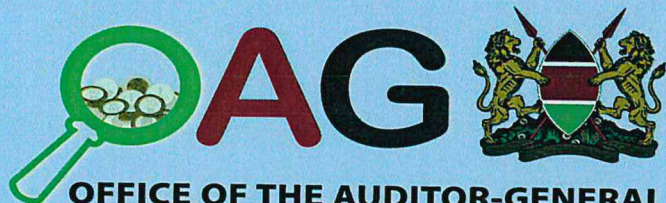


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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| THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 05 APR 2022 | DAY: TUES. |
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THE AUDITOR-GENERAL

ON

**BUSINESS REGISTRATION SERVICE –
OFFICIAL RECEIVER**

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





BRS BUSINESS
REGISTRATION
SERVICE

Doing Business Made Easier



OFFICIAL RECEIVER

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

| | |
|---|------|
| 1. KEY ENTITY INFORMATION AND MANAGEMENT..... | iii |
| 2. STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES | x |
| 3. CORPORATE SOCIAL RESPONSIBILITY REPORTING..... | xii |
| 4. STATEMENT OF OFFICIAL RECEIVER RESPONSIBILITIES | xvii |
| 5. REPORT OF THE INDEPENDENT AUDITORS ON THE OFFICIAL RECEIVER..... | xix |
| 6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021 | 1 |
| 7. STATEMENT OF ASSETS AND LIABILITIES AS AT 30TH JUNE 2021 | 2 |
| 8. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 TH JUNE, 2021..... | 3 |
| 9. SIGNIFICANT ACCOUNTING POLICIES | 5 |
| 10. NOTES TO THE FINANCIAL STATEMENTS..... | 9 |
| 11. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS | 16 |

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Office of the Official Receiver in Insolvency is a department within in the Business Registration Service, a Semi-Autonomous Government Agency under the Office of the Attorney General & Department of Justice. The Official Receiver is established and governed under the Insolvency Act, 2015 and its Regulations. The office deals with matters relating to insolvency i.e., Bankruptcy of natural persons (individuals) and winding-up of incorporated and unincorporated bodies.

The Official Receiver derives its core function of the implementation and administration of the Insolvency regime in Kenya from Part XII (Administration of this Act) of the Insolvency Act and other provisions therein.

The functions/mandate of the Official Receiver include:

- Regulate Insolvency Practice in Kenya.
- Offer a continuity mechanism for business.
- Regulate the economy by facilitating the ease of doing business.
- Manage affairs of Bankrupts' estates (Bankruptcy Trustee).
- Ensure there is a fair settlement of claims to creditors through an equitable distribution of assets.
- Act as a bankruptcy trustee, liquidator, supervisor or administrator.
- Investigate into the conduct of any person or company subject to the Insolvency Act.
- Act as officers of the Court.
- Investigate offences under the Insolvency Act.

**BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

(i) VISION

To be the best institution in the region in provision of public legal services and promotion of a just, democratic and corruption-free nation.

(ii) MISSION

To facilitate the realization of good governance and respect for the rule of law through the provision of public legal services, protection and promotion of human rights and upholding of ethics and integrity.

(iii) MANDATE

The mandate of the Business Registration Service includes: the general implementation of policies, laws and other matters relating to the registration of companies, partnership and firms, individuals and corporations carrying on business under a business name, bankruptcy, hire purchase and security interests.

(iv) STRATEGIC FOCUS

Business Registration Service:

- (a) Carries out all registrations required under the Business Registration Service Act.
- (b) Maintains registers, data and records on registrations carried out by the Service.
- (c) Implements relevant policies and guidelines and provide the Attorney General with the necessary information to guide the formulation of policy and amendment of existing policy and guidelines.

**BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Carries out research and disseminate research findings in the fields covered by the relevant laws through seminars, workshops, publications or other means and to recommend to the Government any improvements in the relevant laws.

