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ANGUILLA

**PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA)
PERFORMANCE ASSESSMENT**

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10 – 24 March 2014

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Currency and indicative exchange rates

Local currency unit = East Caribbean Dollar (EC\$)

1 Pound = EC\$4.47 (26 March, 2014)

1 EURO = EC\$3.72 (March 26, 2014)

1 US dollar = EC\$2.70

Fiscal Year

01January - 31 December

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ABBREVIATIONS AND ACRONYMS

ACoCI	Anguilla Chamber of Commerce and Industry
ADB	Anguilla Development Board
ANGLEC	Anguilla Electricity Company
APA	Annual Purchase Agreement
ASSB	Anguilla Social Security Board
ASYCUDA	Automated System for Customs Data
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Center
CCB	Caribbean Commercial Bank
CDB	Caribbean Development Bank
COA	Chart of Accounts
CPA	Country Poverty Assessment
DFID	UK Department for International Development
EC	European Commission
ECCB	Eastern Caribbean Central Bank
EDF	European Development Fund
EDICT	Economic Development, Investment, Commerce, and Tourism
EIB	European Investment Bank
ESIA	Economic Social Impact Analysis
ExCo	Executive Council
FAA	Financial Administration and Audit Act
FCO	Foreign & Commonwealth Office
FEG	Fiscal Evaluation Group
FFSD	Fiscal Framework for Sustainable Development
FRT	Fiscal Review Team
FSC	Financial Services Commission
FY	Fiscal Year
GoA	Government of Anguilla
GFSM	Government Financial Statistics Manual
HAA	Health Authority of Anguilla
HMG	Her Majesty's Government
IAD	Internal Audit Department
MICUHAF	Ministry of Infrastructure, Communications, Utilities, Housing, Agriculture & Fisheries
MoF	Ministry of Finance, Economic Development, Investment, Commerce & Tourism
MSD	Ministry of Social Development
NAO	National Audit Office
NBA	National Bank of Anguilla

NHI	National Health Insurance
PEFA	Public Expenditure and Financial Accountability
PFI	Private Finance Initiative
PFM	Public Finance Management
PS	Permanent Secretary
PSIP	Public Sector Investment Program
PUC	Public Utilities Commission
SIGTAS	Standard integrated Government Tax Administration System
TA	Technical Assistance
TB	Tenders Board
TOR	Terms of Reference
UK	United Kingdom

PREFACE

In response to a request from the Government of Anguilla, a mission comprising Mr. Matthew Smith, CARTAC (head), Mr. Martin Bowen and Mr. John Short (both CARTAC/IMF advisors) visited Anguilla during the period March 10–24, 2014 for undertaking a PEFA assessment.

On 10 March, the mission delivered training on the PEFA methodology to a wide range of stakeholders. During the assessment, the mission team met with officials from the Ministry of Finance, Economic Development, Investment, Commerce, and Tourism (MoF) as well as a number of ministries, departments and agencies (MDAs) and nine statutory bodies. The mission also met the Chair of the Parliamentary Accounts Committee, and representatives of the Procurement Board and the Chamber of Commerce. The immediate past and present Auditors General were also consulted (by phone) and discussions were held with officials of the UK Government Foreign and Commonwealth Office (FCO). A full list of the persons met/consulted is provided in Appendix B of the report.

The mission expresses its gratitude to the authorities for the exceptional cooperation, especially to Dr. Aidan Harrigan and Ms. Anthea Ipinson for their assistance in the preparation and conduct of the assessment; Ms. Nashara Webster for her highly appreciated support in the day-to-day organization and logistical requirements of the mission and for her assistance in data generation. The mission would also like to thank all staff who provide access to data, documentation and answered our many questions, in particular, Ms Valencia Prentice and Ms Jamila Gumbs.

SUMMARY ASSESSMENT

This report reviews the performance of Anguilla's financial management (PFM) system based on an application of the PEFA assessment methodology. The assessment involved capturing a snapshot of the performance of the national (central) government PFM system, processes, and institutions, in a set of 28 indicators (and their sub-indicators), categorized into six critical dimensions.¹ Another set of three indicators is used to evaluate the influence of the donor practices on the system's performance. It does not assess government policies and capacity.

This is a repeat PEFA, with one having been conducted in 2008. Overall, the Assessment Team found that PFM is improving in many areas despite an apparent deterioration in some ratings, as in a number of cases the baseline from 2008 was overly optimistic. Where possible, issues with the 2008 baseline have been identified in the narrative.

Anguilla's economic performance

With a per capita GDP² of EC\$56,858 (US\$21,059) in 2012 Anguilla is a high income country that has been severely affected by the global financial and economic crisis. Total GDP at constant prices has shrunk from EC\$870m in 2007 to EC\$653m in 2013³, a drop of 25% over this period. This has required Anguilla to make significant structural adjustments to its public finances by reducing expenditure (including civil service salaries) and the introduction of new revenue sources (increased indirect taxes and the fiscal stabilization levy on income).

Budget credibility

The credibility of the budget is generally sound despite some weaknesses in revenue forecasting. There has been an under-realization in two of last three years, and all three years if a one-off spike in stamp duties in 2011 is taken into account. However, it is acknowledged that as a small island economy, Anguilla's tax base is volatile making accurate forecasting of revenue particularly challenging. The shortfall in revenues has led to a corresponding overestimation of expenditure as the government has adjusted outlays to maintain its fiscal balance target. Importantly, it has done so without building up arrears.

There have been many improvements since the 2008 PEFA, including more comprehensive fiscal summary tables, although a number of data gaps remain in terms of the comprehensiveness and transparency of budget information. Although not fully aligned with GFS, budget plans and execution reports are prepared in a format that enables comparison between estimates and outturn and between years. Timely public access to budget documentation and other financial reports can be improved. Documentation is not systematically uploaded to the government website, and not easily accessible, through other means, such as the public library or House of Assembly.

¹ The evaluation of the quantitative indicators is based on the latest available financial information, i.e., budget and financial statements for 2011, 2012, and 2013. None of the financial statements for these years are audited. Evaluation of the process related indicators is based on the present situation, or the latest process outcome, e.g. 2014 budget submission

² In current market prices; ECCB

³ Government of Anguilla 2014 Estimates of Revenue, Recurrent Expenditure and Capital

Good progress has been made towards a comprehensive medium term expenditure framework. The Government of Anguilla has adopted rolling forward estimates for recurrent expenditure, which are presented by sector ministry, agency and economic classification. All adjustments for new policy initiatives and savings are subject to the review and prioritization by the Executive Council. MDAs also present information in the budget document on key strategies (for the budget year) as well as performance indicators and targets. Extending forward estimates to capital expenditure will improve the linkages between investment budgets and the forward estimates (including the recurrent expenditure implications of capital projects) and provide the basis for more comprehensive medium term sector strategies. The development of a Medium Term Fiscal Plan (MTFP) in accordance with the Fiscal Responsibility Act 2013 will further strengthen medium term budgeting. Budget preparation is underpinned by a clear budget calendar and comprehensive guidance to MDAs. The budgets are presented in a timely manner with efficient passage of the budgets by the legislature.

Predictability and control in budget execution

The taxation system is based on comprehensive legislation providing information on the tax liabilities of taxpayers and the competencies of the Inland Revenue and Customs Departments. There are significant discretionary powers of the Executive Council with respect to exemptions. Discretionary exemption costs some 8 per cent of total tax revenues in 2013 in revenue foregone. The appeals mechanisms are clearly defined in all the Tax Acts but the independent tax appeal commissions are not functioning so if there is no agreement with the Department recourse to the Courts is the only option. Risk based auditing is only implemented in Customs Department with the use of ASYCUDA World. The tax administration control mechanism is centered on the tax identification number (TIN). Penalties are well defined and are high enough to be a deterrent. The tax collection is transferred to treasury daily and taxpayer records maintained electronically and updated when payments are received. Total accumulated tax arrears are in the region of 10 per cent of annual collections.

On the expenditure side, there is a cash forecasting model and this is updated monthly based on actual collection. Expenditure is based on quarterly allocations which are adjusted if needed based on the cash flow projection to ensure that commitments are honored in a timely manner. The Fiscal Review and Fiscal Evaluation teams are two key groups that meet and interact monthly to monitor the financial position and take appropriate action. There are no supplementary budgets. Recording of debt data is undertaken and is reported monthly with other periodic reports also generated. The system of contracting debt is well established. The debt data is reconciled regularly with the accounting and creditor's records. Government has a small number of bank accounts in two different banks and reviews balances daily but does not consolidate them. Personnel and payroll records are fully consistent with each other and payroll controls are in place and backed up by payroll audits.. Significant reform has occurred in the legal framework governing public procurement. However there is much to do to move to a fully transparent and open system of competitive tendering. The internal audit function is well established and well understood across government with an audit manual reflecting international standards guiding the process. Overall financial management benefits from topical procedures but they need to be consolidated to replace the existing but

outdated Financial Instructions to provide an up-to-date set of instruction covering control and execution of the budget.

Accounting, recording, and reporting

The comprehensiveness of the accounting and financial reporting remains sound, having adopted cash basis international public sector accounting standards (IPSAS); however, the timeliness of preparation of the annual financial statements needs to be improved. This in turn will provide for timely feedback from the Auditor General allowing more opportunity for follow up on recommendations. More robust bank account reconciliation with the SmartStream financial management system and better management of advance accounts will lead to more accurate in-year and end of year reporting.

External scrutiny and audit

The annual budget is scrutinized at Committee stage with key official being available for questioning by members before a Vote is taken at the House of Assembly. The external audit of Government financial statements has been completed up to 2010 with 2011 and 2012 being conducted presently. Some autonomous agencies have never had their financial statements audited, some have untimely audits and others are audited up to 2012.

International standards are used in conducting audit. There is no Supreme Audit Institution and the Chief Auditor (currently the Audit Office of Wales) has been appointed after a tender process. Follow-up on recommendations is not consistently undertaken. Audit reports are tabled at the House of Assembly but are not examined as the Public Accounts Committee is not functioning although it has been established.

Impact of the PFM weaknesses on budgetary outcomes

Aggregate fiscal discipline

Anguilla has been able to live within its means and avoid arrears over the assessment period. This outcome can be linked to the substantial improvements in the budget preparation process providing a strengthened ability in managing fiscal discipline, and the introduction of monthly cash forecasting (linked to quarterly allocations) and commitment controls. This is a strength of the process. However, weaknesses in the external oversight mechanisms and the ineffectiveness of the parliamentary scrutiny of the government financial operations make the system vulnerable. The weak monitoring of fiscal risk from autonomous agencies as well as the size of the extra budgetary revenues and expenditure that they generate poses risk to fiscal discipline. Despite this, the well-functioning mechanism for debt contracting and issuance of guarantees, reporting of the government guaranteed debt, and the high quality of debt data contribute to enhance fiscal discipline.

Strategic allocation

The strategic allocation of resources is undermined by the absence of a medium-term budget for capital expenditure. Nevertheless the non-use of supplementary budgets ensures the strategic priorities determined through the budget formulation process remain in place. The Government's strategic allocation capabilities would also be enhanced by including a report on the financial operations of the extra-budgetary funds. This would aid government's own strategic resource allocation capability by providing a more comprehensive view of its operations.

Operational efficiency

The current weaknesses in the procurement system could have adverse implications for the efficiency in service delivery. Weaknesses in the accountability mechanisms, including timeliness of external audits and their scrutiny render them ineffective as counter checks on inefficient use of resources. On the revenue side, operational efficiency is compromised by the accumulation of tax arrears. Lack of effective tax debt collection undermines credibility of tax assessments and the principle of equal treatment to taxpayers. The considerable use of discretionary exemptions is clearly important in this regard. Consolidation of cash balances would also be important for more efficient liquidity management and improve operational efficiency. In this regard, addressing the current weakness in bank reconciliation would assist.

Overall summary

Overall the budget indicates credibility on the expenditure side but revenue forecasting may require less optimism given the nature of the Anguillan economy and its exposure to international shocks. There is opportunity for improving transparency and expanding the comprehensiveness of the budget. This can be done in tandem with the existing well defined budget calendar and improvements in the multi-year perspective. Budget execution reflects the reforms that have been implemented to date particularly in controls and cash managements but improvements in tax administration would also benefit taxpayer confidence and perceived fairness. Improvements in procurement processes have yet to be effective. The perceived weaknesses in accounting and recording as well as auditing are also being addressed but scrutiny by the Assembly is ineffective due to a lack of de facto engagement.

Reform Program

Anguilla has made positive strides in developing their PFM systems since the last PEFA. A comprehensive PFM Action Plan has been developed and is progressively being implemented. This has included:

- implementation of a medium-term, results-orientated, budget planning and preparation processes that have strengthened the authorities' ability to establish, and manage within, multi-year fiscal targets;
- initiatives to address the control of expenditure commitments, passage and implementation of Tax Administration legislation;
- passage and implementation of Procurement legislation; and
- bringing the audit of Government accounts up to date and the de jure establishment of the Anguilla Public Accounts Committee.

Overall there has been a renewed focus on PFM activities and the monitoring system for PFM activities has been established and is undertaken regularly. There is a continued emphasis on improving PFM processes and procedures.

Table 1 : Summary Assessment and comparison with 2008 ratings								
PFM Performance Indicator		Scoring Method	Dimension Ratings				Rating 2014	Rating 2008
			i.	ii.	iii.	iv.		
A. PFM-OUT-TURNS: Credibility of the budget								
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	B+				B+	D
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	B	A			B+	A
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	C				C	A
PI-4	Stock and monitoring of expenditure payment arrears	M1	A	A			A	A
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency								
PI-5	Classification of the budget	M1	C				C	C
PI-6	Comprehensiveness of information included in budget documentation	M1	B				B	C
PI-7	Extent of unreported government operations	M1	D	D			D	D+
PI-8	Transparency of inter-governmental fiscal relations	M2	NA	NA	NA		NA	NA
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	D	NA			D	C
PI-10	Public access to key fiscal information	M1	D				D	B
C. BUDGET CYCLE								
C (i) Policy-Based Budgeting								
PI-11	Orderliness and participation in the annual budget process	M2	B	A	A		A	C+
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	C▲	A	D▲	D▲	C▲	C
C (ii) Predictability and Control in Public Execution								
PI-13	Transparency of taxpayer obligations and liabilities	M2	C	D	C		D+	C+
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	A	A	B		A	C
PI-15	Effectiveness in collection of tax payments	M1	D	A	A		D+	D+
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	A	B	A		B+	D+
PI-17	Recording and management of cash balances, debt and guarantees	M2	A	C	A		B+	B
PI-18	Effectiveness of payroll controls	M1	A	A	A	B	B+	B+
PI-19	Competition, value for money and controls in procurement	M2	B	D	D	D	D+	C
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	A	A	A		A	C+
PI-21	Effectiveness of internal audit	M1	A	A	B		A	C+
C (iii) Accounting, Recording and Reporting								
PI-22	Timeliness and regularity of accounts	M2	D	D			D	B

Table 1 : Summary Assessment and comparison with 2008 ratings								
PFM Performance Indicator		Scoring Method	Dimension Ratings				Rating 2014	Rating 2008
			i.	ii.	iii.	iv.		
	reconciliation							
PI-23	Availability of information on resources received by service delivery units	M1	D				D	A
PI-24	Quality and timeliness of in-year budget reports	M1	C	A	C		C+	C+
PI-25	Quality and timeliness of annual financial statements	M1	A	C	A		C+	D+
C (iv) External Scrutiny and Audit								
PI-26	Scope, nature and follow-up of external audit	M1	B	D	D		D+	C+
PI-27	Legislative scrutiny of the annual budget law	M1	A	A	D	B	D+	C+
PI-28	Legislative scrutiny of external audit reports	M1	D	D	D		D	D
D. DONOR PRACTICES								
D-1	Predictability of Direct Budget Support	M1	A	D			D+	D+
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	M1	NA	NA			NA	D
D-3	Proportion of aid that is managed by use of national procedures	M1	A				A	D

I. INTRODUCTION

1. **The purpose of this PEFA assessment is to provide an objective analysis of the present performance of the PFM system in Anguilla on the PEFA indicators.**

2. **A PEFA assessment was undertaken in 2008 as part of the European Union's assessment of eligibility for Budget Support.** That report highlighted that, while Anguilla's public expenditure management systems had improved steadily in the years to 2008, serious weaknesses still remained. These weaknesses were exacerbated by limitations in institutional capacity to carry out PFM reforms. In particular, a lack of any formal institutional apparatus for planning, executing and monitoring reforms as well as an urgent need for additional training and technical support to implement them was identified. The advent of the economic and financial crisis and its associated impacts on the Government's fiscal position further emphasised the urgent need for reform. Against this background, the main focus going forward was to develop and implement a new PFM Reform Action Plan. The Action Plan, which was developed in 2010, formalized the processes and procedures for the planning, execution, and monitoring of reforms as well as development of capacity to undertake them.

3. **Overall, the Assessment Team found that since 2008 PFM is improving in many areas, despite the challenges of the financial crisis.** Where the PEFA methodology has changed since the previous assessment, it is noted in the report and a revised 2008 score is presented to provide a like-for-like comparison. However, in other cases, the 2008 scores were overly optimistic and while there may be an apparent deterioration, in many cases there has actually been an improvement or at worst, no change. Where it is possible, this has been noted in the narrative.

4. **The current PEFA assessment covers only the central government budgetary operations.** The assessment does not extend to the public enterprises, financial and non-financial, and the statutory bodies except insofar as to report on unreported government operations and fiscal risks. As these agencies are outside the boundaries of the central government they were not included in the scope of the assessment. The relative share of the total public sector that is implemented by public enterprises, financial and non-financial, and the statutory bodies is 37 percent leaving 63 per cent being implemented by the central government. Of that 37 percent, a fifth is funded by grants from the central government (see table 11 PI-7).

5. **Information for the assessment was gathered through analysis of publicly available and other data and reports provided by the Ministry of Finance, Economic Development, Commerce, Investment and Tourism (MoF) and other ministries, departments and agencies (MDAs).** Additional information was derived through a series of in-depth interviews of the key MoF staff and other stakeholders, including the legislature, Procurement Board, MDAs, statutory bodies, the Anguilla Chamber of Commerce, past and

present Auditors-General and main development partners (a list of persons met is at Annex C). Training in the PEFA methodology preceded the data gathering stage (a list of participants who attended the training is at Annex D).

II. COUNTRY BACKGROUND

Economic situation

6. **Anguilla is a British overseas territory located in the Caribbean with a population of 13,411 in 2012 and a land mass of 91 square kilometers (56.55 miles).** It is a high income country with a per capita GDP⁴ of EC\$56,858 (US\$21,059) in 2012 (down from EC\$71,580 (US\$26,511) in 2008. Life expectancy is 81.2 years⁵. The most recent poverty assessment survey in Anguilla in 2008/09 concluded that the literacy rate was 90% and the estimated poverty rate was 5.8 percent and the very poor rate was zero⁶.

7. **Historically, Anguilla has been one of the Caribbean's most prosperous nations, thanks to its tourism industry, property and offshore financial services.** However, as with many countries in the region, Anguilla's economy has been severely impacted in recent years by the global economic and financial crisis. Declining tourism and a significant reduction in foreign direct investment (FDI)-related property investment and financial services have contributed to a sharp decline in government revenue. GDP in constant prices peaked in 2007 at EC\$870m but is projected to be EC\$656m in 2014. Prior to the global financial and economic crisis, Anguilla's annual GDP growth peaked at 13.3%% in 2007. Five of the six years since 2008 have recorded negative growth as follows: -1.54%, -18.41%, -4.34%, +4.96, -6.66% and -0.39%⁷.

8. **At the beginning of 2014 there are signs of recovery in the global economy but the achievement of pre-crisis levels of growth is still thought to be a number of years away.** According to data projections provided by the ECCB, Anguilla's economy is poised to make a slight recovery in 2014 with projected GDP growth of 0.45%⁸, although this is on the assumption that economic conditions in international markets continue to improve. In March 2014, the Anguilla Tourist Board reported a 6.8% increase in tourist arrivals in 2013 compared to 2012, supporting the flow-through to growth estimates.

9. **Net public sector debt in 2013 stood at EC\$199.15m almost doubling in absolute terms since 2007.** As a percentage of GDP net debt has increased from around 12% in 2007 to 30% in 2013. Inflation stood at 1.6% in 2013 an improvement on the 3.7% recorded in

⁴ In current market prices

⁵ CIA Factbook

⁶ Caribbean Development Bank, Country Poverty Assessment 2007-09

⁷ Government of Anguilla 2014 Estimates of Revenue, Recurrent Expenditure and Capital ie (2014 Annual Budget Document)

⁸ 2014 Annual Budget Document

2012 and 8.6% in 2011. Anguilla is a member of the Organization of Eastern Caribbean States (OECS) and East Caribbean Currency Union, members of which share a common currency - the Eastern Caribbean Dollar (EC \$). Monetary policy is conducted through the ECCB.

