

ANNUAL REPORT

2020 / 2021



Vision

Doing business made easier



Purpose

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



Core Value

Customer Centricity

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LIST OF ACRONYMS

BRS	Business Registration Service
DG	Director General
DJ	Department of Justice
FY	Financial Year
GPA	Group Personal Accident
ICPAK	Institute of Certified Public Accountants of Kenya
ICS	Institute of Certified Secretaries
ICT	Information Communication Technology
IPSAS	International Public Sector Accounting Standards
LSK	Law Society of Kenya
MOU	Memorandum of Understanding
MPSR	Movable Property Security Rights
MTEF	Mid-Term Expenditure Framework
OR	Official Receiver
OSHA	Occupational Safety and Health Administration
PBB	Programme Based Budgets
PFM	Public Finance Management
PPAD	Public Procurement & Asset Disposal Act
PPR	Program Performance Review
PSC	Public Service Commission
SAGA	Semi-Autonomous Government Agencies
SLO	State Law Office

BOARD OF DIRECTORS



Justice (Rtd.) Erastus Githinji was born in December 1949. He holds Bachelor of Laws (LLB Hons) from the University of Nairobi and a Diploma from Kenya School of Law. He is an Advocate of the High Court of Kenya and has over 40 years' experience in the application and interpretation of the law.

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

He has been a member and later Chairperson of Judicial Code of Conduct and Ethics which developed the current code for the entire Judiciary; longstanding member of the Council of Legal Education and a Board Member of Judiciary Training Institute (now Academy.). He has also attended various local and international courses for professional development and obtained certificates in Competition law for adjudicators, Alternative Dispute Resolution (ADR); Refugee law; Environmental law; Human Rights and Global Economy among others. Justice (Rtd.) Githinji is a recipient of two National Honours:

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

Erastus Githinji
CHAIRPERSON OF THE BOARD



Born in 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 K-Rep 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, Transcentury 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).

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. 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.

Carol Musyoka

FORMER CHAIRPERSON OF THE BOARD



Born in 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 chairman of WCF 2021 bid committee, Mastrade Holdings Ltd, Afrinol Holdings Ltd, Tana Solar & Tana Biomass and the Economic Diplomacy Committee of the Kenya National Chamber of Commerce & Industry where he is also the National Vice Chairman. He was a member of the Core Committee that developed the National Export Strategy paper in 2003 and a founding member of the Kenya Private Sector Alliance Committee.

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

**James Ndung'u Mureu
(MEMBER)**



Born in 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 three years with effect from 3rd May 2019 and chairs the Compliance and Risk Committee.

**Shella Sheikh
(MEMBER)**



Born in 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 Chairman of the Institute of 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 Chairman 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 Chairman 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 appointed to the Board on 2nd October 2017 and chairs the Audit and Governance Committee

Catherine Musakali
(MEMBER)



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 where she served as Chief Economist in National Treasury from 2010-2016.

She has attended Courses on Fiscal Decentralized and Financial management and Tax Policy Analysis and Revenue forecasting at the Harvard University USA & Macroeconomic 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.

Josephine Kanyi **(ALTERNATE TO THE CABINET** **SECRETARY, NATIONAL TREASURY)**



Born in 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 member of the Academy of Accounting and Financial Studies of Canada (AAFSJ).

John Mwendwa, OGW **(REPRESENTATIVE OF THE PRINCIPAL** **SECRETARY, MINISTRY OF INDUSTRY,** **TRADE & COOPERATIVES)**



Born in 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.

Brian Omwenga
(MEMBER)



Born in 1968, Ms. Njeri Wachira is currently the Head of the International Law Division at the Office of the Attorney General and Department of Justice. She has served in the State Law Office since 1991 to date.

She has also served as the head of legal and corporate affairs at Seven Seas Technologies Group and the Legal Adviser at the East African Community Secretariat for two years.

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.

Njeri Wachira
(ALTERNATE TO THE SOLICITOR 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.

Kenneth Gathuma
DIRECTOR GENERAL

SENIOR MANAGEMENT TEAM



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.

Kenneth Gathuma
DIRECTOR GENERAL



Mr. Mark Gakuru is the Official Receiver and his mandate is to oversee the overall coordination and management of the Insolvency function at the Service and as such a regulator in Insolvency practice in Kenya in line with Section 701 of the Insolvency Act, 2015. He holds a Master of Laws degree in Laws (LLM) from the University of Nairobi. He is an Advocate of the High Court of Kenya with over 19 years of legal and administrative experience in the private and public sectors.

Mark Gakuru
OFFICIAL RECEIVER



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. 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 Masters Degree in Arts at the University of Nairobi.

Joyce Koech
REGISTRAR OF COMPANIES



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. He holds a Masters of Business Administration, a Bachelor of Business Management (Accounting and finance) and a Certified Public Accountant (CPAK). He is a member of the Institute Certified Public Accountant of Kenya (ICPAK). Mr. Otuke has previously served in various public sector institutions in the areas of accounting, financial management and administration.

Jones Otuke
DIRECTOR CORPORATE SERVICES



Ms. Doris Wambugu is the Director, Legal Compliance and Research of the Business Registration Service. Her mandate is to oversee the overall coordination and management of the Legal, Compliance and Research function at the Service. She is an advocate of the High Court of Kenya with over 16 years of experience in the private and public sector in the areas of legal, compliance and research. She holds a 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.

Doris Wambugu
DIRECTOR, LEGAL RESEARCH AND COMPLIANCE



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

Yusuf Saleh
DEPUTY DIRECTOR, HUMAN RESOURCE AND ADMINISTRATION



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. 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.

Erastus Mbalu **DEPUTY DIRECTOR, FINANCE AND** **ACCOUNTS**



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.

Elizabeth Macharia **CORPORATION SECRETARY**



Shighadi 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 lead to the improvement of Kenyas 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.

Shighadi Mwakio **DEPUTY REGISTRAR MPSR**

FY 2020/21 -KEY HIGHLIGHTS



TOTAL REVENUE
KSHS. 1,091,800,124



**COMPANY
REGISTRY**
1,078,536,332



MPSR
9,458,000



**OFFICIAL
RECEIVER**
1,806,375



**OTHER
INCOME
PAYROLL**
126,817



**HIRE
PURCHASE**
1,872,600



**TOTAL ENTITIES
REGISTERED**
154,236 | 100%



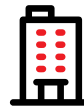
**BUSINESS
NAMES**
101,674 | 65.92%



**COMPANIES
LIMITED BY
GUARANTEE (CLGS)**
753 | 0.49%



**PRIVATE
COMPANIES**
50,932 | 33.02%



**FOREIGN
COMPANIES**
182 | 0.12%



**PUBLIC
COMPANIES**
179 | 0.12%



**LIMITED LIABILITY
PARTNERSHIPS (LLPS)**
516 | 0.33%

**RANKED
56TH
GLOBALLY**

ON EASE OF DOING
BUSINESS OUT OF
190 ECONOMIES

**INTERNSHIP &
ATTACHMENTS PROVIDED**
**4 GRADUATES
RECRUITED**
**2 MALE:
2 FEMALES:**



**57% MALE
43% FEMALE**
**STAFF DISTRIBUTION
BY GENDER**

**ETHNIC
DIVERSITY**

**104 TOTAL
BRS STAFF**

**15 TOTAL ETHNIC
GROUPS**

EXECUTIVE SUMMARY

Section 28 of the BRS Act 2015 requires the Board to prepare an annual report for each financial year and submit the annual report to the Cabinet Secretary for onward transmission to the National Assembly three months after the end of the year to which it relates. In line with this provision, this report has been prepared to meet this statutory requirement. Secondly, the report captures the spirit and aspirations of the Board and management of transforming the Service into a learning and data driven organization as set out in the strategic plan.

In FY 2020/21, the Service received an exchequer allocation of Kshs 309 million to run her activities. The Service absorbed 98% of the funds allocated during the year. Through the leadership of the Board, the Service prepared the first performance contract with Attorney General on behalf of the Government of which the Service implemented 90.7% of the activities in the performance Contract. During the FY 2020/21, the Service registered the highest number of business entities totaling to 154, 236 comprising of 101,674 Business names, 50,932 Private companies, 179 public Companies, 182 Foreign companies, 753 Companies Limited by Guarantees and 516 Limited Liability Partnerships. During the year the Service received applications for dissolution of 2540 businesses mostly due to the enforcement of the BO regulation and also due to the effects of COVID 19 where some merchants opted to dissolve their premises amid the increasing difficulties in business environment.

The MPSR registry recorded 102, 637 initial notices and 18,665 searches implying increasing knowledge and interest on use of movable properties in access to loans. In terms of insolvency, more than 100 dormant insolvency matters were closed during the year.

On service delivery, the Service developed complaint handling framework and harmonised the Service charter for the entire institution. An information tab feature was also made available on the BRS website to increase the level of intake of the Service information by the public. The Service started the acquisition of a ERP to further facilitate smooth operations and technology driven – efficiency within the Service.

The Service also managed to develop the inaugural Strategic Plan for the years 2021/22 and 2025/26. The Plan has aspirations of the Board, the management, staff and stakeholders. During the same period, the Service implemented its first performance contract where 90.7% of the activities were implemented. In terms of operations, 4 new administrative units were established including Corporate Strategy, Corporate communications, Internal Audit and administration unit. A total of 97 staff members were onboarded to the Service under fresh terms from October 2020. In terms of capacity building, 28 staff members benefited from various trainings, workshops and conferences. The staff welfare needs were taken care of through the provision of pension and medical scheme to the staff members.

