

FINANCIAL INTELLIGENCE CENTRE

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# ANNUAL REPORT

FOR THE YEAR 2021

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## ABOUT THE FINANCIAL INTELLIGENCE CENTRE

The Financial Intelligence Centre (‘the FIC’) is an autonomous body corporate established under the *Financial Intelligence Centre Act No. 46 of 2010* ((as amended) (*the FIC Act*)). The FIC’s core function is to receive, request, analyse Suspicious Transaction Reports (STRs) and other disclosures for dissemination of financial intelligence reports to relevant competent authorities for investigations and prosecution where there are reasonable grounds to suspect that crimes have been committed. In addition, the FIC generates strategic financial intelligence which may be used to identify trends and patterns relating to money laundering (ML), terrorism financing (TF) and proliferation financing (PF). The FIC can supervise any Reporting Entity that is not regulated or supervised by a supervisory authority or where the responsible supervisory authority fails or neglects to enforce compliance in terms of the FIC Act or any other written law.

In executing its mandate, the FIC works closely with reporting entities, LEAs, Supervisory Authorities and other competent authorities and in so doing seeks to among other things:

- Protect the integrity and contribute to the stability of the financial system by making it difficult for criminals to hide the illicit proceeds and cutting off resources for the financing of terrorism and proliferation.
- Make policy recommendations to the government on Anti-Money Laundering (AML) and Countering Terrorism or Proliferation Financing (CTPF) matters.
- Co-ordinate the regional and international efforts to combat ML/TF/PF programmes.
- Ensure compliance by reporting entities with the FIC Act through Risk Based Supervision.

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## ACRONYMS

ACC	Anti-Corruption Commission
AG	Auditor General
AML	Anti Money Laundering
BoZ	Bank of Zambia
CAs	Competent Authorities
COMESA	Common Market for Eastern and Southern Africa
CTPF	Countering Terrorism and Proliferation Financing
CTRs	Currency Transaction Reports
CBCDR	Cross Border Currency Declaration Reports
DNFBPs	Designated Non-Financial Businesses and Professions
ESAAMLG	Eastern and Southern Africa Anti Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FIU	Financial Intelligence Units
JIT	Joint Investigations Team
LEAs	Law Enforcement Agencies
MER	Mutual Evaluation Report
MoU	Memorandum of Understanding
MVTS	Money or Value Transfer Services
NGO	Non-Governmental Organization
PF	Proliferation Financing
PIPs	Prominent Influential Persons
REs	Reporting Entities
SAs	Supervisory Authorities
SP	Strategic Plan
STRs	Suspicious Transaction Reports
TF	Terrorist Financing
VAs	Virtual Assets
VASPs	Virtual Assets Service Providers
ZRA	Zambia Revenue Authority

## DIRECTOR GENERAL'S STATEMENT

It is with great pleasure that I present the Annual Report for 2021.

This report outlines the FIC's activities and deliverables during the financial year beginning 1st January, 2021 and ending 31 December, 2021. The FIC once again carved itself a place in the constituent of good governance and oversight institutions by contributing to the country's efforts to protect the integrity of the financial system in line with its vision.

The year under review was the FIC's second year of implementing its 2020-2022 Strategic Plan whose theme is 'Enhanced Collaboration and Cooperation'. The FIC conducted a mid-term review of its strategic plan which showed that over 90% of the key performance indicators were achieved. This Strategic Plan will come to an end in December 2022.

The ravaging effects of the Covid-19 pandemic which have forever changed the world as we knew it, did not spare Zambia. Despite the challenges brought on by the Covid-19 pandemic, the FIC continued to perform its mandate whilst adapting by employing new ways of working and interacting with its stakeholders.

During the year under review, the trends observed in the financial system suggest that the country remains vulnerable to money laundering and other associated financial crimes. In 2021, the FIC analysed 211 STRs out of which 44 intelligence reports were disseminated. The value of disseminated intelligence reports in 2021 was ZMW3.56 billion compared to ZMW3.14 billion in 2020 representing a 13% increase. The majority of intelligence reports disseminated to Law Enforcement Agencies (LEAs) were on suspected money laundering, corruption and tax evasion as was the trend in previous years. During the same period the number of CTRs received was 145,852 compared to 129,826 in 2020. This was partly attributed to the unusual volume of cash transactions conducted before and during the election period. The FIC further noted the use of gatekeepers to conceal beneficial ownership and the investment of laundered funds in construction, real estate and offshore centres among the continuing trends in 2021.

The FIC participated in a number of joint operations and was incorporated in the Joint Investigations Team (JIT) to provide assistance in financial crime investigations. Further, the FIC collaborated with various competent authorities in the delivery of supervision and outreach activities. Notable among these was the

training provided for members of the Judiciary in collaboration with the European Union AML/CFT Global Facility.

In 2021, the FIC began the implementation of the Administrative Sanctions Framework and considered cases from various reporting entities that had breached their AML/CFT obligations and were liable for sanctioning.

In the period under review, the FIC saw the importance of being resolute in carrying out its mandate independently even in a challenging environment. The FIC will continue on this trajectory in the execution of its mandate in the wake of Government's resolve to uphold the Rule of Law.

In September 2021, Zambia took over the Presidency of the ESAAMLG and Chairmanship of the Task Force and the Council of Ministers. In this regard, the country is expected to host the 44<sup>th</sup> ESAAMLG Task Force and 22<sup>nd</sup> Council of Ministers and the 5<sup>th</sup> Public Private Sector Dialogue meetings in September 2022. As the Secretariat for the AML/CFT National Task of Senior Officials, the FIC will be coordinating the hosting of these regional meetings.

Appreciation goes to the FIC Board for their guidance and oversight. I further wish to thank the Government of the Republic of Zambia, who through the Ministry of Finance fully funded the FIC in 2021. Lastly, I wish to thank all the stakeholders for the support provided to the FIC during the year under review.



**Liya B. Tembo (Mrs.)**  
**Acting Director General**

## STATEMENT OF ACCOUNTABILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed in this Annual Report has been prepared in accordance with section 55 of the FIC Act and is consistent with the statistics, trends, typologies and other patterns observed by the FIC in the period under review.
- The Annual Report is complete, accurate and is free from any material omissions.
- The FIC is responsible for establishing and implementing a system of internal control to provide reasonable assurance as to the integrity and reliability of the performance information, human resources information and the Annual Financial Statements.

In lieu of the above, I therefore, confirm that this Annual Report adequately and fairly reflects the operations, performance, human capital and financial affairs of the FIC for the financial year ending 31 December 2021.



Liya B. Tembo (Mrs.)  
Acting Director General  
Financial Intelligence Centre

31<sup>st</sup> March, 2022



## 1.0 VISION, MISSION, OBJECTIVES AND VALUES

During the period under review, all FIC operations were guided by the 2020 - 2022 Strategic Plan. The plan outlines the FIC's vision, mission and core values over the strategic period; this is expressed in its objectives.



### VISION

"A Zambia with a stable financial system resilient to financial crimes"



"A sole statutory agency dedicated to providing timely, high quality, impartial and actionable financial intelligence to law enforcement agencies and competent authorities in order to make the Zambian financial system resilient to financial crimes"

### STRATEGIC OBJECTIVES

No1.	No 2.	No. 3	No 4.	No 5.
"To enhance collaboration and cooperation with law enforcement agencies and other stakeholders by 2022"	"To enhance regional and international cooperation and support by 2022"	"To enhance effectiveness and efficiency in the Centre's operations by 2022"	"To enhance physical and electronic security by 2022"	"Focus resources on high risk sectors to increase AML/CFT compliance by 2022"

### VALUES

"I THE COURAGEOUS CIA"

Integrity, Transparency, Honesty, Excellence, Courageous, Confidentiality, Impartiality, Accountability

A mid-term review of the Strategic Plan was undertaken in 2021, being the second year of its implementation. The following milestones were achieved under each strategic objective:

**1. *To enhance collaboration and cooperation with law enforcement agencies and other stakeholders by 2022.***

The FIC strengthened its relationships with Law Enforcement Agencies (LEAs) and other stakeholders through joint operations with LEAs, awareness, joint supervisory activities and consultative meetings. In addition, in order to continue achieving results through the exchange of information, the FIC enhanced its collaborations with various domestic government departments and entities, institutions, regulators, law enforcement authorities and other competent authorities via memoranda of understanding.

**2. *To enhance regional and international cooperation and support by 2022.***

The FIC enhanced its cooperation with both regional and international stakeholders by continuing to participate in various regional and international projects/meeting. Further, maintaining its Egmont membership through the continued observance of set standards enhances international cooperation.

**3. *To enhance effectiveness and efficiency in the Centre's operations by 2022.***

The FIC enhanced its capacity to provide actionable financial intelligence and strategic analysis products through investment in human capital and technology. This ultimately improved the efficiency of its operations.

**4. *To enhance physical and electronic security by 2022***

The FIC enhanced the security and safety of its operational environment and staff through increased awareness activities on personal safety and cyber security matters.

**5. *Focus resources on high risk sectors to increase AML/CFT compliance by 2022***

The FIC enhanced AML/CFT compliance by undertaking supervisory activities on identified high risk sectors such as the DNFBP sector. The supervisory activities

included risk based onsite and off-site inspections, awareness and other outreach activities.

## 3.0

## GOVERNANCE AND ORGANIZATIONAL STRUCTURE

### 3.1 The Board of Directors

The operations of the FIC are overseen by a Board of Directors appointed by the President of the Republic of Zambia in accordance with Section 7 of the FIC Act. The Board of Directors reports to the Minister of Finance and National Planning. In performing its functions as mandated by Section 8 of the FIC, the board is charged with:

- (a) Monitoring and reviewing the administrative performance of the FIC in the carrying out of its functions under the FIC Act;
- (b) Approving policies for the proper administration and management of the FIC;
- (c) Reviewing the implementation of cooperation agreements established between the FIC and domestic or foreign designated authorities;
- (d) Considering and approving the proposed budget of the FIC.

Until 8<sup>th</sup> December, 2021, the Board was comprised of the following members:

i.	Ms. Irene Lombe Chibesakunda	Board Chairperson
ii.	Mrs. Regina Kasonde Mulenga	Vice Board Chairperson
iii.	Judge Prisca Matimba Nyambe, SC (Rtd)	Board Member
iv.	Dr. Mike Boniface Goma	Board Member
v.	Ms. Pelagia Kanuma Kalunga	Board Member
vi.	Ms. Mary Chirwa	Board Secretary

### 3.2 Organisational structure

The Director General is the Chief Executive Officer of the institution appointed by the Board subject to the Minister's approval pursuant to section 9 of the FIC Act. The FIC comprises the following directorates:

- i) Monitoring and Analysis
- ii) Inspections
- iii) Compliance & Prevention
- iv) Legal & Policy
- v) Information Communications Technology
- vi) Finance



Chart 1: Organisation structure

### Office of the Director General

The office of the Director General is responsible for the overall operations and strategic direction of the FIC and achievement of its strategic objectives. Further, the Director General directly supervises the functions of Procurement, Human Resource and Internal Audit.

