

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY  
PAPERS LAID

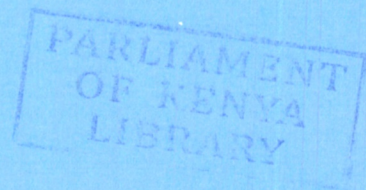
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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
BUSINESS REGISTRATION SERVICE**

**FOR THE YEAR  
ENDED 30 JUNE 2018**





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**BUSINESS REGISTRATION SERVICE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**  
**JUNE 30, 2018**

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

**BUSINESS REGISTRATION SERVICE**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2018**

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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 and strategic 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, bankruptcy, hire purchase and the 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

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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 - Justice (Rtd) Paul Kariuki Kihara
- Solicitor General - Mr Kennedy Ogeto
- Board of Directors - Business Registration Service
- Ag. Director General - Mr. Kenneth Gathuma
- Ag. Official Receiver - Mr. Mark Gakuru
- Chief Accountant - Mr. Erastus Mbalu

### D. Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Board of Directors	BRS
2.	Ag. Director General BRS	Mr. Kenneth Gathuma
3.	Ag. Official Receiver	Mr. Mark Gakuru
4.	Head of Accounts	Mr. Erastus K. Mbalu

### E. Directors

The Directors who served the entity during the year/period were as follows:

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1.	Carol Musyoka	Chairperson
2.	Michael Mugasa	Member
3.	Shella Sheikh	Member
4.	Bernard Gaithuma	Member
5.	Catherine Musakali	Member
6.	Josephine Kanyi	Alternate to the Cabinet Secretary, National Treasury
7.	Njeri Wachira	Alternate to the Solicitor General
8.	Irene Wamakau	Left on 30 <sup>th</sup> October, 2017
9.	John Mwendwa	Alternate to Permanent Secretary Industry, Trade Cooperatives
10.	Kenneth Gathuma	Ag. Chief Executive Officer

### F. Ag. Corporation Secretary

Ms. Barbara Nguyu

P.O. Box 40112-00100

Nairobi

### G. Registered Office

Business Registration Service (BRS)

Sheria House, 2nd Floor

P. O. Box 30031-00100

Harambee Avenue, Nairobi, Kenya

### H. Business Registration Service Contacts

Telephone contacts: +254 20 2227461/2251355

### I. Business Registration Service

#### Bankers

**BUSINESS REGISTRATION SERVICE**

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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)

**J. Independent Auditors**

Auditor General  
Kenya National Audit Office  
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**

**Annual Reports and Financial Statements**

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**THE BOARD OF DIRECTORS**



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

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.



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

She is the Head of the International Law Division at the Office of the Attorney General and Department of Justice.

She has served in the State Law Office since 1991 to date. She has also served as the head of legal and corporate affairs at Seven Seas Technologies Group and the Legal Adviser at the East African Community Secretariat for two years.

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**Mr .John Mwendwa**  
**(Alternate to the Principal Secretary,**  
**Ministry of Trade, Industry and**  
**Cooperatives)**

He holds a Bachelor of Finance degree from Kenyatta University and is a Certified Chartered Financial Analyst. He also holds a Masters Degree in Finance from Strathmore University.  
He is the Chief Financial Officer and Personal Assistant to the Cabinet Secretary, Ministry of Trade, Industry and Cooperatives.  
He has a vast experience in financial and strategic management with a demonstrated history of working in public policy, banking and industrial development.

He also sits on the board of Industrial Development Bank Capital.



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

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 Boards.

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**Michael Mugasa  
(Member)**

He is a member of Certified Public Accountants of Kenya (ICPAK), Certified Professional Forensic Accountant (ICPFA) Associate and Chartered Institute of Arbitrators (ACI Arb)

Michael Mugasa has been a partner at Price Water House Coopers Kenya (PWC) for the past twenty four years where he provides assurance and business advisory services.

He also serves as the Industry Group Leader and Industrial Products and Services Leader.



