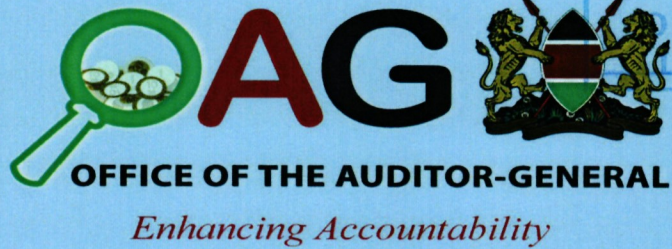


REPUBLIC OF KENYA



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M. WANJIKU MW

THE AUDITOR-GENERAL

ON

BUSINESS REGISTRATION SERVICE

**FOR THE YEAR ENDED
30 JUNE, 2021**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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BRS BUSINESS
REGISTRATION
SERVICE
Doing Business Made Easier

BUSINESS REGISTRATION SERVICE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2021

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

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1. KEY ENTITY INFORMATION

A. Background information

The Business Registration Service (BRS) is established by the Business Registration Service Act No.15 of 2015. The Service is a Semi-Autonomous agency under the Office of the Attorney General and Department of Justice which is represented by the Attorney General at Cabinet level who is responsible for the general policy and strategic direction. BRS is domiciled in Sheria House, Nairobi, Kenya.

B. Principal Activities

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

I. VISION

Doing business made easier.

II. MISSION

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

III. MANDATE

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

- (a) Carry out registrations required under the various acts governed by the Service;
- (b) Maintain registers, data and records on registrations carried out by the Service;
- (c) Implement relevant policies and guidelines and provide Cabinet Secretary with necessary information to guide the formulation of policy and amendment of existing policy and guidelines;
- (d) Carry out research and disseminate research findings in fields covered by relevant laws through seminars, workshops, publications and to recommend to the Government any improvement in the relevant laws;

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- (e) Collaborate with other state agencies for effective discharge of its functions;
- (f) Charges fees for any service performed by the service; and
- (g) Performs such other functions as may be necessary under the Business Registration Service Act.

(iv) STRATEGIC OBJECTIVES

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

C. Key Management

(a) Key Management

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

- Board of Directors
- Accounting officer/ Director General
- Members of the management from various departments and units
 - ❖ Company registry
 - ❖ Official Receiver

 - ❖ Movable Property Security Rights & Hire Purchase registries
 - ❖ Legal Research and Compliance
 - ❖ Directorate of Corporate Services
 - ❖ Supply chain
 - ❖ Internal Audit

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D. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	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
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	Mr. William Njeru

E. Fiduciary Oversight Arrangements

Business Registration Service committees

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

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The main responsibilities of the Committees are as follows;

i. The Audit and Governance Committee

The principal responsibilities of the Committee include review of financial statements, considering the effectiveness of the organization's internal control system, conducting annual review of the terms of reference of all the Committees and the board charter. The Committee is also responsible for reviewing the effectiveness of the internal audit function.

ii. The Human Resource and Finance Committee

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

iii. The Compliance and Risk Committee

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

iv. The Technical and strategy Committee

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

F. Business Registration Service (BRS) Headquarters

Sheria House, 2nd Floor
P.O. Box 30031-00100
Harambee Avenue,
Nairobi, Kenya

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G. Business Registration Service Contacts

Telephone: +254 202227461/2251355/07119445555/0732529995

E-mail: eo@brs.go.ke

Website: www.brs.go.ke

H. Business Registration Service Bankers

Kenya Commercial Bank LTD.
Branch: KCB MOI AVENUE-4001
Account No.: 1184110735
Telephone: (254) 20244939
FAX: 20244939
Website: www.kcb.go.ke

I. Independent Auditors

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

J. Principal Legal Advisers

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

2. THE BOARD OF DIRECTORS



Ms. Carol Musyoka

(Chairperson)

LL.B.(UON)

MASTERS

Born on 29th August 1972, Ms Carol Musyoka has several years of financial leadership experience. She has extensive deal origination, negotiation, structuring and execution experience, having been involved in several landmark corporate finance transactions in Kenya. Her executive management and board experience includes her role as the Corporate Director, Barclays Bank of Kenya as well as the Executive Director and Chief Operating Officer of KRep Bank, Kenya's first micro finance institution.

She currently sits as a non-executive director on the boards of East Africa Breweries Ltd where she chairs the Board Numeration and Remuneration Committee as well as the Board Investment Committee, British American Tobacco Ltd and the national carrier, Kenya Airways, all of which are Nairobi Stock Exchange listed companies.

She has previously served on, and retired from the Boards of at least 12 private, public and Not for Profit organizations including BOC Gases, Competition Authority of Kenya where she chaired the Board Human Resources Committee, Institute of Economic Affairs, Opportunity Kenya, Trans Century Limited and the African Legal Support Facility of the African Development Bank.

Carol currently provides bespoke training solutions to a number of multinational and locally owned companies in the region on Leadership and Corporate Governance. For the last seven years, Carol has also been the Academic Director for the corporate governance programs at Strathmore University Business School. On an international level, Carol is part of the Durham, North Carolina based Duke Corporate Education (www.dukece.com) faculty and is involved in providing leadership deliveries for some of their global clients. Carol has also provided strategic leadership training to clients of Capital Plus Exchange, a Chicago based organization that provides peer-learning events to small business banking financial institutions in Africa and Asia (www.capplusexchange.org).

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	<p>Carol is a holder of a Bachelor of Law degree from the University of Nairobi and a Master of Law degree from Cornell University, USA. Carol is also a recipient of the 2010 Eisenhower Fellowship for International Leadership.</p> <p>She served as the Chairperson of the Business Registration Service Board from 4th January 2016 to 3rd January 2019 and was reappointed for a period of 3 years with effect from 3rd May 2019.</p>
 <p>Ms. Njeri Wachira (Alternate to the Solicitor General)</p>	<p>Born on 30th June, 1968, Ms. Njeri Wachira 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. Wachira is a Deputy Solicitor General and Head of the International Law Division at the Office of the Attorney General and Department of Justice. She is highly experienced in Public International Law matters and has represented the Republic of Kenya in numerous bilateral and multilateral negotiations, in the drafting and interpreting of international treaties and agreements, as well as shaping the development of international law. She has also successfully assisted in defending the Republic of Kenya in several international arbitration and litigation matters.</p> <p>Ms. Wachira holds vast experience in executive management and board matters given that she has served as the Alternate to the Attorney-General on the Boards of Capital Markets Authority; Constituencies Development Fund (CDF); National Environment Management Authority (NEMA), Kenya Ports Authority (KPA); Kenya Pipeline Company Ltd (KPC); Kenya Railways Corporation (KRC); South Nyanza Sugar Company (SONY); Betting Control and Licensing Board (BCLB). She has also served as the Head of Legal and Corporate Affairs at Seven Seas Technologies Group as well as a Legal Expert with the Commonwealth Secretariat, stationed at the East African Community Secretariat in Arusha, Tanzania for two years. 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>

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Ms. Shella Sheikh
(Member)

Born on 11th November 1961, Ms. Shella Sheikh holds a Bachelor of Laws Degree from the University of London and previously with a Bachelor of Arts in Economics from the University of Nairobi. She is an advocate of the High Court of Kenya and has been in practice for over fifteen years. Shella previously trained and worked for K.H Osmond Advocates alongside the Managing Partner.

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

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



Ms. Catherine Musakali
(Member)

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

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

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

Catherine was, until May 2014, the Chairperson of the Institute of

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

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

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

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

Catherine holds a Bachelor of Laws Degree and a Master of Laws Degree from the University of Nairobi, a Higher National Diploma in Law (Kenya), as well as a certificate in Securities and Investment from the Securities and Investment Institute (London).

Catherine 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.

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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 and chairs the Technical and Strategy Committee.



Mr. James Ndung'u Mureu
(Member)

Born on 3rd April 1960, Mr. James Ndung'u Mureu holds a B. Sc degree in Business Administration (marketing) from Hartford University and is currently pursuing an MBA with the Management College of South Africa.

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

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

He was first appointed as Business Registration Board member on 3rd May 2019 and chairs the Human Resource and Finance Committee.

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

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.

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

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

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

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

She was first appointed as Business Registration Board member on 10th May 2017.





Mr. John Mwendwa, OGW
**(Representative of the Permanent
Secretary, Business Reforms
& Transformation)**

Born on 17th Jan 1983, John is the Acting Secretary/ Director General Department of Business Reforms & Transformation (Ease of Doing Business) in the Ministry of East African Community & Regional Development. He is responsible for the development and implementation of the Business reforms and transformation agenda across Government.

