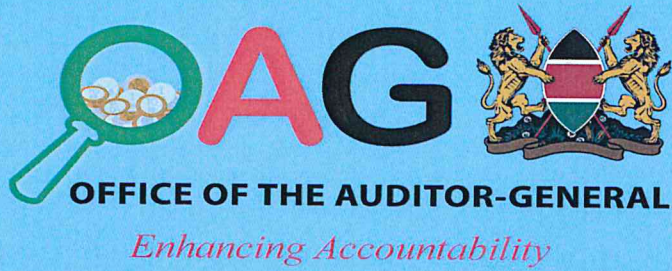


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**BUSINESS REGISTRATION SERVICE**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



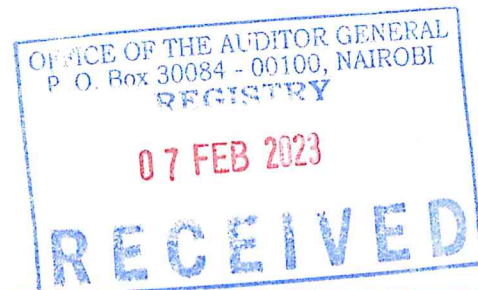






**BRS** BUSINESS  
REGISTRATION  
SERVICE

Doing Business Made Easier



**BUSINESS REGISTRATION SERVICE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**JUNE 30, 2022**

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

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*Business Registration Service*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2022.**



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## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### **A. Background information**

The Business Registration Service (BRS) is established by the Business Registration Service Act No.15 of 2015. The Service is a Semi-Autonomous agency under the Office of the Attorney General and Department of Justice which is represented by the Attorney General at Cabinet level who is responsible for the general policy and strategic direction. BRS is domiciled in 316 Upper hill Chambers, 17<sup>th</sup> Floor, Nairobi, Kenya.

### **B. Principal Activities**

Business Registration Service is established by an Act of Parliament and derives its authority and accountability from the Business Registration Act, 2015. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Business Registration Service' principal activity is generally implementation of policies, laws and other matters relating to registration of companies, partnerships and firms, individuals and corporations carrying on business under a business name, insolvency, hire purchase and the movable collateral registry.

## **I. VISION**

Doing business made easier.

## **II. MISSION**

To provide quality business support services that are responsive to our customers throughout their business life cycle.

## **III. MANDATE**

The Business Registration Service (BRS) is a State Corporation established under the Business Registration Service Act, 2015. The mandate of the Service is to administer laws relating to the incorporation, registration, operation and management of companies, partnerships and firms. In connection with this, BRS is required to:

- (a) Carry out registrations required under the various acts governed by the Service;
- (b) Maintain registers, data and records on registrations carried out by the Service;
- (c) Implement relevant policies and guidelines and provide Cabinet Secretary with necessary information to guide the formulation of policy and amendment of existing policy and guidelines;
- (d) Carry out research and disseminate research findings in fields covered by relevant laws through seminars, workshops, publications and to recommend to the Government any improvement in the relevant laws;
- (e) Collaborate with other state agencies for effective discharge of its functions;
- (f) Charges fees for any service performed by the service; and
- (g) Performs such other functions as may be necessary under the Business Registration Service Act.

#### **IV. STRATEGIC OBJECTIVES**

- I. To review and develop legislation, policies, guidelines to enhance ease of doing business;
- II. To provide accessible, reliable and innovative registration services;
- III. To promote transparency in business ownership;
- IV. Enhance efficiency in resolution of insolvency;
- V. Enhance institutional capacity; and
- VI. To create a corporate brand that enhances the visibility of the products and services of the organization.

#### **C. Key Management**

Business Registration Service day-to-day management is under the following key organs:

- Board of Directors

- Accounting officer/ Director General
- Members of the management from various departments and units
  - ❖ Company registry
  - ❖ Official Receiver
  - ❖ Movable Property Security Rights & Hire Purchase registries
  - ❖ Legal Research and Compliance
  
  - ❖ Directorate of Corporate Services
  - ❖ Supply chain
  - ❖ Internal Audit



## **D. Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Director General	Mr. Kenneth Gathuma HSC
2.	Head of Corporate Services	Mr. Jones Otuke
3	Official Receiver	Mr. Mark Gakuru
4	Registrar of Companies	Ms. Joyce Koech
5	Head of Legal, Research & Compliance	Ms Doris Wambugu
6	Head of Finance	Mr. Erastus K. Mbalu
7	Head of Human Resource & Administration	Mr. Yusuf Saleh
8	Head of MPSR & Hire Purchase	Ms Shighadi Mwakio
9	Head of Procurement	Mr. Idy Pembere
10	Corporation Secretary	Ms. Elizabeth Macharia
11	Head of Internal Audit	Mr. William M. Njeru

## **E. Fiduciary Oversight Arrangements**

### **Business Registration Service committees**

The Board has established the following four standing Committees to which it has delegated key responsibilities. Each Committee meets at least four times a year under the terms of reference approved by the Board.

The main responsibilities of the Committees are as follows;

#### **i. The Audit and Governance Committee**

The principal responsibilities of the Committee include review of financial statements, considering the effectiveness of the organization's internal

control system, conducting annual review of the terms of reference of all the Committees and the board charter. The Committee is also responsible for reviewing the effectiveness of the internal audit function.

#### **ii. The Human Resource and Finance Committee**

The principal responsibilities of the Committee are to consider, advise and make appropriate recommendations to the Board on all aspects of human resource management strategy including policy and procedures, track and review the performance of staff members, consider annual capital, income and expenditure budgets as well as review financial performance against budget and plans.

#### **iii. The Compliance and Risk Committee**

The principal responsibilities of the Committee are to ensure implementation of effective processes and systems of risk management, track and maintain a risk register that ensures that mitigating processes and actions have been put in place for high-risk items and ensuring complete, timely, accurate and accessible risk disclosure to stakeholders.

#### **iv. The Technical and strategy Committee**

The principal responsibilities of the Committee are to oversee the successful implementation of the strategic plan, review significant changes and emerging trends in the organization's operating environment and evaluate suggested changes in strategic direction to ensure the provision of proper registration services.

### **F. Business Registration Service (BRS) Headquarters**

316 Upper hill Chambers, 17<sup>th</sup> Floor,  
P.O. Box 30404-00100,  
Nairobi, Kenya

### **G. Business Registration Service Contacts**

Telephone: +254 202227461/2251355/07119445555/0732529995

E-mail: [eo@brs.go.ke](mailto:eo@brs.go.ke)

Website: [www.brs.go.ke](http://www.brs.go.ke)

### **H. Business Registration Service Bankers**

Kenya Commercial Bank LTD.

Branch: KCB MOI AVENUE-4001

Account No.: 1184110735

Telephone: (254) 20244939

FAX: 20244939

Website: [www.kcb.go.ke](http://www.kcb.go.ke)

### **I. Independent Auditors**

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

### **J. Principal Legal Advisers**

The Attorney General

State Law Office

Harambee Avenue

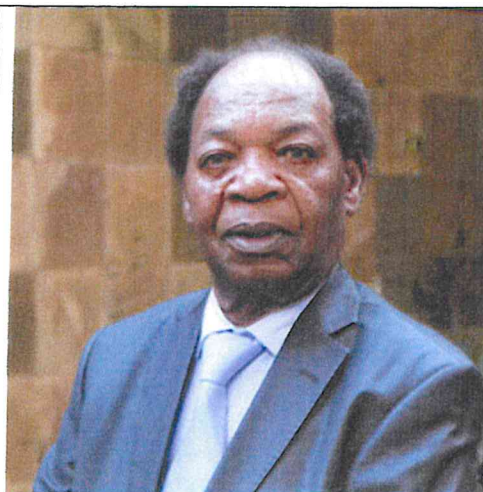
P.O. Box 40112

City Square 00200

**NAIROBI**, Kenya



## 2. THE BOARD OF DIRECTORS



**Justice (Rtd) Erastus Githinji**  
**CBS EBS**

**(Chairperson)**

**LL.B. (UON)**

Born in 1949, Justice (Rtd) Erastus Githinji has over 40 years' experience in the application and interpretation of the law

He has served as a Magistrate in various ranks for over 10 years during which he was head of five magistrates' Court stations. The Judge has served as a Puisne Judge of the High Court for over 15 years and as a Judge in the Court of Appeal for over 16 years. In the court of Appeal, he served as Acting President of the Court, Head of the Civil Division and Presiding Judge Court of Appeal Mombasa (Malindi), Kisumu and Eldoret.

In his tenure as a Judge, Justice Githinji, has been a member and later Chairperson of Judicial Code of Conduct and Ethics committee which developed the current code for the entire Judiciary; longstanding member of the Council of Legal Education and a Board Member of Judiciary Training Institute (now Academy.)

The Judge has attended various local and international courses for professional development and obtained certification in Competition law for adjudicators, Alternative Dispute Resolution (ADR); Refugee law; Environmental law; Human Rights and Global Economy and others.

He is a recipient of two National Honors:

- o Elder of the Order of Burning Spear (EBS) in 2012.
- o Chief of the Order of the Burning Spear (CBS) in 2019

He holds a Bachelor of Laws Degree from the University of Nairobi and is an advocate of the High Court of Kenya



**Ms. Njeri Wachira (Alternate to the Solicitor General)**

Born on 30<sup>th</sup> June, 1968, Ms. Njeri Wachira, MBS holds a Bachelor of Laws Degree from the University of Nairobi and a Masters of Law Degree in Public International Law from Lund University in Sweden. Ms. Njeri Wachira, is currently the Deputy Solicitor General and Head, the International Law Division at the Office of the Attorney General and Department of Justice.

She is a seasoned Advocate with extensive experience working in the field of Public International Law. She possesses experience as a Legal Advisor to the Government in negotiating, drafting, vetting and interpreting local and international treaties and agreements. She is responsible for handling all matters on Mutual Legal Assistance pursuant to the Mutual Legal Assistance Act of 2011 which appoints the Attorney-General as the Central Authority. She is also responsible for the coordination of the legal team, both external counsel and in-house counsel that represent the Republic of Kenya in all International Arbitration or Litigation matters.

Njeri MBS has been an Alternate Director to the Attorney-General on various Boards of Directors including, the Business Registration Service, Capital Markets Authority, Constituencies Development Fund, National Environmental Management Authority, Kenya Ports Authority, Kenya Pipeline Company Ltd, Kenya Railways Corporation, South Nyanza Sugar Company, and the Betting Control and Licensing Board.

Njeri MBS has also served as the Head of Legal and Corporate Affairs at Seven Seas Technologies Group which covered the Group Companies in Kenya, Rwanda, Zimbabwe, Nigeria and Portugal.

She has also been assigned by the Commonwealth Secretariat to work for a period of two years as a Legal Expert with the East African Community Secretariat in Arusha, Tanzania where she was tasked with implementing the Treaty for the Establishment of the East African Community, by drafting Protocols to the Treaty and various legislation; as well as approximation of Partner



	<p>States Municipal Laws relating to finance, investment, as well as commercial laws in the EAC context.</p> <p>As part of her CSR, Njeri MBS has served as a Board Member and Founding Director of <i>Tomorrow's Child Initiative</i>, an NGO registered in Kenya whose vision is to have a society where children and women have unfettered access to opportunities, which allow them to live in dignity because their rights are respected and upheld.</p> <p>Njeri MBS is married and is a mother of two children. She enjoys reading books, travelling and playing golf.</p> <p>She was re-appointed to the Business Registration Service Board on 3rd December 2019 as an alternate to the Solicitor General and is a member of the Human Resource and Finance, Technical and Strategy and Compliance and Risk Committees. She was conferred the National Award of Moran of the Order of the Burning Spear (MBS) in December 2018.</p>
 <p><b>Ms. Shella Sheikh</b> <b>(Member)</b></p>	<p>Born on 11<sup>th</sup> November 1961, Ms. Shella Sheikh holds a Bachelor of Laws Degree from the University of London and previously with a Bachelor of Arts in Economics from the University of Nairobi. She is an advocate of the High Court of Kenya and has been in practice for over fifteen years. Shella previously trained and worked for K.H Osmond Advocates alongside the Managing Partner.</p> <p>In 2002, Shella ventured out to establish her own private practice.</p> <p>She served as a board member of Business Registration Service from 4<sup>th</sup> January 2016 to 3<sup>rd</sup> January 2019. She was reappointed as a board member for a period of 3 years with effect from 3<sup>rd</sup> May 2019.</p>





**Ms. Catherine Musakali**  
**(Member)**


Born on 1<sup>st</sup> April 1969, Ms. Catherine Musakali is an Advocate of the High Court of Kenya and a Fellow of the Institute of Certified Secretaries of Kenya.

Catherine is the Founder of Dorion Associates LLP, a firm specializing in governance matters and commercial legal consultancies. Prior to founding Dorion Associates, Catherine worked for Kenya Shell Limited (Now Vivo Energy Kenya Limited) as their Company Secretary and Head of Legal for over fifteen (15) years, during which period she managed the Legal Functions of Shell operations in Kenya, Uganda, Tanzania, Sudan, Eritrea, Ethiopia, Morocco, Egypt and Tunisia. She has worked for shell in the United Kingdom during which period she specialized in Mergers and Acquisitions and other commercial transactions as well as being the Legal Focal Point for all Contracting and Procurement matters for its businesses in the 23 Countries in Africa.

Before this she set up and managed the Legal department of UAP Provincial Insurance Limited during which period she represented her employer in the Industry body, the Association of Kenya Insurers (AKI).

Catherine was, until May 2014, the Chairperson of the Institute of Certified Public Secretaries of Kenya (ICPSK) and has also served as the Chair of its Education and Professional Development Committee as well as the Legislation and Corporate Governance Committee. She also sat on the Council of the Corporate Secretaries International Association, which is a global body bringing together governance professionals.

