

Road Maintenance Fund Administration (RMFA)

Financial statements
for the year ended 31 December 2021

*This report contains 21 pages
Ref: S651/sm/emj*

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General information

Board of Directors : Mr Smart K. Senessie - Chairman
Ing. Frederick Bruce - Member
Mr. Raymond Koroma - Member
Mr. Moses M. Mambu - Member
Haja Seibatu Conteh - Member
Mr. Joseph B. Lahai - Member
Mr. Paul S. H. Bockarie - Member
Mr. Tasima Ahmed Jah - Member
Rev. Joe Bob Amara - Member
Mr Mohamed Kallon - Chief Executive Officer

Registered Office : Road Maintenance Fund Administration
Maritime Building
Government Wharf
Freetown

Secretary : Cohort Consultancy Services Limited
5 Percival Street
Freetown

Solicitor : KMK Solicitors
Top Floor
28 John Street
Freetown

Bankers : Bank of Sierra Leone
Siaka Stevens Street
Freetown

Auditor : Baker Tilly Sierra Leone
Chartered Accountants
Baker Tilly
37 Siaka Stevens Street
Freetown

Management responsibility statement

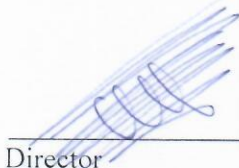
Management is responsible for the preparation and presentation of the financial statements, comprising the statement of financial position as at 31 December 2021, and the statements of financial performance, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with the International Public Sector Accounting Standards (IPSAS) Accruals, the Road Maintenance Fund Administration Act, 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.

Approval of the financial statements

The financial statements were approved by management on^{28 July}.....2022 and signed on its behalf by:



Director



Director

Independent Auditor's report to the Directors of Road Maintenance Fund Administration (RMFA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Road Maintenance Fund Administration (RMFA), set out on pages 6 to 21 which comprise the statement of financial position as at 31 December 2021, and the statements of financial performance, changes in equity and cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Road Maintenance Fund Administration (RMFA) give a true and fair view of the financial position of the RMFA as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) Accruals and the Road Maintenance Fund Administration Act.

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 entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Sierra Leone, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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 on the other information obtained prior to the date of this auditor's report, 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 this regard.

Independent Auditor's report to the Directors of Road Maintenance Fund Administration (RMFA) *(continued)*

Responsibilities of Directors and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) Accruals and the Road Maintenance Fund Administration (RMFA) Act, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial report 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 international standards on auditing 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 international standards on auditing, we exercise professional judgment 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- 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 entity'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 report 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 entity to cease to continue as a going concern.

Independent Auditor's report to the Directors of Road Maintenance Fund Administration (RMFA) *(continued)*

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the entity's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The Engagement Partner on the audit resulting in this independent auditor's report is Derrick Kawaley.

Freetown



Chartered Accountants

Date: 28 July 2022

Statement of financial position
at 31 December 2021

<i>In thousands of Leones</i>	<i>Notes</i>	2021	2020
Non-current assets			
Property and equipment	8	4,162,738	1,986,374
		<u>4,162,738</u>	<u>1,986,374</u>
Current assets			
Receivables	9	108,287,705	145,710,658
Cash and cash equivalents	10	14,508,901	24,735,058
		<u>122,796,606</u>	<u>170,445,716</u>
Total assets		<u><u>126,959,344</u></u>	<u><u>172,432,090</u></u>
Equity and liabilities			
Financed by			
Accumulated fund	14	102,280,491	52,360,223
Total equity		<u>102,280,491</u>	<u>52,360,223</u>
Non-current liabilities			
End of service benefit	12	2,354,492	1,656,393
		<u>2,354,492</u>	<u>1,656,393</u>
Current liabilities			
Payables	11	22,324,361	109,260,246
Borrowings due within one year	13	-	9,155,228
		<u>22,324,361</u>	<u>118,415,474</u>
Total liabilities		<u>24,678,853</u>	<u>120,071,867</u>
Total equity and liabilities		<u><u>126,959,344</u></u>	<u><u>172,432,090</u></u>

These financial statements were approved by the Board of Directors 28 July 2022

.....)
) Directors

The notes on pages 10 to 21 are an integral part of these financial statements.