### Monitoring and Analysis Directorate

The Monitoring and Analysis (M&A) directorate receives, analyses and disseminates intelligence reports to the competent authorities for investigations and prosecutions. M&A works closely with domestic and foreign competent authorities and provides support for investigations.

### Inspection Directorate

The inspection directorate conducts AML/CTPF onsite and offsite inspections of reporting entities so as to administer, monitor and enforce measures to detect prevent and deter ML/TF/PF.

### Compliance and Prevention Directorate

The Compliance and Prevention (C&P) directorate educates the public and reporting entities on their AML/CTPF obligations. The directorate is responsible for co-ordinating regional and international AML/CFT programmes. Further, the directorate gives guidance to reporting entities to combat money laundering, financing of terrorism or proliferation activities on a risk sensitive basis.

### Legal and Policy Directorate

The Legal and Policy (L&P) directorate is responsible for domesticating global AML/CTPF standards and develops policies and mechanisms for information exchange. Further, the directorate facilitates amendments to the FIC Act when necessary.

### **Information, Communications Technology Directorate**

The Information, Communications and Technology (ICT) directorate implements and administers ICT infrastructure of the FIC.

### **Finance Directorate**

The finance directorate ensures prudent management of financial resources of the FIC.

The functions of the FIC as provided under Section 5 of the FIC Act are inter alia to:

- (a) Receive, request, analyse and evaluate suspicious transaction reports and information from any other source authorised under any written law to make a suspicious transaction report including a designated foreign authority to determine whether there are reasonable grounds to transmit reports for investigation by law enforcement agencies or designated foreign authorities;
- (b) Disseminate information, spontaneously or on request, to law enforcement agencies and other competent authorities, where there are reasonable grounds to suspect money laundering or financing of terrorism or proliferation;
- (c) Provide information relating to suspicious transactions to any designated foreign authority, subject to conditions that the Director-General may determine, in accordance with this FIC Act;
- (d) Conduct strategic analysis to identify related trends and patterns relating to money laundering, financing of terrorism or proliferation or any other serious offence related to money laundering, financing of terrorism or proliferation;
- (e) Provide information, advice and assistance to law enforcement agencies in furtherance of an investigation;
- (f) Educate the public and reporting entities of their obligations and inform them of measures to detect, prevent and deter money laundering, financing of terrorism or proliferation or any other serious offence relating to money laundering, financing of terrorism or proliferation;
- (g) Provide information to supervisory bodies, law enforcement agencies and any other competent authority to facilitate law enforcement for prevention of money laundering, financing of terrorism or proliferation or any other serious offence related to money laundering, financing of terrorism or proliferation;
- (h) Ensure compliance by reporting entities with this Act, Regulations, directives, determinations, notices and circulars issued by the Centre or supervisory authorities;

- (i) Give guidance to reporting entities to combat money laundering, financing of terrorism or proliferation activities or any other serious offence related to money laundering, financing of terrorism or proliferation on a risk sensitive basis; and
- (j) Facilitate effective risk based supervision and enforcement of this Act by supervisory authorities.

Sections 29 and 30 of the FIC Act require reporting entities to submit Suspicious Transaction Reports (STRs) and Currency Transactions Reports (CTRs) respectively. In addition, pursuant to section 38 of the FIC Act as read with Regulation 8 of the FIC (Prescribed Threshold) Regulations, Statutory Instrument No.52 of 2016, the FIC receives Cross Border Currency Declaration Reports (CBCDRs) from the Zambia Revenue Authority.

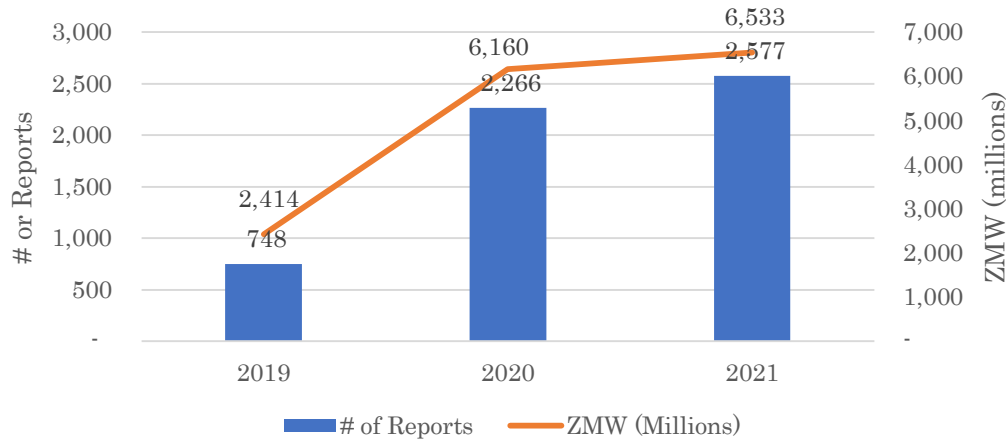
- i. Suspicious Transaction Reports are submitted on suspected or attempted money laundering, financing of terrorism or proliferation or any other serious offence whether in form of a data message or otherwise
- ii. Currency Transaction Reports are reports filed by reporting entities to the FIC in relation to any currency transaction in an amount equal to or above USD10,000 or kwacha equivalent whether conducted as a single transaction or several transactions that appear to be linked.
- iii. Cross Border Currency Declaration Reports are reports declared to the Zambia Revenue Authority by an individual entering or leaving Zambia with an amount in cash, bearer negotiable instruments or both, exceeding USD 5,000 or kwacha equivalent, whether denominated in kwacha or any foreign currency.

### 5.1 Suspicious Transaction Reports Received

During the period under review, a total of two thousand five hundred and seventy seven (2,577) STRs were received from reporting entities. This represented an increase of 13.7% compared to the year 2020. The value of the STRs received in 2021 was ZMW 6,533 million representing an increase of 6 % compared to the year 2020 (ZMW 6,160). This is depicted in graph 1 below.



Graph 1: STRs recieved by number and value per year



Appendix I illustrates the nature of suspicions on reports received. The majority of STRs received were on suspicion of large or unusual cash deposits; large inward remittances and large or unusual cash withdrawals. The continued trend of large cash deposits and withdrawals can be attributed to Zambia being a cash economy. Additionally, 2021 being an election year triggered an unusual volume of cash transactions. Key to note, the bulk of the large or unusual inward remittances related STRs mainly involved government entities and individuals or companies with government contracts.

#### 5.1.1 Suspicious Transaction Reports received by Sector

During the period under review a total number of 2, 577 STRs were received by the FIC out of which 2,522 STRs were from the banking sector. This represents 97.9% of all STRs received. This can be attributed to the strong controls such as transaction monitoring systems and customer due diligence (CDD) requirements that have been put in place in the sector

However, other sectors mostly the Designated Non-Financial Businesses and Professions (DNFBPs) sector did not comply with the AML/CFT obligation to submit STRs despite having engaged in reportable transactions. Table 1 below shows the number of STRs that were submitted to the FIC by the sectors.

Table 1: Suspicious Transaction Reports by Sector or Service

	Number of reports received by year		
Sector/Service	2021	2020	2019
Banks	2,522	2,185	713
MVTS Providers	42	41	23
Microfinance	13	31	10
Casinos (DNFBPs)	0	0	1
Law Firms (DNFBPs)	0	0	0
Insurance	0	4	0
Real Estate	0	0	0
Building Societies	0	0	0
Bureaux	0	5	1
Total	2,577	2,266	748

#### 5.1.2 Suspicious Transaction Reports Analysed

A total number of 211 STRs were analysed in 2021 by the FIC compared to 364 STRs analysed in 2020, representing a 72.5% decrease. The decrease could be mainly attributed to the adverse effects of the Covid-19 which impacted the normal operations of the FIC.

The STRs analysed related to a number of predicate offenses such as Tax Evasion, Money Laundering, Corruption and Fraud.

Despite a decrease in the number of STRs analysed, there was a 19.5% increase in value in 2021 compared to 2020. This is depicted in table 2 below:

Table 2: Analysed Reports by value and number

Suspected Offence	2021		2020		2019	
	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)
Tax Evasion	89	1067	41	719	27	1,889
Corruption	22	1286	18	2,232	7	332
Fraud	55	302	12	26	21	1,113
Money Laundering	34	1628	7	466	6	450
Illegal mining in precious metals and stones	0	0	7	165	0	0
Terrorist Financing*	4	0.33	1	0.16	1	2
Other offences	7	91	278	53	39	3
Totals	211	4,374	364	3,661	101	3,789

\* In 2019 and 2020 the number and values relating to terrorist financing cases were classified under "Other Offences." The numbers and values have since been separated and the details under "Other offences" have been restated.

### 5.1.3 Intelligence Reports Disseminated

Table 3 below shows the number of intelligence reports disseminated.

Table 3: Disseminated Reports by value and number

Suspected Offence	2021		2020		2019	
	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)
Tax Evasion	17	722	24	717	17	144
Corruption	4	1,276	14	2,228	4	332
Fraud	3	20	6	26	8	53
Money Laundering	16	1,543	3	4	6	450
Illegal mining in precious metals and stones	0	0	7	165	0	0

<b>Terrorist Financing*</b>	4	0.33	1	0.16	1	2
<b>Others</b>	0	0	6	1.84	8	3
<b>Total</b>	<b>44</b>	<b>3,560</b>	<b>61</b>	<b>3,142</b>	<b>44</b>	<b>984</b>

*\*In 2019 and 2020 the number and values relating to terrorist financing cases were classified under “Other Offences.” The numbers and values have since been separated and the details under “Other offences” have been restated.*

A total number of 44 intelligence reports were disseminated in 2021 compared to 61 in 2020, representing 27.9% decrease. The decrease could be mainly attributed to the adverse effects of the Covid-19 which impacted the normal operations of the FIC. Though the number of disseminated intelligence reports reduced in 2021, the value increased by ZMW 418 million from ZMW3142 million to ZMW3,560 million representing a 13.3 %. This increase in the value of cases disseminated in 2021 was attributed to the high amounts involved in the transactions.

#### **5.1.4 Feedback on Disseminated Intelligence Reports**

During the period under review, competent authorities indicated that most of the intelligence reports that were disseminated were at investigation and prosecution stage. In 2021, ZRA assessed ZMW 47.8 million as a result of the disseminations made by the FIC compared to ZMW 63.3 million assessed in 2020. There were no forfeitures of proceeds of crime or stolen assets indicated in the feedback.

#### **5.1.5 Freezing of Accounts**

During the period under review, a total of 55 bank accounts held with eight (8) commercial banks were frozen by the FIC to allow for further verification and analysis. The amounts frozen were US\$ 30.3 million, ZMW 292.9 million and Euro 1,685.31. The majority of accounts frozen were on grounds of suspected theft, corrupt activities, tax evasion and ML .