A total of Kshs 59.4 million tenders were awarded on local goods and services. Further Kshs 28.1 million was awarded to AGPO group. Through the legal department, the Service legal interest were safeguarded where 20 cases were closed and a liability of Kshs 60 million averted through a favourable ruling.

In spite of these achievements, the Service faced a number of challenges in the course of delivering its mandate. Key among them is inadequate office space to accommodate staff, the COVID 19, lack of automation in some of the services, lack of effective office equipment, inadequate budgetary allocations, limited public awareness about the Service among others.

The Service recognizes the importance of collaborating with other stakeholders to ensure effective discharge of its constitutional mandate. Going forward the Service plans to increase stakeholder collaborations, public awareness campaigns, use of ICT solutions and prioritise customers handling, response and service.



CHAPTER ONE

INTRODUCTION

1.1 Background Information

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;
- 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.

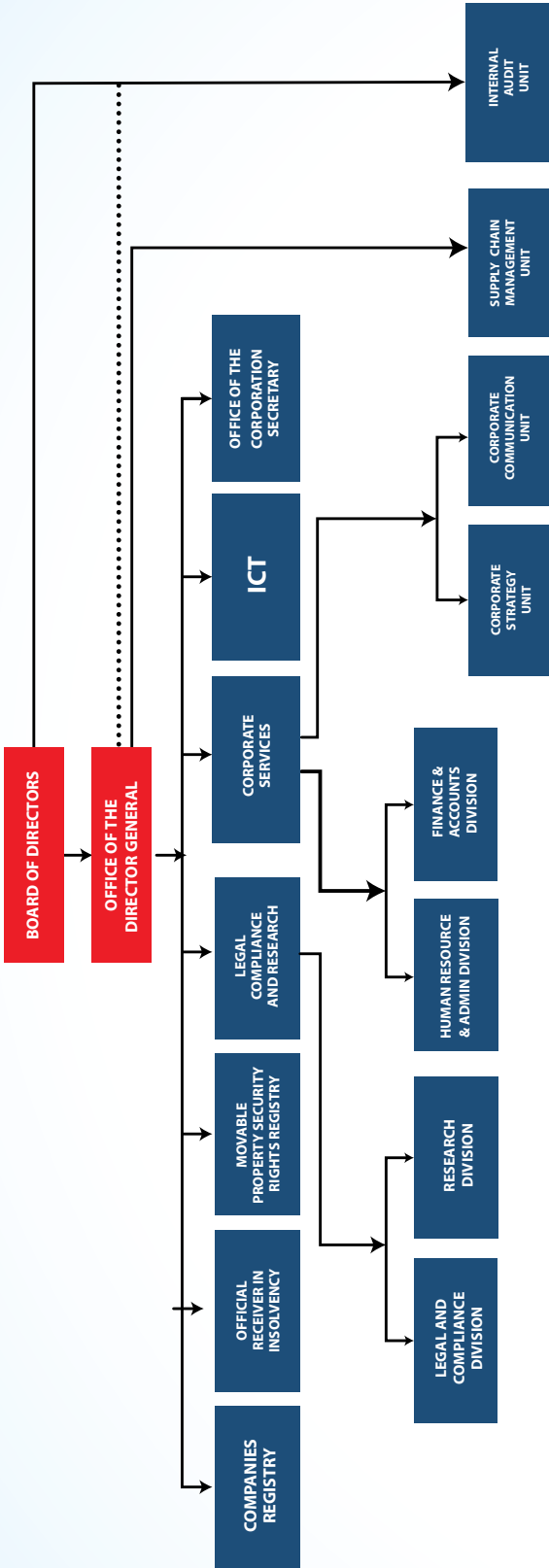
1.2 Rationale of Preparation of the Annual Report

The preparation of this annual report has been guided by Section 28 of the BRS Act 2015 which requires the Board to prepare an annual report for each financial year and submit the annual report to the Cabinet Secretary for onward transmission to the National Assembly three months after the end of the year to which it relates.

The annual report should contain, (a) the financial statements of the Service; (b) a description of the activities of the Service; (c) such other statistical information as the Board may consider appropriate relating to the functions of the Service; (d) the impact of the exercise of the mandate or functions of the Service; (e) the progress and the welfare of the members of staff of the Service, including matters relating to housing, insurance, safety equipment and the conditions of service; (f) the gender, regional and ethnic diversity in the Service; and (g) any other information relating to the functions of the Service that the Board considers necessary. The Report should be published and publicized as advised by the board.

1.3 Organizational Chart

The top most decision making organ is the Board of Directors who make policy and strategic decisions on the operations of the service. The coordination of the day to day operations of the Service activities is done by the Director General assisted by the staff in different departments as shown in the organ chart.



1.4 Fiduciary Oversight Structure

The Service is governed by the Board of Directors which executes the following: formulates and reviews policies of the Service; ensures that the Service performs its functions; monitors and evaluates the performance of the Service; appoints, trains, disciplines and removes members of staff of the Service; establishes departments within the Service and allocates responsibilities to such departments. The Board has four standing Committees to which it has delegated key responsibilities. Each Committee meets at least four times a year under the terms of reference approved by the Board.

The main responsibilities of the Committees are as follows;

1.4.1 The Audit and Governance Committee

The principal responsibilities of the Committee include review of financial statements, considering the effectiveness of the company'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.

1.4.2 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.

1.4.3 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.

1.4.4 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.

1.5 Institutional structure

The Service is comprised of the following Departments/Divisions/Units namely:-

- i) Executive Office
- ii) Department of Companies Registry;
- iii) Department of Insolvency;
- iv) Department of Movable Properties Securities Rights Registry;
- v) Department of Legal, Compliance and Research;
- vi) Department of Corporate Services;
- vii) Office of the Corporation Secretary;
- viii) Supplies Chain Management Unit; and
- ix) Internal Audit Unit.

1.5.1 Executive Office

The Office is headed by The Director General /Chief Executive Officer (CEO) who is also responsible to the Board for the day to day affairs of the Service. The function of the Office includes:

Ensuring the implementation of the Board's decisions in an effective, efficient, result oriented and timely manner; coordinating the development and implementation of the education, training, research, administrative and financial policies of the Service, functions and Strategic Plan; managing, directing, organizing and administering all the activities of the Service; organizing, controlling and managing members of the Service; ensuring effective communication between the management and the Board, ; maintaining a conducive work environment for attracting, retaining, and motivating employees, fostering local and international partnerships with institutions of research and other agencies; and mobilizing financial and other resources for the Service.

1.5.2 Companies Registry

The department of Company Registry is headed by Company Registrar who reports to the Director General. The Department of Companies administers the following laws: (i) The Companies Act, 2015; (ii) The Registration of Business Names Act, Cap 499 Laws of Kenya; and (iii) The Limited Liability Partnerships Act. No 42 of 2011. The functions of the Department entails. Registration of Limited Liability Companies; Registration of Limited Liability Partnerships; Registration of Business Names; Registration of debentures and charges; Maintenance of various statutory records under the above Acts; and enforcing compliance with the laws administered by the Registrar.

1.5.3 Department of Insolvency

This directorate is headed by the Official Receiver, who reports to the Director General. The roles of the department entail: receiving, approving and issuing insolvency licenses to qualified insolvency practitioners; supervising insolvency practitioners in matters of bankruptcy of natural persons/alternative to bankruptcy, liquidation and administration of insolvent companies; administration of insolvent deceased estate; act as interim in respect of debtors property; investigating the conduct of the debtor and reporting to court; verifying proofs, petitions, affidavits administered under the insolvency act; advertising the bankruptcy orders and reporting to the creditors of any voluntary arrangement which the debtor/company may have made with respect to liquidating the debts among others.

1.5.4 Department of Movable Properties Securities Rights Registry

The Department of Movable Properties Securities Rights Registry is headed by Deputy Director Registrar, Movable Properties Securities Rights who is responsible to the Director General for the overall coordination and management of the Movable Properties Securities Rights Registry function at the Service.

The Movable Property Security Rights Act, 2017 is the principal Act governing registration of Security Rights in the Movable Property Securities Rights Registry. The functions of the Department entails: Registration of Security rights; renewal of registered Security Rights; registration of transfer of Security Rights; and Litigating in matters where the Director General is a party in suit.

1.5.5 Department of Legal, Compliance and Research

The Department of Legal, Compliance and Research is headed by Director, Legal Compliance and Research who reports to the Director General for the overall coordination and management of the Legal, Compliance and Research function at the Service.

The functions of the Department entail: developing, reviewing and implementing the Services' legal policies, contracts, Memorandum of Understanding (MOUs) and all other legal documents; safeguarding the legal interests of the Service by advising on and ensuring compliance with all statutory requirements; ensuring relevant policies are implemented in line with the existing guidelines; providing the necessary information to guide the formulation and amendment of relevant policies and guidelines; carrying out research and disseminating research findings in the fields covered by the relevant laws through seminars, workshops, publications or other means; recommending to the Government any improvements in the relevant laws; ensuring that the Service complies with statutory and other regulatory requirements by undertaking periodic legal audit compliance; drawing and processing legal notices and other gazette notices to be issued by the Service; drawing contracts, agreements, leases and other

legal documents and vetting those drawn by other parties; coordinating the review of laws, by-laws and regulations relating to the Service; and creating linkages with professional bodies on matters of development of the legal framework.

The Department is further organized into two (2) Divisions namely:

- i) Legal and Compliance Division; and
- ii) Research Division.