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

(b) Key Management

The Official Receiver's day-to-day management is under the following key organs:

| No | Designation | Name |
|----|-----------------------------------|----------------------|
| 1. | Official Receiver | Mr. Mark Gakuru |
| 2. | Director General BRS | Mr. Kenneth Gathuma |
| 3. | Deputy Official Receiver | Miss Beatrice Osicho |
| 4. | Deputy Director Finance &Accounts | Mr. Erastus K. Mbalu |

The section is divided into three sections; the Official Receiver (Legal), Official Receiver (Accounts and Investment) and Official Receiver (Financial Institutions)

**BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

The legal section deals with the implementation of the legal issues as per the functions and mandate. The Official Receiver also operates offices in Kisumu and Mombasa.

(c) Fiduciary Management

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

| | Designation | Name |
|---|-----------------------------------|----------------------|
| 1 | Official Receiver | Mr. Mark Gakuru |
| 2 | Director General BRS | Mr. Kenneth Gathuma |
| 3 | Deputy Official Receiver | Miss Beatrice Osicho |
| 4 | Deputy Director Finance &Accounts | Mr. Erastus K. Mbalu |

(d) Fiduciary Oversight Arrangements

The official Receiver is a department under Business Registration Service Board.

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

The main responsibilities of the Committees are as follows;

i. The Audit and Governance Committee

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

ii. The Human Resource and Finance Committee

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

iii. The Compliance and Risk Committee

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

iv. The Technical and strategy Committee

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

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(e) Official Receiver Headquarters

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

Official Receiver Contacts

Telephone: +254 202227461/2251355/07119445555/0732529995

E-mail: eo@brs.go.ke

Website: www.brs.go.ke

(f) Official Receiver Bankers

1. National Bank of Kenya

Harambee Avenue
P.O. Box 41862 - 00100
Nairobi, Kenya

2. Central Bank of Kenya

Headquarters
P O Box 60000 - 00200
Nairobi, Kenya

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

2. STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

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

The Official Receiver is a department under Business Registration Service. BRS had not developed their Corporate Strategic Plan. However, the operations of the Official Receiver were aligned along the following issues. The strategic issues are as follows:

Issue 1: Efficiently manage estates of bankruptcies of natural persons and liquidated companies in Kenya

Issue 2: Enhance efficiency in the Resolution of Insolvency

Issue 3: Regulate insolvency practitioners & practice in Kenya

The Official Receiver achieved its performance targets set for the FY 2020/2021 period for its issues, as indicated in the diagram below

**BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

| Strategic Pillar/ Theme/ Issues | Objective | Key Performance Indicators | Activities | Achievements |
|--|---|---|--|--|
| <ul style="list-style-type: none"> Resolution of Insolvency | <ul style="list-style-type: none"> Efficiently manage estates of bankruptcies of natural persons and liquidated companies in Kenya | <ul style="list-style-type: none"> Guidelines developed Estates indexed No of dormant matters closed | <ul style="list-style-type: none"> Develop guidelines/manuals/training programmes for management of estates and debtors' estates Index all bankrupt and liquidated estates Close dormant bankruptcy matters Develop reporting module | <ul style="list-style-type: none"> Guidelines developed, and bankrupt and estates indexed. 100 files closed |
| | <ul style="list-style-type: none"> Enhance efficiency in the Resolution of Insolvency | <ul style="list-style-type: none"> Technical review done | <ul style="list-style-type: none"> Conducting public awareness campaign and capacity building on the Insolvency Conduct technical review of the Official Receivers' registry and make recommendation on digitization | <ul style="list-style-type: none"> Technical review and report shared. Awareness workshops done |
| | <ul style="list-style-type: none"> Regulate insolvency practitioners & practice in Kenya | <ul style="list-style-type: none"> No of IPs licensed | <ul style="list-style-type: none"> Develop insolvency practitioners code of conduct Strengthen monitoring and supervision of insolvency practitioners | <ul style="list-style-type: none"> 15 IPS licensed and their licenses renewed |

The legal framework on ease of doing has improved particularly on Insolvency Law which is currently ranked 50 in the World

3. CORPORATE SOCIAL RESPONSIBILITY REPORTING

The official Receiver being a department under the Business Registration Service exists to transform lives and this is the driving force in everything we do. The Official Receiver puts the customer/ citizen first and deliver relevant services and is committed to improving operational efficiency to provide excellent services to its clients. The World Bank Report, Doing Business 2020, ranks Kenya at position 50 globally, up from position 57 last year in resolving insolvency. The Official Receiver made resolving insolvency easier through, facilitating the continuation of the debtor's business during insolvency proceedings, providing for equal treatment of creditors in reorganization proceedings and granting creditors greater participation in the insolvency proceedings

The Official Receivers respect the interests of our stakeholders, employees, customers, suppliers, development partners, and the wider community and we actively seek opportunities both to improve the environment and to contribute to the well-being of the community.

