



National Council for Construction



2020 ANNUAL REPORT



VISION

A Robust and Competitive Zambian Construction Industry

MISSION STATEMENT

To regulate, promote and build capacity of the Construction industry for sustainable infrastructure development

CORE VALUES

Integrity

Efficiency

Environmentalism

Professionalism

Inclusiveness

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ABOUT NATIONAL COUNCIL FOR CONSTRUCTION

National Council for Construction was established by the National Council for Construction Act No. 13 of 2003. This act was repealed and replaced with the National Council for Construction Act No. 10 of 2020. The new Act provides for continued existence National Council for Construction and provides for its functions. Among other functions, the act will be used to enhance contractor capacity development, it also continues the existence of the Construction School and renames it as the National Construction School.

The functions of NCC according the NCC Act No. 10 of 2020 are to

- a) regulate and promote the construction industry in the Republic;
- b) advise and make recommendations to the Government on matters affecting or connected with the construction industry, and on the control of construction works and safety in construction;
- c) promote the prioritisation of a Zambian contractor in the procurement of construction works and accessing opportunities in the construction industry in accordance with this Act and any other written law;
- d) assess the performance of registered contractors in the execution of construction works and establish a performance record for registered contractors;
- e) establish minimum standards and best practice assessment schemes for the construction industry;
- f) promote the adoption of internationally recognised environmental management, health and safety standards for the construction industry, approved by an appropriate authority;
- g) promote the development of local contractors, in consultation and collaboration with an appropriate authority;
- h) promote research, development and innovation in the construction industry;
- i) promote the efficient use of resources for infrastructure development and advise the Government on the measures and interventions that need to be put in place and implemented for infrastructure development;
- j) set and implement, safety standards for the construction industry, in collaboration with an appropriate authority;
- k) make available to the public published information relating to the construction industry;
- l) advise and assist the public on matters relating to the construction industry;
- m) promote and maintain competition among contractors, professionals or other persons engaged in the construction industry; Functions of Council National Council for Construction [No. 10 of 2020 1112 No. 10 of 2020] National Council for Construction
- n) promote quality control of construction works, processes and construction materials;
- o) collaborate with the professional bodies and other relevant bodies on matters concerning the development of the construction industry in the Republic;
- p) promote the use of alternative dispute resolution mechanisms for the construction industry; and
- q) provide guidance and advice on construction related matters.

BOARD CHAIRPERSON'S STATEMENT



It is my distinguished Honour to report on the activities of National Council for Construction for the year ended 31st December 2020.

The Year 2020 was a challenging year that saw the advent of the Corona Virus (COVID-19) pandemic, which disrupted normal working activities across the globe. We experienced a partial and sometimes full shutdown of major economic activities around the world, as a way to try and reduce the spread of the virus.

In Zambia, like most African countries we opted for partial shutdown allowing only essential work to continue. Our construction sites were also affected as they were only allowed a maximum of 50 people on site at any given time to undertake works. This coupled with our dependence on importation of construction related materials resulted in an increase in the price of materials.

Despite these challenges NCC continued to discharge its mandate.

NCC continued to strive to ensure that adherence to the highest standard of corporate governance was attained. All scheduled Committee and

Board meetings were held. The NCC Board's term of office came to an end in September 2020, however NCC continued to seek guidance on policy and strategic issues from the Ministry of Housing and Infrastructure Development.

In terms of Corporate Social Responsibility NCC recognized that this was one of the most challenging years and therefore complemented governments efforts with a particular focus on programs aimed at alleviating the effects of COVID-19 on members of the community as well as on contractors in particular. NCC continues to lend a hand wherever possible to ensure effective contribution to improving the lives of the people of Zambia.

The year ended on a high note with the enactment of the National Council for Construction Act No. 10 of 2020 which among other things continues the existence of NCC. This NCC Act was built around the premise of enhancing the

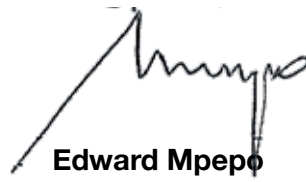
capacity and participation of local contractors in construction sector. Of particular note, the NCC Act has addressed areas which will result in effective regulation of the industry and ensure empowerment of Local contractors, enabling them to bid for tenders with a large scope and value.

In addition to mirroring international construction standards, the New Act has enhanced a number of interventions such as:

- a) Enhancement of Definitions;
- b) Powers of an Inspector;
- c) Joint Ventures with Citizens;

- d) Registration of Manufacturers and Suppliers;
- e) Research and Development;
- f) Subcontracting to small and medium scale registered contractors; and
- g) Revision of Penalties.

I wish to urge NCC Staff to ensure that this act is put to full and good use commencing in 2021. I also wish to thank the previous Board of Directors and NCC Management and Staff for their hard work and wish to urge the staff to continue diligently undertaking their roles in order to ensure that the sector is developing as expected.



Edward Mpepo
Board Chairperson
National Council for Construction

EXECUTIVE DIRECTOR'S STATEMENT



Despite the challenges relating to COVID-19 in 2020, National Council for Construction continued to work towards improving its business operations. COVID-19 disrupted the normal operations of the sector, but as a council we tried to maintain as normal a pace as was possible.

Of particular note NCC facilitated development and partial implementation of its Business Continuity Plan whose aim is to ensure we are ready for any future incidences which threaten to disrupt our normal business operations.

NCC realized growth in contractor registrations. A total of 10,097 contractor registration certificates were issued by 31st December 2020. This is an increase of almost 10% compared to certificates issued during the same period in 2019 where a total of 9,208 were issued. Renewals accounted for 62.4% of total registrations whereas First Registrations accounted for 32.3%. Additionally, 4.9% of total registrations were Upgrade Registrations.

Despite the challenges posed by COVID – 19, The National Construction School provided training to a total of 268 Students, comprising of 111 females and 157 males. The school had a target

to enroll 372 students during the year. The school was shut down from March to October as per directive from Ministries of Health and Education in order to reduce the spread of COVID 19.

Under legal services, they successfully facilitated the process leading to the enactment of the National Council for Construction Act No. 10 of 2020. There were two criminal cases before the Courts of Law to which NCC was an interested party.

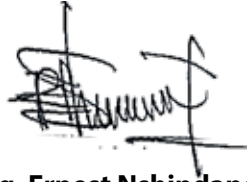
As part of NCC's response to COVID-19 it was realized that there was an urgent need to ensure that the Online Contractor Registration Platform was fully operational. In this regard, the team undertook a review and implemented a number of measures to make it useable. The system remains with integration of the online payment system with the NCC accounting system.

NCC successfully launched the Construction Materials Testing Laboratory for use. Its facilities include testing for concrete, bitumen/asphalt and aggregates. In this regard, a total of 653 tests were conducted. NCC also provided technical support for the construction of the National House of Prayer which is ongoing.

I would like to end by stating that none of these achievements would have been possible without

our staff's hard work and successful adjustment to home-based work during the pandemic. As NCC we continued to deliver on our mandate and addressing urgent requirements of our clients.

I am grateful for the dedication and flexibility shown by staff amid these difficult circumstances. As NCC we remain committed to ensuring the future of the sector and enhancing participation of local contractors.



Eng. Ernest Nshindano
Executive Director

4. STRATEGIC OBJECTIVES

NCC's current Strategic Plan 2019 - 2021 is anchored on the balanced scorecard as its performance metric. The Strategic Plan focuses on implementation via its four strategic themes:

1. Construction industry regulation;
2. Capacity development and improvement of persons in construction;
3. Research and development in construction; and
4. Development and sustainability of NCC.

NCC has undertaken a midterm review on the planned activities and notes that almost all areas are on target or have exceeded their target.

5. CORPORATE GOVERNANCE

National Council for Construction places high importance on corporate governance and is committed to its values of Integrity, Environmentalism, Inclusiveness, Efficiency and professionalism. The ultimate goal is to insure that NCC attains its mandate through continuous improvement to decision making processes and management systems through legal, organization and ethical directives as well as measures to enhance transparency.

5.1 NCC BOARD

NCC did not have an operational Board by the end of 2020. The Board's term of office came to an end in September 2020 and the new boards appointment pended awaiting enactment of the National Council for Construction Bill.

This Board whose term of office ended, comprised 14 members, 13 of whom were non-executive. The experience and diversity of the Board ensured that robust and forthright debate occurred on issues of material importance to NCC.

In the absence of the Board, NCC reported to the Permanent Secretary in the Ministry of Housing and Infrastructure Development for all strategic and policy guidance issues.

During the 2020 Board reign, three full board meetings were held to discuss issues related to policy and strategy. The table below shows the membership and the attendance of Directors at the meetings held.

Attendance of Full Board Meetings for 2020

Name	07.02.20	15.05.20	14.08.20
Mrs. Rosetta Mwape Chabala	√	√	√
Hon. Isaac Banda	√	√	√
Mrs. Lwenje Lungu	√	√	√
Mrs. Mphangela Tembo Nkonge	√	√	√
Eng. Danny Mfune	√	√	√
Bishop Eddie Chomba	√	√	√
Mr. Allen Polito	√	√	√
Mr. Henry Ngulube	√	√	√
Mr. Michael Chileshe	√	√	√
Mr. Edward Mutale Mpepo	√	√	√
Mr. Michael Mulenga	√	√	√
Mr. Musonda Chikwanda	√	√	√
Mr. Josiah Hantebe Simachela	√	√	√
QS. Matthew Ngulube	√	√	√

5.2 COMMITTEES OF THE BOARD

In order to effectively administer its duties, the NCC Board constituted four committees as outlined below. The Board of Directors also integrated specialized expertise in order to help them discharge their duties where necessary.

