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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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REPORT OF THE AUDITOR-GENERAL ON NATIONAL CANCER INSTITUTE OF KENYA FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Cancer Institute of Kenya set out on pages 1 to 36 which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts, for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Cancer Institute of Kenya at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Cancer Prevention and Control Act No.15 of 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. None Preparation of the statement of Reconciliation of Budget and Actual Amounts and the Statement of Cash Flow Balances

The Public Sector Accounting Standards Board Template Prescribes a reconciliation statement of the surplus amount in the statement of Budget and actual amounts. However, no reconciliation statement to reconcile the two-balances was prepared to reconcile the two balances contrary to the provisions of the public sector accounting Standards Board template.

In the circumstances the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

2. Variances in the Statement of Cash Flows and the Statement of Comparison of Budget and Actual Amounts.

The statement of cash flows reflects surplus payments of Kshs.85,510,040. However, the following variances were noted in the balances as reported in the statement of cash flows as compared to the statement of comparison of budget and actual amounts;

	Statement of Cash Flows (Kshs)	Statement of Comparison of Budget and Actual Amounts (Kshs)	Variance (Kshs)
Surplus for the year	85,510,040	28,086,865	57,423,175
Use of Goods and Services	170,122,428	168,744,468	1,377,960

3. Long Outstanding and Unconfirmed Trade Payables

The statement of financial position reflects trade and other payables of Kshs.1,842,002 as disclosed in Note 19 to the financial statements. This includes Kshs.1,807,699 which relates to services provided from five suppliers. However, the following observations were made;

i. There were no payment vouchers, invoices, purchase orders and procurement details on how the suppliers were engaged.

ii. These payables have been outstanding for a period of more than 3 years contrary to the requirements of the National Treasury Circular No.10/2020 Reference No. DGIPE/A/1/80 dated 16 June, 2020 which requires that payables should form first charge on an entity's expenditure for the year.

In the circumstances, the accuracy and completeness of year trade and other payables balance of Kshs.1,842,002 could not be confirmed.

4. Unsupported Adjustment of Financial Statements

The Institute's financial statements as prepared and submitted for audit, had balances as tabulated below. However, subsequent amendments were made in the revised financial statements without appropriate journal entries in the ledgers to support the amendments.

	Submitted Financial Statement Figure (Kshs)	Revised Financial Statements (Kshs)	Variance (Kshs)
Use of Goods and Services	212,657,422.07	168,744,468	43,912,954.07
Depreciation and Amortization	8,164,102.99	17,842,159	9,678,056.01
Property Plant and Equipment-Additions	9,948,752	30,302,168	20,353,416
Intangible Assets	13,916,436	14,698,502	782,066
Property Plant and Equipment	46,569,358.82	35,675,530	10,893,828.82

5. Errors, Omissions and Lack of Adequate Disclosure in the Financial Statements

The following errors, omissions and lack of adequate disclosure were identified in the financial statements submitted for audit:

i. There is no description of the Board members as to whether they are independent or alternate board members.

ii. Key qualification for Board member number.1,3,4,5,6,9, and 11 has not been disclosed.

iii. The statement of performance against predetermined objectives has no quantifiable performance targets and achievements.

iv. Item on Board expenses as disclosed in the statement of cash flows reads Directors Remuneration in the Statement of Comparison of Budget and Actual. There should be a uniformity in description of items across the financial statements

In the circumstances, the financial statements did not comply with the financial reporting template provides by Public Sector Accounting Standard Board.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.306,000,000 and actual receipts of Kshs.253,015,169 resulting to a shortfall of Kshs.52,984,831 or 17.3%. Further the Institute reported actual receipts on a comparable basis of Kshs.253,015,169 and total actual payments of Kshs.336,608,200 resulting to overutilization of Kshs.83,593,031.

In the circumstances, the budgetary shortfall may have affected implementation of planned activities and service delivery to the citizens.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion Concern section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the prior year's audit report, several issues were raised under Emphasis of Matter, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Institute in 2024/2025 revealed that the following matters remained unresolved as shown in Appendix 1.

Other Information

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

In connection with my audit on the Institute financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Payment of Acting Allowance for more than Six (6) Months

The statement financial performance and as disclosed in Note 10 to the financial statements reflects employee costs of Kshs.38,830,544 which includes salaries and wages of Kshs.19,341,853. A review of the payroll and other human resource documents revealed that during the year under review, the acting Chief Executive Officer who was deployed to the National Cancer Institute on 19 April, 2023 (Ref.MOH/HR/4/1/3) was paid a monthly acting duty allowance of Kshs.220,000 for more than 6 months contrary to the provisions of Paragraph C14(1) of the Human Resource Policies and Procedures Manual, 2016 which states that acting allowances will not be payable to an officer for more than six (6) months.

In the circumstances, Management was in breach of law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in
the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Approve and Authenticate Bank Reconciliation Statements

The statement of financial position reflects cash and cash equivalents balance of Kshs.85,510,040 as disclosed in Note 14 to the financial statements. However, Management did not approve and authorize monthly Bank reconciliations for ABC Bank account for the year under review.

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

2. Weaknesses in Human Resource Management

The statement financial performance and as disclosed in Note 10 to the financial statements. reflects employee costs of Kshs.38,830,504 which includes salaries and wages of Kshs.19,341,853. National Cancer Institute (NCI) has an approved staff establishment of 247 employees whereas the current staff in post stands is 41 resulting to a variance of 206. This may hinder the efficiency and effectiveness of the Institute to fulfill its mandate.

In the circumstances, the inadequacies in staffing levels may have affected the effectiveness of achieving the Institute's mandate.

3. Delayed Office Renovation Works

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects repairs and maintenance expenses of Kshs.7,379,379 out of which Kshs.5,571,374 were expenses on alterations and renovation of office space. Analysis of the procurement documents revealed that the contract was awarded to a company on 3 April, 2025 valued at Kshs.9,524,543. Further, the project was due for completion in 8 weeks from the date of the contract. However, as at the time of audit on 24 November, 2025 the project was still incomplete twenty-two (22) weeks past the agreed project completion date. A Project implementation status report provided by Ministry of Lands, Public Works, Housing and Urban Development signed on 25 November, 2025 highlighted several pending works as listed below;

i. Floor and finishes including tiles and carpet tiles in the boardroom, Chairs office and CEOs office.

ii. Fabrication and installation of reception desk.

iii. Fabrication and installation of custom display cabinetry in the boardroom, chairs office, CEOs office and Executive waiting area.

In the circumstances, the value for money for expenditure of Kshs.5,304,848 has not been realized and the uncompleted project is not benefitting the institute.

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

Responsibilities of the Management and Board of Trustees

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

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

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

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

The Board of Trustees are 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

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 December, 2025

Appendices

Appendix1: Unresolved Prior Year Audit Matters

No.	Audit issue
1	Budgetary control and performance
2	Unresolved prior year matters
3	Excess Board membership
4	Noncompliance with guidelines on persons with disabilities
5	Inadequate staffing levels
6	Lack of Risk Management Policy, finance and accounting manual, assets management policy, transport management policy, information technology plan and disaster recovery plan. Further, the audit committee and internal audit charters were not approved and operationalized.