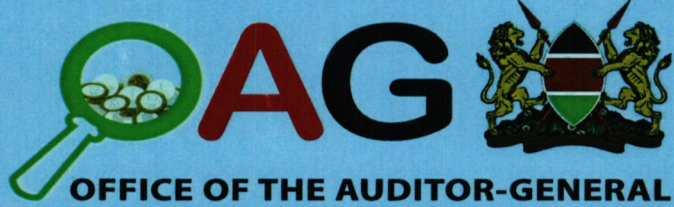


REPUBLIC OF KENYA



*Enhancing Accountability*



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OF KENYA  
LIBRARY

**REPORT**

**OF**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 22 JUN 2021

DAY: Tuesday

TABLED BY: LOM

FINLAY MUNUKI

**THE AUDITOR-GENERAL**

**ON**

**BUSINESS REGISTRATION SERVICE**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





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**BUSINESS REGISTRATION SERVICE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2019**

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

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
<b>DATE: 22 JUN 2021</b>	
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# BUSINESS REGISTRATION SERVICE

## Annual Reports and Financial Statements

For the year ended June 30, 2019

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# BUSINESS REGISTRATION SERVICE

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### I. KEY ENTITY INFORMATION

#### A. Background information

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 direction. BRS is domiciled in Sheria House, Nairobi, Kenya and has county representation in Huduma Centres in twelve counties.

#### 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

To be the best institution in the region in provision of public legal services and promotion of a just, democratic and corruption-free nation.

#### (ii) MISSION

To facilitate the realization of good governance and respect for the rule of law through the provision of public legal services, protection and promotion of human rights and upholding of ethics and integrity.

#### (iii) MANDATE

The mandate of the Business Registration Service includes: the general implementation of policies, laws and other matters relating to the registration of companies, partnership and firms, individuals and corporations carrying on business under a business name, bankruptcy, hire purchase and security interests.

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

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#### (iv) STRATEGIC FOCUS

##### Business Registration Service-

- (a) carries out all registrations required under the Business Registration Service Act;
- (b) maintains registers, data and records on registrations carried out by the Service;
- (c) implements relevant policies and guidelines and provide the Attorney General with the necessary information to guide the formulation of policy and amendment of existing policy and guidelines;
- (d) carries out research and disseminate research findings in the fields covered by the relevant laws through seminars, workshops, publications or other means and to recommend to the Government any improvements in the relevant laws;
- (e) collaborates with other state agencies for the 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.

#### C. Key Management

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

- Attorney General
- Solicitor General
- Board of Directors
- Ag. Director General
- Ag. Official Receiver
- Head of Companies Registry
- Head of the Movable Property Security Rights Registry
- Chief Accountant

#### D. Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Board of Directors	Business Registration service
2.	Ag. Director General BRS	Mr. Kenneth Gathuma
3.	Ag. Official Receiver	Mr. Mark Gakuru
4.	Head of Companies Registry	Joyce Koech
5.	Head of MPSR	Joseph Onyango
6.	Head of Accounts and Finance	Mr. Erastus K. Mbalu

## **BUSINESS REGISTRATION SERVICE**

### **Annual Reports and Financial Statements**

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#### **E. Fiduciary Oversight Arrangements**

##### **Business Registration Service committees**

Business Registration Service has established oversight bodies as required by the State Corporations Act. Section 9 of the State Corporations Act Cap 446 Laws of Kenya states as follows:-

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

The Audit and Governance Committee constituted of four members for the financial year 2018/2019. The committee was chaired by Miss Catherine Musakali. She is a well-trained governance auditor and board evaluator with vast experience from reputable firms and is an expert on corporate governance.

The other members of the committee included, Mr. Brian Omwenga, Ms. Josephine Kanyi, and Mr. Lucas Mwago.

Some of the responsibilities of the committee include oversight over financial statements and financial reporting; general compliance generally and internal control and risk management. The committee, like all other committees, plays an advisory role to the organisation.

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

There were three members of this committee during the 2018/2019 Financial Year. The Committee was chaired by Mr. James Mureu who is a well experienced chairperson of several organisations as well as widely exposed on Human resource and finance issues. The other members of the committee are Ms Shella Sheikh, Ms Josephine Kanyi.

The committee oversees the budgeting function of the service; reviews progressive reports on the expenditure and revenue of the Business Registration Service and also ensures overall sound financial reporting before approval of the entire Board.

The committee also oversees the human resource function of the Business Registration and makes its recommendations to the entire Board for approval.

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

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#### iii. The Compliance and Risk Committee

There were three members of this committee during the 2018/2019 Financial Year. The Committee was chaired by Ms. Shella Sheikh who is widely exposed on issues to do with risk management and compliance. The other members of the committee are Ms. Josephine Kanyi, Mr. James Mureu and Catherine Musakali.

#### iv. The Technical and strategy Committee

There were four members of the committee during the 2018/2019 Financial Year. The committee was chaired by Mr. Brian Omwenga who is well exposed on strategical issues and highly technical on information systems. Other members included Ms. Shella Sheikh, Mr. Lucas Mwago, and Ms Catherine Musakali.