### **5.2 Currency Transaction Reports**

The Currency Transaction Reports are threshold reports received by the FIC from reporting entities pursuant to section 30 of the FIC Act as read with Regulation seven (7) of the FIC (Prescribed Threshold) Regulations, Statutory Instrument No.52 of 2016.

### 5.2.1 Receipt

Table 4 below shows the CTRs received in the last three years.

Table 4 CTRs by number

Year	Number of CTRs
2021	145,852
2020	129,826
2019	149,625

A total number of 145, 852 CTRs were received in the period under review compared to 129,826 in 2020 representing a 12% increase. This can be attributed to increased cash transactions leading up to the General Elections.

### 5.2.2 Currency Transaction Reports Analysis

Analysis of CTRs received during the period under review, revealed that individuals were using personal accounts for business transactions. In the third and fourth quarters of 2021, the FIC observed a general increase in the number of CTRs received for individuals from 6,903 in the second quarter to 18,716 and 17,103 in the third and fourth quarters respectively. The low number of CTRs reported in quarter two could partly be attributed to people holding on to cash for activities in the run up to the 2021 August elections. The increase in CTRs reported for quarter three and four could be attributed to speculations by the public on the change of currency. . Of these transactions, an excess of ZMW 50million and USD 3.5 million in cash withdrawals was accounted for by Prominent Influential Persons (PIPs). This trend in frequent withdrawals was eminently observed before and after the general elections.

It was observed that some businesses that conducted large cash transactions were suspected not to be tax compliant. Further, it was

observed that a number of foreign nationals not linked to any company or business conducted large cash transactions. Review of the corporate CTRs, revealed that huge cash deposits made were related to the construction, manufacturing and agriculture sectors among others. In particular, in the construction sector it was noted that most of the companies do not directly deal with individuals as they undertake large projects on behalf of government or private companies. It was however noted that cash deposits of over ZMW 7.7 billion was deposited in their accounts during the period under review. The high usage of cash in the construction sector makes it vulnerable to ML and other financial crimes.

### 5.3 Cross Border Currency Declaration Reports

#### 5.3.1 Receipt

The FIC received one thousand seven hundred and twenty (1,720) Cross Border Currency Declaration Reports (CBCDR) in 2021 compared to Six hundred and seventy two (672) in 2020. The reports were from four border stations namely; Kasumbalesa, Kenneth Kaunda International Airport, Kazungula and Chirundu. Reports from Kasumbalesa accounted for 98% of the total reports received. Table 6 below shows CBCDRs by number and value received by the FIC.

Table 6: Cross Border Currency Declaration Reports by value and number

Year	No. of reports	Amount in USD (Millions)
2019	1,126.00	72.00
2020	672.00	99.95
2021	1,720.00	219.17

#### 5.3.2 Analysis of Cross Border Currency Declaration Reports

There was an increase in both the number and value of the CBCDRs at the borders that were reporting as a result of enhanced surveillance leading up to the elections.

## 6.0

**EXCHANGE OF INFORMATION**

The FIC continued to coordinate and collaborate with both local and international competent authorities. Locally, forty three (43) collaborative meetings were held with the LEAs in furtherance of their investigations on matters disseminated. The FIC was incorporated into the Joint Investigations Team (JIT) to provide information, advice and assistance to LEAs in furtherance of their investigations.

In a continued effort to enhance its analysis function, the FIC made requests for information as illustrated in Table 8 below.

Table 8: Request for Information made by the FIC

Year	Local Competent Authorities	Foreign Competent Authorities
2021	25	10
2020	28	20
2019	31	5

In the period under review twenty five (25) local and ten (10) foreign requests were made compared to twenty eight (28) local and twenty (20) requests made in 2020.

In addition, the FIC received requests for information as illustrated in Table 9 below.

Table 9: Request for Information received by the FIC

Year	Local Competent Authorities	Foreign Competent Authorities
2021	33	5
2020	30	4
2019	5	7

In 2021, the FIC received thirty three (33) requests for information from local competent authorities and five (5) from foreign FIUs compared to thirty (30) from local competent authorities and four (4) from foreign competent authorities in 2020.



## 7.0 **TERRORISM FINANCING**

In the period under review, the FIC analysed and disseminated four (4) STRs on terrorism financing as shown in table 10 below. The STRs involved transfers to high risk jurisdictions (Asia) and in some cases reflected aspects of trade based terrorist financing. In one case, the perpetrators would transfer money to high risk jurisdictions on the pretext of importing goods. However, the amount transferred was significantly lower than the market value of the goods. In this regard, typologies show that to finance terrorism activities, the amounts involved need not be significant.

Table 10: Reports on Terrorism Financing

	Years		
	2021	2020	2019
Number of reports	4	1	1
Values ZMW (Millions)	0.33	0.16	2

The FIC noted that some of the 2020 trends continued in 2021. These included:

- Usage of personal accounts to conduct business transactions.
- Usage of law firms to disguise beneficial owners in transactions and legal entities.
- Prominent Influential Persons (PIPs) involvement in financial crimes such as procurement corruption involving public goods or services.
- Externalisation of funds to tax haven by foreign individuals, PIPs and corporates.
- Usage of cash in high value transactions.
- Laundering funds through investments in the construction, real estate and motor vehicle sectors.
- Misuse of MVTs to commit fraud.
- Using legal instruments (contracts, out of court settlements) to syphon public funds.

## 9.0 SUPERVISION ACTIVITIES

### 9.1 Inspections

In performing its mandate and ensuring compliance with the FIC Act, the FIC may in consultation with Supervisory Authorities where applicable cause an inspection to be conducted on a reporting entity.

Pursuant to Section 11A of the FIC Act, the Inspection Department undertook supervisory activities on 130 reporting entities to enable the administering, monitoring and enforcing of measures to detect, prevent and deter ML/TF/PF. Table 11 below shows supervisory activities conducted on REs in 2021.

Table 11: Supervisory activities conducted in 2021

Sector	Supervisory Tool	No. of Reporting Entities Supervised
Money or Value Transfer Services (MVTs)	Post Monitoring Review	4
Real Estate Sector	Post Monitoring Review	21
Accounting and Audit Sector	Post Monitoring Review	70
Banking	On-site and Off-site Inspection	2
Money or Value Transfer Services (MVTs)	Off-site Monitoring	13
Casino	Off-site Monitoring	20

Overall the banking sector had better levels of compliance relative to the other sectors inspected in 2021. Generally, the DNFBPs monitored had weak AML/CTPF controls.

### 9.2 Outreach Activities

During the period under review, the FIC conducted outreach activities to various stakeholders to increase awareness on the FIC's mandate and to educate reporting entities on their obligations under the FIC Act. The FIC provided training for 1,564 participants from 80 reporting entities in the private sector. Awareness and information sharing sessions were held with 291 participants from public institutions including Government Ministries, Law Enforcement Agencies and Supervisory Authorities. This was in line with the strategic objective of enhancing collaboration and cooperation with law enforcement agencies and other stakeholders. In

addition, the FIC conducted four (4) awareness sessions for the Non-Governmental Organisations attended by 180 participants. Further, in raising public awareness on ML/TF/PF trends, methods and activities in Zambia, the FIC published the 2020 Typology Report which focused on Corruption, Tax Evasion and Associated Money Laundering.

### 9.3 Designation of Compliance Officers

All reporting entities are required under the FIC Act to appoint a Compliance Officer responsible for the implementation of the AML/CTPF Compliance Programme.

Table 12 below shows compliance levels of Reporting Entities in relation to the requirement to designate compliance officers pursuant to section 23 of the FIC Act.

Table 12: Compliance officers of Reporting Entities approved by the Centre

Name of Sector	2021		2020		2019	
	No. of REs	No. of COs	No. of REs	No. of COs	No of REs	No of COs
Pensions and Insurance	80	21	80	19	80	15
Commercial Banks	17	17	19	19	19	18
Money Value Transfers (MVTs) Providers	19	19	26	8	25	4
Non-Bank Financial Institutions (NBFIs)	44	37	41	24	41	16
Capital Market Entities	31	9	31	8	31	3
Bureaux De Change	74	29	76	20	76	19
Casinos	43	8	30	8	30	8
Law firms	193	19	193	18	193	3
Motor Vehicle Dealers	-	-	31	2	31	2
Dealers in Precious Stones and Metals	20	0	1793	0	1793	0
Real Estate Agents	42	27	41	13	30	10
Accounting/ Audit Firms	120	47	120	34	100	2
TOTALS	683	235	2481	173	2449	100

There was a notable improvement in the number of reporting entities that appointed compliance officers in the MVTs sector, Real Estate sector and among Accounting and Audit firms. This is attributed to not only increased awareness but inspection activities as well.

#### 9.4 Administrative Sanctions

In 2021, the FIC operationalized the administrative sanctions framework following the 2020 amendments to the FIC Act. In line with Section 49C of the FIC Act, during the year under review the FIC considered cases from the banking and real estate sectors for possible sanctioning.

## 10.0 FINANCE AND ADMINISTRATION

The year under review was characterized by a number of activities to strengthen institutional capacity in line with the FIC's strategic objective to enhance effectiveness and efficiency in its operations. In 2021, the FIC increased its staff complement from twenty seven (27) to thirty three (33) against the total approved staff complement of sixty two (62).

The FIC recognizes that human capital is the most valuable asset of an institution. In this regard, the FIC provided continuous health awareness and fitness programmes for its members of staff. In response to the COVID- 19 pandemic, the FIC conducted awareness sessions in addition to the medical services offered to employees.

To enhance staff capacity and skills, the FIC facilitated and provided staff training and development programmes. These capacity building programmes were delivered through a combination of virtual and physical platforms.

The Government of the Republic of Zambia has continued to fund the operations of the FIC. During the period under review, the Government disbursed a total amount of ZMW 31.5 million against the budget of 31.5 million representing a 100% funding to the FIC.

Further, our cooperating partner COMESA funded the subscription for EGMONT membership amounting to USD 4,000.

## 11.0 CHALLENGES

In spite of the achievements recorded during the period under review, the FIC faced the following challenges:

- i) Low staffing levels;
- ii) Inadequate office space;
- iii) Lack of interconnectivity with data bases of some LEAs and other competent authorities; and
- iv) Disruptive impact of Covid-19.

## 12.0 OUTLOOK FOR 2022

- i. Recruiting additional staff for the FIC to enhance operational efficiency and effectiveness.
- ii. Development of the 2023-2025 Strategic Plan for the FIC.
- iii. Coordination of the hosting of the 44th ESAAMLG Task Force and 22nd Council of Ministers Meetings.
- iv. Enhancement of the FIC reporting system used by reporting entities.
- v. Continued joint operations with LEAs on targeted cases.
- vi. Issuance of guidance note to virtual assets service providers on AML/CTPF requirements.
- vii. Development of the electronic platform for disseminations of intelligence reports.
- viii. Continued focused supervision (inspection, training and awareness) on high risk institutions.
- ix. Finalize the typology study on Trade Based Money Laundering (TBML).
- x. Finalization of the amendments of the FIC General and Prescribed Thresholds Regulations, 2016.
- xi. Development of the Bill of Quantities for the proposed FIC office space.



