

REPUBLIC OF ZAMBIA

FINANCIAL INTELLIGENCE CENTRE

ESTABLISHED UNDER THE FINANCIAL INTELLIGENCE CENTRE ACT NO. 46 OF 2010

ANNUAL REPORT

FOR THE YEAR 2019

Financial Intelligence Centre

Tel: +260 211 220252

P.O Box 30481

LUSAKA

Web: <http://www.fic.gov.zm>



Table of Contents

1.0	ESTABLISHMENT AND FUNCTIONS OF THE CENTRE	2
2.0	VISION, MISSION AND OBJECTIVES.....	3
3.0	GOVERNANCE	5
4.0	CHAIRPERSON'S STATEMENT	9
5.0	DIRECTOR GENERAL'S STATEMENT	10
6.0	PERFORMANCE REVIEW (2017 – 2019).....	12
7.0	FINANCE AND ADMINISTRATION	17
8.0	CHALLENGES	17
9.0	OUTLOOK 2020	17
10.0	AUDITED 2019 FINANCIAL STATEMENTS	17

Acronyms and Abbreviations

ACC	Anti-Corruption Commission
AG	Auditor General
AGA – AAP	Attorney Generals Alliance – Africa Alliance Partnership
AML	Anti Money Laundering
AMLA	Anti-Money Laundering Authority
BOZ	Bank of Zambia
CFT	Combating the Financing of Terrorism
CTRs	Currency Transaction Reports
CBDR	Cross Border Declaration Reports
DNFBPs	Designated Non-Financial Businesses and Professions
DEC	Drug Enforcement Commission
DG	Director General
DPP	Director of Public Prosecutions
ESAAMLG	Eastern and Southern Africa Anti Money Laundering Group
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FIUs	Financial Intelligence Units
FIs	Financial Institutions
LEAs	Law Enforcement Agencies
ME	Mutual Evaluation
MOU	Memorandum of Understanding
OECD	Organization for Economic Cooperation and Development
PEPs	Politically Exposed Persons
RE	Reporting Entity
RNGO	Registrar of Non-Governmental Organization
SAs	Supervisory Authorities
STR	Suspicious Transaction Report
The Act	Financial Intelligence Centre Act No. 46 of 2010
TF	Terrorist Financing
ZRA	Zambia Revenue Authority

1.0 ESTABLISHMENT AND FUNCTIONS OF THE CENTRE

1.1 ESTABLISHMENT OF THE CENTRE

The Financial Intelligence Centre (“the FIC”) is a body corporate established under the *Financial Intelligence Centre Act No 46 of 2010 (as amended by Act No. 4 of 2016)(The Act)*. It is an independent and autonomous Government institution.

1.2 FUNCTIONS OF THE CENTRE

The functions of the Centre are provided under Section 5 of the Act as:

(1) The Centre is the sole designated national centre authorized to receive, request for, analyse and disseminate suspicious transaction reports, including information from foreign designated authorities, made to the Centre under this Act or any other written law.

(2) Despite the generality of subsection (1), the functions of the Centre are to-

(a) receive, request, analyse and evaluate suspicious transaction reports and information from any other source authorized under any written law to make a suspicious transaction report including a foreign designated authority to determine whether there are reasonable grounds to transmit reports for investigation by law enforcement agencies or foreign designated authorities;

(b) disseminate information to law enforcement where there are reasonable grounds to suspect money laundering or financing of terrorism or proliferation;

(c) provide information relating to suspicious transactions to any foreign designated authority, subject to such conditions as the Director General may determine, in accordance with this Act;

(d) provide information, advice and assistance to law enforcement agencies in furtherance of an investigation;

(e) educate the public and reporting entities of their obligations and inform them of measures to detect, prevent and deter money laundering and financing of terrorism or proliferation;

(f) provide information to investigating authorities, supervisory bodies, law enforcement agencies and any other competent authority to facilitate law enforcement for prevention of money laundering and financing of terrorism or proliferation;

(g) ensure compliance with this Act and regulations, directives, determinations, notices and circulars issued by the Centre or supervisory authorities, and give guidance to reporting entities to combat money laundering or financing of terrorism or proliferation activities;

(h) facilitate effective supervision and enforcement of this Act by supervisory authorities; and

(j) perform such other functions as are necessary to give effect to this Act.

(3) The Centre may, in performing its functions under this Act-

- (a) cooperate and exchange information with, or enter into any agreement or arrangement, in writing with a foreign designated authority to facilitate the discharge or performance of its functions under this Act;
 - (b) conduct inquiries related to suspicious transacting on behalf of foreign designated authorities and notify them of the outcome;
 - (c) access, directly or indirectly, on a timely basis, financial, administrative and law enforcement information required for the better carrying out of its functions under this Act;
 - (d) consult with any relevant person, legal person or legal arrangement for the purpose of exercising its functions and powers under the Act;
 - (e) request information and statistics from a supervisory authority, law enforcement agency, public body, regulatory agency, person or legal arrangement for purposes of this Act or any other law, where the information is required for the discharge of its functions under this Act or for purposes of the Act;
 - (f) request a law enforcement agency or competent authority to report progress and outcomes on matters referred to it by the Centre;
 - (g) in consultation with a supervisory authority, where applicable, cause an inspection to be made by an officer authorised by the Director General in writing;
 - (h) provide a law enforcement agency or supervisory authority with information derived from an inspection carried out pursuant to paragraph (g), if there are reasonable grounds to suspect that a transaction involves money laundering, financing of terrorism or proliferation or any other serious offence; and
 - (i) supervise and enforce compliance with this Act or any directive made in terms of this Act by reporting entities that-
 - (i) are not regulated or supervised by a supervisory authority in terms of this Act or any other law; or
 - (ii) are regulated or supervised by a supervisory authority in terms of this Act or any other law, if that supervisory authority fails or neglects to enforce compliance
- (4) An officer authorized to conduct an inspection under paragraph (g) of subsection (3) may exercise the powers of an inspector provided for under section *eleven B*.

2.0 VISION, MISSION AND OBJECTIVES

During the period under review, the Centre developed the strategic plan for the period 2020-2022 whose focus is to enhance collaboration and cooperation with law enforcement agencies.

VISION STATEMENT

"A Zambia with a stable financial system free from financial crimes"

MISSION STATEMENT

"A sole statutory agency dedicated to providing timely, high quality, impartial and actionable financial intelligence to law enforcement agencies and foreign designated authorities in order to eliminate financial crimes in Zambia"

During the period 2017 to 2019 there was an increase in the number of STRs received and reports disseminated to Law Enforcement Agencies by the Centre. This can be attributed to the increased awareness activities with both financial institutions and DNFBPs. In addition, the Centre attained Egmont membership and was rated 'Compliant' in the Mutual Evaluation for Zambia, demonstrating an increase in operational compliance with international AML/CFT standards.



STRATEGIC OBJECTIVES	PERFORMANCE
Focus resources on high risk sectors to increase compliance by 10% by 2019	This strategic objective was met to a considerable extent. The focus of awareness over the period 2017 to 2019 was DNFBPs whose ML risk was assessed as high. During this period, over 50% of resources allocated to awareness raising were focused on the high risk sectors. As a result a substantial number of DNFBPs in the strategic period established AML/CFT compliance programs. It should be noted that determination of compliance by reporting entities can only be accurately captured once comprehensive inspections are conducted in each sector.
10% increase in the number of quality intelligence reports disseminated to LEAs by 2019	This strategic objective was substantially met. The number of reports disseminated to LEAs during the strategic planning period increased by 9% (498 during the period 2014 to 2016; 549 during the period 2017 to 2019).
To increase the culture of compliance in the operations of the Centre by 2019	This objective was significantly met. During the strategic period, the FIC operations were compliant with domestic and international requirements. This was demonstrated by the admission of the FIC to Egmont and the 'Compliant' rating of Recommendation 29 on the operations of a FIU in the 2019 Mutual Evaluation Report.
To Increase effectiveness and efficiency in the FIC operations by 2019	This strategic objective was partially met. During the strategic period, the number of staff in the Centre increased from 20 to 27. This resulted in an increase in awareness programs conducted and intelligence reports disseminated. The Centre also

	automated a number of its processes. The budget for the Centre during the period remained constant.
To increase the capacity of Financial Institutions and Designated Non-Financial Businesses and Professions to detect and prevent ML/TF and other financial crimes by 10% by 2019	This objective was substantially met. In the strategic period, the FIC carried out awareness to all Financial Institutions and DNFBPs which increased the knowledge of the reporting entities in detection and prevention of ML/TF and other financial crimes. During the strategic plan period the number of STRs reported to the Centre increased by 21% (1915 in the period 2014 to 2016; 2441 in the period 2017 to 2019).
<p style="text-align: center;">CORE VALUES</p> <p style="text-align: center;">“I THE CIA”</p> <p>Integrity, Transparency, Honesty, Excellence, Confidentiality, Impartiality, Accountability,</p>	