The following board of directors served partially in the financial year 2018/2019;

NAME	DATE OF APPOINTMENT	DATE OF RETIREMENT
Ben Gaithuma	4 <sup>th</sup> January 2016	3 <sup>rd</sup> January 2019
Michael Mugasa	4 <sup>th</sup> January 2016	3 <sup>rd</sup> January 2019
John Mwendwa	Alternate PS trade	3 <sup>rd</sup> January 2019
Njeri Wachira	Alternate Solicitor General	3 <sup>rd</sup> January 2019

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

Sheria House, 2nd Floor

P.O. Box 40112-00100

Harambee Avenue,

Nairobi, Kenya

#### G. Business Registration Service Contacts

Telephone contacts: +254 20 2227461/2251355

## **BUSINESS REGISTRATION SERVICE**

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#### **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**

Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

#### **K. Principal Legal Advisers**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
NAIROBI, Kenya

**BUSINESS REGISTRATION SERVICE**

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**THE BOARD OF DIRECTORS**



**Ms .Carol Musyoka  
(Chairperson)  
LL.B.(UON)  
MASTERS**

Born in 1972, She holds a Bachelor of Laws degree from the University of Nairobi and a Master of Laws from Cornell Law School in New York, United States. She is a recipient of the 2010 Eisenhower Fellowship for International Leadership.

She has over ten years of financial leadership experience working in both Kenya and the United States.

She has executive director experience from her role as the Corporate Director, Barclays Bank Kenya as well as the Executive Director and Chief Operating Officer of K-rep Bank.

She is and has been a member of the boards of a number of public and private Kenyan companies including BAT Kenya, East African Breweries Limited, Barclays Bank of Kenya, K-Rep Bank and Kenya Airways.

She served as a board chair of Business Registration Service from 4<sup>th</sup> January 2016 to 3<sup>rd</sup> January 2019. She was reappointed as a board chair for a period of 3 years with effect from 3<sup>rd</sup> May 2019.



**Ms. Shella Sheikh  
(Member)**

Born in 1961, She 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.

In 2002, Shella ventured out to establish her own private practice.

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.

**BUSINESS REGISTRATION SERVICE**

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**Mrs. Catherine Musakali  
(Member)**

Born in 1969, She 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). 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.

She has led the development of three codes of Corporate Governance namely: Mwongozo, The Code of Corporate Governance for State Corporations, The Capital Markets Code of Corporate Governance Practices for Issuers of Securities and The ICPSK Code of Corporate Governance for Private Companies.

She is the founder and Chairman of The Women on Boards Network and is a trained Corporate Governance Trainer, Governance Auditor and Board Evaluator and has also developed policies on governance for a number of institutions. She sits on various Boards including Faulu Microfinance Bank and KASNEB

She served as a board member of Business Registration Service from 2<sup>nd</sup> October 2017 and her term is expected to end on 1<sup>st</sup> of October 2020.



**Mr. Brian Omwenga  
(Member)**

Born in 1980, He 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). He is currently the Lead Enterprise Architect for the Kenya Government 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 currently the chairman of the Software and Systems Engineering technical committee at the Kenya Bureau of Standards.

He was first appointed as Business Registration Board member on 3<sup>rd</sup> May 2019.

## BUSINESS REGISTRATION SERVICE

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**Mr. James Ndungu Mureu**  
( Member)

Born in 1960, He holds a B.Sc degree in Business Administration (marketing) from Hartford University and is currently pursuing an MBA with the Management College of South Africa.

He is currently the Managing Director of Prolong K Ltd, and the current chairman of WCF 2021 bid committee, Mastrade Holdings Ltd, Afrinol Holdings Ltd, Tana Solar & Tana Biomass and the Economic Diplomacy Committee of the Kenya National Chamber of Commerce & Industry where he is also the National Vice Chairman.

He was a member of the Core Committee that developed the National Export Strategy paper in 2003 and a founding member of the Kenya Private Sector Alliance Committee.

He was first appointed as Business Registration Board member on 3<sup>rd</sup> May 2019.



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

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

She holds a Bachelors Degree and Masters Degree in Economics from University of Nairobi.

She has served in the ministry of Planning of 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 served for over 27 years in public service.




She has attended Courses on Fiscal Decentralised 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.

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 <p><b>Lucas R. W. Mwago</b> (Representative of the Permanent Secretary, Ministry of Industry, Trade &amp; Cooperatives)</p>	<p>Born in 1967, He holds a Bachelor's Degree in Economics and Linguistics from the University of Nairobi and a professional Certificate in International Trade (PCIT) from the University of Adelaide, Australia. He holds a certificate in Strategic Leadership and Development Program from the Kenya school of Government. He is currently undertaking MBA in Marketing at the Kenya College of Accountants University.</p> <p>He is a policy analyst with a vast experience spanning for over 20 years in policy formulation and analysis in the civil service.</p> <p>He has undertaken several short-term trainings in International Trade, Policy Formulation and Analysis as well as in Trade Promotion and Negotiations.</p> <p>He is the Head of Trade Policy Division at the State Department of Trade in the Ministry of Industry, Trade and Cooperatives.</p>
 <p><b>Mr. Kenneth Gathuma,</b> (Ag. Director General, BRS)</p>	<p>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.</p> <p>Until his appointment as the acting Director-General in September 2016, Mr Gathuma was the Deputy Head of Government Transactions in the Office of the Attorney General &amp; Department of Justice 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>
 <p><b>Ms. Barbara Ngyu</b> (Ag. Corporation secretary)</p>	<p>Ms. Barbara Ngyu is an Advocate of the high Court of Kenya .She holds a Bachelor of Laws Degree from Moi University and she holds a Diploma from Kenya School of Law .Currently she is pursuing Masters in Laws from University of Nairobi.</p> <p>Until her appointment as the Ag. Corporation secretary she was a litigation counsel at the Office of the Attorney General and Department of Justice where she specialised in commercial arbitration.</p>

