



REPUBLIC OF ZAMBIA

MINISTRY OF NATIONAL DEVELOPMENT PLANING

**TRANSFORMING LANDSCAPES FOR RESILIENCE AND DEVELOPMENT
IN ZAMBIA PROJECT – PROJECT PREPARATION ADVANCE NO.
P164764/V1790**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 2018**

**OFFICE OF THE AUDITOR GENERAL
P. O. BOX 50071
LUSAKA**

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MINISTRY OF NATIONAL DEVELOPMENT PLANNING

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PREPARATION ADVANCE NO. P164764/V1790**

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31ST DECEMBER 2018**

**MINISTRY OF NATIONAL DEVELOPMENT PLANNING
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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 Transforming Landscapes for Resilience and Development in Zambia Project, Project Preparation Advance (TRALARD-PPA), which gives a true and fair view of the state of affairs of the Project. 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 International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting.

The Statement of Sources and Utilization of Funds is prepared on a cash basis of accounting in accordance with International Public Sector Accounting Standards.

The Project Management is responsible for ensuring that the TRALARD-PPA 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 give true and fair view of the financial activities for the year ended 31st December 2018.

Signed on behalf of the Project Management by:


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Chola J. Chabala
Permanent Secretary – DPA
Ministry of National Development Planning

Date:.....




.....
Chitembo K Chunga
National Coordinator – PPCR
Ministry of National Development Planning

Date:.....



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INDEPENDENT AUDITOR'S REPORT

STAND No. 7951
HAILE SELASSIE AVENUE,
LONGACRES
P.O BOX 50071
LUSAKA, ZAMBIA

E-mail: auditorg@ago.gov.zm
Website: www.ago.gov.zm
Telephone: +260252611/252771

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 Transforming Landscapes for Resilience and Development in Zambia Project, Project Preparation Advance (TRALARD-PPA) under the Pilot Programme for Climate Resilience (PPCR), which comprise the Statement of Sources and Utilization 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 6 to 10.

In my opinion, the accompanying financial statements of the Transforming Landscapes for Resilience and Development in Zambia Project, are prepared, in all material respects, in accordance with International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting and Financing Agreements between the International Development Association and the Government of 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 the Transforming Landscapes for Resilience and Development in Zambia Project, (TRALARD-PPA) 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.

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

Management is responsible for the preparation of the financial statements in accordance with 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. In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the project or to cease operations, or has no realistic alternative but to do so. 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 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 project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- In my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the project to cease to continue as a going concern.
- 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.

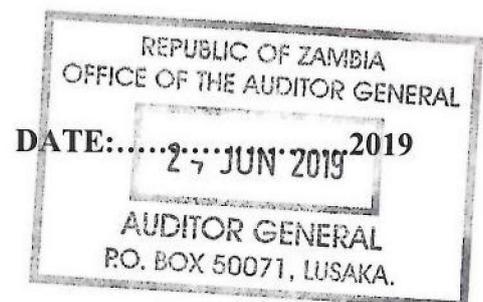
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I also provide those charged with governance with a statement 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.

Report on Other Legal and Regulatory Requirements

In my opinion, the Statement of Sources and Utilization of Funds of the Transforming Landscapes for Resilience and Development in Zambia Project, (TRALARD-PPA) has been prepared in accordance with the International Development Association Financing Agreement.



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



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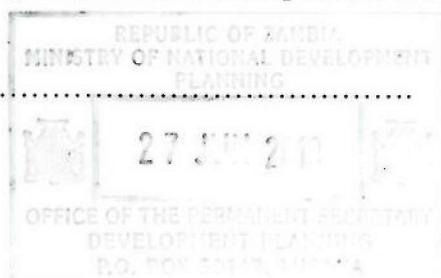
Statement of Sources and Utilization of Funds By Activity for Year Ended 31st December 2018

	Notes	2018	
		ZMW	US \$
Sources of Funds			
Opening Cash Balances		-	-
Receipts from World Bank (IDA)	3.2	5,788,300.00	500,000.00
Total Cash Available		5,788,300.00	500,000.00
Utilization of Funds			
Consulting Services	5.1	7,699.45	665.09
Goods		0.00	0.00
Training and Workshops	5.1	1,165,508.17	100,677.93
Operating Costs	5.1	677,697.21	58,540.26
Total		1,850,904.83	159,883.28
Surplus for the year			
Foreign Exchange Gain/(Loss)	6	15,669.00	(8,617.31)
Net Cash Available		3,953,064.17	331,499.41
Represented by cash and cash equivalent Bank Balances	7	3,953,064.17	331,499.41

.....