She is a founder and Chairperson of The Women on Boards Network and is currently the Company Secretary of a number of Companies and sits on various Boards including those in the public and private sectors. She has previously served as a Director at Nairobi Securities Exchange, Association of Kenya Insurers (AKI) and was at one time the Chairperson of Kenya Seed Company Limited.

	<p>She also serves as a member of the Capital Markets 10-year Master Plan Implementation Committee.</p> <p>Catherine has been the Chief Judge, Corporate Governance, FiRe Awards and is a trained Corporate Governance Trainer, Governance Auditor and Board Evaluator and has developed policies on governance for a number of institutions. She also consults for the IFC.</p> <p>Catherine holds a Bachelor of Laws Degree and a Master of Laws Degree from the University of Nairobi, a Higher National Diploma in Law (Kenya), as well as a certificate in Securities and Investment from the Securities and Investment Institute (London).</p> <p>Catherine was first appointed to the Board on 2<sup>nd</sup> October, 2017 retired in October 2020 and reappointed for a period of three (3) years commencing 15<sup>th</sup> December 2020. She chairs the Audit and Governance Committee.</p>
 <p><b>Mr. Brian Omwenga</b>  <b>(Member)</b></p>	<p>Born on 30<sup>th</sup> November 1981, Mr. Brian Omwenga is a Computer Science doctoral candidate and part-time lecturer at the University of Nairobi, School of Computing and Informatics. He holds a Graduate Degree in Engineering Systems, Technology and Policy from the Massachusetts Institute of Technology (MIT).</p> <p>He was the Lead Enterprise Architect for the Kenya Government ICT and Enterprise Architecture. He has previously worked for PwC, Microsoft, and Nokia Research Africa. He has been credited as a respected African inventor with several publications and software patents. He is the founding chair of the Tech-Innovators SACCO of Kenya and also chaired the Software and Systems Engineering technical committee at the Kenya Bureau of Standards.</p> <p>He was first appointed as a Business Registration Board member on 3<sup>rd</sup> May 2019 and chairs the Technical and Strategy Committee.</p>





**Mr. Faraj Mansur**  
**(Member)**

Born on 24<sup>th</sup> October 1970, Mr. Faraj Mansur is a Serial Techpreneur with over 20 years' experience in East African Tech Ecosystem.

He is a builder of high-performance teams and a natural leader, mentor, and a motivator who thrives in environments requiring a high-level strategist and a big-picture thinker.

Faraj had an illustrious career in blue-chip tech companies like UUNET, then one of the largest Corporate Internet Service Provider and one of the early Tier 1 networks.

Since 2005 he has co-founded a number of award-winning technology companies under Techbiz Group. The firms are in System Integration, eCommerce (B2B & B2C), Business Technology Solutions & Fintech.



**Ms. Josephine Waruguru Macharia-Kanyi**  
**(Alternate to the Cabinet Secretary, National Treasury)**

Born on 17<sup>th</sup> July 1966, Ms. Josephine Waruguru Kanyi is a Senior Deputy Director in the National Treasury Budget Fiscal and Economic affairs in the Department of Intergovernmental Fiscal relations.



She holds a Bachelor's Degree and Master's Degree in Economics from University of Nairobi.

She has served in the ministry of Planning and National Development from 1991 to 1994, Ministry of Research and Technology (1994-1998) Ministry of Finance 1998-2010 as head of Intergovernmental Fiscal Relations and Business Regulation Reform Units. She served as Chief Economist in National Treasury from 2010-2016.

She has attended Courses on Fiscal Decentralization and Financial management and Tax Policy Analysis and Revenue forecasting at the Harvard University USA & Macro Economic Diagnostics at the IMF institute in USA.

She also serves in Kenya Hotel Properties Ltd Company and has also previously served in KIPPRA Board, Kenya Vehicles Manufacturers Board and LATIF Advisory Board.



	<p>She was first appointed as Business Registration Board member on 10<sup>th</sup> May 2017.</p>
 <p><b>Mr. John Mwendwa, OGW</b>  <b>(Representative of the Permanent Secretary, Business Reforms &amp; Transformation)</b></p>	<p>Born on 17<sup>th</sup> Jan 1983, John is the Acting Secretary/ Director General Department of Business Reforms &amp; Transformation (Ease of Doing Business) in the Ministry of East African Community &amp; Regional Development. He is responsible for the development and implementation of the Business reforms and transformation agenda across Government.</p> <p>Prior to his current role, he served as the Director of Portfolio Management in the Ministry of Industry, Trade and Cooperatives from 2015 to July 2018 where he was also the Chief of Staff for the Cabinet Secretary.</p> <p>His earlier career in Banking saw him serve in various roles of the Barclays Group in strategy and executive management in Kenya and South Africa from 2007 to 2013. John has a Masters of Commerce Degree in Finance from Strathmore University and Bachelor of Commerce Degree in Finance from Kenyatta University. He is a member of the Academy of Accounting and Financial Studies of Canada (AAFSJ).</p> <p>He was appointed as Business Registration Board member on 25<sup>th</sup> March 2020.</p>
 <p><b>Mr. Kenneth Gathuma,</b>  <b>Director General</b></p>	<p>Born on 4<sup>th</sup> April 1980, Mr. Kenneth Gathuma is an Advocate of the High Court of Kenya who has legal advisory skills developed through providing legal advice to government ministries and state-owned corporations for 12 years.</p> <p>Until his appointment as the Director-General in March 2020, Mr. Gathuma was the Acting Director General of BRS and formerly served as Deputy Head of Government Transactions in the Office of the Attorney General &amp; Department of Justice where large Government development projects were arranged and concluded.</p> <p>He holds a Bachelor of Laws Degree from the University of Nairobi.</p>



**Ms. Elizabeth Macharia**  
**Corporation secretary**

Born on 10<sup>th</sup> July 1987, Ms. Elizabeth Macharia is the Corporation Secretary of the Business Registration Service. She is an advocate of the High Court of Kenya with over 8 years of experience, a Certified Secretary with over 5 years of experience and a Corporate Governance Auditor. She is responsible for providing secretarial services to the Board and advising on corporate governance. She is a member of the Law Society of Kenya, East African Law Society, Certified Institute of Public Secretaries and Chartered Institute of Arbitrators.

She holds a Bachelor Degree in Law from Catholic University, of Eastern Africa, a Post Graduate Diploma in Law from Kenya School of Law and is currently undertaking a Masters in Law from the University of Nairobi.



### 3. MANAGEMENT TEAM



**Mr. Kenneth Gathuma HSC**  
**Director General**

Mr. Kenneth Gathuma is an Advocate of the High Court of Kenya who has legal advisory skills developed through providing legal advice to government ministries and state-owned corporations for 12 years.

Until his appointment as the Director-General in March 2020, Mr. Gathuma was the Acting Director General of BRS and formerly served as Deputy Head of Government Transactions in the Office of the Attorney General & Department of Justice where large Government development projects were arranged and concluded.

He holds a Bachelor of Laws Degree from the University of Nairobi.



**Mr. Mark Gakuru HSC**  
**Official Receiver**

Mr. Mark Gakuru is the Official Receiver and his mandate is to oversee the overall coordination and management of the Insolvency function at the Service and as such a regulator in Insolvency practice in Kenya in line with Section 701 of the Insolvency Act, 2015.

He holds a Master of Laws degree in Laws (LLM) from the University of Nairobi. He is an Advocate of the High Court of Kenya with over 19 years of legal and administrative experience in the private and public sectors.



**Ms. Joyce Koech**  
**Registrar of Companies**

Ms. Joyce Koech is the Registrar of Companies and her mandate is to oversee the overall coordination and management of the Companies Registry at the Service in line with Companies Act, 2015.

She is an advocate of the High Court of Kenya with over 8 years' experience. She holds a Bachelor of Laws Degree from the University of Nairobi, and a Certified Public Secretary. Currently, she is undertaking Master's Degree in Arts at the University of Nairobi.



**Mr. Jones Otuke**  
**Director Corporate Services**

Mr. Jones Otuke is the Director, Corporate Services and his mandate is to oversee the overall coordination and management of the Corporate Services function at the Service, that include; Human Resource Management and Administration Division, Finance and Accounts Division, Corporate Strategy Unit, Corporate Communication Unit and Information Communication Technology Unit.

He holds a Masters of Business Administration, a Bachelor of Business Management (Accounting and finance) and a Certified Public Accountant (CPAK). He is a member of the Institute Certified Public Accountant of Kenya (ICPAK). Mr. Otuke has previously served in various public sector institutions in the areas of accounting, financial management and administration.

Ms. Doris Wambugu is the Director, Legal Compliance and Research of the Business Registration Service. Her mandate is to oversee the overall coordination and management of the Legal, Compliance and Research function at the Service.

She is an advocate of the High Court of Kenya with over 16 years of experience in the private and public sector in the areas of legal, compliance and



 <p><b>Ms. Doris Wambugu</b>  <b>Director Legal</b>  <b>Research&amp;Compliance</b></p>	<p>research. She holds a Master’s degree in Strategic Management from Daystar University and a Bachelor of Laws Degree from the University of Nairobi. She is also a member of the Law Society of Kenya.</p>
 <p><b>Mr. Yusuf Saleh</b>  <b>Deputy Director</b>  <b>HR&amp;Administration</b></p>	<p>Mr. Yusuf Saleh is the Deputy Director, Human Resource Management and Administration. His mandate is the overall coordination and management of the Human Resource Management and Administration function at the Service.</p> <p>He is an innovative HR leader and organizational culture and branding specialist with over 10 years working experience and has held senior executive roles. He is a full member of the Institute of Human Resources Management (IHRM) Kenya and serves as a member of the continuing professional development (CPD) and membership Committee of IHRM. Previously, he has served as a member of the Association of Commonwealth Universities (ACU) HR in HE Steering committee and the first regional liaison officer for Eastern Africa.</p> <p>He holds a Bachelor of Science degree in International Business Administration, a Master’s degree in Business Administration from the United States International University Africa (USIU). Currently, Yusuf is a doctoral candidate specializing in Strategic Management.</p>
	<p>Mr. Erastus Mbalu is the Deputy Director Finance and Accounts and his mandate is the overall coordination and management of the Finance and Accounts function at the Service. Erastus is a</p>



**CPA Erastus Mbalu**  
**Deputy Director**  
**Finance & Accounts**

Certified Public Accountant (CPA-K) with over 10 years' experience in the public sector.

He has previously served in several ministries as well as serving under secondment in African Rehabilitation Institute (ARI-AU) as Finance and Administration Officer. Erastus holds a Bachelors of Commerce Degree (Accounts Option) from KCA University.



**Ms. Elizabeth Macharia**  
**Corporation secretary**

Ms. Elizabeth Macharia is the Corporation Secretary of the Business Registration Service. She is an advocate of the High Court of Kenya with over 8 years of experience, a Certified Secretary with over 5 years of experience and a Corporate Governance Auditor. She is responsible for providing secretarial services to the Board and advising on corporate governance. She is a member of the Law Society of Kenya, East African Law Society, Certified Institute of Public Secretaries and Chartered Institute of Arbitrators.

She holds a Bachelor Degree in Law from Catholic University, of Eastern Africa, a Post Graduate Diploma in Law from Kenya School of Law and is currently undertaking a Masters in Law from the University of Nairobi.





**Ms. Shighadi Mwakio HSC  
Deputy Registrar MPSR**

Ms. Shighadi Mwakio is a Deputy Registrar, MPSR at the Business Registration Service. She is an Advocate of the High Court of Kenya with over 5 years' experience in Commercial Law and Legislative Drafting. She has been instrumental in the various legislative reforms under the Business Registration Service that led to the improvement of Kenya's standing in the World Bank Doing Business Ranking in Protecting Minority Investors Indicator, Getting Credit Indicator and Resolving Insolvency Indicator. She was involved in the development of the Movable Property Security Rights Regulations, 2017, the Companies (Beneficial Ownership Information) Regulations, 2020 and the draft Partnership (Limited Partnerships) Regulations, 2020. She has been instrumental in the Secured Transaction Legislative Reform process in Kenya from 2017. She is a member of the Task Force on National Risk Assessment on Money Laundering and Terrorism Financing and also sits in the Ease of doing business Transformation Team that has been responsible for the improvement of Kenya's standing in the World Bank Doing Business Ranking.



#### 4. CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf on the Board of Directors of the Business Registration Service (the **"Service"**) the Annual Report and Financial Statement for the year ending 30<sup>th</sup> June 2022. The Service maintained a good performance despite the challenges and risks associated with an election year.

During the year under review the Service designed a new Logo which has 3 icons representing the core mandate of the Service which is the Company Registry, Official Receiver, and the Collateral Registry.

BRS relocated from Sheria House to 316 Upper Hill Chambers floor 17. All the departments and units except Company registry and the Collateral Registry were relocated during the financial year.

During the financial year 2021/2022, the Service collected a total of Kshs 977,186,438 which was a drop from Kshs 1,091,800,124 collected in FY 2020/21 representing a decrease of 10.5% from the last financial year whose revenue was attributed to the impact of COVID 19 and the coming into effect of the Beneficial Ownership (BO) Regulations of 2020.

The financial year 2021/22 marked the first year of implementation of the Strategic Plan. The Strategic plan was cascaded into an annual corporate work plan and implemented in line with the available budget. The Service implemented 16.6% out of the expected level of 20% by 30<sup>th</sup> June 2022.

The Service coordinated the signing of performance contract for the period FY 2021/22 and implemented 90.7% of the activities stated in the performance contract and was scheduled for evaluation in the month of September 2022.

The Service continues to leverage on ICT to improve its service delivery, efficiency of internal operations, engagement with stakeholders as well as the general public. During the period under review. The ICT department developed 2 new systems (the Master list and the Task Management System) for the service to facilitate quicker, effective, and efficient provision of services.