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**MANAGEMENT TEAM**

 <p>Mr. Kenneth Gathuma, (Ag. Director General)</p>	<p>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 acting Director-General in September 2016, Mr Gathuma was the 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>
 <p>Mr .Mark Gakuru (Ag.Official Receiver)</p>	<p>Mr. Mark Gakuru an Advocate of the High Court of Kenya with over 15 years of legal and administrative experience obtained in both the private and public sectors. He is the Ag. Official Receiver and as such a regulator in Insolvency practice in Kenya. He holds Master's Degree in Laws (L.L.M) from the University of Nairobi.</p>
 <p>Ms. Joyce Koech Head of Companies Registry</p>	<p>Ms. Joyce K. Chepngetich is an advocate of the High Court of Kenya with over 8 years' experience. Currently, she is in charge of the Company Registry.</p> <p>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.</p>

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**Mr. Joseph Onyango**  
(Deputy Registrar Movable Property  
Security Rights and Hire Purchase  
Registries)

Mr. Joseph Onyango is an advocate of the High Court of Kenya with over 26 years of practical experience in legal and administrative duties in public sector. Currently, he is the head of Movable Property Security Rights and Hire Purchase Registries. He holds a Bachelor of Laws and Business Administration Degrees from the University of Agra in India.



**Mr. Erastus Mbalu**  
(Head of Accounts)

Mr. Erastus Mbalu is a Certified Public Accountant (CPA-K) with over 10 years' experience obtained in public sector. He is the Head of Accounts and finance and has previously served in several ministries as well as serving under secondment in African Rehabilitation Institute (ARI-AU) as finance and administration officer. He holds a Bachelors of Commerce Degree (Accounts Option) from KCA University.

## **BUSINESS REGISTRATION SERVICE**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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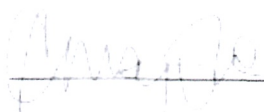
#### **CHAIRPERSON'S STATEMENT**

The Financial Year 2018/2019 was yet another year of growth for the Business Registration Service. The Board of Directors spearheaded the policy direction in achieving the BRS key objective of transformation of service delivery to the public.

The Board has overseen the implementation of its oversight role and plugged revenue leakage by directing the use of digital payment methods for services provided through the Government Digital Payments System known as eCitizen. Revenue collection in BRS has continually registered a significant growth over the years.

Overall, the current changes in the business regulatory environment have seen Kenya finishing position 61 in the 2018 ease of doing business index that surveyed 190 economies, compared to the previous year's position 80. The new ranking means Kenya is the third most competitive economy in Africa after Mauritius (20th) and Rwanda (29<sup>th</sup>). The changes in ranking are partly attributed to reforms that have been undertaken in business laws and registration processes, which fall under the administration of the Business Registration Service.

Finally, the Board of BRS is keen to ensure that the institution completes the delinking process from the Office of the Attorney-General and Department of Justice within the next financial year. This is critical taking into account the need for the mandate of the organization to be fully exercised and as well allow us to consolidate the gains made over the last three years. We can on that account achieve the vision of full digitization, automation of the institution's processes which in turn will allow us to provide excellent service delivery to the public and other Government agencies.



**CAROL MUSYOKA**

**CHAIRPERSON**

## BUSINESS REGISTRATION SERVICE

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For the year ended June 30, 2019

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#### REPORT OF THE Ag. DIRECTOR GENERAL

- i. In the previous FY, 2018/2019, the BRS Board of Directors continued to provide stewardship to the institution during the course of the year in line with the vision of attaining global standards of digitization and automation as a means to support service delivery to the public in line with the mandate of BRS. During that financial year, the term of four members came to an end in January 2019 thus leaving BRS with Board of Directors which could not raise a quorum to conduct business.
- ii. During the transition period before the Board was reconstituted, the Attorney General and the Solicitor General were at hand to provide the necessary guidance and direction to ensure that the management remained focused on the vision of the Board. The Attorney General subsequently made appointments to the Board through a publication in the Kenya Gazette dated 3<sup>rd</sup> May 2019.
- iii. During the year BRS experienced challenges on provision of services on the digital platform whereby members of the public were constrained in trying to access the BRS platform. This affected the back office as well as they could not process the applications lodged in a timely manner. These system outages were addressed through consultations with the service providers who are retained by the Government Digital Pay Secretariat.