Statement of financial performance
for the year ended 31 December 2021

<i>In thousands of Leones</i>	<i>Notes</i>	2021	2020
Operating income	4	218,316,771	130,017,283
Other operating income	5	34,960,164	132,692
Total income		253,276,935	130,149,975
Expenditure			
Road maintenance expenses	6	186,015,120	77,396,719
Administrative expenses	7	17,341,547	14,641,150
Total expenditure		203,356,667	92,037,869
Surplus for the year		49,920,268	38,112,106

These financial statements were approved by the Board of Directors on 28 July 2022

.....)
)
) **Directors**
)
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The notes on pages 10 to 21 are an integral part of these financial statements

Statement of changes in equity
for the year ended 31 December 2021

In thousands of Leones

	Accumulated fund
Balance as at 1 January 2020	14,248,117
Surplus for the year	38,112,106
Balance at 31 December 2020	<u>52,360,223</u> =====
Balance as at 1 January 2021	52,360,223
Surplus for the year	49,920,268
Balance at 31 December 2021	<u>102,280,491</u> =====

The notes on pages 10 to 21 are an integral part of these financial statements

Statement of cash flows
for the year ended 31 December 2021

<i>In thousands of Leones</i>	<i>Notes</i>	2021	2020
Net cash inflow from operating activities	<i>15</i>	(32,934,110)	39,268,822
Cash flow from investing activities			
Additions to property and equipment	<i>8</i>	(3,096,983)	(852,779)
Interest received & other income	<i>5</i>	34,960,164	132,692
Net cash flow from/ (used in) investing activities		31,863,181	(720,087)
Cash flow from financing activities			
Loans and borrowings	<i>13</i>	(9,155,228)	(17,884,866)
Net cash flow used in financing activities		(9,155,228)	(17,884,866)
Net (decrease) /increase in cash and cash equivalent		(10,226,157)	20,663,869
Balance at 1 January		24,735,058	4,071,189
Cash and cash equivalent at 31 December	<i>10</i>	14,508,901	24,735,058

The notes on pages 10 to 21 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

The Road Maintenance Fund Administration was established through the Road Maintenance Fund Administration Act, for financing the maintenance of the core road network and to provide for other related matters.

2. Basis of accounting

These financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) Accruals. They were authorized for issue on 22 July 2022.

3. Significant accounting policies

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

3.1 Borrowing costs

All of the costs incurred in connection with borrowing are treated as expenses in the period in which they are incurred.

3.2 Cash, investments and other financial assets

Cash and cash equivalents include cash in hand, deposits held at call with banks.

3.3 Expense recognition

Expenses are recognized as goods are received and services delivered.

3.4 Financial risks

The Administration does not have significant exposure to foreign currency risk as most of its revenue and expenses are in its functional currency which is the Leones.

The Administration does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources which are replenished from the results of its operations

The Administration is to exposed to the risk of interest rates risk as its road maintenance expenditure is partly financed by loan. The Administration does not use financial instruments to hedge interest rate risk.

The Administration's accounts receivable is almost exclusively from Oil Marketing Companies (OCM), and therefore risks related to credit are considered minimal. No allowance has been established against the asset value of accounts receivable to reflect receivables for which payment is not anticipated in the short-term.

Notes to the financial statements *(continued)*

3.5 Foreign currency transactions

The functional currency of Organisation is the Sierra Leone Leones and these financial statements are presented in that currency. All transactions occurring in other currencies are translated into Sierra Leone Leones using the Central Bank (Bank of Sierra Leone) mid exchange rates prevailing at the date of the transactions. Both realized and unrealized gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of assets and liabilities denominated in currencies other than RMFA's functional currency are recognized in the Statement of Financial Performance.

3.6 Property and equipment

Property and equipment are valued at cost less accumulated depreciation and impairment. Property and equipment are recognized as an asset if it has a cost of Le 500,000 or more per unit.

Subsequent costs of major renovations and improvements to fixed assets that increase or extend the future economic benefits or service potential are valued at cost. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Financial Performance.

