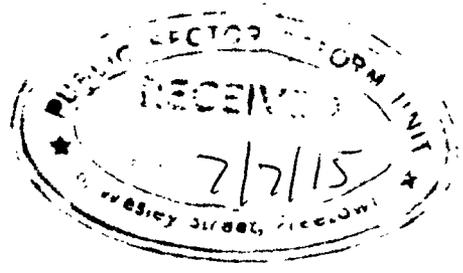




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12 Wilberforce Street  
Freetown, Sierra Leone  
P O Box 575



6<sup>th</sup> July 2015

The Director  
Public Sector Reform Unit  
Office of the President  
8 Wesley Street  
Freetown

Ref: 1114/g/nr/mij

Dear Madam

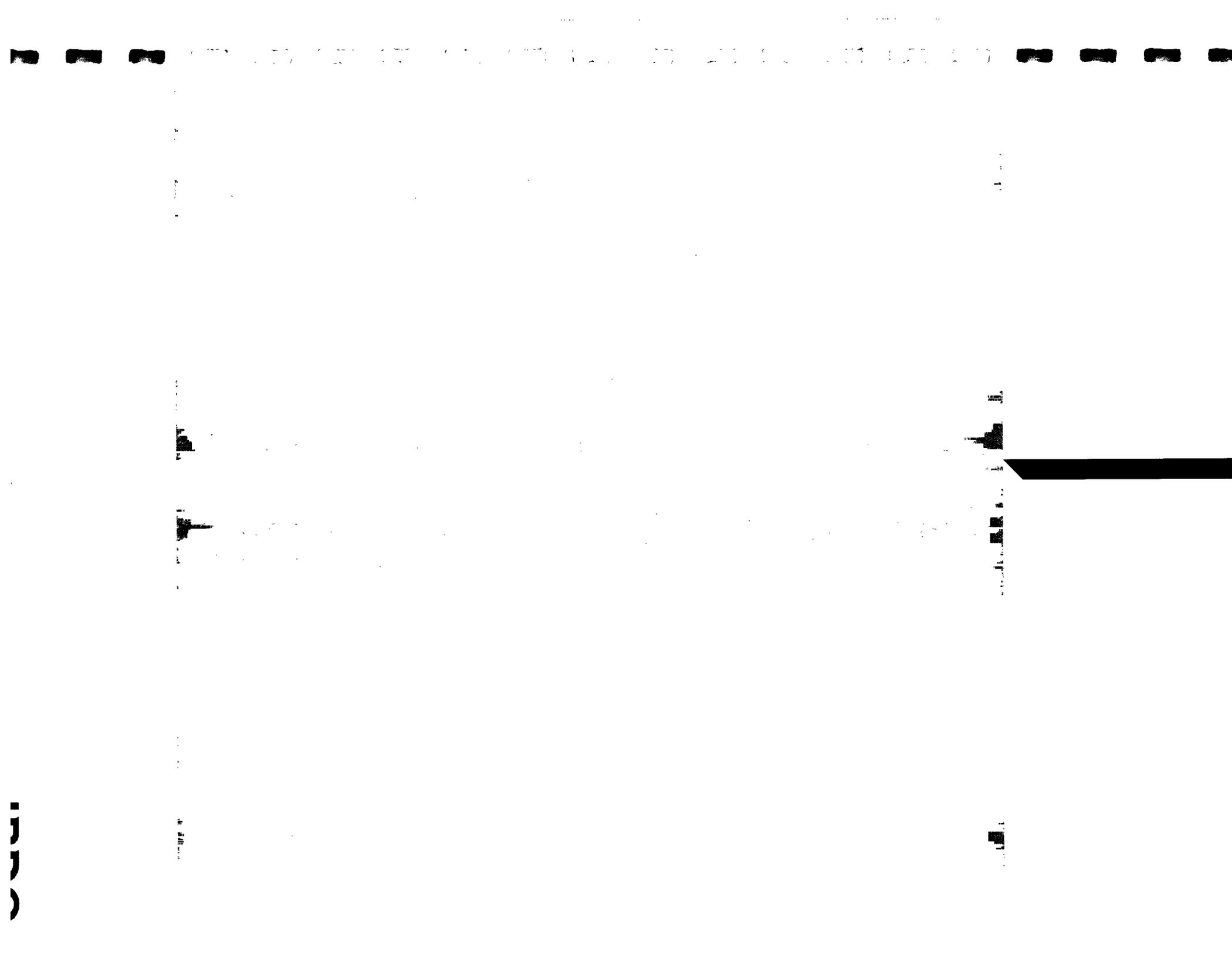
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

We confirm that there were no reportable audit issues for the year ended 31<sup>st</sup> December 2014.

