

ZCSA
ZAMBIA COMPULSORY STANDARDS AGENCY

Zambia Compulsory Standards Agency

2022 ANNUAL REPORT

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Core Values

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.

Credibility

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

Accountability

We are answerable and responsible for our actions, omissions, and decisions.

Mandate, Governance Structure

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:

(a) Administer, maintain, and ensure compliance with compulsory standards;

(b) Give pre-market approval of high-risk commodities falling within the scope of compulsory standards;

(c) Conduct market surveillance for products falling within the scope of compulsory standards to monitor post market compliance of commodities with compulsory standards;

(d) 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;

(e) Cooperate with Ministries and other State institutions and international organisations in enforcing compulsory standards; and

(f) Do all such things related to, or incidental to the functions of the Agency under the Act.

Governance Structure

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

Section 6 of the Compulsory Standards Act provides that the Board will consist of:

(a) A representative of the Ministry responsible for Industry;

(b) A representative of the Office of the Attorney General; and

(c) Five persons with experience and knowledge in matters relevant to the Act.

The Agency has two technical departments namely:

(a) Import Quality Monitoring (IQM);

(b) Domestic Quality Monitoring (DQM);

and three support departments namely:

(a) Human Resource and Administration;

(b) Finance;

(c) Legal and Compliance;

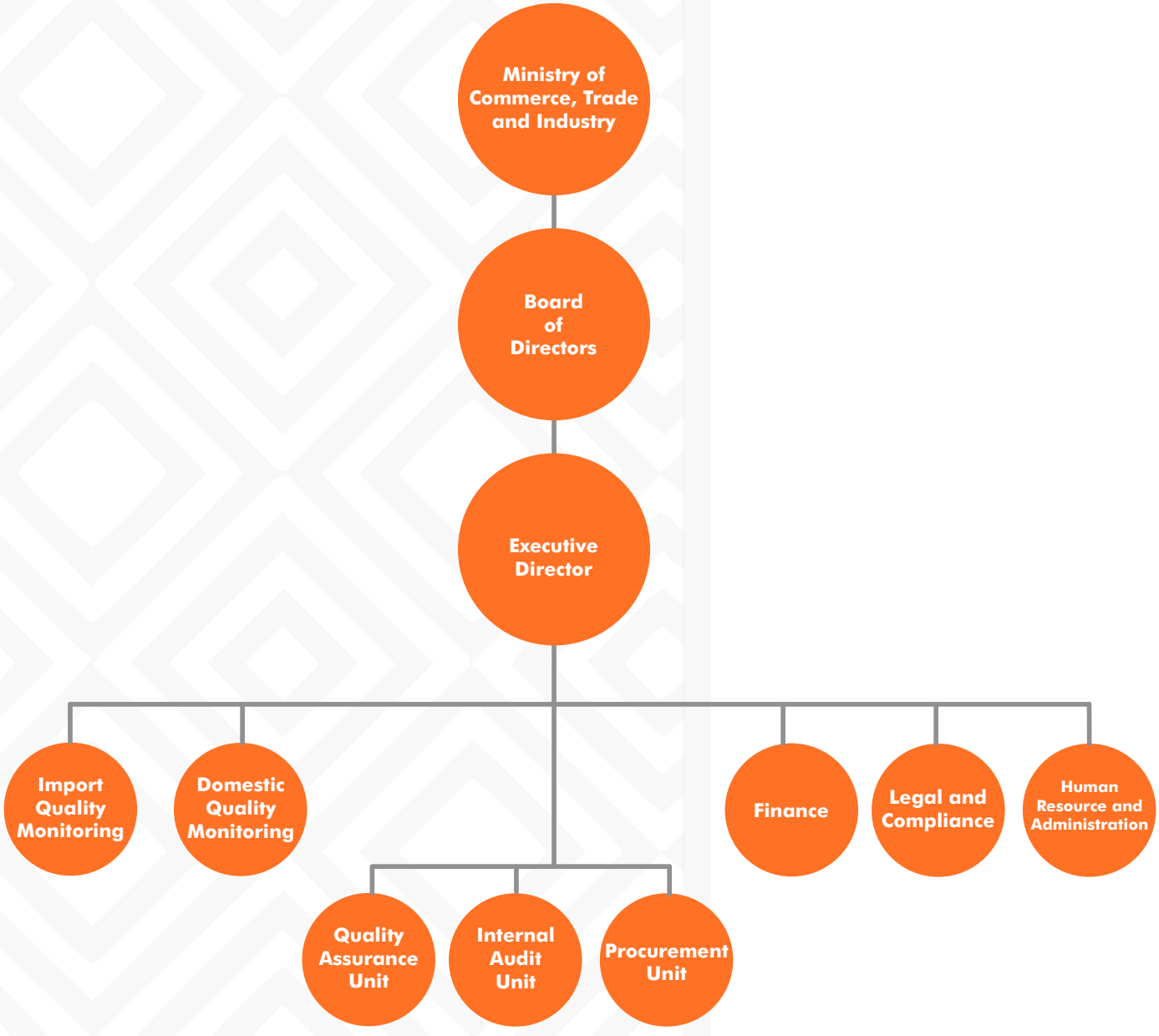
The units under the Executive Director's office include:

(a) Internal Audit;

(b) Procurement;

(c) Quality Assurance.

Corporate Structure



Executive Management

Gerald Chizinga
Acting Executive Director



Kasuba Kasengele
Acting Manager – IQM



Mutumu N. Mwape
Legal Counsel



Francis N. Mwelwa
Manager – DQM



Brian N. Malangisha
Manager – Finance



Chisola Mfula
Manager – Internal Audit



Boniface C. Zulu Jr.
Acting Manager – Human Resource and Administration





Commerce, Trade and Industry Minister Hon. Chipoka Mulenga (2nd from left) stresses a point as ZCSA Acting Manager - Human Resource and Administration Boniface Zulu (2nd from right) and ZCSA Inspector Benny Sichuunda look on during 2022 Zambia International Trade Fair, in Ndola.



SADCAS Acting Executive Director, Pinkie Malebe (second from left) presents the Accreditation Certificate to ZCSA Acting Executive Director Gerald Chizinga (second from right),as Ministry of Commerce, Trade and Industry Director Human Resources and Administration Nalituba Mwale and ZCSA Domestic Quality Monitoring Inspections Manager Francis Mwelwa look on, in Lusaka.

The Year at a Glance





In July 2022, ZCSA hosted a roadshow to sensitize residents on the implementation of the Compulsory Standard for potable spirits.



Senior Inspector Mumba Ngosa (right) and Inspector Amos Moyo (left) during market surveillance inspections at Mongu Shoprite.



Henry Salimu clearing entries on ASYCUDA after an inspection at Kazungula border. ZCSA is connected to the Zambia Electronic Single Window



ZCSA Inspector conducting an inspection at Nakonde Border



Clients visit ZCSA stand during the Zambia-China Business Forum.



ZCSA inspectors Mercy Namwai Mugala and Collins Mumba receiving the grand prize at the 2022 National Kaizen Conference.



ZCSA Inspector Benny Sichuunda interacting with pupils who visited the Agency stand during the International Trade fair.



Ministry of Commerce, Trade and Industry Permanent Secretary John Mulongoti at the ZCSA stand during the Western Province Expo.



Labor Day participants.



ZCSA Inspector Mitolo Musuumba (right) at the Agriculture and Commercial Show in Lusaka.

The Year at a Glance

Kaizen International Convention in Jakarta, Indonesia 2022



ZCSA Inspector Collins Mumba (second from left) and ZCSA Kaizen Coordinator, George Nyirenda (second from right) with a team of international adjudicators during the Kaizen International Convention Jakarta 2022.



ZCSA Inspector Mercy Namwai Mugala addressing delegates after receiving an award in Indonesia during the Kaizen International Convention Jakarta 2022.



ZCSA Inspectors Mercy Namwai Mugala (left) and Collins Mumba (right) receiving awards during the Kaizen International Convention Jakarta 2022, Indonesia.

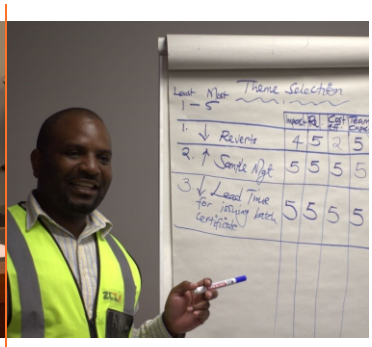
Kaizen Trainings 2022



Kaizen Consultant Shishekwanu Mwauluka stressing a point during the Kaizen Institute of Zambia training for **ZCSA** Chirundu Team on August 29, 2022.



ZCSA Inspector for Kazungula Mukwasa Kamunga (left) and Office Assistant Alick Siame (right) keenly following deliberations during the Kaizen Institute of Zambia training on September 2, 2022.



ZCSA Inspector for Kazungula Mukwasa Kamunga highlighting key points during the Kaizen Institute of Zambia training for ZCSA Kazungula Team on September 2, 2022.

Anti-Corruption Day 2022



ZCSA staff display their banner during the International Anti-Corruption Day in Lusaka on December 9.



ZCSA staff alongside police officers captured during the International Anti-Corruption Day in Lusaka on December 9.

Permanent Secretary's Report

JOHN MULONGOTI



"I am very pleased to report that ZCSA, under the policy guidance of the Ministry of Commerce, Trade and Industry, has continued to implement activities aimed at improving the provision of services to the Agency's clients."

THE Zambia Compulsory Standards Agency continued implementing its mandate of ensuring public health and safety, environmental and consumer protection in the year under review.

I am pleased to report that ZCSA, under the policy guidance of the Ministry of Commerce, Trade and Industry, has continued to implement activities aimed at improving the provision of services to the Agency's clients. The result of these actions has led to the Agency reporting the attainment of its targets in the year 2022.

During the period under review, the Agency attained accreditation of its inspection services for inspection of some **Food Products** subject to compulsory standards: namely, **Bottled Water** and **Maize Meal** to the international standard ISO/IEC 17020.

Accreditation was awarded by the Southern African Development Community Accreditation Services (SADCAS) following assessment of the Agency's quality management system to the requirements of ISO/IC 17020. Attainment of accreditation by the Agency will enhance recognition of Zambian products and protection of consumers.

During the year under review, the Agency continued to pursue excellence in its service delivery by seeking new ways of service provision. In this regard the Agency introduced services on the Government Service Bus which was preceded by training of stakeholders, including clients. The Agency's clients have since started accessing the services through the Government Service Bus (GSB), which has increased efficiency.

The Ministry will continue to provide policy guidance and support to the Agency to ensure the fulfilment of its mandate. On behalf of the Ministry, I wish to sincerely express my gratitude to the Agency's stakeholders for the continued support. I look forward to enhanced and continued engagements with stakeholders to effectively protect consumers and the environment through the administration of compulsory standards.

Lastly, I wish to recognise the commitment and the hard work of the Management and Staff of the Agency throughout the year.

John Mulongoti
PERMANENT SECRETARY

Executive Director's Report

GERALD CHIZINGA



"The Agency enhanced enforcement activities and implemented interventions aimed at improving service delivery during the period under review. This led to an improved compliance rate to applicable compulsory standards of approximately 88% from the targeted 85%."

THE Zambia Compulsory Standards Agency continued to implement its core mandate of protecting public health and safety, consumers and the environment through the administration of compulsory standards. The Agency continued to enhance its operations in order to serve clients and the public more efficiently.

During the year under review, several achievements were scored some of which are highlighted below:

ACHIEVEMENTS

In 2022, ZCSA made the following notable achievements:

Import Quality Monitoring

The Agency continued with the administration of compulsory standards for imported products under its mandate in order to protect consumers and the environment. Compliance rate of imported goods to applicable compulsory standards stood at approximately 88%.

ZCSA recorded a 13% increase in inspections of imported goods under its mandate due to continued improvement in the effectiveness of its monitoring mechanisms.

During the year under review, the Agency successfully started operating at the Mwami/ Mchinji One Stop Border Post (OSBP) following the official launch of the OSPB by the Presidents of Zambia and Malawi in December 2022. This modern facility is expected to lead to increased inspections of products subject to compulsory standards at this station.

The Agency continued implementing contracts for inspection service providers under the pre-shipment roadworthiness inspection scheme for imported used motor vehicles. The three service providers are Auto Terminal Japan Limited (ATJ), EAA Company Limited and Quality Inspection Services Japan (QISJ). The Agency recorded a 40% increase in inspections conducted by contractors during the period under review.

Domestic Quality Monitoring

ZCSA continued providing services to a number of manufacturing companies regulated by the Agency. The Agency conducted eighty-two (82) inspections of new companies that began production of goods under the Agency's mandate. The new companies included manufacturers of Fertiliser, Maize Meal, Bottled Drinking Water, Peanut Butter, Paints and Fruit Flavoured drinks, among other products.

Executive Director's Report

Accreditation of Inspection Services

In the first quarter of the year under review, ZCSA attained accreditation of its inspection services for inspection of some food products subject to compulsory standards to the International Standard ISO/IEC 17020. The scope of the Accreditation is Inspection of **Bottled Water** and **Maize Meal.** Accreditation was awarded by the Southern African Development Community Accreditation Services (SADCAS) following assessment of the Agency's Quality Management System.

The Agency is the first inspection body in Zambia to be accredited by SADCAS and only the second inspection body to be accredited for import inspections in the fourteen (14) SADC member states serviced by SADCAS.