3.0 GOVERNANCE

The operations of the Centre are governed by a Board of Directors appointed by the President of the Republic of Zambia in accordance with FIC Act No. 46 of 2010 (as amended). In September 2019, the board having completed its three year tenure were retired and a new board appointed. During the year under review, the Board of the Centre comprised the following:

3.1 BOARD MEMBERS - JANUARY TO SEPTEMBER 2019

 <p>John M. Kasanga <i>Acting Board Chairperson</i> <i>January 2016 - September 2019</i></p> <p>Mr. Kasanga has over 30 years of consulting work related to agriculture and private sector development, project evaluation and institutional capacity building. He is currently the Management Consultant for Independent Management Consulting Services Limited (IMCS). He is a member of a number of professional bodies and associations which include:</p> <ul style="list-style-type: none"> • Zambia Association of Arbitrators, and Chartered Institute of Arbitrators - UK • Economics Association of Zambia • Lusaka Chamber of Commerce and Industry • Institute of Directors of Zambia <p>He also serves as Board Member on a number of other companies and organizations.</p>	 <p>Samuel Mulafulafu <i>Board Member</i> <i>January 2016 - September 2019</i></p> <p>Samuel Mulafulafu has a wealth of over 25 years of experience in programming & planning; institutional development and governance. He is the former Executive Director of Caritas Zambia. He also served Board Member of other organizations such as, the Inaugural Legal Aid Board, Zambia Electoral Reform Technical Committee, Electoral Commission of Zambia, National Conflict Management Committee.</p>
---	--



Daniel M. Katongo
*Chairman – Audit & Risk
 Committee*
January 2016 - September 2019

Currently the Managing Consultant and Partner Reeds Business Solutions. Mr Katongo comes in with over 15 years of audit, risk management, internal and external audit, corporate services, taxation and consulting and . He is a member of the following professional bodies and associations:

- Zambia Property Owners Association (ZPOA)
- British Chamber of Commerce (BCC)
- Zambia Institute of Directors

Mr. Katongo sits on several other Boards of Directors.



Rhoda M. Banda
*Chairperson – Finance &
 Administration*
January 2016 - September 2019

She is the Managing Partner at RM Mwiinga and Associates. Mrs M Banda has over 30 years' experience in Audit and assurance, Accounting systems development, Technical advice on compliance to government instruments, Restructuring accounting systems and organizational structure for Civil Society organizations, Forensic audit, taxation advisor on individual and corporate taxes.

She also serves on the following Boards:

- Premium Medical Services Limited/chairperson audit and finance committee
- Zambia State General Insurance Limited- Audit committee member.

3.2 BOARD MEMBERS – SEPTEMBER TO DECEMBER 2019



Irene LombeChibesakunda
FCCA, FZICA
Board Chairperson
Appointed –October 2019

Ms. Chibesakunda has served in both the Public and Private sector at Senior Management level for over 20 years. The areas of service have been diverse, spanning private sector Auditing, Banking and the Energy sector as well as public service having served as a Commissioner at the Zambia Revenue Authority and as a Deputy Accountant General seconded as IFMIS Project Manager. Sha has also served on both national and international Boards as a Director. The Boards on which she has served include ZCCM – IH; World Vision, IFAC-PAODC; ZANACO Pension Trust Fund; Copperbelt Energy Corporation.



Regina KasondeMulenga
Vice Board Chairperson
Appointed – September 2019

She has over 15 years of experience at senior management level in parastatals, quasi government organizations, private sector, Government and international organizations. She worked as Director for PEMFA Secretariat under the Ministry of Finance; Director programming, Budgeting, Finance and Accounting for African Union (AU) in Ethiopia; Deputy Accountant General (Financial Reporting and Information) under Ministry of Finance and National Planning; Group Finance Manager, Dana Holdings Limited; Chief Accountant for Zambia Privatisation Agency; Finance Manager for Zambia Cold Storage Corporation; Management Accountant for Premium Oil Industries; Senior Accountant for Ministry of Community, Development and Social Welfare; Accountant for Ministry of Commerce, Trade and Industry; Accountant for Metal Fabricators of Zambia Limited (ZAMEFA). She has served on a number of boards and committees. She served as Director of the National Council for Construction, member of the ZICA Council, committee member on National Savings and Credit Bank, Chairperson of the PEMFA task force, and currently serving as Director on Africa Pride Insurance Company.



**Judge Prisca
MatimbaNyambe, SC (Rtd)**

*Director Appointed –
September 2019*

Lawyer by profession with over 40 years experience at the Bar. Advocate of High Courts and Supreme Courts of Zambia and Zimbabwe. Vice Chairperson, LAZ. Legal Counsel BOZ ; Consultant to ZPA; Vice Chairperson, ZRA. Member of: -Study Group appointed by the Minister of Finance of the Republic of Zambia to Review and Reform the Financial System. -Parliamentary Fact-Finding Committee of Legal Experts appointed by the Prime Minister of the Republic of Zambia to investigate and report on any Discriminatory Laws against Women in Government and Parastatals. Commissioner – Elections Commission Board Member; ZIMT, CAVMONT BANK & AMREF Health Africa.

Organized and/or attended conferences, workshops, seminars throughout Africa, Europe and the United States on Democracy, Human Rights and International Finance and Trade related issues. Undertook UN Missions: For; UNHCHR to the DRC. ILO; Collaborator Direct Contact Mission to Ethiopia. Human Rights Expert/International Observer/ Coordinator of the UN Mission Malawi/ Referendum on the Future Political System for Malawi, Multi-Party Presidential and Parliamentary Elections; trial of Former President of Malawi, Hastings Kamuzu Banda & two others for human rights violations. Partner; Matimba Chambers. Senior Legal Officer/ General Counsel to the ICTR. Resident Magistrate, Kabwe, Senior Magistrate, Harare and Gweru, Zimbabwe; Judge of the High Court of Zambia and Judge In-charge, Commercial Division; Ad litem Judge ICTY. Currently Judge of the United Nations International Residual Mechanism for Criminal Tribunals-MICT.



Dr. Mike Boniface Goma

*Director
Appointed – September 2019*

Worked as an Accountant General, Ministry of Finance; Director Finance, Ministry of Foreign Affairs; Chief Accountant, Ministry of Health; Principal Accountant, Ministry of Commerce, Trade and Industry; Senior Accountant, Government Store; Accountant, Ministry of Tourism; First Secretary, Zambian Embassy, Yugoslavia; Second Secretary, Zambian Embassy, Russia; Dr Goma had acted as Permanent Secretary in the Ministry of Lands for some time. He is currently working as a lecturer at the University of Zambia, School of Humanities and Social Sciences, Department of Economic. Part-time Senior Lecturer, University of Lusaka, School of Graduate Business.



Pelagia Kanuma Kalunga
Director
Appointed – September 2019

She has over 33 years' experience in Civil Service. She worked as Confidential Executive Assistant in the Civil service; Served under the Ministry of Foreign Affairs as part of the Frontline States Observer Mission in Windhoek, Namibia during that Country's Transition to Independence; Worked as Principal Personal Executive Assistant to the First Republican President, Dr Kenneth Kaunda; Worked as Personal Executive Assistant to the second Republican President, Dr Fredrick J T Chiluba; Chief Executive Officer, Cabinet Office; Zambia High Commission in Pretoria, South Africa; Zambia Permanent Mission, Geneva, Switzerland; Director, Cabinet Office; Director, Public Service Pensions Board. She is currently the Chief Executive Officer of Shorthorn Printers since January, 2019.