Table 2 : Key Economic Indicators (EC\$ unless indicated)							
National income and prices	2007	2008	2009	2010	2011	2012	2013
Consumer prices, end of period (%)	3.31	5.28	(0.79)	0.85	8.62	3.71	1.63
Banking sector							
Net foreign assets	396,615	160,344	37,743	196,807	187,117	186,276	233,827
Net domestic assets	804,147	967,464	1,036,812	865,550	827,435	821,312	797,069
Credit to the private sector	1,165,250	1,367,262	1,409,624	1,412,537	1,414,160	1,365,722	1,317,702
External sector							
External current account	(495.60)	(593.88)	(258.12)	(136.12)	(100.26)	(149.77)	(129.35)
Public sector external debt	29.89	47.64	49.99	176.3	174.1	173.55	170.97
Public Debt							
Gross public sector debt	143.55	170.03	191.49	235.08	229.5	234.01	231.65
Net public sector debt	102.65	133.54	189.12	232.94	212.46	204.77	199.15
Tourism							
Arrivals (number)	77,652	68,284	57,891	61,998	65,783	64,698	69,068

Source: EDICT / Anguilla Statistics Office

10. **Since 2009, the construction sector remains severely depressed along with the banking and real estate sectors as well as the road transport sector.** Construction, real estate, road transport and hotels and restaurants are heavily dependent on the tourism industry. Hotels and restaurants and road transport are now showing gradual signs of recovering consistent with the improvement in tourism numbers.

Table 3: Gross Domestic Product by Economic Activity

Anguilla								
Gross Domestic Product by Economic Activity								
in constant (2006) prices (EC\$ Millions)								
Sectors	2007	2008	2009	2010	2011	2012	2013 (€)	2014(P)
Agriculture, Livestock and Forestry	1.72	1.92	1.73	2.07	1.87	1.51	1.40	1.45
Fishing	13.81	14.84	11.18	10.38	13.96	15.44	15.52	15.83
Mining & Quarrying	10.56	9.40	5.73	2.49	2.35	2.14	1.92	1.95
Manufacturing	29.28	28.87	24.00	11.92	11.74	11.78	9.43	9.33
Electricity & Water	29.38	29.20	30.30	32.32	31.39	27.46	25.50	25.66
Construction	140.86	152.67	63.29	48.30	39.60	40.27	36.24	36.60
Wholesale & Retail Trade	58.64	55.10	54.00	45.19	42.93	46.33	45.87	46.55
Hotels & Restaurants	144.05	122.00	114.50	121.08	129.02	122.85	128.99	130.28
Transport, Storage and Communications	79.11	79.01	61.98	57.61	56.08	51.75	53.03	53.74
Transport and Storage	48.51	44.21	26.48	22.30	21.05	20.70	21.67	22.06
Road Transport	27.40	26.00	13.90	11.96	11.20	11.38	12.29	12.53
Sea Transport	6.29	5.45	4.80	4.72	4.69	4.98	5.03	5.13
Air Transport	1.26	1.07	0.72	0.66	0.67	0.57	0.54	0.55
Supporting and Auxiliary Transport Activities	13.56	11.68	7.06	4.96	4.50	3.77	3.81	3.85
Communications	30.60	34.81	35.51	35.31	35.03	31.05	31.36	31.68
Financial Intermediation	62.89	65.50	68.82	68.65	67.89	66.39	64.13	63.90
Banks	54.06	56.12	59.88	55.32	51.92	49.90	47.40	46.93
Insurance	7.02	7.38	6.91	11.12	13.98	14.59	14.81	15.03
Activities Auxiliary to Financial Intermediation	1.81	2.00	2.03	2.21	1.98	1.90	1.92	1.94
Real Estate, Renting and Business Activities	88.76	89.26	80.90	81.07	81.56	77.45	76.74	77.54
Public Administration, Defence & Compulsory Social Security	45.83	52.11	62.72	63.53	58.34	58.01	58.21	58.79
Education	12.49	13.79	13.81	13.95	15.18	16.28	16.30	16.46
Health and Social Work	16.29	17.16	16.37	15.37	15.26	13.41	13.26	13.36
Other Community, Social & Personal Services	16.23	17.29	17.39	18.24	17.79	17.78	17.61	17.43
Activities of Private Households as Employers	2.81	2.93	3.02	3.10	3.13	3.22	3.21	3.23
Less: FISIM	19.82	20.49	19.92	20.63	21.81	20.59	21.00	21.63
GVA in Basic Prices	732.87	730.57	609.83	574.62	566.27	551.48	546.36	550.47
Growth Rate	17.25	(0.31)	(16.53)	(5.77)	(1.45)	(2.61)	(0.93)	0.75
Plus: Product Taxes less Subsidies	137.01	126.66	89.61	94.49	136.00	104.00	106.54	105.39
GDP in Market Prices	869.88	857.23	699.44	669.11	702.27	655.48	652.90	655.86
Growth Rate	13.34	(1.45)	(18.41)	(4.34)	4.96	(6.66)	(0.39)	0.45

Source: 2014 Annual Budget Estimates Document, p45 (Anguilla Statistics Department and ECCB)

Budget outcomes

11. **Total recurrent revenues fell significantly from 2007 to 2009 and have shown an upward trend to date⁹.** It represented some 23 per cent of GDP in 2013. In 2014 they are projected to be EC\$195.6m. Strict control of government expenditure and the introduction of new sources of revenue, including the Interim Stabilization Levy on incomes, have been required to maintain the fiscal balance at manageable levels. However, a recovery in the government's fiscal balance to a more expanded footing requires a significant improvement in economic growth at both international and local levels.

⁹ The significant increase in 2011 was due to a one-off stamp duty payment.

Table 4: Central Government Fiscal Accounts							
EC \$Millions							
	2007	2008	2009	2010	2011	2012	2013
CURRENT REVENUE	210.37	204.38	148.33	155.93	205.04	179.89	173.41
CURRENT EXPENDITURE	170.35	206.74	202.40	186.27	173.85	170.43	175.78
Current Account Balance	40.02	(2.36)	(54.07)	(30.34)	31.19	9.46	(2.37)
Capital Revenue	3.39	9.83	0.00	-	-	-	-
Total Grants	-	9.19	-	33.83	-	11.64	15.72
Current Grants	-	-	-	22.27	-	-	0.00
Capital Grants	-	9.19	-	11.56	-	11.64	15.72
Capital Expenditure and Net Lending	59.03	36.94	10.58	3.13	9.55	9.51	8.27
Total Expenditure	229.38	243.68	212.98	189.39	183.40	179.94	184.05
Primary Balance before grants	(8.51)	(21.45)	(56.37)	(22.50)	30.76	8.29	(1.53)
Primary Balance after grants	(8.51)	(12.26)	(56.37)	11.33	30.76	19.93	14.19
Overall Balance before grants	(15.62)	(29.47)	(64.65)	(33.47)	21.64	(0.05)	(10.64)
Overall Balance after grants	(15.62)	(20.28)	(64.65)	0.37	21.64	11.59	5.08
Memorandum items							
GDP	959.25	956.67	762.76	724.60	795.63	762.52	753.13
Revenue to GDP	21.9%	21.4%	19.4%	21.5%	25.8%	23.6%	23.0%
Expenditure to GDP	23.9%	25.5%	27.9%	26.1%	23.1%	23.6%	24.4%
Deficit/Surplus to GDP	-1.6%	-2.1%	-8.5%	0.1%	2.7%	1.5%	0.7%
Primary balance to GDP	-0.9%	-1.3%	-7.4%	1.6%	3.9%	2.6%	1.9%

Source: Government of Anguilla and the ECCB as at March 2014

12. Total recurrent expenditure has been adjusted to reflect the revenue situation.

As a result the Government has managed to convert a budget deficit of 1.6 percent of GDP in 2007 (which peaked at 8.5 per cent in 2009) to a surplus on 2010 and subsequent years. The primary balance followed the same trend.

13. The government does not produce spending data by function. However spending against the five ministries shows a gradual increase in social services budget – which is the only MDA that has had any meaningful increase in budget allocations during the assessment period (refer PI2).

Table 5: Budget Allocation by Ministry - % of Budget			
Ministry	2011	2012	2013
HE The Governor	16%	16%	14%
Home Affairs, Lands & Physical Planning	7%	7%	7%
Finance, Economic Development, Investment, Commerce & Tourism	32%	33%	33%
Social Development	37%	38%	39%
Infrastructure, Communications, Utilities and Housing	8%	7%	7%
TOTAL	100	100	100

Source: MoF

14. **Government expenditures by economic class have shown a consistent pattern overall with wages and salaries being the largest item.** However capital expenditure has been severely curtailed as a response to the financial crises: in 2007 it stood at just over 25 per cent of total expenditure falling to 15 per cent in 2008 before settling at the current rates. There is an increase in investment in capital spending in 2014, reflecting the government recent decision to build a permanent campus for the Anguilla Community College.

Table 6: Economic Classification - % of Total			
Economic Classification	2011	2012	2013
Current Expenditure	94.8%	94.7%	95.5%
Personal Emoluments	43.9%	44.4%	43.6%
Goods and Services	21.1%	21.3%	22.0%
Interest Payments	5.0%	4.6%	4.9%
Domestic	1.4%	1.3%	1.7%
External	3.5%	3.3%	3.3%
Transfers and Subsidies	24.8%	24.4%	24.9%
Pensions	4.4%	4.3%	4.5%
Capital Expenditure and Net Lending	5.2%	5.3%	4.5%

Source: Government of Anguilla and the ECCB as at March 2014

Legal and institutional framework for PFM

15. **Anguilla is a parliamentary representative democratic dependency, modeled on the Westminster system, whereby the Chief Minister is the head of government within a multi-party system.** The constitution of Anguilla provides for a Governor whose function is to exercise the executive authority of the Crown on behalf of Her Majesty the Queen. The Governor, who is appointed by the UK Government, has special responsibility for defence, external affairs, internal security (including the police) and the public service.

16. **The House of Assembly consists of a Speaker of the House, the Deputy Governor, the Attorney General, seven elected members and two nominated members.** The last elections were held in February 2010 and saw a change in the administration with the Anguilla United Movement (AUM) now in power. Under the Constitution the next general election must be held by February 2015, although the Chief Minister may call elections at any time.

17. **Legislative power rests with the House of Assembly subject to the reserved legislative powers vested in the Governor and, by extension, the UK Secretary of State for the Foreign and Commonwealth Office.** The latter includes the requirement for the annual budget to be submitted to the Secretary of State in accordance with the Fiscal Framework for Sustainable Development (FFSD) agreed with between the Government of Anguilla and the UK Government. The Appropriation Bills (as with all legislation) also require the assent of the Governor to be enacted for expenditure to be authorised.

18. **The legal system is derived from English common law and statutes.** The Eastern Caribbean Supreme Court, comprising a high court and a court of appeals, is known as the Anguilla Supreme Court. The court of last resort is the judicial committee of Her Majesty's Privy Council in London.

19. **The Constitution is surprisingly silent on matters of PFM, although it does provide for the appointment of a Chief Auditor to audit and report on the public accounts of the country at least once every year.**

20. **The legal basis for PFM is covered by The Financial Administration and Audit (FAA) Act, which was promulgated on 15 December 2010.** The FAA defines the responsibilities of the main public functionaries dealing with financial management, including those of the finance minister, the permanent secretary, the accountant general, and the accounting officers (the permanent secretaries of the line ministries). The main features of the FAA are:

- Provides for establishing a consolidated fund, where all revenues and public moneys are to be paid into and all expenditures would be met from.
- Requires the Minister for Finance to lay before the House the estimates of the revenues and expenditures for a financial year, prior to the commencement of the financial year. It also provides for supplementary appropriation should the amount originally appropriated be found insufficient or if a need arises for expenditure for a purpose not provided for, as well as contingency warrants for unforeseen expenditure in the circumstances where the Assembly is not meeting for a period of more than 10 days.
- In the event the appropriation law is not adopted by the beginning of a financial year, the FAA provides authority for the finance minister to withdraw moneys from the consolidated fund for meeting the expenditure necessary for a period not exceeding four months, or the enactment of the appropriation bill, whichever is earlier. There are restriction on the purpose and total amount, linked to the previous year's appropriation.
- The finance minister only has the authority to withdraw funds from the consolidated fund by issuing general warrants under normal conditions for sums already provided for in the appropriation act, and special warrants in anticipation of legislative approval of a supplementary appropriation.
- The power to vire funds from one program to another within an expenditure vote is vested with the minister of finance. The finance minister can alter approved appropriations, i.e. from one vote to another, through a reallocation warrant which is approved by the Assembly
- The unexpended balance in an appropriation and any related warrant lapse at the end of the financial year.

- The power to raise debt, including short-term borrowing, is vested with the legislature. Similarly, guarantees cannot be given by the government without a legislative authorization.
- The FAA provides for creation of special funds that are in the nature of extra budgetary funds. The Act also specifies the management and accounting arrangements for these funds, including the statements of accounts to be prepared and presented by the authority responsible for managing the fund.
- The accountant general is required to submit the annual financial statements to the director of audit within six months of the year-end. This time-limit can be extended by the finance minister under notice to the House of Assembly.
- The Act states the statements to be prepared using generally accepted accounting principles as determined in writing by the finance minister. The statements are to show “fully the financial position of Anguilla”.
- The Act clearly sets responsibilities of the director of audit, requiring them to conduct the annual audit of the accounts of the government, and giving them the right to audit government owned or controlled corporations.

21. **A Fiscal Responsibility Act (FRA) was also approved by the House of Assembly in October 2013 to ‘strengthen the principles of responsible fiscal management, improve fiscal transparency and incorporate the FFSD’¹⁰.** The FFSD, among other things, has five key policy principles including:

- Commitment to sustainable development
- Effective medium and long term development and fiscal planning
- Putting value for money considerations at the heart of decision making
- Effective risk management; and
- Delivering improved accountability in all areas of public sector operations

22. **The FFSD also required the GoA to enact legislation that encapsulated the principles of that agreement.** The Act requires the GoA ‘to develop and promote sound fiscal policy in accordance with the principles of responsible fiscal management...to ensure optimal allocation of resources and longer-term sustainability of public finances’. The Act also requires the GoA to prepare a Medium Term Fiscal Plan (MTFP) that is updated annually and sets out, among other things, a National Macroeconomic Framework, Fiscal Strategy and Economic and Revenue Framework. It also requires the Minister of Finance to prepare a Strategic Development Plan within six months after a general election relating to the financial economic and social affair to the country.

¹⁰ Fiscal Responsibility Act, 2013

23. **Public sector procurement in Anguilla is covered by a new procurement act (2012) and regulations (2014) which cover “all procurement” but it is unclear if it applies to the statutory bodies.** The legislation establishes a Procurement Board of 7 members; 6 from the public sector and 1 private sector, to oversee public procurement in Anguilla. A Chief Procurement Officer is also established, with their duties outlined. The legislation establishes the process for competitive procedures as the default for all procurements, except certain exempt procurements and those conducted under special circumstances.

24. **The Ministry of Finance, Economic Development, Investment, Commerce & Tourism (MoF) is the key fiscal institution responsible for fiscal and public financial management in the country.** The ministry is organized in two functional arms – Finance is responsible for budget formulation (recurrent) and financial management; the Economic Development is responsible for economic planning, aid coordination, formulation of the capital budget, and production of the key economic statistics; the Customs and Excise Department and the Inland Revenue Department are the two main revenue administration bodies; and the Treasury, headed by the Accountant General, is responsible for centralized disbursements and accounting.

III. PFM PERFORMANCE ASSESSMENT

A. Budget credibility

PI-1 Aggregate expenditure out-turn compared to original approved budget

	Minimum Requirements (Scoring Method M1)		
	2008	2014	Explanation
PI-1 Aggregate expenditure out-turn compared to original approved budget.	Score D	Score B	
(i) The variance between aggregate budgeted and actual primary expenditure	D	B	In no more than one of the last three years did actual aggregate expenditure deviate from the original budget by more than 10%.

25. **This indicator assesses the credibility of the budget by calculating the extent to which actual aggregate expenditure deviates from the original budget for the last three years of available data.** If expenditure consistently varies from the original budget, this points to issues with the quality of budget planning and/or challenges in budget execution. The assessment of this indicator is based on the information available for the fiscal years 2011 to 2013.

(i) The difference between actual primary expenditure and the originally budgeted primary expenditure (excluding debt service charges and externally financed project expenditure)

26. **In each of the last three years actual expenditure deviated from budgeted expenditure by less than eight percent of budgeted expenditure.** Table 7 presents the original budgeted and actual primary expenditure realized in each of the fiscal years 2011 to 2013. The increase in under expenditure in 2012 and 2013 was driven in part by under-realization of revenue in those years (see PI 3). Score B

Table 7: Variance in Aggregate Primary Expenditure (EC\$ Millions)

	2011	2012	2013
Original Budget	175.7	172.7	175.2
Actual Expenditure	170.4	163.5	166.7
Variation	3.6%	6.2%	7.3%

Source: Government of Anguilla Estimates of Revenue, Recurrent Expenditure and Capital for the years 2011-2013 (referred to from here on as the Annual Budget Documents) and data on actual expenditure provided by MoF. Excludes debt interest (Budget estimates of \$11.3m, \$9.2m and \$8.8m in 2011, 2012 and 2013 respectively), external projects (\$23.3m, \$28.2m, \$28.9m), payments from Caribbean Catastrophe Risk Insurance Fund (CCRIF) (\$11.5m, \$5m, \$0.25m) and amounts allocated from reserves for a promissory note for ECCB investment in Resolution Trust Company (\$0, \$5m, \$5m). Also excludes budget allocation to the Ministry of Finance for 'Restricted Expenditure' (\$1m, \$1.5m, \$1.5m).

27. **There has been a significant improvement in this indicator since 2008.** The 2008 PEFA reported that aggregate expenditure deviated from actual expenditure by more than 20% in two of the three years from 2005 to 2007 and by more than 10% in one year.

PI-2 Composition of expenditure out-turn compared to original approved budget

	Minimum Requirements (Scoring Method M1)		
	2008	2014	Explanation
PI-2 Composition of expenditure out-turn compared to original approved budget	Score A	Score B+	
(i) Extent of variation in expenditure composition excluding contingency items	A	B	Variance in expenditure exceeded 10% in no more than one of the last three years
(ii) Average amount of expenditure actually charged to contingency to the contingency vote over the last three years	NA	A	Actual expenditure charged to the contingency vote was on average less than 3% of the original budget

28. **This indicator assesses the credibility of the budget by calculating the degree to which the composition of expenditures differs compared to the original approved budget for the past three years of available data.** The assessment of this indicator is based on the information available for the fiscal years 2011 to 2013.

(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items

29. **Dimension (i) measures the variance between budgeted and actual expenditure at the disaggregated MDA level, controlling for the variance in the aggregate expenditure.** It reflects the government's ability to pursue its policy objectives, as intended and stated in the budget. Significant variance in disaggregated expenditure renders the budget less credible as a policy intent statement. The indicator requires separate consideration of expenditures met from contingency reserves as they tend to influence the variance in disaggregated expenditure. The scoring of dimension (i) requires calculating the absolute value of the variance between adjusted expenditure (i.e. the original budget for each budget agency multiplied by the aggregate actual expenditure divided by the original aggregate budget) compared to the original budget for each MDA and then summing these as a percentage of the total adjusted budget to determine an overall variance. The variance in expenditure composition exceeded 5% in two of the last three years but did not exceed 10% in any one year.

30. **As with PI 1, much of the variation is likely to be a response to the under-realization of revenues (see PI 3 below).** In 2013 actual expenditure was below the approved budget estimate for 15 of the 21 MDAs listed in Table 8 below.

