



***Zambia Compulsory  
Standards Agency***

ANNUAL  
REPORT **2020**





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## VISION STATEMENT

- A credible compulsory standards regulator.

## MISSION STATEMENT

- To ensure public health and safety and environmental protection.

## STRATEGIC OBJECTIVES

**Objective 1:** Improve Compliance to Compulsory Standards

**Objective 2:** Enhance Stakeholder Collaborations

**Objective 3:** Improve Management of Financial Resources

**Objective 4:** Improve Operational Processes

**Objective 5:** Enhance Human Resource

## CORE VALUES

### Credibility

We shall always endeavour to execute our duties with the highest levels of honesty and quality to the satisfaction of our clients and stakeholders.

### 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 clients and stakeholders.

### Innovation

We apply new ideas and methods for better solutions and high-quality services.

### 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.

## Mandate

The Zambia Compulsory Standards Agency (ZCSA) 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.

### Our Functions

Under Section 5 of the Compulsory Standards Act No. 3 of 2017, the specific functions of ZCSA are to:

- ⦿ 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 to monitor post market compliance of commodities with compulsory standards;
- ⦿ 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.

## Governance Structure

The Zambia Compulsory Standards Agency (ZCSA) shall be governed by the Board of the Agency comprising seven (7) members.

Section 6 of the Compulsory Standards Act provides that the Board shall consist of the following part-time members appointed by the Minister:

- ⦿ 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 the Act.

The Board will be responsible for, among other things, the appointment of the Executive Director who is the Chief Executive Officer of the Agency.

The Agency has five Departments consisting of two (2) technical departments namely:

Import Quality Monitoring (IQM);

Domestic Quality Monitoring (DQM);

and three (3) support departments namely:

Human Resource and Administration

Finance;

Legal and Compliance;

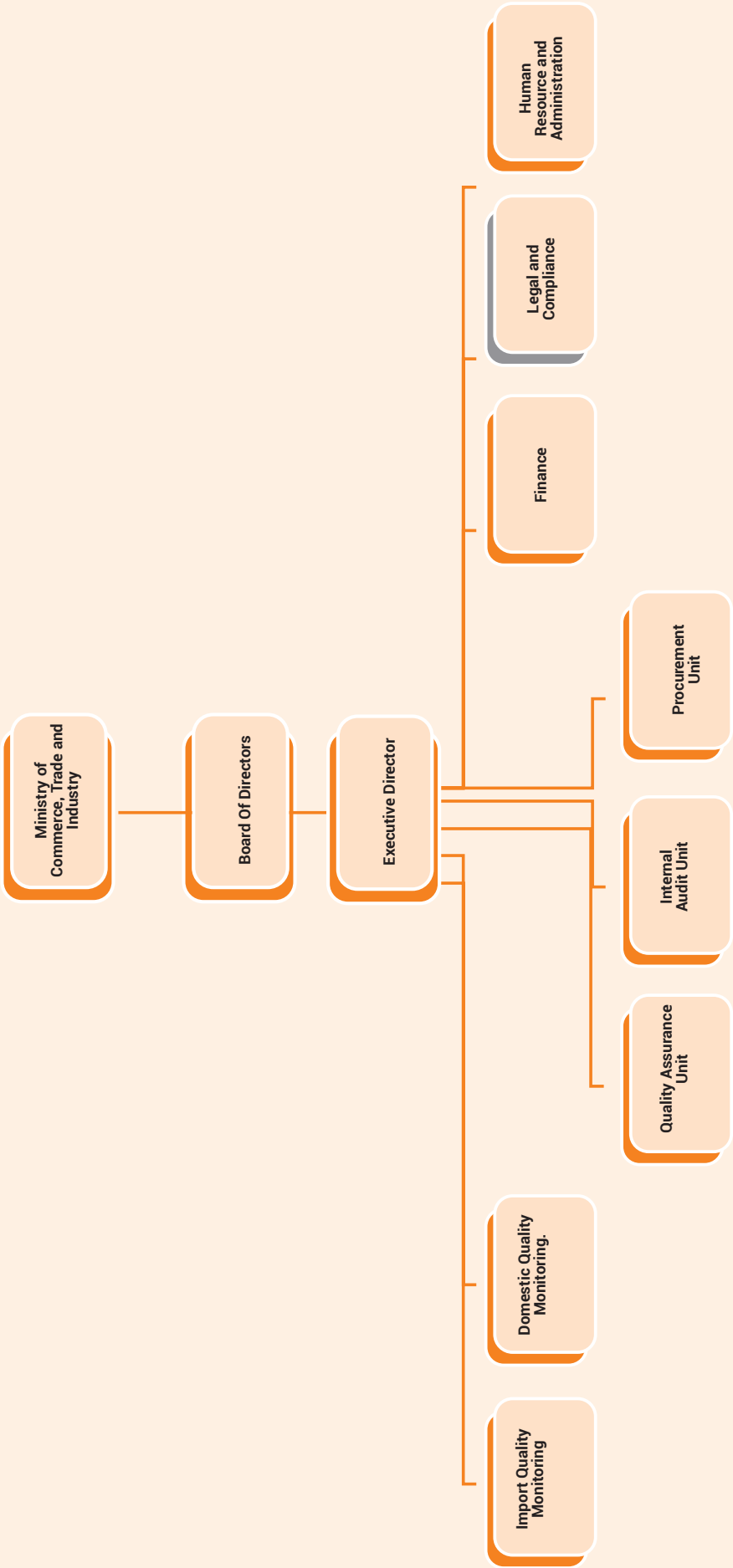
The units under the Executive Director's office include:

Internal Audit;

Procurement;

Quality Assurance;

CORPORATE STRUCTURE



## EXECUTIVE MANAGEMENT



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



**Gerald Chizinga**  
**Manager IQM**



**Mutumu N Mwape**  
**Legal Counsel**



**Francis Mwelwa**  
**Manager DQM**



**Brian N. Malangisha**  
**Manager Finance**



**Chisola Mfula**  
**Manager Internal Audit**



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



## THE YEAR AT A GLANCE



A cement Manufacturing Plant



ZCSA Senior Inspectors Elias Kansembe (second left) and Theresa Kaputula (middle) looking at test results at a cement manufacturing plant.



ZCSA Office Assistant Daniel Tembo receives a Labour Day award from Executive Director Peggy Kaunda.



Minister of Commerce, Trade, and Industry Hon. Christopher Yaluma (left), Africab Managing Director Mustafa Chitalia (middle) and ZCSA DQM Manager Francis Mwelwa during a tour of Africab Group in Lusaka. Looking on is Africab CEO Yusuf Ezzy.



ZCSA DQM Inspector Nkabika Simasiku inspecting equipment at a cement plant in Lusaka.



ZCSA IQM Inspector Micheal Mulenga with fellow Inspector Geoffrey Musonda conducting a market surveillance in Chipata.



## THE YEAR AT A GLANCE



ZCSA Executive Director Peggy Kaunda (middle), with Manager Finance Brian Malangisha (Far Left), Manager Domestic Quality Monitoring Francis Mwelwa (left) and Legal Counsel Mutumu Mwape when they appeared before the Parliamentary Committee on National Security and Foreign Affairs.



Journalists attending a workshop on Compulsory Standards at Radisson Blu Hotel.



ZCSA members of staff during an aerobics session at Fallsview Arena in Lusaka.



ZNBC presenter Chileshe Kangwa, Manager IQM Gerald Chizinga (second left), former ZABS Director for Technical Services Margaret Lungu and ZMA Director Legal Metrology Humphrey Nkoben after featuring on the National Watch programme.



ZCSA IQM Inspector Julie Munsaka inspecting a Road Tank Vehicle at Chirundu Border.



ZCSA Executive Director Peggy Kaunda (middle) with IQM Manager Gerald Chizinga (left) and DQM Manager Francis Mwelwa (right) during a virtual signing ceremony of a Memorandum of Understanding with the National Regulator for Compulsory Specifications of South Africa



## PERMANENT SECRETARY'S REPORT



**“ I am confident that the Agency will continue to excel notwithstanding the challenges brought by the COVID-19 pandemic. The disciplined and focused approach created by Management and staff of the ZCSA will allow it to achieve its goals. ”**

I am pleased to provide you the annual report which presents the performance of the Zambia Compulsory Standards Agency (ZCSA) for the 2020 financial year.

Last year was adversely impacted by the global outbreak of the COVID-19 pandemic which disrupted trade and investment relations. COVID-19 has continued to have a profound impact on economies across the globe and Zambia is no exception. It has tested the sustainability of mechanisms put in place to promote trade and will continue to do so until such a time that a permanent solution is found.

It is pleasing to note that despite the many challenges being experienced, the ZCSA was able to report positive gains by exceeding targets. The Agency was able to achieve this by reimagining its operations and taking a more focused approach in the execution of its mandate.

The Agency purposefully undertook a risk-based approach when conducting inspections, which saw the ZCSA focusing efforts on inspecting products which posed a higher risk to public health and safety.

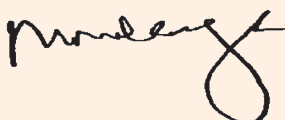
Since inception, the ZCSA has built a reputation for partnerships as can be seen from the support provided by cooperating partners such as the World Bank, through the Zambia Agribusiness and Trade Project (ZATP) and the signing of a Memorandum of Understanding with the National Regulator for Compulsory Specifications (NRCS) of South Africa.

In the year under review, the Agency also focused on automation of its operations by developing an Information Management System. This will not only automate routine functions and determinism decisions but will further improve service delivery as clients can access services in real time.

The Ministry of Commerce, Trade, and Industry will continue to provide its oversight role on the Agency and will work to find solutions for challenges that the ZCSA continues to experience.

In conclusion, while we continue to innovate and find solutions to execute our duties to the nation, I am confident that the Agency will continue to excel notwithstanding the challenges brought by the COVID-19 pandemic. The disciplined and focused approach created by Management and staff of the ZCSA will allow it to achieve its goals.

Thank you, and God Bless.



Mushuma Mulenga

**PERMANENT SECRETARY**

## EXECUTIVE DIRECTOR'S REPORT



“Despite the many challenges brought about by the implementation of health protocols aimed at stopping the further spread of the corona virus, the ZCSA made positive strides in achieving several of its targets that were set for the year 2020.”