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

1. Sustainability Strategy and Profile

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

2. Environmental Performance

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

The Official Receiver understands and appreciates the important role that the environment plays in promoting development and in ensuring that the goals set out in Vision 2030 are achieved. During the FY 2020/21, the Official Receiver joined the rest of the Business Registration Service staff in a tree planting exercise at the Ngong' Forest. This tree planting exercise was in line with the directive given by His Excellency the President on 10/12/2019 that the Constitutional target of 10% national tree cover should be achieved by 2022.

3. Employee Welfare

The Official Receiver has identified its human resources have the greatest importance in gaining sustainable competitive advantage and efficiency. Thus, labour force is considered as productive assets not costly assets. The recruitment of staff is done by Business Registration Service.

4. Market place practices-

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

a) Responsible competition practice.

BRS undertakes procurement in a manner that is fair, equitable, transparent, competitive and cost effective through open tendering method. At least 30% of the annual procurement expenditure budget is reserved and awarded to Youth Women and Persons Living with Disabilities. The official Receiver being a department in Business Registration Service is bound by this policy

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

b) Responsible Supply chain and supplier relations

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

Furthermore, Payment to suppliers is done 30 days from the date of submission of necessarily documentation upon satisfactory delivery of goods, works or services.

c) Responsible marketing and advertisement

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

d) Product stewardship

The Official Receiver insists on product warranty and manufacturers authorization for all goods supplied in order to ensure supply of goods of reasonable quality that protects from harmful goods

5. Corporate Social Responsibility (CSR) /Community Engagements

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

Through among other initiatives the revival of Chief's tree nurseries with technical support of the Kenya Forest Service and allocation of 10% Corporate Social Responsibility to growing trees. The Service undertook an environmental

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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.



Group photo of BRS and KFS staff members

4. STATEMENT OF OFFICIAL RECEIVER RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a national government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time

The Official Receiver in charge of the Office is responsible for the preparation and presentation of the Official Receiver's financial statements, which give a true and fair view of the state of affairs of the Official Receiver 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 Official Receiver; (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 the Official Receiver; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Official Receiver in charge of the Office accepts responsibility for the Official Receiver's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Official Receiver is of the opinion that the Official Receiver's financial statements give a true and fair view of the state of Official Receiver's transactions during the financial year ended

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

June 30, 2021, and of the Official Receiver's financial position as at that date. The Official Receiver further confirms the completeness of the accounting records maintained for the Official Receiver, which have been relied upon in the preparation of the Official Receiver's financial statements as well as the adequacy of the systems of internal financial control.

The Official Receiver confirms that the office has complied fully with applicable Government Regulations and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Official Receiver confirms that the Official Receiver's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya

Approval of the financial statements

The Official Receiver's financial statements were approved and signed on
.....20.01..... 2022



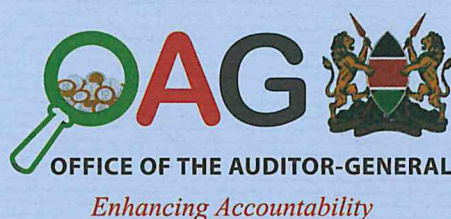
Mark Gakuru
Official Receiver



Erastus Mbalu
Deputy Director Finance &Accounts
ICPAK NO. 6469

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 - OFFICIAL RECEIVER 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 the 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 controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Business Registration Service - Official Receiver set out on pages 1 to 17, which comprise the statement of assets and liabilities as at 30 June, 2021, and the statement of receipts and payments and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the Business Registration Service - Official Receiver 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 (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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-Compliance with Reporting Templates and Guidelines

The summary statements of appropriation – recurrent, development and combined together with the budget execution statement by programmes and sub-programmes were not prepared and submitted as part of the financial statements for the year ended 30 June, 2021. This is contrary to the guidelines and template issued by the Public Sector Accounting Standards Board (PSASB).