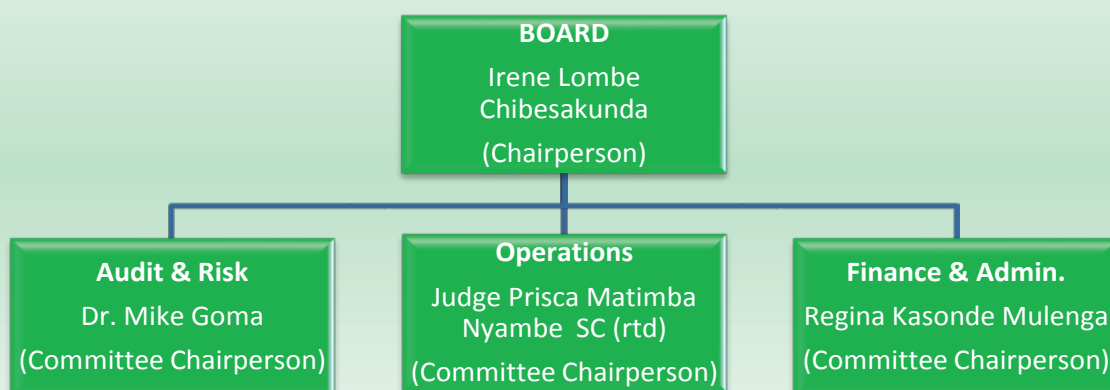


Mary Chirwa
Board Secretary/Director General

She has over 20 years of experience in the Financial Analysis and Investigations and Intelligence Gathering. She further holds an Advanced Certification as a Certified Anti Money Laundering Specialist-Financial Crimes Investigations. Prior to joining the Financial Intelligence Centre she was the Senior Assistant Commissioner and Head of the Anti-Money Laundering investigations Unit (AMLIU) under the Drug Enforcement Commission. At the regional level, she serves as the Chairperson of the Typologies Working Group of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). Ms. Chirwa is a qualified AML/CFT Mutual Evaluation Assessor. She is a fellow of the International Institute of Certified Forensic Investigation Professionals. Ms. Chirwa holds an award in her name for courageous leadership awarded by Nudge Global Impact, a Netherlands based institution.

BOARD COMMITTEES

The Board discharges its mandate through three committees which promotes the overall effectiveness of corporate governance and provides policy direction and oversight to the core functions of the Centre as illustrated below:



3.3 ORGANISATION AND STAFF

The Director General is appointed by the Board subject to the Minister's approval. The Director General takes an oath of affirmation before the Chief Justice on appointment. The Management of the Centre was as follows:

- | | | |
|-------|--------------------|---|
| (i) | Ms. Mary Chirwa | –Director General |
| (ii) | Mr. Clement Kapalu | – Director - Monitoring and Analysis |
| (iii) | Mr. Brian Kauzeni | – Director - Information Communication Technology |
| (iv) | Mrs. Liya B. Tembo | – Director - Legal and Policy |
| (v) | Mr. Victor Zimba | – Director - Finance |
| (vi) | Mr. Diphat Tembo | –Director - Compliance and Prevention |

During the period under consideration, the Centre had twenty seven (27) members of staff out of the approved structure of sixty one (61) staff.

4.0 CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors, I take this opportunity to thank the President of the Republic of Zambia His Excellency Dr Edgar Chagwa Lungu for the opportunity to serve in the building of the Nation of Zambia as the Board of the Financial Intelligence Centre. We also wish to recognize the service of the previous Board whose tenure of service came to an end in September 2019.

The year under review marks the last year of the previous strategic plan 2017 to 2019, whose theme was "Enhancing the Effectiveness of the Centre". To a large extent, this was achieved.

The Centre is now positioned for enhanced collaboration and cooperation with both domestic and foreign entities in the quest to have "A Zambia with a stable financial system, free from financial crimes". As financial crimes are becoming more sophisticated, the Centre will continue to provide the necessary support in combatting these crimes.

As a Board, we are committed to providing Management the governance leadership as mandated by the FIC Act. In this vein, we look forward to the Centre having a fully-fledged Inspectorate Department to enhance its operations. We commend Management for their hard work and commitment.

We thank the Government for their support of the Centre and commit to delivering in accordance with the expectations of the various stakeholders.

The Board and Management now present with the financial statements, the Annual report for the year 2019.



Irene Lombe Chibesakunda (Ms)
Board Chairperson

5.0 DIRECTOR GENERAL'S STATEMENT

During 2019, the Centre continued to execute its mandate despite experiencing many challenges and did not waiver in implementing a robust strategic agenda focused on the prevention and detection of money laundering and countering of the financing of terrorism.

In June 2019, the Mutual Evaluation Report (MER) was successfully released and Zambia was rated to be moderately compliant on the AML/CFT regime. This means that there is need to strengthen the legal framework of some institutions in the country including the FIC in order to be rated highly compliant in the next Mutual Evaluation exercise. To this effect, the FIC Act is undergoing revision to address the concerns identified during the Mutual Evaluation. Further, the process of formulating the national AML/CFT policy has reached an advanced stage. This will strengthen the national AML/CFT regime by giving policy guidance to stakeholders.

In 2019 the Centre successfully coordinated the production of a Typology report on Procurement Corruption in Southern Africa. The report was adopted by the Council of Ministers at the Eastern and Southern Africa Anti - Money Laundering Group (ESAAMLG). In addition the FIC continued to release the ML/TF Trends Report. The report seeks to inform and educate the public on the emerging ML/TF risks, trends and methods.

The Centre disseminated 44 intelligence reports to Law Enforcement Agencies (LEAs) valued at approximately **ZMW 984 Million**. During the period under review the Centre received 748 suspicious transaction reports which were mainly from the banking sector. In addition 149,625 CTRs were received from reporting entities. 121,609 of the reports were attributed to corporates and 28,016 to individuals.

The Centre has continued to collaborate and coordinate with its major stakeholders. One such effort was organizing of the first ever trade based money laundering training organized in conjunction with the Attorney General Alliance of the United States of America. The workshop attracted participant from both public and private sector.

The Centre welcomed a new board of directors and bade farewell to the previous board who had served their term diligently. The new board has been appointed at a time when the Centre is formulating a new strategic plan for the period

2020 - 2022. Management wishes to thank the board for their guidance during the development of the new strategic plan.

2020 OUTLOOK

In line with the theme of the 2020 – 2022 Strategic Plan, the Centre will in 2020 focus on enhancing collaboration and coordination with Law Enforcement Agencies. In addition, the Centre looks forward to the enactment of the amendment to the FIC Act. The new strategic focus and amendments to the FIC Act will assist the Centre attain a higher level of effectiveness.

Finally, I wish to thank the Board of Directors for their valuable and insightful guidance in the year. Bravo to the Centre team for the work done in 2019.

A handwritten signature in dark ink, consisting of a circle with a horizontal line through it and a stylized, cursive-like flourish on the right side.

Mary Chirwa
Director General

6.0 PERFORMANCE REVIEW (2017 – 2019)

6.1 STATISTICS

6.1.1 STRs Received by the Centre

STR	2019	2018	2017
Banks/Non-Banks	747	723	969
DNFBPs	1	1	0

The Centre received seven hundred and forty seven (747) STRs from the Banks and Non- Banking Sectors. There was a 3% increase in the number of STRs received between 2018 and 2019. However, compared to the number of STRs received in 2017, there was a reduction of 23%. The reduction is attributed to a number of factors including specific suspicious activity and subdued economic activity. While the DNFBP sector continues to present a high money laundering/terrorist financing risk, the level of reporting of STRs has been unsatisfactory. During the period under review, the FIC received 1 report from the Casino subsector and 1 from the Accountants/ Auditors subsector. The FIC has prioritised awareness activities in the DNFBP sector to improve compliance. In addition, the Centre has prioritized inspections in the DNFBP sector.