Depreciation is charged so as to write off the full cost of fixed assets over their estimated useful lives using the straight-line method. Where fixed assets are only in use for part of the year (due to acquisition, disposal or retirement during the year), depreciation is charged only for the months during which the asset was in use. The following useful lives are applied to the different classes of fixed assets:

Office equipment	20%
Office furniture & fittings	10%
Motor vehicles	25%
Computer equipment	25%
Generator	10%

3.7 Provisions

Provisions are recognized when the Organization has a legal or constructive obligation as a result of a past event, whereby it is probable that an outflow of resources will be required to settle the obligation and where a reliable estimate of the amount of the obligation can be made.

3.8 Receivables

Receivables from Oil Marketing Companies and Utility Companies and Sierra Leone Road Safety Authority for vehicle registration and license fees are measured at the fair value of the consideration received or receivable for fuel. No provision for bad debt is made as the debts are highly recoverable. Over the years, the default rate is very low.

Notes to the financial statements *(continued)*

3.9 Revenue Recognition

a) Operating income

Operating income represents receipts from Oil Marketing companies by way of fuel levies and registration & licensing fees from Sierra Leone Road Safety Authority (formerly Sierra Leone Road Transport Authority).

b) Other operating income

This represents income from investments arising from short term placement of funds. It also includes income from utility companies for the reinstatement of excavated roads, and any other income not included under operating income.

3.10 Use of estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: defined benefit plan accrued charges and the degree of impairment of fixed assets. Actual results could differ from these estimates. Changes in estimates are reflected in the period in which they become known.

4. Operating income

<i>In thousands of Leones</i>	2021	2020
Fuel levy	209,255,204	122,874,301
Sierra Leone Road Safety Authority	9,061,567	7,142,982
	<u>218,316,771</u>	<u>130,017,283</u>
	<u><u>218,316,771</u></u>	<u><u>130,017,283</u></u>

5. Other operating income

<i>In thousands of Leones</i>	2021	2020
Other income	34,960,164	132,692
	<u>34,960,164</u>	<u>132,692</u>
	<u><u>34,960,164</u></u>	<u><u>132,692</u></u>

Notes to the financial statements *(continued)*

6. Road maintenance expenses

<i>In thousands of Leones</i>	2021	2020
Direct payments to SLRA	10,776,461	762,476
Indirect costs - SLRA contractors	84,900,117	30,448,417
SLRA operational expenses	8,128,000	8,500,000
District Councils	81,331,714	31,087,079
Other road maintenance expenses	275,250	860,500
Interest on (Road Maintenance) borrowing	603,578	5,738,247
	<hr/> 186,015,120 <hr/> <hr/>	<hr/> 77,396,719 <hr/> <hr/>

7. Administrative expenses

7(a) Staff costs

<i>In thousands of Leones</i>	2021	2020
Gross salaries and allowances	5,116,394	4,462,747
Employer's 10% NASSIT Contribution	511,967	446,275
Leave allowance	768,370	372,357
Fuel allocation	584,993	294,729
Phone card top-up	84,260	80,640
Casual and contract staff	11,905	13,500
End of service benefits	769,859	750,601
Medical	231,475	226,486
Staff annual bonus	436,579	406,889
Uniforms and other staff costs	35,060	24,300
Staff rent allowance	1,279,099	828,272
Other salary allowances	109,456	115,362
Overtime (Drivers & Office Assistants only)	2,078	829
	<hr/> 9,941,495 <hr/> <hr/>	<hr/> 8,022,987 <hr/> <hr/>

Notes to the financial statements *(continued)*

7. Administrative expenses *(continued)*

7(b) Board of Directors costs

<i>In thousands of Leones</i>	2021	2020
Fees and allowances	896,210	1,103,376
Sitting fees	143,250	92,114
Travel	22,584	73,530
Entertainment	28,054	28,725
	<hr/> 1,090,098 <hr/>	<hr/> 1,297,745 <hr/>

