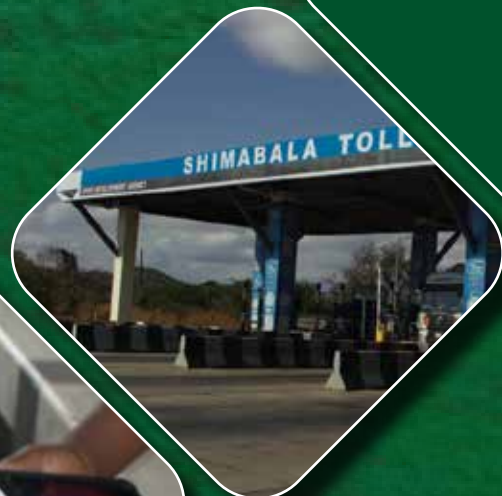
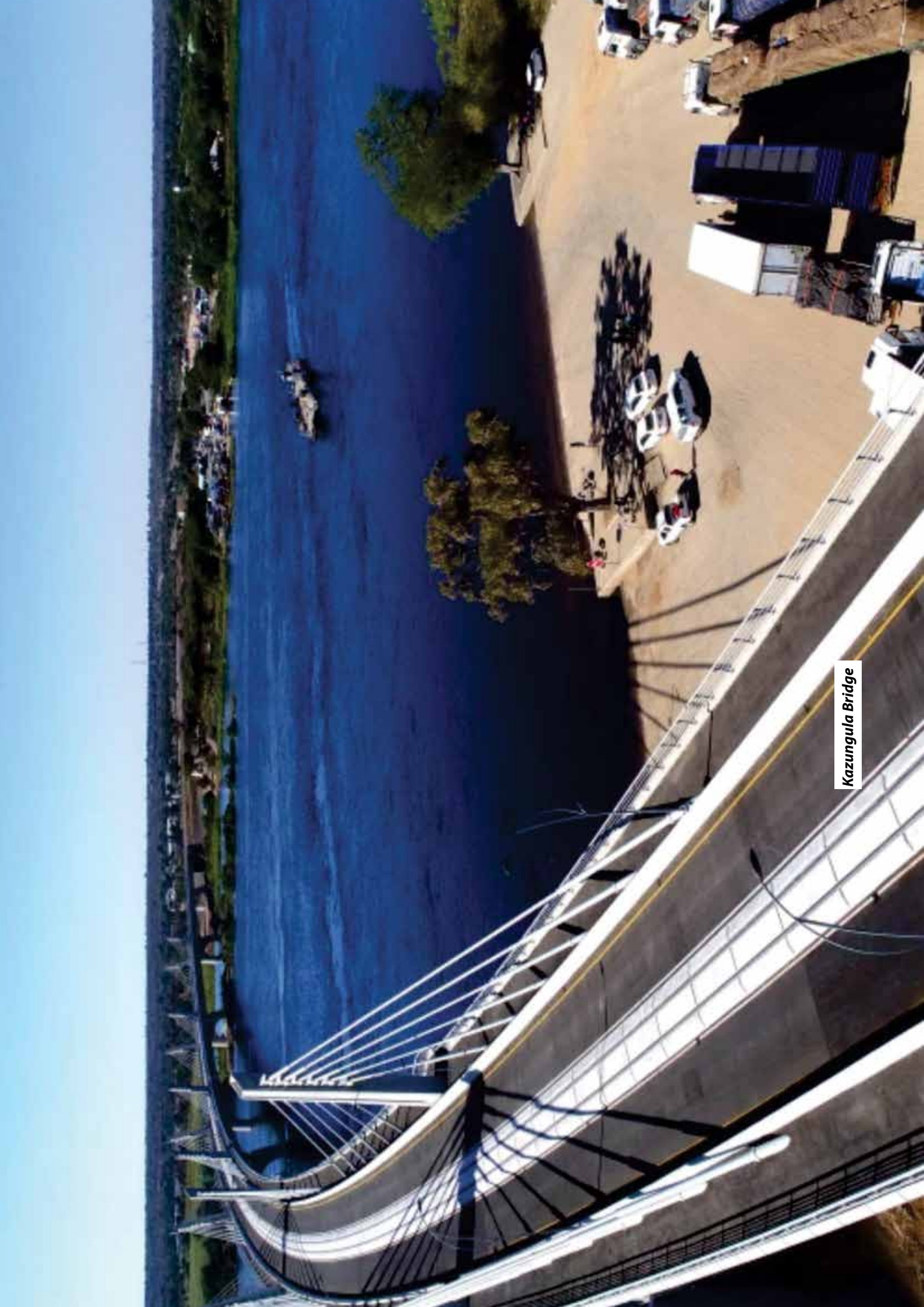




NATIONAL ROAD FUND AGENCY



**ANNUAL
REPORT 2021**



Kazungula Bridge



NATIONAL ROAD FUND AGENCY

**ANNUAL
REPORT 2021**



Kafue Mazabuka Road

Table of Contents

ABBREVIATIONS AND ACRONYMS	iv
CHAIRPERSON'S FOREWORD	v
DIRECTOR/CHIEF EXECUTIVE OFFICER'S REPORT	vi
1.0 INTRODUCTION	1
2.0 STRATEGIC PLAN 2017-2021	1
3.0 FUND MANAGEMENT	3
3.1 ROLES AND MANDATE.....	3
3.2 KEY ACTIVITIES/ ACHIEVEMENTS.....	3
3.2.1 Resource Mobilization	3
4.0 ROAD TOLLING DEPARTMENT	7
4.1 ROLES AND MANDATE.....	7
4.2 TOLL REVENUE COLLECTIONS AND TOLLING OPERATIONS	7
4.3 CASHLESS TOLL COLLECTION SYSTEM.....	8
4.4 TRAFFIC INFORMATION.....	8
4.5 CONTROL CENTRE OPERATIONS	9
4.6 TOLLING INFRASTRUCTURE DEVELOPMENT AND FACILITY MANAGEMENT	9
5.0 MONITORING AND EVALUATION (M&E)	13
5.1 ROAD SECTOR FUNDING ANALYSIS.....	13
5.2 PLANNING	13
5.3 LOCALLY FUNDED PROJECTS.....	14
5.4 EXTERNALLY FUNDED PROJECTS	15
5.5 MONITORING	16
5.5.1 IPC Processing.....	16
5.6 Field Inspections.....	16
5.7 Evaluation	17
5.7.1 Technical Audits	17
5.7.2 In House Technical Audits.....	17
5.7.3 Technical Assistance	17
5.7.4 HIV/AIDS Activities Assessment.....	17
5.7.5 Desktop Evaluation	17
5.7.6 Analysis of Contract Allocation Local and Foreign	17
6.0 INTERNAL AUDIT	20
6.1 INTRODUCTION.....	20
6.2 THE AUDIT & RISK MANAGEMENT COMMITTEE	20
6.3 PRE-AUDITING	21
6.4 CHALLENGES.....	21
6.5 LOOKING AHEAD	21
7.0 PUBLIC RELATIONS	23
7.1 Roles and Mandates	23
7.2 Key Activities Undertaken in 2021	23
7.2.1 7.2.1 Toll Stations Visitations	23

7.2.2	Media Briefing.....	24
7.2.3	Awareness Campaign on Commencement of Road Tolling	24
7.2.4	E-Toll Card Awareness Campaign.....	24
7.2.5	7.2.6 Media Coverage and Publications.....	24
7.2.6	Facebook Page, Website and Help Desk.....	25
8.0	PROCUREMENT	28
8.1	Roles and Mandates	28
8.2	Procurements Made During the Year	28
8.3	Value for Money	28
9.0	CORPORATE SERVICES	31
9.1	Roles and Mandate	31
9.2	Human Resources Management	31
9.2.1	Staff Compliment.....	31
9.2.2	Staff Recruitment	31
9.2.3	Staff Turnover	32
9.2.4	Disciplinary Cases	32
9.2.5	Workplace Social Support Activities.....	32
9.3	Administration.....	33
9.3.1	Promotion of Health and Safety Measures to Prevent COVID 19	33
9.3.2	Registry Re- organization.....	34
9.3.3	Employee Satisfaction Survey.....	34
9.4	Integrity Committee Activities	34
9.5	Legal Matters	35
9.5.3.1	Review of the NRFA Act No12 of 2002.....	35
9.5.3.2	Review of Agency Policy Documents	35
9.6	Board Affairs.....	35
9.6.1	Board of Directors Field Visits	35
9.6.2	Committee of Chairpersons of Road Sector Boards.....	35
9.7	African Road Maintenance Funds Association (ARMFA)	35
10.0	INFORMATION COMMUNICATION TECHNOLOGY (ICT)	37
10.1	Roles and Mandate.....	37
10.2	Activities Undertaken in 2021	37
10.2.1	Introduction of Mobile Money Services in Card Funding.....	37
10.2.2	Automation of Some Processes	37
10.3	Upgrade of ICT Systems	38
10.3.1	Deployment of Systems at Sabina Toll Plaza	38
10.3.2	Connectivity of Some Toll Stations to Centralized Network System	38
11.0	RISK MANAGEMENT	39
12.0	OUTLOOK FOR 2022.....	40
13.0	CONCLUSIONS	41

List of Figures

Figure 1. NRFA Scorecard.....	1
Figure 2. Road User Charges	4
Figure 3. Budget Vs. Actuals	7
Figure 4. E-Toll Cards Sold	8
Figure 5. 2016 -2021 Traffic Volume.....	8
Figure 6: Toll Collection Points	9
Figure 7: Funding Sources for the Year 2024.....	13
Figure 8. Funding By Agency	13
Figure 9. Contractors & Percentages	18
Figure 10. Value of Contracts	18
Figure 11: NRFA Facebook following -2021	25
Figure 12. Value of LPO's – 2020 vs 2021	28
Figure 13 : Staff Compliment disaggregated by gender from 2017 - 2021.....	31

List of Tables

Table1. Road User Charges Collections.....	3
Table4. 2021 Road Sector Contract Summary table.....	14
Table5. Summary of Foreign Ongoing Projects	15
Table 6. Summary Savings from 2011-2021	16
Composition of the 2021 Audit & Risk Management Committee:.....	20
Table7. Customer Relation Management.....	26
Table 8. Staff Recruitment	32
Table 9 Staff Turnover.	32
Figure 10. Meetings Held for the Year 2021	35

ABBREVIATIONS AND ACRONYMS

ACC	Anti-Corruption Commission
AfDB	African Development Bank
AGA	Annual General Assembly
AGM	Annual General Meeting
ANRP	Accelerated National Road Construction Programme
APL	Adaptable Programme Lending
ARMFA	African Road Maintenance Funds Association
AWP	Annual Work Plan
BADEA	Arab Bank for Economic Development in Africa
BEA	Budget and Economic Affairs
CAIP	Community Access Improvement Programme
CFI	Construction Finance Initiative
CMS	Contract Management System
COMESA	Common Market for Eastern and Southern Africa
CPs	Cooperating Partners
CR	Credit
CILT	Chartered Institute of Logistics & Transport
CTI	Community Transport Initiative
DANIDA	Danish International Development Agency
DBSA	Development Bank of Southern Africa
DRC	Democratic Republic of Congo
DfID	Department for International Development
DKK	Danish Kroner
EBRP	Essential Bridge Rehabilitation Project
EDRP	Emergency Drought Recovery Project
EIB	European Investment Bank
EIZ	Engineering Institution of Zambia
EMF	Economic Management and Finance
EMU	Environmental Management Unit
EU	European Union
GPA	Group Personal Accidents
GLA	Group Life Assurance
GRZ	Government of the Republic of Zambia
HGV	Heavy Goods Vehicles
ICT	Information Communication Technology
IDA	International Development Agency
IFG	International Focus Group
IPCs	Interim Payment Certificates
JSC	Joint Steering Committee
JTC	Joint Technical Team
K'b	Kwacha billion
KfW	German Development Bank
K'm	Kwacha million
L400	Lusaka 400
CB400	Copperbelt 400
LCC	Lusaka City Council
MTC	Ministry of Transport and Communications

LRA s	Local Road Authorities
M&E	Monitoring & Evaluation
MWS	Ministry of Works and Supply
MLG	Ministry of Local Government
MOF	Ministry of Finance
MOJ	Ministry of Justice
MTENR	Ministry of Tourism, Environment and Natural Resources
NAC	National Aids Council
NCC	National Council for Construction
NDF	Nordic Development Fund
NORAD	Norwegian Development Agency
NPPID	National Policy and Programme Implementation Department
NRFA	National Road Fund Agency
NRTP	National Road Tolling Programme
ORUCs	Other Road User Charges
PM&E	Programming, Monitoring & Evaluation
PMT	Project Management Team
PRE	Provincial Road Engineer
PS	Permanent Secretary
PSU	Procurement and Supplies Unit
RAMP	Rural Accessibility and Mobility Project
RDA	Road Development Agency
RMI	Road Management Initiative
ROADSIP	Road Sector Investment Programme
RRMP	Road Rehabilitation and Maintenance Programme
RTPR	Rural Transport for Poverty Reduction Programme
RSAs	Road Sectors Agencies
RSPS	Road Sector Programme Support
RTC	Road Traffic Commission
RTSA	Road Transport and Safety Agency
RUC	Road User Charges
SADC	Southern African Development Community
SI	Statutory Instrument
SSATP	Sub-Saharan Africa Transport Policy Programme
SNDP	Sixth National Development Plan
TA	Technical Assistance
TMSA	Trade Mark Southern Africa
TOR	Terms of Reference
URRP	Urban Roads Rehabilitation Programme
WORC	Working on Roads Countrywide
ZIPS	Zambia Institute of Purchasing and Supply
ZMW	Zambian Kwacha
ZNBC	Zambia National Broadcasting Corporation
ZNFU	Zambia National Farmers Union
ZNTB	Zambia National Tender Board
ZPPA	Zambia Public Procurement Authority

CHAIRPERSON'S FOREWORD

It is my pleasure to present the National Road Fund Agency (NRFA) Annual Report and Financial Statements for the year ended 31st December 2021.

During the period under review, the Board continued to give policy guidance in the management and governance of the Agency as it executed its mandate within the key objectives of the Strategic Plan 2017 – 2021.

To strengthen the NRFA's mandate, the National Road Fund Act No 13 of 2020, which was due for amendment was reviewed by the Ministry of Finance in conjunction with key stakeholders that included the Ministry of Housing and Infrastructure Development, Ministry of Transport and Communications, Ministry of Works and Supply, Road Development Agency and the Road Transport and Safety Agency.

Further, the Board provided oversight in the review of Statutory Instrument Number 85 of 2016 of the Tolls Act Number 14 of 2011 with regards to payment of inland tolls by foreign-registered motor vehicles.

As an agency mandated to manage a huge financial envelope for the Road Sector, the Board ensured that all Agency operations were above board in line with the NRFA's Core Values as they relate to Transparency, Accountability, and Integrity.

During this period, the Agency also managed

to go live with the E-Toll value loading platform online and on mobile networks, giving our clients the convenience of loading their E-Toll Card at a click of a button.

In line with the above Core Values, surveillance at toll collection points was strengthened with internal systems and controls enhanced to give confidence to all road users of the open and transparent manner revenues for road construction, maintenance, and rehabilitation were collected and secured.

The Agency was also able to reduce system glitches at Toll Stations resulting in reduced human errors and ensuring reduced audit queries in relation to Road Tolling Operations.

The Board, through the Committee of Chairpersons on Road Sector Agencies, took the lead in creating synergies with implementing Agencies and institutions to appreciate the strides made and address challenges faced by the Road Sector.

Looking ahead, the Board remains resolute in providing policy guidance to Management as it executes its mandate of Resource Mobilization, Fiduciary Management of the Resource, and ensuring Value for Money.

I now invite you to go through our Annual Report and wish to thank you most sincerely for your unwavering support.

Board Chairperson

National Road Fund Agency

DIRECTOR/CHIEF EXECUTIVE OFFICER'S REPORT

This report highlights key activities undertaken by the National Road Fund Agency (NRFA) during the period 1st January to 31st December 2021, drawing its legal mandate from the National Road Fund (NRF) Act No. 13 of 2002.

The Agency remains committed to Resource Mobilization, Fiduciary Management of Resources, and Value for Money. During the period under review, the Agency operated in line with Government Policy on Road Infrastructure Development, Maintenance, and Financing, in line with the key monetary and fiscal measures that the Government through the Ministry of Finance had introduced.

The Agency in that regard was able to strategically and constructively engage key stakeholders both within the sector and outside the sector with a view to ensuring operational efficiency, service excellence, and enhanced resource mobilization for the Road Fund. The NRFA 2017-2021 Strategic Plan remained the key tool for the Agency in terms of implementation of activities in line with the mandate of the institution.

The year 2021, though with some challenges, was progressive on some fronts thereby allowing for the implementation of key strategic activities that resulted in the Agency maintaining its positive corporate image. This can be attributed to the support, firm guidance and the positive direction given by the Board of Directors, dedication, innovation, and commitment to duty by Agency staff and the critical and invaluable cooperation and support from implementing Agencies and institutions, and from the Government through the Ministry of Finance and National Planning.

The Agency built on the successes recorded as of 2020 by carrying on with the innovative approach to resource mobilization through ensuring the smooth operations of the Inland Toll Stations and approaching the Bank of Zambia through INDO Zambia Bank for a medium-term stimulus loan financing facility aimed at liquidating a component of outstanding arrears owed to local contractors.

The Agency operated under a relatively challenging environment related to high cost of funds, depreciation of the Kwacha against the major currencies and negative effects of the

COVID 19 pandemic on the road construction sub sector and the economy in general. Thus, resulted in a slowed approach in the implementation of various set programs.

The 2021 Road Sector Annual Work Plan budgetary allocation was **ZMW6.2 billion** out of which 45% was from external funding and 47% was from local funding from Road User Charges (RUCs). Total receipts during the period under review amounted to **ZMW8.094 billion**. Out of these funds released, **ZMW5.975 billion** was from local funding including a component of the reminder of the NAPSA loan drawdown and INDO Zambia Bank Stimulus loan facility.

The Agency continues to provide checks and balances within the road sector through various monitoring and evaluation activities such as processing of Interim Payment Certificates (IPCs), an inspection of projects, and undertaking technical audits. Through the processing of IPCs the Agency recorded a saving of **ZMW121 million** for the whole year which was a decrease compared to **ZMW218 million** recorded in 2020. From 2011 to 2021, the Agency has recorded cumulative savings of approximately **ZMW453 million** through the IPC Certification processing.

For the financial year ended 31st December 2021 with respect to the Road Tolling Programme, a total of **ZMW 2.391 billion** was collected against budgeted collection of **ZMW1.769 billion** from both in land and Port of Entry Toll Collections points, representing an overall collection efficiency performance of 135%, with Inland Toll Revenues exceeding target by 40% while Ports of Entry Toll Revenues exceeded target by 31%. This performance was achieved despite the adverse effects of the COVID 19 pandemic on the general business environment. This growth underlies the significance of the role Road Tolling Programme in contributing to the delivery of road infrastructure development of the country.

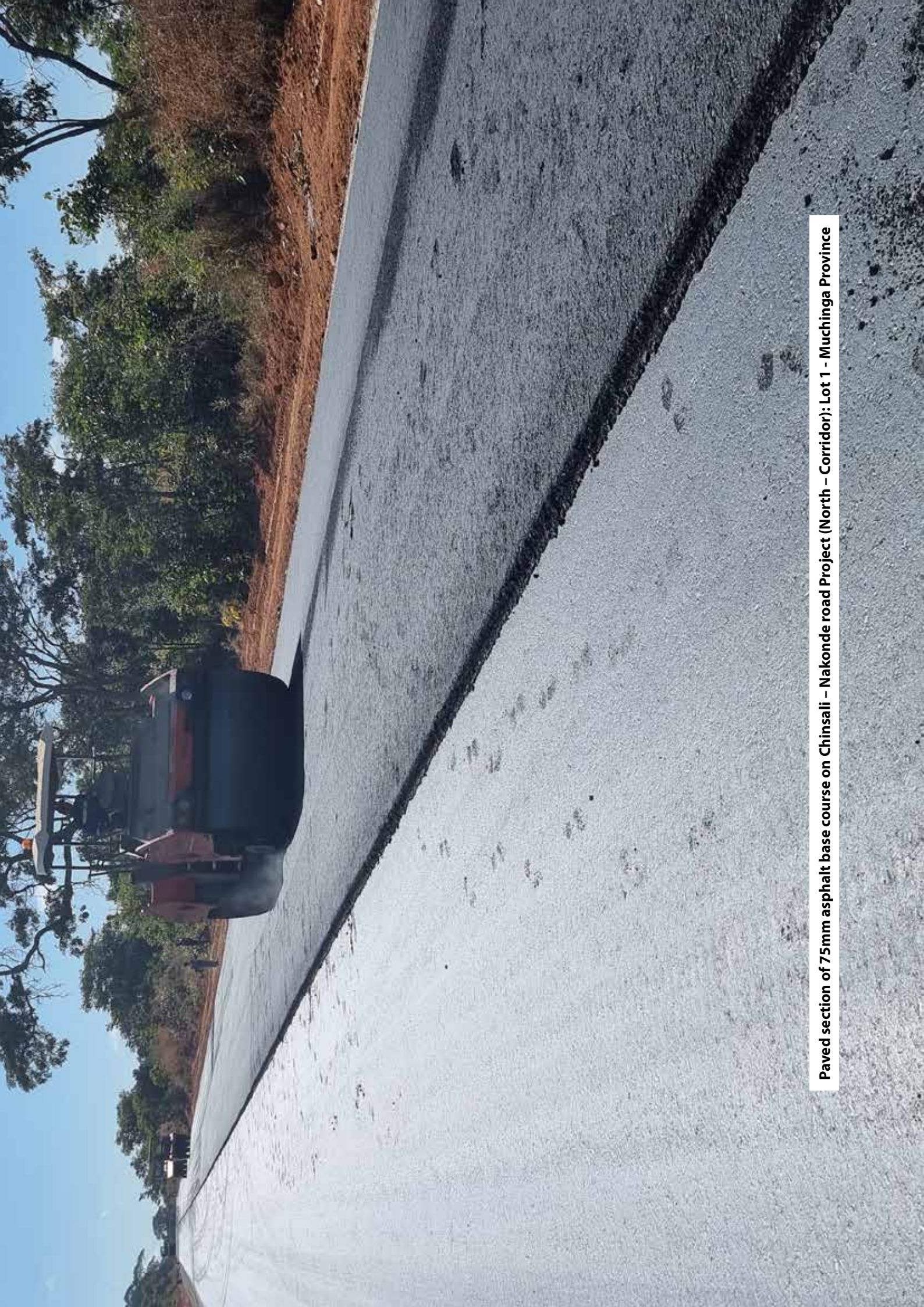
The Agency continued to explore innovative ways of raising additional revenues to meet the financing gap arising from the ever-increasing demand for road infrastructure across the country. Additionally, the Agency further implemented the automated cash payment solutions for toll fees thereby improving on efficiency and in line

with the idea of reducing the usage of actual cash transactions especially because of the COVID 19 pandemic.

Looking in the year 2022, the Agency will continue to operate within its mandate of Resource Mobilization, Fiduciary Management of the Resources, ensuring and promoting Value for Money. The Agency shall also develop a new 5-year Strategic Plan (2022-2026) which shall be aligned to the United Party for National Development (UPND) Manifesto and the 8th National Development Plan, from which a Business Plan for the Agency shall be derived. The Business Plan shall comprise key activities to be undertaken during the year by which Strategic Objectives with specific drivers and targets to help in measuring and managing performance at all levels shall be made. In order to ensure a focused approach, management has adopted a theme for 2022 of **“Sustainability”** which is line with the New Dawn Government’s strategic approach of ensuring sustainable growth of the economy.

On Behalf of the Board, Management and Staff at the Agency, I wish to congratulate his Excellency the President, Mr Hakainde Hichilema and the UPND National Executive on the sound and well-deserved victory during the August 12th 2021 Presidential, Parliamentary and General Elections.

Director/ Chief Executive Officer
National Road Fund Agency



Paved section of 75mm asphalt base course on Chinsali - Nakonde road Project (North - Corridor): Lot 1 - Muchinga Province

1.0 INTRODUCTION

This Annual Report covers the period from 1st January to 31st December 2021 and highlights the major activities undertaken by the NRFA during this period.

The functions of the Agency as prescribed in the National Road Fund Act Number 13 of 2002 are anchored on the three thematic areas of Resource Mobilization, Fiduciary Management of Resources and Value for Money. Key in the Agency’s Resource mobilization function is the role as Lead Tolls Agent in the implementation of Phase II of the National Road Tolling Programme (NRTP).

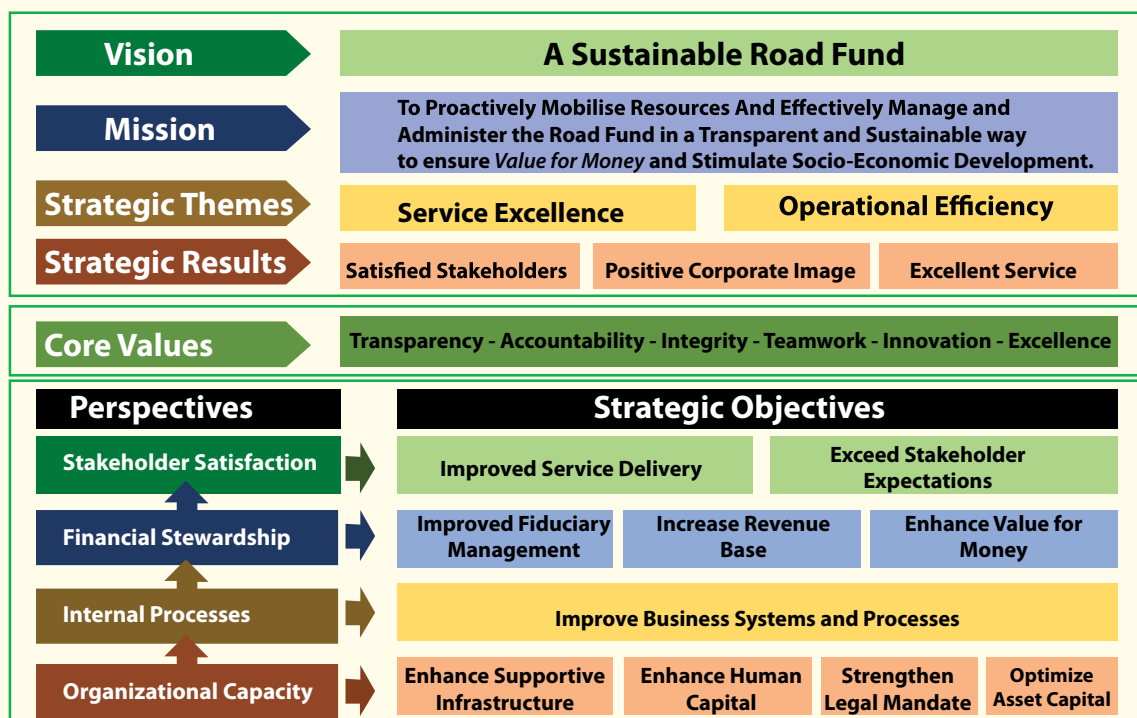
The NRFA’s Modus Operandi is informed by a Strategic Plan as a building block for a Sustainable Road Fund. The Agency developed the 2017-2021 Strategic Plan as a blueprint on which all activities are based. As at 31st December 2021, the 2017-2021 Strategic Plan came to an end.