## WORKING DEFINITIONS

<b>Administrative Sanction</b>	<p>Is a formal penalty that may be imposed by the FIC or Supervisory Authority where a person or reporting entity is in breach of a provision of the FIC Act which is not a criminal offence. Pursuant to the FIC Act, administrative sanctions may take one or more of the following forms:</p> <ul style="list-style-type: none"> <li>(a) a caution not to repeat the conduct which led to the non-compliance of any of the provisions of the FIC Act;</li> <li>(b) a reprimand;</li> <li>(c) a directive to take remedial action or to make specific arrangements;</li> <li>(d) the restriction or suspension of certain specified business activities;</li> <li>(e) publication of a public notice of any prohibition or requirement imposed by it under this Part and of any rescission or variation thereof, and any such notice may, if the Centre considers necessary, include a statement of the reasons for the prohibition, requirement, variation or rescission; and</li> <li>(f) a financial penalty not exceeding one million penalty units.</li> </ul>
<b>Competent Authority</b>	<p>Refers to all public authorities with designated responsibilities for combating money laundering and/or terrorist financing. In particular, this includes the FIU; the authorities that have the function of investigating and/or prosecuting money laundering, associated predicate offences and terrorist financing, and seizing/freezing and confiscating criminal assets; authorities receiving reports on cross-border transportation of currency and bearer negotiable</p>

	instruments; and authorities that have AML/CFT supervisory or monitoring responsibilities aimed at ensuring compliance by financial institutions and DNFBPs with AML/CFT requirements.
<b>Corruption</b>	According to section (2) of the Anti-Corruption Act No.3 of 2012, 'corrupt' means the soliciting, accepting, obtaining, giving, promising or offering of a gratification by way of a bribe or other personal temptation or inducement or the misuse or abuse of public office for advantage or benefit for oneself or another person, and "corruption" shall be construed accordingly.
<b>Designated Non-Financial Businesses and Professions</b>	<p>According to section (2) of the FIC Act include:</p> <ul style="list-style-type: none"> <li>(a) a casino, gaming or gambling operator;</li> <li>(b) a trust or company service provider which, as a business, provides any of the following services to third parties: <ul style="list-style-type: none"> <li>i) acting as an agent for the establishment of legal persons;</li> <li>ii) acting as, or arranging for another person to act as a director or secretary of a company, a partner in a partnership or a similar position in relation to other legal persons;</li> <li>iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;</li> </ul> </li> </ul>

	<p>acting as, or arranging for another person to act as, a trustee of an express trust; or</p> <p>iv) acting as, or arranging for another person to act as, a nominee shareholder for another person.</p> <p>(c) a legal practitioner, notary, other independent legal professional and accountant when they prepare for, or carry out, a transaction for a client concerning the following activities:</p> <p>i) buying and selling of real estate;</p> <p>ii) managing of client money, securities or other assets;</p> <p>iii) management of bank, savings or securities accounts on behalf of clients;</p> <p>iv) organisation of contributions for the creation, operation or management of companies; or</p> <p>v) creation, operation or management of legal persons or arrangements, and buying and selling of business entities.</p> <p>(d) an estate agent dealing in real estate, involved in a transaction for a client concerning the letting, buying and selling of real estate;</p> <p>(e) a dealer in precious metals;</p> <p>(f) a dealer in precious stones; and</p> <p>(g) any other business or profession in which the risk of money laundering and financing of terrorism or</p>
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	proliferation or any other serious offence exists as the Minister may, on the recommendation of the Centre, prescribe.
<b>Egmont Group of FIUs</b>	The Egmont Group is a united body of Financial Intelligence Units (FIUs) which provides FIUs with a platform to securely exchange expertise and financial intelligence to combat money laundering, terrorist financing (ML/TF), and associated predicate offences.
<b>ESAAMLG</b>	One of the styled regional bodies under the Financial Action Task Force.
<b>FATF</b>	Is an inter-governmental body which sets standards, develops and promotes policies to combat money laundering and terrorist financing.
<b>Gatekeepers</b>	Professionals such as lawyers, notaries, accountants, investment advisors, and trust and company service providers who assist in transactions involving the movement of money, and are deemed to have a particular role in identifying, preventing and reporting money laundering. Some countries impose due diligence requirements on gatekeepers that are similar to those of financial institutions.
<b>Joint Investigations Team</b>	This is a joint team created by the Steering Committee consisting of Heads of some oversight institutions to actualise the Republican President's policy direction to introduce specialised fast-track mechanisms for recovery of stolen assets and courts for corruption and economic crimes.
<b>Money Laundering</b>	According to section 2 of the Prohibition and Prevention of Money Laundering Act No.14 of 2001 (as amended), <b><i>Money</i></b>

	<p><b><i>Laundering</i></b> means where a reasonable inference may be drawn, having regard to the objective factual circumstances, any activity by a person:-</p> <ul style="list-style-type: none"> <li>a) who knows or has reason to believe that the property is the proceeds of a crime; or</li> <li>b) without reasonable excuse, fails to take reasonable steps to ascertain whether or not the property is proceeds of a crime; where the person:- <ul style="list-style-type: none"> <li>i. engages, directly or indirectly, in a transaction that involves proceeds of a crime;</li> <li>ii. acquires, receives, possesses, disguises, transfers, converts, exchanges, carries, disposes, uses, removes from or brings into Zambia proceeds of a crime; or</li> <li>iii. conceals, disguises or impedes the establishment of the true nature, origin, location, movement, disposition, title of, rights with respect to, or ownership of, proceeds of crime".</li> </ul> </li> </ul>
<b>Mutual Evaluation</b>	<p>Mutual Evaluation is an assessment of a country's measures undertaken to combat money laundering and the financing of terrorism and proliferation of weapons of mass destruction. This includes an assessment of a country's actions to address the risks emanating from designated terrorists or terrorist organisations.</p>
<b>MVTS</b>	<p>Money or Value Transfer Services (MVTS) refers to financial services that</p>

	involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTs provider belongs. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods. Sometimes these services have ties to particular geographic regions and are described using a variety of specific terms, including hawala, hundi, and fei-chen.
<b>Proliferation Financing</b>	Section 2 of the National Anti-Terrorism and Proliferation Act No.6 of 2018 act defines Proliferation Financing as an act by any person who by any means, directly or indirectly, willfully or negligently provides funds or financial services to be used or knowing that they are to be used in whole or in part for proliferation, the manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling, supply, sale or use of nuclear, ballistic, chemical, radiological or biological weapons or any other weapon capable of causing mass destruction and their means of delivery and related materials including both technologies and dual-use goods used for non-legitimate purposes, including technology, goods, software, services or expertise, in contravention of this Act or, where applicable, international obligations derived from relevant Security Council Resolutions.
<b>Financing of Terrorism</b>	Section 2 of the National Anti-Terrorism

	<p>and Proliferation Act No.6 of 2018 act defines Financing of Terrorism as an act by any person who, irrespective of whether a terrorist act occurs, by any means, directly or indirectly, willfully provides or collects funds or attempts to do so with the intention that the funds should be used or knowing that the funds are to be used in full or in part:</p> <ul style="list-style-type: none"> <li>(i) to carry out a terrorist act;</li> <li>(ii) by a terrorist;</li> <li>(iii) by a terrorist organisation; or</li> <li>(iv) for the travel of a person to a State other than the person's State of residence or nationality for the purpose of perpetration, planning or preparation of, or participation in, terrorist act or the providing or receiving of terrorist training.</li> </ul>
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## APPENDIX I

Nature of suspicion for STRs received.

Reason for suspicion	Number of reports	ZMW (Million)
Large or unusual cash deposit	458	2,073.00
Large or unusual inward remittance	366	949.00
Large or unusual cash withdrawals	333	749.00
Activity inconsistent with customer profile	305	534.00
Large or unusual outward remittance	302	706.00
Person suspicious behaviour	251	316.00
Fraud/ATM Fraud/Credit Card fraud/Internet fraud	116	129.00
Unusual business practices	86	94.00
Avoiding reporting obligations	76	153.00
Irregular or Unusual international banking activity	75	105.00
Unusually large foreign currency transaction	62	482.00
Many third parties making deposits into the account	59	184.00
Other	51	24.00
Sudden unexpected activity on previous dormant/inactive account	31	35.00
Watch listed individual/organization	4	0.34
Corporate Investment Fraud	1	-
Country/jurisdiction risk/National Security concern	1	-
Total	2577	6,533.34



## APPENDIX II: AUDITED FINANCIAL STATEMENTS



*(ESTABLISHED UNDER THE FINANCIAL INTELLIGENCE CENTRE  
ACT NO. 46 OF 2010 (AS AMENDED))*

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**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31<sup>ST</sup> DECEMBER 2021**

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## **REPORT OF THE BOARD OF DIRECTORS**

Pursuant to *Part II, Section 9(2)* of the *Financial Intelligence Centre Act No 46 of 2010 (As Amended)* (“the Act”), the Board of Directors is required to submit its report together with the financial statements of the Financial Intelligence Centre (“the Centre”) for the year ended 31<sup>st</sup> December 2021.

### **1. Establishment and Functions**

The Financial Intelligence Centre is a body corporate established under the *Financial Intelligence Centre Act No 46 of 2010 (As Amended)* (“the FIC Act”). The Centre is charged with the responsibility of receiving, analysing and disseminating suspicious transaction reports. The Centre became operational in 2013.

### **2. Principal Activity**

The principal activity of the Centre is the designated national centre responsible of receiving, requesting, analysing and disseminating of the disclosure of suspicious transaction reports. Its principal location is at number 50L Kudu Road, Kabulonga, Lusaka.

### **3. Activities and Services**

Despite the generality of subsection (1) of the FIC Act, the functions of the Centre are to—

- (a). receive, request, analyse and evaluate suspicious transaction reports and information from any other source authorised under any written law to make a suspicious transaction report including a designated foreign authority to determine whether there are reasonable grounds to transmit reports for investigation by law enforcement agencies or designated foreign authorities;
- (b). disseminate information, spontaneously or on request, to law enforcement agencies and other competent authorities, where there are reasonable grounds to suspect money laundering or financing of terrorism or proliferation;
- (c). provide information relating to suspicious transactions to any designated foreign authority, subject to conditions that the Director-General may determine, in accordance with this Act;
- (d). conduct strategic analysis to identify related trends and patterns relating to money laundering, financing of terrorism or proliferation or any other serious offence related to money laundering, financing of terrorism or proliferation;
- (e). provide information, advice and assistance to law enforcement agencies in furtherance of an investigation;
- (f). educate the public and reporting entities of their obligations and inform them of measures to detect, prevent and deter money laundering, financing of terrorism or proliferation or any other serious offence relating to money laundering, financing of terrorism or proliferation;
- (g). provide information to supervisory bodies, law enforcement agencies and any other competent authority to facilitate law enforcement for prevention of money laundering, financing of

terrorism or proliferation or any other serious offence related to money laundering, financing of terrorism or proliferation;

- (h). ensure compliance by reporting entities with this Act, Regulations, directives, determinations, notices and circulars issued by the Centre or supervisory authorities;
- (i). give guidance to reporting entities to combat money laundering, financing of terrorism or proliferation activities or any other serious offence related to money laundering, financing of terrorism or proliferation on a risk sensitive basis; and
- (j). facilitate effective risk based supervision and enforcement of this Act by supervisory authorities.