The Master list is being used to clean up and develop a consolidated index of all registered entities. The resultant list is intended to be used to automate the name search functions by leveraging on emerging technologies such as artificial intelligence and elastic search.

The task management system is an information management system developed to automate functions of the official search department. Its objective is to improve efficiency and effectiveness in processing official search requests from investigative agencies. It has helped supervisors monitor tasks assigned and performance of their team members. The Service issued over 5000 official search reports from the system during the reporting period.

During the financial year 2021/2022, the Service continued to execute its mandate on registration of businesses, registration of movable security rights, resolution of insolvency and supervision of Hire Purchase practice in Kenya. The Service recorded some notable progress and achievements during the period under review.

During the year under review, a total of 121,350 creditors advanced credit to borrowers using movable properties as collateral and a total of 140,717 applications were made for registration of new businesses while the Service was able to register a total of 132, 981 entities indicating an efficiency level of 94.5%.

The Service continued with its legislative reforms agenda through the Beneficial Ownership Information) (Amendment) Regulations, 2022. The regulation seeks to promote transparency in public procurement by requiring, a company to disclose its beneficial ownership information to the procuring entity, where the company participates in public procurement and assets disposal under the Public Procurement and Asset Disposal Act, 2015 and to the contracting authority, where the company participates in a public private partnership arrangement under the Public Private Partnership Act, 2013

BRS developed a compliance management program ("**CMP**") to help internal and external stakeholders to abide by and comply with the legal framework. This program was meant to provide a systematic approach in enhancing compliance with legal provisions. The CMP was used to track compliance rate of the Service on different statutory requirements. BRS had a compliance level of 96%.

The organization began the financial year with 25 risks. Currently, the Service has reduced its high risks from 10 to 6, its medium risks from 15 to 12. The remaining 7 out of 25 risks have now moved to the lower category.

During the FY 2021/22, the Office of Official Receiver developed an Investment Policy that provides an investment framework for the funds held by the Official Receiver which belong to companies or individuals undergoing insolvency processes under the Insolvency Act. The policy provides an operating guidance for the administration of the Official Receiver's investment portfolio in order to maintain a high-quality, low-risk

portfolio, complying with the applicable laws, regulations and in line with prudent standards and best practices that comply with the International Public Sector Accounting Standards (“**IPSAS**”).

During the year, the Official Receiver in partnership with the directorate of ICT developed an ICT Asset Register system. The system is meant to keep records of all the assets of estates of which the Official Receiver was made the liquidator. By the end of the year, a total of 408 scans had been done representing 90% of all paper assets. The scans include titles deeds, logbooks and share certificates.

During the period under review, the Service in partnership with National Council for Persons with Disabilities (NCPWD) translated the Service Charter into braille and Kenya Sign Language. The Charter was also translated into Swahili to reach a larger audience. The Charter was also transcribed into an audio visual to help reach most of the people with disabilities. The Service made a big step in modernizing the customer service Centre. The Service rolled out phase 1 of the Call Centre Design, Operation and Optimization Plan by acquiring PABX IP-Telephone equipment installation works & relevant software application.

During the Financial Year 2021/2022, the Service in collaboration with the Kenya Forest Service (KFS) adopted a half a hectare of degraded forest in Ngong Road Forest for reforestation, protection, conservation and maintenance for a period of 3 years. The Service planted six hundred [No.600] tree seedlings. The initiative was in line with supporting national efforts of achieving and maintaining at least 10% national forest cover and creating climate-resilient communities through restoration and protection of forest watersheds, and the creation of sustainable livelihoods for communities in Kenya.

The Service faces major financial challenges due to inadequate budgetary allocation. The pronouncement of BRS as a separate and a fully-fledged corporation required that BRS acquire adequate infrastructure, staff, and office materials as well as a new office. All these resources are capital intensive, and the amount of budgetary allocation has not been adequate for BRS. As a result, some of the strategic interventions have not been implemented as planned such as recruitment of the full establishment staffing level. The budgetary constraints have also resulted in inadequate ICT infrastructure to support digital service delivery.

The Service will continue to implement its strategies and plan to completely digitize all its operations and records.



I extend my gratitude to the Attorney General Justice (Rtd) Paul Kariuki Kihara, the Solicitor General, Mr. Kennedy N. Ogeto for the invaluable support they have accorded the Service during the reporting period.

I wish to appreciate the Board of Directors who transacted during the period under review, including my predecessor, Ms. Carol Musyoka, for their esteemed contribution towards the achievements of the organization and for supporting me in providing leadership to the Service.



.....  
**Justice (RTD) Erastus Githinji, CBS, EBS**  
**Chairperson**  
**Board of Directors**  
**Business Registration Service**

## 5. REPORT OF THE DIRECTOR GENERAL

### **Introduction**

On behalf of the management and staff of BRS, I wish to acknowledge and appreciate the invaluable support and guidance of the Honourable Attorney General, the Solicitor General and the esteemed members of the Board of Directors and the great efforts which has contributed towards the achievement of a successful financial year 2021/2022 ("FY"). I also appreciate the customers and citizens whom we serve, for the support and understanding that they have given the Service; we commit to continuously improve to meet their expectations because customer centricity is the focus of the Service.

### **Relocation and Rebranding of Business Registration Service**

Since our operationalization in 2016, the Business Registration Service has experienced tremendous growth in stature. We have become a reliable government agency in offering services to the citizenry.

Our journey started with a vision of making doing business in Kenya easier. The purpose being to provide quality business support services that are responsive to our customers throughout their business cycle. The focus has always been Customer Centricity.

Today, we are bigger and better, our BRS family consists of highly trained and talented individuals who have over the years demonstrated their zeal to serve the public.

During the FY 2021/2022 we reached a point where we were able to create our brand in order to better communicate the breadth of expertise that BRS truly represents and realign with our refined value proposition and vision.

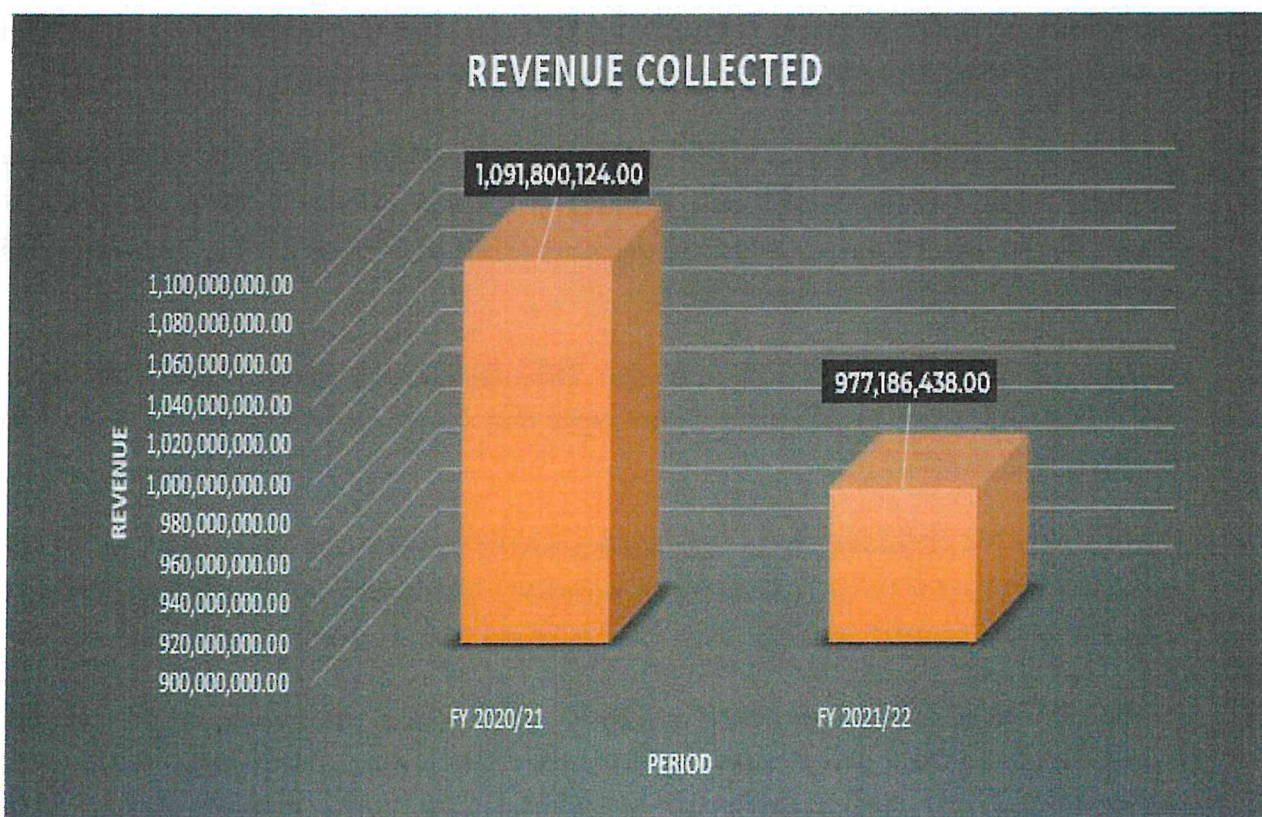
In the FY 2021/2022, we were excited and proud to announce our new branding and logo to our stakeholders and the public. This new brand of the Service was launched during the partial and phased relocation of our Offices to 17<sup>th</sup> Floor, 316 Upper Hill Chambers, 2<sup>nd</sup> Ngong Avenue. It marks the significant milestone in our journey and a new opportunity to serve better.

## PERFORMANCE

### 1. Financial Performance

In the FY 2021/2022, the Service collected revenue amounting to the Kshs. 977,186,438.24. This is a decline from the revenue collected in the FY 2020/2021, of Kshs. 1,091,453,814. The variance is owing to the fact that in the FY 2020/2021 the Service introduced a requirement for companies to disclose their Beneficial Ownership Information, which also mandated companies to comply with other statutory requirements thus the revenue collected was much higher. Although there is a decline in revenue collection, the difference is not huge, and the Service's efforts were good considering this was an election year, which is usually characterized by lower business investments and transactions.

See graph as shown below;





## **2. Institutional Performance**

During the FY 2021/2022, BRS implemented various activities to increase our efficiency in service delivery-

- (a) The Service transitioned all manual services to the online platform as well as discontinued all manual payment in agility of the service to adjust to physical service provision challenges posed by COVID.
- (b) The Service improved the link a business process by deploying a two-step process allowing users to edit the application from front end.
- (c) Conducted awareness campaigns on the use of movable assets to access credit which led to a record of a total of Kshs 1.898 trillion used to advance by creditors using movable properties as collateral.
- (d) Closed 124 files, over and above the 100 targets through the official Receiver in Insolvency as well as successfully overturned taxation decision awarding 250M as legal fees.
- (e) The Service Introduced into law provisions on pre-insolvency moratorium and regulations.
- (f) The Service deployed an AI-based conversational Chatbot to facilitate clarity of potential enquiries posed to the Service.
- (g) The Service recruited staff members and enhanced its human resource capacity to enhance efficiency
- (h) The Service came up with the amendments to the Companies (Beneficial Ownership Information) Regulations, 2022 to broaden the scope on who can access the BO information.
- (i) The Service sent out compliance notices on BO disclosure that led to over 70,000 companies complying with disclosure requirements.

## **FUTURE OUTLOOK**

The Service will continue to improve its online platform and will work towards the complete digitization of its records to enhance service delivery and quality control of our processes. As well, the process of finalisation of the Business Process Re-engineering is expected to be completed in the FY 2022/2023 and this will be particularly impactful to our stakeholders.

Customer Centricity is Key and following a request by the public the Service will implement a plan for regional visits by staff as part reaching out to the customer and uphold the values and strategies. We shall be acting in collaboration with our stakeholders to ensure that the efforts are focussed on the most effective outcomes with the resources that will be deployed.

The Service during this FY embarked on a digitization of BRS records process with the assistance of the International Finance Corporation's (IFC) Creating Markets Advisory (CMA) initiative and by the end of the FY 2021/2022 the Service developed a guiding framework to mitigate and avert future data quality problems within the service. Further, the Service began a process of acquiring an Electronic Document and Records Management System (EDRMS) whose prototype was developed and is undergoing testing. It is anticipated that the system will help the Companies Registry to digitize one million records during the pilot period.