The issues which emanated from the audit exercise were cleared prior to the conclusion of the audit. The results of the audit tests carried out were also satisfactory.

Yours faithfully

**BDO**



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**GENERAL INFORMATION**

Office	: Public Sector Reform Unit 8 Wesley Street Freetown
Project Coordinator	: Ms Sidratu Koroma - Director Public Sector Reform Unit
Implementing Agencies	: HRMO, PSC and Ministry of Finance and Economic Development
Project Accountant	: Accountant General Accountant General's Department Ministry of Finance and Economic Development George Street Freetown
Bankers	: Bank of Sierra Leone Gloucester Street Freetown
Auditors	: BDO Regent House 12 Wilberforce Street Freetown

## **BACKGROUND INFORMATION ON THE PROJECT**

The Pay and Performance Project is a USD 17.0 Million World Bank support programme to public sector reforms in Sierra Leone, being implemented from 2012 to 2017. Its objectives are:-

1. Undertaking pay reforms aimed at improving the competitiveness of the Civil Service, thereby attracting, motivating and retaining competent skills for effective service delivery.
2. Rationalising staffing in the Civil Service by filling existing critical skills gaps through merit-based competitive recruitment, while minimising the numbers of redundant posts and personnel in the service.
3. Minimising waste and inefficiencies by improving the integrity of the payroll and personnel records; harmonising and strengthening pay administration and management systems, and streamlining payroll management procedures, processes and accountability mechanisms.
4. Building the required capacity for driving reforms and effectively managing performance in the Civil Service.
5. Introducing and implementing a robust performance management system that links rewards to productivity.
6. Implementing comprehensive training and staff development programmes aimed at changing work ethics and culture while continuously upgrading capacities and skills in the public service.

### **Project Components**

The Pay and Performance Project comprises of two main components as follows:

**Component 1: Support to the Government of Sierra Leone (GoSL's) Public Sector Reform Programme, specifically Pay Reform, Recruitment and Staffing, and Performance Management.**

#### **Pay reform Implementing Partner: HRMO; MoFED**

This supports review and implementation of the GoSL's strategy for reforming public sector pay. It recognises that remuneration should be commensurate with the responsibilities of the job, which will require that a comprehensive job evaluation and grading exercise be completed before a competitive pay is introduced in a new pay structure. In addition, the strategy envisages significant decompression of the pay structure, which will allow professionals and managers to be remunerated more competitively, and maintaining an affordable and sustainable public service wage bill in relation to the GoSL's recurrent revenues.

The objectives of this sub-component are:

- a) to attract and retain key professional and managerial staff; and
- b) to motivate all civil servants to perform their jobs to an acceptable standard.

## **BACKGROUND INFORMATION ON THE PROJECT (Contd)**

Three results are sought to achieve these objectives: (a) civil servants are paid more equitably and competitively; (b) the authority to change personnel records and payroll is vested in, and restricted to HRMO (an audit trail will be maintained); (c) the human resource database and the payroll are directly linked.

### **Recruitment and staffing (Implementing Partner: PSC)**

The objective of this sub-component is to create a capable civil service of the right size and job composition to deliver its core functions assigned by the Government.

Four results are sought to achieve this objective: (a) priority vacancies in the GoSL's annual recruitment plans are filled; (b) recruitments are based on appropriate open, competitive and merit-based procedures; (c) promotions are based on open, competitive and merit-based promotion procedures; (d) vacancies are filled within three months.

### **Performance management and accountability (Implementing Partner: HRMO)**

The objectives of the performance management component are to: (a) improve the performance and productivity of ministries and individual civil servants; (b) increase citizens' trust and confidence in the government; (c) strengthen the accountability of ministries to the executive and citizens.

Three results are sought to achieve these objectives: (a) annual staff performance appraisal reports are of an acceptable quality; (b) annual performance reports of civil service managers on performance contracts are of an acceptable quality; (c) ministries' performance is evaluated by the GoSL.