#### **4. Capital and Resources**

##### *(a). Capital*

The Centre has no subscription capital; its capital resources comprise accumulated funds and unamortised deferred credits relating to capital and deferred revenue grants.

##### *(b). Resources*

The Centre is a grant aided body, fully funded by the Government of the Republic of Zambia ("GRZ"). In addition to Government funding, the Act permits the Centre to seek funding from donors and other multilateral institutions.

#### **5. Financial and Operational Highlights**

##### *(a) Basis of Preparation*

- (i). The Centre'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 Centre 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 surplus for the year amounted to **K3.216million** (2020: K2.999million).

##### *(c) Income*

- (i). Total incoming resources for the year amounted to **K31.686million** (2020: K31.514million).
- (ii). The main income for the year was revenue grants received from GRZ of **K31.506million** (2020: K31.506million).

*(d) Expenditure*

Expenditure totalled **K28.465million** (2020: K28.520million). The main operating costs were costs of personnel **K20.813million** (2020: K20.412million) and recurrent expenditures **K7.268million** (2020: K7.342million).

*(e) Capital Expenditure*

Capital expenditure amounted to **K0.221million** (2020: K0.091million).

**6. Risk Factors**

*(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 Centre 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 Centre is directly attributable to its *people risk* and *remote site location risks*.
- (ii). **Technology Risk** - Technology is a key business enabler in the Centre and requires an appropriate level of control to ensure that the most significant technology risks are effectively managed.
- (iii). **People Risk** - People risk arises from failures of the Centre 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.

*(b) Legal Risk*

The Centre is subject to a comprehensive range of legal obligations, mostly covered by the *Financial Intelligence Centre Act No 46 of 2010 (As Amended)* ("the Act"). 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 Centre in an adverse way; the Centre 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 Centre is successful. However, the likely legal risk for the Centre's activities is the freezing order of accounts.

**(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 Centre'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 Centre 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 18 to 31.
- (iii). **Financial Risks** - The Centre 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 Centre's financial risk exposures are discussed in Note 12 to the financial statements.

**7. Risk Management and Control**

As explained on Statement 6 above, the Centre through its normal operations is exposed to a number of risks, the most significant of which are *operational, legal and financial risks*. The Board 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.

**8. Compliance**

The Centre's management are responsible for establishing and maintaining adequate internal controls over financial reporting. Under the supervision of the Director-General the Centre's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IPSAS. The Board has responsibility for monitoring compliance with the regulatory environment and the various internal control processes and procedures.

**9. The Board**

**(a) Composition**

- (i) The operations of the Centre are governed by a board of directors. The membership of this Board is as provided in *Section 7 of the Act*.

- (ii) The Board works through its committees, the Finance & Administration, Operations Committee and the Audit & Risk Committee, which promote the overall effectiveness of corporate governance and provide policy direction and oversight to the core functions of the Centre.

*(b) Members*

The *Financial Intelligence Centre* is administered by the Board of Directors appointed by the Republican President. The Board consists of a Chairperson and four other members. To be appointed as a member of the Board, a person should not have less than 10 years of experience in a field connected with financial analysis, law, accounting, forensic auditing, financial investigation or law enforcement.

The overall function of the Board is to provide an oversight policy direction regarding the operations of the Centre.

*(c) Board Members*

Ms. Irene Lombe Chibesakunda	Board Chairperson
Mrs. Regina Kasonde Mulenga	Vice Chairperson
Judge Prisca Matimba Nyambe S.C (Rtd)	Board Member
Dr. Mike Boniface Goma	Board Member
Ms. Pelagia Kanuma Kalunga	Board Member

**10. Executive Management**

- (a). The day to day operations of the Centre are managed by the Director-General. The role of the Director-General is set out in the regulating Act. The Director-General has executive responsibility for ensuring that the Centre's statutory objectives and functions are exercised efficiently and effectively, for leading partnership arrangements with government, for working with key stakeholders, and – as an executive member of the Board – contributing to and reviewing the strategic direction.
- (b). The following executive management, amongst others, is responsible for assisting the Director-General in implementation of the core functions of the Centre:

Ms. Mary Chirwa	Director - General
Mr. Shubert Sinkala	Director - Monitoring & Analysis
Mr Brian Kauzeni	Director - Information Communication Technology
Ms. Liya Banda Tembo	Director - Legal & Policy



**ANNUAL FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

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Mr Diphat Tembo	Director - Compliance and Prevention
Mr. Victor Zimba	Director - Finance
Mr. Katuna Sinyangwe	Director – Inspection (appointed September 2021)

**11. Pension Schemes**

The Centre contributes to the National Pension Scheme Centre (“NAPSA”), and Saturnia Pension Fund for all staff. These pension funds are defined contribution scheme and defined benefit schemes. The Centre has no liability other than in meeting monthly contributions into the schemes. The Centre has no legal or constructive obligation to pay further contributions if the Fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

**12. Related Party Transactions**

The Centre 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 Centre has with its related parties are listed in Note 12 to the financial statements.

**13. Post Balance Sheet Events**

The Centre has evaluated subsequent events 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 item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect the results of those operations or the state of affairs of the Centre in the subsequent financial periods.

**14. Auditors**

In accordance with the provisions of the Act, the auditors, Messrs EMM Corporate Partners, will retire, and having expressed their willingness to continue in office a resolution for their re-appointment will be proposed by the Board.

Signed By:



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**Board Secretary**

23<sup>rd</sup> March 2022  
**Date**

## STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Auditors' report on page 8, is made with a view to distinguishing the respective responsibilities of the Board of Directors ("the Board") and of the auditors in relation to the financial statements for the year to 31<sup>st</sup> December 2021.

### Statement of Responsibility for Financial Statements

In conformity with the *Financial Intelligence Centre Act No 46 of 2010 (As Amended)* and *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 Centre 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 13 to 16, and the additional information contained on pages 17 to 43, the Centre 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 Centre keeps accounting records which disclose with reasonable accuracy the financial position of the Centre and which enable it to ensure that the financial statements comply with generally accepted reporting standards and the *Financial Intelligence Centre Act No 46 of 2010 (As Amended)*. The Board has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Centre 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 *IPSAS* and in line with the *Financial Intelligence Centre Act No 46 of 2010 (As Amended)*. 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 *IPSAS*.

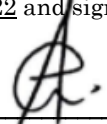
In the opinion of the Board:

1. The statement of comprehensive income is drawn up so as to give a true and fair view of the result of the Centre for the year ended 31<sup>st</sup> December 2021;
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 Centre as at 31<sup>st</sup> December 2021; and
  - (b) There are reasonable grounds to believe that the Centre will be able to pay its debts as and when they fall due.

The financial statements set out on pages 13 to 16 were approved on 23<sup>rd</sup> March 2022 and signed by:

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**Board Chairperson**



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**Director-General**

**AUDIT. ASSURANCE. CONSULTING. TAX. RISK. IT.**

External, Statutory & Investigative Audits, Business Valuations, Business Modelling & Planning, Risk Management, Feasibility Studies, Corporate Finance, Financial Reviews & Analyses, Due Diligence Reviews, Internal Audits, Corporate Accounting & Reporting, Operational Policies, Information Technology, Taxation.

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## REPORT OF THE INDEPENDENT AUDITORS TO THE MINISTER OF FINANCE

### Opinion on Financial Statements

We have audited the financial statements of the Financial Intelligence Centre ('the Centre'), which comprise the statement of financial position as at 31<sup>st</sup> December 2021, and the statement of performance and 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 are *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 Financial Intelligence Centre ('the Centre') as at 31<sup>st</sup> December 2021, and its financial performance and their cash flows for the year then ended.

### Separate Opinion in relation to IPSAS Issued by the IPSASB

The Centre 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*.

### 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.

### 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.

There were no key audit issues or discussion in this report.

## Going Concern

### 1. General Assessment

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The financial statements of the Centre have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless the Centre 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 Centre's ability to continue as a going concern.

The Directors confirm they are satisfied that the Centre 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 Centre'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

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*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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IPSAS, 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 entity'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 entity's internal control.
3. Conclude on the appropriateness of management'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 entity'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 entity 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 management.
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 entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the entity 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 Centre has kept the accounting and other records, and has issued all reports in such form and manner as required by the *Financial Intelligence Centre Act No. 46 of 2010 (As Amended)*. We are also required to confirm compliance with the *Public Financial Regulations Act, 2018*. We confirm that, in our opinion, the Centre has complied with the record-keeping and reporting requirements, so far as appears from our examination of those records and reports.

## Other Information

The Board and the Director-General 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

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 *Financial Intelligence Centre Act No. 46 of 2010 (As Amended)*;
2. In the light of the knowledge and understanding of the Centre and its environment obtained during 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:

# EMM Corporate Partners

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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: 0001016*



**EMM CORPORATE PARTNERS**

*Chartered Accountants and Management Consultants*

25<sup>th</sup> March 2022

Date

**FINANCIAL INTELLIGENCE CENTRE***(ESTABLISHED UNDER FINANCIAL INTELLIGENCE ACT NO. 46 OF 2010 (AS AMENDED))***ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2021

**STATEMENT OF FINANCIAL PERFORMANCE**

<i>Amounts are Stated in Zambian Kwacha</i>	Note	2021	2020
<b>Revenue from Non-Exchange Transactions</b>			
Grant Income	1.	31,572,000	31,506,000
<b>Revenue from Exchange Transactions</b>			
Other Income	2.	114,024	8,156
		<b>31,686,024</b>	<b>31,514,156</b>
<b>Expenditure</b>			
Depreciation	3.	287,069	379,902
Amortisation	4.	101,847	386,754
Employee Costs and Benefits	Schedule I	20,813,202	20,412,045
Recurrent Costs	Schedule II	7,268,000	7,342,251
		<b>28,470,118</b>	<b>28,520,952</b>
<b>Operating Result</b>	-	<b>3,215,905</b>	<b>2,993,203</b>
<b>Other Comprehensive Income</b>		-	-
		<b>3,215,905</b>	<b>2,993,203</b>
<u>Total operating result attributable to:</u>			
Controlling Interests		3,215,905	2,993,203
Non-controlling Interests		-	-
		<b>3,215,905</b>	<b>2,993,203</b>
<u>Comprehensive Income attributable to:</u>			
Owners of the Centre		3,215,905	2,993,203
Non-controlling interests		-	-
		<b>3,215,905</b>	<b>2,993,203</b>