Table 8: Variance in Disaggregated Expenditure									
Agency	2011			2012			2013		
	<i>Budget</i>	<i>Actual</i>	<i>%</i>	<i>Budget</i>	<i>Actual</i>	<i>%</i>	<i>Budget</i>	<i>Actual</i>	<i>%</i>
Anguilla Fire and Rescue Services	3.372	3.021	7.4%	3.605	3.044	10.8%	3.433	2.879	11.8%
Attorney General's Chambers	5.819	5.364	5.0%	5.748	4.268	21.5%	4.715	3.800	15.3%
Customs Department	4.114	3.951	1.0%	4.513	3.945	7.6%	4.321	4.212	2.5%
Department of Education	25.439	24.850	0.7%	25.479	25.469	5.6%	25.822	25.715	4.7%
Department of Health Protection	4.773	4.744	2.4%	4.788	4.906	8.2%	4.719	4.768	6.2%
Department of Immigration	2.826	2.792	1.9%	2.821	2.727	2.2%	2.794	2.613	1.7%
Department of Information Technology And E-Government Services	3.183	2.875	6.7%	3.170	3.052	1.7%	3.430	3.330	2.0%
Department of Infrastructure Comm & Utilities	4.557	3.752	14.6%	4.552	3.613	16.1%	4.123	3.531	10.0%

Department of Public Administration	8.443	7.838	4.3%	7.013	4.826	27.3%	4.652	3.647	17.6%
Department Of Social Development	4.728	3.537	22.8%	4.698	4.515	1.5%	4.762	4.370	3.6%
H M Prison	4.199	4.342	6.6%	4.466	4.452	5.3%	4.868	4.554	1.7%
Judicial	3.585	3.078	11.5%	3.605	3.265	4.3%	3.403	3.222	0.5%
Ministry of Finance, Economic Development, Investment And Tourism	11.827	13.215	15.2%	12.582	12.863	8.0%	13.994	14.596	9.6%
Ministry of Home Affairs And Natural Resources	1.913	1.697	8.6%	1.840	1.724	1.0%	2.044	1.740	10.5%
Ministry of Infrastructure	3.409	7.265	116.1%	1.403	1.300	2.0%	2.052	2.198	12.0%
Ministry of Social Services	24.603	24.132	1.1%	24.819	25.330	7.4%	26.617	28.163	10.7%
Police	10.230	9.252	6.7%	9.978	9.607	1.6%	11.193	10.074	5.1%
Post Office	2.327	2.208	2.2%	2.399	2.313	1.8%	2.636	2.517	0.3%
Probation Services	2.343	1.900	15.9%	2.295	2.135	1.6%	2.159	2.192	6.4%
Treasury	25.987	24.010	4.7%	24.993	23.500	0.6%	25.227	21.984	8.0%
Other (= Sum of Rest)	18.074	16.619	5.0%	17.981	16.644	2.1%	18.215	16.575	4.2%
TOTAL	175.749	170.442	7.7%	172.749	163.499	6.3%	175.179	166.679	7.3%

(Source: 2011-2013 Annual Budget Documents and data on actual expenditure provided by MoF. Excludes debt interest, donor projects, payments from Caribbean Catastrophe Risk Insurance Fund (CCRIF) and amounts allocated from reserves for a promissory note for ECCB investment in Resolution Trust Company. Also excludes budget allocation to the Ministry of Finance for 'Restricted Expenditure'. Percentage variations presented in Table 8 have been determined using the spreadsheet on the PEFA website for calculating the PI-2 variance.

(ii) Average amount of expenditure actually charged to the contingency vote over the last three years

31. **A 'Restricted Expenditure' line item of the MoF acts as a small contingency reserve.** Amounts allocated from the reserve are vired to the relevant MDA on approval by the Permanent Secretary, Finance. Budgeted amounts for restricted expenditure were \$1m in 2011 and \$1.5m in 2012 and 2013. No expenditure was charged to the contingency vote over the last three years. Score A

32. **The scoring methodology of PI 2 has changed since the 2008 PEFA.** For dimension (i) measurement of the extent of variation in expenditure composition now excludes contingency items and the requirements for scoring of the dimension are more graduated. In addition, the 2008 PEFA assessed the variances based on budget allocations at the aggregated ministry level, of which there are five, rather than MDAs. For purposes of comparison, the 2008 scoring for dimension (i) has been recalculated applying the current scoring methodology to the 20 largest agency heads by expenditure in 2007 (and summing the remaining agencies). A score of B would have been applied in 2008 using the revised

methodology as the variance exceeded 10% in two of the three years assessed. Dimension (ii) was not applicable in 2008 but as there was no allocation for 'Restricted Expenditure' or other contingency allocation for the three years 2005-2007 the score would have been an A. Overall, 2008 would have scored a B+, meaning there has no deterioration since 2008; the score has remained the same.

PI-3 Aggregate revenue out-turn compared to original approved budget

	Minimum Requirements (Scoring Method M1)		
	2008	2014	Explanation
PI-3 Aggregate revenue out-turn compared to original approved budget	Score A	Score C	
(i) Actual domestic revenue compared to domestic revenue in the original, approved budget	A	C	Actual domestic revenue was between 92% and 116% for each of the last three years

33. **The indicator measures the variance between the actual revenues collected and the revenue estimates presented in the annual budget.** Variance in revenue collection impacts overall budget credibility. Having sound revenue forecasts in the budget is essential for fiscal planning as significant variances in actual revenue outcomes will require either in-year adjustments to expenditures and/or changes in external funding in order for deficit targets to be reached. Under-realization leads to larger deficits and/or spending cuts, whereas over-realization tends to result in unplanned spending running the risk of sub-optimal resource utilization.

(i) Actual domestic revenue compared to domestic revenue in the original, approved budget

34. **Table 9 below shows the revenue outcomes and variance compared to budget for each of the three years 2011 to 2013.** Actual domestic revenue was between 92% and 116% for each of the last three years with an over-realization in 2011, followed by two years of under-realization in 2012 and 2013.

35. **The over-realization in 2011 was largely attributable to significant one-off stamp duty payments, which were partially offset by under-realization in most other tax and non-tax revenues.** In general, while the overall trend, excluding the one-off stamp duty payment in 2011 is for under-realization, over the three years there is significant variation between under and over realization across the individual tax heads.

Revenue forecasts are prepared by the main revenue agencies (IRD and Customs Department) based on actual collections. These are then reviewed and adjusted by the

MoF taking into account growth forecasts and other information that may impact on the departments' forecasts. Score C

Table 9: Variance in Aggregate Revenue Collections									
(EC\$ Millions)									
	2011			2012			2013		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
Tax Revenue	150.0	175.8	117.2%	159.7	155.3	97.3%	159.2	147.5	92.6%
Taxes on Income	9.8	8.2	84.0%	13.0	13.9	106.8%	14.3	12.8	89.6%
Taxes on Property	3.6	2.8	78.0%	3.7	3.9	105.0%	4.9	3.6	74.0%
Taxes on Domestic Goods and Services	50.2	87.6	174.5%	52.9	53.7	101.5%	49.7	38.5	77.6%
Licences	12.9	11.9	92.3%	13.1	12.5	95.4%	13.1	14.1	107.3%
Taxes on International Trade and Transaction	73.5	65.2	88.8%	77.0	71.3	92.7%	77.2	78.4	101.6%
Nontax Revenue	27.7	24.4	88.0%	30.0	24.8	82.6%	29.0	25.9	89.6%
Fees, Fines and Permits	19.0	16.4	86.6%	18.3	17.4	94.7%	17.5	18.5	106.2%
Rents, Interests and Dividends	4.0	1.9	46.9%	4.8	2.5	52.3%	5.1	2.3	46.4%
Other Revenue	4.7	6.1	127.9%	6.9	4.9	71.6%	6.5	5.1	78.6%
Total	177.7	200.2	112.6%	189.6	180.1	95.0%	188.1	173.4	92.2%

(Source: Calculations by mission team based on the revenue estimates included in the 2011-2013 Annual Budget Documents and updated actual data provided by MoF)

36. **The methodology for this indicator has changed since the 2008 PEFA when only under-realization of revenues was considered for scoring purposes.** The current methodology also assesses over-realization but, recognizing the consequences of under-realization are more severe, the criteria to score this indicator allow comparatively more flexibility when assessing revenue over-realization. Applying the current methodology to the 2008 PEFA data would produce a score of D for this indicator as, over the period assessed at that time, actual revenues exceeded forecast by more than 116% in each of the years 2005 to 2007. This indicates there has been an improvement in the credibility of revenue forecasts since the last PEFA.

PI-4 Stock and monitoring of expenditure payment arrears

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-4 Stock and Monitoring of expenditure payment arrears	Score A	Score A	
(i) Stock of expenditure payment	A	A	The stock of arrears is low (i.e. is below

arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in stock			2% of total expenditures)
(ii) Availability of data for monitoring the stock of expenditure payment arrears	A	A	Reliable and complete data on the stock of arrears is generated through routine procedures at least at the end of each fiscal year (and includes an age profile)

37. **This indicator assesses the credibility of the budget having regard to the existence of expenditure arrears.** The quality of information regarding arrears and the size of reported arrears are both assessed by this indicator. The existence of expenditure arrears suggests that there are weaknesses in budget planning and execution.

(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock

38. **During 2009, Anguilla suffered a severe deterioration in revenue collections and a subsequent accumulation of arrears¹¹.** These arrears were cleared during 2010 utilizing, in part, the proceeds of a policy based loan¹². Since then, Anguilla has strengthened its budget preparation process (PI 11); introduced cash flow forecasting, linking quarterly allocations to available cash; and, introduced commitment controls (PI 16). Subsequently, Anguilla has not had any arrears outstanding for the past two fiscal years. Discussions with the Chamber of Commerce, MDAs and Autonomous Government Agencies (AGAs) confirmed the absence of arrears from government. Score A

(ii) Availability of data for monitoring the stock of expenditure payment arrears

39. **The Accountant General issues an end of year circular to all MDAs to ensure that all traders submit their invoices for processing by the prescribed ‘cut-off’ date.** MDAs are also advised to submit a “detailed list” of outstanding payments/invoices to be paid during the month of December¹³. All invoices that are processed by MDAs are held in the SmartStream system for Treasury to initiate payment. Treasury operates a ‘payment on demand’ system¹⁴, whereby traders attend the Treasury to have their check printed when their payment is due. The exception to this is at the end of the last two fiscal years, where

¹¹ EC\$14.3m. SmartStream, Treasury Department

¹² Total loan was EC\$55m, part of which was used to finance arrears. Project Completion Report, Caribbean Development Bank, December 2012

¹³ Treasury Circular No. 11 of 2013, Accountant General's Office, Treasury Department, November 04, 2013

¹⁴ For local trader payments. However, overseas payments are transacted electronically

Treasury has printed all outstanding checks in the system and has either mailed to recipients or held for collection.

40. **While there have not been any arrears in the last two fiscal years, the procedures adopted by the Treasury would provide reliable data within SmartStream of the total fiscal demands on the government at the end of each fiscal year.** While the date of the invoice is not captured within SmartStream, the Treasury does receive the original invoices for validation prior to initiating payment and are able to construct an aged profile of arrears if required. Score A

41. **The government has demonstrated sound fiscal discipline during a period of weak growth and successfully avoiding any build-up of arrears.** In 2008 and 2014, the government has scored A in both dimensions.

B. Budget comprehensiveness and transparency

PI-5 Classification of the Budget

	Minimum Requirements (Scoring Method M1)		
	2008	2014	Explanation
PI-5 Classification of the Budget	Score C	Score C	
(i) The classification system used for the formulation, execution and reporting of the central government's budget	C	C	The budget formulation and execution is based on an administrative and economic classification using GFS standards or a standard that can produce consistent documentation according to those standards

42. **This indicator assesses the quality of the classification system used for formulating, executing and reporting of the central government's budget.** The assessment is based on the classification system in place for the 2014 budget formulation and execution processes.

(i) The classification system used for the formulation, execution and reporting of the central government's budget

43. **Budget formulation and execution currently uses an administrative and economic classification system.** The administrative structure is built around five ministries that are then further disaggregated to 37 'program' budget heads, although these are, in reality, MDAs rather than specific service delivery programs in the traditional meaning of the term 'program'. Recurrent budget allocations and expenditure against the MDA heads are further disaggregated by economic classification. While the economic classification appears to be broadly in line with the economic classification structure set out in the IMF *Government Finance Statistical Manual* (GFSM) 1986 for recurrent expenditure, capital expenditure is presented and recorded by unique (and non-economic) project description that

are not consistent with GFSM and do not align with the acquisition of non-financial assets. In addition, Anguilla's budget classification and Chart of Accounts (CoA) do not contain a functional classification of expenditure.

44. **The Treasury Department has undertaken a considerable amount of work in mapping the current economic classification to GFSM 2001 (currently estimated at 90%)¹⁵, although little further progress has been made since mid-2013.** Key gaps in the alignment between the current economic classification and GFSM 2001 include taxes, fees and charges and identifying and removing the non-economic elements in the economic segment and reclassification. Projects also need to be properly classified against appropriate economic codes.

45. **The classification of budget revenues and expenditures are aligned and enable consistent comparisons between budgets to a standard that can produce consistent documentation according to those standards.** The accounting system is also set up to record expenditure according to the same administrative unit and economic item as the budget classification and within-year and annual budget execution reports are presented in the same format. Score C

46. **There has been no change in the budget classification structure since the last PEFA, which also scored this indicator as C.**

PI-6 Comprehensiveness of information included in budget documentation

	Minimum Requirements (Scoring Method M1)		
	2008	2014	Explanation
PI-6 Comprehensiveness of information included in budget documentation	Score C	Score B	
(i) Share of the nine elements of listed information in the budget documentation most recently issued by the central government	C	B	Recent budget documentation fulfils 5-6 of the 9 information benchmarks

47. **This indicator assesses whether the coverage of the annual budget documentation as submitted to the legislature for scrutiny and approval, presents a complete picture of central government fiscal forecasts, budget proposals and out-turn of previous years.** The assessment of this indicator is based on the documentation for the 2014 budget, which was presented to the House of Assembly in December 2013.

¹⁵ Report of CARTAC ECCU Chart of Accounts Workshop 26 January – 7 February, 2013

(i) Share of the nine elements of listed information in the budget documentation most recently issued by the central government

48. As noted in Table 10 below, the 2014 budget document fulfills six of the nine information benchmarks. Score B

Table 10: Information contained in budget documentation			
Item		Included	Source
1	Macroeconomic assumptions, including at least estimates of aggregate growth, inflation, and exchange rate	No	The 2014 Annual Budget Estimates Document includes a forecast for growth but not inflation. Exchange rate is fixed
2	Fiscal deficit, defined according to GFSM, or other internationally recognized standard	Yes	Fiscal deficit is presented at p 71 of the 2014 Annual Budget Estimates Document
3	Deficit financing, describing anticipated composition	Yes	2014 Annual Budget Estimates Document (p71)
4	Debt stock, including details at least for start of current year	Yes	Statement of public debt is presented at p74 of the 2014 Annual Estimates Budget Document
5	Financial assets, including details at least for the beginning of the current year	No	
6	Prior year's budget outturn, presented in the same format as the budget proposal	Yes	Recurrent expenditure estimates for the current year are presented in the same format as the budget proposal, estimates for capital projects are not although represent a small percentage of budget. 2014 Annual Budget Estimates Document, p198
7	Current year's budget (revised budget or estimated outturn), presented in same format as budget proposal	Yes	Recurrent expenditure outturn is presented in the same format as the budget proposal, estimates for capital projects are not although represent a small percentage of total. 2014 Annual Budget Estimates Document, p198
8	Summarized budget data for both revenue and expenditure according to main heads of classifications used, including data for current and previous years	Yes	2014 Annual Budget Estimates Document (p69)
9	Explanation of budget implications of new policy initiatives	No	Adjustments to recurrent budget ceilings of ministries and agencies are presented in Budget Call Circular No. 2 but the specific policy initiatives are not specified. No explanation of the individual cost of new initiatives is included in the annual budget document

(Source: 2014 Annual Budget Document)

49. The 2008 PEFA scored this indicator as C with four of the nine benchmarks met. Since 2008 elements 2 and 3 are now met, moving the score to a B.

PI-7 Extent of unreported government operations

50. **This indicator measures whether all budgetary and extra-budgetary activities of central government are included in budget estimates, in-year execution reports, year-end financial statements and other fiscal reports for the public.** This is needed to provide a complete picture of central government revenue, expenditures across all categories, and financing. The assessment of this indicator is based on the information and reports available for 2013.

	Minimum Requirements (Scoring Method M1)		
	2008	2014	Explanation
PI-7 Extent of unreported government operations	Score D+	Score D	
(i) The level of extra-budgetary expenditure (excluding donor-funded projects) which unreported	D	D	The level of unreported government expenditure exceeds 10% of government expenditure
(ii) The income/expenditure information on donor-funded projects included in fiscal reports	A	D	Information on the source of these funds and actual expenditure is seriously deficient and does not even cover loan-financed operations

(i) The level of extra-budgetary expenditure (excluding donor-funded projects) which is unreported

51. **Anguilla has ten autonomous government agencies (AGAs) as listed in Table 11 below, each established under a separate act of Parliament.** Based on the IMF Government Fiscal Statistics Manual (GFSM) 2001¹⁶, these agencies should be defined as extra-budgetary entities for budget and reporting purposes. Four of the ten AGAs receive subventions from the GoA budget – Anguilla Tourist Board; Anguilla Tourist Authority; Health Authority of Anguilla; and the Anguilla Community College. Two agencies collect government revenues. The Anguilla Air and Sea Ports Authority collect embarkation tax and airport tax; 75% of which is retained by the authority to meet its operating costs with the balance transferred to the Government. The Anguilla Social Security Board receives contributions from employees and employers (5% of income from each). The balance of

¹⁶ The IMF GFSM 2001 considers that central government comprises all units at the central level carrying out government policies. This includes not only the line ministries, their departments and agencies that operate as part of the government as a single reporting entity, but also non-market non-profit institutions that are controlled and mainly financed by government. Most special funds, social security funds and other autonomous agencies are likely to fall within this definition, except public business enterprises

expenditures of the ten AGAs, ie excluding the value of subventions, is considered to be unreported and is equivalent to some 32% of total expenditures¹⁷. Score D

Table 11: Expenditure Not Recorded in Fiscal Reports			
Agency	Actual expenditure 2013	Transfer from GoA Budget (2013 Budget)	Expenditure not recorded in fiscal reports
Anguilla Development Board	1.7	0.0	1.7
Anguilla Air & Sea Ports Authority	11.0	0.0	11.0
Health Authority of Anguilla	26.2	16.8	9.4
Anguilla Tourist Board	8.8 ¹⁸	8.8	0
Anguilla Social Security Board	40.1	0.0	40.1
Financial Services Commission	1.3	0.0	1.3
Anguilla Water Authority	4.1	0.0	4.1
Anguilla Community College	3.1	2.8	0.3
Anguilla National Trust	0.8	0.4	0.4
Public Utilities Commission (PUC)	0.2 (est)	0.0	0.2
Total	97.1	20	77.7
% Of Total Government Expenditure (Central Government plus Agencies)	37%		32%

(Source: Unaudited 2013 reports of the AGAs and GoA provided by the AGAs and MoF except PUC. PUC is estimated based on 2012 expenditure)

(ii) The income/expenditure information on donor-funded projects included in fiscal reports

52. **Most capital expenditure in 2013 was funded by budget support grants provided by (i) the UK Government in accordance with the agreement of a Framework for Fiscal Sustainability & Development (FFSD) and (ii) the European Union under the European Development Fund.** In 2013 some EC\$3.3m in capital grants (out of a total capital budget of EC\$28.9m) that is neither UKG nor EDF is allocated to eight separate projects. The fiscal summary table on page 71 of the 2014 Annual Budget Estimates Document identifies these resources in aggregate as ‘private grants’. While a number of sources of funds for various projects are identified in the project descriptions (eg UNICEF, Warren Foundation) under the Capital Budget section of the 2014 Annual Budget Document the specific amounts of expenditure and revenue are not. An amount of EC\$8.64m is identified in capital expenditure project summary under the heading ‘loan/reserves’ in the capital budget summary of the budget document on page 198. Under the project details, the financing institution is identified as CDB but no reference is made as to whether this is a grant or loan. In addition, no information is provided on the current year expenditure or out-turn by the individual projects. Score D

¹⁷ Based on unaudited financial reports provided by the AGAs

¹⁸ Adjusted to reflect unspent surplus

53. **There is little change since the 2008 assessment.** However, a review of the 2005 – 2007 Annual Budget Estimates documents indicates that the same weaknesses identified in the current assessment (i.e. incomplete information on sources of funds and actual current expenditure and out-turn) were also present in those years.

PI–8 Transparency of intergovernmental fiscal relations

54. **This indicator is not applicable as there is no sub-national government.**

	Minimum Requirements (Scoring Method M1)		
	2008	2014	Explanation
PI–8 Transparency of intergovernmental fiscal relations	NA	NA	
(i) Transparent and rules based systems in the horizontal allocation among sub national governments of unconditional and conditional transfers from central government.	NA	NA	
(ii) Timeliness of reliable information to sub national governments on their allocations from central government for the coming year.	NA	NA	

PI–9 Oversight of aggregate fiscal risk from other public sector entities

	Minimum Requirements (Scoring Method M1)		
	2008	2014	Explanation
PI–9 Oversight of aggregate fiscal risk from other public sector entities	Score C	Score D	
(i) Extent of central government monitoring of AGAs and public enterprises	C	D	Monitoring of AGAs is significantly incomplete
(ii) Extent of central government monitoring of sub national governments' fiscal position	NA	NA	

55. **This indicator measures the ability of central government to fulfil its oversight role in monitoring and managing the fiscal risks arising from activities of autonomous government agencies (AGA) and public enterprises (PE).** The assessment of this indicator is based on the information available for 2013.

(i) Extent of central government monitoring of AGAs and public enterprises

56. **As noted in PI-7, Anguilla has ten AGAs established by Act of Parliament that operate outside the central government budget¹⁹.** The relevant acts set out the specific requirements regarding financial reporting. In addition to these requirements, the FAA Act requires ‘government agencies’ to submit budget estimates for the following fiscal year to their sector Minister by October 31 each year which is then forwarded to the Minister of Finance. Following approval by the Minister of Finance, the FAA Act (s.64) requires that the relevant Minister shall lay the estimates approved by the Minister of Finance before the House of Assembly ‘without delay’. All ten agencies produced 2014 budget estimates but could not confirm whether these had been submitted to the House of Assembly.

