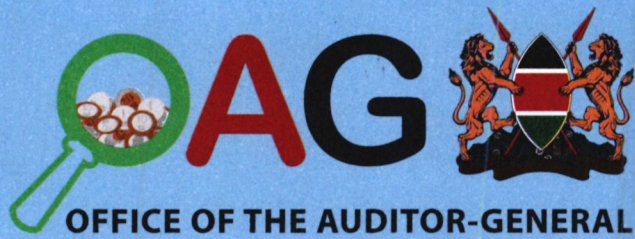
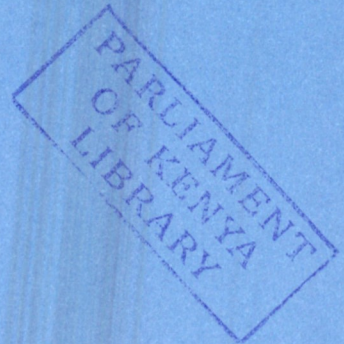


REPUBLIC OF KENYA



Enhancing Accountability



THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 14 FEB 2023 DAY: WED

TABLED BY: Deputy Leader Majority Party
Hon. Owen Baya, MP

CLERK-AT-THE-TABLE: Miriam Molo

REPORT

THE AUDITOR-GENERAL

ON

BUSINESS REGISTRATION SERVICE

**FOR THE YEAR ENDED
30 JUNE, 2023**





BUSINESS REGISTRATION SERVICE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30,2023

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

Business Registration Service
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for the year ended June 30, 2023

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2. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Business Registration Service (BRS) is a State Corporation under the Office of the Attorney General and Department of Justice established through Business Registration Service Act, 2015. The mandate of the Service is to administer laws relating to the incorporation, registration, operation and management of companies, partnerships and firms. The Service is governed by Board of Directors who are responsible for the general policy and strategic direction. BRS is domiciled in 316 Upper Hill Chambers- 17th Floor.

(b) Principal Activities

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

(i) VISION

Doing business made easier.

(ii) MISSION

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

(iii) MANDATE

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

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

(iv) STRATEGIC OBJECTIVES

- i To promote ease of doing business
- ii To enhance user experience, awareness, and stakeholder collaboration
- iii To strengthen institutional capacity for BRS to deliver on its mandate

(c) Key Management

The *Entity's* day-to-day management is under the following key organs:

No.	Designation	Name
1.	Accounting officer/ CEO/DG	Mr. Kenneth Gathuma
2.	Head of Corporate Services	Mr. Jones Otuke
3	Official Receiver	Mr. Mark Gakuru
4	Registrar of Companies	Ms. Joyce Koech
5	Head of Legal, Research & Compliance	Ms Doris Wambugu
6	Head of Finance	Mr. Erastus K. Mbalu

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2023 and who had direct fiduciary responsibility were:

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

Business Registration Service committees

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

The main responsibilities of the Committees are as follows;

i. The Audit and Governance Committee

The principal responsibilities of the Committee are to oversee, advise and make appropriate recommendations to the Board on the financial statements, including the effectiveness of the internal control system, review of the terms of reference of the Committee and the Board charter. The Committee is also responsible for evaluating the effectiveness of the Internal Audit function.

ii. The Human Resource and Finance Committee

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

iii. The Compliance and Risk Committee

The principal responsibilities of the Committee are to consider, advise and make appropriate recommendations to the Board on all aspects of compliance and risk management. The Committee oversees and makes appropriate recommendations to the Board on implementation of effective processes and systems of risk management in the Service.

iv. The Technical and strategy Committee

The principal responsibilities of the Committee are to oversee, advise and make appropriate recommendations to the Board on implementation of the strategic plan, strategies and policies and advise the Board on any significant changes and emerging trends in the organisation's operating environment.

F. Business Registration Service (BRS) Headquarters

Business Registration Service
316 Upperhill Chambers, 2nd Ngong Avenue
P. O Box 30404 - 00100
Nairobi, Kenya

G. Business Registration Service Contacts

Telephone: 011 112 7000
E-mail: eo@brs.go.ke
Website: www.brs.go.ke

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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

I. Independent Auditors

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

J. Principal Legal Advisers

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

3. THE BOARD OF DIRECTORS



**Justice (Rtd) Erastus
Githinji CBS EBS
(Chairperson)
LL.B.(UON)**

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

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

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

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

He is a recipient of two National Honors:

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

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



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

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

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


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

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

She has also been assigned by the Commonwealth Secretariat to work for a period of two years as a Legal Expert with the East African Community Secretariat in Arusha, Tanzania where she was tasked with implementing the Treaty for the Establishment of

	<p>the East African Community, by drafting Protocols to the Treaty and various legislation; as well as approximation of Partner States Municipal Laws relating to finance, investment, as well as commercial laws in the EAC context.</p> <p>As part of her CSR, Njeri MBS has served as a Board Member and Founding Director of <i>Tomorrow's Child Initiative</i>, an NGO registered in Kenya whose vision is to have a society where children and women have unfettered access to opportunities, which allow them to live in dignity because their rights are respected and upheld.</p> <p>Njeri MBS is married and is a mother of two children. She enjoys reading books, travelling and playing golf.</p> <p>She was re-appointed to the Business Registration Service Board on 3rd December 2019 as an alternate to the Solicitor General and is a member of the Human Resource and Finance, Technical and Strategy and Compliance and Risk Committees. She was conferred the National Award of Moran of the Order of the Burning Spear (MBS) in December 2018.</p>
 <p>PS, LLB, CPA, CPS, CIFA, CFE, Abubakar Hassan Principal Secretary State Department for Investment Promotion, Ministry of Investment, Trade and Industry (Member)</p>	<p>PS Abubakar Hassan is a holder of Masters in Financial Services Law (Project ongoing), Masters of Business Administration (Strategic Management) and a Bachelor's Degree in Law all from the University of Nairobi.</p> <p>He is an Advocate of the High Court of Kenya, Certified Public Accountant, Certified Public Secretary, Certified Fraud Examiner, Certified Investment & Financial Analysts and holds a Certification in the Management of Banking Risks.</p> <p>He is a member of the following professional bodies; Law Society of Kenya (LSK), Institute of Certified Public Secretaries of Kenya (ICPSK), and Institute of Certified, Investment and Financial Analysts (ICIFA).</p>

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	<p>From his background in law, finance and investment, he has wide experience in facilitating and mobilization of capital, allocation of the said capital into productive areas of the economy and protection of the investors' interests.</p> <p>Prior to appointment as Principal Secretary in December 2022, he was the Director Market Operations at Capital Market Authority. He was in charge of market oversight and investors' confidence.</p> <p>PS Abubakar is committed to steer upwards investments (both Foreign and Domestic) into the Kenyan economy.</p>
 <p>FCS. Catherine Musakali OGW (Member)</p>	<p>Born on 1st April 1969, Ms. Catherine Musakali OGW, is an Advocate of the High Court of Kenya and a Fellow of the Institute of Certified Secretaries of Kenya.</p> <p>Catherine OGW is the Founder of Dorion Associates LLP, a firm specializing in governance matters and commercial legal consultancies. Prior to founding Dorion Associates, Catherine OGW worked for Kenya Shell Limited (Now Vivo Energy Kenya Limited) as their Company Secretary and Head of Legal for over fifteen (15) years, during which period she managed the Legal Functions of Shell operations in Kenya, Uganda, Tanzania, Sudan, Eritrea, Ethiopia, Morocco, Egypt and Tunisia. She has worked for shell in the United Kingdom during which period she specialized in Mergers and Acquisitions and other commercial transactions as well as being the Legal Focal Point for all Contracting and Procurement matters for its businesses in the 23 Countries in Africa.</p> <p>Before this she set up and managed the Legal department of UAP Provincial Insurance Limited during which period she represented her employer in the industry body, the Association of Kenya Insurers (AKI).</p> <p>Catherine OGW was, until May 2014, the Chairperson of the Institute of Certified Public</p>

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

She is a founder and Chairperson of the Women on Boards Network and is currently the Company Secretary of a number of Companies and sits on various Boards including those in the public and private sectors.

She has previously served as a Director at Nairobi Securities Exchange, Association of Kenya Insurers (AKI) and was at one time the Chairperson of Kenya Seed Company Limited.

She also serves as a member of the Capital Markets 10-year Master Plan Implementation Committee.

Catherine OGW has been the Chief Judge, Corporate Governance, FiRe Awards and is a trained Corporate Governance Trainer, Governance Auditor and Board Evaluator and has developed policies on governance for a number of institutions. She also consults for the IFC.

Catherine OGW 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).

Catherine OGW was first appointed to the Board on 2nd October, 2017 retired in October 2020 and reappointed for a period of three (3) years commencing 15th December 2020. She chairs the Audit and Governance Committee.



Mr. Brian Omwenga
(Member)

Born on 30th November 1981, Mr. Brian Omwenga is a Computer Science doctoral candidate and part-time lecturer at the University of Nairobi, School of Computing and Informatics. He holds a Graduate Degree in Engineering Systems, Technology and Policy from the Massachusetts Institute of Technology (MIT).

He was the Lead Enterprise Architect for the Kenya Government ICT and Enterprise Architecture. He has previously worked for PwC, Microsoft, and Nokia Research Africa. He has been credited as a respected African inventor with several publications and software patents. He is the founding chair of the Tech-Innovators SACCO of Kenya and also chaired the Software and Systems Engineering technical committee at the Kenya Bureau of Standards.

He was first appointed as a Business Registration Board member on 3rd May 2019 for 3 years and his term was renewed on 2nd May 2022. He chairs the Technical and Strategy Committee.



Mr. Faraj Mansur
(Member)

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


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

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

Since 2005 he has co-founded a number of award-winning technology companies under Techbiz Group. The firms are in System Integration.

