REPUBLIC OF ZAMBIA

MINISTRY OF MINES AND MINERAL DEVELOPMENT
EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
(EITI-ZAMBIA)

STATEMENT OF SOURCES AND UTILISATION OF FUNDS
FOR WORLD BANK (MDTFII) FOR THE YEAR ENDED
31ST DECEMBER, 2017

THE AUDITOR GENERAL
P.O. BOX 50071
LUSAKA - ZAMBIA
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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 and The Natural Resources Governance Institute (NRGI). 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 (IPSAS) 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.

Approval of the financial statements

The financial statements, as indicated above, have been approved by Project Management on 29th June 2018 and are signed on its behalf by:

Project Accountant

Head of Secretariat

Permanent Secretary
To the Permanent Secretary - Ministry of Mines and Mineral Development

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of the Zambia Extractive Industries Transparency Initiative (ZEITI), Project which comprise the Statement of Sources and Utilisation of Funds for the year ended 31st December, 2017 and notes to the financial statements as set out on pages 5 to 8.

In my opinion, the accompanying financial statements of the Zambia Extractive Industry Transparency Initiative (ZEITI) Project for the year ended 31st December, 2017 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 Cooperating Partners and the Republic of Zambia.

Basis for Opinion

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAI). My responsibilities under those 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 Zambia Extractive Industries Transparency Initiative (ZEITI) Project 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 Performance 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 International Public Sector Accounting Standards (IPSASs), Cash Basis of Accounting, suitable accounting policies and legislation, and maintenance of 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. ZEITI management is 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 controls 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 Zambia Extractive Industries Transparency Initiative (ZEITI) 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.

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.

Ron M. Mwambwa, FCMIA, FZICA, CGMA, MSc, CFE
ACTING AUDITOR GENERAL
OFFICE OF THE AUDITOR GENERAL

DATE: 29/06/2018
# ZAMBIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER, 2017

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Notes</th>
<th>12 Months To Dec-17 US$</th>
<th>12 Months To Dec-17 ZMW</th>
<th>12 Months To 2016 US$</th>
<th>12 Months To 2016 ZMW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>4</td>
<td>995.44</td>
<td>7,480.16</td>
<td>995.44</td>
<td>7,480.16</td>
</tr>
<tr>
<td>World grant -Replishment</td>
<td></td>
<td>75,000.00</td>
<td>716,164.32</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Direct Payments</td>
<td></td>
<td>92,650.00</td>
<td>884,701.65</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Fund available</strong></td>
<td></td>
<td><strong>168,645.44</strong></td>
<td><strong>1,608,346.13</strong></td>
<td><strong>995.44</strong></td>
<td><strong>7,480.16</strong></td>
</tr>
</tbody>
</table>

### Less Utilisation of Funds

#### Project Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>12 Months To Dec-17 US$</th>
<th>12 Months To Dec-17 ZMW</th>
<th>12 Months To 2016 US$</th>
<th>12 Months To 2016 ZMW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production of report</td>
<td>6.1</td>
<td>92,650.00</td>
<td>884,701.65</td>
<td>-</td>
<td>-</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>15,603.96</td>
<td>149,000.00</td>
<td>-</td>
<td>-</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>13,344.72</td>
<td>127,426.80</td>
<td>-</td>
<td>-</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>12,307.26</td>
<td>117,520.25</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Follow up of report-Auditor General</td>
<td>6.11</td>
<td>10,472.46</td>
<td>100,000.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bank Charges</td>
<td>6.12</td>
<td>8.90</td>
<td>85.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Refunds 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><strong>144,387.30</strong></td>
<td><strong>1,378,733.70</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Unutilised Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>12 Months To Dec-17 US$</th>
<th>12 Months To Dec-17 ZMW</th>
<th>12 Months To 2016 US$</th>
<th>12 Months To 2016 ZMW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate (Gain)/Loss</td>
<td>6.14</td>
<td>(94.22)</td>
<td>1,124.86</td>
<td>-</td>
<td>-</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>7.0</td>
<td><strong>24,163.92</strong></td>
<td><strong>230,737.29</strong></td>
<td><strong>995.44</strong></td>
<td><strong>7,480.16</strong></td>
</tr>
</tbody>
</table>

The Financial Statements as indicated above, were approved by management on....................... and are signed on its behalf by:

Permanent Secretary

Head of Secretariat

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NOTES TO THE FINANCIAL STATEMENTS

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 reimbursement basis from the World bank upon retirements of the initial advanced amount.

4. Receipts

The project had total funds of ZMW 1,608,346.13 equivalent to US$ 168,645.44 These funds include the opening balances as well as funding during the year under review and direct payments made to the consultant for the production of the 2015 EITI report.

5. Exchange rate

The opening balance is based on the exchange rate of ZMW 9.81 to US$1 based on the closing rate for 2016. The funding from the World Bank is based on the exchange rate of ZMW 9.54885757 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 884,701.65 or US$ 92,650.00, this relates to costs for payment to the consultant for the 2015 report. This was done through a direct payment by the World bank to the consultant.

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

The costs were incurred for the printing of the EITI reports for Country wide dissemination of the report through various stakeholder meetings such as workshops and shows. The total cost was ZMW 149,000.00 or US$ 15,603.96.

6.5 Database

There were no costs under this line of expenditure.
6.6 Office Adminstration/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 Country wide dissemination of the report through various stakeholder meetings such as workshops and shows. The expenditure is for hire of workshop and other stakeholder meetings venues. The total cost was ZMW 127,426.80 or US$ 13,344.72.

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

6.10 Dissemination promotional materials
This relates to costs for dissemination materials such printing of reports and dissemination promotional materials. The total cost was ZMW 117,520.25 or equivalent of US$ 12,307.26 for the year under review.

6.11 Follow up-Auditor General
This relates to expenses for the followup of the 2014 and 2015 EITI reports discrepancies by the office of the Auditor General. The total cost was ZMW 100,000.00 or equivalent of US$ 10,472.46 for the year under review.

6.12 Bank Charges
This relates to costs for bank fees amounting to ZMW 85.00 or US$ 8.90

6.14 Exchange loss
There was an exchange loss of US$ 94.22 under the dollar transactions in the year under review, the gain was as a result of variations in the opening and closing exchange rates.

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017 US$</th>
<th>2017 ZMW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total annual funds available</td>
<td>168,645.44</td>
<td>1,608,346.13</td>
</tr>
<tr>
<td>Total annual costs</td>
<td>144,387.30</td>
<td>1,378,733.70</td>
</tr>
<tr>
<td>Balance</td>
<td>24,258.15</td>
<td>229,612.43</td>
</tr>
<tr>
<td>Closing cash at Bank at rate of ZMW 9.548</td>
<td>24,163.92</td>
<td>230,737.29</td>
</tr>
<tr>
<td>Exchange Gain/(Loss)</td>
<td>(94.22)</td>
<td>1,124.86</td>
</tr>
</tbody>
</table>
7.0 Cash and Bank balance

The total closing bank balance held in the Mirror account at Investrust Bank was ZMW 176,066.67 and control account at Bank of Zambia was US$ 5,725.41 as at 31st December 2017 with the total being ZMW 230,737.29 being equivalent to US$ 24,163.92.