Implementation of Services on the Government Service Bus

The Government, through the Smart Zambia Institute, has embarked on development of digital platforms to enhance the delivery of public services in the country. In the year under review, clients started accessing the Agency's services through the Government Service Bus (GSB). Our services are now accessible online, through this digital platform. Implementation of the Agency's services on this digital platform was preceded by stakeholder engagement in the Agency's areas of operation**.**

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 225,426,056.04**. The Agency collected **ZMW 351,286,309.77**, giving a positive variance of about 55%.

The use of the Single Payment Point (SPP) on the Zambia Electronic Single Window (ZESW) and the GSB significantly increased the Agency's efficiency in ensuring that service fees for imported products were promptly settled by clients.

Participation in the Kaizen - International Convention on QC Circles - 2022

The fourth quarter saw our first ever participation in the Kaizen- International Convention on Quality Control Circles (ICQCC**)** which was held in Jakarta, Indonesia where our team which also emerged as grand champions at the national Kaizen Conference was awarded a gold medal. The ICQCC is an annual event hosted by different countries in Asia who see quality and standardization as an important aspect of productivity. It is hoped that the implementation of Kaizen principles will enhance our productivity.

Digitalisation of the Agency's Internal Processes

ZCSA computerised some of its internal processes during the year under review . This ongoing initiative is aimed at enhancing operational efficiency.

The Agency enhanced enforcement activities and implemented interventions aimed at improving service delivery during the period under review. This led to an improved compliance rate to applicable compulsory standards of approximately 88% from the targeted 85%.

CHALLENGES/POSSIBLE SOLUTIONS

Inadequate Funding

The Appropriation in Aid received by the Agency was inadequate in facilitating the full execution of its mandate. The Agency needed increased funding that would adequately meet its various operational needs to help improve its performance. The following are some of the areas that continue to require increased financial resources:

(a) 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.

(b) Inadequate Infrastructure

The Agency continued to lack adequate and purpose-built infrastructure in its operational areas required to implement its mandate effectively and efficiently. The provision of adequate financial resources to ZCSA will help to acquire and develop the much-needed infrastructure and ultimately strengthen the Agency for better service delivery and contribution to the realisation of the country's aspirations as outlined in its national development plans.

2023 FOCUS AREAS/ FUTURE PLANS

In the new year, our work will be focused towards building on the above achievements by implementing the following, among other activities

(a) Increasing the Scope of Accreditation

The Agency will continue to pursue excellence in its service delivery and to this end, will make strides towards increasing the scope of accreditation of its inspection services to the international standard ISO/IEC 17020 to other products subject to compulsory standards. This will enhance the recognition of services provided by the Agency and add value to the implementation of our mandate.

(b) Digitalisation of Internal Processes

ZCSA will work towards computerising more of its internal processes to enhance operational efficiency and service delivery

(c) Compulsory Standards

The Agency will continue to pursue the outstanding declaration of 52 new compulsory standards that have already been recommended for declaration as compulsory standards. Declaration of these standards will widen the scope of the Agency to cover other products, thereby enhancing public safety through its regulatory intervention.

(d) Infrastructure Development

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

On behalf of Management and staff, I wish to express my gratitude to the Ministry of Commerce, Trade and Industry for its continued support and guidance.

Further, I wish to thank ZCSA Management and staff for their amazing efforts in implementing the Agency's mandate during the year under review. We wouldn't have attained the 2022 achievements without the contributions and support of members of staff, clients, donors and other stakeholders.



Gerald Chizinga
ACTING EXECUTIVE DIRECTOR



IMPORT QUALITY MONITORING DEPARTMENT

Import Quality Monitoring



Kasuba Kasengele
Acting Inspection Manager – IQM

"In the year 2022, the Agency had physical presence in Chanida, Chirundu, Katima Mulilo, Kazungula, Livingstone, Mwami, Nakonde, Ndola and Victoria Falls stations."

1.0 INTRODUCTION

The Import Quality Monitoring department is responsible for ensuring compliance of imported products with compulsory standards for public safety, health and environmental protection. The department ensures foreign manufactured products comply with Zambia's public safety, health and environmental protection requirements.

Enforcement of compulsory standards for imported products is done through inspections conducted at the border entry points and inland stations where the Agency has physical presence. These inspections are supplemented by market surveillance activities to ensure continued compliance of products on the market with compulsory standards, for consumer and environmental protection.

In the year 2022, the Agency had physical presence in Chanida, Chirundu, Katima Mulilo, Kazungula, Livingstone, Mwami, Nakonde, Ndola and Victoria Falls stations.

2.0 IMPORT INSPECTIONS

2.1 Import Consignment Inspections

Monitoring of the safety of imported products subject to compulsory standards continued during the year under review. A total of **58,183** import consignments were cleared compared to **51,519** consignments in 2021 giving an increase of about 13%. The increase is attributable to the increased importation of fuel and fertiliser.

Chirundu and Nakonde offices recorded the highest number of consignments. Figures 1 and 2 below show consolidated imports for general goods by entry point and product type respectively for 2022 and 2021.

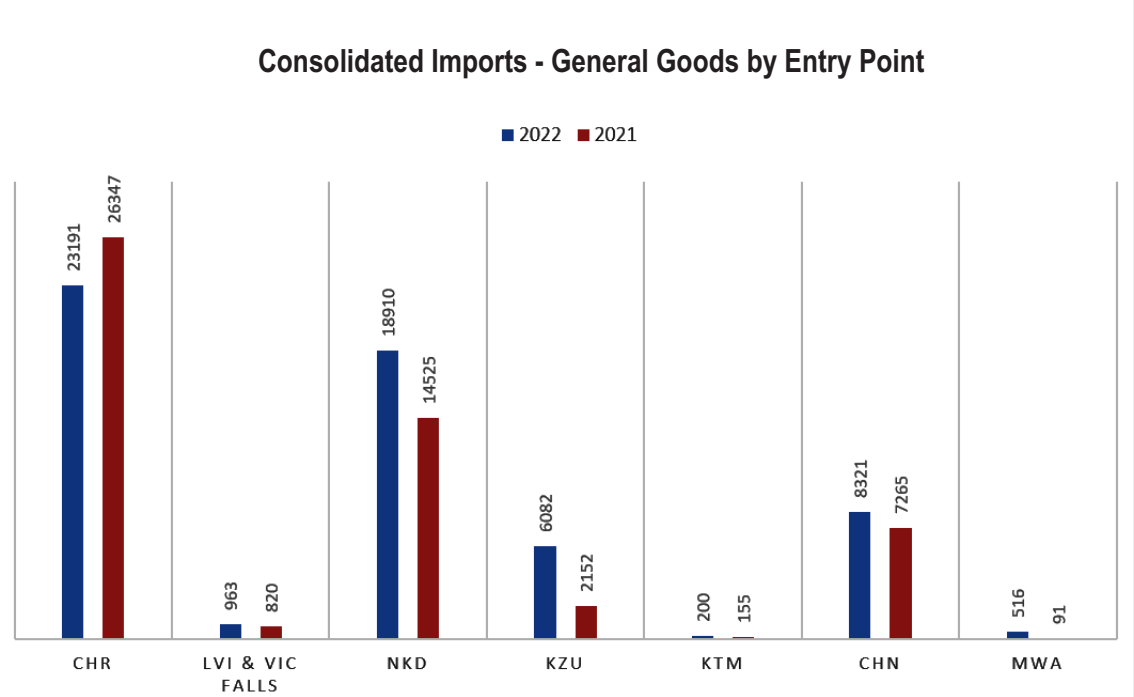


Figure 1: Consolidated Imports – General Goods by entry point

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

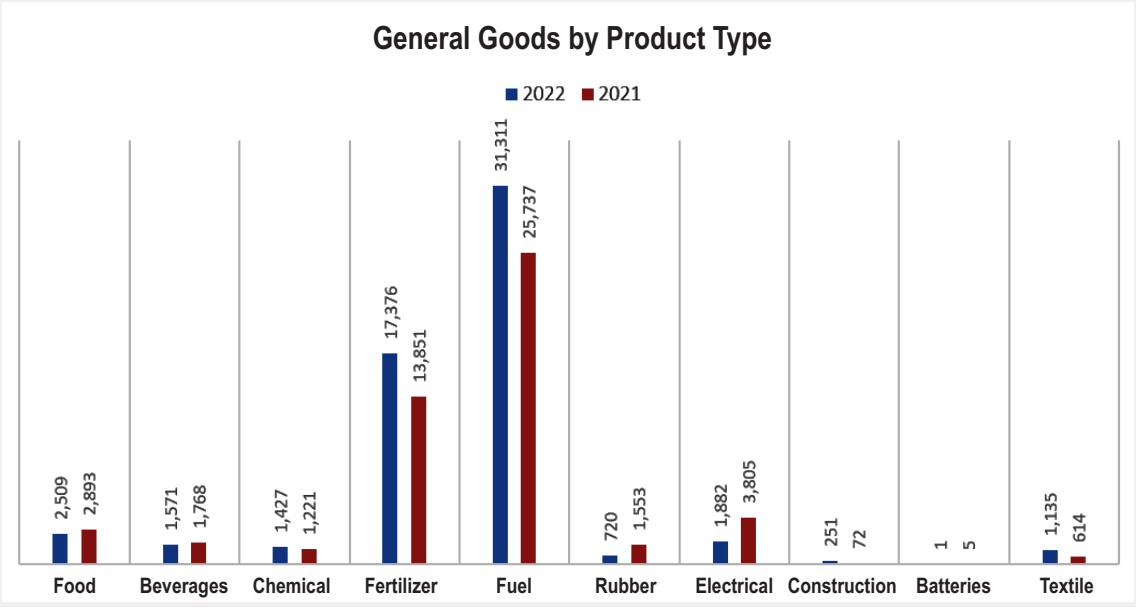


Figure 2: Consignments by Product Type

2.2 Roadworthiness Inspections

For the promotion of public safety, the Agency implements the Zambian Standard **ZS 560 – Code of practice for inspection and testing of used motor vehicles for roadworthiness**. This compulsory standard is implemented through a pre-shipment inspection scheme for roadworthiness inspection (RWI) of all used motor vehicles destined for use within Zambia conducted by ZCSA-appointed agents. The pre-shipment 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 Quality Inspection Services Japan (QISJ) Company Limited.

A total of **40,946** motor vehicles were recorded in 2022 compared to **25,794** in 2021 giving a rise of about 37%. Tables 1 and 2 show the RWI information for both inspected and non-inspected vehicles as captured at border entry point offices. Table 3 shows the number of inspections carried out by contractors at various locations during the period under review. A total of **24,745** used motor vehicles were inspected by ZCSA contractors in the period under review compared to **14,688** in 2021, giving an increase of about 40%.

Table 1: Total Number of Motor Vehicles by Port of Entry

Border Office / Product	CHR	LVI & VIC	KZU	KTM	NKD	CHD	MWA	2022	2021
RWI Certificates Issued	287	5	59	157	22,447	0	39	**22,994**	**12,423**
Not Inspected	1,024	32	3,073	1,500	11,513	7	803	**17,952**	**13,371**
TOTAL	**1311**	**37**	**3132**	**1657**	**33960**	**7**	**842**	**40946**	**25794**

Table 2: Total Number of Motor Vehicles Reported by Country of Export

Country	UK	South Africa	Japan	Singapore	UAE	Other	USA	2022	2021
RWI Certificates Issued	146	104	2909	377	53	19402	3	**22994**	**12,423**
Not Inspected	974	3146	13284	40	41	454	13	**17952**	**13,371**
TOTAL	**1120**	**3250**	**16193**	**417**	**94**	**19856**	**16**	**40946**	**25794**

Table 3: Number of Used Motor Vehicles Inspected by Contractors

Contractor	2022	2021
EAA	6151	3795
QISJ	351	275
ATJ	18243	10618
Total	**24,745**	**14,688**

2.3 Foreign Road Tank Vehicles Inspections

The Zambian Standard **ZS 371 Road Tank Vehicles for Petroleum-Based Flammable Liquids - Specification** is aimed at ensuring that all petroleum products being conveyed in the Republic of Zambia are conveyed in a manner that is in conformity with this standard. This measure was put in place in the interest of protecting public safety, health and the environment. As such, all road tank vehicles, both foreign and local, moving on Zambian roads are required to be fully compliant with the compulsory standard. This requirement is mandatory for petroleum road tank vehicles traversing through Zambia, regardless of the final destination of the petroleum products.

Table 4 shows the number of foreign road tank vehicles inspected at border entry point offices. The number of foreign tank vehicles inspected in the year under review was **1158** compared to **821** in 2021. Compliance of the foreign road tank vehicles to the standard stood at about 95%. The reduced inspections are attributable to precautionary measures taken to prevent the spread of Covid-19.

Table 4: Foreign Road Tank Vehicles

Road Tank Vehicles	2022	2021
Certified	1106	809
Failed	52	12
Total Inspected	1158	821

2.4 Timber Inspections

The Agency continued inspecting timber meant for export to quality standards. This is a delegated function from the Forestry Department. A total of **22,977m^3** of timber was inspected in the period under review compared to **37, 920m^3** inspected in 2021 giving a reduction of 40%. The reduction is attributable to a reduction in the number of applications received during the period under review.

2.5 Annual Import Quality Certificates

The Agency issued fifty-five (55) annual import quality certificates in the period under review compared to fifty-eight (58) giving a reduction of about 5%. The decrease is attributable to a reduction in the number of applications received during the period under review.