5.2.1 Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for all issues relating to Audit and Risk Management. This Committee assists the Board in the discharge of its duties relating to its financial reporting and performance, reviewing external audit reports, internal control systems and compliance. The Committee reviews and evaluates the nature, extent and categories of risks facing the Company, probability of risks occurring and mitigating actions and then reports them to the Board. It held three full board meetings in 2020. Members and attendance of the Committee are as listed below:

Name	Position	21.01.20	24.04.20	24.07.20
Mr. Josiah Simachela	Chairperson	√	√	√
Mr. Derek Mboyonga	Member	√	√	√
Mrs. Margret L. Lungu	Member	√	√	√
Mr. Eddie Mwitwa	Member	√	√	√
Q.S. Matthew Ngulube	Member	√	√	√
Ms. Mwenya Kapasa	Management/Secretary	√	√	√
Mr. Kabondo L. √Muntanga	Management	√	√	√

5.2.2 Registration, Regulation and Business Development Committee

The Registration, Regulation and Business Development Committee is responsible for all issues relating to Registration and Regulation of contractors and the business aspect of the construction industry. This Committee held three meetings during the period under review. Members and attendance of the Committee are as listed below:

Name	Position	22.01.20	22.04.20	22.07.20
Hon. Isaac Banda	Chairperson	√	√	√
Mrs. Mphangela Nkonge	Member	√	√	√
Mr. Michael Chileshe	Member	√	√	√
Mr. Josiah Simachela	Member	√	√	√
Mr. Allen Polito	Member	√	√	√
Q.S. Matthew Ngulube	Member	√	√	√
Ms. Mwenya Kapasa	Management/Secretary	√	√	√
Eng. Ernest Nshindano	Management	√	√	√
Mr. Brian Mutale	Management	√	√	√

5.2.3 Education and Training Committee

The Education and Training Committee is responsible for the capacity building programmes for the contractors. It held three meetings in 2020 and membership and attendance of the Committee are as listed below:

Name	Position	23.01.20	23.04.20	23.07.20
Dr. Michael Mulenga	Chairperson	√	√	√
Mr. Edward Mpepo	Member	√	√	√
Mr. Henry Ngulube	Member	√	√	√
Eng. Danny Mfunu	Member	√	√	√
Mr. Chikwanda Musonda	Member	√	√	√
Q.S. Matthew Ngulube	Management	√	√	√
Ms. Mwenya Kapasa	Management/Secretary	√	√	√
Arch. Chance Kaonga	Management	√	√	√
Eng. Titus Chiwembe	Management	√	√	√

5.2.4 Finance and Administration Committee

The Finance and Administration Committee is responsible for all finance and administration related issues. It held three ordinary meetings in 2020. Membership and attendance of the Committee are as listed below:

Name	Position	21.01.20	21.04.20	21.07.20
Mr. Edward Mpepo	Chairperson	√	√	√
Mr. Chikwanda Musonda	Member	√	√	√
Mr. Allen Polito	Member	√	√	√
Hon. Isaac Banda	Member	√	√	√
Mr. Danny Mfunu	Member	√	√	√
PS. Edward Chomba	Member	√	√	√
Mr. Mathew Ngulube	Member	√	√	√
Ms. Mwenya Kapasa	Management/Secretary	√	√	√
Mr. Morgan Chiselebwe	Management	√	√	√

6. REPORT ON 2020 ACTIVITIES

The following section outlines the activities undertaken by the various sections at NCC.

6.1 REGISTRATION AND REGULATION

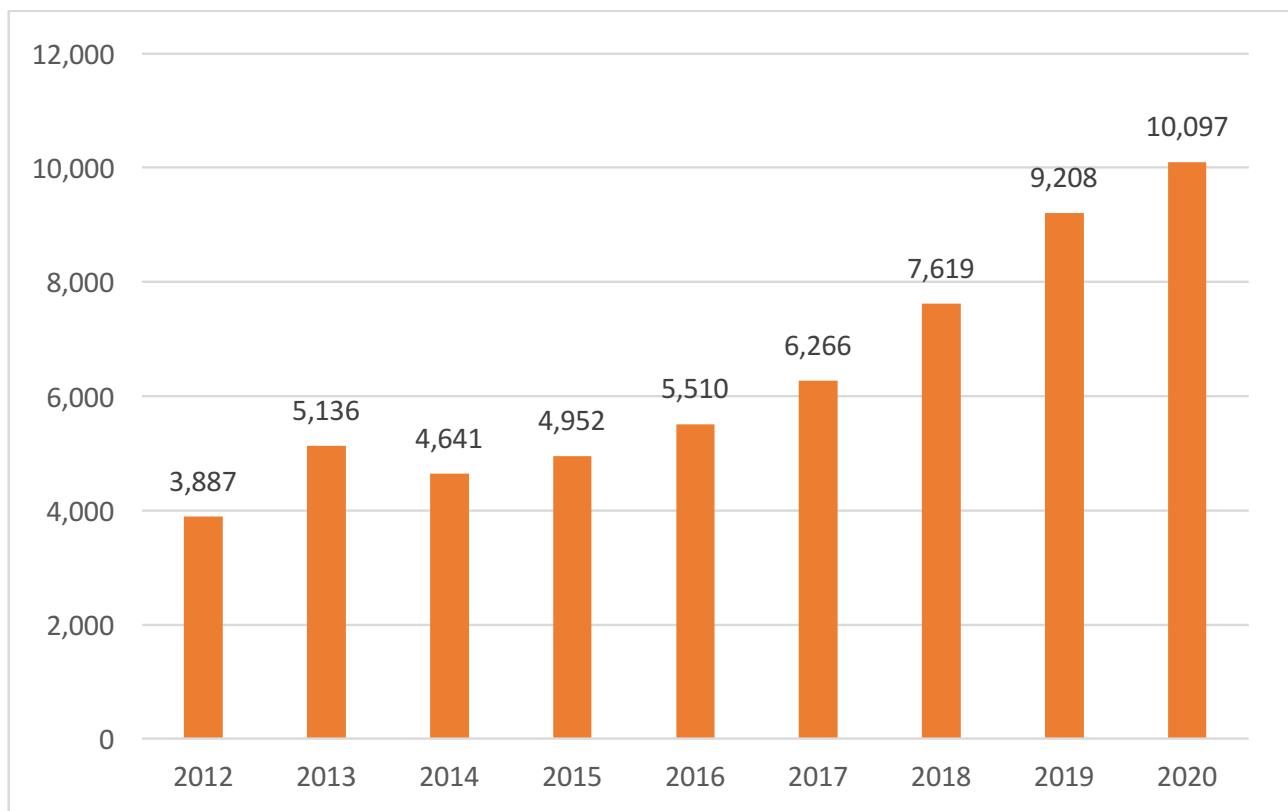
The NCC Registration scheme comprises registration of contractors, projects and manufacturers and suppliers of construction materials. In addition, this department is also responsible for monitoring and collecting data on the performance of the construction industry in Zambia.

6.1.1 Contractor Registration

Registration of contractors is undertaken based on a self-assessment criterion by grade and category. Registration is mandatory for contractors wishing to undertake public construction works. The Registration and Regulation Directorate assessed, evaluated and issued a total of 10,097 certificates by 31st December 2020. This is an increase of almost 10% compared to certificates issued during the same period in 2019 where a total of 9,208 certificates were issued.

The number of registered contractors has been increasing annually as shown in the trend analysis presented in Figure 1.

Figure 1: Contractor Registration Trend Analysis



The steady increase in contractor registrations as shown in Figure 1 may generally be attributed to the robust investment in infrastructure development embarked on by Government in order to boost socio-economic development in the country. NCC has also been vigilant in facilitating increased access to contracts by local contractors.

Table 1 presents a breakdown of contractor certificates issued in 2020 by Grade and Category.

Table 1: Contractor Registration by Grade and Category in 2020

GRADE	18/12/2020 CLASSIFICATION AND CATEGORISATION							
	Z.C.O VS FOREIGN	B	C	E	M	ME	R	TOTALS
1	Z.C.O	29	15	4	4	0	32	84
	FOREIGN	66	47	25	32	5	47	222
2	Z.C.O	36	18	17	6	2	45	124
	FOREIGN	38	13	14	16	2	11	94
3		75	32	21	7	1	114	250
4		303	85	65	21	6	230	710
5		716	247	150	55	22	1024	2,214
6		2287	883	558	422	191	2041	6,382
S-Class								17
TOTALS		3,550	1,340	854	563	229	3,544	10,097

B = General Building and Housing, **C** = General Civil Engineering Works, **E** = General Electrical and Telecommunications, **M** = Mining Services - Construction Works within the Mining Areas, **ME** = Mechanical Engineering Works, **R** = General Roads and Earthworks, **S** = Specialist

Table 1 provides an illustration of registrations by grade and category. Grade Six recorded the highest number of registrations representing **61%** of all registrations issued. In terms of Category the General Building and Housing and the Roads and Earthworks recorded the highest at 35.1% and 35% respectively. These were followed by Civil Engineering, Electrical and Telecommunications, Mechanical Engineering works and Mechanical Engineering which recorded 13%, 8.5%, 2.3% and 0.2% respectively.