57. **In practice, there appears to be little systematic monitoring of activities or fiscal risk of the AGAs.** There is no consolidation of fiscal information of the AGAs and there is no specific unit responsible for monitoring the activities of the AGAs (even for those that are the responsibility of the MoF). The Debt Management Unit, however, does track debt servicing of those AGAs with loans backed by government guarantee. Of the ten AGAs, only four have had their 2011 (or later) financial statements audited; two have not had their financial statements audited since 2008; and three agencies have yet to have any of their financial statements audited. There is no evidence of regular monitoring of budget execution of the AGAs by their parent ministries and no evidence that the Budget Department examines in any detail the AGAs’ budget estimates. A statement of contingent liabilities, including loan guarantees provided to the AGAs, is included in the annual budget document. Score D

58. **This indicator appears to have deteriorated since 2008 PEFA which noted that AGAs complied with the requirement to submit audited financial statements annually and scored this indicator as C.** However, three AGAs have never submitted audited statements and two AGAs have not submitted statements since 2008 and 2005 respectively. Therefore, in effect there has been no change to this indicator since 2008.

(ii) Extent of central government monitoring of sub national governments’ fiscal position

59. **There is no sub national government in Anguilla. Score NA**

¹⁹ The Government also owns 40% of the national electricity company ANGLEC but as the Government share is less than 50% is not covered by this PEFA

PI-10 Public access to key fiscal information

	Minimum Requirements (Scoring Method M1)		
	2008	2014	Explanation
PI-10 Public access to key fiscal information	Score B	Score D	
(i) Number of the six listed elements of public access to information that is fulfilled.	B	D	None of the listed elements is available

60. **This indicator assesses transparency of fiscal information by ascertaining the accessibility to the public against a number of information benchmarks.** The assessment of this indicator is based on the information available for the fiscal years 2013 and 2014 (to date).

(i) Number of the six listed elements of public access to information that is fulfilled

61. **As presented in Table 12 the government currently makes available none of the six listed elements of public access to information in the timeframe specified.** The budget document was tabled in the House of Assembly on 12 December 2013 and a report of the budget was published on the website of the local newspaper, the Anguillan, on 13 December 2013. However, MoF advised that only the budget speech and summary of appropriations (p69) were provided to the newspaper at that time. A copy of the 2014 Annual Budget Estimates Document was not available on request during site visits to the public library and House of Assembly. The budget document was uploaded to the Government of Anguilla website on 11 March.

62. **In-year execution reports, annual financial statements and contract awards (of any value) are not published.** The most recent audited financial statements of the consolidated fund were finalized on 12 July 2013 and tabled in the House of Assembly on 12 February 2014. However, there is no evidence that the audit report has been published, it is not placed on the government website, and a copy was not available on request during site visits to the public library and House of Assembly²⁰. The Department of Education, Ministry of Social Development and Anguillan Health Authority confirmed that information on the resources available to individual primary schools and health clinics is not publicly available,

²⁰ The Assessment Team were advised that Audit Reports are available for sale from the Treasury department.

although this is largely due in part to those service units not having their own cost centers. No specific analysis has been carried out to provide such information. Score D

Table 12: Key fiscal information made available to the public			
Item		Available	Source
1	Annual budget documentation can be obtained by the public when it is submitted to the legislature.	No	A complete set of documents is not made available to the public at the time the budget is presented to the legislature
2	In-year execution reports within one month of end of period	No	In-year budget execution reports are not made available to the public
3	Year-end financial statements within 6 months after completed audit	No	Year-end financial statements are not made available to the public
4	External audit reports within 6 months of completed audit	No	External audit reports are not routinely made available to the public
5	Contract awards above USD100, 000 posted quarterly	No	Contract awards are not published
6	Resources available to primary service units	No	No information is available on the resources available to primary service units

63. **There appears to be deterioration since the 2008 PEFA, however, the findings of the 2008 report are not evidenced.** During a site visit to the public library, there was no evidence that the documents listed were (or ever have been) systematically stored at the library. Financial data has, based on advice of MOF never been disaggregated to the level of clinics or schools. Procurement data likewise has never been systematically published suggesting rather than deterioration, there has been no improvement to this indicator since 2008.

C. Policy-based budgeting

PI-11 Orderliness and participation in the annual budget process

	Minimum Requirements (Scoring Method M2)		
	2008	2014	Explanation
PI-11 Orderliness and participation in the annual budget process	Score C+	Score A	

(i) Existence of and adherence to a fixed budget calendar.	C	B	A clear budget calendar exists, but some delays are often experienced in its implementation. The calendar allows MDAs reasonable time (at least four weeks from receipt of the budget circular) so that most of them are able to meaningfully complete their detailed estimates on time
(ii) Guidance of the preparation of budget submissions	D	A	A clear and comprehensive budget calendar is issued to MDAs, which reflects ceilings approved by Cabinet prior to the circulars distribution
(iii) Timely approval by the legislature	A	A	The legislature has, during the last three years, approved the budget before the start of the fiscal year

64. This indicator aims to assess whether budget formulation adheres to a fixed and predictable budget calendar each year and is organized in a way that facilitates effective participation by spending and revenue collecting agencies, as well as the cabinet and political leadership in the budget formulation process. It also assesses whether the instructions given to MDAs for the preparation of their budget submissions reflect high level political decisions about the allocation of available funding, and whether the budget circular allocates spending ceilings within which MDAs have to work. The assessment of this indicator is based on the documentation for the 2014 budget.

(i) Existence of and adherence to a fixed budget calendar

65. **A budget calendar was developed as part of the PFM Action Plan in 2012²¹.** A detailed budget calendar is also included in a draft Budget Preparation Manual that was prepared in 2013. The actual budget calendar for 2014 is presented in Budget Call Circular No. 1 which was distributed to agencies on 24 July 2013. The actual budget calendar followed closely the sequencing of the fixed calendar set out in the PFM Action Plan but there was some slippage in the commencement date and subsequent deadlines. MDAs were provided one month, in accordance with the 2014 budget calendar, to prepare their initial estimates. MDAs were provided a further week to adjust and submit their final estimates following advice of final budget ceilings (taking into account new spending and savings approved by Executive Council; the fixed budget calendar allows 2 weeks). Given the application of rolling forward estimates to establish budget ceilings, a total of five weeks is provided to prepare the budget estimates. Both the fixed budget calendar, and actual budget calendar used during the 2014 budget cycle, allows sufficient time for the budget to be presented to, and debated by, the House of Assembly before the commencement of the new fiscal year. Score B

²¹ Annual Progress Report of PFM Action Plan, 26 April, 2012

(ii) Guidance of the preparation of budget submissions

66. **Budget Call Circular No. 1 presents the approved budget ceilings for each MDA.** These ceilings are based on the application of ‘rolling forward estimates’ ie the forward estimates in the approved 2013 budget estimates provided the baseline budget ceilings (and forward estimates) for the 2014 budget estimates. As the forward estimates were approved by Executive Council (and presented to the House of Assembly) in the previous budget cycle, approval of the 2014 budget ceilings is implied in accordance with the requirements of this dimension. Budget Circular No. 1 also provided detailed instructions on the preparation of new spending requests (including new policy initiatives and additional resources for existing programs) and savings options to be considered by the Executive Council. MDAs were required to present detailed justification for each new spending request including cost basis, objectives, need, priority and expected results to be achieved from the additional resources. Budget Circular No. 2 issued on 21 October 2013 provided advice to MDAs of their final budget ceilings in accordance with the Executive Council’s approval including new spending and savings options. During the 2014 budget cycle the Executive Council met on four occasions to discuss and/or approve the 2014-16 Budget and Forward Estimates (including new spending and savings options). Score A

(iii) Timely approval by the legislature

67. **This dimension measures the extent to which the budget is approved before the start of the relevant fiscal year.** Delays in passing the budget may create uncertainty about the level of approved expenditures and delays in some government activities. The assessment of this dimension is based on the last three years’ budgets, i.e. 2012, 2013 and 2014.

68. **The Fiscal Responsibility Act requires the GoA to comply with the principles set out in the Framework for Fiscal Sustainability (FFSD) agreed with the UK Government.** Under the FFSD, the GoA is required to submit its draft budget to the UK Government. In addition, once approved by the House of Assembly, the Appropriation Bill, in accordance with the Constitution of Anguilla, require the assent of the Governor before they are enacted and expenditure can be authorized. Notwithstanding this requirement, the dimension is assessed on the timeliness of the House of Assembly in approving the budget. Table 13 below presents the dates on which the budget estimates were presented to, and approved by the House of Assembly. It also indicates the date on which the Appropriation Act received royal assent by the Governor.

69. **In each of the last three fiscal years the Budget was approved by the House of Assembly before the fiscal year.** Score A

70. **It is noted that there was a significant delay in providing assent in 2013.** A clearly agreed timeframe for submission, consultation and agreement of the Anguilla budget with the UKG should be included as part of the budget calendar.

Fiscal Year	Budget submitted	Budget Approved by House of Assembly	Assent
2012	16 December, 2011	22 December, 2011	12 January, 2012
2013	11 December, 2012	18 December, 2012	23 April, 2013
2014	12 December, 2013	18 December, 2013	31 December, 2013

Source: House of Assembly session agenda and MoF

71. **There has been a significant improvement in dimensions (i) and (ii) since the 2008 PEFA.** A more robust budget calendar and formulation process is now in place with a fixed budget calendar that is generally adhered to. The Budget Call Circulars provide clear advice on budget ceilings (based on rolling forward estimates) and detailed budget instructions and templates for budget preparation, including enhanced performance information.

PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting

	Minimum Requirements (Scoring Method M2)		
	2008	2014	Explanation
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	Score C	Score C▲	
(i) Multi-year fiscal forecasts and functional allocations	C	C▲	Forecasts of fiscal aggregates (on the basis of the main categories of economic classification) are prepared for at least two years on a rolling basis
(ii) Scope and frequency of debt sustainability analysis	A	A	A Debt Sustainability Analysis of external debt is undertaken annually
(iii) Existence of costed sector strategies	D	D▲	Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure
(iv) Linkages between investment budgets and forward expenditure estimates	D	D▲	Budgeting for investment and recurrent expenditures are separate processes with no recurrent costs estimates being shared

72. **This indicator refers to the extent to which the Government plans their fiscal framework, expenditure policies and budget plans over the medium-term.**

(i) Preparation of multi-year fiscal forecasts and functional allocations

73. **Budget estimates for recurrent expenditure are prepared and presented using rolling forward estimates (budget plus two forward years).** Final recurrent budget allocations distributed to MDAs show aggregate adjustments for new spending and savings by agency head. Medium term projections of revenues by major category for the budget and two forward years are prepared and presented in the 2014 Annual Budget Estimates. The template for the submission of new spending request for capital expenditure requires MDAs to provide information on budget and forward year estimates, as well as recurrent cost implications of the project. In general the submission of capital estimates information is incomplete. Estimates of capital expenditure are presented for the forthcoming budget year only in the Annual Budget.

74. **The recently adopted (2013) Fiscal Responsibility Act requires the Minister of Finance to prepare a Medium Term Fiscal Plan (MTFP) that sets out, *inter alia*, current and two forward years projections of revenue and expenditure.** The Act states that the MTFP shall be the basis for the preparation of the estimates of expenditure and revenue for the annual budget. The first MTFP is currently being developed for the 2015 budget cycle and should further strengthen the medium-term budget planning. Score C ▲

(ii) Scope and frequency of debt sustainability analysis

75. **A Debt Sustainability Analysis is prepared annually.** DSAs were prepared by the Debt Management Unit of the Ministry of Finance in February 2012 and March 2013 and an updated DSA for 2014 is current being developed and is expected to be completed in May. A Debt Portfolio Review was also undertaken in 2013, which provided information on the Government of Anguilla's management of public debt over the period 2008-2012. Score A

(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure

76. **Most MDAs have previously developed strategic plans but in general these have not been updated for several years.** Cost estimates for the National Health Strategy were developed in 2011 but this did not include multi-year estimates. There is some limited evidence that sector plans may inform budget submissions and decisions; the Literacy Development project for education, for example, is highlighted in the Education strategic plan, but there is no systematic link between sector strategies and multi-year costing of investment expenditure.

77. **The annual budget estimates document presents budget and forward estimates of recurrent expenditure by sector ministry, agency and economic classification.** The budget document also presents a statement of the key strategies for each MDA for the forthcoming fiscal year (as well as performance indicators). However, capital expenditure estimates are presented by ministry in a separate section of the budget document and for the budget year only.

78. **A Medium Term Economic Strategy was developed in 2010 covering the period 2010-2014 that included a costed ‘Program and Project Matrix’ structured around four ‘national development goals’ but not sectors.** Few of the 30 projects listed in the 2014 Annual Budget Document can be linked to the original MTES project matrix. An annual progress report of the MTES is prepared, the most recent in April 2013. However, the progress report only addresses capital expenditure in the current budget year (ie 2013), not the forthcoming budget cycle.

79. **As noted above, a rolling three-year MTFP is currently in development (and a draft outline has been prepared).** The Fiscal Responsibility Act (2013) requires the MTFP to include medium term capital expenditure policies and development priorities (and corresponding fiscal measures required to achieve these priorities) for the following three years. It is also noted that MoF plans to amend the format of the 2015 Annual Budget Estimates document to capture integrated recurrent and capital estimates information. Score D▲

(iv) Linkages between investment budgets and forward expenditure estimates

80. **Budget Call Circular No. 1 enables MDAs to submit new spending requests for both recurrent expenditure and capital investment for the consideration of the Executive Council.** The template for capital expenditure, first introduced for the 2012 budget cycle, requires MDAs to present both the budget and forward year costs of the project as well as the future recurrent cost implications of the capital projects. In practice few new capital investment requests included future recurrent costs and for those projects that were approved, future recurrent costs have not been included in the forward estimates.

81. **Of the 30 capital projects listed in the 2014 Annual Budget Document only two were submitted and approved as a formal new spending request during the 2014 budget cycle, one project was approved without a corresponding new spending request and the remaining projects appear to have largely been carried forward as approved (and in many cases unspent) projects from previous years²².** While the budget circular requires MDAs to submit recurrent and capital expenditures, the recurrent and investment budgets are prepared separately. There is no evidence that the recurrent costs have been adjusted in the 2014 budget (and forward estimates) to reflect the impact of capital investment projects presented in the budget however it is expected that compliance with the requirements of the new template will improve during the next budget cycle as the processes are further bedded in. Score D▲

²² Budget allocation for capital expenditure was EC\$28.9. Actual expenditure (based on preliminary estimate in the 2014 Annual Budget Document) was EC\$8.3m

82. **Compared to the 2008 PEFA there has been no improvement in the overall score.** However, significant work has been, and is being undertaken to strengthen medium term budget planning since 2008 including the adoption of rolling forward estimates for recurrent expenditure. New processes were implemented in the 2014 budget process that would satisfy this indicator and MoF have advised that compliance is being addressed during the 2015 budget process. The adoption of a Fiscal Responsibility Act, the introduction of the MTFP, the extension of rolling forward estimates to capital expenditure, and the preparation and presentation of integrated recurrent and capital expenditure proposals linked to key strategies will further strengthen medium term fiscal planning.

D. Predictability and control in budget execution

83. **Tax administration is divided between the Inland Revenue Department (IRD) and the Customs Department.** IRD is responsible for the administration of a variety of taxes and levies in Anguilla such as Interim Stabilization Levy (ISL) (a charge on income of 3% by both employees and employers and 6% for self-employee); stamp duty, vacation residential levy; property tax; accommodation tax; communication levy; entertainment tax, environmental levy on electricity; bank deposit levy as well as various licenses. The Customs Department administers taxes on imports (import duties).

PI-13 Transparency of taxpayer obligations and liabilities

	Minimum Requirements (scoring Method M2)		
	2008	2014	Explanation
PI-13 Transparency of Taxpayer Obligations and Liabilities	Score C+	Score D+	
(i) Clarity and comprehensiveness of tax liabilities	B	C	Legislation and procedures for some major taxes are comprehensive and clear, but the fairness of the system is questioned due to substantial discretionary powers of the government entities involved
(ii) Taxpayer access to information on tax liabilities and administrative procedures	C	D	Taxpayer access to up-to-date legislation and procedural guidelines is seriously deficient
(iii) Existence and functioning of a tax appeals mechanism	C	C	iii) A tax appeals system of administrative procedures has been established, but needs substantial redesign to be fair, transparent and effective

84. **This indicator assesses whether the overall control environment that exists in the revenue administration system and the direct involvement and co-operation of the taxpayers from the individual and corporate private sector allow for effective assessment of tax liability.** The quality of such control is very much linked to the degree of transparency of tax liabilities, including clarity of legislation and administrative procedures,

access to information in this regard, and ability to contest administrative rulings on tax liability.

(i) Clarity and comprehensiveness of tax liabilities

85. Each tax has its own law which sets out what is being taxed and the administration of the tax. Laws are updated periodically and the updating consolidates any changes that may have taken place since the previous updating. Currently laws published are dated as of 15 December 2010. The ISL came into force in April 2011 and was intended to terminate at the end of 2012, but it is still in place. For taxes administered by the IRD, these have to be read in conjunction with the IRD Act, which governs the operations of the IRD.

86. Taxes on international trade are administered by the Customs Department. There is a Customs Act that governs the operations of the Customs Department and the internationally used Harmonized System (HS) tariff that shows the import duty rate to the imported item based on the 7-digit HS code and its description. The Customs Department implements some other taxes, such as cruise permits, though the collection of embarkation tax is now administered by the Ports Authority (who retains 75% to cover the costs of its operations).

87. Provision for waivers and exemptions are included in the tax laws and supporting documents (such as the tariff) or in other specific laws that govern a specific area.

88. The FAA Act also provides for waivers to be granted by the Executive Council. The Customs Act and associated tariff provides for exemption to qualifying categories of imports in the second schedule. However, the House of Assembly may, by resolution, reduce the duty on any goods, or may exempt from duty any goods, imported into Anguilla by a specified person and may make the reduction or exemption subject to such conditions, including conditions on the importation, use or disposal of the goods, as may be specified in the resolution. These exemptions are not governed by any predetermined classification and are discretionary. The Valuation and Rating Act has provisions for exemptions for qualifying categories, but no discretionary powers. In the IRD Act, there is provision for the Comptroller, with the approval of the waiver committee, to waive the imposition of, or liability for, any interest or penalty or any part of interest or a penalty. The waiver committee has not met.

89. The main exemptions are on customs duties and associated fees. The granting of concessions, whether discretionary or non-discretionary, undermines revenue collection, but can also generate an advantage to those that get discretionary exemption. In 2013, the value of exemptions granted on import payments was EC\$11.6 million which represented some 16 per cent of total customs duties and surcharges or 8 per cent of total tax revenue. Analysis of customs data on revenue forgone indicates that 80 per cent of this was due to discretionary exemptions. Score C

(ii) Taxpayer access to information on tax liabilities and administrative procedures

90. **The tax laws are available from the Attorney General as a package²³ but not on an individual basis.** Some individual taxes are available on the Government website but are not particularly straightforward to find. The HS Code is available from the Customs Department website but the Customs Act is not.

91. **Taxpayer education is not well developed and is not a core activity in either IRD or the Customs Department.** Tax payer education is reactive rather than proactive and there are occasional events at the request of associations such as the Chamber of Commerce and Industry and the Tourism Hotel association. IRD does provide ad hoc notices on radio and produces leaflets/brochures on some taxes. Open forum meetings are held at the instigation of the authorities but are ad hoc.

92. **The Customs Department only allows customs brokers and company brokers to use ASYCUDA World for imports.** Training is provided on the system by the Customs Department. A *Know Your Customs Campaign* is in the process of being started, but is not yet functional.

93. **Discussion with the private sector indicates dissatisfaction with overall interaction and communications with the tax authorities.** However, much of the focus of complaint is on tax policy though improvements in communication on procedures would also be welcomed. Score D

(iii) Existence and functioning of a tax appeals mechanism

94. **Each of the Acts governing a specific tax has a section that deals with the appeals process.** The ultimate course of action is the Court system, but there are steps that are available before resorting to the full legal system. Both the Customs Department and IRD Acts provide for the initial recourse to appeal within the agency itself at the level of the Comptroller in each agency. If the process is not settled at this stage there is resort to the Court. The Customs Law refers to an Appeals Commission but this is not functional. IRD discussions refer to an Appeal Board but this is neither in place or operational. There have been some instances of appeals on property valuation for property tax and on classification for the Customs Department. Score C

95. **Since the 2008 PEFA the score for this indicator appears to have not improved and is marginally lower.** The incidence of discretionary exemptions is greater than reported in the earlier PEFA (though unchanged in law) and improvements in access to information have not been grasped by the authorities. It is likely that the de facto situation in 2008 was

²³ For EC\$1200 or EC\$1,875

the same as the present PEFA meaning, rather than deterioration, there has been no change to the indicator since 2008.