 Chola J. Chabala
 Permanent Secretary – DPA
 Ministry of National Development Planning

Date:



.....

 Chitembo K. Chunga
 National Coordinator – PPCR
 Ministry of National Development Planning

Date:



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**NOTES TO THE STATEMENT OF SOURCES AND UTILIZATION OF FUNDS FOR
THE FINANCIAL FOR YEAR ENDED 31st DECEMBER 2018**

1. Background

On 12th June 2018, the Government of the Republic of Zambia and International Development Association (World Bank) signed a Project Preparation Advance Agreement – **P164764/V1790** for the Transforming Landscapes for Resilience and Development in Zambia Project under the Ministry of National Development Planning.

The objective of the Project was to facilitate the preparation of a proposed Transforming Landscapes for Resilience and Development in Zambia Project, designed to improve the adaptive capacity of the vulnerable rural communities to the impact of climate change. This objective will be achieved by improving natural resource management in Project areas, also by supporting sustainable livelihoods, and provision of immediate and effective responses to eligible crisis or emergency.

The activities for which the Advance was provided consist of the following:

- (a) Identification of different stakeholders
- (b) Preparation of relevant studies, Project documents, safeguards documents, and Project implementation manual
- (c) Provision of Training for client Project management representatives
- (d) Provision of operational support to the National Project Coordinating Unit

The Project Preparations started in June 2018 and bank accounts were opened. 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 World Bank are remitted in the Designated Account and transferred into the Kwacha Account through the Country Financial Management System for Project operations. Transfer of funds from Bank of Zambia are made at the Bank of Zambia annual average rate.

The Project Preparation Advance 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 Financial Year ended 31st December 2018.

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2. Statement of Compliance

The Statement of Sources and Utilization of Funds has been prepared in accordance with International Public Sector Accounting Standards (IPSAS) Cash Basis of Accounting.

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 Development Association (IDA) - World Bank during the accounting period. The total agreed Project Preparation Advance amount was US\$2,000,000 for the Project preparation period from 12th June 2018 to 28th June 2019, being the Refinancing Date. During the year ended 31st December 2018, US\$500,000 (ZMW5,788,300.00) advance was received.

3.3 Exchange Rates

The annual average exchange rate used for translating income and expenditure US\$ amounts into ZMW was ZMW11.5766 and the closing bank balances were translated using the closing rate as at 31st December 2018 which stood at US\$1 to ZMW11.9248

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.

5. Utilization of Funds

Utilization 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.

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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 Months period to 31st December 2018:

	ZMW	US\$
Consulting Services	7,699.45	665.09
Operating Costs	677,697.21	58,540.26
Goods	-	-
Training, Workshops	1,165,508.17	100,677.93
Total	1,850,904.83	159,883.28

6. Foreign Currency Exchange Difference

	ZMW	US\$
Total Cash Balances and Receipts	5,788,300.00	500,000.00
Total Expenditure (Note 8.1)	(1,850,904.83)	(159,883.28)
Total Cash Balances and Receipts Less Expenditure	3,937,395.17	340,116.72
Less: Actual Closing Cash Balances (See Note 10)	3,953,064.17	331,499.41
Foreign Currency Exchange Difference	15,669.00	(8,617.31)

7. Cash and Cash equivalent (Closing Cash Balances)

The cash balances as at 31st December 2018, was translated to Kwacha and US dollar at an exchange rate of US\$1 = K11.9248 (Bank of Zambia mid-rate). The cash and cash equivalents as at 31st December 2018 were as follows:

	ZMW	US \$
Designated Account (BOZ)	536,616.00	45,000.00
Operating Account (Zanaco)	3,416,448.17	286,499.41
Total	3,953,064.17	331,499.41

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8. Contingent liabilities

There were no contingent liabilities as at 31st December 2018.

9. Post Reporting Period events

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