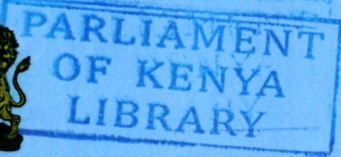


REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY PAPERS LAID		
DATE:	16 MAR 2023	DAY: Thursday
TABLED BY:	Deputy Pastor	Majority Leader
CLERK-AT THE-TABLE:	Joyce	Lemmerelle

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**NATIONAL CANCER INSTITUTE  
OF KENYA**

**FOR THE YEAR  
ENDED 30 JUNE, 2020**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
29 JUL 2021  
**RECEIVED**



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**NATIONAL CANCER INSTITUTE OF KENYA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE 2020**

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

*National Cancer Institute of Kenya*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020.**

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Table of Contents

Page

1. KEY NATIONAL CANCER INSTITUTE OF KENYA INFORMATION AND MANAGEMENT .....	ii
2. THE BOARD OF DIRECTORS .....	v
3. MANAGEMENT TEAM .....	viii
4. CHAIRMAN'S STATEMENT .....	x
5. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xii
6. CORPORATE GOVERNANCE STATEMENT.....	xiii
7. MANAGEMENT DISCUSSION AND ANALYSIS .....	xiv
8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....	xv
9. REPORT OF THE DIRECTORS.....	xvii
10. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xix
11. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF NATIONAL CANCER INSTITUTE OF KENYA.....	xx
12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020 .	1
13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020 .....	2
14. STATEMENT OF CHANGES IN EQUITY.....	3
15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020.....	4
16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020.....	5
17. NOTES TO THE FINANCIAL STATEMENTS.....	6

## **1. KEY NATIONAL CANCER INSTITUTE OF KENYA INFORMATION AND MANAGEMENT**

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

The National Cancer Institute of Kenya (NCI-Kenya) is a statutory body created under the Cancer Prevention and Control Act (No. 15 of 2012). This was in recognition of the need for a more coordinated and multisectoral response to the growing cancer burden in Kenya

### **(b) Principal Activities**

The principal activity/mission/ mandate of the National Cancer Institute of Kenya is to provide leadership, oversight and coordination of rights-centered cancer prevention and control through resource mobilization, regulation of practice, policy advisory, research, capacity building, public education and maintaining the national cancer registry.

### **(c) Key Management**

The National Cancer Institute of Kenya day-to-day management is under the following key organs:

- Board of Directors;
- Chief Executive Officer
- Management

### **(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	CEO	<b>Dr. Alfred Karagu</b>
2.	Head of Policy, Strategy and Planning	<b>Dr. Hannah Kagiri</b>
3.	Ag. Head of Finance	<b>Dr. Loise Nyanjau</b>

**(e) Fiduciary Oversight Arrangements**

***Finance and Administration subcommittee functions***

- Ensure maintenance of proper books and records of accounts of the income, expenditure and assets of the Institute
- Review draft/interim financial reports and make appropriate recommendations to the Board
- Guide the Board on the provisions to be made for capital and recurrent expenditure and for the reserves of the Institute
- Review and recommend for Board approval fees to be charged for services rendered by the Institute
- Guide the Board on the appropriate strategies for resource mobilization and investment for the funds of the organization
- Approve remuneration, benefits and other terms and conditions of the staff of the Institute.
- Monitor the assets of the organization

***Risk and audit subcommittee function***

- To monitor the financial integrity of financial statements of the board and any communication relating to council financial performance
- To review the boards internal financial control and risk management systems
- To monitor and review the effectiveness of council's internal audit function and make recommendations to the council, in relation to appointment of an external auditor and proposed remuneration and terms and conditions of the external auditor
- Advise the Board on financial investments and risks thereof
- Perform any activities that may be assigned by the Board

**(f) NCI-K Headquarters**

P.O. Box 30016 – 00100 GPO  
6<sup>TH</sup> Floor Landmark Plaza  
Argwings Kodhek Road  
Nairobi, KENYA

**(g) NCI-K Contacts**

Telephone: (254) 780 900 519 / (254) 714 177 465 / (254) 710 642 513 (Whatsapp)

E-mail: [ceonci-k@ncikenya.or.ke](mailto:ceonci-k@ncikenya.or.ke)

Website: [www.ncikenya.or.ke](http://www.ncikenya.or.ke)