1.5.5.1 Legal and Compliance Division

The Legal Division is headed by a Deputy Director, Legal and compliance who reports to the Director Legal Services for the overall management of the Legal and Compliance function in the Division. The functions of the Legal Division entail: developing, reviewing and implementing the Services' legal policies, contracts, Memorandum of Understanding (MOUs) and all other legal documents; preparing court records and forwarding them to the appropriate courts; preparing Legal opinions; opening case files for cases instituted before the Service; fixing hearing dates; preparing case files for hearing; undertaking litigation for the Service; undertaking investigations and prosecutions; issuing notices on non-compliance; and undertaking mediation.

1.5.5.2 Research Division

The Research Division is headed by Deputy Director, Legal Research who reports to the Director, Legal Services for the overall management of the Research function in the Division. The functions of the Research Division entail; conducting all research activities at the Service; undertaking legal research on emerging trends; undertaking law review and research relating to applicable laws; developing research agendas, tools and provide leadership in data collection, analysis, presentation and compiling reports; creating linkages with professional bodies on matters of development of the legal framework; and developing, managing and ensuring safe custody of all research based databases at the Service.

1.5.6 Department of Corporate Services

The Corporate Services Department is headed by a Director, Corporate Services, who reports to the Director General for the overall coordination and management of the Corporate Services function at the Service.

The Department oversees the development of effective policies and efficient systems, controls and procedures for all matters relating to Human Resource and Administration, Finance, Planning, Corporate Communication and Information Communication Technology; coordinates and directs all support services and activities relating to Human Resource and Administration, Finance, Planning, Corporate Communication and Information Communication Technology; provides technical advice and guidance in all matters relating to Human Resource and Administration, Finance, Planning, Corporate Communication and Information Communication Technology; promotes corporate brand and image of the Service; spearheads Corporate Social Responsibility programmes and overseeing maintenance, repair and construction activities in the Service;

Further the directorate spearheads change management processes across all areas of responsibility as required through the planning, leading and implementation of change to ensure support functions provide an efficient and cost effective services for the organization; oversees the implementation of HR processes for staff performance management and when necessary, the initiation and following through of disciplinary and grievance procedures; ensures adequate internal controls and compliance with the applicable laws, policies and procedures on Human Resource and Administration, Finance, Planning, Corporate Communication and Information Communication Technology.

The directorate is also responsible for analyzing and interpreting policy issues, reporting, monitoring and evaluating and providing feedback on Human Resource and Administration, Finance, Planning, Corporate Communication and Information Communication Technology activities in the Service; and Responsible for preparation of Board papers for deliberation and decision making by the Board members on matters relating to Human Resource and Administration, Finance, Planning, Corporate Communication and Information Communication Technology.

The Department is comprised of the following two (2) Divisions and three (3) Units

- i) Human Resource and Administration Division;
- ii) Finance and Accounts Division;
- iii) Corporate Strategy Unit;
- iv) Corporate Communication Unit; and
- v) Information Communication Technology (ICT) Unit.

1.5.6.1 Human Resource and Administration Division

The Human Resource and Administration Division is headed by a Deputy Director, Human Resource and Administration, who reports to the Director, Corporate Services for the overall coordination and management of the Human Resource and Administration function at the Service.

The division initiates, formulates, promotes and implements human resource and administrative policies, strategies and procedures; provides advice on matters relating to implementation, interpretation, application and enforcement of staff rules and regulations (disciplinary management); recruits and retains highly qualified human resources; administers employees' benefits, remuneration and payroll records management; coordinates human resource planning; develops capacity building programmes and strategies; coordinates organizational transformation and development; formulates and implements performance management systems; manages staff welfare and employee relations; coordinates all matters pertaining to general office administration and security; ensures efficient management of the Service's office environment, facilities and assets; allocates office space, manages transport and common user facilities; develops, advises and implements security and safety policies and procedures; coordinates registry services in BRS; and coordinates staff meetings.

1.5.6.2 Finance and Accounts Division

The Finance and Accounts Division is headed by a Deputy Director reports to the Director, Corporate Services for the overall coordination and management of the Finance and Accounts function at the Service.

The Function of the Division entails:-overseeing the development and maintenance of an efficient financial management, organizational governance and administration system in accordance with the financial procedures of the Service and international accounting standards and best management practices; providing professional advice to management on financial planning, budgeting, cash flow and investment; ensuring effective and timely financial management on all the Service's matters and, report in accordance with the laid down guidelines; administering and monitoring the Service's budget and work plan in accordance with the Service's financial management procedures in consultation with departmental heads; ensuring statutory deductions are remitted to relevant authorities; liaising with heads of departments and divisional heads to ensure economic and efficient use of the Service's resources; liaising with tax authorities to ensure compliance with the laid down internal and external regulations; overseeing effective accounting management to ensure effective applicable laws, policies and procedures; overseeing mobilization of Resource for the Service; and coordinating external audits and follow up actions with other departments.

1.5.6.3 Corporate Strategy Unit

The Corporate Strategy Unit will be headed by a Senior Planning Officer, Job Grade BRS 4 who will be responsible to the Director, Corporate Services for all planning services, monitoring and evaluating programmes and projects of the Service.

The Functions of the Unit entail; Formulation, review and interpretation of planning, monitoring and evaluation policies; coordinating the development, review and implementation of the service's strategic plan and service charter; coordinating the development, implementation and evaluation of the service's performance contract and master plan; coordinating the development of departmental work plans and aligning them to the budget; coordination and the preparation of ministerial public expenditure review (MPER) and mid-term expenditure framework (MTEF) budget; prioritization of projects and processes for MTEF in accordance to

budget calendar; monitoring, evaluation and reporting on progress in the implementation of projects and programmes; coordination of economic analysis and strategies; preparation of development plans; economic modelling and forecasting; compilation and interpretation of statistical data; feasibility studies on all service delivery projects; and service delivery surveys.

1.5.6.4 Corporate Communication Unit

The Corporate Communications Unit is headed by Senior Corporate Communications Officer who reports to the Director, Corporate Services for the overall management of the Unit. The function of the unit entails promotion of corporate brand and image of the Service; development and implementation of a communications strategy; coordination of Corporate Social Responsibility programmes; coordination of Media events and publicity programmes; overseeing customer care services; assessing media activity in relation to the Service and coordinate responses where appropriate; development and dissemination of corporate and promotional materials in liaison with relevant Departments; overseeing engagement and presence of the Service in the Social Media; overseeing and coordination of website content and updates; coordinating official communication with the media and coverage of Service events and activities; production of brochures, handouts, direct mail, leaflets, promotional videos, photographs films and multimedia programmes in liaison with relevant Departments; organization of press conferences exhibitions, open days, tours competitions and sponsorship; and preparation of and edit publishing press releases, newsletters, features, speeches, articles, media supplements and documentaries.

1.5.6.5 Information Communication Technology Unit

The Information Communication Technology Unit is headed by a Senior ICT Officer who reports to the Director Corporate Services for the overall coordination and management of the Information Communication Technology function at the Service.

The Function of the Unit entails; planning, coordination and implementation of Information Communication Technology (ICT) policy, systems and strategies; coordination of the information systems network; managing local, intra and wide area networks; managing bandwidth and e-security; designing and update web-portals, websites and provision of webmaster services; analyzing and review operational and business workflows; identifying areas of improvement and automation and implement proposed solutions; ensuring information security; keep custody of the key database and application systems passwords; evaluation, configuration and installation of new hardware and software; carry out systems analysis; and drawing specifications, systems and user friendly documentation.

1.5.7 Independent Unit Functions

1.5.7.1 Supply Chain Management Unit

The Supply Chain Management Unit is headed by a Senior Supply Chain Management Officer who reports to the Director General for the overall coordination and management of the Supply Chain Management function at the Service.

The functions of the Unit entail: overseeing the procurement processes and procedures to ensure compliance with the Public Procurement and Disposal Act and Regulations; formulation and implementation of supplies and stores policies including effective stock control systems; creating liaison with the National Treasury and the Public Procurement Oversight Authority on matters related to procurement and asset disposal; implementing procurement decisions and coordinating procurement activities in the Service; preparing annual procurement plan for goods and services; consolidated procurement and asset disposal plans; procuring required goods at the most competitive and economical prices; conducting boarding and disposal of unserviceable and/or other stores; maintaining updated lists of pre-qualified and approved suppliers; participating in preparation of the annual budget and annual procurement plans and maintaining accurate records as required. The unit also coordinates evaluation of tenders, quotations and proposals among other duties.

