



MEMORANDUM OF UNDERSTANDING WITH THE GOVERNMENT OF  
MONTSERRAT FOR  
NON BUDGET SUPPORT FINANCIAL AID AND TECHNICAL  
CO-OPERATION

Between

The Government of the United Kingdom of Great Britain and Northern Ireland acting through the  
Department for International Development ("DFID")  
and

The Government of Montserrat ("The Government")  
together called "the Participants"

Montserrat Budget Aid 2015/16  
ARIES No 204161

1. The arrangements and the purpose for which the Grant will be used are set out in this Memorandum of Understanding (MoU), its Annexes and the corresponding Business Case, collectively referred to as "this Arrangement".
2. Following the recent discussions between the Participants, DFID will make available: for non-budget support financial aid a sum not exceeding the lower of £19,200,000 and EC\$79.7 million<sup>1</sup> for the financial year 2015/16 subject to the conditions set out in the Arrangement. **Further detail is set out in Annex 5.**
3. The Grant will start on 1st April 2015 and is expected to end on 31<sup>st</sup> March 2016.

### **Funding Requirements**

4. The funding amount above is subject to revision and will depend on the fulfilment of the provisions of this arrangement, any revisions to budgets, actual expenditure and need. It will also depend on any additional specific conditions accepted by the Government.

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<sup>1</sup> Using an EC\$/ £ exchange rate of 4.15, as set out in the DFID Business Case



5. In addition to the conditions in this MoU, the Government accepts additional any additional specific conditions relating to this Arrangement set out in the DFID Budget Aid Business Case.

6. DFID funds must be separately accounted for by the Government and therefore readily identifiable at all times. The Government will ensure that all goods and services financed from the Grant will continue to be used for the purposes set out within this arrangement. In the event of such goods or services being used for other purposes, the Government must notify DFID in writing and DFID may seek to recover from the Government the value of the goods and services concerned.

### **Assurance and Audit Arrangements**

7. The Government will cooperate fully with DFID and its agents during any assessment of the public financial management system, the partnership principles and the project, providing the information and evidence necessary for effective assessments to be made. Whenever required and practicable, the Government will permit DFID authorised personnel to visit the project(s) funded, directly or indirectly by this grant.

8. The Government will within 9 months of the end of each financial year provide DFID with Annual Audited Statements from its Auditor General (or equivalent) confirming that DFID's Grant has been used for the intended purposes.

### **Reporting and Reviews**

9. Formal reviews and reporting will be conducted, to assess progress against project objectives. GoM must submit full and timely evidence in support of claims, including: a) performance to date and a forecast to the end of the claim period of both domestic (e.g. tax) revenues and of expenditure; b) a breakdown of expenditure needs by key department and spending area, including a separate section on each of the ring-fenced areas.

10. As part of the claim process, GoM will supply DFID with an up-to-date estimate of the actual exchange rate they expect to apply in transferring the £ sterling claim to EC dollars (potentially using the *current* effective exchange rate as the best indicator). GoM will also provide DFID with evidence to satisfy the new DFID exchange rate protocol requirements on competitiveness and value for money in its use of banking services. This needs to be done in advance of the 2015/16 Q2 claim.

11. Formal reviews and reporting will be conducted to assess progress against project objectives. It is expected the Ministry of Financial and Economic Management (MOFEM) will meet officials on a monthly basis to discuss:



- a) performance to date and forecasts for both domestic (e.g. tax) revenues and expenditure;
- b) related key budget policy and departmental developments;
- c) GoM performance against budget aid targets (e.g. as set out in the DFID Budget Aid Business Case and supporting Logframe);
- d) programme delivery risks.

12. MOFEM will provide DFID with information on the above areas to monitor budget aid progress and will produce a written record of the key issues and action points arising from the monthly meetings.

13. There will be a Mid-Year review to further discuss budget performance and related policy. DFID will carry out a Project Completion Report between 1 April and 30 June 2016.

