MINISTRY OF NATIONAL DEVELOPMENT
PLANNING

ZAMBIA PREPARATION OF THE FORESTRY INVESTMENT
PROGRAM INVESTMENT PLAN PROJECT

STRATEGIC CLIMATE FUND PROJECT PREPARATION
GRANT NO. TF0A2862

FINANCIAL STATEMENTS
For The Year Ended 31st December, 2017

THE AUDITOR GENERAL
P.O. BOX 50071
LUSAKA - ZAMBIA
MINISTRY OF NATIONAL DEVELOPMENT PLANNING
ZAMBIA PREPARATION OF THE FORESTRY INVESTMENT PROGRAM INVESTMENT
PLAN PROJECT - PROJECT PREPARATION GRANT NO. TFA02862

Sources and Utilisation of Funds
For the year ended 31st December, 2017

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Sources and Utilisation of Funds  
For the year ended 31st December, 2017

STATEMENT OF PROGRAMME MANAGEMENT’S RESPONSIBILITIES

The Controlling Officer for Ministry of National Development Planning is responsible for the preparation of the Statement of Sources and Utilization of Funds for Zambia Forestry Investment Program Investment Plan Project which gives a true and fair view of the state of affairs of Zambia Forestry Investment Program Investment Plan Project - Project Preparation Grant (FIP-PPG). In preparing the Statement of Sources and Utilization of Funds, the Project Management:

- selects suitable accounting policies and then applies them consistently
- makes judgments that are reasonable and prudent; and
- follows Generally Accepted Accounting Principles

The Statement of Sources and Utilization of Funds is prepared on a cash basis of accounting in accordance with accounting principles generally accepted by Government of the Republic of Zambia (GRZ) and Cooperating Partners. This is a departure from the requirements of International Accounting Standards (IAS).

The Project Management is responsible for ensuring that the FIP PPG project keeps accounting records, registers and other relevant documents which disclose with reasonable accuracy at any time the financial position and activities of the project as required by the Financing Agreement. Management is responsible for taking reasonable steps for the prevention and detection of errors, fraud and other irregularities.

The Project Management is also responsible for the systems of internal controls designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with appropriate segregations of authority and duties. Nothing has come to the attention of the Project Management to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In the opinion of the Project Management, the Statement of Sources and Utilization of Funds is drawn up so as to present fairly the financial activities for the year ended 31st December 2017.

Signed on behalf of the programme management by:

Chola J. Chabala  
Permanent Secretary – DPA  
Ministry of National Development Planning  
Date: 25 JUN 2018

Chitembo K Chunga  
National Coordinator – PPCR  
Ministry of National Development Planning  
Date: 25 JUN 2018
To the Permanent Secretary, Ministry of National Development Planning

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of the Zambia: Preparation of the Forestry Investment Program Investment Plan Project SCF Grant No. TF0A2862, which comprise the Statement of Sources and Utilization of Funds for the financial year ended 31st December, 2017, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 5 to 9.

In my opinion, the accompanying financial statements of the Zambia: Preparation of the Forestry Investment Program Investment Plan Project are prepared, in all material respects, in accordance with International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting and the Financing Agreement between International Bank for Reconstruction and Development ("World Bank") and the Republic of Zambia.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under these standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Zambia: Preparation of the Forestry Investment Program Investment Plan Project in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics together with the ethical requirements that are relevant to my audit of the Financial Statements in Zambia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the INTOSAI Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting and the financing agreement between International Bank of Reconstruction ("World
Bank”) and the Republic of Zambia and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the project’s financial reporting process.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement 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 ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- 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 project’s internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit. I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable related safeguards.
OFFICE OF THE AUDITOR GENERAL

Report on Other Legal and Regulatory Requirements

In my opinion, the financial statements of the Zambia: Preparation of the Forestry Investment Program Plan Project as at 31st December, 2017, have been properly prepared in accordance with the provisions of the International Bank for Reconstruction and Development ("World Bank") Financing Agreement.