1.5.7.2 Office of the Corporation Secretary

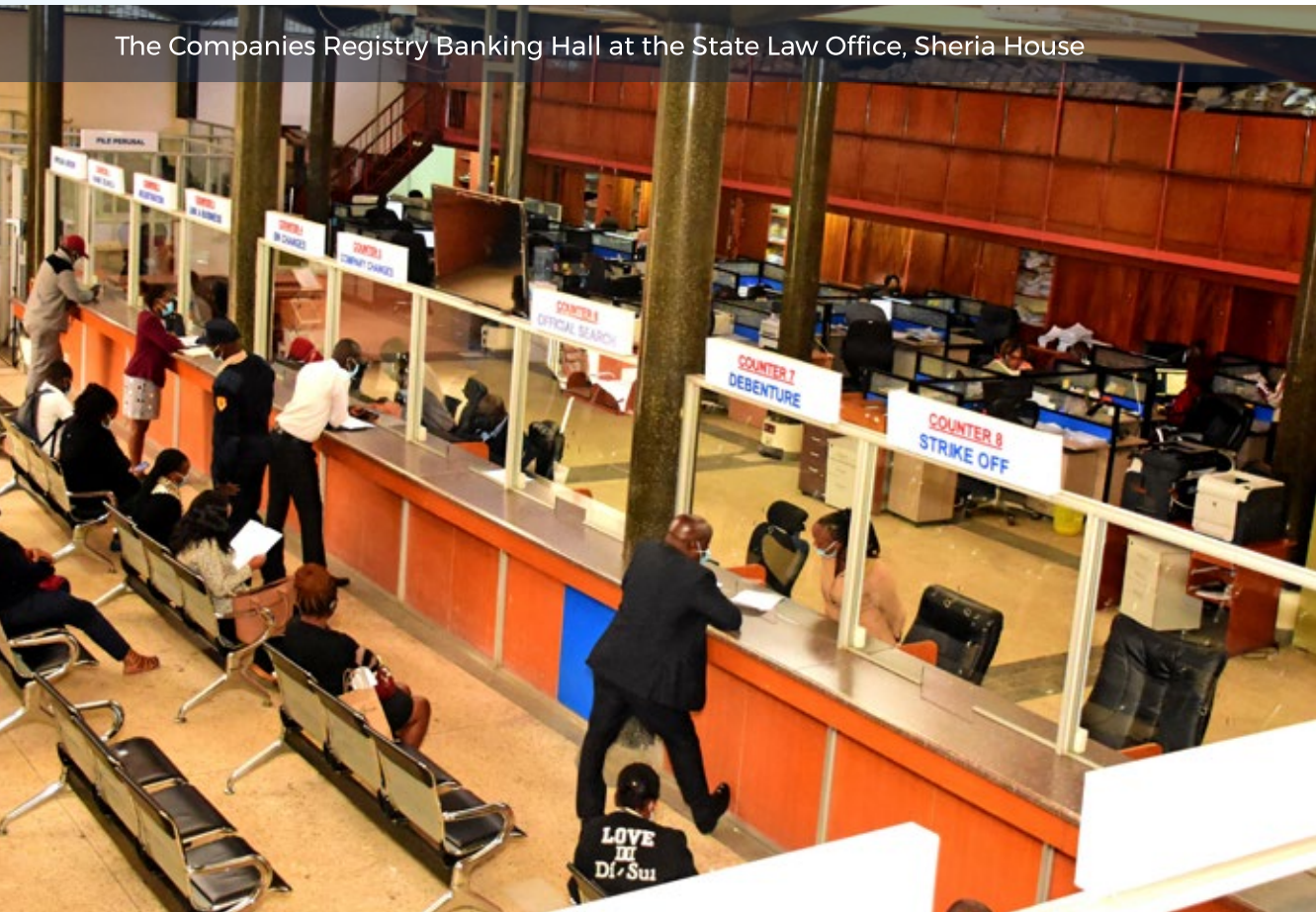
The Corporation Secretary reports to the Director General for the overall coordination and management of the Corporation Secretary function at the Service. The functions of the Corporation Secretary entails providing guidance to the Board on their duties and responsibilities and on matters of governance, assisting the Board in carrying out Board induction and training; updating the Board and Committee Charters; preparing Board work plans; Board evaluation; Governance audit; and implementing the code of conduct and ethics; ensuring the timely preparation and circulation of Board and Committee papers and minutes; providing custody of the seal of the Organization and account to the Board for its use; maintaining and updating the register of conflicts of interest; ensuring that Board members are aware of all relevant laws affecting the organization; facilitating effective communication between the organization and the shareholders; ensuring that annual returns are promptly filed with the relevant authorities; ensuring that Board and Committee papers are circulated in advance of any meeting; coordinating and conducting legal research for the Board; providing Legal advice to the Board; coordination and promotion of corporate brand and image of the Board; and liaising with the Office of the Attorney General on Legal matters.

1.5.7.3 Internal Audit Unit

The Internal Audit Unit is headed by Head of Internal Audit who administratively report to the Director General for day to day operations and directly to the Board for the overall coordination and management of the Internal Audit function at the Service.

The Internal Audit Unit performs the following functions: carrying out timely and continuous audits, verify and monitor all financial transactions; liaising with external auditors on matters relating to management on all final audit queries; monitoring and evaluation of procedures and processes of receiving, recording and banking of cash; monitoring of expenditure; formulation and review the internal controls to ensure compliance with the set policies, procedures and governing legislations; ensuring accuracy of internal management reports; assurance of the effectiveness of the risk assessment and mitigation measures within the Service .

The Companies Registry Banking Hall at the State Law Office, Sheria House



CHAPTER TWO

BRS PERFORMANCE REVIEW AND ACHIEVEMENTS-FOR THE FY 2020/21

2.1 Introduction

In the FY 2020/21, the Service carried out several activities in line with its mandate of administering laws relating to the incorporation, registration, operation and management of companies, partnerships and firms.

2.2 General achievements

2.2.1 Improvement in the Ease of Doing Business

BRs contributed towards improvement in ease of doing business according to World Bank ease of Doing Business Index by moving 6 places up globally in the ranking to position 56 from the previous rank of 61. This was largely attributed to the various reforms carried out by the Government on various fronts and including some undertaken by the Business Registration Service.

2.2.2 Collaboration and Stakeholder Engagement

During the FY 2020/21, BRS collaborated with other agencies in order to provide required synergies to enhance delivery of her services to the citizenry. The Service signed an MOU with KIPPRA to facilitate research and publication of knowledge to enhance decision making and successfully integrated with KRA, KECOBO, NHIF, NSSF and county government of Mombasa. The Service continues to collaborate with IFC for the review of registry system, Joint Liason Committee agencies which include ICS, BRS & LSK to have an holistic approach to ease of doing business in the country.

2.3 Company Registry

2.3.1 Registration of Business Entities

During the FY 2020/21 a total of 154,236 business entities were registered which was an increase of 30.0% compared to 118,609 registered in FY 2018/19. The highest number of registrations were done for Business names at 101,674 (65.9%) and 50,932 private companies (33.0%). The highest number of registrations were done in quarter one of the FY 2020/21.

Values	1st	2nd	3rd	4th	Grand Total	%
Business Names	29,941	22,661	26,937	22,135	101,674	65.92%
Private companies	15,681	11,559	12,518	11,174	50,932	33.02%
Public Companies	34	26	17	102	179	0.12%
Foreign Companies	37	52	48	45	182	0.12%
Companies Limited by Guarantee (CLGs)	204	147	229	173	753	0.49%
Limited Liability Partnerships (LLPs)	148	116	133	119	516	0.33%
Strike Off	477	430	928	705	2,540	1.65%
Total Entities Registered	46,045	34,561	39,882	33,748	154,236	100%

2.3.2 Total Entities in the register

At the end of the FY 2020/21, the Service had registered a total of 1,897,675 by end of June out of which 66.9% (1,269,797) were business names followed by private companies accounting for 32.4% (614,543).

Business Entities	Total Entities	% Change
Business Names	1,269,797	66.91%
Private companies	614,543	32.38%
Public Companies	4,284	0.23%
Foreign Companies	5,064	0.27%
Companies Limited by Guarantee (CLGs)	1,709	0.09%
Limited Liability Partnerships (LLPs)	2,278	0.12%
Grand Total	1,897,675	100%

2.3.3 Number of applications for dissolution

During the year, the Service experienced increased number of applications for dissolutions of businesses totaling to 2,540 entities. This was occasioned by COVID 19 and enforcement of the BO regulations where most of the business entities preferred to terminate than to comply with the regulations.



2.3.4 Progress made in Linking of Business

A total of 620,243 business entities had been linked by the end of June 2021. This consists of 335,857 business names and 278,750 private companies. When compared to the global totals, as at end of June 2021, the service had linked 32.7% of all the entities registered. The linking was very high among the LLPs at 99.3% followed by linking of the CLGs at 88.1%. The linking was low for the Foreign companies (18.9%) and Public Limited companies (21.3%) as well as the business entities (26.4%).

Business Entities	Linked Entities as at June 2021	Total Business Entities	% of linking
Business Names	335,857	1,269,797	26.4%
Private companies	278,750	614,543	45.4%
Public Companies	914	4,284	21.3%
Foreign Companies	955	5,064	18.9%
Companies Limited by Guarantee (CLGs)	1,506	1,709	88.1%
Limited Liability Partnerships (LLPs)	2,261	2,278	99.3%
Total	620,243	1,897,675	32.7%

2.3.5 BO-Beneficial Ownership

Following the gazettelement of the Companies (Beneficial Ownership Information) Regulations (the Regulations) vide Legal Notice No. 12 of 2020 in accordance with the provision of section 93 A of the Companies Act, 2015 requiring that all Company's keeps a register of its beneficial owners and submits a copy of this register to the Registrar of Companies within 30 days of preparation. The regulations came into force on 13th October 2020 and as at June 2021, a total of 26% of the private companies had declared their BO status.

Values	Apr	May	Jun
Total BO declarations	118,525	154,038	157,031
Sum of Total Private companies	608,232	610,744	614,543
Compliance with BO Regulations	19%	25%	26%

2.4 Resolution of Insolvency in Kenya

A summation of the OR records shows that there were 21 people who applied to be declared bankrupt and 40 petitions on companies for liquidation. Further a total of 15 IPs made applications to be licensed/or to renew their practicing licenses.