Prior to his current role, he served as the Director of Portfolio Management in the Ministry of Industry, Trade and Cooperatives from 2015 to July 2018 where he was also the Chief of Staff for the Cabinet Secretary.

His earlier career in Banking saw him serve in various parts of the Barclays Group in strategy and executive management in Kenya and South Africa from 2007 to 2013. John has a Masters of Commerce Degree in Finance from Strathmore University and Bachelor of Commerce Degree in Finance from Kenyatta University. He is a

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	<p>member of the Academy of Accounting and Financial Studies of Canada (AAFSJ).</p> <p>He was appointed as Business Registration Board member on 25th March 2020.</p>
 <p>Mr. Kenneth Gathuma, Director General</p>	<p>Born on 4th April 1980, Mr. Kenneth Gathuma is an Advocate of the High Court of Kenya who has legal advisory skills developed through providing legal advice to government ministries and state-owned corporations for 12 years.</p> <p>Until his appointment as the Director-General in March 2020, Mr Gathuma was the Acting Director General of BRS and formerly served as Deputy Head of Government Transactions in the Office of the Attorney General & Department of Justice where large Government development projects were arranged and concluded.</p> <p>He holds a Bachelor of Laws Degree from the University of Nairobi.</p>
 <p>Ms. Elizabeth Macharia</p>	<p>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 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</p>

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Corporation secretary	Law and is currently undertaking a Masters in Law from the University of Nairobi.
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3. MANAGEMENT TEAM






Mr. Kenneth Gathuma,
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.


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	<p>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.</p> <p>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.</p>
<p>Mr. Mark Gakuru Official Receiver</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>Ms. Joyce Koech Registrar of Companies</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</p>
<p>Mr. Jones Otuke</p>	

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<p>Director Corporate Services</p>	<p>various public sector institutions in the areas of accounting, financial management and administration.</p>
<div data-bbox="181 436 655 908" data-label="Image"> </div> <p data-bbox="156 931 421 966">Ms. Doris Wambugu</p> <p data-bbox="156 994 635 1029">Director Legal Research&Compliance</p>	<p data-bbox="786 439 1485 636">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.</p> <p data-bbox="786 729 1485 1008">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 Masters degree in Strategic Management from Daystar University and a Bachelor of Laws Degree from the University of Nairobi. She is also a member of the Law Society of Kenya.</p>
<div data-bbox="169 1055 643 1489" data-label="Image"> </div> <p data-bbox="156 1577 360 1612">Mr. Yusuf Saleh</p> <p data-bbox="156 1640 624 1675">Deputy Director HR&Administration</p>	<p data-bbox="786 1120 1485 1317">Mr. Yusuf Saleh is the Deputy Director, Human Resource Management and Administration. His mandate is the overall coordination and management of the Human Resource Management and Administration function at the Service.</p> <p data-bbox="786 1410 1485 1852">He is an innovative HR leader and organizational culture and branding specialist with over 10 years working experience and has held senior executive roles. He is a full member of the Institute of Human Resources Management (IHRM) Kenya and serves as a member of the continuing professional development (CPD) and membership Committee of IHRM. Previously, he has served as a member of the Association of Commonwealth Universities (ACU) HR in HE Steering committee and the first regional liaison officer for Eastern Africa.</p> <p data-bbox="786 1875 1485 1989">He holds a Bachelor of Science degree in International Business Administration, a Master's degree in Business Administration from the United States International</p>

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	<p>University Africa (USIU). Currently, Yusuf is a doctoral candidate specializing in Strategic Management.</p>
 <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>

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Ms. Elizabeth Macharia
Corporation secretary

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

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



Ms. Shighadi Mwakio
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.

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4. CHAIRPERSON'S STATEMENT

It is my great pleasure to present on behalf of the Board of Business Registration Service (the "Service") the Annual Report and Financial Statement for the year ending 30th June, 2021. The Service performed exceptionally well during the financial year 2020/2021 despite the challenges occasioned by the COVID-19 pandemic.

PERFORMANCE

Pursuant to sections 20 and 31 of the Business Registration Act, 2015, the Service officially delinked from the Office of the Attorney General and the Department. This was marked by on boarding new staff members who enabled the Service to render its services to the public effectively and efficiently. With the new structure, the Board approved staff wellness programs including a pension scheme as well as insurance covers for personal accident, group life, and medical cover to support the staff members and their dependants.

The Service embarked on the process of securing a premise to enable it relocate from the shared premises at the Office of the Attorney General and is in the process of obtaining the lease. As part of the delinking process, the Service also embarked on rebranding and is in the process of developing a new corporate image.

During the financial year, the Board also approved the Service's Strategic Plan for the years 2021/2022 to 2021/2025, which provides a guiding framework for the Service to effectively deliver on its mandate and help it meet the set performance level by the end of the planning period.

The Board acknowledges the immense contribution of the Service to the economy. In the financial year 2020/2021, the total revenue collected by the Government in Kenya amounted to Kshs 1.78 trillion, with the Service contributing the sum of Kshs 1.092 billion to that figure.

The Board notes that the Service facilitated the start-up of 154,155 business entities in the financial year 2020/21, which is an average of 428 business entities per day. The creation of businesses in turn creates demand for goods and services which helps producers of raw materials and providers of services to get market for their goods and services and grow the productive economy in Gross Domestic Product terms.

In the financial year 2020/2021, 182 foreign companies were registered in Kenya. With the investments of these companies, Kenya stands to benefit from skills transfer and injection of capital from outside the country.

The Board acknowledges the impact that the Movable Property Securities Rights Registry has had on the economy, as it has enabled SMEs and small income earners to access credit facilities using their movable properties. In the financial year 2020/2021, the Service recorded a total of 426,103 transactions worth over a trillion Kenya Shillings, showing the Registry has enabled both individuals and entities access credit easily.

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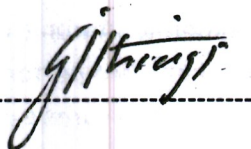
The Board approved reforms that were geared towards improving the ease of doing business in Kenya. The reforms included the introduction of virtual and hybrid board meetings under the Companies Act as well as eliminating the use of a company seal in operations of companies. Under the Insolvency Act, the reforms also sought to clarify that an administrator can dispute routine payment to unsecured creditors without the court's permission. Additional Insolvency Act reforms introduced a pre-insolvency moratorium period to prevent creditors from taking an enforcement action while a company considers its options for rescue.

FUTURE OUT LOOK

The Service aspires to be completely digitized in all its operations to shorten the turn-around-time for registering a business, to increase its revenue collection, to resolve insolvency matters within the shortest time and to influence allocation of specific days for courts to hear insolvency matters, among other reforms currently under execution.

APPRECIATION

I sincerely thank the Attorney General, Justice (Rtd.) Paul Kariuki Kihara, and the Solicitor General, Mr. Kennedy N. Ogeto for the invaluable support they have accorded the Service during the reporting period 2020/2021. I also wish to thank the Board of Directors for supporting me in providing leadership to the Service as well as the unrelenting commitment to service improvement that management and staff of the Service have demonstrated during the financial year. During these trying COVID 19 times, our collective commitment and engagement with the management and the entire team has led to the success of the Service in achieving its targets.



Justice (Rtd.) Erastus Githinji
CHAIRPERSON UNDER THE AUTHORITY OF THE BOARD

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5. REPORT OF THE DIRECTOR GENERAL FOR FINANCIAL YEAR 2020/2021

INTRODUCTION

Firstly, it is with deep gratitude that I register my acknowledgement and appreciation to the Hon Attorney General, the Solicitor General and the esteemed members of the Board of Directors as well as the staff members at BRS for the invaluable support, guidance and the great team effort that has seen the organisation make the strides seen during the Financial Year 2020/2021 ("FY"). I also very much appreciate the clients for whom we were established to serve, for the support and understanding they have given to us especially where we may have fallen short of their expectations. We will strive to continuously improve in the coming FY and beyond.

The Business Registration Service performed well in the Financial Year 2020/2021 despite the unprecedented health and economic crisis occasioned by the COVID-19 Pandemic which disrupted normal commercial and social activity across all sectors globally.

At BRS, the impact of the pandemic was largely felt during the first and third quarter of FY 2020/2021 due to the reduced business activities towards the end of the calendar year and the government movement restrictions imposed to contain 3rd wave of COVID 19. It took some time before the public at large and reacted to the changes associated with the pandemic.

In spite of this, the Service recorded an upward trajectory of number of business entities registered and number of searches conducted at the Movable Property Security Rights ("MPSR") registry. Insolvency applications were significantly lower may be attributed to the fact that on March 18 and 24, 2020, the Central Bank of Kenya (CBK) announced emergency measures to mitigate the adverse economic effects on bank borrowers from the coronavirus (COVID-19) pandemic. Among these measures was restructuring by banks, for a period of up to one year of loans that were performing as at March 2, 2020, and the provision of regulatory flexibility to banks by CBK. The measures expired on March 2, 2021.