2. Lack of a Fixed Assets Register

As disclosed in Note 6 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2021 reflects an expenditure on acquisition of assets amounting to Kshs.603,600 (2020 – Kshs.3,751,000). However, it was observed that Official Receiver's assets were not tagged which could lead to loss of assets.

Under the circumstances, existences and security of assets as at 30 June, 2020 could not be confirmed.

3. Payment for Goods and Services from Unregistered Suppliers

Business Registration Service-Official Receiver procured and paid for goods and services amounting to Kshs.41,335,674 from various suppliers who were not registered as required under Sections 56 and 57 of the Public Procurement and Asset Disposal Act, 2015. It was, therefore, not possible to confirm whether the contracts were sourced competitively.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance

were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Official Receiver'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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 Official Receiver'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 Official Receiver 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 Official Receiver 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

14 March, 2022

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

| | Note | 2020-2021 | 2019-2020 |
|--|------|-------------------|-------------------|
| | | Kshs. | Kshs. |
| RECEIPTS | | | |
| Other Receipts | 1 | <u>85,764,920</u> | <u>97,745,803</u> |
| | | | |
| TOTAL REVENUES | | | |
| PAYMENTS | | | |
| Compensation of Employees | 2 | 5,650,743 | 4,660,942 |
| Use of goods and services | 3 | 36,362,005 | 24,387,595 |
| Transfer to other Government Units/CBK | 4 | 1,656,375 | 2,757,398 |
| Other payments | 5 | 2,713,694 | 2,104,095 |
| Acquisition of assets-non-financial assets | 6 | 603,600 | <u>3,751,000</u> |
| TOTAL PAYMENTS | | <u>46,986,417</u> | <u>37,661,030</u> |
| SUPPLUS/DEFICIT | | 38,778,503 | 60,084,773 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20th D1 **2022** and signed by;



Mark Gakuru
Official Receiver




Erastus Mbalu
Deputy Director Finance &Accounts
ICPAK NO. 6469



7. STATEMENT OF ASSETS AND LIABILITIES AS AT 30TH JUNE 2021

| | Note | 2020-2021 | 2019-2020 |
|--|------|---------------------------|---------------------------|
| | | Kshs | Kshs |
| FINANCIAL ASSETS | | | |
| Cash and cash Equivalents | | | |
| Bank Balances | 7 | 81,036,760 | 265,758,687 |
| Short term deposits | 8 | 38,400,000 | 0 |
| Treasury Bills | 9 | 322,362,981 | 137,262,551 |
| Total cash and cash equivalents | | <u>441,799,741</u> | <u>403,021,238</u> |
| Current Assets | | | |
| Receivables | 10 | <u>127,726,843</u> | <u>127,726,843</u> |
| TOTAL FINANCIAL ASSETS | | 569,526,584 | 530,748,081 |
| NET FINANCIAL ASSETS | | 569,526,584 | 530,748,081 |
| REPRESENTED BY | | | |
| Fund balance b/fwd | 11 | 530,748,081 | 470,663,308 |
| Surplus/Deficit for the year | | 38,778,503 | 60,084,773 |
| NET FINANCIAL POSITION | | <u>569,526,584</u> | <u>530,748,081</u> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20.01.2022 and signed by;



Mark Gakuru
Official Receiver



Erastus Mbalu
Deputy Director Finance &Accounts
ICPAK NO. 6469

8. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE,2021

| | Note | 2020-2021 | 2019-2020 |
|---|------|-------------------|-------------------|
| | | Kshs | Kshs |
| CASHFLOW FROM OPERATING ACTIVITIES | | | |
| Receipts for operating income | | | |
| Other Receipts | 1 | 85,754,920 | 97,745,803 |
| | | 85,754,920 | 97,745,803 |
| Payments for operating expenses | | | |
| Compensation of Employees | 2 | 5,650,743 | 4,660,942 |
| Use of goods and services | 3 | 36,362,005 | 24,387,595 |
| Transfer to other Government Units | 4 | 1,656,375 | 2,757,398 |
| Other expenses | 5 | 2,713,694 | 2,104,095 |
| Acquisition of Assets-Non-Financial assets | 6 | 603,600 | 3,751,000 |
| | | 46,986,417 | 37,661,030 |
| Adjusted for: | | | |
| Net Cash flow from operating activities | | 38,768,503 | 60,084,773 |
| NET DECREASE IN CASH AND CASH EQUIVALENT | | | |
| Cash and cash equivalent at the beginning of the year | | 403,021,238 | 342,936,465 |
| Cash and cash equivalent at the end of the year | | 441,789,741 | 403,021,238 |