PI-14 Effectiveness of measures for taxpayer registration and tax assessment

	Minimum Requirements (scoring Method M2)		
	2008	2014	Explanation
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	Score C	Score A	
(i) Controls in the taxpayer registration system	B	A	Taxpayers are registered in a complete database system with comprehensive direct linkages to other relevant government registration systems and financial regulations
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	C	A	Penalties for all areas of non-compliance are set sufficiently high to act as deterrence and are consistently administered
(iii) Planning and monitoring of tax audit and fraud investigation programs	D	B	Tax audits and fraud investigations are managed and reported on according to a documented audit plan, with clear risk assessment criteria for audits in at least one major tax area that applies self-assessment

96. **Effectiveness in tax assessment is ascertained by an interaction between registration of liable taxpayers and correct assessment of tax liability for those taxpayers.** This indicator assesses these elements of tax administration.

(i) Controls in the taxpayer registration system

97. **The Tax Identification Number (TIN) system is in place and applies to all taxes.** Application for a Business License triggers the process for companies and individuals who also have a TIN for interaction with the tax system. IRD issues TINs. There are some 2,000 individual and 2,000 business registered on the system. As well as a TIN, Customs Brokers are assigned a number by Customs Department. There is good interchange of information and use of government processes to ensure that those who should be registered are registered. Ownership of property, getting a driver license and the like require information on the TIN. Information is also shared between IRD and Customs Department – IRD is responsible for the renewal of business license and level of stock is a determinant of the amount to be paid. IRD requests information on imports so a check can be made. A Certificate of Good Standing issued by the IRD is also used for various processes such as land registration, work permits, renewal of passports which enforces compliance with registration and payment of taxes.
Score A

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

98. **Each of the Tax Laws has a section outlining penalties for non-compliance with filing and payment of assessments.** For the ISL there is an EC\$50 per day fine on late payment and 1 per cent interest per month. For other laws the amounts vary and offenders ultimately can be imprisoned. The fines and penalties are considered adequate to serve as deterrent by both IRD and Customs. Penalties for Customs Department are up to EC\$10,000 and forfeiture of goods. In 2012 there were EC\$171,000 in penalties as well as some seizures of goods by Customs Department; in 2013 penalties amounted to EC\$251,000. Discussions with the private sector indicated that penalties are considered to be high.

99. **Penalties and interest are applied as the following extract from the internal audit report on the stabilization level indicates.** Score A

Table 14: Total Amount Received from the ISL, Interest and Penalties (EC\$)				
Year	Revenue Generated from Interim Stabilization Levy	Amount accredited to Penalties	Amount accredited to Interest	Total Revenue Generated from Interim Stabilization
2011	*\$5,404,552.69	*\$592,850.00	*\$9,486.25	*\$6,006,888.94
2012	\$10,429,271.97	\$427,000.00	\$95,644.23	\$10,951,916.20

*Collections of the levy began in April 2011

(Source: Internal Audit Report on ISL August 2013)

(iii) Planning and monitoring of tax audit and fraud investigation programs

100. **Both Customs Department and IRD has electronic databases for administering taxes and all tax files are on the system.** Customs Department uses ASYCUDA World. IRD uses SIGTAS. IRD has three taxes ISL, Tourist and Hotel Tax, which are subject to self-assessment that require an audit function to ensure compliance. The audit function in IRD is not operational and on-site audits have not taken place since 2011, as the audit unit is not staffed. The Internal audit report on the ISL noted that controls in place for monitoring and ensuring contribution of the levy at the IRD are inadequate, especially for the self-employed. However, business license records are used occasionally to verify the information supplied which provides some assurance that those offenders and instances of non-compliance with the Interim Stabilization Levy Act were identified.

101. **ASYCUDA World provides Customs Department with audit selection based on risk.** The audit selection function is used and risk assessment information provides audit selection into the Green (no check on import, 25% of imports), Yellow (documentation check 25% of imports) and Red (physical and documentation check, 40 per cent of imports) channels. Imports are also elected for post clearance audits (Blue channel, 10 per cent of imports). The system also identifies random checks. Customs Department has three officers assigned to post audit.

102. **Based on the 2014 budget some EC\$108.6 million is based on self-assessment taxes.** Of this 31 percent is not subject to audit by IRD. This dimension is scored B as one major tax meets the scoring criteria. Once IRD self-assessment taxes are subject to audit the score should improve further.

103. **This indicator has improved since the 2008 PEFA. In 2008 the TIN system was not in place and provision for penalties were not included in all of the laws.** ASYCUDA World had just been installed so audits were on an ad hoc basis.

PI-15 Effectiveness in collection of tax payments

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-15 Effectiveness in collection of tax payments	Score D+	Score D+	
(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)	D	D	The debt collection ratio in the most recent year was below 60% and the total amount of tax arrears is significant (i.e. more than 2% of total annual collections)
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	D	A	Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least monthly within one month of end of month

104. **This indicator assesses the accumulation of tax arrears and the collection of tax debt as they lend credibility to the tax assessment process and reflects equal treatment of all taxpayers.** Prompt transfer of the collections to the Treasury is essential for ensuring that the collected revenue is available to the Treasury for spending.

(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)

105. **Most customs duties have to be paid before the release of the imported goods.** However there are provisions for importation under bond for perishable goods (which customs is trying to phase out) and final payment has to be made after 7 days from importation. There are also bonded warehouses. Typically, a bonded warehouse is used for foodstuffs, alcohol, vehicles and any goods to be re-exported. There are control checks – double locks with Customs Department and inventory checks - and a service charge is applied.

106. **Tax arrears are in the region of 10% of total tax revenue.** Overall tax arrears would appear to be increasing on an annual basis though some taxes such as accommodation tax arrears are declining. Score D

Table 15: Tax arrears EC\$ million				
IRD	2010	2011	2012	2013
Property Tax	2.40	4.69	6.31	
Accommodation Tax	5.61	4.88	3.74	
Tourism Levy	0.17	0.35	0.16	
ISL		0.22	0.79	
Ticket Tax	0.03	0.00	0.00	
Lease Levy	2.14	4.60	4.62	
Total IRD	10.35	14.74	15.62	
Customs		2.09	2.82	1.12
Total		16.83	18.44	
Tax revenue		175.80	155.30	147.5
Tax arrears as % of tax revenue		9.6%	11.9%	

(Source IRD and Customs Department and PI-3) IRD data for 2013 and CD data for 2010 not available

(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration

107. **For Customs Department, at the end of the business hours, the total tax collections are accounted for every entry submitted for payment.** The collections are daily deposited into the accounts held and controlled by the Treasury with the designated banks and recorded in SIGTAS. Taxes collected by IRD are paid by cheque and cash and are deposited into the appropriate Treasury account daily and recorded in SIGTAS. The Treasury reconciles the deposit advices received from the banks on the following day with the advices submitted by the Customs Department and IRD. Score A

(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury

108. **For IRD, information on payments made and received are recorded in the SIGTAS system, and reflected on the taxpayer's file immediately, as the process is automated.** The system also stores information on when payments are due so information on late filers are available electronically. This triggers notices for follow up. For Customs collections, the reconciliation is done daily in ASYCUDA on receipt of payment as customs operations are on a case-by-case basis. Score A

109. **The overall score in this indicator remains the same since 2008 as arrears remain high.** However, there is much better reconciliation with taxes paid and tax payers files through the use of SIGTAS and ASYCUDA World.

PI-16 Predictability in the availability of funds for commitment of expenditures

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-16 Predictability in the availability of funds for commitment of expenditures	Score D+	Score B+	
(i) Extent to which cash flows are forecast and monitored	D	A	A cash flow forecast is prepared for the fiscal year, and are updated monthly on the basis of actual cash inflows and outflows
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	C	B	MDAs are provided reliable information on commitment ceilings at least quarterly in advance
(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs	C	A	(iii). Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way

110. **This indicator assesses whether the spending ministries, departments and agencies (MDAs) receive reliable information from the Ministry of Finance on availability of funds within which they can commit expenditure for recurrent and capital inputs.**

(i) Extent to which cash flows are forecast and monitored

111. **At the beginning of the year, a cash flow projection is made for revenue and expenditure on a monthly basis using a cash flow model that has been developed.** This is based on MDAs monthly cash flow plan as well as inputs from the revenue collecting agencies. This cash flow plan is updated on a monthly basis factoring in performance. Score A

(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment

112. **MDAs are provided with budget allocations for each quarter based on the monthly expenditure plans and consistent with cash forecasts.** In exceptional circumstances, such as cash not being available, the allocation could change within the quarter but this has not been the case in recent years. The Fiscal Review and Fiscal Evaluation teams are two key groups that meet and interact monthly to monitor the financial position and take appropriate action. Score B

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

113. **The FAA Act provides for supplementary budgets to be taken to and approved by the House of Assembly.** These have not been used in the budget process in recent years. Score A

114. **There has been considerable improvement in the score in this indicator since the 2008 PEFA.** A cash forecasting model has been developed and is now applied. Expenditures were planned with a horizon of one month compared to the present quarterly horizon. The 2008 PEFA referred to virement and contingency warrants as being frequent and scored on that basis; currently supplementary budgets are not used.

PI-17 Recording and management of cash balances, debt and guarantees

	Minimum Requirements (scoring Method M2)		
	2008	2014	Explanation
PI-17 Recording and management of cash balances, debt and guarantees	Score B	Score B+	
(i) Quality of debt data recording and reporting.	B	A	Domestic and foreign debt records are complete, updated and reconciled on a monthly basis with data considered of high integrity
(ii) Extent of consolidation of the government's cash balances	B	C	Calculation of balances takes place irregularly, if at all, and the system used does not allow consolidation of bank balances
(iii) Systems for contracting loans and issuance of guarantees	B	A	Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity

115. **Efficient management of debt and debt guarantees is an essential component of fiscal management.** Poor management of debt and debt guarantees can create unnecessarily high debt service costs. With regard to efficient cash management, an important requirement for avoiding unnecessary borrowing and interest costs is that balances in all government-held bank accounts are identified and consolidated (including those for extra-budgetary funds and government controlled donor-funded project accounts).

(i) Quality of debt data recording and reporting

116. **The Debt Management Unit (DMU) was established in 2005 and is in charge of public debt management and reporting.** The DMU has the responsibility of recording and maintaining debt data in the CS-DRMS system and manages domestic and foreign debt and liabilities. The DMU produces a monthly statement on central government borrowing and contingent liabilities resulting from guarantees. The monthly statements are consolidated into

a quarterly report detailing debt status by individual lender itemizing stock of debt, repayment of interest and principal, total outstanding and arrears (interest and principal) for both domestic and external debt as well as terms and conditions of each loan and the purpose for which the loan was taken. A detailed statement of government debt and government guaranteed debt is also produced annually. The DMU reconciles CS-DRMS data with SmartStream and the creditor database on a monthly basis as well as forecasts of payments. It sends a payment report to Treasury and Treasury makes the payment and enters the information into SmartStream. The DMU reconciles its payment data against SmartStream.

117. The DMU produced the Anguilla Debt Portfolio Review 2012 in November 2013.²⁴ This report provided information on the Government of Anguilla's management of public debt over the period 2008-2012 covering public and public guaranteed external and domestic debt. The review also explored debt related issues in terms of the country's debt management strategy, debt sustainability analysis, challenges in the implementation of effective debt management practices and upcoming debt related activities. The DMU also produces Debt Sustainability Analysis reports (PI-12 (ii)). Score A

(ii) Extent of consolidation of the government's cash balances

118. There are five bank accounts under the Treasury, one is for payment under the CCRIF and two of these are effectively dormant²⁵. These last three are held at the National Bank of Anguilla (NBA). The two operational accounts in the CCB are in EC\$ and US\$ and the balances are checked daily. There is no daily or regular consolidation of the accounts. The Government also has an overdraft facility with the ECCB which is retired at the 15th of each month. Score C

(iii) Systems for contracting loans and issuance of guarantees

119. Three laws provide the legal framework which guides borrowing in Anguilla is the FAA Act, the Treasury Bill Act and the Development Bonds Act. The FAA Act explicitly gives the Minister of Finance the authority to borrow. It provides that borrowing can only be undertaken through a resolution of the House of Assembly.

120. The Treasury Bill Act 2009 governs the issuance of treasury bills. It authorizes the Minister of Finance to borrow money by issuing treasury bills and it also stipulates that the principal sum of treasury bills outstanding at any one time shall not exceed 10.0 per cent of the estimated revenue of the GoA during the financial year.

²⁴ In Collaboration with the Debt Management Advisory Service (DMAS) Unit, Eastern Caribbean Central Bank (ECCB)

²⁵ These were once the operational accounts but have not been closed as occasionally funds are paid into them on the basis that they are still thought to be the operational accounts by some parties

121. **The Development Bond Act 2009 gives authority to the Minister of Finance to borrow using development bonds.** The Act specifies the purposes for which the Minister may use the funds borrowed, namely for:

- The repayment of money granted to the Government by statutory corporations;
- The financing of projects approved in the estimates prepared in accordance with the appropriation act;
- The repayment of public debt; and
- The meeting of expenses incurred in raising and administering loans.

122. **Fiscal criteria are also factored into the governance of Anguilla's debt.** There is a limit of debt to GDP ratio of 60 percent required for the ECCB member countries and currently this ratio is around 30 per cent in Anguilla. Under the 2013 FRA Act²⁶, Anguilla has three targets: (i) net debt ratio of public debt and risk weighted guaranteed debt to recurrent revenue of maximum of 80 percent; (ii) debt service to revenue ratio of 10 percent maximum and (iii) reserves ratio of liquid assets to recurrent expenditure of minimum of 25 per cent (equivalent to 90 days). The government is on track to meet these milestones by 2017, but may not meet the interim targets for 2015 though (ii) has been already achieved. Score A

123. **The overall score in this indicator has improved since the 2008 PEFA.** The DMU is producing more comprehensive reports and debt is controlled by a single agency and approved by the House of Assembly. However, the lack of consolidation of bank accounts has meant that dimension (ii) has deteriorated from a score of B to C.

PI-18 Effectiveness of payroll controls

124. This indicator assesses the integrity of personnel records and efficiency of the processes of human resource management and payroll processing in Government.

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-18 Effectiveness of payroll controls	Score B+	Score B+	
(i) Degree of integration and reconciliation between personnel records and payroll data	A	A	Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation
(ii) Timeliness of changes to personnel records and the payroll	B	A	Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in max. 3% of salary payments)

²⁶ Agreed with the UK Government

(iii) Internal controls of changes to personnel records and the payroll	A	A	Authority to change records and payroll is restricted and results in an audit trail
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	A	B	A payroll audit covering all central government entities has been conducted at least once in the last three years (whether in stages or as one single exercise

(i) Degree of integration and reconciliation between personnel records and payroll data

125. Central Government payroll and personnel files are linked in the SmartStream IT HR Database module. Central Government's established personnel data, including data entry for payroll processing, are managed through the Department of Public Administration (DPA) Human Resource unit (HR). A personnel file is maintained at the DPA HR and the relevant elements for payroll are included in the SmartStream HR module which then computes the appropriate pay and deductions. Treasury is responsible for processing actual payments through the banking system. Non-established payroll is managed by the Treasury based on payroll information supplied by the Accounting Officer of the relevant Ministry.

126. Personnel data and payroll data are reconciled monthly. The first payroll run is made by the 10th of the month and is checked for errors. Any resulting changes are input and a second run is made on the 18/19th of the month. The monthly payroll for each ministry is sent to the individual departments after pay has been made with the individual pay slips presenting details of pay: gross and itemized deductions. This is checked for any errors at the individual department. Similarly, for un-established workers, the payments are prepared by the departments and then sent to the Treasury for payment. Subsequently, the Treasury sends a payroll list for non-established personnel to the relevant ministry for checking each month/week depending on when payment is made. The 2013 payroll audit found that that the payroll verification forms sent to Departmental Heads are not always received on time and the departments have to be called by the Payroll Officer to return the forms. However, they are thoroughly checked for accuracy by the relevant personnel. Score A

(ii) Timeliness of changes to personnel records and the payroll

127. Payroll changes are supported by full documentation. For a person to be on the established payroll, a letter of appointment is provided by the Public Administration. This letter is provided to Treasury, DPA HR Unit, relevant MDA and the employee. A change in status of an existing employee is similarly verified. Changes in established officers' personnel records and payroll need to be approved centrally by the Public Service Commission and recorded in the HR module of SmartStream. Provided these are presented in time, the payroll is updated. In most instances, MDAs submit requests in a timely manner thereby resulting in no delays with registration and payment. Retroactive changes may result from delays in submitting information but the DPA HR indicates that this is rare.

128. **In the 2013 payroll audit, the overall testing of the payroll transactions identified that payroll operates to a high level of accuracy.** Additionally, if there are instructions to make adjustments to the pay list, and salaries have already been sent to the bank but not yet posted to the individual bank accounts, the bank is notified to send the cheque back to the Government. If not, it is deducted from the following month's salary. Score A

(iii) Internal controls of changes to personnel records and the payroll

129. **The centralized procedures for approving and processing changes in personnel records ensure an appropriate level of control over records and payroll at the Central Government level.** The HR personnel at the DPA are accountable for HR information only and the Payroll Officer and Operations Manager at the Treasury Department are responsible for entering the pay elements with viewing access merely to HR information. These are the only persons who have access to add, delete or modify all payroll information on a regular basis.

130. **All workflows are controlled by username and passwords and all changes can be tracked by the administrator.** Non-established payroll is managed by the Treasury and the MDA that is responsible for hiring the employee. In the 2013 payroll audit, the auditors found that adequate and effective controls were generally in place to support the payroll process. A number of key strengths in the controls to support the payroll process were identified including the segregation of duties, which provides assurance that no one individual has control over all phases of a transaction or that no one officer is allowed to perform incompatible functions. Score A

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

131. **A payroll audit was carried out by internal audit which reported in December 2013²⁷.** The audit concluded that, based on the sample, only valid employees are paid through the payroll system. Score B

132. **The overall score for this indicator is the same as in the 2008 PEFA.** However there are some differences in the dimension scores. In 2008 payroll audits were conducted annually but retroactive changes were scored as being more frequent.

PI-19 Transparency, competition and complaints mechanisms in procurement

133. A well-functioning procurement system that creates transparency and competition to obtain fair and reasonable prices and overall value for money is assessed in this indicator.

²⁷ Payroll audit is carried out as part of external audit, but these are not up-to-date (see PI-26)

	Minimum Requirements (scoring Method M2)		
	2008	2014	Explanation
PI-19 Transparency, competition and complaints mechanisms in procurement	Score C	Score D+	
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework	A	B	The legal framework meets four or five of the six listed requirements
(ii) Use of competitive procurement methods	D	D	For less than 60% of the value of contracts awarded OR reliable data is not available
(iii) Public access to complete, reliable and timely procurement information	D	D	The government lacks a system to generate substantial and reliable coverage of key procurement information, OR does not systematically make key procurement information available to the public
(iv) Existence of an independent administrative procurement complaints system	Methodology has been changed since 2008	D	The procurement complaints system does not meet criteria (i) & (ii) and one other criterion, OR there is no independent procurement complaints review body

(i) Transparency, comprehensiveness and competition in the legal and regulatory framework

134. Anguilla has passed a new *Public Procurement and Contract Administration Act in 2012*²⁸ and a Procurement Board was appointed on 20 February 2012 consisting of six members²⁹. However, for a period of time during late 2013 and early 2014, procurement activity was suspended by Executive Council³⁰ to allow the government to pass supporting regulations and appoint a chief procurement officer. This was in reaction to a legal challenge against a recently awarded procurement, which has subsequently been annulled (along with four other awards). A Chief Procurement Officer was subsequently appointed in November 2013 and the House of Assembly passed Regulations in February 2014³¹. At the time of assessment, the suspension had been lifted and procurement activity was regulated by the new law and regulations³².

135. The new law clearly defines open, competitive procurement as the default method and defines other methods and the conditions under which they may be used. Table 16 has been developed to detail current compliance with PEFA requirements. Score B

²⁸ Act No. 6 /2012 18 December 2012

²⁹ Containing five government members and one private sector

³⁰ Minutes, Executive Council, Thursday 17 October 2013

³¹ Government of Anguilla Gazette, Wednesday 27 February 2014

³² Email, James M Wood, Attorney General, 19 March, 8.56pm

Table 16: Compliance of the <i>Tenders Board</i> and of the <i>Public Procurement and Contract Administration Act, 2012</i> with PEFA requirements		
Is the legal and regulatory framework for procurement:	Compliance	Explanation
(i) organized hierarchically and precedence clearly established	Yes	The new law and an interim set of regulations have been passed and are undergoing full implementation. There is a clear legal hierarchy.
(ii) freely and easily accessible to the public through appropriate means	Yes	The new law and regulations have been published on the government's website. Access could be improved by creating a dedicated procurement site.
(iii) applied to all procurement undertaken using government funds	Yes	The new law applies to all procurement however it is unclear if it applies to statutory bodies in receipt of government transfers. Those in excess of EC \$40,000 during the 2014 financial year must be presented to the Chief Procurement Officer for review and recommendation. For purchase of motor vehicles the limitation is EC \$50,000 ³³
(iv) making open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified	Yes	The new law clearly defines open, competitive procurement as the default method and defines other methods and the conditions under which they may be used.
(v) providing for public access to all of the following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints	No	Not covered.
(vi) providing for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature	No	The regulations explicitly state that unsuccessful bidders are only advised after the winner has signed a formal contract. There is an opportunity for the appointment of a Procurement Ombudsman to investigate complaints in a procurement award.