#### A. FINANCIAL PERFORMANCE, REVENUE COLLECTION

The impact of service delivery being moved from manual processes to an online system has helped to positively impact revenue collection with growth being reflected as follows:

The trend has seen BRS attain growth of revenue in the last FY compared to the previous FYs as shown below:

Financial Year	2018/2019	2017/2018	2016/2017	2015/2016
<b><u>Revenue</u></b>	<b><u>795,535,207</u></b>	<b><u>717,844,971</u></b>	<b><u>401,488.444</u></b>	<b><u>321,867,383</u></b>
<b><u>Collection</u></b>				

## BUSINESS REGISTRATION SERVICE

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For the year ended June 30, 2019

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#### B. SERVICES/ REGISTRATIONS MADE DURING THE FINANCIAL YEAR

##### i) Companies Registry

Unit	Cumulative for the FY 2017/2018	Cumulative the FY 2018/2019	Q1- FY 2018/2019	Q2- FY 2018/2019	Q3- FY 2018/2019	Q4- FY 2018/2019
Name searches	412538	405669	95143	93713	116890	99923
Private Companies	46400	41977	11283	11195	12411	7088
Business Names	65994	64148	15594	15362	18662	14530
Public Companies	85	90	27	21	17	25
Foreign Companies	194	192	51	38	49	54
Companies Limited by Guarantee	358	349	69	83	91	106
Limited Liability Partnerships	3926	3382	89	95	109	89

##### ii) Movable Property Security Rights Registry

Unit	Cumulative for the FY 2017/2018	Cumulative for the FY 2018/2019	Q1- FY 2018/2019	Q2- FY 2018/2019	Q3- FY 2018/2019	Q4- FY 2018/2019
Notice of Initial Registration – MPSR	105154	91040	6885	19017	39638	25500
Searches - MPSR	3926	5253	109	179	906	4059

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2019

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#### iii) Insolvency Registry

Unit	Cumulative for the FY 2017/2018	Cumulative the FY 2018/2019	Q1- FY 2018/2019	Q2- FY 2018/2019	Q3- FY 2018/2019	Q4- FY 2018/2019
Bankruptcies		30	7	6	8	9
Liquidations		34	9	8	6	11
No assets procedures		3	1	NIL	1	1
Appointment of Liquidators		16	2	1	6	7

For companies and MPSR it is apparent that the numbers of registrations have declined slightly in comparison with the previous FY for the following reasons:

- a) Unstable system at BRS occasioned by inadequate server resources;
- b) Increased scrutiny of the owners of businesses by law enforcement agencies; and
- c) Economic and financial climate in the country.

#### B. UPCOMING PROJECTS

It is targeted that the ongoing process reforms and digitization process shall be completed in the FY 2019/2020 whereupon BRS can achieve optimal efficiencies to assist in sterling service delivery, higher revenue collection and value-added services which are much sought after by various organizations.

To this end, BRS is in the process of engaging in a project funded by the World Bank to design and implement business regulation reforms aimed at easing business start-up and reducing the cost of doing business in Kenya.

**i) Data Clean-up**

The assistance of the WB will come in the form of digitalizing the physical records in the whole of BRS to enable quick and precise retrieval of documents which will assist in the completion of the Data Clean up exercise that is being exercised in collaboration with the public as well as certified secretaries and advocates.

Since the inception of the exercise, a total of 321,113 businesses have been verified. This represents approximately 20% of all entities in the BRS database amounting to a total of 1,631,233 businesses (companies and business names and LLPs in our records).

**ii) Process Reform**

Sequentially and following the clean-up of data it is projected that the WB assistance will build automation of all the business registration processes on BRS's existing business registration system through completion of the current BRS system to support the delivery of the services to the public and other stakeholders.

**iii) Multi- Agency Integration – KRA, Counties**

Integration of BRS with other agencies will benefit online county licensing systems through automation of the processes and procedures of obtaining a single business permit as well as validation of details of existing businesses issued with permits.

A key beneficiary of the systems integration is the Kenya Revenue Authority which shall automatically validate the details of businesses on the BRS system and thus create a clear profile of the businesses in operation.

Other law enforcement agencies shall plug in to the BRS system and generate efficiencies in data collection regarding businesses and the persons who are associated with them.

  
-----  
**KENNETH GATHUMA, HSC**  
**Ag. DIRECTOR GENERAL**

## **BUSINESS REGISTRATION SERVICE**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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#### **BUSINESS REGISTRATION SERVICE CORPORATE GOVERNANCE STATEMENT**

In the four years, the Business Registration Service (BRS) has been in existence, investment in effective governance has paid off. When BRS was being established to support ease of doing business within the Government of Kenya, it was recognized that both operational autonomy and an effective governance framework were needed for the Service to effectively achieve its mandate. Thus, proper skills mix and representation in the Board, development of and adherence to a Board Charter, performance contracts and regular reporting have enabled BRS improve its performance, enhance stakeholder confidence and enable the Service realize its mandate.

In ensuring good corporate governance in its work, the Board of Directors carries out its responsibilities in accordance with the highest ethical standards. It's the focal point of corporate governance in the organization and ultimately accountable and responsible for the performance and affairs of BRS.