The year 2020 marks unprecedented times with the global outbreak of the COVID-19 pandemic which disrupted the usual way of doing business. Like many businesses and other institutions all over the world, the Zambia Compulsory Standards Agency (ZCSA) had to refocus how it would deliver on its strategic objectives because of the negative effects of the pandemic on day-to-day life.

Despite the many challenges brought about by the implementation of health protocols aimed at stopping the further spread of the corona virus, the ZCSA made positive strides in achieving several of its targets that were set for the year 2020.

Both management and staff rose to the occasion in the difficult times and delivered on our mandate of ensuring public health and safety, consumer, and environmental protection. I cannot commend them enough for their efforts, which have been very inspirational and encouraging.

### OUR PARTNERS

The Agency collaborates with both local and international institutions in the enforcement of compulsory standards. Collaboration is fundamental to the Agency as this enables it to successfully implement its mandate and contribute adequately to Government's development agenda. In the period under review, the Agency continued to work with its key stakeholders in government, cooperating partners and the private sector.

The ZCSA also cooperates with other regulatory agencies in the development and enforcement of compulsory standards covering specific sectors such as construction, consumer protection, energy, food safety, measurement and labelling standards, and product testing.

### ACHIEVEMENTS

In 2020, the Agency made strides in the following:

#### Import Quality Monitoring

The Agency continued playing a pivotal role in ensuring goods subject to compulsory standards were safe, even amid the challenges posed by the Covid-19 pandemic to the global supply chains. Compliance rate of imported goods subject to compulsory standards stood at 90%.

Chanida office, at the border with Mozambique, was connected to the Zambia Electronic Single Window (ZESW) and this saw a significant increase in inspections of imported goods subject to compulsory standards at that station.

The contracts for ZCSA service providers under the roadworthiness inspection scheme for imported used motor vehicles ended during the year under review. Therefore, the Agency appointed three companies to carry out inspections on its behalf for a period of three years beginning

1<sup>st</sup> January 2021. The three companies are Auto Terminal Japan Limited (ATJ), EAA Company Limited and Quality Inspection Services Japan (QISJ).

In September 2020, the longest serving company on this scheme, JEVIC Limited ceased to provide its services to the Agency.

### Domestic Quality Monitoring

The effects of the corona virus outbreak affected this department considerably as inspections of manufacturing premises reduced significantly. However, there were still new companies that began production of goods under the Agency's mandate despite this challenge. These included manufacturers of bottled water (10), fruit flavoured drinks (03), clear beer (01), peanut butter (03), mealie meal (13), paints (01), crude edible oil (01), detergents (01), stockfeed (01) and vehicle number plates (01).

### Non-tax Revenue

The Agency collects service fees as non-tax revenue in the execution of its mandate. The target for the year under review was ZMW 118,692,062. Despite the challenges highlighted above, the Agency managed to collect ZMW 211,054,767, giving a positive variance of about 78%.

The use of the Single Payment Point (SPP) on the Zambia Electronic Single Window (ZESW) significantly increased the Agency's efficiency in ensuring that service fees are settled promptly by clients. Out of the total of ZMW 211,054,767 service fees collected in 2020, ZMW 69,565,125, was collected through the SPP representing 33% of total collections.

### Accreditation of Inspection Services

The Agency continued to pursue excellence in its service delivery and to this end made significant strides towards the attainment of accreditation of its inspection services to the international standard ISO/IEC 17020. In the year under review the following was achieved:

- ⦿ Application for accreditation to ISO/IEC 17020 of the Agency's inspection services was made to the Southern African Development Community Accreditation Services, (SADCAS). The application was for review of documentation and a pre-assessment of the Agency's quality management system.
- ⦿ An internal audit of the management system was also conducted.

### Quality Management System Training

In the year under review, some members of staff, including senior management at the Agency joined employees from other government agencies for training in Quality Management Systems (QMS). The other government agencies included the Zambia Bureau of Standards and the Zambia Metrology Agency.

The QMS training was based on the international standard, ISO 9001. This standard sets the requirements for developing policies and procedures for the planning and execution of operations in an organization, and these could be for production/manufacturing or indeed service organizations. The standard was previously based on eight management principles, but these have now been reduced to seven, as follows:

- ◆ Customer focus
- ◆ Leadership
- ◆ Engagement of people
- ◆ Process approach
- ◆ Improvement
- ◆ Evidence-based decision making
- ◆ Relationship management

The training was conducted to equip members of staff with skills on how to develop, implement and maintain a quality management system in the day-to-day operations of the Agency that is consistent with international best practice.

### **ZCSA – National Regulator for Compulsory Specifications (NRCS) MoU**

The Agency signed a Memorandum of Understanding with the National Regulator for Compulsory Specifications (NRCS) of South Africa, aimed at enhanced collaboration in the implementation of technical regulations to boost trade between the two countries. Implementation is envisaged to begin in 2021.

### **Branding and Communications**

This is an ongoing process as the Agency aims to rebrand all its business premises and related facilities in the provincial centers and major border entry points. Much progress was made in this area, complimented by several communication programmes designed to educate the public on compulsory standards and products which are subject to the requirements of these standards, and how compliance to the standards ensures public health and safety, consumer, and environmental protection.

### **Infrastructure Development**

The Agency with the help of consultants from the Ministry of Housing and Infrastructure Development developed final drawings, bills of quantities and a funding proposal for the proposed new ZCSA building which will be built along Mungwi Road in Lusaka.

### **Health and Wellness**

The Agency continued to encourage staff to engage in various health and wellness activities that are meant to enhance not only their mental and physical health but also boost their immunity. Due to the outbreak of the COVID-19 pandemic, group activities were reduced, but continued under the health guidelines issued by health experts in the country.

### **COVID-19 Pandemic**

Though the country was hit by the Covid-19 pandemic, the Agency did not record any infections or deaths during the year under review. We continued raising awareness among the employees and implementing guidelines provided by the Ministry of Health.

## **2021 FOCUS AREAS/ FUTURE PLANS**

### **Digitalization of Internal Processes**

The process of digitalising the Agency's internal processes began in 2020. This is in a bid to increase efficiency and reduce the use of wholly manual processes. This system was successfully developed by Infratel and was scheduled to undergo user acceptance testing. The project was supported by the Zambia Agribusiness and Trade Project (ZATP).

Government through the Smart Zambia Institute has embarked on development of digital platforms to enhance the way business is conducted in the country. The Agency was engaged by the developers of the Government Service Bus (GSB) to facilitate the inclusion of its services on this digital platform. Once

uploaded on the GSB, the services for the Agency will be accessible to its clients remotely, enabling them to not only make online applications for inspections but also make payments for the various services they may require.

### Partnerships/Collaborations

Regulators around the world discuss mutual regulatory processes to remove technical barriers to trade, thereby improving the flow of trade. In this regard, the ZCSA intends to sign Memoranda of Understanding with standards regulators in the region and beyond for collaboration and information sharing on the protection of consumers and trade facilitation through enforcement of compulsory standards.

### Compulsory Standards

The Agency will continue to engage the Ministry of Justice over the pending 52 new compulsory standards. Declaration of these standards will widen the scope of the Agency to cover other products that will benefit from the regulatory intervention.

The Agency will also facilitate the enforcement of electrical standards in collaboration with the Energy Regulation Board (ERB) and users of products related to electrical installations, among others.

### Infrastructure Development

In a bid to enhance service delivery the Agency will continue to lobby for funds for the construction of modern facilities in places where it conducts its operations.

## CHALLENGES/POSSIBLE SOLUTIONS

### Entry restrictions at borders and non-inspection of local factories during the COVID-19 Pandemic outbreak period

The Agency's activities were adversely affected by measures implemented in neighboring countries to prevent the spread of the corona virus, thereby affecting the flow of goods in some border entry points. Prevention measures implemented locally affected inspection of processes and products in local factories. These challenges were mitigated by increasing inland inspections and market surveillance activities.

### Inadequate Funding

The Appropriation in Aid received by the Agency was inadequate in facilitating the full execution of its mandate. Being an Agency established and operationalised in January 2018, the Agency needed adequate resources to help improve its performance. The following are some of the areas that continue to require increased financial resources:

#### Transport fleet

The Agency's transport fleet is inadequate with only a few vehicles being in a good state of repair. Inspections require a lot of movement over wide geographical areas with varying terrain and a good transport fleet is key in ensuring that such activities are carried out in a timely and reliable manner.

#### Inadequate staff and capacity building

The Agency did not have adequate staff and was not able to attend to the desired staff capacity building needs of the existing staff during the period under review.

Most of the capacity building and training programmes for staff that were undertaken were donor sponsored. Despite these contributing positively towards the staff needs, there was still a need to undertake other programmes that would address specific needs identified by the Agency.

In closing, I wish to thank management and staff of the ZCSA for their dedication and commitment to our mission of ensuring public health and safety, consumer, and environmental protection. I also wish to thank the Ministry of Commerce Trade and Industry for the policy guidance and all other support rendered to the Agency in ensuring that its mandate was fulfilled.

Based on our performance in the past year, I am confident that the passion within the Agency to deliver its services in a timely and credible manner will see us attain even more milestones in the year ahead and continue to meet and exceed the expectations of our clients and stakeholders.

God bless you all and please stay safe!



**Peggy Kaunda (Ms)**



## IMPORT QUALITY MONITORING



**Gerald Chizinga**  
**Manager Import Quality**  
**Mortaring**

The Import Quality Monitoring Department is responsible for monitoring the safety of imported products subject to compulsory standards. This is conducted through inspections at border entry points and inland stations where the Agency has physical presence. These inspections are supplemented by market surveillance activities aimed at ensuring continued compliance of products subject to compulsory standards, for consumer and environmental protection.

