119,909,611	121,172,825	121,172,825
WIBA Benefits Expenses	1,307,998,725	1,907,797,522	1,907,797,522
WIBA Last Expense	-	175,401,774	175,401,774
Total Expenses	2,393,503,620	2,862,753,432	2,862,753,432
(Deficit) for the Year	(97,909,180)	14,502,329	14,502,329

The Work Injury Benefit Act (WIBA) NPS & KPS scheme began on January 1, 2021, and was originally scheduled to run until December 31, 2021, but the contract was extended for six months until June 30, 2022. The Fund borne the 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 Facilitative Insurers.

The scheme was only active for a period of six months to December 31, 2022, during the year under review.

18. SURPLUS WORK INJURY BENEFIT ACT (WIBA) CIVIL SERVANTS

Premiums & Contributions	6,861,836,585	6,873,209,875	6,873,209,875
Expenses:			
WIBA Group Life Expenses	3,207,322,062	2,012,694,524	2,012,694,524
WIBA Administrative Expenses	72,407,826	59,145,783	59,145,783
WIBA Benefits Expenses	3,122,133,844	3,161,369,765	3,161,369,765
WIBA Last Expense	-	1,557,744,098	1,557,744,098
Total Expenses	6,401,863,732	6,790,954,170	6,790,954,170
Surplus for the Year	459,972,853	82,255,705	82,255,705

Work Injury Benefit Act (WIBA) Civil Servants scheme commenced on 15th April 2021 till 14th April 2022. The scheme is currently on its second year for a period of 12 months starting from 15th April 2022 till 14th April 2023. WIBA, Group Life, Last Expense and Group Personal Accident expenses under the scheme have been outsourced to private Co-insurers and Facilitative Insurers.

19. OTHER INCOMES

Interest on Investments	903,350,929	1,241,617,176	1,241,617,176
Interest from Disposal South B Estate	-	69,840	69,840
Rent from Properties	277,361,767	321,359,139	321,359,139
Agency Commissions	2,495,681	2,498,656	2,498,656
Recoveries out of Provisions	-	615,775	615,775
Miscellaneous Receipts	17,303,620	1,436,481	1,436,481
Total	1,200,511,997	1,567,597,066	1,567,597,066

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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 growth in income is due to increase in rental income from properties and exemption from tax on investment interests.

	CLOSING BALANCE JUNE 2023	RESTATE BALANCE JUNE 2022	CLOSING BALANCE JUNE 2022
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20. STAFF COSTS

Basic Salary	3,699,697,707	3,399,346,432	3,399,346,432
Gratuity / Pension Contributions	491,049,362	430,420,943	430,420,943
House Allowance	664,472,162	664,642,448	664,642,448
Staff Overtime Allowance	2,473,814	1,406,795	1,406,795
Commuter Allowance	266,611,386	257,052,468	257,052,468
Responsibility Allowance	28,089,802	25,909,167	25,909,167
N.S.S.F - Employer Contributions	12,172,880	4,414,000	4,414,000
Transfer Allowance	7,887,895	14,375,311	14,375,311
Acting Allowance	23,722,475	14,541,569	14,541,569
Hardship Allowance	35,795,117	15,912,181	15,912,181
Utilities	7,360,015	7,445,300	7,445,300
Leave Allowance	49,718,533	26,493,854	26,493,854
Total	5,289,051,147	4,861,960,470	4,861,960,470

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.

NO OF STAFF

	JUNE 2023	JUNE 2022	JUNE 2022
Permanent - Management cadre	607	613	613
Permanent - Unionisable	1,184	1,196	1,196
On Contract	1	1	1
On Secondment	1	3	3
TOTAL	1,793	1,813	1,813

21. BOARD EXPENSES

Honoraria	960,000	960,000	960,000
Sitting Allowance	8,940,000	9,240,000	9,240,000
Accommodation and Subsistence	12,684,387	11,554,848	11,554,848
Board Training Expenses	3,919,278	3,986,600	3,986,600
Traveling Expenses	4,382,442	5,723,143	5,723,143
Mileage	164,834	127,405	127,405
Lunch Allowance	2,262,102	365,804	365,804
Board Medical Insurance	40,000	54,000	54,000
Telephone and Postage	74,300	154,970	154,970
Total	33,427,343	32,166,770	32,166,770

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. The current financial year saw a marginal increase in operating expenditure of 93 million representing a 3% increase compared to the same period last year.

	2023	2022	Total
Group Life Cover	23,527,370	35,205,570	35,205,570
Subscriptions	32,307,315	31,141,475	31,141,475
Legal Expenses	293,669,000	220,283,893	247,896,305
Security & Safety Expenses	56,949,735	60,974,128	60,974,128
Provision for External Audit Fee	5,000,000	9,280,000	4,500,000
Provision for Doubtful Receivables	-	30,009,025	30,009,025
Provision for Doubtful Investments	54,200,000	-	-
Transport Operating Expenses	228,866,641	204,744,920	204,744,920
Travel & Accommodation	325,239,488	204,132,395	204,132,395
Postage & Courier	13,131,384	12,288,142	12,288,142
Telephone, Mobile & Internet Services	91,357,660	113,758,472	113,758,472
Hospitality & Office Refreshments	39,706,570	40,603,881	40,603,881
Utility Costs - Electricity	13,360,291	14,671,255	14,671,255
Newspapers/ Periodicals/ Books	-	415,245	415,245
Printing & Stationery-General	41,060,170	37,136,364	37,136,364
Advertising & Publicity	185,229,242	301,407,573	301,407,573
Security Printing	-	1,178,000	1,178,000
Cleaning Materials & Services	42,742,290	37,080,654	37,080,654
Computer Stationary & Material	21,576,715	14,139,176	14,139,176
Monitoring & Evaluation	-	6,573,000	6,573,000
Rental Expenses & Rates	262,022,179	256,536,703	256,536,703
Member Registration Campaign	-	81,523,522	81,523,522
Insurances, Licenses & Permits	1,055,973	26,696,327	26,696,327
Communication & Public Participation	-	358,420	358,420
Staff Welfare	29,953,692	42,698,982	42,698,982
Capacity Building	215,658,475	97,814,645	97,814,645
Staff Medical Scheme	322,617,565	317,861,007	317,861,007
Maintenance of Office Equipment	35,783,071	26,524,867	26,524,867
Maintenance of IT Equipment's	520,584,418	538,545,987	538,545,987
Management Consultancy Fee	26,394,740	19,992,164	19,992,164
Bank Charges & Commissions	38,277,213	43,688,631	43,688,631
Total	2,920,271,196	2,827,264,422	2,850,096,833

22. OTHER OPERATING EXPENSES

CLOSING BALANCE	RESTATED BALANCE	CLOSING BALANCE
JUNE 2023	JUNE 2022	JUNE 2022

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.

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23. 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 1 st 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	68,748,413	-	94,636,944
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Cost as at 30 th June 2023	298,589,665	9,771,266,564	387,697,500	3,350,644,150	2,723,533,942	1,444,687,484	17,976,419,305
DEPRECIATION							
As at 1 st 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 30 th June 2023	-	2,337,108,101	369,354,544	1,251,545,825	1,169,971,713	-	5,127,980,183
Net Book Value 30 th June 2023	298,589,665	7,434,158,463	18,342,956	2,099,098,324	1,553,562,230	1,444,687,484	12,848,439,122

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).

NATIONAL HEALTH INSURANCE FUND
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PROPERTY, PLANT AND EQUIPMENT AS AT 30TH JUNE 2022

	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 1 st July 2021	298,589,665	9,762,005,668	387,697,500	3,165,148,009	2,616,925,279	1,444,687,484	17,675,053,605
Additions	-	9,260,896	-	159,607,610	37,860,250	-	206,728,756
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Cost as at 30 th June 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
DEPRECIATION							
As at 1 st July 2021	-	2,064,844,467	348,917,480	1,152,762,478	1,063,862,720	-	4,630,387,144
Depreciation	-	136,131,817	14,510,640	47,399,337	55,742,767	-	253,784,560
On Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Depreciation as at 30 th June 2022	-	2,200,976,284	363,428,119	1,200,161,815	1,119,605,486	-	4,884,171,704
Net Book Value 30 th June 2022	298,589,665	7,570,290,280	24,269,381	2,124,593,804	1,535,180,043	1,444,687,484	12,997,610,657

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).

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CLOSING BALANCE JUNE 2023 RESTATED BALANCE JUNE 2022 CLOSING BALANCE JUNE 2022

24. INTANGIBLE ASSETS

COST			
As at 1st July	3,029,268,212	2,589,991,712	2,589,991,712
Additions	-	439,276,500	439,276,500
Transfer/ Adjustment	-	-	-
As at June 30	3,029,268,212	3,029,268,212	3,029,268,212
AMORTIZATION			
As at 1st July	2,023,326,545	1,731,144,312	1,731,144,312
Charge for the year	368,873,105	292,182,233	292,182,233
Transfer/ Adjustment	-	-	-
As at June 30	2,392,199,651	2,023,326,545	2,023,326,545
NBV as at June 30	637,068,561	1,005,941,666	1,005,941,666

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

25. TAX EXPENSES

Withholding tax expense is paid in respect to interest earned from investments while VAT on property is corporate tax on rental income. The decrease in withholding tax expense is attributed to KRA tax exemption received in the 2021/2022 financial year.

With Holding Tax Expense	14,663	89,276	89,276
VAT Expense - Property A/C	46,981,598	49,963,764	49,963,764
Total	46,996,260	50,053,040	50,053,040

26. RECEIVABLE - SOUTH B ESTATE MORTGAGE

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, recoveries, and balance as at 30th June 2023 is as shown above.

Balance at the beginning of the year	32,618	3,053,097	3,053,097
Less Payments Received in the Year	-	(3,020,479)	(3,020,479)
Balance at the end of the year	32,618	32,618	32,618

27. LONG TERM DEPOSITS

The Fund has held deposits in NBK and KCB as 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 the fund 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.

KCB Savings & Loan (Mortgage)	1,313,661,345	1,289,008,936	1,289,008,936
NBK (Car Loan)	57,650,798	57,222,743	57,222,743
Total	1,371,312,143	1,346,231,679	1,346,231,679

NATIONAL HEALTH INSURANCE FUND

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	CLOSING BALANCE JUNE 2023	RESTATED BALANCE JUNE 2022	CLOSING BALANCE JUNE 2022
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28. a) UNQUOTED INVESTMENTS

Consolidated Bank Shares (Non-performing)	54,200,000	54,200,000	54,200,000
MTRH Loan	226,762,637	256,692,640	256,692,640
Total Unquoted Investments	280,962,637	310,892,640	310,892,640
Less: Provision for Impaired Investments (Note 29)	(54,200,000)	-	-
Total	226,762,637	310,892,640	310,892,640

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 totalling 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 recognised among interest on investments under other incomes.

b) PROVISION FOR IMPAIRED INVESTMENTS

Consolidated Bank Shares (Non-performing)	54,200,000	-	-
Total	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

Civil Servants Scheme Receivables	2,996,321,415	2,396,321,415	2,396,321,415
HISP (OPPSD) Receivable	349,499,558	-	-
NPS/KPS Scheme Receivables	1,616,539,289	184,086,972	184,086,972
Retirees Scheme Receivable	174,603,420	-	-
HISP (OVC) Receivable	1,774,017,833	253,617,833	253,617,833
Outstanding Contributions	5,663,371,364	5,800,292,655	5,800,292,655
NPS/KPS Exgratia Receivable	334,865,139	306,131,676	306,131,676
WIBA NPS/KPS Receivable	7,861,625	7,861,625	7,861,625
WIBA - Civil Servants' Receivable	6,307,735,103	1,447,565,526	1,447,565,526
Total Receivables	19,224,814,746	10,395,877,702	10,395,877,702
Less: Provision for Doubtful Debt (Note 31b)	(111,241,933)	(111,241,933)	(111,241,933)
Total	19,113,572,813	10,284,635,769	10,284,635,769

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The fund recognizes revenue on accrual basis, therefore, amounts relating to the period under review are recognized as receivables. 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.