Table 5: Annual Import Quality Certificate Issued

Product	2022	2022
Food	13	14
Beverages	2	3
Chemical	4	11
Fuel/Oils	0	2
Rubber	11	12
Batteries	2	2
Electricals	12	3
Construction	1	1
Fertilizers	10	10
Total	**55**	**58**

3.0 KEY ENFORCEMENT ACTIVITIES

In ZCSA's effort to ensure continued compliance with compulsory standards on the market, the department conducted enforcement activities during the year under review. Market surveillance inspections were conducted in the second and fourth quarters in selected towns in the Southern, Eastern, Western and Lusaka provinces. The aim was to inspect new and existing products that fall under the Agencys mandate.

The Agency participated in the joint operation which was coordinated by the Zambia Police Service in getting rid of substandard food products on the Zambian market. Other participants included Zambia Revenue Authority, Drug Enforcement Commission, Lusaka City Council and private sector players.

Sixty-two market surveillances were conducted country-wide by the Agency and a number of substandard products were seized by the Agency. All the seized products were withdrawn from the market in the period under review and are awaiting disposal.

4.0 STAKEHOLDER ENGAGEMENT ON THE GOVERNMENT SERVICE BUS (GSB)

Smart Zambia Institute conducted training for ZCSA staff on the use of the Agency's services on the Government Service Bus. The training was a success as the Agency has seven (7) of the eight (8) services now fully being implemented on the GSB. The implementation of services on GSB was preceded by stakeholder engagement in the Agency's areas of operation.



DOMESTIC QUALITY MONITORING DEPARTMENT

Domestic Quality Monitoring



Francis N. Mwelwa
Inspections Manager – DQM

"The department conducts domestic quality monitoring for locally manufactured products and inland compliance activities for all products."

5.0 INTRODUCTION

This section covers activities undertaken by the Domestic Quality Monitoring department in 2022. The department conducts domestic quality monitoring for locally manufactured products and inland compliance activities for all products.

5.1 INSPECTIONS

The total number of factory inspections carried out in the year 2022 was **1130** compared to **956** in the year 2021. The total number of market surveillance inspections carried out in the year 2022 was **342** compared to **491** in the year 2021.

5.1.1 Factory Inspections

Inspections of local products in the year under review are broken down by product type per province in table 6 and by purpose in table 7. Table 9 shows inspections for road tank vehicles.

Figures 3, 4 and 5 are graphs that depict the information contained in tables 6 and 7.

5.1.2 Samples

1611 samples were submitted to the laboratory for analysis and **678** test reports received during this period.

Table 6: Inspections by Product Category

Province / Product	Copperbelt	Luapula	Muchinga	Northern	North-Western	Eastern	Lusaka	Southern	Western	Central	2022	2021
Food	108	19	21	26	24	23	206	33	18	55	533	451
Beverages	112	15	0	4	14	21	203	21	7	4	401	347
Animal Feed	8	0	0	1	0	4	39	2	0	5	59	54
Fertilizers	0	0	0	0	0	0	3	0	0	0	3	2
Engineering Products	9	3	6	0	6	1	13	4	0	2	44	36
Chemicals & Chem. Products	11	0	0	0	0	0	68	0	0	0	79	52
Cement & Cement Products	5	0	0	0	0	0	2	0	0	0	7	9
Construction Materials	0	0	0	0	0	0	0	0	0	0	0	2
Cables	3	0	0	0	0	0	0	0	0	1	4	3
Totals	**256**	**37**	**27**	**31**	**44**	**49**	**534**	**60**	**25**	**67**	**1130**	**956**

Table 7: Inspections- Factory Inspections Activity Type

Inspection Activity/ Quarter	1st	2nd	3rd	4th	2022	2021
Initial	25	18	26	13	82	89
Renewal	55	13	6	367	441	389
Surveillance	217	136	196	58	607	478
Total	**297**	**167**	**228**	**438**	**1130**	**956**

Table 8: Inspections by Market Surveillance Activity

Inspection Activity / Quarter	1st	2nd	3rd	4th	2022	2021
Follow Up	35	16	4	12	67	130
Investigative	10	6	6	9	31	99
Spot Check	77	49	56	0	182	207
Open Market Surveillance	24	15	23	0	62	60
Total	**146**	**86**	**89**	**21**	**342**	**491**

Table 9: Local Tank Vehicle Inspections

Reported Items/Quarter		2022							2021
		1st	2nd	3rd	4th	Total South	Total North	Total	Total
Total number of inspections requests		599	194	99	876	915	853	1768	1529
Total number of inspections		599	194	99	876	915	853	1768	1529
Total number of certificates issued	First Inspections	599	194	99	876	915	853	1768	1529

5.1.3 Summary of Establishment Inspections

The total number of inspections carried out in 2022 was **1,472**. A total of **1130** factory inspections were carried out against a target of **1100** scheduled factory inspections giving an attainment rate of 103%. These were as categorized in the pie chart below.

5.1.3.1 Inspections by Product

Most of the inspections conducted by product to ensure continued compliance were food products. These were forty-seven percent (47%) of the total inspections conducted in 2022.

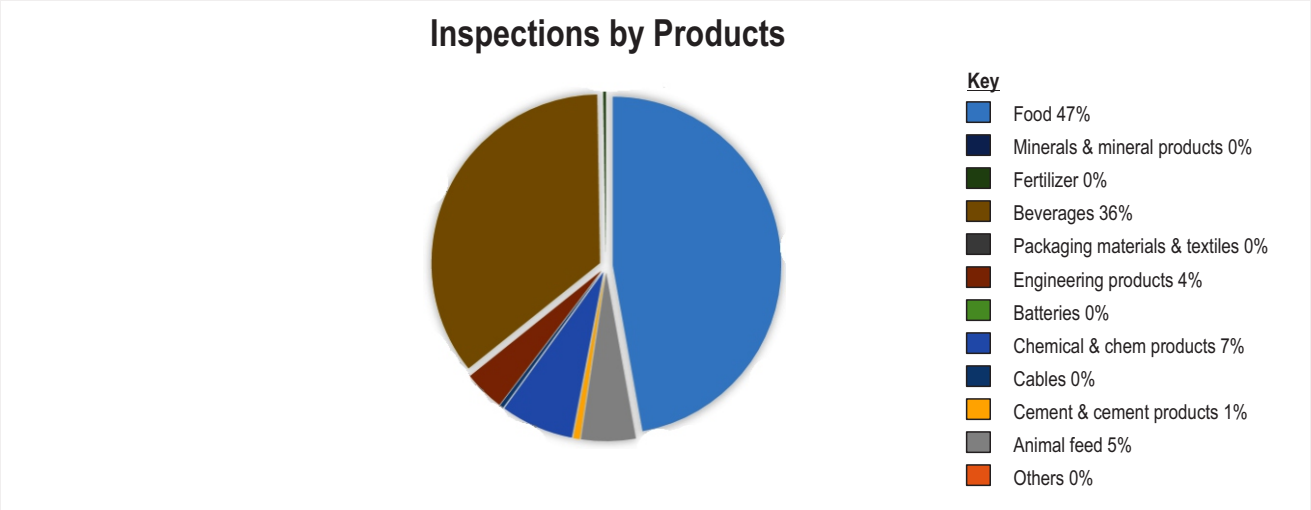


Figure 3: Local Inspections by Product Type

5.1.3.2 Inspections by Purpose

Most of the inspections conducted were surveillance inspections to ensure continued compliance of products being produced and supplied by manufacturers of products subject to compulsory standards. These were **607** in total which represented 41% of the total inspections done in 2022.

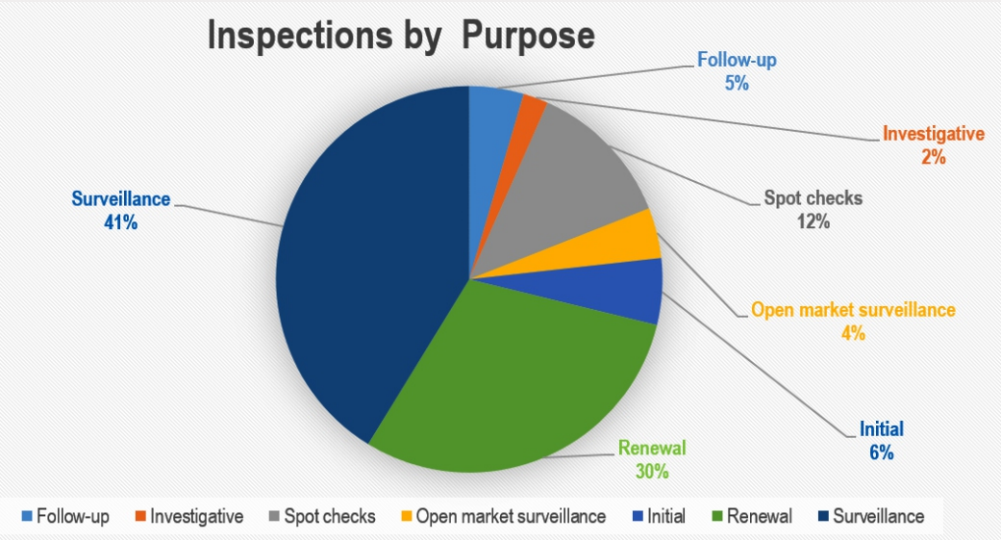


Figure 4: Local Inspections by Purpose

5.1.3.3 Inspections by Location

Figure 5 shows the number of inspections conducted in each of the 10 provinces in 2022 compared to 2021.

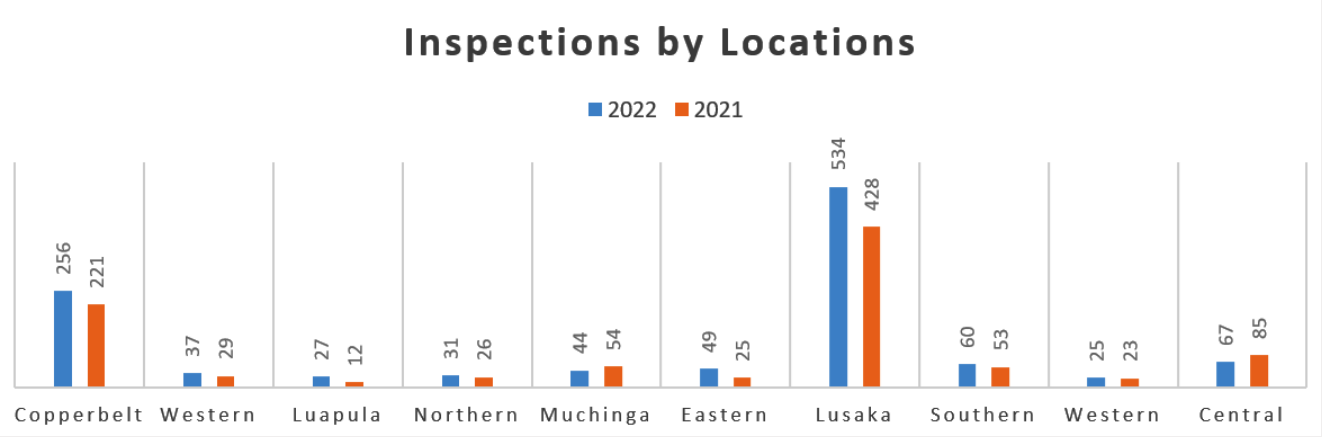


Figure 5: Local Inspections by Province

5.1.3.2.4 Samples and Test Reports

Table 10: Sample Management

Product	Samples Received	Samples Submitted	Results Received	Results Being Awaited From Lab	Non-compliant Products	Complying Products
Food	804	804	349	578	26	323
Beverages	568	568	208	374	34	174
Animal Feed	124	124	43	94	1	42
Fertilizers	7	7	0	7	0	0
Engineering Products	48	48	26	22	0	26
Chemicals & Chemical Products	51	51	43	17	2	41
Cement & Cement Products	7	7	0	14	0	0
Cables	2	2	5	6	0	5
Other	0	0	4	0	0	4
Totals	**1611**	**1611**	**678**	**1112**	**63**	**615**

1611 samples were submitted to the laboratory for analysis and **678** test reports received during this period.



HUMAN RESOURCE AND ADMINISTRATION DEPARTMENT

Human Resource and Administration



Boniface C. Zulu Jr.
Acting Manager – Human Resource and Administration

"Capacity building has been one of the key transformative areas for the Agency. In this regard, the Agency developed and implemented a Training and Development Plan for all employees."

6.0 INTRODUCTION

The department is responsible for managing and coordinating the Human Resource, Administrative and Logistical support services of the Agency in order to ensure effective operations. It also coordinates effective Communication and Public Relations functions for the promotion of a positive image of the Agency.

6.1 Staffing

As of 31 December, 2022, the Agency had a total staff complement of **115** broken-down per department as follows:

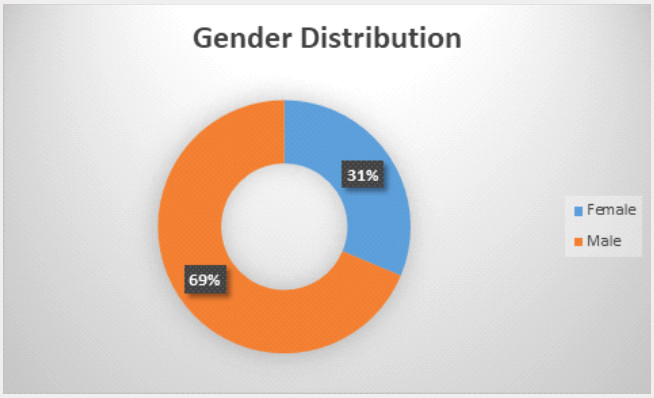
Table 11: Staff Complement

No.	Department	Number of Staff
1.	Executive Director's Office	5
2.	Corporate Services	28
3.	Finance	15
4.	Import Quality Monitoring	36
5.	Domestic Quality Monitoring	22
6.	Legal and Compliance	8
7.	Audit	1
	Total	**115**

6.2 Gender distribution

The staff compliment according to gender was thirty-six (36) female employees, representing thirty-one percent (31%)and seventy-nine (79) male employees, representing sixty-nine percent (69%).