**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**STATEMENT OF CHANGES IN FUNDS**

<i>Amounts are Stated in Zambian Kwacha</i>	<b>Total Funds</b>
Balance as at 1 January 2020	7,704,823
Total Comprehensive income	2,993,203
At 31 December 2020	10,698,026
Balance as at 1 January 2021	<b>10,698,026</b>
Total Comprehensive income	<b>3,215,905</b>
<b>At 31 December 2021</b>	<b>13,913,932</b>

**FINANCIAL INTELLIGENCE CENTRE***(ESTABLISHED UNDER FINANCIAL INTELLIGENCE ACT NO. 46 OF 2010 (AS AMENDED))***ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2021

**STATEMENT OF CASH FLOWS**

<i>Amounts are Stated in Zambian Kwacha</i>	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>Cash Inflow From Operating Activities</b>			
Operating Result		<b>3,215,905</b>	2,993,203
Depreciation	3.	<b>287,069</b>	379,902
Amortisation of Software	4.	<b>101,847</b>	386,754
Change in Inventory		<b>(64,917)</b>	43,835
Changes in Receivable from Non-Exchange Transactions		-	6,884,023
Changes in Other Financial Assets		<b>(377,110)</b>	137,115
Change in Amounts Owed to Third Parties		<b>(145,890)</b>	(6,309,421)
Change in Employee-Related Obligations		<b>(527,815)</b>	624,057
<b>Net Cash Inflow From Operating Activities</b>		<b>2,489,090</b>	5,139,470
<b>Investing Activities</b>			
Payments to Acquire Tangible Assets	3.	<b>(220,276)</b>	(91,488)
Payments to Acquire Intangible Assets	4.	-	(266,349)
<b>Net Cash Outflow on Investing Activities</b>		<b>(220,276)</b>	(357,838)
<b>Net Increase in Cash and Cash Equivalents</b>		<b>2,268,814</b>	4,781,632
<b>Cash and Cash Equivalents at start of year</b>		<b>7,546,047</b>	2,764,415
<b>Cash and Cash Equivalents at end of year</b>		<b>9,814,861</b>	7,546,047
<b>Represented By:</b>			
Cash at Bank	7.	<b>9,814,785</b>	7,542,064
Cash in Hand	7.	<b>75</b>	3,983
		<b>9,814,861</b>	7,546,047

**ANNUAL FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**STATEMENT OF FINANCIAL POSITION**

<i>Amounts are Stated in Zambian Kwacha</i>	<i>Notes</i>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	3.	<b>5,488,395</b>	5,555,188
Intangible Assets	4.	<b>196,255</b>	298,102
		<b>5,684,650</b>	5,853,290
<b>Current Assets</b>			
Inventory	5.	<b>107,751</b>	42,834
Other Financial Assets	6.	<b>1,068,926</b>	691,816
Cash and Cash Equivalents	7.	<b>9,814,861</b>	7,546,047
Total Current Assets		<b>10,991,538</b>	8,280,697
<b>Total Assets</b>		<b>16,676,188</b>	14,133,987
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Revenue Reserves		<b>13,913,932</b>	10,698,026
<b>Total Equity</b>		<b>13,913,932</b>	10,698,026
Deferred Grants	8.	<b>61,693</b>	61,693
		<b>61,693</b>	61,693
<b>Current Liabilities</b>			
Payables, Accruals and Provisions	9.	<b>747,503</b>	893,392
Employee-Related Payables	10.	<b>1,953,061</b>	2,480,876
Total Current Liabilities		<b>2,700,563</b>	3,374,268
<b>Total Equity and Liabilities</b>		<b>16,676,188</b>	14,133,987

The financial statements on pages 13 to 16 were approved by the following on 23<sup>rd</sup> March 2022:

\_\_\_\_\_  
Board Chairperson

\_\_\_\_\_  
Director-General

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31<sup>st</sup> December 2021 are set out below:

### **1. General Information**

The Financial Intelligence Centre is a corporate body established under the *Financial Intelligence Centre Act No 46 of 2010 (As Amended)*. The addresses of its registered office and principal activities are disclosed in the report of the Board.

The Centre'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 Centre 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 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 of surplus or deficit. 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 surplus or deficit, as required or permitted by IPSAS. Reclassification adjustments are amounts reclassified to surplus or deficit in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Centre in their capacity as owners are recognised in the statement of changes in equity.

The Centre presents the statement of surplus or deficit using the classification by function of expenses. The Centre 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.

### **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

**ANNUAL FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2021

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orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the entity uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the entity (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

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 31<sup>st</sup> December 2021

**5. Adoption of New and Revised International Public Sector Accounting Standards ("IPSAs")****(a). General Improvements to IPSAs: Part I of ED 80**

The Improvements project deals with non-substantive changes to IPSAS through a collection of amendments in Exposure Draft 80 ("ED 80") which are unrelated. Amendments included in Part I arise from comments received from stakeholders.

The table below sets out the possible amendments to IPSAS identified by stakeholders, including the rationale for including the proposed amendments in this ED.

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FOR THE YEAR ENDED 31 DECEMBER 2021

IPSA	Summary of Amendment in ED 80
<b>IPSAS 22, Disclosure of Financial Information about the General Government Sector</b>	Refer to the latest edition of the System of National Accounts, 2008 (2008 SNA).
<b>IPSAS 39, Employee Benefits</b>	Delete the word “composite” from the term “composite social security programs” 3 because it is no longer an IPSAS defined term.
<b>RPG 1, Reporting on the Long-Term Sustainability of an Entity’s Finances</b>	Add paragraph BC7A in the Basis for Conclusions (BCs) to indicate that the Conceptual Framework and Social Benefits projects were completed in October 2014 and January 2019, respectively, because the BCs mentioned these projects as ongoing when RPG 1 was issued in July 2013.
<b>IPSAS 29, Financial Instruments: Recognition and Measurement (as applicable prior to the adoption of IPSAS 41, Financial Instruments)</b>	Add in the currently effective IPSAS 29 (as applicable prior to the adoption of IPSAS 41, see Part I-4), the hedging amendments proposed to IPSAS 29 (as amended by IPSAS 41, see Part II-1b and Part II-2b) and changes in the contractual cash flows amendments proposed to IPSAS 41 (see Part II-2a).

**(b). General Improvements to IPSAs: Part II of ED 80**

The objective of Part II of the Exposure Draft (ED) is to propose Improvements to IPSAS to align with amendments to International Financial Reporting Standards (IFRS) based on the IASB’s Improvements to IFRSs projects and Narrow Scope Amendments projects. The Improvements project deals with non-substantive changes to IPSAS through a collection of amendments which are unrelated. Amendments included in Part II arise through consideration of the annual improvements and narrow scope amendments projects of the IASB. The table below sets out the IFRS alignment improvements to IPSAS, with proposed changes in ED 80:

No.	IFRS	Equivalent IPSAs	Summary of Proposed Change
<b>1. Interest Rate Benchmark Reform (Phase One and Phase Two)</b>			
1(a).	<b>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).</b> (Issued in September 2019).	IPSAS 41, Financial Instruments; IPSAS 29, Financial Instruments: Recognition and Measurement (as amended by IPSAS 41 when it was first published in 2018); and IPSAS 30, Financial Instruments: Disclosures	Amendments to provide: (i). Temporary relief not to discontinue hedge accounting in IPSAS 41 and IPSAS 29; and (ii). Additional disclosure requirements in IPSAS 30

## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

No.	IFRS	Equivalent IPSAs	Summary of Proposed Change
1(b).	<b>Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</b> (Issued in August 2020).	IPSAS 41, Financial Instruments; IPSAS 29, Financial Instruments: Recognition and Measurement (as amended by IPSAS 41 when it was first published in 2018); and IPSAS 30, Financial Instruments: Disclosures.	Amendments to provide: <ul style="list-style-type: none"> <li>(i). A practical expedient not to treat changes in the contractual cash flows of a financial asset or financial liability as a modification in IPSAS 41;</li> <li>(ii). Additional relief not to discontinue hedge accounting in IPSAS 41 and IPSAS 29; and</li> <li>(iii). Further disclosure requirements in IPSAS 30.</li> </ul>
<b>2. Annual Improvements to IFRS Standards 2018–2020 Cycle</b>			
2(a).	<b>Amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards</b> (Issued in May 2020).	IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).	Amendments to extend the exemption in IPSAS 33 to include components of net assets/equity such as cumulative translation differences.
2(b).	<b>Amendment to IFRS 9, Financial Instruments</b> (Issued in May 2020).	IPSAS 41, Financial Instruments.	Amendments to clarify the fees that an entity includes when it applies the '10 percent' test to derecognize a financial liability in IPSAS 41 (see Part II-3b).
<b>3. Other IFRS Alignment Improvements</b>			
3(a).	<b>Classification of Liabilities as Current or Non-current</b> (Amendments to IAS 1) (Issued in January 2020).	IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets.	Amendments to clarify the classification of liabilities as current or non-current in IPSAS 1.

## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

No.	IFRS	Equivalent IPSAs	Summary of Proposed Change
3(b).	<b>Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)</b> (Issued in May 2020).	IPSAS 19, Provisions, Contingent Liabilities and Contingent assets.	To clarify the costs of fulfilling a contract that an entity includes when assessing if a contract will be loss-making or onerous in IPSAS 19.
3(c).	<b>Property, Plant &amp; Equipment—Proceeds before Intended Use (Amendments to IAS 16)</b> (Issued May 2020).	IPSAS 17, Property, Plant, and Equipment.	To prohibit proceeds from selling items produced before that asset is available for use to be deducted from the cost of property, plant & equipment.