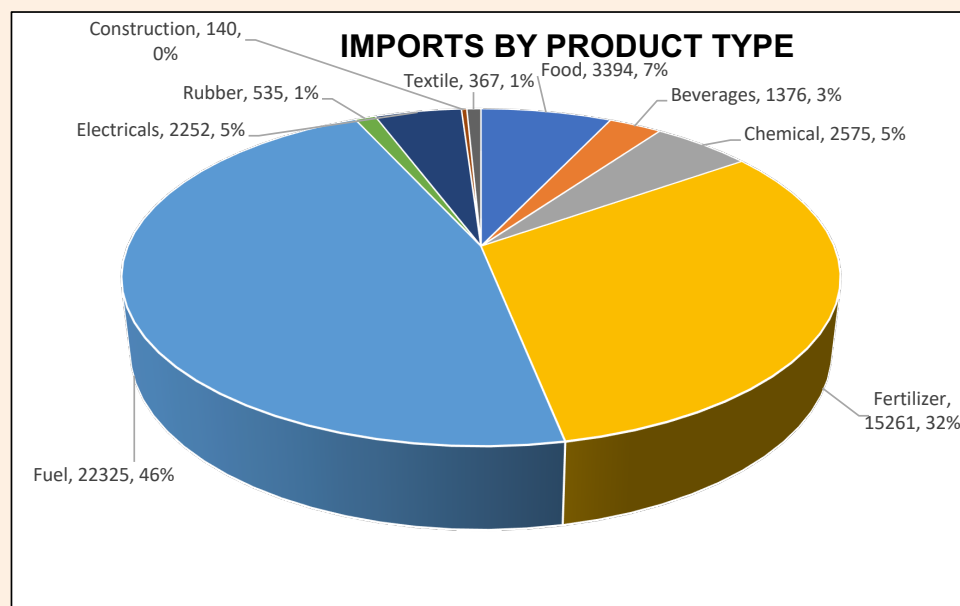
During the period under review, the department had physical presence in Chanida, Chirundu, Katima Mulilo, Kazungula, Livingstone, Mwami, Nakonde, Ndola and Victoria Falls stations.

The activities of the department contribute to the achievement of strategic objective No.1 of the 2019-2021 ZCSA Strategic plan on improving compliance to compulsory standards.

### IMPORT INSPECTIONS

In the period under review, a total of **48,225** import consignments (165% attainment rate) were cleared compared to **27,931** consignments in 2019 giving an increase of about 73%. This improved performance is attributable to an increase in imports of fuel, food products, chemical products, and fertilizer. The pie chart below shows imports of products subject to compulsory standards by product type.

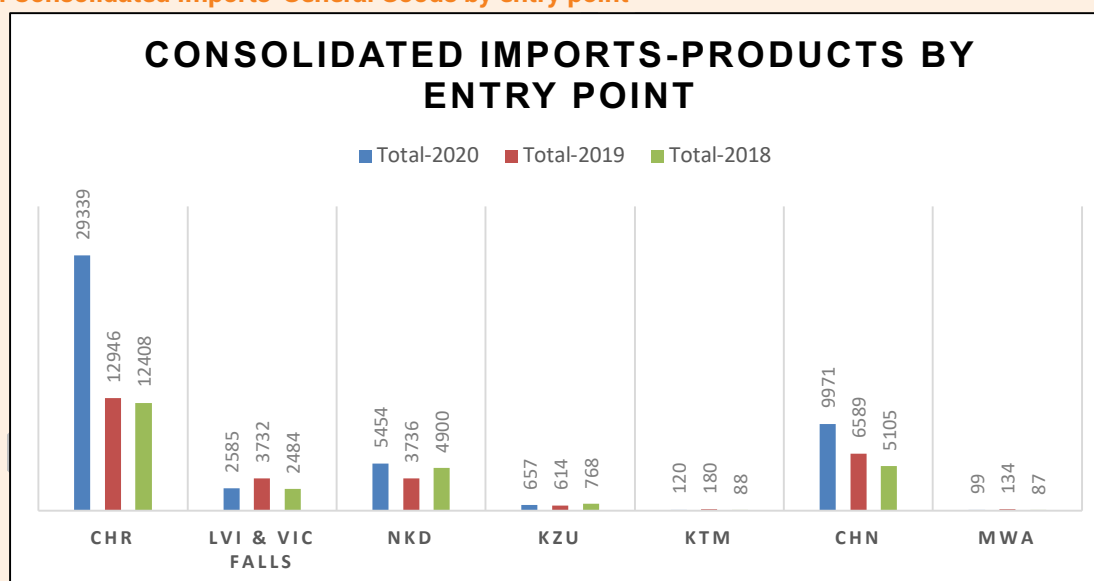
**Figure 1: Imports subject to compulsory standards by product type**



Figures 2 and 3 below show consolidated imports for general goods by entry point and product type, respectively.



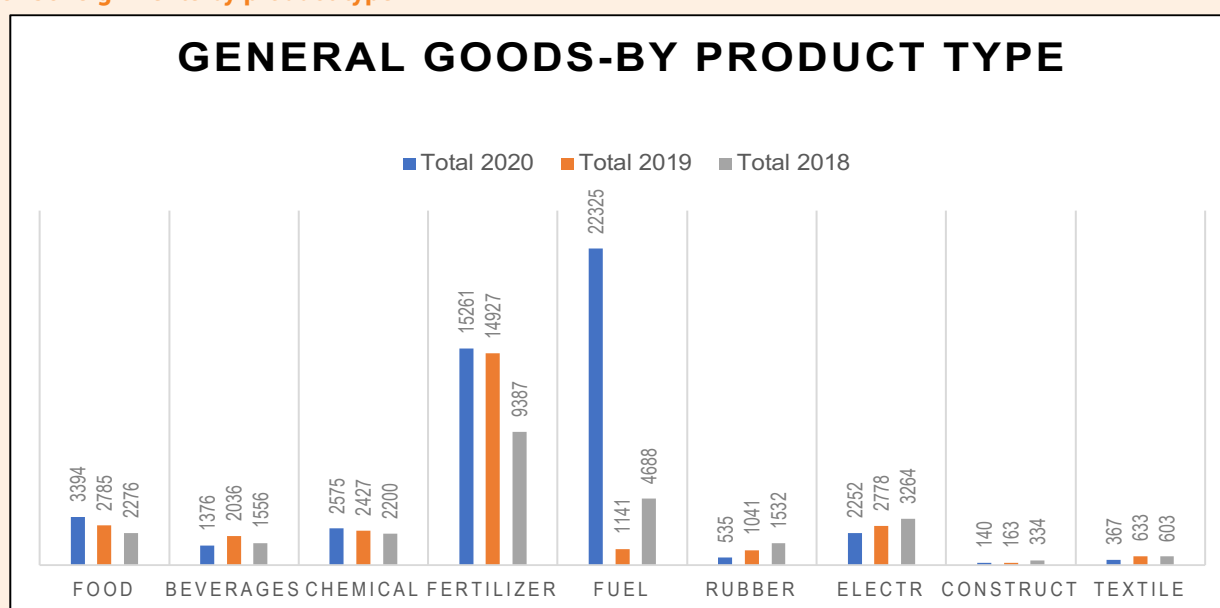
Figure 2: Consolidated Imports-General Goods by entry point



**Key:** CHR- Chirundu LVI- Livingstone VIC- Victoria Falls NKD- Nakonde KZU- Kazungula KTM- Katima Mulilo CHN- Chanida MWA-Mwami

Chirundu and Chanida entry points recorded the highest number of consignments. Chanida recorded a significant increase in the number of consignments recorded due to the gains from the connection to the Zambia Electronic Single Window and the increased use of the Chanida route by most importers, during the period under review.

Figure 3: Consignments by product type



Compliance of imported products to compulsory standards stood at 90%, for the period under review.

### Roadworthiness Inspections

The pre-export inspection of used motor vehicles by ZCSA contractors continued during the period under review. The Agency had three (03) contractors during the period under review, namely Auto-Terminal Japan Limited, EAA Company Limited and Japan Export Vehicle Inspection Centre (JEVIC) Company Limited.

A total of **16,005** motor vehicles (76% attainment rate) were recorded in 2020 compared to **19,459** in 2019 giving a reduction of about 18%.

Tables 1 and 2 show the number of both inspected and non-inspected vehicles as captured at border entry point offices. The reduced performance in this activity is attributed to reduced imports of used motor vehicles due to restrictions caused by the COVID-19 pandemic and the depreciation of the local currency.

Table 3 shows the number of inspections carried out by contractors at various locations during the period under review. A total of **5,339** used motor vehicles were inspected by ZCSA contractors in the period under review compared to **7,187** in the year 2019, giving a reduction of about 26%.

This reduction is attributed to suspension of inspections by ZCSA contractors brought about by the implementation of measures to reduce the spread of the COVID-19.

**Table 1: Total number of Motor Vehicles by Port of Entry**

Border Office/Year	CHR	LVI,KZU,KTM & Vic Falls	NKD	CHN	MWA	2020	2019	2018
RWI Certificates	454	247	1484	3	10	<b>2198</b>	<b>4007</b>	<b>5737</b>
RWI Penalties	489	2250	10832	26	210	<b>13807</b>	<b>15452</b>	<b>17258</b>
<b>TOTAL</b>	<b>943</b>	<b>2497</b>	<b>12316</b>	<b>29</b>	<b>220</b>	<b>16005</b>	<b>19459</b>	<b>22995</b>

**Table 2: Total number of Motor Vehicles reported by country of export**

COUNTRY OF ORIGIN	UK	RSA	JAP	SING	UAE	USA	2020	2019	2018
RWI Certificates	237	277	1635	26	22	1	<b>2198</b>	<b>4007</b>	<b>5737</b>
RWI Penalties	913	653	12137	45	58	1	<b>13807</b>	<b>15452</b>	<b>17258</b>
<b>TOTAL</b>	<b>1150</b>	<b>930</b>	<b>13772</b>	<b>71</b>	<b>80</b>	<b>2</b>	<b>16005</b>	<b>19459</b>	<b>22995</b>

**Table 3: Number of used Motor Vehicles inspected by contractors**

COUNTRY/ AGENT	UK	RSA	UAE	JAP	SING	USA	ZAM	2020	2019	2018
EAA	129	34	5	1789	241	0	3	2201	3620	5350
JEVIC	79	350	7	59	1	0	5	501	2117	3715
ATJ	0	0	0	82	0	0	2555	2637	1450	222
<b>TOTAL</b>	<b>208</b>	<b>384</b>	<b>12</b>	<b>1930</b>	<b>242</b>	<b>0</b>	<b>2563</b>	<b>5339</b>	<b>7187</b>	<b>9287</b>

## Foreign Road Tank Vehicle Inspections

The inspection of foreign road tank vehicles continued during the period under review. Table 4 shows the number of foreign road tank vehicles inspected at border entry point offices. The number of foreign road tank vehicles inspected in the year under review was **800** (67% attainment rate) compared to **1150** in 2019. Compliance of foreign road tank vehicles to the compulsory standard stood at about 97%. The reduced inspections are attributable to precautionary measures taken to prevent the spread of COVID-19.