**KENNETH GATHUMA HSC**  
**DIRECTOR GENERAL**

## 6. STATEMENT OF BUSINESS REGISTRATION SERVICE PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

Business Registration Service has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021/22- FY 2025/26. These strategic pillars/ themes/ issues are as follows:

1. Ease of Doing Business
2. Service Delivery, Corporate Visibility and Strategic Collaborations
3. Institutional Capacity

BRS develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Service achieved its performance targets set for the FY 2021/2022 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/The me/Issues	Objective	Key Performance Indicators	Activities	Achievements
A. Ease of Doing Business	1. To promote ease of doing businesses	<ul style="list-style-type: none"> <li>•No of business entities registered</li> <li>•No of MPSR initial notices</li> <li>•No of MPSR Searches done</li> <li>•HP licenses issued</li> </ul>	<ul style="list-style-type: none"> <li>•Undertake automation of registry processes</li> <li>•Undertake registration of business entities</li> <li>•Automate at least 2 manual processes</li> <li>•Promoting transparency in business ownership</li> <li>•Development of Insolvency Investment Policy</li> </ul>	<ul style="list-style-type: none"> <li>•133,023 business entities registered</li> <li>•118,157 MPSR notices registered</li> <li>•23,154 MPSR searches done</li> <li>•36 HP licenses issued</li> </ul>



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		<ul style="list-style-type: none"> <li>•Number of legal reforms undertaken on ease of doing business</li> <li>•No of Insolvent files closed</li> <li>•Percentage of linked Business entities</li> <li>•Level of Bo compliance</li> </ul>	<ul style="list-style-type: none"> <li>•Development compliance management program</li> <li>•Development of an Online Platform for Lodgement of Manual Applications</li> <li>•Simplification of the Link-a-Business Process</li> <li>•Create awareness on Beneficial ownership</li> <li>•Develop Master List of all registered entities</li> <li>•Conduct workshops to train and foster integration of the BRS system with key stakeholders such as TIMS, WHRC, SASRA,</li> <li>•Inspection of Hire Purchase companies in the regions</li> <li>•Issue Hire-purchase licenses</li> <li>•Digitization of the Official Receivers Records</li> <li>•Development of an Asset Register</li> </ul>	<ul style="list-style-type: none"> <li>•Beneficial Ownership Information) (Amendment) Regulations, 2022</li> <li>•120 dormant Insolvency files closed</li> <li>•36.1% of private companies BO complaint</li> <li>•37.8% of the business entities linked</li> </ul>
B. Service delivery, corporate image and collaborations	2. To enhance user experience, awareness, and stakeholder collaborations	<ul style="list-style-type: none"> <li>•Level of customer satisfaction</li> <li>•Number collaborations</li> <li>•Awareness level of BRS mandate (%) in the population</li> </ul>	<ul style="list-style-type: none"> <li>•Customization of BRS Customer Service Charter</li> <li>•Resolution of Customer Complaints</li> <li>•Communication of social media communication</li> <li>•Modernization of the Customer Service Centre</li> <li>•Development of BRS Logo</li> <li>•Branding Initiatives</li> <li>•Stakeholder Engagement and Collaboration</li> </ul>	<ul style="list-style-type: none"> <li>•59.15% of customers satisfied</li> <li>• 4 collaborations made</li> <li>•58% level of awareness of the BRS mandate</li> <li>•Complaint resolution rate of 84.23% was attained.</li> <li>•A total of 21,839 engagements, 368,948 impressions, 1,594 posts and 1,275 new followers across all the social media platforms</li> </ul>

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				<ul style="list-style-type: none"> <li>•PABX IP-Telephone equipment acquired and installed</li> <li>•six hundred [No.600] tree seedlings planted through CRS</li> <li>•short animated explainer videos on Registration of Private Limited Companies and Filing of Annual Returns,</li> <li>•300 Customer Service Charter disseminated</li> </ul>
C. Institutional capacity	3. To strengthen institutional capacity for BRS to deliver on its mandate	<ul style="list-style-type: none"> <li>▪Staff turnover (%)</li> <li>▪Employee satisfaction index (%)</li> <li>▪Average corporate performance appraisal rating (%)</li> <li>▪Revenue collected (Ksh.)</li> <li>▪Compliance level on AGPO</li> <li>▪Compliance level on BKBK</li> <li>▪System uptime (%)</li> <li>▪ICT User satisfaction index (%)</li> <li>▪No of policy briefs/reports disseminated</li> </ul>	<ul style="list-style-type: none"> <li>▪Recruitment</li> <li>▪Capacity Building and Training</li> <li>▪Facilitation of an Internship Programme</li> <li>▪establishment of employee welfare schemes</li> <li>▪Relocation of BRS offices</li> <li>▪Undertaking of MTEF Budget Process and Resource bidding exercise</li> <li>▪collection of Revenue for services offered by the Service</li> <li>▪Promotion of Local Goods and Services (BKBK)</li> <li>▪Asset Management &amp; Valuation</li> <li>▪Development of Research Strategy</li> <li>▪Monitoring implementation of the Strategic plan</li> <li>▪Development of Departmental Strategies</li> <li>▪Development and implementation of the BRS Performance Contracting</li> </ul>	<ul style="list-style-type: none"> <li>▪0% staff turnover</li> <li>▪111 staff members trained on various courses and competencies</li> <li>▪7 graduate interns offered internship opportunities</li> <li>▪60% of relocation done</li> <li>▪ Kshs 977,186,438 revenue collected</li> <li>▪Asset register developed and updated</li> <li>▪68% satisfaction with ICT Services</li> <li>▪ERP implemented</li> <li>▪4 surveys done</li> <li>▪Office furniture acquired</li> </ul>

			<ul style="list-style-type: none"> <li>▪Provision of Statistical Support</li> <li>▪Implementation of Performance Contract</li> <li>▪Enterprise Resource Planning system</li> <li>▪Acquisition of ICT equipment</li> </ul>	
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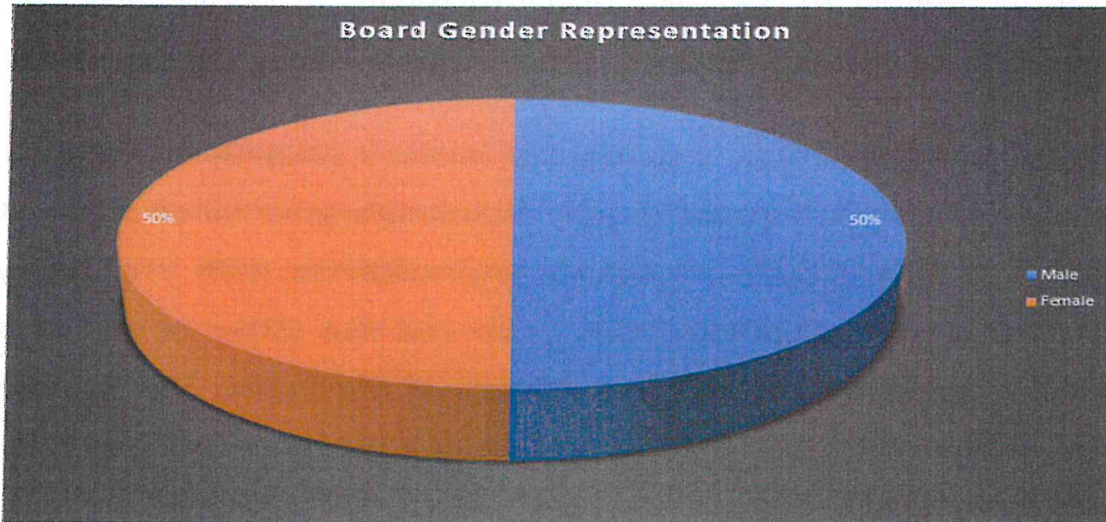
BRS Strategic Plan is implemented through Annual Work Plans (AWPs) where the strategic view and aspirations are broken down into departmental work plans. The Service incorporated the Performance Contracts commitments into work plan and linked budgeting to the annual work planning and performance contracting. The performance contract commitments were thus aligned to the organization's strategic initiatives and strategies and prioritized during budgeting process and progress tracked on quarterly basis and the submitted to the PSPMMU in line with the PC guidelines.

## 7. BUSINESS REGISTRATION SERVICE CORPORATE GOVERNANCE STATEMENT

The Business Registration Service Board is established pursuant to Section 5 of the Business Registration Service Act 2015. The Board comprises the Chairperson, four (4) independent Board members, the Solicitor General, Principal Secretaries to the National Treasury and the Ministry for the time responsible for matters relating to trade. The Director General is an ex-officio member of the Board. The Board brings together members from different professional backgrounds with diverse skills, competencies and complies broadly with the constitutional gender balance requirements as shown below;



Figure 1: Board Gender Representation



The Board is responsible for the overall strategic direction and oversight of the Service. The function of the Board includes:

- (i) Formulate and review the policies of the Service;
- (ii) ensure that the Service performs its functions;
- (iii) monitor and evaluate the performance of the Service;
- (iv) appoint, train, discipline and remove members of staff of the Service;
- (v) establish departments within the Service and allocate responsibilities to such departments; and
- (vi) perform such other functions as prescribed by this Act or any other written law.

The Boards Key Achievements during the Financial Year 2021/2022 were:

- (i) Relocation of the Business Registration Service to the new premises;
- (ii) The recruitment of the Director of the ICT Department;
- (iii) Approved and continuously monitored the Service's Budget, Work plan and Procurement plan;
- (iv) Implemented the Service's Performance contract with the Office of Attorney General and Department of Justice;
- (v) Implemented and monitored the Service's Strategic Plan

- (vi) The Board approved various policies including but not limited to Board Code of Conduct, the Research Policy, the Board Succession Policy, the internal Audit Manual, the Succession Planning Tracker among others.

The Board is committed to ensuring the Service's obligations, roles and responsibilities are discharged through its corporate governance practices. The Board of Directors carries out its responsibilities with impartiality, honesty, transparency, professionalism, care and due diligence and at all times act in good faith to the best interest of the public. The Board is committed to ensuring that the highest level of integrity is sustained in the Service's operations.

The Board strives for consensus in decision making and conducts informed decision making in the establishment of the organization's strategic direction and monitoring of the organization's performance. The Board comprises eight members appointed on term of three (3) years eligible for reappointment for a one further term.

The term of Service of Ms. Shella Sheikh and Mr. Brian Omwenga expired on 2nd May 2022 and the term of service for Mr. Brian Omwenga was renewed with effect from 3rd May 2022.

The term of service of Ms. Carol Musyoka as Chairperson ended on 6th October 2021 and the term of service of Mr. James Mureu ended on 28th October 2021.

Justice (Rtd) Erastus Githinji was appointed as the Chairperson of the Board on 6<sup>th</sup> October 2021 and Mr. Faraj Mansur was appointed as a Board member on 28<sup>th</sup> October 2021. The two attended an induction training organized by the State Corporation Advisory Board in November 2021.

During the period under revenue, the Board attended two trainings on corporate governance and public finance management.

The Board has four Committees specifically:

1. Audit and Governance Committee;
2. Technical and Strategy Committee;
3. Human Resource and Finance Committee; and
4. Compliance and Risk Committee.

The Board has a Board Charter and each of the Committees have a specific Committee. The Board discloses conflict of interest before the commencement of each board meeting.

The Board with the facilitation of the State Corporation Advisory Committee ('SCAC') an evaluation for the performance of the Board, and its individual Board members including the Director General. The Board obtained a score of 96.67%

### **Board Attendance**

The Board meets at least once every quarter. The number of meetings held by the Board and its committees are as shown below with each member attendance: -

Members are entitled to a board sitting allowance in accordance with Circular No. OP/SCAC.1/9 dated 19<sup>th</sup> November 2019 issued by the State Corporations Advisory Committee.



**Table; Board Members and Attendance of Meetings**

Board Member	Designation	Technical and Strategy Committee (Total Number of meetings held: 6 meetings)	Audit and Governance Committee (Total Number of meetings: 5 meetings)	Human Resource and Finance Committee (Total Number of meetings: 5 meetings)	Compliance and Risk Committee (Total Number of meetings: 4 meetings)	Full board meetings (Total Number of meetings: 7 meetings)	Others including trainings
Justice (Rtd) Erastus Githinji	Chairperson From 6 <sup>th</sup> October 2021 to date	N/A	N/A	N/A	N/A	3/3	10
Ms Carol Musyoka	Chairperson Up to 6 <sup>th</sup> October 2021	N/A	N/A	N/A	N/A	4/4	1
Mr Brian Omwenga	Chairperson Technical and Strategy	6/6	5/5	1/1	N/A	6/6	3
Mr. James Ndung'u Mureu	Chair Human Resource and Finance Up to 28 October 2021	N/A	N/A	3/3	2/2	4/4	1

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Mr. Faraj Mansur	Chair Human Resource and Finance  From 10 <sup>th</sup> February 2022	1/1	N/A	1/1	1/1	2/2	4
Ms. Shella Sheikh	Chair Compliance and Risk	6/6	2/2	5/5	4/4	6/6	3
Ms. Catherine Musakali	Chair Audit and Governance	6/6	5/5	N/A	N/A	7/7	5
Ms. Njeri Wachira	Member	4/4	N/A	3/3	3/3	7/7	3
Ms. Josephine Waruguru Macharia-Kanyi	Member	1/1	4/4	5/5	4/4	7/7	5
Mr. John Mwendwa	Member	5/5	3/3	N/A	N/A	6/6	2

### **Code of Conduct**

The Business Registration Service continues to observe and implement the provisions of the Mwongozo Code of Governance. The Code binds both the Board Members and staff who join the Service.

### **Risk Management**

Risk management has been integrated into day-to-day operations across all departments. This guarantees that risks are managed optimally and comply with the approved policies and tenets of good corporate governance. In the year under review, the Service continued to implement mitigation strategies to ensure that the risk levels were minimized. At the

commencement of the financial year 2021/2022, the Service had 25 risks, at the end to the financial year the Service had 15 risks.

The Risk Management Procedures and Registers were reviewed and aligned to the Enterprise Risk Management Policy.

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

### **SECTION A**

#### **Operational and Financial Performance**

The Business Registration Service (BRS) was established by the Business Registration Service Act No.15 of 2015. At cabinet level, the Service is represented by the Attorney General who is responsible for the general policy. The organization has continued to carry out its mandate efficiently despite limited resources. Revenue collection continues to increase due to digitization of services on E- citizen platform.

The Service received Kshs. 444,650,000 recurrent grants from the Government to implement its programmes for the year under review.

### **SECTION B**

#### **Compliance with statutory requirements**

Business Registration Service continues to comply with all statutory requirements and it does not have any major non-compliance to report.

### **SECTION C**

#### **Key projects and investment decisions the entity is planning/implementing**

Business Registration Service is mainly funded by the National Treasury, and it receives a one-line Budget. There are no key projects and investments decisions the entity is undertaking at the moment.



## **SECTION D**

### **Major risks facing the entity**

Business Registration service activities expose it to a variety of financial risks, for example liquidity risk. The Service overall risk management Programme focuses on the unpredictability of the economy and seeks to minimize potential adverse effects on its financial performance.

Business Registration Service regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices. Risk management is carried out by the management under the supervision the Board of Directors.

