REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KIBO SEED COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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

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

REPORT OF THE AUDITOR-GENERAL ON KIBO SEED COMPANY LIMITED 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 Kibo Seed Company Limited set out on pages 1 to 44, which comprise of the statement of financial position as at

30 June, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 Kibo Seed Company Limited as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, Tanzania Companies Act, 2002 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Provision of Bad and Doubtful Debts

The statement of financial position reflects trade and other receivables balance of TZS.3,211,700,767 (Kshs.156,627,072) net provision for bad debts amount of TZS.569,311,427 (Kshs.27,763,684) as disclosed in Note 12 to the financial statements. However, the provision was not supported with a debtor's policy not give a definite percentage for the provision.

In the circumstances, the accuracy and completeness of trade and other receivables balance of TZS.3,211,700,767 (Kshs.169,036,882) could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kibo Seed Company Limited 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

1. Material Uncertainty Related to Going Concern

The statement of financial position reflects total current assets balance of TZS.9,682,364,263 (Kshs.274,186,071) and total current liabilities balance of TZS.13,405,426,145 (Kshs.653,751,019) resulting in a negative working capital of TZS.3,723,061,882 (Kshs.379,564,948). The Company is therefore, technically insolvent and is likely to face financial difficulties as it may be unable to meet its short-term financial obligations through its current assets.

In the circumstances, the Company may not be able to meet its current obligations as and when they fall due and its continued operations as a going concern is dependent on the support of the parent Company and creditors.

2. Long Outstanding Trade Payables

Review of the payable's ledger as at 30 June, 2025 and payment vouchers revealed that the Company had trade payables amounting to TZS.413,076,805 (Kshs.20,144,781) which have been outstanding since 2016. Management did not provided evidence of the efforts being taken to clear the debts.

In the circumstances, the non-payment of debts may distort the financial stability of the Company and risk future litigations from the creditors.

My opinion is not modified in respect of these matters.

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 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, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Company in 2024/2025 revealed that the following matters remained unresolved;

	Financial Year	Audit Issue
1	2023/2024	Long Outstanding Trade Payables
2	2023/2024	Long Outstanding Trade Receivables
3	2023/2024	Material Uncertainty over Going Concern
4	2023/2024	Irregular Procurement of Packaging Materials
5	2023/2024	Lack of Risk Management Policy
6	2023/2024	Lack of Internal Audit Function

Other Information

The Management is responsible for the Other Information set out on page iii to xxi which comprise of Key Entity Information and Management, the Board of Governors, Management Team, Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Directors, Statement of Board of

Directors' Responsibilities, and 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 of the Company 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 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 effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with the Public Sector Accounting Standards Board Reporting Requirements

During the year under review, Management did not submit quarterly reports to the Cabinet Secretary, Auditor-General, Controller of Budget and The National Treasury detailing information on the financial and non-financial performance of the Company. This was contrary to Section 83(3) of the Public Finance Management Act, 2012 which provides that not later than fifteen (15) days after the end of each quarter, the Accounting Officer shall submit the quarterly report to the Cabinet Secretary responsible for the entity and The National Treasury.

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

2. Irregular Procurement of Information Communication Technology Equipment

Review of procurement documents revealed that a local company was awarded the tender to supply Information Communication Technology equipment at a contract sum of TZS.15,217,752 (Kshs.744,727) through quotations. However, the bidders did not attach the mandatory requirements such as company registration certificates and physical address. Further, there was no professional opinion from the head of procurement. This was contrary to Section 84(3) of the Public Procurement and Asset Disposal Act, 2015 which requires the accounting officer to take into account the views of the head of procurement in the signed professional opinion.

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

3. Irregular Procurement of Packaging Materials

Review of procurement documents revealed that various suppliers were awarded tenders to supply packaging materials at a cost of TZS.456,483,118 (Kshs.22,233,884). However, the requisition of supplies did not originate from the user departments, there was failure to conduct preliminary and technical evaluation, suppliers awarded were not on the list of registered suppliers, advance payment to some suppliers without performance security to guarantee the supplies and variation of quantities ordered. Further, some procurements were single-sourced without justifications. This was contrary to Section 124(12) of the Public Procurement and Disposal Act 2015 which that single source selection may be appropriate only if it presents a clear advantage over competition where it can be evidenced that goods, works or services are available only from a particular supplier, or a particular supplier has exclusive rights in respect of the consultancy services, and no reasonable alternative or substitute exists.

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

4. Irregular Procurement of Chemicals

Review of procurement documents revealed that various suppliers were awarded tenders to supply packaging materials at a total cost of TZS.409,881,941 (Kshs.20,058,329). However, the chemicals were procured through single sourcing. Further, two (2) firms were paid 100% advance payments before the supplies were delivered. This was contrary to Section 124(12) of the Public Procurement and Disposal Act 2015 which that single source selection may be appropriate only if it presents a clear advantage over competition where it can be evidenced that goods, works or services are available only from a particular supplier, or a particular supplier has exclusive rights in respect of the consultancy services, and no reasonable alternative or substitute exists.

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

5. Non-Compliance with Commitments Deadlines

Review of documents revealed that Management made commitments for procurement of goods and services amounting to TZS.15,700,060 (Kshs.768,311) in the month of June, 2025. This was contrary to Regulation 51(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that all commitments for supply of goods and services shall be done not later than 31 May each year except with the express approval of the Accounting Officer in writing.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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. Lack of Risk Management Policy

During the year under review, the Company did not have a Risk Management Policy in place. This was contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which requires each National Government entity to develop risk management strategies and a system of risk management.

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

2. Lack of Internal Audit Function

Review of operations revealed that the Company did not have an internal audit function in place for the year under review which would be responsible for reviewing the governance mechanisms of the Company, conducting risk – based, value for money and systems audits, verifying the existence of assets administered by the entity and ensuring that there are proper safeguards for their protection, and providing assurance that appropriate institutional policies and procedures and good business practices are followed by the Company and evaluating the adequacy and reliability of information available to Management for making decisions with regard to the Company and its operations.

In the circumstances, the Company did not benefit from oversight by internal audit function.

3. Failure to Adhere by the Authorized Staff Establishment

Review of the Company's approved staff establishment revealed inconsistencies between the authorized positions and the actual staff in post. The Marketing Department had twenty-seven (27) authorized positions, out of which only seventeen (17) were filled, leaving ten (10) vacancies. The Production Department had twelve (12) approved positions but only eight (8) were filled, resulting in four (4) vacancies. The Internal Audit Unit had one (1) authorized position which remained vacant at the time of audit. Further, the Finance Department was found to have twelve (12) staff against an approved establishment of ten (10), resulting in an overstaffing variance of two (2) positions. Similarly, the processing department had eleven (11) staff while ten (10) positions were authorized, indicating overstaffing by one (1) position.

In the circumstances, the inconsistencies may result in risks of inefficiency, increased personnel costs, and potential disruption of operations.

4. Non-Recovery of Long Outstanding Trade Receivables

The statement of financial position reflects trade and other receivables balance of TZS.3,211,700,767 (Kshs.156,627,072) as disclosed in Note 12 to the financial statements. However, review of the ageing analysis revealed that trade receivables balance of TZS.3,074,383,618 (Kshs.149,930,438) had been long-outstanding for more than sixty (60) days with no explanation for non-recovery.

In the circumstances, the recoverability of the long outstanding receivables could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that:

i. 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;

ii. The information given in the Managing Directors' report on pages xi is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report on pages xv to xvii has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company'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 Company'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

23 December, 2025