## (c). IASB Publications not included in ED 80

Regarding the IASB's projects, the IPSASB considered several IASB's publications during the development of ED 80 that were issued since the last Improvements to IPSAS cycle and that either have not been considered in another IPSASB's project or that have no equivalent IPSAS. The table below identifies the IASB's publications, the subject of the amendment, and the IPSASB's rationale for omitting them in the ED:

IASB's Publication	Subject of Amendment	Rationale for Amendment
<b>Reference to the Conceptual Framework (Amendments to IFRS 3)</b> (Issued in May 2020)	<ul style="list-style-type: none"> <li>- Replaces the references to the old IASB's Framework with references to the 2018 IASB Conceptual Framework in IFRS 3;</li> <li>- Adds an exception in IFRS 3 to the recognition principle to recognise liabilities and contingent liabilities in terms of IAS 37 and IFRC 21 on acquisition date to eliminate "Day 2 gains"; and</li> <li>- Adds an explicit statement in IFRS 3 that an acquirer does not recognise contingent assets acquired in a business combination since this prohibition for recognition of contingent assets was implied in IFRS 3.</li> </ul>	<ul style="list-style-type: none"> <li>- IPSAS 40 refers to the IPSASB's Conceptual Framework;</li> <li>- The definition of liability in the IPSASB's Conceptual Framework is being considered in the Limited Scope Review of the Conceptual Framework project and afterwards will be considered in a narrow scope amendment project to IPSAS 40; and</li> <li>- The amendment to include an explicit statement for contingent assets will be considered in a narrow scope amendment project to IPSAS 40.</li> </ul>



## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

IASB's Publication	Subject of Amendment	Rationale for Amendment
<b>Amendment to IAS 41, Agriculture</b> (Issued in May 2020)	Remove the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique to align with IFRS 13, Fair Value Measurement.	Amendments included as a consequential amendment (Amendments to Other IPSAS) to IPSAS 27, Agriculture in ED 77, Measurement.
<b>Amendment to Illustrative Examples Accompanying IFRS 16, Leases</b> (Issued May 2020)	Deletes the reimbursement relating to leasehold improvements from the fact pattern of Illustrative Example (IE) 13 to address the confusion in applying IFRS 16.	Amendments are included in ED 75, Leases.
<b>Covid-19-Related Rent Concessions (Amendment to IFRS 16)</b> (Issued May 2020)	Practical expedient for lessees not to account for rent concessions because of the covid-19 pandemic as lease modifications.	Amendments are included in ED 75.1
<b>Amendments to IFRS 17</b> (Issued in June 2020)	Address implementation challenges identified when applying IFRS 17, Insurance Contracts	There is no equivalent IPSAS for IFRS 17.
<b>Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</b> (Issued in August 2020)	<ul style="list-style-type: none"> <li>- Adds a practical expedient in IFRS 16, Leases for accounting for lease modifications that occur because of the reform; and</li> <li>- Adds relief in IFRS 4, Insurance Contracts for insurers who apply IAS 39.</li> </ul>	<ul style="list-style-type: none"> <li>- Amendments will be reconsidered at a future date after the final IPSAS based on ED 75 is approved; and</li> <li>- There is no equivalent IPSAS for IFRS 4.2</li> </ul>
<b>Disclosure of Accounting Policies, (Amendments to IAS 1 and IFRS Practice Statement 2)</b> (Issued in February 2021)	Requires entities to disclose “material accounting policy information” instead of “significant accounting policies” because IAS 1 does not define the term “significant”.	The subsection on materiality in Chapter 3 of the IPSASB's Conceptual Framework is under revision in the Limited Scope Review of the Conceptual Framework project.
<b>Definition of Accounting Estimates (Amendments to IAS 8)</b> (Issued February 2021)	Introduced the definition of accounting estimates to distinguish changes in accounting estimates from changes in accounting policies.	Amendments will be reconsidered at a future date after the final IPSAS based on ED 77 is approved as a pronouncement.

**(d). Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments**

- (i). ***IPSAS 5, Borrowing Costs:*** Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. Paragraph 6 was amended by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2022, it shall disclose that fact and apply IPSAS 41 at the same time.
- (ii). ***IPSAS 30, Financial Instruments: Disclosures:*** Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. 52G. Paragraph AG5 was amended by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2022, it shall disclose that fact and apply IPSAS 41 at the same time.
- (iii). ***IPSAS 30, Financial Instruments: Disclosures:*** Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.
- (iv). ***IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs):*** 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. 154H. Paragraph 113 was amended, paragraph 113A was added and paragraph 114 was deleted by Improvements to IPSAS, 2019, issued in January 2020. 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 a period beginning before January 1, 2022, it shall disclose that fact and apply IPSAS 41 at the same time.

**(e). New IPSAS Requirements in Issue but not Yet Effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the entity. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- (i). ***IPSAS 13, Leases:*** Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. 85E. Paragraphs 67 and 76 were amended by

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Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2021. Earlier application is permitted.

- (ii). ***IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment:*** Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. Paragraph 84 was deleted by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2021. Earlier application is permitted.
- (iii). ***Amendments to IPSAS 17, Property, Plant, and Equipment:*** Paragraph 5 was amended and paragraph 106 was deleted by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2021. Earlier application is permitted.
- (iv). ***IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash-Generating Assets:*** Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. Paragraphs 54A and 69A were amended by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2021. Earlier application is permitted.
- (v). ***Amendments to IPSAS 26, Impairment of Cash-Generating Assets:*** Paragraphs 73A and 108A are amended and paragraph 126L is added by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2021. Earlier application is permitted.
- (vi). ***IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs):*** Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. This guidance accompanies, but is not part of, IPSAS 33. IPSAS 33 allows a first-time adopter to determine a deemed cost as a substitute for acquisition cost or depreciated cost at the date of adoption of IPSASs, where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognise and/or measure certain assets and/or liabilities. A deemed cost may however only be determined if no cost information is available about the historical cost of the asset and/or liability. When a first-time adopter initially measures these assets and/or liabilities on the date of adoption of IPSASs, or when the transitional exemptions that

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provided the first-time adopter with a three year relief period to not recognise and/or measure certain assets and/or liabilities have expired, it recognises the effect directly in accumulated surplus or deficit in the opening statement of financial position in the period in which the deemed cost is determined.

- (vii). ***IPSAS 40, Public Sector Combinations:*** Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued. When an entity adopts the accrual basis IPSASs as defined in IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs), for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSASs. Paragraph 126C was amended by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2021. Earlier application is permitted.

The Centre does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Centre in future periods.

**(f). 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.

**6. Significant Judgments and Sources of Estimation Uncertainty – IPSAS 1****(a). Judgements**

The preparation of the Centre'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 Centre 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 Centre. 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 Centre;
- (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.

**7. Changes in Accounting Policies and Estimates – IPSAS 3**

The Centre recognises the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

## **8. Foreign Currency Transactions – IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or expenses in the period in which they arise.

## **9. Revenue**

### **(a). Revenue from Non-Exchange Transactions – IPSAS 23 :**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

- (i). **Grants:** Grant income represents funds received from the Government based on an approved budget. The grant income is recognised on an accruals basis. An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the Centre satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction. Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognised. A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognised as a liability when, and only when it is probable that an outflow of resources embodying future economic benefits or a service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
- (ii). **Transfers from Other Government Entities:** Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Revenues from non-exchange transactions with other government entities are measured at fair value and recognised on obtaining control of the asset if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Centre and can be measured reliably.

### **(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:

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

**10. Administrative Costs**

Operating and administrative costs are accrued as incurred.

**11. Taxation**

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

**12. 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 Centre 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 Centre 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 Centre 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. 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 Centre assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Centre 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.

**13. 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.

**14. 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 Centre.



## 15. Financial Instruments

### *(a). Composition*

The Centre's financial instruments consists 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 Centre'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 Centre'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 Centre determines the 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 Centre assesses at each reporting date whether there is objective evidence that a financial asset or a Centre of financial assets is impaired. A financial asset or a Centre 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 Centre of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- (i). The debtors or a 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 Centre 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 Centre'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 Centre 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 Centre has a present legal or constructive obligation as a result of a past event, and it is probable that the Centre 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 Centre 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 Centre 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 Centre 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 Centre provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an Centre pays fixed contributions into a separate Centre (a fund), and will have no legal or constructive

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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 Centre are members of the government-managed defined contribution scheme, the *National Pension Scheme*. They are also members of *Saturnia Pension Scheme*. The Centre 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 Centre with respect to the retirement benefit plan is to make the specified contributions.
- **Retirement Benefits Cost** - Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.
- **Other Employee Benefits** - The estimated monetary liability for employees' accrued gratuity pay entitlement at the balance sheet date is recognised as an expense accrual.

(v). **Contingent Liabilities**

The Centre 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 Centre derecognises financial liabilities when, and only when, the Centre'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 short 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 Centre is a defined contribution scheme, under which the Centre's liability is limited to shortfalls between total contributions paid and amounts payable as at the reporting date.

**(ix). Contingent Assets**

The Centre 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 Centre 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 Centre'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 12 to the financial statements.

**16. Capital Maintenance**

Capital resources comprise accumulated funds and unamortised portions of grant balances. The Centre's objectives for the management of capital are to safeguard its ability to continue as a going concern. The Centre considers its cash and cash equivalents to be the manageable capital from its financial resources. The Centre's policy is to maintain sufficient cash balances to cover operating and administration costs over a reasonable future period. The Centre 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.

**17. Comparative figures**

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

**18. 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 Centre. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Centre 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 Centre is not required and does not make its budget publicly available.

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**NOTES TO THE FINANCIAL STATEMENTS**

<i>Amounts are Stated in Zambian Kwacha</i>	<b>2021</b>	<b>2020</b>
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**1. Grant Income**

Appropriation in Aid	<b>31,506,000</b>	31,506,000
RevWenue Grants	<b>66,000</b>	-
	<b>31,572,000</b>	31,506,000

**2. Other Income**

Exchange Gain	-	8,156
Interest Earned	<b>78,014</b>	-
Recognition of Prior Omitted Stocks	<b>28,510</b>	-
Sundry Income	<b>7,500</b>	-
	<b>114,024</b>	8,156

**3. Property, Plant and Equipment**

	<b>2021</b>			<b>2020</b>		
	<b>Cost or Valuation</b>	<b>Accumulated Depreciation</b>	<b>Carrying Value</b>	<b>Cost or Valuation</b>	<b>Accumulated Depreciation</b>	<b>Carrying Value</b>
Land and Buildings	5,986,259	(864,594)	5,121,664	5,986,259	(741,128)	5,245,131
Office Equipment	3,964,139	(3,620,153)	343,986	3,769,789	(3,469,675)	300,113
Furniture and Fittings	223,343	(200,598)	22,745	197,417	(187,473)	9,944
Motor Vehicles	1,532,179	(1,532,179)	-	1,532,179	(1,532,179)	-
	<b>11,705,919</b>	<b>(6,217,524)</b>	<b>5,488,395</b>	<b>11,485,643</b>	<b>(5,930,454)</b>	<b>5,555,188</b>

The carrying amounts of property, plant and equipment can be reconciled as follows:

	<b>Carrying Value at Start</b>	<b>Additions</b>	<b>Disposals/ Transfers</b>	<b>Depreciation On Disposals</b>	<b>Depreciation Write-Offs</b>	<b>Carrying Value at End</b>
<b>2021</b>						
Land and Buildings	5,245,131	-	-	-	(123,466)	5,121,665
Office Equipment	300,113	194,350	-	-	(150,478)	343,985
Furniture and Fittings	9,944	25,926	-	-	(13,125)	22,745
Motor Vehicles	-	-	-	-	-	-
	<b>5,555,188</b>	<b>220,276</b>	<b>-</b>	<b>-</b>	<b>(287,069)</b>	<b>5,488,395</b>
<b>2020</b>						
Land and Buildings	5,363,616	-	-	-	(118,485)	5,245,131
Office Equipment	387,995	91,488	-	-	(179,370)	300,113
Furniture and Fittings	26,003	-	-	-	(16,059)	9,944
Motor Vehicles	65,989	-	-	-	(65,989)	-
	<b>5,843,603</b>	<b>91,488</b>	<b>-</b>	<b>-</b>	<b>(379,902)</b>	<b>5,555,188</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

<i>Amounts are Stated in Zambian Kwacha</i>	<b>2021</b>	<b>2020</b>
<b>4. Intangible Assets</b>		
<b>(a) Analysis of Balances</b>		
Cost	<b>5,835,971</b>	5,569,622
Additions	-	266,349
	<b>5,835,971</b>	5,835,971
<b>(b) Amortisation</b>		
At the beginning of the Period	<b>5,537,869</b>	5,151,115
Charge for the Period	<b>101,847</b>	386,754
At the End of the Period	<b>5,639,717</b>	5,537,869
Net Book Value	<b>196,255</b>	298,102
<b>5. Inventory</b>		
Office Consumables	<b>107,751</b>	42,834
<b>6. Other Financial Assets</b>		
Prepayments	<b>565,355</b>	247,983
Staff Receivables	<b>503,571</b>	443,833
	<b>1,068,926</b>	691,816
<b>7. Cash and Cash Equivalents</b>		
Bank Balances	<b>9,814,785</b>	7,542,064
Cash in Hand	<b>75</b>	3,983
	<b>9,814,861</b>	7,546,047
<b>8. Deferred Grants</b>		
Unamortised Balances	<b>61,693</b>	61,693
<b>9. Payables, Accruals and Provisions</b>		
Audit Fees	<b>90,000</b>	85,000
PAYE	<b>543,287</b>	475,145
Sundry Payables	<b>114,216</b>	333,247
Balance at Close of Year	<b>747,503</b>	893,392

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**NOTES TO THE FINANCIAL STATEMENTS**

<i>Amounts are Stated in Zambian Kwacha</i>	<b>2021</b>	<b>2020</b>
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**10. Employee-Related Payables**

Gratuity	<b>635,132</b>	1,358,571
Leave Pay	<b>1,317,929</b>	1,122,306
	<b>1,953,061</b>	2,480,877

Employee-Benefits related to Staff gratuity and leave pay.