## **Component 2: Technical Assistance (Implementing Partner: PSRU)**

The Technical Assistance (TA) component will complement the first component by financing selected inputs for which the GoSL has requested more intensive supervision by the Association or for which resources may not be readily available in the GoSL's budget. This component will finance goods, consultancy services, non-consulting services, monitoring and evaluation, training, study tours and workshops.

Specific areas identified for financing under this component include:

### **Sub-component 2.1: Strategic Communications Program:**

Given the importance of effective and continuous information sharing on the reform activities within and outside the government, the GoSL proposes to develop and implement a strategic communication program.

## **BACKGROUND INFORMATION ON THE PROJECT (Contd)**

### **Subcomponent 2.2: Enhancing Social Accountability**

The GoSL is already implementing measures to enhance the accountability of the public services. This component will be used to consolidate and improve the quality of some of these ongoing initiatives and to support the implementation of some new ones, including public disclosure PSR-related information, a complaint handling mechanism for recruitment, "Meet the Public" forums on PSR and Citizen's Charters.

### **Sub-component 2.3: Job Evaluation and Labour Market Survey**

1. A consulting firm has been contracted to: (i) conduct a comprehensive job evaluation exercise covering all civil service jobs based on an appropriate factor based scheme; (ii) build skills within the civil service to carry out job analysis and evaluation; (iii) obtain comparative pay data for a select number of civil service benchmark jobs; (iv) examine the future demand and supply of skills in the economy which are needed by the civil service; (v) design (a) new pay structure(s) and a new grading structure for the civil service based on the information from the job evaluation and labour market survey; (vi) develop an implementation for phasing in the new structure in accordance with priorities and wage bill constraints; (vii) prepare administrative, maintenance and appeals procedures; (viii) propose organisation and staffing structures to maintain the job evaluation system.

### **Sub-component 2.4: Implementation Support**

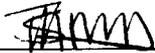
2. This sub-component will support implementation activities contained within Component 1 to be conducted by the PSRU, HRMO and PSC. Goods and consultancy services would support the immediate needs of new staff in the PSC, the new Performance Management Directorate in the HRMO, the coordination and M&E responsibilities of the PSRU associated with this project. The PSRU will also engage a procurement specialist on a part-time basis to assist it as the implementing agency for component 2. this sub-component would also support additional consultancies, trainings and workshop as needed.

**MANAGEMENT'S RESPONSIBILITY STATEMENT**

Management is responsible for the preparation and presentation of the financial statements, comprising the statement of financial position at 31 December 2014, the statement of income and expenditure, the statement of resources and expenditure and the statement of cashflow for the period then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes prepared on the basis of accounting described in note 1 and of such internal control as the director determine is necessary to enable the preparation of financial statement that are free from material misstatement whether due to fraud or error.

Approved of the Financial Statements

The Financial Statements were approved by Management on 29th June 2015 and signed on its behalf by:



\_\_\_\_\_  
Director  
Public Sector Reform Unit



**INDEPENDENT AUDITORS' REPORT TO THE GOVERNMENT OF SIERRA LEONE  
AND THE WORLD BANK**

We have audited the financial statements on pages 8 to 12 of the Technical Assistance Component of the Pay and Performance Project implemented by the Public Sector Reform Unit for the year ended 31 December 2014 and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 13 to 14.

**Management's responsibility for the financial statements**

The project's management is responsible for the preparation and presentation of these financial statements on the basis of accounting for the purpose of determining the eligible expenditure and results for the year for use by the World Bank and the Government of Sierra Leone. This responsibility includes: determining whether the accounting policies described in note 1 form an acceptable basis for preparing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement including the assessment of risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessment we consider internal controls relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT TO THE GOVERNMENT OF SIERRA LEONE  
AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) (Contd)

Opinion

In our opinion, the financial statements present a true and fair view of the state of affairs of the 31 December 2014 and the results for the period then ended in accordance with the accounting adopted by the project as stated in note 1 of the financial statements and the requirements of the Project Agreement Document.

