

## **NOTES OF EXPLANATIONS AND ELABORATION TO THE PUBLIC ACCOUNTS**

The numbered notes that follow relate directly to the content of the financial statements above and are numbered accordingly.

### **1. General Information**

The Financial Statements reflects the financial performance of the Government of Sierra Leone for the financial year ended 31<sup>st</sup> December 2012 on the basis of moneys received by, held in or paid out of the Consolidated Fund including amounts allocated to Projects during the year under review. The Government through the Accountant General's Department (known as the Treasury) operates a centralised treasury function that accounts for moneys collected by the National Revenue Authority and administers cash expenditures incurred by all ministries, departments and agencies (MDAs) during the financial year. The amounts appropriated to the MDAs are not controlled by the MDAs but are deployed on their behalf by the Treasury on presentation of appropriate documentation and authorisation. Thus, the amounts reported as allocations/appropriations in the Statement of Financial Performance (revenue and expenditure) are those the Treasury has expended for the benefit of the MDAs.

In effect, the Annual Public Accounts of the Government of Sierra Leone include the results of financial operations of all its Ministries, Departments and Agencies that were processed through the National Treasury and Other Public Funds relating to Donor Funds, especially Donor financed Development Projects, Income and Expenditure submitted in respect of their operations during the financial year 2012 has been included in the Financial Statements.

### **2. Summary of Significant Accounting Policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Public Accounts.

#### **(a) Basis of preparation**

The Financial Statements of the Central Government has been prepared using accrual basis of accounting as far as practicable with International Public Sector Accounting standard (IPSAS).

Fixed Asset and Inventory are written off in the year of purchase.

In cases where IPSAS was not applied, the appropriate International Financial Reporting standards (IFRS) were applied.

The cash flow statement is prepared using the indirect method.

Revenues are reported when deposited at the central Bank. Balances in transit accounts relating to revenues collected by autonomous agencies are not included in

the financial statements accounts as revenues until they are credited into the consolidated revenue Fund.

**(b) Depreciation**

No depreciation has been provided for as fixed assets are written off in the year of acquisition.

**(c) Loans and Advances**

Loans and Advances to government employees are recorded on a historic cost basis without any provision for diminution in value.

**(d) Investments in Public Enterprises**

Investments in Public Enterprises have been included in the accounts at the Government's Share of their nominal values as the Costs and Open Market Values of those Shares are not available.

**(e) Classification of Accounts**

The Public Accounts are classified in the same form as the National Budget and in accordance with the approved Chart of Accounts

**(f) Foreign Currency Translation**

The functional and reporting currency is Leones. Transactions in currencies other than Leones are translated into Leones at the prevailing rate of the transaction.

Assets and Liabilities denominated in foreign currencies are translated using the closing rates of exchange at the end of the year. Any resulting foreign exchange gains or losses are taken up in the General Revenue Account.

**3. Balances with the Central Bank**

The amount of Le218,359 million debit (Le161,475 million –2011) represents the net total of bank balances, including Departmental Accounts' balances, held for and on behalf of the Government at the Bank of Sierra Leone. This amount is inclusive of the sum of Le512 million relating to unutilised balance on MDRI relief account.

**SUMMARY ANALYSIS OF BANK BALANCES WITH THE CENTRAL BANK**

as at 31st December 2012

In Million  
Leones

<b>Account No.</b>	<b>TREASURY BANK ACCOUNTS</b>	<b>2012</b>	<b>2011</b>
1100501	TREASURY MAIN ACCOUNT	(59,494)	(26,886)
1000512	AGD EXPENDITURE ACCOUNTS - GENERAL	(167,276)	(161,974)
1100515	AGD SALARIES & WAGES ACCOUNT 1998	(45,904)	(16,638)
1100516	AGD PENSIONS ACCOUNT 1998	(16,327)	(4,253)
1100573	SALARY ADVANCE ACCOUNT	(41)	
1100564	E.C.TREASURY ACCOUNT	11,377	
1100811	TREASURY WAYS & MEANS ADV A/C	48,116	26,886
	DEPARTMENTAL ACCOUNTS	2,948	14,412
	SUBVENTED AND PIUs	7,731	
1100721	MDRI RELIEF	511	511
		<b>(218,359)</b>	<b>(167,941)</b>