**(h) NCI-K Bankers**

1. Kenya Commercial Bank  
Milimani Branch (NSSF Building)  
P.O. Box 69695-00400  
**NAIROBI, KENYA**




**(i) Independent Auditors**

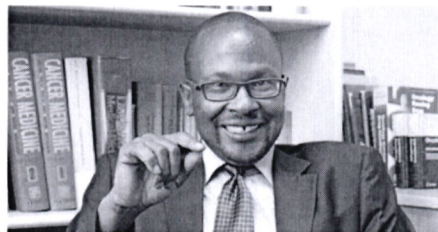
Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

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

**2. THE BOARD OF DIRECTORS**

DIRECTORS	DETAILS
 <p>1. Dr. Ochiba Mohamed Lukandu PHD</p>	<p>Dr. Lukandu holds a Bachelors in Dental Surgery from the University of Nairobi and Ph.D in Oral Pathology from University of Bergen. He also has a Post-graduate Certificate in Cancer Prevention from the United States National Cancer Institute.</p> <p>Dr. Lukandu is the Head of Department and Senior Lecturer, Department of Maxillofacial Surgery, Medicine &amp; Pathology and Radiology, School of Dentistry, College of Health Sciences, Moi University. He is also an Oral Pathologist at Moi Teaching and Referral Hospital, Eldoret and a Member, Institutional Research and Ethics Committee, Moi University and Moi Teaching and referral Hospital IRB</p>
 <p>2. Dr. Alfred Karagu Maina MBChB, MSc</p>	<p>Dr Karagu is the Acting Chief Executive Officer of the National Cancer Institute of Kenya. He is a public health specialist with over 15 years' experience in clinical and health services management, monitoring and evaluation training and public health research. He holds a Bachelors degree in Medicine and Surgery and a Master of Science in Health Systems Management and is a graduate of the Field Epidemiology and Laboratory Training Programme, a competency-based training program of the Ministry of Health and United States Centre for Disease Control.</p>
 <p>3. Mrs. Mercy Oburu MBA</p>	<p>Mercy Oburu is an independent Board member representing the Media Owners Association. She is currently the Digital Content Manager at Royal Media Services. Her duties are mainly centred around managing a team that generates content for Citizen Digital and eDaily websites. She holds an MBA in Strategic management, from Moi University and a Bachelors in Arts from Daystar University.</p>



4. Mr. David Makumi Kinyanjui  
 BSc Nursing

Mr. David Makumi represents the cancer civil society groups within the Board. He is an award winning cancer control advocate with over 15 years' experience of senior healthcare leadership at clinical, administrative, advocacy and policy level. Currently he is providing strategic leadership as Vice Chairman of the Non-Communicable Diseases Alliance of Kenya (NCD-AK) a national body of almost 40 not-for-profit organizations and patient's groups involved in control and prevention of NCDs. David was the founding chair of the Kenya Network of Cancer Organization (KENCO) where he provided transformative leadership, establishing KENCO as the national umbrella body of the cancer civil society and cancer patients groups. He is now the strategy and media advisor to the KENCO board. At the global level, David is on the World Health Organization (WHO) Expert Advisory Group on elimination of cervical cancer as well as the Global Advocacy Consultation Group of International Union for Cancer Control (UICC).



5. Dr. Evangeline Njiru  
 MBChB, MMED

Dr. Evangeline W. Njiru has over 10 years' experience working as a cancer specialist (Oncology) and as a general medical physician. She is also a lecturer at Moi University and Moi Teaching and Referral hospital. She is a member of several professional associations including Kenya Medical Association (KMA), Kenya Association of Physicians (KAP), East, Central and South Africa College of Physicians (ECSACOP), Kenya Medical Women's Association (KEMWA) and American College of Clinical Oncologists (ASCO). She is passionate about cancer prevention and optimal care for those afflicted and affected by cancer.