CLOSING BALANCE	RESTATED BALANCE	JUNE 2023
JUNE 2022	JUNE 2022	JUNE 2023

30. a) OTHER RECEIVABLES

Electricity Deposit	1,353,885	1,353,885	1,353,885
Fuel Deposit	150,000	150,000	150,000
Hospital & Creditors Surcharges	142,832,138	25,638,078	25,638,078
Interest Receivable	30,386,301	31,183,384	31,183,384
Return to Drawer Cheques	14,790,981	14,790,981	14,790,981
Rent Deposit	50,207,656	47,574,331	47,574,331
Rent Receivable	236,942,505	212,498,536	212,498,536
Staff Medical Scheme Deposit	3,900,000	3,900,000	3,900,000
Staff Receivables	9,152,078	9,128,509	9,128,509
Sundry Repayments	4,671,034	-	-
Sundry Debtors	17,421,235	17,121,235	17,121,235
Telephone Deposits	263,804	263,804	263,804
Temporary Imprest	12,876,708	12,102,288	12,102,288
Total Receivables	524,948,325	375,705,029	375,705,029
Less: Provision for Doubtful Debt (Note 31b)	(77,746,457)	(77,746,457)	(77,746,457)
Total	447,201,868	297,958,572	297,958,572

The fund recognizes revenue on accrual basis therefore, amounts relating to the period under review are recognized as receivables. 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

Provision for Doubtful Trade Receivables	111,241,933	111,241,933	111,241,933
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	678,199	678,199	678,199
Staff Receivables	109,200	109,200	109,200
Temporary Imprest	14,790,981	14,790,981	14,790,981
Return to Drawer Cheques	29,327,052	29,327,052	29,327,052
Rent Receivable	7,246,750	7,246,750	7,246,750
Sundry Debtors	25,594,275	25,594,275	25,594,275
Hospital & Creditors Surcharges	77,746,457	77,746,457	77,746,457
Sub-total	188,988,389	188,988,389	188,988,389
Total	188,988,389	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.

NATIONAL HEALTH INSURANCE FUND

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CLOSING BALANCE JUNE 2023 RESTATED BALANCE JUNE 2022 CLOSING BALANCE JUNE 2022

31. SHORT TERM INVESTMENTS

	1,647,771,803	100,000,000	100,000,000	1,647,771,803
NBK Call Deposit	-	100,000,000	100,000,000	1,647,771,803
KCB Call Deposit	100,000,000	100,000,000	100,000,000	100,000,000
CBK Treasury Bills	6,932,200,000	9,592,200,000	9,592,200,000	9,592,200,000
Equity Bank Call Deposit	1,200,000,000	1,112,400,000	1,112,400,000	1,112,400,000
NBA Call Deposits	-	936,600,000	936,600,000	936,600,000
Total	8,232,200,000	13,388,971,803	13,388,971,803	13,388,971,803

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

32. CASH AND BANK BALANCES

	143,164	330,925	330,925	330,925
Cash in Hand	143,164	330,925	330,925	330,925
Cash at Bank	3,726,443,530	1,197,884,807	1,197,884,807	1,197,884,807
Total	3,726,586,694	1,198,215,732	1,198,215,732	1,198,215,732

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 3.7 billion is cash held in collection accounts and cash mopped up to pay claims processed at the end of the year.

33. ACCUMULATED FUND

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

	12,209,923,340	12,209,923,340	12,209,923,340	12,209,923,340
Balance at the beginning of the Year	12,209,923,340	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	12,209,923,340

34. RETAINED EARNINGS

The Fund incurred a Surplus after tax of Kes. 3,007,585,644 in the 2022/2023 FY compared to a Surplus of Kes. 2,987,381,085 in the previous financial year.

	9,146,385,454	6,159,004,369	6,159,004,369	6,159,004,369
Balance at the beginning of the Year	9,146,385,454	6,159,004,369	6,159,004,369	6,159,004,369
Changes in the Year	3,007,585,644	2,987,381,085	2,987,381,085	2,730,841,212
Balance at the end of the Year	12,153,971,098	9,146,385,454	9,146,385,454	8,889,845,581

As per The National Treasury requirement, Surplus for the year ended 30th June 2022 was restated from Kshs. 2,730,841,212 to Kshs. 2,441,759,576 as a result of:-

- Less: Kshs. 42,000,000 - Kitui County Government Enhanced scheme premiums earlier recorded under indigents scheme (Note 7 & 36).
- Add: Kshs. 27,612,412 - Reversal of Invoice for legal fees charged to Legal expenses during the financial year FY 2021-22 (Note 22 & 38).

Claims totalling to Kes. 9,067,797,428 relating to previous periods were paid during the financial year 2022/2023. They were therefore charged to the IBNR Reserves as per IFRS 17.

The Fund's IBNR estimates are computed by Kenbright Actuarial & Financial Services on a quarterly and annual basis. These estimates are then shared with management for inclusion in the Financial Statements and supported by a certification by a competent actuarial consultant.

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.

	IBNR at the beginning of the Year	Add: IBNR for the Year	IBNR Reserves at the end of Year	Less:	Prior years claims at the Beginning	Prior period claims processed in the Year	Prior years claims at the end	Net IBNR Reserves at the end of the Year
	21,109,205,434	(1,467,866,472)	19,641,338,962		(14,496,826,882)	(6,835,120,522)	(23,564,624,311)	(3,923,285,349)
	19,972,497,763	1,136,707,671	21,109,205,434		(7,661,706,361)	(6,835,120,522)	(14,496,826,882)	6,612,378,551
	19,972,497,763	1,136,707,671	21,109,205,434		(7,661,706,361)	(6,835,120,522)	(14,496,826,882)	6,612,378,551

35. INCURRED BUT NOT REPORTED (IBNR) CLAIMS RESERVES

CLOSING BALANCE JUNE 2023	RESTATED BALANCE JUNE 2022	CLOSING BALANCE JUNE 2022

Retained Earnings as at 1st July 2021 was restated from Kshs. 6,159,187,410 to Kshs. 6,159,004,369 as a result of:

- Less: Kshs. 183,041 - Reversal of Provision created in the financial year 2020/2021 which remained unutilised after the activity (Note 40). **Grand Total: Kshs. 183,041.**

Grand Total: Kshs. 256,539,873.

- Less: Kshs. 4,780,000 - To cater for under provision of External Audit fees during the financial year FY 2021-22 (Note 22 & 40).
- Less: Kshs. 269,914,048 - NHS Deferred income reported as revenue for the financial year 2021/22 (Note 6 & 36).
- Add: Kshs. 545,621,509 - To recognise scheme contracts executed during the financial year FY 2021-22 (Note 14 & 36).

NATIONAL HEALTH INSURANCE FUND

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	CLOSING BALANCE JUNE 2023	RESTATED BALANCE JUNE 2022	CLOSING BALANCE JUNE 2022
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36. DEFERRED INCOME

NHS Deferred Income	180,663,236	269,914,048	-
UHC Deferred Income	3,000,000,000	3,000,000,000	3,000,000,000
EDU AFYA Deferred Income	1,290,454,527	423,427,528	423,427,528
HISP (OPPSD) Deferred Income	-	3,300,442	3,300,442
County Scheme Deferred Income	338,440,799	311,549,505	269,549,505
Parastatal schemes Deferred Income	1,602,416,478	1,302,308,999	1,847,930,508
Retirees' Schemes Deferred Income	-	12,649,248	12,649,248
Linda Mama Program Deferred Income	1,824,729,531	1,861,639,209	1,861,639,209
Civil Servants' Ex gratia Income	236,527,572	30,565,276	30,565,276
Total	8,473,232,143	7,215,354,255	7,449,061,716

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

Hospital Claims Payable	12,061,103,663	3,773,326,786	3,773,326,786
WIBA Claims Payable	4,407,855,578	31,510,460	31,510,460
Total	16,468,959,241	3,804,837,246	3,804,837,246

These are claims owed to healthcare providers who offer services to the funds registered members arising from hospitalization. The amounts were outstanding as at close of business on 30th June 2023.

38. OTHER PAYABLES

Accruals	105,988	135,154	135,154
Agency General Payment (Staff Payables)	298,350	150,342	150,342
Agency: Group Personal Life/ Ac	-	2,158,811	2,158,811
Legal Fees NHIF Tenants	157,000	157,000	157,000
Pension Payable	3,914,087	1,729,248	1,729,248
Rent Deposits	23,895,074	23,895,074	23,895,074
Retention Money	7,396,174	7,682,556	7,682,556
Rockefeller Foundation Grant	12,415	12,415	12,415
Salary Clearance Accounts	8,341,189	88,062,611	88,062,611
Tender Refundable Deposits	1,906,000	1,906,000	1,906,000
Trade Creditors	380,413,064	701,232,038	728,844,449
Unapplied Funds Control Account	213,773,709	262,426,327	262,426,327
Korea Foundation for International	662,262	662,262	662,262
International Labour Org (ILO)	462,360	-	-
Value Added Tax (Agency A/C)	76,828,224	81,149,279	81,149,279
Value Added Tax on Property	1,267,921	559,942	559,942
W.H.T Payable - Creditors	35,144,489	39,192,566	39,192,566
Total	754,578,306	1,211,111,624	1,238,724,036

- The Fund made a provision during the year of Kes. 225 million to cater for UHC National Scale-up exercise. Balance of Kes. 183,041 had been reflected in the books as at 30th June 2023. This amount in provisions was restated in the current financial statements to correct the overprovision made in FY2021/2022.
- The Fund also made Provisions of KES. 297 million to provide for Integrated Revenue Management System (IRMS) pending adjudication of the case lodged.
- Management resolved to pay Unionisable staff, following the approval of CBA agreement by Board. The arrears were paid in two installments during the period under review. As at 30th June 2023, the balance was Kes 2,798,694.
- Provision of Kes. 267,900 is the provision balance from sponsorship for 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.
- Provision of Kes. 150,056,674 for Civil Servants Scheme is the balance of provision created as per IAS 37 to cater for pending fee for service claims, capitulation payments relating to the scheme for various hospitals including Clinix and Meridian hospitals.

Provision for Civil Servants Scheme	150,056,674	150,056,674	150,056,674
Provision for External Audit Fees	5,000,000	14,280,000	9,500,000
Provision for Board of Survey	4,371,890	3,378,400	3,378,400
Provision for Open Heart Surgery	267,900	296,078	296,078
Provision for IRMS	297,123,353	297,123,353	297,123,353
Provision for Salary Arrears	2,798,694	158,906,295	158,906,295
Provision for UHC National Scale Up	-	-	183,041
Total	459,618,511	624,040,801	619,443,841

40. PROVISION FOR LIABILITIES

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

W. H. Tax Payable - Investments	2,007,945	2,007,945	2,007,945
W. H. Tax on Rent	3,988,181	4,268,880	4,268,880
Total	5,996,126	6,276,826	6,276,826

39. TAX PAYABLE

CLOSING BALANCE	JUNE 2023	RESTATED BALANCE	JUNE 2022	CLOSING BALANCE	JUNE 2022
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These are a mix of Fund'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 and payment, or services have not been rendered by the Fund. They include trade creditors and others.

NATIONAL HEALTH INSURANCE FUND

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2023
KES

2022
KES

41. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of Operating Surplus to Cash Generated from Operations

Audited	Un-Audited
JUNE 2023	JUNE 2022
KES	KES
Operating Surplus	3,054,581,904
Depreciation	243,808,479
Amortization	368,873,105
Interest From Investments	(903,350,929)
Operating Surplus before Working Capital Changes	2,763,912,559
Working Capital Changes	(8,828,937,044)
(Increase)/decrease in Trade Receivables	(149,243,296)
(Increase)/decrease in Other Receivables	611,027,293
Increase/(Decrease) in Claims Payables	12,664,121,994
Increase/(Decrease) in Deferred Income	1,257,877,888
Increase/(Decrease) in IBNR Reserves	(10,535,663,900)
Increase/(Decrease) in Other Payables	(456,533,318)
Increase/(Decrease) in Tax Payable	(280,700)
Increase/(Decrease) in Provisions	(164,422,289)
Net Working Capital Changes	(6,213,080,665)
Cash Generated from Operations	(3,449,168,106)

b) Analysis of cash and cash equivalents

Short term deposits	8,232,200,000
Cash at Bank	3,726,443,530
Cash in Hand	143,164
Total	11,958,786,694
2022	13,388,971,803
2023	1,197,884,807
	330,925
	14,587,187,535

42. CAPITAL COMMITMENTS

There were no capital commitments in the year under review.

