



**ZAMBIA COMPULSORY  
STANDARDS AGENCY**

# Annual Report 2018







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## ACRONYMS

7NDP	Seventh National Development
ASYCUDA	Automated System for Customs Data
DQM	Domestic Quality Monitoring
IASB	International Accounting Standards
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
IQM	Import Quality Monitoring
MSME	Micro Small and Medium Enterprises
RWI	Road Worthiness Inspection
SPP	Single Payment Point
SQAM	Standardisation Quality Assurance and Metrology
WTO TBT	World Trade Organisation Technical Barriers to Trade
WTO	World Trade Organisation
ZABS	Zambia Bureau of Standards
ZESW	Zambia Electronic Single Window

# THE AGENCY

The Zambia Compulsory Standards Agency is a statutory body under the Ministry of Commerce, Trade and Industry established by the Compulsory Standards Act No. 3 of 2017 for the administration and maintenance of compulsory standards for the purpose of public safety and health, consumer and environmental protection.

## CORE VALUES

- The core values of the Agency are:
- **Professionalism:** We are competent, independent, impartial and ethical in the execution of our duties.
- **Integrity:** We uphold high morals and put our obligations to the nation above personal interests in the execution of our mandate.
- **Teamwork:** We collaborate to achieve a common goal in the most efficient and effective manner.
- **Hard work:** We diligently apply our efforts to accomplish our tasks to the satisfaction of our stakeholders.
- **Innovation:** We apply new ideas and methods for better solutions.
- **Confidentiality:** We are trustworthy and do not reveal privileged information to unauthorised persons.
- **Accountability:** We are answerable and responsible for our actions, omissions and decisions.

## Our Functions

Section five (5) of the Compulsory Standards Act No. 3 of 2017 outlines the key functions of the Agency as follows:

- Administer, maintain and ensure compliance with compulsory standards;
- Give premarket approval of high-risk commodities falling within the scope of compulsory standards;
- Conduct market surveillance for products falling within the scope of compulsory standards in order to monitor post market compliance;
- Educate the public on compulsory standards and provide public information for the protection of the consumers on products and services which do not comply with the Act;
- Cooperate with Ministries and other State institutions and international organisations in enforcing compulsory standards; and
- Do all such things related to, or incidental to, the functions of the Agency under the Act.



Minister of Commerce, Trade and Industry Hon. Christopher Yaluma, MP, visits the ZCSA stand at the International Trade Fair, looking on is Ministry of Commerce, Trade and Industry Permanent Secretary Ms Kayula Siame.

## **GOVERNANCE STRUCTURE**

The Agency shall be governed by the Board of Directors comprising seven (7) members who are appointed by the Minister of Commerce, Trade and Industry.

### **THE BOARD OF THE AGENCY**

The composition of the Board is as follows:

- A representative of the Ministry responsible for industry;
- A representative of the Attorney General; and
- Five persons with experience and knowledge in matters relevant to this Act.

The Board appoints the Executive Director who is the Chief Executive Officer of the Agency.

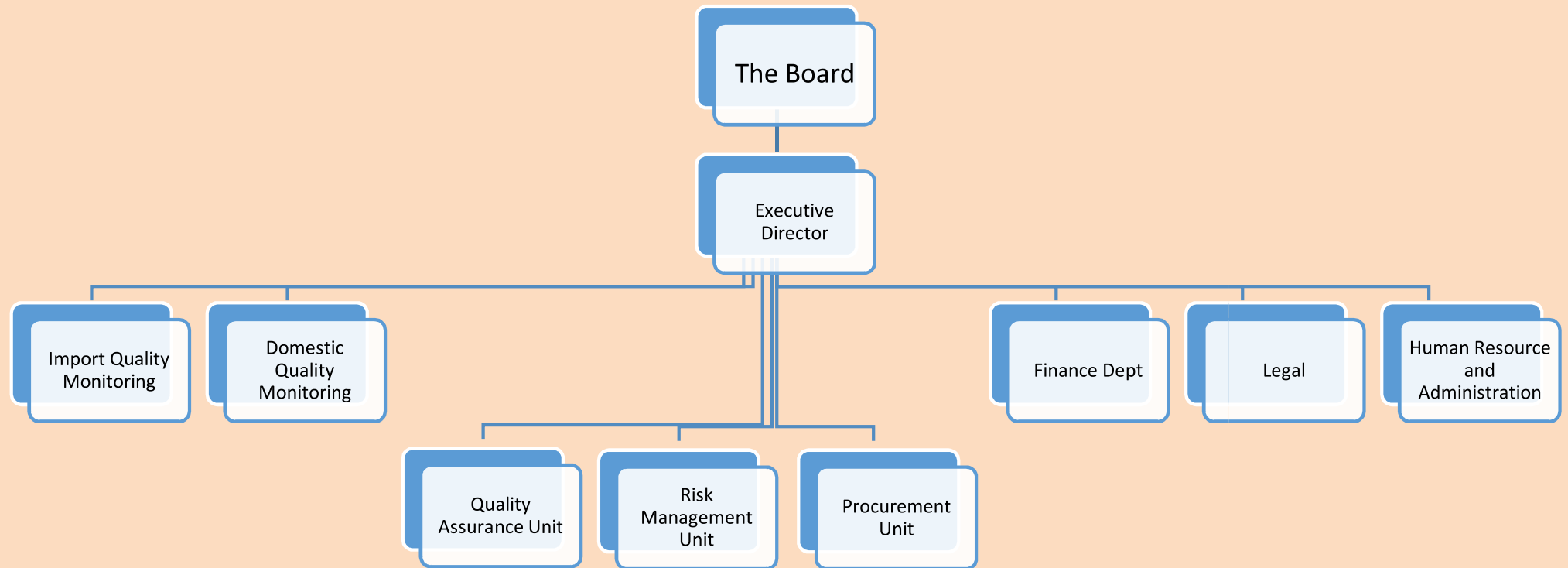
However, during the year under review the Board was not constituted.

### **THE AGENCY'S CORPORATE MANAGEMENT**

The Agency has five departments as follows:

- Domestic Quality Monitoring.
- Import Quality Monitoring.
- Finance.
- Legal.
- Human Resource and Administration.

# STRUCTURE DIAGRAM



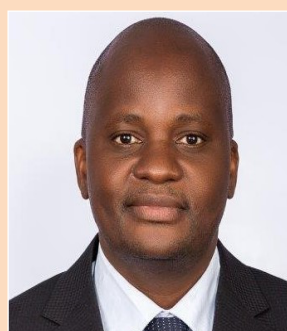
## MANAGEMENT TEAM



**Peggy Kaunda Chituta**  
**Executive Director**



**Francis Mwelwa**  
**Domestic Quality Monitoring  
Manager**



**Gerald Chizinga**  
**Import Quality Monitoring  
Manager**



**Mutumu Nzala-Mwape**  
**Legal Counsel**



**Tito Kasanda**  
**Human Resource and  
Administration Manager**



**Brian Malangisha**  
**Finance Manager**



## THE YEAR AT A GLANCE



ZCSA staff during the Labour day celebration



A ZCSA officer inspecting goods in a warehouse in Lusaka



Ministry of Commerce Trade and Industry Permanent Secretary Kayula Siame presenting a certificate of completion to one of the participants in the Gender Mainstreaming programme.





ZCSA Executive Director Peggy Kaunda Chituta (Middle) with Anti-Corruption Commission Executive Director Kapetwa Phiri (Left) during the launch of the ZCSA integrity committee, looking on is ZCSA Human Resource and Administration Manager Tito Kasanda.



ZCSA members of staff during the International Women's Day celebrations





ZCSA staff conducting an inspection of assorted imported clear beer



A ZCSA inspector conducting market surveillance in one of the retail shops to ensure compliance to compulsory standards.

## **PERMANENT SECRETARY'S REPORT**



It is with great pleasure and satisfaction that I present the 2018 Annual Report for the Zambia Compulsory Standards Agency. Let me start my review by stating that the Agency has had a successful year in terms of laying a firm foundation from its inception on 1st January 2018. In this report, I will comment on corporate governance matters, review financial performance and finally discuss the Agency's plans.

### **CORPORATE GOVERNANCE MATTERS**

During the period under review, the Board of the Agency was not constituted. However, the Minister is in the process of constituting the Board. In this regard, the Ministry through my office has been overseeing the implementation of the National Quality Policy and the operationalisation of the Agency. Consequently, there have been quarterly review meetings with the Ministry and several measures have been implemented. Among these was the review of Key Performance Areas and identification of areas for improvement which resulted in the attainment of the Agency's strategic goals. The result of these interventions has been the release of the first audited Financial Report and presentation of the Annual Report for the Agency.

### **STAFF WELFARE**

The Ministry has continued to provide policy guidance to Management regarding staff matters. I am pleased that in the year under review, the Recognition Agreement was signed between Management and the Union. The working relationship with the Union was satisfactory resulting in successful negotiations for new conditions of service. Further, the Agency implemented a Performance Management System (PAS) to drive staff and institutional performance.