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20.01. **2022** and signed by:



Mark Gakuru
Official Receiver



Erastus Mbalu
Deputy Director Finance &Accounts
ICPAK NO. 6489

9. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

2. Reporting Entity

The financial statements are for the Official Receiver. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012.

3. Reporting Currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Official Receiver for all the years presented.

a) Recognition of Receipts

The Official Receiver recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the entity.

b) Recognition of payments

The Official Receiver recognises all expenses when the event occurs and the related cash has actually been paid out by the entity

i) Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

ii) Use of Goods and Services

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

iii) Acquisition of Fixed Assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
SIGNIFICANT ACCOUNTING POLICIES (Continued)

consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by The Official Receiver

5. Cash and cash equivalents

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

6. Accounts Receivable

For the purposes of these financial statements, imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

7. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the

**BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
SIGNIFICANT ACCOUNTING POLICIES (Continued)**

contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

8. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

9. Comparative Figures

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

10. Subsequent events

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

10. NOTES TO THE FINANCIAL STATEMENTS

1. Other Receipts

| | | 2020-2021 | 2019-2020 |
|--|-------------------------|--------------------------|--------------------------|
| | | Kshs. | Kshs. |
| | Interest received | 15,292,510 | 18,489,420 |
| | Dividends | 65,000 | 65,000 |
| | Other receipts/Deposits | <u>70,407,410</u> | <u>79,191,383</u> |
| | | <u>85,764,920</u> | <u>97,745,803</u> |

Other Revenues /receipts for FY 2020/2021 decreased compared to FY 2019/2020 due low number of application orders for bankruptcy and petitions for liquidation of companies which was majorly attributed to COVID -19.

2. Compensation of employees

| | | 2020-2021 | 2019-2020 |
|--|------------------|-------------------------|-------------------------|
| | | Kshs. | Kshs. |
| | Basic salaries | 5,279,403 | 4,293,142 |
| | Pension benefits | - | - |
| | NSSF | 251,040 | 259,200 |
| | NHIF | <u>120,300</u> | <u>108,600</u> |
| | | <u>5,650,743</u> | <u>4,660,942</u> |

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTES TO THE FINANCIAL STATEMENTS(Continued)

3. Use of Goods and Services

| | 2020-2021 | 2019-2020 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Utilities, Supplies & Services | 2,658,729 | 219,760 |
| Communication, Supplies & Services | 60,000 | 6,000 |
| Domestic travel & Subsistence | 7,181,140 | 3,273,000 |
| Foreign travel & Subsistence | 0 | 196,456 |
| Printing, advertising & Information services | 899,099 | 2,844,860 |
| Training | 0 | 480,000 |
| Hospitality Supplies & Services | 226,330 | 974,300 |
| Conference and Delegation | 565,000 | 0 |
| Insurance costs | 47,463 | 54,243 |
| Specialized services/Security services | 0 | 5,528,425 |
| Office and General Supplies | 2,870,000 | 1,596,000 |
| Other Operating Expenses | 704,192 | 541,008 |
| Postal Services | 29,650 | 18,900 |
| Discharged Files | 20,695,260 | 8,410,599 |
| Maintenance of Motor Vehicles | 413,942 | 244,044 |
| Membership to Professional bodies | 11,200 | 0 |
| | 36,362,005 | 24,387,595 |

Use of goods and services increased in FY 2020/2021 which was majorly attributed to the increased number of files discharged from Kshs. 8,410,599 to Kshs. 20,695,260.