6. Dr. Waqo Ejersa

He is a Senior Public Health Specialist based at the Ministry of Health headquarters and represents the Principal Secretary, MOH in the NCI Board. He is passionate about reversing the negative Public health trends and prides himself as a highly trained Public service leader with vast leadership skills spanning over 24 years. Dr. Waqo holds a Masters of Public Health in Health Care Administration as well as Bachelors of Medicine and Surgery






<p>MBChB, MSc</p>	
<div data-bbox="248 383 668 667" data-label="Image"> </div> <div data-bbox="215 665 485 734" data-label="Caption"> <p>7. Mrs. Anne Korir MPH</p> </div>	<p>Anne is a senior research scientist (Epidemiologist) working at the Kenya Medical Research Institute (KEMRI) in the area of non-communicable disease, mainly cancer. She has a Masters degree in Public Health and currently pursuing a PhD in cancer epidemiology. Anne has made significant contributions towards cancer data in Kenya and sub-Saharan Africa. She is a pioneer in the establishment of population-based cancer registries across various counties in Kenya and is currently the head of the National population-based cancer registry at KEMRI.</p>
<div data-bbox="177 893 536 1263" data-label="Image"> </div> <div data-bbox="215 1294 641 1335" data-label="Caption"> <p>8. Prof. Walter O. Oyawa, PhD</p> </div>	<p>Prof. Oyawa, is currently the Director General of the National Commission for Science, Technology &amp; Innovation (NACOSTI). He is a Professor of Civil Engineering, a holder of a PhD in Civil Engineering and a holder of Executive MBA. He is a Registered Professional Engineer, a Lead Expert-NEMA and a reviewer of several international journals.</p>

**3. MANAGEMENT TEAM**

	<b>MANAGEMENT</b>	<b>DETAILS</b>
1.	 <p>Dr. Alfred Karagu Maina, MBChB, MSc</p>	Chief Executive Officer
2.	 <p>Dr. Hannah Kagiri, BDS, MPH</p>	Head of Policy, Strategy and Planning
3.	 <p>Dr. Loise Nyanjau, MBChB, MPH</p>	Ag. Head of Financing/ Director Partnerships and Resource Mobilization

**National Cancer Institute of Kenya  
Annual Reports and Financial Statements  
For the year ended June 30, 2020.**

4.	 <p>Dr. Martin Mwangi, MBChB, MSc</p>	Head, Regulation and Compliance
5.	 <p>Mrs. Anne Barsigo</p>	Head, Monitoring and Evaluation
6.	 <p>Ruth Muia, MSc, BSc</p>	Head, Cancer Awareness and Prevention
<p><b>Note:</b> The CEO and the Company Secretary will feature both under the 'Board' and 'Management'.</p>		

#### **4. CHAIRMAN'S STATEMENT**

The NCI-Kenya has a broad mandate to provide leadership and coordination of the country's cancer response by convening stakeholders to synergize efforts and resources towards reducing the cancer burden in Kenya. In particular, the Institute has identified four critical areas that are essential towards achieving its mandate namely:

a) Regulation and Enhancing Access to Cancer Care

The Institute seeks to ensure access to the highest attainable standards of cancer care through collaborating with relevant agencies, within and beyond the health sector to ensure that any facility offering cancer/oncology services meets the defined minimum standards. Further, NCI Kenya works closely with relevant agencies to enforce adherence to available legal frameworks for mitigation and reduction of cancer risk factors.

b) Stakeholder coordination and Resource mobilization towards enhanced access to cancer prevention and control

Cancer is as a result of an interplay of multiple risk factors hence the need for a multi-stakeholder approach in its prevention, control and management. In order to achieve this, NCI Kenya is keen to engage stakeholders within and beyond the health sector, both state and non-state, and at all levels to prioritize and contribute to cancer prevention and to either directly or indirectly allocate resources towards cancer prevention and control. The Institute thus serves as the convener of all players involved in cancer prevention and control, including civil society stakeholders.

c) National Cancer Registry

The Cancer Prevention and Control Act in Part III Sections (20) to (22) mandates the NCI-Kenya to maintain a national cancer register that shall contain information on persons diagnosed with cancer and all entities that provide cancer services in Kenya. The Act requires the cancer register to inform on the epidemiological landscape of cancer in the country and towards this, the Act has prescribed the requirement for cancer notification by all medical institutions upon making a diagnosis of cancer. With funding from Treasury, the Institute has established a national cancer registry that will contain updated data that can be used to inform policy.

d) Cancer Prevention (Awareness creation and capacity building)

The low levels of awareness within the Kenyan population coupled with a diverse and dynamic population requires a long-term investment aimed at getting a large population to adopt healthy habits. For this to be effective and impact on the population, there is need to mobilize adequate

resources to mount an innovative and a whole of government approach. Being the body responsible for the cancer response in Kenya, the Institute is engaging stakeholders including but not limited to religious bodies, health sector, teaching institutions and community structures to ensure the population is reached with factual cancer messages The Institute also expects to advocate for policy change related to cancer prevention among relevant institutions, both within and beyond Government.