### **FINANCIAL PERFORMANCE**

I am pleased to report that in the year under review the Agency recorded an impressive financial performance. The Agency generated non-tax revenue of K101, 574, 389.78 which was 35% above the budgeted target of K75, 363, 844.80. This performance was driven by enhanced internal controls, improved operational efficiencies such as connectivity to the ASYCUDA World and the Single Payment Point (SPP) system under the Zambia Electronic Single Window (ZESW) and a strong drive by the Management team and staff. The non-tax revenue generated was deposited into the Government Revenue Transit Account. The Agency



received K23, 261, 641 against the budgeted K25, 376, 340 as appropriation in aid. The Agency also received K3, 640, 227.31 as project support funding from the World Bank through the Zambia Agri-business and Trade Project.

## **TECHNICAL MATTERS**

During the period under review the Agency continued to perform its mandate of administering compulsory standards. Currently, the Agency is administering 60 compulsory standards and has proposed an additional 48 standards to be declared compulsory. This is in a bid to enhance its mandate of ensuring public health and safety, consumer and environmental protection.

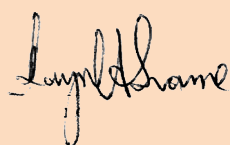
## **FOCUS AREAS FOR 2019**

The Agency supports Government's development objective of diversification and job creation for 2019 and beyond. The Agency will support this objective by enhancing its services.

Specifically, the Agency will:

- Continue to offer support to value-chains and Industrial Clusters development and will play a key role in advising clients on product safety and quality and sensitisation on compulsory standards.
- Endeavour to attain accreditation of its inspection activities. This will facilitate acceptance of compliance reports in local and export markets.
- Improve its efficiency through digitalisation of its operations and certification of its services to international management system standards.
- Establish liaisons at international level with appropriate membership to the International Federation of Inspection Agencies. These liaisons will go a long way in sharing best practices, new trends and developments in Standardisation, Quality Assurance, Accreditation and Metrology (SQAM) matters.

In conclusion, may I take this opportunity to thank the Agency's clients and stakeholders for their support during the initial year of operations. Further, I wish to thank Management and staff for their hard work, diligence and dedication to duty which has resulted in the delivery of excellent performance.



**Ms. Kayula Siame**  
**PERMANENT SECRETARY**  
**MINISTRY OF COMMERCE, TRADE AND INDUSTRY**

## EXECUTIVE DIRECTOR'S REPORT

I am delighted to present the 2018 Annual Report which covers several activities undertaken in the year.

The Agency started operations on 1st January 2018 following enactment of the Compulsory Standards Act No. 3 of 2017 as the part of the implementation of the National Quality Policy. The Agency was



established by transforming the Inspections Department of the Zambia Bureau Standards (ZABS) into an autonomous body and has been conducting activities aimed at fully operationalising its mandate.

The report below highlights the activities undertaken by the Agency in its first year of operation.

### TECHNICAL

The Agency monitored and controlled the quality and safety of products covered under compulsory standards on the market through inspections and related activities under the Import Quality Monitoring and Domestic Quality Monitoring Departments in line with World Trade Organization Technical Barriers to Trade (WTO TBT) Agreement guidelines and other international and regional best practices. The Agency was also active in implementing measures aimed at fulfilling the requirements of the WTO Trade Facilitation Agreement. These measures included:

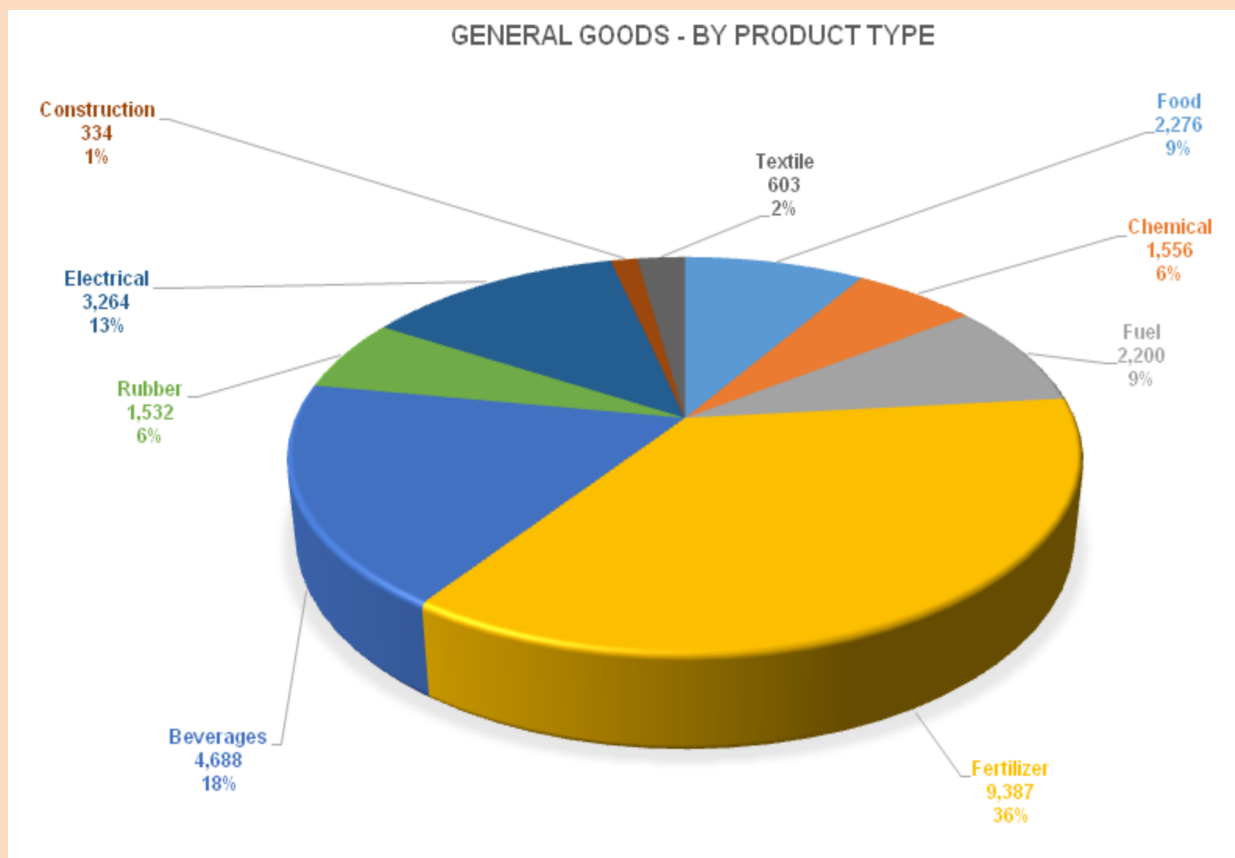
- Continued roll out of connectivity of its offices to the Zambia Electronic Single Window for speedy clearance of imported goods and collection of related service fees using the Single Payment Point System.
- Review of its inspections activities to include the use of risk management principles and establishment of a Risk Management Unit
- Training of staff in risk management and enforcement procedures.
- The above measures contributed to improved efficiency and the mitigation of consumer and public risk.

## IMPORT QUALITY MONITORING

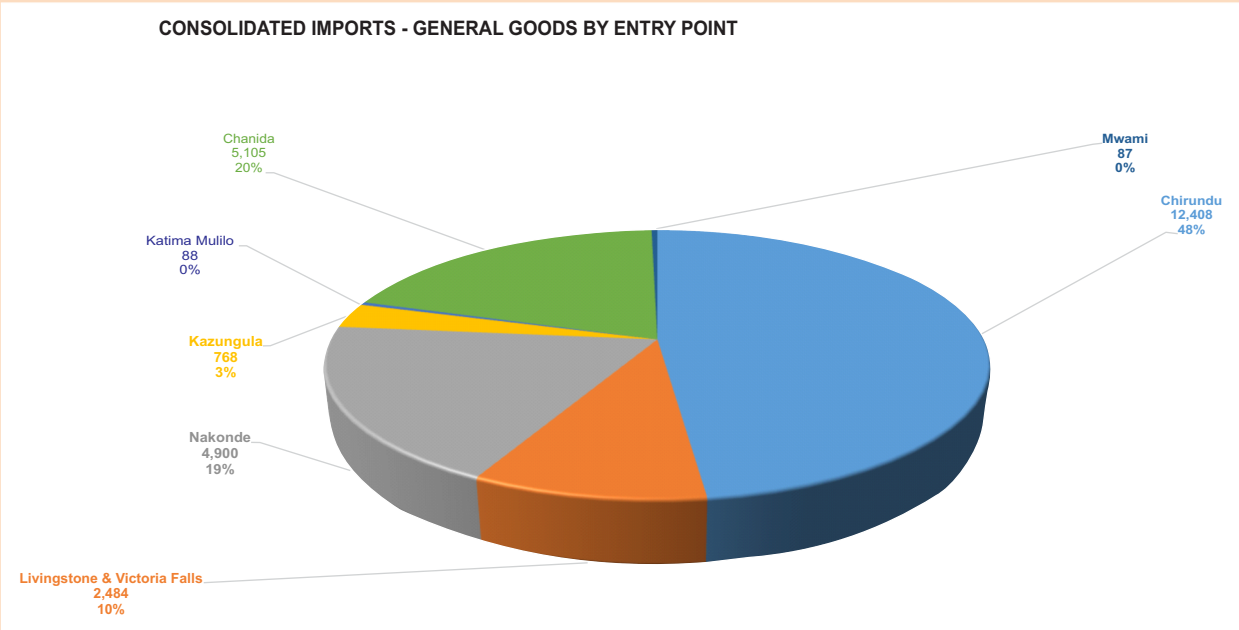
The Agency monitored and controlled the quality and safety of imported products subject to compulsory standards through inspection activities under the Import Quality Monitoring Department.