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.

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	<p>He was first appointed as Business Registration Board member on 28th October 2021 and chairs the Human Resource and Finance Committee.</p>
	<p>Born on 17th July 1966, Ms Josephine Waruguru Kanyi is a Senior Deputy Director in the National Treasury Budget Fiscal and Economic Affairs in the Department of Intergovernmental Fiscal Relations.</p> <p>She holds a Bachelor's Degree and Master's Degree in Economics from the University of Nairobi.</p> <p>She served in the Ministry of Planning and National Development from 1991 to 1994, Ministry of Research and Technology (1994-1998) Ministry of Finance 1998-2010 as head of Intergovernmental Fiscal Relations and Business Regulation Reform Units. She served as Chief Economist in National Treasury from 2010-2016.</p> <p>She has attended Courses on Fiscal Decentralization and Financial management and Tax Policy Analysis and Revenue forecasting at Harvard University USA & Macro Economic Diagnostics at the IMF Institute in the USA.</p> <p>She also serves as a Board Member at:</p> <ol style="list-style-type: none"> 1. Kenya Hotel Properties Ltd Company; 2. Kaimosi Friends University Council; and 3. National Government Constituencies Development Fund <p>She has previously served on the:</p> <ol style="list-style-type: none"> 1. KIPPRA Board; 2. Kenya Vehicles Manufacturers Board; and 3. LATF Advisory Board. <p>She was first appointed as a Business Registration Service Board member on 10th May 2017.</p>

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



Mr. John Mwendwa, OGW
(Alternate to the Principal
Secretary State
Department for
Investment Promotion,
Ministry of Investment,
Trade and Industry)

Born on 17th Jan 1983, John is the Senior Advisor on Investments in the Ministry of Investments, Trade & Industry. His is the immediate former Secretary/ Head, Department of Business Reforms & Transformation (Ease of Doing Business) in the Ministry of East African Community & Regional Development. He was responsible for the development, implementation and coordination of the Business climate reform agenda across all Government Ministries, Departments and Agencies which saw a remarkable turnaround for the Country in the Global World Bank Ease of Doing Business rankings to 56th globally in 2019 up from 136th in 2014 and amongst the top most improved countries globally and on the African continent between 2013 and 2020.


He led the change and transformation strategy for Kenya in the public-private sector interface to spur private sector growth and competitiveness through automation and digitization of critical public service delivery areas such as Company Registration, Movable property rights, E-filing processes for commercial courts, Imports and Export process automation, Tax reforms, construction permits, Lands records management amongst others. On the legal and regulatory environment front he led the Kenya team which pioneered the development of over 50 legal and regulatory instruments such as the Business Laws Amendment Acts that annually implement legal and regulatory reforms to support Business Competitiveness for Kenya.

He served as the Director of Portfolio Management in the Ministry of Industry, Trade and Cooperatives from 2015 to July 2018 and in the Ministry of Agriculture, Livestock and Fisheries in 2015.

His earlier career in Banking saw him serve in various parts of the Barclays Group (now Absa) in strategy and executive management in Kenya and South Africa from 2007 to 2013.

John has a Masters of Commerce Degree in Finance from Strathmore University and Bachelor

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	<p>of Commerce Degree in Finance from Kenyatta University. He is a member of the Academy of Accounting and Financial Studies of Canada (AAFSJ) and a Member of the Kenya Institute of Management (KIM).</p> <p>He has held Board directorships at the at the Industrial Development Bank Capital from 2014 to 2018 and at the Business Registration Service from 2016 to 2018, and was re-appointed as a Board Member on 25th March 2020.</p>
	<p>Born on 4th April 1980, Mr. Kenneth Gathuma HSC is an Advocate of the High Court of Kenya who has legal advisory skills developed through providing legal advice to government ministries and state-owned corporations for 12 years.</p> <p>Until his appointment as the Director-General in March 2020, Mr Gathuma was the Acting Director General of BRS and formerly served as Deputy Head of Government Transactions in the Office of the Attorney General & 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 and a postgraduate diploma from Kenya School of Law.</p>

Mr. Kenneth Gathuma
HSC
Director General



Ms. Elizabeth Macharia
Corporation secretary

Born on 10th July 1987, Ms. Elizabeth Macharia is the Corporation Secretary of the Business Registration Service.

She is an advocate of the High Court of Kenya with 11 years of experience, a Certified Secretary with over 8 years of experience and a Corporate Governance Auditor.

She is responsible for providing secretarial services to the Board and advising on corporate governance.

She is a member of the Law Society of Kenya, East African Law Society, Certified Institute of Public Secretaries and Chartered Institute of Arbitrators.

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

4. KEY MANAGEMENT TEAM



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

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

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

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



**Mr. Mark Gakuru HSC
Official Receiver**

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

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

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 <p>Ms. Joyce Koech Registrar of Companies</p>	<p>Ms. Joyce Koech is the Registrar of Companies and her mandate is to oversee the overall coordination and management of the Companies Registry at the Service in line with Companies Act, 2015.</p> <p>She is an advocate of the High Court of Kenya with over 8 years' experience. She holds a Bachelor of Laws Degree from the University of Nairobi, and a Certified Public Secretary. Currently, she is undertaking Master's Degree in Arts at the University of Nairobi.</p>
 <p>Mr. Jones Otuke Director Corporate Services</p>	<p>Mr. Jones Otuke is the Director, Corporate Services and his mandate is to oversee the overall coordination and management of the Corporate Services function at the Service, that include; Human Resource Management and Administration Division, Finance and Accounts Division, Corporate Strategy Unit, Corporate Communication Unit and Information Communication Technology Unit.</p> <p>He holds a Masters of Business Administration, a Bachelor of Business Management (Accounting and finance) and a Certified Public Accountant (CPAK). He is a member of the Institute Certified Public Accountant of Kenya (ICPAK). Mr. Otuke has previously served in various public sector institutions in the areas of accounting, financial management and administration.</p>

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Ms. Doris Wambugu
Director Legal Research & Compliance

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

She is an advocate of the High Court of Kenya with over 16 years of experience in the private and public sector in the areas of legal, compliance and research. She holds a Master's degree in Strategic Management from Daystar University and a Bachelor of Laws Degree from the University of Nairobi. She is also a member of the Law Society of Kenya.



Mr. Yusuf Saleh
Deputy Director HR & Administration

Mr. Yusuf Saleh is the Deputy Director, Human Resource Management and Administration. His mandate is the overall coordination and management of the Human Resource Management and Administration function at the Service.

He is an innovative HR leader and organizational culture and branding specialist with over 10 years working experience and has held senior executive roles. He is a full member of the Institute of Human Resources Management (IHRM) Kenya and serves as a member of the continuing professional development (CPD) and membership Committee of IHRM. Previously, he has served as a member of the Association of Commonwealth Universities (ACU) HR in HE Steering committee and the first regional liaison officer for Eastern Africa. He holds a Bachelor of Science degree in International Business Administration, a Master's degree in Business Administration from the United States International University Africa (USIU). Currently, Yusuf is a doctoral candidate specializing in Strategic Management.

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 <p>Mr. Erastus Mbalu Deputy Director Finance & Accounts</p>	<p>Mr. Erastus Mbalu is the Deputy Director Finance and Accounts and his mandate is the overall coordination and management of the Finance and Accounts function at the Service. Erastus is a Certified Public Accountant (CPA-K) with over 10 years' experience in the public sector.</p> <p>He has previously served in several ministries as well as serving under secondment in African Rehabilitation Institute (ARI-AU) as Finance and Administration Officer. Erastus holds a Bachelors of Commerce Degree (Accounts Option) from KCA University.</p>
 <p>Ms. Elizabeth Macharia Corporation secretary</p>	<p>Ms. Elizabeth Macharia is the Corporation Secretary of the Business Registration Service. She is an advocate of the High Court of Kenya with over 8 years of experience, a Certified Secretary with over 5 years of experience and a Corporate Governance Auditor. She is responsible for providing secretarial services to the Board and advising on corporate governance. She is a member of the Law Society of Kenya, East African Law Society, Certified Institute of Public Secretaries and Chartered Institute of Arbitrators.</p> <p>She holds a Bachelor Degree in Law from Catholic University, of Eastern Africa, a Post Graduate Diploma in Law from Kenya School of Law and is currently undertaking a Masters in Law from the University of Nairobi.</p>

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Ms. Shighadi Mwakio HSC
Deputy MPSR

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

5. CHAIRMAN'S STATEMENT

I am pleased to present the Business Registration Service Annual Report and Financial Statement for the year ending 30th June 2023. It is with great pleasure to note that the Service recorded great achievements despite the numerous challenges experienced during the year.

The Service continued to deliver on its mandate to the citizenry in line with its strategic vision of making *"Doing business easier"*. In this pursuit the Service continued to execute the SDGs 8, 16 and 17 and medium-term objectives and the larger vision 2030 vision of making Kenya a newly industrialized, "middle income country providing high quality life for all its citizens by the year 2030".

The Board note the significant progress made by the Service in its core mandate performance indicators. The number of business entities registered rose by 9.2% to 145,284 in FY 2022/23 from 133, 023 registered in FY 2021/22; enabling more than 100, 000 people to participate in the business activities within the country. The number of Movable Property Security Rights notices also increased by 41.1% from 118,157 to 166,774. This large number of notices signify the increasing demand in provision of credit through the Movable Property Security Rights Regime. The Service further supported businesses and natural persons with insolvent challenges to liquidate smoothly and in accordance with the law. The Financial Year under review was also marked with financial excellence where the Service collected the highest annual revenue ever on behalf of the Government amounting to Ksh 1.15 billion. This displays the significant contribution of the Service on country's annual revenue efforts.