**Mrs. Catherine Musakali  
(Member)**

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

**BUSINESS REGISTRATION SERVICE**

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**For the year ended June 30, 2018**

 <p><b>Mr. Bernard Gathuma</b> (Member)</p>	<p>Mr .Bernard holds a Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi, a Masters Degree in Business Administration from the United States International University (USIU) and is a member of the Kenya Institute of Directors. Bernard Gathuma is a business man and is currently the Managing Director for Outlook Limited which is the leading distributor of British American Tobacco products in Kenya. He is also the Managing director of outlook index which is a distribution firm for East African Breweries Limited products. Mr. Bernard has previously served on the boards of Kenya Ports Authority (KPA) and Industrial and Commercial Development Corporation (ICDC).</p>
 <p><b>Ms. Shella Sheikh</b> (Member)</p>	<p>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>

**BUSINESS REGISTRATION SERVICE**

**Annual Reports and Financial Statements**

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**MANAGEMENT TEAM**



Mr. Kenneth Gathuma,  
(Ag. 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 acting Director-General in September 2016, Mr Gathuma was the Deputy Head of Government Transactions in the Office of the Attorney General & Department of Justice. He holds a Bachelor of Laws Degree from the University of Nairobi.



Mr .Mark Gakuru  
(Ag.Official Receiver)

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 is regulator Insolvency practice in Kenya. He holds Master's Degree in Laws (L.L.M) FROM THE University of Nairobi.

**BUSINESS REGISTRATION SERVICE**

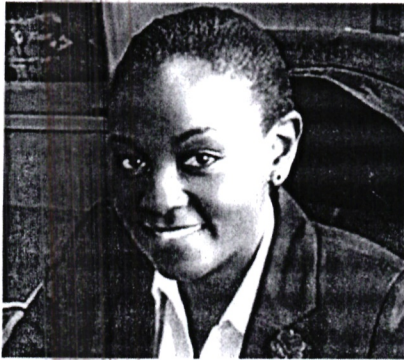
**Annual Reports and Financial Statements**

**For the year ended June 30, 2018**



Mr. Erastus Mbalu  
(Head of Accounts)

Mr. Erastus Mbalu is a Certified Public Accountant (CPA-K) with over 10 years experience obtained in and public sectors. He is the Head of Accounts 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.



Ms. Barbara Nguyu  
(Ag. Corporation secretary)

Ms. Barbara Nguyu 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.

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.

# BUSINESS REGISTRATION SERVICE

## Annual Reports and Financial Statements

For the year ended June 30, 2018

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### CHAIRPERSON'S STATEMENT

The Financial Year 2017/2018 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. BRS has achieved in line with the government policy of spreading outreach of service to the public on a digital platform to improve on efficiencies for the Ease of Doing Business. So far approximately 60% of the processes at BRS are on a digital platform thus enabling the delivery of services to the public on the internet at the comfort of their offices or homes. It is expected that the remaining processes will be developed and promoted to the BRS platform before 28<sup>th</sup> February 2019.

The Board has also 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 improved significantly from Kes. 401,488,444.00 in FY 2016/2017 to Kes. 717,871,371.00 in the last FY, 2017/2018.

Overall, the current changes in the business regulatory environment have consequently seen Kenya finishing 80<sup>th</sup> in the 2017 ease of doing business index that surveyed 190 economies compared to the previous year's position 92. The new ranking, the highest since 2008 when the country finished in 84<sup>th</sup> position, means Kenya is the third most competitive economy in Africa after Mauritius (25<sup>th</sup>) and Rwanda (41<sup>st</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.

  
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CAROL MUSYOKA  
CHAIRPERSON,

# **BUSINESS REGISTRATION SERVICE**

## **Annual Reports and Financial Statements**

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### **REPORT OF THE DIRECTOR GENERAL**

The Office of the Attorney General and Department of Justice has committed to provide timely legal services to support implementation of Big Four Initiatives as and when the support is sought. BRS plays its role by improving the business environment which will facilitate investment in Kenya to support these key identified areas.