The total consignments inspected in 2018 were 25,840 against a target of 28,000. Figures 1 and 2 below show general goods by product type and entry point respectively.

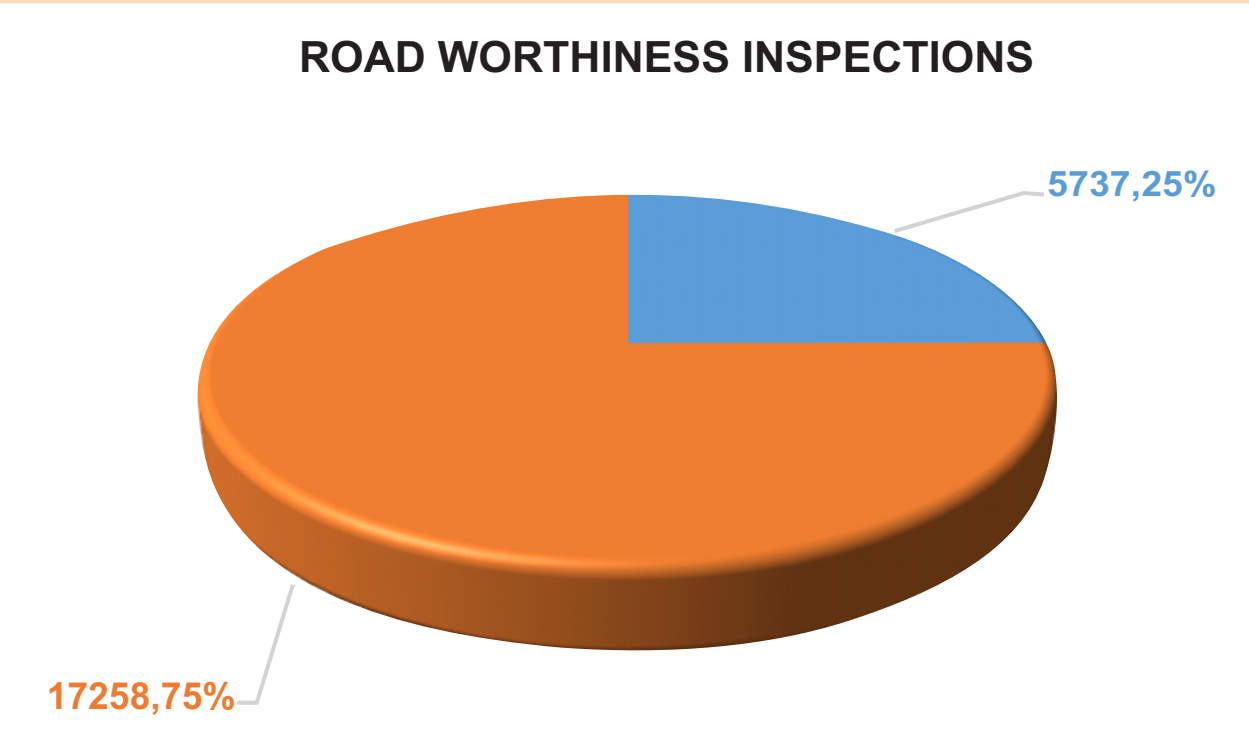
Figure 1: General Goods by Product Type



**Figure 2: General Goods by Entry Point**



The inspection of imported used motor vehicles at the point of export continued during the year under review. The inspections comprised 5,737 vehicles with road worthiness inspection certificates and 17,258 vehicles without certificates. Figure 3 below shows a summary of this activity.



**Figure 3: Road Worthiness Inspections**

Inspections of foreign road tank vehicles continued during the period under review. The Agency inspected 2,191 foreign road tank vehicles against a target of 4,000 giving an attainment rate of 55%.

Figure 4 below shows a summary of this activity.



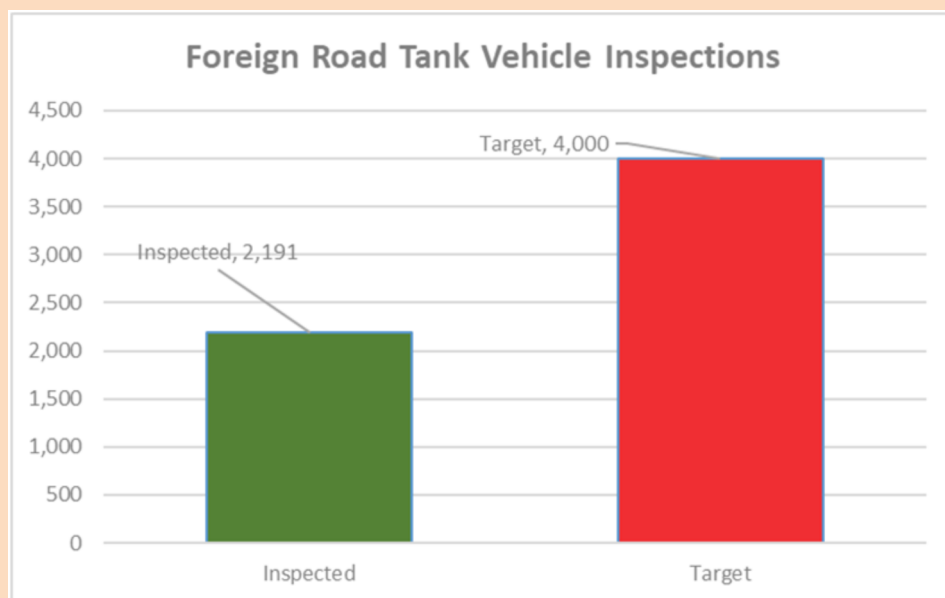


Figure4: Foreign Road Tank Vehicle Inspections

## DOMESTIC QUALITY MONITORING

During the year under review, a total of 1,064 factory inspections were conducted against a target of 1,300 representing an attainment rate of 82%. Most inspections comprised of Food products which accounted for 44%, while beverages represented 34% of the total inspections. Other inspections included chemical and chemical products which represented 7% of the total number of inspections. Figure 5 below provides a summary of this activity.

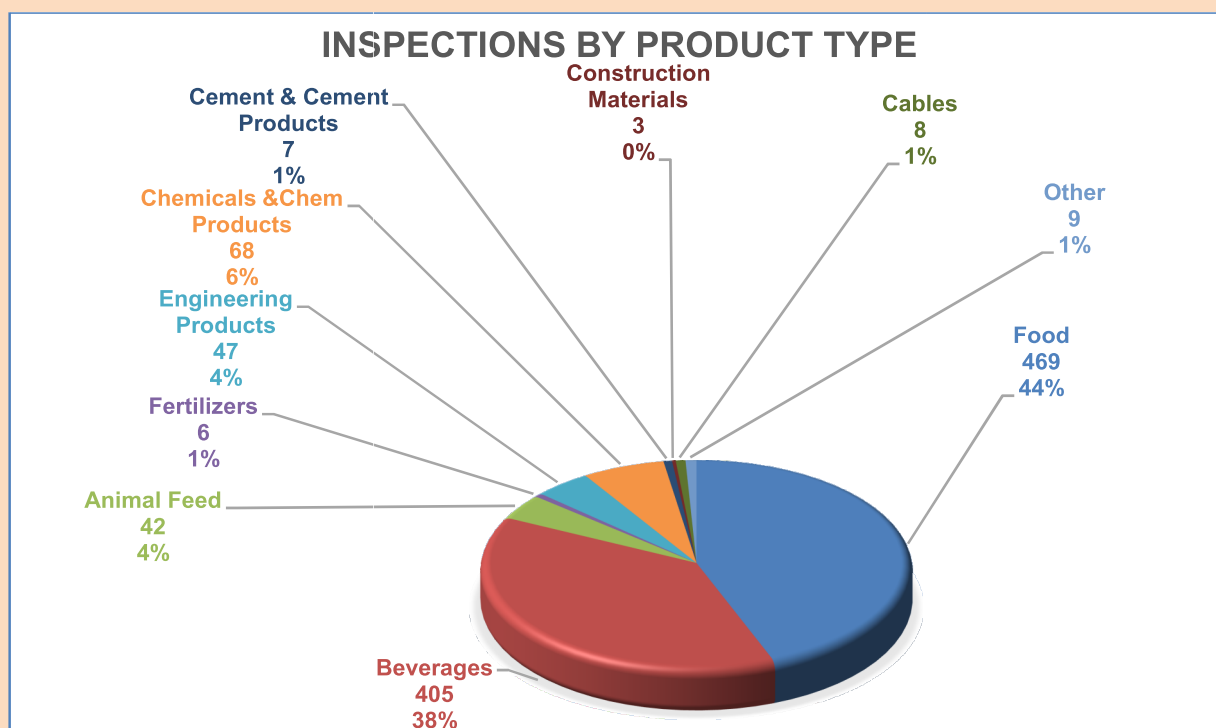


Figure 5: Inspections by Product Type

Inspections of local road tank vehicles continued during the period under review. The Agency inspected 1, 272 local road tank vehicles against a target of 1, 010 giving an attainment rate of 126%. Figure 6 below gives a summary of this activity.