(ii) Use of competitive procurement methods

136. **The Procurement Board advised that it handled ten (10) procurements in 2013³⁴, all of which were managed under full and open competitive tender.** Of the ten managed, five were subsequently nullified by Executive Council, four were awarded and one is being retendered³⁵. The value of the four contracts awarded in 2013 totalled EC\$539, 239. The Procurement Board could not guarantee that all procurement over the threshold were

³³ Ministry of Finance, Circular No 1 of January 2013 & 2014

³⁴ Prior to suspension of activity

³⁵ Advice received from Procurement Board

conducted by the Procurement Board and the Board did not have any other data on procurement activity in Anguilla, including activity below the threshold. Score D

(iii) Public access to complete, reliable and timely procurement information

137. **The government does not systematically make key procurement information available to the public.** While invitations to tender are routinely published in the local newspaper and/or advertised on radio, the government does not publish procurement plans, bidding opportunities, and contract awards. Score D

(iv) Existence of an independent administrative procurement complaints system

138. **The new legislation provides an opportunity to appoint a procurement ombudsman to review complaints, but at the time of assessment this body had not been created.** There was no equivalent body under the previous Tender Board system. Score D

139. **The methodology for this indicator has been modified since the 2008 PEFA and if assessed under the current methodology it would score D as at that time there was no legislation covering the tender board, no review body in place, and key information was not provided to bidders.** On this basis there has been improvement in this PI to move to a score of D+. Overall procurement procedures remain weak but when the new law and regulations are fully implemented, transparency and value for money in public procurement should improve.

PI-20 Effectiveness of internal controls for non-salary expenditure

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-20 Effectiveness of internal controls for non-salary expenditure	Score C+	Score A	
(i) Effectiveness of expenditure commitment controls	B	A	Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations (as revised)
(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures	C	A	Other internal control rules and procedures are relevant, and incorporate a comprehensive and generally cost effective set of controls, which are widely understood
(iii) Degree of compliance with rules for processing and recording transactions	C	A	Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant

140. **This indicator assesses the existence, understanding and compliance with internal control systems relating to expenditure commitments and payment of goods and services purchased by public entities.**

(i) Effectiveness of expenditure commitment controls

141. **Commitment control is centered on the use of Purchase Orders (PO).** Prior to committing expenditure an MDA must create a PO before purchasing/receiving goods from any Vendor/Merchant. The PO must be dated and contain the following information:

- Vendor Name;
- Item Name;
- Quantity;
- Unit Price;
- Description; and
- Invoice Number.

142. **The value of the PO is entered into SmartStream and automatically checked against the availability of funds for the relevant line item.** If funds are not sufficient, a “failed funds” notice is generated. If there are sufficient funds, the purchase order can be created and printed, the order can be placed, and the goods received. This PO has to be signed by the Accounting Officer (AO) or by a delegated person and stamped.

143. **Vendors are informed of who the signatories on POs are in MDA.** Vendors have also been informed of the process and warned that payment will not be guaranteed for any goods sold to officers of the public service without a SmartStream generated purchase order. In an emergency situation, a special emergency purchase order form is presented to vendors in lieu of the system-generated purchase order.

144. **POs and invoices are sent to Treasury along with a Control Group sheet for payment.** Treasury verifies that the procedures have been correctly followed. Score A

(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures

145. **There are clear instruction on internal control rules and procedures³⁶.** The use of departmental telephones and other communication systems uses a log book and must be signed by the officer and countersigned by the departmental head. International travel rules are clearly stated with Ministerial and Permanent Secretary’s approval required irrespective of the source of funds. For electricity, bills for all MDAs are paid centrally by the Ministry of Finance, and a debit notice is transmitted to the appropriate Ministry to be charged against the budget allocation. MDA vehicle usage is controlled through a logbook system and there is a Government of Anguilla Motor Vehicle Usage Policy document on the Government website. The application of software for revenue and expenditure control is governed by user

³⁶ The Financial Instructions are those that were put in place in 1956. However the Ministry of Finance and Treasury have issued specific instructions on topical issues and have updated these as necessary, such as the upgrading or introduction of new software which are used for control purposes. These separate instructions could be consolidated to produce an update of the 1956 Financial Instructions relevant to the FAA Act and the current control regime

privileges and access is determined through user name and password. Manuals on procedures are issued for each module with training provided to all users. Score A

(iii) Degree of compliance with rules for processing and recording transactions

146. **The Commitment Control system has only been recently introduced and is working well, with clear instructions being issued to MDAs and to Vendors.** In some cases where a failed funds notice has been issued by the system, virement has taken place to allow the generation of the purchase order. There were some instances initially where the date on the invoice had preceded purchase order and in such cases Treasury reinforced the new system with follow up to ensure that it is working as intended.

147. **There are certain exceptions to the Commitment Control system and these are clearly stated.** In emergency cases, a Special Emergency Authorization Form replaces the SmartStream generated PO. The Form must be filled out correctly by the instigator and signed (by an authorized officer) and stamped with the relevant MDA's stamp before it is taken to the vendor/merchant store. The vendor/merchant is to verify the form's authenticity, honor the purchase, and give the MDA an invoice/receipt. The authorized officer has to bring the emergency purchase to the attention of the Head of the Department. It is then the Head of the Department's responsibility to verify the purchases. Once this form has been used, the Head of Department must prepare and forward a Letter/Memorandum to the Accountant General. This Letter/Memorandum advises the Accountant General, through detailed explanations of the circumstances, of all viable reasons for the use of the Emergency Form.

148. **With respect to Vehicle Usage Policy, it has been deemed impractical to stringently enforce the purchase order procedures in regards to fuel purchases.** All orders for fuel for government vehicles by officers of the public service are filled – even in the absence of the previously stipulated system-generated purchase order or special emergency purchase order form. The Department of Probation and H. M. Prison only are allowed to use the Item Name 'Food Stuff' to make bulk shopping. The Government Authorized Personnel should present a detail list of all the items, the quantity, unit price and total of each item as part of the Control Form to the Treasury. Score A

149. **Since 2008, there has been an improvement in this indicator.** These advances have been as a result of the changes that have made the PO the initial step in the expenditure commitment process as well as introducing clear instructions on internal controls, rules and procedures and their transmittal to government officers and vendors.

PI-21 Effectiveness of internal audit

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-21 Effectiveness of internal audit	Score C+	Score A	
(i) Coverage and quality of the internal audit function	C	A	Internal audit is operational for all central government entities, and generally meet professional standards. It is focused on systemic issues (at least 50% of staff time)
(ii) Frequency and distribution of reports	A	A	Reports adhere to a fixed schedule and are distributed to the audited entity, ministry of finance and the SA
(iii) Extent of management response to internal audit findings	C	B	Prompt and comprehensive action is taken by many (but not all) managers

150. **This indicator assesses the effectiveness of the internal audit function based on the scope and quality of the audit function, in the manner and timing of the report of the findings, and in the administration's reaction to the findings and recommendations of the internal audit.**

(i) Coverage and quality of the internal audit function

151. **The Internal Audit (IA) function is well established and is empowered by its Charter from the Executive Council.** An Internal Audit Act has been drafted but as yet has not been passed by the House of Assembly. There is an Internal Audit Manual that guides the operations of the Internal Audit Department (IAD), which follows the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (IIA Standards) for the coverage and operations of internal audits in Anguilla. The staff of the IAD report to the Director who reports functionally to the Deputy Governor, and administratively to the PS Finance. There are seven members of staff who have appropriate qualifications and specific training to carry out their audit tasks. There is an Audit Committee that meets quarterly and is comprised of the Deputy Governor (Chairman), Director Internal Audit (Secretary) and members PS Finance and PS Home Affairs, Natural Resources and Tourism.

152. **Each year the Director prepares an audit plan.** The plan is developed through a risk assessment that is carried out based on a questionnaire, which focuses on internal controls, weakness and fraud, and a visit to all MDAs. The work carried out is a mixture of audits of systems, surprise cash check and departmental audits. The audit plan reserves time for particular investigations that are requested by heads of departments. In 2013, there were 33 audit activities carried out as well as surprise cash checks. As Anguilla does not have an

audit institution that carries out external audits, the IAD carries out some activities such as low level testing on behalf of the appointed External Auditor who has confirmed that this has been carried out in a satisfactory manner. Score A

(ii) Frequency and distribution of reports

153. **Draft internal audit reports are sent to the head of the department involved as well as the PS and the Deputy Governor.** The draft is then discussed with the MDA and the results of the interchange are incorporated into the final report. The final report goes to the MDA and Audit Committee and the External Auditor requests a copy of reports as part of the external audit work. The audit manual provides for the event that the Director, Internal Audit feels that circumstances are such that he/she cannot report audit results to the PS Finance, he/she has free unrestricted access to the Deputy Governor. If, in the opinion of the Director, Internal Audit independent advice should be sought from outside the Governor's Office he/she has free and unrestricted access to the Chief Auditor. Score A

(iii) Extent of management response to internal audit findings

154. **The internal audit function is understood.** Each audit report has an Action Plan that is discussed with the MDA and the agreement/disagreement of elements of the action plan is recorded in the Action Plan. Internal Audit then conducts a follow up on implementation of the Action Plan and the results are recorded. Examination of a sample of audit reports, action plans and follow up indicate that where implementation is completely under the control of the MDA, implementation action is timely, but where the involvement of other agencies is required implementation is less timely. Score B

155. **Significant improvement in the internal audit function has been achieved since the 2008 PEFA.** The development of the Internal Audit Manual with its focus on IIA standards on the conduct and coverage of audits and the inclusion of an action plan and follow-up, as well as the institutional arrangements have been instrumental in the improvement.

E. Accounting, recording, and reporting

PI-22 Timeliness and regularity of accounts reconciliation

	Minimum Requirements (scoring Method M2)		
	2008	2014	Explanation
PI-22 Timeliness and regularity of accounts reconciliation	Score B	Score D	
(i) Regularity of bank reconciliations	B	D	Bank reconciliation for all central government Treasury managed bank accounts take place less frequently than quarterly OR with backlogs of several months

(ii) Regularity of reconciliation and clearance of suspense and advances	B	D	Reconciliation and clearance of suspense accounts and advances take place either annually with more than two months delay, OR less frequently

156. This indicator assesses the extent to which both bank accounts and suspense accounts or advance accounts, are regularly reconciled, adjusted, or settled in order to ensure that government financial statements are accurate.

(i) Regularity of bank reconciliations

157. The Treasury operates five bank accounts. The accounts are an EC (main account) and US dollar account in the Caribbean Commercial Bank (CCB), an EC and US dollar account in the National Bank of Anguilla (NBA) and an overdraft facility in the Eastern Caribbean Central Bank (ECCB). The Treasury also maintains an excel cash book that is used to monitor daily movements in banking transactions; uses the SIGTAS receipting module to capture all revenue received daily; and, utilizes the SmartStream financial management information system, from where the annual financial statements are derived. The SIGTAS revenue data is uploaded to SmartStream daily to the appropriate revenue account and recorded in a 'cash suspense' account until revenue is verified through the receipt of collector deposit slips. Once verified (most variances are as a result of reversals in the load file), the revenue is then moved to the correct bank code. Not all non-tax revenue transactions are verified and unverified transactions are carried forward³⁷.

158. There is no active reconciliation between the government's official accounting data held within the SmartStream FMIS and the bank account data held by the banks. Instead, there is a daily reconciliation between the cash book and the bank account data for the main EC dollar transaction bank account; weekly reconciliation for the US dollar bank account and monthly for the overdraft facility with the ECCB and the two near dormant bank accounts held in the NBA. The cash book is not reconciled to the SmartStream system.

159. A recent internal audit report³⁸ into the collection and reporting of the Interim Stabilization Levy found that for each month of 2012, the total revenue collected for those months, as recorded in both systems (SIGTAS and SmartStream), did not reconcile³⁹. The Auditor General in his recent report⁴⁰ identified the lack of reconciliation of the SmartStream system (against the bank) as a reason for limiting the scope of their audit

³⁷ Balance of suspense account at end of 2011, EC\$894, 472; end of 2012 EC\$3,184,243; end of 2013 EC\$2,214,551

³⁸ Interim Stabilization Levy, Audit June 2013 (Reference 10/2013)

³⁹ A number of possible reasons as to why the figures did not reconcile were provided by the Treasury, such as correcting adjustments, returned checks, etc.

⁴⁰ Report of the Chief Auditor, Government of Anguilla, for the year ended 31 December 2010; issued 12 July 2013

opinion referring to the Cash Book as a “weaker form of evidence than reconciliation against the SmartStream system which forms the basis of the GOAs annual accounts”. Score D

(ii) Regularity of reconciliation and clearance of suspense accounts and advances

160. **Suspense accounts are regulated by the FAA Act, Section 43 and MDAs are advised, consistent with the FAA Act that advances must be recoverable within twelve (12) months⁴¹.** The most recent audit report for 2010 cited that no reconciliation or clearance was carried out for advances. The Treasury also use advance (suspense) accounts to charge daily revenues which are yet to be verified and for the repayment of stale dated checks⁴². Both accounts are not systematically reconciled or cleared, with unreconciled balances carried forward to the following period.

161. **A special project has been commenced in the Treasury to reconcile and clear the outstanding balances.** This project has already resulted in a reduction in the unreconciled balance carried forward from 2012 to 2013⁴³. Score D

162. **There has been deterioration in this PI since the 2008 PEFA.** While there is little evidence cited in 2008, however both dimensions were rated B, citing monthly reconciliation of bank accounts (the two main accounts at that time) and annual reconciliation and clearance of advances.

PI-23 Availability of information on resources received by service delivery units

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-23 Availability of information on resources received by service delivery units	Score A	Score D	
(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of	A	D	No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last 3 years

⁴¹ Ministry of Finance, Circular No. 1 of January, 2014

⁴² The outstanding balance for the stale check suspense account in 2011 was EC\$1,898,858; end of 2012 EC\$1, 942, 713 and end of 2013 EC\$1, 942, 378. SmartStream, Treasury

⁴³ End of 2012 the unreconciled balance was EC\$3,184,243; end of 2013 the unreconciled balance was EC\$2,214,551. SmartStream, Treasury

which level of government is responsible for the operation and funding of those units			
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163. **The indicator covers primary education and health care service delivery units that are under the responsibility of the Government.** This indicator verifies whether information is available and reported on with respect to the planned and actual resources received by primary service delivery units.

(i) **Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units**

164. **No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last 3 years.** There is no information available in the budgeted and actual resources received by operational units. In the budget nomenclature, the expenditure is not broken down to operational units, and the ministries do not maintain any register on resources given to health clinics⁴⁴ or primary schools. As well, the operational units do not maintain any financial reports, and no special survey was realized during the last years. Score D

165. **In the 2008 PEFA, this PI was scored an A and hence it appears this PI has deteriorated.** However no evidence was cited to support the earlier score. Financial data has, based on advice of MOF never been disaggregated to the level of clinics or schools, meaning rather than a deterioration, there has been no change to this indicator.

166. **The Education Department has recently created the secondary school as its own cost centre.** They have their own bank account, board and are responsible for managing their own resources. They provide financial reports to the education department. It is the intention of the education department to move to this arrangement for primary schools in the future.

PI-24 Quality and timeliness of in-year budget reports

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-24 Quality and timeliness of in-year budget reports	Score C+	Score C+	
(i) Scope of reports in terms of	C	C	Comparison to budget is possible only for main

⁴⁴ Resources for the health clinics are managed by the Anguilla Health Authority.

coverage and compatibility with budget estimates			administrative headings. Expenditure is captured either at commitment or at payment stage (not both)
(ii) Timeliness of the issue of reports	A	A	Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period.
(iii) Quality of information	B	C	There are some concerns about the accuracy of information, which may not always be highlighted in the reports, but this does not fundamentally undermine their basic usefulness.

167. **This indicator assesses the extent to which comprehensive, timely and accurate budget execution reports are prepared for management.** Timely and regular information on actual budget performance must be available to MoF (and Cabinet), in order to monitor performance.

(i) Scope of reports in terms of coverage and compatibility with budget estimates

168. **Timely and comprehensive financial reports are produced by the Treasury against each MDA, at the economic item level and are sent to the budget department.** The budget department then produces a budget versus actual report for MoF management, Fiscal and Economic Review Meetings and the MDAs. This report provides a complete but consolidated overview of budget execution, compared with the budget and is presented by ministry.

169. **The debt unit also produces a monthly statement and a more comprehensive quarterly report covering the debt stock, progress against debt targets and the extent of debt guaranteed.** The monthly reports are sent mainly to the PS Finance and ECCB. The quarterly reports are distributed to the PS, Finance and to Fiscal and Economic Review meetings. From time to time quarterly debt reports are presented to the Executive Council, ECCB and CDB. Score C

(ii) Timeliness of the issue of reports

170. **As showed in the Table 17 below, the in-year monthly and quarterly reports are issued during the next month and usually within two weeks of the close of the period and this is observed in practice.** Score A

Table 17: In-year reports on budget performance			
Report	Contents	Data sources	Date and audience
Monthly financial report on recurrent and capital	Actual expenditures and revenue. Economic item	SmartStream and reconciled with bank	By 7th following month,

expenditures and revenue, prepared by the Treasury	level providing further detail than the budget document	balances, SIGTAS and ASYCUDA World	recipient: Budget Office
Monthly Fiscal Report, prepared by the Budget Office	Actual recurrent expenditure at the consolidated agency level; capital expenditure by project; and revenue by economic item	Treasury monthly report	2 weeks after close of month. PS, Finance and MDAs, Fiscal and Economic Review meetings
Monthly debt statement	Central government and contingent liabilities instruments by creditor category, instrument details such as: amount approved, purpose, 1 st disbursement date, repayment terms and outstanding balance on each instrument at the end of month	Creditors statements, CS-DRMS, SmartStream and instruments documentation	2 weeks after close of each month. Recipient: PS, Finance, ECCB
Quarterly debt report, prepared by the Debt Unit	Debt Stock by creditor category; central government debt service cost and risk-weighted debt service cost of, guarantees; borrowing ratios	CS-DRMS, Treasury	Two weeks after close of each quarter, recipient: PS, Finance. Fiscal and Economic Review Meetings. At times Executive Council, ECCB and CDB

(Source: *Expenditure, Revenue and Local Capital Report, January 2014. Government of Anguilla, Revenue and Expenditure Report for January 2014. Monthly Statement, Central Government Debt, January 2014. Quarterly Debt Report, December 2013*)

(iii) Quality of information

171. **There are some concerns about the accuracy of the information, due to the lack of reconciliation between the main bank account and SmartStream (PI 22 (i)) and the issues concerning non-tax revenue and advance account information (PI 22 (ii)).** These issues are not highlighted in the reports. Score C

172. **There has been no change to this PI since 2008.** Although significant efforts have been made by the authorities to improve the monitoring of budget execution and debt since 2008.

PI-25 Quality and timeliness of annual financial statements

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-25 Quality and timeliness of annual financial statements	Score D+	Score C+	
(i) Completeness of financial statements	B	A	A consolidated government statement is prepared annually and includes full information on revenue, expenditure and financial assets/liabilities
(ii) Timeliness of submission of the financial statements	D	C	The statements are submitted for external audit within 15 months of the end of the fiscal year
(iii) Accounting standards used	D	A	IPSAS or corresponding national standards are applied for all statements

173. **Consolidated and timely year-end financial statements are critical for transparency in the PFM system.** This indicator assesses the completeness, timeliness and robustness of the last annual financial statements prepared by the Government.

(i) Completeness of the financial statements

174. **Consolidated Financial Statements for the Central Government are prepared annually by the Accountant General.** Financial Statements contain complete information on revenues, expenditures and bank account balances, and financial assets/liabilities. Financial Statements fairly represent the financial position of the Government. Score A

(ii) Timeliness of submission of the financial statements

175. **The FAA Act requires the Accountant General to prepare, sign and submit the public accounts within six (6) months after the close of each financial year.** The Accountant General has recently brought the submission of public accounts up to date and expects to submit the 2013 statements within the statutory period⁴⁵. For the most recent statements, the Accountant General submitted their accounts within twelve (12) months of the close of the financial year. Although the statements were ready earlier (29 October, 2013) an Auditor General was not appointed until 6 December, 2013. Score C

Fiscal Year	End of Fiscal Year	Accountant General		Delay for submission
		Legal timeline	Actual	
2010	Dec. 31, 2010	June 30, 2011	June 28, 2013	30 months
2011	Dec. 31, 2011	June 30, 2012	December 7, 2013	24 months
2012	Dec. 31, 2012	June 30, 2013	December 7, 2013	12 months

⁴⁵ However, an External Auditor has not yet been appointed for 2013

Sources: Accountant General, Financial Statements. Auditor General interview.