To sustain this performance, the Board is cognizant of the ever-changing macro environment which continues to influence how the BRS operates such as the introduction of the B-Ready (new world bank methodology of business assessment), the MTP IV, the advancement in technology and the BETA which calls for the Service to align strategically to support the government deliver its agenda to the public.

The Board has noted some internal challenges which affect the smooth running of the Service operations such as the sub-optimal workforce, lack of centralized knowledge centre and loss of skilled staff. The Board will continue to provide leadership and support to ensure the Service continues to retain its positive performance trajectory despite the ever-changing dynamics in the operating environment.

Further the Board is aware of the enormous value of collaborations and strategic partnerships to the Service. The Board lauds the Service for the partnerships it has created to date with state actors such as KIPPRA, ICS, LSK, IPS, KRA, NHIF, NSSF, National Treasury, Department of Business Transformation under the ministry of investments, trade and industry, Keninvest and also arms of

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government such as The National Assembly. These collaborative ventures continue to increase efficiency of delivery of public services in the business environment in Kenya.

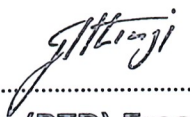
The linkages with development partners continue to add significant value to the service performance. The Service recognizes the support from GIZ, the FSD Kenya, KEPSA and IFC among others. The Board will continue to support the Management to sustain the existing partnerships and create more for the benefit of the Service and Kenya at large.

Looking ahead, the Service will capitalize on emerging trends on Ease of doing business and remain focused on leveraging technology and partnerships to enhance our reach and impact. The review of the strategic plan for the medium term period will focus on increasing efficiency of the registration process, launch of a new system for The Company Registry, automation of the Official Receiver processes, review of the e-collateral system, use of IT solutions in the service, formalization of MSMEs, acquisition of optimal staffing levels and strengthening of the institutional infrastructure to adequately deliver quality services to our customers and enhance the business environment in Kenya.

It is worth noting that, none of our achievements would have been possible without the dedication and the efforts of our esteemed BRS staff members, the Management, state and non-state actors as well as our development partners. Their relentless commitment to our vision has been the driving force behind our success. I extend my sincere gratitude to each of them for their efforts and support.

I wish as well to express my appreciation to the Attorney General and the Solicitor General's offices, for the invaluable support they have accorded the Service during the reporting period.

In conclusion, the past year has reaffirmed the resilience and determination of the Service in delivering quality services to our customers. We remain committed to pursuing excellence and making a meaningful difference in the lives of those we serve. Thank you for your continued trust in Business Registration Service.



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

6. REPORT OF THE DIRECTOR GENERAL

I am pleased to present the Director General's statement for the year ending 30th June 2023. This year has been a testament to the unwavering commitment and dedication of the Business Registration Service fraternity in enhancing our support to businesses in Kenya.

Over the year under review the Service recorded stellar performance in key mandate areas of performance. The efficiency of registration of the service remained high at 87.3% where a total of 145,284 business entities were registered. This comprised of 87,087 Business Names, 57,025 Private Companies, 103 Public Companies, 180 Foreign Companies, 377 Companies Limited by Guarantee and 512 Limited Liability Partnerships. This cumulatively adds to the total number of businesses registered to date to over 2 million as per the records by Registrar of Companies. During the year under review, the proportion of linked business entities rose from 38.3% in July to 42.6% by end of the FY 2022/23 representing a 4.4% increase. The proportion of private companies with declared Beneficial Ownership status increased from 36.9% to 43.0% at the end of the financial year 2022/23.

During the year under review, the Service collected a total revenue of 1.15 billion. This was a 17.9% increase from 977.2 million collected in FY 2021/22 brought about by the continuous reforms on revenue collection and adoption of cashless payment system by the Service.

During the year under review, the Official Receiver continued to provide supportive services to businesses and natural persons experiencing financial distress. A total of 386 insolvency matters were closed during the year representing a huge milestone in resolution of insolvency matters. The adoption of administration method of insolvency continued to gain traction; during the year, a total of 6 cases were put under administration method as opposed to liquidation or receivership which further broadens the spaces for business viability as opposed to business closure.

In terms of access to credit, a total of 166, 774 initial notices and 25,482 MPSR searches were registered. The most preferred type of movable collateral used to secure credit included the household items, motor vehicles and furniture. The total value of credit accessed (facilitated) since MPSR regime was introduced in 2017 to over Kshs 5.0 trillion.

In terms of strategy performance, the service implemented 15.6% of the planned strategic activities for the year against an expected level of 20%. This shortfall attributed to budgetary constraints and constrained human and infrastructural operational capacity.

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In terms of operational efficiency, the Service continued to display optimal resource utilization having absorbed over 98% of the funds allocated for the year. The Service installed IPBAX solution in the Call center to enhance customer interaction and timely feedback, the website was revamped to a more interactive one with multi-linguistic abilities to support over 8 international languages and disability friendly features to enhance access by people with disabilities. This has facilitated access by customers from Kenya, Eastern Africa, Europe, Asia, Australia and others.

To support staff welfare, productivity and welfare, the Service continued to engage staff members through morning town hall meetings, provision of medical insurance and establishment of staff welfare association to ensure the welfare needs of the staff were met. To enhance performance and culture change, some of the culture change descriptors were incorporated into the employee performance system. Target setting was linked with Annual workplans and staff sensitized on the same to ensure seamless performance within the service. A total of 30 temporal staff members were onboarded to help the Service meet the staffing level requirements especially in digitization of the official receiver records.

The use of ICT solutions in the delivery of services by The Service continues to be of prime priority. The Service continually ensured ICT infrastructure (Printers, Computers and LAN) were maintained and the operationalized of the ERP enhanced with a achieving a completion rate of 90% with a usage rate of 60%. The service will continually adopt best ICT solutions to optimize resources it has and maximise benefits for the customers it serves.

The Service undertook various reforms to enhance its operations such as development of a new system of registration of business, automation of the Official Receiver processes, digitization of more than 1 million records, legal reforms to enhance ease of doing business, review of the MPSR e-collateral system, integration with other agencies for quicker services and sensitization of the staff on stakeholders on BRS processes.

Despite the above-mentioned milestones, the service experienced major setbacks during the year including budgetary constraints, loss of skilled staff, hitches in BRS system upgrade, sub-optimal staffing levels, periodic system downtime among others.

Going forward, our strategic focus is to continue improving the quality of services we offer to our customers. We aspire to help new and unregistered businesses to register quickly and efficiently, access credit through MPSR and help those in financial distress to resolve insolvency matters more optimally and recover the highest returns of investment to the investors.

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As I conclude, I thank the Board of Directors for their quality oversight, Staff for their hard work, stakeholders for their rightful role and development partners for their unfailing support. More importantly, I am grateful to the Attorney General and Solicitor General for their guidance and support. I am inspired by the progress we have made together and through our individual contributions and the opportunities that lie ahead. The few challenges we face only strengthen our resolve to create a better business environment and support to businesses operating in Kenya. Together, our synergies lay a strong pillar and big commitment to create a lasting impact on businesses operating in Kenya and the economy at large.



KENNETH GATHUMA HSC
DIRECTOR GENERAL

7. STATEMENT OF BUSINESS REGISTRATION SERVICE PERFORMANCE
AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Section 81 (2) (f) of the Public Finance Management Act No 18. Of 2012 and Section 14 of the State Corporations Act Cap 446, requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

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

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

BRS develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Service achieved its performance targets set for the FY 2022/23 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
A. Ease of Doing Business	1. To promote ease of doing business	<ul style="list-style-type: none"> •No of business entities registered •No of MPSR initial notices •No of MPSR Searches done •HP licenses issued 	<ul style="list-style-type: none"> •Undertake automation of registry processes •Undertake registration of business entities •Automate at least 2 manual processes •Promoting transparency in business ownership •Development of Insolvency Investment Policy 	<ul style="list-style-type: none"> •144,561 business entities registered •165,898 MPSR notices registered •25,227 MPSR searches done •32 HP licenses issued •2 legal instruments contained in

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Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
		<ul style="list-style-type: none"> •Number of legal reforms undertaken on ease of doing business •No of Insolvent files closed •Percentage of linked Business entities •Level of Bo compliance 	<ul style="list-style-type: none"> •Development compliance management program •Development of an Online Platform for Lodgement of Manual Applications •Simplification of the Link-a-Business Process •Create awareness on Beneficial ownership •Develop Master List of all registered entities •Conduct workshops to train and foster integration of the BRS system with key stakeholders such as TIMS, WHRC, SASRA, •Issue Hire-purchase licenses •Digitization of the Official Receivers Records 	<ul style="list-style-type: none"> •Omnibus Bill were drafted and are now before Parliament (Companies Amendment Bill, 2023 and Limited Liability Partnership Bill, 2023) •386 dormant Insolvency files closed •43.05% of private companies BO complaint •42.62% of the business entities linked
B. Service delivery, corporate image and collaborations	2. To enhance user experience, awareness, and stakeholder collaborations	<ul style="list-style-type: none"> •Level of customer satisfaction •Number collaborations •Awareness level of BRS mandate (%) in the population 	<ul style="list-style-type: none"> •Customization of BRS Customer Service Charter •Resolution of Customer Complaints •Communication of social media communication •Modernization of the Customer Service Centre •Development of BRS Logo •Branding Initiatives •Stakeholder Engagement and Collaboration 	<ul style="list-style-type: none"> •74.3% of customers satisfied •2 collaborations made •37.86% level of awareness of the BRS mandate •Complaint resolution score of 96% was attained. •PABX IP-Telephone equipment installed •Eight hundred [No.800] tree seedlings planted through CRS •short animated explainer videos on Registration of Private Limited Companies and