REVENUE PERFORMANCE

During the FY 2020/21, the Service had the highest revenue ever collected amounting to Kes. 1,091,453,814 which surpassed the revenue collection target of Kes. 878,600,000. This represents a performance rate of 24.2% and revenue growth of 76% over Kes. 836,673,500 collected in FY 2019/2020.

The high revenue collection can be attributed to -

- (1) the influx of registration of business entities during the COVID 19 where many businesses were registered, due to the need for those who lost jobs to turn to businesses as an alternative way of earning livelihood;
- (2) the business process reforms such as one step process of business registration;

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- (3) Increased revenue generated in the course of complying with the BO and link a business requirement which mandated companies to file statutory notices such as annual returns in order to make good the records of the company;
- (4) The public awareness and sensitization campaign on the MPSR Registry that lead to the increase of number of searches conducted.

STRATEGIC PLAN

The Service marked a major milestone by developing its first ever Strategic Plan for 2021/2022-2025/2026 which outlines roadmap to guide the BRS towards providing quality business support services that are responsive to our customers throughout their business life cycle with an aim of ensuring that doing business in Kenya is made easier. The Strategic Plan whose tagline is *doing business made easier*, laid emphasis on customer centricity understood as follows:

- a) We collaborate internally with one another, and externally with our partners, to deliver high quality registration services to our customers.
- b) In our decision making, we first thinking of the customer and the impact those decisions have on the customer.
- c) We act with consistency, transparency, impartiality, confidentiality and accuracy through demonstration of deep understanding of the needs of our customers.
- d) We embrace change by remaining receptive to new ideas, technologies and work practices so as to enhance the quality of our services to our customers.

The key focus areas that were identified as, the ease of doing business which is a key Government priority, enhancing our service delivery and corporate image in line with our core mandate and improving our institutional capacity which will facilitate the achievement of the first two areas of focus.

PERFORMANCE

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

- (a) The Service recruited staff members and enhanced its human resource capacity to enhance efficiency.
- (b) The Service mapped all its workflows under the business re-engineering process exercise as a step to attaining full digitalisation of service delivery.
- (c) The Service procured an Enterprise Resource Planning (ERP) system which is automating the Human Resource, Procurement, and Finance functions.
- (d) BRS also set up an information security management system (ISMS) framework.
- (e) We also improved the integration with the Kenya Revenue Authority on Value Added Tax ("VAT") registration and completed the automation of generation of National Social Security Fund and National Hospital Insurance Fund registration of newly registered companies.

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- (f) The Service came up with the amendments to the Companies Act to provide an enabling provision to facilitate companies to hold meetings either through hybrid or virtual setting which was necessitated by the realities of limited congregation of persons due to the COVID pandemic.

FUTURE OUTLOOK

The Service continues to focus on being customer centric by remaining receptive to new ideas, technologies and work practices so as to enhance the quality of our services to our customers.

The service will focus on Government to Business(G2B) collaboration in order to automate the interaction with businesses with BRS and to provide a one-stop access to information and enable digital communication using the language of e-business. The service will also seek to integrate with other government agencies such as the National Transport Safety Authority, the Kenya Industrial Designs Research Institute, Kenya Intellectual Property Institute, the Institute of Certified Secretaries, to ensure that the customer experience on the services rendered is seamless and easy.

On the Insolvency front from where we foresee an increase in the number of distressed businesses seeking legal relief, we shall continue to implement reforms that are geared improving the Recovery Rate and turn around time through enhanced administration of insolvency proceedings such as reorganization, liquidation of debt enforcements proceedings.



KENNETH GATHUMA, HSC

DIRECTOR GENERAL

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6. STATEMENT OF BUSINESS REGISTRATION SERVICE PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Business Registration Service had not developed their Corporate Strategic Plan. However, the operations of the Service were aligned along the following issues. The strategic issues are as follows:

Issue 1: Legislative reform to enhance ease of doing business

Issue 2: Enhance data quality at the Company Registry

Issue 3: Promote transparency in business ownership

Issue 4: Efficiently manage estates of bankruptcies of natural persons and liquidated companies in Kenya

Issue 5: Enhance efficiency in the Resolution of Insolvency

Issue 6: Regulate insolvency practitioners & practice in Kenya

Issue 7: Development of Strategic Plan

Issue 8: Promote the use of electronic security rights registry by key stakeholders

Issue 9: Provide a comprehensive, secure and efficient e-Security Rights Registry

Issue 10: Promoting ease of doing business

Going forward, BRS will develop its annual work plans based on the above new pillars which are in the Strategic Plan which was finalized recently. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Business Registration Service achieved its performance targets set for the FY 2020/2021 period for its issues, as indicated in the diagram below

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Strategic Pillar/ Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Legislative reforms	Legislative reform to enhance ease of doing business	No of laws reviewed, drafted and submitted to AG	<ul style="list-style-type: none"> Comprehensive study of business laws and prepare proposal for amendments Prepare Zero drafts and final drafts of the laws reviewed Submit final draft and drafting instruction to the Office of Attorney General on proposed amendment for the laws 	<p>A total of 7 business laws reviewed and final drafts prepared. These include Amendments on: Company Act, Insolvency Act, Business Registration Service Act, 2015,</p> <p>Movable Properties Security Rights Act, 2017, Limited Liability Partnership Act and Hire Purchase Act, 507</p>
Data quality at the Company Registry	Enhance data quality at the Company Registry	Number of files cleaned	<ul style="list-style-type: none"> Undertake data clean-up of Private companies, Public companies, Foreign companies, Companies by Guarantee and Limited Liability Partnership files 	A cumulative total of 575,086 files have been cleaned. Out of the reference of 1,825,848 representing 31.5% of the all files at the registry as at 30 th November.
Transparency in business ownership	Promote transparency in business ownership	No of entities complying with BO regulations	<ul style="list-style-type: none"> Develop guidelines on beneficial ownership Sensitization and validation of stakeholders on beneficial ownership Develop a Beneficial Ownership Registry 	Beneficial Ownership Registry developed. Guidelines developed and 3 sensitisation workshops held. BO collecting information.
Resolution of Insolvency	Efficiently manage estates of bankruptcies of natural persons and liquidated companies in Kenya	<p>Guidelines developed</p> <p>Estates indexed</p> <p>No of dormant matters closed</p>	<ul style="list-style-type: none"> Develop guidelines/manuals/training programmes for management of estates and debtors' estates Index all bankrupt and liquidated estates Close dormant bankruptcy matters Develop reporting module 	Guidelines developed, and bankrupt and estates indexed. 100 files closed
	Enhance efficiency in the Resolution of Insolvency	Technical review done	<ul style="list-style-type: none"> Conducting public awareness campaign and capacity building on the Insolvency Conduct technical review of the Official Receivers' registry and make recommendation on digitization 	Technical review and report shared. Awareness workshops done
	Regulate insolvency practitioners & practice in Kenya	No of IPs licensed	<ul style="list-style-type: none"> Develop insolvency practitioners code of conduct Strengthen monitoring and supervision of insolvency practitioners 	15 IPS licensed and their licenses renewed

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Access to secured credit (use of Movable Properties to secure credit)	Promote the use of electronic security rights registry by key stakeholders	Number of MPSR Notices and searches	<ul style="list-style-type: none"> · Conduct public awareness on the new Secured Transactions legal regime and e-registry for stakeholders and members of the public · Prepare a MPSR handbook on MPSR for sensitization 	The Service finalized preparation of a Handbook on the Movable Property Security Rights Act developed. A total of 102, 637 MPSR notices registered and a total of 18,665 searches done.
Registration services	Provide accessible, reliable and innovative registration services	No of workflows automated Duration of registration	<ul style="list-style-type: none"> · Number of entities registered · Reducing the time taken to register a business · Integrate BRS systems with other public agencies · Sensitize staff on the standard operating procedures · Automate 3 workflows 	The time taken to register a business entity reduced significantly to an average of 3 days. 3 agencies integrated. (KRA, NSSF and NHIF). A total of

In FY 2020/21, BRS made tremendous contribution on ease of doing business in Kenya. Though the guidance of the Board, the Service has been able to streamline the company, MPSR and insolvency processes which has seen a great improvement in business registration, access to credit through MPSR and resolution of insolvency matters. In FY 2020/21, the Service registered a total of 154,155 total business entities compared to 118,609 registered in FY 2019/20.