(iii) Accounting standards used

176. **Under the FAAA, the Accountant General is required to prepare the Public Accounts “in accordance with generally accepted accounting principles as determined in writing by the Minister”.** The Government of Anguilla has adopted cash basis International Public Sector Accounting Standards (IPSAS)⁴⁶ since the 2007 financial year. The notes to the Annual Financial Statements include a section on accounting policies that summarizes the broad principles applied for preparing the financial statements. Score A

177. **There has been an improvement in all the dimensions for this PI since 2008.** While timeliness has improved slightly, it could still be improved to meet legal requirements. The adoption of cash basis IPSAS since 2007 has been a major improvement.

F. External scrutiny and audit

PI-26 Scope, nature and follow-up of external audit

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-26 Scope, nature and follow-up of external audit	Sore C+	Score D+	
(i) Scope and nature of audit (including adherence to audit standards)	A	B	Central government entities representing at least 75% of total expenditures are audited annually, at least covering revenue and expenditure. A wide range of financial audits are performed and generally adheres to auditing standards, focusing on significant and systemic issues
(ii) Timeliness of submission of audit reports to legislature	A	D	Audit reports are submitted to the legislature more than 12 months of the end of the period covered (for audit of financial statements from their receipt by the auditors)
(iii) Evidence of follow-up on audit recommendations	C	D	There is little evidence of response or follow up

178. **This indicator assesses quality of the external audit function and the degree to which audits identify and promote changes to address systemic issues.**

(i) Scope and nature of audit (including adherence to audit standards)

179. **Anguilla does not have a Supreme Audit Institution (SAI) but contracts out the Audit of the Government Financial statements⁴⁷.** Up to the audit of the 2010 statements,

⁴⁶ The financial statements are compliant except for consolidation of AGAs

⁴⁷ Some functions that an SAI would carry out is done by Internal Audit as part of its work plan

the UK National Audit Office carried out the Audit. Audits of the financial statements since 2010 are being undertaken by the Audit Office of Wales. The 2010 audit was conducted using International Audit Standards as applied in the UK and Ireland. An audit certificate was granted by the auditor.

180. The autonomous agencies are audited by independent auditors approved by the Chief Auditor. The 2011 financial statements of the Anguilla Development Board, Anguilla Tourist Board, Anguilla Social Security Board, and Financial Services Commission have been audited but those of the Anguilla National Trust and Anguilla Health Authority have not been audited since 2005 and 2008 respectively though more recent years are in the pipeline. The Anguilla Air and Sea Ports Authority, Anguilla Water Authority and the Anguilla Community College have yet to have any financial statements audited though some are in the pipeline. Score B based on the percentage of central government entities that have been audited on the last financial year that audits were conducted. The 2008 PEFA covered central government financial statements only.

(ii) Timeliness of submission of audit reports to legislature

181. The Audit of the 2010 Financial Statements was dated 12 July 2013. The Auditor received the Financial Statements on 28 June 2013. The 2011 and 2012 Financial Statements were immediately sent to the new Auditor General who was appointed on 7 December 2013⁴⁸. The 2010 audit report was tabled at the House of Assembly on 12 February 2014 that would have been sufficient to score a B for this dimension. However, audited financial statements of the autonomous statements have not been completed until some considerable time has elapsed. The audit of the Social Security Board for 2011 was signed by the Chief Auditor on 5th July 2013 after getting the independent audit report on 8th May 2013. For the Financial Services Commission, the audit of the 2011 financial statements were signed on the 24 July 2012 and for the Anguilla Development Board, audited financial statements for 2012 were signed on 24 July 2013. The 2011 audit of the Anguilla Tourist Board was signed by the independent auditor on July 2013. The audit of the 2012 financial statements of the Public Utilities Commission was dated April 2013. The other agencies have yet to be audited. The agencies were not aware when they were tabled at the House of Assembly. Score D

(iii) Evidence of follow-up on audit recommendations

182. Part 2 of the 2010 Audit Report focuses on progress on issues raised in the previous reports. The audit report indicates that while there is progress in some areas with respect to recommendations, not all have been implemented and many of the recommendations are carried over from previous audits. Nevertheless over the years, there

⁴⁸ The contract for the audit is for the 2011 and 2012 financial statement. There is as yet no provision for the audit of the 2013 financial statements which could adversely impact on the timeliness of their audit

has been some, if limited, response: the auditor recommended cash based IPSAS be implemented and this has been done. A task force has been established to bring the reconciliation and acquittal of advances, suspense accounts up to date which is showing signs of progress (with 2013 showing lower balance than 2012). From the Government side, no draft response is sent to the auditors. No action plan is developed but management tries to address some of the recommendations outlined in the report. The audit process that has been developed focuses on moving to a final report without any intermediate stage as there is a general lack of follow up either by the Ministry of Finance or House of Assembly. Despite the evidence of some ad hoc response over the years on certain areas, there is no systematic formal response in the external audit function. Score D

183. **The score in the indicator has declined since the 2008 PEFA.** The 2008 PEFA scored on the audit of the financial statements of central Government only and did not include audits of autonomous agencies which are now included in this assessment. This expanded coverage has had an impact on dimension (i) which has seen a slight deterioration from an A to a B. However, follow up and timeliness has declined compared to what was indicated in the 2008 PEFA.

PI-27 Legislative scrutiny of the annual budget law

184. **This indicator assesses the role of Parliament in setting fiscal policy and having this reflected in the annual budget.** The power to give the government authority to spend rests with the legislature, and is exercised through the passing of the annual budget law and is an important link in the chain of accountability for fiscal policy outcomes. Assessing the legislative scrutiny and debate of the annual budget law will be informed by consideration of several factors, including the scope of the scrutiny, the internal procedures for scrutiny and debate and the time allowed for that process.

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-27 Legislative scrutiny of the annual budget law	Score C+	Score D+	
i) Scope of the legislature's scrutiny	C	A	The legislature's review covers fiscal policies, medium term fiscal framework and medium term priorities as well as details of expenditure and revenue
(ii) Extent to which the legislature's procedures are well-established and respected	B	A	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable,	C	D	The legislature's review is extremely limited.

for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)			
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	A	B	Clear rules exist for in-year budget amendments by the executive, and are usually respected, but they allow extensive administrative reallocations

(i) Scope of the legislature's scrutiny

185. **The House of Assembly scrutinizes the Estimates of Recurrent Revenue, Expenditure and Capital.** This is done before the budget is passed by the House of Assembly and is based on the proposals put forward by the Minister of Finance. The budget document includes a medium term fiscal summary of the recurrent estimates covering the budget year and the two forward years as well as detailed expenditures by MDA by standard objective codes for the same period. Capital expenditure is presented by project for the current budget year and not for the forward years.

186. **A Medium Term Fiscal Framework underlying the forward estimates is also part of the budget documentation.** Score A

(ii) Extent to which the legislature's procedures are well-established and respected

187. **There are no standing orders with respect to the scrutiny of the budget, but a process has been established and the procedures associated with the process are well understood and respected.** The Minister of Finance tables the budget and addresses the House of Assembly outlining the budget proposals and its content. There is then time for the members to examine the estimates before the Committee Stage. All elected members of the House are members of the Committee that scrutinizes the estimates. At the Committee Stage, which is attended by relevant officials from MoF, members are able to question what is in the estimates. Permanent Secretaries from the MDAs are present also (in the Gallery) and they can be called to answer questions relating to their particular ministry or department. After the Committee Stage, a vote is taken to accept the estimates. Score A

(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)

188. **In theory there is no limit to the time set for the House of Assembly to respond to the budget proposals.** In practice, the timeframe has to be seen in the context of the overall budget calendar, the legal imperative to pass the budget before the start of the new financial year and the size of the House of Assembly, which is comprised of seven elected members. The time taken for presenting the budget estimates and members having access to the budget

after the address and the Committee stage is usually 6 - 7 days, though more time is available if required. Discussions with the Leader of the Opposition indicate that in the context of Anguilla this is considered sufficient. It is difficult to score this dimension (given the scoring guideline) based on an interpretation of the word “significantly” in the wording of score D and the discussion on the Westminster system in the Field Guide. Nevertheless Anguilla has to satisfy the UK’s requirement for budget approval which requires Anguilla to approve its budget earlier than internal circumstances may require. This should be reflected in the budget calendar (PI-11 (i)). If “significantly” is put into the context of “appropriately” (as for Anguilla), a B may be score is justified given the Field Guide’s discussion of and guidance on B and C scores. However strict application of the scoring criteria with respect to the time available for the review indicates a D score.

(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature

189. **The FAA Act makes provisions for virement and reallocation warrants within the existing budget totals without recourse to the House of Assembly.** A schedule of Reallocation Warrants is laid before the House of Assembly for information. The power to vire and reallocate is granted to the Minister of Finance. Reallocations are usually carried out near the end of the financial year to meet demand driven classes of expenditure – typically related to medical expenses, such as sending people overseas for treatment or bringing a specialist consultant into Anguilla. These expenditures are difficult to forecast effectively at the budget formulation process. Virements are used to provide for changes between standard objects.

190. **The instructions given to Accounting Officers with the budget sets out the rules for virement covering transfers between programs and transfers within programs at the level of Standard Object Codes.** Restrictions are in place such that funds cannot be transferred between recurrent and capital budget and that funds should not be transferred from a standard object and then back to that standard object⁴⁹. The procedures for virement require Accounting Officers to approve all virements requests within their Ministries before submitting them to the Ministry of Finance for approval. Expenditure records must also be reconciled with the Finance Officer at the MoF before the application is submitted. In 2012, 396 virement warrants valued at EC\$9.5m, and in 2013, a total of 414 virement warrants valued at EC\$10.0m were issued. In 2012, 18 reallocations warrants amounting to EC\$2.5m were transferred and in 2013, 10 reallocations warrants amounting to EC\$3.6m were transferred.

⁴⁹ Prior to 2014, virement could not take place from Wages and Salaries to other standard objects

191. **There are no limits imposed on virement.** The only stipulation in the FAA Act with respect to virement is that the amount of the appropriation is not thereby exceeded; and the new purpose to which any sum is assigned is within the ambit of the vote. Score B

192. **The score for this indicator appears to have deteriorated since 2008.** Individual dimensions have changed score but this is due more to an interpretation of the scoring guidelines rather than any improvement/deterioration in performance. For example, in 2008 dimension (iv) was scored according to supplementary budgets, instead of virements which is assessed in 2014. However, the largest drag on the overall indicator is the D allocated for legislative scrutiny. The text highlights the issues with a small island state needing to comply with this timeframe. Removing this dimension, there is an overall improvement in the indicator.

PI-28 Legislative scrutiny of external audit reports

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
PI-28 Legislative scrutiny of external audit reports	Score D	Score D	
(i) Timeliness of examination of audit reports by the legislature	D	D	Examination of audit reports by the legislature does not take place or usually takes more than 12 months to complete
(ii) Extent of hearings on key findings	D	D	(ii) No in-depth hearings are conducted by the legislature
(iii) Issuance of recommended actions by the legislature	D	D	No recommendations are being issued by the legislature

193. **This indicator assesses the role of the Parliament, including the Public Accounts Committee, in ensuring accountability and promoting positive change in public financial management in response to external audit findings.**

194. **The Public Accounts Committee was established in 2011 and one of its roles is to scrutinize audit reports that are presented to the House of Assembly.** Membership of the PAC comprises the Leader of the Opposition as Chair, a member nominated by the House, the Attorney General and the Clerk to the House. While the PAC has met on a few occasions, it is not functioning and has not reviewed any Audit Reports.

(i) Timeliness of examination of audit reports by the legislature

195. **The legislative review of the audited financial statements has not taken place.** Score D

(ii) Extent of hearings on key findings

196. **No hearings are conducted.** Score D

(iii) Issuance of recommended actions by the legislature

197. **No recommendations are being issued by the legislature.** Score D

198. **There is no change in the score though a PAC was not established at the time of the last PEFA.**

G. Donor practices

D-1 Predictability of direct budgetary support

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
D-1 Predictability of direct budgetary support	Score D+	Score D+	
(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body)	A	A	In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 5%
(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	D	D	The requirements for score C (or higher) are not met

199. **This indicator measures the correlation between forecasted direct budget support provided by external donors and actually disbursed budget support during the last three years.** The indicator considers annual deviations of actual budget support from the forecast provided by donors; it also assesses the extent to which the disbursements of the budget support are predictable during the year on a quarterly basis.

(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body)

200. **Anguilla is a recipient of direct budget support from the European Union (EU) under the European Development Fund (EDF).** Under the 10th EDF Anguilla was allocated EURO 11.75m (EC\$48m) in 2012 and this direct non-targeted budget support program was planned to be disbursed in three instalments corresponding to fiscal years 2012, 2013 and 2014. The Government of the United Kingdom (UK) has provided a one-off capital grant, totaling £3m (EC\$13.5m) in 2013 for spending during 2014⁵⁰. The Warren

⁵⁰ During 2013, the Government of Anguilla has been reimbursed EC\$2.4m from the UK government funds. However, the remaining funds will be used to finance selected projects in the 2014 Capital Budget

Foundation and Wind Song Foundation⁵¹ also provide small grants to Education and the Ministry of Tourism received in-kind assistance from the Commonwealth Secretariat providing technical assistance through the provision of three (3) sector experts.

201. For the purposes of this dimension, the 1st tranche of the EDF EURO 3.6m (EC\$11.64m) was requested on 16 May 2012 and received on 10 July 2012. The 2nd tranche of EURO 3.67m (EC\$13.26m) was requested on 22 April 2013 and received on 28 November 2013. There was a 51.7% deviation for 2013 with no deviation for 2011, or 2012. Score A

(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)

202. Under the 10th EDF, indicative quarterly disbursement estimates are contained in the financing agreements governing the implementation of the budget support programs. The financing agreements are signed by both counterparts. The indicative disbursement timetable for the budget support program under the 10th EDF estimates that: for the second quarter of 2012, EUR 3.6m would be disbursed; and for the second quarter of 2013, EUR 4.0m would be disbursed. Actual disbursements were realized in the third quarter of 2012 for the full amount of EUR 3.6m and in the fourth quarter of 2013 for less than the full amount, EUR 3.67. The disbursements of budget support tranches in each given year are subject to the simultaneous fulfilment of several general and specific eligibility conditions as laid out in the Financing Agreements. One of the specific conditions attached to the 2013 disbursement and weighted as 16.66% of the overall score of the six established performance indicators, was found un-met. A two-step pro-rata method was used to determine the amount of disbursement for the variable tranche portion of the disbursement amounting to EUR 2.0m which explains the discrepancy⁵². For 2011, there was a 200% and in 2013 a 218.2% in-year disbursement delay. Score D

203. There has been no change to the indicator since 2008, with identical scores in both dimensions in 2008 and 2014.

D-2 Financial information provided by donors for budgeting and reporting on project and program aid

204. The indicator measures the extent to which government receives adequate financial information on donor-executed programs and projects. Information received on a regular and timely basis is important to allow the government to properly allocate resources towards

⁵¹ The capital grant from the Warren Foundation totaled US\$250,000 and was received in June 2000, but only spent in 2013. The Wind Song grant totaled US\$193,000 and was received in September 2011 and is continuing to be spent. Source: Email, PS Education, 25 March 2014

⁵² Information provided by the European Union.

priorities, to balance the distribution of aid on a sectoral and geographic basis, and to estimate the recurrent cost implications.

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
D-2. Financial information provided by donors for budgeting and reporting on project and program aid	Score D	Score NA	
(i) Completeness and timeliness of budget estimates by donors for project support	D	NA	
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	D	NA	

(i) Completeness and timeliness of budget estimates by donors for project support

205. **There is no project support.** The in-kind assistance from the Commonwealth Secretariat is very small in size. Not applicable

(ii) Frequency and coverage of reporting by donors on actual donor flows for project support. Not applicable

D-3 Proportion of aid that is managed by use of national procedures

	Minimum Requirements (scoring Method M1)		
	2008	2014	Explanation
D-3. Proportion of aid that is managed by use of national procedures	Score D	Score A	
(i) Overall proportion of aid funds to central government that are managed through national procedures	Not scored	A	90% or more of aid funds to central government are managed through national procedures

206. **Donor procedures frequently pose an additional burden on the already constrained capacities of national authorities.** Furthermore, utilizing national procedures helps to strengthen these procedures. The indicator therefore attempts to assess the degree of alignment with national procedures in the management of official development assistance. National procedures are reviewed with respect to procurement, payment/accounting, audit and reporting.

(i) Overall proportion of aid funds to central government that are managed through national procedures

207. **Both the EU and UK governments provide direct budget support.** The procuring of projects is undertaken with national procurement procedures, the funds are deposited within their consolidate fund (EU) and are managed and reported through their SmartStream FMIS and are audited as part of their annual financial statement audit. Smaller donors, such as the Warren Foundation and Wind Song also utilize local procedures for procurement, reporting and auditing – although they utilize separate bank accounts and payments are not processed through SmartStream. Score A

IV. COUNTRY SPECIFIC ISSUES

208. **A Framework for Fiscal Sustainability and Development (FFSD) was agreed in April, 2013 set out, among other things, five key policy principles including:**

- Commitment to sustainable development
- Effective medium and long term development and fiscal planning
- Putting value for money considerations at the heart of decision making
- Effective risk management; and
- Delivering improved accountability in all areas of public sector operations

209. **The FFSD requires the GoA to ‘supply the UK Government’ with the draft budget.** Prior to the tabling of the 2014 Budget in the House of Assembly, the Minister for Africa, Overseas Territories, Caribbean and International Energy wrote⁵³ to the Chief Minister giving his agreement to the 2014 budget proposal subject to the Government’s commitment to the following conditions:

- **Balanced budget:** the overall budget must balance in cash terms;
- **Cash management:** Apart from the continued use of the seasonal overdraft facility, recurrent expenditure can only take place when recurrent revenue has been received;
- **No new borrowing:** Excluding the EC\$8.6m Community College loan;
- **Reserves:** These cannot be expended as part of the 2014 budget unless Anguilla complies with the legally binding debt limits agreed by the FFSD;
- **Budget delivery committee:** A civil service led committee to be established under the leadership of the Deputy Governor to help monitor financial performance and report to ExCo on actions taken to manage fiscal risks. Terms of reference to be developed by the Governor and Deputy Governor. Quarterly meetings to be held including ex-officio members from the UK;
- **Monthly reports;** Reports to be submitted less than 3 weeks after the end of the month and to include appropriate detail on all expenditure and revenue items; and
- **Medium term fiscal plan:** GoA to put forward proposals to the UK by the end of March 2014 for a five-year fiscal trajectory, which credibly and sustainably complies with debt limits set out in the FFSD and transition arrangements.

210. **Another country specific issue is the fact that the Auditor-General of Anguilla is currently not a statutory office holder.** The GoA has outsourced the role of Auditor-

⁵³ Letter from Mark Simmons, MP, the Minister for Africa, Overseas Territories, Caribbean and International Energy, dated 10 December, 2013

General under a service contract. From 1994 to 2013 the role of Auditor-General was undertaken through a contract between the GoA and the UK's National Audit Office which ended after the audit of the 2010 Financial Statements. The most recent incumbent from the NAO served from 2003. A two-year contract has recently been issued to the Wales Audit Office to audit the 2011 and 2012 Financial Statements.

V. REFORMS

211. **Anguilla has made positive strides in developing their PFM systems since the last PEFA.** Overall there has been a renewed focus on PFM activities and the monitoring system for PFM activities has been established and is undertaken regularly. Going forward the main areas of focus will be a budget implementation and reporting framework that includes the statutory bodies and the functioning of the Public Accounts Committee.

Recent initiatives and ongoing reforms

212. **CARTAC has been the most significant partner and source of support in planning and implementation of the PFM Reform Action Plan.** CARTAC recommended a number of areas to be undertaken for strengthened medium term budget planning and preparation processes including a range of new template forms designed to capture more information about need, priority, performance and value for money of spending programs. This process included the adoption of rolling forward expenditure estimates to establish 'hard' multi-year budget ceilings (with separate processes for prioritizing new spending and budget savings) and the introduction of a simple results-based program budgeting system. CARTAC has provided technical assistance and training to support budget reform and the preparation of medium term budget plans. It is also continuing to provide training and support in the areas of cash flow modeling, GDP and fiscal projections, Revenue Modeling and Forecasting, and Macroeconomic Statistics for Economists. In addition, CARTAC provides ongoing support through regular missions to assist GoA with macroeconomic and fiscal projections.

Institutional factors supporting reform planning

213. **The Government of Anguilla developed and approved a PFM Reform Action Plan in August 2010.** Later that year, CARTAC facilitated a one-day workshop aimed at reviewing the 2008 PEFA findings and further developing and refining Anguilla's Public Financial Management (PFM) Reform Action Plan. The Action Plan presents a summary of the 2008 PEFA scores, the issues and challenges faced the desired medium term objectives and the detailed PFM Reform Program measures to be undertaken. It has been subsequently updated as reform has progressed with CARTAC support.