**Table 4: Foreign Road Tank Vehicle**

Road Tank Vehicle	2020	2019	2018
Certified	781	992	2136
Failed	19	158	55
<b>Total Inspected</b>	<b>800</b>	<b>1150</b>	<b>2191</b>

## DOMESTIC QUALITY MONITORING



**Francis Mwelwa**  
Manager Domestic Quality  
Monitoring.

This section covers activities undertaken by the Domestic Quality Monitoring (DQM) Department in the year 2020. Activities of the department include pre-market and post market inspections for compliance monitoring of all locally manufactured products and equipment covered under the Compulsory Standards Act No. 3 of 2017.

### OVERVIEW OF INSPECTION ACTIVITIES

- ⦿ The total number of factory inspections carried out in the year 2020 was 727 compared to 1,005 in the year 2019.
- ⦿ The total number of market surveillance inspections carried out in the year 2020 was 434 compared to 404 in the year 2019.

### ACTIVITIES

#### Establishment Inspections

Inspections of local products in the year under review are broken down by product type per province in **table 5** and by purpose in **table 6**. Meanwhile, **Table 8** shows inspections for road tank vehicles. And **Figures 4, 5 and 6** depict information contained in **Tables 5 and 6**.

#### Samples

A total of 1184 samples were submitted to the laboratory for analysis and 500 test reports received during this period.

**Table 5: Inspections by Product Category**

Province Product	Eastern	Lusaka	Southern	Western	Central	Copperbelt	Luapula	Muchinga	Northern	North Western	2020	2019
Food	15	101	33	15	67	62	18	10	18	18	357	436
Beverages	17	115	16	8	4	72	10	0	2	8	252	398
Animal Feed	6	15	0	0	4	5	0	0	3	0	33	38
Fertilizers	0	1	0	0	0	0	0	0	0	0	1	5
Engineering Products	1	11	3	0	2	5	1	8	0	3	34	38
Chemicals & Chemical Products	1	31	0	0	2	5	1	0	0	1	41	69
Cement & Cement Products	0	1	0	0	0	3	0	0	0	0	4	8
Construction Materials	0	0	0	0	0	0	0	0	0	0	0	0
Cables	0	0	0	0	1	4	0	0	0	0	5	7
Packaging Materials & Textiles	0	0	0	0	0	0	0	0	0	0	0	0
Batteries	0	0	0	0	0	0	0	0	0	0	0	0
Minerals & Mineral Products	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	6
<b>Totals</b>	<b>40</b>	<b>275</b>	<b>52</b>	<b>23</b>	<b>80</b>	<b>156</b>	<b>30</b>	<b>18</b>	<b>23</b>	<b>30</b>	<b>727</b>	<b>1005</b>

**Table 6: Factory Inspections-Type**

Inspection Activity	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Year 2020 Total	Year 2019 Total
Initial	12	12	16	13	53	71
Renewal	41	22	39	32	134	239
Surveillance	155	80	135	170	540	695
<b>Total</b>	<b>208</b>	<b>114</b>	<b>190</b>	<b>215</b>	<b>727</b>	<b>1005</b>

**Table 7: Market Surveillance**

Inspection Activity	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Year 2020 Total	Year 2019 Total
Follow Up	10	6	32	47	95	73
Investigative	21	29	43	29	122	92
Spot Check	35	84	15	45	179	201
Open Market Surveillance	8	13	8	10	39	38
<b>Total</b>	<b>74</b>	<b>132</b>	<b>97</b>	<b>131</b>	<b>434</b>	<b>404</b>

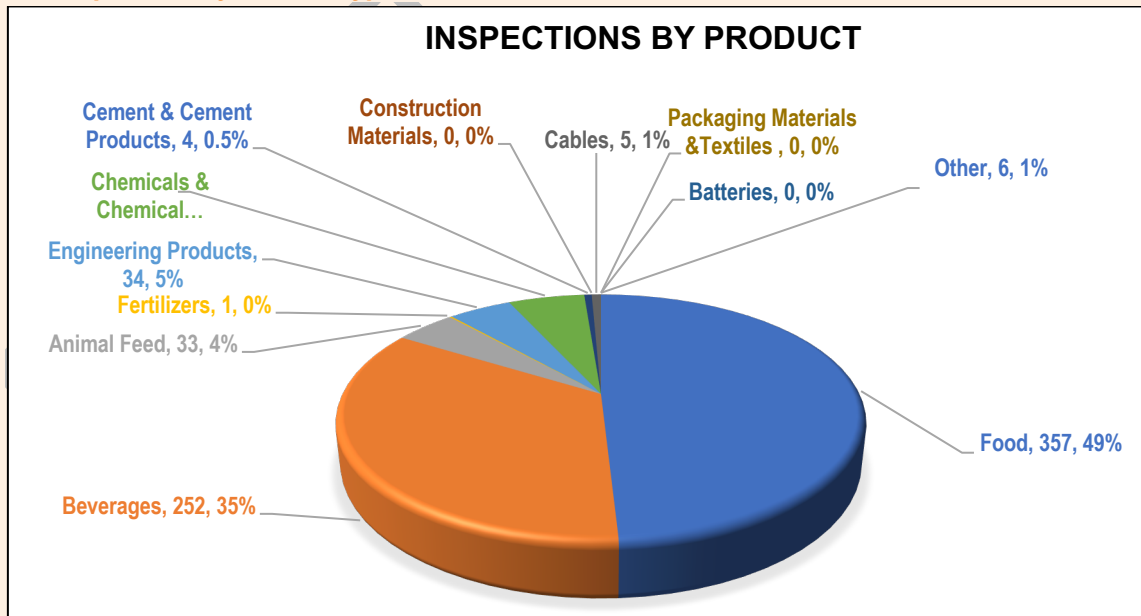
**Table 8: Local Road Tank Vehicle Inspections**

No.	REPORTED ITEMS		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Total South	Total North	2020	2019
1	Total Number of Inspection Requests		335	97	223	666	508	813	1321	1279
2	Total Number of Inspections		335	97	223	666	508	813	1321	1279
3	Total Number of Certificates Issued	First Inspection	337	97	223	666	510	813	1323	1279
		Re-inspection	0	0	0	0	0	0	0	0
4	Total Number of Failed Tankers		0	0	0	0	0	0	0	0
5	Total No. of Complaints / Appeals against inspection received		0	0	0	0	0	0	0	0

### Summary of Establishment Inspections

The total number of inspections carried out during the year under review was **1,161**. A total of **727** factory inspections were carried out against a target of **1016** scheduled factory inspections giving an attainment of **72%**. The pie chart below depicts this information.

Figure 4: Local Inspections by Product Type



### Inspections by Purpose

Most of the inspections done were factory surveillance inspections to ensure continued compliance of products being produced and supplied by the manufacturers. These were **381** in total which represented **39 %** of the total inspections done in the year 2020.

Figure 5: Local Inspections by Purpose

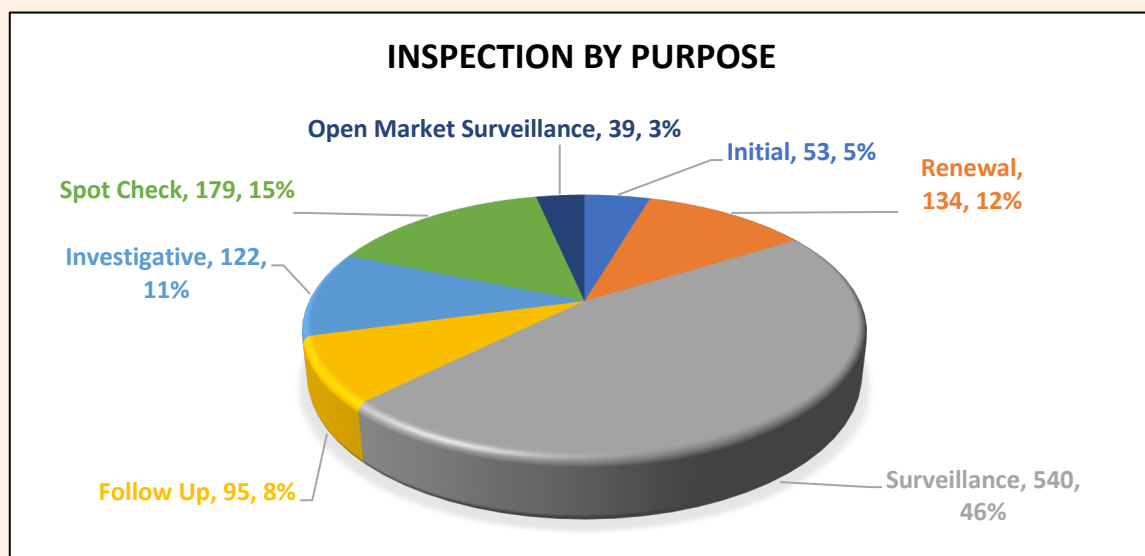
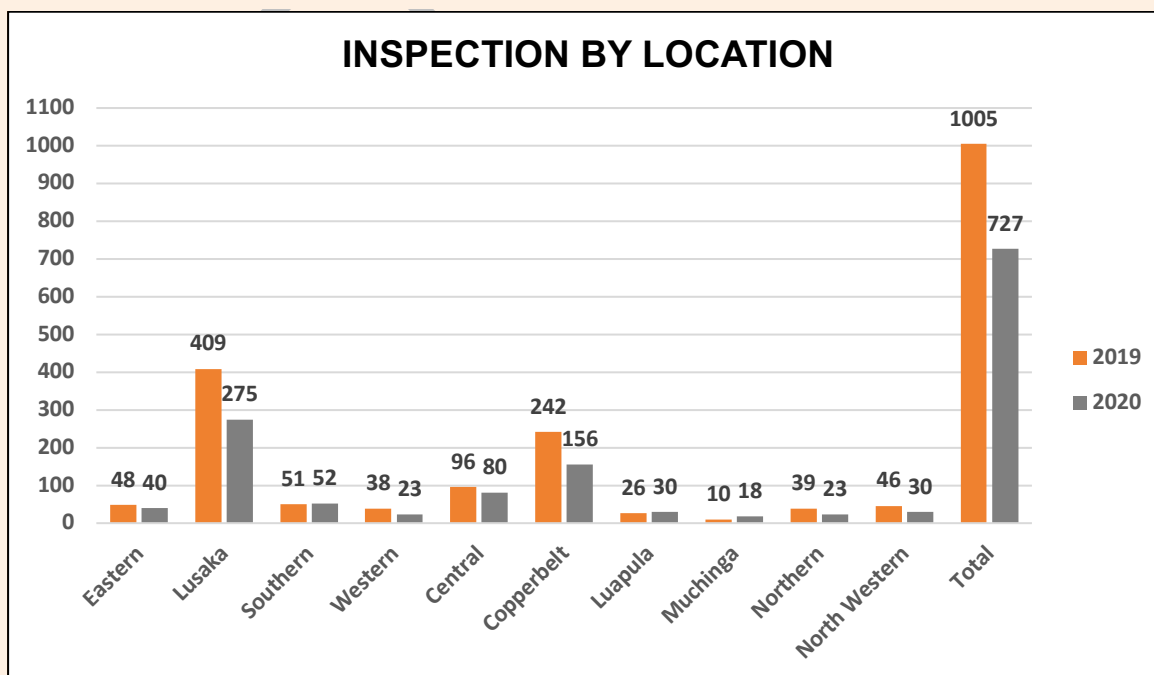