43. CONTINGENT ASSETS & LIABILITIES

Audited	Un-Audited
2022	2023
KES	KES
Contingent Liabilities	14,918,238,474
Total claims on all court cases filed against the Fund	14,918,238,474
Total legal fees on all court cases filed against the Fund	765,098,502
KRA default assessment (2017 - 2020)	373,887,520
TOTAL	16,057,224,496

The Fund has a civil suit filed by Clinix Healthcare in the High Court of Kenya, Millimani Commercial Courts (Civil suit No.35 of 2018). The Plaintiff filed the claim to be paid for services offered to Civil Servants and Disciplined Services Medical Pilot project. As the

Trade receivables consist of a large number of clients, spread across diverse geographical areas. On an ongoing basis, a credit evaluation is performed on the financial condition of the clients.

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The Fund's exposure and the credit rating of its counterparties are continuously monitored, and the aggregate value of transactions concluded amongst approved counterparties. Credit exposure is controlled by setting counterparty limits that are reviewed and approved by management at regular interval.

a) Credit risk

The Fund's financial risk management objectives and policies are detailed below:

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

44. FINANCIAL RISK MANAGEMENT

- The CRA Commissioner issued NHIF with a Kes 373,887,520 demand in relation to income tax additional and default assessments between 2017 to 2020 arising from non-declaration of rental 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 note as per IAS 37.
- Counterclaim filed by NHIF against Web Tribe Limited for the approximate sum of Kes 82,000,000. These are contributions paid into their accounts but not remitted/forwarded to NHIF accounts as required in the contract.
- 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 Kes 2.2 billion. This amount had been awarded by the Arbitrator. Advocates fees is pending.
- M/s Webtribe Ltd, trading as Jambo pay filed a case in the High Court of Kenya, Millimani Commercial Courts (Commercial suit No. E152 of 2021). The Plaintiff filed the claim to be paid for costs relating to the installation of Integrated Revenue Management System. 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, Millimani Commercial Courts (Commercial suit No. E152 of 2021). The Plaintiff filed the claim to be paid for costs relating to the installation of Integrated Revenue Management System. 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.

The credit risk on bank balances and short-term deposits is limited because the counterparties are banks with high credit ratings assigned by the banking regulatory authority.

As at the end of the reporting period, no collateral was being held as a means of mitigating the risk of financial loss from default.

The clients under the fully performing category are paying their debts as they continue benefiting. The default rate is low. Part of the debt that is past due is not impaired and continues to be paid. The finance department is actively following up this debt. The debt that is impaired has been fully provided for. However, the finance department is pursuing various measures to recover the impaired debt.

b) Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Board of Management, which has developed and put in place an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk by maintaining adequate reserves, banking facilities and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At End of Year	Unaudited	Restated Balance	Audited
2023	2022	2022	2022
KES	KES	KES	
16,468,959,241	3,804,837,246	3,804,837,246	3,804,837,246
5,996,126	6,276,826	6,276,826	6,276,826
754,578,306	1,211,111,624	1,238,724,036	1,238,724,036
459,618,511	624,040,801	619,443,841	619,443,841
8,473,232,143	7,215,354,255	7,449,061,716	7,449,061,716
26,162,384,327	12,861,620,751	13,118,343,665	13,118,343,665
Total			
Deferred Income			
Provisions			
Other Payables			
Tax Payable			
Trade Payables			

c) Market Risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the organisation's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

Finance and Investment Directorate is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

d)

Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

i) Foreign exchange risk

The Board does not undertake transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations do not arise.

ii) Price risk

The company does not hold investments that would be subject to price risk hence the risk is not relevant.

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45. CAPITAL RISK MANAGEMENT

The Fund manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balances. The capital structure of the Fund comprises the following funds:

CAPITAL RISK MANAGEMENT			
	UNAUDITED 2023	RESTATED BALANCE 2022	AUDITED 2022
Capital reserve	12,209,923,340	12,209,923,340	12,209,923,340
Retained earnings	12,153,971,758	9,146,385,454	8,889,845,581
IBNR Claims Reserves	(3,923,285,349)	6,612,378,551	6,612,378,551
Revaluation reserve	-	-	-
Total Funds	20,440,609,749	27,968,687,345	27,712,147,473
Total borrowings	-	-	-
Less: cash and bank balances	(3,726,586,694)	1,198,215,732	(1,198,215,732)
Net debt/ (excess cash and cash equivalents)	16,714,023,055	29,166,903,077	26,513,931,741

46. 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 Management
- iii. Key management

b) Related party transactions

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

Gok finances the Indigent's Program, Civil Servants Medical Scheme, National Police & Kenya Prisons Service Medical Scheme, Eduafya (Secondary School Students) Medical Scheme, HISP OVC & OPPSD Schemes and Free Maternity (Linda Mama). The transactions have been shown under notes 7, 8, 9, 10, 11, 12 & 16 respectively and Appendix IV on page 66.

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c) Key management compensation

2023	2022
33,427,343	32,166,770
11,406,788	11,406,788
53,642,084	53,642,084
98,476,215	97,215,642
TOTAL	
Board of Management	
Compensation to the CEO	
Key Management	

47. INCORPORATION

The Fund was established by an Act of Parliament No. 9 of 1998 (Amended 2022).

48. EVENTS AFTER THE REPORTING PERIOD

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

49. CURRENCY

The financial statements are presented in Kenya Shillings (Kes)



Balance as at June 30, 2023		Balance as at June 30, 2022	
Financial institution		Kes	
a) Current account			Kes
Kenya Commercial Bank	357,362,709	405,075,062	1107111226
Kenya Commercial Bank	34750	500	1167080416
Equity Bank	656,012,489	388,717,380	0170263180280
Equity Bank	372,990	57,859	0170273733939
Equity Bank	-	-9,900	0170263318584
National Bank of Kenya	128,311,157	115,058,448	01023033223900
National Bank of Kenya	4,787,272	17,933,347	01003000904002
National Bank of Kenya	724,533	724,533	01023000904000
National Bank of Kenya	188,350	351,650	01003000904001
Cooperative Bank of Kenya	2,237,225,297	167,628,365	01141162180500
Cooperative Bank of Kenya	227,048,487	76,861,905	01136011317300
Cooperative Bank of Kenya	-	-	01141011317300
NCBA APL Collection account	96,904,163	6,939,947	4783380012
Safaricom	17,471,332	18,545,711	M-pesa
Sub-Total	3,726,443,530	1,197,884,807	
b) On - call deposits			
National Bank of Kenya	-	1,647,771,803	
Kenya Commercial Bank	100,000,000	100,000,000	
Central Bank of Kenya	6,932,200,000	9,592,200,000	
Equity Bank	1,200,000,000	1,112,400,000	
NCBA	-	936,600,000	
Sub- total	8,232,200,000	13,388,971,803	
c) Staff Car loan/ Mortgage			
Savings & Loan - Mortgage	1,313,661,345	1,289,008,936	1100162666
NBK - Car Loan - Deposit a/c	27,024,514	37,859,489	01288032515200
NBK - Car Loan - Interest a/c	30,626,284	19,363,253	01021032515200
Sub- total	1,371,312,143	1,346,231,678	
Grand Total	13,329,955,673	15,933,088,288	

APPENDIX 1: DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

50. APPENDICES

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

IBNR CLAIMS RESERVES					
SCHEME	Cumulative IBNR as at 30 th June 2021	IBNR for FY 2021/2022	Cumulative IBNR as at 30 th June 2022	IBNR for FY 2022/2023	Cumulative IBNR as at 30 th June 2023
National Health Scheme	10,241,717,022	(587,656,438)	9,654,060,584	397,494,920	10,051,555,504
Indigent's Sponsorship Program (GoK)	-	-	-	-	-
Civil Servants Scheme	2,574,458,760	349,893,668	2,924,352,428	570,479,461	3,494,831,890
NP&KPS Scheme	3,410,617,142	602,721,182	4,013,338,324	(3,154,261,356)	859,076,968
Eduafya Scheme	555,868,506	128,046,502	683,915,008	198,620,256	882,535,264
HISP OVC Scheme	28,061,809	3,224,985	31,286,794	(5,608,614)	25,678,180
HISP OPPSD Scheme	5,714,064	736,681	6,450,745	(62,855)	6,387,890
County Schemes	418,799,393	106,503,370	525,302,763	36,880,995	562,183,758
Parastatals Schemes	655,835,414	124,876,210	780,711,624	687,361,326	1,468,072,950
Retirees Schemes	153,466,517	36,715,028	190,181,545	120,349,657	310,531,202
Linda Mama Program	1,927,959,136	371,646,482	2,299,605,618	(319,120,262)	1,980,485,357
GRAND TOTAL	19,972,497,763	1,136,707,671	21,109,205,434	(1,467,866,472)	19,641,338,961

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 claims estimates are computed by Kenbright Actuarial & Financial Services on a quarterly and annual basis. These estimates are then shared with management for inclusion in the Financial Statements and supported by a certification by a competent actuarial consultant.

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

The following is the summary of issues raised by the external auditor in the draft report on the financial report for the year ended 30th June 2022, 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 OPINION					
1 1.1	Property, Plant and Equipment Disputed Ownership of Land The statement of financial position and as disclosed in Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.12,997,610,657 which includes land valued at Kshs.298,589,665. Included in this balance is an amount of Kshs.93,712,675 for land measuring 10 hectares situated in Karen. However, as previously reported, the ownership of this parcel of land is in dispute and the matter is in Court. Information available indicated that the Directorate of Criminal Investigations (DCI) has commenced investigation to establish whether there was fraud in the transfer of ownership of the land. Progress made on the investigation has not been disclosed in these financial statements.	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 Public Investment Committee, the Directorate of Criminal Investigations commenced the inquiry/ investigations on the land and its acquisition in the year 2018. The DCI convened a meeting between 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. Upon deliberations parties were informed that the DCI would be calling for the surrender of all original titles for purposes of investigation. This was done. The Fund wrote a reminder to DCI on 20th May 2022 requesting an update on the same. Further Follow up has revealed that the investigations have now been completed and the file has been forwarded to ODDPP for comment.	Directorate of Criminal Investigation Attorney General for guidance	Not Resolved	FY 2023/2024
1.2	Doubtful Work-in-Progress at Karen Land The statement of financial position and as disclosed in Note 23 to the financial statements reflects property, plant and equipment balance of Kshs. 12,997,610,657 which includes 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 has not commenced, eighteen (18) years 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 case has not come to its logical conclusion, the Fund has pursued the case regarding ownership of the land in Karen through the DCI. 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 favour of the Fund, attached is a copy of the Judgment. a. NHF 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. The Court case has not progressed since the DCI is still carrying out forensic investigations so as to determine the true proprietor of the suit property. b. In the Matter of Arbitration between Manga & Associates vs NHF. 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	Directorate of Criminal Investigation Attorney General for guidance	Not Resolved	FY 2023/2024
	In the circumstances, the ownership of land valued at Kshs.298,589,665 could not be confirmed.				
	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 validity and existence of capital work in progress balance of Kshs.1,444,687,484 could not be confirmed.				

