

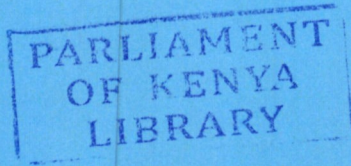


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE REVENUE STATEMENTS OF BUSINESS
REGISTRATION SERVICE**

**FOR THE YEAR ENDED
30 JUNE, 2020**



Office of The Attorney General and Department of Justice
BUSINESS REGISTRATION SERVICE
Ease of Doing Business

BUSINESS REGISTRATION SERVICE

REVENUE STATEMENT

**FOR THE PERIOD ENDED
30 JUNE, 2020**

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Office of the Attorney General and Department of Justice is represented at the Cabinet level, by the Attorney General, who is responsible for the general policy and strategic direction of the Office. The Director General is the appointed as a receiver of revenue for the office for Business Registration Service.

(b) Principal activities

The Director General collects revenue from the following activities;

- i.) Registration of Companies
- ii.) Official Receiver's fees
- iii.) Registration of Movable Property Security Rights
- iv.) Hire Purchase

The revenue is collected and remitted to the Central Bank of Kenya.

(c) Key Management

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

- | | | |
|--------------------------|---|--------------------------|
| - Director General | - | Mr. Kenneth Gathuma, HSC |
| - Official Receiver | - | Mr. Mark Gakuru, HSC |
| - Principal Accountant | - | Mr. Erastus Mbalu |
| - Registrar of Companies | - | Ms. Joyce Koech |
| - Deputy Registrar MPSR | - | Mr. Joseph Onyango |

(d) Entity Headquarters

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

(e) Entity Contacts

Telephone: +254 202227461/2251355/07119445555/0732529995

E-mail: eo@brs.go.ke

Website: www.brs.go.ke

(f)Independent Auditors

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

(g)Principal Legal Adviser

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

(h)Bankers

Central Bank of Kenya
Haile Selassie Avenue
P O Box 60000
City Square 00200
Nairobi Kenya
Telephone: (254)202860000
E-Mail: comms@centralbank.go.ke

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

**BUSINESS REGISTRATION SERVICE
REVENUE STATEMENTS FOR THE PERIOD
ENDED 30 JUNE, 2020**

STATEMENT OF DIRECTOR GENERAL 'S RESPONSIBILITIES

Section 82 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, Director General shall prepare an account of the revenue received and collected by that receiver during that financial year. Section 83 (2)(b) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time

The Director General is responsible for the preparation and presentation of the receiver of revenue Report, which gives a true and fair view of the state of affairs of Business Registration service and as at the end of the financial year (period) ended on June 30, 2020. 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 status of the revenue collected by the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the entity (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Director General accepts responsibility for the Business Registration Service revenue statement, which has been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Director General is of the opinion that the Business Registration Service revenue report gives a true and fair view of the state of entity's revenue collection (performance) during the financial year ended June 30, 2020 and further confirms the completeness of the accounting records maintained for the service, which have been relied upon in the preparation of the revenue report as well as the adequacy of the systems of internal financial control.

The Director General confirms that Business Registration Service has complied fully with applicable Government Regulations revenue collected during the year under audit have been properly accounted for. Further the Service confirms that the revenue report has been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Revenue Statements

The revenue statements were approved and signed on 9th April 2021



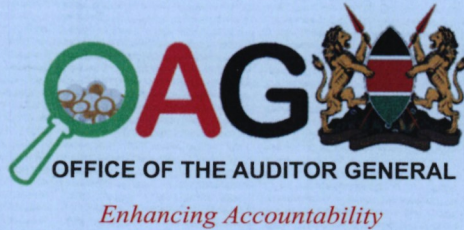
Kenneth Gathuma, HSC
Director General



Erastus Mbalu
Deputy Director Finance &Accounts
ICPAK NO: 6469

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 THE REVENUE STATEMENTS OF BUSINESS REGISTRATION SERVICE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE REVENUE STATEMENTS

Opinion

I have audited the accompanying revenue statements of Business Registration Service set out on pages 7 to 14, which comprise the statement of arrears of revenue as at 30 June, 2020 and the statement of revenues and transfers for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the revenue statements present fairly, in all material respects, the revenue position of Business Registration Service as at 30 June, 2020, and of its revenue performance for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Business Registration Service Act No.15 of 2015.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the revenue statements of the current year. I have determined that there are no key audit matters to communicate in my report.