Ron M. Mwambwa, FCMA, FZIICA, CGMA, MSc, CFE

ACTING AUDITOR GENERAL

OFFICE OF THE AUDITOR GENERAL
Zambia Preparation of the Forestry Investment Program Investment Plan Project

IBRD Trust Fund No. TF0A2862

Statement of Sources and Utilization of Funds for the Year Ended 31st December 2017

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>ZMW</th>
<th>US $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Cash Balances</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Receipts from World Bank (IBRD)</td>
<td>4,704,094.17</td>
<td>480,605.00</td>
</tr>
<tr>
<td><strong>Total Cash Available</strong></td>
<td>4,704,094.17</td>
<td>480,605.00</td>
</tr>
<tr>
<td>Less: Utilisation of Funds by Category</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods, Non-Consulting Services, Consultants Services, Workshops and Operating Costs</td>
<td>204,562.00</td>
<td>20,913.58</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>204,562.00</td>
<td>20,913.58</td>
</tr>
<tr>
<td>Surplus (Deficit) for the period</td>
<td>2,655,321.17</td>
<td>271,469.22</td>
</tr>
<tr>
<td>Foreign Exchange Gain/(Loss)</td>
<td>(196,325.8)</td>
<td>(2,539.24)</td>
</tr>
<tr>
<td><strong>Net Cash Available</strong></td>
<td>2,458,995.39</td>
<td>246,076.68</td>
</tr>
</tbody>
</table>

Represented by cash and cash equivalent

Bank Balances

<table>
<thead>
<tr>
<th>Represented by cash and cash equivalent Bank Balances</th>
<th>ZMW</th>
<th>US $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,458,995.39</td>
<td>246,076.68</td>
</tr>
</tbody>
</table>

Chola J. Chabala
Permanent Secretary – DPA
Ministry of National Development Planning
Date: 25 Jun 2018

Chitembo K Chunga
National Coordinator – PPCR
Ministry of National Development Planning
Date: 25 Jun 2018
MINISTRY OF NATIONAL DEVELOPMENT PLANNING
ZAMBIA PREPARATION OF THE FORESTRY INVESTMENT PROGRAM INVESTMENT PLAN PROJECT - PROJECT PREPARATION GRANT NO. TFA02862

Sources and Utilisation of Funds
For the year ended 31st December, 2017

NOTES TO THE STATEMENT OF SOURCES AND UTILISATION OF FUNDS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2017

1. Background


The objectives of the Project is to develop an investment plan for the Zambia REDD+ Strategy while also meeting the objectives of the Forestry Investment Program.

The Project consists of the following activities.

i. Preparing an Investment Plan for the National REDD + Strategy including conducting related surveys and studies.

ii. Carrying out of public consultations, knowledge exchange and preparation and dissemination of knowledge products.

iii. Capacity building of the Recipients agencies involved in the implementation of National REDD+ Strategy

iv. Supply of office equipment.

v. Financing of operating costs associated with the implementation of the Project.

The Project Preparations started in December 2016. However, project activities only began in 2017. The Project Designated Account denominated in US Dollars is maintained at Bank of Zambia, Lusaka, while a Kwacha operations account is held at Zambia National Commercial Bank, Acacia Branch. Funds from the Word Bank are remitted in the Designated Account and transferred into the Kwacha Account for operations using the Bank of Zambia ruling exchange rate at the time of the transfer.

The Project Preparation Grant has one category for Goods, Non-Consulting Services, Consultants Services, Workshops and Operating Costs.

The Statement of Sources and Utilization of Funds has been prepared for the year ended 31st December 2017.
MINISTRY OF NATIONAL DEVELOPMENT PLANNING
ZAMBIA PREPARATION OF THE FORESTRY INVESTMENT PROGRAM INVESTMENT PLAN PROJECT - PROJECT PREPARATION GRANT NO. TFA02862

Sources and Utilisation of Funds
For the year ended 31st December, 2017

2. Statement of Compliance

The Statement of Sources and Utilisation of Funds have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The Statement of Sources and Utilization of Funds has been prepared on cash basis of accounting in accordance with accounting principles generally accepted by the Government of the Republic of Zambia and Cooperating Partners. This is a departure from the requirements of IAS because under the circumstances, the cash basis accounting is considered appropriate.