Figure 6: Local Inspections by Location





## HUMAN RESOURCE AND ADMINISTRATION



**Tito Kasanda**  
Manager Human Resource  
and Administration

The Human Resource and Administration Department is responsible for an employee's life cycle in the Agency. It oversees the selection, retention and exit of an employee.

The Department is also responsible for welfare programs, health and safety, industrial and labour relations, information planning and development of employees. The department manages and develops human resources to improve performance. It also provides administrative and logistical support to facilitate effective operation of the Agency.

The Human Resource and Administration Department acts as an integral corporate partner for the Agency to meet its strategic goals by retaining and maintaining a highly motivated workforce, productivity and improved work cultures.

### Staffing

The total staff complement of ZCSA as at 31<sup>st</sup> December 2020 stood at **122**, of which **85** (70%) were male and **37** (30%) were female, against the establishment of 153. This staff complement comprised 18 on Fixed-Term Employment Contracts and 104 employees on Permanent and Pensionable Service (**Table 9**).

**Table 9: Staff Compliment**

No.	DEPARTMENT	NUMBER OF STAFF
1	Executive Director's Office	4
2	Corporate Services	31
3	Finance	14
4	IQM	39
5	DQM	27
6	Legal and Compliance	6
7	Internal Audit	1
	<b>TOTAL</b>	<b>122</b>

### Staff Movements

In the year 2020, the Agency recruited a total of 13 employees across the various departments (**Table 10**). During the same period, six (6) employees separated from the Agency (**Table 11**). The separations were due to resignations.

**Table 10: Recruitments**

Department	Number
Finance	1
Corporate Services	5
Import Quality Monitoring	2
Domestic Quality Monitoring	5
<b>Total</b>	<b>13</b>



**Table 11: Staff Separation**

Mode of separation	Number
Resignation	6

### Staff Welfare

The Agency has continued to offer medical support to its employees and their immediate family members. As part of the employee welfare programme, the Agency also organised several awareness programmes during the year and still promotes good health and fitness through sporting activities.

## RESPONSE TO THE COVID-19 PANDEMIC

The Agency like most institutions and business entities had interruptions to its usual way of managing operations due to the outbreak of the COVID-19 pandemic. Externally, the Pandemic, resulted in the closure of some major business entities reducing the scope of clientele of the Agency. Internally, the risk of contracting the virus while conducting routine Inspections of operational businesses was and continues to be a serious concern. The prevalence of the damaging effects of the pandemic and the threat on the health of the Inspectors within the Agency working space made for a shift in the way of conducting business operations. The Agency employed measures for social distancing, adorning of more protective clothing and reducing physical contact to a minimum by using electronic and social media platforms as means of communication.

The Agency encourages the public to continue to reach out through its social media platforms and lodge complaints and information through email or other electronic means.



## COMMUNICATIONS AND PUBLIC RELATIONS

### BRANDING

The Agency in its quest to make the ZCSA brand more visible, embarked on a branding exercise which saw the branding of its offices, vehicles, and stations.

### International Women's Day Commemorations

The Agency participated in a sensitisation meeting which was held in Shibuyunji District for Co-operatives which was aimed at sensitising women led co-operatives on the aspects of running their co-operatives as businesses and explaining the various mandates that the different Statutory Bodies which fall under MCTI are responsible for. The Agency actively participated in Aerobics and Marching on the actual day of celebrations.

### Media Workshop

The Agency organised a media workshop where media personnel (Journalists and editors) were sensitized about the Agency's mandate and the important role the media plays in sensitising the public on compulsory standards.

### Complaints and Enquiries

The Agency recorded 43 complaints which were made physically. Most of these complaints were on used textile products or Salaula. The unit also attended to 22 complaints and enquires through its social media platforms, mostly Facebook. The nature of enquiries through Facebook were diverse and mostly from Small Scale Enterprises and producers requesting for information on compulsory standards.

In the year under review, the unit also published a complaint handling procedure which can be used by both members of the public and staff to handle and track complaints.



ZCSA Nakonde Office being branded



ZCSA Members of staff after International Womens Day match past



ZCSA Communications officer Caroline Kalombe during a sensitization workshop a Radisson Blue



## LEGAL AND COMPLIANCE



**Mutumu N. Mwape**  
**Legal Counsel**

The Legal and Compliance department of the Agency is responsible for monitoring post market compliance to compulsory standards and addressing legal challenges and dimensions of enforcing and administering compliance to compulsory standards nationwide.

In addition to this function the department is focused on providing strategic input through its risk assessment function into the activities of the Agency that allow for a reasoned and targeted method of conducting operations.

Management is determined to transform the Agency and ensure that it not only adheres to legal parameters but that it also stays abreast with international best practices and inclusive, innovative ways of protecting the consumer and the environment.

### **COMPULSORY STANDARDS**

Administering Compulsory Standards is the core business of the Agency. Parts I, II and III of the Compulsory Standards Act No. 3 of 2017 are primarily focused on formulation of compulsory standards, and the powers and permutations available to the Agency to ensure that consumers and the environment are protected. The Agency's functions are twofold in that it simultaneously fosters growth and cultivates better business and manufacturing practices with local traders, suppliers and manufacturers through education and information dissemination while regulating suppliers of goods on the market to ensure continued safety of products on the shelf.

A compulsory standard is a document that spells out the minimum standard that any product should meet before it can be allowed on the market for consumption. It may contain, production specifications, handling specifications, content parameters, packaging and labelling specifications and other details, all of which are generated to ensure the consumer is supplied with a product that is not only satisfactory and fit for purpose but also safe.

### **POTABLE SPIRITS**

One of the major successes of 2020 was the promulgation of Statutory Instrument No. 18 of 2020 which is a set of regulations for the manufacture, sale, and distribution of potable spirits (alcohol).

Section 11 of the Compulsory Standard Act No. 3 of 2017 empowers the Minister to declare a Zambian standard or a provision of a Zambian standard to be a compulsory standard.

The rationale of the compulsory standard is to address the alcohol content and packaging requirements of potable spirits. The Statutory Instrument was drafted to regulate the risks and dangers of excessive alcohol content in potable alcoholic beverages.

Consumption of high amounts of alcohol has a range of harmful effects on the body including, damage to organs such as the liver, damage to the central nervous system and the propensity to create dependency on the product. In most cases small packages of alcoholic beverages or potable spirits are sold cheaply and therefore made readily accessible to consumers of the product, including youth who do not necessarily have any significant income. In addition, the Agency has noted that there is a tendency for manufacturers to use industrial grade alcohol thinly disguised with flavourings in most of the smaller packaged potable spirit beverages on the market. This type of pure alcohol can be very detrimental to human health.

The compulsory standard specifies a minimum criterion for the type of alcohol to be used in potable spirit beverages.

The Agency has also carried out a comparative research on how other countries are dealing with this challenge. It is noted that similar regulation is being used as a common method of addressing this problem internationally and has been successfully implemented in southern African countries such as Namibia, South Africa, and Botswana, and Sweden in Europe.

The Agency is positive that through a detailed monitoring scheme it will be able to use this compulsory standard to enhance the safety of consumers.

### **FORECAST FOR 2021**

The Agency will focus on preparing for the implementation of the African Continental Free Trade Area, and in this vein, 52 draft compulsory standards covering market responsive areas such as agriculture, chemical based products, fertilisers, milk products, refined sugar and sugar-based products, fruit juices, energy drinks, masks and hand sanitisers have been submitted for declaration as compulsory standards.

In conclusion the department's preparedness to adjust and respond to new challenges ensures that the institution remains a relevant stakeholder in the Government's programme to standardise and ensure the protection of the consumers and the environment.



## INTERNAL AUDIT



**Chisola Mfula**  
Manager Internal Audit

Internal Audit is an important part of the Agency's corporate governance structure. The Agency's Internal Audit Unit draws its functions from Part II, Section 17 of the Public Finance Management Act of 2018.

Therefore, the activities of the Internal Audit unit are configured to enable the Agency to fulfil its duty to be accountable and transparent to the public while achieving the objective of carrying out business in an efficient, economical, and ethical manner.