6.1.2 Requests for Information made by the Centre

Year	2019	2018	2017
Local	30	71	55
Foreign	5	7	4

The Centre made thirty (30) requests for information locally, while five (5) requests were made to Foreign Financial Intelligence Units in 2019. The number of requests made in 2017 and 2018 was high due to the increase in the number of STRs received and analysed.

6.1.3 Requests for Information received by the Centre

Year	2019	2018	2017
Local	16	27	8
Foreign	6	0	4

The FIC receives requests for information from Law Enforcement Agencies and other competent authorities. The requests relate to reports disseminated by the FIC or in support of investigations already in progress. Further foreign FIUs also make requests to the FIC for information. The number of requests from foreign entities is expected to increase as a result of Zambia's admission to the Egmont Group.

6.1.4 No. of Reports Disseminated

Below are the statistics on reports disseminated by the Centre from 2017 to 2019:

LAW ENFORCEMENT AGENCY	2019	2018	2017
Zambia Police Service	6	4	2
Anti-Corruption Commission	5	8	397
Zambia Revenue Authority	21	59	422
Drug Enforcement Commission (AMLIU)	8	15	4

Dissemination refers to the delivery of intelligence reports from the FIC to competent authorities. The FIC disseminates intelligence reports to competent authorities after a thorough analysis and reasonable grounds for suspicion have been established.

According to feedback received from law enforcement agencies, some of the disseminated cases have led to investigation, prosecution and conviction of suspects. In addition, tax assessments amounting to K117 million were made by the Zambia Revenue Authority. They were broken down as follows: ZMW 25 million (2017), ZMW 62 million (2018) and ZMW 30 million (2019).

6.2 Money Laundering and Terrorist Financing Trends

The Centre, as part of its mandate develops a trends report on an annual basis. To this effect the Centre released the 2018 Trends Report. The report is meant to create awareness on the trends observed each year related to ML and TF.



Launch of the ML/TF Trends Report

The following trends were observed in the year under review ending December 31, 2019:

- (i) Use of Gatekeepers such as law firms and audit and accounting firms facilitated corrupt acts and money laundering
- (ii) Use of Domestic Financial Institutions for placement of proceeds of crime and their transfer to jurisdictions outside Zambia.
- (iii) Use of Nominees to hide beneficial ownership of corporate vehicles and to own property
- (iv) Laundering of funds through the real estate sector
- (v) The illegal harvest, transportation and export of the rosewood (Mukula)
- (vi) Corruption that bordered specifically on fraud and bribery
- (vii) Corporates using employee accounts and falsification of financial statements to evade tax

The Centre makes recommendations for the improvement of the AML/CFT regime, policy formulation and general effectiveness.

6.3 Mutual Evaluation

In line with the ESAAMLG second (2nd) Round Mutual Evaluation procedures, Zambia was assessed on its AML/CFT regime to determine compliance levels with the international standards. The assessment which was coordinated by the FIC as the National Secretariat of the AML/CFT Task Force of Senior Officials commenced in October 2017. The Mutual Evaluation Report (MER) was approved and adopted by the Council of Ministers in June, 2019. Zambia was rated Compliant with Recommendation twenty nine (29) relating to the operation of Financial Intelligence Units (FIUs). As regards effectiveness assessment, Immediate Outcome 6 (Financial Intelligence), Zambia was rated moderate. The results on the assessment of the FIC's operations are indicative of a fair and relatively effective AML/CFT framework. To this effect, the Report recommended some improvements to the overall AML/CFT framework to make it more effective.

6.4 AGA/FIC Training on Trade Based ML

The Centre has continued to collaborate and coordinate with its major stakeholders. One such effort was organizing of the first ever trade based money laundering training organized in conjunction with the Attorney Generals Alliance of the United States of America. The workshop attracted participants from both private and public sector, among them Law Enforcement Agencies such as the Drug Enforcement Commission, Zambia Police, Anti-Corruption Commission to mention but a few. The training was officially opened by the Attorney General, Mr. Likando Kalaluka SC. The course has since been adopted for instruction by the SADC and UNODC as part of the effort to combating the illicit financial flows.



Participants pose for a photo after the official opening of the workshop on Trade Based Money Laundering. Front row from left to right: Ms Freda Brazle (AGA training coordinator), Mr. Eddie Mwitwa (President – LAZ), Mr Clement Mulenga (ZRA), Ms Rosemary NkondeKhuzwayo (Acting DG – ACC) Markus Green (AGA AAP – Board Member), Ms Mary Chirwa (DG – FIC), Mr LikandoKalaluka SC (Attorney General – Zambia), Dr. Denny Kalyalya (Governor – BOZ), Ms Alita Mbahwe (Commissioner - DEC), John Edozie (AGA AAP) Frank Collins (Attorney at Law), Xavier Cunningham (Assistant US Attorney).

6.5 Strategic Planning

The 3 year strategic plan came to an end in December 2019. The Centre achieved most of the milestones set out in the plan. Among the achievements during the period were:

- i) The admission of the Centre to the Egmont Group
- ii) Introduction of the currency transaction reporting regime
- iii) Coordination of the mutual evaluation process
- iv) Formulation of the Risk Based Supervision Framework
- v) Introduction of AML/CFT inspections
- vi) Coordination of the development of the National AML/CFT policy

During 2019, the Centre developed the 2020 – 2022 Strategic Plan whose theme is “Enhanced Collaboration and Cooperation”.

The following are the objectives of the strategic plan:

- i) To enhance collaboration and cooperation with Law Enforcement Agencies and other stakeholders by 2022;
- ii) To enhance regional and international cooperation and support by 2022;
- iii) To enhance effectiveness and efficiency in the Centre’s operations by 2022;
- iv) To enhance physical and electronic security by 2022;
- v) To focus resources on high risk sectors to increase AML/CFT compliance by 2022.

6.6 Review of the FIC Act

Following the Mutual Evaluation, it was recommended that the FIC Act be amended in order to address deficiencies identified. The following deficiencies were identified:

- i) the customer due diligence requirements are not fully provided for in line with FATF standards;
- ii) the wire transfer requirements are not fully provided for in line with FATF standards; and
- iii) the current administrative sanctions regime is not effective.

The FIC is currently consulting stakeholders on the proposed amendments before the draft is forwarded to the Ministry of Finance. It is expected that the amendments will further strengthen the AML/ CFT regime of Zambia.

6.7 Stakeholder Engagement

The FIC values the contribution that stakeholders and other partners make in the domestic AML/CFT regime. The Centre engaged over 92 entities from the public and private sectors and civil society in the period 2017 to 2019, with a total of 3,399 individuals trained in AML/CFT matters. The Centre further saw an improvement in compliance levels in the Real Estate, Microfinance and Bureaux de Change sectors through the designation of 42 new Compliance Officers. It is our expectation that the Centre will begin to see an increase in the number of STRs reported by these sectors.



Participants at a workshop on 'The Role of the FIC in Combatting Money Laundering and Terrorist Financing in Zambia'.

7.0 FINANCE AND ADMINISTRATION

The Government of the Republic of Zambia has continued to fund the operations of the Centre. During the year 2019 the Government disbursed an amount of K19.6 million (2018: K30.25 million). This is out of a budgeted amount of K31.5 million.

As at the close of the year 2019, the staff complement stood at 27. This is out of an approved establishment of 63. The FIC also facilitated training of staff in courses ranging from digital financial supervision to corporate governance.

8.0 CHALLENGES

During the period under review, the Centre faced operational challenges as outlined below:

- i) Inadequate and unpredictable funding which has hampered some of the activities of the Centre, particularly the operationalisation of an Inspectorate department
- ii) Limited specialised skills in areas such as detecting and analysing TF and proliferation financing;
- iii) Insufficient real time interconnectivity with data bases of some Law Enforcement Agencies and Supervisory Authorities;
- iv) Erratic power supply hampering system operations;
- v) Limited scope of offences to which administrative sanctions may be applied under the Act.