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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	<p>Construction of Multi Storey Car Park</p> <p>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. Review of records provided for audit revealed that the project commenced in May, 2002 and 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 totaling 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.</p>	<p>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-Storey Car Park, with a view of preferring charges against all those found culpable of defrauding the Fund.</p> <p>This issue appeared in the Reports for the years 2009/2010, 2010/2011, 2011/2012, 2012/2013, 2013/2014 and 2014/2015. In the 21st Public Investment Committee Report on the Audited Financial Statements of State Corporations the above issue was discussed, and recommendations made as cited on page 9 and 10 of the 21st PIC Report. The committee recommended that the issues that had been satisfactorily resolved or comprehensively addressed by the committee should be excluded from the subsequent Reports of the Auditor General, provided that the management has sufficiently disclosed these unresolved matters in the notes to their respective financial statements as required by the International Accounting Standard no. 37.</p> <p>CURRENT STATUS</p> <p>Some of the organizations that are currently occupying the building are government institutions such as Ministry of environment, Kenya Fishery Services, MACADA, 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.</p> <p>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 to record a statement on status of the documents. EACC guided that they would give way forward.</p>	Ethics & Anti-Corruption Commission	Not Resolved	FY 2023/2024
3	<p>Short Term Deposits (Investments)</p> <p>The statement of financial position and as disclosed in Note 32 to the financial statements reflects short term deposits (investments) balance of Kshs. 13,388,971,803 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</p>	<p>In June 2001 NHIF placed a fixed deposit with consolidated bank of Kshs 600 million. 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. When Euro Bank defaulted payment, Consolidated bank was unable to recover payment and therefore offset Kshs. 49.5 million from the total amount of Kshs. 600 million.</p> <p>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.</p>	NHIF & MTRH Management	Not Resolved	FY 2023/2024

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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)	
4	<p>executed by the former Fund Chief Executive Officer on behalf of Euro Bank Limited. It is not clear and the Management has not explained the circumstances under which the Fund's deposit was used as a guarantee by the then Chief Executive Officer.</p> <p>The Public Investment Committee recommended in the 21st report that:</p> <p>(i) 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 and therefore be surcharged for Kshs. 40,065,205, being the value of the undeposited cheque No.022477 of 23 September, 2002 from Euro Bank;</p> <p>(ii) The then Consolidated Bank's CEO and Finance Manager should be held accountable for colluding with NHIF to mismanage the invested funds;</p> <p>(iii) In view of the fact that the Fund had no capacity to provide guarantee for a loan to a private bank, Consolidated Bank should pay the amount of Kshs.49.5 million owed to the Fund;</p> <p>(iv) The then Senior Management of Consolidated Bank including the then Managing Director, and Finance Manager should also be held accountable for colluding with NHIF to mismanage the invested funds;</p> <p>(v) The former Managing Director of Consolidated Bank should be surcharged for the Funds that were advanced to Euro Bank in overnight lending. He should further be held accountable for the Kshs.49.5 million which the Bank could not recover from the Fund and consequently offset the same against the fixed deposits of NHIF.</p> <p>(vi) NHIF should relentlessly pursue Consolidated Bank for recovery of Kshs.49,500,000.</p> <p>(vii) NHIF CEO must ensure that all financial investments by the Fund are done in accordance with Treasury Circular No.10 of 1992 and Section 28(1) of the Public Finance Management Act, 2012.</p> <p>However, no action appears to have been taken by Management to recover the loss of Kshs.49,500,000.</p> <p>In the circumstances, the value and existence of the short-term deposits (Investments) balance of Kshs.13,388,971,803 could not be confirmed.</p>	<p>The Inspectorate of State Corporation further noted that consolidated bank should pay back the amount of Kshs. 49.5 million.</p> <p>21ST REPORT OF PIC - COMMITTEE RECOMMENDATIONS</p> <p>This matter was presented to the PIC Committee where it 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).</p> <p>CURRENT STATUS</p> <p>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.</p>	MTRH Loan	NHIF & MTRH Management	Not Resolved	FY 2023/2024
	<p>Unquoted Investments</p> <p>The statement of financial position reflects unquoted investment balance of Kshs. 310,892,640 as disclosed in Note 29 to the financial</p>					

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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)
5	<p>statements. The amount includes a loan balance of Kshs. 256,692,640 advanced to Moi Teaching and Referral Hospital (MTRH) at an interest rate of 3% per annum. However, the signed financing agreement indicating the terms and conditions of the loan including the purpose and the repayment period was not provided for audit. In addition, the unquoted investment balance includes Consolidated Bank shares of Kshs. 54,200,000 which are not traded and for which no dividends have been paid in the past and therefore this investment is impaired. In the circumstances, the accuracy and completeness of unquoted investments of Kshs. 310,892,640 could not be confirmed.</p>	<p>MTRH, wrote to NHIF vide a letter Ref NO. ELD/MTRH/ADMIN/1/VOL.IV/2015 dated 12th July 2017 forwarding a proposal requesting financing for the purchase of the Radiation Oncology equipment.</p> <p>A Board Paper was prepared and presented to the Finance and Investment Committee on the proposal to of fer loan facility to MTRH. The board approved a loan facility of Kshs. 312,669,869.20. NHIF wrote to MMA advocates on 12th July 2018, Ref No. HF/HOSP/3/1 VOL. 1/8 requesting them to prepare a finance contract between NHIF and MTRH for approved amount of Kshs. 312,669,869.20. The instructions included the total amount advanced and legal fees which would be recovered over a period of 10 years at an interest rate of 3% per annum.</p> <p>On 5th December 2019 Draft Head of Terms, draft financing agreements and memorandum of understanding between NHIF and MTRH were finalised and were shared with MTRH for their review and discussions thereafter commenced on the terms and conditions. One of the main concerns raised by MTRH was concerning on the loan amortization Schedule.</p> <p>CURRENT STATUS</p> <p>The Board approved the execution of the contract upon review of loan amortization form to include the correct legal fees. This communication has since been shared with MTRH for their comments and response received. Loan amortization form is being prepared and contract amended for execution. The loan agreement is now ready for execution by both parties.</p> <p>At the moment the Fund continues to recover the loan from MTRH's claim payment at the rate of Kshs. 3,178,918 per month towards the repayment of the loan and MTRH have acknowledged this recovery as the two entities finalize the execution of the contract. The balance currently stands at Kshs. 237,601,306 (as at 24th April 2023)</p> <p>Shares in Consolidated Bank - KES 54,200,000</p> <p>The 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 totalling to KES. 54,200,000.</p> <p>CURRENT STATUS</p> <p>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. The Fund had no reason, as at the close of the financial year, to believe that the investment in Consolidated Bank Ltd was impaired considering that the Bank remained a going concern and the Fund could claim full ownership of the investment.</p> <p>However, management intends to assess the recoverability of the investment in consolidated Bank Ltd in the current period to determine an appropriate treatment in the financial statements in light of the audit recommendations.</p>	Consolidated Bank	Not Resolved	FY 2023/2024
	Variances Between Financial Statements and System Generated Balances	<p>Management concurs with the audit that the benefits expenses figure for recalculated data extracted from the e-claims database differed from figure reported in the financial</p>	NHIF Management	Resolved	FY 2022/2023

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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)																
	<p>A comparison of the statement of surplus or deficit and other comprehensive income amounts with those generated from the system generated revealed the following variances:</p> <p>i. The statement of surplus or deficit and other comprehensive income reflects benefits expenses amount of Kshs. 68,655,055,557 while the system extracts reflects Kshs. 61,881,857,408 resulting to an unexplained and unreconciled variance of Kshs. 6,773,198,149.</p> <p>ii. Note 20 to the financial statement reflects compensation of employees amount of Kshs. 4,861,960,470 while the system extracts reflects Kshs. 4,812,220,675 resulting to an unexplained and unreconciled variance of Kshs. 49,739,793</p> <p>In the circumstances, the accuracy and completeness of the benefits expenses and compensation of employees amounts could not be confirmed.</p>	<p>statements. This is true because, whereas most claims are processed through the e-claim system, some benefits are processed manually through the normal payable module. These claims will not be included in system generated data but will form part of the total benefits expenditure.</p> <p>Such claims include the:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">1. Administrative expenses</td> <td style="text-align: right;">396,121,691</td> </tr> <tr> <td>2. Capitation claims</td> <td style="text-align: right;">631,237,726</td> </tr> <tr> <td>3. WIBA Claims NPS</td> <td style="text-align: right;">2,862,753,432</td> </tr> <tr> <td>4. WIBA Claims CS</td> <td style="text-align: right;">6,790,954,170</td> </tr> <tr> <td>5. IBNR Claims</td> <td style="text-align: right;">1,136,707,671</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">11,817,774,690</td> </tr> </table> <p>Additionally, the recalculated data includes benefit data for periods outside the financial year under review (to be netted off from the overall data) totalling Kshs. 5,102,123,957. The benefit expenses reported in the financial statement under review include only claims processes within the financial year 2021/2022 and for admissions and visit dates falling between 1st July 2021 and 30th June 2022. The claims of Kshs. 5,102,123,957 relating admissions and visits dates falling before 1st July 2021 are accounted for under the IBNR reserves. Therefore, this figure of 5.1 billion netted off from the 11.8 billion above explains the variance of 6.7 billion between the GL balance and the system data generated as pointed out by the audit.</p> <p>The Fund is in the process of acquiring a new ERP having included it in the budget proposal for the FY 2023/24. The ERP includes a financial management system which will have advanced reporting features aimed at ensuring that transactions and processes for a particular function are assimilated into one module which will then enable universal collation of data at any given point.</p> <p>Similarly, management agrees with the audit that the payroll amount for the recalculated data extracted from the payroll database differed from figure reported in the financial statements. This is true because, whereas 98% of payroll transactions are processed through the payroll system, transactions such as gratuity payments, payments to staff who had retired, and adjustment journal entries are processed manually through the normal accounts payable module. These entries will not be included in system generated payroll data but will form part of the total amount for employee compensations/ staff cost.</p> <p>Examples of such entries paid through accounts payable screen include the following.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">1. Nicodemus Odongo</td> <td style="text-align: right;">6,334,818.40</td> </tr> <tr> <td>2. Hazel Koitaba</td> <td style="text-align: right;">1,857,024.00</td> </tr> </table> <p>However, management is committed to ensure complete automation through the acquisition of a new ERP to enable module specific processing and limit transactions processed out of the module to adjustment journal entries only.</p> <p>Management requests to review the system data amounting to Kshs. 4,812,220,675 to establish the nature of entries included in the financial statement but not in the system payroll data.</p>	1. Administrative expenses	396,121,691	2. Capitation claims	631,237,726	3. WIBA Claims NPS	2,862,753,432	4. WIBA Claims CS	6,790,954,170	5. IBNR Claims	1,136,707,671	Total	11,817,774,690	1. Nicodemus Odongo	6,334,818.40	2. Hazel Koitaba	1,857,024.00			
1. Administrative expenses	396,121,691																				
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Annual Report and Financial Statements for the year ended June 30, 2023