In the same year, more than 100 dormant insolvency matters were closed. The Office of Official receiver established Insolvency Public register, indexed Bankrupt and liquidated estates, developed guidelines/manuals/training programmes for management of estates and debtors' estates.

OR Records	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Grand Total
Application & renewal for insolvency practitioners licence	2	1	1	0	0	1	3	1	0	4	0	2	15
Bankruptcy order application (debtor's application)	0	1	2	2	4	4	1	1	4	1	0	1	21
Bankruptcy order application (creditors' petition)	0	0	0	0	0	0	0	0	0	0	0	0	0
Application for no asset procedure	0	0	0	0	0	0	0	0	0	0	0	1	1
Application for individual voluntary arrangements	0	1	0	0	0	0	0	0	0	0	0	0	1
Application for summary instalment order	0	0	0	0	0	0	0	0	0	0	0	0	0

OR Records	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Grand Total
Petitions for liquidation of companies by court	2	7	7	1	2	4	2	2	3	6	2	2	40
Companies under voluntary liquidation	0	3	0	0	0	0	0	0	0	0	1	1	5
Application for company voluntary arrangements	0	0	0	0	0	0	0	0	0	0	0	0	0
Companies under administration	0	0	0	0	0	0	0	0	2	0	0	4	6
Companies under administrative receivership	0	0	0	0	0	0	0	0	0	0	0	0	0

2.5 MPSR

2.5.1 MPSR Registration

A total of 102,637 notices were registered in FY 2020/21 compared to 101,368 notices that were registered in FY 2019/20 representing an increase of 1.25% between the years. A total of 18,665 searches were done during the FY 2020/21 which shows an increase in uptake of MPSR in credit access within the country.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Grand
MPSR Initial Notices	6,945	6,197	7,768	7,745	8,450	7,245	7,930	10,785	10,837	9,275	10,258	9,202	102,637
MPSR Searches	1,353	1,094	1,260	1,904	1,327	1,446	1,530	1,712	2,118	1,675	1,659	1,587	18,665

2.5.2 MPSR Sensitization and Public Awareness Campaigns

The campaign was geared towards BRS stakeholders and the general public and was meant to create awareness about their functions and benefits of the law and registry. During the year, a total of sixteen (16) capacity building sessions, different target groups were conducted countrywide.

2.6 Legal Compliance and Research

2.6.1 Formation of BRS Enterprise Risk Plan

During the FY 2020/21 The Service through the directorate of Legal Research & Compliance, developed a corporate risk enterprise plan and risk registers for each department and unit. The risks were tracked every month by the Directorate and brought out major risks for the decision making by the Board.

2.6.2 Development of BRS Corruption mitigation Plan

The directorate of legal research and Compliance developed a corruption mitigation plan. The service implemented the plan and prepared quarterly reports to EACC in line with the statutory reporting.

2.6.3 Contract Management

The directorate assisted the Service in drafting of 10 contracts during the year and gave legal advice on contract management related on a variety of issues such as; nature of contract, contract extension, legality of contracts, enforceability of contracts among others.

2.6.4 Development compliance management program

During the period under review, BRS developed a compliance management program to help internal and external stakeholders to abide and comply with the legal framework. This program is meant to provide a systematic approach in enhancing compliance with legal provisions.

2.6.5 Safeguarding BRS Legal Interest

In the FY 2020/21, the directorate of Legal Research and Compliance represented BRS legal interests in a number of ways. The unit drafted a number of legal opinions on matters legal, represented BRS in court and coordinated conclusion and closure of approximately 20 cases. A notable achievement is a case where BRS had been sued for damages totaling to approximately Kshs 60 million but the court ruled in favour of the Service therefore saving the Service a financial loss of Kshs 60 million.

2.7 HR and Administration

2.7.1 Operationalized of new Units

In order to improve the efficiency of its operations and in the process of delinking from the office of the Attorney General into a fully-fledged State cooperation, BRS operationalized the new units in line with its approved structure. The new units include Communication, ICT and Corporate Strategy. The Board approved recruitment plan of office holders.

2.7.2 Recruitment

Staff recruitment and capacity development is an important element required to implement the vision of an organization. In this regard, the Service has consistently enhanced the capacity of staff through phased recruitment and skills development programs to effectively deliver on its mandate. To build capacity and fully delink the Service from the Office of Attorney General and Department of Justice, the board competitively recruited 97 BRS staff consisting of senior, middle and lower management as well as sub-ordinate staff.

2.7.3 Capacity Building and Training

During the FY 2020/21, several capacity building events were held by BRS for the staff members. A total of 28 staff members were involved in at least one of the capacity building initiatives. This helped the affected staff members to grow their professional skills set in line with the requirements of their professional bodies while others got inducted into the BRS culture and environment.

No.	Course/Workshop	No. of Officers Attended
1	Training by E-citizen	5
2	Annual Seminar by ICPA	3
3	Annual Economic Symposium by ICPAK	3
4	Annual Human Resource Congress	4
5	Annual Congress for Internal Auditors	1
6	Induction for new staff members	12
7	Total	28

2.7.4 Internship Programme

The Constitution of Kenya, 2010 requires the State to take measures to ensure that the youth gain access to relevant education, training and employment. In this regard, the Public Service Commission (PSC) developed an internship policy in 2015 that establishes mechanisms for ensuring that the youth, especially those with relevant qualifications, are offered the opportunity

to gain practical work experience in public institutions to improve their competitiveness in the job market. In pursuance of this policy, the Service recruited 2 graduate interns and 2 attache' in different groups within BRS.

2.7.5 Employee Welfare

The Board approved the establishment of employee welfare schemes, the welfare schemes approved include the Staff Medical Scheme, Group Personal Accidents (GPA) Cover, Group life and a defined Retirement Benefit Scheme for employees on permanent and Pensionable terms of employment. The service pays service gratuity for employees on contract as per their terms of employment.

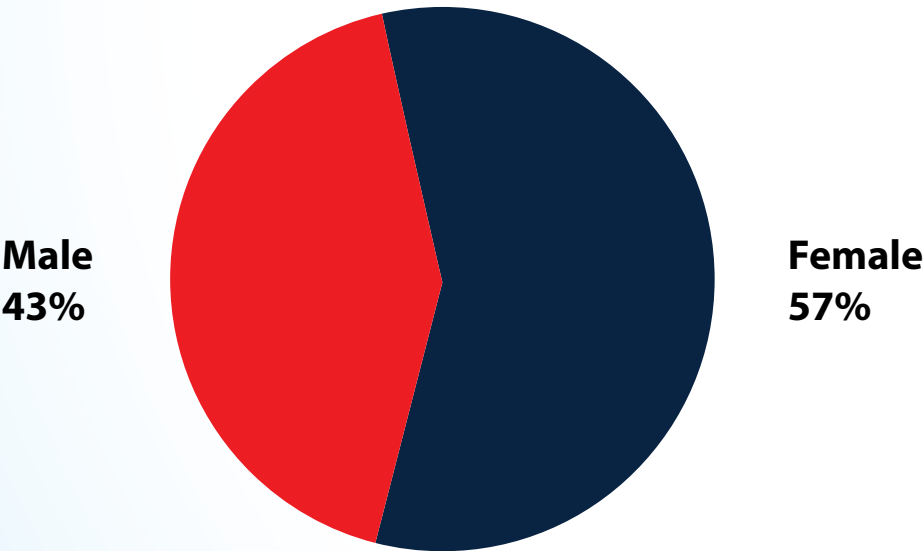
2.7.6 Health and Safety In the Workplace

To ensure health and safety of the staff members in the work place. BRS 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. During the year, the committee met at least twice every quarter to review and assess the progression on safety measures in the workplace.

2.7.7 Gender of the staff

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 re-alization 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.

Further, Section 28 of the BRS Act of 2015 requires BRS to report gender summary status of the staff members in the annual report. During the FY 2020/21 the Service had 104 consisting of 59 and 45 female and male staff members respectively.



2.7.8 Ethnic Diversity

During the FY 2020/21, BRS had a total of 15 ethnic tribes represented within the Service. The most populous ethnic groups included Kikuyu, Luhya, Kalenjin, Luo, Meru, Kisii and Kamba as shown in the table.

Ethnic Group	Number	%
Kikuyu	36	34.6%
Luhya	13	12.5%
Kalenjin	11	10.6%
Luo	9	8.7%
Meru	8	7.7%
Kisii	8	7.7%
Kamba	6	5.8%
Teso	3	2.9%
Mbere	3	2.9%
Taita	2	1.9%
Somoli-So-State	1	1.0%
Pokot	1	1.0%
Miji Kenda	1	1.0%
Masai	1	1.0%
Bajun	1	1.0%
Grand Total	104	100%

2.8 Finance and Accounts

2.8.1 Revenue Collection

The total revenue collected by BRS in the FY 2020/21 amounted to Kshs 1,091,800,124 from 836,673,500 collected in FY 2019/20 representing an increase of 30.5% between the years.

Row Labels	1st	2nd	3rd	4th	Grand Total
Company Registry	288,373,759	230,718,212	310,404,482	249,039,879	1,078,536,332
Hire Purchase	215,800	656,800	900,000	100,000	1,872,600
Official Receiver	351,000	801,875	310,500	343,000	1,806,375
Rev-MPSR	1,895,000	2,370,000	2,680,000	2,513,000	9,458,000
Other Income-Payroll	44,492	22,427	34,255	25,643	126,817
Total BRS revenue	290,880,051	234,569,314	314,329,237	252,021,522	1,091,800,124

2.8.2 MTEF Budget Process and Resource bidding

During the year under review the division participated in the production of Program Performance Review (PPR), Program Based Budget (PBB) Report and the Sub-Sector Reports for the State Law Office in the months of September, October and November 2019. The Department also took part in the bidding of resources for BRS to a tune of Kshs 420 million at Mombasa.