9.0 OUTLOOK 2020

- i) Enhanced cooperation and collaboration with stakeholders
- ii) Implementation of the national AML/CFT policy as it relates to the mandate of the Centre
- iii) Implementation of the 2020 – 2022 strategic plan
- iv) Review of the Financial Intelligence Centre Act.

10.0 AUDITED 2019 FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

FINANCIAL INTELLIGENCE CENTRE
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2019

Prepared in accordance with the Accruals Basis of
Accounting Method under the International Public
Sector Accounting Standards (IPSAS)

FINANCIAL INTELLIGENCE CENTRE
FINANCIAL STATEMENTS
for the year ended 31 December 2019

Centre's Information

Date of operationalization	01 November 2013	
Nature of business	Sole designated government agency established by the Financial Intelligence Centre Act Number: 46 of 2010 (<i>as amended</i>) charged with the responsibility of receiving, requesting, analyzing suspicious transaction reports bordering on suspected money laundering/terrorist financing and other financial crimes and disseminating intelligence report to the relevant law enforcement agencies and other foreign competent authorities.	
Executive Management	Ms. Mary Chirwa Mr. Clement Kapalu Mr. Brian Kauzeni Mrs. Liya B Tembo Mr. Victor Zimba Mr. Diphath Tembo	
Board Members	Ms. Irene Lombe Chibesakunda Mrs. Regina Kasonde Mulenga Judge Prisca Matimba Nyambe SC Dr. Mike Boniface Goma Ms. Pelagia Kanuma Kalunga	Board Chairperson Vice Chairperson Board Member Board Member Board Member
Registered office	Plot No. 50L Kudu Road, Kabulonga P.O Box 30481, Lusaka	
Bankers	Bank of Zambia Zambia National Commercial Bank PLC Investrust Bank PLC	
Auditors	HLB Zambia 2 nd Floor Saturnia House Plot 6392 Dunduza Chisidza Road, Longacres P.O Box 32232, Lusaka	
Lawyers	Corpus Legal Practitioners	
Board Secretary	Ms. Mary Chirwa	



FINANCIAL INTELLIGENCE CENTRE
FINANCIAL STATEMENTS
for the year ended 31 December 2019

CONTENTS	PAGE
Report of the Directors	19 - 22
Statement of responsibility	23
Report of the independent auditors	24 - 26
Statement of income and expenditure	27
Statement of financial position	28
Statement of changes in accumulated funds	29
Statement of cashflows	30
Notes to the financial statements	31 - 45
The following is a supplementary schedule to the financial statements:	
• Detailed Income and Expense schedule	46 - 47

FINANCIAL INTELLIGENCE CENTRE

REPORT OF THE DIRECTORS

for the year ended 31 December 2019

The Directors present their report and the financial statements of the Financial Intelligence Centre for the year ended 31 December 2019.

1. BACKGROUND

The Financial Intelligence Centre is a corporate body established under the *Financial Intelligence Centre Act No 46 of 2010 (As Amended)*. The Centre is charged with the responsibility of receiving, analyzing and disseminating suspicious transaction reports to the relevant law enforcement agencies.

2. FUNCTIONS OF THE CENTRE

The functions of the Centre are to:

- (a) Receive, request and analyze suspicious transaction reports required to be made under this Act or any other written law, including information from any foreign designated authority;
- (b) Analyze and evaluate suspicious transaction reports and information so as to determine whether there is sufficient basis to transmit reports for investigation by the law enforcement agencies or a foreign designated authority;
- (c) Disseminate information to law enforcement agencies, where there are reasonable grounds to suspect money laundering or financing of terrorism;
- (d) Provide information relating to suspicious transactions in accordance with this Act to any foreign designated authority, subject to such conditions as the Director may determine;
- (e) Provide information, advice and assistance to law enforcement agencies in furtherance of an investigation.
- (f) Enter into any agreement or arrangement, in writing, with a foreign designated authority which the board considers necessary or desirable for the discharge or performance of its functions;
- (g) Conduct enquiries on behalf of foreign designated authorities and notify them of the outcome;
- (h) Inform the public and reporting entities of their obligations and measures that have been or might be taken to detect, prevent and deter money laundering and financing of terrorism;
- (i) Access directly or indirectly, on a timely basis financial, administrative or law enforcement information, required for the better carrying out of its functions under this Act;
- (j) Perform such other functions as are necessary to give effect to this Act.

**FINANCIAL INTELLIGENCE CENTRE
REPORT OF THE DIRECTORS** *(continued)*

for the year ended 31 December 2019

3. 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 for in Section 7 of the FIC Act.
- (ii) The Board works through its committees, the Finance & Administration Committee, 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, Vice Chairperson and three other members. A person shall not be qualified to be appointed to the Board unless the person has not less than ten years experience in a field connected with financial analysis, law, accounting, forensic auditing, financial investigation, law enforcement or any other field as the Minister may determine.

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

4. EXECUTIVE MANAGEMENT

Ms. Mary Chirwa	Director General
Mr. Clement Kapalu	Director Monitoring & Analysis
Mr. Brian Kauzeni	Director Information Communication & Technology
Mrs. Liya B Tembo	Director Legal & Policy
Mr. Victor Zimba	Director Finance & Administration
Mr. Diphath Tembo	Director Compliance & Prevention

The Directors were remunerated K10,158,939 during the year.

5. BOARD MEMBERS AND COMMITTEES

The Board Members who held office during the accounting year and up to the date of this report were as follows:

Name	Nationality	Status
Mr. John M Kasanga (acting Chairperson)	Zambian	Retired - September 2019
Mr. Samuel M. Mulafulafu	Zambian	Retired - September 2019
Mrs. Rhodah M. Banda	Zambian	Retired - September 2019
Mr. Daniel M Katongo	Zambian	Retired - September 2019
Ms. Irene Lombe Chibesakunda	Zambian	Appointed - October 2019
Mrs. Regina Kasonde Mulenga	Zambian	Appointed - September 2019
Judge Prisca Matimba Nyambe SC	Zambian	Appointed - September 2019
Dr. Mike Boniface Goma	Zambian	Appointed - September 2019
Ms. Pelagia Kanuma Kalunga	Zambian	Appointed - September 2019

The Board were remunerated K894,187.

**FINANCIAL INTELLIGENCE CENTRE
REPORT OF THE DIRECTORS** *(continued)*

for the year ended 31 December 2019

5. BOARD MEMBERS AND COMMITTEES *(continued)*

The following members served on the Board Committees;

a. The Finance and Administration Committee

Ms. Regina K. Mulenga - Chairperson
Ms. Pelagia K. Kalunga - Member

Mr. Maxwell Saya - Member

Ms. Mary Chirwa - Board Secretary/Director General

b. The Audit and Risk Committee

Dr. Mike B. Goma - Chairperson
Ms. Pelagia K. Kalunga - Member

Mr. Gabriel Banda - Member

Ms. Mary Chirwa - Board Secretary/Director General

c. The Operations Committee

Judge Prisca M. Nyambe SC - Chairperson
Ms. Regina K. Mulenga - Member

Dr. Mike B. Goma - Member

Ms. Mary Chirwa - Board Secretary/Director General

6. FINANCIAL RESULTS

2019

2018

K

K

The results for the year were:

Total income

26,556,446

31,528,031

Deficit for the year

(4,222,842)

(98,837)

7. PROPERTY, PLANT AND EQUIPMENT

During the year the Centre acquired property and equipment valued at **K869,198** (2018: K144,709). There were no disposals during the year (2018: K3,097,129).

8. NUMBER OF EMPLOYEES

The average number of employees during the year was **27** (2018: 27) and their gross remuneration was **K20,507,611** (2018: K18,993,068).

9. HEALTH AND SAFETY OF EMPLOYEES

The Directors are aware of their responsibilities towards the health and safety of employees and have, accordingly, put appropriate measures in place to safeguard the health and safety of employees.

10. GIFTS AND DONATIONS

The Centre did not make any donations during the year (2018: Nil).

11. CHANGE IN ACCOUNTING FRAMEWORK

During the year, the Directors opted to change the accounting framework from International Financial Reporting Standards (IFRS) to International Public Sector Accounting Standards (IPSAS) in accordance with the directive from the Ministry of Finance. The directors have opted for early adoption of IPSAS as the effective date of adoption for Government Ministries, Provinces and Spending Agencies for financial statements is for periods ending on or after 31 December, 2022.