NOTES TO THE FINANCIAL STATEMENTS(Continued)

4. Transfer to other government units

| | | 2020-2021 | 2019-2020 |
|--|---------------------|------------------|------------------|
| | | Kshs. | Kshs. |
| | CBK Revenue Account | 1,656,375 | 2,757,398 |
| | | 1,656,375 | 2,757,398 |

5. Other payments

| | | 2020-2021 | 2019-2020 |
|--|--------------|------------------|------------------|
| | | Kshs. | Kshs. |
| | Creditors | 0 | 1,168,939 |
| | Tax paid | 2,665,949 | 865,926 |
| | Bank charges | <u>47,745</u> | <u>69,230</u> |
| | | 2,713,694 | 2,104,095 |

6. Acquisition of assets (Non-financial assets)

| | | 2020-2021 | 2019-2020 |
|--|----------------------|----------------|------------------|
| | | Kshs. | Kshs. |
| | Purchase of Cabinets | 603,600 | 2,301,000 |
| | Partitioning | 0 | 1,450,000 |
| | | 603,600 | 3,751,000 |

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
NOTES TO THE FINANCIAL STATEMENTS(Continued)

7. Bank Accounts

| NO | ACCOUNT NAME | Account Number | 2020/2021 | 2019/2020 |
|--------|------------------------------------|-----------------|-------------------|--------------------|
| | | | Kshs | Kshs |
| I. | Bankruptcy Estate Fund | 01001000904100 | 12,424,285 | 169,145,503 |
| II. | Bankruptcy Contingency Fund | 01001000904200 | 6,701,401 | 514,553 |
| III. | Bankruptcy Investment Income Fund | 01001000905500 | 0 | 0 |
| IV. | Companies Liquidation | 01001000904300 | 49,962,890 | 23,111,149 |
| V. | Companies Contingency Fund | 01001000904400 | 1,240,559 | 2,118,609 |
| VI. | Companies Investment Income Fund | 01001000905600 | 43,479 | 43,479 |
| VII. | Rural Urban Credit Finance | 01001000905900 | 511,201 | 2,727,616 |
| VIII. | Continental Credit Finance Ltd | 01001000906400 | 459,238 | 6,587,496 |
| IX. | Capital Finance Ltd | 01001000906700 | 84,950 | 84,950 |
| X. | Pioneer Building Society | 01001000906800 | 66,408 | 86,228 |
| XI. | Matatu Vehicles Owners Association | 01001000907200 | 195,350 | 1,692,782 |
| XII. | Kenya National Assurance Co. Ltd | 01001000908800 | 6,813,015 | 1,774,401 |
| XIII. | E.A Bag & Cordage | 01001000909900 | 63,499 | 1,460,372 |
| XIV. | Kenya Project & Investment Ltd | 01001000910200 | 805,152 | 805,153 |
| XV. | Tropical Building society | 01001000911600 | 109,543 | 1,112,565 |
| XVI. | Ken-Ren Chemicals Fertilizers | 01020000513700 | 138,576 | 52,046,914 |
| XVII. | Nyakio Investments Ltd | 01001061202100 | 8,716 | 8,716 |
| XVIII. | Bankruptcy Estate Fund(M) | 010010007625700 | 82,185 | 507,186 |
| XIX. | Bankruptcy Estate Fund (K) | 01003024650300 | 937,887 | 9,067 |
| XX. | Company Liquidation (M) | 01001007625600 | 847,205 | 1,921,948 |
| | TOTAL | | 81,036,760 | 265,758,687 |

**BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
NOTES TO THE FINANCIAL STATEMENTS(Continued)**

In FY 2020/2021, the amount of bank balances was lower than the FY 2019/2020 because more money had been invested both in fixed deposits investments as well as treasury bills as at June 2021.