## **5. REPORT OF THE CHIEF EXECUTIVE OFFICER**

In the FY 2019/20, the National Cancer Institute participated in the MTEF process for the 2019/20 - 2022/23 period. Here, the Institute provided key performance targets, outputs and the funding requirement. The priorities of the NCI-Kenya were geared towards delivery of its mandate in line with the Cancer Prevention and Control Act, its contribution towards Universal health coverage and Institutional strengthening.

The priority investment areas identified by the Institute in FY 2019/20 included;

- Establishment of national and county cancer registries to strengthen monitoring and evaluation of cancer prevention and control activities
- Development of policies and strategies to provide frameworks that will guide response to cancer prevention and control in Kenya
- Increasing public awareness on cancer risk factors and available services across the continuum of care
- Developing the human resource capital in the institute to ensure delivery of its mandate
- Stakeholder engagement to enhance resource allocation and prioritization of cancer activities

## **6. CORPORATE GOVERNANCE STATEMENT**

The NCI -Kenya is a fully fledged semi-autonomous government agency within the Ministry of Health with a functional Board of Trustees providing overall leadership at the Institute and a secretariat consisting of nine (9) technical officers responsible for day-to-day management in the Institute. It is important to note that the officers were deployed from the Ministry therefore their personnel emolument is still under the Ministry of Health.

In efforts to operationalize the Institute, the Institute is in the process of;

- Developing its institutional Strategic Plan
- Developing its human resource instruments specifically the NCI-K organizational structure, scheme of service and human resource policy
- Placed an application with SCAC for categorization and recognition as a state corporation

## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

During the year under review, the Institute embarked on the process of operationalization as a semi-autonomous agency. The main activities were establishment of Institutional structures, public education and awareness creation and relevant stakeholder engagement. Management discussion and analysis will be covered in the preceding quarterly reports



## **8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The National Cancer Institute of Kenya exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Sustainability strategy and profile**

The National Cancer Institute has prioritized the establishment of partnerships and collaborations with various stakeholders as a critical strategy for sustainable service delivery. Within its organizational structure, there is a fully-fledged Department on Partnerships and Coordination that is charged with the responsibility of creating collaborations with public, private and civil-society entities. In addition, the Institute has identified different platforms for additional income generation to supplement the conditional grant allocations from Exchequer. This includes levying fees for registration of cancer centres as well as writing grant proposals for additional funding towards programmatic activities as well as research.

### **ii) Environmental performance**

The Institute is yet to operationalize an organizational environmental policy. However, the Institute signed a Memorandum of Understanding with the Kenya Forestry Services that will enable the two Institutions partner in the areas of forest conservation and awareness creation on cancers. In addition, the Institute has committed to annual tree planting exercises within its Performance Contract.

### **iii) Employee welfare**

The Institute embarked on the process of categorization as a State Corporation by the State Corporation Advisory Committee in November 2020. The draft Human Resource Policy Manual which is under review by SCAC enumerates the requisite human resource practices for the organization including recruitment, retention and development of the NCI staff. In addition, the organization's Annual Work Plan and Budget have specific allocations for staff training to build the leadership and management capacity.

**iv) Market place practices-**

The organisation should outline its efforts to:

**a) Responsible competition practice.**

The Institute is in the service sector with its main mandate being coordination and regulation of cancer prevention and control activities. While playing this regulatory role, NCI has adopted a consultative and collaborative approach working closely with other regulatory agencies within the health sector and has been actively involved in joint health inspection activities.

**b) Responsible Supply chain and supplier relations**

NCI Kenya is still dependent on the parent Ministry of Health in carrying out procurement-related activities. The Institute endeavours to process and avail all the relevant documentation as required to enable efficient payment to suppliers for all goods and services supplied.

**c) Responsible marketing and advertisement**

The Institute has not been involved in any direct advertisement campaigns but has rather leveraged on its participation in awareness and advocacy activities to enhance its visibility.

**d) Product stewardship**

NCI has been keen on protecting consumer rights and has worked directly with cancer patients and survivors during the development of various policy documents including the Cancer Policy 2019-2030 and the Institute's own Strategic Plan 2020-2023.

**v) Corporate Social Responsibility / Community Engagements**

During the 2019/2020 financial year and at the height of the COVID-19 epidemic, the Institute donated face masks to cancer survivors who were at a high risk of contracting the infection. This also provided an opportunity to educate the survivors on how to protect themselves from COVID.