The total amount of revenue collected in the FY 2020/21 amounted to Kshs 1,091,453,814 (1.1 billion). The revenue was highest from the Company Registry services at Kshs 1.078 billion, MPSR Kshs 9.458 million, Hire purchase Kshs 1.87 million, Official receiver Kshs 1.806 million.

The legal framework on ease of doing has improved particularly on Insolvency Law which is currently ranked 56% in the World and movable collateral registry which is ranked 4th in the World. Further, a total value of over Kshs one Trillion of Movable Assets have been registered at the Collateral registry implying increasing use of movable assets in accessing credit. Through the efforts Kenya was ranked 1st globally on protecting the minority investors. The overall contribution of the Service on

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economic development agenda of the country particularly on ease of business start-up, access to credit and quicker resolution of entities in financial distress by the service has been quite impactful.

Since the Service had no Strategic Plan, the issues of concern were made part of the PC targets and tracked for the entire year. This was closely monitored by the Board and quarterly reports were produced on the same.

7. BUSINESS REGISTRATION SERVICE CORPORATE GOVERNANCE STATEMENT

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

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

The Boards Key Achievements during the Financial Year 2020/2021 were:

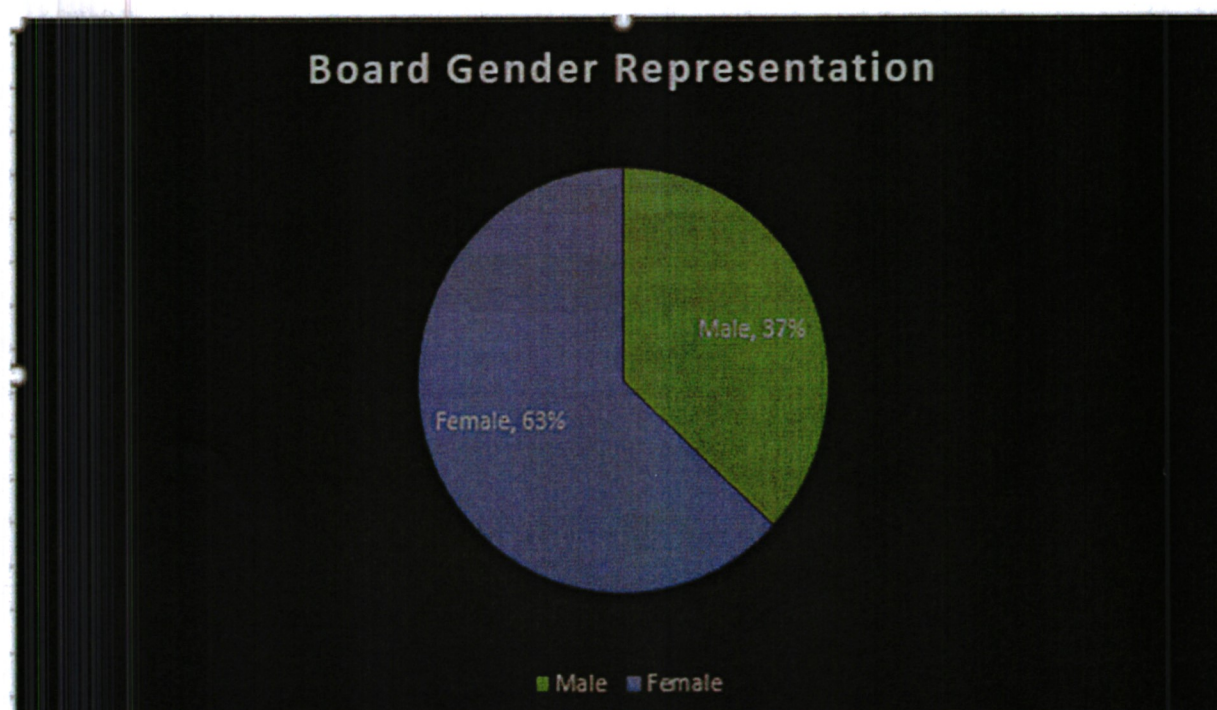
- (i) Development of the Strategic Plan for the Financial Year 2021/2022-2025/2026;
- (ii) Operationalization of the Beneficial Ownership E-Register for private companies;
- (iii) Recruitment of the Company Secretary and Internal Auditor;
- (iv) Implemented the Service's Performance contract with the Office of Attorney General and Department of Justice;
- (v) Approved and continuously monitored the Services Budget, Work plan and Procurement plan;
- (vi) Implemented the Service's Performance contract with the Office of Attorney General and Department of Justice;
- (vii) The Board approved various policies including but not limited to the Compliance Risk Management Framework, Whistleblowing Policy, Records Management Policy, Finance Policy, Information and Communication Technology Policy, Procurement and asset Disposal Policy among others.

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- (viii) Approval of the establishment of the staff wellness programs such as pension and medical covers.

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

Figure 1: Board Gender Representation



The Board is committed in ensuring the Service's obligations, roles and responsibilities are discharged through its corporate governance practices. The Board of Directors carries out its responsibilities with impartiality, honesty, transparency, professionalism care and due diligence and at all times act in good

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faith to the best interest of the public. The Board is committed to ensuring that 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 of eight members appointed on term of three (3) years eligible for reappointment for a one further term.

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.

Table; Board Members and Attendance of Meetings

Board Member	Designation	Technical and Strategy Committee (Total Number of meetings held:)	Audit and Governance Committee (Total Number of meetings:)	Human Resource and Finance Committee (Total Number of meetings:)	Compliance and Risk Committee (Total Number of meetings:)	Full board meetings (Total Number of meetings:)	Others
Ms. Carol Musyoka	Chairperson	N/A	N/A	One	N/A	Five	Nine
Mr. Brian Omwenga	Chairperson Technical and Strategy	Six	Four	N/A	N/A	Five	Twelve
Mr. James Ndung'u Mureu	Chair Human Resource and Finance	N/A	N/A	Six	Four	Five	Twelve
Ms. Shella Sheikh	Chair Compliance and Risk	Six	N/A	Six	Four	Five	Nine
Mrs. Catherine Musakali	Chair Audit and Governance	Six	Three	N/A	N/A	Five	Nine

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Ms. Njeri Wachira	Member	Six	N/A	Six	Four	Five	Six
Ms. Josephine Waruguru Macharia-Kanyi	Member	N/A	Four	Six	Four	Five	Nine
Mr. John Mwendwa	Member	Six	Four	N/A	N/A	Five	Five

Code of Conduct

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

Risk Management

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

The Risk Management Procedures and Registers were reviewed and aligned to the Risk Policy. The Board, Management and Staff were also trained on risk management practices.

8. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Operational and Financial Performance

The Business Registration Service (BRS) was established by the Business Registration Service Act No.15 of 2015. At cabinet level, the Service is represented by the Attorney General who is responsible for the general policy. The organisation 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.

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The Service received Kshs. 309,568,399 recurrent grants from the Government to implement its programmes for the year under review.

The decrease of surplus from Kshs. 54,381,397 (2019/2020) to Kshs 7,060,881 (2020/2021) was due to higher absorption rate in the FY 2020/2021 as opposed to the Year 2019/2020. Most planned activities did not happen due to the Covid 19 Pandemic and the restrictions thereof.

SECTION B

Compliance with statutory requirements

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

SECTION C

Key projects and investment decisions the entity is planning/implementing

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

SECTION D

Major risks facing the entity

Business Registration service activities expose it to a variety of financial risks, for example liquidity risk. The Service overall risk management programme focuses on the unpredictability of the economy and seeks to minimise 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.

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SECTION E

Material arrears in statutory/financial obligations

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

SECTION F

The entity's financial probity and serious governance issues

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

SECTION G

i) Review of the economy

According to the Quarterly Economic and Budgetary Review report for Q4 FY 2020/21, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which disrupted economic activities. As such the economy is estimated to have contracted by 0.6%.

The global economy is projected to grow at 6.0 percent in 2021 and 4.9 percent in 2022. Kenyan economic growth is expected to rebound to 6.6 percent in 2021 and 5.8 percent in 2022 reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priority's initiatives under the Economic Recovery Strategy.

Among the economic recovery strategy initiatives listed, BRS will play a big role in a number of ways.

- i. The initiative enhances resource mobilization to ensure sustainable funding of development programmes, Business Registration Service through their Strategic plan seeks to improve processes to be more efficient and to increase the revenue collection by 66.3% from Kshs 836 million realised in FY 2019/20 to Kshs 1.4 billion per year in FY 2024/25.
- ii. On the initiative to support the role of the private sector to enhance its role in economic development by enhancing credit access by MSMEs through the Credit

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Guarantee Scheme. Business registration seeks to initiative measures aimed at increasing the uptake of credit through use of movable properties. The use of Movable property allows the MSMEs who may not have fixed assets for collaterals to access credit too. Thus, in a way it enables access to credit by all.

