MINISTRY OF MINES AND MINERALS DEVELOPMENT
ZAMBIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

STATEMENT OF SOURCES AND UTILISATION OF FUNDS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2018
MINISTRY OF MINES AND MINERALS DEVELOPMENT
ZAMBIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

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STATEMENT OF MANAGEMENT’S RESPONSIBILITIES.

The Project Management is responsible for the preparation and fair presentation of the financial statements of Zambia Extractive Industries Transparent Initiative (ZEITI), for the funds that were received from the Government of the Republic of Zambia under the GRZ annual grants as well as refunds from Cooperating Partners namely the World Bank. In preparing the financial statements, management selects suitable accounting policies and applies them consistently, makes judgments that are reasonable, prudent and follows International Public Sector Accounting Standard (IPSASs) Cash Basis of Accounting.

The Project Management is also responsible for the system of internal controls, safeguarding of the assets and taking reasonable steps for the prevention and detection of errors, fraud and other irregularities.

The Project Management has made an assessment of the Project’s ability to continue as a going concern and have no reason to believe the Project will not be a going concern in the year ahead.

Verification of the financial statements

The financial statements, as indicated above, have been approved by Project Management on 27/06/2019 and are signed on its behalf by:

Emmanuel N.Sibongo
Project Accountant

Ernest Mwape
Head of Secretariat
ZEITI

Paul M. Chanda
Permanent Secretary
Ministry of Mines and Minerals Development
To the Permanent Secretary – Ministry of Mines and Minerals Development

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Zambia Extractive Industries Transparency Initiative, which comprise the statement of Sources and Utilisation of Funds for the financial year ended 31st December 2018 and notes to the financial statements, including a summary of significant accounting policies as set out on pages 5 to 7.

In my opinion, the accompanying financial statements of Zambia Extractive Industries Transparency Initiative are prepared, in all material respects, in accordance with International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting and the Financing Agreement between the World Bank and the Government of the Republic of Zambia.

Basis for Opinion

I conducted my audit in accordance with International Standards for 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 the Ministry of Mines and Minerals Development – Zambia Extractive Industries Transparency Initiative in accordance with the International Organisation 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 these financial statements in accordance with the International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting, 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 Permanent Secretary for Ministry of Mines and Minerals Development is responsible for overseeing the Programme’s financial reporting process.
Auditor’s Responsibilities for the Audit of the Financial Statements

The objectives of my 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 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 scepticism throughout the planning and performance of the audit. I also:

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

- 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 entity’s internal control.

- 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 control 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 Extractive Industries Transparency Initiative (ZEITI) Project have been properly prepared in accordance with the Project Implementation Agreement Document between the Zambian Government and the Cooperating Partners.

Davison K. Mendamenda
ACTING AUDITOR-GENERAL
OFFICE OF THE AUDITOR GENERAL

28 JUN 2019
AUDITOR GENERAL
PO. BOX 50071, LUSAKA.

June 2019
## Statement of Sources and Utilisation of Funds for the Financial Year Ended 31st December 2018

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Notes</th>
<th>2018 USS</th>
<th>2018 ZMW</th>
<th>2017 USS</th>
<th>2017 ZMW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January</td>
<td>4</td>
<td>24,163.92</td>
<td>230,737.29</td>
<td>995.44</td>
<td>7,480.16</td>
</tr>
<tr>
<td>World Bank grant-Replenishment</td>
<td></td>
<td>77,153.80</td>
<td>918,014.49</td>
<td>75,000.00</td>
<td>716,164.32</td>
</tr>
<tr>
<td>Direct payments</td>
<td></td>
<td>-</td>
<td>-</td>
<td>92,650.00</td>
<td>884,701.65</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>336.18</td>
<td>4,000.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Fund Available</strong></td>
<td></td>
<td>101,653.90</td>
<td>1,152,751.78</td>
<td>168,645.44</td>
<td>1,608,346.13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less Utilisation of Funds</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production of report</td>
<td>6.1</td>
<td>3,419.94</td>
<td>40,692.10</td>
<td>92,650.00</td>
<td>884,701.65</td>
</tr>
<tr>
<td>Office equipment</td>
<td>6.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>6.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Printing of reports</td>
<td>6.4</td>
<td>-</td>
<td>-</td>
<td>15,603.96</td>
<td>149,000.00</td>
</tr>
<tr>
<td>Database</td>
<td>6.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Office admin/ops</td>
<td>6.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Meetings and workshops</td>
<td>6.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dissemination workshops</td>
<td>6.8</td>
<td>4,353.49</td>
<td>51,800.00</td>
<td>13,344.72</td>
<td>127,426.80</td>
</tr>
<tr>
<td>EITI Bill</td>
<td>6.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dissemination promotional materials</td>
<td>6.10</td>
<td>7,335.04</td>
<td>87,276.00</td>
<td>12,307.26</td>
<td>117,520.25</td>
</tr>
<tr>
<td>Follow up of report-Auditor General</td>
<td>6.11</td>
<td>-</td>
<td>-</td>
<td>10,472.46</td>
<td>100,000.00</td>
</tr>
<tr>
<td>Bank charges</td>
<td>6.12</td>
<td>21.90</td>
<td>260.60</td>
<td>8.90</td>
<td>85.00</td>
</tr>
<tr>
<td>Refund to WB</td>
<td>6.13</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td></td>
<td>15,130.37</td>
<td>180,028.70</td>
<td>144,387.29</td>
<td>1,378,733.70</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unutilised Funds</th>
<th></th>
<th>86,523.53</th>
<th>972,723.08</th>
<th>24,258.14</th>
<th>229,612.43</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate Gain/(Loss)</td>
<td>7.0</td>
<td>(9,359.40)</td>
<td>(54,585.62)</td>
<td>(94.22)</td>
<td>1,124.86</td>
</tr>
<tr>
<td>Represented by</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Bank balances</td>
<td>7.1</td>
<td>77,164.13</td>
<td>918,137.46</td>
<td>24,163.92</td>
<td>230,737.29</td>
</tr>
</tbody>
</table>