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Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
				Filing of Annual Returns.
C. Institutional capacity	3. To strengthen institutional capacity for BRS to deliver on its mandate	<ul style="list-style-type: none"> ▪ Staff turnover (%) ▪ Employee satisfaction index (%) ▪ Average corporate performance appraisal rating (%) ▪ Revenue collected (Ksh. ▪ Compliance level on AGPO ▪ Compliance level on BKBK ▪ System uptime (%) ▪ ICT User satisfaction index (%) ▪ No of policy briefs/reports disseminated 	<ul style="list-style-type: none"> ▪ Recruitment ▪ Capacity Building and Training ▪ Facilitation of an Internship Programme ▪ establishment of employee welfare schemes ▪ Relocation of BRS offices ▪ Undertaking of MTEF Budget Process and Resource bidding exercise ▪ collection of Revenue for services offered by the Service ▪ Promotion of Local Goods and Services (BKBK) ▪ Asset Management & Valuation ▪ Development of Research Strategy ▪ Monitoring implementation of the Strategic plan ▪ Development of Departmental Strategies ▪ Development and implementation of the BRS Performance Contracting ▪ Provision of Statistical Support ▪ Implementation of Performance Contract ▪ Enterprise Resource Planning system ▪ Acquisition of ICT equipment 	<ul style="list-style-type: none"> ▪ 4.46 % staff turnover ▪ 111 staff members trained on various courses and competencies ▪ 7 graduate interns offered internship opportunities ▪ 60% of relocation done ▪ Kshs 1,151,632,723 revenue collected ▪ Asset register developed and updated ▪ 73.5% satisfaction with ICT Services ▪ 61.3% employee satisfaction with BRS ▪ ERP implemented ▪ 4 surveys done ▪ Office furniture acquired ▪

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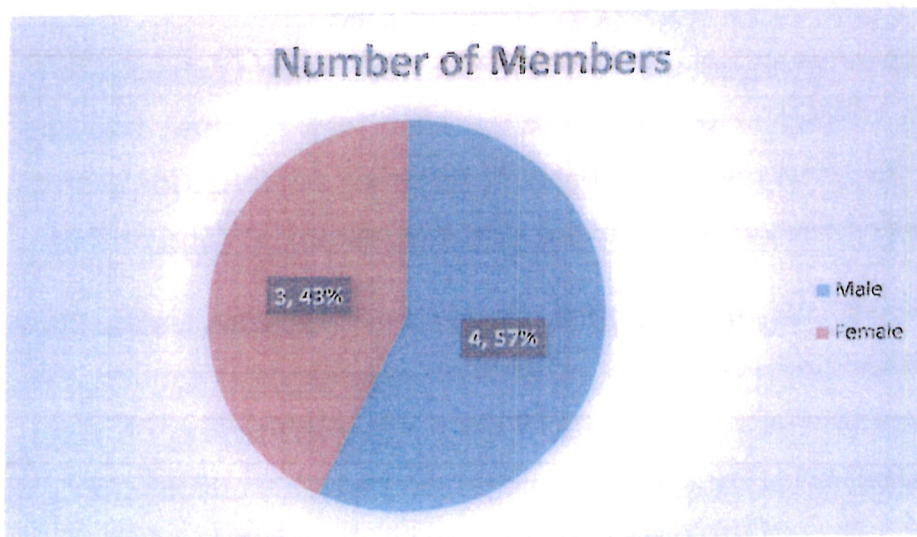
BRS Strategic Plan is implemented through Annual Work Plans (AWPs) where the strategic view and aspirations are broken down into departmental work plans. The Service incorporated the Performance Contracts commitments into work plan and linked budgeting to the annual work planning and performance contracting. The performance contract commitments were thus aligned to the organization's strategic initiatives and strategies and prioritized during budgeting process and progress tracked on quarterly basis and the submitted to the PSPMMU in line with the PC guidelines. By end of June, the Service had largely achieved PC targets for the year.

8. BUSINESS REGISTRATION SERVICE CORPORATE GOVERNANCE

STATEMENT

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

Figure 1: Board Gender Representation



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

- (i) Formulate and review the policies of the Service;
- (ii) Ensure that the Service performs its functions;
- (iii) Monitor and evaluate the performance of the Service;
- (iv) Appoint, train, discipline and remove members of staff of the Service;
- (v) Establish departments within the Service and allocate responsibilities to such departments; and

- (vi) Perform such other functions as prescribed by this Act or any other written law.

The Board's Key Achievements during the Financial Year 2022/2023 were:

- (i) Revenue growth from Kshs 977,186,438 to Kshs 1,151,632,724, an increase of 17.8%
- (ii) Relocation of the Business Registration Service to the new premises;
- (iii) Approved and continuously monitored the Service's Budget, Work plan and Procurement plan;
- (iv) Implemented the Service's Performance contract with the Office of Attorney General and Department of Justice;
- (v) Implemented and monitored the Service's Strategic Plan
- (vi) The Board approved various policies including but not limited to the Revised ICT Policy, the Official Receiver Investment Policy, the Revised Communication Policy, the Revised Terms of Reference for the Compliance and Risk Committee, the revised Enterprise Risk Framework among others

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

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

During the period under review, the Board attended two trainings on the Information Communication Technology, Collateral Registry and Insolvency.

The Board has four Committees specifically:

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

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

During the period under review, the Board with the facilitation of the State Corporation Advisory Committee ('SCAC') conducted an evaluation for the performance of the Board, and its individual Board members including the Director General and the Corporation Secretary. The Board is waiting the evaluation report from SCAC.

Board Attendance

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

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

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Table; Board Members and Attendance of Meetings

Board Member	Designation	Technical and Strategy Committee (Total Number of meetings held: 8 meetings)	Audit and Governance Committee (Total Number of meetings: 5 meetings)	Human Resource and Finance Committee (Total Number of meetings: 5 meetings)	Compliance and Risk Committee (Total Number of meetings: 4 meetings)	Full board meetings (Total Number of meetings: 5 meetings)	Ad Hoc Committee	Others including trainings
Justice (Rtd) Erastus Githinji	Chairperson From 6 th October 2021 to date	N/A	N/A	N/A	N/A	5/5	N/A	1 day Training on ICT 2-days training on the Collate. Registry and Insolvency Meeting held with Chief of Staff and Head of Public Service on 31 st May 2023. Tree Planting Exercise
Mr Brian Omwenga	Chairperson Technical and Strategy	8/8	5/5	N/A	N/A	5/5	4/4	1 day Training on ICT SME Strategy Workshop 2/2 days
Mr. Faraj Mansur	Chair Human Resource and Finance From 10 th February 2022	8/8	N/A	4/4	4/4	5/5	4/4	1 day Training on ICT SME Strategy Workshop 2/2 days

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Board Member	Designation	Technical and Strategy Committee (Total Number of meetings held: 8 meetings)	Audit and Governance Committee (Total Number of meetings: 5 meetings)	Human Resource and Finance Committee (Total Number of meetings: 5 meetings)	Compliance and Risk Committee (Total Number of meetings: 4 meetings)	Full board meetings (Total Number of meetings: 5 meetings)	Ad Hoc Committee	Others including trainings
Ms. Catherine Musakali OGW	Chair Audit and Governance	8/8	5/5	N/A	4/4	4/5	4/4	1 day Training on ICT 2-days training on the Collateral Registry and Insolvency
Ms. Njeri Wachira MBS	Member	6/8	N/A	4/4	4/4	5/5	N/A	1 day Training on ICT
Ms. Josephine Waruguru Macharia-Kanyi	Member	N/A	5/5	4/4	4/4	5/5	N/A	1 day Training on ICT 2-days training on the Collateral Registry and Insolvency SME Strategy Workshop 1/2 days
John Mwendwa	Member Alternate to PS Investments	N/A	N/A	N/A	N/A	N/A	N/A	1 day Training on ICT SME Strategy Workshop 2/2 days
PS. Abubakar Hassan Abubakar	Member	N/A	N/A	N/A	N/A	1/5	N/A	N/A

Code of Conduct

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

Risk Management

Risk management is an important corporate governance tool and as such has been integrated into day-to-day operations of the Service. Management has developed a sound Enterprise Risk Management framework to ensure that risk mitigation measures have been put in place to caution BRS from risks that would derail achievement of the Strategic Objectives. In the year under review, the Service continued to implement mitigation strategies to ensure that the risk levels were minimized. At the end of the FY 2022/23 the Service had 18 risks. The Service reduced its potential financial exposure by KES. 33,787,987 by successfully closing some litigation matters.

The Board received quarterly reports on risk management and mitigation, and it provided guidance to Management. Management has revised the Enterprise Risk Framework to accommodate emerging risks and changes in the risk matrix.

9. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Operational and Financial Performance

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

The Service received Kshs. 420,350,000 recurrent grants from the Government to implement its programmes for the year under review.

SECTION B

Compliance with statutory requirements

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

SECTION C

Key projects and investment decisions the entity is planning/implementing

Business Registration Service is mainly funded by the National Treasury, and it receives a one-line Budget. From the GOK grant there is no investments being done and some projects have been donor funded.

SECTION D

Major risks facing the entity

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

Business Registration Service regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices. Risk

management is carried out by the management under the supervision the Board of Directors.

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

SECTION E

Material arrears in statutory/financial obligations

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

SECTION F

The entity's financial probity and serious governance issues

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

SECTION G

i) Review of the economy

The data from the Quarterly Economic and Budgetary Review report by the National Treasury for Q4 FY 2021/22 showed that the economy remained resilient and expanded by 5.3 percent in the first quarter of 2023, compared to 6.2 percent in a similar quarter in 2022. The growth was mainly supported by a rebound of the agriculture sector and continued resilience of service sectors.

According to the report, the Growth in private sector credit remained stable at 12.2 percent in the year to June 2023 compared to a growth of 12.3 percent in the year to June 2022. Most of the economic sectors registered positive annual growth rates reflecting increased credit demand following improved economic activities. Strong credit growth was observed in various sub-sectors that include finance and insurance, mining, transport and communication, agriculture and manufacturing.