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)																																								
6	<p>Unapproved Ex-Gratia Expenses</p> <p>The statement of surplus or deficit and other comprehensive income reflects National Police Service (NPS) and Kenya Prisons Service (KPS) Scheme expenses of Kshs. 9,884,509,523 as disclosed in Note 9 of the financial statements which includes an amount of ex-gratia expenses of Kshs. 286,797,493. However, the approved contract limit was Kshs. 200,000,000 resulting to a variance of Kshs. 86,797,493 whose approval from the Ministry of Interior and National Administration was not provided for audit.</p> <p>In the circumstances, the propriety and validity of ex-gratia expenses of Kshs. 86,797,493 could not be confirmed.</p>	<p>In relation to utilization of ex-gratia for NPS/KPS under part 4 subpart 4.3, which suggests inpatient overpayment of Kshs. 12,510,550, the management wishes to respond as follows:</p> <p>Simukwo Gilbert, Mno 1573073, Idno 9172705; Beneficiary-self, Inpatient Limit for July 2021 to June 2022 Ksh 3,000,000</p> <table border="1"> <thead> <tr> <th>Service</th> <th>Provider</th> <th>Request no.</th> <th>Approved amt</th> <th>Cumulative KShs</th> </tr> </thead> <tbody> <tr> <td>Ct scan</td> <td>Mombasa Hospital</td> <td>3576605</td> <td>8000</td> <td>8000</td> </tr> <tr> <td>Dialysis</td> <td>Mombasa hospital</td> <td>3570988</td> <td>47,500</td> <td>55,500</td> </tr> <tr> <td>Lab tests</td> <td>Tawfiq Hospital</td> <td>3560137</td> <td>11,700</td> <td>67,200</td> </tr> <tr> <td>Inpatient adm</td> <td>Bushra Medical</td> <td>3557577</td> <td>14000</td> <td>81,200</td> </tr> <tr> <td>Coronary angio</td> <td>Mombasa Hospital</td> <td>3573230</td> <td>250000</td> <td>331,200</td> </tr> <tr> <td>Inpatient adm</td> <td>Mombasa Hospital</td> <td>3605424</td> <td>1825000</td> <td>2,156,200</td> </tr> <tr> <td>Inpatient adm</td> <td>H.H. AKUH NBI</td> <td>3623020</td> <td>843800</td> <td>3,000,000</td> </tr> </tbody> </table> <p>INPATIENT LIMITS EXHAUSTED</p> <p>EXGRATIA LETTER REF: NPS/JG/A/EST/7/40/VOL.IV/112 DATED 13/04/2022.</p> <p>ALLOWED TO EXPEND FROM EXCESS OF LOSS KSH 6,677,300-ENCLS</p> <p>EXGRATIA H.H. AKUH NBI 3680036 4,000,000 4,000,000</p> <p>EXGRATIA H.H. AKUH NBI 3831480 2,677,300 6,677,300</p> <p>EXGRATIA APPROVAL UTILIZED Kshs. 6,677,300</p> <p>Consequently, approvals were issues in relation to policy and guidelines, and within acceptable inpatient limits and excess of loss approval letter. CLAIM DOC 18283066 was processed using request number 3552446, LOU approval 1905/112/090561.</p> <ul style="list-style-type: none"> The exgratia claim was paid under doc 19282284 using approval no 1905/112/101083 under request number 3871763. Claim amount and approval amount are the same. The email attached shows the request from the Fund requesting for approval to expend from the excess of loss accounts since the WIBA/GPA/GROUP LIFE contract was not sufficient to cater for the whole hospitalization bills for COVID-19. The loss for the NPS&KPS contract was noted, and in the next bid for renewal, the Fund submitted a Kshs. 9.3B bid, which was lost to the CIC consortium. <p>Management however wishes to clarify that the excess of loss scheme contract specifies amount set aside to cater for cases as approved from time to time but does not expressly limit expenditure to the said amount. Being a government-to-government arrangement, the cases forwarded by the clients, being extremely dire, are processed on the basis of trust. The balance of 86.7 million in excess of the 200 million are therefore reported under trade receivables as NPS&KPS Exgratia Receivable (Note 30) in the books. This debt is then followed up through demand notices for the same as per the attached correspondences.</p>	Service	Provider	Request no.	Approved amt	Cumulative KShs	Ct scan	Mombasa Hospital	3576605	8000	8000	Dialysis	Mombasa hospital	3570988	47,500	55,500	Lab tests	Tawfiq Hospital	3560137	11,700	67,200	Inpatient adm	Bushra Medical	3557577	14000	81,200	Coronary angio	Mombasa Hospital	3573230	250000	331,200	Inpatient adm	Mombasa Hospital	3605424	1825000	2,156,200	Inpatient adm	H.H. AKUH NBI	3623020	843800	3,000,000	NHIF Management	Resolved	FY 2022/2023
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7.1	<p>Unsupported Expenditure Surgical Packages under the National Health Scheme The statement of surplus or deficit and other comprehensive income reflects National Health Scheme expenses of Kshs.27,353,750, 116 as disclosed in Note 6 of the financial statements. The amount includes payments for surgical packages and surgeries of Kshs.27,208,800 whose contracts were not provided for audit and Kshs. 1,290,000 which were not recorded in the theatre registers both totalling to Kshs. 28,488,800.</p>	<p>In defining surgical coverage, the contract shall be read together with the Benefits guidelines and policy manual, which defines criteria for access to benefits. In the manual, major and minor surgeries shall be accessed in level three (III) to six (VI) health facilities, while specialized surgeries shall be accessed in level V, VI and specialized level IV facilities. The Board Paper approving surgical package on 28th January 2016, 30th June 2016, 15th December 2016, and internal memo ref HF/LD/23 VOL.III / (43) classified surgeries broadly into specialized, major, and minor surgeries without necessarily identifying each surgery by name. In 2018 when this classification was vacated, and each surgery was assigned a cost, a non-comprehensive list of procedures was included in the contract. Given there are thousands of medical procedures that can be performed under the minor, major, and specialized, it was not possible to list all procedures in the contract, as such, a number of procedures listed in the contract would fall under a group name or commonly used nomenclature.</p> <p>The contract in review (2018-2021) provided for otolaryngological surgeries, which include several other surgeries for the ear, nose, throat, head, and neck, in which thyroid surgeries is domiciled, thereby covered under surgical package.</p> <p>Maternity package encompassed both normal and caesarian section delivery. Hospitals in level 3B and above are allowed, as per the Ministry of Health Protocols, KMPDC gazette notice of January 2020 and NHIF contracts, to provide caesarian section services,</p> <p>Functional endoscopic sinus surgery (FESS) is in the contract and was allowed in level 3B and above facilities during the period in review.</p> <p>Open reduction and internal fixation (ORIF) are in the contract in form of interlocking nails, K-wiring, K-Nailing, and Plating.</p> <p>We appreciate there were challenges in drawing and implementation of the contract in review because contracts were drawn by a third party, procedure nomenclature was ambiguous, and the price of same procedure varied by providers.</p> <p>Management noted the gaps in the surgical listing, costing and access points in the contract 2018-2021. Consequently, in the Contract 2022-2024, deliberate and accurate naming of procedure and nomenclature, including assigning each procedure a code; standardization of pricing; defining where a surgery can be accessed; and for which beneficiary, is clearly defined to remove ambiguity and inequity. Any additional procedure is subjected to simulation on the cost of impact and Board Approval.</p> <p>Additionally, NHIF is in initial discussions with experts in Diagnostic-Related-Groupings costing for services and procedures to develop and cost a sustainable and equitable UHC Benefit package.</p> <p>Management also confirms that it has already commissioned a surveillance team to confirm, among others, that procedures listed as not being in the theatre registers were indeed performed or not. This report shall advise management on the appropriate course of action. The report shall be available within the next one month and can be shared with the audit team for review.</p>	NHIF Management	Resolved	FY 2022/2023
7.2	<p>Board Expenses The statement of surplus or deficit and other comprehensive income reflects Board expenses of Kshs. 32,166,770 as disclosed in Note 21 to</p>		NHIF Management	Resolved	FY 2022/2023

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7.3	<p>Transport Operating Expenses</p> <p>The statement of surplus or deficit and other comprehensive income reflects other operating expenses of Kshs.2,850,096,833 as disclosed in Note 22 to the financial statements which includes transport operating expenses amount of Kshs.204,744,920. The amount includes Kshs.106,570,126 which was not supported by procurement documents including call for bids, requisition from department, signed contracts, letters of award, letters of acceptance, professional opinion, opening minutes and evaluation minutes. In the circumstances, the propriety, accuracy, and completeness of Kshs.28,488,800; Kshs.5,830,000 and Kshs.106,570,126 on surgical packages, board, and transport operating expenses respectively all totalling Kshs.140,888,926 could not be confirmed.</p>	<p>The procurement process was initiated by the user department through a request done on 5th May 2022.</p> <p>However, the tendering process encountered challenges which led to request for an extension of service. This led to the extension of the contract by three months, therefore, calls for bids, letters of award, letters of acceptance, professional opinion, opening minutes and evaluation minutes were not necessary.</p> <p>Management is of the opinion that the process was above board, and all procurement laws were followed both in the procurement of the service at the beginning and in the extension of the contract. Attached herewith is the, call for bids, signed contracts, letters of award, letters of acceptance, opening minutes and evaluation minutes, professional opinion, and contract extension.</p>	NHIF Management	Resolved	FY 2022/2023
8	<p>Payments to Hospitals for Linda Mama Services without Contract</p> <p>The statement of surplus or deficit and other comprehensive income reflects Linda Mama benefits expenses amount of Kshs.4,493,259,781 which includes a payment of Kshs.1,608,200. However, the contract between the Fund and supplier was not provided for audit. In the circumstances, the accuracy and completeness of Kshs.1,608,200 on Linda Mama benefit expenses could not be confirmed.</p>	<p>Management agrees that the contract for the St. Leonard's Hospital could not be availed in time at the time of audit. We however confirm that the contract for the said facility was in place and has now been retrieved for audit review. Attached herein are extracts of the contract document, letters of extension of contracts used as basis of payments during the period under review.</p>	NHIF Management	Resolved	FY 2022/2023
9, 9.1	<p>Overpayment in Other Operating Expenses</p> <p>Hospitality/Entertainment</p> <p>The statement of surplus or deficit and other comprehensive income reflects other operating expenses of Kshs.2,850,096,833 as disclosed in Note 22 to the financial statements. The amount includes hospitality and entertainment expenses of a contract sum of Kshs.5,379,900 and actual payment of Kshs.6,388,019 resulting to an overpayment of Kshs.1,008,118. This was contrary to Paragraph 129 (2) on contract requirements which states that the contract, which shall be in writing, shall set out either (a) the maximum amount of money that can be paid under the contract or (b) the maximum amount of time that can be paid for under the contract.</p>	<p>The extra cost incurred over and above the contract amount signed with Kipevu Restaurant Ltd was related to supply of hospitality and entertainment items during stakeholder engagements which were held from time to time during the month on need basis.</p> <p>Besides the contract for supply of office tea awarded to Kipevu Restaurant Ltd, Suppliers for the provision of hospitality & entertainment items were separately prequalified during the period and those in the prequalified list were requested to provide quotations on need basis for the supply of the items. The lowest quotes were then picked to provide the services.</p> <p>It is management's opinion therefore that the sourcing was done following procurement procedures as provided by law and lowest bidders were awarded the tender to supply the goods.</p> <p>The list of prequalified suppliers who were engaged to offer services together with the professional opinions raised on the same were shared during ML response.</p>	NHIF Management	Resolved	FY 2022/2023
9.2	<p>Legal Expenses</p> <p>The statement of surplus or deficit and other comprehensive income reflects other operating expenses of Kshs.2,850,096,833 as disclosed</p>	<p>The amount pointed out as an overpayment by the audit is a result of difference in the approach used in computation.</p>	NHIF Management	Resolved	FY 2022/2023

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10	<p>Failure to Prepare Car Loan and Mortgage Fund Financial Statements</p> <p>The statement of financial position reflects long term deposits of Kshs. 1,346,231,679 as disclosed in Note 28 to the financial statements. The amount includes car loan amount of Kshs. 57,222,743 and mortgage balance of Kshs. 1,289,008,936 which are utilized to advance staff loans at interest rate of 5%. However, the financial statements for car loan and mortgage were not provided for audit. In the circumstances, the accuracy and completeness of car loan balance of Kshs. 57,222,743 and mortgage balance of Kshs. 1,289,008,936 could not be confirmed.</p>	<p>The two mortgage schemes have been running for over twelve years with the KCB Savings & Loan scheme being the oldest with over 20 years. The Car loan scheme is administered by the National Bank of Kenya Ltd whereas the Mortgage Scheme is managed by the Kenya Commercial Bank Ltd.</p> <p>The generation of financial statements has not been a requirement before therefore management, over the years reports the two scheme balances under the Long-term Deposits (Note 28) in the Statement of Financial Position whereas the interest generated out of the two scheme is capitalized and at the same time recognized as interest on Investments under Other Income (Note 19) in the statement of financial performance.</p> <p>However, management took note of the auditor's recommendation and has written to the two banks to provide detailed reports stretching back to the beginning of the schemes to enable Fund to generate the financial statements for each of the two schemes. The financial statements for the periods 2020/2022 and 2021/2022 shall be shared with the auditor immediately the banks generate and submit them whereas those for the subsequent period shall be provided alongside the Fund's annual reports and financial statement.</p> <p>Meanwhile, management wishes to share detailed reports, certificates of balances and bank statements for audit verification of the two mortgage schemes.</p>	NHIF Management	Not Resolved	FY 2023/2023
11	<p>Erroneous Claims - NHS Outpatient Expenses</p> <p>The statement of surplus or deficit and other comprehensive income reflects National Health Scheme amount of Kshs. 27,353,750,116 as disclosed in Note 6 to the financial statements. The amount includes outpatient expenses of Kshs. 4,965,797,649 being capitation payments to facilities out of which Kshs. 4,154,448 were amounts under NHS expenses. These amounts were claims under case code 05 (the code for medical outpatient visits) that ranged between Kshs. 100 to Kshs. 118,720 for individual members. However, NHS outpatient care package is covered under capitation and no claims are expected under case code 05 for NHS.</p> <p>In the circumstances, the propriety, accuracy and completeness of NHS Expenses of Kshs. 4,154,448 could not be confirmed.</p> <p>The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Health Insurance Fund Management in accordance with ISSAI</p>	<p>Management agrees with the auditor that the entries posted under case code 05 are as a result of miscoding. This however does not have any financial implication on the overall benefits expenditure as no funds were lost as a result.</p> <p>In order to mitigate on the above anomaly, management has budgeted for the procurement of a new ERP in the FY 2023/24 with enhanced capabilities and backend configurations to ensure that cases are not coded under wrong schemes or case codes.</p>	NHIF Management	Resolved	FY 2022/2023