The change has had no significant effect on the financial statements as the Centre was already using the accruals concept. However, because of the IPSAS adoption, inventory has been introduced and the capital grants have been recognised as revenue.

FINANCIAL INTELLIGENCE CENTRE
REPORT OF THE DIRECTORS *(continued)*
for the year ended 31 December 2019

12. CORPORATE GOVERNANCE

The Directors are committed to high standards of corporate governance which is fundamental to discharging their leadership responsibilities. The Board applies integrity, principles of good governance and accountability throughout its activities.

13. AUDITORS

HLB has audited three (3) FYs starting FY2017. The audit services FY2020 will be procured with the provisions of the Public Financial Management Act No. 2 of 2018, the Public Audit Act No. 29 of 2016, the Public Procurement Act No. 12 of 2008 and the Public Procurement Regulation of 2011.

By order of the board,



BOARD SECRETARY

FINANCIAL INTELLIGENCE CENTRE

STATEMENT OF RESPONSIBILITY

for the year ended 31 December 2019

In accordance with the Financial Intelligence Centre Act the Directors are required to prepare financial statements for each financial year that give a true and fair view of the state of the Financial Intelligence Centre ("the Centre") and of the surplus or deficit for that year. In preparing those financial statements, the Directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed the applicable accounting standards. The Directors are responsible for ensuring that the Centre keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Centre. The Directors are also responsible for safeguarding the assets of the Centre and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the Financial Intelligence Centre are of the opinion that:

- a) the statement of financial position is drawn up so as to give a true and fair view of the state of the affairs of the Centre as at 31 December 2019; and
- b) the statement of financial performance is drawn up so as to give a true and fair view of the deficit of the Centre for the year ended 31 December 2019;
- c) there are reasonable grounds to believe that the Centre will be able to pay its debts as and when they fall due.
- d) the financial statements have been prepared in accordance with the International Public Sector Accounting Standards and the requirements of the Financial Intelligence Centre Act of 2010 (as amended).

The Directors are also responsible for the Centre's system of internal financial control. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on a going concern basis, since the Directors have every reason to believe that the Centre has adequate resources in place to continue in operation for the foreseeable future.

The financial statements which appear on pages 19 to 45 were approved by the Board of Directors on 13 March 2020.



Ms. Irene Lombe Chibesakunda
Board Chairperson



Ms. Mary Chirwa
Board Secretary/ Director General



REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF THE FINANCIAL INTELLIGENCE CENTRE

Opinion

We have audited the financial statements of **Financial Intelligence Centre**, which comprise the statement of financial position as at 31 December 2019, and the statement of financial performance, statement of changes in accumulated funds and the 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 Accounting Standards Board (IASB).

In our opinion, the financial statements give a true and fair view of the financial position of the **Financial Intelligence Centre** as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and in the manner required by the Financial Intelligence Centre Act No. 46 of 2010 (*as amended*).

Basis of 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 Centre in accordance with the International Ethics Standards Board for Accountants' code of ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), and for such internal controls as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Centre or to cease operations, or have no realistic alternative but to do so.

Directors are responsible for overseeing the Centre's financial reporting process.

THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

2nd Floor Saturnia House, Plot 6392 Dunduza Chisidza Crescent, Longacres, Lusaka, Zambia.

☎ Telephone: +260 211 294441. 📞 Mobile: +260 978 980558 ✉ E-mail: shuko@accamail.com shuko@hbl.co.zm Website: <http://www.hlb.com>
HLB Zambia is an independent member of HLB International the global advisory and accounting network.



Auditors responsibilities for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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.

Overview of the scope of the audit

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements, 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 controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal accounting controls.
- Evaluate the completeness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal accounting controls that we identify during our audit.



We also provide Directors with a statement that we have complied with the 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 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*).

In our opinion, the Centre has maintained proper accounting records, other records and registers as required by the Financial Intelligence Centre Act No. 46 of 2010 (*as amended*), so far as it appears from our examination of these records.

HLB Zambia
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Jonathan Mwale'.

Jonathan Mwale, FZICA
Partner
AUD/F 000808



FINANCIAL INTELLIGENCE CENTRE
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 December 2019

	NOTES	2019 K	As restated 2018 K
REVENUE - NON EXCHANGE TRANSACTIONS			
Government grant	3	26,556,446	31,528,031
Other income	Sch I	144,388	33,145
		<u>26,700,834</u>	<u>31,561,176</u>
EXPENDITURE			
Depreciation and amortization	6,7	984,737	1,700,446
Employee benefits expenses	Sch I	20,507,611	17,993,068
Re-current Expenditure	Sch I	9,431,328	11,966,499
		<u>30,923,676</u>	<u>31,660,013</u>
DEFICIT OF INCOME OVER EXPENDITURE		(4,222,842)	(98,837)
OTHER COMPREHENSIVE INCOME			
Other comprehensive gain		-	1,069,312
TOTAL COMPREHENSIVE (DEFICIT)/INCOME FOR THE YEAR		<u>(4,222,842)</u>	<u>970,475</u>

**FINANCIAL INTELLIGENCE CENTRE
STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019

	NOTES	2019 K	As restated 2018 K
ASSETS			
Non - current assets			
Property, plant and equipment	4	5,843,604	5,582,376
Intangible Assets	5	418,507	795,273
		<u>6,262,111</u>	<u>6,377,649</u>
Current assets			
Inventory	6	86,669	50,468
Short term investments	12	-	1,500,000
Accounts Receivables	7	7,712,954	1,224,387
Cash and Cash Equivalents	8	2,764,414	6,122,263
		<u>10,564,037</u>	<u>8,897,118</u>
Total assets		<u><u>16,826,148</u></u>	<u><u>15,274,767</u></u>
ACCUMULATED FUNDS AND LIABILITIES			
Accumulated Funds		<u>7,704,823</u>	<u>11,927,665</u>
Non current liabilities			
Deferred grant income	11	<u>61,693</u>	<u>69,188</u>
Current liabilities			
Payables, Accruals & Provisions	9	7,202,813	867,094
Employee Benefits accruals	10	<u>1,856,819</u>	<u>2,410,820</u>
		<u>9,059,632</u>	<u>3,277,914</u>
Total funds and liabilities		<u><u>16,826,148</u></u>	<u><u>15,274,767</u></u>

The financial statements on pages 19 to 45 were approved by the Board of Directors on 13 March 2020 and were signed on its behalf by:



Ms. Irene Lombe Chibesakunda
Board Chairperson



Ms. Mary Chirwa
Board Secretary / Director General

FINANCIAL INTELLIGENCE CENTRE
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
for the year ended 31 December 2019

	Accumulated funds K
At 1 January 2018	10,957,190
Deficit for the year	(98,837)
Total comprehensive income	<u>1,069,312</u>
At 31 December 2018 (as restated)	11,927,665
Total comprehensive income	<u>(4,222,842)</u>
At 31 December 2019	<u><u>7,704,823</u></u>

FINANCIAL INTELLIGENCE CENTRE
STATEMENT OF CASHFLOWS
for the year ended 31 December 2019

	NOTES	2019 K	As restated 2018 K
Cash Inflow From Operating Activities:			
Operating Result		(4,222,842)	(98,837)
Depreciation and Amortization	4,5	984,737	1,700,446
Deferred Revenue Grant Amortization	11	(119,195)	(315,627)
Capital Grant Amortization		-	(962,404)
Net loss/(Profit) on Disposal	Sch I	-	721,805
Other comprehensive income		-	1,069,312
<i>Working capital adjustments:</i>			
Increase in accounts receivable	7	(6,488,567)	(502,886)
Increase in inventory	6	(36,201)	
Increase in payables, provisions & accruals	9	6,335,719	84,213
(Decrease)/Increase in Employee Benefits	10	(554,001)	295,001
Net cash used in operating activities		(4,100,350)	1,991,023
Investing activities:			
Payments to acquire tangible fixed assets	4	(869,199)	(144,709)
Proceeds from disposal of property and equipment		-	655,847
Payments to acquire intangible fixed assets	6	-	-
Proceeds/(Payments) from/for investments		1,500,000	(1,500,000)
Cash outflow from investing activities		630,801	(988,862)
Financing activities:			
Revenue Grants Received	11	111,700	200,000
Cash inflow from financing activities		111,700	200,000
Net increase / (decrease) in cash and cash equivalents		(3,357,849)	1,202,161
Cash and cash equivalents at the beginning of the year		6,122,263	4,920,102
Cash and cash equivalents at the end of the year		2,764,414	6,122,263
Cash and cash equivalents consist of:			
Cash and bank balances	9	2,764,414	6,122,263

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

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 on the Centre information sheet of the financial statements.