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In terms of fiscal performance, The National Government's cumulative revenue collection including A-I-A for the period between July 2022-June 2023 amounted to KSh. 2,360.5 billion (16.3 percent of GDP) against a target of KSh. 2,478.6 billion. Out of this, BRS raised a total of Kshs 1.153 billion representing a total of 0.05% of the total revenue collected within the country. The revenue was below target mainly due to shortfalls recorded in collection of both ordinary revenue and ministerial appropriation-in-aid (A.I.A). BRS.

Over the year, the Service contributed to the Kenyan economy in a number of ways:

- i. **Generation of revenue on behalf of government:** The Service collected revenue from the Services it rendered to the citizenry. In the FY 2022/23 the total revenue collected within the Kenyan borders totalled to KSh. 2,360.5 billion. A total of Kshs 1.15 billion was from the Service. The money is used to facilitate delivery of services to the public. This shows how the service has direct impact and contribution to the GDP formation in the Kenyan economy.
- ii. **Facilitation of business start-up:** The Service facilitates registration of business start-up. Creation of businesses in turn creates demand for goods and services. This helps producers of raw materials and providers of services to get market for their goods and services and also accelerates the velocity of money measured by monetary transactions. The Service facilitated startup of 144,561 business entities in FY 2022/23. Therefore, on average the Service registered an average of 396 business entities per day implying new economic activities and market players in the economy.
- iii. **Facilitating acquisition of credit access through MPSR:** The MPSR Act of 2017 provided an avenue for use of movable properties to be used as collaterals to secure credit facilities. The Service has provided a registry where business register movable items used to secure loans. This has enabled SMEs to

acquire credit facilities with movable properties unlike use of immovable collaterals which limited participation of small income earners from accessing credit and thus played less role in the economic space. Up to June 2023, the Service had recorded a total of 711,621 collateral asset entries (Initial notices) worth over a trillion showing the value of credit being facilitated by the MPSR is enormous in the economy. MPSR facilitates access to credit by all players especially the informal sector which in turn creates more than 80% of the jobs in our country.

- iv. Enabling foreign direct investment: The Service facilitates registration of foreign companies in the country. These companies come to invest in Kenya which in turn benefits the economy with skills transfer and capital formation from expatriates from outside Kenya. This in turn builds the Gross Domestic product (GDP). During the FY 2022/23, the Service facilitated registration of 180 foreign companies in Kenya which continues to expand the business competition, resilience and performance.
- v. Creation of supportive legal, policy and regulatory framework on ease of doing business: The Service has pushed for a number of legal changes and regulatory framework governing ease of doing business to create a supportive business environment. During the year under review, the Service was instrumental in the drafting of the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Bill, 2023 and drafting of the Companies (Beneficial Ownership Information) (Amendment) Regulations, 2022.
- vi. Facilitating business in financial distress: The Service through the Official Receiver help business to operate under financial distress. For business liquidating, the Service facilitates a faster and more efficient process of winding up which in turn give higher return on investment,

ii) Review of the Sector

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

The Service contributes to the sector through the implementation of strategies under the KRA I strategic objective 1 of the sub-sector plan which seeks to provide quality legal services to the government and public. The Service implements initiatives aimed at enhancing Registration services under strategy number 11 through execution of the business laws and the functions listed in the BRS Act of 2015.

Over the last the last 5 years; the Service has a played crucial role of the sector on provision of legal services by registering 938,493 business entities, registering 711,621 MPSR initial notices of loans secured through use of Movable Properties since 2017. The Service played a significant role to facilitate businesses in financial distress through enhanced mechanism of the insolvency practice in the country where a total of 201 petitions for liquidation by court had been recorded over the last 5 years. Further the much better method of insolvency proceedings through administration has been gaining traction over the last 5 years where a total of 43 insolvency related cases were solved through the administration by court or direct appointment thereby enabling businesses to have a chance of viability.

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

Going forward, The Service seeks to leverage on ICT based solutions to improve processes and services offered by the Service. Key among them include, implementing a robust record management system to enhance the quality and integrity of the records, modernize the call Centre and equip the centre with more efficient ICT solutions, implement self-service options, digitize all records, fully automate all the manual process through the continuous BPR program, integrate internal registries for ease of service delivery, fast track implementation of link a business process, develop new products for MPSR to enhance credit access, enhance the resolution of insolvency matters through automation and implementation of ERP within the Service among other projects.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

i) Sustainability strategy and profile

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

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

The Service has contributed towards the achievement of this goal by providing an online platform that is easily accessible from everywhere for registration of

business entities and registration of security rights in movable property. The Service has acquired an electronic document and records management system (EDRMS) which will ensure all its records are digitized and do away with paper records. The Service aims at fully automating all its services to enhance business sustainability and the enhanced system is at the user testing stage.

ii) Environmental performance

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

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

The Board also continued to utilize its e-board platform and tablets for purposes of leveraging on ICT to preserve the environment by reducing the printing of the Board Packs and other Board related documents.

The Service planted trees in an area of 1 hectare to increase tree coverage and preserve the environment for future generations. The Service also moved into new premises where the electricity in some areas is turned on and off by a sensor to preserve energy.

iii) Employee Welfare

Employee welfare is a critical component of ESG, reflecting BRS's commitment to its workforce's well-being, diversity, and overall social impact. BRS has prioritized employee welfare to benefit its employees also to enhance its reputation and long-term sustainability. This, in turn, has led to better financial performance and shareholder value, aligning with the broader goals of ESG. Employee welfare falls under the "S" or social pillar of ESG. It encompasses various policies, practices, and initiatives that aim to enhance the well-being, safety, and overall quality of work life for employees within an organization.

The Service prioritizes the health and safety of its employees by ensuring a safe working environment, implementing proper safety protocols, offering adequate training, and ensuring compliance with health and safety regulations. Regular health check-ups, access to necessary personal protective equipment (PPE), and addressing workplace hazards are essential components. During the period under review the service conducted a workplace safety audit and risk assessment. Additionally, the Service has continued to implement policies and programmes that assure employees are safe all the time from such hazards and disasters in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labor Laws. A functional Occupational Safety and Health Administration Committee (OSHA) is in place which meets regularly to deliberate on matters health and safety as required. In addition, the service has procured insurance covers for group personal accidents for all employees.

The Service is an equal opportunity employer and all candidates are selected on merit through fair and open competition from the widest range of eligible candidates. In making appointments, the Service considers the gender, regional, ethnic and other diversities of the people of Kenya. The services' principles of affirmative action, gender and persons with disability will apply by observing gender balance on appointment/promotion and ensure that a minimum of 30%

are of either gender. The current staff establishment as stands at 106 comprising of 47 males and 59 females respectively.

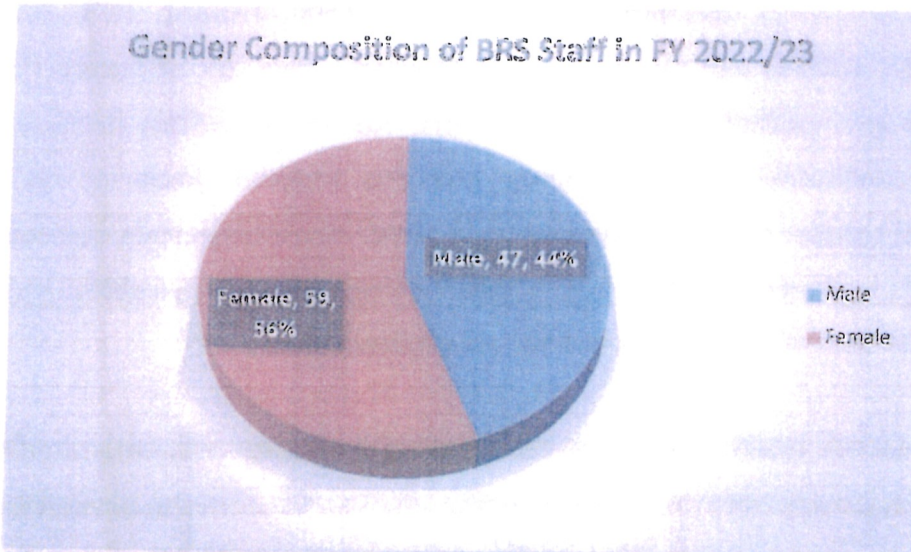


Figure 2; Staff Gender representation

The Service recognizes the need for training and development of all employees. It therefore committed to offer training opportunities to all its employees in order to improve their work performance and personal development. This is done by conducting a training needs analysis after every three years and on need basis. The Service has lived to its commitment in matters learning and development and ensured its officers are trained and learn from the best in order to sustain productivity and personal growth. In the period under review our officers have attended a number of trainings, workshops and seminars a total of twenty programs with 85 employees in attendance.

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

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

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

iv) Market place practices-

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

a) Responsible competition practice.

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

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

b) Responsible Supply chain and supplier relations

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

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

c) Responsible marketing and advertisement

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

d) Product stewardship

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

11. CORPORATE SOCIAL RESPONSIBILITY /COMMUNITY ENGAGEMENTS

In line with our commitment to be a responsive and accountable organization that contributes to the well-being of communities and society, through various environmental and social measures, BRS, in collaboration with the Kenya Forest Service, planted 800 tree seedlings at the Nairobi Forest Conservancy, along Ngong Road during the Financial Year 2022/2023.

Following the signing of a Memorandum of Understanding with the Kenya Forest Service, KFS will oversee the protection, conservation, and care of the trees for a period of one year at a cost of Kshs. 377,610.00.

The tree planting effort is part of the National Tree Growing Restoration Campaign, which aims to plant 15 billion trees to restore 10.6 million hectares by 2032.