The Agency's Internal Audit unit reports directly to the Executive Director and there is independent oversight of its work by the Ministry of Commerce, Trade, and Industry.

In the year under review, the Unit carried out twelve (12) revenue verifications of the Agency's seventeen stations, one system audit, one follow-up audit and one risk exercise.

### FORMULATION OF THE AGENCY'S RISK REGISTER

The Agency is implementing Enterprise Risk Management through the Internal Audit unit. During the year under review the unit completed the formulation of the Agency's Risk Register which is anticipated to bring a culture of control and organisation that will continuously improve ZCSA's risk management capabilities in a changing business environment.

### EVALUATION OF THE AGENCY'S OPERATIONS

In the year under review, the unit collaborated with the Finance Department to conduct audits which were meant to provide assurance to the Ministry of Finance of the completeness and validity of revenue collections being declared by the Agency monthly. The audits revealed the effectiveness and adequacy of the Agency's ability to collect and safeguard government revenue. Hence, twelve (12) verifications assignments were completed from the Agency's seventeen (17) stations across the country. The reviews also confirmed ZCSA's effectiveness and adequacy of measures to collect and safeguard government revenue.

### CONSIDERATIONS IN VIEW OF COVID-19 PANDEMIC

The outbreak of COVID-19 pandemic adversely impacted on the work of the unit because travel to the Agency's satellite stations across the country to conduct physical verifications was restricted. The Unit adjusted its plan to suit the new ways of operating.

Internal Audit used the "Covid" experience to change traditional practices and adopted practices that have worked effectively during this crisis as "the new normal". The unit conducted its work remotely, through video conferencing, and remote data analysis. This has ongoing benefits in terms of efficiency, lower expenses, better work life balance for Internal Audit and institutional benefits arising from less travel.

In conclusion, the work undertaken during the year under review, the unit's overall opinion on the adequacy of the Agency's arrangements for corporate governance, risk management and control environment is **substantial assurance**.

## FINANCIAL REPORT



**Brian Malangisha**  
Manager Finance.

Finance is one of the major pillars of any organisation and an essential ingredient to a successful business.

The Finance Department is responsible for mobilising and managing the Agency's financial resources in order to ensure their prudent utilisation and facilitate smooth operations in line with the Compulsory Standards Act No. 3 of 2017.

To achieve this, the department is tasked with the responsibilities of coordinating the preparation of the annual budgets, collection of non-tax revenue, and implementing internal controls meant to safeguard public funds in accordance with the Public Finance Management Act of 2018.

During the year under review, the department coordinated the collection of actual non-tax revenue of **ZMW 211,054,766** against a budgeted amount of **ZMW 118,692,062**, representing 78% above target.

Further, the department superintended the use of **ZMW 37,376,340** that the Agency received from the Ministry of Finance under Appropriation in Aid (AIA) meant for its operations as contained in the 2020 national budget.

The table below shows a summary of the non-tax revenue collected and the funding received under AIA by the Agency during the period under review.

**Table 12: Non-Tax Revenue collected Vs Appropriation in aid received**

S/N	Description	TARGET ZMW	ACTUAL ZMW	Attainment rate
1	Non-Tax Revenue Collection	118,692,062	211,054,766	(178%)
2	Appropriation in Aid	37,376,339	37,376,340	(100%)

### PARTNERSHIPS

The Agency through the department has since 2018 been collaborating with Zambia Revenue Authority (ZRA) through the Zambia Electronic Single Window (ZESW) Project to collect some of the non-tax revenues collected at the border entry points using the Single Payment Point (SPP). During the period under review, the Agency through this partnership collected an amount of **ZMW 69,565,125**, representing 33% of total non-tax revenue collections reported. These funds were deposited in the government single treasury account maintained by the Ministry of Finance.

In its quest to continue being responsive to its clients and stakeholders, the Agency has been working with the Ministry of Finance and Smart Zambia Institute to develop online payments systems on the Government Service Bus. The profiles for services that can be accessed and paid for online were developed during the period under review.

The Agency is envisaging that once this system is implemented, clients will be able to access its services easily and in turn increase its ability to collect its service fees efficiently.

The details of the financial performance of the Agency are contained in the next part of the annual report showing audited financial statements for the year 2020.

**ANNUAL REPORT  
AND FINANCIAL STATEMENTS**





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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED 31ST DECEMBER 2020*



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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 2020.

**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 2019, 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 surplus for the year amounted to **K3.057million** (2019: K4.640million).

##### (b) Income

Total incoming resources for the year amounted to **K51.725million** (2019: K35.931million).

##### (c) Expenditure

- Expenditure totalled **K48.668million** (2019: K40.572million).
- The main operating costs were tangible fixed assets' depreciation costs **K0.758million** (2019: K1.111million), costs of personnel of **K35.247million** (2019: K25.973million) and recurrent expenditures **K12.603million** (2019: K9.765million).

##### (d) Capital Expenditure

Capital expenditure amounted to **K1.042million** (2019: K2.504million).

#### 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 27.
- (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 32 to 34 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.

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**ZAMBIA COMPULSORY STANDARDS AGENCY**

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

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**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, since formation of the Agency in 2019, there has been no Board, 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
Mrs. Mutumu N Mwape	Legal Counsel
Ms. Chisola Mfula	Internal Audit Manager

**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

26<sup>th</sup> March 2021  
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 2020.

**Statement of Responsibility for Financial Statements**

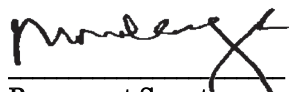
In conformity with *International Financial Reporting Standards* ("IFRSs"), the Board is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Agency and of the operating result for that year. *IFRSs* provide, in relation to such 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 12 to 15, and the additional information contained on pages 16 to 33, 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 2020;
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 2020; 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 46 to 50 were approved on 26<sup>th</sup> March 2021 and signed by:

  
Permanent Secretary

  
Chief Executive Officer

# EMM Corporate Partners

Chartered Accountants and Management Consultants



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A member of



## A MEMBER OF CPAAI-EMEA

CPA Associates International (CPAAI) is a worldwide association of accounting and consulting firms with its head office in New York, USA. EMM is a member of the Europe, Middle East and Africa region of CPAAI. In January 2020, CPAAI merged with MGI Worldwide to create a major, bigger and better international accounting association.

### REPORT OF THE INDEPENDENT AUDITORS TO THE MINISTER OF COMMERCE, TRADE AND INDUSTRY

#### 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 2020, 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 2020, 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, and we do not express an opinion on these individual matters.

There were no key audit matters requiring discussion in this report.



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## Going Concern

### 1. *General Assessment*

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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 Agency either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. The Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the entity. The Management have assessed, in the light of current and anticipated economic conditions, the Agency's ability to continue as a going concern. The Management confirm they are satisfied that the Agency has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing the financial statements.

As part of our audit of the financial statements, we have concluded that the Agency's use of the going concern basis of accounting in the preparation of the entity's financial statements is appropriate. Our assessment considers the assumptions sound and, as such, our opinion is not qualified in this case.

### 2. *Impact of COVID 19*

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*ISA 570 - Going Concern* requires the audit to review and report within the report on the date the accounts are issued, on any significant events occurring prior to the reporting date. These responsibilities are also placed on the audit by regulators including the *International Federation of Accountants* ("IFAC") and the Zambia Institute of Chartered Accountants ("ZICA"), in light of the Coronavirus COVID 19 pandemic facing the global economy and specific circumstances of individual reporting entities. In that regard the audit has considered the impact of Coronavirus COVID 19 and resulting government restrictions on business and social operations.

The Audit recognises that sustained effect of the virus and the associated implementation of government measures to control the pandemic may create conditions that affect the ability of the business to continue operations. As at the date of this report, no direct implications have been estimated and quantified by the audit as a result of the global pandemic.

## 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.

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## 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 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 Agency had no Board for 2020. 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.

### Other Information

The Board and the Chief Executive are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Directors' Report described in this set of financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Opinion on Other Matters

In our opinion:

1. The parts of the Financial Report to be audited have been properly prepared in accordance with Minister directions made under the *Compulsory Standards Act, No. 3 of 2017*;
2. In the light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we have not identified any material misstatements in the financial statements; and
3. The information given in the reports prepared for the financial year for which the financial statements are prepared is consistent with the financial statements.

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## Matters on which we Report by Exception

Other than the matters raised in the letter of recommendations, and cited in this report where necessary for the attention of those charged with governance, we have nothing to report in respect of the following matters which we report to you if, in our opinion:

1. Adequate accounting records have not been kept or adequate for our audit; or
2. The financial statements and the parts of the annual report to be audited are not in agreement with the accounting records and returns; or
3. We have not received all of the information and explanations we require for our audit; or
4. The Financial Statement does not reflect compliance with guidance.