2.0 STRATEGIC PLAN 2017-2021

In order to ensure effective implementation of the 2017-2021 Strategic Plan, the Agency formulated a consolidated Business Plan 2020 that comprised activities under each department and unit with clear targets aimed at attaining strategic objectives. A quarterly review process was undertaken to ensure effective implementation and adherence to the plan.

A Mid-term review of the Strategic Plan was undertaken and areas of improvement in terms of implementation were noted and planned for actioning for the remaining part of the period of the Strategic Plan. The Implementation of the Strategic Plan during the period under review, faced a major challenge which in this case the outbreak of the COVID 19 Pandemic that negatively impacted on the implementation of various activities within the Agency and the Road Sector in general. This entailed the Agency operating within the guidelines and measures as set out by the Office of the Secretary to Cabinet thereby ensuring that operations were conducted under the NEW NORMAL. However despite the outbreak of COVID 19 the Agency was able to stabilize operations of all toll stations and ports of entry under strict adherence to the measures as was put in place thereby ensuring a balance in terms of revenue collection and stakeholder expectation was met. The agency’s Scorecard is presented below;

Figure 1. NRFA Scorecard



A photograph of construction workers paving a road. The workers are wearing blue uniforms and hard hats. One worker in the foreground is using a tool to smooth the asphalt. In the background, there are trees and a piece of construction equipment. A large white circle with a yellow border is overlaid on the center of the image, containing the text 'FUND MANAGEMENT'.

FUND MANAGEMENT

3.0 FUND MANAGEMENT

3.1 ROLES AND MANDATE

The Fund Management Department is responsible for administering the Road Fund. This involves tracking funds collected from the Road User Charges and ensuring that all such funds collected are remitted into the Road Fund. The Department further controls the usage of funds by ensuring that the funds are disbursed for intended road works and road transport, traffic and safety management activities.

The Road Fund comprises of two main sources of revenue streams namely, Local and External Resources. The Local Resources consists of Road User Charges (Tolling Revenue, Fuel Levy, Road Taxes, Driver's License Fees, Weighbridge Fees and Fines), GRZ budget allocations and local loans obtained from local financial institutions. The External Resources include Loans and Grants signed by the Ministry of Finance with Bilateral and Multilateral Partners.

Highlighted below are the Department's activities aimed at meeting the Agency's strategic objectives which include increased revenue base,

The table below presents the status as of 31st December 2021.

Table 1. Road User Charges Collections

No.	Fund Sources	2021 Budget	2021 Receipts	Over/(Under)Budget	
		ZMW Million	ZMW Million	ZMW Million	
1	Fuel Levy & GRZ Project Funds	2,903.25	5,048.52	2,145.27	348%
2	NAPSA Financing	253.11	253.11	0.00	0%
3	NATSAVE Financing	500.00	500.00	-	0%
4	Total Local Budget	3,156.36	5,801.63	2,145.27	348%
5	External Funding	3,123.85	1,025.21	(2,098.64)	-341%
6	Public Private Partnerships (PPP)	370.00	-	(370.00)	-60%
7	Contractor Facilitated Financing	154.60	1,093.92	939.32	152%
8	Total External Budget	3,648.45	2,119.13	(1,529.32)	-248%
9	Grand Total	6,804.81	7,920.76	615.95	100%

In 2021, the RUCs collected amounted to **ZMW5.048 billion** compared to **ZMW3.156 billion** in 2020 representing a 60% increase. Inland toll collections increased by 54% from **ZMW1.55 billion** as at December 2020 to **ZMW2.391 billion** as at 31st December 2021. The growth is attributed to the commissioning of a new toll

improved fiduciary management of resources and improved service delivery.

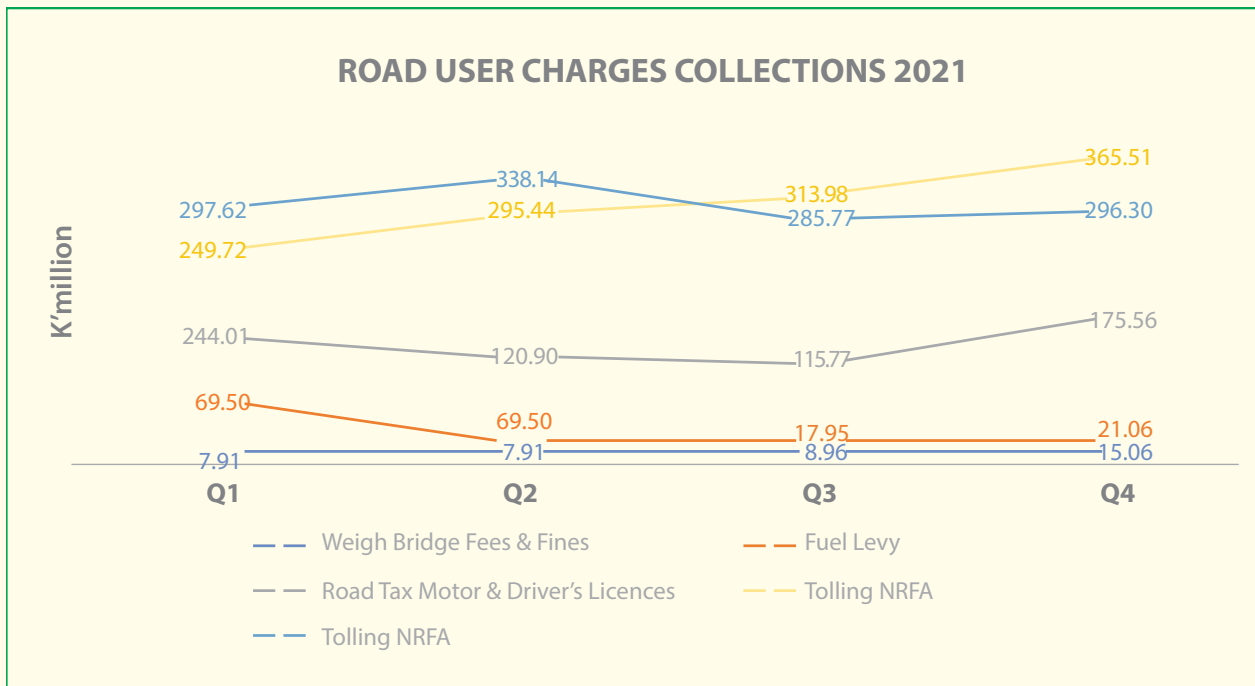
3.2 KEY ACTIVITIES/ ACHIEVEMENTS

3.2.1 Resource Mobilization

The Road Sector received a total of **ZMW8.1 billion** against an Annual Road Sector Budget of **ZMW6.2 billion**, representing 39% of total budget amount. A total of **ZMW 5,099.99** was from Local Funding and the balance of **ZMW3,771.66** was from External Funding. A total of **ZMW5 billion** was received from Road User Charges (RUCs) and GRZ Project funding during the period under review against an annual budget of **ZMW2.177 billion**. This represented funding received of **ZMW2.8 billion** over and above the twelve months budget figure, representing a 132% increase above budget. The increase in fund releases was because of increase in Road User Charges including Road Toll Fees collections and a component of the Bank of Zambia stimulus loan amounting to **ZMW500 million** obtained from INDO Zambia Bank.

station in Kalulushi District of the Copper belt and the implementation of the Statutory Instrument No 74 of 2020 which provides for collection of tolls at Inland toll stations from foreign registered vehicles. This is illustrated in the Figure below:

Figure 2. Road User Charges



The average collection of Road User Charges in 2021 reached **ZMW 250 million** per month compared to an average of **ZMW250 million** per month in 2020. Fuel levy averaged **ZMW10 million** per month. The increase is attributed to the increase in the number of new Inland toll stations that were operationalized in 2021 and the new revenue stream which is in this case the Inland toll fees levied on foreign vehicles. The table below presents the monthly collections of RUCs in 2021.

Table 2. Monthly Road User Charges

Revenue Type	2021/001 January	February	2021/001 March	2021/001 April	2021/001 May	2021/001 June	2021/001 July	2021/001 August	2021/001 September	2021/001 October	2021/001 November	2021/001 December	Total	Average
	ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million
Fuel Levy	53.33	10.68	5.49	5.24	5.33	5.77	4.93	6.11	6.91	7.35	7.46	6.25	124.86	10.40
Tolling NRFA	79.09	80.10	90.53	92.84	101.47	101.14	104.33	102.63	107.02	113.89	112.43	139.19	1,224.65	102.05
Tolling RTSA	91.78	94.05	111.79	102.25	118.12	117.77	101.73	88.66	95.38	100.08	104.68	91.55	1,217.84	101.49
Rd Tax & Driver's Licenses	69.80	26.48	47.72	45.72	26.87	48.31	47.17	25.49	43.10	40.46	37.50	93.59	552.23	46.02
Weigh Bridge Fees & Fines	1.37	2.39	4.16	2.21	2.93	2.78	3.09	2.22	3.65	3.31	3.61	8.16	39.87	3.32
TOTAL	295.37	213.70	259.69	248.25	254.72	275.77	261.26	225.11	256.06	265.09	265.68	338.74	3,159.44	263.29

NOTABLE ACHIEVEMENTS

The following were some of the notable achievements attained by the Department during the period under review;

- **Preparation of Unqualified 2021 Financial Statements**

The Agency successfully prepared unqualified audited quarterly and annual financial statements for both external and local funding for the year ended 31st December 2020.

- **Preparation of Management Accounts**

All Management Accounts for all quarters ended 31st December 2021 were prepared and presented to the Board for approval.

- **Formulate the Road Sector Debt Management Strategy**

The Agency commenced with the process of implementing the debt management strategy through activities that included the re-scoping of the financial plan of most Road Sector projects and subsequent implementation using the NAPSA Phase II Loan facility, accessing stimulus funds used to pay off a component of outstanding arrears owed to local contractors.

- **Resource Mobilization Initiatives**

As a strategy to address the negative impact of COVID 19 Pandemic on the Road Sector, the Agency obtained a component of the Bank of Zambia Stimulus Fund INDO Zambia Bank, amounting to **ZMW500 million** which was used to pay a component of outstanding arrears owed to local contractors and suppliers of goods and services.

- **Automation of Payment Systems to Commercial Banks**

During 2021, all payments were channeled through the automated commercial banks systems to ensure real time processing of payments by the Agency.

CHALLENGES

Notwithstanding the successes scored by the Department during the period under review, some challenges were faced as follows;

- **Delayed Payments**

Delayed payments despite sufficient funding from the Ministry of Finance due to debt arrears from prior years. This is also coupled with increased commitments against the approved budget allocation thus resulting in the Road Fund being unable to effectively address the issue regarding debt to contractors.

- **Lack of a Fully Integrated System between FMS and the Contract Management System.**

The FMS system still remains a standalone system for the Agency that has to be fully integrated into the Contract Management System. However, during the period under review various tests were undertaken to ensure a smooth transition.

T AGENCY

SABINA TOLL PLAZA

ROAD TOLLING DEPARTMENT



4.0 ROAD TOLLING DEPARTMENT

4.1 ROLES AND MANDATE

The National Road Fund Agency (NRFA), as a Lead Tolls Agent (LTA), through the Road Tolling Department (RTD) is implementing the National Road Tolling Program (NRTTP) in collaboration with other Sector Agencies such as the Road Development Agency (RDA) and the Road Transport Safety Agency (RTSA). The key responsibilities of the RTD include the planning and coordination of all activities under NRTTP, formulation of technical policies and guidelines, implementation of strategies on tolling operations and infrastructure development, tolling systems development and management, and regular reviews of the Tolling Legal Framework. The RTD is also responsible for the collection of Road Toll Revenues and ensuring that the Zambian tolling operations are well benchmarked against best Industry Standard practices and deliver an efficient and effective service to Road Users.

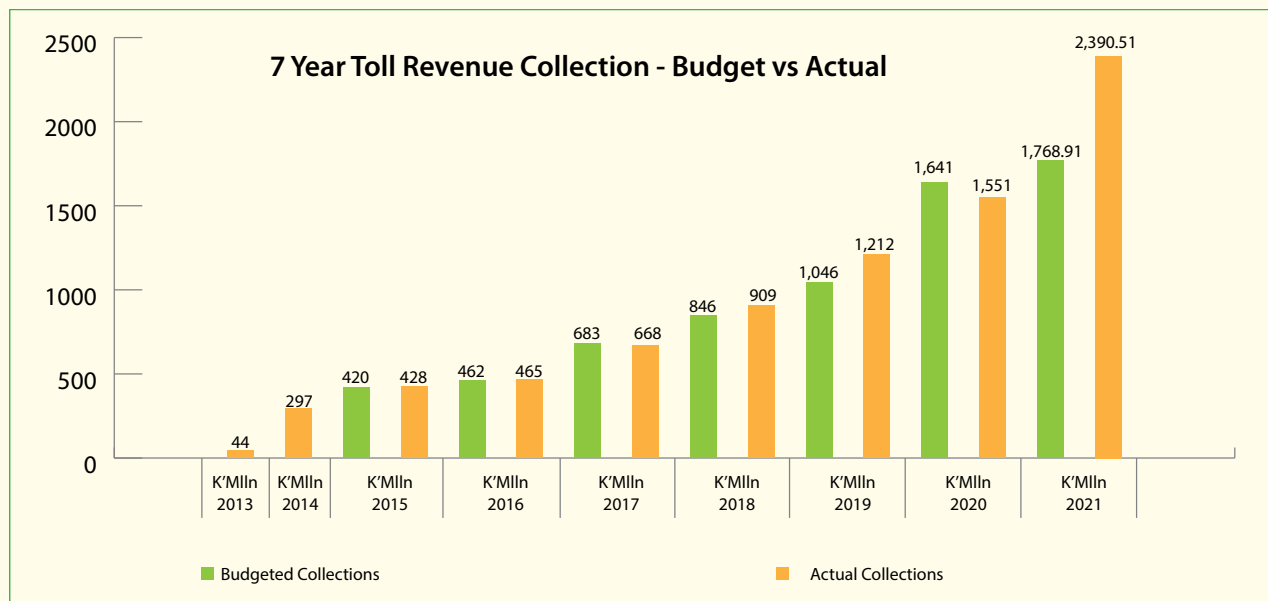
4.2 TOLL REVENUE COLLECTIONS AND TOLLING OPERATIONS

The implementation of the NRTTP has continued to make positive progress as can be seen from the increased number of toll stations in operation and improved performance in collected toll revenues.

In 2021, a total of **ZMW2.391 billion** was collected against a budgeted collection of **ZMW1.769 billion** from both in land and Port of Entry Toll Collections points, representing an overall collection efficiency performance of **135%**.

Table below gives a summary of toll revenue collection performance for period Jan-Dec 2021 whilst Figs 1 and Table 2 show road toll revenue collection trend and percentage revenue collection contribution per toll station for the twelve (12) month period ending Dec 2021 respectively.

Figure 3. Budget Vs. Actuals

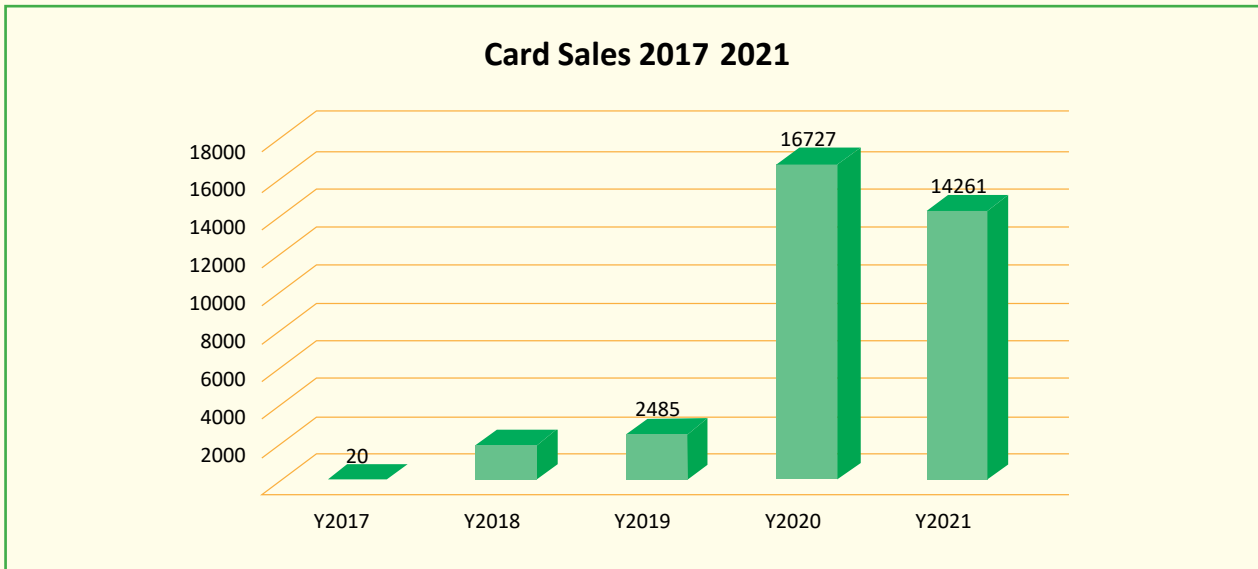


4.3 CASHLESS TOLL COLLECTION SYSTEM

During the period under review, a total of **ZMW 320 million** in toll revenue was collected using the ETC system, representing 27% of total inland collections for the period. This represents a 92% growth from 2020 when **ZMW167 million** was collected through the ETC system. As of December 2021, the number of toll cards sold declined to

14,261 from **16,727** cards sold as at December 2020. This is partially due to the instability of the E-Toll system during quarter 4 of 2021 which was mainly triggered by system upgrade meant to enhance the system to add new features. The figure below shows the number of E-Toll Cards sold year on year from 2017 to 2021.

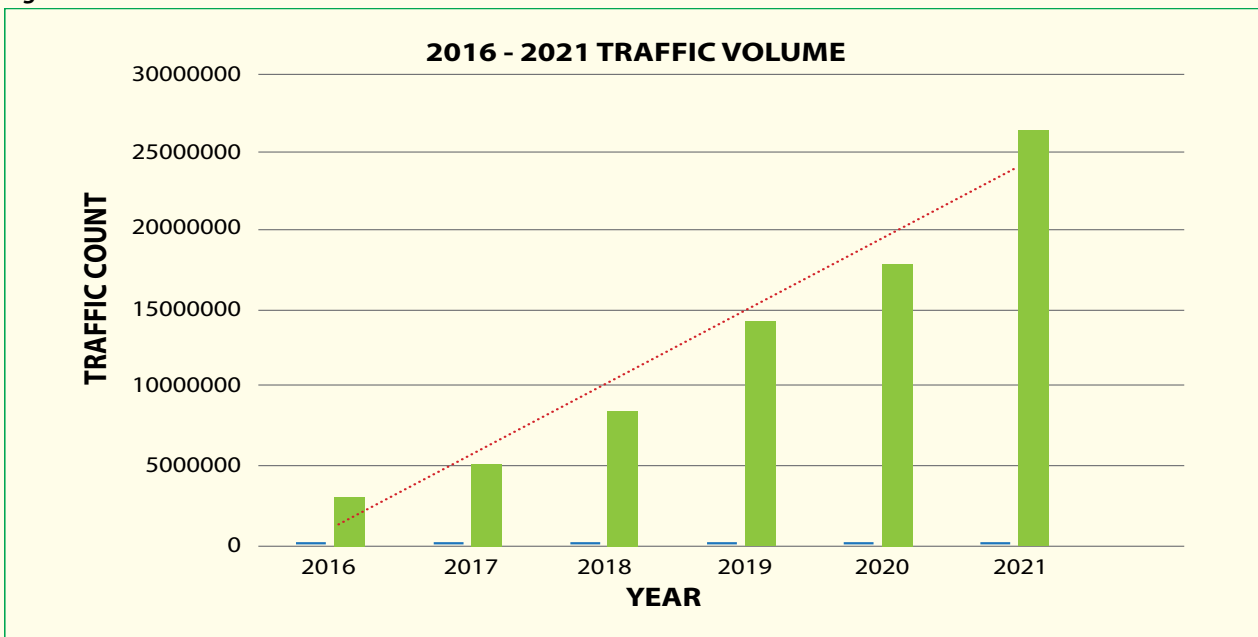
Figure 4. E-Toll Cards Sold



4.4 TRAFFIC INFORMATION

During the period under review, a total of **26,356,145** vehicle passages were processed at Inland toll stations compared to **17,954,690** vehicle passages processed in 2020. Out of the total figure in terms of vehicle passages, **2,785,854** vehicle passages were processed at discounted rates under the Frequent User Discount (FUD), while **389,289** of the vehicle passages processed were under the Local Road User Discount (LUD)

Figure 5. 2016 -2021 Traffic Volume



4.5 CONTROL CENTRE OPERATIONS

The Control Centre continued to monitor toll station transactions and operations using deployed technologies and offer support to customers through the dedicated customer lines. The Centre also assisted with training and roll out of the ETC card acquisition, activation and loading of value to all toll stations.

4.6 TOLLING INFRASTRUCTURE DEVELOPMENT AND FACILITY MANAGEMENT





During the period under review, the Agency through the Road Tolling Department in collaboration with the Road Development Agency (RDA), completed the construction of and installation of the Sabina Toll Station bringing the number of operational inland toll stations to twenty-seven (27). The Map showing Toll Stations in Zambia as at December 2021 is presented below;

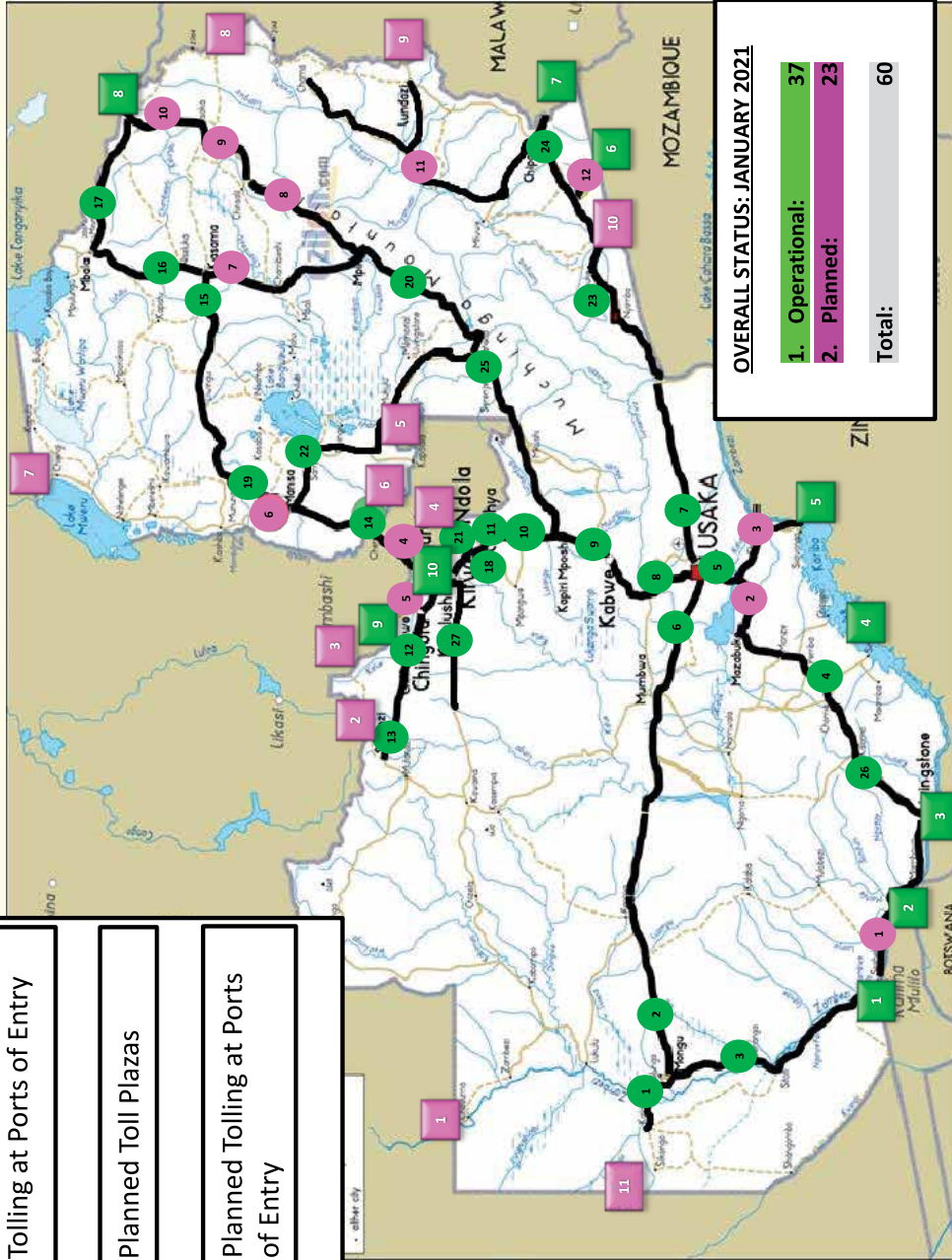
Figure 6: Toll Collection Points



NRFA Toll Collector at work

TOLL COLLECTION POINTS

	Inland Tolling Stations
	Tolling at Ports of Entry
	Planned Toll Plazas
	Planned Tolling at Ports of Entry



OVERALL STATUS: JANUARY 2021

1. Operational:	37
2. Planned:	23
Total:	60

- OPERATIONAL TOLL STATIONS**
- 1 Tapa Toll Station
 - 2 Mweeke Toll Station
 - 3 Lui Toll Station
 - 4 Daniel Munkombwe Toll Station
 - 5 Shimabala Toll Station
 - 6 Mubwa Toll Station
 - 7 Chungwe Toll Station
 - 8 Katuba Toll Station
 - 9 Manyumbi Toll Station
 - 10 Kafufufuta Toll Station
 - 11 Michael C. Sata Toll Station
 - 12 Enock Kavindele Toll Station
 - 13 Humphrey Mulemba Toll Station
 - 14 Chembe Toll Station
 - 15 Kalense Toll Station
 - 16 Kateshi Toll Station
 - 17 Kakonde Toll Station
 - 18 Mpongwe Toll Station
 - 19 Noposhi Toll Station
 - 20 Chilonga Toll Station
 - 21 Wilson M. Chakulya Toll Station
 - 22 Mibenge Toll Station
 - 23 Alexander G Zulu Toll Station
 - 24 Reuben C Kamanga Toll Station
 - 25 George Kunda SC Toll Station
 - 26 Keby Musokwane Toll Station
 - 27 Kalulushi – Sabina Toll Station
- PLANNED TOLL PLAZAS**
- 1 Seseke Toll Station
 - 2 Nega Toll Station
 - 3 Chirundu Toll Station
 - 4 Ingaura-Moala Toll Station
 - 5 Konkola Toll Station
 - 6 Barotz Toll Station
 - 7 Kasame-Mpika Toll Station
 - 8 Mipaka-Chinsali Toll Station
 - 9 Chipata-Isaka Toll Station
 - 10 Isaka-Nakonde Toll Station
 - 11 Chipata-Lundazi Toll Station
 - 12 Karere-Chanida Toll Station
- OPERATIONAL PORTS OF ENTRY**
- 1 Karima Mulilo
 - 2 Kasungula
 - 3 Victoria Falls
 - 4 Kariba
 - 5 Chirundu
 - 6 Chanida
 - 7 Mtwami
 - 8 Nakonde
 - 9 Kasumbalesa
 - 10 Mokambo
- PLANNED PORTS OF ENTRY**
- 1 Chavuma
 - 2 Kabwima
 - 3 Kipushi
 - 4 Sakanya
 - 5 Millengi
 - 6 Chembe
 - 7 Pweto
 - 8 Chile
 - 9 Lundazi/Nzimba
 - 10 Feia
 - 11 Lusitua



**MONITORING &
EVALUATION (M&E)**



Eng. Isaac Ngulube from the NCC gives a presentation on material testing soils, gravel and concrete.