The initiative aims to increase tree cover from 12% to 30% by 2032, restore ecological integrity and ecosystem functioning, strengthen community resilience to climate change, support sustainable supply of environmental products and services (water and biodiversity), establish nature-based enterprises in rural areas, catalyze tree growing culture among Kenyans for livelihood support, and increase access to climate finance through carbon trading.



The Chairperson of the Board watering a newly planted tree during BRS Tree Planting Exercise held at Nairobi Forest Conservancy-Along Ngong Road



BRS staff poses for a photo after Tree planting exercise at Nairobi Forest Conservancy-Along Ngong Road

12. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Business Registration Service affairs.

i) Principal activities

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

ii) Results

The Financial Statements for Business Registration Service for the year ended June 30, 2023 are set out on page 1-45

iii) Directors

The Board of Directors who served during the year as shown on page xi -xx.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

In the FY 2022/2023, Business Registration Service did not make any surplus during the year and hence no remittance to the consolidated fund.

v) Auditors

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

Business Registration Service
Annual Report and Financial Statements
for the year ended June 30, 2023.

By Order of the Board

Name: **Ms. Elizabeth Macharia**

Signature:

Elizabeth Macharia

Date: *22/9/23*

Corporation Secretary/Secretary to the Board

13. STATEMENT OF DIRECTORS RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Business Registration Service financial statements, which give a true and fair view of the state of affairs of the Business Registration Service for and as at the end of the financial year (period) ended on June 30, 2023. 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

Business Registration Service
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and fair view of the state of Service transactions during the financial year ended June 30, 2023, and of the Business Registration Service financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Business Registration Service, which have been relied upon in the preparation of the Business Registration Service financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Business Registration Service will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Business Registration Service financial statements were approved by the Board on 22nd September of 2023 and signed on its behalf by:

Signature:

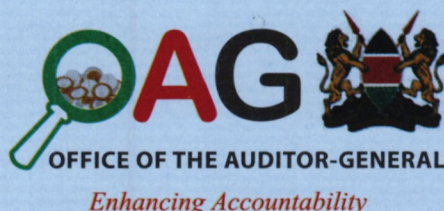
Name: Justice (RTD) Erastus Githinji CBS EBS
Chairperson of the Board

Signature:

Name: Kenneth Gathuma HSC
Director General

REPUBLIC OF KENYA

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



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, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

Opinion

I have audited the accompanying financial statements of Business Registration Service set out on pages 1 to 38, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended and summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the

Report of the Auditor-General on Business Registration Service for the year ended 30 June, 2023

Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Business Registration Service as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Business Registration Service Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Business Registration Service Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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 the State Corporations Advisory Committee Requirements

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

In the circumstances, Management was 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. Under Staffing of the Service

As previously reported, review of the staff establishment as at 30 June, 2023 revealed that, the Business Registration Service had one hundred and two (102) employees out of the recommended staff establishment of one hundred and sixty-four (164) resulting to an understaffing of sixty-two (62) staff (or 38%) of the approved establishment. The Management lacked a recruitment plan or budget to address the staffing deficit.

Further, review of payroll and personnel records revealed that two (2) officers have been serving in acting capacity for periods exceeding six (6) months contrary to the Services Human Resource Manual, which allows acting for six (6) months. Although, the payment of acting allowance had stopped, the officers were still acting and the positions had not been substantively filled at close of the financial year.

In the circumstances, the Service may not achieve its core mandate of administering laws relating to incorporation, registration, operation and management of companies, partnerships and firms.

2. Weak Controls Over Imprest Management

Review of imprest register maintained by Management revealed that the register did not contain key information such as miscellaneous receipt (MR) number for cash surrenders, voucher numbers for bill surrenders, outstanding balances, records of recovery from salary and date of surrender. Further, Imprest warrants amounting to Kshs.1,200,000 were not signed by the imprest holders and certified by the respective heads of departments.

In the circumstances, it was not possible to confirm the effectiveness of the imprest management system.

3. Failure to Open County Offices

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

In the circumstances, the effectiveness of service delivery by the entity could not be confirmed.

4. Weaknesses in Operations of Committees of the Board

Review of the Borad records revealed that four members of the Board sat in three (3) Committees contrary to Section B part (4) of the Management of State Corporation Circular Ref No OP/CAB.9/1A dated March 11, 2020, which stipulates that members can only sit in a maximum of two Committees. Further, five (5) Ad hoc and two (2) Compliance and Risk Committee Board meeting minutes were not provided for audit.

In the circumstances, the effectiveness of the Committees of the Board in provision of oversight function could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Agency's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Agency or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Agency's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Agency to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

26 January, 2024

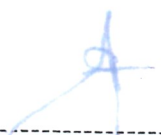
Business Registration Service
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15. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	420,350,000	444,650,000
		420,350,000	444,650,000
Expenses			
Use of goods and services	7	101,080,026	86,785,472
Employee costs	8	276,230,954	278,969,432
Board Expenses	9	4,766,600	6,389,899
Depreciation and amortization expense	10	15,869,016	6,189,390
Repairs and maintenance	11	45,016,525	54,473,338
Grants and subsidies	12	377,610	254,603
Total expenses		443,340,731	433,062,134
Surplus/(deficit) for the period/year		(22,990,731)	11,587,366

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

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



 Director General

KENNETH GATHUMA HSC

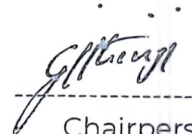
Date.....
 22/09/23



 Deputy Dir. F&A

CPA ERASTUS MBALU
 ICPAK Member NO. 6469

Date.....
 22/9/2023



 Chairperson

Justice (Rtd) Erastus Githinji CBS EBS

Date.....
 22/9/2023

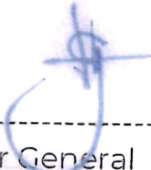
Business Registration Service
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for the year ended June 30, 2023

16. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2022-2023	2021-2022
		Kata	Kata
Assets			
Current Assets			
Cash and Cash equivalents	13	70,042,586	67,677,383
Inventories	15	4,303,366	11,624,824
Receivables from Exchange Transactions	16	8,895,200	9,512,097
Total Current Assets		83,244,152	88,814,304
Non-Current Assets			
Property, Plant and Equipment	17	67,788,948	71,366,949
Intangible Assets	18	6,325,688	894,942
Total Non- Current Assets		74,114,636	72,261,891
Total Assets		157,358,788	161,076,195
Liabilities			
Current Liabilities			
Trade and Other Payables		0	0
Current Provision	19	1,560,523	4,265,150
Total Current Liabilities		1,560,523	4,265,150
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	65,651,608	43,673,657
Total Non- Current Liabilities		65,651,608	43,673,657
Total Liabilities		67,212,131	47,938,807
Net Assets			
Reserves		113,137,388	101,549,522
Accumulated Surplus/(Deficit)		(22,990,731)	11,587,866
Total Net Assets	22	90,146,657	113,137,388
Total Net Assets and Liabilities		157,358,788	161,076,195


Business Registration Service
Annual Report and Financial Statements
for the year ended June 30, 2023

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



Director General
KENNETH GATHUMA HSC
CBS EBS

Date 22/09/23



Deputy Dir. F&A
CPA ERASTUS MBALU

ICPAK Member NO. **6469**
Date 22/9/2023



Chairperson
Justice (Rtd) Erastus Githinji

Date 22/9/2023

Business Registration Service
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for the year ended June 30, 2023

17. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED JUNE 30TH, 2023

	Capital reserve	Retained earnings	Total
	KShs	KShs	KShs
Balance as at July 1, 2021		101,549,522	101,549,522
Surplus/Deficit for the period	-	11,587,566	11,587,566
Transfer of excess depreciation on revaluation	-	-	-
At June 30, 2022	-	113,137,388	113,137,388
Balance as at July 1, 2022	-	113,137,388	113,137,388
Surplus/Deficit for the period	-	(22,990,731)	(14,206,723)
Transfer of excess depreciation on revaluation	-	-	-
At June 30th, 2023	-	90,146,657	98,930,665

18. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30TH, 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	420,350,000	444,650,000
Total receipts		420,350,000	444,650,000
Payments			
Use of goods and services	7	101,080,026	86,785,472
Employee costs	8	276,230,954	278,969,432
Board Expenses	9	4,766,600	6,389,899
Repairs and maintenance	11	45,016,525	54,473,338
Grants and subsidies	12	377,610	254,603
Total payments		427,471,715	426,872,744
Cash Flows from Operating Activities		(7,121,715)	17,777,256
Working Capital Adjustments			
Decrease in Stock		7,318,458	1,024,277
Increase in provisions		19,273,324	47,938,807
Increase in Payables		0	(2,448,006)
Decrease in Current Receivable		616,897	(1,876,284)
Total Working Capital Adjustments		27,208,679	44,638,794
Net Cash Flows From Operating Activities	22	20,086,964	62,416,050
Cash flows from investing activities			
Purchase of PPE and Intangible assets		(17,721,761)	(47,918,200)
Net cash flows from/ (used in) investing activities		(17,721,761)	(47,918,200)
Net increase/(decrease) in cash & Cash equivalents		2,365,203	14,497,749
Cash and cash equivalents at 1 July, 2022	13	67,677,383	53,179,634
Cash and cash equivalents at 30 June, 2023	13	70,042,586	67,677,383

Business Registration Service
Annual Report and Financial Statements
for the year ended June 30, 2023

19. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED JUNE 30TH JUNE, 2023

	Original Budget	Adjustment	Fiscal Budget	Actual or	Performance	% of
	2023	2023	2023	2023	2023	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers from Other Governments entities	420,350,000	0	420,350,000	420,350,000	0	100%
Total Income	420,350,000	0	420,350,000	420,350,000	0	100%
Expenses		0				
Use of Goods and Services	93,255,751	0	93,235,751	101,080,026	-7,824,275	107.86%
Employee costs	276,268,513	0	276,268,513	276,230,954	37,559	99.99%
Remuneration of Directors	4,815,600	0	4,851,600	4,766,600	85,000	98.24%
Repairs and Maintenance	45,016,526	0	45,016,526	45,016,525	1	99.99%
Grants and Subsidies	377,610	0	377,610	377,610	0	100%
Total Expenditure	419,750,000	0	419,750,000	427,471,715	-7,721,715	101.84%
Surplus for the period				(7,121,715)		
Capital Expenditure	600,000	0	600,000	550,000	50,000	91.66%

20. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Business Registration Service financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Business Registration Service accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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.