Opening Balances	<b>2,480,876</b>	1,856,819
Charge	<b>3,262,037</b>	3,130,662
Paid During the Year	<b>(3,789,852)</b>	(2,506,604)
	<b>1,953,061</b>	2,480,876

**11. Financial Instruments**

The Centre faces exposure to the following financial risks:

**(a). Total Financial Instruments**

	31 December 2021			
	Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
<u>Assets as per statement of financial position</u>				
Loans and Receivables:				
-Trade and Other receivables	503,571	-	-	503,571
-Cash and Equivalents	9,814,785	-	75	9,814,861
Total	10,318,357	-	75	10,318,432
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
<u>Liabilities as per statement of financial position</u>				
Other Financial Liabilities		-	61,693	61,693
Trade and Other Payables		-	2,700,563	2,700,563
Total		-	2,762,256	2,762,256



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**NOTES TO THE FINANCIAL STATEMENTS**

*Note 11 Cont'd*

	31 December 2020			
	Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
<u>Assets as per statement of financial position</u>				
Loans and Receivables:				
-Trade and Other receivables	443,833	-	-	443,833
-Cash and Equivalents	7,542,064	-	3,983	7,546,047
Total	7,985,897	-	3,983	7,989,879
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
<u>Liabilities as per statement of financial position</u>				
Other Financial Liabilities		-	61,693	61,693
Trade and Other Payables		-	3,374,268	3,374,268
Total		-	3,435,961	3,435,961

**(b). Credit Risk**

The Centre takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Centre 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:

Category	Rating	ECL	Gross Carrying Amount	Loss Allowance	Net Carrying Amount
<b>2021</b>					
Bank and Cash Balances	Performing	12-Month ECL	9,814,861	-	9,814,861
Other Financial Assets	Performing	Simplified Approach	1,068,926	-	1,068,926
			10,883,787	-	10,883,787
<b>2020</b>					
Bank and Cash Balances	Performing	12-Month ECL	7,546,047	-	7,546,047
Other Financial Assets	Performing	Simplified Approach	691,816	-	691,816
			8,237,863	-	8,237,863

The Centre's primary credit exposure from illiquidity of cash and cash equivalents amounted to **K9.814million** (2020: K7.546million).

**NOTES TO THE FINANCIAL STATEMENTS**

For receivables, the Centre has applied the simplified approach to measure the loss allowance at lifetime ECL. The Centre 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 **K1.068million** (2020: K0.691million). The nature of services offered by the Centre means it does not have significant credit risk exposure to a single counterparty.

**(c). Currency risk**

The Centre is exposed to very low foreign currency exchange risks as its dealings are almost entirely in Zambian Kwacha.

**(d). Liquidity Risk and Interest Rate Risk**

The Centre'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 Centre's interest and liquidity risks:

	Up to 1 Month	1-3 Months	4-12 Months	1-5 Years	Total
<b><u>At 31 December 2021</u></b>					
Non-Interest Bearing	657,503	725,132	1,317,929	61,693	2,762,256
	<b>657,503</b>	<b>725,132</b>	<b>1,317,929</b>	<b>61,693</b>	<b>2,762,256</b>
<b><u>At 31 December 2020</u></b>					
Non-Interest Bearing	1,358,571	893,392	1,122,306	61,693	3,435,962
	1,358,571	893,392	1,122,306	61,693	3,435,962

**(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 Centre had no financial instruments carried at fair value, by valuation method.

**NOTES TO THE FINANCIAL STATEMENTS**

**12. Related Parties**

**(a) Identity of Related Parties – IPSAS 20**

The Centre regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Centre, or vice versa. Members of key management are regarded as related parties and comprise the Board of directors, Management and Ministry of Finance. The Centre has a common enterprise relationship with Government of the Republic of Zambia. Other related parties include members of the Board and the Centre's key management team (Page 5).

**(b) Control and Governance of the Centre**

The Centre was established by Act No. 10 of 2010 (As Amended). As a result it has a common enterprise relationship with Government of the Republic of Zambia ("GRZ") and falls under the auspices of the Ministry of Finance. Internal supervision of its management and control of the affairs of the Centre, however, is vested in the Board (Page 5).

**(c) Key Management of the Centre**

The key executives of the Centre i.e. officers other than Board members with the ability, directly or indirectly, to control or exercise significant influence over the Centre in making financial and operating decisions, are listed on Page 5.

**(d) Transactions with Related Parties**

None of the Board Members, key executives or parties related to them has undertaken any material transactions with the Centre. 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:

<i>Amounts are Stated in Zambian Kwacha</i>	<b>2021</b>	<b>2020</b>
<b>(i) Key Management Compensation</b>		
Salaries and Other Short-Term Benefits	<b>9,070,706</b>	7,600,800
Defined Contribution Schemes	<b>1,814,141</b>	1,520,160
<b>Key Management Compensation</b>	<b>10,884,847</b>	9,120,960
<b>(ii) Remuneration to Board Members</b>	<b>669,714</b>	799,948
<b>(iii) Loans to Senior Management</b>	<b>503,571</b>	194,000

**13. Capital Management**

The Centre's objectives when managing capital are to safeguard the Centre'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.

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**NOTES TO THE FINANCIAL STATEMENTS**

The Centre 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 2021 were as follows:

<i>Amounts are Stated in Zambian Kwacha</i>	<b>2021</b>	<b>2020</b>
Debt	-	-
Cash	<b>9,814,861</b>	7,546,047
Net Debt	<b>9,814,861</b>	7,546,047
Equity	<b>13,913,932</b>	10,698,026
Net debt to equity ratio	<b>70.54%</b>	70.54%

**14. Capital Commitments**

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

**15. Contingent Liabilities**

No material or significant contingent liabilities have been identified that are not disclosed in these financial statements.

**16. Events Subsequent to Reporting Date**

*IPSA 14* requires the Centre 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 Centre 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 Centre, the results of those operations or the state of affairs of the Centre in subsequent financial periods.
- (b). **Impact of Covid-19 Virus:** The Centre has considered the impact of Coronavirus Covid 19 and resulting government restrictions on business and social operations. The Centre 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.

**FINANCIAL INTELLIGENCE CENTRE***(ESTABLISHED UNDER FINANCIAL INTELLIGENCE ACT NO. 46 OF 2010 (AS AMENDED))***ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****APPENDIX I – EMPLOYEE COSTS AND BENEFITS**

<i>Amounts are Stated in Zambian Kwacha</i>	<b>2021</b>	<b>2020</b>
<u>Wages and Salaries</u>		
Basic Salary and wages	<b>9,070,706</b>	8,949,186
Housing Allowance	<b>1,833,132</b>	1,775,742
Educational Allowance	<b>700,707</b>	660,186
Risk Allowance	<b>951,831</b>	925,406
Transport Allowance	<b>3,251,793</b>	3,156,562
Security Allowance	<b>592,800</b>	499,200
	<b>16,400,969</b>	15,966,281
<u>Benefits</u>		
Gratuity Expense	<b>1,042,525</b>	1,017,885
Leave Pay Expense	<b>2,219,512</b>	2,112,777
NAPSA - Employer Contribution	<b>357,923</b>	381,744
NHIS - Employer Contribution	<b>88,851</b>	85,982
Saturnia - Employer Contribution	<b>494,773</b>	475,089
	<b>4,203,584</b>	4,073,476
<u>Other Employee Costs</u>		
Bonuses	-	177,389
Talk-Time Expense	<b>187,898</b>	184,899
Staff Welfare	<b>20,750</b>	10,000
	<b>208,648</b>	372,288
	<b>20,813,202</b>	20,412,045

**FINANCIAL INTELLIGENCE CENTRE***(ESTABLISHED UNDER FINANCIAL INTELLIGENCE ACT NO. 46 OF 2010 (AS AMENDED))***ANNUAL FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****APPENDIX II– RECURRENT COSTS**

<i>Amounts are Stated in Zambian Kwacha</i>	<b>2021</b>	<b>2020</b>
Advertising & Promotions	<b>77,963</b>	94,667
Audit Fees	<b>109,444</b>	85,000
Bank Charges	<b>24,303</b>	20,306
Board Expenses	<b>669,714</b>	799,948
Computer Expenses	<b>12,141</b>	46,579
Conference Facility	<b>534,753</b>	444,423
Consultancy	<b>135,000</b>	-
Electricity and Water	<b>204,700</b>	172,083
Exchange Loss	<b>145</b>	-
Funding for Operations	<b>447,995</b>	1,035,075
Insurance	<b>609,727</b>	711,146
Motor Vehicle Expenses	<b>466,502</b>	316,939
Office Administration	<b>131,538</b>	181,293
Office Refreshments	<b>76,835</b>	61,106
Postage, Telephone & Internet	<b>363,596</b>	356,576
Print & Stationery	<b>150,264</b>	151,015
Rent and Rates	<b>169,196</b>	231,361
Repairs & Maintenance	<b>402,557</b>	326,678
Security Expenses	<b>421,402</b>	506,135
Software Licenses	<b>1,403,368</b>	1,100,074
Staff Training	<b>112,656</b>	93,265
Subsistence Allowance	<b>601,652</b>	427,473
Subscriptions	<b>79,255</b>	76,805
Transport Expenses	<b>740</b>	10,700
Travel - Local	<b>50,400</b>	16,900
Travel - International	-	67,930
Workmen's Compensation Fund	<b>12,153</b>	8,773
	<b>7,268,000</b>	7,342,251