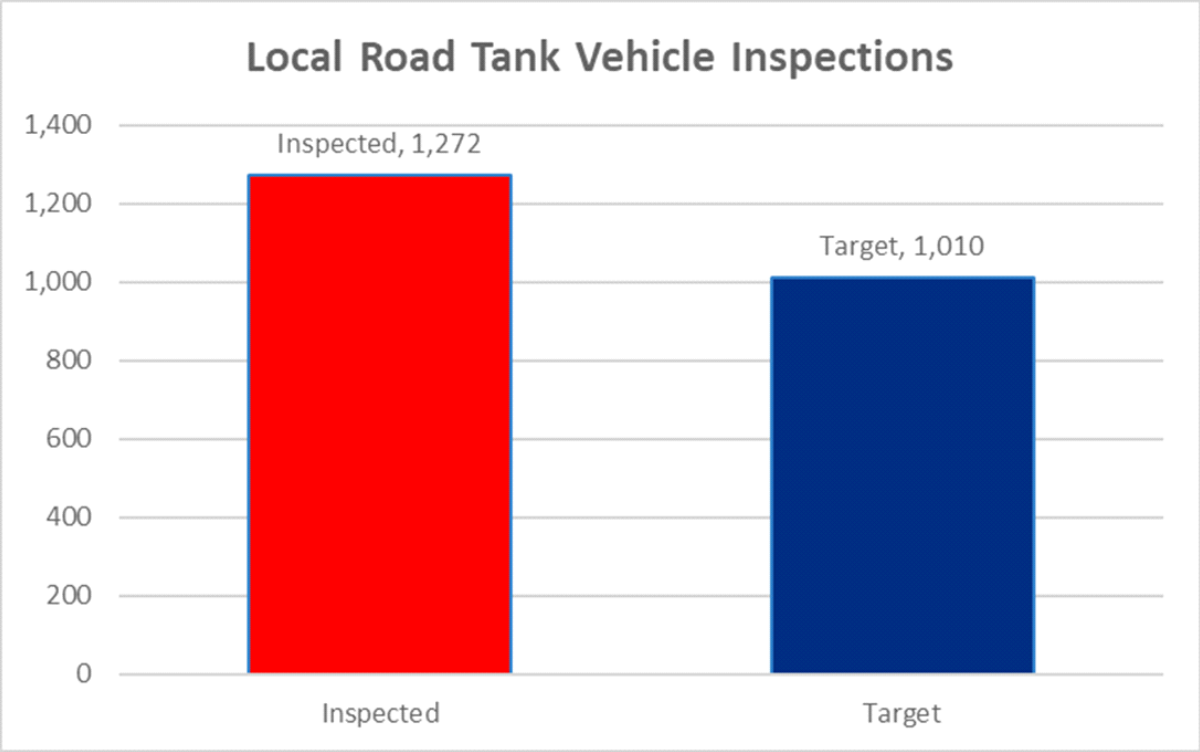


Figure 6: Local Road Tank Vehicle Inspections

**HUMAN RESOURCES AND ADMINISTRATION DEPARTMENT**

The Agency is committed to fostering a sound working environment in which all employees can develop and deliver to their potential by being the most preferred employer. As an Agency, we value our diverse workplace, inclusive culture and our commitment to equality.

The Department has a primary responsibility of managing, assisting and dealing with all employee related matters including such functions as policy implementation, recruitment, benefits administration, employment and labour relations. The Department also works closely with other departments of the Agency to support and respond to their needs.

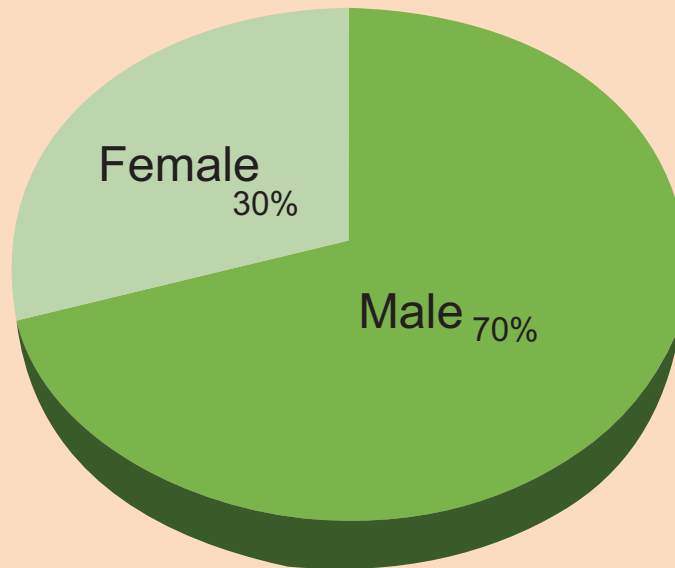
During the period under review, the Department spearheaded the restructuring of the Agency to facilitate its full operationalisation. The restructuring exercise was conducted in collaboration with the Management Development Division of Cabinet Office and the Organisational structure was approved by the Ministry of Commerce Trade and Industry.

## HUMAN RESOURCE MANAGEMENT

### ESTABLISHMENT

During the period under review, the establishment stood at 104 employees with 31 female and 73 male employees, representing 30% and 70% of the work force, respectively

**Establishment by Gender**



**Figure 7 Establishment by Gender**

### HEALTH AND WELLNESS

The Agency introduced a health and wellness programme which encourages employees to participate in various sporting activities to promote good health and prevent non-communicable diseases.



Some members of staff after a fitness activity at the Fallsway Arena.

## FOCUS AREAS FOR 2019

The Government's key objective in the Seventh National Development Plan (7NDP) is industrialization and job creation. As a regulator of compulsory standards, the Agency has been working to support this objective by playing its key role of offering quality assurance services to players in value chains and industrial clusters.

The following is an outline for the key focus areas in 2019:

- ☐ Development of a strategic plan
  - The Agency will develop a strategic plan by June 2019 in collaboration with the Management Development Division at Cabinet Office;
- ☐ Implementation of the organisational structure
  - The organisational structure was approved and will be implemented in phases beginning 2019;
- ☐ Resource mobilisation for infrastructure development
  - Develop a resource mobilisation strategy for infrastructure development;
- ☐ Increasing the number of compulsory standards to enhance public safety and health
  - Currently the Agency is administering only 60 compulsory standards. This number is low compared to the number of products that require the Agency's interventions on the Zambian market. The Agency will continue to engage the Ministry of Commerce, Trade and Industry to increase the above number by 48. This will help to reduce the complaints about substandard products on the market.
- ☐ Complete the roll out of connectivity to the Zambia Electronic Single Window and collection of the remaining fees through the Single Payment Point system.
- ☐ Digitalise the Agency's services to improve operational efficiency and increase accessibility to stakeholders.
- ☐ Develop costing structure to make the Agency's services more accessible by Micro Small and Medium Enterprises (MSMEs).

Management is grateful to the Ministry of Commerce, Trade and Industry for the guidance provided in the year 2018. I am also grateful to the Management team and members of staff for their commitment, patience and diligence in the successful first year of the Agency's operation.



Peggy Kaunda Chituta  
**EXECUTIVE DIRECTOR**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER 2018**

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## REPORT OF THE BOARD OF THE AGENCY

*Amounts in Zambian Kwacha*

The Agency submits its report together with the financial statements for the Zambia Compulsory Standards Agency (“the Agency”) for the year ended 31<sup>st</sup> December 2018.