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Standard	Effective date and impact:
	Business Registration Service appreciates the revised standards
IPSAS 42: Social Benefits	Applicable: 1st January 2023 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: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. With the inclusion of social benefits in the financial statements, it will enrich the Service reporting.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial

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Standard	Effective date and impact:
	<p>guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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Notes to the Financial Statements (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

iii. Early adoption of standards

Business Registration Service did not early – adopt any new or amended standards in year 2022/2023.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

b) Budget information

The original budget for FY 2022-2023 was approved by the National Assembly in June 2023 and there were no Subsequent revisions and additional appropriations made to the approved budget.

The Business Registration Service budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Service recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

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

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at

No charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Service.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

f) Employee benefits

Retirement benefit plans

Business Registration Service provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits is charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

g) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

h) Related parties

Business Registration Service regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

i) Cash and cash equivalents

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

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

l) Provisions

Provisions are recognized when the Business Registration Service has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Where the Service expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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

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

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

f) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

g) 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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Business Registration Service financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, Business Registration Service future is certain.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the Entity
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- c) The nature of the processes in which the asset is deployed
- d) Availability of funding to replace the asset

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Financial Performance Kshs	Amount recognised in capital fund Kshs.	Total grant income during the period	2021-2022
			Kshs.	Kshs.
State Law Office and Department of Justice	420,350,000	-	420,350,000	444,650,000
Total	420,350,000	-	420,350,000	444,650,000

Business Registration Service receives one-line budget which it caters for recurrent expenditure. In the FY 2022/2023 BRS received Kshs. 420,350,000 as transfer from the State Law Office.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. USE OF GOODS AND SERVICES

Description	2022-2023	2021-2022
		Kshs
Water	431,775	635,300
Electricity	1,040,289	0
Subscriptions	772,930	745,160
Advertising	295,000	6,565,898
Conferences and delegations	2,554,980	4,447,580
Hospitality	1,828,657	1,897,873
Rent and Rates/Storage facilities	66,187,442	33,427,801
Fuel and oil	134,887	1,766,480
Postage	11,365	130,860
Consultancy fees	4,644,600	3,047,500
Contracted Guards and Cleaning Services	4,142,700	1,148,800
Printing and publishing	9,660,178	15,468,016
Purchase of Uniform and clothing	200,000	0
Telephone and mobile services	1,227,000	65,500
Licensing fees for communication	2,083,567	714,308
Training	3,032,580	9,489,914
Newspapers and periodicals	42,048	88,590
Internet Connections	1,382,350	0
Bank charges	427,840	499,447
Fumigation (Sanitary & cleaning services)	979,838	6,646,445
Total general expenses	101,080,026	86,785,472

- Electricity costs of Kshs. 1,040,289 have accrued because BRS moved to new office premises and now caters for its Utility costs as compared to the comparative period where these costs were being borne by the parent Ministry.
- BRS didn't carry out Brand awareness campaigns in the period under review hence the reduction in the advertising expenses as compared to the comparative period.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

- The decrease in Conference costs has been occasioned by austerity measures introduced by the National Treasury in the Financial Year.
- The increase in rental costs in the Period ended June 2023, was due to the fact that the rent paid in the comparative period was for two quarters as compared to four quarters paid as at 30th June, 2023.
- Fuel costs have reduced in the period under review due to reduced usage of that vote line since vehicles being used by the service belong to Official Receiver and are being serviced by the department.
- The Increase in Contracted professional services in the period under review was because BRS engaged the services of a professional mover while relocating the Company registry. Also included in the same costs is the amount spent on digitization consultancy.
- The increase in Contracted Guards and Cleaning services expense was because the costs relate to a whole Financial Year as opposed to the comparative period where the costs are for one quarter.
- The Reduction of the amount spent on printing and Stationery has been occasioned by the operationalization of the ERP system which has reduced the paperwork involved in manual processes as well as the austerity measures by National Treasury on printing services.
- BRS procured staff Uniform i.e., Polo Shirts and Shirts hence the increase in the Purchase of uniform costs.
- In the Period ended 30th June 2023, there was an increase-in telecommunication costs, this was because staff were provided with airtime in the first quarter to enhance efficient service delivery.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

- In the period ended June 2023, there was an increase in amount used on internet connections, this was because BRS moved to a new premises and hence the need to procure its internet services. In the comparative period BRS was still being hosted by the parent ministry which used to provide internet services.
- Training costs reduced significantly for the period ended 30th June 2023 as compared to the comparative period due to the austerity measures introduced by The National Treasury in the FY.
- The amount of fumigation services was lower in the period ended June 2023 because of reduced fumigation of offices as the Covid pandemic has been contained.

8. Employee Costs

	2023-2023	2021-2022
	Kshs	
Salaries and wages	150,489,125	142,949,961
Travel, motor car, accommodation, subsistence and other allowances	10,636,239	19,662,868
Housing benefits and other allowances	50,959,919	50,691,067
Provision for Gratuity	24,137,303	23,959,148
Overtime payments	0	14,427
Interns	0	4,670,558
Employer contribution to Staff Pension Schemes	14,268,717	13,032,887
Social Contributions	735,400	290,200
Employer contribution to health insurance	23,519,464	22,685,615
Other insurance costs (WIBA)	1,194,987	1,012,701
Acting Allowances	289,800	0
Employee costs	276,230,954	278,969,432

- In the period ended June 2022, BRS engaged employees on short term employment to assist in implementing the Beneficial Ownership Programme. BRS has engaged short-term employees in the in the month of June 2023 and are due for payment in the month of July 2023.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

- Social contributions increased due to the government's directives on increased contribution to the NSSF kitty.
- Reduction in the travel costs, Subsistence and accommodation allowances has been occasioned by the Government directives via the National Treasury Circular on austerity measures as well as resource constrains by the service.
- In the FY ended June 2022, there were no staffs on acting capacity as opposed to the FY ended June 2023.

9. REMUNERATION OF DIRECTORS

Description	2022-2023	2021-2022
Chairperson's Honoraria	960,000	960,000
Directors' emoluments	2,840,000	3,620,000
Travel and accommodation	515,948	553,899
Board Training	450,652	1,256,000
Total director emoluments	4,766,600	6,389,899

- Sitting Allowances for the period ended June 2023, decreased as compared to the Comparative period due to decreased number of meetings held as well as prolonged period before replacing the retired directors.
- In the FY 2022/2023, the Board undertook only one training as opposed to the FY 2021/2022

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2022-2023	2021-2022
		Kshs
Property, plant and equipment	12,363,910	5,659,923
Intangible Assets	3,505,106	529,467
Total depreciation and amortization	15,869,016	6,189,390

- BRS procured more assets in the previous Financial Year 21/22^{22/23} hence the increased Depreciation and amortization costs.

11. REPAIRS AND MAINTENANCE

Description	2022-2023	2021-2022
		Kshs
Furniture and fittings	745,500	71,950
Computers and accessories	30,000	412,166
Refurbishment of building	44,241,025	53,874,556
Equipment & Machinery	0	114,666
Vehicles	0	-
Total repairs and maintenance	45,016,525	54,473,338

- The refurbishment of Building cost has gradually reduced compared to the comparative period. This is because the refurbishment process is almost complete.
- Amount spent on repair of equipment and machinery in the comparative period was for the servicing and installation of fire extinguishers which was not the case in FY 2022/2023.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. GRANTS AND SUBSIDIES

Description	2022-2023	2021-2022
		KShs
Community development	377,610	254,603
Total grants and subsidies	377,610	254,603

13. CASH AND CASH EQUIVALENT

Description	2022-2023	2021-2022
	KShs	KShs
Bank	70,042,586	67,677,383
Total cash and cash equivalents	70,042,586	67,677,383

14. DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENT

Financial Institution	Bank Account number	2022-2023	2021-2022
		KShs	KShs
Current Account			
Kenya Commercial bank	1184110735	2,830,455	19,738,576
Kenya Commercial Bank	1300691360	67,212,131	47,938,807
Grand total		70,042,856	67,677,383

15. INVENTORIES

Description	2022-2023	2021-2022
	KShs	KShs
Consumable stores	4,306,366	11,624,824
Total inventories at the lower of cost and net realizable value	4,306,366	11,624,824

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CURRENT RECEIVABLES

	2022-2023	2021-2022
	Kshs	Kshs
Medical Insurance	7,623,610	7,531,795
Other Insurance Costs (WIBA)	403,366	388,255
Staff Salary Advances	0	170,000
ICT Licences	868,224	1,422,047
Total current receivables	8,895,200	9,512,097