Figure 6: Gender Distribution.



6.3 Recruitment

During the period under review, no new staff were recruited by the Agency. However, the Agency planned and advertised to recruit nineteen (19) members of staff across departments.

6.4 Separations

During the year under review, five (5) employees separated from the Agency.

6.5 Retirements

There were no retirements recorded during the year under review.

6.6 Disciplinary Cases

During the year under review, the Agency recorded two (2) disciplinary cases.

7.0 STAFF WELFARE

7.1 2022 Labour Day

The Agency participated in the international commemoration of Labour Day. Nine (9) employees were recognized and awarded for their efforts and contributions towards the Agency in various categories.

7.2 Health and Fitness

In order to promote a healthy and alert workforce, employees have been participating in sporting and fitness activities. This is also in an effort to promote team building and interaction among members of staff from different departments.

8.0 STAFF CAPACITY BUILDING

Capacity building has been one of the key transformative areas for the Agency. In this regard, the Agency developed and implemented a Training and Development Plan for all employees. The Plan is aimed at equiping the members of staff with the competencies and skills required to perform their tasks.

8.1 Government Service Bus (GSB)

With the introduction of online services on the Government Service Bus (GSB), the Agency introduced some of its services online. Sensitization and orientation were then conducted for inspectors and stakeholders.

8.2 Anti-Corruption Awareness

During the year 2022, the Integrity Committee staff sensitization workshops were conducted for officers in Kazungula, Choma, Livingstone, Solwezi, Mansa and Ndola.

8.3 Pastel Training

During the year 2022, Pastel training was conducted for staf f under Finance, Procurement as well as Information and Communication Technology (ICT).

8.4 Procurement Training

Some officers participated in public procurement processes and procedures, procurement planning and price-reasonable analysis training that was facilitated by the Zambia Public Procurement Authority (ZPPA).

9.0 STRATEGIC PLAN

During the period under review, the Agency in collaboration with the Management Development Division of Cabinet Office successfully reviewed and conducted a performance Assessment for the 2019 – 2021 Strategic Plan and in the same period embarked on the development of the 2022 to 2026 Strategic Plan.

10.0 Kaizen Activities

In its quest to improve the quality of services, reduce delivery time, reduce costs and increase customer satisfaction, the ZCSA implements Kaizen principles. The Agency has created teams within departments to enhance the best practice of the Kaizen Activities. Team Trendsetters under the Import Quality Monitoring department emerged grand National Champions in the 2022 national competition.

11.0 PUBLIC RELATIONS

The Unit participated in the following activities:

- The China-Zambia trade forum which was aimed at raising awareness on the role the ZCSA plays in trade facilitation.
- The Western Province Expo under the Ministry of Commerce, Trade and Industry one-stop shop.
- The Poultry Association expo to explain the role the Agency plays in ensuring safety of poultry feed in the country.
- Hosting the Accreditation Certificate Presentation ceremony by SADCAS.
- Roadshow on Compulsory Standard for Potable spirits.
- The Solwezi and Ndola offices, participated in the North-Western Province expo.



LEGAL AND COMPLIANCE DEPARTMENT

Legal and Compliance



Mutumu N Mwape
Legal Counsel

"...the department is focused on providing strategic input through its risk assessment function, into the activities of the Agency."

12.0 INTRODUCTION

THE Legal and Compliance department 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. This is done by providing an anticipatory review and record drawn from empirical data to guide the inspections and enforcement activities of the Agency.

The Agency's activities are mandated by the Compulsory Standards Act No. 3 of 2017. The Agency's strategic focus is to provide compliance for the safety, health and protection of the consumer and the environment, in a manner that promotes local industry while staying abreast with international best practices.

12.1 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 the formulation of standards, and the powers and permutations available to the agency to ensure that Consumers and the Environment are protected. The Agency's function is two-fold in the sense that it simultaneously fosters growth, and cultivates better business and manufacturing practices with local traders, suppliers and manufacturers through education and information dissemination while at the same time regulating the market environment to ensuring the continued safety of products within the consumer's reach.

A Compulsory Standard is, by definition, a document that spells out the minimum standard that any product should meet before it can be set on the market for consumption. It may contain production specifications, handling specifications, content parameters, packaging specifications and many others, all of which are generated to ensure the consumer is met with a product that is not only satisfactory and fit for purpose but also safe.

12.2 Zambia AgriBusiness and Trade Project Support

The Zambia Agribusiness and Trade Project (ZATP) is a Government of the Republic of Zambia project being implemented through the Ministry of Commerce, Trade and Industry (MCTI) with support from the World Bank. The five year project commenced in 2017.

The project speaks to high-level national objectives with regard to Government's determination to attain the Vision 2030. ZATP supports poor and emerging farmers to the greatest extent possible so as to ensure that they graduate from their current levels of production into flourishing agriculture-productive ventures across all the value chains available in our country. The project also seeks to boost growth-oriented Agribusiness SMEs by investing in both their technical and productive capabilities and business management skills. This will enable them to link with large buyers and grow their businesses into sustainable ventures that will not just increase agricultural production and trade, but also create employment.

In 2022, ZCSA successfully drafted and submitted for promulgation seven standards for declaration into Compulsory Standards with the support of ZATP. The seven standards are aimed at enhancing the production practices of the local farmers and are focused on good practices of food hygiene for different agricultural products. It is hoped that the Standards will be declared before the close of 2023.

12.3 Post-Covid-19 Administration of Standards

The Agency, like most institutions and business entities, had interruptions to its usual way of managing operations due to the Covid-19 pandemic. Externally, the pandemic resulted in the closure of some entities, thereby reducing the scope of clientele of the Agency.

The year 2022 brought on a growing sense of awareness for the Agency of alternative modes of doing business and a willingness to seek out innovations. The use of electronic platforms for enforcement of compliance to standards, complaints procedures and administration of internal requirements and procedures have made Agency work faster and more efficient. The Agency has taken full advantage of the Government Service Bus (GSB) for public services and now offers its clients full online access to services and payment modalities. This has tremendously eased Agency and client interface and invariably reduced the risks of exposure should the pandemic reoccur.

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

12.4 Forecast for 2023

The Agency intends to direct specific focus on sensitisation and stakeholder engagement for education purposes on its current standards and the draft Compulsory Standards submitted for promulgation.

The submitted drafts are intended to cover market-responsive areas such as agriculture, fisheries, poultry, baby health, dairy and food products, hygiene and pandemic-suppressing or responsive products, to mention a few.

We are excited that with the enhanced competition in trade, the Agency will find and implement refined ways of tackling the regulatory opportunities of the coming years.

In conclusion, ZCSA, through the Legal and Compliance department, has renewed vigour to pursue the Agency's mandate through the emerging and existing innovations and resources available. The department's preparedness to adjust and respond to new challenges ensures that the institution remains a relevant stakeholder in the Government's program to standardise and ensure the protection of the consumers and the environment.



INTERNAL AUDIT UNIT

Internal Audit Unit



Chisola Mfula
Manager – Internal Audit

"The IA Unit's role is to support, protect and enhance the delivery of the Agency's mandate by providing objective assessment, assurance, advice and insight regarding corporate performance, governance, risk management and internal control."

13.0 INTRODUCTION

Internal Audit (IA) is an independent unit within the Zambia Compulsory Standards Agency corporate governance structure, reporting to the Executive Director.

The IA Unit's role is to support, protect and enhance the delivery of the Agency's mandate by providing objective assessment, assurance, advice and insight regarding corporate performance, governance, risk management and internal control.

IA follows the mandatory standards set out by the Chartered Institute of Internal Auditors and is also guided by the provisions of Part II, Section 17(1) of the Public Finance Act 2018, which states the requirements of IA as being to:

(a) Ascertain that risk management and internal control systems are in place and continually being improved and optimised in response to an ever-changing environment;

(b) Provide reasonable assurance to controlling officers and the Secretary to the Treasury that internal controls exist and are being complied with as required by the Act;

(c) Ascertain, evaluate and recommend improvements on governance processes put in place by management;

(d) Review and appraise the appropriateness, adequacy and application of authorisation of financial and non-financial controls;

(e) Promote effective controls at a reasonable cost; and

(f) Ascertain the extent of compliance with established policies, plans, procedures in the Act and any other law.

In the course of its work, the IA Unit works closely with other departments, striving to strengthen the effectiveness of the institutional programmes.

To achieve greater accountability over IA's managed evaluations and reviews, departmental and unit heads are responsible for the implementation of recommendations, which are monitored and tracked by the IA Unit.

13.1 Internal Audit Highlights for the Year Ended 31 December, 2022

The activities conducted during the year included those aimed at assessing adherence to financial and administrative procedures in conformity with Agency's regulations and rules and the implementation of and compliance with its internal control system.

Below is a summary of activities conducted during the year under review;



Figure 7: Internal Audit activities

13.2 Audit Opinion

In my opinion, ZCSA's risk management and management control is '*Adequate*' and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, IA has worked with management to agree on appropriate corrective actions and a time-scale for improvement.



FINANCE DEPARTMENT

Finance
Department



Brian N. Malangisha
Manager – Finance

"...the department seeks to ensure the full implementation of internal controls meant to safeguard public funds in accordance with the provisions of the Law on Public Finance Management. "

14.0 INTRODUCTION

The major objective of the Finance department is to ensure the effective and efficient use of financial resources availed to the Agency. The department is also responsible for coordinating the collection of Non-Tax Revenue (NTR).

In order to achieve the above objectives, the department seeks to ensure the full implementation of internal controls meant to safeguard public funds in accordance with the provisions of the Law on Public Finance Management.

14.1 Non-tax Revenue

During the year under review, the department coordinated the collection of actual Non-Tax Revenue of **ZMW 351,286,309** against a budget of **ZMW 225,426,056** representing 55% above the target.

14.2 Funding

The Agency received funding of **ZMW 56,132,790** in the period under review from the Ministry of Finance and National Planning, through Appropriation in Aid (AIA). This is the amount that was utilised by the Agency in executing its mandate of administering, maintaining and enforcing compulsory standards for the purpose of Public Health and Safety, Consumer and Environmental Protection.

The table on the next page shows a summary of the NTR collected and the funding received under AIA by the Agency during the period under review.

Table12: Non-Tax Revenue Collected vs Funding Received

S/N	Description	2022	2021
1	Non-Tax Revenue Collection (ZMW) - Target	225,426,056	220,123,931.51
	Non-Tax Revenue Collection (ZMW) - Actual	351,286,309	251,100,651
	Attainment rate	(155 %)	(155%)
2	Appropriation in Aid (ZMW) -Allocation	56,132,790	38,376,336
	Appropriation in Aid (ZMW) -Actual	56,132,790	38,376,336
	Attainment rate	(100%)	(100%)

The next pages of the Annual Report give full highlights of the Agency's audited financial performance for the year 2022.

Financial Report

ZAMBIA COMPULSORY STANDARDS AGENCY

(ESTABLISHED UNDER COMPULSORY STANDARDS ACT NO 3 OF 2017)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2022



PREPARED IN ACCORDANCE WITH THE ACCRUALS BASIS OF ACCOUNTING METHOD UNDER THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS ("IPSAS")

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

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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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 31st December 2022.

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 1st January 2021, 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 nine (9) provincial capital cities of Zambia, together with (7) 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. Adoption of International Public Sector Accounting Standards in 2022

From 1st January 2022, the entity is applying IPSAs in preparation of its financial statements. IPSAS are a set of accounting standards issued by the International Public Sector Accounting Standards Board ("IPSASB") with specific focus on the accounting and financial reporting requirements of governments, other public sector entities and Not-For-Profit Organisations. The development of the IPSAS has its origins in the accounting profession as a way to enhance the accountability and transparency of public sector financial reporting and strengthen Public confidence in public sector financial management. The IPSASB is an independent standard setting Board supported by the International Federation of Accountants ("IFAC"). The IPSASB issues IPSAS, guidance and other resources for use by the public sector around the world.

5. 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.

6. Financial and Operational Highlights

(a) Basis of Preparation

(i). The Agency's financial statements have been prepared in accordance with and comply with *International Public Sector Accounting Standards (IPSASs).*

(ii). The financial statements are presented in Zambian Kwacha, which is the functional and reporting currency of the Agency and all values are rounded to the nearest Kwacha.

(iii). The accounting policies have been consistently applied since adoption in the prior period.

(b) Operating Results

The operating deficit for the year amounted to **K6.317million** (2021: K16.329 million).

(c) Income

Total incoming resources for the year amounted to **K56.132 million** (2021: K68.786 million).

(d) Expenditure

- Expenditure totalled **K63.230 million** (2021: K52.456million).
- The main operating costs were tangible fixed assets' depreciation costs **K2.173 million** (2021: K1.085 million), costs of personnel of **K43.970 million** (2021: K37.902million) and recurrent expenditures **K16.602 million** (2021: K13.360million).