Table 2 shows that the highest type of registration was renewal accounting for 62% of all registration certificates issued.

Table 2: Contractor Registration Statistics by Type

Grade	Downgrade	Joint Venture	Upgrade	First Registration	Renewal	Total
1			8	17	279	84
2			21	15	182	124
3		3	71	21	156	250
4	1	1	108	39	549	710
5	1	4	290	564	1353	2214
6				2602	3780	6382
Specialist				17		17
Totals	2	8	498	3,258	6,299	10,097

First registrations accounted for 32% while upgrade accounted for 5%. The remaining was allocated to Downgrades and joint ventures.

It is also noted that from the statistics provided in Table 1 that Zambian construction firms accounted for 97% of all registrations issued while the Foreign registrations accounted for 3% of total registration certificates issued in 2020.

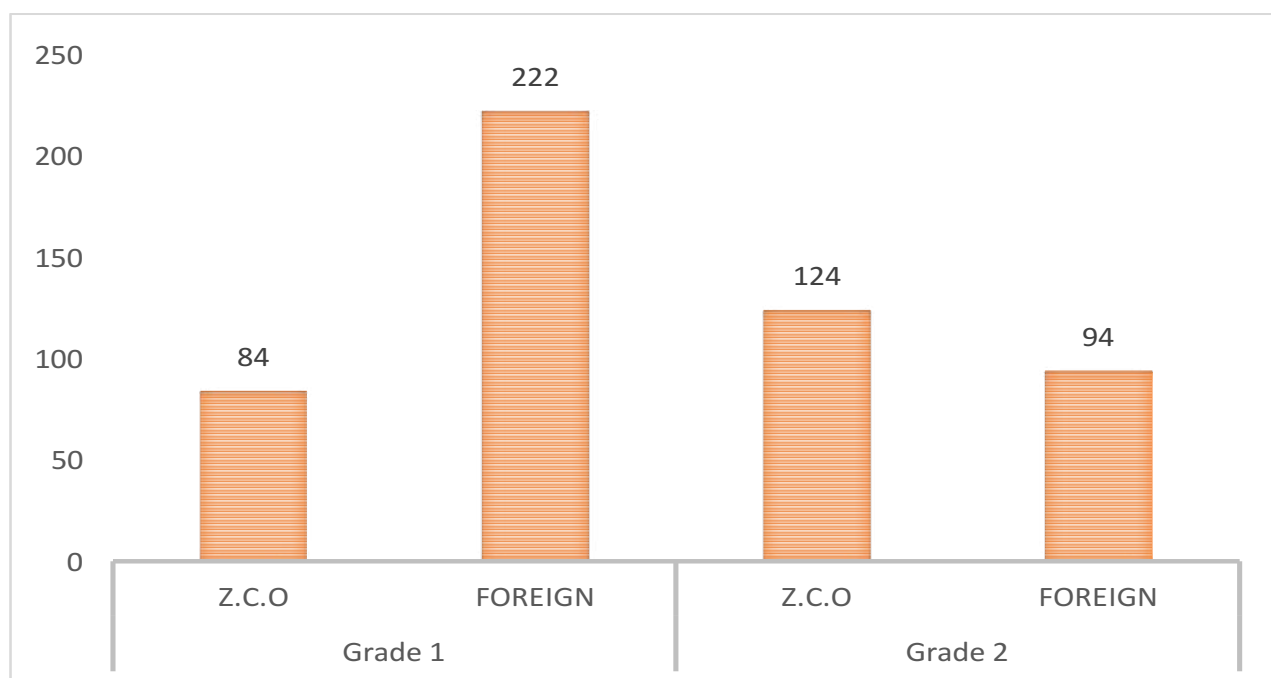
Figure 2: Registration Distribution for Large Scale contractors by ownership

Figure 2 shows that Grade 2 firms make up 41.5% of the large scale contractors while Grade one registrations account for 59.5%. Foreign construction firms are the majority of the large-scale category making up 60% of registration while the Zambian contractors make up 40% of the Large Scale contractors.

6.1.2 Project Registration

Table 3 shows projects that 93 projects were registered in 2020. Registrations were slow due to a general slowdown in economic activities as a result of COVID 19 pandemic. This may also be attributed to NCC not being able to undertake spot inspections to capture projects that need registration.

Table 3: Projects Registered in 2020 by Category

Item	CATEGORY	NO.
1	Building and Housing	73
2	Civil Engineering	11
3	Roads and Earthworks	6
4	Electrical and Telecommunications	3
5	Mechanical Engineering	0
	TOTAL	93

6.1.3 Compliance Monitoring

In order to assess the performance of contractors in the execution of contracts and provide a basis for performance record for contractors, the directorate conducted monitoring of construction activities in selected districts.

Findings from monitoring of projects provide a critical basis for regulating the behavior of contractors thereby promoting minimum standards and best practice in the Zambian Construction Industry. In 2020 NCC only conducted scheduled inspections during the 4th Quarter due to travel restrictions imposed by COVID – 19. This was also done to protect the health and safety of employees and contractors on sites.

Fourth quarter inspections were carried out in all regions. A total of 159 project were inspected compared

to 519 projects in 2019 during the same period.

Table 4: Inspected Projects by in Southern and Copperbelt Provinces

Province	Projects Inspected	Stalled Projects	Contractors Penalized	Contractors Warned
Copper Belt	83	14	1	1
Southern	76	43	1	1
Total	159	57	2	2

Table 4 shows that there were a total of 57 stalled projects of the monitored projects. The reasons provided for the stalled projects mainly related to inadequate financial input by the client.

6.2 CONSTRUCTION SCHOOL

The National Construction School is a grade one TEVET registered Training Institute and conducts short intensive training programs on a yearly basis in line with the NCC Act and Sector needs. The Training programs offered are targeted at contractors, Government institutions and interested persons. These training programs are conducted with the support of Government and cooperating partners.

In 2020, the school was involved in various activities under the following outputs:

6.2.1 Student Enrollments

The School enrolled a total 268 Students comprising of 111 females and 157 males. The school had a target to enroll 372 students. However, the school obtained a performance rate of 72% due to closure of learning institutions as directed by the Ministry of Education in order to reduce the spread of COVID-19. The School was closed from March to October 2020. A total of nine female students withdrew from training due to various personal reasons.

6.2.2 Improve Participation of Women in Construction Courses

It is a well-known fact that the construction sector is male dominated. In this regard the National Construction School had a target of enrolling 70 students in 2020. A total of 111 female students were enrolled. This represented a performance rate of 158.6%. The target was surpassed mainly due to the training consultancy awarded to NCC by the Road Development Agency (RDA) to train Women and Youth under the African Development Bank (AfDB) funded Chinsali to Nakonde Road Rehabilitation Project.

Further, a number of initiatives were instituted solely for the attainment and promotion of women participation in the construction sector. These included:

- Awarding 100% scholarship for three women who could not afford to pay
- Flexibility of entry requirements for women during selection especially those that had challenges in mathematics by administering aptitude tests;
- Encouraging contractors and other bodies such as ZAWIC and NAMSC to recommend women and the youth from their organisations and communities to take up construction courses; and
- Relaxation of payment of course fees i.e. payment in agreed instalments.

6.2.3 Labour Based Technology in Construction

Labor Based Technology (LBT) has become a well-established viable option for building infrastructure. The quality of output produced in rural roadworks and buildings is usually indistinguishable from that produced by the conventional techniques. The costs for the LBT is highly competitive and it creates jobs for the locals. The NCC school conducted training in various labor based courses for Road Construction, Materials Testing, Building Works Supervision and Earth Moving Plant Operation. These courses are meant to bridge the skills gap in local contractors. The School trained a total number of 138 trainees in

LBTs in 2020.

6.2.4 Sustainable Construction

The concepts of green construction technologies were highlighted during course delivery in Road Construction and Maintenance Supervision and Sustainable Building Works courses. Additionally, corporate entities such as Zambia Sugar Plc and Lubambe Copper Mines Limited adopted sustainable road construction techniques on the demonstration portions of roads in Mazabuka (Lubombo) and Chililabombwe respectively. The school provided technical assistance during the execution of the said works.

6.3 FINANCE AND ADMINISTRATION

6.3.1 Accounts

This section is responsible for internal financial control and the completion of financial reports on revenue management, expenditure control, timely payment of service providers, fixed assets, debtors' management and the submission of all financial statutory reports and returns.

6.3.2 Human Resource and Administration

The main activity for the year was supposed to be the engagement of a consultant to undertake organizational structuring. This consultancy is now planned for 2021 as it was meant to align to the NCC Act No. 10 of 2020.

During the period under review, the Unit undertook the following activities:

- i) Staff Complement:** The NCC staff complement stood at 91 against an establishment of 132 as at December 31st 2020. A breakdown of the staff complement is provided in Table 5:

Table 5: Staff Complement by Region and Gender

No.	Region	Male	Female	Total
1	Head Office	45	20	65
2	Central	6	5	11
3	Southern	5	2	7
4	Northern	5	4	9
	Total	61	31	92

- ii) Staff Separations:** One member of Staff separated from NCC. Additionally, NCC lost three members of staff through death.
- iii) Staff Appointments:** 2 officers were appointed to the Finance and Administration Departments during the period under review.
- iv) Staff Promotions:** 2 members of staff were employed
- v) Staff Wellness Activities:** NCC continued to engage with a provider of health and fitness in order to promote a healthy lifestyle for employees. This activity however was discontinued after the onset of COVID-19.
- vi) Internship:** NCC Provided internship to 5 students to help gain experience in registration and regulation, Accounts and in the Construction Materials Testing Laboratory.
- vii) Improved Competency Levels:** The Capacity Building Plan was finalized however could not be implemented in 2020 due to the onset of the COVID -19 Pandemic which resulted in a shutdown of most learning institutions. However, Annual General Meetings and a few CPD Workshops were

undertaken once the COVID-19 protocols were relaxed.