### **Accountability and Indemnity**

14. DFID will not be responsible for the activities of any person, organisation or company engaged by the Government or its agencies as a result of this Memorandum, nor will DFID be responsible for any costs incurred by the Government or its agencies in terminating the engagement of the aforementioned persons, organisations or companies.

15. Although accountable to DFID for the appropriate use of funding and delivery of project objectives, the Government will retain ultimate responsibility for the appropriate delivery of aid funding and will as such be solely responsible for any adverse effects of aid expenditure that have an undesired or unexpected result upon recipients.

### **Communication and Branding**

16. The Government will collaborate with DFID and proactively look for ways to build support for development and raise awareness of DFID's funding. Wherever appropriate, the Government will explicitly acknowledge DFID's support through the use of DFID's UK aid logo in all communications with the public or organisations regarding this funding.

17. The Government also commits to collaborate with DFID on other awareness raising activities, where feasible and appropriate, in the UK and overseas, to profile the partnership and the results it is delivering. Consideration of safety and security will always take precedence over the need to brand.



### **Intellectual Property**

18. Intellectual property developed in all material (including, but not limited to, reports, data and designs, whether or not electronically stored) produced by the Government or its personnel, members or representatives in the course of this project ("the Material") will be the property of the Government.

19. In signing this arrangement the Government hereby grants to DFID a worldwide, non-exclusive irrevocable and royalty-free licence to use all the Material, where "use" shall mean, without limitation, the reproduction, publication and sub-licence of all the Material and the intellectual property therein, including the reproduction and sale of the Material and products incorporating the same, for use by any person or for sale or other dealing anywhere in the world.

### **Fraud and Corruption**

20. DFID and the Government will immediately and without undue delay inform the other participant of any event which interferes or threatens to materially interfere with the successful implementation of the project, whether financed in full or in part by DFID, including credible suspicion of or actual fraud, corruption or any other financial irregularity or impropriety.

21. DFID have an expert fraud investigation unit, that should be contacted in the first instance at [fraud@dfid.gov.uk](mailto:fraud@dfid.gov.uk) or +44 (0)1355 84 3747. All suspicions will be treated with the upmost confidentiality.

22. DFID and the Government have a zero tolerance approach towards fraud and fraudulent behaviour that may lead to the misuse of funds and will fully co-operate with investigation into such events, whether led by DFID or the Government. DFID, may, at any time during the term of this arrangement and up to five years after the end of the programme, arrange for additional audits, on-the spot checks and / or inspections to be carried out. These may be carried out by DFID, or any of its duly authorised representatives.

23. DFID reserve the ability to recover funds that have been subject to a proven fraud and will work with the Government to do so. Where fraudulent or unethical activity is alleged, DFID reserve the right to suspend or terminate funding with immediate effect, in preference to the standard notice period and irrespective of any contractual requirements.



24. The Government will assure itself that UK funding, including financial assets or economic resources is not made available, either directly or indirectly to, or for the benefit of persons, groups or entities listed in accordance with European Council Regulation EC/2580/2001 (as amended) and/or the Terrorism (United Nations Measures) Orders 2009 of the United Kingdom, or contravene the provisions of those and that of any subsequent applicable terrorism legislation.

### General Termination

25. If DFID becomes concerned that the provisions of this MoU, partnership principles or specific conditions made under this arrangement have not been fulfilled by the Government or if any activities occur which in DFID's opinion will significantly impair the development value of the project, DFID will discuss with the Government and undertake an assessment. DFID may then take any of the following actions:

- Signal a possible future response
- Change the way DFID delivers aid
- Delay or reduce all or part of a specific aid disbursement
- Stop aid for this arrangement under the termination provisions set out within this MoU

26. This Arrangement including this MOU can be terminated by three months' written notice by either participant. It is accepted nonetheless that any decision of either participants regarding termination of this Arrangement will first be subject to discussion and the additional provisions cited within this arrangement.

