REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA NUCLEAR REGULATORY AUTHORITY

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Nuclear Regulatory Authority set out on pages 1 to 31, 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 effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Nuclear Regulatory Authority 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 Nuclear Regulatory Act, 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Undisclosed Revenue from Non-Exchange Transactions

The statement of financial performance and Note 1 of the financial statements reflects revenue from non-exchange transactions amount of Kshs.98,815,600. However, review of the supporting ledger revealed that grants amount of Kshs.1,620,756 which were not disclosed.

In the circumstances, the accuracy and completeness revenue from non-exchange transactions amount of Kshs.98,815,600 could not be confirmed.

2. Inaccuracies in the Disclosure of Property, Plant and Equipment

The statement of financial position and Note 14 to the financial statements reflects property, plant and equipment balance of Kshs.509,936,205. However, the asset balance includes a parcel of land valued at Kshs.45,000,000 which is not supported with a Valuation Report and excludes another parcel of land in Ngong recorded in the asset Register at Kshs.521,700,000. Further, the Authority was not in possession of land ownership documents for two (2) parcels of land one in Ngong and the other at the Kenyatta National Hospital, and logbooks for eight (8) motor vehicles. In addition, review of asset register revealed six hundred and eight (680) assets currently in use whose carrying amounts have not been determined while the dates of acquisition or revaluation of computers, equipment, furniture, plant and machinery balances of Kshs.435,318,041 were not provided. Also, the significant accounting policies indicates straight line method for depreciation but management used the reducing balance method to calculate depreciation charge for the year of Kshs.56,876,003.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.509,936,205 could not be confirmed.

3. Inaccurate Presentation of Statement Cash Flows

The statement of cash flows reflects net cash out flows from operating activities amount of Kshs.-5,137,122 while Note 17 to the financial statements reflects net cash outflows amount of Kshs.-4 313,851 resulting to unexplained variance of Kshs.823,271.

In the circumstances, the accuracy and completeness of statement of cash flows could not be confirmed.

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

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 section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Institute in 2024/2025 revealed that the following five (5) issues remained unresolved:

No.	Audit Issue
1	Undisclosed Cash and Bank Balances
2	Long Outstanding Trade and Other Receivables
3	Lack of Land Ownership Documents
4	Unconfirmed Revaluation of Assets
5	Recurring Deficit
6	Budgetary Control and Performance
7	Budget Imbalance
8	Unauthorized Expenditure
9	Irregular Payment of Acting Allowances
10	Irregular Use of Low Value Procurement Method
11	Inadequate Staffing Levels
12	Failure to Maintain Fixed Assets Register
13	Weakness in Information Technology

Other Information

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

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

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

1. Procurement from Unregistered Suppliers

The statement of financial performance reflects total expenses amount of Kshs.257,598,194. Review of purchase orders revealed that the Authority procured goods and services from various suppliers amounting to Kshs.166,041,542. However, the procurement of these items was not through a list of registered suppliers for the different categories of goods, works and services. In addition, review of the list of suppliers registration process revealed that there is no proof of eligibility and capability criteria that defines necessary qualifications, experience, resources, equipment and facilities to provide what is being procured. This is contrary to Section 71(2)(a) and (b) of the Public Procurement and Asset Disposal Act, 2015 which requires that for an application to be included in the list of registered suppliers it shall contain proof of (a) eligibility criteria as prescribed in this Act; and (b) capability criteria that defines necessary qualifications, experience, resources, equipment and facilities to provide what is being procured.

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

2. Irregular Procurement of Repair and Maintenance

The statement of financial performance and Note 6 to the financial statements reflects use of goods amount of Kshs.13,723,457 which include lab and consumables amount of Kshs.1,972,000. Review of the procurement records revealed that the contract for supply of consumables was awarded at a cost of Kshs.1,972,000. However, the expenditure was not supported with user requisition, quotation opening minutes, comparison with market prices.

In the circumstances, Management was in breach of the 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. Incomplete National Register of Radiation Sources

The statement of financial performance reflects revenue from exchange transaction - levies of Kshs.98,690,836. However, review of Kenya Medical Practitioners and Dentist Council list of licenced health facilities revealed fourteen thousand six hundred and seventy-five (14,675) facilities out of which the Authority had inspected one thousand four hundred and ninety-four (1,494) facilities and included them in the National Radiation Register. This was contrary to Section 39 of the National Nuclear Act, 2019 which requires the Authority to maintain a national register of radiation sources and regulate the secure use of nuclear and radioactive activities.

In the circumstances, the effectiveness of internal controls on inspecting and registering facilities could not be confirmed.

2. Lack of Capacity to Perform the Regulation Mandate

The statement of financial performance reflects revenue from exchange transaction-levies of Kshs.98,690,836. However, analysis of inspection data revealed that the

Authority had planned to inspect one thousand five hundred and twenty-eight (1,528) machines but only managed to inspect one hundred and eleven (111) machines resulting to one thousand four hundred and seventeen (1,417) uninspected machines which was attributed to shortage of personnel.

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

3. Lack of Internal Audit Function

During the year under review, the Authority did not conduct internal audit to evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes of authority resulting to non-provision of internal audits to provide assurance on the state of risk management, control and governance and the effectiveness of the financial and non-financial performance.

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

4. Lack of IT Strategic Plan, Disaster Recovery Plan and Continuity Plan

During the year under review, the Information and Communication Technology (ICT) department of the did not have an IT Strategic Plan, Disaster Recovery Plan and Continuity Plan contrary to Government ICT Standard ICTA-4.002.2019 by the ICT Authority.

In the circumstances, the effectiveness of risk management could not be confirmed.

5. Delayed Equipping Central Radioactive Waste Processing Facility

The statement of budget and actual amounts reflects final capital expenditure budget amount of Kshs.78,000,000. The amount includes Kshs.75,000,000 earmarked for the equipping of the Central Radioactive Waste Processing Facility in Ngong where the first exchequer of Kshs.50,000,000 was received in November 2024 while the balance of Kshs.25,000,000 was received in May 2025. However, as at 30 June, 2025 about seven months after the first exchequer was received only Kshs.19,782,430 or 26% was used to procure assets of the facility resulting to delays equipping the facility.

In the circumstances, delays in utilizing allocated capital funds for equipping the Central Radioactive Waste Processing Facility may hinder operational readiness and compliance with safety standards.

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

Responsibilities of the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

FCPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

04 December, 2025