6.3.3 Information Communications Technology

Information Technology is the cornerstone of NCC's business. This year more than ever it was brought to the fore with the onset of COVID – 19 and working from home. The ICT section provided technical support to members of staff and contractors in facilitating online registration.

The section facilitated routine maintenance of all hardware and software at NCC. Additionally, the section facilitated migration of the NCC mail system to Microsoft 365 cloud services, cloud hosting services for the NCC Online registration servers and the redesign of the NCC website.

Areas for improvement were identified as part of the business continuity plan as well as audits performed on IT and related functions. Management is therefore working to address the findings to help make systems more efficient.

6.3.4 Implementing Risk Management and Governance Systems

Enterprise Risk Management in Place: The training of key staff from Southern Regional Office was undertaken. However, the training for staff in the Northern Regional Office and Board of Directors could not proceed due to the outbreak of the COVID -19 Pandemic.

6.4 LEGAL SERVICES

The purpose of the Department is to provide professional Legal advice and services to the National Council for Construction Board and Management. The department ensures that the everyday decision making by Management is in line with the Law. It also drafts and peruses legal documents contracts, agreements and all court related documents. It defends and initiates actions in the Courts of Law on behalf of the Council in all legal matters and ensures the Interests of the Council are safe guarded. The Department is in charge of all Board related matters and provides Secretarial services to the Board. During the period under review the following activities were undertaken:

1. Board and Committee Meetings were held as scheduled;
2. Continued providing legal input to the everyday operations of the Institution;
3. Facilitated the Memorandum of Understanding between NCC and Zambia Institute of Architects which was subsequently approved by the Attorney Generals Chambers and executed by the parties
4. Facilitating for the successful completion of the process leading to the enactment of the NCC Act No 10 of 2020
5. There were 2 Criminal cases before the Courts of Law to which NCC was an interested party, these cases were still ongoing as at 31st December 2020.

6.5 INTERNAL AUDIT

Internal Audit exists as an independent and objective function that renders assurance and consulting services to management and the Board of Directors for the National Council for Construction. To this end, Internal Audit provides them with information on the state of Governance, Risk and Compliance as well as associated recommendations and other information concerning activities undertaken.

During the year 2020, the COVID-19 pandemic triggered a major shift in the NCC risk landscape. While new risks emerged, existing ones were amplified. Internal Audit therefore sought an agile approach to ensure that staff and members of the public were protected against the corona virus and processes suffered minimal and tolerable levels of disruption.

Major risks triggered by the COVID-19 pandemic included significant reduction in revenue, exposure to the corona virus by both our clients and staff, increased cyber threats as well as failure to identify changes in key stakeholder's expectations.

To assist the Board and Management manage these risks, Internal Audit undertook an enterprise-wide risk assessment in order to provide the Board and Management with a clear view of the risk landscape. Internal Audit assessed the adequacy of management's responses and monitoring mechanisms in light of all risks identified.

Internal Audit also played a consulting role in the development of the Business Continuity Plan and the COVID-19 Response Plan that facilitated continuity in service delivery while the institution continued to navigate through the challenging times of the pandemic.

Internal Audit also continued with the implementation of its annual Risk Based Plan albeit cautiously. Key auditable areas included budgetary control and variance analysis, information technology security, procedures and processes and compliance to both new and old regulations or legislation.

During the year under review, Internal Audit continued to engage management on the results and made follow-ups on the implementation of recommendations. Management continued to own and implement audit recommendations.

6.6 BUSINESS DEVELOPMENT

Business development promotes NCC sustainability through evaluating, assessing and developing strategies to support the NCC mandate and reduce dependence on Government funding and registration fees. This is done through fostering business linkages for contractors; facilitating access to resources for Zambian contractors; research and engagement of cooperating partners. This unit is responsible for strategic planning and tracking organizational performance.

6.6.1 Equipment Hire

NCC owns a Motor Grader and a Hydraulic Excavator which is used for training as well as for hire to support the local construction industry. In this regard, the unit had a target for 2020 to raise K400,000 through hiring out the machinery to 12 contractors.

The Unit managed to hire it out to 4 contractors and raised a total revenue of K463,160 thus exceeding the target by K63,160.

The Unit proposes to facilitate purchase of additional equipment and market the tractor towed equipment for hire in order to improve revenue.

6.6.2 Contractor Development Program

The contractor development program is meant to be a deliberate and managed process to achieve targeted developmental outcomes that improves the contractor in their execution of works. The development of the program could not take off due to the effects of COVID-19. For 2020, headways were however made on the concept regarding its purpose, rollout and identified participants.

6.6.3 Enhanced training in LBTs

The unit coordinated the World Bank funded consultancy to mainstream LBT in the Zambian construction industry. Despite the consultant not being physically available to undertake the assignment as planned due to travel restrictions in view of the COVID-19 pandemic, most activities were channeled via video conferencing. By the close of the year the consultant had developed different training modules for site supervisors; Engineers and training modules for degree level as outputs of his engagement.

6.6.4 Coordinated organizational performance

The unit facilitated the Mid Term Evaluation of the NCC 2017 to 2021 Strategic Plan. The review focused on:

- Assessing the effectiveness and efficiency of the coordination and management structures of

- the NCC Strategic Plan
- Assessing the extent to which the plan has been used and accepted as a management tool to achieve the NCC mandate

6.6.5 Business Continuity Plan

The unit coordinated the development of the NCC Business Continuity Plan whose purpose was to formalize Business Continuity Planning and Business Continuity Management at NCC as a strategy to guide continuity of business in times of disruptions.

6.7 CONSTRUCTION MATERIALS TESTING

The following activities were undertaken under the construction materials testing section of NCC:

6.7.1 Local Construction Materials

NCC promotes the use of local construction materials, in this regard, 49 Standards were identified and recommended for adoption to the Standards committee. This process will be concluded during the first quarter of 2021.

6.7.2 Quality Monitoring of Construction Projects

NCC conducts periodic construction quality inspections. In this area eight Inspections were conducted in Lusaka only due to COVID 19 restrictions. Most of these works were done at the House of prayer in Lusaka. Table 6 shows the tests that were conducted in 2020.

Table 6: Tests Conducted in 2020

Type of Test	No. of Tests conducted
Concrete Mix Design	1
Compaction Test	251
Slump test for concrete	324
Maximum Dry Density and Moisture Content	7
Rebound Hammer Test	11
Relative density and Water Absorption	15
California Bearing Ratio (CBR)	4
Particle Size Distribution	12
Plasticity Index (PI)	1
Bitumen Extraction	9
Indirect tensile strength	9
Marshall stability test	9
Total	653

6.7.3 Inter-laboratory comparison tests

In order to enhance the performance of the NCC Construction Materials Testing Laboratory, NCC participated in inter-laboratory comparison testing of materials with Rankin Engineering Consultants,

Road Development agency, Zambia Bureau of Standards and University of Zambia.

6.8 PUBLIC RELATIONS

The Public Relations section engaged with various stakeholders and disseminated information about the roles and various activities about NCC.

6.8.1 Media Engagement

The section issued a number of press statements some of which related to contractors that were blacklisted and sued. NCC also issued updates on contractor registration.

NCC monitored the Times of Zambia and Zambia Daily Mail for stories relating to construction. A total of 360 clippings were captured with the main area of discussion relating to contractor performance. Other discussions captured discussed the effect of the COVID pandemic on the operations of the sector and issues relating to enhanced participation of local contractors. The rest of the topics covered discussed compliance issues related to the quality of projects being executed.

6.8.2 Digital Platforms

NCC facilitated updates on its Website with various communication materials and messages. As a measure to help reduce traffic to the office, the Facebook page was also enhanced. NCC further opened a WhatsApp Business account to help improve information dissemination.

6.8.3 Roadshows, Advertising and Marketing Campaigns

As part of planned awareness activities, NCC facilitated an Open Day at East Park Mall where a desk was set up and information provided to members of the public. A total of 145 people were reached during the two-day exhibition on 11th and 16th March 2020. Most people were interested in getting more information about the courses offered and the contractor registration process.

NCC participated in the Lafarge Day Golf Tournament on 4 September 2020 and at the Golf Day on November 2020 at Bonanza, Lusaka. NCC also placed a Billboard at Chainama Golf Club.

6.8.4 Coordinate and Package Radio and TV Programmes

NCC Commenced the process of engaging with various media houses for the production and airing of radio and TV spot adverts. These were aired on various media and used during programmes NCC Sponsored such as the live broadcast of the launch of the Arcades Fly Over Bridge.

6.8.5 Commemoration of International Days

International Women's Day: NCC participated in the 2021 International Women's day whose theme was "**I am Generation Equality: Realizing Women's Rights**". NCC visited and donated food stuffs and other items to the Kamwala Remand Prison.