(e) Capital Expenditure

Capital expenditure amounted to **K10.128 million** (2021: K4.647million).

7. 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 26.

(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 31 to 33 in Note 14 to the financial statements.

8. Risk Management and Control

As explained on Statement 7 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.

9. The Board of the Agency

The supervision of the management of the Agency is vested in the Board. However, since formation of the Agency in 2018, there has been no Board, pending appointment by the Minister.

10. Executive Management

Mrs. Peggy Chituta	Chief Executive Officer (left June 2022)
Mr. Gerald Chizinga	-Acting Executive Director (from June 2022)
	-Import Quality Monitoring Scheme Manager
Mr. Francis Mwelwa	Domestic Quality Monitoring Scheme Manager
Mr. Brian Malangisha	Finance Manager
Mr. Boniface Zulu	Acting Human Resources and Administration Manager from July 2022
Mrs. Mutumu N Mwape	Legal Counsel
Ms. Chisola Mfula	Internal Audit Manager

11. 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 15 to the financial statements.

12. Post Balance Sheet Events

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

13. Auditors

EMM Corporate Partners

On behalf of the Board:



ACTING CHIEF EXECUTIVE OFFICER

23rd February 2023
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 31st December 2022.

Statement of Responsibility for Financial Statements

In conformity with *International Public Sector Accounting Standards ("IPSASs"),* 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. *IPSAS* 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 54, 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 *IPSASs*. 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 *IPSASs*.

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 31st December 2022;

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 31st December 2022; 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 12 to 15 were approved on 23rd February 2023 and signed by:

PERMANENT SECRETARY **ACTING CHIEF EXECUTIVE**

EMM Corporate Partners

Chartered Accountants and Management Consultants



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Website: emmzambia.com

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 31st December 2022, 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 Public Sector Accounting Standards ("IPSAS")* as issued by the *International Public Sector Accounting Standards Board ("IPSASB")*.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the *Zambia Compulsory Standards Agency* as at 31st December 2022, and its financial performance and their cash flows for the year then ended.

Separate Opinion in relation to IPSAS Issued by the IPSASB

The Agency has prepared Financial Statements that comply with IPSAS as issued by the IPSASB. In our opinion, the Financial Statements comply with IPSAS as issued by the *IPSASB*.

Scope of Audit of the Financial Statements

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

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.

EMM

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.

Other than adoption of IPSAS, there were no key audit issues or discussion in this report.

Going Concern

1. *General Assessment*

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 Board 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 Directors have assessed, in the light of current and anticipated economic conditions, the Agency's ability to continue as a going concern.

The Directors 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*

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 considered the impact of 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 an entity to continue operations.

As at the date of this report, no direct implications have been determined 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.

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.

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.

We draw attention to the fact that the Agency had no Board for 2022. 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 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

EMM Corporate Partners

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.

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: 0001171

EMM CORPORATE PARTNERS
Chartered Accountants and Management Consultants

24th February 2023
Date

STATEMENT OF SURPLUS OR DEFICIT

Amounts in Zambian Kwacha

	Note	2022	2021
Revenue from Non-Exchange Transactions			
Grant Income	1.	**56,132,791**	68,376,339
Revenue from Exchange Transactions			
Other Income	2.	**780,514**	410,197
		56,913,305	68,786,537
Expenditure			
Direct Costs	3.	**155,229**	61,550
Employee Costs and Benefits	4.	**43,970,407**	37,902,218
Depreciation	5.	**2,173,685**	1,085,455
Amortization	6.	**329,109**	46,676
Recurrent Costs	Appendix I	**16,602,566**	13,360,721
		63,230,996	52,456,620
Net Income	-	**(6,317,691)**	16,329,917
Other Comprehensive Income		**-**	-
Net Operating Result		**(6,317,691)**	16,329,917
Total operating result attributable to:			
Controlling Interests		**(6,317,691)**	16,329,917
Non-controlling Interests		**-**	-
		(6,317,691)	16,329,917
Comprehensive Income attributable to:			
Owners of the Agency		**(6,317,691)**	16,329,917
Non-controlling interests		**-**	-
		(6,317,691)	16,329,917

STATEMENT OF CHANGES IN FUNDS

Amounts in Zambian Kwacha

	Revenue Reserves
At 1st January 2021	(11,584,916)
Comprehensive Income	16,329,917
At 31st December 2021	**4,745,001**
At 1st January 2022	4,745,001
Comprehensive Income	(6,317,691)
At 31st December 2022	**(1,572,690)**

STATEMENT OF CASH FLOWS

Amounts in Zambian Kwacha

	Notes	2022	2021
OPERATING ACTIVITIES			
Net Operating Result		**(6,317,691)**	16,329,917
Depreciation	5.	**2,173,685**	1,085,455
Amortisation of software	6.	**329,109**	46,676
Deferred Income Amortization	11.	**(324,454)**	(374,670)
Increase in Inventory		**(264,172)**	-
Decrease/(Increase) in Other Receivables		**42,010**	(150,022)
Increase in Accounts Payables		**6,073,586**	9,203,599
Cash Outflow from Operating Activities		**1,712,072**	26,140,955
INVESTING ACTIVITIES			
Acquisition of Assets	5.	**(9,786,070)**	(4,647,431)
Cash Outflow on Investing Activities		**(9,786,070)**	(4,647,431)
FINANCING ACTIVITIES			
Deferred Income Received	11.	**-**	212,272
Cash Inflow on Financing		**-**	212,272
(Decrease)/Increase in Cash Equivalents		**(8,073,997)**	21,705,795
Cash and Cash Equivalent at start of year		**21,859,383**	153,588
Cash and Cash Equivalent at end of year		**13,785,385**	21,859,383
Represented by:			
Cash and Cash Equivalents	9.	**13,785,385**	21,859,383
		13,785,385	21,859,383

STATEMENT OF FINANCIAL POSITION

Amounts in Zambian Kwacha

	Notes	2022	2021
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	5.	**13,992,634**	6,380,249
Intangible Assets	6.	**525,119**	512,144
		14,517,753	6,892,393
Current Assets			
Inventory	7.	**264,172**	-
Other Financial Assets	8.	**379,028**	421,038
Cash and Cash Equivalents	9.	**13,785,385**	21,859,383
Total Current Assets		**14,428,586**	22,280,421
Total Assets		**28,946,339**	29,172,813
FUNDS AND LIABILITIES			
Funds			
Revenue Reserves		**(1,572,690)**	4,745,001
Total Equity		**(1,572,690)**	4,745,001
Current Liabilities			
Deferred Income	10	**1,514,340**	1,514,340
Capital Grants	11.	**521,331**	503,701
Payables, Accruals and Provisions	12.	**24,040,999**	17,478,170
Employee-Related Payables	13.	**4,442,361**	4,931,601
Total Current Liabilities		**30,519,029**	24,427,813
Total Equity and Liabilities		**28,946,339**	29,172,813

The financial statements set out on pages 12 to 15 were approved on 23rd February 2023 and signed on its behalf by:

PERMANENT SECRETARY: _____ **ACTING CHIEF EXECUTIVE:** _____

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31st December 2022 are set out below:

1. General Information

The Zambia Compulsory Standards Agency was established in 2017 and commenced operations on 1st January 2018. Prior to its establishment, its operations were performed by the Zambia Bureau of Standards ("ZABS"). The addresses of its registered office and principal activities are disclosed in the report of the Board.

The Agency's financial statements have been prepared in accordance with and comply with *International Public Sector Accounting Standards (IPSASs)*. The financial statements are presented in Zambian Kwacha, which is the functional and reporting currency of the Agency and all values are rounded to the nearest Kwacha. The accounting policies have been consistently applied since adoption in the prior period.

2. Basis of Preparation

The *entity's* financial statements have been prepared in accordance with and comply with *International Public Sector Accounting Standards (IPSASs)*. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. 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.

The financial statements comprise a statement of performance, a statement of comprehensive income, a statement of financial position, a statement of changes in funds, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement revenue and expenditures.

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 revenue and expenses, as required or permitted by IPSAS. Reclassification adjustments are amounts reclassified to revenue and expenses in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the *entity* in their capacity as owners are recognised in the statement of changes in equity.

The financial statements are prepared on accrual basis.

The *entity* presents the statement of revenue and expenditure using the classification by function of expenses. The *entity* 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.

The cash flow statement is prepared using the direct method.

The accounting policies have been consistently applied to all the years presented. This implies that the prior year has been restated where necessary as it was previously presented under the International Financial Reporting Standards (IFRS). The financial statements have been prepared on the basis of historical cost, unless stated otherwise.

3. Basis of Measurement

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. 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.

4. Statement of Compliance

The financial statements have been prepared in accordance with *International Public Sector Accounting Standards ("IPSASs")* applicable for the reporting period to 31st December 2022.

5. Significant Judgments and Sources of Estimation Uncertainty – IPSAS 1

(a). Judgements

The preparation of the Agency's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could

result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. 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). Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Agency based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Agency. Such changes are reflected in the assumptions when they occur. 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

(c). Useful lives and residual values

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

(i). The condition of the asset based on the assessment of experts employed by the Agency;

(ii). The nature of the asset, its susceptibility and adaptability to changes in technology and processes;

(iii). The nature of the processes in which the asset is deployed.

(iv). Availability of funding to replace the asset

(v). Changes in the market in relation to the asset

(d). Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

(b). Revenue from Exchange Transactions – IPSAS 9

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange:

(i). **Rendering of services:** The Agency recognises revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable.

(ii). **Sale of goods:** Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and the revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Agency.

(iii). **Interest income:** is accrued using the effective yield method. The method applies this yield to the principal outstanding to determine interest income each period.

9. Administrative Costs

Operating and administrative costs are accrued as incurred.

10. Taxation

No allowance is made for income or deferred taxes as the Agency is exempt from taxation.

11. Property, Plant and Equipment – IPSAS 17

(a) Cost and Valuation

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Agency recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. All other repair and maintenance costs are recognised in surplus or deficit as incurred.

(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.

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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. Depreciation rates are:

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.

12. Intangible Assets – IPSAS 31

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortisation is based on the estimated useful life of the intangible assets, which can be assessed as either finite or indefinite.

13. Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. After initial recognition, inventory is measured at the lower of cost and net realizable value. Inventories are recognised as an expense when deployed for utilisation or consumption in the ordinary course of operations of the Agency.

14. Financial Instruments

(a). Composition

The Agency's financial instruments consist 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).* IPSAS 29: 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.

The Agency's financial assets are measured subsequently at either amortised cost or fair value.

(ii). Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held- to maturity investments or available-for-sale financial assets, as appropriate.

The Agency determines classification of its financial assets at initial recognition.

(iii). Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognised in the surplus or deficit.

(iv). Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

(v). Impairment of Financial Assets

The Agency assesses at each reporting date whether there is objective evidence that a financial asset or a Agency of financial assets is impaired. A financial asset or a Agency of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Agency of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

(i). The debtors or an entity of debtors are experiencing significant financial difficulty;

(ii). Default or delinquency in interest or principal payments;

(iii). The probability that debtors will enter bankruptcy or other financial reorganization;

(iv). Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

(v). The Agency recognises a loss allowance for expected credit losses on receivables and contract assets.

(vi). 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.

(vi). ***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). **IPSAS 29: 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). Recognition

Initial recognition and measurement financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Agency determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

(iii). Provisions – IPSAS 19

Provisions are recognised when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Agency expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

(iv). Employee Benefits – IPSAS 25 Retirement Benefit Plans

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

- ***Pension Schemes*** –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.

- **Other Employee Benefits** - The estimated monetary liability for employees' accrued gratuity pay entitlement at reporting date is recognised as an expense accrual.

(v). Contingent Liabilities

The Agency does not recognise a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Contingent liabilities are initially measured at fair value.

(vi). De-recognition

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

(vii). 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.

(viii). 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 shorts 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.

(ix). Contingent Assets

The Agency does not recognise a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements of the period in which the change occurs.

(x). 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 10 to the financial statements.

15. Capital Maintenance

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. It creates and maintains reserves in terms of specific requirements and only maintains accumulated funds as its reserves.

16. Comparative figures

Where necessary, comparatives have been reclassified to fit with presentations in the current period.

17. Budget Information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Agency. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Agency differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. *IPSAS 24* applies to entities that require or elect to make publicly available their approved budget.

The Agency is not required and does not make its budget publicly available.