The service provides policies for overall risk management, as well as policies covering specific areas such as liquidity risk and credit risk.

## **SECTION E**

### **Material arrears in statutory/financial obligations**

Business Registration Service did not have any active loans and generally it does not have any outstanding bills relating to previous financial periods.

## **SECTION F**

### **The entity's financial probity and serious governance issues**

Business Registration Service has a strong corporate governance structure and internal controls. The corporate governance is spearheaded by the Board of Directors.

## **SECTION G**

### **i) Review of the economy**

The data from the Quarterly Economic and Budgetary Review report by the National Treasury for Q4 FY 2021/22 showed that the Kenyan economy demonstrated remarkable resilience to the COVID-19 shock and expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3

percent in 2020. This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

According to the report, the Private sector credit improved to a growth of 12.3 percent in the 12 months to June 2022 compared to a growth of 7.7 percent in the year to June 2021. This was supported by increased credit demand following improved economic activities. Strong credit growth was observed in the following sectors: mining, transport and communication, manufacturing, business services, agriculture, trade and building and construction. All economic sectors registered positive credit growth rates. The Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs), continues to de-risk lending by commercial banks hence remains critical to increasing credit flow to the private sector.

On fiscal performance, the total revenue collected including A-I-A amounted to Kshs. 2,199.8 billion against a target of Kshs. 2,192.0 billion. The total revenue collected from other streams apart from taxes, duties and investment amounted to Kshs 49.309 billion. Out of this BRS raised a total of Kshs 977.18 million representing a total of 1.98 %.

The growth was largely attributed to the improved operating business environment and targeted economic stimulus interventions by the Government. Among the economic recovery strategy initiatives listed, BRS played a big role in a number of ways

- i. The initiative enhances resource mobilization to ensure sustainable funding of development programmes, Business Registration Service collected revenue amounting to Kshs 977.18 million.
- ii. On the initiative to support the role of the private sector to enhance its role in economic development by enhancing credit access by MSMEs through the Credit Guarantee Scheme. Business registration seeks to initiative measures aimed at increasing the uptake of credit through

use of movable properties. The use of Movable property<sup>1</sup> includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.

- iii. allows the MSMEs who may not have fixed assets for collaterals to access credit too.
- iv. On the initiative to upscale investment in ICT and digital infrastructure in order to facilitate e-commerce and efficient delivery of public services. The Service adopted a number of ICT solutions to improve delivery of services such as adoption of a lodgment platform for manual services, adoption of a chatbot, acquisition of PABX IP-Telephone equipment installation works & relevant software application and ERP to efficiently deliver the services.
- v. Another initiative on promotion of local production processes and domestic supply value chains to increase resilience of the economy to global supply chain shocks. The Service seeks to stream line supply chain processes and increase the amount of procurement awards towards local goods and services.
- vi. The other initiative relevant to the Service is the initiative which seeks to implement various policy, legal and institutional reforms and strengthen monitoring and evaluation systems with ultimate goal of enhancing efficiency of public service delivery. The Service has an elaborate framework on undertaking continuous review of legal, policy and regulatory framework on ease of doing business to facilitate business activities in the economy. Also, the Service has established and seeks to strengthen the monitoring and evaluation function to ensure smooth implementation of the services to the public.

**ii) Review of the Sector**

The Service plays a role in the Governance, Justice, Law and Order (GJLO) sector especially on governance of the registration services. The sub-sector contributes to the sector especially on promotion of governance, justice and law through provision of advisory and management of legal matters. BRS contributes to the sector through provision of the legal services on registration of business and administration of laws relating to registration of business, firms, companies, movable property Security Rights registries, Hire Purchase registries and insolvency matters.

The Service contributes to the sector through the implementation of strategies under the KRA 1 strategic objective 1 of the sub-sector plan which seeks to provide quality legal services to the government and public. The Service implements initiatives aimed at enhancing Registration services under strategy number 11 through execution of the business laws and the functions listed in the BRS Act of 2015. Over the last the last 5 years since FY 2017/18 to FY 2021/22, The Service has played the role of the sector on provision of legal services by registering 611,867 business entities, registering 544,260 MPSR initial notices of loans secured through use of Movable Properties and helped business in financial distress through enhanced mechanism of the insolvency practice in the country.

**iii) Future developments and any other information considered relevant to the users of the financial statements.**

Going forward, The Service seeks to leverage on ICT based solutions to improve processes and services offered by the Service. Key among them include relocation of the office to a suitable office to provide services to the public, implement a robust record management system to enhance the quality and integrity of the records, modernize the call Centre and equip the center with more efficient ICT solutions, implement self-service options, digitize all records, fully automate all the manual process through the continuous BPR program, integrate internal registries for ease of service delivery, fast track implementation of link a business process, develop new



products for MPSR to enhance credit access, enhance the resolution of insolvency matters through automation and implementation of ERP within the Service among other projects.

## 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Business Registration exists to transform lives and this is the driving force in everything we do. The Service puts the customer/ citizen first and deliver relevant services. The service is committed to improving operational efficiency to provide excellent services to its clients. Business Registration Service together with its strategic partners and stakeholders have made this possible. The Business Registration Service exist to make the business sector competitive by streamlining and automating the business registration processes, in line with international best practices and global trends to ensure quality delivery of services.

The Service's main purpose is to provide quality business services that are responsive to our customers throughout their business life cycle.

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

The Service's strategic plan for the financial year 2021/2022-2025/2026 incorporates the sustainable development goals and has specifically aimed at directly promoting three of the UN's post-2015 sustainable development agenda launched at the Sustainable Development Summit in September 2015. Particularly:

Goal 8. Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small-and medium-sized enterprises, including through access to financial services.

The Service has contributed towards the achievement of this goal by providing an online platform that is easily accessible from everywhere for registration of business entities and registration of security rights in movable property.

The insolvency department also contributes towards these goals through administration of companies which is an alternative to liquidation. Under administration, a company is maintained for a period of one year which can be extended by court, or the company is sold as going concern. During the period of administration, there is a moratorium on all proceedings against the company. This provides a company with the opportunity to strategically improve its financial position and prevent it being liquidated.

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels. 16.b which seeks to promote and enforce non-discriminatory laws and policies for sustainable development. The Service has contributed to this goal through the support and creation of an enabling policy and legal framework which support ease of going business.

Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development. 17.1 which aims at strengthening domestic resource mobilization and 17.3 on mobilization of additional financial resources for developing countries from multiple sources. The Service through intends to implement strategies aimed at increasing the amount of revenue collected for supporting growth and development.

The Service is in the process of acquiring an electronic document and records management system (EDRMS) which will ensure all its records are digitized and do away with paper records. The Service aims at fully automating all its services to enhance business sustainability.

## **ii) Environmental performance**

The organization appreciates the needs for it to ensure there is environmental sustainability. The Service has established an Environmental Social and Governance (“**ESG**”) Committee which is working on developing an ESG policy and strategy.

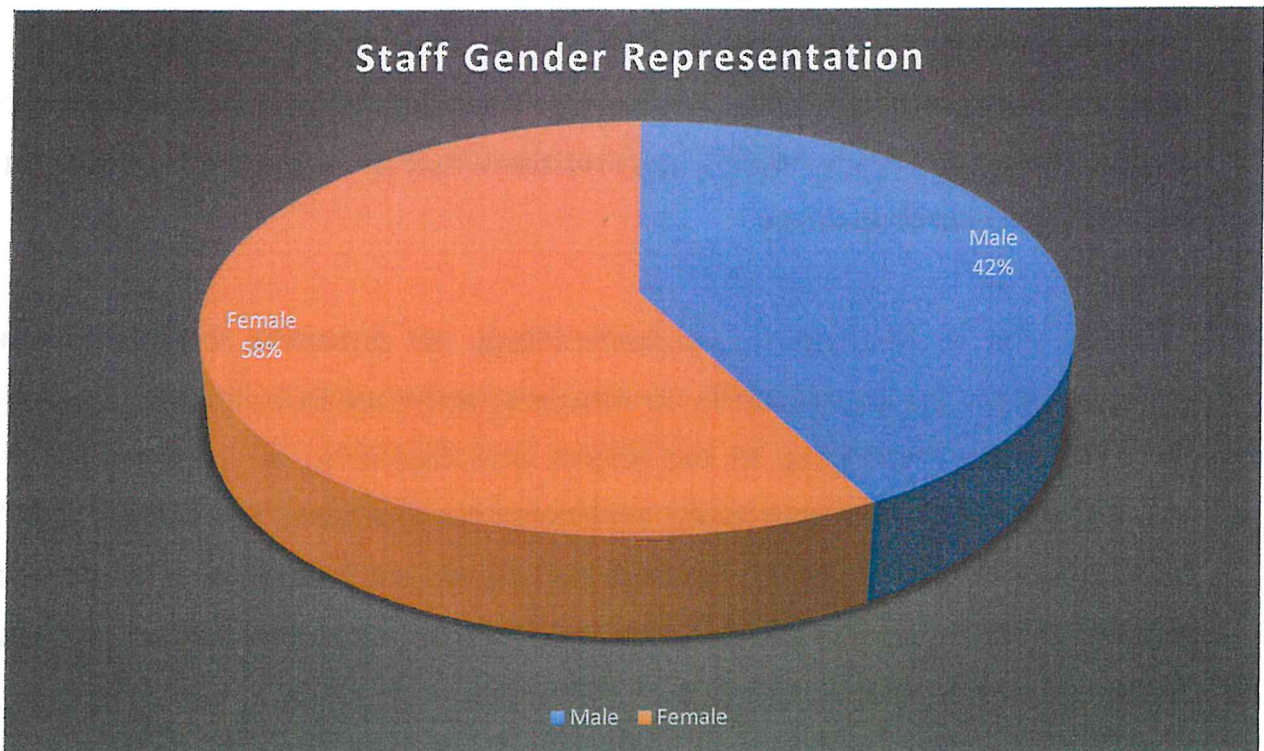
The Service is leveraging on technology to promote environmental sustainability. The organization continues to enhance its online services and is working on improving its workflows and digitizing all its records. The organization has also developed an Enterprise Resource Planning (“**ERP**”), through which most of its internal processes are lodged and approved, making majority of the internal process such as leave, requisitions among others paperless and improving on efficiency.

The Board also continued to utilize its e-board platform and Board members were issued with tablets for purposes of leveraging on ICT to preserve the environment.

## **iii) Employee Welfare**

Under the employee welfare which is a social pillar of the service., the Service is an equal opportunity employer and all candidates are selected on merit through fair and open competition from the widest range of eligible candidates. In making appointments, the Service considers the gender, regional, ethnic and other diversities of the people of Kenya. The services’ principles of affirmative action, gender and persons with disability will apply by observing gender balance on appointment/promotion and ensure that a minimum of 30% are of either gender. The current staff establishment as stands at 111 comprising of 47 males and 64 females respectively.

Figure 2; Staff Gender representation



The Service recognizes the need for training and development of all employees. It therefore committed to offer training opportunities to all its employees in order to improve their work performance and personal development. This is done by conducting a training needs analysis after every three years and on need basis. The Service has lived to its commitment in matters learning and development and ensured its officers are trained and learn from the best in order to sustain productivity and personal growth. In the last three months our officers have attended a number of trainings, workshops and seminars a total of twenty programs with 95 employees in attendance.

The Service recognizes performance management system as a critical component of Human Resource Management function whose overall objective is to manage and improve performance of the Service by enabling higher level of employee participation and involvement in planning, delivery and evaluation of work performance. This is achieved through the Staff Performance Appraisal which forms a critical component of the human



resource management function. It is predicated upon the principal of work planning, setting of agreed performance targets, feedback and reporting.

This is linked to other human resource systems and processes including staff development, career progression, placement as well as rewards and sanctions. The appraisal period is continuous covering for one (1) year with effect from 1st July to 30th June of the following year with performance target setting for both departmental and individuals done at the beginning of the appraisal period. An elaborate appraisal tool is completed by both supervisor and the team members The Performance Appraisal reflects the summation of the year's performance.

The Service recognizes and commit itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it implements policies and programmes that assure their protection from such hazards and disasters in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labor Laws. A functional Occupation Safety and Health Administration Committee (OSHA) is in place which meets regularly to deliberate on matters health and safety as required. In addition, the service has procured insurance covers for group personal accidents as required

#### **iv) Market place practices-**

Business Registration Service has put its efforts to the following in relation to the market place practices;

##### **a) Responsible competition practice.**

BRS undertakes procurement in a manner that is fair, equitable, transparent, competitive and cost effective through open tendering method. At least 30% of the annual procurement expenditure budget is reserved and awarded to Youth Women and Persons Living with Disabilities.

In addition, BRS uses the standard bidding documents as published by the Public Procurement Regulatory Authority which requires bidders to declare that they will not engage in corrupt practices. Furthermore, we undertake proactive disclosure of tenders and contracts awarded in order to enhance transparency.

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

The supply chain department has a proactive policy to train suppliers each financial year. The training helps suppliers, especially the Youth, Women and Persons Living with Disability owned companies, to navigate the tendering process. These trainings help build capacity of the target group and ensure good business practices.

Furthermore, BRS has a policy to pay suppliers within 30 days from the date of submission of necessarily documentation upon satisfactory delivery of goods, works or services.

**c) Responsible marketing and advertisement**

Procurement opportunities are shared on the BRS website ([www.brs.go.ke](http://www.brs.go.ke)), government tenders' portal ([www.tenders.go.ke](http://www.tenders.go.ke)) and the social media handles for access by potential bidders.

**d) Product stewardship**

Business Registration Service insists on product warranty and manufacturers authorization for all goods supplied in order to ensure supply of goods of reasonable quality that protects from harmful goods.

**10. CORPORATE SOCIAL RESPONSIBILITY /COMMUNITY ENGAGEMENTS**

The BRS corporate social responsibility initiatives reflect accountability and commitment to contributing to the well-being of communities and society through various environmental and social measures.