Anti-Corruption Day: Was celebrated on 9th December 2020 under the theme "United Against Corruption" There was no national celebration, however, NCC engaged with members of staff on the day to discuss issues relating to graft. NCC also provided campaign shirts and caps to all members of staff for wear on the day.

16 Days of Gender Activism: As a way of reducing vices related to gender based violence, NCC supported the construction of a classroom block with Progressive Care Centre which is based in the Zanimuone area of Lusaka. The centre caters for the education of 350 orphans and vulnerable children in the community. The aim is to improve the lives of the children by ensuring they attain a level of education that will allow them to be independent and less vulnerable to incidences of gender based violence.

Commissioning of the Construction Materials Testing Laboratory: The commissioning the Construction Materials Testing Laboratory was held on Friday 21st February 2020 at the National Council

for Construction Head Office. Construction of the laboratory was undertaken with support from the Improved Rural Connectivity Project under the World Bank. Hon. Vincent Mwale officiated at the event.

6.9 INTEGRITY

During the period under review the following activities were undertaken by the Integrity Committee:

1. NCC participated in number of workshops organized by the Anti-Corruption Commission (ACC) and shared the experiences by NCC in mainstreaming integrity in its operations.
2. During the during the commemoration of the 2020 International Anti-Corruption Day on 9th December 2020 the Integrity Committee members conducted awareness sessions at Head Office and all Regional Offices.







**NATIONAL COUNCIL FOR CONSTRUCTION
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NATIONAL COUNCIL FOR CONSTRUCTION
Report and Financial Statements
For the year ended 31 December 2020

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NATIONAL COUNCIL FOR CONSTRUCTION
 Directors' Report
 For the year ended 31 December 2020

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of the Council.

PRINCIPAL ACTIVITIES

The principal activity of the Council is to promote the development of construction industry by regulating and assessing the performance of contractors and conducting training of persons in the Construction Industry in Zambia.

RESULTS AND DIVIDENDS

	2020 ZMW	2019 ZMW
Income	<u>58,743,660</u>	<u>62,546,351</u>
Expenditure	<u>61,063,575</u>	<u>70,770,178</u>
Deficit for the year	<u>(2,319,915)</u>	<u>(8,223,427)</u>

The deficit of ZMW 2.3 million for the year has been deducted from retained earnings compared to a deficit of (2019: ZMW 8.2 million).

NUMBER OF EMPLOYEES AND REMUNERATION

The total remuneration of employees during the period amounted to ZMW 18.3 Million (2019: ZMW 17.8 Million). The numbers of employees during the period were 94 (2019:96).

The Council recognises its responsibility regarding the occupational health, safety and welfare of its employees and has put in place measures to safeguard them.

GIFTS AND DONATIONS

During the period the council did not make any donations.

PROPERTY AND EQUIPMENT

The Council purchased property and equipment amounting to ZMW 2.8 million (2019: ZMW 494 thousand) during the period. In the opinion of the directors, the carrying value of property and equipment is not less than its recoverable amount.

RESEARCH AND DEVELOPMENT

During the period, the Council did not incur any costs on research and development (2019: ZMW Nil).

DIRECTORS

The Members of the Board, appointed on 26 April 2021 were as follows:

Mr. Edward Mpepo	- Chairperson
Mr. Abel Ngandu	- Vice Chairperson
Dr. Janice Sakwanda	- Member
Ms. Phyllis Kasonkomona	- Member
Mr. Rapheal Ngulube	- Member
Mrs. Ngoza Munthali	- Member
Mr. Eddie Kwesa	- Member
Mr. Keith K. Mateyo	- Member

Senior Management

QS. Matthew Ngulube	Executive Director
Morgan Chiselebwe	Director Finance and Administration
Chance Kaonga	Principal Construction School
Ernest Nshindano	Director Registration and Regulation
Mwenya Kapasa	Legal Counsel

AUDITORS

The auditors, Mark Daniels, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the next annual general meeting.

By order of the Board



Council Secretary
Lusaka

31st August 2021

NATIONAL COUNCIL FOR CONSTRUCTION
Statement of directors' responsibilities
For the year ended 31 December 2020

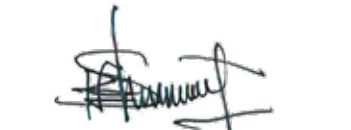
The Zambia Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Council as at the end of the financial year and of its statement of comprehensive income. It also requires the Directors to ensure that the Council keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Council. The Directors are also responsible for safeguarding the assets of the Council.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Zambia Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Council and of its profit in accordance with International Financial Reporting Standards. The Directors are also responsible for such internal control, as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Nothing has come to the attention of the Directors to indicate that the Council will not remain a going concern for at least twelve months from the date of the statement of financial position.



Mr. Edward Mpepo
Council Chairperson



Ernest Nshindano
Acting Executive Director

31/08/ 2021

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF NATIONAL COUNCIL FOR CONSTRUCTION

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of National Council for Construction, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the financial statements give a true and fair view of the financial position of National Council for Construction as at 31 December 2020 and of its financial performance and cash flows for the year ended and have been properly prepared in accordance with the International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 4 in the financial statements which indicated that the company's current liabilities exceeded its current assets by ZMW 14.4 million. As stated in the note, these events or conditions along with other matters, indicated that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of significance in our audit of the financial statements for the current. These matters were addressed in the context of our of the financials as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters described in the Material uncertainty related to Going Concern.

Key Audit Matter	How our audit addressed the key matters
GRATUITY	
The Council, during the year under review paid gratuity to employees amounting to ZMW 5,193,916. This is contrary to the deed of agreement with ZSIC Ltd.	<p>We reviewed the deed of agreement with ZSIC Life Limited that stipulates ZSIC Life Limited settle gratuity obligations to NCC employees in return for gratuity premiums paid to ZSIC Life limited</p> <p>We concluded that ZSIC Life Limited should pay the gratuity obligations and the amounts paid by NCC to its employees be recoverable from ZSIC Life</p>

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL COUNCIL FOR CONSTRUCTION (CONTINUED)

Other information

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or have no realistic alternative but to do so. Those charged with Governance are responsible for overseeing the Council's reporting process.

Auditor's Responsibility for the Audit of 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.

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

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

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.

Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council'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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NATIONAL COUNCIL FOR CONSTRUCTION (CONTINUED)**

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements.

We are responsible for the direction, supervision and performance of the Council audit. We remain solely responsible for our audit opinion.

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

Report on other Legal and Regulatory Requirements

In accordance with National Council for Construction Act No.13 of 2003, we report that, in our opinion, the required accounting records, other records and registers required by the Act have been properly kept in accordance with the Act.

Mark Daniels

**Chartered Accountants
Lusaka**

2/09/2021

WKKK Kasongo

Winston Kasongo AUD/F0003127
Partner signing on behalf of the firm

NATIONAL COUNCIL FOR CONSTRUCTION
 Financial Statements
 For the year ended 31 December 2020

Statement of Income and Expenditure and Other comprehensive income

	Notes	2020 ZMW	2019 ZMW
Income			
Grants	9(a)	4,076,481	5,747,999
Fees	9(a)	51,989,549	52,607,249
Other Income	9(b)	2,516,173	3,983,571
Interest Income	9(c)	<u>161,457</u>	<u>207,532</u>
Total income		58,743,660	62,546,351
Operating Expenditure			
Strategic plan output driven costs		(4,589,154)	(7,324,690)
Administrative expenses		(17,443,086)	(16,175,926)
Staff costs		<u>(39,031,335)</u>	<u>(47,269,560)</u>
Deficit for the year		<u>(2,319,915)</u>	<u>(8,223,827)</u>

There were no items of other comprehensive income during the period.

The notes on pages 11 to 31 form an integral part of these financial statements.

NATIONAL COUNCIL FOR CONSTRUCTION
Financial Statements
For the year ended 31 December 2020

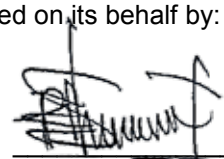
Statement of financial position

	Notes	2020 ZMW	2019 ZMW
ASSETS			
Non-current assets			
Property and equipment	15(a)	31,284,864	30,830,762
Intangible assets	15(b)	490,379	942,390
		<u>31,775,243</u>	<u>31,773,152</u>
Current assets			
Inventories	16	582,608	453,625
Trade receivables	12(a)	-	-
Other receivables	12(b)	2,900,160	4,946,079
Cash and cash equivalents	12(c)	13,455,291	7,907,634
		<u>16,938,059</u>	<u>13,307,338</u>
TOTAL ASSETS		<u>48,713,302</u>	<u>45,080,490</u>
LIABILITIES			
Non-current liabilities			
Finance lease	14	150,863	526,603
Current liabilities			
Trade and other payables	13(a)	12,101,481	9,846,962
Deferred Income	13(b)	18,890,312	17,820,059
Finance lease	14	372,038	274,227
		<u>31,363,831</u>	<u>27,941,248</u>
EQUITY			
Equity attributable to owners			
Capital grant	17(a)	8,437,077	6,651,114
Revaluation reserves	17(b)	16,375,232	16,830,100
Accumulated Fund	17(c)	(7,613,701)	(6,868,575)
Total equity		<u>17,198,608</u>	<u>16,612,639</u>
TOTAL EQUITY AND LIABILITIES		<u>48,713,302</u>	<u>45,080,490</u>

The notes on pages 11 to 31 form an integral part of these financial statements.