BRS is charged with reforming the following indicators:

- a. Starting a business - Procedures, time, cost and paid-in minimum capital to start a limited liability company.
- b. Getting credit - Movable collateral laws and credit information systems.
- c. Protecting minority investors - Minority shareholders' rights in related-party transactions and in corporate governance.
- d. Resolving insolvency - Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency.

In conjunction with the Ministry of Trade Industry and Cooperatives, BRS has initiated and concluded legislative reforms to address these indicators and improve our ranking as a country.

The following are the Areas of focus for BRS

#### **1. Legislative Reform**

In the FY 2017/2018, the following legislative reforms were undertaken:

- a. The Companies (General) (Amendment) (No.2) Regulations, 2017
- b. The Companies (General) (Amendment) Regulations, 2018
- c. Insolvency (Amendment) Regulations 2018
- d. Insolvency (Amendment) (No.2) Regulations 2018

There is in draft form, the Movable Property Security Rights Regulations (2018) and these are set to be finalized once public participation has been fully conducted as directed by Parliament.

#### **2. Business Process Reform**

The Board of BRS in the year 2016 approved the migration of processes to the eCitizen platform which is domiciled under the Government Digital Payments System established by the Cabinet

# **BUSINESS REGISTRATION SERVICE**

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**For the year ended June 30, 2018**

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Secretary to the National Treasury through a notice in the Kenya Gazette dated 31st December 2014.

So far approximately 60% of the processes at BRS are on a digital platform thus enabling the delivery of services to the public on the internet at the comfort of their offices or homes. It is expected that the remaining processes will be developed and promoted to the BRS platform before 28<sup>th</sup> February 2019.

### **3. Stakeholder participation**

BRS has continuously engaged with its stakeholders on the fronts of process and legislative reform. There is a Liaison Committee comprised of the Law Society of Kenya, Nairobi Branch, the Institute of Certified Secretaries and BRS which is scheduled to meet on a regular basis.

BRS also convened 2 workshops on the Insolvency Act in April 2018 and has also convened 4 workshops for sensitization and awareness of the Movable Property Security Rights Act.

### **4. Law Enforcement Support**

BRS is charged with maintaining registers, data and records on registrations carried out by the Service which include registration of companies, partnerships and firms, individuals and corporations carrying on business under a business name.

Law enforcement agencies have in the last quarter of FY 2017/2018 stepped up the pursuit of owners of businesses engaged in corrupt practices in line with the Government's focus on eradicating the crime.

The Companies Registry has been involved in providing the correct information to the various agencies in a timely manner to assist in investigations being carried out.

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We anticipate that once we have all trading businesses on the digital platform through the link a business project that the law enforcement agencies will be able to remotely retrieve the information they require and this will also expedite the retrieval of information and as well ensure that the risk of manipulation of records is minimized.



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

# **BUSINESS REGISTRATION SERVICE**

## **Annual Reports and Financial Statements**

**For the year ended June 30, 2018**

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

In the three 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 eight members as outlined in the section highlighting their profiles. Besides the Chairperson being appointed by the Attorney General, 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.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the financial statements for the year ended June 30, 2018 which show the state of the Business Registration Service affairs.

### **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, bankruptcy, hire purchase and chattels transfers.

### **Results**

The Financial Statements for Business Registration Service for the year ended June 30, 2018 are set out on page 1-17

### **Directors**

The members of the Board of Directors who served during the year as shown on page vi-viii. During the year 2017, director Irene Wamakau resigned and Catherine Musakali was appointed in the year 2017 to date.

### **Auditors**

The Auditor General is responsible for the statutory audit of the Business Registration Service in accordance with the section 81 of the Public Financial Management (PFM) Act, 2012 and the Public Audit Act 2015, which empowers the Auditor General to audit Business Registration Service Financial Statements.