## **9. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020, which show the state of the NCI's affairs.

### **i) Principal activities**

The principal activities of the NCI-K are:-

- i. To strengthen governance, oversight and coordination of cancer response in Kenya to ensure effective partnerships and coordination mechanisms
- ii. To develop and manage an integrated cancer data surveillance system and promote cancer research to inform policy and practice
- iii. To promote a multi sectoral and innovative approach in public education and awareness creation on cancer prevention and control
- iv. To strengthen the NCI-Kenya institutional capacity to deliver on its mandate

### **ii) Results**

The results of the NCI-K for the year ended June 30, 2020, are set out on page 1.

### **iii) Directors**

The members of the Board of Directors who served during the year are shown on page v-vii. During the year no director retired/ resigned and no director was appointed.

### **iv) Surplus remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each Quarter. However, the Institute does not give dividends nor remit surplus as its funding is from the exchequer and does not generate their own revenue for now.

*National Cancer Institute of Kenya*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020.**

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**v) Auditors**

The Auditor General is responsible for the statutory audit of the National Cancer Institute (NCI) of Kenya in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or to carry out the audit of NCI for the year/period ended June 30, 2020 in accordance to 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

Name D. ALFRED KARAGU  
Corporate Secretary/Secretary to the Board

Signature 

Date 08/07/2022

## **10. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 83 of the Public Finance Management Act, 2012 and Legal Notice Number 4 of the State Corporations Act Cap. 446 require the Directors to prepare financial statements in respect of that *NCI*, which give a true and fair view of the state of affairs of the *NCI* at the end of the Quarterly /period and the operating results of the *NCI* for that year/period. The Directors are also required to ensure that the *NCI* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *NCI*. The Directors are also responsible for safeguarding the assets of the *NCI*.

The Directors are responsible for the preparation and presentation of the *NCI's* financial statements, which give a true and fair view of the state of affairs of the *NCI* for and as at the end of the period ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *NCI*; (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 *NCI*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *NCI's* quarterly financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the *NCI's* financial statements give a true and fair view of the state of *NCI's* transactions during the year ended 30 June 2020 and of the *NCI's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *NCI*, which have been relied upon in the preparation of the *NCI's* financial statements as well as the adequacy of the systems of internal financial control.

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

### **Approval of the financial statements**

The *NCI's* financial statements were approved by the Board on \_\_\_\_\_ 2020 and signed on its behalf by:



Board Chairperson  
Dr. Ochiba M. Lukandu



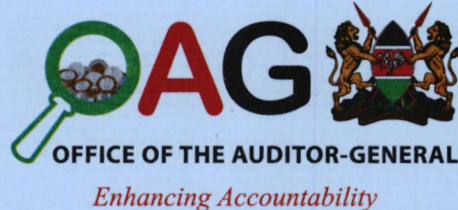
C.E.O of NCI



Ag. Finance Director/Accountant

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL CANCER INSTITUTE OF KENYA FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of the National Cancer Institute of Kenya set out on pages 1 to 22, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Cancer Institute of Kenya as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Cancer Prevention and Control Act, 2012 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **Unsupported Travelling and Subsistence**

The statement of financial performance reflects expenditure of Kshs.20,057,084 in respect of use of goods and services and as disclosed in Note 8 to the financial statements. Included in the amount is Kshs.13,457,560 on subsistence and travel allowance out of which expenditure revealed Kshs.2,557,800 was not supported by payment vouchers or any supporting documents.

In the circumstances, the accuracy and completeness of travel and subsistence allowances of Kshs.2,557,800 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Cancer Institute of Kenya

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 qualified opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects expenditure budget of Kshs.41,891,585 and actual on a comparable basis of Kshs.27,919,044 resulting to an under absorption of Kshs.13,972,541 or 33% of the budget.

The under absorption affected the planned activities and may have impacted negatively on service delivery to the stakeholders.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Late Submission of 2019/2020 Financial Statements**

The financial statements for the National Cancer Institute of Kenya for the year ended 30 June, 2020 were submitted to the Auditor-General on 16 November, 2021, fourteen (14) months after the statutory deadline to submit of 30 September, 2020. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

Consequently, the Institute's Management was in breach of the law.