The financial statements on pages 7 to 31 were approved for issue by the board of directors on 31st August, 2021 and signed on its behalf by:


Mr. Edward Mpepo
Board Chairperson


Ernest Nshindano
Acting Executive Director

NATIONAL COUNCIL FOR CONSTRUCTION
Financial Statements
For the year ended 31 December 2020

Statement of changes in equity

	Capital Grants ZMW	Revaluation reserves ZMW	Accumulated funds ZMW	Total ZMW
Year ended 31 December 2019				
At start of year	7,628,019	18,194,703	7,199,710	33,022,432
Prior year adjustment (Note 17(d))			(5,844,458)	(5,844,458)
Restated balance	7,628,019	18,194,703	1,355,252	27,177,974
Amortisation revaluation reserve	-	(1,364,603)	-	(1,364,603)
Additions capital grant	288,150	-	-	288,150
Amortisation of capital grants	(1,265,055)	-	-	(1,265,055)
Comprehensive income				
Deficit for the year		-	(8,223,827)	(8,223,827)
Total comprehensive loss	-	-	(8,223,827)	(8,223,827)
At end of year	6,651,114	16,830,100	(6,868,575)	16,612,639
Year ended 31 December 2020				
At start of year	6,651,114	16,830,100	(6,868,575)	16,612,639
Prior year adjustment (Note 17(d))			1,119,921	1,119,921
Restated balance	6,651,114	16,830,100	(5,748,654)	17,732,560
Amortisation of revaluation reserve	-	(454,868)	454,868	-
Additions capital grant	2,565,916	-	-	2,565,916
Amortisation of capital grants	(779,953)	-	-	(779,953)
Comprehensive income				
Deficit for the year	-	-	(2,319,915)	(2,319,915)
Total comprehensive loss	-	-	(2,319,915)	(2,319,915)
At end of year	8,437,077	16,375,232	(7,613,701)	17,198,608

The notes on pages 11 to 31 form an integral part of these financial statements.

NATIONAL COUNCIL FOR CONSTRUCTION
Financial statements
For the year ended 31 December 2020

Statement of cash flows

	Notes	2020 ZMW	2019 ZMW
Deficit for the year		(2,319,915)	(8,223,827)
Adjustments for:			
Depreciation (Note 15 (a))		1,743,000	3,395,911
Prior year adjustment (Note 17 (d))		1,119,921	(5,844,458)
Amortisation of software		452,011	427,344
Amortisation of capital grants		(779,953)	(1,265,055)
Amortisation of revaluation Reserve		-	(1,364,603)
Interest received		(161,457)	(207,532)
Changes in working capital:			
inventory		(128,983)	209,965
trade receivables		2,045,919	1,565,900
Deferred income		1,070,253	(917,852)
trade and other payables		2,254,519	9,567,025
Cash generated from/(used on) operations		5,295,315	(2,657,182)
Interest received		161,457	207,532
Net cash generated from/ (used on) operating activities		5,456,772	(2,449,649)
Cash flows from investing activities			
Purchase of property, plant & equipment	15(a)	(2,752,595)	(494,217)
Proceeds sale of assets		555,493	-
Intangible Assets		-	(1,369,734)
Donated Assets		2,565,916	288,150
Finance Lease		(277,929)	(206,645)
Net cash from/(used on) investing activities		90,885	(1,782,446)
Increase/ (decrease) in cash and cash equivalents		5,547,657	(4,232,095)
Movement in cash and cash equivalents			
At start of year		7,907,634	12,139,729
Increase/(decrease)		5,547,657	(4,232,095)
At end of year	12(c)	13,455,291	7,907,634

The notes on pages 11 to 31 form an integral part of these financial statements.

NATIONAL COUNCIL FOR CONSTRUCTION
 Financial statements
 For the year ended 31 December 2020

Notes

1 General information

The National Council for Construction is a body corporate established under the National Council for Construction Act No. 13 of 2003. The principal activities of the Council are to promote development of the construction industry by regulating and assessing the performance of Contractors and conducting training of persons in the Construction Industry in Zambia.

2. Ownership

The Council is wholly owned by Government of the Republic of Zambia.

3. Application of new and revised International Financial Reporting Standards (IFRSs)

(a) New standards and amendments – applicable 1 January 2020

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2020

Title	Key requirements	Effective date*
<i>Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39</i>	<i>The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement interest rate benchmark reforms.</i> The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	1 January 2020
<i>Revised Conceptual Framework for Financial Reporting</i>	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: <ul style="list-style-type: none"> increasing the prominence of stewardship in the objective of financial reporting reinstating prudence as a component of neutrality defining a reporting entity, which may be a legal entity, or a portion of an entity revising the definitions of an asset and a liability removing the probability threshold for recognition and adding guidance on derecognition adding guidance on different measurement basis, and 	1 January 2020

NATIONAL COUNCIL FOR CONSTRUCTION
 Financial statements
 For the year ended 31 December 2020

Notes (continued)

3. Application of new and revised International Financial Reporting Standards (IFRSs)

(a) New standards and amendments – applicable 1 January 2020 (continued)

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2020

Title	Key requirements	Effective date*
<i>Revised Conceptual Framework for Financial Reporting (continued)</i>	<p>stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.</p> <p>No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.</p>	1 January 2020

NATIONAL COUNCIL FOR CONSTRUCTION
 Financial statements
 For the year ended 31 December 2020

Notes (continued)

3. Application of new and revised International Financial Reporting Standards (IFRSs)

(b) Forthcoming requirements

As at 31 May 2020, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2020.

Title	Key requirements	Effective date*
<i>IFRS 17 Insurance Contracts</i>	<p>IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"> discounted probability-weighted cash flows an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. <p>The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.</p> <p>An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.</p> <p>There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.</p> <p>The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.</p>	<p>1 January 2021, but extended to 1 January 2023 by the IASB in March 2020</p>

NATIONAL COUNCIL FOR CONSTRUCTION
Financial statements
For the year ended 31 December 2020

Notes (continued)

3. Application of new and revised International Financial Reporting Standards (IFRSs)

(b) Forthcoming requirements (continued)

As at 31 May 2020, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2020.

Title	Key requirements	Effective date*
<i>Covid-19-related Rent Concessions- Amendments to IFRS 16</i>	<p>As a result of the COVID-19 pandemic, rent concessions have been granted to lessees granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.</p> <p>Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.</p>	1 June 2020
<i>Classification of Liabilities as Current or Non-Current- Amendments to IAS 1</i>	<p>The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.</p> <p>They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.</p>	1 January 2022 (possibly deferred to 1 January 2023)
<i>Property, plant and Equipment: Proceeds before intended use – Amendments to IAS 16</i>	<p>The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.</p> <p>Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.</p>	1 January 2022

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Notes (continued)

3. Application of new and revised International Financial Reporting Standards (IFRSs)

(b) Forthcoming requirements (continued)

As at 31 May 2020, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2020.

Title	Key requirements	Effective date*
<i>Reference to the Conceptual Framework – Amendments to IFRS 3</i>	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
<i>Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37</i>	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
<i>Annual Improvements to IFRS Standards 2018-2020</i>	The following improvements were finalised in May 2020: IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. IFRS 1 First-time Adoption of International Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022

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Notes (continued)

3. Application of new and revised International Financial Reporting Standards (IFRSs)

(b) Forthcoming requirements (continued)

As at 31 May 2020, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2020.

Title	Key requirements	Effective date*
<p><i>Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28</i></p>	<p>The IASB has made limited scope amendments to IFRS 10 <i>Consolidated financial statements</i> and IAS 28 <i>Investments in associates and joint ventures</i>.</p> <p>The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).</p> <p>Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.</p>	<p>n/a**</p>

Notes (continued)

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparing financial statements-going concern basis

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Council meets its day to day working capital requirements through funds generated from its operations and Grants from the Government of the republic of Zambia and National Road Fund Agency (NFRA)

At the statement of financial position date, the council's current liabilities exceeded its current assets by ZMW 14,425,772.

The financial statements have been prepared on a going concern basis on the assumption that the Council will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the Government of the Republic of Zambia's continued support and the Council's ability to generate its own revenues from Registration and Regulation as well as training.

If the Council were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and reclassify fixed assets as current assets.

(b) Revenue recognition

Revenue represents the fair value of the consideration received or receivable, net of discounts and sale-related taxes. Revenue from sales of goods is recognised when the goods are delivered, and title has passed. Revenue for services is recognised when the service has been rendered.

Interest income is recognised on a time proportion basis when it is determined that such income will accrue to the Council.

(c) Functional currency and translation of foreign currencies

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zambian Kwacha ("ZMW") which is the Council's functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation and from the translation at year-end exchange rates of monetary assets and liabilities

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Notes (continued)

(c) Functional currency and translation of foreign currencies (continued)

ii) Transactions and balances

denominated in foreign currencies are recognised in the statement of comprehensive income. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income' or 'other expenses'.

(d) Property and equipment

All property and equipment are initially stated at historical cost and subsequently measured at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the corporation and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life as follows:

Buildings	40 years – 2.5%
Laboratory equipment	4 years – 25%
Furniture, fittings	4 years- 25%
Workshop equipment	4 years 25%
Office equipment	3 years 33%
Intangibles	3 years - 33%
Motor vehicles	4 years - 25%

The residual values of assets and their useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by comparing proceeds with their carrying amounts and are taken into account in determining profit.