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Paul M. Chanda
Permanent Secretary
Ministry of Mines and Minerals Development

Ernest Mwape
Head of Secretariat
ZEITI
NOTES TO THE STATEMENT OF SOURCES AND UTILISATION OF FUNDS

1. Principal activities

The Project's principal activities are to undertake a reconciliation of the disclosure of what gas, oil and mining companies pay to Government and what Government receives from these extractive companies as revenue with the sole purpose of promoting transparency and accountability in the use of natural resources. Its principal offices are in Lusaka, Zambia.

2. Accounting Policies

The accounts have been prepared according to International Public Sector Accounting Standards (IPSAS) Cash Basis of Accounting.

3. Sources of Funds

The funds were provided to the Project by the World Bank for the purpose of funding the implementation of EITI Project activities that included the production and dissemination of the reports. The Project is funded on a reimbursment basis from the World Bank upon retirements of the initial advanced amount.

4. Receipts

The Project had total funds of ZMW 1,152,751.78 equivalent to US$ 101,653.90. These funds include the opening balances as well as funding during the year under review. Of these funds K4,000 equivalent to US$336.18 reported as Other Income was refunds of staff imprest.

5. Exchange rate

The opening balance is based on the exchange rate of ZMW 9.54885757 to US$1. Based on the closing rate for 2017 which was the funding rate for the Financial year 2017. The funding from the World Bank is based on the exchange rate of ZMW 11.8985 being the rate on the date the funds were transferred from the control account to mirror account.

6.1 Production of Reconciliation Report

The amount for the production of the reconciliation report was ZMW 40,692.10 or US$ 3,419.94, this relates to costs for payments relating to preparations for the 2016 report.

6.2 Office equipment

There were no costs under this line of expenditure.

6.3 Salaries and Benefits

There were no costs under this line of expenditure.

6.4 Printing of reports

There were no costs under this line of expenditure.
6.5 Database
There were no costs under this line of expenditure.

6.6 Office Administration/Operations
There were no costs under this line of expenditure.

6.7 Meetings and workshops
There were no costs under this line of expenditure.

6.8 Dissemination workshops
The costs were incurred for the Countrywide dissemination of the report through various stakeholder meetings such as provincial expos and shows. The total cost was ZMW 51,800.00 or US$ 4,353.49.

6.9 EITI Bill
There were no costs under this line of expenditure.

6.10 Dissemination promotional materials
This relates to costs for the procurement of dissemination materials such as printing of reports and dissemination promotional materials. The total cost was ZMW 87,276.00 or equivalent of US$ 7,335.04 for the year under review.

6.11 Follow up-Auditor General
There were no costs under this line of expenditure for the year under review.

6.12 Bank Charges
This relates to costs for bank fees amounting to ZMW 260.60 or US$ 21.90

7.0 Exchange loss
There was an exchange loss of US$ 9,359.40 or ZMW 54,585.62, this was due to the depreciation of the kwacha against the US Dollar as funding for this grant is done in US Dollar.

7.1 Cash and Bank balance
The total closing bank balance held in the Mirror account at Investrust Bank was ZMW 122.97 and control account at Bank of Zambia was US$ 77,153.80 as at 31st December 2018 with the total being ZMW 918,137.40 being equivalent to US$ 77,164.13.