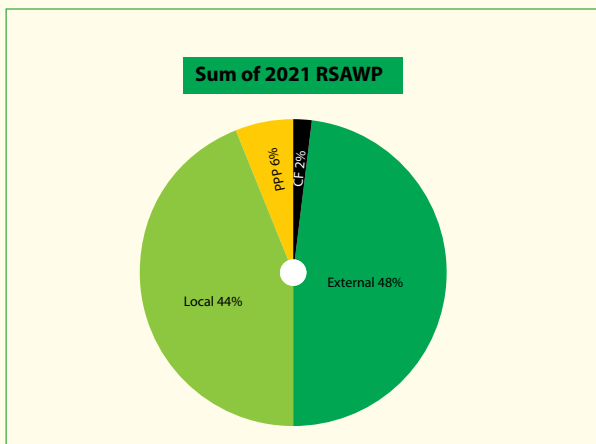
5.0 MONITORING AND EVALUATION (M&E)

The M&E Department has the following core functions; Monitoring, Evaluation, Technical Audits, Stakeholder Communication and feedback and Technical Assistance to road sector agencies. These functions are aimed at ascertaining and promoting **Value for Money** on the various road sector programmes, projects and related activities.

5.1 ROAD SECTOR FUNDING ANALYSIS

The 2021 RSAWP was prepared in joint consultation with the relevant stakeholders in the transport sector and these included NRFA, RDA, MLG, MTC, RTSA, NCC, DoW, MHID and MoF. The 2021 RSAWP had a total value of **ZMW6.55 billion** comprising 48% external financing (Loans and Grants), 44% from local resources in the form of direct GRZ funding from the Treasury and the Road Fund, 2 % Contractor Facilitated Initiative (CFI) and 6% Public Private Partnership (PPP). Figure below shows the funding sources summary for the 2020 RSAWP.

Figure 7: Funding Sources for the Year 2024



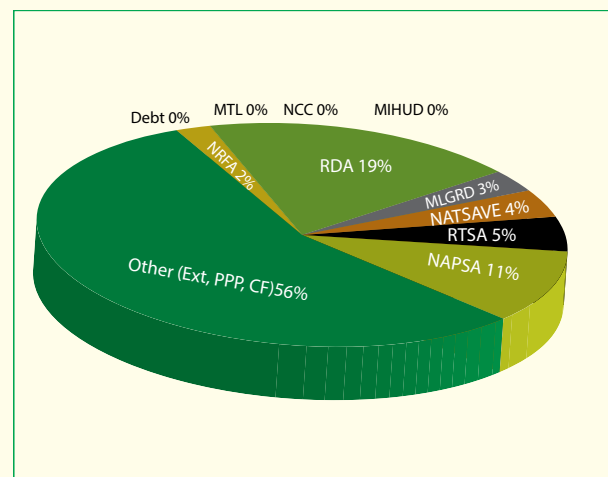
5.2 PLANNING

The 2021 Road Sector Annual Work Plan was driven by the need to provide road maintenance, rehabilitation and upgrading works on the Core Road Network (CRN) to preserve, improve and expand the road asset. The 2021 RSAWP also aimed to address other aspects within the road sector such as the Axle Load Control Programme, Road Safety and Transport Services as well as Capacity

Building through various initiatives and skills development programmes. The implementation of the 2021 RSAWP was expected to translate into increased benefits for the Road Users such as improved road safety, reduced travel time and reduced vehicle operating costs culminating into reduced Road User Charges (RUCs).

Figure below shows a summary of Funding by Sector Agencies. The largest share of the resources of approximately (42%) was allocated to RDA which is responsible for a significant portion of the Core Road Network (CRN) which mainly comprises the Trunk, Main and District Roads. The lower order roads mainly the urban and primary feeder roads have been delegated to Local Road Authorities under the Ministry of Local Government (MLG). MLG had a meagre share of 8% of the resource allocation in the 2021 RSAWP.

Figure 8. Funding By Agency



Note: The 11% NAPSAs allocation highlights loan repayments to NAPSAs following the loan acquisition by the Agency.

The 2021 RSAWP covered various interventions in line with the **ZMW6.55 billion** budget allocation. Rehabilitation projects had the largest allocation of 47% followed by capital expenditure and upgrading of road projects which are capital projects at 21% of the resource envelope. The allocations are shown in the table below

Figure 11. Funding by programmes

Intervention	Local K'000	External	Overall K'000	Percentage
Axle Load Control	45,450.00	41,000.00	86,450.00	1%
Bridges	133,500.00	150,000.00	283,500.00	4%
Capital Expenditure	320,215.68	-	320,215.68	5%
Compensation	23,000.00	-	23,000.00	0%
Dept Service	1,021,038.03	-	1,021,038.03	16%
ESCO	500.00	-	500.00	0%
Legal	12,000.00	-	12,000.00	0%
Maintenance	415,903.48	27,000.00	442,903.48	7%
Project Monitoring & Supervision	150,000.00	-	150,000.00	2%
Publicity	1,000.00	-	1,000.00	0%
Rehabilitation	281,425.58	2,320,303.74	2,601,729.32	40%
Road Reserve Enforcement	500.00	-	500.00	0%
Studies & Designs	55,320.00	70,845.00	126,165.00	2%
Toll Programme	241,096.25	-	241,096.25	4%
Upgrading	60,500.00	434,700.00	1,019,800.00	16%
Rescoped	141,800.00	80,000.00	221,800.00	3%
Total	2,903,249.02	3,123,848.74	6,551,697.76	100%

5.3 LOCALLY FUNDED PROJECTS

Table below presents the summary contracts that are financed from locally generated revenues such as toll fees, fuel levy and road tax. The

projects funded include Link Zambia 8,000, Pave Zambia 2,000, Kazungula Bridge Project and major economic road projects and bridges.

Table 4. 2021 Road Sector Contract Summary table

No.	Description	No. of Projects	Contract Length (Km)	Achieved Length (Km)	Contract Value (K'M)	Variation Orders (K'M) incurred	Certified Amount (K'M)	Balance on Contract (K'M)
1	Link Zambia 8000 Projects -RDA	15	1,961.80	132.10	50,347.67	15,541.64	5,310.27	45,037.41
2	Re-Scoped LZ8000 Project + Other Project	29	3,144.15	680.68	20,207.70	759.79	6,453.70	13,754.00
3	Culverts and Crossing	6	-	-	102.63	48.73	73.16	29.48
4	Pave Zambia 2000	11	47.80	7.05	242.31	22.35	93.21	149.10
5	Supply Pavers	3	-	-	42.04	9.64	8.50	33.55
6	Routine Maintenance - RDA	481	14,951.00	-	1,150.00	-	886.41	263.59
7	Kazungula Bridge Construction	1	-	-	3,325.95	233.40	1,320.44	2,005.51
8	Bridges	10	-	-	649.23	89.48	266.83	382.40
9	Routine Maintenance of Bridges	3	-	-	24.79	-	2.48	22.31
10	Weighbridges	2	-	-	146.91	2.94	34.22	112.69
11	C400	1	406.00	-	1,226.05	-	738.77	487.29
12	Periodic Maintenance Projects under RDA	9	1,349.00	238.10	4,641.69	917.40	837.58	3,804.10
13	Rehabilitation Projects (Paved) under RDA	12	616.58	343.98	7,060.51	1,413.36	2,729.96	4,330.56

No.	Description	No. of Projects	Contract Length (Km)	Achieved Length (Km)	Contract Value (K'M)	Variation Orders (K'M) incurred	Certified Amount (K'M)	Balance on Contract (K'M)
14	Upgrading Projects under RDA	1	73.00	-	370.74	-	37.07	333.66
15	National Feeder Roads Programme	16	4,294.70	425.74	9,833.00	203.36	1,090.89	8,742.11
16	Consultancy Services - RDA	60	-	-	7,536.00	6,023.97	752.07	6,783.93
RDA Sub-Total 1		660	26,844	1,828	106,907	25,266	20,636	86,272
17	Routine Maintenance - MLGH	24	1,145.30	-	150.12	-	9.96	140.16
18	Feeder Roads (Unpaved) - Spot Improvement / Periodic Maintenance/ Rehabilitation -MLGH	212	8,657.05	-	11,760.61	-	2,559.60	9,201.01
19	Urban Roads Programme - (Unpaved Periodic - Maintenance/ Rehabilitation/ Upgrading/New Construction -MLGH	34	501.23	501.23	4,029.50	246.32	648.29	3,381.21
20	Consultancy MLGH	13	-	-	211.59	82.98	75.96	135.63
MLGH Sub-Total 1		283	10,304	501	16,152	329	3,294	12,858
Grand Total		943	37,147.61	2,328.84	123,059.06	25,595.36	23,929.37	99,129.70

5.4 EXTERNALLY FUNDED PROJECTS

These are projects that are funded by Cooperating Partners such as the Package 3 Kazungula Bridge Project, Turnpike- Mazabuka Road Rehabilitation funded by the AfDB, Chinsali – Nakonde Lot 1&2 funded by the AfDB and the Improved Rural Connectivity Project (IRCP) projects funded by

the World Bank, Lusaka 400 Phase II and Phase III, Zambia Township roads on the Copper belt and the Lusaka Decongestion Project by Afcons under the Ministry of LOCAL Government. Table below presents the summary of the foreign ongoing contracts.

Table5. Summary of Foreign Ongoing Projects

Intervention	No. Projects	Contract Length (Km)	Achieved Length (Km)	Contract Sum '000	Certified Amount '000
OSBP	2	-	-	451.36	355.28
Consultancy	9	-	-	364.99	260.73
L400 P2	1	146.00	172.80	2,894.16	241.18
L400 P3	1	116.00	131.33	2,893.27	174.03
LSK Decongestion	1	95.00	60.00	3,637.22	111.00
OPRC	8	1,858.58	498.50	1,250.37	333.22
Rehabilitation	5	289.00	89.06	2,375.90	943.98
Zambia Township Roads	1	152.00	159.86	2,786.71	222.14
Total	28	2,656.58	1,111.55	16,653.97	2,641.56
Intervention	No. Projects	Contract Length (Km)	Achieved Length (Km)	Contract Sum '000	Certified Amount '000
LSK Decongestion	1	95.00	60.00	3,637.22	111.00
Total	1	95.00	60.00	3,637.22	111.00

5.5 MONITORING

5.5.1 IPC Processing

As part of the process of checks and balances, various IPCs were adjusted during the routine IPC processing resulting into savings due to various reasons such as; mathematical errors, unsubstantiated and overstated quantities, withheld payments due to observations made during inspections and failure to provide required documents as claimed for in the Bills of Quantity.

A total number of **7,666** Interim Payment Certificates (IPCs) were processed in 2021 compared to **4,581** IPCs processed in 2020. The processed IPCs were valued at **ZMW4.66 billion** and **ZMW3.70 billion** respectively. The Agency recorded a total of **ZMW3.42 million** for 2021. The table below presents a summary of savings from 2011 to 2021.

Table 6. Summary Savings from 2011-2021

SAVINGS - 2011 -2021			
Year	Amount Saved/With-held on Contracts (K)	Amount Saved/With-held on Force Accounts (K)	Amount Saved/With-held Total (K)
2011	16,345,948.94	16,345,948.94	
2012	10,261,150.03	816,287.94	11,077,437.97
2013	19,401,643.00	3,934,072.23	23,335,715.23
2014	1,452,816.68	283,750.76	1,736,567.44
2015	7,986,037.74	41,817.71	8,027,855.45
2016	7,324,867.22	205,676.80	7,530,544.02
2017	8,275,910.21	567,734.09	8,843,644.30
2018	7,529,936.53	482,027.59	7,529,936.53
2019	28,831,805.05	729,850.59	29,561,655.64
2020	217,548,352.22	-	217,548,352.22
2021	121,026,077.06	-	121,026,077.06
TOTAL	445,984,544.67	7,061,217.70	452,563,734.78

5.6 Field Inspections

This activity involves scheduled and random physical checks to monitor and verify quantities, quality, safety and general progress on the selected programmes, projects and related activities. This was done jointly with the implementing agencies or/and other related stakeholders. During inspections mainly visual observations, measurements and in some cases basic tests were

conducted. Inspections also allow NRFA to pick-out projects that may need further investigations through detailed technical audits. During the period under review, a total of ninety-three (93) projects were inspected across the country. The field inspections were minimized in view of the outbreak of the COVID 19 pandemic.





Inspection of works on the Bailey bridge



5.7 Evaluation

5.7.1 Technical Audits

The evaluation component mainly involves technical audits (in house and outsourced), desktop evaluations, HIV/AIDS monitoring and assessments and analysis of contracts allocation for local and foreign contractors in the road sector.

5.7.2 In House Technical Audits

No activities were done for In-house technical audits during the period under review due to inactive projects not being financed and the outbreak of the COVID-19 pandemic.

5.7.3 Technical Assistance

During the period under review, the Agency was able to provide technical assistance to RDA and MLG in specific areas that included management of Force Accounts and Road Sector Progress Reports.

5.7.4 HIV/AIDS Activities Assessment

Cross cutting issues such as HIV/AIDS activities are mainstreamed in road contracts. The Agency thus takes these issues seriously in terms of monitoring such activities in all major contracts and projects.

During the period under review, the Agency carried out HIV/AIDS activities monitoring key feeder and re-scoped road projects in Northern, Muchinga, Copper belt, North Western and Eastern Provinces. It was noted that most contractors had engaged independent firms to carry out sensitization activities and had also incorporated COVID-19 preventive measures into this component.

5.7.5 Desktop Evaluation

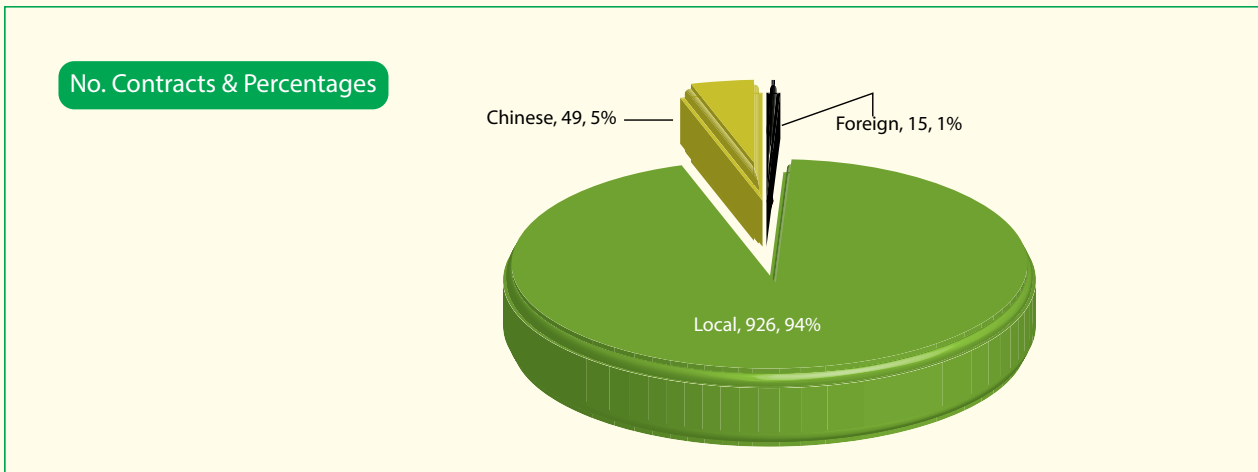
The analysis taken in 2021 report comparing the initial contract sums against the revised contract sums on Road Sector projects showed that the contract sums were increasing tremendously due to lack of funding and thus allowed the Extension of Time for the projects. Additionally the increase in the contract sum was due to change of project scope which favored mostly additional works.

The Agency through the M&E Department was able to that reductions in the contract sums was due to the re-scoping program that was being done on some of the contracts. Re-scoping resulted in thirty one (31) projects re-scoped under RDA and seven (7) contracts under MLG.

5.7.6 Analysis of Contract Allocation Local and Foreign

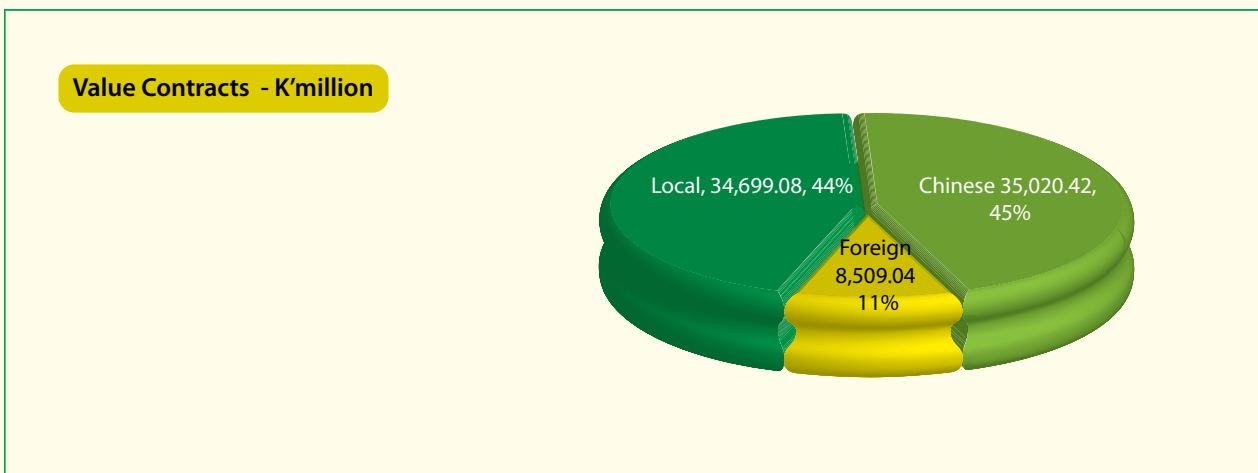
For the period under review an analysis for contract allocation for local and foreign contractors was undertaken. At the time of the analysis, it was observed that a total of **990** contracts were on-going. For these contracts, **926** were being executed by local contractors while **49** contracts by Chinese contractors and **15** contracts by other foreign contractors representing **94%** for local, **5%** for Chinese and **15%** for foreign contractors respectively as shown in Figure below.

Figure 9. Contractors & Percentages



In terms of the value of contracts, **ZMW34.7 billion** was allocated towards the 926 contracts executed by Local Contractors, **ZMW35.02 billion** executed by Chinese contractors and **ZMW8.51 billion** executed by foreign contractors representing 44% for locals, 45% for Chinese and 11% for foreign contractors as presented in Figure below.

Figure 10. Value of Contracts



5.7.7 Value for Money (VfM)

Ascertaining *value for money* on all projects being funded by Government through the National Road Fund Agency continues to be a primary focus in the road sector. In the year under review, much as has been the practice in previous years, several projects were subjected to a detailed evaluation in order to establish the extent to which the Government is obtaining **value for money**.



6.0 INTERNAL AUDIT

6.1 INTRODUCTION

The Internal Audit department derives its mandate from the Board approved Audit Charter. The Charter is a formal written document that defines the purpose, authority and responsibility of the department. Further, Section 17 of the Public Finance Management Act No. 1 of 2018 states the objectives of Internal Auditors as including ascertaining that risk management and internal control systems are in place and continually being improved and optimized. Therefore, the department exists to enhance and protect Agency value by providing objective risk-based assurance, advice and insight. The work of the department involves highlighting weaknesses and recommending ways of improving the effectiveness of risk management, internal controls and governance processes.

Internal Audit is also responsible for ascertaining the adequacy of NRFA's policies and strategies in the prevention and detection of fraud and corruption in order to safeguard public funds and prevent damage to its reputation and image.

In 2021, the department continued to provide reasonable assurance to the Board by evaluating management's assertions in relation to the achievement of objectives, effectiveness and efficiency of operations, reliability of financial information, and compliance with laws and regulations. This was supported by recommendations and follow up on corrective action taken where weaknesses were evident in order to improve the effectiveness of NRFA's risk management, internal controls and governance

processes. Internal audit implemented its annual risk-based audit plan following its approval by the Board. All the scheduled audits were completed and Internal Audit Reports were issued and approved by the Board. In addition, a quarterly Action Taken Report (Control Log) of External and Internal Audit observations and recommendations were prepared and updated to ensure that all management commitments and resolutions of audit findings were constantly tracked.

6.2 THE AUDIT & RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is established as a statutory committee in terms of section 19 (1) of the Public Finance Management Act No.1 of 2018. The Committee assisted the Board in the discharge of its duties relating to financial reporting to all stakeholders, compliance, risk management and the effectiveness of accounting and management information systems.

The committee consists of independent members who collectively have sufficient qualifications and experience in financial and non-financial matters to fulfil their duties. The Chief Executive Officer, Director Fund Management, Director Road Tolling, Director Corporate Services and Director Internal Audit are permanent invitees to committee meetings while the external auditors attend by invitation. The internal and external auditors have unrestricted access to the Audit and Risk Management Committee. The committee met four (4) times during the year. The members of the committee together with their record of attendance are listed below:

Composition of the 2021 Audit & Risk Management Committee:

Director	Category	Meeting Attended
Ms Mumeka Walumweya	Non-Executive (Chairperson)	4
Mr David Kalaba	Non-Executive	4
Mr. Ian Musweu	Non-Executive	4
Mr. Mwenya Mukupa	Non-Executive	4

Further, Mark Daniels Chartered Accountants, the External Auditors audits the Agency's financial statements on a quarterly basis. They attend one (1) year-end Committee and Board meeting at which they make clarifications on matters of importance in support of the audit opinion expressed in the financial statements.

6.3 PRE-AUDITING

The Zambia Institute of Chartered Accountants (ZICA) released a guidance note advising Internal Auditors not to be involved in pre-audit works as this compromises their independence. It is against this background that in July 2021, the department stopped undertaking pre-audits and the function was transferred to Risk and Compliance Unit.

6.4 CHALLENGES

The main challenges faced by the department have been;

- a. Lack of centralization of tolling systems making it difficult to do offsite analyses and review of data.
- b. Recurring audit issues, mainly involving manual processes.
- c. Predominantly cash-based transactions at Toll stations.

6.5 LOOKING AHEAD

- a. Continue to review/audit progress on the implementation of the new strategic plan 2022-2026. The overall responsibility for the Internal Audit department will be to give assurance to the Board as to whether the strategic objectives are being achieved as planned.
- b. Undertake procurement audits on a quarterly basis to ensure that the Government focus on procurement of goods and services at the right price, right quality and timely delivery is realized. In addition, the department shall undertake Road Fund and Secretariat audits to ensure that the measures proposed by Government on debt liquidation, cost reduction and cutting out of unnecessary expenditure are adhered to.
- c. Undertake the Quality Assurance and Improvement Program (QAIP) in accordance with International Standard for the Professional Practice of Internal Auditing (Standard) 1300.
- d. Full implementation of the Audit software will result in efficient and effective data analytics thus further reducing the time spent on audits and the related costs.
- e. Place more emphasis on tolling operations as they are regarded as high risk due to the roll out of new stations as well as the semi-automated processes which involve tolling staff handling large volumes of cash.
- f. Constantly engage ICT and Tolling Units to ensure centralization of tolling systems which shall aid offsite review and analyses of data as well as implementation of cashless solutions to reduce on physical handling of cash.
- g. Deliver high quality audit services and continuously improve audit and management processes through implementation and use of an audit software and an updated risk management framework.
- h. Review the adequacy of the risk management processes and mitigations in place.
- i. Undertake training in analytics and scripting in ACL.



PUBLIC RELATIONS

7.0 PUBLIC RELATIONS

7.1 Roles and Mandates

The Public Relations Unit is the interface between the Agency and its various stakeholders. The Unit develops and implements a communication strategy to enhance the Agency's corporate image. During the period under review, Public Relations activities were informed by the Fourth Perspective in the Strategic Plan of Stakeholder Satisfaction and the First Objective of Exceeding Stakeholder Expectations by bolstering and communicating a healthy and positive brand outlook to win public confidence and support.

7.2 Key Activities Undertaken in 2021

7.2.1 Toll Stations Visitations

During the period under review Toll visitations were restricted due to the outbreak of the COVID 19 pandemic thereby ensuring that the Agency was adhering to the control measures and

guidelines set out by the Government through Cabinet Office. In this regard the Toll visits were minimized and were strategic. The following were the two visitations undertaken;

- a. Northwestern Province Chamber of Commerce- During the period under review, the N/Western Chamber led by the Chamber President undertook a tour of the Humphrey Mulemba Toll Station in Solwezi.
- b. Ngoni Royal Establishment - During the period under review, the Agency in conjunction with the Ngoni Royal Establishment of Eastern Province undertook a tour of the Reuben Chitandika Kamanga Toll Station between Katete and Chipata.



7.2.2 Media Briefing

At the beginning of 2021, the Agency held an end of year media briefing at which an update of the 2020 activities and focus for 2021 were availed to the public through mainstream electronic and print media.

7.2.3 Awareness Campaign on Commencement of Road Tolling

During the period under review, the Agency undertook awareness campaigns ahead of the Road Tolling Commencement at the newly constructed toll station in Kalulushi District of the Copper belt Province.