### 1. Background

The Zambia Compulsory Standards Agency was established in 2017. Prior to its establishment, its operations were performed by the Zambia Bureau of Standards (“ZABS”). In 2017, the Standards Compulsory Act No. 3 of 2017 was issued. In accordance with this Act, of which the effective date of change was 1<sup>st</sup> January 2018, the operations, assets and liabilities that belonged to the Inspections Department of ZABS were moved to form the Zambia Compulsory Standards Agency, formed by the *Compulsory Standards Act No. 3 of 2017*.

### 2. Principal Activity

The Agency is a statutory body under the Ministry of Commerce, Trade and Industry (MCTI), whose mandate is to administer, maintain and ensure compliance with compulsory standards. Its principal place of business is on Plot No. 5032, Great North Road, in Lusaka. It has presence in 9 provincial capital cities of Zambia, together with (7) seven border offices.

### 3. Activities and Services

(a). The functions of the Agency are to:

- (i). Administer, maintain and ensure compliance with compulsory standards;
- (ii). Give premarket approval of high risk commodities falling within the scope of compulsory standards;
- (iii). Conduct market surveillance for products falling within the scope of compulsory standards in order to monitor post-market compliance of commodities with compulsory standards;
- (iv). Educate the public on compulsory standards and provide public information for the protection of the consumers on products and services which do not comply with the Act;
- (v). Cooperate with Ministries and other State institutions and international organisations in enforcing compulsory standards; and
- (vi). Do all such things as are connected with, or incidental to, the functions of the Agency under this Act.

(b). The Agency may, in the implementation of its functions under this Act:

- (i). Enter into agreements with conformity assessment service providers to inspect, test or analyse samples on behalf of the Agency;
  - (ii). Establish specialist committees to provide input into the process of interpreting and implementing compulsory standards;
  - (iii). Participate in activities of regional or international bodies with similar functions to those of the Agency;
  - (iv). Establish pre and post-market surveillance systems; and
  - (v). Obtain information from suppliers of commodities falling within the scope of compulsory standards.
- (c). The Agency may:
- (i). Withdraw the declaration of a compulsory standard in relation to a product or service; and
  - (ii). Determine the fees payable for an inspection conducted for the purposes of this Act;
  - (iii). Determine fees for the testing and analysis of samples; and
  - (iv). Determine what portion of any fee is payable in respect of any part of a year and the date on which the fee or portion of the fee is payable.

#### **4. Capital and Resources**

The Agency has no subscription capital; its capital resources comprise accumulated funds and unamortised deferred credits relating to capital and deferred revenue grants.

#### **5. Financial and Operational Highlights**

##### *(a) Operating Results*

The operating deficit for the year ended 31<sup>st</sup> December 2018 amounted to **ZMW8.141 million**.

##### *(b) Income*

Total incoming resources for the year amounted to **ZMW25.498 million**.

##### *(c) Expenditure*

- Expenditure totalled **ZMW33.633 million**.
- The main operating costs were tangible fixed assets' depreciation costs **ZMW0.708 million**, costs of personnel of **ZMW26.636 million** and recurrent expenditures **ZMW6.261 million**.

##### *(d) Capital Expenditure*



Capital expenditure amounted to **ZMW0.428 million**.

## **6. Risk Factors**

The Agency faces a number of operational, legal and financial risks in its operations:

### **(a) Operational Risk**

Operational risk is the risk of losses from inadequate or failed internal processes and systems, caused by human error or external events. It has a broad scope and includes *transaction authorisation and processing; completeness of income recording; payments processing and the management of information, data quality and records*. The following are the main risks noted under this classification:

- (i). **Financial Crime Risk** - Financial crime risk is the risk that the Agency suffers losses as a result of internal and external fraud or intentional damage, loss or harm to people, premises or its moveable assets. The risk in the Agency is directly attributable to its *people risk* and *remote site location risks*.
- (ii). **Technology Risk** - Technology is a key business enabler in the Agency and requires an appropriate level of control to ensure that the most significant technology risks are effectively managed. Such risks include the non-availability of *testing and calibration systems, inadequate design and testing of new and changed solutions and inadequate system security*.
- (iii). **People Risk** - People risk arises from failures of the Agency to manage its key risks as an employer, including lack of appropriate people resource, failure to manage performance and reward, unauthorised or inappropriate employee activity and failure to comply with employment related requirements.
- (iv). **Remote Site Management** - The Agency's border operations are located in remote locations. Reliability of border office reporting depends on adequate monitoring and supervision of these locations. Failure of the monitoring effort in these operations could have an adverse impact on the future cash flows, earnings, results of operations and financial condition of the Agency.

### **(b) Legal Risk**

The Agency is subject to a comprehensive range of legal obligations, mostly covered by the *Compulsory Standards Act No. 3 of 2017*. As a result, it is exposed to many forms of legal risk, which may arise in a number of ways: its business may not be conducted in accordance with requirements of the *Act*; contractual obligations may either not be enforceable as intended or may be enforced against the Agency in an adverse way; the Agency may face risk where legal proceedings are brought against it, in the course of carrying out its mandate, etc. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered, even if the Agency is successful.

**(c) Reporting Risk**

- (i). **Financial Reporting Risk** - Financial reporting risk arises from a failure or inability to comply fully with regulations or codes in relation to the preparation, presentation or disclosure of financial information. Non-compliance could lead to damage to reputation or, in extreme cases, withdrawal of external funding.
- (ii). **Accounting Risks** - The Agency's future performance and results could be materially different from expected results depending on the outcome of certain potential risks and uncertainties, details of which are discussed above. The reported results of the Agency are also sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Details of its critical accounting policies and key sources of accounting judgments are included on pages 16 to 22.
- (iii). **Financial Risks** - The Agency through its normal operations is exposed to a number of risks on its financial instruments, the most significant of which are *credit and liquidity*. *Market (currency and interest) risks* are generally low. The two main risks on its financial instruments are generally deemed to be within manageable limits. The Agency's financial risk exposures are discussed on pages 26 to 28 in Note 13 to the financial statements.

**7. Risk Management and Control**

As explained on Statement 6 above, the Agency through its normal operations is exposed to a number of risks, the most significant of which are *operational, legal and financial risks*. The Board of the Agency is responsible for establishing and ensuring maintenance of adequate internal controls over financial reporting. However, all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

**8. The Board of the Agency**

The supervision of the management and control of the affairs of the Agency is vested in the Board. However, there was no Board during the period, pending appointment by the Minister.

**9. Executive Management**

The following members form part of the executive management responsible of the Agency:

<u>Name</u>	<u>Position</u>
Mrs Peggy Chituta	Chief Executive Officer
Mr Francis Mwelwa	Domestic Quality Monitoring Scheme Manager
Mr Gerald Chizinga	Import Quality Monitoring Scheme Manager
Mr. Brian Malangisha	Finance Manager
Mr Tito Kasanda	Human Resources and Administration Manager

<u>Name</u>	<u>Position</u>
Mrs. Mutumu N Mwape	Legal Counsel

**10. Related Party Transactions**

The Agency has a common enterprise relationship with Government of the Republic of Zambia (“GRZ”) and its departments. Other related party relationships and material balances that the Agency has with its related parties are listed in Note 14 to the financial statements.

**11. Post Balance Sheet Events**

There have been no significant events between the year-end and the date of approval of these financial statements.

**12. Auditors**

EMM Corporate Partners

**On behalf of the Board:**

  
\_\_\_\_\_  
Chief Executive Officer

28/03/19  
Date

## STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Auditors' report on page 7, is made with a view to distinguishing the respective responsibilities of the Board of the Agency ("the Board") and of the Auditors in relation to the financial statements for the year to 31<sup>st</sup> December 2018.

### Statement of Responsibility for Financial Statements

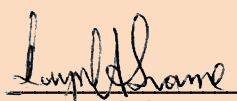
In conformity with *International Financial Reporting Standards* ("IFRSs"), the Board is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Agency and of the operating result for that year. *IFRSs* provide, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation. The Board considers that, in preparing the financial statements on pages 11 to 14, and the additional information contained on pages 15 to 30, the Agency has used appropriate accounting policies, supported by reasonable judgements and estimates, and all accounting standards which it considers to be applicable.

The Board has responsibility for ensuring that the Agency keeps accounting records which disclose with reasonable accuracy the financial position of the Agency and which enable it to ensure that the financial statements comply with generally accepted reporting standards. The Board has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Agency and to prevent and detect fraud and other irregularities. The Board accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with *IFRSs*. In preparing such financial statements, the Board is required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether the applicable accounting standards have been followed; and comply with *IFRSs*.

In the opinion of the Board:

1. The statement of comprehensive income is drawn up so as to give a true and fair view of the results of the Agency for the year ended 31<sup>st</sup> December 2018;
2. Based on current records that it holds:
  - (a) The statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Agency as at 31<sup>st</sup> December 2018; and
  - (b) There are reasonable grounds to believe that the Agency will be able to pay its debts as and when they fall due.