By Order of the Board



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Mr. Kenneth Gathuma  
Ag. DIRECTOR GENERAL/  
BUSINESS REGISTRATION SERVICE  
NAIROBI

Date: 29/03/19 .....

# BUSINESS REGISTRATION SERVICE

## Annual Reports and Financial Statements

For the year ended June 30, 2018

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Business Registration Service Act No.15 of 2015 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.

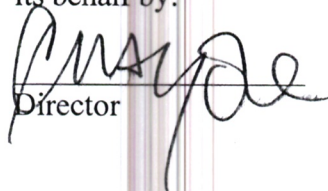
The Directors are responsible for the preparation and presentation of the Business Registration Service financial statements, which give a true and fair view of the state of affairs of the Business Registration Service for and as at the end of the financial year (period) ended on June 30, 2018. This 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.

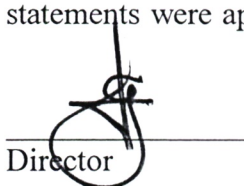
The Directors accept responsibility for the Business Registration Service financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and Business Registration Service Act No.15 of 2015. 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, 2018, 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 and signed on its behalf by:

  
Director

  
Director

\_\_\_\_\_  
Director

# REPUBLIC OF KENYA

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Website: www.kenao.go.ke



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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR GENERAL ON BUSINESS REGISTRATION SERVICE FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Business Registration Service set out on pages 1 to 17 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of knowledge and belief were necessary for the purpose of the audit.

In my opinion, except for effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Business Registration Service as at 30 June 2018, 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 No.15 of 2015 of the laws of Kenya.

#### Basis for Qualified Opinion

##### 1. Inaccuracies in the Financial Statements

The statement of cash flow reflects other payments of Kshs.34,041,701 but the respective note to the financial statements cast to Kshs.34,041,638 resulting in unexplained difference of Kshs.63. In addition, the statement reflects cash and cash equivalent at end of period of Kshs.1,587 but the same cast to negative Kshs.529,229 resulting in unexplained difference of negative Kshs.527,642.

Under the circumstances, the accuracy of the statement of cash flow for the year ended 30 June 2018 could not be confirmed.

##### 2. Reserves

The statement of financial position reflects reserves balance of Kshs.464,464 as at 30 June 2018 which has been described in the statement of changes in net assets as

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*Report of the Auditor-General on the Financial Statements of Business Registration Service for the year ended 30 June 2018*

transfer of excess depreciation on revaluation. However, no evidence of assets revaluation during the year was availed for audit verification.

Under the circumstances, the accuracy of reserves balance of Kshs.464,464 as at 30 June 2018 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Business Registration Service management in accordance with ISSAI 30 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 qualified 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 Performance**

During the year under review, Business Registration Service actual receipts amounted to Kshs.74,979,063 against estimated receipts of Kshs.140,253,440 resulting in a shortfall of Kshs.65,274,377 equivalent to 47% of the total budget. Further, actual expenditure for the year amounted to Kshs.74,977,476 against an expenditure budget of Kshs.140,253,440 resulting in under expenditure of Kshs.65,275,964 or 47% of the budget.

It is clear that Business Registration Service failed to achieve its budget objectives hence failure to deliver the intended services to the public. Therefore, there is need for the Service to review its budget making process with a view of coming up with a realistic budget.

## **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 Qualified Opinion and Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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. Late Submission of Financial Statements**

The financial statements for the year ended 30 June 2018 were submitted for audit on 8 January 2019, three months after the statutory deadline of 30 September 2018. This is contrary to Section 81(4)(a) of the Public Finance Management Act, 2012 which requires accounting officers to submit financial statements to the Auditor-General within three months after the end of each financial year to which the accounts relate.

Management was therefore in breach of the law.