NOTES TO THE FINANCIAL STATEMENTS

Amounts are Stated in Zambian Kwacha	**2022**	2021
1. Appropriation in Aid		
Appropriations from Government	**56,132,791**	68,376,339
2. Other Income		
Other Income	**456,060**	35,527
Amortized Grant	**324,454**	374,670
	780,514	410,197
3. Cost of Certification & Testing		
Sample Containers Seals & Labels	**29,029**	61,550
Testing Charges	**126,200**	-
	155,229	61,550
4 Costs of Personnel		
Wages and Salaries		
Salaries & Wages	**23,409,933**	21,819,365
Housing Allowance	**4,651,039**	3,274,292
Acting Allowances	**730,820**	89,608
Fuel Allowances	**1,419,845**	454,974
Responsibility Allowances	**17,826**	14,178
Transport Allowances	**1,894,531**	1,890,485
Overtime	**976,694**	574,800
Casual & Temporal Wages	**113,705**	63,067
	33,214,392	28,180,769
Benefits		
Gratuity	**2,062,032**	1,969,127
Leave Pay & Benefits	**2,784,182**	2,600,227
NAPSA Employers Contribution	**1,464,708**	1,308,028
Pension Contributions	**1,802,554**	1,495,415
National Health	**230,956**	214,408
	8,344,432	7,587,204
Other Employee Costs		
Performance Bonuses	**1,936,022**	1,592,829
Medical Allowances	**262,687**	386,355
Lunch Allowances	**125,795**	73,771
Telephone Allowances	**87,080**	81,290
	2,411,584	2,134,245
	43,970,407	37,902,218

NOTES TO THE FINANCIAL STATEMENTS
Amounts in Zambian Kwacha

5. Property, Plant and Equipment

	Land & Buildings	Plant and Machinery	Motor Vehicles	Laboratory Equipment	Furniture	Office Equipment	Computer Hardware	CWIP	Totals
Cost									
Balance at 1st January 2022	92,600	133,000	7,353,902	10,050	2,244,967	678,334	3,429,206	75,570	14,017,629
Additions	-	-	8,983,226	-	340,851	84,905	377,088	-	9,786,070
Disposals	-	-	(506,884)	-	-	-	-	-	(506,884)
Balance at 31st December 2022	**92,600**	**133,000**	**15,830,243**	**10,050**	**2,585,818**	**763,239**	**3,806,294**	**75,570**	**23,296,815**
Depreciation									
Balance at 1st January 2022	-	15,860	4,466,888	10,050	934,006	390,739	1,819,837	-	7,637,380
Depreciation and Amortization	-	2,660	1,424,948	-	201,960	125,417	418,700	-	2,173,685
Elimination of Disposal	-	-	(506,884)	-	-	-	-	-	(506,884)
Balance at 31st December 2022	**-**	**18,520**	**5,384,951**	**10,050**	**1,135,966**	**516,156**	**2,238,537**	**-**	**9,304,181**
Net Book Value									
Balance at 31st December 2021	**92,600**	**117,140**	**2,887,014**	**-**	**1,310,961**	**287,595**	**1,609,369**	**75,570**	**6,380,249**
Balance at 31st December 2022	**92,600**	**114,480**	**10,445,292**	**-**	**1,449,853**	**247,083**	**1,567,757**	**75,570**	**13,992,634**

NOTES TO THE FINANCIAL STATEMENTS
Amounts in Zambian Kwacha

Note 5 Cont'd.

	Land & Buildings	Plant and Machinery	Motor Vehicles	Laboratory Equipment	Furniture	Office Equipment	Computer Hardware	CWIP	Totals
Cost									
Balance at 1st January 2021	86,600	133,000	4,588,360	10,050	1,636,644	533,919	2,426,514	-	9,415,088
Additions	6,000	-	2,765,542	-	608,323	144,414	1,002,692	75,570	4,602,541
Grant Adjustment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance at 31st December 2021	92,600	133,000	7,353,902	10,050	2,244,967	678,334	3,429,206	75,570	14,017,629
Depreciation									
Balance at 1st January 2021	-	13,200	4,040,994	10,050	768,284	307,769	1,411,627	-	6,551,924
Depreciation and Amortization	-	2,660	425,894	-	165,722	82,969	408,210	-	1,085,455
Balance at 31st December 2021	-	15,860	4,466,888	10,050	934,006	390,739	1,819,837	-	7,637,380
Net Book Value									
Balance at 31st December 2020	86,600	119,800	547,366	-	868,360	226,150	1,014,887	-	2,863,163
Balance at 31 December 2021	92,600	117,140	2,887,014	-	1,310,961	287,595	1,609,369	75,570	6,380,249

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Zambian Kwacha

		2022	2021
6.	**Intangible Assets**		
	(a) Analysis of Balances		
	Cost	**1,072,994**	1,028,104
	Additions	**342,084**	44,890
	Transferred from ZABS	**185,313**	-
		1,600,391	1,072,994
	(b) Amortisation		
	At the beginning of the Period	**560,850**	514,175
	Transferred from ZABS	**185,313**	-
	Charge for the Period	**329,109**	46,676
	At the End of the Period	**1,075,271**	560,850
	Net Book Value	**525,119**	512,144
7.	**Inventory**		
	Office Consumables	**264,172**	-
		264,172	-
8.	**Other Financial Assets**		
	Salary Advances	**325,833**	268,500
	Staff Loans and Advances	**53,375**	152,538
	Other Receivables	**(180)**	(25)
		379,028	421,013
9.	**Cash and Equivalents**		
	Zanaco Current Account	**13,784,028**	21,850,587
	Petty cash	**1,357.41**	8,796
		13,785,385	21,859,383
10	**Deferred Income**		
	Balance at the start of the Year	**1,514,340**	1,755,526
	Deferred Income Amortised During the Year	**342,084**	(124,186)
	Transfer to Capital Grant	**(342,084)**	(117,000)
	Balance as at year end	**1,514,340**	1,514,340

NOTES TO THE FINANCIAL STATEMENTS
Amounts in Zambian Kwacha

	2022	2021

11. Capital Grant

Balance at the start of the Year	**503,701**	424,914
Transferred from Deferred Income	**342,084**	241,186
Change in Estimate	**-**	212,272
Transferred to Income	**(324,454)**	(374,670)
Balance as at year end	**521,331**	503,701.30

12. Payables, Accruals and Provisions

Payables	**3,349,977**	1,470,563
PAYE	**20,343,230**	15,399,628
NAPSA	**(408)**	256,412
Sundry Payables	**348,200**	351,542
	24,040,999	17,478,145

13. Employee Obligations

Gratuity	**2,427,043**	2,845,459
Leave Days	**2,010,368**	1,881,531
Pension Contributions	**4,950**	204,611
	4,442,361	4,931,601

14. Financial Instruments

The Agency faces exposure to the following financial risks:

(a). Total Financial Instruments

	31 December 2022			
	Receivables	**Assets at Fair Value through P & L**	**Assets at Amortised Cost**	**Total**
Assets as per statement of financial position				
Loans and Receivables:				
-Trade and Other receivables	**379,028**	**-**	**-**	**379,028**
-Cash and Equivalents	**13,785,385**	**-**	**-**	**13,785,385**
Total	**14,164,413**	**-**	**-**	**14,164,413**

NOTES TO THE FINANCIAL STATEMENTS
Amounts in Zambian Kwacha

	31 December 2022		
	Liabilities at Fair Value through P & L	**Other Financial Liabilities at Amortised Cost**	**Total**
Liabilities as per statement of financial position			
Other Financial Liabilities	**-**	**4,442,361**	**4,442,361**
Trade and Other Payables	**-**	**24,085,086**	**24,085,086**
Total	**-**	**28,527,447**	**28,527,447**

	31st December 2021			
	Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
Assets as per statement of financial position				
Loans and Receivables:				
-Trade and Other receivables	421,013	-	-	421,013
-Cash and Equivalents	21,859,383	-	-	21,859,383
Total	22,280,396	-	-	22,280,396

	Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
Liabilities as per statement of financial position			
Other Financial Liabilities	-	4,931,601	4,931,601
Trade and Other Payables	-	17,478,170	17,478,170
Total	-	22,409,771	22,409,771

(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:

	2022	2021
Cash and bank balances	**13,785,385**	21,859,383
Receivables	**379,028**	421,038
	14,164,413	22,280,421

The Agency's primary credit exposure from illiquidity of cash and cash equivalents amounted to **K13.785 million** (2021: K21.589 million).

NOTES TO THE FINANCIAL STATEMENTS
Amounts in Zambian Kwacha

For receivables, the Agency has applied the simplified approach to measure the loss allowance at lifetime ECL. The Agency determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

At the balance sheet date, other significant concentrations of credit risks lay in receivables, which at the reporting date amounted to **K0.379 million** (2021: K0.421 million). 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 low foreign currency exchange risks as most of its transactions are in the local currency.

(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
At 31st December 2022					
Non-Interest Bearing	**2,373,613**	**7,120,840**	**18,988,906**	**-**	**28,483,359**
At 31st December 2021					
Non-Interest Bearing	1,867,481	5,602,443	14,939,848	-	22,409,771

(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

15. Related Parties

(a) Identity of Related Parties – IPSAS 20

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 5).

(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 2022, 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 5.

(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:

	2022	2021
Government Funding received	**56,132,791**	68,376,339
Key Management Personnel	**4,681,987**	4,363,873

16. 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 2022 were as follows:

NOTES TO THE FINANCIAL STATEMENTS
Amounts in Zambian Kwacha

	2022	2021
Debt	-	-
Cash	**(13,785,385)**	(21,859,383)
Net Debt	**(13,785,385)**	(21,859,383)
Equity	**(1,572,690)**	4,745,001
Net debt to equity ratio	**876.55%**	-460.68%

17. Capital Commitments

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

18. Contingent Liabilities

(a) The Bureau is defendant in two lawsuits on-going as at the end of the year and at the time of issue of this report. The ultimate outcome of the matter cannot presently be determined and, accordingly, no provision for any effects on the Bureau that may result has been made in the financial statements. Contingent liabilities in respect of potential legal costs have been identified.

(b) Material or significant penalties and interest surcharges due to 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.

19. Events Subsequent to Reporting Date

IPSA 14 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 I – RECURRENT COSTS

Amounts in Zambian Kwacha

	2022	2021
Advertising & Promotions	**69,214**	71,240
Audit and Consultancy Services	**470,690**	478,729
Bad Debts Provision	**-**	(7,868)
Bank Charges & Commissions	**69,880**	48,695
Boarder Office	**-**	-
Cleaning Materials & Expenses	**173,415**	169,987
Electricity	**115,726**	105,536
Entertainment	**18,000**	27,000
Equipment Accessories	**1,585**	48,208
Fuel & Lubricants	**2,076,494**	1,100,256
Health & Safety	**-**	41,155
Insurance	**496,831**	247,810
Legal Fees	**375**	-
Loss on Foreign Exchange	**-**	157,890
Marketing & Public Relations Expenses	**295,209**	436,061
Office & Meetings Expenses	**292,171**	380,838
Other Expenses	**150,613**	294,080
Postage, Post Box Rentals & Courier Services	**360,894**	362,803
Printing & Stationery	**643,207**	1,093,714
Protective clothing	**2,700**	94,343
Recruitment Expenses	**7,840**	12,209
Renewal of Payroll Package Licenses	**551,978**	547,114
Rent & Rates	**2,675,540**	2,581,650
Repairs & Maintenance	**1,819,392**	1,166,170
Security Services	**25,961**	15,954
Staff Training	**235,014**	45,989
Staff Welfare	**568,918**	907,798
Subscriptions	**740**	56,239
Subsistence Allowances-Foreign	**2,905,669**	1,362,684
Subsistence Allowances-Local	**149,020**	61,207
Telephone, Fax, Email	**1,425,903**	1,131,534
Tender Meeting Sitting Allowances	**2,000**	4,000
Travel Expenses-Foreign	**107,580**	87,312
Travel Expenses-Local	**261,762**	1,520
Water & Sewerage	**54,910**	18,606
Workshop Expenses	**599,399**	210,258
ZATP Expenses	**(26,065)**	-
	16,602,566	13,360,721

APPENDIX II - ADOPTION OF IPSAS AND CURRENT AND SUBSEQUENT IMPACT ON REPORTING

1. Adoption of New and Revised International Public Sector Accounting Standards ("IPSAs")

(a). Overview

From 1st January 2022, the entity will be applying IPSAs in preparation of its financial statements. IPSAS are a set of accounting standards issued by the International Public Sector Accounting Standards Board ("IPSASB") with specific focus on the accounting and financial reporting requirements of governments, other public sector entities and Not-For-Profit Organisations. The development of the IPSAS has its origins in the accounting profession as a way to enhance the accountability and transparency of public sector financial reporting and strengthen Public confidence in public sector financial management.

The IPSASB is an independent standard setting Board supported by the International Federation of Accountants ("IFAC"). The IPSASB issues IPSAS, guidance and other resources for use by the public sector around the world.

(b). Objective

IPSAS aims to improve the quality of general purpose financial reporting by public sector entities, leading to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability.

(c). Scope

(i). Government Ministries, Provinces and Spending Agencies will be required to prepare financial statements under the accruals IPSAS framework. The coverage includes Central Government, Local authorities and related government entities such as Agencies, Boards, Commissions and other related bodies;

(ii). All non-governmental public sector entities and not-for-profit organizations whose line of business is non-commercial in nature are required to use IPSAS for their general purpose financial reporting,

(d). Effective Date

(i). Government Ministries, Provinces and Spending Agencies for financial statements for periods ending on or after 31st December, 2022;

(ii). Non-governmental public sector entities and not-for-profit organizations for financial statements for periods ending on or after 31st December, 2021.

(iii). Earlier application is encouraged.