27. In the event of returning funds, the template in Annex 4 should be used.

### Additional Provisions

28. Programme assets, specifically identified to be procured under the terms of this grant will be operated and controlled by the Government for the duration of the programme. The Government will be accountable to DFID for the appropriate use of these assets, in line with project objectives. Ultimate ownership of programme assets will be decided in writing by all participants.

29. When requesting payment the Government should complete **Annex 3**, Payment Request Form. Payment will be made to the bank account details provided in **Annex 2** of this arrangement.



30. The Grant will not, unless agreed by DFID in writing, be used to meet the cost of any import, customs duties or any other taxes or similar charges, applied directly or indirectly, by the Government or by any local public authority on the goods / services provided.
  
31. The Partner will work towards applying transparency standards in line with the UK aid Transparency Guarantee and the International Aid Transparency Initiative (IATI), to the funds received from DFID. In line with this guarantee and DFID's transparency commitment, the Partner will make substantive efforts to publish information about DFID funded projects, in line with relevant categories of the IATI standard, on their own website. In line with DFID's Transparency commitments, the Partner gives consent for this arrangement (and any subsequent amendments) and associated funding to be published on DFID's website.
  
32. If this arrangement is acceptable to the Government it will place on record the understanding of the Participants and will come into operation on the date of the Governments signature below.
  
33. In the event of translation the English text of this document will prevail.
  
34. Any amendments to the provisions contained within this Memorandum will be set out in writing and approved by the authorised personal through DFID's standard amendment letter or, where significant, a revised Memorandum of Understanding.



Department  
for International  
Development



Signed on behalf of DFID:

*Douglas Winslow*

Name:

DOUGLAS WINSLOW

Position:

SENIOR ECONOMIC ADVISOR, OTD (AND SRD FOR THIS PROJECT)

Address/Contact Details:

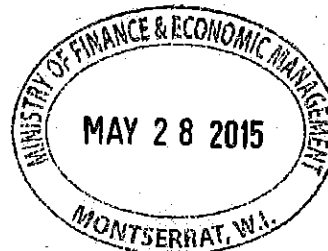
OTD, OFID ABERCROMBIE HOUSE, G75 8EA

Date:

28 MAY, 2015

Signed on behalf of the Government:

*L Brade*



Name:

LINDORNA BRADE

Position:

FINANCIAL SECRETARY (AG)

Address/Contact Details:

P. O. BOX 292, GOV'T HQ, BRADES.

Date:

28 MAY, 2015



## ANNEX 1. PROCEDURES AND PRACTICES FOR UNITED KINGDOM NON-BUDGET GOVERNMENT SUPPORT & TECHNICAL CO-OPERATION

### Introduction

1. This document sets out the procedures and practices applicable to Non-Budget Government Support and Technical Co-operation provided by the United Kingdom, including payment, procurement and audit arrangements. This guide should be read in conjunction with the Memorandum of Understanding (MOU).

### Disbursement of the Grant

2. In line with UK financial rules and regulations, disbursements, in advance of operational need should only be made when they have been properly justified. This justification will need to be set out in writing as part of this arrangement. All payments will be made on submission of an appropriate claim from the Government, or where applicable, the acting, Procurement Agent.
3. All claims should be accompanied by any relevant supporting documents and should include the necessary information to allow DFID to make payments to the bank details provided in Annex 2. The **Request for Payment template in Annex 3** sets out the recommended format for this information which must include the following information:
  - a. Title of Grant
  - b. Project location/official address.
  - c. Amount of claim
  - d. Details of expenditure (Type of expenditure including how the amount claimed is calculated, material purchased, labour used, name of supplier/contractor, services used etc.)
  - e. Bank account details (To corroborate with the Bank details provided in Annex 2)
  - f. Details of audit discharge being applied to the project and confirmation that the relevant audit authority has been informed of the claim. (*See audit discharge options below*)
  - g. All claims must also include the following certification statements:





"I certify that this claim is correct and that the sum requested is properly due on the basis of the information provided, project objectives and on the work carried out or future work plans. I have the authority to sign this on behalf of the Government of..."