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 of seven members as outlined in the section highlighting their profiles. The Chairperson and the members of the Board are appointed through a Gazette Notice, on a three (3) year renewable term, as deemed necessary by the Government. There are four oversight committees, namely: Audit and Governance, Human Resource and Finance, Compliance and Risk and the Technical and Strategy Committee. The Board Committees and the full Board are expected to hold at least four meetings each year, on a quarterly basis. The Board and the Committees may hold additional meetings as circumstances may require.

The Organizational goals and values of the Service are stated and articulated in the strategic and annual plan of BRS. The strategic plan is reviewed annually and its implementation is monitored through the annual performance contract agreement signed between the Ag. Director General and the Board and between the Ag. Director General and the Heads of Departments.

## **BUSINESS REGISTRATION SERVICE**

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## **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 organisation has continued to carry out its mandate efficiently despite limited resources.

Business Registration Service has continued to improve in its revenue collection over the years. This attributed to digitization of its services on E- citizen platform.

Since its inception, Business Registration service has never received 100% grants transfer from its parent ministry because it has been undergoing the De-linking process. In the financial year 2018/2019 the service received Kshs.176, 424,131 from the Ministry which enabled BRS to implement some of the 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 including credit risk and liquidity risk. The Service overall risk management programme focuses on the unpredictability of the economy and seeks to minimise potential adverse effects on its financial performance.

## **BUSINESS REGISTRATION SERVICE**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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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.

# BUSINESS REGISTRATION SERVICE

## Annual Reports and Financial Statements

For the year ended June 30, 2019

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### REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended June 30, 2019 which show the state of the Business Registration Service affairs.

#### 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.

#### Results

The Financial Statements for Business Registration Service for the year ended June 30, 2019 are set out on page 1-19

#### Directors

The Board of Directors who served during the year as shown on page vi-viii. During the financial year 2018/2019, Ms. Njeri Wachira, Mr. Michael Mugasa, and Bernard Gaithuma completed their term in January 2019. The new Board was appointed by the Attorney-General on 3<sup>rd</sup> May 2019 through a Gazette notice.

#### 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

  
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Ms. Barbara Nguyu

Ag. Corporation Secretary

Nairobi.

Date:..... 26.11.2019 .....

## **BUSINESS REGISTRATION SERVICE**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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#### **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 Business Registration Service at the end of the financial year/period and the operating results of the Business Registration Service for that year/period. 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 Business Registration 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, 2019. 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, 2019, 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.

**BUSINESS REGISTRATION SERVICE**

**Annual Reports and Financial Statements**

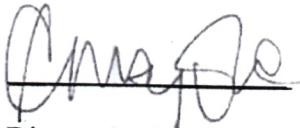
**For the year ended June 30, 2019**

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**Approval of the financial statements**


The Business Registration Service financial statements were approved by the Board on 2019 and signed on its behalf by:

Director's Name



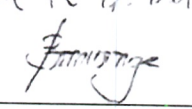
Director's signature

Director's Name

CATHERINE  
MUSAKALI  


Director's signature

Director's Name

ERIV G. DUWENIYA  


Director's signature

**BUSINESS REGISTRATION SERVICE**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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**Approval of the financial statements**

The Business Registration Service financial statements were approved by the Board on \_\_\_\_\_ 2019  
and signed on its behalf by:

Director's Name

Director's Name

Director's Name

\_\_\_\_\_

\_\_\_\_\_

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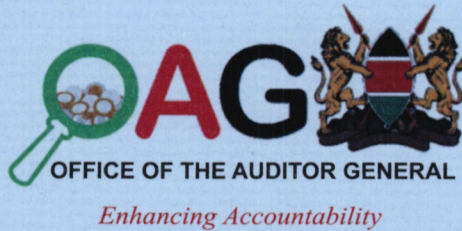
Director's signature

Director's signature

Director's signature

# 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, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Business Registration Service set out on pages 1 to 19 which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Business Registration Service as at 30 June, 2019, 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 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 audit 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.

## **Other Matter**

### **Budgetary Control and Performance**

As reflected in the statement of comparison of budget and actual amounts, the actual expenditure for Business Registration Service for the year amounted to Kshs.137,020,897 against an expenditure budget of Kshs.180,920,000 resulting into under-expenditure of Kshs.43,899,103 or 24%. The under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

### **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 matter 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**

##### **Non-Compliance with National Cohesion and Integration Act, 2008**

A total of one hundred and sixty-six (166) staff members have been assigned to Business Registration Service from the State Law Office and Department of Justice. However, as previously reported, a review of the ethnic composition report indicates that out of the one hundred and sixty-six (166) staff assigned, sixty-one (61) were from the same ethnic community representing 36.75% of the total number of staff assigned. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from same ethnic community.

The Registration Service was therefore in breach of the law.

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**

### **1. Lack of Internal Audit Unit and Audit Committee**

Regulation 43 (e) of the Public Finance Management (National Government) Regulations, 2015 requires an Accounting Officer to ensure each National Government entity has an Audit Committee in place while Regulation 162 (2) provides the responsibility of the Accounting Officer with regard to the Internal Audit function. However, Business Registration Service had not established an Internal Audit Department and no Audit Committee was constituted.

In the circumstances, oversight of the internal controls, budgetary performance, risk assessment and accountability may not have been effective.