(e). Convergence with IFRS

IPSAS are based on the *International Financial Reporting Standards (IFRS),* formerly known as *IAS.* IFRS are issued by the *International Accounting Standards Board (IASB). IPSASB* adapts *IFRS* to a public sector context when appropriate. In undertaking that process, the IPSASB attempts, wherever possible, to maintain the accounting treatment and original text of the IFRS unless there is a significant public sector issue which warrants a departure. The convergence is summarised below:

No.	Title	Based on
IPSAS 1	Presentation of Financial Statements	IAS 1
IPSAS 2	Cash Flow Statements	IAS 7
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8
IPSAS 4	The Effects of Changes in Foreign Exchange Rates	IAS 21
IPSAS 5	Borrowing Costs	IAS 23
IPSAS 6	Consolidated and Separate Financial Statements	IAS 27
IPSAS 7	Investments in Associates	IAS 28
IPSAS 8	Interests in Joint Ventures	IAS 31
IPSAS 9	Revenue from Exchange Transactions	IFRS 15
IPSAS 10	Financial Reporting in Hyperinflationary Economies	IAS 29
IPSAS 11	Construction Contracts	IFRS 15
IPSAS 12	Inventories	IAS 2
IPSAS 13	Leases	IAS 17
IPSAS 14	Events After the Reporting Date	IAS 10
IPSAS 15	Financial Instruments: (superseded by IPSAS 28 and IPSAS 30)	-
IPSAS 16	Investment Property	IAS 40
IPSAS 17	Property, Plant and Equipment	IAS 16
IPSAS 18	Segment Reporting	IAS 14
IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets	IAS 37
IPSAS 20	Related Party Disclosures	IAS 24
IPSAS 21	Impairment of Non-Cash-Generating Assets	IAS 36
IPSAS 22	Disclosure of Financial Information About the Government Sector	n/a
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)	n/a

No.	Title	Based on
IPSAS 24	Presentation of Budget Information in Financial Statements	n/a
IPSAS 25	Employee Benefits	IAS 19
IPSAS 26	Impairment of Cash-Generating Assets	IAS 36
IPSAS 27	Agriculture	IAS 41
IPSAS 28	Financial Instruments: Presentation	IAS 32
IPSAS 29	Financial Instruments: Recognition and Measurement	IAS 39
IPSAS 30	Financial Instruments: Disclosures	IFRS 7
IPSAS 31	Intangible Assets	IAS 38
IPSAS 32	Service Concession Arrangements: Grantor	IFRIC 12
IPSAS 33	First-time Adoption of Accrual Basis IPSASs	(IFRS 1)
IPSAS 34	Separate Financial Statements	IAS 27
IPSAS 35	Consolidated Financial Statements	IFRS 10
IPSAS 36	Investments in Associates and Joint Ventures	IAS 28
IPSAS 37	Joint Arrangements	IFRS 11
IPSAS 38	Disclosure of Interests in Other Entities	IFRS 12
IPSAS 39	Employee Benefits	IAS 19
IPSAS 40	Public Sector Combinations	IFRS 3
IPSAS 41	Financial Instruments	IFRS 9
IPSAS 42	Social Benefits	N/A

(f). **Application of New IPSAS**

As explained above, the financial statements have been prepared in accordance with *International Public Sector Accounting Standards* for the first time for the financial year beginning on or after 1st January 2022.

(g). Statement of Compliance

As explained above, the financial statements have been prepared in accordance with *International Public Sector Accounting Standards* for the reporting period to 31st December 2022.

2. First Time Adoption of IPSAs

(a). Background

The International Public Sector Accounting Standards Board (IPSASB) - formerly the Public Sector Committee - of the International Federation of Accountants focuses on the accounting, auditing, and financial reporting needs of national, regional, and local governments, related governmental agencies, and the constituencies they serve. It addresses these needs by issuing and promoting benchmark guidance, conducting educational and research programs, and facilitating the exchange of information among accountants and those that work in the public sector or rely on its work.

(b). Composition

The IPSASB consists of 18 members, of which 15 are drawn from IFAC member bodies, and the remaining three are public members with expertise in public sector financial reporting. All members of the IPSASB, including the chair and deputy chair, are appointed by the IFAC Board on the recommendation of the IFAC Nominating Committee.

(c). IPSASB activities

The IPSASB's current activities are focused on the development of International Public Sector Accounting Standards (IPSAS) for financial reporting by governments and other public sector entities (the Standards Project).

The Preface to International Financial Reporting Standards issued by the International Accounting Standards Board explains that International Financial Reporting Standards (IFRSs) are designed to apply to the general purpose financial statements of all profit-oriented entities. The IPSASs are designed to apply to public sector entities that meet all the following criteria:

(i). Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;

(ii). Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and

(iii). Do not have a primary objective to make profits.

(d). Convergence with IFRSs

The IPSASB develops accrual-based International Public Sector Accounting Standards (IPSAS) to address public sector financial reporting issues in two different ways:

(i). By addressing public sector financial reporting issues (a) that have not been comprehensively or appropriately dealt with in existing International Financial Reporting

Standards (IFRSs) issued by the International Accounting Standards Board (IASB), or (b) for which there is no related IFRS; and

(ii). By developing IPSAS that are converged with IFRSs by adapting them to the public sector context.

The IPSASB has adopted a set of procedures by which it considers IASB documents for convergence. The IPSASB will use the analysis resulting from this process to determine whether identified public sector issues warrant departures from the IASB document when developing the related IPSASB document.

(e). First-Time Adoption of IPSAS, IPSAS 33

International Public Sector Accounting Standard (IPSAS) 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.

The International Public Sector Accounting Standards Board (IPSASB) released ***IPSAS 33 'First-time Adoption of Accrual Basis IPSASs'*** in 2015. The new International Public Sector Accounting Standard (IPSAS) addresses the transition from either a cash basis, or an accrual basis under another reporting framework, or a modified version of either the cash or accrual basis of accounting. Consequently, the IPSASB states that the new IPSAS is not aimed at IFRS convergence. Nevertheless, the IPSASB did consider the transitional exemptions included in *IFRS 1 First-time Adoption of International Financial Reporting Standards* in developing the standard.

Main feature of IPSAS 33 is that allows first-time adopters three years to recognise specified assets and liabilities in order to give preparers sufficient time to develop reliable models for recognising and measuring assets and liabilities during the transition period. These assets and liabilities include inventories, investment property, property, plant and equipment, defined benefit plans and other long-term employee benefits, biological assets and agricultural produce, intangible assets, service concession assets and the related liabilities, and financial instruments.

The IPSASB is aware that where a first-time adopter takes advantage of the exemptions above, fair presentation and compliance with accrual basis IPSASs will be affected and the first-time adopter will not be able to make an unreserved statement of compliance with accrual basis IPSASs until the exemptions have expired or the relevant items are recognised and measured in accordance with the applicable IPSASs. Still, the IPSASB believed that the transition period meets the needs of both preparers and users of financial statements and might be a further incentive for entities to make the decision to apply IPSASs. Nevertheless, the IPSASB

encourages first-time adopters to comply in full with all the requirements of the applicable IPSASs as soon as possible.

IPSAS 33 is applied if a first-time adopter's first IPSAS financial statements are for a period beginning on or after 1 January 2017.

3. Standards Issued to Date

To date, the IPSASB has issued the following final IPSAS:

(a) Accrual basis standards

- **IPSAS 1, Presentation of Financial Statements**, sets out the overall considerations for the presentation of financial statements, guidance for the structure of those statements and minimum requirements for their content under the accrual basis of accounting.

- **IPSAS 2, Cash Flow Statements**, requires the provision of information about the changes in cash and cash equivalents during the period from operating, investing and financing activities.

- **IPSAS 3, Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies**, specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors, defines extraordinary items and requires the separate disclosure of certain items in the financial statements.

- **IPSAS 4, The Effects of Changes in Foreign Exchange Rates**, deals with accounting for foreign currency transactions and foreign operations. IPSAS 4 sets out the requirements for determining which exchange rate to use for the recognition of certain transactions and balances and how to recognise in the financial statements the financial effect of changes in exchange rates.

- **IPSAS 5, Borrowing Costs**, prescribes the accounting treatment for borrowing costs and requires either the immediate expensing of borrowing costs or, as an allowed alternative treatment, the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

- **IPSAS 6, Consolidated Financial Statements and Accounting for Controlled Entities**, requires all controlling entities to prepare consolidated financial statements which consolidate all controlled entities on a line by line basis. The Standard also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes.

- **IPSAS 7, Accounting for Investments in Associates**, requires all investments in associate to be accounted for in the consolidated financial statements using the equity method of accounting, except when the investment is acquired and held exclusively with a view to its disposal in the near future in which case the cost method is required.

- **IPSAS 8, Financial Reporting of Interests in Joint Ventures**, requires proportionate consolidation to be adopted as the benchmark treatment for accounting for such joint ventures entered into by public sector entities. However, IPSAS 8 also permits - as an allowed alternative - joint ventures to be accounted for using the equity method of accounting.

- **IPSAS 9, Revenue from Exchange Transactions**, establishes requirements for the accounting treatment of revenue from exchange transactions. Non-exchange revenue, such as taxation, is not addressed in this standard. Non-exchange revenue is to be dealt with as a separate project.

- **IPSAS 10, Financial Reporting in Hyperinflationary Economies**, describes characteristics of an economy that indicate whether it is experiencing a period of hyperinflation and provides guidance on restating the financial statements in a hyperinflationary environment to ensure useful information is provided.

- **IPSAS 11, Construction Contracts**, deals with both commercial and non-commercial contracts and provides guidance on the allocation of contract costs and, where applicable, contract revenue to the reporting periods in which construction work is performed.

- **IPSAS 12, Inventories**, establishes the accounting treatment of inventories held by public sector entities and deals with inventories held for sale in an exchange transaction and certain inventories held for distribution at no or nominal charge. The IPSAS excludes from its scope work-in progress of services to be provided at no or nominal charge from recipients because they are not dealt with by IAS 2 Inventories and because they involve public sector specific issues which require further consideration.

- **IPSAS 13, Leases.** This IPSAS is based on IAS 17 *Leases*. The IPSAS establishes requirements for financial reporting of leases and sale and leaseback transactions by public sector entities, whether as lessee or lessor. The PSC decided that because the IPSAS on Leases and the proposed IPSAS on Property, Plant and Equipment are closely related, it was preferable that the two IPSASs be released at the same time. Accordingly, the release of this IPSAS has been deferred to later in 2001.

- **IPSAS 14, Events After the Reporting Date.** The IPSAS is based on IAS 10, Events After the Balance Sheet Date (revised 1999) but has been amended where necessary to reflect the public sector operating environment. The Standard establishes criteria for deciding whether

the financial statements should be adjusted for an event occurring after the reporting date. It distinguishes between adjustable events (those that provide evidence of conditions that existed at the reporting date) and non-adjustable events (those that are indicative of conditions that arose after the reporting date.

- **IPSAS 15, Financial Instruments: Disclosure and Presentation.** The IPSAS is based on IAS 32 *Financial Instruments: Disclosure and Presentation* (Revised 1998). The Standard includes requirements for disclosures about both on-balance sheet and off-balance sheet (statement of financial position) instruments, and the classification of financial instruments as financial assets, liabilities or equity. Some respondents noted that the IPSAS would have only limited application for public sector entities which did not hold financial assets, liabilities or equity. The PSC has included as an appendix to the IPSAS a guide to assist entities in identifying the requirements of the Standard that will apply to them.

- **IPSAS 16, Investment Property.** Based on IAS 40 *Investment Property* (issued 2000) and provides guidance on identifying investment properties in the public sector. The Standard:

    - requires that investment property initially be recognised at cost and explains that where an asset is acquired at no or nominal cost, its cost is its fair value as at the date it is first recognised in the financial statements;

    - requires that subsequent to initial recognition investment property be measured consistent with either the fair value model or the cost model; and

    - includes transitional provisions for the initial adoption of the IPSAS.

- **IPSAS 17, Property, Plant and Equipment.** Establishes the accounting treatment for property, plant and equipment, including the basis and timing of their initial recognition, and the determination of their ongoing carrying amounts and related depreciation. It does not require or prohibit the recognition of heritage assets.

- **IPSAS 18, Segment Reporting.** Establishes principles for reporting financial information about distinguishable activities of a government or other public sector entity appropriate for evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

- **IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets.** This Standard defines provisions, contingent liabilities and contingent assets; and identifies the circumstances in which provisions should be recognised, how they should be measured and the disclosures that should be made about them. The Standard also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing, and amount.

- **IPSAS 20, Related Party Disclosures.** Requires disclosure of the existence of related party relationships where control exists and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity. The principal issues in disclosing information about related parties are identifying which parties control or significantly influence the reporting entity and determining what information should be disclosed about transactions with those parties.

- **IPSAS 21, Impairment of Non-Cash-Generating Assets.** Prescribes the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.

- **IPSAS 22, Disclosure of Financial Information about the General Government Sector.** Establishes requirements for governments that choose to disclose information about the general government sector and that prepare their financial statements under the accrual basis of accounting.

- **IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)**. Addresses:

    - Recognition and measurement of revenue from taxes

    - Recognition of revenue from transfers, which include grants from other governments and international organisations, gifts and donations

    - How conditions and restrictions on the use of transferred resources are to be reflected in the financial statements.

- **IPSAS 24, Presentation of Budget Information in Financial Statements**. Applies to entities that adopt the accrual basis of financial reporting. It identifies disclosures to be made by governments and other public sector entities that make their approved budgets publicly available. Also, it requires public sector entities to include a comparison of budget and actual amounts in the financial reports and an explanation of any material differences between budget and actual amounts.

- **IPSAS 25, Employee Benefits**. Sets out the reporting requirements for the four categories of employee benefits dealt with in the IASB's IAS 19 *Employee Benefits*. These are short-term employee benefits, such as wages and social security contributions; post-employment benefits, including pensions and other retirement benefits; other long-term employee benefits; and termination benefits. The new IPSAS also deals with specific issues for the public sector, including the discount rate related to post-employment benefits, treatment of post-employment benefits provided through composite social security programs, and long-

term disability benefits. IPSAS 25 is effective for reporting periods beginning on or after 1 January 2011 and will be replaced by IPSAS 39 as of 1 January 2018.