### **2. Non-compliance with National Cohesion and Integration Act, 2008**

Records held indicate that a total of one hundred and sixty six (166) staff have been assigned to the Business Registration Service from the Office of the Attorney General and Department of Justice. However, a review of the ethnic composition report indicates that out of the one hundred and sixty six (166) staff assigned, fifty nine (59) are from the same ethnic community which translates to 35.54% of the total number of assigned staff. 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 the same ethnic community. The Registration Service is 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 matter described in the Basis for Qualified Opinion paragraph, 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.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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, risk management and governance.

In preparing the financial statements, management is responsible for assessing 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 the management either intends to liquidate the Service or to cease operations, or have no realistic alternative but to do so.

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 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 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 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 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 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 going concern 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**17 April 2019**

**BUSINESS REGISTRATION SERVICE**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2018**

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**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2017-2018 Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from other governments	1	74,979,063
<b>Total revenue</b>		<b>74,979,063</b>
<b>Expenses</b>		
Use of goods and services	2	162,636
Employee costs	3	40,773,139
Remuneration of directors	4	3,566,346
Depreciation and Amortization	5	66,352
Repairs and maintenance	6	5,253,638
General expenses	7	25,155,364
<b>Total expenses</b>		<b>74,977,476</b>
<b>Surplus/( deficit) for the period/year</b>		<b>1,587</b>

The notes set out on pages 7-10 form an integral part of these Financial Statements

**BUSINESS REGISTRATION SERVICE**

**Annual Reports and Financial Statements**


**For the year ended June 30, 2018**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2018**

Assets	Notes	2017-2018
<b>Current Assets</b>		<b>Kshs</b>
Cash and Cash Equivalents	8(a)	<u>1,587</u>
		<u>1,587</u>
<b>Non-Current Assets</b>		
Property, plant and equipment	9	<u>464,464</u>
		<u>464,464</u>
<b>Total Assets</b>		<b><u>466,051</u></b>
<b>Net assets</b>		
Capital Fund		464,464
Accumulated Surplus		<u>1,587</u>
<b>Total Net asset</b>		<b><u>466,051</u></b>

The Financial Statements set out on pages 7 to 10 were signed on behalf of the Board of Directors by:



Ag. Director General

Name: **KENNETH GATHUMA**

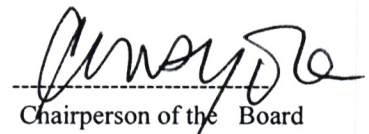
Date: 29/03/19



Head of Accounts

Name: **ERASTUS MBALU**

ICPAK NO: 6469  
Date: 29<sup>th</sup> March, 2019



Chairperson of the Board

Name: **CAROL MUSYOKA**

Date: 29.3.2019

Annual Reports and Financial Statements

For the year ended June 30, 2018

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**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2018**

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

**BUSINESS REGISTRATION SERVICE**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2018**

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**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2018**

		2017-2018
		Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Government grants and subsidies	1	74,979,063
<b>Total Receipts</b>		<b>74,979,063</b>
<b>Payments</b>		
Compensation of employees	3	40,773,139
Goods and services	2	162,636
Other payments	4,5,6,7	34,041,701
<b>Total Payments</b>		<b>74,977,476</b>
Surplus for the period		<b>1,587</b>
<b>Net cash flows from operating activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>		
Cash and cash equivalents at 1 <sup>st</sup> JULY		0
Increase in cash and cash equivalents		<b>1,587</b>
<b>Cash and cash equivalents at 30 JUNE</b>	8 (a)	<b>1,587</b>

**BUSINESS REGISTRATION SERVICE****Annual Reports and Financial Statements****For the year ended June 30, 2018****STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS****FOR THE YEAR ENDED 30 JUNE 2018**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	EXPLANATION
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government grants	140,253,440	-	140,253,440	74,979,063	-65,274,377	Underfunding
<b>Total income</b>	<b>140,253,440</b>	<b>(0)</b>	<b>140,253,440</b>	<b>74,979,063</b>		
<b>Expenses</b>						
Compensation of employees	75,000,000	-	75,000,000	40,773,139	-34,226,861	Underfunding
Goods and services	303,440	(0)	303,440	162,636	-140,804	Underfunding
Other payments	64,950,000	-	64,950,000	34,041,701	-30,908,299	Underfunding
<b>Total expenditure</b>	<b>140,253,440</b>	<b>(0)</b>	<b>140,253,440</b>	<b>74,977,476</b>		
<b>Surplus for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,587</b>		