### **2. Lack of a Disaster Recovery and Continuity Plan**

Business Registration Service did not have an approved Disaster Recovery Plan and IT Business Continuity Plan. This poses a significant threat to resumption of operations quickly and effectively in case of an emergency or disaster especially due to the sensitivity of the information on registration of companies under the custody of the institution.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, 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**

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 control 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 control.

In preparing the financial statements, Management is responsible for assessing the Service's ability to continue 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 Service 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 Service's 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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the Service's financial reporting process, reviewing the effectiveness of how the entity 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control 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 control would not necessarily disclose all matters in the internal control 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 control 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 control may not prevent or detect misstatements and instances of noncompliance. 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 entity's 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 control.
- 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 Service's ability to continue 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 Service to cease to continue 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 Service 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 control 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.

  
Nancy Gathungu  
AUDITOR-GENERAL

Nairobi

20 May, 2021

**BUSINESS REGISTRATION SERVICE**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019	2017-2018
			Ksh
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments	1	176,424,131	74,979,063
<b>Total revenue</b>		<b>176,424,131</b>	<b>74,979,063</b>
<b>Expenses</b>			
Use of goods and services	2	390,941	162,636
Employee costs	3	65,281,803	40,773,139
Remuneration of directors	4	2,359,506	3,566,346
Depreciation and Amortization	5	3,641,179	66,352
Repairs and maintenance	6	9,054,852	5,253,638
General expenses	7	56,292,616	25,155,364
<b>Total expenses</b>		<b>137,020,897</b>	<b>74,977,476</b>
<b>Surplus/(Deficit)</b>		<b>39,403,234</b>	<b>1,587</b>

The notes set out on pages 6-18 form an integral part of these Financial Statements

BUSINESS REGISTRATION SERVICE

Annual Reports and Financial Statements

For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

Assets	Notes	2018-2019	2017-2018
<b>Current Assets</b>			<b>Ksh</b>
Cash and Cash Equivalents	8(a)	25,233,617	1,587
<b>Total Current Assets</b>		<b>25,233,617</b>	<b>1,587</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	14,171,204	464,464
<b>Total Non –Current Assets</b>		<b>14,171,204</b>	<b>464,464</b>
<b>Total Assets</b>		<b>39,404,821</b>	<b>466,051</b>
<b>Net Assets</b>			
Revenue reserve	10	1,587	464,464
Surplus /(deficit) for the year		39,403,234	1,587
<b>Accumulated funds</b>		<b>39,404,821</b>	<b>466,051</b>

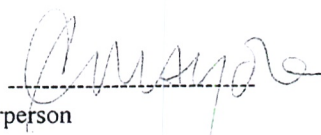
The Financial Statements set out on pages 1 to 20 were signed on behalf of the Board of Directors by:

  
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Ag. Director General

Name: **KENNETH GATHUMA**  
Date: 26/11/19

  
-----  
Head of Accounts

Name: **ERASTUS MBALU**  
ICPAK Member NO. **6469**  
Date: 26/11/2019

  
-----  
Chairperson

Name: **CAROL MUSYOKA**  
Date: 26.11.2019

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2019

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#### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Capital reserve	Retained earnings	Total
	Kshs	Kshs	Kshs
<b>Balance as at July 1, 2017</b>	-	0	0
Surplus/Deficit for the period	-	1,587	1,587
Transfer of excess depreciation on revaluation	-	0	0
<b>At June 30, 2018</b>	-	1,587	1,587
<b>Balance as at July 1, 2018</b>	-	1,587	1,587
Surplus/Deficit for the period	-	39,403,234	39,403,234
Transfer of excess depreciation on revaluation	-	0	0
<b>At June 30, 2019</b>	-	39,403,234	39,403,234

**BUSINESS REGISTRATION SERVICE****Annual Reports and Financial Statements**

For the year ended June 30, 2019

**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 JUNE 2019**

		2018-2019	2017-2018
			Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and subsidies	1	176,424,131	74,979,063
<b>Total Receipts</b>		<b>176,424,131</b>	<b>74,979,063</b>
<b>Payments</b>			
Compensation of employees	3	65,281,803	40,773,139
Goods and services	2	390,941	162,636
Other payments	4,6,7	68,237,790	33,577,237
<b>Total Payments</b>		<b>133,910,534</b>	<b>74,513,012</b>
<b>Net cash flows from operating activities</b>	11	<b>42,513,597</b>	<b>466,051</b>
Cash flows from investing activities			
Purchase of property, plant, equipment	9	(17,281,567)	(464,464)
<b>Net cash flows from investing activities</b>		<b>(17,281,567)</b>	<b>(464,464)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>25,232,030</b>	<b>1,587</b>
Cash and cash equivalents as at 1 <sup>st</sup> JULY 2018		1,587	0
<b>Cash and cash equivalents as at 30 JUNE 2019</b>	8 (a)	<b>25,233,617</b>	<b>1,587</b>