4. All outstanding claims should be submitted within 6 months of the project end date.
5. Any monies paid out and subsequently to be refunded to the Government by a contractor or by a guarantor must be returned to DFID by the contractor or guarantor.

#### **Audit discharge for Partner Government expenditure**

6. For expenditure where audit discharge is not received through the submission of invoices and supporting documentation, there are three options through which audit discharge can be ascertained. These are:

##### ***Annual Audited Accounts***

- o A Partner Government certifies that a particular sum of money has been spent on approved purposes and this statement is independently audited and a certificate given by a local independent audit authority. Each annual audited statement is provided in triplicate to DFID and is countersigned by the appropriate audit authority; it shows the drawing made from the Grant and the actual expenditure incurred during each financial year and certifies that the expenditure was incurred in accordance with the provisions of the MOU and any provisions on which the project/programme was accepted for financing from the Grant. Completed Annual Audited Accounts relating to expenditure actually and necessarily incurred and paid within a particular financial year must be received by the UK Government no later than 9 months after the end of the recipient's financial year.

##### ***Agency Audit***

- o A self-contained accounting and audit system is established within the management supervisory structure of a large scale project/programme. Local payments are paid direct to the contractor against claims certified by a consultant; an external auditor acceptable to DFID is appointed to the consultants to audit the accounts. Reports or certificates should be available to DFID and the National Audit Office (NAO);

##### ***Continuous Audit***



- o Each request for reimbursement made by the Partner Government is certified by an external auditor acceptable to DFID and the Partner Government. The auditor confirms that the claim is correct and accords with the MOU and is acceptable for payment.

#### **Procurement of Goods and Services**

7. The joint procurement action plan between DFID and Government of Montserrat mentioned in Annex 5 contains steps to strengthen rules, procedures and practices for GoM procurement activities. Procurement related to this grant must comply with this action plan.
8. There are three routes by which goods and services can be procured under the grant.
  - a) DFID may decide to control the process and buy goods or services directly from the supplier, on behalf of the Partner Government. In these cases, DFID will arrange a separate contract with the respective suppliers.
  - b) DFID may allow the Partner Government to take partial control of the process by managing and appointing a DFID approved procurement agent to procure the goods and services - *refer to guidance below.*
  - c) DFID may allow the Partner Government to take full control of the process and procure goods and services through their own internal processes – *refer to guidance below.*

#### ***Procurement through a Partner Government appointed and DFID approved Procurement Agent***

- i. The partner Government appoints a DFID approved Procurement Agent, using the draft contract in Appendix 1. Fees for procurement agents are met from the Grant. The Partner Government will notify the Procurement Agent of authorised signatories and submit specifications to the Procurement Agent for goods and services to be procured.
- ii. The Procurement Agent sends the specification, call-down contract (under the Procurement Agent Framework) and any other relevant documents to DFID. DFID authorises the Procurement Agent to proceed where there are sufficient available funds.



- iii. On satisfactory delivery of the goods or services, in line with the call-down contract, the Supplier sends invoices to the Procurement Agent who submits these to DFID for payment. DFID makes payments to the Procurement Agent for the goods and services to effect payment, and pays their fees.
- iv. Receipt of appropriate invoices and supporting documentation is considered to provide adequate audit discharge for DFID and therefore further audit provisions are not required for this type of expenditure.