- iii. On the initiative to upscale investment in ICT and digital infrastructure in order to facilitate e-commerce and efficient delivery of public services. The Service plans to develop and implement an ICT strategy to leverage on ICT solutions as it seeks to improve on service processes.
- iv. Another initiative on promotion of local production processes and domestic supply value chains to increase resilience of the economy to global supply chain shocks. The Service seeks to stream line supply chain processes and increase the amount of procurement awards towards local goods and services.
- v. The other initiative relevant to the Service is the initiative which seeks to implement various policy, legal and institutional reforms and strengthen monitoring and evaluation systems with ultimate goal of enhancing efficiency of public service delivery. The Service has an elaborate framework on undertaking continuous review of legal, policy and regulatory framework on ease of doing business to facilitate business activities in the economy. Also, the Service has established and seeks to strengthen the monitoring and evaluation function to ensure smooth implementation of the services to the public.

ii) Review of the Sector

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

The Service contributes to the sector through the implementation of strategies under the KRA 1 strategic objective 1 of the sub-sector plan which seeks to provide quality legal services to the

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government and public. The Service implements initiatives aimed at enhancing Registration services under strategy number 11 through execution of the business laws and the functions listed in the BRS Act of 2015. Over the last the last 5 years since FY 2016/17 to FY 2020/21, The Service has played the role of the sector on provision of legal services by registering 559,690 business entities, registering 426, 103 notices of loans secured through use of Movable Properties and helped business in financial distress.

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

Going forward, The Service seeks to leverage on ICT based solutions to improve processes and services offered by the Service. Key among them include relocation of the office to a suitable office to provide services to the public, implement a robust record management system to enhance the quality and integrity of the records, modernize the call centre and equip the 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.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Business Registration exists to transform lives and this is the driving force in everything we do. The Service puts the customer/ citizen first and deliver relevant services. The service is committed to improving operational efficiency to provide excellent services to its clients. The World Bank Report, Doing Business 2020, ranks Kenya at position 56 globally, up from position 61 last year. Business Registration Service together with its strategic partners and stakeholders have made this possible. The Business Registration Service exist to make the business sector competitive by streamlining and automating the business registration processes, in line with international best practices and global trends to ensure quality delivery of services.

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As a responsible organisation, the Service respect the interests of our stakeholders, employees, customers, suppliers, development partners, and the wider community and we actively seek opportunities both to improve the environment and to contribute to the well-being of the community.

Our commitment to Corporate Social Responsibility is based on the principle that corporate success must not override community wellness. Corporate Success and community social well-being are interdependent and that the long-term interests of our organization are best served by improving wellbeing of our society. To this end, the Service desires to manage and operate our activities in ways that are socially responsive and environmentally sustainable.

I. SUSTAINABILITY STRATEGY AND PROFILE

To make Sustainability a reality Business Registration Service made it essential that all programmes and activities are captured in the work plan and are proactively delivered and accurately monitored and reported. We have recognized that it is essential to embed risk management into our activities and programmes. This has become an integral part of all of our planning processes. During the Year the Service developed a Risk Management policy that will enhance BRS sustainability strategy.

Having been established in 2015 the Service is relatively new and it is going through a transition to position itself as a Semi-Autonomous Government Agency (SAGA) as envisaged in the Business Registration Act, 2015. During the Financial Year BRS embarked on preparation of 2020-2025 strategic plan. This being the first strategic plan of the Service, it will scan the operating environment and seek to build on the gains made and embed sustainability strategies while responding adequately to the changes in the environment.

II. ENVIRONMENTAL PERFORMANCE

Our commitment to Corporate Social Responsibility is based on the principle that corporate success must not override community wellness. Corporate Success and community social well-being are interdependent and that the long-term interests of our organization are best served by improving wellbeing of our society. To this end, the Service desires to manage and operate our activities in ways that are socially responsive and environmentally sustainable.

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The Service understands and appreciate the important role that the environment plays in promoting development and in ensuring that the goals set out in Vision 2030 are achieved. During the FY 2020/21, the Service was involved in the tree planting at the Ngong' Forest. This tree planting exercise was in line with the directive given by His Excellency the President that all State Corporations should dedicate 10% of their annual Corporate Social Responsibility.

III. EMPLOYEE WELFARE

Business Registration Service has identified its human resources have the greatest importance in gaining sustainable competitive advantage and efficiency. Thus, Services labour force is considered as productive assets not costly assets.

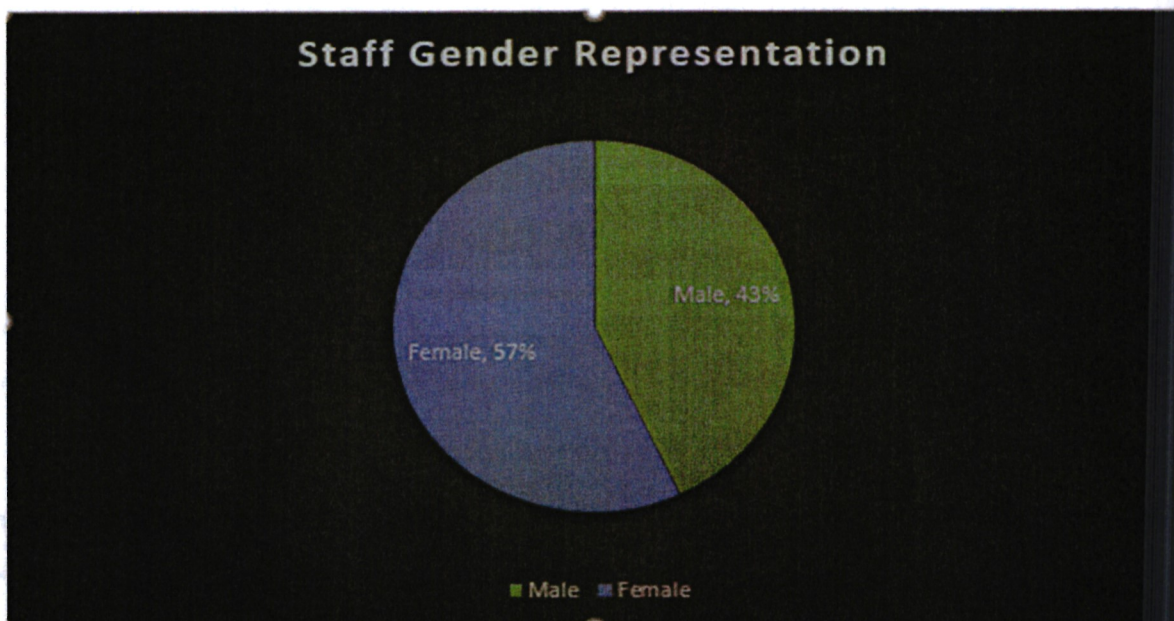
To build capacity and fully delink the Service from the Office of Attorney General and Department of Justice, the board competitively recruited Senior Management and the staff to the service as per the approved staff establishment.

The service pays service gratuity for the employees on contract as per their terms of employment and pension for the employees on permanent and Pensionable terms of employment.

BRS commits itself to the achievement of the highest standards of health and safety in the workplace and the elimination or minimization of health and safety hazards and risks that may affect its employees. BRS has in place a well-articulated policy on health and safety implemented to assure protection from any form of hazard and disasters in compliance with the provision of Occupation safety and Health Act (OSHA) of 2007 and other labor laws. To compliment this initiative, an OSHA committee is in place with its membership drawn across the seven department to support in creating awareness and assist in times of any disaster at workplace. The committee meets at least twice every quarter to review and assess the progression on safety measures in the workplace.

Gender balance has always been an integral part of the Business Registration Service 's social fabric and continues to be a key priority for the future. BRS is committed in ensuring the realization of the gender balance and adoption of a concrete action plans to entrench gender balance practices in all our recruitment and selection policies and procedures. Aligned with the government's goals, the BRS has out best practices and policies to embed gender balance more deeply into the culture of our organizations. Staff Gender representation is in compliance with the constitution. Staff Gender representation as at 30th June, 2021 is as follows.

Figure 2; Staff Gender representation



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

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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 authorisation for all goods supplied in order to ensure supply of goods of reasonable quality that protects from harmful goods.

V. CORPORATE SOCIAL RESPONSIBILITY (CSR) DURING FY 2020/2021

The Business Registration Service (BRS) organized a tree planting exercise in a bid to conserve the environment and in accordance with a Presidential Directive issued on 10/12/2019 that the Constitutional target of 10% national tree cover should be achieved by 2022.