Other Matter

Non-Provision of Service Providers' Contracts

As reported in the previous year, the Business Registration Service contracted service providers to collect revenue on its behalf. The service providers include E-Citizen and by extension Safaricom and Kenya Commercial Bank among others. However, the respective contract agreements were not provided for audit review.

In the circumstance it was not possible to establish the legality and performance of the service providers. Further, it was not possible to ascertain the basis of the revenue collected in the absence of supporting contracts.

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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

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 revenue statement are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections 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 IT Business Continuity Plan

Business Registration Services does not have an approved Disaster Recovery Plan and IT Business Continuity Plan. This poses a significant threat to the core function of the Business Registration Services especially due to the fact that it handles sensitive information about registration of Companies.

2. Lack of Medium-Term Strategic Plan

Business Registration Service does not have a Strategic Plan for medium term fiscal framework and the fiscal policy objectives in contravention of Section 68(2) (g) of the Public Finance Management Act, 2012, which require the Accounting Officer to prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and fiscal policy objectives of the national government.

Under the circumstance, it was not possible to evaluate performance of the Business Registration Service.

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

Responsibilities of Management and those Charged with Governance

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

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

Management is also responsible for the submission of the revenue 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 revenue statements described above, Management is also responsible for ensuring that the activities, revenue transactions and information reflected in the revenue statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the revenue 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 revenue statements.

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Service'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 revenue statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Service's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the revenue statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Service to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the revenue statements, including the disclosures, and whether the revenue statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the revenue information and business activities of the Service's to express an opinion on the revenue statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

13 May, 2021

**BUSINESS REGISTRATION SERVICE
REVENUE STATEMENTS FOR THE PERIOD
ENDED 30 JUNE, 2020**

**STATEMENT OF REVENUES AND TRANSFERS FOR THE PERIOD ENDED 30TH JUNE,
2020**


		2019/2020	2018/2019
Fees on use of Goods/Services	2	836,423,500	795,535,207
Total Non-Tax Receipts		836,423,500	795,535,207
Total Revenue Collected		836,423,500	795,535,207
Transfers To Exchequer Account	3	(827,668,440)	(779,093,402)
Balance Brought Forward	4	16,441,805	42,399,400
Balance Carried Forward	5	8,755,060	16,441,805

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements.

These revenue statements were approved on 9th April 2021 and signed by:



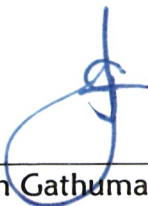
Kenneth Gathuma, HSC
Director General



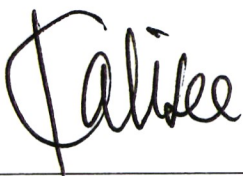
Erastus Mbalu
Deputy Director Finance &Accounts
ICPAK NO: 6469

STATEMENT OF ARREARS OF REVENUE AS AT 30 JUNE 2020

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2018	Amount in arrears for the current year to June 30, 2019	Total arrears as at 30 June 2020	Measures taken to recover the arrears	Assessment to the recoverability of arrears
Fees on Use of Goods and services	NIL	NIL	NIL		
Total Arrears	NIL	NIL	NIL		



Kenneth Gathuma, HSC
Director General



Erastus Mbalu
Deputy Director Finance &Accounts
ICPAK NO: 6469

NOTES TO REVENUE STATEMENTS

1. Significant Accounting Policies

The principle accounting policies adopted in the preparation of these revenue statements are set out below:

a. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The revenue statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The revenue statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the entity.

b. Recognition of Revenue

Business Registration Service recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the entity.

c. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the revenue statements. The revenue budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included in to these revenue statements.

d. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya.

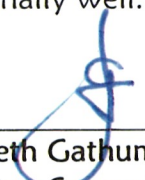
e. Subsequent Events

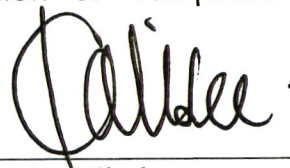
Apart from the effects of Covid-19 pandemic, there have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2020.