## **2.0 Non-Submission of 2018/2019 Financial Statements**

The Institute Management did not prepare and submit financial statements for the year ended 30 June, 2019. This is contrary to Section 81(1) of the Public Finance Management Act, 2012 which states that at the end of each financial year, the accounting officer for a national government entity shall prepare financial statements in respect of the entity.

Consequently, the Institute's Management was in breach of the law.

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.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

##### **1.0 Lack of Internal Audit Function and an Audit Committee of the Board**

The Institute has not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 73 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

Consequently, the Bureau was in breach of law.

##### **2.0 Lack of Risk Management Policy and Strategy**

The Institute Management had not put in place risk a management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This was contrary to Regulation 165 (1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism; and that the national



government entity develops a system of risk management and internal control that builds robust business operations.

### **3.0 Deficiencies in Performance of Functions Under the Law**

The National Cancer Institute of Kenya was established by Cancer Prevention and Control Act, 2012 to coordinate and centralize all activities, resources and information related to cancer prevention and control in Kenya. However, the institute is not fully operational and the following deficiencies were noted:

- i. The Institute was mandated to encourage and secure the establishment of hospitals, vocational treatment and care centres, and other institutions for the welfare and treatment of persons with cancer in all counties. However, the Institute had managed to roll out the Cancer Notification Tool to twenty-one (21) facilities located in only thirteen (13) out of the forty-seven counties in the country. Implying that the remaining thirty-four (34) counties cannot utilize the tool;
- ii. The Institute was mandated to co-ordinate services provided in Kenya for the welfare and treatment of persons with cancer and to implement programmes for vocational guidance and counseling. However, the Institute did not conduct any programmes geared towards vocational guidance and counseling to cancer patients;
- iii. The Institute was mandated to establish and support the large-scale production or distribution of specialized biological materials and other therapeutic substances for research and set standards of safety and care for persons using such materials. However, the Institute did not conduct any programmes geared towards vocational guidance and counseling to cancer patients;
- iv. The Institute was mandated to establish and support the large-scale production or distribution of specialized biological materials and other therapeutic substances for research and set standards of safety and care for persons using such materials. However, the institute did not report any such initiative undertaken within the year of audit;
- v. The Institute was mandated to encourage and secure the care of persons with cancer within their communities and social environment. However, the Institute had no indication of such initiatives.

In the circumstances, the coordination of treatment of persons with cancer, production or distribution of specialized biological materials and securing the care of persons with cancer were lacking.

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.

## **Responsibilities of Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 control, risk management and governance.

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about 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 and that public resources are applied in

an effective way, 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.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control 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 control may not prevent or detect misstatements and instances of non-compliance. 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the 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 Institute'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 Institute to continue to sustain its services.
- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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.

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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

05 September, 2022

*National Cancer Institute of Kenya*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020.**

**12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2019-2020
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from other governments entities	5	27,767,000
Public contributions and donations	6	14,124,585
<b>Total revenue</b>		<b>41,891,585</b>
<b>Expenses</b>		
Remuneration of directors	7	770,600
Use of goods and services	8	20,057,084
Transfer to other entities	9	4,073,760
Depreciation	11	566,415
<b>Total expenses</b>		<b>25,467,859</b>
<b>Other gains/(losses)</b>		<b>-</b>
<b>Surplus before tax</b>		<b>16,423,726</b>
Taxation		
<b>Surplus/(deficit) for the period/year</b>		<b>16,423,726</b>
<b>Net Surplus for the year</b>		<b>16,423,726</b>

The notes set out on pages 6 to 22 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

Accounting Officer

Name: **DR. ALFRED KARAEY**

Date: **08/07/2022**

Head of Finance

Name: **LAWRENCE MUCENDO**

ICPAK Member Number: **9445**

Date: **08/07/2022**

Chairman of the Board

Name: **M.N. MBARUW**

Date: **08/07/2022**

**National Cancer Institute of Kenya**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020.**

**13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Notes	2019-2020
		Kshs
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	10	13,972,541
<b>Total Current Assets</b>		<b>13,972,541</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	11	2,451,185
<b>Total Non- Current Assets</b>		<b>2,451,185</b>
<b>Total Assets</b>		<b>16,423,726</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		-
<b>Total Current Liabilities</b>		-
<b>Non-Current Liabilities</b>		-
<b>Total Non- Current Liabilities</b>		-
<b>Total Liabilities</b>		-
<b>Net assets</b>		
Reserves		
Accumulated surplus		16,423,726
Capital Fund		
<b>Total Net Assets</b>		
<b>Total Net Assets and Liabilities</b>		<b>16,423,726</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