Because there was no Board during the year, the financial statements set out on pages 11 to 14 were approved on 29/04/19 and signed by:

  
Permanent Secretary

  
Chief Executive



### A MEMBER OF CPAAI-EMEA

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## Report of the Independent Auditors

### Opinion on Financial Statements

We have audited the financial statements of the *Zambia Compulsory Standards Agency* ("the Agency"), which comprise the statement of financial position as at 31<sup>st</sup> December 2018, the statement of surplus and deficit, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is *Compulsory Standards Act No. 3 of 2017* and *International Financial Reporting Standards ("IFRS")* as issued by the International Accounting Standards Board ("IASB").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the *Zambia Compulsory Standards Agency* as at 31<sup>st</sup> December 2018, and its financial performance and their cash flows for the year then ended.

### Separate Opinion in relation to IFRS as issued by the IASB

The Agency has prepared Financial Statements that comply with IFRS as issued by the IASB. In our opinion, the Financial Statements comply with IFRS as issued by the IASB.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's *Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity within the meaning of relevant ethical requirements in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code")* and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

# EMM Corporate Partners

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## 1. *Effect of Issue of Compulsory Standards Act No. 3 of 2017*

In 2017, per the *Compulsory Standards Act No. 3 of 2017*, the Agency took over the employees, liabilities and assets that belonged to the former Inspections Department of the *Zambia Bureau of Standards*. The effective date was 1<sup>st</sup> January 2018. The actions are reflected in the results and balances in the financial statements of the Agency of 2018, lacking comparatives for 2017.

## 2. *Accounting for Statutory Fees*

All statutory fees collected by the Agency are Government Revenue. The Agency is an Agent for collecting Government Revenue and depositing into Government Collection Accounts. It is 100% Grant-aided. Consequently, Fees and Fines paid by customers or clients of the Agency are not accounted for as revenue, but paid directly to Government. As a result, these are excluded from results as they do not pass through the Agency's accounting system. Consequently, our audit procedures did not include testing management's assertions and controls related to collection and accounting of the fees.

## 3. *Accounting for Grants*

Grants are not recognised until there is reasonable assurance that the Agency will comply with the conditions attaching to them and that the grants will be received. Grants are recognised as deferred revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Our audit procedures also included, among others, testing management's controls related to the classification of and disclosure of grants and confirming that management had determined it was not necessary to make any adjustments to the reported amount to reflect the assumptions that similar entities would use in similar circumstances.

## Going Concern

The financial statements of the Agency have been prepared using the *going concern* basis of accounting. The use of this basis of accounting is appropriate unless the Board either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the Agency's financial statements is appropriate.

The Agency has not identified a material uncertainty that may cast significant doubt on the Agency's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the Agency. Based on our audit of the financial statements of the Agency, we also have not identified such a material uncertainty. However, neither the Agency nor the auditor can guarantee the Agency's ability to continue as a going concern.

## Responsibilities of Management and Those Charged With Governance for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such 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. The Board is responsible for overseeing the Agency's financial reporting process. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement,



whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

1. 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 our 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.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
3. Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
5. 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.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Agency to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Agency audit. We remain solely responsible for our audit opinion.

# EMM Corporate Partners

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7. We are required to communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
8. We are also required to provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In carrying out our audit we are required to consider whether the Agency has kept the accounting and other records, and has issued all reports in such form and manner as required by the *Compulsory Standards Act, No. 3 of 2017*. We confirm that, in our opinion, the Agency has complied with the record-keeping and reporting requirements, so far as appears from our examination of those records and reports.

We draw attention to the fact that the Bureau had no Agency for 2018. This was not in compliance with *Section 6(1) of the Compulsory Standards Act, No. 3 of 2017* which requires that there is constituted a Board for the Agency appointed by the Minister. The Matter remained unresolved as at the date of issue of this report.

The engagement partner responsible for the audit resulting in this independent auditor's report is:



**Elasto Mambo**  
PC/MPC: 000578



**EMM CORPORATE PARTNERS**  
Chartered Accountants and Management Consultants

29/04/19

Date



## STATEMENT OF SURPLUS OR DEFICIT

*Amounts in Zambian Kwacha*

	Notes	2018
<b>INCOMING RESOURCES</b>		
<b>Income from Non-Operating Sources</b>		
Appropriation in aid	1.	25,376,340
Amortised Grant	9.	111,366
Other Income	2.	10,199
<b>Total Incoming Resources</b>		<b>25,497,904</b>
<b>RESOURCES EXPENDED</b>		
Costs of Certifications & Testings	3.	27,240
Costs of Personnel	4.	26,636,028
Depreciation	6.	708,714
Recurrent Expenditure		6,261,187
		<b>33,633,169</b>
<b>Earnings from continuing operations</b>		<b>(8,135,264)</b>
<b>Other Comprehensive Income</b>	5.	<b>(6,520)</b>
<b>Comprehensive Income</b>		<b>(8,141,784)</b>

## STATEMENT OF CHANGES IN FUNDS

*Amounts in Zambian Kwacha*

	Revenue Reserves
At 1 January 2018	-
Net Income	(8,141,784)
<b>At 31 December 2018</b>	<b>(8,141,784)</b>

## STATEMENT OF CASH FLOWS

*Amounts in Zambian Kwacha*

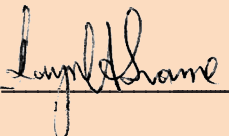
	Notes	2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Deficit for the year		(8,141,784)
Net Tangible Assets Transferred from ZABS	6.	(2,312,402)
Loss on Disposal		113,187
Depreciation		708,714
Deferred Income Amortization		(111,366)
Interest Received		(4,878)
Increase(Decrease) in Receivables		(4,451,747)
Decrease in Accounts Payables		12,724,368
<b>Cash Outflow from Operating Activities</b>		<b>(1,475,908)</b>
Interest Income		4,878
<b>INVESTING ACTIVITIES</b>		
Acquisition of Assets		(427,697)
Proceeds on Disposal of Assets		17,700
<b>Cash Outflow on Investing Activities</b>		<b>(409,997)</b>
<b>FINANCING ACTIVITIES</b>		
Deferred Income Received		3,640,224
<b>Cash Inflow on Financing</b>		<b>3,640,224</b>
Increase (Decrease) in Cash Equivalents		1,759,197
Cash and Cash Equivalent at start of year		-
Cash and Cash Equivalent at end of year		1,759,197
Represented by:		
Cash and Cash Equivalents	8.	1,759,197
		1,759,197


## STATEMENT OF FINANCIAL POSITION

*Amounts in Zambian Kwacha*

	Notes	2018
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	6.	1,900,498
<b>Current Assets</b>		
Receivables	7.	4,451,747
Cash and Equivalents	8.	1,759,197
		<b>6,210,944</b>
<b>Total Assets</b>		<b>8,111,442</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Funds</b>		
Revenue Reserves		(8,141,784)
<b>Current Liabilities</b>		
Deferred Income	9.	3,456,970
Capital Grants	10.	71,888
Payables, Accruals & Provisions	11.	7,265,499
Employee Benefits	12.	5,458,868
		<b>16,253,226</b>
<b>Total Funds and Liabilities</b>		<b>8,111,442</b>

The financial statements set out on pages 11 to 14 were approved on 29/04/19 and signed on its behalf by:

Permanent Secretary: 

Chief Executive: 

## Summary of Significant Accounting Policies

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31<sup>st</sup> December 2018 are set out below:

### 1. Basis of Preparation

The financial statements for the year ended 31<sup>st</sup> December 2018 are prepared on a going concern basis and in accordance with *International Financial Reporting Standards* issued by the International Accounting Standards Board ("IASB") and interpretations issued by the *International Financial Reporting Interpretations Committee ("IFRIC")* of the IASB. The financial statements have also been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements comprise a statement of surplus or deficit, a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of surplus or deficit. Other comprehensive income is recognised in the statement of comprehensive income and comprise site so fin come and expenses (including reclassification adjustments) that are not recognised in the statement of surplus or deficit, as required or permitted by IFRS. Reclassification adjustments area mounts reclassified to surplus or deficit in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Agency in their capacity as owners are recognised in the statement of changes in equity.

The Agency presents the statement of surplus or deficit using the classification by function of expenses. The Agency believes this method provides more useful information to the users of its financial statements as it better reflects the way operations are run from a business point of view. The statement of financial position form at is based on a current/non-current distinction.

### 2. Measurement Basis

The financial statements have been prepared under the historical cost convention, unless mentioned other wise in the accounting policies below(e.g. certain financial instruments that are measured at fair value). Historical cost is generally based on the fair value of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Agency uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Agency (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g.by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific

circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take in to account.

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

*Level 1 fair value measurements* are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

*Level 2 fair value measurements* are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

*Level 3 fair value measurements* are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised by the Agency at the end of the reporting period during which the change occurred.

### **3. Statement of Compliance**

As explained above, the financial statements have been prepared in accordance with *International Financial Reporting Standards* applicable for the reporting period to 31<sup>st</sup> December 2018.