- **IPSAS 26, Impairment of Cash-Generating Assets**. Some public sector entities (other than government business enterprises, which would already be using full IFRSs) may operate assets with the main purpose of generating a commercial return (rather than providing a public service). IPSAS 26, which is based on IAS 36 *Impairment of Assets*, applies to such assets. It sets out the procedures for a public sector entity to determine whether a cash-generating asset has lost future economic benefit or service potential and to ensure that impairment losses are recognised in its financial reports. Non cash-generating assets, those used primarily for service delivery, are addressed separately in IPSAS 21 Impairment of Non-Cash-Generating Assets. IPSAS 26 is effective for reporting periods beginning on or after 1st April 2009.

- **IPSAS 27, Agriculture**. Prescribes the accounting treatment and disclosures related to agricultural activity, a matter not covered in other standards. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, or for distribution at no charge or for a nominal charge or for conversion into agricultural produce or into additional biological assets. IPSAS 27 is primarily drawn from the IASB's IAS 41 *Agriculture*, with limited changes dealing with public sector-specific issues. For example, IPSAS 27 addresses biological assets held for transfer or distribution at no charge or for a nominal charge to other public sector bodies or to not-for-profit organisations. IPSAS 27 also includes disclosure requirements that are aimed at enhancing consistency with the statistical basis of accounting that governs the Government Finance Statistics Manual. IPSAS 27 is effective for annual financial statements covering periods beginning on or after 1st April 2011, with earlier application encouraged.

- **IPSAS 28, Financial Instruments: Presentation**. Draws primarily on IAS 32, establishing principles for presenting financial instruments as liabilities or equity, and for offsetting financial assets and financial liabilities.

- **IPSAS 29, Financial Instruments: Recognition and Measurement**. Draws primarily on IAS 39, establishing principles for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. It will be replaced by IPSAS 41 as of 1st January 2022.

- **IPSAS 30, Financial Instruments: Disclosures**. Draws on IFRS 7 and requires disclosures for the types of loans described in IPSAS 29. It enables users to evaluate: the significance of the financial instruments in the entity's financial position and performance; the nature and extent of risks arising from financial instruments to which the entity is exposed; and how those risks are managed.

- **IPSAS 31, Intangible Assets**. Covers the accounting for and disclosure of intangible assets. It is primarily drawn from IAS 38 *Intangible Assets*. It also contains extracts from the SIC 32 *Intangible Assets-Web Site Costs*, adding application guidance and illustrations that have not yet been incorporated into the IAS. At this point, IPSAS 31 does not deal with uniquely public sector issues, such as powers and rights conferred by legislation, a constitution, or by equivalent means; the IPSASB will reconsider the applicability of the standard to these powers and rights in the context of its conceptual framework project, which is currently in progress.

- **IPSAS 32, Service Concession Arrangements: Grantor**. Provides for the recognition, measurement, and disclosure of service concession assets and related liabilities, revenues, and expenses by the grantor. The criteria in IFRIC 12 *Service Concession Arrangements* for determining whether the operator controlled the asset used in a service concession arrangement are also used in IPSAS 32 to assess whether the grantor controlled the asset. IPSAS 32 also creates symmetry with IFRIC 12 on relevant accounting issues (i.e. liabilities, revenues, and expenses) from the grantor's point of view. In addition, IPSAS 32 is consistent with SIC-29 *Service Concession Arrangements: Disclosures*.

- **IPSAS 33, First-time Adoption of Accrual Basis IPSASs**. Addresses the transition from either a cash basis, or an accrual basis under another reporting framework, or a modified version of either the cash or accrual basis of accounting. Consequently, the IPSASB states that the new IPSAS is not aimed at IFRS convergence. Nevertheless, the IPSASB did consider the transitional exemptions included in IFRS 1 *First-time Adoption of International Financial Reporting Standards* in developing the standard.

- **IPSAS 34–IPSAS 38.** Issued in January 2015, this series of standards are based on the 'package of five' standards issued by the IASB in May 2011 dealing with consolidation, joint arrangements, the equity method, separate financial statements and disclosure. However, the IPSASB made a number of amendments to the IASB's pronouncements to tailor them for the public sector.

- **IPSAS 39, Employee Benefits**. Replaces IPSAS 25 as of 1st January 2018. The main changes from IPSAS 25 are: Removal of an option that allows an entity to defer the recognition of changes in the net defined benefit liability (the “corridor approach”); introduction of the net interest approach for defined benefit plans; Amendments regarding certain disclosure requirements for defined benefit plans and multi-employer plans; simplification of the requirements for contributions from employees or third parties to a defined benefit plan when those contributions are applied to a simple contributory plan that is linked to service; and removal of the requirements for composite social security programmes.

- **IPSAS 40, Public Sector Combinations**. Classifies public sector combinations as either amalgamations or acquisitions taking into account control and other factors. For recognition

and measurement of amalgamations, IPSAS 40 requires use of the "modified pooling of interests" method of accounting. For acquisitions, IPSAS 40 requires use of the "acquisition" method of accounting, applying the same approach as in IFRS 3 *Business Combinations*.

- **IPSAS 41, Financial Instruments**. The standard is based on IFRS 9 *Financial Instruments* and replaces IPSAS 29, which is based on IAS 39 *Financial Instruments: Recognition and Measurement*, as of 1st January 2022. The main changes from IPSAS 29 are the introduction of simplified classification and measurement requirements for financial assets, a forward looking impairment model, and a flexible hedge accounting model. IPSAS 41 also includes public sector-specific guidance and illustrative examples on financial guarantees issued through non-exchange transactions, concessionary loans, equity instruments arising from non-exchange transactions, and fair value measurement.

- **IPSAS 42, Social Benefits**. The standard provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. The standard requires an entity to recognise an expense and a liability for the next social benefit payment. IPSAS 42 establishes principles and requirements for: (i) recognising expenses and liabilities for social benefits; (ii) measuring expenses and liabilities for social benefits; (iii) presenting information about social benefits in the financial statements; and (iv) determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity.

- **IPSAS 43, Leases**. The standard contains a model that is aligned with IFRS 16 *Leases* for lease accounting in the public sector. For lessees, IPSAS 43 introduces a right-of-use model that replaces the risks and rewards incidental to ownership model in IPSAS 13 *Leases*. For lessors, IPSAS 43 substantially carries forward the risks and rewards incidental to ownership model in IPSAS 13.

- **IPSAS 44, Non-current Assets Held for Sale and Discontinued Operations**. The standard is based on IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations.

  IPSAS 44 includes additional public sector requirements, in particular, the disclosure of the fair value of assets held for sale that are measured at their carrying amounts, when the carrying amount is materially lower than their fair value.

(b) Recommended Practice Guidelines (RPG)

- RPG 1 Reporting on the Long-Term Sustainability of an Entity's Finances

- RPG 2 Financial Statement Discussion and Analysis

- RPG 3 Reporting Service Performance Information

(c) Cash basis standards

- **Financial Reporting Under the Cash Basis of Accounting.** (Unnumbered, January 2003). It establishes requirements for the preparation and presentation of a statement of cash receipts and payments and supporting accounting policy notes. It also includes encouraged disclosures that enhance the cash basis report.

- **Financial Reporting Under the Cash Basis of Accounting.** (Revised November 2017, becomes effective 1st January 2019). It establishes requirements for the preparation and presentation of a statement of cash receipts and payments and supporting accounting policy notes. It also includes encouraged disclosures that enhance the cash basis report.

4. Summary of Changes to International Public Sector Accounting Standards ("IPSASs")

(h). **Application of New IPSAS**

As explained above, the financial statements have been prepared in accordance with *International Public Sector Accounting Standards* for the first time for the financial year beginning on or after 1st January 2022.

(i). Statement of Compliance

As explained above, the financial statements have been prepared in accordance with *International Public Sector Accounting Standards* for the reporting period to 31st December 2022.

(j). Adoption of New Revised and General Improvements to IPSAs

(i). **Advancing Sustainability Reporting:** The IPSASB is taking its next step to advance sustainability reporting. The IPSASB will commence research and scoping of three potential public sector specific sustainability reporting projects pending securing the resources needed to begin guidance development.

(ii). **Conceptual Framework–Limited Scope Update–Measurement:** The Board approved an updated version of the IPSAS Conceptual Framework: Chapter 7, Measurement of Assets and Liabilities in Financial Statements. The IPSASB will use the updated version of Chapter 7 as part of its process of developing standards going forward. The updated version of Chapter 7 will be published with the suite of measurement related guidance, Measurement, IPSAS 17, Property, Plant, and Equipment). The last piece of this suite of guidance is planned for approval in March 2023.

(iii). **ED 78, Property, Plant, and Equipment:** The IPSASB approved ED 78 to ensure replacement of IPSAS 17, Property, Plant, and Equipment. It adds public sector guidance on heritage and infrastructure assets and aligns with the new measurement principles. To align effective dates, the new or updated standard is expected to be issued in the first half of 2023 together with the suite of measurement related guidance under development.

(iv). **Measurement:** The IPSASB reviewed a final draft of IPSAS 29, Measurement. The IPSASB clarified the concept of deemed cost, including its applicability to property, plant, and equipment held for operational capacity. The IPSASB decided to add a second phase to the Measurement project where it will evaluate the application of current operational value, for specific IPSAS not yet explicitly considered in the first phase Measurement project. The second phase will commence after the planned approval in March 2023.

(v). **Other Lease–Type Arrangements:** The IPSASB approved Exposure Draft (ED) 84, Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 23). ED 84 will be published in January 2023 for a 4-month comment period, together with a Feedback Statement summarizing the IPSASB's decisions and thinking related to the feedback received to the January 2021 Request for Information, Concessionary Leases and Other Arrangements Similar to Leases.

(vi). **Transfer Expenses and Revenue:** The IPSASB completed a detailed review of the core text, application guidance, bases for conclusions, and implementation guidance sections in the draft Revenue IPSAS and draft Transfer Expenses IPSAS. In addition, the IPSASB agreed on the list of illustrative examples for both draft IPSAS, and confirmed the proposed approach to finalize amendments to other IPSAS in preparation for the expected approval of both draft standards at the March 2023 meeting.

(vii). **Conceptual Framework–Limited Scope Update–Next Stage:** The IPSASB reviewed four specific matters for comment related to assets and liabilities in ED 81, Conceptual Framework Update, Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements. The IPSASB decided, as proposed in ED 81, to: adopt the revised definitions of a liability and an asset; include restructured guidance that aligns with the components of the liability definition and new guidance on the transfer of resources; and adopt the rights-based approach to the guidance on resources in the definition of an asset.

(viii). **Presentation of Financial Statements:** The IPSASB discussed research and scoping activities related to the project on Presentation of Financial Statements, added in 2022 as a result of the Mid-Period Work Program Consultation. The research activities included an update on the feedback received from attendees at the 4th International Public Sector Standards Setters Forum held in September 2022. Research and scoping activities will continue as part of the process to develop and approve a detailed project brief, which is expected to be approved in 2023.

(k). **New and Amended Standards and Interpretations in issue effective in the year**

Improvements to IPSAS, 2021 deals with non-substantive changes to IPSAS through a collection of amendments that are unrelated:

(i). **COVID-19:** IPSASB deferred the application date of standards from 1st January 2022 owing to COVID-19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

(ii). **Amendments to IPSAS 22, Disclosure of Financial Information About the General Government Sector:** Paragraphs 5, 18, and 28 were amended by Improvements to IPSAS, 2021, issued in January 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2023. Earlier application is permitted.

(iii). **Amendments to IPSAS 39, Employee Benefits:** Paragraphs 3 and 4 were amended by Improvements to IPSAS, 2021, issued in January 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2023. Earlier application is permitted.

(iv). **Amendments to RPG 1, Reporting on the Long-Term Sustainability of an Entity's Finances:** Paragraphs BC7A and BC36 are added. New text is underlined and deleted text is struck through.

(v). **Amendments to IPSAS 29, Financial Instruments: Recognition and Measurement:** IPSAS 29 as Applicable Prior to the Adoption of IPSAS 41, Financial Instruments:

- Paragraphs 113A–113N were added by Improvements to IPSAS, 2021, issued in January 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. An entity shall apply these amendments retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies these amendments or were designated thereafter, and to the gain or loss recognized in net assets/equity that existed at the beginning of the reporting period in which an entity first applies these amendments.

- Paragraphs 113O–113ZC, 125K–125M and AG20A–AG20E were added by Improvements to IPSAS, 2021, issued in January 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. An entity shall apply these

amendments retrospectively in accordance with IPSAS 3, except as specified in paragraphs 125K–125M and AG20A–AG20E.

- An entity shall designate a new hedging relationship (for example, as described in paragraph 113ZC) only prospectively (i.e., an entity is prohibited from designating a new hedge accounting relationship in prior periods). However, an entity shall reinstate a discontinued hedging relationship if, and only if, certain conditions are met.

(l). **New and Amended Standards and Interpretations in issue effective but not effective in the year**

Standard	**Effective date and impact:**
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial

Standard	Effective date and impact:
	performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	***Applicable 1st January 2023*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* • *IPSAS 39: Employee Benefits:* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement** Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-	***Applicable 1st January 2025.***

Standard	Effective date and impact:
Current Assets Held for Sale and Discontinued Operations	The Standard requires: • Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: • Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

(m). Early Adoption of Standards

The Entity did not early – adopt any new or amended standards in year 2022.

(n). New Standards and Interpretations

There are no other *IPSAS* 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.