7.2.4 E-Toll Card Awareness Campaign

During the period under review, the Agency further embarked on a robust awareness-raising campaign of the E-Toll card under the theme “Drive Cashless” as a faster and efficient way

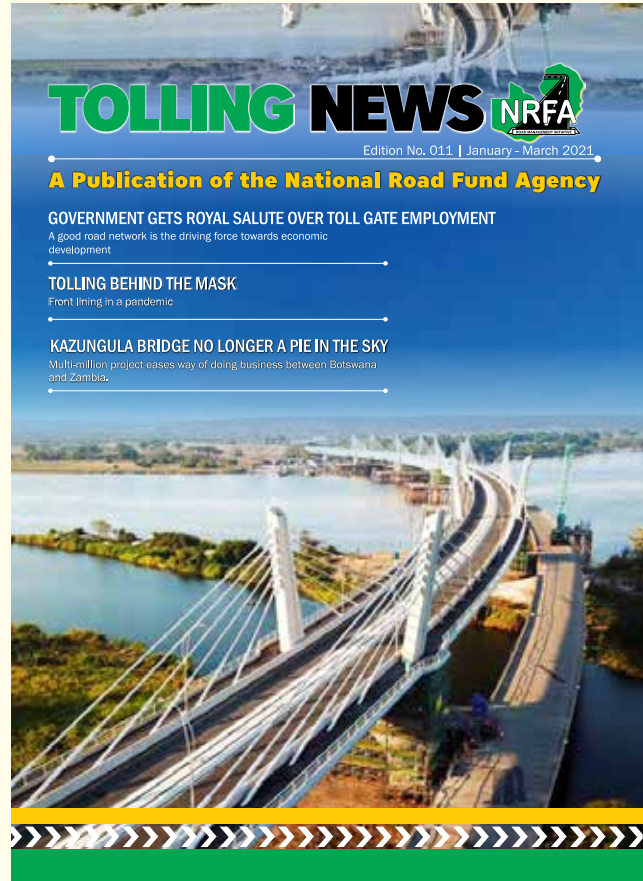
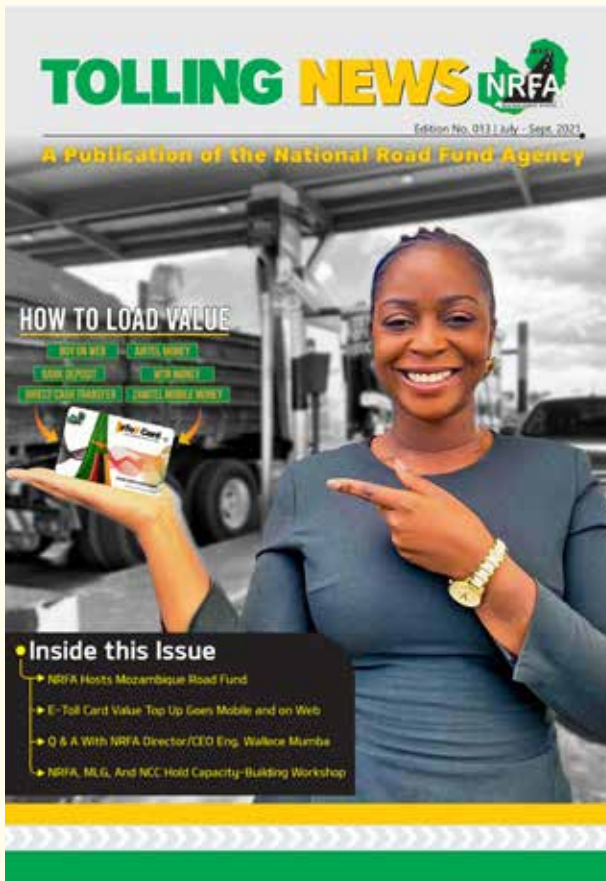
of paying toll fees. The aim of the campaign was to increase sell of the toll cards in 2021. As of December 2021, 14,261 cards were sold.



7.2.5 7.2.6 Media Coverage and Publications

During the period under review, the Agency appeared in the media (both print and electronic) 412 times, through articles in Newspapers,

and interviews on radio and television with no adverse media coverage.



7.2.6 Facebook Page, Website and Help Desk

The Agency’s Facebook page had 93,762-page followers as at December 2021, compared to 62,382 as at year end 2020. The social platform continued to work as a feedback mechanism to closely interact with the public and disseminate information.

The Agency’s Help Desk continued to attend to various queries presented to the Agency especially regarding payment status of invoices due to contractors.

Figure 11: NRFA Facebook following -2021

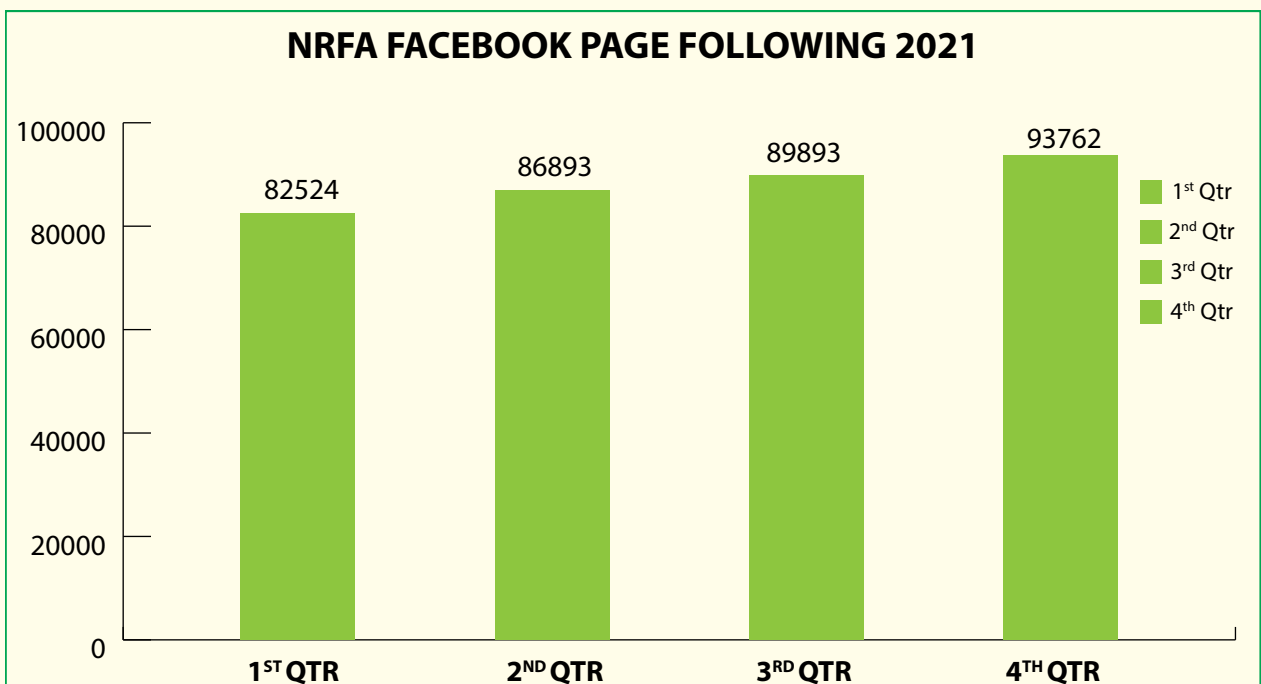


Table below shows Customer relations management through NRFA Help Desk, Facebook and website 2021

Table7. Customer Relation Management.

SN	DESCRIPTION	Q1	Q2	Q3	Q4
1	Number of calls, inquires received and attended to through the help desk	475	761	511	603
2	Number of complaints received	44	56	67	89
3	Number of times website was visited	2,978	3,439	4,739	5,567
4	Number of Times Agency activities were recorded in the Media(Print and broadcast)	56	64	45	63





PROCUREMENT



8.0 PROCUREMENT

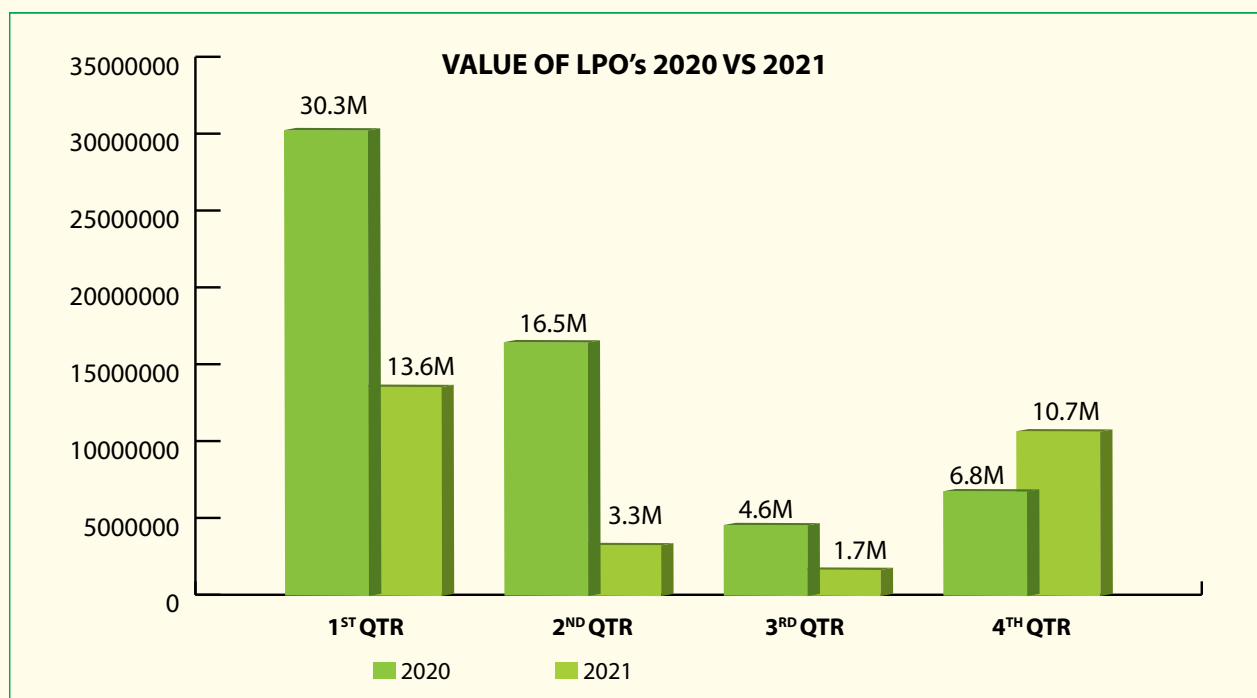
8.1 Roles and Mandates

The Procurement Unit of the Agency draws its mandate and guided by the provisions of the Public Procurement Act No. 12 of 2008, circulars issued by the Zambia Public Procurement Authority (ZPPA) and the Regulations of 2011. In addition, when prescribed, the Agency through the Procurement Unit also complies with Procurement guidelines of Cooperating Partners such as the World Bank (WB) and the African Development Bank (AfDB).

8.2 Procurements Made During the Year

During the period under review, the Agency issued a total of 126 Local Purchase Orders amounted to **ZMW 29.4 million**. Figure below indicates the percentage of Procurements carried as of December 2021.

Figure 12. Value of LPO's – 2020 vs 2021



8.3 Value for Money

The Agency has planned for a total of One Hundred and Seventeen (117) consolidated procurements in 2021 as per approved procurement plan for the year out of which implementation was at 87%, as a total of One Hundred and Two (102) procurements where undertaken valued at **ZMW44 million**. A saving of ZMW3 million was made from the procurements undertaken based on **Value for Money**.



CORPORATE SERVICES



**2nd BEST PERFORMING
NATIONAL ROAD FUND AGENCY
INTEGRITY COMMITTEE**



symbolic handover of ASAFAG chairmanship

9.0 CORPORATE SERVICES

9.1 Roles and Mandate

The Corporate Services Department exists to render comprehensive Human Resource and Administration functions in order to enhance service delivery and the welfare of all National Road Fund Agency employees. The department endeavors to help the Agency capture the full value in all its operations through provision of these cross functional areas of Human Resource Management, General Administration, Information Communication and Technology (ICT), facilitating for Board Affairs, Integrity Committee programs, and the African Road Maintenance Funds Association (ARMFA).

In executing its duties, the Department is guided by various policy documents among them being the 2017–2021 Strategic Plan which is anchored on Ten (10) Strategic Objectives. In 2021, despite the outbreak of COVID 19 pandemic, the Department

worked to contribute to the realization of these Strategic Objectives by undertaking the following activities during the period under review.

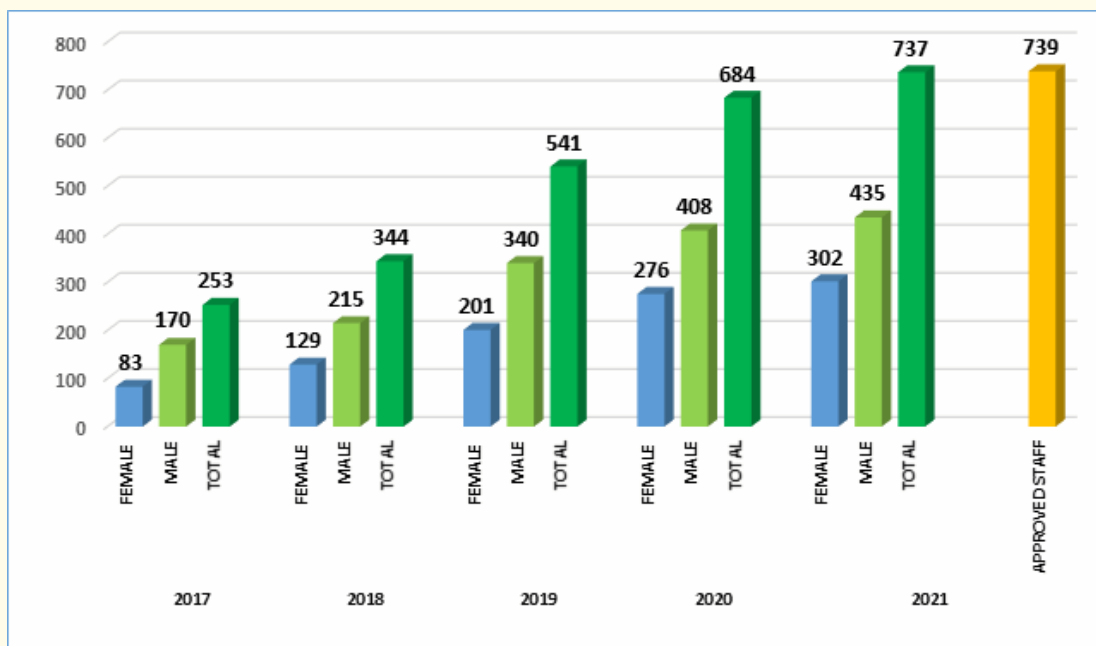
9.2 Human Resources Management

The Department facilitated a conducive working environment and there was no recorded industrial unrest during the period under review.

9.2.1 Staff Compliment

The year 2021 closed with a total staff compliment of Seven Hundred and Thirty Seven (**737**) compared to 2020 at Six Hundred and Eighty Four (**684**) representing a **7.2%** growth rate. With an approved structure of Seven Hundred and Thirty Nine (**739**), the staffing variance as at December 2021 was Two (**02**). Figure below presents percentage of staff compliment by gender:-

Figure 13 : Staff Compliment disaggregated by gender from 2017 - 2021



The exponential growth for both males and females from 1st January, 2017 to 31st December, 2021 stood at 290%. Out of the total staff compliment of 737 as of December, 2021, females and males represented the ratios of 0.41 and 0.59 respectively. While 2017 staff compliment of 253, representing a ratio of 0.33 for female and 0.67 for male employees.

Thus, this shows an expansion in the number of females employed during the period under

review by 8% and a reduction in the number of male employees by the same margin.

9.2.2 Staff Recruitment

The Agency continued to contribute to the creation of employment opportunities especially for the youths in the Country. To this effect, and in order to enhance human capital, the department continued to recruit and appoint staff to fill various vacant positions as part of its human

resource planning. To that effect recruitments were done for the Road Tolling Department to appoint Toll Collectors for deployment at various

Toll stations across the Country, and recruitment of staff for other Departments.

Table 8. Staff Recruitment

No.	Position	Mode of engagement	Department / Station	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021 Annual
1	Toll Collectors	External recruitment	Road Tolling	146	26	0	35	7	68
2	Driver/ Mechanics	External recruitment	Corporate Services	8	2	0	2	0	4
3	ICT Officer	External recruitment	Corporate Services	0	0	0	1	0	1
4	Accounts Assistants	Internal recruitment	Fund Management	0	0	3	0	0	3
5	Risk and Compliance Officer	External recruitment	Director/CEOs' Office	0	0	1	0	0	1
Total				154	28	4	38	7	77

9.2.3 Staff Turnover

During the period under review, there were twenty four (24) staff separations as indicated on the table below:-

Table 9 Staff Turnover.

No.	Reason for Separation	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021 Annual Total
1	Dismissal	26	1	6	7	3	17
2	Resignation	4	3	3	0	0	6
3	Unsuccessful Probation	1	0	0	0	1	1
Total		31	4	9	7	4	24

9.2.4 Disciplinary Cases

The Agency realizes that a disciplined staff is key in carrying out its mandate as it strives to fulfill its mission and positively contribute to the enhancement of good Corporate Governance principles and practices. Accordingly, all employees are expected to uphold the highest standards of discipline and abide by the espoused values of the Agency.

However, in the event that some members of staff are found wanting, disciplinary measures are undertaken as prescribed in the Agency's Disciplinary and Grievance Procedure. During the period under review, a total of three (3) disciplinary cases were handled.

9.2.5 Workplace Social Support Activities

During the period under review, the Agency was able to participate in 4 sports events during the latter half of the year. These were soccer tournaments against other institutions. Additionally, the Agency through NRFA ladies showed solidarity with their fellow women suffering from cancer by participating in the "Dukutober" challenge. On this day, some women wore head scarfs and were clad in pink outfits in Commemoration of the Cancer awareness month of October. Every woman was encouraged to go for cervical and breast cancer awareness.



NRFA ladies pose for a picture commemorating "Duktober"

9.3 Administration

9.3.1 Promotion of Health and Safety Measures to Prevent COVID 19

In the wake of the COVID 19 pandemic, the Agency continued to implement various measures to promote sanitation and health working environment by providing hygiene kits such as hand washing bays, hand sanitizers, gloves and masks especially to frontline staff at Toll Stations.

The Agency also fumigated office building blocks to enhance preventative measures against COVID 19 and further engaged the Zambia National Public Health Institute (ZNPHI) to conduct COVID 19 screening of members of staff.



NRFA members of staff get Covid vaccines

9.3.2 Registry Re-organization

During the period under review, the Agency in conjunction with Officers from the National Archives appraised and transferred the NRFA records that were due for archiving to the National Archives.

9.3.3 Employee Satisfaction Survey

The department developed and administered a questionnaire to conduct and assess employee levels of satisfaction with regards to various human resource and operational processes of the Agency. This was done in line with the implementation of the 2017 - 2021 Strategic Plan.

9.4 Integrity Committee Activities

During the period under review, the Integrity Committee (I.C) carried out the following activities: -

- i. Attended the CEO's conference hosted by Cabinet Office and Anti-Corruption Commission, at which NRFA was awarded 2nd best performing I.C for 2021
- ii. Held monthly meetings in October and December 2021
- iii. Prepared the 2022 Annual Corruption Prevention Action Plan (ACPAP) and submitted to ACC before the due date 31st December 2021.
- iv. Distributed the service charter for display at all Toll Stations
- v. Presented at the ZISC life I.C induction training
- vi. Participated in the 2021 Anti-corruption Day activities at the showgrounds in Lusaka.



NRFA awarded 2nd best performing IC for the year 2021

9.5 Legal Matters

9.5.3.1 Review of the NRFA Act No12 of 2002

During the period under review, the National Road Fund Draft Bill was submitted to the Ministry of Finance for further pre-enactment processes. It is envisaged that the Draft Bill will be submitted to Cabinet for approval by end of quarter 2 of 2022.

9.5.3.2 Review of Agency Policy Documents

During the period under review, the Agency undertook a review of various policy documents and procedures manuals which were approved by the Board.

9.6 Board Affairs

During the period under review, the Agency through the Corporate Services Department coordinated and facilitated the holding of Board and Committee meetings. The Board continued

to provide leadership and policy direction to the Agency's management and it is collectively responsible and accountable to the stakeholders for the long term success of the Agency and ensures that it is appropriately managed. The NRFA Board is constituted into Four (04) specialized Committees as follows:

- i. Finance Committee
- ii. Audit and Risk Management Committee
- iii. Administration Committee, and
- iv. Technical Committee

The National Road Fund Act No 13 of 2002 requires that the Board meets at least once every three (3) months to conduct NRFA Business. The Chairperson of the Board may call for Special Board Meetings when need arises. During the period under review, the Board held the following number of meetings as shown below;

Figure 10. Meetings Held for the Year 2021

No	Board /Committee	No. of Scheduled Meetings	Extra –Ordinary Meetings	Total
1	Board	4	0	2
2	Administration	4	0	4
3	Finance	4	1	2
4	Audit and Risk	4	0	2
5	Technical	4	0	3
Total		20	1	13

9.6.1 Board of Directors Field Visits

In order to ensure adherence to the measures that the Agency put in place to curb the spread of COVID 19, Board Field Visits during the period under review were cancelled.

9.6.2 Committee of Chairpersons of Road Sector Boards

The Committee of Chairpersons which comprises of Chairpersons from the Road Sector Boards during the period under review, Management facilitated three (3) meetings and one field visit to Lusaka, Central, Copper belt and Northwestern Provinces. Some of the issues discussed at the Committee of Chairpersons Meetings during the period under review was the presentation and review of the Field Report of the Committee of Chairpersons of the Road Sector Boards tour of Infrastructure in Lusaka, Central, Copper belt and

Northwestern Provinces and the Support and Collaboration with the Zambia Police Service over Road Infrastructure Assets Preservation and Management.

9.7 African Road Maintenance Funds Association (ARMFA)

An elective virtual meeting was conducted on 30th March 2021 at which Zambia/NRFA handed over the Chairmanship of the African Road Maintenance Funds Association Southern African Focal Group (ASAFG) to Mozambique. Zambia's tenure of Chairmanship of ASAFG which it held since 2018 had come to an end. Due to Covid 19, ARMFA meetings were mostly limited to virtual meetings at which members were using the meetings to share experiences of how the individual Road Funds were coping with the negative effects of Covid 19 pandemic.



**INFORMATION
COMMUNICATION
TECHNOLOGY (ICT)**

10.0 INFORMATION COMMUNICATION TECHNOLOGY (ICT)

10.1 Roles and Mandate

The Information and Communications Technology (ICT) unit falls under the office of the Director and CEO of the National Road Fund Agency. The unit is responsible for the administration of a wide range of computer systems such as Fund Management, Contract Management, Toll Management and other systems required for corporate activities. With Road Tolling being one of the core functions of the Agency, ICT is a critical requirement in this operation as it is the one that runs the Toll Management Systems.

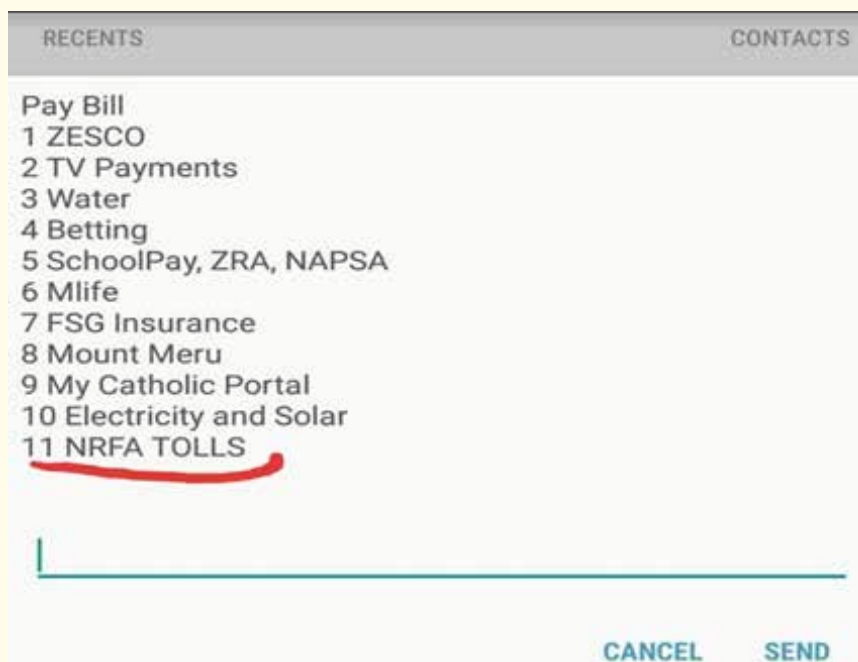
10.2 Activities Undertaken in 2021

The following are the operations that the ICT Unit undertook and implemented during the year 2021.

10.2.1 Introduction of Mobile Money Services in Card Funding

During the period under review, ICT integrated the NRFA E-Toll system with Mobile Money systems from the three service providers who include Airtel, MTN and Zamtel. With this configuration, road users can now fund their accounts on the E-Toll system using mobile money services. The service was launched not only to support the Agency's strategic objective of Improved Service Delivery but also to reduce the risks associated with cash handling and physical contacts especially in the Covid-19 era.

Card funding through mobile money services has enhanced efficiency in the operations while it has also provided convenience to road users who are now able to fund their accounts wherever they are.



NRFA Tolls payment option on USSD Menu via Zamtel Mobile Money System

10.2.2 Automation of Some Processes

ICT during the period under review, automated some internal processes which resulted in enhanced efficiency and improved service delivery, and further reducing the costs associated with manual operations. Some of the processes which were automated include the Incident

Management and Surveys both internal and external users. The Incident Management system enables NRFA users to report incidents timely and the same is used to track their status. With the incidents recorded in the system, it makes it easier for the technical team to track resolve them in a timely manner, thereby reducing the systems downtime.

10.3 Upgrade of ICT Systems

ICT embarked on upgrading of systems at toll stations to respond to the ever-increasing demand for resources in processing of transactions. During the period under review, ICT upgraded a number of systems for tolling activities which included hardware platforms and tolling software at selected stations. It also upgraded Closed Circuit Television (CCTV) systems at various stations for enhanced security. The upgrade has resulted in improved rate of processing toll transactions.

10.3.1 Deployment of Systems at Sabina Toll Plaza

Sabina Toll Station which is located in Kalulushi District on the Copperbelt was commissioned for tolling operations in January 2021. ICT played a

key role by deploying all the systems which were needed for the station to commence operations. The systems included tolling and CCTV.

10.3.2 Connectivity of Some Toll Stations to Centralized Network System

During the period under review, ICT connected four (04) toll stations to the centralized network system. The stations included Sabina in Kalulushi, Kebby Musokotwane in Livingstone, George Kunda in Mkushi and Reuben Chitandika Kamanga and Alexander Gray Zulu in Katete and Nyimba respectively.

With this remote visibility, the stations can now be administered from the NRFA Control Centre, thereby enhancing security and also reducing operational costs.



11.0 RISK MANAGEMENT

The Agency has implemented a risk management approach with boundaries aligned to the set strategy, values, policies, and Board directives. Our assessment and set mitigations are clearly defined and guided by best industry practice that is anchored on provisions of ISO 31000. Our approach is further guided by the type of risk that the Agency faces which are broadly categorised into four. These include Strategic, operational, Financial and compliance risks.

During the year 2021, the Agency implemented an annual risk management cycle, which identifies key risks and developments that are continuously monitored and mitigated. Continuous engagement with Risk Champions ensures that the identified risks are always part of the departmental agendas for all departments in which they are anchored. Based on this approach, key risks are continuously updated.

During the period, approximately 68 risks were identified of which 46 had a rating of medium to high. They were classified and consolidated using a quantification method to weigh potential impacts and likelihoods of the various risks. The final key risk categories used were as reviewed and approved by the Board in March 2021. The controls which were identified and implemented to mitigate against the identified risks were consolidated into the register of controls which shall continue to be reviewed every quarter.