***Procurement by the Partner Government***

9. If this arrangement allows for the Partner Government to arrange procurement for goods and services, without the use of a procurement agent, before any commitment is made to procure goods and/or services the following guidelines must be observed:
  - i. Prior approval for the procurement must be given by DFID (who reserves the ability to assess the procurement capacity and capability of the relevant government institution(s) at any time);
  - ii. No commitments should be entered into before the MoU has been signed;
  - iii. All procurement arranged by the partner government must be carried out in full accordance with current approved procurement and financial accounting procedures of the partner government and must be arranged by approved procurement personnel;
  - iv. financial records of all the procurement must be kept and must be made available for audit discharge purposes



**APPENDIX 1**

(PARTNER GOVERNMENT HEADED PAPER)

(Draft contract for the appointment of Procurement Agents by the Partner Government)

United Kingdom/{**COUNTRY NAME**} {**NAME OF PROJECT / PROGRAMME IF APPROPRIATE**}  
Grant 20... {**YEAR**}

1. I confirm your appointment as Agents of the Government of {**COUNTRY NAME**} ("the Government") to procure and arrange the shipment of goods and services required under the above mentioned aid Grant {**NAME OF PROJECT / PROGRAMME IF APPROPRIATE**}.
2. Procurement and the arrangement of shipment of goods will be handled according to the procedures laid down by the Government of the United Kingdom's Department for International Development (DFID) and the terms and conditions of DFID's Procurement Agent's Framework Agreement.
3. Original documents generated or any goods or documents coming into the possession of your company in relation to this Contract will be the property of the Partner Government.
4. The method of calculating your fees and charges for the services rendered are subject to the prior approval of the Procurement Group of DFID.
5. Your approved fees for arranging procurement and arranging shipping will be paid directly to you by DFID, acting on behalf of the Government, on presentation of your company invoice for the sum due.
6. This arrangement is made on the understanding that the Government of the United Kingdom representatives may at any time have direct access to original documents and any information it may require to satisfy itself regarding fees and charges made.

Yours faithfully



**ANNEX 2. PARTNER GOVERNMENT BANK ACCOUNT DETAILS**

<b>Partner Government Name</b>	
Bank Name:	Bank of Montserrat
Bank Postal Address:	Brades, Montserrat, W.I.
Name of Account:	Government of Montserrat – Treasury Consolidated Fund Account
Bank Account Number:	650-767-0
Sort Code:	
Currency of Bank Account:	Eastern Caribbean Dollars (XCD)
IBAN number: [required for bank accounts within Europe]	
SWIFT number:	BKMOMSMSXXX
ABA or BIC Number: [BIC required for bank accounts within Europe]	
Intermediary bank details:	Eastern Caribbean Central Bank Basseterre St. Kitts SWIFT: ECCBKNSK Account: 310501002 For further credit to: Government of Montserrat
Bank Email Address:	



**ANNEX 3. PARTNER GOVERNMENT PAYMENT REQUEST FORM**

<b>To:</b>	Accounts Payable, DFID, Abercrombie House, East Kilbride, Scotland <i>(NB. Where payment request is not electronic and originates from overseas, request should be sent via the local DFID Country Office)</i>
<b>Cc:</b>	[DFID Project Manager Country X]

**Title and Details of Funding**

Partner Government			
Title of Grant / Project name			
Details of Expenditure			
DFID Component Code / Purchase Order No.			
Date of Claim			
Period of Funding Request	[dd/mm/yyyy]	to	[dd/mm/yyyy]
<b>Payment Request Amount</b>			

**Partner Government Bank Details**

Bank Name:	
Bank Postal Address:	
Name of Account:	
Bank Account Number:	
Sort Code:	
Currency of Bank Account:	
IBAN number: [required for bank accounts within Europe]	
SWIFT number:	
ABA or BIC Number: [BIC required for bank accounts within Europe]	
Intermediary bank details:	
Bank Email Address:	

Audit Discharge



Department  
for International  
Development



*Specify details of audit discharge through annual audited statements / continuous audit / agency audit, confirming that the audit authority has been informed of the claim and attaching any applicable audit discharge documentation or details of any supporting documentation.*

### Certification

I certify that this claim is correct and that the sum requested is properly due on the basis of the information provided, project objectives and on the work carried out or future work plans. I have the authority to sign this on behalf of the Government of **{Country}**

Authorised Signatory .....

Date .....