### **4. Adoption of New and Revised International Financial Reporting Standards (“IFRSs”)**

The Agency has not applied the following new or amended Standards and Interpretations that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2018.

The Board anticipate that the new Standards, amendments and Interpretations will be adopted in the Agency’s financial statements when they become effective. The Agency has assessed, where practicable, the potential effect of all these new requirements that will be effective in future periods.

(a). *IFRS 16-Leases*

(b). *IFRS 17-Insurance Contracts*

(c). *Amendments to IFRS 9-Prepayment Features with Negative Compensation*

(d). *Amendments to IAS 28-Long-term Interests in Associates and Joint Ventures*

(e). *Annual Improvements to IFRS Standards 2015–2017 Cycle-Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*

(f). *Amendments to IAS 19 Employee Benefits-Plan Amendment, Curtailment or Settlement*

(g). *IFRS 10 Financial Statements and IAS 28 Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

(h). *IFRIC 23-Uncertainty over Income Tax Treatments*

The Board does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Agency in future periods.

There are no other *IFRSs* or *IFRIC interpretations* that are not yet effective and that would be expected to have a material impact on the Agency in the current or future reporting periods and on foreseeable future transactions.

## **5. Foreign Currencies**

In preparing the financial statements, transactions in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise.

## **6. Property, Plant and Equipment**

### ***(a) Cost and Valuation***

Property, plant and equipment, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any revaluation increase arising on revaluation of property is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in income, in which case the increase is credited to income to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such property is recognised in income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is recognised in income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Further, as the asset is put to use, the difference between the depreciation on the revalued amount and the depreciation on the cost is transferred from the revaluation reserve to retained earnings.

### ***(b) Subsequent Expenditure***

The Agency recognises, in the carrying amount of a tangible fixed asset, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Agency and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

***(c) Depreciation***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, with full year depreciation being charged in the year of acquisition at the following rates:

Buildings	2%
Motor Vehicles	20%
Office and Laboratory Equipment	20%
Furniture and Fittings	10%
Computer Equipment	20%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

***(d) De-recognition***

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

***(e) Impairment***

At each reporting date, the Agency assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Agency makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

**7. Financial Instruments**

***(a) Composition***

The Agency's financial instruments consists of cash and equivalents, accounts and sundry receivables, accounts payables, employee benefits provision, accrued liabilities and provisions due to sundry suppliers and government departments and/or authorities to whom statutory deductions are due.



Cash and cash equivalents, accounts receivable, payables, and accrued liabilities are reflected in the statement of financial position at cost, which approximates to fair value due to the short-term nature of these instruments.

**(b) Financial Assets**

**(i). Classification**

The Agency's principal financial assets are cash and cash equivalents and accounts receivable from revenue arising from rendering of services and sundry receivables from administrative advances, prepayments and deposits:

- **Cash and cash equivalents** include cash in hand and deposits held at call with banks, including bank overdrafts. Bank overdrafts are shown as net of cash balances within current assets on the statement of financial position.
- **Accounts receivables and sundry receivables** are stated in the balance sheet at original amount less an allowance for any uncollectible amounts. An estimate for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All the Agency's financial assets are measured subsequently in their entirety at either amortised cost or fair value.

**(ii). Impairment**

The Agency recognises a loss allowance for expected credit losses on receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Agency's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

**(iii). De-recognition**

The Agency derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

**(c) Financial Liabilities**

**(i) Classification and Measurement**

Financial liabilities are classified according to the substance of the contractual arrangements entered into:

- **Payables and accruals** are stated at their nominal value.
- **Provisions** are recognised when the Agency has a present legal or constructive obligation as a result of a past event, and it is probable that the Agency will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**(ii) Retirement Benefit Plans**

- **National Pension Scheme** – Employees of the Agency are members of the government-managed defined contribution scheme, the National Pension Scheme. The Agency is required to contribute to the scheme 10% of each employee's compensation, split evenly between the employer and the employee. The only obligation of the Agency with respect to the retirement benefit plan is to make the specified contributions.
- **Retirement Benefits Cost** - Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.
- **Other Employee Benefits** - The estimated monetary liability for employees' accrued gratuity pay entitlement at the balance sheet date is recognised as an expense accrual.
- **Contingent Liabilities**: Contingent liabilities are initially measured at fair value. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with *IAS 18 Revenue*.

**(ii) De-recognition**

The Agency derecognises financial liabilities when, and only when, the Agency's obligations are discharged, cancelled or they expire.

***(d) Offsetting of Financial Assets and Liabilities***

Financial assets and liabilities are offset and net amounts reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

***(e) Fair Values of Financial Assets and Liabilities***

The carrying amounts of financial assets and liabilities are, in the opinion of the Board Members, not significantly different from their respective fair values due to generally short periods to maturity dates. Liabilities in respect of retirement benefit contributions, which are of a long-term nature are reflected at cost as the benefit plan operated by the Agency is a defined contribution scheme, under which the Agency's liability is limited to shortfalls between total contributions paid and amounts payable as at the reporting date.

**8. Grants**

Grants are not recognised until there is reasonable assurance that the Agency will comply with the conditions attaching to them and that the grants will be received. Grants whose primary condition is that the Agency should purchase, or otherwise acquire non-current assets are recognised as capital grants in the statement of financial position and transferred to income on a systematic and rational basis over the useful lives of the related assets. Other grants are recognised as deferred revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Agency with no future related costs are recognised in income in the period in which they become receivable.

**9. Taxation**

No allowance is made for income or deferred taxes as the Agency is exempt from taxation under *Cap 715 of the Laws of Zambia*.

**10. Capital Management**

Capital resources comprise accumulated funds and unamortised portions of grant balances. The Agency's objectives for the management of capital are to safeguard its ability to continue as a going concern. The Agency considers its cash and cash equivalents to be the manageable capital from its financial resources. The Agency's policy is to maintain sufficient cash balances to cover operating and administration costs over a reasonable future period. The Agency currently has no externally-imposed capital requirements except to maintain sufficient cash balances.

**11. Revenue**

***(a) Composition***

(i). **Principal revenue** comprises revenue grants and amortised portions of deferred revenue. The Agency is a grant aided body, fully funded by the Government of the Republic Of Zambia. In addition to Government funding, the Act permits the Agency to seek funding from donors and other multilateral institutions.

(ii). **Other income** comprises mostly non-operating income.

**(b) Recognition**

Revenue represents appropriations in aid received from government.

**12. Administrative Costs**

Operating and administrative costs are accrued as incurred.

**13. Financial Risks**

The Agency's activities expose it to a variety of financial risks. The most important types of risk are *credit risk, and liquidity risk*. Policies and exposures on risks and financial instruments are discussed in Note 13 to the financial statements.

**14. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty**

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies above and/or the notes to the financial statements on Pages 23 to 30. However, the key areas are summarised below.

**(a). Areas of judgement that have the most significant effect on the financial statements:**

- (i). Grant accounting and amortisation
- (ii). Estimation of asset lives and carrying values
- (iii). Determination of fair values of non-current assets
- (iv). Provisions and contingencies

**(b). Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are:**

- (i). Review of asset carrying values and impairment charges and reversals
- (ii). Estimation of employee related provisions and post-retirement benefits

**15. Comparatives**

Where necessary, corresponding figures have been reclassified to conform to changes in the presentation of the current period.

## NOTES TO THE FINANCIAL STATEMENTS

*Amounts in Zambian Kwacha*

	2018
<b>1. Appropriation in Aid</b>	
Appropriations from GRZ	<b>25,376,340</b>
This represents amounts provided to the Agency by Parliament, in appropriations in Aid.	
<b>2. Other Income</b>	
Interest Received	4,878
Other Income	5,321
	<b>10,199</b>
<b>3. Cost of Certification &amp; Testing</b>	
Sample Containers Seals & Labels	<b>27,240</b>
<b>4. Costs of Personnel</b>	
Acting Allowances	37,200
Casual & Temporal Wages	19,192
Fuel Allowances	348,494
Gratuity	1,252,605
Leave Pay & Benefits	2,935,489
Lunch Allowances	30,801
Medical Allowances	297,799
Napsa Employers Contribution	921,017
Overtime	471,468
Pension Contributions	1,226,399
Performance Bonuses	488,576
Responsibility Allowances	5,715
Salaries & Wages	17,075,159
Telephone Allowances	18,850
Transport Allowances	1,472,397
Workers Compensation	34,866
	<b>26,636,028</b>
<b>5. Assets and Liabilities Transferred on Establishment</b>	
Tangible Fixed Assets from ZABS	(2,314,074)
Liabilities transferred from ZABS	2,320,594
	<b>6,520</b>

**ZAMBIA COMPULSORY STANDARDS AGENCY**  
(ESTABLISHED UNDER COMPULSORY STANDARDS ACT NO. 3 OF 2017)

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**NOTES TO THE FINANCIAL STATEMENTS**  
Amounts in Zambian Kwacha