Freetown

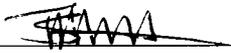
29<sup>th</sup> June 2015

  
Chartered Accountants

STATEMENT OF PROJECT RESOURCES AND EXPENDITURE

	2014 Le	2013 Le	Total Le
<b>Resources</b>			
Designated Account-Bank of Sierra Leone	-	1,768,659,415	1,768,659,415
<b>Sub Total</b>	-	1,768,659,415	1,768,659,415
Fund received from IDA	-	981,952,913	981,952,913
<b>Sub total</b>	-	981,952,913	981,952,913
<b>Total funds available</b>	-	2,750,612,328	2,750,612,328
<b>Expenditure</b>			
Overseas training	476,861,109	87,395,596	564,256,705
Professional/consultancy fees	665,612,238	201,217,410	866,829,648
Public relation expenses	101,567,500	103,520,900	205,088,400
Furniture, office equipment, safe	-	62,250,000	62,250,000
Computers and ancillary equipment	182,200,000	267,450,000	449,650,000
Vehicle expenses	16,977,320	525,148,485	542,125,805
<b>Total: Goods, non-consulting services, consultant' service, operating costs, and training under part 2 of the project</b>	<b>(1,443,218,167)</b>	<b>(1,246,982,391)</b>	<b>(2,690,200,558)</b>
<b>Total net funds available</b>	<b>(1,443,218,167)</b>	<b>1,503,629,937</b>	<b>60,411,770</b>
<b>Closing Balance</b>			
Designated account- Bank of Sierra Leone	(1,443,218,167)	1,503,629,937	60,411,770

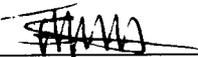
The Financial Statements were approved on 29<sup>th</sup> June 2015

  
 Director Public Sector Reform Unit

**STATEMENT OF PROJECT RESOURCES AND EXPENDITURE**

	2014 USD \$	2013 USD \$	Inception to 2014 USD \$
<b>Resources</b>			
Designated Account -Bank of Sierra Leone	-	413,500	413,500
<b>Sub total</b>	-	413,500	413,500
Funds received from IDA	-	227,770	227,770
<b>Sub total</b>	-	227,770	227,770
<b>Total funds available</b>	-	641,270	641,270
	=====	=====	=====
<b>Expenditure</b>			
Overseas training	108,217	20,399	128,616
Professional/consultancy fees	149,957	46,524	196,481
Public relation expenses	23,049	23,662	46,711
Furniture, office equipment, safe	-	14,554	14,554
Computers and ancillary equipment	41,348	62,227	103,575
Vehicle expenses	3,853	121,111	124,964
Exchange loss	14,172	-	14,172
<b>Total: Goods, non-consulting services, consultant' service, operating costs, and training under part 2 of the project</b>	<b>340,596</b>	<b>288,477</b>	<b>629,073</b>
<b>Total net funds available</b>	<b>(340,596)</b>	<b>352,793</b>	<b>12,197</b>
<b>Closing balance</b>			
Designated account-Bank of Sierra Leone	(340,596)	352,793	12,197

The Financial Statements were approved on 29<sup>th</sup> June 2015

  
\_\_\_\_\_  
Director Public Sector Reform Unit

STATEMENT OF INCOME AND EXPENDITURE

	Notes	2014 USD \$	2014 Le	2013 USD \$	2013 Le
<b>Resources</b>					
Designated Account - Bank of Sierra Leone		352,793	1,503,629,937	413,500	1,768,569,415
<b>Sub total</b>		<b>352,793</b>	<b>1,503,629,937</b>	<b>413,500</b>	<b>1,768,569,415</b>
Funds received from IDA		-	-	227,770	981,952,913
<b>Sub total</b>	3	<b>-</b>	<b>-</b>	<b>227,770</b>	<b>981,952,913</b>
<b>Total funds available</b>		<b>352,793</b>	<b>1,503,629,937</b>	<b>641,270</b>	<b>2,750,522,328</b>
<b>Total resources expenditure</b>					
Overseas training		108,217	476,861,109	20,399	87,395,596
Professional/consultancy fees		149,957	665,612,238	46,524	201,217,410
Public relation expenses		23,049	101,567,500	23,662	103,520,900
Furniture, office equipment, safe		-	-	14,554	62,250,000
Computers and ancillary equipment		41,348	182,200,000	62,227	267,450,000
Vehicle expenses		3,853	16,977,320	121,111	525,148,485
Exchange loss		14,172	-	-	-
<b>Total: Good, non-consulting services, consultants' service, operating costs, and training under part 2 of the project</b>		<b>(340,596)</b>	<b>(1,443,218,167)</b>	<b>(288,477)</b>	<b>(1,246,982,391)</b>
<b>Total net funds available</b>		<b>12,197</b>	<b>60,411,770</b>	<b>352,793</b>	<b>1,503,539,937</b>
<b>Closing balance</b>					
Designated account - Bank of Sierra Leone	3	12,197	60,411,770	352,793	1,503,539,937