**BUSINESS REGISTRATION SERVICE**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>EXPLANATION</b>
	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Government grants	155,920,000	25,000,000	180,920,000	176,424,131	-4,495,869	Underfunding
<b>Total income</b>	<b>155,920,000</b>	<b>25,000,000</b>	<b>180,920,000</b>	<b>176,424,131</b>	<b>4,495,869</b>	
<b>Expenses</b>						
Compensation of employees	66,000,000	25,000,000	91,000,000	65,281,803	-25,718,197	Underfunding
Goods and services	410,500	0	410,500	390,941	-19,559	Underfunding
Other payments	89,509,500	0	89,509,500	71,348,153	-18,161,347	Underfunding
<b>Total expenditure</b>	<b>155,920,000</b>	<b>25,000,000</b>	<b>180,920,000</b>	<b>137,020,897</b>		
<b>Surplus for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39,403,234</b>	<b>39,403,234</b>	

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2019

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#### 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. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>The standard does not have any impact to Business Registration Service.</i>

BUSINESS REGISTRATION SERVICE

Annual Reports and Financial Statements

For the year ended June 30, 2019

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></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.</p> <p>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 accounting treatment for instruments held as part of the risk management strategy.</li></ul>
IPSAS 42: Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2022</b></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</li></ul>

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2019

Standard	Effective date and impact:
	schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

#### 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 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.

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2019

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

The original budget for FY 2018-2019 was approved by the National Assembly 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 did record additional appropriations of Kshs.25, 000,000 on the 2018-2019 budget following the governing bodies approvals.

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.

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 actuals 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 entity 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.

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#### **d) 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:

- Raw materials: purchase cost using the weighted average cost method
- 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 Entity.

#### **(e) Related parties**

The Entity 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.

#### **(f) 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.

#### **(g) Comparative figures**

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

#### **(h) 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, 2019.

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#### **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:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the

##### **Provisions**

Business Registration Services management did not raise any provision of any uncertainty since all its activities are known with certainty except the occurrence of fires of which the management has advised for purchase of fire extinguishers and sprinklers.

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

#### 1) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2018-2019	2017-2018
			KShs	KShs		KShs
State Law Office and Department of Justice	176,424,131	N/A	N/A	176,424,131	176,424,131	74,979,063
<b>Total</b>	<b>176,424,131</b>	<b>0</b>	<b>0</b>	<b>176,424,131</b>	<b>176,424,131</b>	<b>74,979,063</b>

Business Registration Service receives one-line budget which it caters for recurrent expenditure.

#### 2 USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	Kshs	Kshs
Water	331,485	109,330
Subscriptions	59,456	53,306
<b>Total good and services</b>	<b>390,941</b>	<b>162,636</b>

#### 3 EMPLOYEE COSTS

	2018-2019	2017-2018
	Kshs	Kshs
Salaries and wages	7,605,913	3,822,828
Travel, motor car, accommodation, subsistence and other allowances	40,298,140	30,086,820
Overtime payments	15,876,421	6,863,491
Acting Allowances	1,501,339	0
<b>Employee costs</b>	<b>65,281,803</b>	<b>40,773,139</b>

Business Registration Service wage bill paid by State Law Office for the financial year 2018/2019 was Kshs. 116,915,909.

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4. REMUNERATION OF DIRECTORS

Description	2018-2019	2017-2018
	Kshs	KShs
Chairman's Honoraria	645,506	1,120,000
Directors emoluments	1,414,000	2,446,346
Training	300,000	0
<b>Total director emoluments</b>	<b>2,359,506</b>	<b>3,566,346</b>

5 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	Kshs	Kshs
Property, plant and equipment	3,641,179	66,352
<b>Total depreciation and amortization</b>	<b>3,641,179</b>	<b>66,352</b>

6 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	Kshs	KShs
Furniture and fittings	209,879	1,233,167
Computers and accessories	158,500	1,660,811
Refurbishment of building	7,634,973	0
M/vehicle	1,051,500	0
Other	0	2,359,660
<b>Total repairs and maintenance</b>	<b>9,054,852</b>	<b>5,253,638</b>

7 GENERAL EXPENSES

Description	2018-2019	2017-2018
	Ksh	KShs
Advertising	0	1,489,453
Conferences and delegations	17,499,387	7,741,419
Hospitality	2,230,340	-
Admin costs	3,214,931	0
Fuel and oil	1,210,350	498,441
Postage	260,770	5,000
Printing and stationery	19,932,404	7,853,225
Telecommunication	3,644,398	2,140,000
Training	4,462,604	481,750

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Trade Shows	3,276,979	-
Newspapers and periodicals	59,950	-
Internet Connections	106,975	-
Bank charges	101,160	0
Other office expenses	292,368	4,946,076
<b>Total general expenses</b>	<b>56,292,616</b>	<b>25,155,364</b>

**8 CASH AND CASH EQUIVALENT**

Description	2018-2019	2017-2018
	Kshs	Kshs
Bank	25,233,617	1,587
<b>Total cash and cash equivalents</b>	<b>25,233,617</b>	<b>1,587</b>

**8 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENT**

Name of the Bank	Bank Account number	2018-2019	2017-2018
		Kshs	Kshs
Kenya Commercial bank	1184110735	25,233,617	1,587
<b>Grand total</b>		<b>25,233,617</b>	<b>1,587</b>