**6. Property, Plant and Equipment**

	Land & Buildings	Plant and Machinery	Motor Vehicles	Laboratory Equipment	Furniture	Computer Software	Office Equipment	Computer Hardware	Totals
<b><u>Cost</u></b>									
Transferred from ZABS	30,100	133,000	4,295,860	10,050	934,661	9,715	179,965	1,499,436	7,092,787
Additions	-	-	-	-	100,931	112,738	214,029	-	427,697
Disposals	-	-	(424,500)	-	-	-	-	-	(424,500)
<b>Balance at 31 December 2018</b>	<b>30,100</b>	<b>133,000</b>	<b>3,871,360</b>	<b>10,050</b>	<b>1,035,592</b>	<b>122,453</b>	<b>393,994</b>	<b>1,499,436</b>	<b>7,095,984</b>
<b><u>Depreciation</u></b>									
Transferred from ZABS	-	3,262	3,116,237	8,208	469,602	5,019	109,831	1,068,226	4,780,385
Depreciation and Amortisation	-	3,262	517,930	1,842	70,448	4,189	41,387	69,656	708,714
Elimination of Disposal	-	-	(293,613)	-	-	-	-	-	(293,613)
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>6,524</b>	<b>3,340,554</b>	<b>10,050</b>	<b>540,050</b>	<b>9,208</b>	<b>151,218</b>	<b>1,137,882</b>	<b>5,195,486</b>
<b><u>Net Book Value</u></b>									
<b>Balance at 31 December 2018</b>	<b>30,100</b>	<b>126,476</b>	<b>530,806</b>	<b>-</b>	<b>495,542</b>	<b>113,244</b>	<b>242,776</b>	<b>361,554</b>	<b>1,900,498</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
*Amounts in Zambian Kwacha*

	<b>2018</b>
<b>7. Receivables</b>	
Grants Due from Ministry of Finance	4,229,390
Prepayments	11,622
Salary Advances	43,875
Staff Loans and Advances	160,860
Other Receivables	6,000
	<b>4,451,747</b>
<b>8. Cash and Cash Equivalents</b>	
Zanaco Current Account	1,752,150
Petty cash	7,046
	<b>1,759,197</b>
<b>9. Deferred Income</b>	
Received during the year	3,640,224
Deferred Income Amortised During the Year	(111,366)
Transfer to Capital Grant	(71,888)
Balance as at year end	<b>3,456,970</b>
<b>10. Capital Grant</b>	
Transferred from Deferred Income	71,888
Balance as at year end	<b>71,888</b>
<b>11. Payables, Accruals and Provisions</b>	
Payables	1,828,736
PAYE	4,716,736
NAPSA	270,034
Sundry Payables	449,993
	<b>7,265,499</b>
<b>12. Employee Obligations</b>	
Gratuity	2,931,007
Leave Days	1,618,940
Pension Contributions	908,922
	<b>5,458,868</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
*Amounts in Zambian Kwacha*

**13. Financial Instruments**

The Agency faces exposure to the following financial risks:

**(a). Total Financial Instruments**

31 December 2018				
	Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
<b>Assets as per statement of financial position</b>				
Loans and Receivables:				
-Receivables, excluding prepayments	4,442,615	-	-	4,442,615
-Cash and Equivalents	1,759,197	-	-	1,759,197
<b>Total</b>	<b>6,201,812</b>	<b>-</b>	<b>-</b>	<b>6,201,812</b>
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
<b>Liabilities as per statement of financial position</b>				
Other Financial Liabilities		-	5,458,868	5,458,868
Trade and Other Payables		-	7,265,499	7,265,499
<b>Total</b>		<b>-</b>	<b>12,724,367</b>	<b>12,724,367</b>

**(b). Credit Risk**

The Agency takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Agency by failing to pay amounts in full when due. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. As shown below, exposure to credit risk is represented by cash balances and amounts due on accounts receivables:

	2018
<b>Maximum exposure to credit risk:</b>	
Cash and bank balances	1,759,197
Receivables	4,454,237
	<b>6,213,434</b>

The Agency's primary credit exposure from illiquidity of cash and cash equivalents amounted to **ZMW1.759million** at 31<sup>st</sup> December 2018.

At the balance sheet date, other significant concentrations of credit risks lay in receivables, which at the reporting date amounted to **ZMW4.454million**. The nature of services offered by the Agency means it does not have significant credit risk exposure to a single counterparty.



**NOTES TO THE FINANCIAL STATEMENTS**  
*Amounts in Zambian Kwacha*

**(c). Currency risk**

The Agency is exposed to very low foreign currency exchange risks as its dealings are almost entirely in Zambian Kwacha.

**(d). Liquidity Risk and Interest Rate Risk**

The Agency's activities expose it to a variety of financial risk: market risk (including interest and liquidity risk):

Weighted Average Effective Interest rate	Up to 1 Month	1-3 Months	4-12 Months	1-5 Years	Total
<b>At 31 December 2018</b>					
Non-Interest Bearing	0%	1,060,364	3,181,092	8,482,912	- 12,724,367

This is monitored on a daily basis by management and controlled as far as reasonably possible to minimise the risk of mismatches between current liabilities and current assets. The table below summarises the Agency's interest and liquidity risks:

**(e) Fair Value Estimation**

The different levels of determining fair value, by valuation method, have been defined as follows: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly prices) or indirectly derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). The Agency had no financial instruments carried at fair value, by valuation method.

**14. Related Parties**

**(a) Identity of Related Parties**

The Agency has a common enterprise relationship with Government of the Republic of Zambia. Other related parties include members of the Board of the Agency and the Agency's key management team (Page 4).

**(b) Control and Governance of the Agency**

The Agency has a common enterprise relationship with Government of the Republic of Zambia ("GRZ") and falls under the auspices of the Ministry of Commerce, Trade and Industry. Internal supervision of its management and control of the affairs of the Agency, however, is vested in the Board of the Agency. In 2018, however, the Agency had no Board.

**NOTES TO THE FINANCIAL STATEMENTS**  
*Amounts in Zambian Kwacha*

**(c) Key Management of the Agency**

The key executives of the Agency i.e. officers other than Board members with the ability, directly or indirectly, to control or exercise significant influence over the Agency in making financial and operating decisions, are listed on Page 4.

**(d) Transactions with Related Parties**

None of the Board Members, key executives or parties related to them has undertaken any material transactions with the Agency. However, the GRZ and its departments are regarded as a single related party. The list of related party transactions in these financial statements is summarised below:

	2018
Government Funding received	25,376,340
Key Management Personnel benefits	417,409

**15. Capital Management**

The Agency's objectives when managing capital are to safeguard the Agency's ability to continue as a going concern in order to provide returns to controlling interests and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Agency monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The gearing ratios at 31 December 2018 were as follows:

	2018
Debt	-
Cash	(1,759,197)
Net Debt	(1,759,197)
Equity	(8,139,294)
Net debt to equity ratio	21.61%

**NOTES TO THE FINANCIAL STATEMENTS**  
*Amounts in Zambian Kwacha*

**16. Capital Commitments**

The Agency had no capital commitments as at the year-end.

**17. Contingent Liabilities**

The Agency had no contingent liabilities as at the year-end.

**18. Events Subsequent to Balance Sheet Date**

There has not arisen since the end of the period any transaction or event of a material and unusual nature likely, in the opinion of the Board and management, to affect substantially the operations of the Agency, the results of those operations or the state of affairs of the Agency in subsequent financial periods.

**ZAMBIA COMPULSORY STANDARDS AGENCY**

(ESTABLISHED UNDER COMPULSORY STANDARDS ACT No. 3 OF 2017)

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

**NOTES TO THE FINANCIAL STATEMENTS***Amounts in Zambian Kwacha*

	<b>2018</b>
Advertising & Promotions	6,641
Audit and Consultancy Services	132,657
Bank Charges & Commissions	33,005
Cleaning Materials & Expenses	100,666
Electricity	11,616
Entertainment	18,000
Equipment Accessories	44,189
Fuel & Lubricants	653,742
Health & Safety	3,896
Insurance	190,810
Legal Fees	500
Loss on sale of assets	113,187
Market Surveillance	5,198
Marketing & Public Relations Expenses	284,777
Office & Meetings Expenses	185,118
Other Expenses	7,161
Penalties and Interest	153,782
Postage, Post Box Rentals & Courier Services	277,987
Printing & Stationery	409,470
Protective Clothing & Uniforms	960
Rent & Rates	1,197,043
Renewal of Payroll Package Licenses	55,344
Repairs & Maintenance	451,513
Security Services	23,850
Staff Training	46,841
Staff Welfare	181,236
Subscriptions	50,447
Subsistence Allowances-Foreign	384,870
Subsistence Allowances-Local	150,855
Telephone, Fax, Email	837,163
Travel Expenses-Foreign	71,965
Travel Expenses-Local	45,309
Water & Sewerage	5,359
Workshop Expenses	126,026
	<b>6,261,187</b>