3. Significant Accounting Policies

Significant accounting policies adopted in the preparation of these financial statements and applied in all material respects, are set out below:

3.1 Basis of Financial Statement Preparation

The Statement of Sources and Utilization of Funds were prepared under historical cost convention.

3.2 Sources of Funds

The source of funds for the project represent amounts received from the International Bank of Reconstruction and Development Association (IBRD) - World Bank during the accounting period. The total agreed project preparation grant amount is US$250,000 for the project preparation period from 23rd November 2016 to 30th June 2018. During the twelve (12) month period to 31st December 2017, US$48,060.50 (ZMW470,094.17) was received under the grant.

3.3 Exchange Rates

The annual average exchange rate used for translating US$ amounts into ZMW was 9.7813 and the closing bank balances were translated using the closing rate as at 31st December 2017 which stood at US$1 to ZMW9.9928

4. Opening Balances and Cash Receipts from IBRD

There were no opening balances as the first disbursement under the project was received during the accounting period. Total cash received has been valued at the annual average exchange rate.
Sources and Utilisation of Funds
For the year ended 31st December, 2017

<table>
<thead>
<tr>
<th>Date</th>
<th>Amounts Received</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ZMW</td>
</tr>
<tr>
<td>19.04.2017</td>
<td>391,252.00</td>
</tr>
<tr>
<td>01.12.2017</td>
<td>78,842.17</td>
</tr>
<tr>
<td>Total</td>
<td>470,094.17</td>
</tr>
</tbody>
</table>

5. Utilisation of Funds

Utilisation of funds represents amounts paid during the accounting period and no provisions are made for accrued expenses. Expenses, apart from advances, are recognized at the time they are paid; advances are expensed when they are retired.

5.1 Goods, Non-Consulting Services, Consultants Services, Workshops and Operating Costs

The following is the breakdown for Category 1 items - Goods, Non-Consulting Services, Consultants Services, Workshops and Operating Costs undertaken during the 12 Month period to 31st December 2017:

<table>
<thead>
<tr>
<th></th>
<th>ZMW</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Non-Consulting Services</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Consultants Services</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Workshops and Operating Costs</td>
<td>204,562.00</td>
<td>20,914</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>204,562.00</td>
<td>20,913.58</td>
</tr>
</tbody>
</table>

6. Foreign Currency Exchange Difference

<table>
<thead>
<tr>
<th></th>
<th>ZMW</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cash Balances and Receipts</td>
<td>470,094.17</td>
<td>48,060.50</td>
</tr>
<tr>
<td>Total Expenditure (Note 8.1)</td>
<td>204,562.00</td>
<td>20,913.58</td>
</tr>
<tr>
<td>Total Cash Balances and Receipts Less Expenditure</td>
<td>265,532.17</td>
<td>27,146.92</td>
</tr>
<tr>
<td>Less: Actual Closing Cash Balances (See Note 10)</td>
<td>245,899.59</td>
<td>24,608.68</td>
</tr>
<tr>
<td>Foreign Currency Exchange Difference</td>
<td>(19,632.58)</td>
<td>(2,539.24)</td>
</tr>
</tbody>
</table>
7. Cash and Cash equivalent (Closing Cash Balances)
   The cash balances as at 31st December 2017, was translated to Kwacha and US dollar at an exchange rate of US$1 = K9.9928 (Bank of Zambia mid-rate). The cash and cash equivalents as at 31st December 2017 were as follows:

<table>
<thead>
<tr>
<th>ZMW</th>
<th>US $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designated Account (BOZ)</td>
<td>150,461.59</td>
</tr>
<tr>
<td>Operating Account (Zanaco)</td>
<td>95,438.00</td>
</tr>
<tr>
<td>Total</td>
<td>245,899.59</td>
</tr>
</tbody>
</table>

8. Contingent liabilities
   There were no contingent liabilities as at 31st December 2017.

9. Post Reporting Period events
   There were no significant events after the balance sheet date requiring adjustment to the accounts or disclosure.