2.8.3 Visit to Outstation Offices

The division made visits to the offices located in the outstations on quarterly basis to update financial records. During the visits, the division prioritized on the following activities; bank reconciliation, updating ledgers, receipting of the deposits and closed rescinded files.

2.9 Supply Chain Management

2.9.1 Tenders Awarded

During the FY 2020/21 the supply chain unit effectively procured goods and services for BRS. A total of Kshs 50,899,204 worth of tenders were awarded during the period. BRS acquired new IT equipment totaling to Kshs 32,928,495 showing an increment in the BRS inventory by more than 30 million. Further, BRS complied with all provisions and asset disposal processes as outlined in the Public Procurement & Asset Disposal Act, 2015 (PPAD). The Service settled all contracts within the year under review and had no any pending bill as at 30th June 2021.

2.9.2 AGPO

The Service awarded Kshs 28.1 million to AGPO group. AGPO is an affirmative action program launched on 16th October 2013 that facilitates the legal requirement for disadvantaged groups to access 30% of all public tenders

2.9.3 Promotion of local goods and Services (BKBK)

In an effort to promote industries, people and enterprises producing local goods and services, the service spend a total of Ksh 59.4 million on local goods and services.

Secondly, in line with the Presidential directive on promotion of Local Textile Industry which requires that all Staff to wear African Attire made of locally manufactured fabrics on selected days preferably during Fridays and Public holidays. BRS procured 60 locally made branded t shirts for the staff members to promote local textile industries in line with the directive.

2.10 Information And Communication Technology (ICT)

The Service continued to leverage on ICT to improve its service delivery, efficiency of internal operations, engagement with stakeholders as well as the general public. This was achieved through automation of public facing services. The Stakeholders were trained on how to file online submissions on the e-citizen portal.

2.10.1 Enterprise Resource Planning system

The procurement of an ERP system commenced in FY 2020/21 to automate processes in Human Resource, Procurement, and Finance. This will increase efficiencies and enhance service delivery. The HR module was operational and the other two were at advanced stages of implementation.

2.10.2 Acquisition of ICT equipment

During the FY 2020/21, the Service procured 19 modern laptops to address the concerns of risks identified by the Audit report and to accommodate telecommuting for the BRS staff especially after the emergence of COVID 19. The service also bought 30 Ups to improve uptime of BRs services.

2.10.3 Enhancing accessibility of BRS services

During FY 2020/21, the Service acquired ZOOM accounts for webinars and virtual meetings, renewed BRS firewall to ensure secured access to internal services and internet traffic, acquired 135 licenses of Anti-virus to enhance security of internal BRS and acquired a convene e-board solution to enhance conduct and management of Board meetings during the COVID 19 pandemic.

2.11 Corporate planning

2.11.1 Development of First Generation Strategic Plan

During the FY 2020/21, BRS developed its inaugural strategic plan for the period 2021/22-2025/26 to address the increasingly complex and changing needs. This Strategic Plan developed through a consultative approach and methodology that ensured ownership, commitment and leadership by BRS's Board and Management Team. This was done weekly virtual workshop sessions between the Consultant and Management.

The document was further discussed at Naivasha Workshop between the Board and the management where presentations were made and feedback collected from the Board on the following: Situational Analysis, Internal and External Environment Analysis, Strategic Foundation - Vision, Mission & Core Values, Situational analysis summary, Strategic Focus Areas, Strategic Objectives, Key Initiatives, Outcomes and KPIs. The plan was later subjected to external stakeholders who reviewed the document. The input from the external stakeholders was captured in the finalization of the document before it was taken to the Board for approval.

The strategic plan reflects the unique mandate of BRS and one that appropriately builds capabilities and prepares the workforce with the skills, and competencies needed to deliver the expansive mandate.

2.11.2 Development and implementation of the BRS Performance Contracting

In the period under review, the Service through the Directorate of Corporate Services, coordinated the signing of performance contract for the period FY 2020/21. The service implemented 90.7% of the activities stated in the PC and is scheduled for evaluation in the month of October 2021.

2.11.3 Development of policies

During the FY 2020/21, the Service developed a number of policy documents to ensure smooth operation of internal activities including

- Communication policy
- ICT policy
- Records Management policy
- Research policy
- Whistle blowing policy
- Finance procedure manual

2.12 Communication

2.12.1 Development of a Communication Policy

Corporate Communication unit developed a communication policy to provide a solid structure that streamlines the communication processes by adopting best global practice within the Service in order to manage communication between internal and external stakeholders, as well as maintain good communication to aid stakeholders understand the vision, mission, core values and mandate of the Service.

2.12.2 Establishment of a Public Complaints Management and Access to Information Infrastructure

In compliance with CAJ "Reporting Framework on Resolution of Public Complaints and Access to Information, Corporate Communication Unit undertook the following;

- Created Email communication channel for complaints where all complaints are acknowledged and recorded/tracked for resolution
- Created a complaints and access to information register.
- Complaints Handling Committee constituted and undertook capacity building.
- Developed a Complaint Handling Framework.

2.12.3 Public Awareness and Media Campaigns

The Service conducted media programs to create awareness on registration services offered by BRS. The program included television and radio talk shows, news articles, webinars and social media campaigns. The messages centered around ease of doing business, Movable Property Security Rights, Beneficial Ownership Information and complaints handling mechanism at BRS.

2.12.4 Streamlining Of Service Delivery Standards

During the financial year 2020/2021, Corporate Communication unit streamlined the customer service delivery charter by documenting all services offered, The Charter outlines customer rights and responsibilities and the procedure to follow if our service standards are not met. Corporate Communication is in the process of customizing the charter to unique needs and convenient access for customers who are visually impaired and have hearing impairment, by among others, translating the Charter to Braille, providing mechanisms for sign language and providing audio recordings, a commitment in the Performance Contracting for the FY 2021/2022 (18th Cycle).

2.12.5 Corporate Social Responsibility

CSR is an important component that enables an organization to participate in promoting the environmental, ethical and socio-economic concerns of the communities. 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, 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.

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.

2.13 Audit function

During the FY 2020/21, BRS operationalized Audit function and staffed it with one officer. The unit concluded 2 audit exercises in key technical departments within BRS and the reports shared with board for decision making. The unit also played a pivotal role in preparation of audit governance policy and procedures manuals to ensure effective internal controls.



BRS Board of Directors, Management and Consultants during a joint Strategic Planning Workshop at a Hotel in Naivasha on 2nd – 5th June 2021



BRS staff being trained on Performance Appraisal by the Deputy Director HR & Admin Yusuf S. Shapayah. The Performance Appraisal tool aims at streamlining assessment of performance of all staff members and identify gap areas for capacity development.



President Uhuru Kenyatta signing into law the Business Laws (Amendment) Bill of 2021. The Business Laws (Amendment) (No.2) Act of 2021 amended several statutes to facilitate the ease of doing business in Kenya.



Capacity building of the BRS Complaints Management Committee at a Hotel in Naivasha by the Commission on Administrative Justice. The training aimed at sensitizing the team on complaints management, access to information and the reporting under the performance contracting framework



Group photo of BRS and KFS staff members at the Ngong Road Forest

1 STEP REGISTRATION



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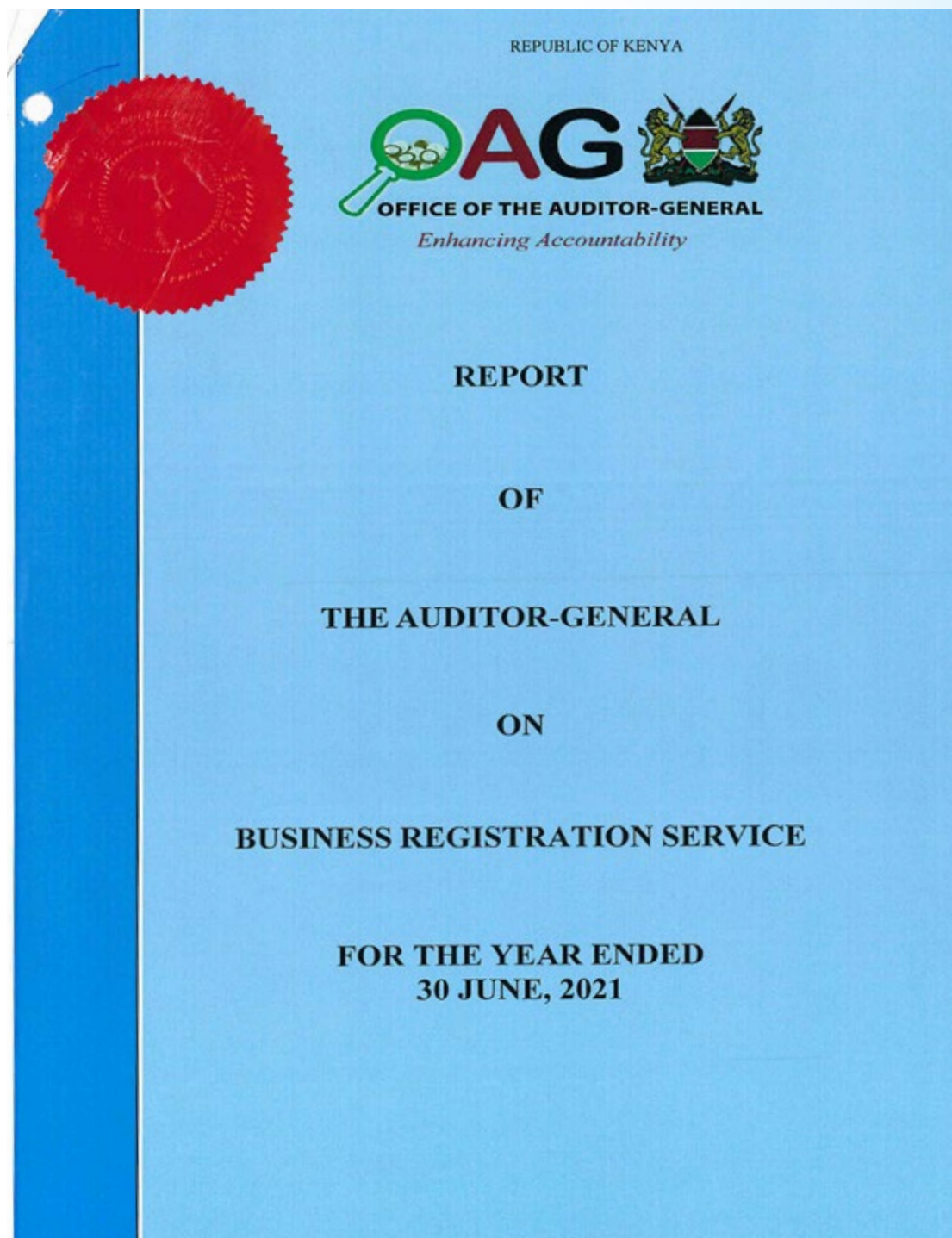
Make the most of these benefits:

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|---|--|---|---|
| ✓ | NITA registration for companies with up to 100 employees has been waived for the first 12 months | ✓ | Download all the documents you need from one place |
| ✓ | Single Business Permit fees waived for the first 24 months of all new businesses registered | ✓ | Certificate of Incorporation |
| ✓ | Department of Health and Safety registration requirement waived for 12 months for new businesses | ✓ | Company PIN |
| ✓ | Company seal no longer a requirement by law | ✓ | VAT, PAYE, NSSF & NHIF registration, and Official Search "CR12" |

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CHAPTER THREE

FINANCIAL REPORT



3.1 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.

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 on

26-01-2022

..... and signed on its behalf by:



Signature:

Justice (Rtd.) Erastus Githinji

Chairperson of the Board



Signature:

Mr. Kenneth Gathuma

Director General

3.2 REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF BUSINESS REGISTRATION SERVICE

REPUBLIC OF KENYA

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



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON BUSINESS REGISTRATION SERVICE FOR THE YEAR ENDED 30 JUNE, 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

Report of the Auditor-General on Business Registration Service for the year ended 30 June, 2021

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 unrepresented 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.

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

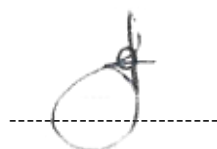
11 March, 2022

3.3 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

26-01-2022
Date.....

ICPAK Member NO. **6469**

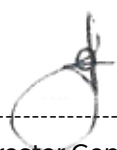
Date **26-01-2022**.....

24-01-2022
Date.....

3.4 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		2,448,006	2,448,006
Net Assets		101,549,522	93,786,218
Accumulated Surplus		101,549,522	93,786,218
Total Net Assets and Liabilities		101,549,522	93,786,218

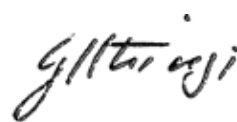
The Financial Statements set out on pages 1 to 20 were signed on behalf of the Board of Directors by:



Director General
KENNETH GATHUMA



Deputy Director Finance &Accounts
ERASTUS MBALU



Chairperson
**JUSTICE (RTD.)
ERASTUS GITHINJI**

26-01-2022

Date.....

ICPAK Member NO. **6469**

26-01-2022

Date.....

24-01-2022

Date.....

3.5 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

3.6 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	61,046,008
Working Capital Adjustments			
Increase in Payables	20	-	2,448,006
Increase /Decrease in Stock	17	402,600	(13,051,625)
Increase in Current Receivables	16	(7,635,813)	-
Total Working Capital Adjustments		(7,233,213)	
Net cash flows from operating activities	21	5,949,373	50,442,389
Cash flows from investing activities			
Purchase of property, plant, equipment	18	(3,691,620)	(23,165,725)
Intangible Assets		(1,588,400)	-
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

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



Director General
Kenneth Gathuma

26-01-2022
Date... ..



Deputy Director Finance &Accounts
Erastus Mbalu

ICPAK Member NO. **6469**

24-01-2022
Date.....



Chairperson
Justice (Rtd.) Erastus Githinji

26-01-2022
Date.....

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		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
Govern-ment grants	309,568,399	-	309,568,399	309,568,399	0		
Total in- come	309,568,399	-	309,568,399	309,568,399	0		
Expenses							
Employee Costs	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%	
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 ex- penditure	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

3.7 NOTES TO THE FINANCIAL STATEMENTS

3.7.1 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.

3.7.2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

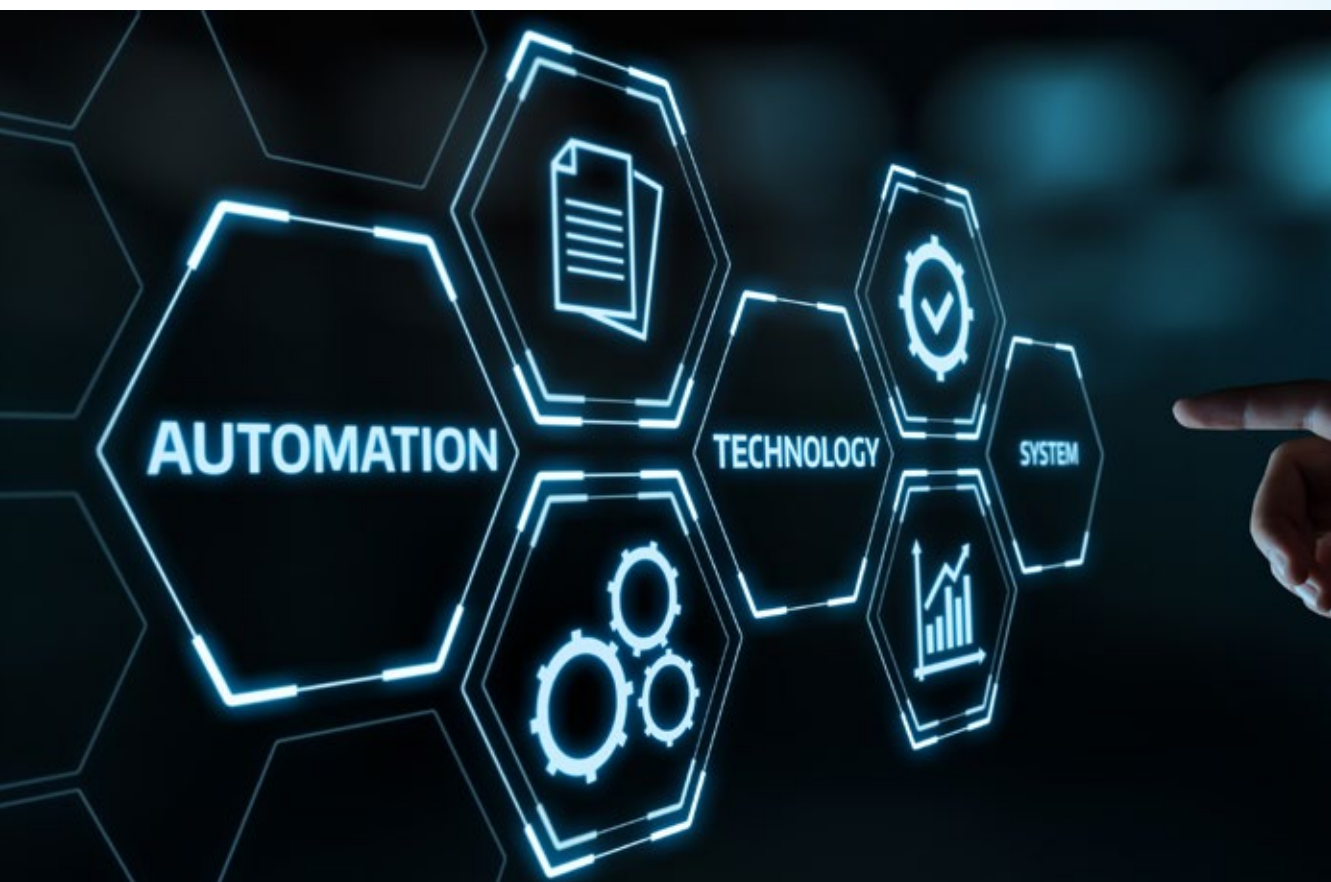
The Business Registration Service financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise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

3.7.3 ADOPTION OF NEW AND REVISED STANDARDS

New and amended standards and interpretations in issue effective in the year ended 30 June 2021.



Standard	Impact
Other Improvements to IPSAS	<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.</p> <p>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.</p> <p>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).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<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.