(e) Employee benefits

Retirement benefit obligations

The Council has registered all its employees with the statutory pension scheme (NAPSA) and a private pension scheme with ZSIC Life Limited. These are both defined contribution schemes.

A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

The Council's contributions to the defined contribution scheme are charged to the income statement in the period to which they relate.

Notes (continued)

4. Summary of significant accounting policies (continued)

(f) Financial assets

Classification

The council classifies its financial assets in the following measurement categories:

those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the council has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The council reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the corporation commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the council has transferred substantially all the risks and rewards of ownership.

Measurements

At initial recognition, the council measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity instruments

The council subsequently measures all equity investments at fair value. Where the council's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Notes (continued)

4. Summary of significant accounting policies (continued)

Impairment

The council assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the council applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 7(b) for further details.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option.

Notes (continued)

4. Summary of significant accounting policies (continued)

(i) Borrowings (continued)

This is recognised and included in shareholders' equity, net of income tax effects. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(j) Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 12(a) for further information about the council's accounting for trade receivables and note 7(b) for a description of the council's impairment policies

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the council prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Provisions

Provisions

Provisions are recognised when the Council has present legal or constructive obligations as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(m) Inventories

Inventory is stated at the lower of cost or net realisable value. Cost is determined on a first in first out basis and includes all expenditure incurred in the normal course of business in bringing the goods to their present location and condition, including production overheads based on normal level of activity. Net realisable value takes into account all further costs directly related to marketing, selling and distribution. Provision is made for obsolete and slow moving inventories.

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Notes (continued)

5. Critical accounting estimates and judgments

The corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

6. Financial Risk management

Exposure to currency, interest rate and credit risk, arises in the normal course of the corporation's business.

Currency risk

The corporation incurs currency risk as a result of bank balances denominated in foreign currencies. The Corporation has operational bank accounts in US Dollars. No hedge is taken out for this risk.

Interest rate risk

The Corporation is exposed to interest rate risk to the extent of the balance of the bank accounts.

Credit risk

No collateral is required in respect of financial assets. The corporation has a credit policy in place and the exposure to credit risk is monitored on an on-going basis.

Credit evaluations are performed on all customers requiring credit over a certain amount.

At the statement of financial position date, there were no significant concentrations of credit risks (2019: ZMW Nil).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

Liquidity risk arises in the general funding of the corporation's activities.

Liquidity management is directed towards ensuring that all the corporation's operations can meet their funding needs, whether this is to replace existing funding as it matures, or is withdrawn.

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Notes (continued)

7. Financial instruments

Exposure to currency, interest rate, credit and liquidity risk arises in the normal course of the corporation business.

(a) Credit risk

Credit risk is the risk of financial loss to the corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the corporation's receivables and cash balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020	2019
	ZMW	ZMW
Cash and cash equivalents	13,455,291	7,907,634
Trade receivables	<u>2,900,160</u>	<u>4,946,079</u>
	<u>16,355,451</u>	<u>12,853,713</u>

The bank accounts are held with reputable banks.

(b) Impairment losses

The aging of trade and other receivables at the reporting date was:

31 December 2020	Current	1-30 days past due	31- 60 days past due	61-90 days past due	Over 90 days	Total
Expected loss rate	-	-	-	-	100%	
Gross carrying amount – trade receivables	-	-	-	-	5,938,414	5,938,414
Loss allowance	-	-	-	-	(5,938,414)	(5,938,414)
	-	-	-	-	-	-
31 December 2019	Current	1-30 days past due	31- 60 days past due	61-90 days past due	Over 90 days	Total
Expected loss rate	-	-	-	-	100%	
Gross carrying amount– trade receivables	-	-	-	-	744,498	744,498
Loss allowance	-	-	-	-	(744,498)	(744,498)
	-	-	-	-	-	-

The loss allowances for trade receivables and other debtors as at 31 December reconcile to the opening loss allowances as follows.

Trade receivables

	2020	2019
	ZMW	ZMW
Opening loss allowance at 1 January	744,498	-
Increase in loss allowance recognised in profit or loss during the period	<u>5,193,916</u>	<u>744,498</u>
Closing loss allowance at 31 December	<u>5,938,414</u>	<u>744,498</u>

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Notes (continued)

7. Financial instruments (continued)

Trade receivables and other debtors are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the corporation, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables and other debtors are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Liquidity risk

The following are the contractual maturities of financial liabilities.

31th December 2020

	Carrying amount ZMW	Contractual cash flows ZMW	Within 1 year ZMW	1-2 years ZMW	2-5 years ZMW
Financial liabilities					
Trade and other payables	12,008,682	12,008,682	12,008,682	-	-
Finance Lease	522,900	522,900	372,037	150,863	-
Total	12,531,582	12,531,582	12,380,719	150,863	-

31st December 2019

	Carrying amount ZMW	Contractual cash flows ZMW	Within 1 year ZMW	1-2 years ZMW	2-5 years ZMW
Financial liabilities					
Trade and other payables	9,846,962	9,846,962	9,846,962	-	-
Finance Lease	800,830	800,830	274,227	526,603	-
Total	10,647,792	10,647,792	10,121,189	526,603	-

8. Revenue from contracts with customers

Revenue represents receipts from tuition fees, registration fees, annual fees, Government grants, interest earnings and miscellaneous income.

9. (a) Disaggregation of revenue from Grants and fees

	2020 ZMW	2019 ZMW
Road Sector Capacity Building- NRFA Grant	426,700	2,282,945
Government Grant	2,869,828	2,200,000
Transfer from capital Grant	779,953	1,265,055
	<u>4,076,481</u>	<u>5,747,999</u>
Registration, scrutiny and Annual fees	51,752,307	51,775,630
Tuition fees	237,242	831,619
	<u>51,989,549</u>	<u>52,607,249</u>

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Notes (continued)

	2020	2019
	ZMW	ZMW
9. (b) Other income		
Hire of Facilities	494,660	1,776,535
African Development Bank	1,350,288	771,555
Other Income	651,975	49,878
Rental Income	19,250	21,000
Amortisation	-	1,364,603
	<u>2,516,173</u>	<u>3,983,571</u>
(c) Interest Income		
Bank Interest	148,957	114,704
Interest on Staff Loans	12,500	92,828
	<u>161,457</u>	<u>207,532</u>
10 Expenses by nature		
Strategic plan output driven costs	4,589,154	7,324,690
Administrative expenses	17,443,086	16,175,926
Staff costs	39,031,335	47,269,560
	<u>50,063,575</u>	<u>70,770,176</u>
11 Employee benefits expense		
The following items are included within employee benefits expense		
Salaries and wages	18,345,962	17,858,537
Retirement benefits costs:		
- National Pension Scheme Authority	1,067,733	982,437
	<u>19,413,695</u>	<u>18,840,974</u>

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Notes (continued)

	2020	2019
	ZMW	ZMW
12. (a) Trade and other receivables		
Trade receivables from contracts with customers	5,938,414	744,498
Less:		
Provision for impairment losses	<u>(5,938,414)</u>	<u>(744,498)</u>
	<u>-</u>	<u>-</u>

Classifications as trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The council holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the council's impairment policies and the calculation of the loss allowance are provided in note 7(b).

Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

Information about the impairment of trade receivables and the council's exposure to credit risk and foreign currency risk can be found in note 7(a) and (b).

(b) Other financial assets at amortised cost

Other receivables	2,900,160	4,946,079
Less:		
Provision for impairment losses	<u>-</u>	<u>-</u>
	<u>2,900,160</u>	<u>4,946,079</u>

Classification of financial assets at amortised cost

The council classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest. See note 4 (c) for the remaining relevant accounting policies.

Other receivables

These amounts generally arise from transactions outside the usual operating activities of the council.

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Notes (continued)

	2020	2019
	ZMW	ZMW
12. (c) Cash and cash equivalents		
ABSA bank kwacha	6,234,782	4,248,608
Atlas mara kwacha	1,107,646	1,060,481
ZICB Fixed Deposit	1,069,450	1,069,450
ZICB Current account	597,888	51,125
First National Bank	3,774,516	274,599
ABSA kwacha – NRFA RSCB	516,974	1,119,495
Barclays Staff loans	154,035	83,876
Cash in hand and at bank	<u>13,455,291</u>	<u>7,907,634</u>

Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Balances as above	13,455,291	7,907,634
Bank overdrafts	-	-
Balances per statement of cash flows	<u>13,455,291</u>	<u>7,907,634</u>

13. (a) Trade and other payables

Current liabilities

ZSIC Ltd (Fund Manager)	830,180	7,896,200
Other Payables	2,790,103	1,950,762
Statutory Payables	8,481,198	-
	<u>12,101,481</u>	<u>9,846,962</u>

13. (b) Deferred Income

Registration Fees	18,890,312	17,617,689
Car Purchase deductions	-	202,370
	<u>18,890,312</u>	<u>17,820,059</u>

Deferred income relates mainly to registration fees paid in advance for the following year.