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OTHER MATTERS					
1	<p>Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects revenue budget of Kshs. 87,408,632,049 and actual revenue on comparable basis of Kshs. 78,158,543,610 resulting to revenue shortfall of Kshs. 9,250,088,439 or 11% of the budget. Similarly, the Fund spent Kshs. 68,655,055,557 on benefits expenses against approved budget of Kshs. 75,126,426,869 resulting to under absorption of Kshs. 6,471,371,312 or 9% of the budget.</p> <p>There is need for the Fund to review its budget making process with a view to developing a vibrant budget implementation follow up mechanism and feedback process to ensure that all projects and activities are implemented as planned for the Fund to meet its mission and objectives for the benefits of the citizens.</p>	<p>The above-mentioned enhanced schemes are negotiated covers between NHIF and diverse employers, mostly government entities, and are modelled against the private insurances. It is worth noting that these 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.</p> <p>Resource pooling</p> <p>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 may experience higher expenditures than the premiums received which may then be cross subsidized by other pools that have members with lower health risks. It is therefore important to measure the performance of an insurance organization 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.</p> <p>Statutory contributions factor</p> <p>The above comparison of the budget vs actual has not factored the statutory contributions from members of each scheme while the expenditure includes benefits the members enjoy that are associated to statutory contributions. The following table in the highlighted column shows the correct budget to compare with the total expenditures of each highlighted scheme.</p> <p>Linda Mama</p> <p>Linda Mama program operates as a fund where the Ministry of Health transfers funds to NHIF for payment of claims. These funds are replenished when they near exhaustion. This means there is no disbursement of funds if the Linda mama account does not have the funds. This also means when comparing the actual expenditure, this should not be on accrual basis which includes IBNR estimates that were not actual cash outflow in the year under review while it may include prior period claims that were paid in the period under review. The actual payment was Kes 3,792,936,184 which is within the budget of Kes 4,098,000,000.</p> <p>WIBA - NPS&KPS</p> <p>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. This translates the total premium and budget to Kes 2,877,255,761 which is</p>	NHIF Management	Resolved	FY 2022/2023

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		<p>within the actual expenditure of 2,862,753,432. The Management is working to align the cover period to align with the financial period for proper comparison and budgeting purposes.</p> <p>Measures to ensure proper utilization of funds for the scheme.</p> <p>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.</p> <p>1. Civil Servants Medical Scheme</p> <p>During the negotiations for renewal of the Civil servant scheme, a taskforce representing the Sponsor (Ministry of Public Service), Actuary and NHIF reviews the previous year utilization to inform the next cover period premiums, access to benefits or both. Resultant to the deficit report of the scheme in the cover period 2021/2022, a number of measures were instituted in the subsequent period of 2022/2023 as follows:</p> <ol style="list-style-type: none"> a. Increase in the premiums to Kes 7,924 billion (inclusive of statutory contributions) for the cover period July 1st, 2022, to June 30th, 2023. b. Renegotiation of benefits pricing for NHIF products and procedures with health care providers during the 2022/2024 contracting cycle c. Biometric registration of the members of the scheme and biometric identification coupled with OTP verification at the point of access. This reduces impersonation incidences and other fraudulent activities hence reducing on claim expenditures. d. Enhanced case management to reduce on claim exposure. Some of the measures undertaken include: - <ol style="list-style-type: none"> i Management of referrals from a healthcare provider that charges high rates for a specified procedure to lower cost facility. Beneficiaries are referred to cost effective facility such as Public and Faith Based. ii Review of bills at discharge to verify the bills and adjudicate to lower the bills for members of the scheme. NHIF uses case code 30 to segregate the scheme inpatient bills for preauthorization before discharge. iii Misuse of optical and dental covers towards the end of the cover period is mitigated by strict verification on the need for these services before a member accesses. This is done through concurrence review with clinicians to prevent wastages. iv Members of the scheme of certain job groups are restricted from seeking services in high-end hospitals unless on referral and subject to Preauthorization. v Call for second opinion where requests for expensive procedures or services are sought. This has led to disqualification of many requests where the need for the expensive procedure was not warranted. E.g., requests for MRI without a report from an x-ray or CT-Scan. <p>II. NPS & KPS Medical Scheme</p> <p>Some of the measures applied to the NPS/KPS scheme include:</p>			

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2	<p>Unresolved Prior Year Matters</p> <p>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. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.</p>	<p>III. Retirees Medical Scheme</p> <p>The scheme has a higher health risk that has been subsequently mitigated through a number of initiatives: -</p> <ol style="list-style-type: none"> 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. g. The above measures are aimed at improving the performance of this pool to ensure a healthy mix for the large pooling. 	NHIF Management	Not Resolved	FY 2023/2024

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REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES					
1	<p>Irregular Contract Awards</p> <p>The statement of surplus or deficit and other comprehensive income reflects other operating expenses of Kshs. 2,850,096,833 as disclosed in Note 22 to the financial statements. The amount includes hospitality/entertainment expenses of Kshs. 40,603,881 out of which Kshs. 11,362,992 was in respect to contracts that were awarded/executed several months after the supplies were made. This was contrary to Section 135(1) of the Public Procurement and Asset Disposal Act, 2015 which states that the existence of a contract shall be confirmed through the signature of a contract document incorporating all agreements between the parties and such contract shall be signed by the accounting officer or an officer authorized in writing by the accounting officer of the procuring entity and the successful tenderer.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>Procurement of services for branch offices are initiated at the branch level where quotations are floated, and evaluations done. Requests for contracts are then sent to the headquarters, legal department to commence the process of drafting and execution.</p> <p>Delays in Branch contract execution are, therefore, occasioned by the processing requirements and communication between service providers, branch office and the headquarters. This normally arise due to requirement for documentation and correction from the service providers which in most cases is outside the control of the Fund.</p> <p>Award letters and acceptance letters together with other procurement documents are used as basis for the service providers to deliver goods and services pending the execution process is concluded.</p> <p>However, to mitigate on the above situation, management has now requested all cost centres to initiate procurement of goods and services six months prior to the end of an ongoing contract.</p>	NHIF Management	Resolved	FY 2022/2023
2	<p>Irregular Awards under AGPO</p> <p>The statement of surplus or deficit and other comprehensive income reflects other operating expenses of Kshs. 2,850,096,833 as disclosed in Note 22 to the financial statements. The amount includes Kshs. 22,751,390 for supplies awarded under the Access to Government Procurement Opportunities (AGPO) category but their respective AGPO certificates were not provided for audit. This was contrary Section 53(6) of the Public Procurement and Asset Disposal Act, 2015 which states 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.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>Section 155 (PPADA 2015) allows for continuous registration of suppliers under preference and reservation where disadvantaged groups are registered under different categories. During registration, the certificate numbers are indicated and when quotations are issued AGPO certificate becomes one of the mandatory requirements to attach a proof that they are duly registered by the treasury to benefit from the opportunities.</p> <p>Way forward: All procurement officers have been informed through memo HF/C/814 VOL.XXXIII/013 and further guided on how to verify the certificates online.</p>	NHIF Management	Resolved	FY 2022/2023
3	<p>Unapproved Foreign Trips</p> <p>Note 21 to the financial statements reflects Board expenses of Kshs. 32,166,770. The amount includes Kshs 5,924,604 incurred on foreign trips. However, an approved by Cabinet Secretary was not provided for audit. This was contrary to part D 9 of the Office of the President Circular No. SH/1/6/XIV dated 19 October, 2018 which states that all public officers will require to seek clearance to make foreign travel from their respective Cabinet Secretary. In addition, professional opinion on procurement of air tickets was approved on 16 May, 2022 after the participants had already departed on 07 May, 2022 and 08 May, 2022.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The Fund seeks approval for all overseas trips for its Board members.</p> <p>In respect to the above trip, approvals for each of the Board members were obtained from the head of public service who is the overall authority on approvals for overseas travels. The said approval covering the three Board members were shared with the two Ministries who released their officers to attend the event.</p> <p>NHIF shared hard copies of requests and the subsequent approvals as received from Ministry of Health and the Public Services as guided by policies and circulars during the ML response.</p>	NHIF Management	Resolved	FY 2022/2023

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4	<p>Failure to Segregate Critical Functions</p> <p>Review of user privileges revealed that some staff had excessive rights on the system which is critical functions to the Fund. This violates the principle of segregation of duties (shared responsibilities) and that of least privilege and increases risk of errors and fraud being undetected. This was contrary to Regulation 23 (1)(c) of the Public Finance Management (National Government) Regulations, 2015 that requires maintenance of effective systems of internal control and the measures taken to ensure that they are effective.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>ICT assigns rights based on requests and approvals from respective Functional heads. Staff shortage especially at the Branch office level resulted in some users having multiple rights to allow for continuity of work. ICT shall work with Human Resource department to deal with the staff shortage and the various user departments to re-assign the rights appropriately.</p>	NHIF Management	Resolved	FY 2022/2023
5	<p>Claims Without Received Date</p> <p>Review of claims data extracted from the QYTerm system established that there were outpatient claims worth Kshs. 39,376,886 that were paid. However, the claims did not have received date on the user ID of the person who received the claim. It was not possible to confirm whether a claim was submitted within the 90 days from the date of discharge. This was contrary to Paragraph 5.2 of Financial Management Policy, 2017 which states that claims should be submitted for payments within ninety (90) days from the date of discharge.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The receiving date is automatically generated by the system at the point the receiving officer captures the visit information. Currently, the Fund is running on 2 systems. The claims highlighted were raised through the e-claim system which always captures the receiving date. It was however noted that, whereas the receiving date is captured, the report generated from the Fund's ERP did not include the receiving date field. It has been established by management that data sitting in the e-claims system did not automatically populate to the ERP system. The ICT directorate has been tasked to synchronize both the e-claim system and the ERP reporting system to ensure that the data contained in the e-claims system is populated when generating reports from the ERP (QYTerm) system.</p>		Resolved	FY 2022/2023
6	<p>Clustered staff Debtors in the Payroll System</p> <p>Review of data from the payroll system revealed that salary advance, training levy and imprest recovery were all clustered under one column (staff debtors). This was contrary to Regulation 23 (1)(c) of the Public Finance Management (National Government) Regulations, 2015 which states that an Accounting Officers shall, in accordance with Article 226(2) of the Constitution and Section 68(1) of the Act, be accountable to the National Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>All debt relating to staff have been categorized as staff debtor in the payroll system. Debt is then accounted for in the financial system separately based on the nature of staff debt. Due to the minimal number of transactions, management, before, never deemed it necessary to classify staff debtors in any other manner.</p> <p>Deduction entries (which include but not limited to salary advances, imprest recovery and any surcharge) in the payroll are done through preparation of Pay Change Advises, in this case the staff debtors are recoveries made to staff using their personal numbers and the same can be tracked in the system using the PCAs which indicate the purpose of the recovery.</p> <p>However, with the recommendations given by the audit, management commits to make system improvements to classify debt appropriately in the payroll system and account for it in a distinctive manner.</p>		Resolved	FY 2022/2023
7	<p>Work Executed Before Signing Contracts</p> <p>Review of Information Communication Technology (ICT) related contracts revealed contracts valued at Kshs. 306,303,703 were executed before the contracts were signed and cases of unsigned contracts were noted. This was contrary to Section 135 (3) and (4) of Public Procurement and Asset Disposal Act, 2015 which states (4) No contract is formed between the person submitting the successful</p>	<p>These are services whose contracts cover periods longer than one year. A case on point is Fountel Ltd who's services for maintenance of the system in place are vendor specific. The contract is renewed annually and there are times when the renewal process takes long beyond the lapsed contract period. The vendor is then expected to continue providing the services as stoppage would lead to the grinding of operations to a halt.</p>		Resolved	FY 2022/2023