Through among other initiatives the revival of Chief's tree nurseries with technical support of the Kenya Forest Service and allocation of 10% Corporate Social Responsibility to growing trees. The Service undertook an environmental conservation exercise at Ngong Road Forest, along the Nairobi Southern Bypass, on **Friday, the 21st day of May 2021 by planting 500 trees** with the technical support of Kenya Forest Service (KFS).

The theme of the event was "a path to recovery and well-being", in congruence with the International Day of Forest theme for 2021. Thirty-five BRS staff members participated in the exercise.

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Group photo of BRS and KFS staff members

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10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 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, 2021 are set out on page 1-19

iii) Directors

The Board of Directors who served during the year as shown on page viii-xiv. During the financial year 2020/2021, Ms. Catherine Musakali served as Board member until 9th October 2020, when her 1st term expired. She was re-appointed for a second term on 15th December 2020.

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.

Business Registration has had rationalization measures in order to save for asset acquisition. This is in satisfaction of the principle of fiscal responsibility, as enshrined in the PFM act 15 (2), which states "over the medium term a minimum of thirty percent of the national and county governments budget shall be allocated to the development expenditure." BRS will therefore use the surplus for Development projects.

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v) Auditors

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

By Order of the Board

Name: **Ms. Elizabeth Macharia**

Signature:



Date:

24/01/2022.

Corporate Secretary/Secretary to the Board

11. 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, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Business Registration Service (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Business Registration Service financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Business Registration Service financial statements give a true and fair view of the state of Service transactions during the financial year ended June 30, 2021, 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.

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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 statements.

Approval of the financial statements

The Business Registration Service financial statements were approved by the Board onof 2022 and signed on its behalf by:

Signature: 

Justice (Rtd.) Erastus Githinji

Chairperson of the Board

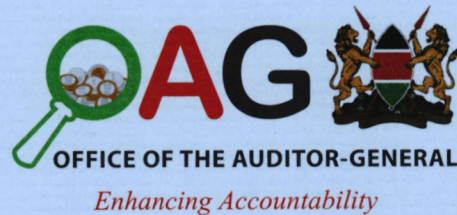
Signature: 

Mr. Kenneth Gathuma

Director General

REPUBLIC OF KENYA

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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, 2021

PREAMBLE

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

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

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

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

Qualified Opinion

I have audited the accompanying financial statements of the Business Registration Service set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Business Registration Service as at 30 June, 2021, 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 Qualified Opinion

1. Inaccuracies in the Financial Statements

The following errors and omissions were noted in the financial statements and the accompanying explanatory notes for the year ended 30 June, 2021:

- i. The statement of cashflows reflects nil increase/(decrease) in prior year balances on working capital adjustments, however the statement of financial position reflects balances of Kshs.13,051,625 and Kshs.2,448,006 in respect of inventories and trade and other payables which have not been accounted for. Further, purchase of intangible assets amounting to Kshs.1,588,400 has been omitted under cash flow from investing activities. In addition, net cash flow from operating activities has a casting error amounting to Kshs.10,603,619.
- ii. The statement of financial position reflects property, plant and equipment balance of Kshs.29,108,571 while the corresponding Note 18 to the financial statements reflects a balance of Kshs.30,532,980, resulting in unexplained variance amounting to Kshs.1,424,409.
- iii. The statement of financial position reflects intangible assets balance of Kshs.1,424,409 and as disclosed in Note 19 to the financial statements. However, Note 19 omitted the dates, months and years against the description on balances at beginning, and end of the years reported for the intangible assets.
- iv. The statement of financial position reflects long outstanding trade and other payables balance of Kshs.2,448,006. No explanation was provided why the outstanding payables have not been settled.

In the circumstances, the completeness and accuracy of the financial statements for the year ended 30 June, 2021 could not be confirmed.

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 qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis of Conclusion

1. Non-Adherence to One Third Rule on Staff Ethnic Composition

The Business Registration Service had a total of one hundred and thirty (130) staff members as at 30 June, 2021. However, as previously reported, a review of the ethnic composition of the Service revealed that out of the one hundred and thirty (130) staff members, forty-six (46) were from the same ethnic community representing 35% of the total number of staff. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from same ethnic community.

The Management was in breach of the law.

2. Unauthorized Gratuity Payment

As disclosed in Note 9 to the financial statements, the statement of financial performance reflects employee costs amounting to Kshs.216,287,446. Included in the expenditure is an amount of Kshs.17,266,503 paid in respect of staff gratuity through unauthorized and unnumbered voucher and cheque number 003761 of 30 June, 2021. In addition, the payment was being held as unpresented cheque. No explanation was provided by Management for the irregularity.

Consequently, the regularity of the gratuity payment amounting to Kshs.17,266,503 could not be confirmed.

3. Lack of a Fixed Assets Register

The statement of financial position reflects property, plant and equipment balance of Kshs.29,108,571 (2020 – Kshs.30,672,318). However, the Management did not maintain assets register contrary to Regulation 143 of the Public Finance Management (National Government) Regulations, 2015. Further, the assets were not tagged for ease of traceability and accountability.

Management was in breach of the law.

4. Irregular Procurement of Cloud Hosting Services

The Business Registration Services (BRS) procured cloud hosting services from a firm for design, supply delivery, installation, configuration, commissioning and maintenance of cloud hosting services at a contract sum of Kshs.7,340,024. However, a review of tender documents revealed that the firm awarded the contract was not among the ten (10) prequalified suppliers for restricted tendering, identified by the Ministry of Information Communication and Technology for maintenance of cloud services under tender number MOICT/SDICT/055/2018-2019.

Further, the contract document between BRS and the firm provided for audit was not dated, signed and stamped. Records provided indicates that BRS had paid an amount of Kshs.6,606,022 or 90% of the contract sum to the firm. However, BRS is not benefiting from the project due to unaddressed cyber security concerns on handling of the government data on private servers.

Consequently, value for money was not realized on the expenditure of Kshs.6,606,022 due to unaddressed cyber security.

5. Payment for Goods and Services from Unregistered Supplier

Business Registration Service procured and paid for goods and services amounting to Kshs.76,273,491 in the year under review from various suppliers who were not registered as required under Sections 56 and 57 of the Public Procurement and Asset Disposal Act, 2015.

Consequently, it was not possible to confirm value for money in the award of the contracts and whether the contracts were sourced competitively in accordance with the Public Procurement and Asset Disposal Act, 2015.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of a Disaster Recovery and Continuity Plan

As previously reported, Business Registration Service did not have an approved Disaster Recovery Plan and IT Business Continuity Plan in the year under review. This posed a significant threat to resumption of operations quickly and effectively in case of an emergency or a disaster. Lack of business continuity and data recovery may affect the operations of the entity.

2. Use of Unauthorized Accounting System for Handling Government Data

Business Registration Service (BRS) accounting information is being processed through quick books without authority from The National Treasury. Further, there is no contract between the BRS and the supplier or developer of the system setting the terms for the use and upgrading of the system.

In the circumstances, management may have compromised the integrity of the BRS accounting data.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Business Registration Service'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 Service or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

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


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 March, 2022



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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	7	309,568,399	331,170,000
Total revenue		309,568,399	331,170,000
Expenses			
Use of goods and services	8	70,021,867	77,503,034
Employee costs	9	216,287,446	149,441,110
Remuneration of directors	10	6,331,400	3,563,800
Depreciation and Amortization expense	11	5,419,282	6,664,611
Repairs and maintenance	12	3,467,720	39,216,048
Grants and subsidies	13	277,380	400,000
Total expenses		301,805,095	276,788,603
Surplus/(Deficit)		7,763,304	54,381,397

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

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

Director General
KENNETH GATHUMA

Deputy Director Finance &Accounts
ERASTUS MBALU

Chairperson
Justice (Rtd.) Erastus Githinji

Date 26/01/2022

ICPAK Member NO. 6469

Date 26/01/2022

Date 29/1/2022

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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021	2019-2020
Current Assets		Kshs	Kshs
Cash and Cash Equivalents	14	53,179,634	52,510,281
Inventories	17	12,649,101	13,051,625
Current Receivables	16	7,635,813	0
Total Current Assets		73,464,548	65,561,906
Non-Current Assets			
Property, plant and equipment	18	29,108,571	30,672,318
Intangible assets	19	1,424,409	
Total Non –Current Assets		30,532,980	30,672,318
Total Assets		103,997,528	96,234,224
Liabilities			
Current Liabilities			
Trade and other payables	20	2,448,006	2,448,006
Total Liabilities		<u>2,448,006</u>	<u>2,448,006</u>
Net Assets		101,549,522	93,786,218

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	Notes	2020-2021	2019-2020
Net Assets		Kshs	Kshs
Accumulated Surplus		101,549,522	93,786,218
Total Net Assets and Liabilities		101,549,522	93,786,218