Notes to the financial statements *(continued)*

7. Administrative expenses *(continued)*

7(c) Other operating expenses

<i>In thousands of Leones</i>	2021	2020
Electricity	139,600	150,000
Generator repairs	5,405	1,610
Generator fuel	4,000	21,692
Rent & rates	600,000	560,000
Vehicle fuel	29,710	116,926
Vehicle maintenance costs	322,551	458,308
Cost of newspapers, bid adverts etc.	5,628	22,936
Recruitment expenses	49,000	14,050
Human resources expenses	66,105	49,232
Office stationery	14,782	36,070
General office supplies	212,498	83,989
Telephone and other communication expenses	312,703	272,082
Entertainment and hospitality	77,238	49,412
Statutory audit fee	103,500	97,750
Subscriptions and donations	-	422,231
Vehicle license and registration	375,343	198,876
Other property insurance	21,501	17,024
Local M&E travel	512,431	732,089
Overseas travelling	-	58,773
Printing, newspaper, adverts, publications	88,206	56,946
Public relations	466,857	316,850
Security expenses	42,195	37,842
Cleaning costs	72,000	72,000
Building repairs and maintenance	261,418	161,724
Legal retainership fees	50,000	100,000
Board secretary retainership fees	46,000	31,000
IFMIS Service Retainership	11,025	-
Computer running costs	26,160	209,696
Office furniture and equipment repairs	20,547	3,711
Staff training local	65,840	7,050
Staff training overseas	422,170	9,397
Examination fees and professional membership subscription	14,614	9,366
	4,439,027	4,378,632

Notes to the financial statements *(continued)*

7. Administrative expenses *(continued)*

7(c) Other operating expenses *(continued)*

<i>In thousands of Leones</i>	2021	2020
Balance brought forward	4,439,027	4,378,632
Professional membership fees – International	267,481	171,865
Workshops and conferences	183,346	2,556
Non capitalised expenditure	2,808	5,125
Other office expenses	23,879	412
Christmas hamper	149,257	126,302
Depreciation	920,619	603,907
Management Staff Retreat	115,490	-
Local Travel - Others	206,399	-
Other expenses	1,648	31,619
	<hr/> 6,309,954 <hr/>	<hr/> 5,320,418 <hr/>
Total administrative expenses	<hr/> 17,341,547 <hr/> <hr/>	<hr/> 14,641,150 <hr/> <hr/>

Notes to the financial statements (continued)

8. Property and equipment

In thousands of Leones

Cost

Balance at 1 January 2021

Additions

Balance at 31 December 2021

Balance at 1 January 2020

Additions

Balance at 31 December 2020

	Office Equipment	Office Furniture and Fittings	Motor Vehicles	IT equipment	Generator	Total
Balance at 1 January 2021	249,481	566,697	3,306,412	1,660,581	91,995	5,875,166
Additions	39,675	41,725	2,379,495	636,088	-	3,096,983
Balance at 31 December 2021	<u>289,156</u>	<u>608,422</u>	<u>5,685,907</u>	<u>2,296,669</u>	<u>91,995</u>	<u>8,972,149</u>
Balance at 1 January 2020	240,681	495,585	2,766,263	1,427,863	91,995	5,022,387
Additions	8,800	71,112	540,149	232,718	-	852,779
Balance at 31 December 2020	<u>249,481</u>	<u>566,697</u>	<u>3,306,412</u>	<u>1,660,581</u>	<u>91,995</u>	<u>5,875,166</u>

Notes to the financial statements (continued)

8. Property and equipment (continued)

<i>In thousands of Leones</i>	Office Equipment	Office Furniture and Fittings	Motor Vehicles	IT equipment	Generator	Total
Accumulated depreciation						
Balance at 1 January 2021	205,928	298,160	2,170,579	1,142,827	71,298	3,888,792
Charge for the year	21,025	58,732	587,204	244,458	9,200	920,619
Balance at 31 December 2021	<u>226,953</u>	<u>356,892</u>	<u>2,757,783</u>	<u>1,387,285</u>	<u>80,498</u>	<u>4,809,411</u>
Balance at 1 January 2020	180,429	245,559	1,858,017	938,781	62,099	3,284,885
Charge for the year	25,499	52,601	312,562	204,046	9,199	603,907
Balance at 31 December 2020	<u>205,928</u>	<u>298,160</u>	<u>2,170,579</u>	<u>1,142,827</u>	<u>71,298</u>	<u>3,888,792</u>
Carrying value						
31 December 2021	<u>62,203</u>	<u>251,530</u>	<u>2,928,124</u>	<u>909,384</u>	<u>11,497</u>	<u>4,162,738</u>
31 December 2020	43,553	268,537	1,135,833	517,754	20,697	1,986,374