Accounting Officer

Name: **D. ACEED KARARA**

Date

**08/07/2022**

Head of Finance

Name: **LAWRENCE MUKENDA**

ICPAK Member Number: **9445**

Date **08/07/2022**

Chairman of the Board

Name: **M.N. MBARUKU**

Date

**08/07/2022**

**14. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020**

C	not es	Retained earnings	Capital/	Total
			Develop ment Grants/F und	
<b>As at July 1, 2019</b>		<b>0</b>	<b>0</b>	<b>0</b>
Surplus/ Deficit for the year		16,423,726	0	<b>16,423,26</b>
Capital/Development grants received during the year		0		
Transfer of depreciation/amortisation from capital fund to retained earnings		0		
<b>As at June 30, 2020</b>		<b>16,423,726</b>	<b>0</b>	<b>16,423,726</b>

*Note:*

1. *For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*
2. *Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.*

15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2019-2020
	Notes	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from other governments entities	5	27,767,000
Public contributions and donations	6	14,124,585
Refunds		
<b>Total Receipts</b>		<b>41,891,585</b>
<b>Payments</b>		
Use of goods and services	7	20,057,084
Remuneration of directors	8	770,600
Transfers to other entities	9	4,073,760
<b>Total Payments</b>		<b>24,901,444</b>
<b>Net cash flows from/(used in) operating activities</b>		<b>16,990,141</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangible assets	11	-3,017,600
<b>Net cash flows from investing activities</b>		<b>-3,017,600</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings		-
Repayment of borrowings		-
Proceeds from issue of shares		-
Increase in capital funds		-
<b>Net cash flows from /(used in) financing activities</b>		<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,972,541</b>
Cash and cash equivalents at 1 JULY		0
<b>Cash and cash equivalents at 30 JUNE</b>	10	<b>13,972,541</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

Accounting Officer

Name: *D. ALFRED KARAIEM*

Date: *08/07/2022*

Head of Finance

Name: *LAWRENCE MWENBA*

ICPAK Member Number: *9445*

Date: *08/07/2022*

Chairman of the Board

Name: *M.N. MBARUKU*

Date: *08/07/2022*



*National Cancer Institute of Kenya*  
Annual Reports and Financial Statements  
For the year ended June 30, 2020.

**16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020**

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% of utilisation	
	Kshs	A	Kshs	b	Kshs	C=(a+b)	Kshs	d	Kshs	e=(c-d)	Kshs	F=d/c
<b>Revenue</b>												
Transfers from other governments entities		27,767,000		-		27,767,000	27,767,000		0			100%
Public contributions and donations		14,124,585		-		14,124,585	14,124,585		0			100%
<b>Total income</b>		<b>41,891,585</b>		-		<b>41,891,585</b>	<b>41,891,585</b>		<b>0</b>			<b>100%</b>
<b>Expenses</b>												
Use of goods and services		37,817,825		-		37,817,825	20,057,084	17,760,741				53%
Remuneration of directors		0				0	770,600	-770,600				
Transfers to other entities		4,073,760		-		4,073,760	4,073,760		0			100%
Purchase of equipment		-		-		-	3,017,600	-3,017,600				
<b>Total expenditure</b>		<b>41,891,585</b>		<b>0</b>		<b>41,891,585</b>	<b>27,919,044</b>	<b>13,972,541</b>				<b>67%</b>
<b>Surplus for the period</b>		<b>0</b>		<b>0</b>		<b>0</b>	<b>13,972,541</b>					<b>-</b>

## **17. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

National Cancer Institute of Kenya is established by and derives its authority and accountability from Cancer Prevention and Control Act, 2012. The institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institute's principal activity is to advise the Cabinet Secretary on matters relating to the treatment and care of persons with cancer and to advise on the relative priorities to be given to the implementation of specific measures

### **2. Statement of Compliance and Basis of Preparation**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the National Cancer Institute of Kenya.

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

### **3. Summary of Significant Accounting Policies**

#### **a) Revenue recognition**

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

##### **Fees, taxes and fines**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Institute and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**Rendering of services**

The Institute recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Institute.

**Interest income**

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

**ii) Revenue from exchange transactions**

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Institute's right to receive payments is established.

**Rental income**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**b) Budget information**

The original budget for FY 2019-2020 was approved by the National Assembly on July 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Institute upon receiving the respective approvals in order to conclude the final budget.