(b) AGEING ANALYSIS FOR RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2022-2023		2021-2022	
	Kshs	% of the total	Kshs	% of the total
	2022-2023	% of the total	2021-2022	% of the total
Less than 1 year	8,895,200	100%	9,512,097	100%
Between 1- 2 years	0	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (a+b)	8,895,200	100%	9,512,097	100%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. 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 st July 2021	20,383,248	14,268,108	10,018,372	44,669,728
Additions	40,412,000	7,506,200	-	47,918,200
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30th June 2022	60,795,248	21,774,308	10,018,372	92,587,928
Additions	750,909	835,000	7,200,000	8,785,909
Transfers/adjustments	-	-	-	-
At 30th June, 2023	61,546,157	22,609,308	17,218,372	101,373,837
Depreciation and impairment				
At 1 July 2021	(5,287,611)	(7,595,688)	(2,677,757)	(15,561,056)
Depreciation	(1,951,662)	(2,790,684)	(917,577)	(5,659,923)
Impairment	-	-	-	-
At 30th June, 2022	7,239,273	10,386,372	3,595,334	21,220,979
Depreciation	(6,780,539)	(3,995,492)	(1,627,880)	(12,363,910)
Transfer/adjustment	-	-	-	-
At 30th June, 2023	14,019,812	14,341,864	5,223,214	33,584,889
Net book values				
At 30th June 2022	53,555,975	11,387,936	6,423,038	71,366,949
At 30th June, 2023	47,526,345	8,267,444	11,995,158	67,788,948

Assets of Kshs. 10,284,300 have been fully depreciated hence not included in the depreciation expense for the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. INTANGIBLE ASSETS

Description	2022-2023	2021-2022
	Kshs	Kshs
Cost		
At the beginning of the year	894,942	1,424,409
Additions: ERP System	8,935,852	0
At 30 th June 2023	<u>9,830,794</u>	1,424,909
Amortization and impairment		
Amortization of the year	3,505,106	529,467
At the end of the year	<u>3,505,106</u>	<u>529,467</u>
Net Book Value	<u>6,325,688</u>	<u>894,942</u>

- The ERP system was handed over to BRS on 1st July 2022 and the same was operationalized immediately. The Kshs. 2,975,639 amortizations charged in the Financial Statement relate to a whole Financial Year

19. CURRENT PROVISIONS

Description	2022-2023	2021-2022
	Kshs	Kshs
Balance at 1st July 2022	4,265,150	0
Additional Provisions for the period	0	4,265,150
Provision utilized during the period	(2,704,627)	(0)
Change due to discount and time value for money	(0)	(0)
Transfers from non-current provisions	0	0
Total provisions as at 30th June, 2023	1,560,523	4,265,150

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. EMPLOYEE BENEFIT OBLIGATION

Description	Gratuity Benefit	2022/2023	2021/2022
	Kshs	Kshs	Kshs
Current Benefit Obligation	0	0	0
Non-current Benefit Obligation	41,514,305	43,673,657	43,673,657
Benefit Utilized	-	(2,159,352)	
Benefit Obligation for 2022-2023	24,137,303	24,137,303	
Total provisions as at 30th June 2023	65,651,608	65,651,608	43,673,657

21. PRIOR YEAR ADJUSTMENTS

Description	Period Ended June 30 th , 2023	2021-2022
	Kshs	Kshs
Office Furniture	0	8,235,909
ERP	0	8,935,852
	0	0
Total trade and other payables	0	17,171,761

22. REVENUE RESERVE

	Retained earnings Kshs
Balance as at July 1, 2021	101,549,522
Surplus/Deficit for the period At June 30, 2022	11,587,866 113,137,388
Balance as at July 1, 2022	113,137,388
Surplus/Deficit for the period At June 30, 2023	(22,990,731) 90,146,657

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CASH GENERATED FROM OPERATIONS

	Notes	2022-2023 Kshs	2021-2022 Kshs
Surplus for the year before tax		(22,990,731)	11,587,866
Add Back Adjusted for:			
Depreciation for the year	10	15,869,016	6,189,390
Prior year depreciation/Adjustments			0
Working Capital Adjustments			
Increase in Inventory	15	7,318,458	1,024,277
Decrease / Increase in Receivables	16	616,897	(1,876,284)
Increase in payables		0	(2,448,006)
Decrease/ Increase in Provisions	19/20	19,273,274	47,938,703
Net cash flow from operating activities		20,086,964	62,416,050

24. FINANCIAL RISK MANAGEMENT

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Credit Risk

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

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

	2023-2023	2021-2022
	Kshs.	Kshs.
Cash at Bank	70,042,586	67,677,383
Prepaid Medical Insurance	7,623,610	7,531,795
Prepaid Other Insurance Costs (WIBA)	403,266	388,255
Salary Advance	0	170,000
ICT Licences	868,224	1,422,047
Total	78,937,686	77,189,480

b) Liquidity risk management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RELATED PARTY DISCLOSURES

Nature of related party relationships

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

	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	420,350,000	444,650,000
Total	420,350,000	444,650,000
	2022-2023	2021-2022
	Kshs	Kshs
b) Key management compensation		
Directors' emoluments	4,766,600	6,389,899
Compensation to the CEO	0	0
Compensation to key management	56,623,944	41,870,600
Total	61,390,544	48,260,499

26. CONTINGENT LIABILITIES

Description	2022-2023	2021-2022
	Kshs	Kshs
Court Case against BRS: Court award	25,000,000	0
Total	25,000,000	0

Judgement was entered against the Registrar of Companies for a sum of Kshs. 25,000,000 in a case regarding falsification of records by third parties

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. CAPITAL COMMITMENTS

Capital commitments	2022-2023	2021-2022
	Kshs	Kshs
Development and commissioning of an Enterprise Resource Planning System	0	8,935,852
Development of Strategic Plan	0	0
Authorized and contracted for Alternative Cloud hosting	0	0
Refurbishment of Building	0	69,175,132
Total	0	78,110,894

BRS managed to save in the relocation works and spent Kshs. 44,241,025 instead of the earlier costed figure.

There is no outstanding commitment on ERP.

28. EVENTS AFTER THE REPORTING PERIOD

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

29. ULTIMATE AND HOLDING ENTITY

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

30. CURRENCY

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

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31. APPENDIX

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Failure to open County Offices; Audit Review of Business Registration Service (BRS) records on regional offices revealed that operational branches are only in Kisumu and Mombasa Counties. However, strategic plan for the period 2021-2026 did not indicate consideration of regional offices operations or opening in other Counties in Kenya which is contrary to Section (3) of Business Registration Service Act, 2015.	<i>This is due to budgetary constraints. BRS has since digitised its services enabling the Public to access all of the services online. The board since discussed the matter and agreed to open the mobile offices</i>	Resolved	Immediately
2	Failure to Submit to SCAC Human Resource Compliance Reports Audit review of records provided for audit revealed that the Business Registration Service did not submit compliance reports for approval to State Corporations Advisory Committee (SCAC) as guided by the Office of the President Circular Ref. OP/CAB.9/1A of 11 th March 2020	<i>The Management takes note on the oversight in implementation of the OP circular for annual filing of payroll returns by 31st July and has filed the returns for the year ended 30th June 2022 and will endeavor complying to the same requirement.</i>	Resolved	Immediately
3	A review of the records revealed that the Board members were engaged in more than	<i>Currently, after reorganization the Service board</i>	Resolved	Immediately

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Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeline: (If a date when you expect the issue to be resolved)
	two board committees without approval of the respective Cabinet Secretary in consultation with State Corporations Advisory Committee. Further, the Board Committee members had served in the same committees without rotations after every 12 months	<i>members are now serving a maximum of two committees</i>		
Basis for conclusion: 1	Non-compliance with the Current Approved Staff Establishment Review of the staff establishment as at 30 June, 2022 revealed that, the Business Registration Services had 108 employees out of the recommended staff establishment of 162 resulting to an understaffing of 54 staff or 32% of the approved establishments	<i>Due to the budgetary constraints, the Management has endeavoured to provide an efficient and effective quality service delivery to the public using the available resources in the service. Recruitment of officers in the service has been implemented in phases on need basis since its inception.</i>	unresolved	To appear in Parliament

Director General

Sign.....


Date: 22/09/23

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APPENDIX II: PROJECTS IMPLEMENTED BY BUSINESS REGISTRATION SERVICE

Projects

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

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

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Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Enterprise Resource Planning (ERP)	8,935,852	8,042,267	90%	9,000,000	0	GOK

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APPENDIX III: INTER-ENTITY TRANSFERS

BUSINESS REGISTRATION SERVICE			
Breakdown of Transfers from the State Law Office and Department of Justice			
FY 2022/2023			
a	Recurrent Grants		
	Reference number	Bank Statement Date	Amount (Kshs)
			Indicate the FY to which the amounts relate
		17/08/2022	105,087,500.00
		01/11/2022	105,087,500.00
		30/01/2023	105,087,500.00
		24/04/2023	105,087,500.00
		Total	420,350,000.00

BRS received a total of Kshs. 420,350,000 as Authority to Incur Expenditure (AIE) from the Office of the Attorney General and Department of Justice. Receipt of the money has been acknowledged and reconciliation done.

Deputy Director Finance &Accounts
Business Registration Service

Head of Accounting Unit
Office of the Attorney General

Sign -----

Sign -----

Date -----

Date -----

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Appendix IV: Transfers from Other Government Entities

Name of the MRA/DOJ Transferor (ag for funds)	Date received as per bank statement	Nature of Recurring/One-time/Other	Total Amount \$22	Statement of Financial Position	Where Received/Recognized				Total Transfers during the year
					Class of Fund	Deficit/ Surplus	Fiscal Year	Others - Grants	
Office of the Attorney General and DOJ	17/08/2022	Recur- rent	105,087,500.00	105,087,500.00	0	0	0	105,087,500.00	105,087,500.00
	01/11/2022		105,087,500.00	105,087,500.00	0	0	0	105,087,500.00	105,087,500.00
	30/01/2023		105,087,500.00	105,087,500.00	0	0	0	105,087,500.00	105,087,500.00
	24/04/2023		105,087,500.00	105,087,500.00	0	0	0	105,087,500.00	105,087,500.00
Total			420,350,000.00	420,350,000.00				420,350,000.00	420,350,000.00

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