214. **PFM activities are under weekly review by the GoA authorities.** PFM Reform is a standing item on the agenda of the Ministry of Finance and Economic Development's weekly Fiscal and Economic Recovery Plan (FERP) meetings. During these meetings the relevant stakeholders are required to report on progress. The Action Plan also acts as the basis for coordination of support for this area from development agencies such as CARTAC through their capacity development programs.

215. **The government has also established a Fiscal Evaluation Group (FEG), as part of the Framework for Fiscal Sustainability (FFSD) agreed with the UK Government.** The FEG terms of reference are:

- To initiate, develop and or approve actions designed to further improve the fiscal arrangements of GOA; and
- To ensure GOA remains at the forefront of best practices in financial stewardship and management within the region.

Membership is the Minister of Finance, Honorable Deputy Governor, PS Finance, PS Economic Development, Director Economic Development, Comptroller of Customs.

Comparison of PEFA scores of 2008 and 2014			
	2008	2014	Progress between 2008 and 2014
A. PFM-OUT-TURNS: (1) Credibility of the Budget			
PI-1 Aggregate expenditure out-turn compared to original approved budget	D	B	
PI-2 Composition of expenditure out-turn compared to original approved budget	A	B	Overall improvement in variance using current PEFA methodology.
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	A	B	Based on revised PEFA methodology and applying variances at departmental level the rating for this dimension has improved from D to B.
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years.	NA	A	Dimension not covered by previous PEFA.
PI-3 Aggregate revenue out-turn compared to original approved budget	A	C	Applying the current methodology to the 2008 PEFA data would produce a score of D for this indicator as actual revenues exceeded forecast by more than 116% in each of the years 2005 to 2007. This indicates there has been an improvement in the credibility of revenue forecasts since the last PEFA.
PI-4 Stock and monitoring of expenditure payment arrears	A	A	
(i) Stock of expenditure payment arrears and a recent change in the stock.	A	A	No change. No evidence of arrears during assessment period.
(ii) Availability of data for monitoring the stock of expenditure payment arrears.	A	A	No change. Procedures in place to identify and monitor arrears.
B. KEY CROSS-CUTTING PFM-OUT-TURNS: (2) Comprehensiveness and Transparency			
PI-5 Classification of the budget	C	C	No change
PI-6 Comprehensiveness of information included in budget documentation	C	B	Two additional items in the 9 point information benchmarks are now met, moving compliance from 4 out of 9 to 6 out of 9.
PI-7 Extent of unreported government operations.	D	D	
(i) Level of unreported government operations	D	D	No improvement. Unreported fiscal activities are significantly in excess of 10% of total government expenditure.
(ii) Income/expenditure information on donor-funded projects	A	D	Deterioration, although the same weaknesses identified in the current assessment were also present in 2008.
PI-8 Transparency of inter-governmental fiscal relations.	NA	NA	As Anguilla does not have sub-national governments this indicator is not applicable.
(i) Transparency and objectivity in the horizontal allocation amongst Sub national Governments	NA	NA	
(ii) Timeliness and reliable information to SN Governments on their allocations	NA	NA	
(iii) Extent of consolidation of fiscal data for general government according to sectoral categories	NA	NA	
PI-9 Oversight of aggregate fiscal risk from other public sector entities.	C	D	

(i)	Extent of central government monitoring of autonomous entities and public enterprises	C	D	Situation has deteriorated since 2008 PEFA that noted that AGAs complied with requirement to submit audited financial statements annually. Currently three AGAs have never submitted audited statements. Two AGAs have not submitted statements since 2008 and 2005 respectively.
(ii)	Extent of central government monitoring of SN government's fiscal position	NA	NA	
PI-10 Public access to key fiscal information		B	D	There has been deterioration in this PI. Previously the authorities had complied with four of the six criteria.
C. BUDGET CYCLE				
C (i) Policy-Based Budgeting				
PI-11 Orderliness and participation in the annual budget process		C+	A	
(i)	Existence of, and adherence to, a fixed budget calendar	C	A	Fixed budget calendar has been developed and is included in the first budget call circular and is generally adhered to.
(ii)	Guidance on the preparation of budget submissions	D	A	The Budget Call Circulars provide advice on budget ceilings and clear and detailed budget instructions and templates for budget preparation, including enhanced performance information.
(iii)	Timely budget approval by the legislature	A	A	Annual appropriation law has passed the House of Assembly before the fiscal year in each of the last three budget cycles.
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting		C	C▲	
(i)	Multiyear fiscal forecasts and functional allocations	C	C▲	Recurrent budget and forward estimates now prepared on a 'rolling' basis at sector ministry and department level. MoF plans to extend rolling forward estimates to capital during the 2015 budget cycle.
(ii)	Scope and frequency of debt sustainability analysis	A	A	Debt strategy prepared annually.
(iii)	Existence of costed sector strategies	D	D▲	Since 2008, most ministries have prepared sector strategies although most have not been updated in recent years and none have included complete multi-year costings. Extension of rolling forward estimates to capital expenditure is in train.
(iv)	Linkages between investment budgets and forward expenditure estimates	D	D▲	The template for new capital spending requests requires MDAs to identify the recurrent cost implications of investment projects but no evidence at this stage these are included in the forward estimates.
C (ii) Predictability and Control in Budget Execution				
PI-13 Transparency of taxpayer obligations and liabilities		C+	D+	
(i)	Clarity and comprehensiveness of tax liabilities	B	C	There is significant number and value discretionary exemptions in place
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	C	D	There is no effective tax payer services and poor use of the internet for communication
(iii)	Existence and functioning of a tax appeal mechanism.	C	C	There is still no Independent Appeals Commission
PI-14 Effectiveness of measures for taxpayer registration and tax assessment		C	A	
(i)	Controls in the taxpayer	B	A	The TIN system is now in place

	registration system			
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	C	A	Penalties are in the law are high and applied
(iii)	Planning and monitoring of tax audit and fraud investigation programs	D	B	ASYCUDA world has allowed Customs Department to profile importers for audit purposes
	PI-15 Effectiveness in collection of tax payments	D+	D+	
(i)	Collection ratio for gross tax arrears	D	D	Arrears are quantified and are high
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	C	A	Transfer are made and reconciled daily
(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	C	A	Files are undated when a payment is made
	PI-16 Predictability in the availability of funds for commitment of expenditures	D+	B+	
(i)	Extent to which cash flows are forecasted and monitored	D	A	Cash flow forecasting is done and adjusted for actuals
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	C	B	Quarterly not monthly allocation are provided
(iii)	Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	C	A	There are no supplementary budgets in use
	PI-17 Recording and management of cash balances, debt and guarantees	B	B+	
(i)	Quality of debt data recording and reporting.	B	A	The DMU produces monthly information
(ii)	Extent of consolidation of the government's cash balances.	B	C	No consolidation of daily verified bank balances
(iii)	Systems for contracting loans and issuance of guarantees.	B	A	Loans are approved by House of Assembly and there are fiscal rules for debt levels
	PI-18 Effectiveness of payroll controls	A	A	
(i)	Degree of integration and reconciliation between personnel records and payroll data.	A	A	Payroll and records are integrated
(ii)	Timeliness of changes to personnel records and the payroll.	B	A	Changes are made in a timely manner
(iii)	Internal controls of changes to personnel records and the payroll.	A	A	There are good checks and balances
(iv)	Existence of payroll audits to identify control weaknesses and/or ghost workers.	A	B	There has been only one recent payroll audit as thee have been delays in the external audit
	PI-19 Competition, value for money and controls in procurement	C	D+	
(i)	Transparency, comprehensiveness and competition in the legal and regulatory framework.	A	B	New legislation and regulations are now in place.
(ii)	Use of competitive procurement methods.	D	D	No change
(iii)	Public access to complete, reliable	D	D	The new law provides for a procurement ombudsman, but

	and timely procurement information.			as yet it is not operational
(iv)	Existence of an independent administrative procurement complaints system.	NA	D	Dimension not covered in previous PEFA
PI-20	Effectiveness of internal controls for non-salary expenditure	C+	A	
(i)	Effectiveness of expenditure commitment controls	B	A	Improved commitment control in place
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/procedures.	C	A	Specific instructions are issued that govern transactions are understood
(iii)	Degree of compliance with rules for processing and recording transactions	C	A	Compliance is high
PI-21	Effectiveness of internal audit	C+	A	
(i)	Coverage and quality of the internal audit function.	C	A	Internal audit is governed by Audit Manual and annual work plan
(ii)	Frequency and distribution of reports	A	A	Reports go to audited departments and central government organization
(iii)	Extent of management response to internal audit function.	C	B	Audited agency response is good but delays in external agencies that need to react to audit recommendations
C (iii) Accounting, Recording and Reporting				
PI-22	Timeliness and regularity of accounts reconciliation	B	D	
(i)	Regularity of bank reconciliation	B	D	No active reconciliation between main bank account and SmartStream FMIS
(ii)	Regularity and clearance of suspense accounts and advances	B	D	No active reconciliation or clearance of suspense accounts, advances
PI-23	Availability of information on resources received by service delivery units	A	D	No data collected on service delivery units
PI-24	Quality and timeliness of in-year budget reports	C+	C+	
(i)	Scope of reports in terms of coverage and compatibility with budget estimates.	C	C	Reports comprehensive, but lack commitments and is not by economic classification
(ii)	Timeliness of the issue of reports	A	A	No change
(iii)	Quality of information	B	C	Quality decline linked to lack of reconciliation of main bank and SmartStream
PI-25	Quality and timeliness of annual financial statements	D+	C+	
(i)	Completeness of the financial statements	B	A	Complete information presented
(ii)	Timeliness of submissions of the financial statements	D	C	Financial statements are up to date, although not submitted within statutory timeframe
(iii)	Accounting standards used	D	A	Adopted cash basis IPSAS
C (iv) External Scrutiny and Audit				
PI-26	Scope, nature and follow-up of external audit	C+	D+	
(i)	Scope/nature of audit performed (including adherence to auditing standards)	A	B	AGAs were included in assessment which reduced the score
(ii)	Timeliness of submission of audit reports to the Legislature	A	D	AGAs were included in assessment which reduced the score

(iii)	Evidence of follow up on audit recommendations	C	D	Response to recommendation poor
PI-27 Legislative scrutiny of the annual budget law				
(i)	Scope of the legislature scrutiny	C	A	With budget formulation improvements scope of scrutiny has extended
(ii)	Extent to which the legislature's procedures are well established and respected.	B	A	Procedures established and followed
(iii)	Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	C	D	Time for process relatively good for small Assembly, but insufficient relative to PEFA scoring requirements.
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	A	B	There are no limits to virement
PI-28 Legislative scrutiny of external audit reports				
(i)	Timeliness of examination of audit reports by the legislature	D	D	PAC not effective though established
(ii)	Extent of hearing on key findings undertaken by the legislature	D	D	PAC not effective though established
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	D	D	PAC not effective though established
D. DONOR PRACTICES				
D-1 Predictability of Direct Budget Support				
(i)	Annual deviation of actual budget support from the forecast provided by donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature	A	A	No change. EU process very effective.
(ii)	In-year timeliness of donor disbursements	D	D	No change
D-2 Financial information provided by donors for budgeting and reporting				
(i)	Completeness and timeliness of budget estimates by donors for project support.	D	NA	
(ii)	Frequency and coverage of reporting by donors on actual flows for project support.	D	NA	
D-3 Proportion of aid that is managed by use of national procedures				
		A	A	No change. All donors utilize national procedures

List of documents/reports consulted	
Indicator	Evidence
PI-1: Aggregate expenditure outturn compared to original approved budget	<ul style="list-style-type: none"> • Annual Budget Documents 2005-2008 and 2011-2014; • Actual expenditure data from accounting system for 2011-2014 and 2005-2007 provided by MoF; • Calculations using PEFA spreadsheet prepared by mission team
PI-2: Composition of expenditure outturn compared to approved budget	<ul style="list-style-type: none"> • Annual Budget Documents 2005-2008 and 2011-2014; • Actual expenditure data from accounting system for 2011-2013 and 2005-2007 provided by MoF; • Calculations using PEFA spreadsheet prepared by mission team
PI-3: Aggregate revenue outturn compared to original approved budget	<ul style="list-style-type: none"> • Annual Budget Documents 2005-2008 and 2011-2014; • Actual revenue data from accounting system for 2011-2013 and 2005-2007 provided by MoF; • Calculations using PEFA spreadsheet prepared by mission team
PI-4: Stock and monitoring of expenditure payment arrears	<ul style="list-style-type: none"> • Annual Financial Statements • External Audit Report 2010 • SmartStream data • Project Report, Caribbean Development Bank • Quarterly Debt Report, December 2013
PI-5: Classification of Budget	<ul style="list-style-type: none"> • GoA chart of accounts; • Report of CARTAC ECCU Workshop on Chart of Accounts 26 January – 7 February, 2013 • Minutes of GFS and Chart of Accounts Meeting May 6, 2013 • MoF internal email correspondence.
PI-6: Information contained in budget documentation	<ul style="list-style-type: none"> • Government of 2014 Anguilla Estimates of Recurrent Revenue, Expenditure and Capital document • Annual Government of Anguilla Estimates of Recurrent Revenue, Expenditure and Capital document 2005 – 2007.
PI-7: Extent of unreported government operations	<ul style="list-style-type: none"> • Financial Administration and Accountability Act • Legislation establishing AGAs including: <ul style="list-style-type: none"> ○ Anguilla Air and Sea Ports Authority Act ○ Anguilla Community College Act ○ Anguilla National Trust Act; ○ Anguilla Tourist Board Act; ○ Development Board Act; ○ Financial Services Commission Act; ○ Health Authority of Anguilla Act; ○ Social Security Act; ○ Water Corporation of Anguilla Act ○ Public Utilities Commission Act • 2013 financial reports of following agencies: <ul style="list-style-type: none"> ○ Anguilla Air and Sea Ports Authority ○ Anguilla Community College ○ Anguilla National Trust
PI-9: Oversight of aggregate fiscal risk from other public entities	

	<ul style="list-style-type: none"> ○ Anguilla Tourist Board ○ Development Board ○ Financial Services Commission ○ Health Authority of Anguilla ○ Anguilla Social Security Board ○ Water Corporation of Anguilla ● Latest audited financial statements of agencies: <ul style="list-style-type: none"> ○ Anguilla National Trust (2005) ○ Anguilla Tourist Board (2011) ○ Anguilla Development Board (2012) ○ Financial Services Commission (2011) ○ Health Authority of Anguilla (2008) ○ Anguilla Social Security Board (2011) ● 2014 Budget estimates submissions of following agencies: <ul style="list-style-type: none"> ○ Anguilla Air and Sea Ports Authority ○ Anguilla Community College ○ Anguilla National Trust ○ Anguilla Tourist Board ○ Development Board ○ Financial Services Commission ○ Health Authority of Anguilla ○ Anguilla Social Security Board ○ Water Corporation of Anguilla ○ Public Utilities Commission ● Annual Budget Documents 2011-2014;
PI-10: Public access to key fiscal information	<ul style="list-style-type: none"> ● Government of Anguilla website - www.gov.ai; ● Website of the Anguillan newspaper – article reporting 2014 budget http://theanguillian.com/2013/12/early-presentation-of-2014-budget/; ● Site visit to the Anguilla Public Library and Anguilla House of Assembly
PI-11: Orderliness of and participation in the annual budget process	<ul style="list-style-type: none"> ● Budget Call Circular No.1, 23 July, 2013; ● Budget Call Circular No. 2, 21 October, 2013; ● Draft Anguilla Budget Preparation Manual; ● House of Assembly Agenda; ● Appropriation Acts 2012, 2013 and 2014 ● Annual Progress Report of PFM Action Plan, 26 April, 2012 ● Executive Council Minutes
PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting	<ul style="list-style-type: none"> ● Medium Term Expenditure Strategy 2010-14 (MTES); ● MTES Annual Progress Report 2012; ● MTES Annual Progress Report 2013; ● Draft outline of proposed Medium Term Fiscal Plan (MTFP); ● Selected new capital investment spending requests from 2014 Budget Submissions <ul style="list-style-type: none"> ○ National Strategic Health Plan 2009-14 ○ Anguilla' Health Strategy Cost Estimates 2011 ○ Department of Environment Strategic Plan 2011-15 ○ Education Development Plan 2010-15 ○ Her Majesty's Prison Anguilla Strategic Plan 2011-15

	<ul style="list-style-type: none"> ○ The Anguilla Public Library Strategic Plan 2011-16 ○ Department of Youth and Culture Draft Strategic Framework ○ Department of Social Development Operational Plan 2014 ○ Department of Sports Strategic Plan 2010 ○ Department of Probation Annual Work Plan 2014 ○ Anguilla Community College Strategic Plan 2012-17 ● Financial Administration and Audit Act ● Fiscal Responsibility Act ● Fiscal Framework for Sustainable Development, April 2013
PI-13: Transparency of taxpayer obligations and liabilities	<ul style="list-style-type: none"> ● Customs Act and HS Code ● Inland Revenue Department Act ● Individual Tax acts: such as Stamp Duty, Accommodation Tax, Tourism Levy act, Interim Stabilization Levy, Environment Tax, Embarkation Tax, Valuation and Rating Act, Property Tax ● The Finance Administration and Audit Act ● Tax Guide Handbook ● Brochures on various taxes ● Open Forum Invitation to real estate agents and villa managers ● Power point presentation on ISL ● Internal audit report on ISL ● Penalties data ● Application for a Business License ● Tax arrears data ● Government Gazettes ● ExCo Minutes
PI-14: Effectiveness of measures for taxpayer registration and tax assessment	
PI-15: Effectiveness in collection of tax payments	
PI-16: Predictability in the availability of funds for commitment of expenditures	<ul style="list-style-type: none"> ● Cash Management Profile
PI-17: Recording and management of cash balances, debt and guarantees	<ul style="list-style-type: none"> ● Anguilla Debt Portfolio Review 2012 ● Monthly and Quarterly Debt Reports ● Fiscal Responsibility Act ● FAA Act ● Treasury Bill Act ● Development Bonds Act ● House of Assembly Resolution on Loan
PI-18: Effectiveness of payroll controls	<ul style="list-style-type: none"> ● SmartStream HR module Manual ● Internal Audit of Payroll
PI-19: Transparency, competition and complaints mechanisms in procurement	<ul style="list-style-type: none"> ● Government of Anguilla website - www.gov.ai; ● Government Gazette, 27 February 2014 ● Public Procurement and Contract Administration Act ● Public Procurement and Contract Administration Regulations ● Executive Council minutes ● Email correspondence, Attorney General
PI-20: Effectiveness of internal controls for non-salary expenditure	<ul style="list-style-type: none"> ● Annual Instructions to Accounting Officers ● Government of Anguilla Motor Vehicle Usage Policy ● Special Emergency Authorization Instructions

	<ul style="list-style-type: none"> • Financial Instructions • Letter to vendors/traders RE: Issuance of purchase orders for Government of Anguilla purchase requests
PI-21: Effectiveness of internal audit	<ul style="list-style-type: none"> • Internal Audit Manual • Internal audit annual work plans • Various internal audit reports with action plan and follow up: Prisons, ISL, Board of Governors ALHCS; CCRIF Projects; Education Department; Salary Payments made in Advance; Motor Vehicle License
PI-22: Timeliness and regularity of accounts reconciliation	<ul style="list-style-type: none"> • Internal Audit Report • External Audit Report 2010
PI-23: Availability of information on resources received by service delivery units	<ul style="list-style-type: none"> • Chart of Accounts • Financial statements and in-year budget reports
PI-24: Quality and timeliness of in-year budget reports	<ul style="list-style-type: none"> • Monthly report Treasury department • Monthly report Budget department • Monthly and quarterly report, debt unit
PI-25: Quality and timeliness of annual financial statements	<ul style="list-style-type: none"> • Annual financial statements 2010, 2011 and 2012 • Auditor General report 2010
PI-26: Scope, nature and follow-up of external audit	<ul style="list-style-type: none"> • Audit reports of 2010 Government Financial Statements Audited • Financial statements of Anguilla Development Board, Anguilla Tourist Board, Anguilla Social Security Board, and Financial Services Commission
PI-27: Legislative scrutiny of the annual budget law	<ul style="list-style-type: none"> • FAA Act
PI-28: Legislative scrutiny of external audit reports	

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Reviewer	Date responded
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Teresa Curristine, IMF	21 February, 2014
Cristina Ward, EU	27 February and 6 March, 2014
Donald Menzies, UK Government	4 March, 2014
Anthea Ipinson, Anguilla Government	5 March, 2014

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Review of PEFA Assessment Report	
Reviewer	Date responded
Phil Sinnett/Holy-Tiana Rame, PEFA Sec	28 April, 2014 and 28 October, 2014
Teresa Curristine, IMF	16 May, 2014
Joan Nadel-Sastre, EU	5 May, 2014
Donald Menzies and Richard Holmwood, UK Government	6 June, 2014
Aidan Harrigan, Anguilla Government	14 May, 2014

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Table of comments from all reviewers and PEFA Assessment Team response distributed.



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The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK**'.

PEFA Secretariat
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