During the Financial Year 2021/2022, the Service in collaboration with the Kenya Forest Service (KFS) adopted a half a hectare of degraded forest in Ngong Road Forest for reforestation, protection, conservation and



maintenance for a period of 3 years. The Service planted six hundred [No.600] tree seedlings at a cost of Kshs. 254,603.00.

The initiative was in line with supporting national efforts of achieving and maintaining at least 10% national forest cover and creating climate-resilient communities through restoration and protection of forest watersheds, and the creation of sustainable livelihoods for communities in Kenya.



## 11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Business Registration Service affairs.

### **i) Principal activities**

The Business Registration Service principal activity is generally implementation of policies, laws and other matters relating to registration of companies, partnerships and firms, individuals and corporations carrying on business under a business name, bankruptcy, hire purchase and chattels transfers.

### **ii) Results**

The Financial Statements for Business Registration Service for the year ended June 30, 2022 are set out on page 1-35

### **iii) Directors**

The Board of Directors who served during the year as shown on page Viii - Xv. During the financial year 2021/2022, Ms. Carol Musyoka retired on 6<sup>th</sup> October 2021, Mr. James Mureu retired on 28<sup>th</sup> October 2021, Mr. Brian Omwenga and Ms. Sheila Sheik retired on 2<sup>nd</sup> May 2022. Justice (Rtd). Erastus Githinji was appointed on 6<sup>th</sup> October 2021 and Mr. Faraj Mansur was appointed on 28<sup>th</sup> October 2021 in their 1<sup>st</sup> term. Mr. Brian Omwenga was reappointed a BRS Director on 3<sup>rd</sup> May 2022.

### **iv) Surplus remission**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) 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 financial year.

In the FY 2021/2022, Business Registration Service did not make any surplus during the year and hence no remittance to the consolidated fund.



**v) Auditors**

The Auditor General is responsible for the statutory audit of the Business Registration Service in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Name: **Ms. Elizabeth Macharia**

Signature: 

Date: 3/2/2022

Corporation Secretary/Secretary to the Board

## 12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporation Act require the Directors to prepare financial statements in respect of Business Registration Service, which give a true and fair view of the state of affairs of the Service at the end of the financial year and the operating results of the Business Registration Service for that year. The Directors are also required to ensure that the Business Registration Service keeps proper accounting records which disclose with reasonable accuracy the financial position of the Business Registration Service. The Directors are also responsible for safeguarding the assets of the Service.

The Directors are responsible for the preparation and presentation of the Business Registration Service financial statements, which give a true and fair view of the state of affairs of the Business Registration Service for and as at the end of the financial year (period) ended on June 30, 2022. 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 entity; (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 Business Registration Service (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Business Registration Service 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 Business Registration Service financial statements give a true and fair view of the state

of Service transactions during the financial year ended June 30, 2022, and of the Business Registration Service financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Business Registration Service, which have been relied upon in the preparation of the Business Registration Service 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 Business Registration Service 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 Business Registration Service financial statements were approved by the Board on ..... 3/2/2023 ..... of 2023 and signed on its behalf by:

**Signature:**



**Name: Justice (RTD) Erastus Githinji CBS EBS  
HSC**

**Chairperson of the Board**

**Signature:**



**Name: Kenneth Gathuma**

**Director General**





# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON BUSINESS REGISTRATION SERVICE FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in 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 Government achieves value for money and that such funds are applied for intended purpose.
- 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, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided under 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.

### **Opinion**

I have audited the accompanying financial statements of Business Registration Service set out on pages 1 to 49, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cashflows and statement of comparison of budget and actual amounts for the year then ended and 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, the financial statements present fairly, in all material respects, the financial position of the Business Registration Service as at 30 June, 2022, 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 Public Finance Management Act, 2012 and Business Registration Service Act, 2015.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Business Registration Service 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 opinion.

### **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. Failure to Open County Offices**

Audit review of Business Registration Service (BRS) records on regional offices revealed that operational branches are only in Kisumu and Mombasa Counties. However, strategic plan for the period 2021-2026 did not consider opening of regional offices in other Counties in Kenya contrary to Section (3) of Business Registration Service Act, 2015 which provides that; The headquarters of the Business Registration Service shall be in the capital city but the Business Registration Service shall establish branches in every County in Kenya to ensure reasonable access of its services.

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



## **2. Failure to Submit Compliance Reports to State Corporations Advisory Committee (SCAC)**

Audit review of records provided revealed that the Business Registration Service did not submit compliance reports for approval to State Corporations Advisory Committee (SCAC) as guided by the Office of the President Circular Ref. OP/CAB.9/1A dated 11 March, 2020. The circular requires all State Corporations to file with SCAC their Human Resource Compliance Reports, including payroll reports for all cadres of staff and other stated Human Resource Instruments for approval by 31 July of each year.

The Management was in breach of law.

## **3. Non-compliance with Laws and Guidelines by the Board**

A review of the records revealed that the Board Members were engaged in more than two Board Committees without approval of the respective Cabinet Secretary in consultation with State Corporations Advisory Committee. Further, the Board Committee Members had served in the same committees without rotations after every 12 months. This was contrary to Section B part 4 of the Management of State Corporation Circular Ref No OP/CAB.9/1A dated March 11, 2020 which stipulates that members can only sit in a maximum of two committees.

In the circumstances, the Board committee composition and operations did not comply with Mwongozo Code which may adversely impact on the effective implementation of the Board's resolutions.

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**

#### **Non-compliance with the Current Approved Staff Establishment**

Review of the staff establishment as at 30 June, 2022 revealed that, the Business Registration Services had 108 employees out of the recommended staff establishment of 162 resulting to an understaffing of 54 staff (or 32%) of the approved establishments. No

approved recruitment plan or budget was in place to address the staffing deficit in the near future which may adversely affect the efficiency and effective service delivery.

In the circumstances, the Management did not comply with the Public Service Commission Human Resource Policy and Manual 2016.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether 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 Management and those Charged with Governance**

The 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 Agency's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Agency 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.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls 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 controls.
- 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 Agency's ability 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 Agency to cease 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 Agency 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 controls 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

10 February, 2023


Business Registration Service  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2022**


14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30  
 JUNE 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments entities	6	444,650,000	309,568,399
<b>Total revenue</b>		<b>444,650,000</b>	<b>309,568,399</b>
<b>Expenses</b>			
Use of goods and services	7	86,785,472	70,021,867
Employee costs	8	278,969,432	216,287,446
Remuneration of directors	9	6,389,899	6,331,400
Depreciation and Amortization expense	10	6,189,390	5,419,282
Repairs and maintenance	11	54,473,338	3,467,720
Grants and subsidies	12	254,603	277,380
<b>Total expenses</b>		<b>433,062,134</b>	<b>301,805,095</b>
<b>Surplus/(Deficit)</b>		<b>11,587,866</b>	<b>7,763,304</b>

The notes set out on pages 9-39 form an integral part of these Financial Statements

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

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 Director General

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 Deputy Dir. F&A

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 Chairperson

**KENNETH GATHUMA HSC CPA ERASTUS MBALU Justice (Rtd) Erastus Githinji CBS EBS**

Date.....06/02/23.....

ICPAK Member NO. 6469

Date.....3/2/2023.....

Date.....3/2/2023.....

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

<b>Assets</b>	<b>Notes</b>	<b>2021-2022</b>	<b>2020-2021</b>
<b>Current Assets</b>		<b>Kshs</b>	<b>Kshs</b>
Cash and Cash Equivalents	13	67,677,383	53,179,634
Inventories	16	11,624,824	12,649,101
Receivables from Exchange transactions	15	9,512,097	7,635,813
<b>Total Current Assets</b>		<b>88,814,304</b>	<b>73,464,548</b>
<b>Non -Current Assets</b>			
Property, plant and equipment	17	71,366,949	29,108,571
Intangible assets	18	894,942	1,424,409
<b>Total Non -Current Assets</b>		<b>72,261,891</b>	<b>30,532,980</b>
<b>Total Assets</b>		<b>161,076,195</b>	<b>103,997,528</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	19	0	2,448,006
Current Provisions	20	4,265,150	0
<b>Total Current Liabilities</b>		<b>4,265,150</b>	<b>2,448,006</b>
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit obligation	21	43,673,657	0
<b>Total Non-Current Liabilities</b>		<b>43,673,657</b>	<b>0</b>



**Business Registration Service**  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2022.**

	Notes	2021-2022	2020-2021
		Kshs.	Kshs.
<b>Total Liabilities</b>		<b>47,938,807</b>	<b>2,448,006</b>
<b>Net Assets</b>			
Revenue reserve	24	101,549,522	93,786,218
Accumulated Surplus		11,587,866	7,763,304
<b>Total Net Assets</b>		<b>113,137,388</b>	<b>101,549,522</b>
<b>Total Net Assets and Liabilities</b>		<b>161,076,195</b>	<b>103,997,528</b>

**Note:**

MPSR has a donor funding, amounting to Kshs. 142,492,400 by the IFC meant for consultancy for capacity building and public awareness and advisory agreement on Kenya Investment climate. All the funding is in-kind.

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

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 --  
 Director General

-----  
 Deputy Dir. F&A

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 Chairperson

**KENNETH GATHUMA HSC CPA ERASTUS MBALU Justice (Rtd) Erastus Githinji CBS EBS**

Date... 03/02/23

ICPAK Member NO. 6469

Date... 3/2/2023

Date... 3/2/2023

**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30  
 JUNE 2022**

	<b>Capital reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Balance as at July 1, 2020</b>		93,786,218	93,786,218
Surplus/Deficit for the period	-	7,763,304	7,763,304
Transfer of excess depreciation on revaluation	-	-	-
<b>At June 30, 2021</b>	<b>-</b>	<b>101,549,522</b>	<b>101,549,522</b>
<b>Balance as at July 1, 2021</b>	<b>-</b>	<b>101,549,522</b>	<b>101,549,522</b>
Surplus/Deficit for the period	-	11,587,866	9,194,986
Transfer of excess depreciation on revaluation	-	-	-
<b>At June 30, 2022</b>	<b>-</b>	<b>113,137,388</b>	<b>110,744,508</b>

**Note:**

MPSR has a donor funding, amounting to Ksh. 142,492,400 by the IFC meant for consultancy for capacity building and public awareness and advisory agreement on Kenya Investment climate. All the funding is in-kind.

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

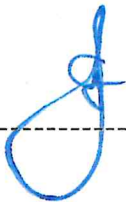
		2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and subsidies	6	444,650,000	309,568,399
<b>Total Receipts</b>		<b>444,650,000</b>	<b>309,568,399</b>
<b>Payments</b>			
Use of Goods and services	7	86,785,472	70,021,867
Employee Costs	8	278,969,432	216,287,446
Remuneration to Directors	9	6,389,899	6,331,400
Repairs and Maintenance	11	54,473,338	3,467,720
Grants and Subsidies	12	254,603	277,380
<b>Total Payments</b>		<b>426,872,744</b>	<b>296,385,813</b>
<b>Cash Flow from Operating Activities</b>		<b>17,777,256</b>	<b>13,182,586</b>
<b>Working Capital Adjustments</b>			
Decrease in Stock	16	1,024,277	402,600
Decrease in Payables	19	(2,448,006)	0
Increase in Provisions	20, 21	47,938,807	0
Increase in Current Receivables	15	(1,876,284)	(7,635,813)
<b>Total Working Capital Adjustments</b>		<b>44,638,794</b>	<b>(7,233,213)</b>
<b>Net cash flows from operating activities</b>		<b>62,416,050</b>	<b>5,949,373</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment	17	47,918,200	(5,280,080)
<b>Net cash flows from investing activities</b>		<b>(47,918,200)</b>	<b>(5,280,080)</b>



17 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022  
(CONT.)

		2021-2022	2020-2021
		Kshs	Kshs
Net increase/(decrease) in cash and cash equivalents		14,497,749	669,353
Cash and cash equivalents as at 1 <sup>st</sup> JULY 2021		53,179,634	52,510,281
Cash and cash equivalents as at 30 JUNE 2022	14	67,677,383	53,179,634

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:



Director General

**KENNETH GATHUMA HSC  
EBS**

Date.....06/02/23.....



Deputy Dir. F&A

**CPA ERASTUS MBALU**

ICPAK Member NO. 6469

Date.....3/2/2023.....



Chairperson

**Justice (Rtd) Erastus Githinji CBS**

Date.....3/2/2023.....



18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE  
2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Of Utilization
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Government grants	420,350,000	24,300,000	444,650,000	444,650,000	0	100%
<b>Total income</b>	<b>420,350,000</b>	<b>24,300,000</b>	<b>444,650,000</b>	<b>444,650,000</b>		
<b>Expenses</b>						
Compensation of employees	277,208,609	6,089,086	283,297,695	278,969,432	4,328,263	98.5%
Goods and services	83,616,391	4,597,714	88,214,105	86,785,472	1,428,633	98.4%
Board Expenses	6,000,000	400,000	6,400,000	6,389,899	10,101	99.8%
Repair and Maintenance payments	46,440,000	8,037,000	54,477,000	54,473,338	3,662	99.9%
Grants & Subsidies paid	355,000	(100,000)	255,000	254,603	397	99.8%
<b>Total expenditure</b>	<b>413,620,000</b>	<b>19,023,800</b>	<b>432,643,800</b>	<b>426,872,744</b>	<b>5,771,056</b>	<b>98.7%</b>
<b>Surplus for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,777,256</b>		
<b>Capital Expenditure</b>	<b>6,730,000</b>	<b>5,276,200</b>	<b>12,006,200</b>	<b>12,005,200</b>	<b>1,000</b>	<b>99.99%</b>

**Budget Notes**

i) The changes between the original and final budget on compensation of employees, goods and services, board expenses, repair and maintenance payments, grants and subsidies paid as well as capital expenditure all were as a result of reallocations done in the financial year. Additionally, BRS received an additional supplementary budget support of Kshs. 24.3M.

ii) Reconciliation of Budget Comparison and Actual Amounts

Details	Amount (Kshs)
Surplus as per the Budget Comparison	17,777,256
Depreciation for the year	(6,189,390)
Surplus as per the financial performance	<b>11,587,866</b>

## 19. NOTES TO THE FINANCIAL STATEMENTS

### **1. GENERAL INFORMATION**

Business Registration Service is established by an Act of Parliament and derives its authority and accountability from the Business Registration Act, 2015. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Business Registration Service principal activity is generally implementation of policies, laws and other matters relating to registration of companies, partnerships and firms, individuals and corporations carrying on business under a business name, bankruptcy, hire purchase and chattels transfers.