Name:

Position:

Address/Contact Details:



**ANNEX 4: NOTIFICATION OF RETURN OF FUNDS TO DFID**

<b>To:</b>	<b>[DFID Programme Manager Country X]</b>
<b>Cc:</b>	Treasury and Banking, DFID, Abercrombie House, East Kilbride, Scotland

**Project Details**

<b>Partner Name</b>	
<b>Title of Grant / Project name</b>	
<b>Purchase Order / Component Code</b>	
<b>Payment Date</b>	
<b>Payment Amount to DFID</b>	

**Bank Details**

<b>DFID Bank:</b>	Citibank
<b>DFID Sort code:</b>	08-33-00
<b>DFID Account number:</b>	12294702
<b>DFID Account Code</b>	
<b>DFID Component Code</b>	

**Payment Method**

For UK Payments under £10,000 we recommend the use of BACS. For UK Payments in excess of £10,000 we recommend the use of CHAPS. Cheques should be made payable to 'Department for International Development' and sent to the DFID Programme Manager. All payments direct from overseas bank accounts should also quote the following:

<b>Pay</b>	Citi London
<b>BIC/Swift</b>	CITIGB2L
<b>IBAN</b>	GB33CITI08330012294702
<b>Posting Address</b>	25 Canada Square , Canary Wharf, London , E14 5LB

**Partner Contact Details**

<b>Name:</b>	
<b>Position:</b>	
<b>Address:</b>	
<b>E-mail:</b>	





## ANNEX 5: ADDITIONAL BUDGET AID REQUIREMENTS

1. DFID will make available: for non-budget support financial aid a sum not exceeding the lower of £19,200,000 and EC\$79.7 million<sup>2</sup> for the financial year 2015/16 subject to the conditions set out in the Arrangement.
2. This EC\$79.7 million includes:
  - i. Up to a sum of EC\$1,680,000 for the Annual Country Training Scheme;
  - ii. Up to a sum of EC\$900,000 for Long Term Technical Cooperation;

And the following ring-fenced budget amounts:

  - iii. Up to EC\$6,125,600 ring-fenced budget support for transport Access subsidies<sup>3</sup>;
  - iv. Up to EC\$2,600,000 ring-fenced budget support for Short Term Technical Cooperation;
  - v. Up to EC\$3,112,500 ring-fenced budget support for the provision for the provision of Health capital spend;
  - vi. Up to EC\$778,125 ring-fenced budget support for the provision of recurrent Health services;
  - vii. Up to EC\$2,500,000 ring-fenced budget support to allow the Government of Montserrat to operate a Contingency fund. Of this, EC\$ 1,052,025 is set aside to fund child safeguarding activities<sup>4</sup>.
3. GoM cannot exceed the spending limits on ring-fenced budget areas or use ring-fenced funding for any alternative purpose without first presenting a justification for and receiving DFID approval to do so.
4. DFID's contribution to the budget is expected to be paid in three main tranches: during May, August and November 2015. GoM must ensure that claim amounts submitted to DFID are consistent with an orderly budget execution process, so that cash flows are sufficient to fund agreed GoM budget activities<sup>5</sup>. To this end, GoM could consider including in the first two main claim tranches an amount (for known, predictable, non-discretionary spending) for the *following* quarter to ensure there are

<sup>2</sup> Using an EC\$/ £ exchange rate of 4.15, as set out in the DFID Business Case

<sup>3</sup> The airline subsidy component of this is subject to GoM providing DFID with further information on the rationale and value for money of GoM policy in this area.

<sup>4</sup> GoM will provide DFID with a costed updated Child Safeguarding Action plan prior to release of the second tranche of budget aid. This will set out how spending delivers on the areas assumed when the child safeguarding budget was agreed at the beginning of the financial year.