The Financial Statements were approved on 29<sup>th</sup> June 2015

  
Director Public Sector Reform Unit

STATEMENT OF FINANCIAL POSITION

	Notes	USD \$ 2014	SLL 2014	US\$ 2013	SLL 2013
<b>Assets</b>					
Cash and cash equivalents	2	12,197	60,411,770	352,793	1,503,629,937
<b>Total assets</b>		<b>12,197</b>	<b>60,411,770</b>	<b>352,793</b>	<b>1,503,629,937</b>
<b>Funding and liabilities/deferred income</b>					
Funding and liabilities/deferred income	2	12,197	60,411,770	352,792	1,503,629,973
<b>Total funding and liabilities</b>		<b>12,197</b>	<b>60,411,770</b>	<b>352,792</b>	<b>1,503,629,973</b>
		=====	=====	=====	=====

The Financial Statements were approved on 29<sup>th</sup> June 2015

  
 \_\_\_\_\_  
 Director Public Sector Reform Unit

STATEMENT OF CASHFLOW

	Notes	USD \$ 2014	SLL 2014	US\$ 2013	SLL 2013
<b>Operating activities</b>					
Cash received from donors and third parties		-	-	641,270	2,750,612,328
Cash paid to suppliers and employees		(340,596)	(1,443,218,167)	(288,477)	(1,246,982,391)
Net increase/(decrease) in cash and cash equivalents		(340,596)	(1,443,218,167)	(288,477)	(1,246,982,391)
Cash and cash equivalents of the beginning of the period		352,793	1,503,629,937	-	-
Cash and cash equivalents at the end of the year		12,197	60,411,770	352,793	1,503,629,937

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 1.1 Basis of preparation

The statements of resources and expenditure have been prepared on a cash basis of accounting and have been presented in United States Dollars, with an additional column in Leones for the Special Account Leones Account.

#### 1.2 Foreign currency transactions

Assets including cash balances and liabilities (if any) denominated in foreign currencies are transactions are accounted for at the rate of exchange prevailing on the date at which the transactions were recorded. All gains and losses arising are taken to the income and expenditure statement.

	2014	2013
Closing exchange rate	4,935	4,262
Spot rate	4,407	4,262

#### 1.3 Fixed assets

Fixed assets are expensed on acquisition but a comprehensive fixed asset register is maintained to account for the fixed assets and their location.

#### 1.4 Income

Funding from donors are held in a deferred income account when received and are only recognised in the Project's income statement when utilised.

#### 1.5 Expenses

Expenses are only recognised in the financial statements when paid.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

2 DEFERRED INCOME

Deferred income is analysed as follows:

	<i>Notes</i>	USD\$ 2014	SLL 2014	US\$ 2013	SLL 2013
<b>Resource</b>					
I.D.A. funding		352,793	1,503,629,937	641,270	2,750,612,328
<b>Total</b>					
Expenditure		(340,596)	(1,443,218,167)	(288,477)	(1,246,982,391)
Released to income statement		340,596	1,443,215,167	288,477	1,246,982,391
Balance carried forward		12,197	60,411,770	352,793	1,503,629,937
<b>Presented by:</b>					
Cash and cash equivalents		12,197	60,411,770	352,793	1,503,629,937
		<u>12,197</u>	<u>60,411,770</u>	<u>352,793</u>	<u>1,503,629,937</u>
		=====	=====	=====	=====

3 RECEIPTS

IDA		-	-	641,270	2,750,612,328
<b>Total cash received</b>		<u>-</u>	<u>-</u>	<u>641,270</u>	<u>2,750,612,328</u>
		=====	=====	=====	=====

4 CONTINGENT LIABILITIES

There were no contingent liabilities at the end of the reporting period. (2013 - nil)

5 RELATED PARTY TRANSACTION

There is no evidence of any related party transaction.

6 POST FINANCIAL POSITION EVENTS

There is no post financial position event that needs reporting.

SK