

Project European Union
“Strengthening of External Audit”

Identification of the Project:

Title of the action (EU): Strengthening the State Audit in Montenegro

Title of the program (BMZ): Strengthening of External Audit in Montenegro (SEA)

Contract No: 09ME01.10.1 (Delegation Agreement signed on 31 March 2010)

Beneficiary: State Audit Institution (SAI)

Implemented by: German Technical Cooperation (GTZ)

Total duration of the action: 24 months (1 May 2010 – 30 April 2012)

In March 2010, the Agreement between Delegation of EU in Montenegro and GTZ (German technical cooperation) was signed with aim to strengthen external financial control in public sector. Therefore, the Project “Strengthening external auditing” (SEA) begun on May 2010.

Taking into account successful implementation of the project activities in this sector as well as good cooperation with the Parliament and Government of Montenegro, GTZ continues to give support to the SAI as it was from 2002. The progress which was made in area of transparency and accountability in the public sector should maintain and strengthen. SEA Project also supports establishment of functional Audit Authority, responsible for effective audit of pre-accession funds of EU (IPA funds). The Audit Authority represents a necessary element which ensures proper usage of EU funds. In such a manner, establishment and foundation of the Audit Authority represents an important step for Montenegro in its path to EU.

The overall objective of this EU action is the effective verification of the management and control systems for the EU and public funds in Montenegro.

The project purpose is to strengthen the operational capacity of the State Audit Institution and of the Audit Authority of Montenegro.

The beneficiaries are the State audit institution and Audit Authority newly founded in January 2010 as a functionally independent unit within the State audit institution.

In order to achieve the project objectives related to the State audit institution, the following steps will be taken:

1. Performance audit: trainings for auditors in methods and implementation. The aim is to prepare the Manual which will be approved at the end of 2011 and will be applied.
2. Strategic Development Plan: support in drafting documents which will present strategic development of the SAI and which will be implemented and monitored from December 2010.
3. Methodology: further development of draft guidelines which will serve as an audit tool and help the auditors in their daily audit work.

In order to achieve the project objectives related to the Audit Authority, the following steps will be taken:

1. Development and clear understanding of timing framework and logics of necessary steps (map which is presented by plan of the activities).
2. Development of the capacities in all audit areas of IPA funds, from the methods as system audit, audit of operations and risk management till draft report on audit activities, forming audit opinion and development of working audit plans.
3. Support to the Audit Authority to gain practical experience during study visits and participation at the work of the audit authorities in other member states and candidate countries of the EU as well as its engagement as an observer in compliance auditing.
4. Support to the Audit Authority in preparing manuals and guidelines for auditing.

The other institutions which have a role in the Project are:

- Ministry of finance with its various functions which represent an important element of DIS structure;
- Ministry for European integration, which has its role as national IPA coordinator (NIPAC);
- Parliamentary Committee on economy, finance and budget to whom the SAI submits its reports, and whose role is to ensure effective control of public expenditure in Montenegro.

In April 2012, the Project "Strengthening of External Audit" was prolonged until the end of June 2012 with aim to finalize implementation of the project activities.

With regard to Project Component "State audit institution", the following activities were implemented:

- Development of the Strategic Development Plan of the State audit institution for 2012-2017;
- Development of the Action Plan for implementation of the strategic goals for 2012-2017;
- Development of the Manual for planning and performing financial audit and regularity audit;
- Institutional cooperation with the National Audit Office of Sweden in area of performance auditing;
- Establishment of the Unit for performance audit within the organizational structure of the State audit institution;
- Development of Pre-study for a pilot performance audit and beginning of conducting the pilot audit.

With regard to Project Component "Audit Authority", the following activities were implemented:

- Adopted Law on audit of EU funds;
- Determined Annual audit plan; introduced risk assessment model; reporting on IPA funds;
- Development of by-laws;
- Development of draft audit strategy for C1 and C2;
- Organized trainings and study visits related to audit of EU funds.