<sup>5</sup> GoM cannot use any funds released by DFID under other projects (i.e. non-budget aid) to fund recurrent budget aid activities.



sufficient funds available at the beginning of that quarter (prior to submission of the full claim mid-way through that quarter).<sup>6</sup>

5. GoM must submit to DFID a fully evidenced claim at least three weeks before GoM requires receipt of DFID funds. This is to allow DFID to examine the claim information submitted, seek any further clarification, and to execute the payment. GoM must submit the final claim to DFID by the second week in November 2015. The information requirements for submitting a claim are set out in more detail below under the "reporting and reviews" section. Failure to provide timely and well evidenced information to DFID will result in loss of budget aid funding.

### Funding Requirements

6. The funding amount and disbursement schedule above are subject to revision and will depend on the fulfilment of the provisions of this arrangement, any revisions to budgets, actual expenditure and need. It will also depend on any additional specific conditions accepted by the Government.
7. In addition to the conditions in this MoU, the Government accepts additional any additional specific conditions relating to this Arrangement set out in the DFID Budget Aid Business Case.
8. DFID funds must be separately accounted for by the Government and therefore readily identifiable at all times. The Government will ensure that all goods and services financed from the Grant will continue to be used for the purposes set out within this arrangement. In the event of such goods or services being used for other purposes, the Government must notify DFID in writing and DFID may seek to recover from the Government the value of the goods and services concerned.
9. Any unspent funds remaining at the end of a project must be returned to DFID unless both participants agree in writing to their use for defined recurrent budget areas. Factors DFID will consider in deciding whether to allow use of any surplus funds include:
  - i) The extent to which there is additional spending need not factored into the original recurrent budget, and the consistency of the proposed use of surplus funds with budget aid priorities.
  - ii) The extent to which GoM has met or exceeded tax and other domestic revenue targets set out in the original budget.

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<sup>6</sup> As part of the 2015/16 budget aid process, DFID and GoM will review how funds are released at the beginning of the financial year, in order to ensure the smooth transition in terms of spending from one financial year to the next, and that sufficient budget aid funds are available at the beginning of Q1. This could include an initial payment based on known, predictable, non-discretionary spending areas prior to GoM submitting the full Q1 claim in May.



- iii) The extent to which GoM has made budget savings through other efficiency improvements e.g. delivering the expected standard of public services at a lower cost than budgeted for.
  - iv) The timeliness and quality of GoM claims reporting during the 2015/16 financial year, measured against the requirements set out in more detail elsewhere in this MoU.
  - v) Overall GoM budget aid performance against the indicators and targets set out in DFID's Business Case logframe, and against any recently completed DFID Budget Aid Project Completion Report.
10. GoM performance against the 2015/16 budget aid objectives and targets will also have an important bearing on the shape and size of DFID's contribution to the 2016/17 budget. Performance in individual spending areas will be one indicator of value for money in prioritising resources for the following year's budget. Overall, performance against the 2015/16 budget will be a key factor in agreeing the 2016/17 settlement, following BAM discussion early next year.

#### **Assurance and Audit Arrangements**

11. The Government will cooperate fully with DFID and its agents during any assessment of the public financial management system, the partnership principles and the project, providing the information and evidence necessary for effective assessments to be made. Whenever required and practicable, the Government will permit DFID authorised personnel to visit the project(s) funded, directly or indirectly by this grant.
12. The Government will within 9 months of the end of each financial year provide DFID with Annual Audited Statements from its Auditor General (or equivalent) confirming that DFID's Grant has been used for the intended purposes.
13. Separately, DFID will arrange for audit spot checks of a minimum of 5 recurrent budget aid lines (during the third quarter of the financial year) to examine the actual use of funds relative to budget reporting information. This will be completed prior to release of the final budget aid tranche in November. GoM will not receive advance notice of the specific budget areas that will be examined.

#### **Additional conditions**

14. GoM will ensure that budget aid claims are consistent with all agreed spending conditions, including:
  - the Small Capital Asset Fund (SCAF) protocol;
  - the Contingency Fund protocol;
  - the Exchange Rate protocol;
  - the Procurement Action Plan.