

## PROJECT DESCRIPTION

In the context of the Stability Pact for South-Eastern-Europe, the German and the Montenegrin government decided to realize the bilateral project "Creation and establishment of a Supreme Audit Institution in Montenegro" in 2001 as a contribution to the improvement of transparency and accountability in the public sector. The German Federal Ministry for International Cooperation and Development (BMZ) raised the necessary funds and commissioned GTZ (German Technical Agency) with the implementation of the project.

The Project aims to establish and implement a Supreme Audit Institution (SAI) in Montenegro, which exercises the tasks of external audit as laid down by the International Organization of Supreme Audit Institutions in the so-called Lima declaration from 1975. Its establishment and the necessary degree of its independence shall be laid down in the Constitution and details should be set out in legislation. The Supreme Audit Institution should have the right and the duty to audit all public revenues and expenditures and should report at least once a year to the Parliament about its findings.

The Project started in 2002 and its first phase ended in December 2004. The German federal Ministry BMZ has confirmed to continue its support until the end of 2007. The partners of this bilateral project are German Technical Agency (GTZ), the State Auditors Institution of Montenegro (SAI) and the Board for Economy, Finance and Environmental Protection of the Parliament of Montenegro.

## DEVELOPMENT OF THE PROJECT

In the beginning of the Project, an inter-institutional working group, with the support of German experts, drafted the legal basis for the establishment of the SAI Montenegro, which passed Parliament in 2004. President of the SAI and the two other independent Members of the Senate of the Institution were elected by Parliament according to the law. The establishment of the Institution started after the appointment of a secretary for the Institution and the first 6 auditors when the institution moved in to its new offices, that have been renovated and equipped with the support of GTZ.

Until the beginning of 2005 the Senate with the support of GTZ had adopted the necessary internal regulations, required by the law, such as Act on Systematization, Rules of Procedure, and the Audit Rules.

In October 2004 GTZ started with a comprehensive vocational training for 6 future state auditors, which lasted until the June 2005. The training mainly consisted of a training-on-the-job-with the

commercial auditing firm, which did the audit of the financial statement of the Republic in previous years. In addition, future state auditors got theoretical classes in accounting and auditing, budget and administrative law, international audit standards and audit technics, as well as computer training.

Even during the ongoing training, the auditors started with their main audit activities for 2005: the audit of the financial statement of the Republic for 2004. In the middle of July 2005 State Audit Institution forwarded its first Annual Report to the Parliament. On account of this annual report the responsible Board for Economy, Finance and Environmental Protection discussed the financial statement of the Government. As result of the discussion, Parliament accepted the recommendations and advice of SAI.

During autumn 2005, SAI did additionally the audit of one municipality and gave a report about it.

## GERMAN CONTRIBUTION

The German contribution consists mainly of sending a long-term-expert and short-term-experts for supporting, consulting and training in all relevant fields of the project, of organizing vocational education and training for all employees of the Institution, organizing study-trips, but also providing the necessary means, as well as financing the project office (running and administrative expenses and project assistants).

## PLANS FOR THE FUTURE

In order to achieve the goal of the Project:

*»In Montenegro an independent state institution exercises the tasks of external financial state audit according to international standards of INTOSAI«*

in March 2005, three partners of the project defined the following results the realization of which will lead to achieving the goal of the project. Those results were reconsidered and confirmed on a joint planning workshop in January 2006:

1. SAI Montenegro is legally and de facto independent from the government.
2. SAI Montenegro is staffed adequately with qualified auditors and employees.
3. SAI Montenegro is equipped with the necessary infrastructure; internal organization and workflow are optimized.
4. The Board for Finance of the Republic of Montenegro is enabled to exercise the parliamentary control over the state budget.
5. Audits of the financial statement of the Republic and some preliminary individual audits are realized.

6. The role of SAI and democracy in Montenegro are strengthened.

To achieve those results the partners defined the activities, terms and persons responsible for their realization.

In order to measure what has been achieved the partners have defined the following indicators:

- At least 9 preliminary individual audits and in 2005, 2006 and 2007 the audit of the financial statement of the Republic are realized. The audit procedures have respected the Audit Rules.
- At least 7 audit reports and 3 annual reports have been realized.
- The annual decision of the Board for Economy, Finance and Environmental Protection of Parliament of the Republic of Montenegro about the discharge of the government and adoption of the annual financial statement of the Republic is based upon the annual report of the SAI.
- Financial independence of SAI is respected.

During the year 2006 the Project will support especially training measures of existing and new auditors and other employees of SAI. The support during the first preliminary audits from German, but also Slovenian experts for external audit is also planned. At the same time the activities of the project are directed on drawing up of a commentary of SAI Law, as well as on improvement of the dialog between the main actors in public finance management and control, which are the Ministry of Finance, Parliament and the SAI.