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



Director General

KENNETH GATHUMA

Date: 26/01/2022

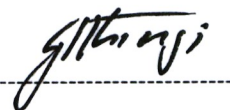


Deputy Director Finance & Accounts

ERASTUS MBALU

ICPAK Member NO. 6469

Date: 24/1/2022



Chairperson

Justice (Rtd.) Erastus Githinji

Date: 26/01/2022

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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Capital reserve	Retained earnings	Total
	Kshs	Kshs	Kshs
Balance as at July 1, 2019		39,404,821	39,404,821
Surplus/Deficit for the period	-	54,381,397	54,381,397
Transfer of excess depreciation on revaluation	-	-	-
At June 30, 2020	-	93,786,218	93,786,218
Balance as at July 1, 2020	-	93,786,218	93,786,218
Surplus/Deficit for the period	-	7,763,304	7,763,304
Transfer of excess depreciation on revaluation	-	-	-
At June 30, 2021	-	101,549,522	101,549,522

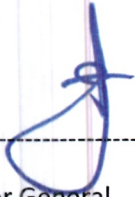
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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	7	309,568,399	331,170,000
Total Receipts		309,568,399	331,170,000
Payments			
Use of Goods and services	8	70,021,867	77,503,034
Employee Costs	9	216,287,446	149,441,110
Remuneration to Directors	10	6,331,400	3,563,800
Repairs and Maintenance	12	3,467,720	39,216,048
Grants and Subsidies	13	277,380	400,000
Total Payments		296,385,813	270,123,992
Cash Flow from Operating Activities		13,182,586	
Working Capital Adjustments			
Decrease in Stock	17	402,600	
Increase in Current Receivables	16	(7,635,813)	
Total Working Capital Adjustments		(7,233,213)	
Net cash flows from operating activities	20	5,949,373	50,442,389
Cash flows from investing activities			0
Purchase of property, plant, equipment	18	(5,280,080)	(23,165,725)
Net cash flows from investing activities		(5,280,080)	(23,165,725)
Net increase/(decrease) in cash and cash equivalents		669,353	27,276,664
Cash and cash equivalents as at 1 st JULY 2020		52,510,281	25,233,617
Cash and cash equivalents as at 30 JUNE 2021	14	53,179,634	52,510,281

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



Director General

KENNETH GATHUMA

Date..... 26/01/2022

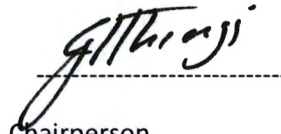


Deputy Director Finance & Accounts

ERASTUS MBALU

ICPAK Member NO. 6469

Date..... 24/1/2022



Chairperson

Justice (Rtd.) Erastus Githinji

Date..... 26/01/2022

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	EXPLANATION
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021		
	Kshs	Kshs	Kshs	Kshs	Kshs		
Revenue	309,568,399	-	309,568,399	309,568,399	0		
Government grants							
Total income	309,568,399	-	309,568,399	309,568,399	0		
Expenses							
Compensation of employees	223,771,924	-	223,771,924	216,287,446	7,484,478	3.3%	
Goods and services	75,353,275	-	75,373,275	70,021,867	5,351,408	7.1%	
Board Expenses	6,470,000	-	6,470,000	6,331,400	138,600	2.1%	

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	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	EXPLANATION
Repair and Maintenance payments	3,673,200	-	3,673,200	3,467,720	205,480	5.6%	There were no major repairs carried out in the FY 2020/2021 because all BRS items are relatively new.
Grants & Subsidies paid	300,000	-	300,000	277,380	22,620	7.0%	
Total expenditure	309,568,399	-	309,568,399	296,385,813			
Surplus for the period	0	0	0	13,182,586			

Reconciliation of Budget Comparison and Actual Amounts

Details	Amount (ksh)
Surplus as per the Budget Comparison	13,182,586
Depreciation for the year	5,419,282
Surplus as per the financial performance	7,763,304

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18. 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 2021.**

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Impact
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

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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 2021.

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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p>

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Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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 guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

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.

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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 2020-2021 was approved by the National Assembly in June 2020 and there were subsequent revisions and additional appropriations made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Business Registration Service upon receiving the respective approvals in order to conclude the final budget. Accordingly, Business Registration Service did not record additional appropriations in the 2020-2021.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the 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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

parts of property, plant and equipment are required to be replaced at intervals, the Service recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying

amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

Asset Class	Depreciation rate
Computer Equipment and Software	33.3%
Office Equipment	12.5%
Motor Vehicles	20%
Furniture and Fittings	12.5%

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

d) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Inventories

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

g) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial

position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

h) Related parties

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

i) Cash and cash equivalents

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

l) Provisions

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

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

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

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Useful lives and residual values

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

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

6. Provisions

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Transfers from Other Government Entities

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income.	Amount recognised in capital fund	Total Transfers 2020-2021	Prior Year 2019-2020
	Kshs	Kshs.	Kshs.	Kshs.	Kshs.
State Law Office and Department of Justice	309,568,399	-	-	309,568,399	331,170,000
Total	309,568,399	-	-	309,568,399	331,170,000

Business Registration Service receives one-line budget which it caters for recurrent expenditure. In the FY 2020/2021 BRS received Kshs. 309,568,399 as transfer from the State Law Office.

8. USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	Kshs	Kshs
Water	506,300	674,515
Subscriptions	1,107,388	56,000
Advertising	2,578,587	1,689,113
Conferences and delegations	7,309,946	17,610,000
Hospitality	2,328,936	2,135,618
Rent and Rates/Storage facilities	654,192	0

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Description	2020-2021	2019-2020
	Kshs	Kshs
Fuel and oil	582,662	1,612,765
Postage	101,665	262,315
Consultancy fees	7,799,183	7,109,443
Printing and publishing	7,427,430	22,374,713
General Office Supplies	6,595,533	-
Supplies and Accessories to computers	1,479,840	-
Purchase of Uniform and clothing	78,110	-
Telephone and mobile services	4,401,200	8,593,998
Licensing fees for communication	655,648	-
Training	403,150	4,364,920
Trade Shows	0	1,747,900
Newspapers and periodicals	33,792	107,720
Internet Connections	7,590,921	1,661,836
Bank charges	520,449	521,708
Temporary Committees	2,430,000	721,600
Other office expenses	0	0
Fumigation (Sanitary & cleaning services)	15,436,935	6,258,870
Total use of goods and services	70,021,867	77,503,034

- *Advertising amount increased from 1,689,113 in FY 2019/2020 to Kshs. 2,578,587 in the financial year 2020/2021 was due to the increased number of adverts undertaken by BRS during the Recruitment exercise of its staff, tender adverts and the Beneficial Ownership public awareness exercise.*

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

USE OF GOODS AND SERVICES. (Continued)

- *Conference and delegations reduced in FY 2020/2021. This was due to increased virtual meetings necessitated by the COVID 19 restrictions*
- *Consultancy fees of Kshs. 7,799,183 relates to the fees paid to Human Resource Consultant who was involved in the recruitment exercise of BRS staff members phase II, strategic plan consultant and the forensic audit consultants*
- *In the year 2020/2021, BRS spent Kshs. 14,022,963 for the purchase of printing and stationeries materials compared to the FY 2019/2010 which was Kshs. 22,374,713. The decrease was due to Business Registration Service digital policy that encourages automation of processes.*
- *The increase in telecommunication services decreased in the FY 2020/2021 due to budget rationalization which necessitated budget cuts on this vote.*
- *There was no amount spent on Trade shows in the FY 2020/2021 due to the COVID 19 pandemic and restrictions thereof on social gatherings (BRS did not exhibit their products)*
- *Internet Connections amounting to Kshs. 7,590,921 in FY 2020/2021 increased due to continues automation of processes.*
- *Fumigation Services in the FY 2020/2021 was occasioned by COVID 19 pandemic which necessitated BRS to carry out weekly fumigation services in Sheria House and AG Chambers as a mitigation measure to card the spread of the disease as directed by the Government.*
- *Training reduced in the FY 2020/2021 compared to FY 2019/2020 due to COVID 19 restrictions.*
- *BRS hired a storage space at Express Kenya to store company registry files hence creating more space in Sheria House in order to accommodate newly recruited staff.*
- *Membership subscriptions in FY 2020/2021 increased to Kshs. 1,107,388 as compared to Kshs. 56,000 for FY 2019/2020 due to increased number of state counsels who were required to have practising certificates after de-linking exercise was completed.*

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STATEMENT OF THE FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE COSTS