Some of the risks identified related to the fiduciary management responsibilities of the Agency including ability for the Agency to settle its obligations such as loans, statutory payments, and payments for works, consultancy, and other supplies. Other included risks related to fraud and statutory compliance requirements among others. Operational risks such as those that related to the health and safety of employees were also identified and included in the Agency Risk Register.

12.0 OUTLOOK FOR 2022

The Agency will continue to operate within its mandate of Resource Mobilization, Fiduciary Management of the Resources, ensuring and promoting Value for Money.

To ensure a focused approach, management has commenced with the formulation of the 2022-2026 Strategic Plan and Implementation Plan coupled with the strategy of undertaking a balanced approach of “**Sustainability**” coupled with an aggressive strategy of adopting “**Innovation**” as a way of counteracting the **Business-as-Usual** Approach to addressing critical issues affecting the operations of the Agency. The Agency is also aligned its strategy to the UPND Manifesto and key Presidential and Ministerial pronouncements with regards to the New Dawn Government’s Development Agenda at Sector Level

Key focus areas for management include the following:

- i. Debt Management:** This is critical for sustainability in the road sector. This will comprise arresting the escalation of the current debt, reduction and ensuring non accumulation on future. Additionally, the need to hive off debt and address the issue of re financing of expensive loans shall be a focus area for the Agency in line with the DSSP Strategy.
- ii. Road Fund Budget Control System-** The Agency aims to introduce, a monthly disbursement report to all implementing agencies which shall give a monthly update of disbursements against approved budget.
- iii. Resource mobilization, allocation, and cost effectiveness:** This would involve moving away from short term financing mechanisms to long terms arrangements, pursuing non traditional financing mechanisms while leveraging on assured revenues streams such as tolling. This also requires strategic and objective allocation of funds to ensure maximum returns and value for money. Considering that resource mobilization is not the end, there will be need to ensure reduction in the cost of construction and operations in line with Government’s austerity measures and considering the tight national, regional and global economic situation. The Agency intends to pursue Public Private Partnerships (PPP) in conjunction with the Road Development Agency as a critical funding mechanism on selected road projects that are economically viable.
- iv. System Enhancements:** It is critical that the current system platform is seriously enhanced through integration, full automation and a robust infrastructure and architecture to ensure efficiency, reduced costs of cash management, enhanced controls, and increased revenue. Full Automation and integration of the Road Tolls Operating System is a key target in 2022.
- v. Partnerships:** To ensure growth, it is imperative that the agency pursue stronger partnerships with other relevant agencies both public and private sector.
- vi. Effective Stakeholder Management and Engagement:** The Agency shall continue to engage and manage the various key stakeholders constructively and effectively.
- vii. Formulation of the NRFA 2022-2026 Strategic Plan-** The Agency shall ensure that the new 5-year Strategic Plan is formulated and adopted by June 2022.
- viii.** Ensure that the Draft NRFA Bill is enacted before year end 2022

13.0 CONCLUSIONS

During the period under review, there were some improvements recorded particularly with respect to implementation of the Road Tolling programme that includes enhanced revenue streams, e-tolling, reduction in audit queries and the processing of IPCs. This is amid the outbreak of the COVID 19 Pandemic which continued to negatively affect critical activities within the Road Sector in 2021.

Management appreciates the guidance and policy direction from the Board of Directors through the Committee Meetings, Board Meetings, and regular consultations with Board members. Management also received unwavering support from the Ministry of Finance as the mother ministry and Government in general through lines Ministries, Housing, Infrastructure and Urban Development, Transport and Logistics, Local Government and Rural Development. Management also continued to work closely with the other key sector agencies; RDA, RTSA and NCC.

Active Stakeholder Management will be key for sustainable operations of the Agency. This will entail frequent engagements with stakeholders in the sector with a view to ensuring a common focus and strategy.

It is also important for the Agency to keep turnaround strategies simple, pragmatic, and reasonable and become aggressive in execution of assignments especially in view of the New Dawn Government's strategy of economic stability and sustained growth of the economy.

The Government's resource envelope might not be able to help effectively sustain operations in the road sector especially in view of the need to service external debt obligations and in view of the need to address other critical needs. This therefore calls for innovative thinking in a way that will allow the Agency to manage the challenges, but at the same time embark on activities that will help grow the Fund.

The Agency strategy going forward, is to move from the theme, "**Innovate**" to a new theme "**Sustainability**" for the entire year 2022.

To achieve this, the Management shall continue to effectively rely on the Board for the continued guidance and support. The Agency's committed staff at Head office and from the Toll stations is geared to continue performing to achieve the expectation of the Board and other stakeholders without much difficult despite this heavy challenge.

Looking ahead, the Agency has repositioned itself from a narrow road sector viewpoint to a national economic viewpoint taking into account its critical position and contribution to the national economy even as it strives to attain its dream of becoming a **Sustainable Road Fund**.



NATIONAL ROAD FUND AGENCY

**FINANCIAL STATEMENT
FOR THE YEAR ENDED 31
DECEMBER 2021**

**MINISTRY OF FINANCE
NATIONAL ROAD FUND AGENCY**

NATIONAL ROAD FUND

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

**National Road Fund Agency
National Road Fund
General Information
Financial Statements for the year ended 31 December 2021**

KEY INFORMATION

1. Background information

The National Road Fund Agency was established by the National Road Fund Act No. 13 of 2002. According to Part II of the National Road Fund Act, the key functions of the Agency are, among others:

- a. Administer and manage the Road Fund;
- b. Prepare and publish audited annual accounts of the Road Fund
- c. Recommend to the Minister Fuel Levy and other road user charges and tariffs as required.
- d. Recommend to the Minister projects for funding;
- e. Allocate resources - For the construction, maintenance and rehabilitation of roads based on a percentage of annual work programme of the Road Development Agency; For road transport, traffic and safety management based on a percentage of the annual work programme of the Road Transport and Safety Agency. In consultation with Road Development Agency, recommend funding for development of new roads and undertake such other activities as are conducive or incidental to its functions under this Act.
- f. In consultation with the Road Development Agency, recommend funding for development of new roads, and
- g. Undertake such other activities as are conducive or incidental to its functions under this Act.

Section 16 (1) of the NRFA Act No. 13 of 2002, with Amendment of 2006, states that there is hereby established the National Road Fund.

Section 16 (2) of the NRFA Act No. 13 of 2002, with Amendment of 2006, further states that the Road Fund shall consist of:

- a. such moneys as may be appropriated by Parliament for the purposes of the Road Fund;
- b. all fuel levy collected, less the cost of collection which shall not exceed three per cent, in every fiscal year".
- c. such percentage of licence fees, registration fees and international transit fees payable to the Road Transport and Safety Agency under the Road Traffic Act, as the Minister may determine;
- d. such percentage of the weigh bridge charges payable to the Road Development Agency under the Public Roads Act, 2002, as the Minister may, by statutory instrument, determine;
- e. all moneys paid as fines for vehicle overloading offences under the Public Roads Act, 2002;
- f. such percentage of road user levies including tariffs, taxes and tolls as may be determined by the Minister on the recommendation of the agency in consultation with Road Development Agency; and
- g. such monies as may be paid to the Road Fund by way of loans, grants or donations.

ii. Section 17 of the NRFA Act No. 13 of 2002, with Amendment of 2006, states that the Agency shall apply the moneys of the Road Fund—

- a. in the construction, maintenance and care of public roads
- b. in road transport, traffic and safety management; and
- c. for the operations of the Agency, the Road Development Agency and the Road Transport and Safety Agency:

Provided that the moneys paid out of the Road Fund for the operations of the three Agencies shall not exceed ten per centum of the moneys paid into the Road Fund under paragraphs (a) to (f) of subsection (2) (of Section 16 of the NRFA Act No. 13 of 2002 (as amended in 2006)).

Pursuant to the Tolls Act No. 14 of 2011 which mandates the Road Development Agency (RDA) to appoint any suitable person(s) as Toll Collector, the Government through the Road Development Agency appointed NRFA as lead Toll collector in August 2015.

In this regard, RDA appointed NRFA as authorized Toll Collector for inland Toll sites in line with Statutory Instrument No. 73 of 2013 (hereinafter referred to as Tolling regulation) under first schedule (Regulation 3). In addition, NRFA was mandated to collect toll fees at the port of entry in accordance with the provisions of the Toll Act.

2. Principal Activities

The NRFA is a statutory organisation whose function is to plan, manage and co-ordinate finances for the activities in the annual work plans of the Government Agencies/Institutions in the Road sector.

3. Agency Headquarters

P.O. Box 50695
Plot No 33 Fairley Road,
Ridgeway
Lusaka
Zambia

4. Agency Contacts

Telephone: +260 211 253145/255660/250823
E-mail: nrfa@zamnet.zm or roadfund@nrfa.org.zm
Website: <http://www.nrfa.org.zm>

5. Agency Bankers

Zambia National Commercial Bank.
Lusaka Business Centre

Bank of Zambia
Bank Square
Cairo Road

Indo Zambia Bank

6. Independent Auditors 1

Mark Daniels Chartered Accountants
Plot 180 Luanshya Road
Off Musonda Ngosa Road
Villa Elizabertha
Lusaka
Zambia

7. Independent Auditors 2

ABACUS 360
Nkhata House
Thabo Mbeki Road
Lusaka
Zambia

8. Directors

The Directors who held office during the year and was dissolved on 6th December 2021:to the date of this report were:

a. Ms Christabel Michel Banda	-	Chairperson- Retired in 2021
b. Mr Kaitano Chungu	-	Vice Chairperson- Retired in 2021
c. Mr Jones Chomba	-	Director- Retired in 2021
d. Ms Mwenya Kapasa	-	Director- Retired in 2021
e. Mr. Joe Simachela	-	Director- Retired in 2021
f. Ms Mumeka Walumweya	-	Director- Retired in 2021
g. Mr. Nicholas Chikwenya	-	Director- Retired in 2021
h. Mr Mukuli Chikuba	-	Director- Retired in 2021
g. Mr. Emmanuel Gardner	-	Director- Retired in 2021
i. Dr. Lubinda habazoka	-	Director- Retired in 2021
j. Mr Gladwell Banda	-	Director- Retired in 2021
k. Eng. Elias Mwape	-	Director - Retired in 2021
l. Eng. Wallece Mumba	-	CEO -Secretary

Subsequent to the year end the following new Board of Directors was appointed on the 23rd June,2022 and the Board dissolved on 8th October 2022:

a. Mr Joe Mutwale	-	Chairperson - Retired in 2022
b.. Dr Chabuka J. Kawesha	-	Vice Chairperson- Retired in 2022
c. Mrs Monde Muyunda Chituta	-	Director - Retired in 2022
d. Mr Ismail Mulla	-	Director - Retired in 2022
e. Ms Nsandi Manza	-	Director - Retired in 2022
f. Mr. Gibson Musumba	-	Director - Retired in 2022
g. Mr Stephen Mbewe	-	Director - Retired in 2022
h. Mr. Ernest Nshindano	-	Director - Retired in 2022
i. Ms Jane Banda	-	Director - Retired in 2022
j. Ms Agalasia Mary-Ann Chisenga	-	Director - Retired in 2022
k. Col. Kennedy Simukanga (Retired)	-	Director - Retired in 2022
l. Ms Sandra Mukuka Malupande	-	Director - Retired in 2022
m. Eng. George Manyele	-	Director - Retired in 2022
n.Eng. Alinani Msisya	-	Director - Retired in 2022
o. Eng. Wallece Mumba	-	Director/CEO - Secretary

Subsequent to the above new Board of Directors dissolution on 8th October 2022, the Minister of Finance and National Planning appointed an Interim Board of Directors on 14th October 2022 as follows:

a. Mr. Danies Chisenda	Interim Chairperson
b. Ms. Nsandi Manza	Director

9. Operating Results

	2021	2020
	ZMW	ZMW
Revenue	<u>3,300,607,640</u>	<u>3,586,583,000</u>
Surplus for the year	<u>615,426,971</u>	<u>1,498,402,676</u>

The Surplus for the year was transferred to the Accumulated Fund.

10. **Agency Headquarters**
P.O. Box 50695
Plot No 33 Fairley
Road, Ridgeway
Lusaka, Zambia
11. **Agency Contacts**
Telephone: +260 211 253145/255660/250823
E-mail: nrfa@zamnet.zm or roadfund@nrfa.org.zm
Website: <http://www.nrfa.org.zm>
12. **Agency Bankers**
Zambia National Commercial Bank.
Lusaka Business Centre
- Bank Of Zambia
Bank Square
Cairo Road
- Indo Zambia Bank
Plot No.6907 Cairo Road
P.O Box 35411
13. **Independent Auditors**
Mark Daniels Chartered Accountants
Plot 180 Luanshya Road
Off Musonda Ngosa Road
Villa Elizabertha
Lusaka
Zambia

National Road Fund Agency
National Road Fund
Financial Statements for the year ended 31 December 2021

Table of contents	Page
Statement of Directors' Responsibilities	1
Report of the Independent Auditor	2 - 4
Financial Statements:	
Statement of Financial Performance	5
Statement of Financial Position	6-7
Statement of Changes in net assets/equity	8
Statement of Cash Flows	9
Notes	10 - 39

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Statements of Directors' Responsibilities
For the Year Ended 31 December 2021

The National Road Fund Act number 13 of 2002, Section 20 requires the Directors to prepare National Road Fund Financial Statements for each financial year that give a true and fair view of the state of affairs of the National Road Fund (NRF) as at the end of the financial year and of its surplus or deficit. It also requires the Directors to ensure that the National Road Fund keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

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 law. 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 National Road Fund and of its surplus in accordance with International Public Sector Accounting Standards (IPSAS). The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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



Eng. Wallece Mumba
Director/Chief Executive Officer



Mr. Danies K. Chisenda
Board Chairperson and
Permanent Secretary Economic
Management and Finance (EMF)
Ministry of Finance and National Planning

28 February, 2023



**REPORT OF THE INDEPENDENT AUDITOR
TO THE BOARD MEMBERS OF NATIONAL ROAD FUND AGENCY**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the National Road Fund, which comprise the statement of financial position as at 31 December 2021, and the statement of financial performance, statement of changes in net assets/equity and cash flow statement 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 Road Fund as at 31 December 2021 and of its financial performance and cash flows for the period ended and have been properly prepared in accordance with the International Public Sector Accounting Standards (IPSAS)

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 Fund 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.

Emphasis of matter

The accompanying financial statements have been prepared assuming that the National Road Fund will continue as a going concern. As discussed in note 2 to the financial statements, the National Road Fund has suffered negative cash flows from operations that raises substantial doubt about the National Road Fund's ability to continue as a going concern beyond a reasonable time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This does not affect the opinion on the financial statements

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. We have nothing to report in that regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD MEMBERS OF NATIONAL ROAD FUND AGENCY**

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion there on, and we do not provide a separate opinion on these matters.

i) Capital grants

The project implementation is premised on grant funding. Non-compliance with grant terms and conditions has significant impact on project continuity. Accordingly, the capital grants are considered to be a key audit matter, and disclosure is included in note 23

Our procedures Included

Inspection of the grant agreements noting the salient terms and conditions. Direct confirmation of disbursements with the granting authorities. Enquiries of management and those charged with governance of the implementing Agency on the compliance with the grant terms.

ii) Capital Work in Progress

Capital Work in progress costs are the key performance indicator of the project implementation status and as such considered to be key audit matters and disclosure is included in note 12,13,14

Our procedures Included

Review of procurement procedures to determine whether sound commercial practices used reasonable prices were obtained and adequate controls were in place over related costs. End –use reviews including site visits to verify that works were performed in accordance with the terms of the agreements.

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 Public Sector Accounting Standards (IPSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the National Road Fund'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 decides to cease operations, or have no realistic alternative but to do so. Those charged with Governance are responsible for overseeing the Fund'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

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD MEMBERS OF NATIONAL ROAD FUND

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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our 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 Fund 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 National Road Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the National Road Fund 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 Regulatory Requirements

In our opinion the financial statements of the National Road Fund as of 31 December 2021 have been properly prepared in accordance with the Road Fund Act and the accounting and other records have been properly kept in accordance with the Act.


Chartered Accountants



Frederick M. Banda AUD/F000169
Partner signing on behalf of the firm

28th February 2023

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Statement of Financial Performance

	Notes	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW Restated
Revenue	4	<u>3,300,607,640</u>	<u>3,586,583,000</u>
Operational Funding	5	533,017,090	436,574,835
Project Expenditure	6	<u>558,142,024</u>	<u>523,747,942</u>
Total		<u>1,091,159,114</u>	<u>960,322,777</u>
Administrative Expenditure	7	2,106,953	3,241,555
Operating Surplus		2,207,341,573	2,623,018,668
Finance Costs	8	<u>1,591,914,602</u>	<u>1,124,615,992</u>
Surplus for the Year		<u>615,426,971</u>	<u>1,498,402,676</u>

The notes on pages 10 to 39 form part of these financial statements.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Statement of Financial Position

		Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW Restated
	Notes		
Current Assets			
Advances to Road Sector Institutions	9	580,540,700	633,700,902
Other Receivables	10	925,212,279	611,494,928
Cash and Bank	11	<u>402,039,220</u>	<u>834,915,006</u>
		<u>1,907,792,199</u>	<u>2,080,110,836</u>
Non-Current Assets			
CWIP - Road Works Construction Costs	12	62,880,106,782	56,896,899,336
CWIP - Road Structures Construction Costs	13	2,745,319,845	2,359,996,499
Advances to Contractors and Consultants	14	5,031,722,076	6,389,351,134
Property, Plant & Equipment	15	8,086,366	19,210,224
Other Road Project Costs	16	719,902,637	635,154,912
Loan Guarantee	17	<u>2,125,441,819</u>	<u>3,063,754,888</u>
		<u>73,510,579,525</u>	<u>69,364,366,993</u>
Total Assets		<u>75,418,371,724</u>	<u>71,444,477,829</u>
Current Liabilities			
Bank overdraft	11	500	644
Road Works and Services Liabilities	18	12,585,216,262	12,653,034,717
Other Creditors and Accruals	19	2,551,304,167	683,292,766
Provision for Legal Fees	20	507,895,818	507,895,818
DBSA Loan Payable Arrears	21	755,322,511	-
DBSA Loan Payable	21	167,621,769	466,553,113
NAPSA Loan Payable-Arrears	21	47,270,568	11,255,205
Indo Zambia Loan Payable	21	87,967,349	-
NATSAVE Loan Payable-within 1 year	21	54,700,459	42,229,274
NATSAVE Stimulus Payable-Within 1 year	21	<u>110,682,085</u>	<u>16,298,619</u>
		<u>16,867,981,488</u>	<u>14,380,560,156</u>
Non-Current Liabilities			
Long Term Loans payable 2 to 5 years	21	969,364,461	710,769,076
Long Term Loans payable 2 to 20 years	21	6,314,680,022	6,677,121,437
Retention Costs Payable to Contractors	22	2,793,235,255	2,702,741,046
Non-exchange transfers-Capital Grants	23	23,918,140,321	22,867,956,697
Contributed Capital Grants		<u>18,123,994,289</u>	<u>18,261,104,531</u>
		<u>52,119,414,348</u>	<u>51,219,692,787</u>
Total Liabilities		<u>68,987,395,836</u>	<u>65,600,252,943</u>
Net assets		<u>6,430,975,888</u>	<u>5,844,224,886</u>

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Statement of Financial Position (continued)

	Notes	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW Restated
Net Assets/equity			
Accumulated Surpluses/(deficits)		6,280,871,743	5,694,120,741
Other reserves	29	<u>150,104,145</u>	<u>150,104,145</u>
Total Net Assets/equity		<u>6,430,975,888</u>	<u>5,844,224,886</u>

The financial statements on pages 6 to 38 were approved for issue by the Board members
On 28th February 2023 and signed on its behalf by:



Eng. Wallece Mumba
Director/Chief Executive Officer



Mr. Danies K. Chisenda
Board Chairperson and
Permanent Secretary Economic Management and
Finance (EMF)
Ministry of Finance and National Planning

The notes on pages 10 to 39 form part of these financial statements.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Statement of Changes in Net Assets/equity

	Other Reserves	Accumulated Surpluses/ (deficits)	Total
	ZMW	ZMW	ZMW
Balance at 1 st January 2020 (Restated)	150,104,145	4,195,718,065	4,345,822,210
Surplus for the Year (Restated)	-	1,498,402,676	1,498,402,676
Balance at 31 December 2020	150,104,145	5,694,120,741	5,844,224,886
Balance at 1st January 2021	150,104,145	5,694,120,741	5,844,224,886
Adjustment (Note 27.11)		(28,675,969)	(28,675,969)
Restated balances	150,104,145	5,665,444,772	5,815,548,917
Surplus for the Year	-	615,426,971	615,426,971
Balance at 31 December 2021	150,104,145	6,280,871,743	6,430,975,888

The notes on pages 10 to 39 form part of these financial statements.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Cash Flow Statement

	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW Restated
	Notes	
Cash flows from operating activities		
Surplus For The Year	615,426,971	1,498,402,676
Adjusted for:		
Depreciation	<u>15,452,978</u>	<u>10,457,187</u>
Adjusted Surplus For the Year	630,879,949	1,508,859,863
Increase in Advances to Road Sector Institutions	53,160,202	(268,302,372)
Increase/(decrease) in Other Receivables	(313,717,351)	(252,934,484)
Increase in Road Works and Services Liabilities	(67,818,455)	5,119,931,719
Increase /(decrease) in Creditors and Accruals	1,868,011,401	651,392,694
Decrease in Provisions	-	507,895,818
Changes in other reserves	-	50,626,420
Changes in Accumulated Funds	(28,675,969)	101,160,543
Increase in Retention Costs payable to contractors	<u>90,494,209</u>	<u>573,858,255</u>
Net cash inflow from operating activities	<u>1,601,454,037</u>	<u>7,992,488,456</u>
Investing activities		
Acquisitions of Non-Current Assets	(4,157,336,390)	(10,299,467,007)
Purchase of property, plant and equipment	<u>(4,329,120)</u>	<u>(11,783,997)</u>
Net cash used on Investing Activities	<u>(4,161,665,510)</u>	<u>(10,311,251,004)</u>
Financing activities		
Short term loans	687,228,530	(573,063,894)
Long Term Loans	(103,846,030)	2,924,618,607
Capital Grants	<u>913,073,382</u>	<u>204,540,822</u>
Net cash from financing activities	<u>1,496,455,882</u>	<u>2,556,095,535</u>
Net increase/ (decrease) in cash and cash equivalents	(432,875,642)	237,332,987
Cash and cash equivalents at beginning of the Year	11 <u>834,914,362</u>	<u>597,581,375</u>
Cash and cash equivalents at end of the Year	11 <u>402,038,720</u>	<u>834,914,362</u>

The notes on pages 10 to 39 form part of these Financial Statements.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes

1 Principal activity of the National Road Fund Agency

The National Road Fund Agency (NRFA) was established by the National Road Fund Act No. 13 of 2002. The NRFA is a statutory organisation whose function is to administer and manage the Road Fund.

2 Statement of Compliance and Basis of Preparation – IPSAS 1

- (a) The National Road Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Zambian Kwacha, which is the functional and reporting currency of the National Road Fund.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The financial statements are prepared on accrual basis.

The preparation of financial statements in conformity with IPSAS which requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the NRFA's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements have been accounted for accordingly in these financial statements.

(b) Going Concern

At the balance sheet date, the agency's current liabilities exceeded its current assets by K14,960,189,289

The NRFA is dependent on both Government Project Funding and the Treasury releases of Road User Charges (RUCs), the latter comes from the collection of the following RUCs:

- i. Fuel Levy collected by the Zambia Revenue Authority (ZRA);
- ii. Toll Fees collected at Border Entries by the Road Transport and Safety Agency (RTSA);
- iii. Toll Fees collected from Inland Toll and Weighbridge Stations by the NRFA;
- iv. Road Tax, Vehicle and Driver Licence Fees collected by the Road Transport and Safety Agency (RTSA); and
- v. Weighbridge Fee and Fines collected at all Weighbridge Stations by the NRFA.

The Directors believe that NRF will be a going concern on the foreseeable future and that the NRF will be able to meet all its dues. Therefore, the Directors have determined it appropriate that Financial Statements be prepared on a going concern basis.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes (Continued)

3 Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the agency and can be measured reliably.

ii) Revenue from non-exchange transactions – IPSAS 9

Rendering of services

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

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the agency.

Interest income

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

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the agency. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or agency differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

Notes (Continued)

c) Property, plant and equipment – IPSAS 17

The cost of an item of Property, Plant and Equipment are recognised as an asset when it is probable that future economic benefits associated with the item will flow to the NRF and the cost of the item can be measured reliably.

The costs include costs incurred initially to acquire or construct an item of Property, Plant and Equipment, and costs incurred to add to, maintain and significant replace parts of it. Routine maintenance of Property is expensed and charged to the Statement of Comprehensive Income during the period or year they are incurred.

Property, Plant and Machinery are stated at historical cost. All costs include those directly attributable to bring the assets to working condition for their intended use and include professional fees and contractual costs relating to standing time and interest charges on delayed payment of amounts due to supplier of the works and services on the Property, Plant and Machinery. The following are the depreciation rates for each class of Non -Current Assets; Buildings 2% Equipment. 25% Motor vehicle. 25% Furniture and fittings 25%

Property here refers to the cost of road construction and road structure construction costs, which is capitalised during the construction period and ultimately expensed on completion of the road construction upon a completion certificate been issued by the Implementing Institution and received by NRF.

Land, Plant and Machinery are expensed and charged to the Statement of Comprehensive Income during the period or year they are incurred. These are ultimately capitalised by the respective recipient Road Sector Institutions.

d) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

e) Financial Instruments – IPSAS 29

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The National Road Fund determines the classification of its financial assets at initial recognition.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes (continued)

3 Summary of significant accounting policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the National Road Fund has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The National Road Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the National Road Fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

The debtors or entity of debtors are experiencing significant financial difficulty Default or delinquency in interest or principal payments

The probability that debtors will enter bankruptcy or other financial reorganization

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

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The National Road Fund determines the classification of its financial liabilities at initial recognition.

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

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes (continued)

3 Summary of significant accounting policies (continued)

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

f) Provisions – IPSAS 11 and 19

Provisions as per IPSAS 11 and 19, on road works, are only recognised and recorded in the financial statements to the extent that they have been measured, certified and approved by the road project contract manager(s), namely, the Road Development Agency (RDA) Director/Chief Executive Officer (D/CEO) and/or the Permanent Secretary Ministry of Local Government and Rural Development (PS MLGRD) through an approved interim payment certificate (IPC), as may be presented to the Agency. All IPCs are recognised as a liability for recording in the Agency's books of account on the date received by the Agency.