#### 4. Cash and Bank Balances with the Commercial Banks

The amount of Le 68,060million (Le65,576. million – 2011) represents the total of bank balances held at various Commercial Banks for Subvented Agencies and Projects Implementation Units (PIUs) that have submitted Financial report for the year 2012.

In Million Leones

<b>No.</b>	<b>BANK</b>	<b>2012</b>	<b>2011</b>
		<b>Le</b>	<b>Le</b>
1	SIERRA LEONE COMMERCIAL BANK	30,189	31,117
2	ROKEL COMMERCIAL BANK	23,128	22,179
3	STANDARD CHARTERED BANK	4,693	3,912
4	UNION TRUST BANK	872	3,399
5	FIRST INTERNATIONAL BANK	8,175	4,099
6	GUARANTEE TRUST BANK	-	-
7	ECO BANK	791	628
8	UNITED BANK OF AFRICA	165	95
9	PHB	507	100
10	ACCESS BANK	23	43
	<b>TOTAL</b>	<b>68,060</b>	<b>65,576</b>

## 5. Staff Loans and Advances

The amount of 1,054 million (Le1,132 million – 2011) represents the outstanding balance of loans and advances given to employees of Government as well as Members of Parliament.

## 6. Debtors - Privatisation

The amount of Le4,175 million (Le4,114 million – 2011) represents the outstanding balance owed to Government for Public Enterprises that were privatised and leased this year and previous years. The amounts owed as at end 2012 are as follows:

### DEBTORS-PRIVATISATION

as at 31<sup>st</sup> December 2012

In millions of Leones

	2012		2011
	Value in Millions of US \$	Value (Le m)	Value (Le m)
Agricultural Produce Marketing Company	0.16	714.5	721.7
National Commission for Privatization	0.20-	866.8	875.5
GAVA (SL) Ltd.	0.58	2,492.1	2,517.2
<b>Total Value</b>	<b>0.94</b>	<b>4,174.5</b>	<b>4,114.4</b>

In millions of Leones

	2012 Value	2011 Value
Balance as at 1st January	4,114.4	3,105.9
Privatisation receipts with National Commission for Privatisation	875.5	875.5
Privatisation debtors from Previous years	101.1	
Exchange Rate Differential on Revaluation	(41)	133.0
Balance as at 1st January	<b>4,174.5</b>	<b>4,114.4</b>

## 7. Miscellaneous Debtors

as at 31<sup>st</sup> December 2012

In millions of Leones

	2012	2011
Bumbuna Hydro Electric Project	5,213	

		5,213
Loan to Salpost	753	753
Loan to Guma Valley Water Company	2,164.5	2,164.5
	<b>8,130</b>	<b>8,130</b>

## 8. Investments – Multilateral Agencies

The Government holds equity shares with participating interest in a number of multilateral institutions giving it access to loan and grant facilities utilised predominantly for its development projects. The Equity Shares as at 31<sup>st</sup> December 2012 are as outlined below:

In millions of Leones

	2012 Value in Millions of SDR	Value	2011 Value
International Bank for Reconst. and Development (IBRD)	1.83	12,187	12,258
African Development Bank (AFDB)	6.62	44,117	44,377
	<b>8.45</b>	<b>56,304</b>	<b>56,635</b>

## 9. Investments – Public Enterprises

The carrying value of Le143,290 million (Le127,234 million - 2010) represents the Government's participating equity interests in a number of Public Enterprises presented at the Government's share of the nominal share values in those enterprises.