	2020-2021	2019-2020
	Kshs	Kshs
Salaries and wages	114,126,046	68,371,878
Travel, motor car, accommodation, subsistence and other allowances	18,749,120	32,039,900
Housing benefits and allowances	45,254,684	44,389,790
Provision for Gratuity	17,266,503	2,381,654
Overtime payments	937,309	2,257,888
Employer contribution to Staff Pension Schemes	7,555,087	0
NSSF	131,499	
Employer contribution to health insurance	11,787,658	0
Other insurance costs (WIBA)	479,540	0
Acting Allowances	0	0
Employee costs	216,287,446	149,441,110

Employee cost in the year 2020/2021 rose to Kshs. 216,287,446 because BRS implemented its new salary structure as per approved Human Resource Instruments.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	Kshs	KShs
Chairperson's Honoraria	960,000	960,000
Sitting allowances	4,400,000	2,140,000
Travel and accommodation	541,400	463,800
Induction and Training	430,000	0
Total director emoluments	6,331,400	3,563,800

Directors remuneration increased in the year 2020/2021 due to the several activities that required the boards input such as recruitment exercise and strategic plan of the BRS staff.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	Kshs	Kshs
Property, plant and equipment	5,255,291	6,664,600
Intangible Assets	163,991	
Total depreciation and amortization	5,419,282	6,664,611

12. REPAIRS AND MAINTENANCE

Description	2020-2021	2019-2020
	Kshs	Kshs
Furniture and fittings	218,150	694,750
Computers and accessories	226,700	384,700
Refurbishment of building	3,019,070	36,563,648
Equipment & Machinery	3,800	1,258,950
Vehicles	-	314,000
Total repairs and maintenance	3,467,720	39,216,048

- *Repairs and Maintenance decreased the year because no major repairs works were done in sheria house in FY 2020/2021 since BRS intends to relocate their offices from the building,*

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. GRANTS AND SUBSIDIES

Description	2020-2021	2019-2020
	Kshs	Kshs
Community development	277,380	400,000
Total grants and subsidies	277,380	400,000

The decrease was as a result of reduced budgetary allocation in the budget.

14. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	Kshs	Kshs
Current account	53,179,634	52,510,281
Total cash and cash equivalents	53,179,634	52,510,281

15. DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENT

Financial Institution	Bank Account number	2020-2021	2019-2020
		Kshs	Kshs
Current Account			
Kenya Commercial bank	1184110735	53,179,634	52,510,281
Grand total		53,179,634	52,510,281

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CURRENT RECEIVABLES

	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Medical Insurance	5,805,862	0.00
Other Insurance Costs (WIBA)	236,191	0.00
Employer Contribution to Staff Pension Scheme	1,593,760	0.00
Total current receivables	7,635,813	0.00

17. INVENTORIES

Description	2020-2021	2019-2020
	Kshs	Kshs
Consumable stores	12,649,101	13,051,701
Total inventories at the lower of cost and net realizable value	12,649,101	13,051,701

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings	Computers	Office Equipment	Total
DEPRECIATION PERCENTAGE	12.5%	33.3%	12.5%	
Cost	Shs	Shs	Shs	Shs
At 1 July 2019	6,282,203	6,801,108	4,728,972	17,812,383
Additions	13,499,025	5,067,000	4,599,700	23,165,725
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30th June 2020	19,781,328	11,868,108	9,328,672	40,978,108
Additions	601,920	2,400,000	689,700	5,280,020
Transfers/adjustments	-	-	-	-
At 30th June 2021	20,383,248	14,268,108	10,018,372	46,258,028
Depreciation and impairment				
At 1 July 2019	(785,275)	(2,264,769)	(591,122)	(3,641,179)
Depreciation	(2,374,494)	(3,197,912)	(1,092,194)	(6,664,600)
Impairment	-	-	-	-
At 30 June 2020	3,159,769	5,462,681	1,683,315	10,305,766
Depreciation	(2,127,842)	(2,133,007)	(994,442)	(5,255,291)
Amortization	-	-	-	0)
Transfer/adjustment	-	-	-	-
At 30th June 2021	5,287,612	7,595,688	2,677,757	15,561,057
Net book values				
At 30th June 2021	14,491,172	6,672,420	7,340,615	30,532,980
At 30th June 2020	16,621,535	6,405,427	7,645,356	30,672,318

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. INTANGIBLE ASSETS

Description	2020-2021	2019-2020
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	1,588,400	0
At end of the year	0	0
Additions—internal development	0	0
At end of the year	<u>1,588,400</u>	0
Amortization and impairment		
At beginning of the year	0	0
Amortization	(163,991)	0
At end of the year	<u>(163,991)</u>	0
Impairment loss	0	0
At end of the year	0	0
NBV	<u>1,424,409</u>	0

20. TRADE AND OTHER PAYABLES

Description	2020-2021	2019-2020
	KShs	KShs
Gratuity Payable B/f	2,448,006	0
Gratuity Payable	0.00	2,448,006
Total trade and other payables	2,448,006	2,448,006

Payables is composed of un paid staff gratuity of Kshs 2,448,006

BUSINESS REGISTRATION SERVICE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. CASH GENERATED FROM OPERATIONS

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Surplus for the year before tax		7,763,304	54,381,397
Add Back Adjusted for:			
Depreciation for the year	9	5,419,282	6,664,611
Prior year depreciation/Adjustments		0	0
Working Capital Adjustments			
Increase in Inventory	15	402,600	(13,051,625)
Increase in payables	17		2,448,006
Increase In Receivables		(7,635,813)	
Net cash flow from operating activities		5,949,373	50,442,389

22. PRIOR YEAR ADJUSTMENT

In the financial year 2019/2020, inventory was understated by Kshs 76. Adjustments have been made to that effect. Inventories for 2019/2020 financial Year now reflects Kshs. 13,051,701 instead of Kshs. 13,051,625.

23. 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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

programme focuses on the unpredictability of the economy and seeks to minimise potential adverse effects on its financial performance.

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

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

a) Credit Risk

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

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

	2020-2021	2019-2021
	Kshs.	Kshs.
Cash at Bank	53,179,634	52,510,281
Prepaid Medical Insurance	5,805,862	
Prepaid Other Insurance Costs (WIBA)	236,191	
Prepaid Employer Contribution to Staff Pension Scheme	1,593,760	
Total	60,815,447	52,510,281

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;

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021				
Trade payables	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
As at 30 June 2020				
Employee benefit obligation	2,448,006	-	-	2,448,006
Total	2,448,006	-	-	2,448,006

24. RELATED PARTY BALANCES

Nature of related party relationships

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	309,568,399	331,170,000
Total	309,568,399	331,170,000
	2020-2021	2019-2020
	Kshs	Kshs
b) Key management compensation		
Directors' emoluments	6,316,400	3,563,800
Compensation to the CEO	7,200,000	4,496,826
Compensation to key management	34,322,700	14,558,760
Total	47,839,100	22,619,386

25. CAPITAL COMMITMENTS

Capital commitments	2020-2021	2019-2020
	Kshs	Kshs
Development and commissioning of an Enterprise Resource Planning System	8,935,852	8,935,852
Development of Strategic Plan	0	2,100,000
Authorised and contracted for Alternative Cloud hosting		7,340,000
Total	8,935,852	18,375,852

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. EVENTS AFTER THE REPORTING PERIOD

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

27. 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.

28. CURRENCY

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

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APPENDIX

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Other Matter	As reflected in the statement of comparison of budget and actual amounts, BRS actual expenditure for the year net of depreciation amounted to Kshs. 270,123,992 against budgeted expenditure of Kshs. 331,170,000 resulting in an overall under absorption of Kshs. 61,046,008 or 18%. The under spending affected the planned activities and may have impacted negatively on service delivery to the public.	Many of the activities which had been planned for the financial year did not place to the COVID-19 restrictions by the government.	Erastus Mbalu Deputy Director Finance and Accounts	Not resolved	Awaiting to be resolved

Chairperson

Sign: 

Date: 26/01/2022

Director General

Sign: 

Date: 26/01/2022

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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&DOJ /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	0	75%	9,000,000	0	GOK

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APPENDIX III: INTER-ENTITY TRANSFERS

BUSINESS REGISTRATION SERVICE				
Break down of Transfers from the State Law Office and Department of Justice				
FY 2020/2021				
a. Recurrent Grants				
Reference number	<u>Bank Statement</u> <u>Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>	
B043267	24.08.2020	77,392,100.00	2020/2021	
B043397	06.11.2020	77,392,099.50	2020/2021	
B043494	04.02.2021	72,392,099.50	2020/2021	
B043464	02.05.2021	82,392,099.50	2020/2021	
Total		309,568,398.50		

BRS received a total of Kshs. 309,568,399 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

Sign

Date

[Handwritten Signature]
 24/11/2022

Head of Accounting Unit

Office of the Attorney General

Sign

[Handwritten Signature]

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