2. Fee on use of goods and permission to use of goods or perform services and activities.

STREAMS	2019/2020 Original Estimates	2019/2020 Actual	2018/2019 Actual	% Realized
Official Receiver	3,500,000	3,047,398	3,136,442.50	(13%)
Registration of companies	785,000,000	822,443,471	779,471,060	5.0%
MPSR	7,000,000	6,998,500	8,586,950	(0.02%)
Registration of Hire purchase Agreements	4,400,000	3,829,428	4,340,754	(13%)
Other incomes	100,000	104,703	0	5.0%
Total Revenue	800,000,000	836,423,500	795,535,207	4.6%

Despite the hardships in the economy brought about by the COVID-19 pandemic, BRS revenue grew by Kshs 40,888,293 in FY 2019/2020 from Kshs 795, 535, 207 in FY 2018/2019 to Kshs 836,423,500. Many revenue streams did not achieve the revenue estimates for the period except the Registration of Companies which performed marginally well.


Kenneth Gathuma, HSC
Director General


Erastus Mbalu
Deputy Director Finance &Accounts
ICPAK NO:6469

**BUSINESS REGISTRATION SERVICE
REVENUE STATEMENTS FOR THE PERIOD
ENDED 30 JUNE, 2020**

NOTE 3: TRANSFER TO EXCHEQUER

	Kshs.	
	2019/2020	2018/2019
Deposits Accounts	35,662,840.00	27,521,315.00
E-Citizen	792,005,600.00	751,572,060.00
Total	<u>827,668,440.00</u>	<u>779,093,401.00</u>

NOTE 4: BALANCE BROUGHT FORWARD

<u>DATE OF COLLECTION</u>	<u>SETTLED DATE</u>	<u>KSHS.</u>
24 th -27 th June, 2019	01 July 2019	11,073,900
28 th -30 th June, 2019	03 July 2019	4,165,900
DEPOSITS		
30 th June, 2019	01 July 2019	3,000
30 th June, 2019	02 July 2019	489,005
30 th June, 2019	25 Aug2019	<u>710,000</u>
TOTAL		<u>16,441,805</u>


NOTE 5: BALANCE CARRIED FORWARD

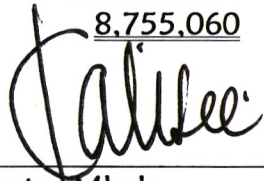
E-CITIZEN

<u>DATE OF COLLECTION</u>	<u>SETTLED DATE</u>	<u>KSHS.</u>
29 th June, 2020	02 July 2020	3,923,500
30 th June, 2020	03 July 2020	4,237,600

DEPOSITS

26 th June, 2020	06 July 2020	50,000
26 th June, 2020	06 July 2020	400,000
29 th June, 2020	06 July 2020	400
30 th June, 2020	06 July 2020	<u>143,560</u>
TOTAL		<u>8,755,060</u>


Kenneth Gathuma, HSC
Director General


Erastus Mbalu
Deputy Director Finance &Accounts
ICPAK NO: 6469

**BUSINESS REGISTRATION SERVICE
REVENUE STATEMENTS FOR THE PERIOD
ENDED 30 JUNE, 2020**

Item	Original estimates (KShs.)	Revised estimates (KShs.)	Actual (KShs.)	Over Collection (KShs.)	Under Collection (KShs.)	Reasons
1420208	3,500,000	3,500,000	3,047,398		452,602	Due to Covid -19 pandemic which restricted movement of persons and minimized court operations, Official Receiver was not able to close the files targeted for the year.
1420200	785,000,000	785,000,000	822,443,471	37,443,471		The increase in revenue collection by the company registry was as a result of increased steadiness of the system and clients awareness on the usage of the E-Citizen platform.
1420209	7,000,000	7,000,000	6,998,500		1,500	This was due to the Covid -19 pandemic which resulted to some of the registries e.g. land registry which MPSR rely on to generate revenue were operating at a minimal capacity.
1420214	4,400,000	4,400,000	3,829,428			Due to Covid -19 pandemic, this restricted movement of persons.

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

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 matters 1	Revenue Performance	Actual collection exceeded the budgeted revenue due to automation of services.	Erastus Mbalu Deputy Director Finance and Accounts	Not Resolved	To appear in Parliament
Other matters 2	Non-Provision of Service providers contracts	E-citizen is wholly owned domain and portal of the Government of Kenya	Kenneth Gathuma Director General	Not Resolved	To appear in Parliament
Other matters 3	Failure to Avail the collection control sheet	BRS maintains register as opposed to the CCS	Erastus Mbalu Deputy Director Finance and Accounts	Resolved	

Kenneth Gathuma, HSC
Director General

Erastus Mbalu
Deputy Director Finance &Accounts
ICPAK NO: 6469

