REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

# REPORT

# OF

# THE AUDITOR-GENERAL

# ON

# SIMLAW SEEDS COMPANY (UGANDA) 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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OFFICE OF THE AUDITOR-GENERAL
*Enhancing Accountability*

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


## REPORT OF THE AUDITOR-GENERAL ON SIMLAW SEEDS COMPANY (UGANDA) 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 Simlaw Seeds Company (Uganda) Limited set out on pages 1 to 66, which comprise of the statement of financial position 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 Simlaw Seeds Company (Uganda) 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 (Uganda), 2012 and the Public Finance Management Act, 2012.

**Basis for Qualified Opinion**

**Inaccuracies in Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Ugx.2,234,883,000 (Kshs.77,552,442) as disclosed in Note 19 to the financial statements. Included in this balance is computers and related equipment balance of Ugx.14,511,000 (Kshs.521,646). However, the general ledger reflected a balance of Ugx.40,462,000 (Kshs.1,454,542) resulting in an unreconciled variance of Ugx.25,951,000 (Kshs.932,894). Further, included in the balance is a nil balance on office equipment, furniture and fittings while the supporting general ledger indicated a balance of Ugx.28,207,000 (Kshs.1,013,995) resulting in an unreconciled variance of Ugx.28,207,000 (Kshs.1,013,995).

In addition, the balance includes fully depreciated assets with Nil carrying value but disclosed at their historical cost of Ugx.676,055,000 (Kshs.24,303,052). These assets are in use and the Company continues to derive economic benefits from them. No explanation was provided for not revaluing the assets.

In the circumstances, the accuracy, existence and valuation of the property, plant and equipment balance of Ugx.2,234,883,000 (Kshs.77,552,442) could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Simlaw Seeds Company (Uganda) 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**

**Budget Control and Performance**

The statement of comparison of budget and actual amounts reflects final total income budget and actual on comparable basis of Ugx.4,161,320,000 (Kshs.145,784,112) and

Ugx.3,564,342,000 (Kshs.120,643,574) respectively resulting in under performance of Ugx.596,978,000 (Kshs.19,544,597) or 14% of the budget. Further, the Company spent Ugx.3,534,593,000 (Kshs.112,051,363) against a final budget of Ugx.2,979,086,000 (Kshs.91,539,128) resulting in an over expenditure of Ugx.555,507,000 (Kshs.16,560,350) or 119% of the budget.

In the circumstances, the shortfall in total income may have negatively affected the operations of the Company reducing its expected profit and earnings to the shareholders.

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 effects of the matter described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

### Other Information

The Management is responsible for the Other Information set out on page iii to xxvii which comprise of Key Entity Information and Management, the Board of directors, Report of the General Manager, Statement of Performance against Pre-Determined Objectives, the Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, report of directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company'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 and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

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 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. Lack of a Procurement Function**

Review of procurement documents and processes revealed that the Company did not have a dedicated procurement function manned by procurement professionals. This was contrary to Section 47(1) of the Public Procurement and Asset Disposal Act, 2015 which requires that a procurement function shall be handled by procurement professionals whose qualifications are recognized in Kenya.

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

**2. Irregular Medical Bill Reimbursements**

Review of expenditure records revealed that medical cash reimbursements totalling Ugx.122,073,731 (Kshs.3,533,821) were processed for staff during the year under review. However, these payments were made without reference to an approved medical insurance scheme, as required by Section 5.2.1 of the Company's Human Resource Policy & Procedures Manual, 2022 and Section D.4(1) and (2) of the Public Service Commission Human Resource Policies and Procedures Manual, 2016.

In the circumstances, Management was in breach of the Human Resource Policies and Procedures Manual.

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. Lack of Controls in Revenue Collection System**

Review of revenue system revealed the following weaknesses that undermined the integrity, accuracy, and reliability of the revenue management processes:

i. The Point of Sale (POS) used across the seven branches were not integrated with the Sage Enterprise Resource Planning (ERP) system, resulting in manual data transfers which exposed the revenue process to risks of data manipulation, omissions and delayed financial reporting.

ii. The Company lacked an automated revenue collection system integrated with the ERP and banking platforms, limiting the ability to track and reconcile revenue in real time and prevented automated reconciliations with bank and mobile money receipts.

iii. The Point of Sale (POS) systems lacked llinkages between the customer invoicing/receipting, customer data and inventory management modules, impairing tracking of invoices/receipts against dispatched seed stock.

iv. Instances of manual receipting outside the POS system were noted, creating loopholes for potential revenue leakages.

v. Lacked of an approved finance manual to guide on receipting, banking, and other related financial procedures.

In the circumstances, the Company is exposed to significant risk of undetected misstatements and potential financial loss.

**2. Lack of Effective Internal Audit Function and Internal Audit Committee**

The Company did not have a dedicated internal audit function or an audit committee and relied on the parent company's internal audit function and audit committee for oversight. This was in contravention of Regulation 160(c) of the Public Finance Management (National Government) Regulations, 2015.which requires the internal audit to review the effectiveness of the financial and non-financial performance management systems of the entities.

In the circumstances, the effectiveness of internal controls and effectiveness of oversight and overall governance of the Company 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 of Uganda, 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 Directors' report on page xiv is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report on pages xvii has been properly prepared in accordance with the Companies Act (Uganda), 2012.

The Companies Act of Uganda, 2012 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 the Board of Directors**

The 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 the 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 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**

**17 December, 2025**