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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)
8	<p>Irregular Claims</p> <p>Review of list of claims submitted to the Fund for settlement revealed that one facility submitted one thousand two hundred and thirty (1230) claims with a value of Kshs.25,360,500. However, the facility was not on the list of declared/empanelled facilities. This was contrary to Section 5 (1) (b) and Section 22(1) of National Health Insurance Fund Act, No. 9 of 1998 which states the Board shall pay from the Fund, a benefit to an empanelled or contracted health care provider for an expense incurred by the provider, for the provision of health care services through the centralized healthcare provider management, to the number of beneficiaries determined by the Board.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>This does not lead to loss of funds as payments are not processed without the support of valid contracts. The contracts have effective dates which governs when the services commenced.</p> <p>However, management takes note and commits to initiate renewal process early enough to avoid repeat of such occurrences.</p> <p>We refer to the query/raised on the empanelling and contracting of Reale medical center and Reale hospital limited. We take note that there has been a structured formal engagement and transactions between NHIF and Reale medical clinic.</p> <p>At the time accreditation of Reale medical clinic, NHIF standards and guidelines manual 2006, which provided for gazettement for only inpatient facilities sufficed and for outpatient facilities, a letter of offer sufficed together with the accreditation assessment report and accreditation fee. Letter of offer, captured accreditation report (2012) and the accreditation fee receipt presented during ML responses.</p> <p>We also take note that the Reale hospital limited here mentioned is a sister facility to Reale medical center (Code 0017480). The Reale hospital limited came to existence in 2014 and it was duly empanelled as both inpatient and Outpatient as per the attached supporting documents. However, during the gazettement process there was a mix-up, and it was inadvertently gazetted as Reale medical center as per the gazette notice which is an outpatient facility not subject to gazettement as per the above manual. Please see attached Gazette notice, physical assessment manual (2014) supporting the gazettement.</p> <p>The Fund continued to transact with both facilities until 2021 when the mix up of codes was noted during e-claim roll out countrywide. This necessitated a corrective action as supported with annexed correspondences. Trigger letter and response from head office on separation of the codes presented during ML responses.</p> <p>To avoid recurrence of such anomaly, the Fund has addressed policy gaps in declaration and contracting of healthcare providers ensuring gazettement of all empanelled healthcare providers and improved record keeping with enhanced digitization. Further, the revised policies guides contracting of all healthcare providers in 2022-2024. Please see current policy and policy guidelines, QMS process on empanelment and contracting. These documents have been forwarded to Strategy, Research and Planning Department for presentation and approval by the Board of Management as per the attached letter</p>		Resolved	FY 2022/2023
9	<p>Violation of One-Third Rule on Basic Pay</p> <p>Review of payroll data revealed four hundred and eighty-five (485) employees were receiving net salaries that were less than a third of their basic pay. This was contrary to Section 19(3) of the Employment Act, 2007 that states that deduction against salary should not exceed two-thirds of basic salary.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>Following the reconciliation of salaries records for period in question, the Department realized that take home of the said number of staff was below the required third rule of basic contrary to the Government circular Ref: DPM 23/5A Vol. XVIII (55). This has however, affected staff on suspension and interdictions dating back from December 2018.</p> <p>The voluminous payroll administration activities have been overstretching the HR services capacity due to the manual aspects of most of the modules. This has posed the challenge of risk due to the high level of human interface in almost all payroll activities. Management, however, admits that this is partly attributed to the manual nature of processing of some of the payroll transactions. In this regard, management initiated the process to acquire an improved payroll platform that can address challenged posed by the weaknesses in the current system by enabling automation of all processes in Human</p>		Resolved	FY 2022/2023

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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)
10	<p>Irregularities on Human Resources</p> <p>Review of payrolls and human resource records revealed the following unsatisfactory matters;</p> <p>10.1 Irregular Promotions</p> <p>Review of staff movement in the last three (3) years revealed that nine (9) employees were promoted but they did not meet the minimum requirement as set out in the NHIF Career Guideline dated August, 2020. In addition, Management did not provide any proof that advertisement(s) were done for the positions. This was contrary to paragraph 2.34.3 of NHIF HR Policy and Procedures Manual dated August, 2020.</p>	<p>Resource Department: This will enable the department to set up controls in the system, minimize human interaction and ensure accuracy.</p> <p>Other areas viewed as necessary for improvement alongside the 1/3 rule on basic pay include:-</p> <ul style="list-style-type: none"> • Retrospective computation of annual incremental awards/arrear as and when they fall due. • Automatic stoppage of salary in respect of a future date (on retirement, resignation, unpaid leave etc.) • Automatic computation and flagging in case of exceeded limits on the one third rule • Automatic PAYE computation for persons Living with Disability • Automatic Salary pro-rating • Automatic calculation of acting allowances <p>It will be worth noting that, most of the 485 mentioned staff have since adjusted their deduction levels to comply with the said circular.</p>		Resolved	FY 2022/2023
10.1	<p>Irregular Promotions</p> <p>Review of staff movement in the last three (3) years revealed that nine (9) employees were promoted but they did not meet the minimum requirement as set out in the NHIF Career Guideline dated August, 2020. In addition, Management did not provide any proof that advertisement(s) were done for the positions. This was contrary to paragraph 2.34.3 of NHIF HR Policy and Procedures Manual dated August, 2020.</p>	<p>The Fund has been using the Career Progression Guidelines to promote its staff, however in compliance with Public Service Commission Circular of March 2020 the Fund used competency where an individual's output is taken into consideration. The move promoted a culture of hard work among the employees. The circular, in view of the transitional arrangement, "the commission has suspended the requirement of the Strategic Leadership Development Programme (SLDP) and master's degree as a parameter for promotion of public officers to senior position."</p> <p>In the meantime, promotion on public officers will be based on requisite experience and individual performance; "together with the parameter of how many years one has served in a specific position, means that lazy and incompetent employees have been finding their way into high offices in which they cannot deliver as expected, leading to wanting work output.</p> <p>The appointments were based on the Human Resource Procedures Manual (revised 2011) as enumerated during ML responses.</p> <p>SECTION 1</p> <p>4. Interpretation The interpretation of the provisions of this manual shall rest in the Chief Executive Officer.</p> <p>5. Delegation The Board may delegate some of its functions and powers under this manual to a Committee of the Board or to the Chief Executive Officer, where appropriate. The Chief Executive Officer may as well delegate some his duties and responsibilities under this manual to other officer of the Fund.</p> <p>2.1 Role of the Board of Management in Appointment The Power to appoint persons to hold or act in top Management positions in the Fund shall be vested in the Board. This will include appointment of officers to the positions of General Managers or Managers.</p>			

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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)
10.2	<p>Failure to Deduct PAYE</p> <p>Ten (10) employees with disabilities with gross salary above Kshs. 150,000 were not deducted pay as you earn (PAYE). This was contrary to Legal Notice No. 36, of The Persons with Disabilities Act (No. 14 of 2003). Further, eight (8) staff members not in the approved list of Persons with Disabilities (PWD) provided for audit were benefitting from tax exemption allowed for PWD. This was contrary to Paragraph 4 of Persons with Disabilities (Income Tax Deductions and Exemptions) Order, 2010.</p>	<p>All staff indicated are earning gross salary above the Kes 150,000/=, however on computation of tax; we need to reduce the allowable deductions/exemptions to be able to compute the tax payable.</p> <p>A verification of the payroll records indicate that the ten officers listed are all Persons Living with Disabilities. It is further noted that their gross salaries less Pension contribution, NSSF and Personal Relief puts their due below the taxable income. KRA tax exempt certificates and Pay Change Advise were attached and shared during ML responses.</p> <p>The Fund, in its operations ensures that it complies with the current government rules and regulations. It is in this case, that once an employee has undergone the requirements of Persons living With Disabilities and thereafter, awarded with the tax exemption certificate, we ensure that the recommendations are followed. The eight staff members listed have provided the department of Human Resource with the said requirements and were awarded the tax exempt.</p>		Resolved	FY 2022/2023
10.3	<p>Discrepancies in Payment of Salaries and Allowances</p> <p>Review of payrolls for the year under review revealed that one (1) staff member was overpaid in basic pay, fifteen (15) staff members were overpaid in house allowances, two (2) staff members were overpaid in commuter allowances and seventeen (17) staff members overpaid in acting allowance. This was contrary to the letter Ref. No. SR/C/TS/NHIF/3/39 (38) dated January 2019.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The arrears for the above officer were lamped together with the basic salary. The officer had not been awarded his annual increment for the year 2021, which had fallen due effective July 2021.</p> <p>Since the officer's contract had lapsed, he was paid on pro-rata basis; that is Kes 589,608 (for 30 days) instead of Kes 607,353 (for 31 days).</p> <p>The officer is yet to be paid his leave commutation, the overpayment of Kshs. 1,847 will be recovered from his final dues.</p>		Resolved	FY 2022/2023

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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)
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE					
1	<p>Staff Establishment Grading Structure</p> <p>The approved staff establishment list grading structure indicates that HF 14 is for Office Assistant and HF 1 is for Chief Executive. However, this differs with the master roll/complaint list where HF 1 is for Office Assistant and HF 14 is for the Chief Executive.</p> <p>In the circumstances, the effectiveness of the Fund's grading structure could not be confirmed.</p>	<p>1. The officers in grade HF 7 and HF 6; namely Arnollo Gumiba and George Otieno had been on disciplinary action, where upon their representation to the Human Resource Advisory Committee the resolutions on their cases was reduction in Rank pursuant to the Human Resource policy and Procedures Manual Section 11 sub section 11.12 on forms of punishment. This however means their salaries are personal to self.</p> <p>2. Staff Number 0669 had been inadvertently earning house allowance above his salary grade, the same was rectified through PCA Doc No. 9408 and overpayment recovered accordingly.</p> <p>3. The two officers as detailed in schedule V whose commuter allowance was above stipulated salary structures namely Ms Rose Naklungu had been inadvertently earning house allowance above his salary grade, the same was rectified through PCA Doc No. 9409 and overpayment recovered accordingly. Mr Arnollo Gumiba had been on disciplinary action, where upon their representation to the Human Resource Advisory Committee the resolutions on their cases was reduction in Rank pursuant to the Human Resource policy and Procedures Manual Section 11 sub section 11.12 on forms of punishment. This however means their salaries are personal to self.</p> <p>4. The seventeen staff members in various job groups whose acting allowance was above the stipulated salary structures, the department notes that the same has been occasioned by the yearly increment awarded; and as part of the automation mentioned above the same will be addresses accordingly, in the meantime adjustments of the allowances has been affected through November 2022 payroll PCAs and review of terms of employment letters were shared during ML responses.</p>		Resolved	FY 2022/2023
2	<p>Irregularities on Claim Reimbursements</p> <p>An assessment of controls over claim process using sampled branches revealed the following irregularities:</p> <p>i. Claim number 16855376 had an invoice amount of Kshs.200,000 but the amount preauthorized, claimed and paid was Kshs.250,000. Similarly claim number 38100425 had an invoice amount of Kshs.4,000, but amount claimed and paid was Kshs.40,000. Also claim No.17305160 had invoice amount of Kshs.36,946 but the claim was preauthorized and paid at Kshs.40,350.</p>	<p>In the contract 2018-2022, the package amount for total hip replacement in Government facilities level V and VI was up to 250,000. NHIF reimburses to facilities the package amount. In the contract 2018-2021 (extended to 2022) clause 8.3 and sub-clauses 8.4.2 Prescribes the scope of coverage, to include post operative follow-up. The approval was based on request and contract amount.</p> <p>The system is however being configured to implement the up to provision where the amount payable is automatically tied to the contract amount of the requested amount, whichever is lower.</p>		Not Resolved	FY 2023/2024