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The Business Registration Service financial statements have been prepared on a historical cost basis. 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 the Business Registration Service accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Business Registration Service.

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. ADOPTION OF NEW AND REVISED STANDARDS

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

- ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.***

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the</li> </ul>



	<p>accounting treatment for instruments held as part of the risk management strategy.</p> <p>Business Registration Service appreciates the revised standards</p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"><li>a) The nature of such social benefits provided by the Entity.</li><li>b) The key features of the operation of those social benefit schemes; and</li><li>c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li></ul> <p>With the inclusion of social benefits in the financial statements, it will enrich the Service reporting.</p>
<p>Amendments to Other IPSAS resulting from <b>IPSAS 41,</b> Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"><li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li><li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li></ul>

	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The amendments are quite relevant in the financial reporting</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> <li>• IPSAS 22 Disclosure of Financial Information about the General Government Sector.</li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• IPSAS 39: Employee Benefits</li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• IPSAS 29: Financial instruments: Recognition and Measurement</li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p><b>IPSAS 43</b></p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a</p>

	<p>basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p>
<p><b>IPSAS 44:</b> Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>By measuring assets at the lower of the carrying amount and fair value less cost to sell and the depreciation of assets is relevant to the service.</p>

***Early adoption of standards***

Business Registration Service did not early – adopt any new or amended standards in year 2021/2022.

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

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

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

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

##### **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 entity 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.

##### **ii) Revenue from Exchange transactions**

##### **Rendering of services**

Business Registration Service 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



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

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

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 entity.

#### **b) Budget information**

The original budget for FY 2021-2022 was approved by the National Assembly in June 10th 2021 and there were Subsequent revisions and additional appropriations 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 Business Registration Service upon receiving the respective approvals in order to conclude the final budget. Accordingly, Business Registration Service recorded additional appropriations of Kshs. 24.3 M on the 2021-2022 budget following the governing bodies approval.

The Business Registration Service 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 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.

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

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

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 actual as per the statement of financial performance has been presented under page 5 these financial statements.

#### **c) 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 Service 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.

It is the policy of the service to depreciate Property, Plant and Equipment on a straight-line basis with the following asset classes and depreciation rates applying;

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Summary of Significant Accounting Policies (Continued)

<b>Asset Class</b>	<b>Depreciation rate</b>
Computer Equipment and Software	33.3%
Office Equipment	12.5%
Motor Vehicles	12.5%
Furniture and Fittings	12.5%

Depreciation charges shall commence in the beginning of the month in which the asset is first put to use

#### **d) 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.

#### **e) 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

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

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

ii) Finished goods and work in progress: cost of direct materials and labor 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 Service.

### **f) Employee benefits**

#### **Retirement benefit plans**

Business Registration Service provides retirement benefits for its employees. 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 is charged against income in the year in which they become payable.



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

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

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.

#### **g) 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.

#### **h) Related parties**

Business Registration Service 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

#### **i) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank balances held at Kenya Commercial Bank at the end of the financial year.

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

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

#### **j) Comparative figures**

Business Registration Service financial statements include comparison figures of the previous year.

#### **k) 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, 2022.

#### **l) Provisions**

Provisions are recognized when the Business Registration Service 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 Service 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.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 20.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

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

#### **5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Business Registration Service 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, Business Registration Service future is certain.

#### **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 Entity
- 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)**

**6. Transfers from Other Government Entities**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income.	Amount recognized in capital fund	Total Transfers 2021-2022	Prior Year 2019-2020
	Kshs	Kshs.	Kshs.	Kshs.	Kshs.
State Law Office and Department of Justice	444,650,000	-	-	444,650,000	309,568,399
<b>Total</b>	<b>444,650,000</b>	<b>-</b>	<b>-</b>	<b>444,650,000</b>	<b>309,568,399</b>

*Business Registration Service receives one-line budget which it caters for recurrent expenditure. In the FY 2021/2022 BRS received Kshs. 444,650,000 as transfer from the State Law Office.*



**NOTES TO THE FINANCIAL STATEMENTS (Continued)****7. USE OF GOODS AND SERVICES**

Description	2021-	2020-
	2022	2021
	Kshs	Kshs
Water	635,300	506,300
Subscriptions	745,160	1,107,388
Advertising	6,565,898	2,578,587
Conferences and delegations	4,447,580	7,309,946
Hospitality	1,897,873	2,328,936
Rental	33,427,801	654,192
Fuel and oil	1,766,480	582,662
Postage	130,860	101,665
Consultancy fees	3,047,500	7,799,183
Contracted Guards and Cleaning Services	1,148,800	0
Printing and stationery	15,468,016	15,502,803
Purchase of Uniform and clothing	0	78,110
Telecommunication	65,500	4,401,200
Licenses and permits	714,308	655,648
Training	9,489,914	403,150
Newspapers and periodicals	88,590	33,792
Internet Connections	0	7,590,921
Bank charges	499,447	520,449
Temporary Committees	0	2,430,000
Fumigation (Sanitary & cleaning services)	6,646,445	15,436,935
<b>Total general expenses</b>	<b>86,785,472</b>	<b>70,021,867</b>

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

- Advertising amount was higher in the FY 2021/2022 as compared to the FY 2020/2021 due to increased awareness campaign as well as other advertisement costs related to BRS office relocations.
- Conferences and delegations in the FY 2021/2022 decreased due to increased number of virtual meetings as opposed to the physical meetings in the previous year.
- The increase in rental costs in the FY 2021/2022 was occasioned by the payment of rent by BRS for the new office premises.
- In the financial 2021/2022, there was a drop-in telecommunication costs due to budgetary cut to free money meant to support BRS office relocations.
- In the financial year 2021/2022, training of BRS staff increased due to more emphasis on staff capacity building.
- In the financial year 2021/2022, BRS did not incur internet connections which related to cloud hosting in the FY 2020/2021. The amount paid for internet connections FY 2020/21 relates to payment made for cloud hosting.
- The amount of fumigation services was lower in the financial year 2021/2022 because of reduced fumigation of offices as the Covid pandemic is being gradually contained.
- BRS had to allocate funds for Contracted Guards and Cleaning services due to relocation to the new premises as opposed to the FY 2020/21 where these costs were being shouldered by the parent ministry

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 8. EMPLOYEE COSTS

	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	142,949,961	114,126,046
Travel, motor car, accommodation, subsistence and other allowances	19,662,868	18,749,120
Housing benefits and allowances	50,691,067	45,254,684
Gratuity	23,959,148	17,266,503
Overtime payments	14,427	937,309
Other employee related costs (short term employees)	4,670,558	0
Employer contribution to Pension Schemes	13,032,887	7,555,087
Social Contributions	290,200	131,499
Employer contribution to health insurance scheme	22,685,615	11,787,658
Other insurance costs (WIBA)	1,012,701	479,540
<b>Total Employee costs</b>	<b>278,969,432</b>	<b>216,287,446</b>

- Basic salary and housing benefit and allowances increased in the FY 2021/2022 because of continuous recruitment exercise by done BRS to fill the crucial positions as well as full implementation of the staff salaries.
- Gratuity Benefits increased in the FY 2021/2022 due to the increased number of staff recruited on contract.
- In the FY 2021/2022 BRS engaged employees on short term employment to assist in implementing the Beneficial Ownership Programme.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

- Under Pension contribution Scheme, it has been rising over time due to continuous recruitment exercise of the staff under permanent and pensionable terms.
- The increase in Employer contribution to health insurance scheme and WIBA in the FY 2021/2022 was due to increased number of staff and beneficiaries incorporated into the medical cover.
- Social contributions increased due to the increased number of staff recruited in the year.

### 9. REMUNERATION OF DIRECTORS

Description	2021-2022	2020-2021
	Kshs	KShs
Chairperson's Honoraria	960,000	960,000
Sitting allowances	3,620,000	4,400,000
Travel and accommodation	553,899	541,400
Induction and Training	1,256,000	430,000
<b>Total director emoluments</b>	<b>6,389,899</b>	<b>6,331,400</b>

- Sitting Allowances for the FY 2021/2022 decreased as compared to the FY 2020/2021 due to number of directors retiring in the course of the year.
- Induction and training increased in the FY 2021/2022 due to increased number of trainings conducted in the year as well the induction course conducted to the new appointed directors.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 10. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	5,659,923	5,255,291
Intangible Assets	529,467	163,991
<b>Total depreciation and amortization</b>	<b>6,189,390</b>	<b>5,419,282</b>

- The intangible assets amortization amount increased in the financial year 2021/2022 because it related to the full financial year as opposed to the FY 2020/2021 where it was apportioned.

### 11. REPAIRS AND MAINTENANCE

Description	2021-2022	2020-2021
	Kshs	Kshs
Furniture and fittings	71,950	218,150
Computers and accessories	412,166	226,700
Refurbishment of building	53,874,556	3,019,070
Equipment & Machinery	114,666	3,800
<b>Total repairs and maintenance</b>	<b>54,473,338</b>	<b>3,467,720</b>

- BRS moved its offices to a new premise where refurbishment for building was done hence the increase in costs of refurbishment of building in the FY2021/2022.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****12. GRANTS AND SUBSIDIES**

Description	2021-2022	2020-2021
	Kshs	Kshs
Community development	254,603	277,380
<b>Total grants and subsidies</b>	<b>254,603</b>	<b>277,380</b>

**13. CASH AND CASH EQUIVALENTS**

Description	2021-2022	2020-2021
	Kshs	Kshs
Current account	67,677,383	53,179,634
<b>Total cash and cash equivalents</b>	<b>67,677,383</b>	<b>53,179,634</b>

**14. DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENT**

Financial Institution	Bank Account number	2021-2022	2020-2021
		Kshs	Kshs
<b>Current Account</b>			
Kenya Commercial Bank	1184110735	19,738,576	53,179,634
Kenya Commercial Bank	1300691360	47,938,807	0
<b>Grand total</b>		<b>67,677,383</b>	<b>53,179,634</b>

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

**15. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>2021- 2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Medical Insurance	7,531,795	5,805,862
Other Insurance Costs (WIBA)	388,255	236,191
Staff Salary Advances	170,000	0
ICT Licenses	1,422,047	0
Employer Contribution to Staff Pension Scheme	0	1,593,760
<b>Total current receivables</b>	<b>9,512,097</b>	<b>7,635,813</b>

**16. INVENTORIES**

<b>Description</b>	<b>2021-2022</b>	<b>2021-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumable stores	11,624,824,	12,649,101
<b>Total inventories at the lower of cost and net realizable value</b>	<b>11,624,824</b>	<b>12,649,101</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)****17. PROPERTY, PLANT AND EQUIPMENT**

	<b>Furniture and fittings</b>	<b>Computers</b>	<b>Office Equipment</b>	<b>Total</b>
<b>DEPRECIATION PERCENTAGE</b>	<b>12.5%</b>	<b>33.3%</b>	<b>12.5%</b>	
<b>Cost</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
At 1 <sup>st</sup> July 2020	19,781,328	11,868,108	9,328,672	<b>40,978,108</b>
Additions	601,920	2,400,000	689,700	<b>3,691,620</b>
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	<b>20,383,248</b>	<b>14,268,108</b>	<b>10,018,372</b>	<b>44,669,728</b>
Additions	40,412,000	7,506,200	-	<b>47,918,200</b>
Transfers/adjustments	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	<b>60,795,248</b>	<b>21,774,308</b>	<b>10,018,372</b>	<b>92,587,928</b>
<b>Depreciation and impairment</b>				
At 1 <sup>st</sup> July 2020	(3,159,769)	(5,462,681)	(1,683,315)	<b>(10,305,765)</b>
Depreciation	(2,127,842)	(2,133,007)	(994,442)	<b>(5,255,291)</b>
Impairment	-	-	-	-
<b>At 30<sup>th</sup> June ,2021</b>	<b>5,287,611</b>	<b>7,595,688</b>	<b>2,677,757</b>	<b>15,561,056</b>
Depreciation	(1,951,662)	(2,790,684)	(917,577)	<b>(5,659,923)</b>
Transfer/adjustment	-	-	-	-
<b>At 30<sup>th</sup> June, 2022</b>	<b>7,239,273</b>	<b>10,386,372</b>	<b>3,595,334</b>	<b>21,220,979</b>
<b>Net book values</b>				
<b>At 30<sup>th</sup> June 2021</b>	<b>15,095,637</b>	<b>6,672,420</b>	<b>7,340,615</b>	<b>29,108,672</b>
<b>At 30<sup>th</sup> June 2022</b>	<b>53,555,975</b>	<b>11,387,936</b>	<b>6,423,038</b>	<b>71,366,949</b>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Note on Additions

Delivery and invoice of Office Furniture and Fitting amounting to Ksh. 35,913,000 received at the closure of the financial year hence no depreciated on the items in the financial year.