Provisions are recognized when the National Road Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the National Road Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The National Road Fund does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The National Road Fund does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the National Road Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes (continued)

g) Nature and purpose of reserves

The National Road Fund creates and maintains reserves in terms of specific requirements. National Road Fund to state the reserves maintained and appropriate policies adopted.

h) Changes in accounting policies and estimates – IPSAS 3

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

i) Foreign currency transactions – IPSAS 4

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

j) Borrowing costs – IPSAS 5

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

k) Related parties – IPSAS 20

The National Road Fund regards a related party as a person or an agency with the ability to exert control individually or jointly, or to exercise significant influence over the National Road Fund, or vice versa. Members of key management are regarded as related parties and comprise the senior managers.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Zambia and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Comparative figures

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

Notes (continued)

3 Summary of significant accounting policies (continued)

n) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the National Road Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The National Road Fund based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the National Road Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

o) Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes (continued)

3 Summary of significant accounting policies (continued)

o) Provisions (continued)

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

p) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 31 December 2021.

(q) Advance Payments to Contractors, Consultants and Suppliers of Goods and Services

The Advance Payment is a contractual obligation by the Implementing Institution towards the Contractors, Consultants and Suppliers of Goods and Services when included in the road works or goods or service contract and the contract is fully signed between the Implementing Institution and Contractors, Consultants and Suppliers of Goods and Services.

The Advance Payments are stated at historical cost and recoverable from the Contractors, Consultants and Suppliers of Goods and Services over the contract period.

(r) Financial Risk Management

Income is recognized when it is probable that future economic benefits will flow to the NRF and these benefits can be measured reliably.

(i) Interest Rate Risk

The National Road Fund (NRF) exposure to interest rate risk is limited to the extent that the National Road Fund (NRF) does not carry interest bearing financial assets except for operational bank balances. However, there is some interest rate risk limited to the fixed interest bearing contractual liabilities on road works and some supplies which may arise due to the delayed settlement of these bills.

(ii) Currency Risk

The National Road Fund currency risk is limited to currency exposures on the foreign currency works and services contracts signed by the Road Sector Implementing Institutions, whose contractual payments is met by the National Road Fund.

(iii) Credit Risk

Potential concentration of credit risk consists mainly of cash and cash equivalents, and receivables. The National Road Fund limits its counterparty exposure by dealing with established banks. The National Road Fund has a policy of managing credit exposure to contractors and consultants by obtaining bonds and bank guarantees from well-established financial institutions.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

(r) **Financial Risk Management (continued)**

(iv) **Liquidity Risk**

Liquidity risk arises primarily from an uncertainty in funding from the Treasury and expenditure flows. The National Road Fund manages liquidity risks through the compilation and monitoring of cash flow forecasts. In addition, the Agency liaises closely with the Ministry of Finance to ensure that adequate Treasury releases are made during the respective period to fund the Road Sector expenditures within the budget limits.

Further, the National Road Fund monitors the Road Sector Implementing Institutions commitments and expenditure levels and where budget levels are exceeded, the Ministry of Finance is requested for additional funding.

The National Road Fund currency risk is limited to currency exposures on the foreign currency works and services contracts signed by the Road Sector Implementing Institutions, whose contractual payments is met by the National Road Fund.

(s) **Cash and Cash Equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on a call with banks, other short term highly liquid investments with original maturities of three months or less, and overdrafts are included within short term loans in current liabilities on the balance sheet.

4. Revenue

	Year Ended 31 December 2021 ZMW	Year Ended 31 December 2020 ZMW
Fuel Levy	124,855,318	1,041,984,453
Tolling - NRFA	1,223,052,395	729,529,111
Tolling - RTSA	1,217,837,341	842,294,786
Road Tax, Motor and Drivers Licenses	552,233,354	503,111,244
Weighbridge Fines and Fees	39,865,583	39,368,393
GRZ Grant Income	141,771,331	400,000,000
Net Exchange Gains	9,087,502	-
NAPSA Funding	-	29,500,000
	<u>3,308,702,824</u>	<u>3,585,787,987</u>
Less: Discount awarded to E-Toll Merchants	(9,561,659)	-
Total	<u>3,299,141,165</u>	<u>3,585,787,987</u>
Other Revenue		
Interest Income	<u>1,466,475</u>	<u>795,013</u>
Total	<u>3,300,607,640</u>	<u>3,586,583,000</u>

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

The Road Fund Revenue above has been recognised and recorded by the Agency in line with the National Road Fund Act, number 13 of 2002, Section 16 as follows:

Section 16 (2) of the National Road Fund Act No. 13 of 2002 (as amended in 2006) – States that ‘The Road Fund shall consist of:

- (a) such moneys as may be appropriated by Parliament for the purposes of the Road Fund;
- (b) all fuel levy collected, less the cost of collection which shall not exceed three per cent, in every fiscal year”.
- (c) such percentage of licence fees, registration fees and international transit fees payable to the Road Transport and Safety Agency under the Road Traffic Act, as the Minister may determine;
- (d) such percentage of the weigh bridge charges payable to the Road Development Agency under the Public Roads Act, 2002, as the Minister may, by statutory instrument, determine;
- (e) all moneys paid as fines for vehicle overloading offences under the Public Roads Act, 2002;
- (f) such percentage of road user levies including tariffs, taxes and tolls as may be determined by the Minister on the recommendation of the agency in consultation with Road Development Agency; and
- (g) such monies as may be paid to the Road Fund by way of loans, grants or donations.'

NAPSA Funding represents funds received from the NAPSA Loan to settle NAPSA Road Projects liabilities, which had been posted and recorded in the Road Fund.

The Discount awarded to E-Toll Merchants is calculated at 4% of the toll revenue collected by the E- Toll Merchants as per the Statutory Instrument (SI) 74 of 2020 of the Tolls Act, 2011.

Interest income was earned on the commercial bank current account balances during the year.

5. Operational Funding

	Year Ended 31 December 2021 ZMW	Year Ended 31 December 2020 ZMW
Funding to National Road Fund Agency	241,096,250	243,238,038
Funding to Road Development Agency	154,133,918	77,280,241
Funding to Road Transport and Safety Agency	137,786,922	116,056,556
	533,017,090	436,574,835

The Operational Funding from the Road Fund to the Agencies was disbursed in line with **Section 17 (c) of the National Road Fund Act No. 13 of 2002 (as amended in 2006)**, which states that: ‘the Agency shall apply the moneys of the Road Fund for the operations of the Agency (NRFA), the Road Development Agency and the Road Transport and Safety Agency:

Provided that the moneys paid out of the Road Fund for the operations of the three Agencies shall not exceed ten per centum (10%) of the moneys paid into the Road Fund under (Section 16) paragraphs (a) to (f) of subsection (2), as per **Note 3 above.**’

Further, on 29 April 2019, the Secretary to the Treasury, in pursuant to Section 7 (1) (g) of the Public Finance Management Act of 2018, issued a Treasury Authority to increase, the moneys paid out of the Road Fund for the operations of the Agency (NRFA), the Road Development Agency and the Road Transport and Safety Agency, to thirty per centum (30%) of the moneys paid into the Road Fund under paragraphs (a) to (f) of subsection (2) (of **Section 16, above of the National Road Fund Act No. 13 of 2002 (as amended in 2006)**):

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

	2021 ZMW	2020 ZMW
Moneys paid into the Road Fund per Section 16 (2) (a) to (f)	3,291,528,981	3,557,083,000
Thirty per centum (30%) of moneys paid into the Road Fund per Section 16 (2) (a) to (f) in Note 3 above.	984,735,097	1,067,124,900
Operational Funding to:		
National Road Fund Agency (NRFA)	241,096,250	243,238,038
Road Development Agency (RDA)	154,133,918	83,892,433
Road Transport and Safety Agency (RTSA)	137,786,922	116,056,556
	<u>533,017,090</u>	<u>443,187,027</u>
Under/(Over) Funding to Agencies Operational Expenditure	451,718,007	623,937,873

6. Project Expenditure

Road Development Agency

Professional and Legal Fees		6,612,192
Emergencies	84,669,530	95,018,273
Routine Maintenance and Vegetation Control	347,535,159	129,600
Studies – Designs,	-	358,180,934
Supervision and consultancy	-	11,308,603
Capital Expenditure Expensed	-	18,597,405
	<u>432,204,689</u>	<u>489,847,007</u>

Road Transport and Safety Agency

Commission Fees	8,468,527	-
Information systems	823,834	3,900,935
Road Safety	30,000,000	30,000,000
Consumables	86,644,974	-
	<u>125,937,335</u>	<u>33,900,935</u>

Total	<u>558,142,024</u>	<u>523,747,942</u>
--------------	--------------------	--------------------

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

7. Other Administrative Expenses

Ministry of Finance and National Planning

	2021	2020
	ZMW	ZMW
Road Inspections	-	1,012,507

Ministry of Housing and Infrastructure Development

Functions and Meetings	275,793	25,992
------------------------	---------	--------

Ministry of Local Government and Rural Development

Advertising	-	21,460
Functions and Meetings	481,356	-
Road Inspections	22,384	150,000
Workshops, Seminars and Training	176,300	-

Ministry of Transport and Logistics

Advertising	-	51,000
Functions and Meetings	204,996	352,107
Workshops, Seminars and Training	107,985	22,158

National Council for Construction

Workshops, Seminars and Training	61,000	-
----------------------------------	--------	---

National Road Fund Agency

Audit Fees	598,673	602,537
Bank Charges	178,466	207,330
Exchange Loss	-	796,464

Sub Total	<u>2,106,953</u>	<u>3,241,555</u>
-----------	------------------	------------------

8. Finance Costs

	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW
DBSA Loan Interest Costs	182,472,664	-
NAPSA Loan Interest Costs	1,212,566,422	1,027,567,872
Indo Zambia Bank Interest Costs	52,596,174	79,324,146
NATSAVE Loan Fees	67,704,994	5,450,000
NATSAVE Stimulus Interest costs	69,074,348	12,273,974
Arrangement Fees	7,500,000	-
	<u>1,591,914,602</u>	<u>1,124,615,992</u>

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes (continued)

NAPSA Loan

The National Road Fund Agency signed a loan agreement with Development Bank of Southern Africa Limited (DBSA) on 22nd December 2010 for a loan facility of US\$ 262.00 million. The Loan Facility was for the construction and rehabilitation of the following three Western Corridor public roads in Zambia of Kalulushi - Lufwanyama, Kabompo – Chavuma and Senanga – Sesheke and the Sioma Bridge. This Single Currency Term Loan Facility is repayable in 20 years and it had the Loan Capital grace period of 12 months with the biannual disbursement dates of 1st April and 1st October, starting on 1st October 2012.

The Agency signed the second Loan Agreement with the National Pension Scheme Authority (NAPSA) on 24 June 2017 for a total of K2.13 billion to finance the rehabilitation and construction of the T2 from Ndola – Kitwe – Chingola to Solwezi. As at 31 December 2018 the whole K2.13 billion had been received by the NRFA from NAPSA. The Loan was secured on the Road Fund Road User Charges (RUCs) Collections. The above Loan Repayment represent Loan Interest Costs incurred during the year 2018.

An addendum to the existing Loan Agreement was signed on 17 July 2019 to contract a further K1.8 billion. The new secured loan increased to K3.9 billion.

The Loan tenure was amended from 10 years to 15 years and repriced to 15 year Government Bond yield Rate.

NATSAVE Loan

In December 2019 NRFA accessed a facility of K300 million from National Savings and Credit Bank (NATSAVE) to settle long outstanding debts owed to Routine Maintenance, Small and Medium Scale Local Contractors and Consultants. The Loan carries an interest rate of BoZ Policy Rate 11.5% plus 15.5% margin (effective rate 27% per annum). The facility is repayable in 5 years.

The Loan is secured against monthly cashflow receivables from the following toll stations: Wilson Mofya Chakulya, Livingstone/Zimba, Mkushi, Chiwoko, Sabina, Daniel Munkombwe, Ntoposhi, Musaila, Mweka, Tamiza and Chilonga.

NATSAVE Stimulus Loan

In October 2020 NRFA accessed the BOZ Stimulus Package through National Savings and Credit Bank (NATSAVE) for an amount of 500 million to settle long outstanding debts owed to Routine Maintenance, Small and Medium Scale Local Contractors and Consultants. The Loan carries an interest rate of BoZ Policy Rate 8% plus 6% margin (effective rate 14% per annum). The facility is repayable in 5 years with a one year moratorium on Capital.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW
9. Advances to Road Sector Institutions		
Ministry of Finance	1,137,043	1,137,043
Ministry of Housing and Infrastructure Development (MHID)	1,999,000	1,498,860
Ministry of Local Government (MLG)	19,318,974	16,426,925
Ministry of Transport and Communication (MTC)	4,210,012	3,497,168
Ministry of Works and Supply (MWS)	448,409	448,409
National Council For Construction (NCC)	6,699,720	6,354,720
National Road Fund Agency (NRFA)	2,188,485	1,995,752
Road Development Agency (RDA) - Head Office	392,527,954	342,995,128
Road Development Agency (RDA) - Regional Offices	101,602,075	106,035,561
Road Transport and Safety Agency (RTSA)	47,209,028	150,111,336
Zambia National Service (ZNS)	3,200,000	3,200,000
Total	<u>580,540,700</u>	<u>633,700,902</u>
10. Other Receivables		
Capital Grant		
Insurance Receivable	38,426	-
GRZ Loan Guarantee Receivable - DBSA Loan	491,354,626	332,015,224-
GRZ Capital Grant Receivable - DBSA Loan	258,877,632	134,537,890
Ministry of Finance - Bank Balances utilized	144,934,635	144,941,814
Amounts receivable from contractors	30,006,960	-
Total	<u>925,212,279</u>	<u>611,494,928</u>

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

11. Cash and Bank Balances

	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW
Cash and bank balances		
Atlas Mara – EIB – Euro	126,748,686	398,162,388
Bank of Zambia – DBSA – US \$	-	-
Bank of Zambia – DBSA – ZMW	433,174	951,869
Bank of Zambia – Road Fund – ZMW	205,850,111	184,604
Bank of Zambia – AfDB Nacala IV – US \$	-	-
Bank of Zambia – IRCP – US \$	3,124,356	137,457,559
Citibank – NAPSA – ZMW	2,178,116	7,743,568
Citibank – NAPSA – ZMW Loan Repayment	2,841	2,927
DBSA BoZ Debt Service Reserve – US\$	-	1,149,018
DBSA BoZ Debt Service Reserve – ZMW	757,570	-
Indo Zambia Bank – IRCP – US \$	4,054,744	54,527,632
Indo Zambia Bank – IRCP – ZMW	51,744,675	36,472,690
Investrust Bank – KfW – ZMW	25	25
Natsave Loan Account	-	255,479
Stanbic Tolling income Account – US \$	8,506	113,769
Stanbic Tolling income Account – ZMW	3,458,803	5,446,589
ZANACO – AfDB Nacala IV – ZMW	719	888
ZANACO – Road Fund – US \$	150,539	10,767,122
ZANACO – Road Fund – ZMW	2,856,124	181,100,775
ZANACO – AfDB Nacala IV – US \$	8,310	10,570
Zanaco Weighbridge Kwacha Income A/C	27,122	-
ZANCO Tolling Income Account	634,799	567,534
Sub Total	<u>402,039,220</u>	<u>834,915,006</u>
Bank overdrafts		
Investrust Bank – KfW – Euro	(200)	(200)
DBSA BoZ Debt Service Reserve – ZMW	(300)	(444)
Sub Total	<u>(500)</u>	<u>(644)</u>
Total	<u>402,038,720</u>	<u>834,914,362</u>

The Bank overdrafts arose as a result of bank charges that accrued at the end of the year.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW
12. CWIP - Road Works Construction Costs		
CWIP - Routine Maintenance	347,457,272	274,194,920
CWIP - Periodic Maintenance	6,967,391,696	5,408,882,339
CWIP - PM Interest on Delayed Payments	390,582,782	390,300,703
CWIP - Rehabilitation	24,353,259,659	21,781,432,001
CWIP - Rehab Interest on Delayed Payments	404,350,862	202,983,543
CWIP - Upgrading	24,921,143,839	22,702,155,126
CWIP - Upgrading Interest on Delayed Payments	680,453,152	520,042,820
CWIP - New Construction	4,753,731,236	5,555,171,601
CWIP - New Construction Interest on Delayed payments	61,736,284	61,736,283
Total	<u>62,880,106,782</u>	<u>56,896,899,336</u>
13. CWIP- Road Structures Construction Costs		
CWIP - Toll Stations	552,195,159	504,043,149
CWIP - Toll Stations Interest on Delayed Payments	98,158	98,158
CWIP - Bridges	2,104,283,058	1,775,484,287
CWIP - Bridges Interest on Delayed Payments	38,273,052	42,332,442
CWIP - Weighbridges	50,470,418	38,038,463
Total	<u>2,745,319,845</u>	<u>2,359,996,499</u>
14. CWIP - Advances to Contractors and Consultants		
Advances - CWIP - Routine Maintenance	4,796,879	1,202,896
Advances - CWIP - Periodic Maintenance	1,292,377,733	1,441,581,025
Advances - CWIP - Rehabilitation	1,665,813,404	1,899,863,515
Advances - CWIP - Upgrading	1,874,341,095	2,869,122,285
Advances - CWIP - New Construction	15,248,551	16,491,556
Advances - CWIP - Toll Stations	2,315,617	2,315,617
Advances - CWIP - Bridges	139,292,442	136,728,053
Advances - CWIP - Weighbridges	1,969,961	-
Advances-Emergency Maintenance Works	35,566,394	22,046,187
Total	<u>5,031,722,076</u>	<u>6,389,351,134</u>

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes (continued)

15. Property, Plant & Equipment -

	Land & Buildings ZMW	Plant & Equipment ZMW	Motor Vehicles ZMW	Office Equipment ZMW	Furniture & fittings ZMW	Total ZMW
Cost						
At 1 January 2020	679,311	6,233,283	16,350,486	1,290,452	588,628	25,142,160
Additions	-	6,308,760	2,599,972	2,224,894	650,371	11,783,997
At 31 December 2020	679,311	12,542,043	18,950,458	3,515,346	1,238,999	36,926,157
Cost						
At 1 January 2021	679,311	12,542,043	18,950,458	3,515,346	1,238,999	36,926,157
Additions	-	1,029,122	1,708,793	1,206,538	384,667	4,329,120
At 31 December 2021	679,311	13,571,165	20,659,251	4,721,884	1,623,666	41,255,277
Depreciation						
At 1 January 2020	144,585	1,306,393	4,950,302	558,007	299,458	7,258,745
Depreciation Charge	208,293	1,882,033	7,131,569	1,003,883	231,410	10,457,188
At 31 December 2020	352,878	3,188,426	12,081,871	1,561,890	530,868	17,715,933
At 1 January 2021	352,878	3,188,426	12,081,871	1,561,890	530,868	17,715,933
Depreciation Charge	238,313	4,181,078	7,965,875	2,580,209	487,503	15,452,978
At 31 December 2021	591,191	7,369,504	20,047,746	4,142,099	1,018,371	33,168,911
Net Book value						
At 31 December 2020	326,433	9,353,617	6,868,587	1,953,456	708,131	19,210,224
At 31 December 2021	88,120	6,201,661	611,505	579,785	605,295	8,086,366

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW
16. Other Road Project Costs		
Bank Charges	-	8,942
Resettlement Costs	67,194,518	16,135,826
Supervision and Consultancy	652,708,119	615,944,493
	-	3,065,651
Total	<u>719,902,637</u>	<u>635,154,912</u>
17. Loan Guarantee		
GRZ Loan Guarantee on DBSA	<u>2,125,441,819</u>	<u>3,063,754,888</u>
18. Road Works and Services Liabilities		
(a) By Contractor Nationality		
Foreign Contractors and Consultants - Chinese	6,976,142,092	6,595,605,152
Foreign Contractors and Consultants - Other	838,637,639	1,328,488,936
Total Foreign	<u>7,814,779,731</u>	<u>7,924,094,088</u>
Local Contractors and Consultants	4,770,436,531	4,691,201,281
Total	<u>12,585,216,262</u>	<u>12,653,034,717</u>

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

18. Road Works and Services Liabilities (continued)

(b) By Project(s) – 31 December 2021

	Foreign Chinese ZMW	Foreign other ZMW	Local ZMW	Total ZMW
AfDB - Chinsali Nakonde	10,090,522	722,737	30,280,532	41,093,791
AfDB - Kazungula B/Loan	-	12,560,126	-	12,560,126
AfDB - Nacala IV	6,991,924	2,333,350	1,484,840	10,810,114
Climate Resilience	4,937,759	216,776	-	5,154,535
European Investment Bank	-	-	-	-
EXIM Bank of China	2,785,408,395	-	-	2,785,408,395
JICA	-	11,675,616	-	11,675,616
KFW	-	-	3,323,430	3,323,430
Road Fund	4,168,713,492	811,129,034	4,735,347,729	9,715,190,255
Total	6,976,142,092	838,637,639	4,770,436,531	12,585,216,262

(c) By Ageing Analysis

Description	Days	Years	Year Ended 31 December 2021 ZMW	Year Ended 31 December 2020 ZMW
1 Year Old	0 - 360	2021	380,353,223	-
2 Years Old	361 - 720	2020	4,625,785,012	2,573,918,788
3 Years Old	721 - 1,080	2019	210,795,097	2,018,342,779
4 Years Old	1,081 - 1,440	2018	1,835,686,493	1,439,976,833
5 Years Old	1,441 - 1,800	2017	1,067,585,816	1,903,438,770
6 Years Old	1,801 - 2,160	2016	2,567,277,375	2,804,063,666
7 years Old	2,161 - 2,420	2015	1,429,355,006	1,441,608,088
8 years old and above	2,421+	2014	468,378,240	471,686,096
		2013	-	-
Total			12,585,216,262	12,653,034,717

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes (continued)

18. Road Works and Services Liabilities (continued)

(d) By Contractor Name

Contractor Name	No. of Contractors	Year Ended	No. of Contractors	Year Ended
		31 December 2021 ZMW		31 December 2020 ZMW
AFCON Infrastructure Limited		-		298,058,004
Avic International Project Engineering Co.		2,719,905,644		2,407,576,134
China CAMC Engineering Co.Ltd.		134,334,944		124,217,063
China Civil Engineering Construction Co.		390,132,015		424,106,242
China Geo Engineering Corporation		1,212,291,544		1,044,725,729
China Harbour Engineering		175,163,455		654,333,651
China Henan International Cooperation		657,724,398		667,717,585
China Jiangxi International Economic Corp.		298,127,506		334,241,077
China Polytechnologies		-		179,797,179
China Railway Seventh Group		111,384,303		-
China State Engineering Corporation Ltd.		410,736,254		373,521,023
Condruil Engenharia		559,577,085		203,464,602
Continental Labour Based Road Contractors		264,246,702		274,232,692
Copperfield Mining Services		113,229,094		-
Freca Mining & Manufacturing Limited		127,179,639		208,507,225
Rankin Engineering Consultants		400,785,083		394,340,996
Raubex Construction Zambia Ltd		197,877,135		241,842,652
Sable Transport Limited		111,119,236		116,439,508
Shachitari Contractors		166,243,742		-
Sinohydro Zambia Limited		500,265,387		287,629,165
Unik Construction Engineering (Z) Ltd.		181,383,140		174,397,802
Zambia Revenue Authority		909,860,164		855,556,517
Contractor balances above K100 million	20	9,641,566,470	19	9,264,704,846
Contractor and Consultant Balances between:	No. of Contractors		No. of Contractors	
K50million- K100 million	7	482,159,796	15	986,707,345
K10 million -K50 million	56	1,237,133,934	68	1,435,722,855
K1million-K10 million	300	995,471,361	239	786,935,410
K500,000- K1 million	188	133,514,851	126	88,200,720
K100,000 - K500,000	328	88,772,687	310	84,148,889
up to K100,000	150	6,597,163	145	6,614,652
Total	1,049	12,585,216,262	922	12,653,034,717

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

18. Road Works and Services Liabilities (continued)

(e) By Agency/Institution

	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW
Ministry of Infrastructure, Housing & Urban Development	721,971	721,971
Ministry of Local Government and Rural development	2,581,838,770	3,430,255,203
Ministry of Transport and Logistics	1,642,916	596,642
Ministry of Works and Supply	51,185	48,600
National Council of Construction	-	460,082
National Road Fund Agency	46,858,207	33,712,352
Road Development Agency	9,834,687,677	6,342,111,891
Road Transport and Safety Agency	109,895,570	2,845,127,976
Zambia National Service	9,519,966	-
	<u>12,585,216,262</u>	<u>12,653,034,717</u>

19. Other Creditors and Accruals

Amounts held on behalf of IRCP World Bank Project	-	15,561
Amounts payable to NRFA Secretariat	587,456	587,456
Advance on RUCs received from MOF	2,167,202,488	271,432,749
Audit Fees – Financial - Payable	562,308	1,013,372
Funding payable to NRFA	70,284,651	66,103,476
Other Creditors	6,749,814	14,849,983
Deferred Revenue- prepaid E Tolls	5,974,774	3,443,857
Invoices pending certification	184,952,158	66,826,013
Napsa Loan Arrears	106,692,209	259,020,299
Payable to NAPSA project Account	8,298,309	-
Total	<u>2,551,304,167</u>	<u>683,292,766</u>

20. Provision for Legal Fees

Legal fees Provision	<u>507,895,818</u>	<u>507,895,818</u>
Total	<u>507,895,818</u>	<u>507,895,818</u>

Legal Fees Provision represents Judgements delivered against the NRFA in respect of payments due to various contractors.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

21. Long Term Loans

DBSA Loan Facility – 20 Year Loan	1,957,820,050	3,063,754,888
NAPSA Loan – 15Year Loan	4,356,859,972	3,613,366,549
Sub Total	<u>6,314,680,022</u>	<u>6,677,121,437</u>
Indo Zambia – 5 Year Loan	412,032,651	-
NATSAVE Loan- 5 Year Loan	176,307,270	227,067,695
NATSAVE Stimulus Loan - 5 Year Loan	381,024,540	483,701,381
Sub Total	<u>969,364,461</u>	<u>710,769,076</u>
Total	<u>7,284,044,483</u>	<u>7,387,890,513</u>

The Long term loans are due to the following financial institutions:

	National Savings and Credit Bank (NATSAVE) STIMULUS	National Savings and Credit Bank (NATSAVE)	Indo Zambia Bank (INDO)	Totals
Balance as at 1 January 2021	500,000,000	269,296,969	500,000,000	1,269,296,969
Draw down during the year	-	-	-	-
Bank Loan Adjustment	-	-	-	-
Repayments during the year	(8,293,375)	(38,289,240)	-	(46,582,615)
Balance at 31 December 2021	<u>491,706,625</u>	<u>231,007,729</u>	<u>500,000,000</u>	<u>1,222,714,354</u>
Current	110,682,085	54,700,459	87,967,349	253,349,893
Non-current	381,024,540	176,307,270	412,032,651	969,364,461
Total	<u>491,706,625</u>	<u>231,007,729</u>	<u>500,000,000</u>	<u>1,222,714,354</u>

NATSAVE Loan

In December 2019 NRFA accessed a facility of K300 million from National Savings and Credit Bank (NATSAVE) to settle long outstanding debts owed to Routine Maintenance, Small and Medium Scale Local Contractors and Consultants. The Loan carries an interest rate of BoZ Policy Rate 11.5% plus 15.5% margin (effective rate 27% per annum). The facility is repayable in 5 years.