as at 31st December 2012

In millions of Leones

No.	NAME	LEGAL STATUS	GOVERNMENT PARTICIPATION (In %)	2012 GOVERNMENT SHARE OF EQUITY	2011 GOVERNMENT SHARE OF EQUITY
A.	Utilities				

A1	National Power Authority (NPA)	Authority	100%	2.00	2
A2	S/L Telecommunications Co. Ltd. (SIERRATEL)	Limited Company	100%	25,813.00	25,813
A3	Sierra Leone Postal Services Ltd. (SALPOST)	Limited Company	100%	20.00	20
A4	Guma Valley Water Company (GVWC)	Limited Company	95%	1,162	1,162
<b>B. Financial Institutions</b>					
B1	Bank of Sierra Leone	Central Bank	100%	-	-
B2	Sierra Leone Commercial Bank (SLCB)	Limited Company	100%	57,518	57,518
B3	Rokel Commercial Bank (RCB)	Limited Company	51%	30,926	30,926
B4	National Development Bank (NDB)	Limited Company	99%	1,588	1,588
B5	National Insurance Company (NIC)	Limited Company	100%	463	463
<b>C. Transport and Shipping</b>					
C1	Sierra Leone Road Transport Corporation (SLRTC)	Corporation	100%	184.00	184.00
C2	Sierra Leone Airport Authority (SLAA)	Authority	100%	1,004.00	1,004.00
C3	Sierra National Airlines (SNA)	Limited Company	100%	1.00	1.00
C4	Mining and General Services Co (SL) Ltd. (MAGS)	Limited Company	51%	439.00	439.00
C5	Sierra Leone Ports Authority (SLPA)	Authority	100%	3.00	3.00
C6	Sierra Leone National Shipping Company Co. (SLNSC)	Limited Company	100%	0.14	0.14
<b>D. Agriculture</b>					
D1	Sierra Leone Produce Marketing Board (SLPMB) (Note 1)	Corporation	100%	n/a	n/a
<b>E. Information Services</b>					
E1	Sierra Leone Daily Mail	Company	100%	0.01	0.01
<b>F. Manufacturing</b>					
F1	Seaboard West Africa	Limited Company	0.01%	n/a	n/a
F2	Sierra Leone National Workshop	Company	40%	2.00	2.00
<b>G. Housing</b>					
G1	Sierra Leone Housing Corporation (SALHOC)	Corporation	100%	15,437.00	15,437.00
<b>H. Leisure</b>					
H1	Sierra Leone State Lottery Co Ltd (Lotto) (Note 1)	Limited Company	100%	-	-
<b>I. Roads</b>					
I1	Sierra Leone Roads Authority	Authority	100%	1,679.00	1,679.00
				<b>136,241.15</b>	<b>136,241.15</b>

## 10. Domestic Suppliers Arrears

### DOMESTIC SUPPLIERS ARREARS

as at 31<sup>st</sup> December 2012

In millions of Leones		
	2012	2011
Domestic Suppliers' Balances brought forward	77,270	80,276
Prior Year Additional Claims (write off)	(303)	4,636
Additional payment for cheques payable	6,928	34,472
Claims verified during the year	1,486	
Payments made during the year	(56,257)	(40,892)
Exchange rate difference	123	(1,222.5)
	<b>29,247</b>	<b>77,270</b>

## 11. Other Creditors and Accrued Charges

In millions of Leones		
	2012	2011
NPA Escrow	-	
NASSIT	-	1,118
	-	1,118

The amount owed to NASSIT was in respect of the validation of the past services of Government Employees and has been paid during the year

## 12. Domestic Public Debts (See Appendices I and J)

The carrying value for Domestic Public Debts comprises:

In millions of Leones				
	2012	%	2011	%
Treasury Bills	983,324	86.1	612,180	81.9
Treasury Bearer Bonds	110,400	9.7	108,923	14.5
Ways And Means Advances	48,117	4.2	26,886	3.5
	<b>1,141,841</b>	<b>100.0%</b>	<b>748,689</b>	<b>100.0%</b>

The Treasury Bills are marketable securities of the Government on a 90-days period, 182-days period and 365 days period basis whilst the Treasury Bearer Bonds are Marketable Securities on a one-year basis.