# BUSINESS REGISTRATION SERVICE

## Annual Reports and Financial Statements

For the year ended June 30, 2018

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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 2018

Standard	Impact
IPSAS 39: Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2018

#### (ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and 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 which are covered purely under Public Sector combinations as amalgamations.

#### (iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

### 3(b) 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*

The entity 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.

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2018

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#### *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.

#### **Budget information**

The original budget for FY 2017-2018 was approved by the National Assembly on February, 2017 and there were no Subsequent revisions or 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record any additional appropriations on the 2017-2018 budgets.

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 section xxx of these financial statements.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank. Bank account balances include amounts held at the Kenya Commercial Bank of Kenya banks at the end of the financial year.

#### **Comparative figures**

Business Registration Service was established by the Business Registration Service Act, 2015. It started its partial operations in the financial year 2017/2018, and there were no comparative figures.

#### **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, 2018.

## **BUSINESS REGISTRATION SERVICE**

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

**For the year ended June 30, 2018**

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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, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

##### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Business Registration Service based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

##### **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**

Provisions were raised and management determined an estimate based on the information available. Provisions is measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

##### **Contingent liabilities**

Business Registration Service does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2018

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

##### 1b) 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	2017-2018
			KShs	KShs	KShs
State Law Office and Department of Justice	74,979,063	N/A	N/A	74,979,063	74,979,063
<b>Total</b>	<b>74,979,063</b>	<b>0</b>	<b>0</b>	<b>74,979,063</b>	<b>74,979,063</b>

Business Registration Service receives one-line budget.

##### 2 USE OF GOODS AND SERVICES

Description	2017-2018 KShs
Water	109,330
Subscriptions	53,306
<b>Total good and services</b>	<b>162,636</b>

##### 3 EMPLOYEE COSTS

	2017-2018 KShs
Salaries and wages	3,822,828
Travel, motor car, accommodation, subsistence and other allowances	30,086,820
Overtime payments	6,863,491
<b>Employee costs</b>	<b>40,773,139.</b>

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2018

#### 4 REMUNERATION OF DIRECTORS

Description	2017-2018
	KShs
Chairman's Honoraria	1,120,000
Directors emoluments	2,446,346
<b>Total director emoluments</b>	<b>3,566,346</b>

#### 5 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018
	KShs
Property, plant and equipment	66,352
<b>Total depreciation and amortization</b>	<b>66,352</b>

#### 6 REPAIRS AND MAINTENANCE

Description	2017-2018
	KShs
Furniture and fittings	1,233,167
Computers and accessories	1,660,811
Other	2,359,660
<b>Total repairs and maintenance</b>	<b>5,253,638</b>

#### 7 GENERAL EXPENSES

Description	2017-2018
	KShs
Advertising	1,489,453
Conferences and delegations	7,741,419
Fuel and oil	498,441
Postage	5,000
Printing and stationery	7,853,225
Telecommunication	2,140,000
Training	481,750
Other	4,946,076
<b>Total general expenses</b>	<b>25,155,364</b>

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2018

#### 8 (a) CASH AND CASH EQUIVALENT

Description	2017-2018
	KShs
Bank	1,587
<b>Total cash and cash equivalents</b>	<b>1,587</b>

#### b) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENT

Financial institution	Account number	2017-2018
		KShs
<b>a) Current account</b>		
Kenya Commercial bank	1184110735	1,587
<b>Grand total</b>		<b>1,587</b>