The Loan is secured against monthly cashflow receivables from the following toll stations: Wilson Mofya Chakulya, Livingstone/Zimba, Mkushi, Chiwoko, Sabina, Daniel Munkombwe, Ntoposhi, Musaila, Mweka, Tamiza and Chilonga

NATSAVE BOZ STIMULUS

In October 2020 NRFA accessed the BOZ Stimulus Package through National Savings and Credit Bank (NATSAVE) for an amount of 500 million to settle long outstanding debts owed to Routine Maintenance, Small and Medium Scale Local Contractors and Consultants. The Loan carries an interest rate of BoZ Policy Rate 8% plus 6% margin (effective rate 14% per annum). The facility is repayable in 5 years with a one year moratorium on Capital.

The Loan is secured against the Road User Charges received into the Road Fund.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

21. Long Term Loans (continued)

	Development Bank of Southern Africa (DBSA)	National Pension Scheme Authority (NAPSA)	Totals
Balance as at 1 January 2021	3,063,754,888	3,624,621,754	6,688,376,642
Adjustment	(77,757,935)		(77,757,935)
Accrued Interest recapitalized		526,739,134	526,739,134
Drawdowns during the year	-	252,769,652	252,769,652
Repayments during the year	(76,912,402)		(76,912,402)
Exchange Differences	(783,642,732)		(783,642,732)
Balance as at 31 December 2021	2,125,441,819	4,404,130,540	6,529,572,359
Current	167,621,769	47,270,568	214,892,337
Non-current	1,957,820,050	4,356,859,972	6,314,680,022
Total	2,125,441,819	4,404,130,540	6,529,572,359

DBSA Loan Payable in Arrears

Loan Capital Payable -1 year	263,967,885
Loan Interest Payable	491,354,626
Total	755,322,511

DBSA Loan

The National Road Fund signed a loan agreement with Development Bank of Southern Africa Limited (DBSA) on 22nd December 2010 for a loan facility of US\$ 262.00 million. The Loan Facility was for the construction and rehabilitation of the following three Western Corridor public roads in Zambia of Kalulushi - Lufwanyama, Kabompo – Chavuma and Senanga – Sesheke and the Sioma Bridge. This Single Currency Term Loan Facility is repayable in 20 years and it had the Loan Capital grace period of 12 months with the biannual disbursement dates of 1st April and 1st October, starting on 1st October 2012.

NAPSA Loan

The National Road Fund signed the Loan Agreement with the National Pension Scheme Authority (NAPSA) on 24 June 2017 for a total of K2.13 billion to finance the rehabilitation and construction of the T2 from Ndola – Kitwe – Chingola to Solwezi. As at 31 December 2018 the whole K2.13 billion had been received by the NRFA from NAPSA. The Loan was secured on the Road Fund Road User Charges (RUCs) Collections. The Loan was priced at .10 year Government Bond yield plus 1.5% margin.

An addendum to the initial NAPSA Loan Agreement was signed on 17 July 2019 to contract a further K1.8billion. The new secured loan increased to K3.9 billion. The Loan tenure was amended from 10 years to 15 years and repriced to 15 year Government Bond yield Rate.

The addendum included an additional 11 roads covering a total of 487.57 kilometres.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW
22. Retention Costs Payable to Contractors		
Retention - CWIP Periodic Maintenance	512,179,332	363,097,910
Retention - CWIP Rehabilitation	1,386,802,255	1,441,341,969
Retention - CWIP Upgrading	785,157,517	790,138,864
Retention - CWIP New Construction	27,371,965	27,993,831
Retention - CWIP Toll Stations	10,061,669	10,061,669
Retention - CWIP Bridges	64,577,751	63,660,803
Retention-CWIP-Weighbridges	7,084,766	6,446,000
Total	<u>2,793,235,255</u>	<u>2,702,741,046</u>
23. Non-exchange transfers -capital Grants		
KFW	70,714,533	70,714,533
Exim bank China	13,070,049,947	13,070,049,947
Kazungula JICA	122,410,045	98,118,810
EU/EIB	2,685,222,719	2,654,819,831
African Development Bank(AfDB)	2,721,037,037	1,815,132,184
World Bank	658,338,971	541,226,692
China Polytechnologies	-	670,786,600
Lusaka-Ndola Dual Carriage way	-	420,300,000
Lusaka decongestion(Exim Bank of India)	4,590,367,069	3,526,808,100
Total	<u>23,918,140,321</u>	<u>22,867,956,697</u>

24. Events occurring after the Statement of Financial Position

The National Road Fund 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 National Road Fund and the results of its operations.

25 Commitments

The Government of the Republic of Zambia (GRZ) through its Road Sector Implementing Agencies, Road Development Agency (RDA) and the Ministry of Local Government (MLG) signs contracts for works with various contractors and consultants. Upon completion and certification of works, Interim Payment Certificates (IPCs) are raised which are forwarded to NRF for payment. The Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes (continued)

	Year ended 31 December 2021 ZMW' Billion	Year ended 31 December 2020 ZMW' Billion
Roads and Bridges	127.56	67.78

The capital commitments as at the Year Ended 31 December 2021 were limited to the maximum cost of implementing the 2021 Annual Work Plan and Budget by 31 December 2021.

26. Taxation

The National Road Fund (NRF) is exempt from the provision of Income Tax Act.

27. Prior Period Adjustments

Where necessary, figures for the prior periods or years have been restated to afford easy comparison with the current period or year figures and to take into account the correction of prior year period errors and changes in accounting policies.

	Year ended 31 December 2020 ZMW
27.1 Cash and Bank Balances	
Balance as at 31 December 2020 as previously presented	688,776,676
European Investment Bank - exchange differences credited to Capital Grant (see 27.12)	<u>146,138,330</u>
Balance as at 31 December 2020 as restated (Note 11)	<u>834,915,006</u>
27.2 CWIP - Road Works Construction Costs	
Balance as at 31 December 2020 as previously presented	56,615,940,807
Legal fee provision incorrectly expensed and debited to Capital Work in Progress (see 27.11)	509,164,318
European Investment Bank - exchange differences credited to Capital Grant (see 27.12)	38,490,883
AfDB Chinsali Nakonde - exchange differences debited to Capital Grant (see 27.12)	(266,698,672)
World Bank - IRCP - Road Works Construction Costs understated now corrected (see 27.12)	<u>2,000</u>
Balance as at 31 December 2020 as restated (Note 12)	<u>56,896,899,336</u>
27.3 CWIP- Road Structures Construction Costs	
Balance as at 31 December 2020 as previously presented	2,324,796,998
JICA Kazungula Bridge - Road works & service liabilities exchange differences debited to CWIP (see 27.7)	7,159,637
JICA Kazungula Bridge - Accumulated reserves exchange differences debited to CWIP (see 27.12)	28,039,864
Balance as at 31 December 2020 as restated (Note 13)	<u>2,359,996,499</u>

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

27. Prior Period Adjustments

	Year ended 31 December 2020 ZMW
27.4 CWIP - Advances to Contractors and Consultants	
Balance as at 31 December 2020 as previously presented	5,888,807,297
AfDB Chinsali Nakonde - exchange differences credited to Capital Grant (see 27.12)	<u>500,543,837</u>
Balance as at 31 December 2020 as restated (Note 14)	<u>6,389,351,134</u>
27.5 Property, Plant & Equipment	
Balance as at 31 December 2020 as previously presented	36,827,332
World Bank - IRCP - Property, Plant & Equipment overstated now corrected (see 27.12)	<u>(17,617,108)</u>
Balance as at 31 December 2020 as restated (Note 15)	<u>19,210,224</u>
27.6 Other Road Project Costs	
Balance as at 31 December 2020 as previously presented	560,100,134
KFW - Other Road Project Works Understated now corrected (see 27.11)	24,398,206
AfDB Chinsali Nakonde - exchange differences debited to Capital Grant (see 27.12)	<u>(27,453,400)</u>
World Bank - IRCP - Project Costs understated now corrected (see 27.12)	<u>78,109,972</u>
Balance as at 31 December 2020 as restated (Note 16)	<u>635,154,912</u>
27.7 Road Works and Services Liabilities	
Balance as at 31 December 2020 as previously presented	13,097,025,143
Funding to NRFA Secretariat not paid therefore overstated now corrected (see 27.11)	<u>(16,020,000)</u>
Funding to NRFA Tolling not paid therefore overstated now corrected (see 27.11)	<u>(50,000)</u>
Interest expense capitalised under NAPSA overstated in NRFA now corrected (see 27.11)	<u>(274,947,297)</u>
NAPSA Loan interest expense overstated, now corrected (see 27.11)	<u>(2,959,671)</u>
Reclassification of NAPSA Loan Arrears to Other Creditors and Accruals (see 27.8)	<u>(259,020,299)</u>
Sub-total	<u>12,544,027,876</u>
JICA Kazungula Bridge - exchange differences credited to Capital Grant (see 27.3)	7,159,637
European Investment Bank - exchange differences debited to Capital Grant (see 27.12)	<u>(59,232,000)</u>
AfDB Chinsali Nakonde - exchange differences credited to Capital Grant (see 27.12)	<u>161,079,204</u>
Balance as at 31 December 2020 as restated (Note 18)	<u>12,653,034,717</u>

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

27. Prior Period Adjustments

	Year ended 31 December 2020 ZMW
27.8 Other Creditors and Accruals	
Balance as at 31 December 2020 as previously presented	313,502,478
2020 Funding to NRFA understated now corrected (See 27.11)	18,459,739
Understatement of reserves due to understatement of NRFA Funding payable now corrected (See 27.11)	47,643,737
Prepaid E-Tolls incorrectly recognised as revenue in 2020 now recognised in 2021 (See 27.11)	3,443,857
Reclassification of NAPSA Loan Arrears from Road Works and Services Liabilities (See 27.7)	<u>259,020,299</u>
Sub-total	642,070,110
AfDB Chinsali Nakonde - exchange differences credited to Capital Grant (See 27.12)	41,222,708
World Bank - IRCP - Accruals overstated now corrected (See 27.12)	<u>(52)</u>
Balance as at 31 December 2020 as restated (Note 19)	<u>683,292,766</u>
27.9 Provision for Legal Fees	
Balance as at 31 December 2020 as previously presented	514,895,818
2020 Funding to NRFA understated now corrected (See 27.11)	<u>(7,000,000)</u>
Balance as at 31 December 2020 as restated (Note 20)	<u>507,895,818</u>
27.10 Retention Costs Payable to Contractors	
Balance as at 31 December 2020 as previously presented	2,645,760,278
AfDB Chinsali Nakonde - Retention costs understated now corrected (See 27.12)	<u>56,980,768</u>
Balance as at 31 December 2020 as restated (Note 22)	<u>2,702,741,046</u>
27.11 Accumulated Surpluses	
Balance as at 1 January 2020 as previously presented	3,936,487,977
Overstatement of Accumulated surplus due to misstatement of Ministry of Finance and National Planning expenses now corrected (See Note 7)	1,012,508
Understatement of reserves due to NRFA Funding payable now corrected (see 27.8)	(47,643,737)
Interest expense capitalised under NAPSA overstated in NRFA now corrected (see 27.7)	274,947,297
Legal Fee Provision overstated, now corrected (see 27.9)	7,000,000
Prepaid E-Tolls incorrectly recognised as revenue in 2020 now recognised in 2021 (see 27.8)	(3,443,857)
NAPSA Loan interest expense overstated, now corrected (see 27.7)	2,959,671
KFW- Other Road Project Works Understated now corrected (See 27.6)	<u>24,398,206</u>
Sub-total carried forward (see Statement of Changes in Net Assets\Equity)	<u>4,195,718,065</u>

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

27. Prior Period Adjustments

	Year ended 31 December 2020 ZMW
27.11 Accumulated Surpluses (continued)	
Sub-total brought forward	4,195,718,065
Surplus for the year as previously presented	1,009,577,199
Overstatement of Surplus for the year due to misstatement of Ministry of Finance and National Planning expenses now corrected (See Note 7)	(1,012,508)
2020 NRFA Funding payable understated (see 27.8)	(18,459,739)
Road Works and service Liabilities-NRFA overstated now corrected (see 27.7)	16,020,000
Road Works and service Liabilities-NRFA overstated now corrected (see 27)	50,000
Legal fee provision incorrectly expensed and debited to Capital Work in Progress (see 27.2)	509,164,318
World Bank - IRCP - Surplus incorrectly recognized now corrected (see 27.12)	(16,936,594)
Surplus for the year as restated	1,498,402,676
Balance as at 31 December 2020 as restated (see Statement of Changes in Net Assets\Equity)	5,694,120,741
Balance as at 1 January 2021 as restated	5,694,120,741
DBSA Balances brought forward (see 29)	(3,074,593)
Overstatement of reserves due to understatement of NRFA Funding payable now corrected	(25,601,376)
Surplus for the year	615,426,971
Balance as at 31 December 2021(see Statement of Changes in Net Assets\Equity)	6,280,871,743

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2021

Notes (continued)

27. Prior Period Adjustments

	Year ended 31 December 2020 ZMW
27.12 Capital Grant	
Balance as at 31 December 2020 as previously presented	22,571,515,025
JICA Kazungula Bridge - Accumulated reserves exchange differences debited to CWIP (see 27.3)	28,039,864
European Investment Bank - (Cash Balances) exchange differences credited to Capital Grant (see 27.1)	146,138,330
European Investment Bank - (Road works costs) exchange differences credited to Capital Grant (see 27.2)	38,490,883
European Investment Bank - (Road works liabilities) exchange differences credited to Capital Grant (see 27.7)	59,232,000
AfDB Chinsali Nakonde - (Road Works) exchange differences debited to Capital Grant (see 27.2)	(266,698,672)
AfDB Chinsali Nakonde - (CWIP - Advances) exchange differences credited to Capital Grant (see 27.4)	500,543,837
AfDB Chinsali Nakonde - (Other Road Project Costs) exchange differences Debited to Capital Grant (see 27.6)	(27,453,400)
AfDB Chinsali Nakonde - (Road Works and Services Liabilities) exchange differences credited to Capital Grant (see 27.7)	(161,079,204)
AfDB Chinsali Nakonde - (Other Creditors and Accruals) exchange differences credited to Capital Grant (see 27.8)	(41,222,708)
AfDB Chinsali Nakonde - Retention costs understated now corrected (see 27.10)	(56,980,768)
World Bank - IRCP - Road Works Construction Costs understated now corrected (see 27.2)	2,000
World Bank - IRCP - Property, Plant & Equipment overstated now corrected (see 27.5)	(17,617,108)
World Bank - IRCP - Project Costs Understated now corrected (see 27.6)	78,109,972
World Bank - IRCP - Accruals overstated now corrected (see 27.8)	52
World Bank - IRCP - Surplus incorrectly recognized now corrected (see 27.11)	16,936,594
Balance as at 31 December 2020 as restated (Note 23)	<u>22,867,956,697</u>

28. Contingent Liabilities

There were contingent liabilities pertaining to delayed interest penalties on the delayed payment of the Road Works and Services Liabilities which can only be reasonably estimated when they materialise in later years.

NRF had some pending legal proceedings as at 31 December 2021 amounting to **K21 million**. Provisions have not been made in the financial statements in respect of these claims, based on professional advice and management's best judgement.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2021

Notes (continued)

29. Other Reserves

	Year ended 31 December 2021 ZMW	Year ended 31 December 2020 ZMW
Utilized Funds receivable from MoF	144,924,647	144,924,647
Current A/c balance	4,463	4,463
DBSA BOZ ZMW A/c	951,869	951,869
NRFA Debt Service Reserve A/c--	(444)	(444)
DBSA Maintenance Reserve A/c-	1,149,017	1,149,017
Accumulated Reserves (see 27.7)	<u>3,074,593</u>	<u>3,074,593</u>
Total	<u>150,104,145</u>	<u>150,104,145</u>

**NATIONAL ROAD FUND AGENCY
SECRETARIAT**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

**National Road Fund Agency
Secretariat
General Information
Financial Statements for the year ended 31 December 2021**

KEY INFORMATION

1. Background information

- i The National Road Fund Agency was established by the National Road Fund (NRF) Act No. 13 of 2002. According to **Part II, Section 4 of the National Road Fund Act**, the key functions of the Agency are, among others to:
 - a. Administer and manager the Road Fund;
 - b. Prepare and publish audited annual accounts of the Road Fund
 - c. Recommend to the Minister Fuel Levy and other road user charges and tariffs as required.
 - d. Recommend to the Minister projects for funding;
 - e. Allocate resources –
 - i. for the construction, maintenance and rehabilitation of roads based on a percentage of annual work programme of the Road Development Agency; and
 - ii. for road transport, traffic and safety management based on a percentage of the annual work programme of the Road Transport and Safety Agency.
 - f. In consultation with Road Development Agency, recommend funding for development of new roads; and
 - g. Undertake such other activities as are conducive or incidental to its functions under this Act.

- ii **Section 18 (1) of the NRFA Act No. 13 of 2002, establishes the funds of the National Road Fund Agency (Secretariat) as follows:**
 - a. Be appropriated to the Agency by Parliament for the purposes of the Agency;
 - b. With the approval of the Minister, be allocated to the Agency from the Road Fund (**As per Section 17 (c)**);
 - c. Be paid to the Agency by way of loans, grants or donations; and
 - d. Vest in or accrue to the Agency.

- iii **Section 18 (2) further gives the more funding to the Agency, as it may**
 - a. accept moneys by way of grants or donations from any source in Zambia and subject to the approval of the Minister, from any source outside Zambia; and
 - b. subject to the approval of the Minister raise by way of loans or otherwise, such moneys as it may require for the discharge of its functions.

- iv **Section 18 (3) Establishes the National Road Fund Agency (Secretariat) Expenditure, which shall be paid from the funds of the Agency as follows:**
 - a. salaries, allowances, loans, gratuities and pensions of staff of the Agency and other payments for the recruitment and retention of staff;
 - b. such reasonable travelling and subsistence allowances for members and members of any committee of the Agency when engaged in the business of the Agency and at such rates as the Agency may, with the approval of the Minister, determine; and
 - c. any other expenses incurred by the Agency in the performance of its functions.

Further, pursuant to the Tolls Act No. 14 of 2011 which mandates the Road Development Agency (RDA) to appoint any suitable person(s) as Toll Collector, the Government through the Road Development Agency appointed NRFA as lead Toll collector in August 2015.

In this regard, RDA appointed NRFA as authorized Toll Collector for inland Toll sites in line with Statutory Instrument No. 73 of 2013 (hereinafter referred to as Tolling regulation) under first schedule (Regulation 3). In addition, NRFA was mandated to collect toll fees at the port of entry in accordance with the provisions of the Toll Act.

2. Principal Activities

The NRFA is a statutory organisation whose function is to plan, manage and co-ordinate finances for the activities in the annual work plans of the Government Agencies/Institutions in the Road sector.

3. Agency Headquarters

P.O. Box 50695
Plot No 33 Fairley Road, Ridgeway,
Lusaka

4. Agency Contacts

Telephone: +260 211 253145/255660/250823
E-mail: nrfa@zamnet.zm or roadfund

5. Agency main Bankers

Bank Of Zambia
Bank Square
Cairo Road
Lusaka

Zambia National Commercial Bank. Lusaka
Business Centre
Cairo Road
Lusaka

Indo Zambia Bank
Plot No. 6907
Cairo Road

6. Independent Auditors

Mark Daniels Chartered Accountants
CHAZ Complex
Plot 2882/B/5/10
Suite F3-10/F3-11
Great East Road
Mission Drive
Waterfalls
LUSAKA

National Road Fund Agency
Secretariat
Annual Report and Financial Statements
For the year ended 31 December 2021

Table of contents	Page
Director's Report	1 – 3
Statement of Directors' Responsibilities	4
Report of the independent auditor	5 – 7
Financial statements:	
Statement of financial performance	8
Statement of financial position	9
Statement of changes in net Assets	10
Cash flow Statement	11
Statement of comparison of budget and actual amounts	12
Notes	13 – 27

National Road Fund Agency
Statement of Directors' Responsibilities
For the year ended 31 December 2021

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021, which show the state of the Agency.

1. Directors

The following Board of Directors held office during the year and were dissolved on 6th December 2021:

a. Ms Christabel Michel Banda	-	Chairperson – Retired 6 th December 2021
a. Mr Kaitano Chungu	-	Vice Chairperson – Retired 6 th December 2021
c. Ms Mumeka Walumweya	-	Director – Retired 6 th December 2021
d. Mr Joe Simachela	-	Director – Retired 6 th December 2021
e. Ms Mwenya Kapasa	-	Director – Retired 6 th December 2021
f. Mr. Nicholas Chikwenya	-	Director – Retired 6 th December 2021
g. Eng Jones Chomba	-	Director – Retired 6 th December 2021
h. Mr. Emmanuel Gardner	-	Director – Retired 6 th December 2021
i. Dr. Lubinda Haabazoka	-	Director – Retired 6 th December 2021
j. Mr Mukuli Chikuba	-	Director – Retired 6 th December 2021
k. Mr Gladwell Banda	-	Director – Retired 6 th December 2021
l. Eng George Manyele	-	Director – Retired 6 th December 2021
m. Eng. Wallece Mumba	-	Director/CEO - Secretary

Subsequent to the year end the following new Board of Directors was appointed on the 23rd June, 2022 and the Board was dissolved on 8th October 2022:

a. Mr Joe Mutwale	-	Chairperson - Retired in 2022
b. Dr Chabuka J. Kawesha	-	Vice Chairperson - Retired in 2022
c. Ms Sandra Mukuka Malupande	-	Director - Retired in 2022
d. Mrs Monde Muyunda Chituta	-	Director - Retired in 2022
e. Mr Ismail Mulla	-	Director - Retired in 2022
f. Ms Nsandi Manza	-	Director - Retired in 2022
g. Mr. Gibson Masumba	-	Director - Retired in 2022
h. Mr Stephen Mbewe	-	Director - Retired in 2022
i. Mr. Ernest Nshindano	-	Director - Retired in 2022
j. Ms Jané Banda	-	Director - Retired in 2022
k. Ms Agalasia Mary-Ann Chisenga	-	Director - Retired in 2022
l. Col. Kennedy Simukanga (Retired)	-	Director - Retired in 2022
m. Eng. Alinani Msisya	-	Ex-Officio- Retired in 2022
n. Eng. George Manyele	-	Ex-Officio - Retired in 2022
o. Eng. Wallece Mumba	-	Director/CEO - Secretary

Subsequent to the above new Board of Directors dissolution on 8th October 2022, the Minister of Finance and National Planning appointed an Interim Board of Directors on 14th October 2022 as follows:

a. Mr. Danies Chisenda	-	Interim Chairperson
b. Ms. Nsandi Manza	-	Director

2. Operating Results

	2021 ZMW	2020 ZMW
Revenue	<u>279,578,327</u>	<u>278,669,979</u>
(Deficit)/Surplus for the year	<u>(1,958,879)</u>	<u>25,119,733</u>

The Chartered Institute of Logistics and Transport
Statement of Board members' responsibilities
For the year ended 31 December 2021

The Deficit for the year was reduced by the Accumulated Surplus.

3. Number of employees and remuneration

Month	Salaries and allowances		Number of employees	
	2021 ZMW	2020 ZMW	2021	2020
January	12,241,935	11,624,072	729	544
February	13,313,455	11,596,299	743	558
March	12,793,887	11,570,161	743	553
April	13,375,917	14,311,268	761	551
May	13,180,098	12,924,106	761	581
June	13,454,316	12,629,556	755	608
July	12,460,792	12,581,973	754	607
August	13,450,129	12,997,740	778	626
September	13,190,617	13,163,463	781	663
October	13,851,608	13,209,356	789	666
November	13,944,394	13,215,351	798	694
December	15,921,353	13,516,219	795	721
Total	161,178,502	153,339,564		

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

4. Gifts and donations

During the period the Agency did not make any donations (2020: Nil) to charitable organisations.

5. Exports

During the year, the Agency did not export any goods or services from Zambia.

6. Property and equipment

The Agency purchased property and equipment amounting to **K26 million** (2020: K23 million) during the period. In the opinion of the directors, the carrying value of property and equipment is not less than its recoverable amount.

7. Research and development

During the year, the Agency did not incur any costs on research and development (2020: Nil).

8. Other material facts, circumstances and events

The Directors are not aware of any material fact, circumstance or event which occurred between the accounting date and the date of this report which might influence an assessment of the Agency's financial position or the results of its operations.

9. Annual financial statements

The annual financial statements set out on pages 7 to 25 have been approved by the Directors.

By order of the Board

SECRETARY

The Chartered Institute of Logistics and Transport
Statement of Board members' responsibilities
For the year ended 31 December 2021

The NRFA Act section 20 requires the Directors to prepare Financial Statements for each financial year that gives a true and fair view of the state of affairs of the National Road Fund Agency (NRFA) operations as at the end of the financial year and of its surplus or deficit. It also requires the Directors to ensure that the Secretariat keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

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 law. 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 Secretariat and of its surplus or deficit in accordance with International Financial Reporting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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



Eng. Wallece Mumba
Director/Chief Executive Officer



Mr. Danies K. Chisenda
Interim Board Chairperson and
Permanent Secretary - Economic
Management and Finance (PS – EMF)
Ministry of Finance and National Planning

28/02/ 2023

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF NATIONAL ROAD FUND AGENCY**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements Secretariat, which comprise the statement of financial position as at 31 December 2021, and the statement of financial performance, statement of changes in net assets 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 the Secretariat as at 31 December 2021 and of its financial performance and cash flows for the year ended and have been properly prepared in accordance with the International Public Sector Accounting 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 agency 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.

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 Public Sector Accounting 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 Secretariat'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 decides to cease operations, or have no realistic alternative but to do so. Those charged with Governance are responsible for overseeing the Secretariat's reporting process.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF NATIONAL ROAD FUND AGENCY**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements Secretariat, which comprise the statement of financial position as at 31 December 2021, and the statement of financial performance, statement of changes in net assets 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 the Secretariat as at 31 December 2021 and of its financial performance and cash flows for the year ended and have been properly prepared in accordance with the International Public Sector Accounting 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 agency 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.

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 Public Sector Accounting 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 Secretariat'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 decides to cease operations, or have no realistic alternative but to do so. Those charged with Governance are responsible for overseeing the Secretariat's reporting process.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD MEMBERS OF NATIONAL ROAD FUND AGENCY (CONTINUED)**

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 Secretariat'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 Secretariat's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our 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 Secretariat 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 Secretariat to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Secretariat 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD MEMBERS OF NATIONAL ROAD FUND AGENCY (CONTINUED)**

Report on other Legal and Regulatory Requirements

In our opinion, the financial statements of Secretariat as of 31 December 2021 have been properly prepared in accordance with the Act, and the accounting and other records and registers have been properly kept in accordance with the Act.