### 13. Special Marketable Securities held by the Bank of Sierra Leone

During the year the Government no movement took place in respect of special marketable securities held by the Bank of Sierra Leone

### 14. Non-Marketable, Non-Interest Bearing Securities held by the Bank of Sierra Leone for the year ended 31<sup>st</sup> December 2012

In millions of Leones

	2012	2011
Securities in issue at the beginning of year	81,803	81,803
Conversion to Marketable Securities	-	-
Securities in issue at the end of year	81,803	81,803

### 15. Creditors

As at 31<sup>st</sup> December 2012

In millions of Leones

	2012	2011
PIUs and Subvented Agencies	-	2,983

This represents domestic and external loans raised by Projects and Subvented Agencies

### 16. 5 Year Bond

During the year 2012 Le 50,000 million 5 year bond was redeemed and rolled over resulting in no effect on the movement.



## 17. External Public Debts (See Appendices G and H)

### EXTERNAL PUBLIC DEBTS

as at 31<sup>st</sup> December 2012

In millions of Leones				
	2012	%	2011	%
Multilateral Creditors	2,719,382	259.2%	2,289,968	229.4%
Bilateral Creditors	550,085	52.4%	460,626	12.3%
Commercial Creditors	967,382	92.2%	998,083	26.6%
	4,236,849	100.0%	3,748,677	100.0%

In millions of Leones		
	2012	2011
Opening Balance	3,748,677	2,588,009
Prior Year Adjustment	154,392	748,878
	3,903,069	3,336,887
Loan Disbursements	480,464	444,820
Loan Repayments	(76,774)	(53,913)
Loan Disbursements to Projects	-	-
	<b>4,306,759</b>	<b>3,727,794</b>
Actual Translated Balance	4,236,849	3,748,677
debt cancellation	-	-
Loss on Exchange (External Debt)	69,911	(20,884)
Exchange Rate Differential (Privatization Debt)	(41)	133
Exchange Rate Differential (Loan to Sierra Rutile)	-	-
Exchange Rate Differential (Domestic Suppliers Arrears)	(123)	1,223
Exchange Rate Differential (Bumbuna Hydro)		
Project and subvented Agencies	423	
Exchange Rate Differential (Multilateral Investments)	(331)	1,982
Total Loss on Exchange	68.989	(17,545)

The total amount of Le4,236,849 (Le 3,748,677million – 2011) presented for External Public Debts includes outstanding debts owed to the International Monetary Fund (IMF) which are reflected in the books of the Bank of Sierra Leone, as they act as both depository and fiscal agent for loans contracted with the IMF. The outstanding debts due to the IMF totalled Le129,607million (Le439,855million – 2011).

## 18. PRIOR YEAR ADJUSTMENTS

In millions of Leones

Details	2012	2011	Remarks
Domestic Arrears - Additional Claims	1,486	4,636	Adjustments for Additional Claims
Domestic Arrears paid in 2011 written-off	(303)		
Creditors	(2,983)	(4,768)	Adjustment to 2011 balance
External Public Debts- Departmental and Treasury Accounts	154,392	748,878	revision of 2009 Balance
Departmental Accounts at the Central Bank	378	2,029	Adjustments to transactions relating to previous years
Salary Advance	(38)	11,747	Adjustment to Subvented opening balance
Privatisation Debtors	(101)	-	Adjustments for previous years
Balances with Central Bank	(296)		
PIUs and Subvented Agencies	3,868	205,699	Adjustment to opening bank balance for 2011
	<b>156,403</b>	<b>968,221</b>	

## 19. Movement in Special Funds as at December 2012

in millions of leones

	MDRI Fund	Strategic Petroleum	Total
Balance as at 1st January	512	1,649	2,161
Transfer to CRF	-	-	-
Interest received		133-	133-
Bank Charges	-	(19)	(19)
Balance as at 31st December	512	1,763	2,274.9
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**Movement in Special Funds**