### 18. INTANGIBLE ASSETS

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Cost</b>		
<b>At the beginning of the year</b>	1,424,409	0
Additions	0	1,588,400
<b>At the end of the year</b>	<b>1,424,409</b>	<b>1,588,400</b>
<b>Additions</b>	0	0
<b>At the end of the year</b>	<b>1,424,409</b>	<b>1,588,400</b>
<b>Amortization and impairment</b>		
<b>At the beginning of the year</b>	0	0
Amortization	529,467	163,991
<b>At the end of the year</b>	<b>529,467</b>	<b>163,991</b>
<b>NBV</b>	<b><u>894,942</u></b>	<b><u>1,424,409</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****19. TRADE AND OTHER PAYABLES**

Description	Period Ended June 30 <sup>th</sup> , 2022	2020-2021
	Kshs	Kshs
Gratuity B/f		
Gratuity payable	0	2,448,006
<b>Total trade and other payables</b>	<b>0</b>	<b>2,448,006</b>

**20. CURRENT PROVISIONS**

Description	Retention provision	Total
	Kshs	Kshs
<b>Balance at 1<sup>st</sup> July 2021</b>	0	0
Additional Provisions for the period	4,265,150	4,265,150
Provision utilized during the period	(0)	(0)
Change due to discount and time value for money	(0)	(0)
Transfers from non -current provisions	0	0
<b>Total provisions as at 30<sup>th</sup> June 2022</b>	<b>4,265,150</b>	<b>4,265,150</b>

The current provisions relate to 10% of the retention money held by BRS on behalf of the contractors.

**21. NON – CURRENT EMPLOYEE BENEFIT OBLIGATIONS**

Description	Gratuity Benefit	2021/2022	2020/2021
	Kshs	Kshs	Kshs
Current Benefit Obligation	0	0	0
Non-current Benefit Obligation	43,673,657	43,673,657	0
<b>Total provisions as at 30<sup>th</sup> June 2022</b>	<b>43,673,657</b>	<b>43,673,657</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 22.REVENUE RESERVE

	Retained earnings
	Kshs
<b>Balance as at July 1, 2020</b>	93,786,218
Surplus/Deficit for the period	7,763,304
<b>At June 30, 2021</b>	<b>101,549,522</b>
<b>Balance as at July 1, 2021</b>	<b>101,549,522</b>
Surplus/Deficit for the period	11,587,866
<b>At June 30, 2022</b>	<b>113,137,388</b>

### 23.PRIOR YEAR ADJUSTMENTS

Description	Period Ended June 30 <sup>th</sup> , 2022	2020-2021
	Kshs	Kshs
Gratuity payable	0	19,714,509
Office Furniture payable	0	35,913,000
Pension Arrears	0	146,960
<b>Total trade and other payables</b>	<b>0</b>	<b>55,774,469</b>



**24. CASH GENERATED FROM OPERATIONS**

	Notes	Period Ended June 30 <sup>th</sup> , 2022	2020-2021
		Kshs	Kshs
<b>Surplus for the year before tax</b>		<b>11,587,866</b>	7,763,304
<b>Add Back Adjusted for:</b>			
Depreciation for the year	9	6,189,390	5,419,282
Prior year depreciation/Adjustments			0
<b>Working Capital Adjustments</b>			
Decrease in Inventory	16	1,024,277	402,600
Decrease in payables	19	(2,448,006)	0
<b>Increase in provisions</b>		<b>47,938,807</b>	
<b>Increase in Receivables</b>		<b>(1,876,284)</b>	<b>(7,635,813)</b>
<b>Net cash flow from operating activities</b>		<b>62,416,050</b>	<b>5,949,373</b>



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

### **25.FINANCIAL RISK MANAGEMENT**

Business Registration Service activities expose it to a variety of financial risks, including credit risk, and liquidity risk. The Service overall risk management Programme focuses on the unpredictability of the economy and seeks to minimize potential adverse effects on its financial performance.

Business Registration Service regularly reviews its risk management policies and systems to reflect changes and emerging best practices. Risk management is carried out by the management under the supervision of the Board of Directors.

The services financial risk management objectives and policies are detailed below;

#### **a) Credit Risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Service. Credit risk arises from bank balances, receivables and amounts due from related parties. Although this risk is unlikely to occur cash is placed with well-established institutions of high credit standing and also approved by the national Treasury.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Business Registration Service exposure to credit risk at the end of the financial year is best represented by

	2021-2022	2020-2021
	Kshs.	Kshs.
Cash at Bank	67,677,383	53,179,634
Prepaid Medical Insurance	7,531,795	5,805,862
Prepaid Other Insurance Costs (WIBA)	388,255	236,191
Salary Advance	170,000	
ICT Licences	1,422,047	
Prepaid Employer Contribution to Staff Pension Scheme		1,593,760
<b>Total</b>	<b>77,189,480</b>	<b>60,815,447</b>

### b) Liquidity risk management

Business Registration Service Liquidity risk is as a result of funds availability to cover future commitments.

Ultimate responsibility for liquidity risk management rests with the Business Registration Service directors, who have built an appropriate liquidity risk management framework for the management of the service short, medium and long-term funding and liquidity management requirements. Business Registration Service manages liquidity risk through continuous monitoring of forecasts and actual cash flows

The amounts that best describes the Services exposure to liquidity risk at the end of the financial year is as follows;

## 26. RELATED PARTY DISCLOSURES

### Nature of related party relationships

Business Registration service-related party includes those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include the Government, Directors and key management personnel.

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

	2021-2022	2020-2021
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Grants from the Government</b>		
Grants from National Govt	444,650,000	309,568,399
<b>Total</b>	<b>444,650,000</b>	<b>309,568,399</b>
	2021-2022	2020-2021
	Kshs	Kshs
<b>b) Key management compensation</b>		
Directors' emoluments	6,389,899	6,316,400
Compensation to the CEO	0	7,200,000
Compensation to key management	41,870,600	34,322,700
<b>Total</b>	<b>48,260,499</b>	<b>47,839,100</b>

**27. CAPITAL COMMITMENTS**

Capital commitments	2021-2022	2020-2021
	Kshs	Kshs
Development and commissioning of an Enterprise Resource Planning System	8,935,852	8,935,852
Development of Strategic Plan	0	2,100,000
Authorized and contracted for Alternative Cloud hosting		7,340,000
Refurbishment of Building	69,175,132	
<b>Total</b>	<b>78,110,894</b>	<b>18,375,852</b>

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorized by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

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

**28. EVENTS AFTER THE REPORTING PERIOD**

There were no material adjusting and non- adjusting events after the reporting period.

**29. ULTIMATE AND HOLDING ENTITY**

The Business Registration Service is a Semi- Autonomous Government Agency under the State Law office and Department of Justice. Its ultimate parent is the Government of Kenya.

**30. CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs).



20.APPENDIX

**APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR -GENERAL'S RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	<p><b>Inaccuracies in the Financial Statements;</b></p> <p>Statements of Cashflow reflects a nil increase/ decrease in prior year balances on working capital adjustments, however statement of financial position reflects balances of Kshs. 13,051,625 and 2,448,006 in respect of inventories and trade payables which have not been accounted for. An amount of Kshs. 1,588,400 in respect of purchase of intangible assets had been omitted from Cash flow's investing Activities.</p> <p>Net Cashflow from Operating activities</p>	<p>The inaccuracies have been noted and acknowledged. The financial statements have been duly revised</p>	Resolved	To appear in Parliament

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	has a casting error of Kshs. 10,603,619.			
	Statement of financial position reflects a Property, Plant and Equipment balance of Kshs. 29,108,571, while the corresponding note 19 of financial statements reflects a balance of Kshs. 30,532,980 resulting to unexplained variance of Kshs. 1,424,009.	The inaccuracies have been noted and acknowledged. The financial statements have been duly revised	Resolved	To appear in Parliament
	The statement of Financial position reflects an intangible balance of Kshs. 1,424,009 as disclosed in Note 19, However there was an omission in note 19 of dates, months and years against the description of balances at the beginning and at the end	The inaccuracies have been noted and acknowledged. The financial statements have been duly revised	Resolved	To appear in Parliament
	The statement of financial position reflects a long outstanding payable	The Outstanding payable of Kshs. 2,448,006 has now been settled.	Resolved	To appear in Parliament



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	of Kshs. 2,448,006 and no explanation was provided as to why it hasn't been settled			
Key Audit Matters: 1	Non-Adherence to the One third rule on Staff Ethnic Composition; Business Registration Service has a total number of 130 staff, 46 of these staff members belong to one ethnic community. This represents 35% of total number of staff contrary to section 7 (2) of the National Cohesion and Integration Act 2008	The challenge was being addressed progressively. It has however been resolved.	Resolved	To appear in Parliament
2	Unauthorized Gratuity Payment; Included in the Employee cost of Kshs. 216,287,446 is a gratuity payment of Kshs. 17,266,503 through unauthorized and unnumbered voucher	The Business Registration Service board and the National Treasury granted approval to open a gratuity and retention account. The same has been opened and fund transferred.	Resolved	To appear in Parliament

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	<p>Lack of Fixed Assets Register;</p> <p>The Statement of Financial position reflect a balance of Kshs. 29,108,571 (2020- 30,272,318), however the management did not maintain an asset register.</p>	<p>The Asset Register is in place and duly updated.</p>	<p>Resolved</p>	<p>To appear in Parliament</p>
4	<p>Irregular Procurement of Cloud Hosting Services;</p> <p>The service procured cloud hosting services at a contract sum of Kshs. 7,340,024. A review of tender documents revealed that the firm awarded the contract was not among the 10 pre-qualified suppliers for restricted tendering identified by the Ministry of Information Communication and Technology. BRS paid an amount of Kshs. 6,606,022 or 90% of the contract</p>	<p>Following the government directive on implementation of digital payments, BRS senior management was advise by the Board to procure cloud hosting services. After a competitive bidding process BRS contracted MFI. The project was concluded and data migrated. BRS then sought approvals from the relevant Ministries; being The National Treasury, Ministry of Information</p>	<p>Resolved</p>	<p>To appear in Parliament</p>



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	sum and has not benefitted from the project due to unaddressed cyber security concerns on handling of government data on private servers	Communication and Technology. Approval was granted by the two Ministries but Ministry of Interior coordination declined to grant the approvals citing cyber security concerns. They instead advised BRS to set up a locally hosted data Centre.		
5	Payment of Goods and Services from Unregistered Suppliers;  BRS procured and paid for goods and services amounting to Kshs. 76,273,491 from suppliers who were not registered as required under section 56& 57 of the Public Procurement and Disposal Act,2015	Business Registration Service has been in the process of delinking from the Office of the Attorney General hence it has been relying on the Ministries registered list of suppliers as well as the AGPO list of registered	Resolved	To appear in Parliament

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		suppliers by the National Treasury.  However, the Service undertook Prequalification of Suppliers exercise in the FY 2021/2022.		
Other Matters: 1	Lack of Disaster recovery and Continuity Plan.;  This posed a significant threat to resumption of operations, should there be a disaster or emergency	BRS is in the process of developing its own disaster recovery plan. The ICT department is in the process of setting up an alternative hosting service, data persistence, data recovery.	Not Resolved	To appear in Parliament
2	Use of Unauthorized Accounting System for handling Government data	BRS maintains its records both in manual and electronic form. Quick books were an innovation adopted for ease of production of reports, and also acted as a stop gap measure as the service	Resolved	To appear in Parliament

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		awaited operationalization of the ERP		

Director General

Sign.....



Date: 06/02/23.....



**APPENDIX II: PROJECTS IMPLEMENTED BY BUSINESS REGISTRATION SERVICE**  
**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Consultancy for capacity building and public awareness on Movable Security	FSSP/PIU /OAG&DO J /35/2018-19	IFC	2020/2021	28,872,400	No	No
Kenya Investment Climate Project 3 (Advisory Agreement)	603298	IFC	2020/2021	113,620,000	No	No



**Status of Projects completion**

*(Summaries the status of project completion at the end of each quarter, I e total costs incurred, stage which the project is etc.)*

	<b>Project</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1	Enterprise Resource Planning (ERP)	8,935,852	0	90%	9,000,000	0	GOK

**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>BUSINESS REGISTRATION SERVICE</b>				
Breakdown of Transfers from the State Law Office and Department of Justice				
	FY 2021/2022			
a	Recurrent Grants			
	Reference number	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	043417	15/07/2021	105,087,500.00	2021/2022
	158504	18/10/2021	105,087,500.00	2021/2022
	158558	15/02/2022	105,087,500.00	2021/2022
	158664	10/05/2022	24,300,000.00	2021/2022
		15/05/2022	105,087,500.00	2021/2022
		<b>Total</b>	<b>444,650,000.00</b>	

BRS received a total of Kshs. 444,650,000 as Authority to Incur Expenditure (AIE) from the Office of the Attorney General and Department of Justice. Receipt of the money has been acknowledged and reconciliation done.

**Deputy Director Finance &Accounts**

**Head of Accounting Unit**

**Business Registration Service**

Sign

Date

*[Handwritten Signature]*  
 3/2/2023

**Office of the Attorney General**

Sign

*[Handwritten Signature]*

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**Appendix IV: Transfers from Other Government Entities**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - Grants	
Office of the Attorney General and DOJ	15/07/2021		105,087,500.00	105,087,500.00	0	0	0	105,087,500.00	105,087,500.00
	18/10/2021		105,087,500.00	105,087,500.00	0	0	0	105,087,500.00	105,087,500.00
	15/02/2022		105,087,500.00	105,087,500.00	0	0	0	105,087,500.00	105,087,500.00
	10/05/2022	Recurrent	24,300,000.00	24,300,000.00	0	0	0	24,300,000.00	24,300,000.00
	15/05/2022	Recurrent	105,087,500.00	105,087,500.00	0	0	0	105,087,500.00	105,087,500.00
				<b>444,650,000.00</b>	<b>444,650,000.00</b>				<b>444,650,000.00</b>

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