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 (K). The accounting policies have been consistently applied to all the years presented. This implies that the prior year has been restated where necessary as it was previously presented under the International Financial Reporting Standards (IFRS).

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions - IPSAS 23

Grants, Fees and fines

The Centre recognizes revenues from grants, fees and fines when the event occurs and the asset/revenue recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Centre and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) 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.

ii) Revenue from exchange transactions - IPSAS 9

Rendering of services

The Centre recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 December 2019

ii) Revenue from exchange transactions - IPSAS 9 *(continued)*

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of 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.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) **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.

c) **Investment property - IPSAS 16**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 50-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 December 2019

d) Property, plant and equipment - IPSAS 17

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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Leases - IPSAS 13

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Centre. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Centre also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Centre will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Centre. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets - IPSAS 31

Intangible assets acquired separately are initially recognized 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. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

The Centre expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Centre can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 December 2019

f) Intangible assets - IPSAS 31 *(continued)*

i) Research and development costs *(continued)*

- How the asset will generate future economic benefits or service potential;
- The availability of resources to complete the asset. The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) Financial instruments - IPSAS 29

Financial assets

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.

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 recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Centre has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are 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. The losses arising from impairment are recognized in surplus or deficit.

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:

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 December 2019

g) Financial instruments - IPSAS 29 *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

The debtors or a entity of debtors are experiencing significant financial difficulty;

Default or delinquency in interest or principal payments;

The probability that debtors will enter bankruptcy or other financial reorganization;

Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

ii) Financial liabilities

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 recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Borrowing

After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. 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.

h) 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.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Centre.

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
for the year ended 31 December 2019

i) Provisions - IPSAS 19

Provisions are recognized 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 recognized 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.

Contingent liabilities

The Centre does not recognize 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 assets

The Centre does not recognize 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 recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

The Centre creates and maintains reserves in terms of specific requirements. The Centre only maintains accumulated funds as its reserves.

k) Changes in accounting policies and estimates - IPSAS 3

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

l) 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 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.

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 December 2019

l) Employee benefits - IPSAS 25
Retirement benefit plans

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) 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 recognized as income or expenses in the period in which they arise.

n) Borrowing costs - IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) 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.

p) Service concession arrangements - IPSAS 32

The Centre analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Centre recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Centre also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 December 2019

q) 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 the Central Bank of Zambia and 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.

r) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

s) Significant judgments and sources of estimation uncertainty - IPSAS 1

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.

State all judgements, estimates and assumptions made: e.g

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.

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:

- The condition of the asset based on the assessment of experts employed by the Centre;
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 December 2019

s) Significant judgments and sources of estimation uncertainty - IPSAS 1

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

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.

t) Subsequent events - IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 31 December 2019.

3. GRANT INCOME

Summary of unconditional grants

Revenue Grants from GRZ	26,437,251	30,250,000
<i>Amortization of grants;</i>		
- Revenue grants [note 12 (ii)a]	119,195	315,627
- deferred revenue grant [note 12 (ii) b]	-	962,404
	<u>26,556,446</u>	<u>31,528,031</u>

Grant income represents funds received from the Government of the Republic of Zambia based on an approved budget.

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 December 2019

4. PROPERTY AND EQUIPMENT

	2019			2018		
	Cost / valuation K	Accumulated depreciation K	Carrying value K	Cost / valuation K	Accumulated depreciation K	Carrying value K
Land & Buildings	5,986,259	(622,643)	5,363,616	5,307,054	(486,967)	4,820,087
Office Equipment	3,678,301	(3,290,305)	387,996	3,488,308	(3,100,340)	387,968
Furniture & Fittings	197,417	(171,414)	26,003	197,417	(163,365)	34,052
Motor vehicles	1,532,179	(1,466,190)	65,989	1,532,179	(1,191,910)	340,269
Total	11,394,156	(5,550,552)	5,843,604	10,524,958	(4,942,582)	5,582,376

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

	Carrying value at beginning of year K	Additions K	Transfers/ Disposals K	Depreciation eliminated on disposal K	Depreciation charge K	Carrying value at end of year K
2019						
<i>Owned assets</i>						
Land & Buildings	4,820,087	679,205	(16,479)	-	(119,197)	5,363,616
Office Equipment	387,968	189,994	-	-	(189,966)	387,996
Furniture & Fittings	34,052	-	16,479	-	(24,528)	26,003
Motor vehicles	340,269	-	-	-	(274,280)	65,989
	5,582,376	869,199	-	-	(607,971)	5,843,604
2018						
<i>Owned assets</i>						
Land & Buildings	4,919,409	-	(42,000)	5,979	(105,301)	4,778,087
Office Equipment	662,184	130,209	(203,686)	124,755	(325,494)	387,968
Furniture & Fittings	168,961	14,500	(271,050)	221,681	(58,040)	76,052
Motor vehicles	2,291,281	-	(2,580,393)	1,367,062	(737,681)	340,269
	8,041,835	144,709	(3,097,129)	1,719,477	(1,226,516)	5,582,376

The Directors consider that the carrying values of the assets are not materially different from their fair values.

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2019

	2019	As restated 2018
	K	K
5. INTANGIBLE ASSETS		
<i>Cost</i>		
At January	5,569,622	5,569,622
Additions during the year	-	-
	<u>5,569,622</u>	<u>5,569,622</u>
<i>Accumulated amortization</i>		
At January	4,774,349	4,300,419
Charge for the year	376,766	473,930
	<u>5,151,115</u>	<u>4,774,349</u>
<i>Carrying amounts</i>	<u>418,507</u>	<u>795,273</u>
The intangible asset relate to the specialized computer software used in the operations of the Centre. The intangible asset is amortised over a four year period.		
6. INVENTORY		
Consumable stores	<u>86,669</u>	<u>50,468</u>
7. ACCOUNTS RECEIVABLES		
Government Grant receivable	Note 9. 6,884,023	-
Staff Related Receivables	530,868	767,372
Prepayments	298,063	434,534
Ministry of Home Affairs	-	22,481
	<u>7,712,954</u>	<u>1,224,387</u>
<i>Government Grant Receivable is further analysed as follows:</i>		
Balance at 1 January	-	-
Approved grant for the year ended	31,506,457	31,500,000
Grants not received but not claimable	(5,069,206)	(1,250,000)
Grants received during the year	<u>(19,553,228)</u>	<u>(30,250,000)</u>
Balance as at 31 December	Note 9. <u>6,884,023</u>	<u>-</u>
The Directors consider that the carrying values of the accounts receivable are not materially different from their fair values.		
8. BANK AND CASH EQUIVALENTS		
Cash at bank	2,762,051	6,115,721
Cash on hand	<u>2,363</u>	<u>6,542</u>
	<u>2,764,414</u>	<u>6,122,263</u>