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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)
	<p>ii. Claim number 40719590 was indicated in the discharge summary and invoice as dental, yet case code 05 was used instead of case code 09. Consequently, an invoice amount of Kshs. 19,000 was raised for the beneficiary who was under the National Police and Prisons Service Scheme instead of contract amount of Kshs 2,500.</p> <p>iii. In claim number 17577593 fitting of a hearing aid was claimed, preauthorized, and paid as a major surgery (case code 07), at Kshs. 150,000.</p> <p>iv. Claim number 17196609 was paid at Kshs.570,350. However, the claim was preauthorized and raised for treatment of schizophrenic disorder/schizophrenia, but the invoice included an operation theatre and a minor procedure, yet the discharge summary had no indication that the same were required.</p> <p>In the circumstances, the effectiveness of controls on claims could not be confirmed.</p>	<p>38100425 is an outpatient claim at Nairobi West, where FFPS for police was 40,000. It is possible the claim was paid @40,000 instead of 4000. Management has now initiated recovery of Kshs 36,000.</p> <p>The hospital raised two requests in quick succession, one with a projected bill of Ksh.50,000 under request number 3187757 and another with the final bill of Kshs 36,946 under request number 3187895. The initial request had been approved 40350 while the second had Kshs 30,450 approved. However, the hospital chose to claim the previous approval and disregarded the later one.</p> <p>Management has in place a system where all recoveries are effected on claims emanating from the facilities. Management therefore has initiated the recovery of Kshs 3,404 from the hospital.</p> <p>Approvals were granted according to the NHIF Board approved rates and payments made based on the package provider payment principles. In this case, no overpayment is demonstrated as the payment mechanism is not fees for service, which could incentivize overbilling or service fragmentation. Therefore, this is a miscoding issue, and no funds were lost in the event.</p> <p>Case code for orthopaedics and other medical devices was not available during the contract period in review and the same (code 22) was introduced with the new contract 2022/24 cycle, effective from 1st July 2023. Consequently, medical devices used to be approved under code 07 for major surgeries. This also is a miscoding issue which was noted, and it was confirmed that there were no funds lost as the client received the hearing aids.</p> <p>The patient, Mercy Liona, underwent 4 sessions of electro-convulsive therapy (ECT), which is a method of treatment for mental disorders, especially for those with severe depression and schizophrenia that is refractive to medical treatment the procedure is done under general anaesthesia. The case code was not there before but it has now been created.</p>		Resolved	FY 2022/2023
3	<p>Weak Linda Mama Program Controls</p> <p>The statement of surplus or deficit and other comprehensive income reflects Linda Mama Program expenses of Kshs. 4,164,582,667 as disclosed in Note 16 to the financial statements. However, users at branch level could not extract from the system supporting documents including encounter forms, discharge summaries/treatment notes and hospital invoices.</p> <p>In the circumstances, the effectiveness of Linda Mama Program controls at branch levels could not be confirmed.</p>	<p>Visits summary and invoice are used to pay Linda mama claims both for outpatient and inpatient. This applies to ANC and PNC.</p>		Not Resolved	FY 2023/2024
4	<p>System Weakness in Generating Financial Statements</p> <p>Review of QVTerm System revealed that system was not fully configured to produce the financial statements, but data was extracted through excel, analyzed and summarized to come up with amount reflected in the financial statement. Comparison of supporting schedules for NHS expenses with sampled member</p>	<p>Schedules saved in Ms excel formats are generated from the system. This is after the criteria for reporting is set and embedded in the reporting module. It is therefore likely that claims may be reported differently if, for instance, they were paid in the current period but were for admissions/ visit dates for previous period. This is largely</p>		Not Resolved	FY 2023/2024

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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)
	statements extracted from the ERP system indicated twenty-eight (28) claims of KShs.266,000 were in member statements but were not included in the financial statements. In the circumstances, the effectiveness of controls of Q/Term system to generate financial statements could not be confirmed.	dependent on the reporting criteria based on accounting standards and policies e.g the IFRS 17 and IBNR reporting. Management requests to review the sampled 28 claims to establish the circumstances under which the claims may have been left out and how, then, they were accounted for. It is also envisaged that this will be an issue of the past with the acquisition of the new ERP.		Not Resolved	FY 2023/2024
5	Staff Establishment Not Mapped in The Payroll System Review of payroll data with staff establishment revealed inconsistencies in the designations and departments between the two documents. In the circumstances, the effectiveness of controls of staffing and payroll management could not be confirmed.	The process of mapping began in August 2020 however, it was halted to allow review of the structure and HR instruments in line with NHIF new journey for implementation of UHC. The Board as guided by the Ministry (MOH) through various correspondences - vide Ref. No. MOH/HR/5/1/20 dated 24th November 2021 initiated the process of reviewing the instruments. The Board in its meeting held on 30th November 2022 directed Management implementation of the approved HR instruments.		Resolved	FY 2022/2023
6	Weak controls over Imprest Issuance and Surrender Review of Imprest general ledger revealed the following control deficiencies: i. A sample of Imprest surrendered revealed six (6) instances where one Imprest warrant was used to support surrender of more than one Imprest and thirteen (13) instances where different Imprests were erroneously captured as having been issued using one Imprest warrant. ii. Analysis of Imprest code register and Imprest register extracted from Q/Term revealed five hundred and twenty-seven (527) Imprest payments that were made to payees who were not in the Imprest code register. In the circumstances, the effectiveness of controls of Imprest surrender and recording could not be confirmed.	The management has initiated several control measures especially on Imprest issuance and surrenders to avoid human intervention in Imprest processing. The ICT department is working on the recommended controls. Further the 13 cases of duplication as indicated is as a result of narration errors in the description field however in Imprest issuance screen and payment vouchers are not duplicated and are tied to individual Imprest holders. Issuance of staff E code is a continuous process and there could have been a delay in updating the E-code register. However, majority of Imprest in schedule XXVII relates to non-staff who includes board members and civil servants who are not issued with E codes but instead are issued with N codes to undertake various activities jointly with NHIF. Therefore, there is no unauthorized payment for services not rendered since N codes are part of NHIF Imprest records and fully authorized at the time of issuance of N codes and undertaking activities. It is not true that the two staff had two different E codes and names since E code 5620 of PF NO 1119 is for Anthony Odongo who is already exited NHIF while E-code 00475 PF NO 1449 is for Anthony Omandi Odongo who is still in employment therefore they are two different staffs. As for E code 02192 the account was deactivated, and only active account is E-code 2194.		Resolved	FY 2022/2023
7	Inadequate IT Contingency Planning The Management has not put in place approved business continuity, disaster recovery plans and comprehensive back up procedures. Further, backups were not tested for successful restoration. This was contrary to Regulation 110(1) of the Public Finance Management (National Government) Regulations, 2015 that requires the Accounting Officer of a national government entity to institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity.	Existing DRP was reviewed last month and is part of the documentation to be forwarded to the Board for approval. BCP is corporate-wide and goes beyond ICT. Strategy and Planning has developed BCP Policy which shall be presented to the board together with other policies through the CEO for approval. NHIF has a Disaster Recovery site (Cold) where critical business data is replicated to in real-time. Furthermore, the data has been restored on a number of occasions when disruption occurs. There are plans in place to setup an active DR site in the next FY.		Resolved	FY 2022/2023

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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)
8	<p>Inadequate IT Security and Governance</p> <p>The Fund did not have an approved Security Policy and Procedures and therefore the 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 document may not be achieved. Further, the Information Technology (IT) controls at application, network and database level were inadequate, which may affect the confidentiality, integrity and availability (CIA) of data used in preparation of the financial statements.</p> <p>In the circumstances, the effectiveness of controls to guard emerging IT risks and (IT) controls at application, network and database level could not be confirmed.</p>	<p>The server room access register is available to confirm those who access the server room. Secondly, the biometric access is only given to the specific officers concerned and the keys kept only by the System Administrator. The current biometric system is fully functional but does not store logs and that's why ICT is maintaining the access register as complimentary.</p> <p>The access control system shall be enhanced to have the logs captured. The entry to data centre is also surveilled by two CCTV cameras and physical locks to the data centre entrance door.</p> <p>a) Data Centre access register b) data centre Biometric access unit</p>		Resolved	FY 2022/2023
9	<p>Non-Adherence to Contract Terms on Payment of Capitation</p> <p>Review of capitation summaries revealed that payments were not being made within the first thirty (30) days of the capitation period as stipulated on the Schedule of Payments and Payment Terms for the Outpatient Care Packages in hospital Contracts. Delay in payment of capitation is breach of contract that may negatively impact on services to members.</p> <p>In the circumstances, the effectiveness of controls on capitation could not be confirmed.</p> <p>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 control, 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.</p>	<p>Capitation data are generated by the NHIF branches at the beginning of every quarter and summaries shared with the healthcare providers. It is a contractual requirement for the healthcare providers to present capitation invoice as soon as the data for the quarter is populated and shared to enable the Fund to begin the processing of capitation payments. This, however, is not the case as some facilities take time. Payment processing heavily relies on when and how prompt the facilities present their invoices for payment. Processing, therefore, may go beyond the 30 days period because of delay in submission of invoices by the hospitals.</p>		Resolved	FY 2022/2023


 AG. CHIEF EXECUTIVE OFFICER
 Date: 29/9/23


 CHAIRPERSON
 Date: 29.09.2023

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APPENDIX IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent / Development / Others	Total Amount	Where Recorded/recognized							Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Balance B/F from previous FY	Deferred Income	Receivables	Deferred Income	Receivables	
			Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes
State Department for Public Services, Youth and Gender	03/10/2022	Direct Payment	2,000,000,000	7,636,775,103	-	-	-	2,396,321,415	-	2,996,321,415	5,400,000,000
"	12/01/2023	"	2,000,000,000								
"	29/06/2023	"	1,288,492,016								
"	29/06/2023	"	111,507,984								
Ministry of Health - OPPSD	No Payment	No Payment	-	352,800,000	-	3,300,442	-	-	349,499,558	-	-
Ministry of Health - HISP	No Payment	No Payment	-	1,520,400,000	-	-	-	253,617,833	-	1,774,017,833	-
Ministry of Education - Edu Afya	22/08/2022	Direct Payment	1,200,477,883	4,050,000,000	-	423,427,528	-	-	1,290,454,527	-	4,917,026,999
"	03/10/2022	"	1,230,659,325								
"	15/02/2023	"	1,245,501,900								
"	21/06/2023	"	1,240,387,891								
Ministry of Interior office of the President - NPS&KPS	03/10/2022	Direct Payment	989,633,731	4,577,238,410	-	-	184,086,972	-	-	1,616,539,289	1,967,902,780
"	16/01/2023	"	375,000,000								
"	13/02/2023	"	603,269,049								
Ministry of Health - Linda Mama	17/01/2023	Direct Payment	2,049,000,000	4,134,909,678	-	1,861,639,209	-	-	1,824,729,531	-	4,098,000,000
"	15/06/2023	"	2,049,000,000								
Counties (List provided)	Various	Direct Payment	2,508,370,368	3,434,613,174	-	311,549,505	-	-	338,440,799	-	2,508,370,368
Parastatals (List provided)	Various	Direct Payment	2,091,238,694	2,213,985,086	-	1,302,308,999	-	-	1,602,416,478	-	2,091,238,694

NATIONAL HEALTH INSURANCE FUND

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Name of the MDA/Donor Transferring the funds	Date received as Per bank statement	Nature: Recurrent / Development / Others	Total Amount	Where Recorded/recognized						Total Transfers during the Year	
				Statement of Financial Performance	Capital Fund	Balance B/F from previous FY	Deferred Income	Receivables	Deferred Income		Receivables
WIBA - NPS&KPS	22/10/2022	Direct Payment	1,147,797,220	2,295,594,440	-	-	-	7,861,625	-	7,861,625	2,295,594,440
"	13/02/2023	"	1,147,797,220	-	-	-	-	1,447,565,526	-	6,307,735,103	2,001,667,008
WIBA - CIVIL SERVANTS	09/09/2022	Direct Payment	2,001,667,008	6,861,836,585	-	-	-	-	-	-	2,001,667,008
YPP Ministry of Health - UHC	15/06/2023	Direct Payment	8,200,000,000	6,000,000,000	-	3,000,000,000	-	-	3,000,000,000	-	8,200,000,000
Total			33,479,800,289	43,078,152,476	-	6,902,225,683	4,289,453,371	8,405,540,893	12,702,475,265	33,479,800,289	

NATIONAL HEALTH INSURANCE FUND
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APPENDIX V: REPORTING DISASTER MANAGEMENT EXPENDITURE

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

Dr. Samson Kuhora Kairang'a
 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								

NATIONAL HEALTH INSURANCE FUND

Annual Report and Financial Statements for the year ended June 30, 2023

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						