The Institute's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 14 of these financial statements.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Institute operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Institute and the same taxation authority.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

*Sales tax*

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

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

**e) Property, plant and equipment**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Institute. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Institute also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Institute will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

**g) Intangible assets**

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

The useful life of the intangible assets is assessed as either finite or indefinite.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**h) Research and development costs**

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

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

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

**i) Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Institute determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

**Held-to-maturity.**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Institute has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

The Institute assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Institute determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**j) Inventories**

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Institute.

**k) Provisions**

Provisions are recognized when the Institute has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Institute expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**l) Contingent liabilities**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**m) Contingent assets**

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

**n) Nature and purpose of reserves**

The Institute creates and maintains reserves in terms of specific requirements.

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

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

**p) Employee benefits**

**Retirement benefit plans**

The Institute provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**q) Foreign currency transactions**

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

**r) Borrowing costs**

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

**s) Related parties**

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

**t) Service concession arrangements**

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

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

**u) 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.

***National Cancer Institute of Kenya***  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020.**

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For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**v) Comparative figures**

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

**w) 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, 2020.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Significant Judgments and Sources of Estimation Uncertainty (Continued)**

**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:

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. Transfers from Other Government Entities**

<b>Description</b>	<b>2019-2020</b>
	<b>KShs</b>
<b>Unconditional grants</b>	
Operational grant	27,767,000
<b>Total Unconditional Grants</b>	<b>27,767,000</b>
<b>Conditional grants</b>	
<b>Total government grants and subsidies</b>	<b>27,767,000</b>

**6. Public Contributions and Donations**

<b>Description</b>	<b>2019-2020</b>
	<b>KShs</b>
Kphse National Research	3,317,300
Intl Festone	4,918,875
Conquer Cancer Society	986,013
National Research Fund	1,990,410
Nairobi Securities	1,900,000
Conquer Cancer Society	1,011,987
<b>Total Donations</b>	<b>14,124,585</b>

**7. Board Expenses**

<b>Description</b>	<b>2019-2020</b>
	<b>KShs</b>
Sitting, travel and accommodation allowances	770,600
<b>Total</b>	<b>770,600</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. Use of Goods and Services**

<b>Description</b>	<b>2019-2020</b>
	<b>KShs</b>
Conferences and delegations	1,415,450
Office and administration	37,000
Renovation	1,542,721
Travel Hire	47,750
Bank charges	3,608
Printing and stationery	2,305,750
Telecommunication	108,000
Training	1,066,620
Research	72,625
Travel, accommodation, subsistence and other allowances*	13,457,560
<b>Total</b>	<b>20,057,084</b>

**9. Transfers to other entities**

<b>Description</b>	<b>2019-2020</b>
	<b>KShs</b>
Transfer to other entities	4,073,760
<b>Total</b>	<b>4,073,760</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. (a) Cash and Cash Equivalents**

<b>Description</b>	<b>2019-2020</b>
	<b>KShs</b>
Current account	13,972,541
<b>Total cash and cash equivalents</b>	<b>13,972,541</b>

**(b) Detailed Analysis of the Cash and Cash Equivalents**

		<b>2019-2020</b>
<b>Financial institution</b>	<b>Account number</b>	<b>KShs</b>
<b>a) Current account</b>		
Kenya Commercial bank	1219985260	13,972,541
<b>Grand total</b>		<b>13,972,541</b>

*National Cancer Institute of Kenya*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. Property, Plant and Equipment**

	<b>Furniture and fittings</b>	<b>Computers</b>	<b>Total</b>
<b>Cost</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
As at 1 July 2019	-	-	-
Additions	2,094,600	923,000	<b>3,017,600</b>
Disposals	-	-	-
Transfers/adjustments	-	-	-
<b>As at 30<sup>th</sup> June 2020</b>	<b>2,094,600</b>	<b>923,000</b>	<b>3,017,600</b>
<b>Depreciation and impairment</b>	<b>12.5%</b>	<b>33%</b>	
At 1 July 2019	0	0	-
Depreciation	261,825	304,590	<b>566,415</b>
Impairment	0	0	-
<b>As at 30 June 2020</b>	<b>261,825</b>	<b>304,590</b>	<b>566,415</b>
<b>Net book values</b>			
<b>As at 30<sup>th</sup> June 2020</b>	<b>1,832,775</b>	<b>618,410</b>	<b>2,451,185</b>