14. Finance Lease Obligations

Motor Vehicle finance Lease	<u>522,901</u>	<u>800,830</u>
Due within 12 months	372,038	274,227
Due after 12 months	<u>150,863</u>	<u>526,603</u>
	<u>522,901</u>	<u>800,830</u>

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Notes (continued)

15 (a) Property and equipment

	Land and buildings ZMW	Office Equipment ZMW	Motor equipment ZMW	Motor vehicles ZMW	Furniture, fittings ZMW	Total ZMW
At 1 January 2019						
Cost	31,504,352	4,137,546	2,791,538	14,352,646	1,980,360	54,766,442
Accumulated depreciation	(1,631,501)	(3,631,892)	(2,190,398)	(11,880,754)	(1,699,440)	(21,033,985)
	29,872,851	505,654	601,140	2,471,892	280,920	33,732,457
Net book amount						
Year ended 31 December 2019						
Opening net book amount	29,872,851	505,654	601,140	2,471,892	280,920	33,732,457
Additions	-	131,222	-	-	362,995	494,217
Depreciation charge	(787,609)	(382,510)	(304,030)	(1,723,737)	(198,026)	(3,395,912)
Closing net book amount	29,085,242	254,366	297,110	748,155	445,889	30,830,762
At 31 December 2019						
Cost	31,504,352	4,268,768	2,791,538	14,352,646	2,343,355	55,260,659
Accumulated depreciation	(2,419,110)	(4,014,402)	(2,494,428)	(13,604,491)	(1,897,466)	(24,429,897)
Net book amount	29,085,242	254,366	297,110	748,155	445,889	30,830,762
Year ended 31 December 2020						
Opening net book amount	29,085,242	254,366	297,110	748,155	445,889	30,830,763
Additions	2,365,682	288,691	48,601	-	49,621	2,752,595
Disposal-cost	-	(122,140)	-	(1,775,620)	-	(1,897,760)
Disposal-accum depreciation	-	104,419	-	1,237,848	-	1,342,267
Depreciation charge	(846,751)	(203,006)	(306,211)	(210,383)	(176,649)	(1,743,000)
Closing net book amount	30,604,173	322,330	39,500	-	318,861	31,284,864
At 31 December 2020						
Cost	33,870,034	4,435,319	2,840,139	12,577,026	2,392,976	56,115,494
Accumulated depreciation	(3,265,861)	(4,112,989)	(2,800,639)	(12,577,026)	(2,074,115)	(24,830,630)
Net book amount	30,604,173	322,330	39,500	-	318,861	31,284,864

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Notes (continued)

15. (b) Intangible asset	2020	2019
	ZMW	ZMW
At start of year	942,390	-
Prior year adjustment	<u>-</u>	<u>1,070,716</u>
Restated balance	942,390	1,070,716
Additions	-	299,018
Amortisation	(452,011)	(427,344)
At end of year	<u>490,379</u>	<u>942,390</u>

The intangible asset represents the cost of software that is amortised over the useful life of the asset

16. Inventories

Stocks	<u>582,608</u>	<u>453,625</u>
	<u>582,608</u>	<u>453,625</u>

17. (a) Capital grants

At beginning of the year	6,651,114	7,628,019
Additions	2,565,916	288,150
Capital grants amortised	<u>(779,953)</u>	<u>(1,265,055)</u>
At end of the year	<u>8,437,077</u>	<u>6,651,114</u>

The capital grant represents funding from African Development bank.

17. (b) Revaluation reserves

At beginning of the year	16,830,100	18,194,703
Realisation of revaluation reserves	<u>(454,868)</u>	<u>(1,364,603)</u>
At end of the year	<u>16,375,232</u>	<u>16,830,100</u>

The revaluation reserve account records the difference between the new value of the revalued assets and their net book values, which is represented by cost less accumulated depreciation.

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Notes (continued)

	2020	2019
	ZMW	ZMW
17 (c) Accumulated Fund		
At beginning of the year	(6,868,575)	7,199,710
Prior year adjustment	1,119,921	(5,844,458)
Amortisation of revaluation reserves	454,868	-
Deficit for the year	<u>(2,319,915)</u>	<u>(8,223,827)</u>
At end of the year	<u>(7,613,701)</u>	<u>(6,868,575)</u>

The accumulated fund account represents the accumulation of annual surplus. Accumulated fund have continued to rise from a deficit of ZMW 6,868,575 (FY2019) to a negative balance of ZMW 6,783,521 owing to the reported Lower deficit of ZMW 1,489,735 recorded during the year ended 31st December 2020.

17 (d) Prior year adjustment

Gratuity premiums	1,119,921	(6,760,065)
Intangible Asset	-	1,070,718
Car loan deduction	-	(155,111)
At end of the year	<u>1,119,921</u>	<u>(5,844,458)</u>

The prior year adjustment relates to premiums that were accrued for Mr Matthews Ngulube who has since left the Council and is no longer on the Scheme. ZSIC issued a Credit note to this effect.

18 Related party transactions

The Council is controlled by Government of the Republic of Zambia.

The following transactions were carried out with related parties:

i) Key management compensation

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

Government funding Received	2,869,827	2,200,000
Salaries and other short term employment benefits	3,687,432	-
	<u> </u>	<u> </u>

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Notes (continued)

19 Commitments

Capital commitments

There were no capital commitments at the reporting date.

20 Contingent liabilities

There were no contingent liabilities as at the period-end (2019: ZMW Nil)

21 Events occurring after balance sheet date

The council is not aware of any matter or circumstances since the financial year end and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the council and the results of its operations.

22 Comparative figures

Previous year's figures have been reclassified wherever necessary to make them comparable to those of the current year

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Detailed Operating Statement	2020	2019
	ZMW	ZMW
Revenue		
Grants	4,076,481	5,747,999
Fees	51,989,549	52,607,249
Other operating Income	2,516,173	3,983,571
Interest Income	161,457	207,532
	<u>58,743,660</u>	<u>62,546,351</u>
Operating expenses		
Audit fees	92,800	203,000
Bank charges	129,557	73,835
Consumables and cleaning material	373,594	305,956
Canteen expenses	307,095	1,118,310
Communication	294,350	413,462
Cobblestone technology expense	31,753	
Depreciation	2,195,013	3,823,255
Sage annual subscription	352,502	-
Loss on disposal	101,017	-
Electricity and water	230,673	155,782
Expenses for hire of equipment	26,389	3,000
Fuels and oils	1,914,954	1,685,895
Finance lease charge	246,481	309,474
Freight & Courier Charges	47,229	73,665
Plant/Machine operators course	16,660	-
Sanitary Collection	35,755	33,071
Insurance and taxes	527,297	608,808
Staff professional membership	107,143	108,660
Printing and stationery	1,138,494	599,267
Procurement Committee Expenses	154,339	37,832
Sundry accounting expenses	49,122	11,479
Provision for impairment losses	5,193,916	744,498
Rates and rents	200,523	200,523
Repairs and maintenance	1,243,969	921,149
Staff workshops & seminars	328,256	433,339
Road construction & maintenance course	218,862	515,975
Tractor demonstration unit	318,018	-
Protective clothing and uniforms	312,970	4,836
Travel local and international executive director	133,118	225,221
Security services	293,764	317,314
Women's day celebrations	124,937	94,900
Labour day celebrations	-	80,260
Youth day celebrations	40,120	39,980
Gender commemoration	56,340	51,800
Newspapers	-	45,200
Refuse collection	29,974	32,158
African development bank – capacity building	576,102	2,396,485
Kitwe office designs consultancy	-	180,097
Training of sage Accounting	-	327,439
	<u>17,443,086</u>	<u>16,175,926</u>

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	2020	2019
	ZMW	ZMW
Strategic plan output driven costs		
Improved competence levels	145,359	176,084
Attitude change to work	4,451	7,500
Contractor development program	4,802	1,200
Increased information needs to the industry	-	29,515
Coordinated organisational performance	149,081	16,418
Centralised management in place	-	182,326
Centralised management information systems	-	182,536
Reliable ICT infrastructure	1,084,847	754,132
Assured internal controls	60,456	131,553
Harmonised construction registration	-	17,528
Effectiveness in disposal of cases	-	2,900
Effective corporate governance	1,731,639	1,998,560
Increased student enrolments	19,816	221,464
Increased women	-	49,030
Enhanced employment opportunities in labour	156,040	406,179
Enhanced partnership	6,000	96,888
Enhanced laboratory	95,259	-
Enterprise Risk Management	43,736	-
Coordinated trade in services	1,744	444,165
Enhanced contractor registration	94,001	666,086
Registered individual/micro homebuilders	-	19,350
Enhanced compliance	429,424	1,374,028
Construction standards developed	80,434	142,124
Enhanced corporate communications	387,201	195,405
Reduced corruption incidences	28,600	51,691
Sustainable construction adopted	-	15,200
Quality construction works	44,520	93,843
Enhanced NCC visibility	16,000	48,985
New revenue sources	5,744	-
	<u>4,589,154</u>	<u>7,324,690</u>
Staff costs		
Salaries and wages	18,345,962	17,858,537
NAPSA	1,067,733	982,437
PAYE	10,059,039	10,195,275
Pension contribution	2,489,656	2,051,144
Group life assurance	465,135	310,479
Medical expenses	1,385,936	1,579,764
Leave benefits	2,711,739	3,159,151
Staff welfare	623,861	208,267
Workers compensation	37,099	42,841
Gratuity contributions	642,459	10,836,135
Staff acting allowance	410,286	-
Internships costs	126,647	45,530
National Health Insurance	250,680	-
Overtime allowance	415,103	-
	<u>39,031,335</u>	<u>47,269,560</u>
Total Expenses	<u>61,063,575</u>	<u>70,770,178</u>
Deficit for the year	<u>(2,319,915)</u>	<u>(8,223,827)</u>

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