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2019

	2019 K	As restated 2018 K
9. PAYABLES, ACCRUALS & PROVISIONS		
Employee related liabilities - PAYE	6,884,023	487,358
Sundry payables	218,790	287,336
Auditors remuneration	100,000	92,400
	7,202,813	867,094
The Directors consider that the carrying amounts of the accounts payables approximates their fair value.		
The Ministry of Finance in a letter addressed to FIC dated 13 February 2020 with reference number MFB/101/22/46, agreed to offset the PAYE liability of K6,884,023 owed to Zambia Revenue Authority (ZRA) against the GRZ grant receivable amount which is included in the receivables balance. The Ministry of Finance is the Controlling Entity for both FIC and ZRA.		
10. EMPLOYEE BENEFITS		
Employee benefits obligation comprises liabilities in respect of end of contract gratuity and leave pay provisions. The movements on the account during the year were as follows:		
At beginning of the year	2,410,820	2,115,819
Charge for the year	3,141,676	2,213,683
Benefits paid during the year	(3,695,677)	(1,918,682)
At the end of the year	1,856,819	2,410,820
11. DEFERRED GRANT INCOME		
<i>Deferred revenue grant</i>	61,693	69,188
<i>Movements during the year</i>		
At 1 January	69,188	184,815
Received during the year	111,700	200,000
Amortised during the year (Note 3)	(119,195)	(315,627)
Transferred from capital grants	-	-
At 31 December	61,693	69,188
12. SHORT TERM INVESTMENT		
Short term deposit	-	1,500,000

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2019

	2019	As restated 2018
	K	K
13. RELATED PARTY TRANSACTIONS		
The Centre during the year carried out transactions with related parties as detailed below:		
Key management compensation (including directors' remuneration)		
Short term employee benefits	9,209,089	7,621,023
Pension contribution	949,850	755,150
Board fees	894,187	769,262
	11,053,126	9,145,435

14. FINANCIAL INSTRUMENTS

The Centre holds the following financial instruments:

		Assets at FVTOCI	Assets at FVTPL	Derivatives used for hedging	Financial assets at amortised cost	Financial assets at amortised cost
Financial assets	Notes					
2019						
Accounts receivable (excluding prepayments and statutory receivables)	8	-	-	-	7,414,891	795,273
Short term deposit	13	-			-	184,815
Cash and cash equivalents	9	-	-	-	2,764,414	-
		-	-	-	10,179,305	980,088
2018						
Accounts receivable (excluding prepayments and statutory receivables)	8	-	-	-	767,372	767,372
Short term deposit	13	-			1,500,000	1,500,000
Cash and cash equivalents	9	-	-	-	6,122,263	6,122,263
		-	-	-	8,389,635	8,389,635
Financial liabilities	Notes		Derivatives at fair value	Derivatives used for hedging	Financial liabilities at amortised cost	Financial liabilities at amortised cost
2019						
Payable, accruals & provisions	10	-	-	-	6,984,023	6,984,023
Employee benefits accruals	11	-	-	-	1,856,819	1,856,819
			-	-	8,840,842	8,840,842
2018						
Payable, accruals & provisions	10	-	-	-	579,758	579,758
Employee benefits accruals	11	-	-	-	2,410,820	2,410,820
			-	-	2,990,578	2,990,578

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 December 2019

14. FINANCIAL INSTRUMENTS *(continued)*

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Centre has classified its financial instruments into the three levels prescribed under the accounting standards, as explained below:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Fair value hierarchy

as at 31 December 2019				
	Level 1	Level 2	Level 3	Level 3
	K	K	K	K
Financial assets				
Accounts receivable	-	-	7,414,891	2,018
Short term investments	-	-	-	-
Cash and cash equivalents	-	-	2,764,414	-
	-	-	10,179,305	2,018
Financial liabilities				
Payables, accruals & provisions	-	-	6,984,023	1,500,000
Employee benefits accruals	-	-	1,856,819	-
	-	-	8,840,842	1,500,000

Fair value hierarchy

as at 31 December 2018				
	Level 1	Level 2	Level 3	Level 3
	K	K	K	K
Financial assets				
Accounts receivable	-	-	767,372	767,372
Short term investments	-	-	1,500,000	1,500,000
Cash and cash equivalents	-	-	6,122,263	6,122,263
	-	-	8,389,635	8,389,635
Financial liabilities				
Payables, accruals & provisions	-	-	579,758	579,758
Employee benefits accruals	-	-	2,410,820	2,410,820
	-	-	2,990,578	2,990,578

FINANCIAL INTELLIGENCE CENTRE
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 December 2019

14. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management

This note explains the Centre's exposure to financial risks and how these risks could affect the Centre's future financial performance. Below are the risks the Centre is exposed to:

Risk	Risk arising from	Measurement	Management
Foreign currency exchange rate risk	Future commercial transactions, recognized financial assets and liabilities denominated in foreign currency.	Cash flow forecasting & sensitivity analysis	Monitoring of the exchange rates and making payments during periods of a favourable exchange rate.
Interest rate risk	Long term borrowings at variable rates	Sensitivity analysis	None at the moment
Liquidity risk	Borrowings and other liabilities	Rolling cashflow forecasts	Delays in receiving funding from the Government or donors.

The Centre's risk management is carried out by the Finance Department under policies approved by the board of directors. The Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Centre's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital Management

The Centre manages its capital to ensure that the Centre will be able to continue as a going concern while ensuring the objectives of the Centre are achieved.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the financial statements.

15 CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2019 (2018: Nil).

16 CONTINGENT LIABILITIES

There are no other known material contingent liabilities at 31 December 2019 (2018: Nil)

17 EVENTS AFTER REPORTING DATE

There has been no events subsequent to the reporting date that may require disclosure or adjustment to the financial statements.

FINANCIAL INTELLIGENCE CENTRE
DETAILED INCOME AND EXPENDITURE STATEMENT
for the year ended 31 December 2019

	2019 K	As restated 2018 K
SCHEDULE I		
INCOME		
Unconditional grants from GRZ	26,437,251	30,250,000
Amortization of grants:		
- deferred revenue grant	119,195	315,627
- capital grants	-	962,404
	<u>26,556,446</u>	<u>31,528,031</u>
OTHER INCOME		
Exchange gain	10,980	-
Sundry income	133,408	33,145
	<u>144,388</u>	<u>33,145</u>
EMPLOYEE BENEFITS EXPENSES		
Employee salaries and allowances	16,311,538	14,687,185
Gratuity and Leave Pay expense	3,141,676	2,154,369
Employers pension contribution	867,407	855,021
Other staff benefits expenses	186,990	296,493
	<u>20,507,611</u>	<u>17,993,068</u>
DEPRECIATION AND AMORTISATION		
Depreciation charge for the year	607,971	1,226,516
Amortization of the intangible asset	376,766	473,930
	<u>984,737</u>	<u>1,700,446</u>

FINANCIAL INTELLIGENCE CENTRE

DETAILED INCOME AND EXPENDITURE STATEMENT (continued)

for the year ended 31 December 2019

	2019	2,018
	K	K
SCHEDULE I (continued)		
RECURRENT EXPENDITURE		
Funding for operations	1,405,250	1,326,150
Security Expenses	1,014,193	1,017,482
Subscription	1,013,046	1,059,653
Board Fees	922,147	831,202
International Travel	769,956	1,750,848
Insurance	699,251	737,115
In-country Travel	585,800	757,693
Conference/workshop expenses	574,154	1,129,086
Computer Expenses	380,394	331,077
Telephone & Communication	362,870	364,186
Motor Vehicle Expenses	355,199	559,805
Repairs & Maintenance	297,876	181,047
Office Expenses	240,952	249,267
Legal Fees	217,000	23,526
Rent and rates	153,000	153,120
Audit Fees	100,000	92,400
Training	90,879	285,627
Electricity & Water	67,167	72,170
Advertising and publication	66,800	93,880
Stationery & Printing	60,027	145,850
Bad debt	22,481	-
Bank charges	16,118	31,228
Ground Rent	7,638	5,883
Box Rentals	6,500	4,875
Transport Expenses	2,630	11,230
Loss on disposal of fixed assets	-	721,805
Exchange Loss	-	30,294
	<u>9,431,328</u>	<u>11,966,499</u>
Total expenditure	<u>30,923,676</u>	<u>31,660,013</u>
(Deficit)/Surplus of income over expenditure	<u>(4,222,842)</u>	<u>(98,837)</u>
Other comprehensive income		
Other comprehensive income arising as a result of prior year adjustments	<u>-</u>	<u>1,069,312</u>



REPUBLIC OF ZAMBIA