Chartered Accountants
Lusaka

28/02/2023



Frederick M Banda AUD/F000169
Partner signing on behalf of the firm

National Road Fund Agency
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Statement of financial performance

	Note	2021 ZMW	2020 ZMW
Revenue			
Parliamentary Appropriation Grant	5	10,887,341	13,319,380
Road Fund Grant	6	241,096,250	243,238,038
Amortisation of Capital Grants	7	<u>27,594,736</u>	<u>21,590,431</u>
		279,578,327	278,147,846
Other Revenue			
Sundry Income	8	<u>946,896</u>	<u>522,133</u>
Total revenue		<u>280,525,223</u>	<u>278,699,979</u>
Expenses			
Board remunerations	9	2,458,207	3,293,478
Depreciation and amortization expense	10	27,594,736	21,590,431
Provision for bad debts	11	6,400,748	5,153,876
Employment expenses	12	170,891,221	153,339,566
General expenses	13	21,012,815	23,465,156
Repairs and maintenance	14	2,153,158	1,757,388
Tolling expenses	15	<u>51,973,554</u>	<u>44,950,351</u>
Total expenses		<u>282,484,099</u>	<u>253,550,246</u>
Other gains/(losses)		-	-
(Deficit)/Surplus for the year		<u>(1,958,876)</u>	<u>25,119,733</u>

The notes set out on pages 12 to 27 form an integral part of the Financial Statements

National Road Fund Agency
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Statement of financial position

	Note	2021 ZMW	2020 ZMW
Assets			
Current assets			
Cash and cash equivalents	16	552,985	3,341,116
Receivables from staff	17	1,225,895	1,064,582
Grant receivable	18	68,263,730	70,489,971
Inventories	19	1,735,662	997,312
Prepayments	20	510,426	1,926,354
Total Current Assets		72,288,697	77,819,335
Non-current assets			
Property plant and equipment	21	84,617,633	87,440,971
Intangible Assets	22	15,638,225	15,304,253
		100,255,858	102,745,224
Total assets		172,544,555	180,564,559
Current liabilities			
Employee benefits	23	21,798,397	20,218,330
Statutory Liabilities	24	11,550,738	22,993,196
Other creditors and accruals	25	21,612,964	19,525,229
Deferred Revenue	26	56,610	-
Total current liabilities		55,018,709	62,736,755
Non- Current Liabilities			
Employee benefits	27	13,716,296	11,295,780
Total Liabilities		68,735,005	74,032,535
Net assets		103,809,550	106,532,024
Net assets			
Contributed Capital Grant		81,774,249	82,537,846
Reserves		17,707,356	18,428,299
Accumulated Surplus		4,327,946	5,565,879
Total net assets/equity		103,809,550	106,532,024

The financial statements on pages 7 to 27 were approved for issue by the board of directors on 28/02/2023 and signed on its behalf by



Eng. Wallece Mumba
 Director/Chief Executive Officer



Mr Danies K. Chisenda
 Interim Board Chairperson and
 Permanent Secretary - Economic
 Management and Finance (PS – EMF)
 Ministry of Finance and National Planning

The notes on pages 12 to 27 form part of these financial statements.

National Road Fund Agency
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Statement of Changes in Net Assets/equity

	Contributed Capital Grants	Revaluation Reserves	Accumulated Surpluses/(Deficits)	Total
	ZMW	ZMW	ZMW	ZMW
Balance as at 1st January 2020	79,843,726	19,149,242	(5,072,457)	93,920,511
Prior year adjustment	(554,624)	-	-	(554,624)
Surplus for the year	-	-	25,119,733	25,119,733
Additions to capital grants	24,839,175	-	-	24,839,175
Transfers	-	(720,943)	720,943	-
Capital grants amortised	(21,590,431)	-	-	(21,590,431)
Balance as at 31st December 2020	82,537,846	18,428,299	20,768,219	121,734,364
Prior year adjustment	-	-	(15,202,340)	(15,202,340)
Re-instated Balance as at 31st December 2020	82,537,846	18,428,299	5,564,879	106,532,024
Balance as at 1st January 2021	82,537,846	18,428,299	5,565,879	106,532,024
Deficit for the year	-	-	(1,958,876)	(1,958,876)
Transfer	-	(720,943)	720,943	-
Additions to Capital Grant	26,931,139	-	-	26,931,139
Capital grants amortised	(27,594,736)	-	-	(27,594,736)
Balance as at 31st December 2021	81,774,249	17,707,356	4,327,946	103,809,550

The Prior year adjustment relates to expenditure incurred in the years prior to 2021 such as wide area network and information systems under Road Tolling. This expenditure was paid for in 2021 under Road Fund and transferred to the Secretariat in 2021

The notes on pages 12 to 27 form part of these financial statements.

National Road Fund Agency
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Cash flow Statement

	Notes	2021 ZMW	2020 ZMW
Cash (used)/ from operating activities	30	(3,389,009)	(5,613,117)
Cash flows from investing activities			
Purchase of property, plant and equipment		(26,338,453)	(23,254,730)
Purchase of intangible assets		(492,686)	(1,584,445)
Proceeds from sale of property, plant and equipment		600,878	1,600,704
Net cash used in investing activities		(26,230,261)	(23,238,471)
Cash flows from financing activities			
Capital Grant		26,831,139	24,839,175
Net cash flows from financing activities		26,831,139	24,839,175
Decrease in cash and cash equivalents		(2,788,131)	(4,012,413)
At start of year		3,341,116	7,353,529
Decrease in cash and cash equivalents		(2,788,131)	(4,012,413)
At end of year	16	552,985	3,341,116

The notes on pages 12 to 27 form an integral part of these financial statements.

National Road Fund Agency
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Statement of Comparison of Budget and Actual Amounts

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Revenue					
GRZ MoF Grant	10,887,341	-	10,887,341	10,887,341	-
Road Fund NRFA Grant	241,096,250	-	241,096,250	241,096,250	-
Gains on disposal, interest and agency fees	200,000	-	200,000	946,896	746,896
Amortisation of capital grant	27,594,736	-	27,594,736	27,594,736	-
Total income	279,778,327	-	279,778,327	280,525,223	746,896
Expenses					
Administration expenses	35,046,619	-	35,046,619	22,998,416	12,048,203
Board Allowances and expenses	5,000,000	-	5,000,000	2,625,764	2,374,236
Compensation of employees	166,284,293	-	166,284,293	170,891,221	(4,606,928)
Provision for bad Debt	6,400,748	-	6,400,748	6,400,748	-
Depreciation	27,594,736	-	27,594,736	27,594,736	-
Tolling expenses	45,806,599	-	45,806,599	51,973,214	(6,166,615)
Total expenditure	286,132,995	-	286,132,995	282,484,099	3,648,896
(Deficit)/Surplus for the period	(6,354,668)	-	(6,354,668)	(1,958,876)	(8,313,544)

NATIONAL ROAD FUND AGENCY
Secretariat
Financial statements
For the year ended 31 December 2021

Notes

1 Principle activity of the National Road Fund Agency

The National Road Fund Agency (NRFA) was established by the National Road Fund Act No. 13 of 2002. The NRFA is a statutory organisation whose function is to plan, manage and co-ordinate finances for the activities in the annual work plans of the Government Agencies/Institutions in the Road sector.

2 Statement of Compliance and Basis of Preparation – IPSAS 1

The agency's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Zambian Kwacha, which is the functional and reporting currency of the agency. The accounting policies have been consistently applied to all the years presented.

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

3 Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the agency and can be measured reliably.

i) Revenue from non-exchange transactions – IPSAS 9

Rendering of services

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

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

NATIONAL ROAD FUND AGENCY
Secretariat
Financial statements
For the year ended 31 December 2021

Notes (Continued)

i) Revenue from non-exchange transactions – IPSAS 9 (continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the agency.

Interest income

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

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the agency. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or agency differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the agency recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The following are the depreciation rates for each class of Non-Current Assets; Buildings 2% Equipment. 25% Motor vehicle. 25% Furniture and fittings 25%.

d) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible Assets depreciation rate 25%

NATIONAL ROAD FUND AGENCY
Secretariat
Financial statements
For the year ended 31 December 2021

Notes (Continued)

e) Financial instruments – IPSAS 29

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Agency determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Agency has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Agency assesses at each reporting date whether there is objective evidence that a financial asset or a agency of financial assets is impaired. A financial asset or a agency of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the agency of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

The debtors or entity of debtors are experiencing significant financial difficulty Default or delinquency in interest or principal payments

The probability that debtors will enter bankruptcy or other financial reorganization

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

NATIONAL ROAD FUND AGENCY
Secretariat
Financial statements
For the year ended 31 December 2021

Notes (continued)

3 Summary of significant accounting policies (continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Agency determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

f) provisions – IPSAS 19

Provisions are recognized when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Agency expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Agency does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Agency does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NATIONAL ROAD FUND AGENCY
Secretariat
Financial statements
For the year ended 31 December 2021

Notes (continued)

g) Nature and purpose of reserves

The Agency creates and maintains reserves in terms of specific requirements. Agency to state the reserves maintained and appropriate policies adopted.

h) Changes in accounting policies and estimates – IPSAS 3

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

l) Employee benefits – IPSAS 25

Retirement benefit plans

The Agency provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an agency pays fixed contributions into a separate agency (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

j) Foreign currency transactions – IPSAS 4

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

k) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NATIONAL ROAD FUND AGENCY
Secretariat
Financial statements
For the year ended 31 December 2021

Notes (continued)

l) Related parties – IPSAS 20

The Agency regards a related party as a person or an agency with the ability to exert control individually or jointly, or to exercise significant influence over the Agency, or vice versa. Members of key management are regarded as related parties and comprise the senior managers.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Zambia and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

n) Comparative figures

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

o) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Agency's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Agency based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Agency. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

NATIONAL ROAD FUND AGENCY
Secretariat
Financial statements
For the year ended 31 December 2021

Notes (continued)

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

p) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 31 December 2021.

4. Financial Risk Management

(a) Interest Rate Risk

The National Road Fund Agency (NRFA) exposure to interest rate risk is limited as the National Road Fund Agency (NRFA) does not carry interest bearing financial assets or liabilities except for operational bank balances.

NATIONAL ROAD FUND AGENCY
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Notes (continued)

(b) Credit Risk

Potential concentration of credit risk consists mainly of cash and cash equivalents, and receivables. The Agency limits its counterparty exposure by dealing with established banks. The Agency has a policy of managing credit exposure to contractors and consultants by obtaining bonds and bank guarantees from well-established financial institutions.

(c) Liquidity Risk

Liquidity risk arises primarily from an uncertainty in funding and expenditure flows. The Agency manages liquidity risks through the compilation and monitoring of cash flow forecasts. The Agency monitors and controls its expenditures to ensure that they are within budget.

The funding for works is done through the Road Fund managed by the NRFA, which by its creation collects and maintains a satisfactory level of cash and cash equivalents to meet the funding requirements of all works included in the annual work plan.

	2021 ZMW	2020 ZMW
5. Parliamentary Appropriation		
Operational Grant	<u>10,887,341</u>	<u>13,319,380</u>

The Operational Grant to the Agency is in line with **Section 18 (1) (a) of the National Road Fund Act No. 13 of 2002**, which states that, the funds of the Agency shall consist of such moneys as may, be appropriated to the Agency by Parliament for the purposes of the Agency.

	2021 ZMW	2020 ZMW
6. Road Fund Grant		
Road Fund Grant	<u>241,096,250</u>	<u>243,238,038</u>

The Road Fund Grant above to the Agency, is in line with **Section 17 of the National Road Fund Act No. 13 of 2002**, which states that: 'the Agency shall apply the moneys of the Road Fund for the operations of the Agency (NRFA), the Road Development Agency and the Road Transport and Safety Agency:

Provided that the moneys paid out of the Road Fund for the operations of the three Agencies shall not exceed **ten per centum** of the moneys paid into the Road Fund under **(Section 16) paragraphs (a) to (f) of subsection (2).**'

Further, on 29 April 2019, the Secretary to the Treasury, pursuant to **Section 7 (1) (g) of the Public Finance Management Act of 2018**, issued a Treasury Authority to increase, the moneys paid out of the Road Fund for the operations of the Agency (NRFA), the Road Development Agency and the Road Transport and Safety Agency, to **thirty per centum** of the moneys paid into the Road Fund under paragraphs (a) to (f) of subsection (2) (of **Section 16, below**)

NATIONAL ROAD FUND AGENCY
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Notes (continued)

6. Road Fund Grant (continued)

Section 16 (2) of the National Road Fund Act No. 13 of 2002 – The Road Fund shall consist of:

- (a) such moneys as may be appropriated by Parliament for the purposes of the Road Fund;
- (b) all fuel levy collected, less the cost of collection which shall not exceed three per cent, in every fiscal year".
- (c) such percentage of licence fees, registration fees and international transit fees payable to the Road Transport and Safety Agency under the Road Traffic Act, as the Minister may determine;
- (d) such percentage of the weigh bridge charges payable to the Road Development Agency under the Public Roads Act, 2002, as the Minister may, by statutory instrument, determine;
- (e) all moneys paid as fines for vehicle overloading offences under the Public Roads Act, 2002;
- (f) such percentage of road user levies including tariffs, taxes and tolls as may be determined by the Minister on the recommendation of the agency in consultation with Road Development Agency; and
- (g) such monies as may be paid to the Road Fund by way of loans, grants or donations.

	ZMW	ZMW
Moneys paid into the Road Fund per Section 16 (2) (a) to (f)	<u>3,301,090,640</u>	<u>3,557,083,000</u>
Thirty per centum (30%) of moneys paid into the Road Fund per Section 16 (2) (a) to (f)	<u>990,327,192</u>	<u>1,067,124,900</u>

Operational Funding to:
 National Road Fund Agency (NRFA)
 Road Development Agency (RDA)
 Road Safety and Transport Agency (RTSA)
Total Operational Funding

Under/(Over) Funding to Agencies Operational Funding

NATIONAL ROAD FUND AGENCY
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Notes (continued)

	2021	2020
	ZMW	ZMW
7. Amortisation of Capital Grants	<u>27,594,736</u>	<u>21,590,431</u>
<p>The Capital Grant has been amortised in line with the depreciation policy of the respective fixed assets.</p>		
8. Sundry Revenue		
Tender Documents	54,485	109,100
Profit on sale of assets	-	413,033
Interest on staff Loans	933	-
Receipts for toll infrastructure damage	<u>891,478</u>	<u>-</u>
Total sundry Revenue	<u>946,896</u>	<u>522,133</u>
9. Board remuneration	<u>2,458,207</u>	<u>3,293,478</u>
10. Depreciation and Amortization expenses		
Property, plant and equipment	<u>27,594,736</u>	<u>21,590,431</u>
11. Provisions for bad debts	<u>6,400,748</u>	<u>5,153,876</u>
<p>This is the GRZ Grant which was accrued in 2017, 2018, 2019 and 2020 and has not been received by 31 December, 2020 and 31 December, 2021 respectively.</p>		
12. Employment expenses		
Staff Salaries and wages	144,148,629	126,058,947
Staff Gratuity	8,761,292	10,563,147
Staff Leave pay	<u>17,981,300</u>	<u>16,717,472</u>
Total employment costs	<u>170,891,221</u>	<u>153,339,566</u>

NATIONAL ROAD FUND AGENCY
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Notes (continued)

13. General expenses	2021	2020
	ZMW	ZMW
Advertising	111,531	148,205
ARMFA expenses	163,187	200,124
ACT review	37,183	-
Audit fees	52,707	51,286
Bank charges	167,557	159,204
Board expenses	157,887	764,908
Cleaning expenses	373,521	351,667
Committees costs	551,360	907,317
Corporate social responsibilities	4,000	8,885
Covid-19 expenses	195,600	120,511
Electricity and water	263,738	208,517
Fuel and oil	2,070,919	2,065,131
Functions and meetings	1,283,924	721,327
Group life Assurance	1,160,768	493,257
Information dissemination	62,685	48,900
Information Technology services	748,193	1,292,397
Integrity committee	82,760	113,287
Insurance	1,520,036	1,122,648
Licenses and rates	35,402	71,565
Loss on disposal of Assets	1,124,891	-
Medical expenses	3,723,827	2,843,448
Monitoring and evaluation	734,055	1,036,427
NAPSA penalties	-	5,770,294
Office expenses	249,980	143,216
Postage and telephone	1,274,208	856,415
Printing and stationery	1,013,489	573,421
Professional and legal fees	37,563	398,351
Subscription	253,898	205,079
Security costs	124,200	188,484
Staff Recruitment	5,195	9,620
Staff welfare	266,796	313,430
Staff benefits	2,420,516	1,957,501
Sundry expenses	-	17,104
Travelling expenses	-	9,152
Workers compensation	200,510	104,328
Workshop and seminars	540,727	189,750
Total general expenses	<u>21,012,815</u>	<u>23,465,156</u>
14. Repairs and Maintenance		
Property	411,723	686,723
Equipment	148,547	140,974
Vehicles	1,592,888	929,691
Total repairs and maintenance	<u>2,153,158</u>	<u>1,757,388</u>

NATIONAL ROAD FUND AGENCY
 Secretariat
 Financial statements
 For the year ended 31 December 2021

15. Tolling Expenses	2021	2020
	ZMW	ZMW
Advertising	307,712	938,182
Audit Financial	2,003,685	1,301,160
Bank Charges	51,591	51,902
Cash in transit Transportation Costs	10,573,800	4,947,640
Cleaning Expenses	137,642	-
Covid -19 Expenses	80,000	-
Electricity	916,510	813,111
Fuel costs	4,900,282	4,258,549
Functions, meeting and training	2,676,726	723,174
Group Life Assurance	-	494,253
Information Dissemination	326,120	558,338
ICT	2,466,172	2,068,765
Insurance	-	627,530
Medical expenses	4,784,057	2,786,806
Monitoring and Evaluation	771,748	785,140
Motor vehicle expenses	2,600	122,929
Office equipment expenses	909,018	225,000
Security allowances	6,560,610	6,535,275
Postage and telephone	2,594,219	3,950,459
Printing and stationery	2,519,177	2,971,125
Repairs and maintenance	3,628,841	2,757,652
Rent	38,925	-
Staff Relocation and travel	2,299,048	3,371,434
Staff welfare	3,188,439	2,196,286
Staff recruitment	236,292	995,681
wages	-	228,967
Total Tolling	<u>51,973,214</u>	<u>44,950,351</u>
16. Cash and cash equivalents		
Cash-on-hand	40,500	149,500
Bank	512,485	3,191,616
	<u>552,985</u>	<u>3,341,116</u>
17 Receivables		
Staff salary advances	1,041,272	835,162
Secretariat Staff imprests	172,996	148,600
Tolling Staff imprests	11,626	80,820
	<u>1,225,894</u>	<u>1,064,582</u>
18. Grants Receivables		
Road Fund Grant to NRFA	70,284,651	81,305,816
Prior year adjustment	-	(15,202,340)
Re-instated Road Fund Grant to NRFA	70,284,651	66,103,476
MoFNP Administration Grant Receivable to NRFA	11,707,196	11,707,196
Total	<u>81,991,847</u>	<u>77,910,672</u>

NATIONAL ROAD FUND AGENCY
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Less: Provision for bad debts:	<u>(13,728,117)</u>	<u>(7,320,701)</u>
	<u>68,263,730</u>	<u>70,489,971</u>

Notes (continued)

The Prior year adjustment relates to expenditure incurred in the years prior to 2021 such as wide area network and information systems under Road Tolling. This expenditure was paid for in 2021 under Road Fund and transferred to the Secretariat in 2021.

The MoFNP Administration Grant Receivable to NRFA accrued in 2017, 2018, 2019 and 2020 and had not been received by the Agency as at 31 December 2021.

	2021 ZMW	2020 ZMW
19 Inventories		
Tolling stationery	1,071,019	505,727
Secretariat Stationery	<u>664,643</u>	<u>491,585</u>
	<u>1,735,662</u>	<u>997,312</u>
20. Prepayments		
Tolling prepayments	330,000	364,650
Secretariat prepayments	<u>180,426</u>	<u>1,561,704</u>
	<u>510,426</u>	<u>1,926,354</u>

NATIONAL ROAD FUND AGENCY
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Notes (continued)

21. Property, plant and equipment

a. Summary

	Land & Buildings ZMW	Motor Vehicles ZMW	Office Equipment ZMW	Furniture & Fittings ZMW	Total ZMW
Cost					
At 1 January 2020	26,991,000	58,915,721	10,959,498	4,160,794	101,027,013
Additions	-	15,099,032	5,852,670	2,303,028	23,254,730
Disposal	-	(4,074,000)	-	-	(4,074,000)
At 31 December 2020	26,991,000	69,940,753	16,812,168	6,463,822	120,207,743
Cost					
At 1 January 2021	26,991,000	69,940,753	16,812,168	6,463,822	120,207,743
Additions	-	9,312,189	11,424,343	5,601,920	26,338,453
Disposal	-	(3,886,549)	(43,637)	-	(3,930,185)
At 31 December 2021	26,991,000	75,366,394	28,192,895	12,065,742	142,616,010
Depreciation					
At 1 January 2020	539,819	9,865,416	2,039,746	1,221,795	13,666,776
Prior year adjustment	1	736,113	106	(181,596)	554,624
Charge for the year	539,820	16,250,114	3,258,098	1,383,685	21,431,717
Disposal	-	(2,886,345)	-	-	(2,886,345)
At 31 December 2020	1,079,640	23,965,298	5,297,950	2,423,884	32,766,772
Depreciation					
At 1 January 2021	1,079,640	23,965,298	5,297,950	2,423,884	32,766,772
Charge for the year	539,820	18,428,046	5,638,103	2,830,053	27,436,022
Disposal	-	(2,186,184)	(18,233)	-	(2,204,417)
At 31 December 2021	1,619,460	40,207,160	10,917,820	5,253,937	57,998,377
Net Book Value					
At 31 December 2021	25,371,540	35,159,233	17,275,055	6,811,805	84,617,633
At 31 December 2020	25,911,360	45,975,455	11,514,218	4,039,938	87,440,971

NATIONAL ROAD FUND AGENCY
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Notes (continued)

	2021 ZMW	2020 ZMW
22. Intangible Assets		
At start of the period	15,304,253	13,878,522
Additions	492,686	1,584,445
Less amortisation	(158,714)	(158,714)
At end of the period	15,638,225	15,304,253
These are FMS, CMS & TMS and Audit Software		
23. Staff Liabilities		
Staff leave	13,668,627	11,219,329
Staff gratuity	6,518,252	8,999,001
Other staff Accruals	1,611,518	-
Total	21,798,397	20,218,330
These are staff emoluments, overtime, acting & responsibility allowances		
24 Statutory liabilities		
ZRA - PAYE	4,726,436	17,221,354
NAPSA	6,824,302	5,771,842
Total	11,550,738	22,993,196
25. Other Creditors and Accruals		
Armaguard Security Limited	120,625	-
Code Compass Limited	168,643	-
Coptic Hospital	-	373,000
G4S Secure Solutions	1,448,554	953,192
Infratel Corporation Limited	277,380	-
Mark Daniels	51,675	50,643
Mary Begg Community Clinic	105,552	-
National Health Insurance Management Authority (NHIMA)	181,043	-
NICO Insurance	-	190,042
Priceline General Dealers and Suppliers	-	115,192
Temko Technologies	132,000	760,570
Tonsaka Investments Limited	494,800	-
Total Zambia Limited	-	110,615
Tucson Investments Limited	380,000	-
Zambia Electricity Company Limited	100,651	-
Zambia Revenue Authority	358,858	466,844
Zambia Telecommunications Company	2,187,319	1,547,936
Zambia Willa Motors	329,163	-
ZANACO	4,525,434	-
Total – Suppliers' With Balances Above K100,000	18,198,108	15,863,162
Total – various Suppliers' With Balances Below K100,000	3,414,856	3,662,067
Total	21,612,964	19,525,229

NATIONAL ROAD FUND AGENCY
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Notes (continued)

	2021	2020
	ZMW	ZMW
26. Deferred Income		
Pre-paid E-Tolling	<u>56,610</u>	<u>-</u>
These are advance payments into various Electronic Tolling Cards by different card holders as at 31 December 2021		
27. Non-Current Liabilities		
.Total	<u>13,716,296</u>	<u>11,295,780</u>
Relates to the 708 permanent and pensionable staff pension benefits provision at 2months basic pay for each year served.		
28. Prior year adjustment		
Depreciation adjustment	-	554,624
Staff benefits accrued from previous year	<u>-</u>	<u>-</u>
	<u>-</u>	<u>554,624</u>
29. Related party transactions		
i) Boards' Remuneration - Fees for service as director	<u>2,458,207</u>	<u>3,293,478</u>
ii) 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:		
Salaries and other short-term employment benefits:		
Relates to the heads of departments and the office of Director/CEO	<u>11,850,721</u>	<u>11,850,722</u>
iii) Loans to key management personnel		
At the start of year	-	60,000
Salary advanced during the year	145,000	-
Repaid during the year	<u>(85,000)</u>	<u>(60,000)</u>
At end of year	<u>60,000</u>	<u>-</u>

NATIONAL ROAD FUND AGENCY
 Secretariat
 Financial statements
 For the year ended 31 December 2021

Notes (continued)

	2021 ZMW	2020 ZMW
30. Cash generated from operations		
Surplus for the year	(1,958,876)	25,119,733
Adjusted for:		
Depreciation and amortisation	27,594,736	21,590,431
Amortisation of capital grants	(27,594,736)	(21,590,431)
Prior year adjustment on depreciation	-	554,624
Prior year adjustment on amortisation	-	(554,624)
Loss/(Profit) on disposal of assets	1,124,891	(413,033)
(Increase) in staff loans and advances	(161,312)	(350,714)
Increase in other receivables	(2,157,300)	(57,721,603)
Increase in inventories	(738,350)	(81,286)
Increase in staff liabilities	4,000,583	7,142,201
Increase /(Decrease) in deferred income	56,610	(5,022,555)
Decrease/(Increase) in prepayments	1,415,928	(1,671,029)
Increase in other creditors and accruals	2,087,735	15,717,008
(Decrease)/Increase in statutory liabilities	(11,442,458)	11,668,161
Cash (used) on from operations	(3,389,009)	(5,613,117)

31. Capital Commitments

	2021 ZMW	2020 ZMW
Motor Vehicles	-	7,500,000
Office Equipment's	1,800,000	1,240,000
Office Furniture and Fittings	750,000	774,945
ICT	3,150,000	3,400,000
Others	1,000,000	500,000
Total Capital Commitments	6,700,000	13,414,945

32. Contingent Liabilities

There were no contingent liabilities.

33. Taxation

The National Road Fund Agency (NRFA) is exempt from the provision of Income Tax Act.

34. Comparative Figures

Where necessary, figures for the prior year have been restated to afford easy comparison with the current year figures and to take into account the correction of prior year period errors and changes in accounting policies.

NATIONAL ROAD FUND AGENCY
Secretariat
Financial statements
For the year ended 31 December 2021

----- 000 -----



NATIONAL ROAD FUND AGENCY

Plot No. 33 Fairley Road
P.O. Box 50695 Ridgeway
Lusaka Zambia
Tel: +260 211 253 145 / 255 660/ 250823
Fax: +260 211 253 154 /252 731
nrfa@zamnet.zm, www.nrfa.org.zm