Notes to the financial statements *(continued)*

9. Receivables and prepayment

<i>In thousands of Leones</i>	2021	2020
Advance payment to SLRA contractors	80,116,250	114,777,259
Receivable from OMCs	4,858,055	7,441,684
Receivable from utility companies	238,520	238,520
Sierra Leone Road Safety Authority receivable	95,118	95,118
Fuel prepayment	5,995	34,635
Advance payment to Beton Villa (as per MOU)	22,973,767	22,973,767
Staff travel contingencies	-	5,675
Prepayment for vehicle	-	144,000
	108,287,705	145,710,658

10. Cash & cash equivalents

<i>In thousands of Leones</i>	2021	2020
Bank of Sierra Leone	72,000	72,000
Bank of Sierra Leone (Escrow a/c)	2,781	2,781
Bank of Sierra Leone (Revenue) a/c)	1,793,338	-
Bank of Sierra Leone (Disbursement a/c)	12,613,048	24,632,722
Cash-on-hand	27,734	27,555
	14,508,901	24,735,058

Notes to the financial statements (continued)

11. Payables

<i>In thousands of Leones</i>	2021	2020
PAYE payable	2,739	11,552
NASSIT payable	41	41
WHT payable	1,188,449	134,364
BOD fees payable	12,575	17,222
Other payables	1,122,201	8,224,049
Provision for audit fees	103,500	97,750
SLRA contractors	9,054,154	90,126,079
Retention fees payable	8,640,046	8,448,533
Payable to District Councils	2,200,656	2,200,656
	<u>22,324,361</u>	<u>109,260,246</u>

12. End of service benefits

<i>In thousands of Leones</i>	2021	2020
Balance at 1 January	1,656,393	1,164,383
Service cost	769,859	750,601
Payments during the year	(71,760)	(258,591)
Balance at 31 December	<u>2,354,492</u>	<u>1,656,393</u>

The end of service benefits due to staff was revised in the 2018 Finance Act, which necessitated the revision of the end of service benefit provision accordingly.

13 Loans and borrowings

<i>In thousands of Leones</i>	Loan Amount	Rate (%)	Tenure (months)	Outstanding balance	Outstanding balance
				2021	2020
Commerce and Mortgage Bank (SL) Plc (Revolving loan)	35,000,000	16.5	60	-	9,155,228
	<u>80,000,000</u>			<u>-</u>	<u>9,155,228</u>

Notes to the financial statements *(continued)*

14. Accumulated fund

<i>In thousands of Leones</i>	2021	2020
Balance as at 1 January	52,360,223	14,248,117
Surplus for the year	49,920,268	38,112,106
At 31 December	102,280,491	52,360,223

15. Net cash inflow from operating activities

<i>In thousands of Leones</i>	2021	2020
Operating surplus	49,920,268	38,112,106
Depreciation	920,619	603,907
Interest received and other income	(34,960,164)	(132,692)
Decrease/ (increase) in receivables	37,422,953	(3,191,678)
(Decrease)/increase in payables	(86,935,885)	3,385,169
Increase in end of service benefits	698,099	492,010
Net cash (outflow)/ inflow from operating activities	(32,934,110)	39,268,822

16. Related party transactions

There were no outstanding loan balances as at 31 December 2021. (31 December 2020: loan balance of Le 9.155 billion due to Commerce and Mortgage Bank (SL) Plc.)

17. Contingent liabilities

There were no contingent liabilities at 31 December 2021. (31 December 2020: Nil)

18. Commitments

There were no commitments at the reporting date. (31 December 2020: Nil)

19. Events after the reporting date

No material events, favorable or unfavorable, which would have impacted upon the financial statements have been incurred between the reporting date and the date on which the financial statements were authorized for issue.