Standard	Effective date and impact:
IPSAS 42: Social Benefits	<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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
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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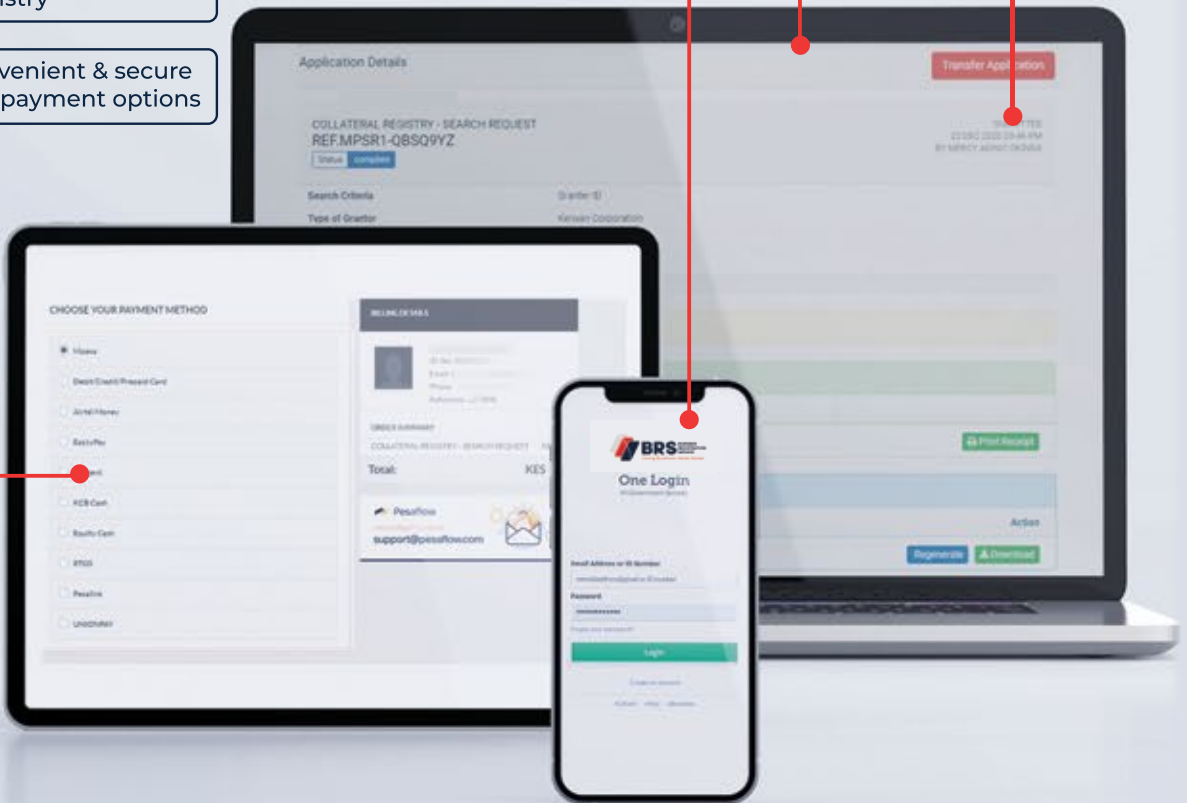
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3.8 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.8.1 Revenue recognition

3.8.2 Revenue from non-exchange transactions

3.8.2.1 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.

3.8.2.2 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.

3.8.2.3 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.

3.8.3 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 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.

3.8.4 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Service recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying

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

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

3.8.5 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.

3.8.6 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
- 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.

3.8.7 Employee benefits

Retirement benefit plans

Business Registration Service provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits is charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

3.8.8 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.

3.8.9 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.

3.8.10 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.

3.8.11 Comparative figures

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

3.8.12 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.

3.8.13 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.

3.9 Significant Judgments and Sources of Estimation Uncertainty

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

Useful lives and residual values

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

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

3.10 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.

3.11 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.

3.12 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
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 general expenses	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.
- 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.

3.13 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.

3.14 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.

3.15 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

3.16 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,

3.17 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.

3.18 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

3.19 Detailed Analysis of the cash and Cash Equivalent

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

3.20 Current Receivables

	2020-2021 KShs	2019-2020 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

3.21 Inventories

Description	2020-2021 Kshs	2019-2020 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

3.22 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	3,691,620
Transfers/adjustments	-	-	-	-
At 30th June 2021	20,383,248	14,268,108	10,018,372	44,669,728

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	5,287,611	7,595,688	2,677,757	15,561,056
Net book values				
At 30th June 2021	15,095,637	6,672,420	7,340,615	29,108,672
At 30th June 2020	16,621,535	6,405,427	7,645,356	30,672,318

3.23 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

3.24 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

3.25 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

3.26 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.

Financial Risk Management

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

Business Registration Service regularly reviews its risk management policies and systems to reflect changes and emerging best practices. Risk management is carried out by the management under the supervision of the Board of Directors. The services financial risk management objectives and policies are detailed below;

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

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;

	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

Related Party Balances

3.27 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.

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
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
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

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)

Events After The Reporting Period

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

3.28 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.

3.29 Currency

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

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: (Re-solved / Not Re-solved)	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.....



26-01-2022

Date:

Director General

Sign:.....



26-01-2022

Date:.....

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 com- mitment	Separate donor reporting required as per the do- nor agree- ment (Yes/ No)	Consolidat- ed 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 In- vestment Cli- mate Project 3 (Advisory Agreement)	603298	IFC	2020/2021	113,620,000	No	No

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 expend- ed to date	Completion % to date	Budget	Actual	Sources of funds
1	Enterprise Resource Plan- ning(ERP)	8,935,852	0	75%	9,000,000	0	GOK

APPENDIX III:

INTER-ENTITY TRANSFERS

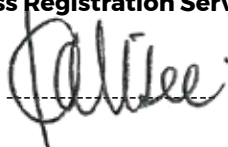
BUSINESS REGISTRATION SERVICE				
	Break down of Transfers from the State Law Office and Department of Justice			
	FY 2020/2021			
a.	Recurrent Grants			
	Reference number	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	B043267	24.08.2020	77,392,100.00	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 **26-01-2022**

Head of Accounting Unit

Office of the Attorney General

Sign-----



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CHAPTER 4

EMERGING ISSUES, GAPS & CHALLENGES

4.1 Inconsistences of the Legal Provisions with BRS Structure

BRS administers various Act in discharging its mandate. The Acts establishes Company Registrar and Office of Official Receiver. The Acts provides and establishes such Offices as fully operational entities with own seal and the head of such entity as accounting officers. This conflicts with the BRS Act of 2015 where such entities are assumed to be departments of BRS and the accounting Officer is only the Director General.

4.2 COVID 19

During the FY 2020/21 the operations of the company registry and Official receiver were highly affected as movement of people was constraint to control the spread of the Virus. As a results some of the country activities such as the planned sensitization forums at the counties were not undertaken.

4.3 Lack of automation in some of the Key BRS Services

While BRS made strides in automating its processes some departments processes are not automated which creates inefficiencies in the operations. Automation will enhance Service delivery of the Office of the Official Receiver.

4.4 Lack of key Office equipment

The Service did not have sufficient office equipment compromising service quality delivery. More investment in modern equipment will enhance service delivery and improve customer experience.

4.5 Inadequate staffing level

In the FY 2020/21 the Service had a staff complement of 104 against a staff establishment of 164 due to inadequate resources to employ full staff establishment. The board continues to recruit new officers in an effort to improve of staff numbers and enhance service delivery.

4.6 Inadequate Financing

BRS faces inadequate funding levels for its operations. As a young state corporation, the Service was not adequately funded to undertake recruitment, establish its offices and relocate from the current location.

4.7 Institutional capacity

The Service had Inadequate office space for operations as well as Inadequate storage facility. The Laws administered by the service are complex and there is need for continuous capacity building to keep up with the changing business environment.

4.8 Limited Public awareness.

The public lacks adequate awareness of the roles, functions and programs of BRS. BRS is planning to conduct sensitization to key stakeholders and the public of its role in implementation processes and its in ease of doing business.

CHAPTER 5

CONCLUSION

The Service was able to deliver its mandate to the citizenry regardless of the challenge of COVID 19 which affected operations within the Service. In terms of registration, the Service registered 154, 236 businesses entities, 102,6347 MPSR notices and 18,665 MPSR searches. The office of Official Receiver closed more than 100 dormant files and indexed estates, licensed and renewed 15 IPs, and administered the Insolvency Act in as per legal framework. The MPSR registry registered an impressive number and doubled the revenue targets.

A key milestone realized with the year was the formulation of the inaugural strategic plan for the Service. The Plan has great aspirations of the members of the Board, the management, staff and external stakeholders. Through execution of the plan, the Service seeks to leverage on technology to enhance provision of services and increase efficiency of operations.

In terms of operations, the Service quickened the process of delinking from the Office of the Attorney General by establishing and staffing 4 new administrative units namely; Records unit, Communication unit, Corporate strategy and Internal units. The units were staffed and operationalized. The Service as well started the plans of relocating from Sheria house to enhance its ability to give service to the citizenry.

In terms of staff welfare, the Service rolled out a medical scheme and WIBA for staff members, introduced Pension scheme for the members who were on permanent basis and gratuity for those who were on contract basis.

The above achievements were achieved amidst challenges such as inconsistencies in the legal instruments, COVID 19, inadequate office infrastructure, sub-optimal staffing and also limited awareness by the members of the public.

The Board is committed to give the necessary support to the Service to ensure smooth running of operations and that the mandate of the service is well executed in line with the Strategic Plan and aspirations.

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