8. Cash Equivalents (Short-Term Deposits)

| NO | ACCOUNT NAME | Account Number | 2020/2021 | 2019 /2020 |
|-------|------------------------------------|-----------------|------------|---------------|
| | | | Kshs. | Ksh |
| | Bankruptcy Estate Fund | 01001000904100 | 20,000,000 | 0 |
| | Bankruptcy Contingency Fund | 01001000904200 | 0 | 0 |
| ii | Bankruptcy Investment Income Fund | 01001000905500 | 0 | 0 |
| iv | Companies Liquidation | 01001000904300 | 2,500,000 | 0 |
| v | Companies Contingency Fund | 01001000904400 | 0 | 0 |
| vi | Companies Investment Income Fund | 01001000905600 | 0 | 0 |
| vii | Rural Urban Credit Finance | 01001000905900 | 3,000,000 | 0 |
| viii | Continental Credit Finance Ltd | 01001000906400 | 3,000,000 | 0 |
| ix | Capital Finance Ltd | 01001000906700 | 0 | 0 |
| x | Pioneer Building Society | 01001000906800 | 0 | 0 |
| xi | Matatu Vehicles Owners Association | 01001000907200 | 1,500,000 | 0 |
| xii | Kenya National Assurance Co. Ltd | 01001000908800 | 0 | 0 |
| xiii | E.A Bag & Cordage | 01001000909900 | 1,400,000 | 0 |
| xiv | Kenya Project & Investment Ltd | 01001000910200 | 0 | 0 |
| xv | Tropical Building society | 01001000911600 | 1,000,000 | 0 |
| xvi | Ken-Ren Chemicals & Fertilizers | 01020000513700 | 5,000,000 | 0 |
| xvii | Nyakio Investments Ltd | 01001061202100 | 0 | 0 |
| xviii | Bankruptcy Estate Fund(M) | 010010007625700 | 0 | 0 |

**BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

| NO | ACCOUNT NAME | Account Number | 2020/2021 | 2019/2020 |
|------------|----------------------------|----------------|-------------------|-----------|
| | | | Kshs. | Kshs. |
| Xix | Bankruptcy Estate Fund (K) | 01003024650300 | 0 | 0 |
| Xx | Company Liquidation (M) | 01001007625600 | 1,000,000 | 0 |
| | TOTAL | | 38,400,000 | 0 |

At the end of FY 2020/2021, the amount of 38,400,000 had been invested in fixed deposits.

9. Treasury Bills

| NO | ACCOUNT NAME | 2020/2021 | 2019/2020 |
|----|---------------------------------|--------------------|--------------------|
| | | Kshs. | Kshs. |
| | Bankruptcy Estate Fund | 228,461,452 | 91,825,794 |
| | Continental Credit Finance Ltd | 0 | 0 |
| | Ken-Ren Chemicals & Fertilizers | 93,901,529 | 45,436,757 |
| | Total | 322,362,981 | 137,262,551 |

Official Receiver investment on treasury bills stood at Kshs. 322,362,981 in FY 2020/2021 compared to Kshs 137,262,551 in FY 2019/2020.

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTES TO THE FINANCIAL STATEMENTS(Continued)

10. Receivables

| | | 2020/2021 | 2019/2020 |
|--|----------------------------|---------------------------|---------------------------|
| | | Kshs. | Kshs. |
| | Consolidated bank (Shares) | 86,644,260 | 86,644,260 |
| | Deposit Protection Board | 41,082,583 | 41,082,583 |
| | Total | <u>127,726,843</u> | <u>127,726,843</u> |

11. Fund Balance

| | | 2020/2021 | 2019/2020 |
|--|-----------------|---------------------------|---------------------------|
| | | Kshs. | Kshs. |
| | Bank accounts | 81,036,760 | 265,758,687 |
| | Cash equivalent | 360,762,981 | 137,262,551 |
| | Receivables | <u>127,726,843</u> | <u>127,726,843</u> |
| | | <u>569,526,584</u> | <u>530,748,081</u> |

11. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management Comments | Focal point person to resolve the issue (Name and Designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|--|-----------------------------------|--|
| Unconfirmed Short -Term Deposits | The accuracy and validity of the Short-term deposits balance of Kshs.185,273,300 as at 30 th June,2019 could not be confirmed. | The National Bank of Kenya confirmation certificates were not availed but instead bank statement during investment period and as at the maturity date were availed to the auditor for verification. | Erastus Mbalu Deputy Director Finance and Accounts | Resolved | Awaiting to appear in Parliament |

BUSINESS REGISTRATION SERVICE
OFFICIAL RECEIVER
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The accounting policies and explanatory notes to these financial statements form an integral part of the financial Statements. The entity financial statements were approved on20.01.2022 and signed by;



Mark Gakuru
Official Receiver



Erastus Mbalu
Deputy Director Finance & Accounts
ICPAK NO. 6469