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9 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings	Computers	Office Equipment	Total
DEPRECIATION PERCENTAGE	12.5%	33.3%	12.5%	
Cost	Shs	Shs	Shs	Shs
At 1 July 2017	-	-	0	0
Additions	530,816	-	-	530,816
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	<b>530,816</b>	<b>-</b>	<b>0</b>	<b>530,816</b>
Additions	5,751,487	6,801,108	4,728,972	17,281,567
Disposals	-	-	-	-
Transfer/adjustments	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	<b>6,282,303</b>	<b>6,801,108</b>	<b>4,728,972</b>	<b>17,812,383</b>
<b>Depreciation and impairment</b>				
At 1 July 2017	-	-	-	-
Depreciation	(66,352)	-	-	(66,352)
Impairment	-	-	-	-
<b>At 30 June 2018</b>	<b>66,352</b>	<b>0</b>	<b>0</b>	<b>66,352</b>
Depreciation	(785,288)	(2,264,769)	(591,122)	3,641,179
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer/adjustment	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	<b>851,640</b>	<b>2,264,769</b>	<b>591,122</b>	<b>3,707,531</b>
<b>Net book values</b>				
<b>At 30<sup>th</sup> June 2019</b>	<b>5,497,015</b>	<b>4,536,339</b>	<b>4,137,850</b>	<b>14,171,204</b>
<b>At 30<sup>th</sup> June 2018</b>	<b>464,464</b>	<b>-</b>	<b>-</b>	<b>464,464</b>

10 PRIOR YEAR ADJUSTMENT

	2018-2019	2017-2018
	Kshs	Kshs
Revenue reserve	466,051	464,464
Prior year adjustment	( 464,464)	0
Adjusted revenue reserve	1,587	464,464



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The prior year adjustment was done to accommodate Kshs. 466,051 which was wrongly captured as capital reserve in the prior year as well as Kshs. 1,587 being the opening bank balance b/f.

#### 11 CASH GENERATED FROM OPERATIONS

	2018-2019	2017-2018
	Kshs	Kshs
<b>Surplus for the year before tax</b>	<b>39,403,234</b>	<b>1,587</b>
<b>Adjusted for:</b>		
Depreciation	3,641,179	464,464
<b>Net cash flow from operating activities</b>	<b>43,044,413</b>	<b>466,051</b>

#### 12. 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 minimise 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.

##### a) Credit risk management

Business Registration Service has exposure to credit risk, which is the risk that counterparty will be unable to pay amounts in full when due.

Credit risk arises from bank balances, and amounts due from related parties.

The table below represents Business Registration Service maximum exposure to credit risk as at 30<sup>th</sup> June 2019

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2019</b>				
Bank balances	25,233,617	25,233,617	-	-
<b>Total</b>	<b>25,233,617</b>	<b>25,233,617</b>	<b>-</b>	<b>-</b>

##### b) Liquidity risk management

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,

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medium and long-term funding and liquidity management requirements. Business Registration Service manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

### 13. RELATED PARTY BALANCES

#### 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.

	2018-2019	2017-2018
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Grants from the Government</b>		
Grants from National Govt	176,424,131	74,979,063
<b>Total</b>	<b>176,424,131</b>	<b>74,979,063</b>
<b>b) Key management compensation</b>		
Directors' emoluments	2,359,506	3,566,346
Compensation to the CEO	378,464	279,096
Compensation to key management	1,122,875	0
<b>Total</b>	<b>3,860,845</b>	<b>3,845,442</b>

### 14 EVENTS AFTER THE REPORTING PERIOD

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

### 15 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.

### 16 CURRENCY

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

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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

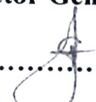
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in the financial statements	The financial statement were revised and the errors were corrected	Principal Accountant	Resolved	-
2	Reserves	The financial statement were revised and the errors were corrected	Principal Accountant	Resolved	-
Other matter	Budgetary Performance	It is true there was no explanation provided by management on the under expenditure of various items. The explanation has since been provided to the auditors.	Principal Accountant	Resolved	-
	Late Submission of Financial Statements	The explanation has been provided to the auditors and we will endeavour to be submitting our financial statements in time.	Ag. Director General	Resolved	-
	Non-compliance with National Cohesion and Integration Act, 2008	The explanation has been provided to the auditors and will be corrected during recruitment and suitability test exercises.	Ag. Director General	Resolved	-

**Chairperson**

Sign: 

Date: 26.11.2019

**Ag. Director General**

Sign: 

Date: 26.11.2019

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**APPENDIX II: INTER-ENTITY TRANSFERS**

<b>BUSINESS REGISTRATION SERVICE</b>				
Break down of Transfers from the State Law Office and Department of Justice				
FY 2018/2019				
a. Recurrent Grants				
Reference number	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
A669718	14.08.18	38,010,000	2018/2019	
A669886	31.10.18	38,010,000	2018/2019	
A669859	19.02.19	34,969,200	2018/2019	
B033479	29.04.19	40,434,931	2018/2019	
A669983	01.07.19	25,000,000	2018/2019	
	<b>Total</b>	<b>176,424,131</b>		

The above amounts have been communicated to and reconciled with the parent Ministry

Ag Director General  
Business Registration Service

Sign 

Head of Accounting Unit  
Office of the Attorney General

Sign 