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

  
**Elasto Mambo**  
*PC/MPC: 000856*  


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

29<sup>th</sup> March 2021  
Date



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

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

**STATEMENT OF SURPLUS OR DEFICIT**  
*Amounts in Zambian Kwacha*

	Notes	2020	2019
<b>INCOMING RESOURCES</b>			
<b>Income from Non-Operating Sources</b>			
Appropriation in aid	1.	51,539,727	35,126,339
Amortised Grant	9.	117,000	721,502
Other Income	2.	68,783	83,490
<b>Total Incoming Resources</b>		<b>51,725,510</b>	<b>35,931,331</b>
<b>RESOURCES EXPENDED</b>			
Costs of Certifications & Testings	3.	58,534	120,481
Costs of Personnel	4.	35,247,254	29,573,825
Depreciation	5.	758,661	1,111,952
Recurrent Expenditure		12,603,786	9,765,743
		<b>48,668,235</b>	<b>40,572,001</b>
<b>Surplus/(Deficit) from Continuing Operations</b>		<b>3,057,275</b>	<b>(4,640,669)</b>
<b>Other Comprehensive Income</b>	5.	-	-
<b>Comprehensive Income/(Deficit)</b>		<b>3,057,275</b>	<b>(4,640,669)</b>

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

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**STATEMENT OF CHANGES IN FUNDS**  
*Amounts in Zambian Kwacha*

	<b>Revenue Reserves</b>
At 1 January 2019	(10,256,479)
Net Income	(4,640,669)
At 31 December 2019	(14,897,149)
At 1 January 2020	(14,897,149)
Net Income	3,057,275
At 31 December 2020	(11,839,874)

**STATEMENT OF CASH FLOWS**  
*Amounts in Zambian Kwacha*

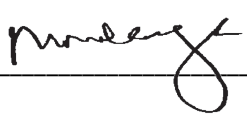
	Notes	2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus/(Deficit for the year)		<b>3,057,275</b>	(4,640,669)
Depreciation	5.	<b>758,661</b>	1,111,952
Deferred Income Amortisation		<b>(117,000)</b>	(721,502)
Decrease/(Increase) in Receivables		<b>28,182</b>	2,030,394
Increase in Accounts Payables		<b>(5,303,312)</b>	5,792,579
<b>Cash Outflow from Operating Activities</b>		<b>(1,576,195)</b>	3,572,753
<b>INVESTING ACTIVITIES</b>			
Acquisition of Assets	5.	<b>(1,040,855)</b>	(2,504,853)
Grants Received for Asset Purchases		<b>198,500</b>	-
<b>Cash Outflow on Investing Activities</b>		<b>(842,355)</b>	(2,504,853)
<b>FINANCING ACTIVITIES</b>			
Deferred Income Amortised		<b>(254,959)</b>	-
<b>Cash Inflow on Financing</b>		<b>(254,959)</b>	-
(Decrease)/ Increase in Cash Equivalents		<b>(2,673,508)</b>	1,067,900
Cash and Cash Equivalent at start of year		<b>2,827,097</b>	1,759,197
Cash and Cash Equivalent at end of year		<b>153,589</b>	2,827,097
<b>Represented by:</b>			
Cash and Cash Equivalents	8.	<b>153,589</b>	2,827,097
		<b>153,589</b>	2,827,097

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

**STATEMENT OF FINANCIAL POSITION**  
*Amounts in Zambian Kwacha*

	Notes	2020	2019
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	5.	3,377,093	3,293,399
<b>Current Assets</b>			
Receivables	7.	278,476	306,658
Cash and Equivalents	8.	153,589	2,827,097
		<b>432,065</b>	3,133,755
<b>Total Assets</b>		<b>3,809,158</b>	6,427,153
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Revenue Reserves		(11,839,874)	(14,897,149)
<b>Current Liabilities</b>			
Deferred Income	9.	1,755,526	2,208,984
Capital Grants	10.	679,871	598,371
Payables, Accruals & Provisions	11.	8,569,166	12,414,796
Employee Benefits	12.	4,644,469	6,102,151
		<b>15,649,032</b>	21,324,302
<b>Total Funds and Liabilities</b>		<b>3,809,158</b>	6,427,153

The financial statements set out on pages 46 to 50 were approved on 29<sup>th</sup> March 2021 and signed on its behalf by:

Permanent Secretary: 

Chief Executive Officer: 



## **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 2020 are set out below:

### **1. Basis of Preparation**

The financial statements for the year ended 31<sup>st</sup> December 2020 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 comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of surplus or deficit, as required or permitted by IFRS. Reclassification adjustments are amounts 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 format is based on a current/non-current distinction.

### **2. Measurement Basis**

The financial statements have been prepared on a historical cost basis, except for the following:

- (a). *Certain financial assets and liabilities,*
- (b). *certain classes of property, plant and equipment and investment property –measured at fair value*
- (c). *Assets held for sale –measured at fair value less costs to sell, and*

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 entity 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 entity (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise 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 into account.

Fair values are categorised 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:

- (a). *Level 1 fair value measurements* are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b). *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).
- (c). *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 entity 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 2020.

### 4. Adoption of New and Revised International Financial Reporting Standards ("IFRSs")

#### (a). Application of New IFRS requirements

For the preparation of financial statements, the following amendments to Standards are mandatory for the first time for the financial year beginning on or after 1<sup>st</sup> January 2020:

- (i). ***Amendments to IAS 1: Presentation of Financial Statements and IAS 8: Change in Accounting Policies***: This standard is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The following amendments are effective for annual reporting periods beginning on or after 1<sup>st</sup> January 2020. Earlier application is permitted.

- **Impact of Change on the Current Period:** IAS 8 specifically requires disclosure of the effect of a change in accounting policy not only on prior periods but also on the current period, unless it is impracticable to determine the amount of the adjustment. To make this disclosure, entities will need to apply both the old accounting policy and the new policies parallel in the year of adoption. The standard includes a definition of impracticable and a set of criteria that must be satisfied for the exemption to be applied, setting quite a high hurdle for using this exemption. The IASB did consider requiring this disclosure only for voluntary changes of accounting policies and not where the change is a result of changes in the accounting standards. However, they did not proceed with the amendment but decided instead to give relief on a case-by-case basis. For example, relief was provided for the adoption of IFRS 15 Revenue from contracts with customers, but not for entities that adopted IFRS 16 Leases without using the simplified transitional approach. Additional comparative information –third statement of financial position.
  - **Additional Comparative Information –Third Statement of Financial Position:** If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements and this had a material effect on the information in the statement of financial position (statement of financial position) at the beginning of the preceding period, the entity must present a third statement of financial position as at that date (1 January 2019 for entities with a 31 December 2020 year-end). However, it is not necessary to include the additional comparative information in the affected notes, provided the entity has disclosed all of the quantitative information that is required by IAS 8. The third statement of financial position must be presented as at the beginning of the preceding period even if the entity presents comparative information for earlier periods.
  - **Impact of Change on Prior Interim Financial Reports:** There is no explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial reports of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, an entity should consider explaining this fact and the financial effect as part of the disclosures made under paragraphs 28 and 29 of IAS 8.
- (ii). **IFRS 3 - Business Combinations: – Amendments to IFRS 3.** The Standard has been amended with respect to definition of a business. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2020. Earlier application is permitted.
- (iii). **Amendments to IFRS 4-Insurance Contracts (Superseded by IFRS 17):** The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2020. Earlier application is permitted.

- (iv). **Amendments to IFRS 16: Leases:** IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Effective 1<sup>st</sup> January 2019, the final amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2020.
- (v). **IAS 39 - Financial Instruments: Recognition and Measurement:** This standard outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortised cost or fair value). Special rules apply to embedded derivatives and hedging instruments. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2020. Earlier application is permitted.
- (vi). **IFRS 7 - Financial Instruments: Disclosures:** This standard requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2020. Earlier application is permitted.
- (vii). **IFRS 9 - Financial Instruments:** The final version of IFRS 9 "Financial Instruments" issued in July 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. Initially effective 1<sup>st</sup> January 2018, the final amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**(b). New IFRS Requirements in Issue but not Yet Effective**

The entity has also elected to adopt 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 2020.

- (i). **Annual Improvements to IFRS Standards 2018-2020 Cycle.**
- (ii). **Covid-19-Related Rent Concessions – Amendments to IFRS 16 and**

(iii). ***Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7***

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

(c). **Amendments to Existing Standards Not Yet Effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the entities. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- (i). ***IAS 1 - Presentation of Financial Statements***: This standard sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2023. Earlier application is permitted.
- (ii). ***IAS 16 - Property, Plant and Equipment***: This standard outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2022. Early application is permitted.
- (iii). ***IAS 37 - Provisions, Contingent Liabilities and Contingent Assets***: This standard outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2022. Early application is permitted.
- (iv). ***IAS 41 - Agriculture***: This standard sets out the accounting for agricultural. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2022. Early application is permitted.
- (v). ***IFRS 1 - First-time Adoption of International Financial Reporting Standards***: This standard sets out the procedures that an entity must follow when it adopts IFRS for the first time as



the basis for preparing its general purpose financial statements. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2022. Early application is permitted.

- (vi). **IFRS 3 - Business Combinations:** This standard outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
- (vii). **IFRS 4 - Insurance Contracts:** The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.
- (viii). **IFRS 17 - Insurance Contracts:** IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after 1<sup>st</sup> January 2022.

(d). **New Standards and Interpretations**

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 entity in the current or future reporting periods and on foreseeable future transactions.

The Agency 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.

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 28 to 36. 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*

	2020	2019
<b>1. Appropriation in Aid</b>		
Appropriation in Aid	37,376,339	35,126,339
Other Revenue Grant for PAYE	14,163,388	-
Appropriations from GRZ	51,539,727	35,126,339
This represents amounts provided to the Agency by Parliament, in appropriations in Aid.		
<b>2. Other Income</b>		
Sundry Income	68,783	83,490
	68,783	83,490
<b>3. Cost of Certification &amp; Testing</b>		
Sample Containers Seals & Labels	21,397	31,039
Testing Charges	37,137	89,442
	58,534	120,481
<b>4. Costs of Personnel</b>		
Acting Allowances	129,479	72,003
Casual & Temporal Wages	75,655	62,071
Fuel Allowances	441,310	430,771
Gratuity	1,797,069	1,607,272
Housing Allowance	3,199,614	180,000
Leave Pay & Benefits	1,676,901	2,667,024
Lunch Allowances	68,433	-
Medical Allowances	218,510	414,252
Napsa Employers Contribution	1,222,392	1,034,714
Overtime	570,195	470,226
Pension Contributions	1,389,418	1,313,008
Performance Bonuses	1,053,424	-
Responsibility Allowances	11,577	6,861
Salaries & Wages	21,274,269	19,573,235
Telephone Allowances	104,850	75,160
Transport Allowances	1,805,655	1,649,904
National Health	208,503	17,323
	35,247,254	29,573,825

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**5 Property, Plant and Equipment**