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**20. Domestic Revenue Collection (See Appendix A)**

The total amount of Le 1,902,775million (Le1,528,087 million – 2011) represents revenues from various sources collected for and on behalf of Government during the period and paid into the Consolidated Fund. This include revenue held in Transit Accounts amounting to Le20,556 million which was not transferred to the CRF prior to the close of business on 31 December 2012. Also revenue arrears for the year 2012 amounted to Le 53,976 million.

**21. Other Revenue (See Appendix B)**

The total amount of million Le 536,341million (Le 572,515 million – 2011) received as grants comprises Le 27,242 million (Le25,402 million – 2011) as HIPC Debt Relief Assistance, Le 344,835 million (Le 433,682 million – 2011) as other direct budgetary support and Le164,264million captured as external grants to Projects and Subvented Agencies.

**22. Wages, Salaries and Employee Benefits (See Appendix C)**

In millions of Leones

	<b>2012</b>	<b>2011</b>
Wages and Salaries	930,146	677,277
o/w Charged Emoluments		
Education	11,328	234,444
Health	74,198	76,376
Public Order and Safety	19,333	54,666
Defence	66,585	54,575
Recreation, Culture and Safety	-	858
Economic Services	288,085	28,848
General Public Service	272,958	59,495
Foreign Missions	45,286	45,286
Local Councils	6,352	4,002
Others	20,357-	-
Social Security Contributions	75,532	
Pensions, Gratuities and Other Retirement Benefits	50,133	81,197

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The amount of Le50, 133million (Le 81,197 million in 2011) for Pensions, Gratuities and Other Retirement Benefits represents mainly payments made in the form of Gratuities and Pensions to Employees that have retired before 2002 in the case for pensions and those that retired in 2012 and beyond only gratuities are paid, also a total of Le75,532 million was paid out as government contributions to social security for public workers.

### 23. Non-salary, non-interest recurrent expenditure (See Appendix D)

In millions of Leones		
	2012	2011
Non-Salary, Non-Interest Recurrent Expenditure	813,964	593,612
o/w Education	307,844	8,850
Health	89,360	30,482
Defence	66,585	43,257
Police	58,580	34,184
Agriculture	20,028	20,028

### 24. Domestic Development Expenditures (See Appendix F)

The total amount of Le 412,912million (Le 408,690 million) for Domestic Development Expenditure represents the Government contribution to various Development Projects.

### 25. Project and Subvented Agencies

The total amount of Le 742,061 million for PIUs and Subvented Agencies includes direct disbursements to projects but excludes Government of Sierra Leone grants and counterpart funding during the year as follows:

Expenditure ( PIUs / Subvented)	
In millions of Leones	
	2012
Wages and Salaries	192,602
Goods and Services	673,066
Capital Development	78,752
Other	68,771
Grant Paid	39,536
Gosl Transfer	(379,626)
	<b>742,061</b>

### 26. Finance Costs

The total amount of Domestic Interest comprises:

In millions of Leones		
	2012	2011
Interest on Ways and Means	9,039.95	24,442.37

	183,209.18	
Interest on Treasury Bills		116,267.00
Interest on Treasury Bearer Bonds	51,914.01	46,272.20
Interest on NNIB Securities	11,709.45	39,156.43
	<b>255,872.58</b>	<b>226,138.0</b>

## **27. Commitments**

Capital expenditure contracted for at the balance sheet date that is yet to be executed has not been recognised in the financial statements. It is expected that these expenditures will be funded from available financial resources in subsequent year.

Government has entered into contract with suppliers for which it may not become liable for until the supplier has performed according to the contract.

## **28. Bank and similar guarantees**

At 31<sup>st</sup> December 2012, the Government's contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of operations from which it is anticipated that no material liabilities will arise.