#### 9 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings	Total
<b>Depreciating Rate</b>	12.5%	
At 1 July 2016	-	-
Additions	-	-
Disposals	-	-
Transfers/adjustments	-	-
<b>At 30<sup>th</sup> June 2017</b>	-	-
Additions	530.816	<b>530.816</b>
Disposals	-	-
Transfer/adjustments	-	-
<b>At 30<sup>th</sup> June 2018</b>	<b>530.816</b>	<b>530.816</b>
<b>Depreciation and impairment</b>		
At 1 July 2016	-	-
Depreciation	-	-
Impairment	-	-
<b>At 30 June 2017</b>	-	-
Depreciation	(66.352)	<b>(66.352)</b>

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

#### For the year ended June 30, 2018

Disposals	-	-
Impairment	-	-
Transfer/adjustment	-	-
At 30 <sup>th</sup> June 2018	66,352	66,352
Net book values		
At 30 <sup>th</sup> June 2018	464,464	464,464
At 30 <sup>th</sup> June 2017	-	-

### FINANCIAL RISK MANAGEMENT

The Business Registration Service activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk

The entity's financial risk management objectives and policies are detailed below:

#### (i) Credit risk

The service has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

The board of directors sets the service policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

The table below shows the maximum exposure risk as at 30<sup>th</sup> June 2018.

PARTICULARS	FULLY PERFORMING	PAST DUE	IMPARED	TOTAL
Bank Balances	1,587			1,587
	1,587			1,587

#### (ii) 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, medium and long-term funding and liquidity management requirements. The Business Registration Service manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2018

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The table below represents cash flows payable by Business Registration Service;

PARTICULARS	Less than 1 month	Between 1-3 months	Over 5 months	Total
As at 30 <sup>th</sup> June 2018(Trade payables)	-	-	-	-

#### (iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Governance Committee.

The Business Registration Service Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

#### (a) Foreign Currency Risk

Business Registration Service has no transactional currency exposures.

#### (b) Interest rate risks

Interest rate risks is the risk that the Business Registration Service financial condition may be adversely affected as a result of changes in interest rate levels.

## BUSINESS REGISTRATION SERVICE

### Annual Reports and Financial Statements

For the year ended June 30, 2018

#### RELATED PARTY BALANCES

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

	2018
	Kshs
<b>Transactions with related parties</b>	
<b>(a) Grants from the Government</b>	
Grants from National Government	74,979,063
<b>Total</b>	<b>74,979,063</b>
<b>(b) Key management Compensation</b>	
Directors Emoluments	3,566,346
Compensation to key management	279,096
<b>Total</b>	<b>3,845,442</b>

#### EVENTS AFTER THE REPORTING PERIOD

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

#### 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.

#### Currency

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

**BUSINESS REGISTRATION SERVICE**

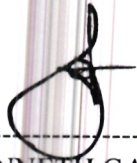
**Annual Reports and Financial Statements**

**For the year ended June 30, 2018**

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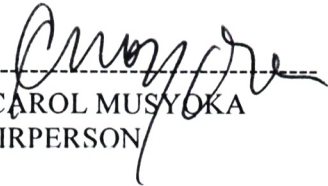
**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

This being the first year of operation the Business Registration Service does not have follow up items from the Office of Auditor General recommendations.



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MR. KENNETH GATHUMA  
Ag. DIRECTOR GENERAL

Date: 29/03/19 .....



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Ms. CAROL MUSYOKA  
CHAIRPERSON

Date : 29.3.2019 .....

**BUSINESS REGISTRATION SERVICE**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2018**

**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>BUSINESS REGISTRATION SERVICE</b>				
Break down of Transfers from the State Law Office and Department of Justice				
FY 17/18				
a. Recurrent Grants				
	<u>Reference number</u>	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	A669718	13.09.17	10,000,000	2017/2018
	A669726	20.11.17	30,000,000	2017/2018
	A669529	16.03.18	34,979,063	2017/2018
		<b>Total</b>	<b>74,979,063</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