	Land & Buildings	Plant and Machinery	Motor Vehicles	Laboratory Equipment	Furniture	Computer Software	Office Equipment	Computer Hardware	Totals
<b>Cost</b>									
Balance at 1 January 2020	56,600	133,000	4,588,360	10,050	1,455,978	855,303	526,959	1,974,587	9,600,837
Additions	30,000	-	198,500	-	180,667	172,801	6,960	451,927	1,040,855
Grant Adjustment	-	-	(198,500)	-	-	-	-	-	(198,500)
<b>Balance at 31 December 2020</b>	<b>86,600</b>	<b>133,000</b>	<b>4,588,360</b>	<b>10,050</b>	<b>1,636,644</b>	<b>1,028,104</b>	<b>533,919</b>	<b>2,426,514</b>	<b>10,443,191</b>
<b>Depreciation</b>									
Balance at 1 January 2020	-	10,540	3,897,594	10,050	641,287	173,623	222,459	1,351,885	6,307,438
Depreciation and Amortisation	-	2,660	143,400	-	126,997	340,552	85,310	59,742	758,661
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>13,200</b>	<b>4,040,994</b>	<b>10,050</b>	<b>768,284</b>	<b>514,175</b>	<b>307,769</b>	<b>1,411,627</b>	<b>7,066,099</b>
<b>Net Book Value</b>									
Balance at 31 December 2019	56,600	122,460	690,766	-	814,691	681,680	304,500	622,702	3,293,399
Balance at 31 December 2020	86,600	119,800	547,366	-	868,360	513,929	226,150	1,014,887	3,377,093

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**NOTES TO THE FINANCIAL STATEMENTS**  
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*Note 5 Cont'd.*

	Land & Buildings	Plant and Machinery	Motor Vehicles	Laboratory Equipment	Furniture	Computer Software	Office Equipment	Computer Hardware	Totals
<u>Cost</u>									
Balance at 1 January 2019	30,100	133,000	3,871,360	10,050	1,035,592	122,453	393,994	1,499,436	7,095,984
Additions	26,500	-	717,000	-	420,386	732,850	132,965	475,152	2,504,853
Balance at 31 December 2019	56,600	133,000	4,588,360	10,050	1,455,978	855,303	526,959	1,974,587	9,600,837
<u>Depreciation</u>									
Balance at 1 January 2019	-	6,524	3,340,554	10,050	540,050	9,208	151,218	1,137,882	5,195,486
Depreciation and Amortisation	-	4,016	557,040	-	101,237	164,415	71,241	214,003	1,111,952
Balance at 31 December 2019	-	10,540	3,897,594	10,050	641,287	173,623	222,459	1,351,885	6,307,438
<u>Net Book Value</u>									
Balance at 31 December 2018	30,100	126,476	530,806	-	495,542	113,244	242,776	361,554	1,900,498
Balance at 31 December 2019	56,600	122,460	690,766	-	814,691	681,680	304,500	622,702	3,293,399

**NOTES TO THE FINANCIAL STATEMENTS**

*Amounts in Zambian Kwacha*

	2020	2019
<b>7. Receivables</b>		
Salary Advances	191,456	182,415
Staff Loans and Advances	79,177	102,786
Other Receivables	7,843	21,457
	<b>278,476</b>	<b>306,658</b>
<b>8. Cash and Equivalents</b>		
Zanaco Current Account	152,352	2,806,366
Petty cash	1,236	20,731
	<b>153,589</b>	<b>2,827,097</b>
<b>9. Deferred Income</b>		
Balance at the start of the Year	2,208,984	3,456,970
Deferred Income Amortised During the Year	(254,958)	(575,569)
Transfer to Capital Grant	(198,500)	(600,000)
Balance as at year end	<b>1,755,526</b>	<b>2,208,984</b>
<b>10. Capital Grant</b>		
Balance at the start of the Year	598,371	71,888
Received during the year	198,500	72,416
Transferred from Deferred Income	-	600,000
Transferred to Income	(117,000)	(145,933)
Balance as at year end	<b>679,871</b>	<b>598,371</b>
<b>Total Amortisation</b>		
Deferred Revenue ( Note 9)	-	575,569
Capital Grant Amortisation ( Note 10)	(117,000)	145,933
Balance as at year end	<b>(117,000)</b>	<b>721,502</b>
<b>11. Payables, Accruals and Provisions</b>		
Payables	2,204,028	1,525,548
PAYE	5,961,717	10,669,578
NAPSA	(408)	-
Sundry Payables	395,961	219,670
Impairment Provision	7,868	-
	<b>8,569,166</b>	<b>12,414,796</b>
<b>12. Employee Obligations</b>		
Gratuity	2,660,645	2,983,544
Leave Days	1,802,086	2,756,292
Pension Contributions	181,738	362,315
	<b>4,644,469</b>	<b>6,102,151</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 2020				
	Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
<b><u>Assets as per statement of financial position</u></b>				
<b>Loans and Receivables:</b>				
-Trade and Other receivables	278,476	-	-	278,476
-Cash and Equivalents	153,589	-	-	153,589
<b>Total</b>	<b>432,065</b>	<b>-</b>	<b>-</b>	<b>432,065</b>
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
<b><u>Liabilities as per statement of financial position</u></b>				
Other Financial Liabilities	-	-	4,644,469	4,644,469
Trade and Other Payables	-	-	8,569,166	8,569,166
<b>Total</b>	<b>-</b>	<b>-</b>	<b>13,213,635</b>	<b>13,213,635</b>

31 December 2019				
	Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
<b><u>Assets as per statement of financial position</u></b>				
<b>Loans and Receivables:</b>				
-Trade and Other receivables	306,658	-	-	306,658
-Cash and Equivalents	2,827,097	-	-	2,827,097
<b>Total</b>	<b>3,133,755</b>	<b>-</b>	<b>-</b>	<b>3,133,755</b>
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
<b><u>Liabilities as per statement of financial position</u></b>				
Other Financial Liabilities	-	-	6,102,151	6,102,151
Trade and Other Payables	-	-	12,414,796	12,414,796
<b>Total</b>	<b>-</b>	<b>-</b>	<b>18,516,947</b>	<b>18,516,947</b>

**NOTES TO THE FINANCIAL STATEMENTS**

*Amounts in Zambian Kwacha*

(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:

	2020	2019
Cash and bank balances	153,589	2,827,097
Receivables	278,476	306,658
	432,065	3,133,755

The Agency's primary credit exposure from illiquidity of cash and cash equivalents amounted to **K0.153million** (2019: K2.827million).

At the balance sheet date, other significant concentrations of credit risks lay in receivables, which at the reporting date amounted to **K0.278million** (2019: K0.306million). The nature of services offered by the Agency means it does not have significant credit risk exposure to a single counterparty.

(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). 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:

	Up to 1 Month	1-3 Months	4-12 Months	1-5 Years	Total
<b>At 31 December 2020</b>					
<b>Non-Interest Bearing</b>	1,101,136	3,303,409	8,809,090	-	13,213,635
<b>At 31 December 2019</b>					
Non-Interest Bearing	1,543,079	4,629,237	12,344,631	-	18,516,947

(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.

**NOTES TO THE FINANCIAL STATEMENTS**

*Amounts in Zambian Kwacha*

**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 2020, however, the Agency had no Board.

(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 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:

	2020	2019
Government Funding received	<b>51,539,727</b>	35,126,339
Key Management Personnel	<b>3,772,531</b>	3,143,776

**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 balance sheet plus net debt. The gearing ratios at 31 December 2020 were as follows:

	2020	2019
Debt		-
Cash	<b>(153,589)</b>	(2,827,097)
Net Debt	<b>(153,589)</b>	(2,827,097)
Equity	<b>(11,839,874)</b>	(14,897,149)
Net debt to equity ratio	<b>1.30%</b>	18.98%

**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**

Material or significant penalties and interest surcharges due to the National Authority Pension Scheme and the Zambia Revenue Authority in respect of delayed settlement of monthly statutory obligations in both the current and prior years have been identified but not quantified and, therefore, not recognised in these financial statements.

**18. Events Subsequent to Reporting Date**

*IAS 10* requires the Agency to disclose the date on which the accounts are authorised for issue by the Board. The annual report and accounts were authorised by the Board for issue on the date of the signature of the directors and the date of the auditor's report.

- (a). **General:** The Agency has evaluated subsequent events through to the date the financial statements were available for issuance, and has determined that 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 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.
- (b). **Impact of Covid-19 Virus:** The Agency has considered the impact of Coronavirus Covid 19 and resulting government restrictions on business and social operations. The Agency recognises that sustained effect of the virus and the associated implementation of government measures to control the pandemic may create conditions that affect the ability of the business to continue operations. As at the date of this report, no direct implications have been estimated and quantified by the business as a result of the global pandemic.

**APPENDIX – RECURRENT COSTS**

*Amounts in Zambian Kwacha*

	2020	2019
Advertising & Promotions	43,393	75,420
Audit and Consultancy Services	246,811	137,803
Bad Debts Provision	7,868	-
Bank Charges & Commissions	45,809	38,839
Boarder Office	-	500
Cleaning Materials & Expenses	169,121	201,252
Electricity	96,169	49,698
Entertainment	18,000	18,000
Equipment Accessories	110,669	62,209
Fuel & Lubricants	1,042,078	823,097
Health & Safety	22,614	1,000
Insurance	200,418	194,662
Legal Fees	2,700	-
Lunch Allowances	-	76,941
Market Surveillance	-	1,060
Marketing & Public Relations Expenses	191,603	390,084
Office & Meetings Expenses	226,892	169,365
Other Expenses	1,464,115	124,289
Penalties and Interest	-	116,286
Postage, Post Box Rentals & Courier Services	327,147	409,887
Printing & Stationery	793,494	501,747
Profit/Loss on Foreign Exchange	226,739	-
Protective clothing	252,500	-
Protective Clothing & Uniforms	-	20,343
Recruitment Expenses	8,151	80,707
Renewal of Payroll Package Licenses	196,803	29,103
Rent & Rates	3,645,406	1,997,226
Repairs & Maintenance	763,713	790,437
Security Services	25,423	33,551
Staff Training	114,176	114,353
Staff Welfare	624,757	483,402
Subscriptions	99,049	51,552
Subsistence Allowances-Foreign	1,258,227	874,742
Subsistence Allowances-Local	11,865	142,934
Telephone, Fax, Email	13,551	982,695
Tender Meeting Sitting Allowances	7,206	2,500
Travel Expenses-Foreign	21,427	82,437
Travel Expenses-Local	77,245	52,557
Water & Sewerage	6,282	5,960
Workshop Expenses	123,306	53,538
ZATP Expenses	119,057	575,569
	<b>12,603,786</b>	<b>9,765,743</b>



## Notes

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## Notes

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