



**Deutsche Gesellschaft für
Technische Zusammenarbeit
(GTZ) GmbH**

Project: SAI Montenegro

PROJECT DESCRIPTION

In the context of the Stability Pact for South-Eastern-Europe, the German and the Montenegrin government decided to implement 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 Economic Co-operation and Development (BMZ) provided the necessary funds and commissioned GTZ (Deutsche Gesellschaft für technische Zusammenarbeit mbH) with the implementation of the project.

The project aims at establishing a Supreme Audit Institution (SAI) which exercises the tasks of external audit as laid down by the International Organization of Supreme Audit Institutions in the so-called Lima declaration of 1975.

Its establishment and the necessary degree of its independence shall be stipulated 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 for another 3 years until the end of 2007.

The partners of this bilateral project are: GTZ, the Board for Economy, Finance and Environmental Protection of the Parliament of Montenegro and the State Auditors Institution of Montenegro.

DEVELOPMENT OF THE PROJECT

In the beginning of the project, the activities concentrated on transfer of information about the system of external financial state control.

In May 2003, the activities on drafting a legal basis for the SAI Montenegro started. The "Law on the State Auditors Institution in Montenegro" was passed on 21st of April 2004 on the initiative of the chairman of the Board for Finance. It was the first time in the history of the parliament of the Republic of Montenegro, that a law on the initiative of a Member of Parliament was passed by the Parliament.

At the end of July 2004, the president of the SAI and the two other independent members of the senate of the institution were elected by parliament according to the law. In September 2004 the senate appointed a secretary for the institution.

Until the beginning of 2005, the senate with the support of GTZ already adopted the necessary internal regulations, required by the law, such as Rules of Procedure, Audit Rules and the Act on Systematization, as well as a first audit plan for 2005.

In the meantime adequate premises were found and equipped with support of GTZ. Currently the infrastructure for 16 computer working places is in place.

A 6-month-on-the-job-training for 6 future state auditors started in October 2004. The so trained auditors started in March 2005 with the audit of the financial statement of the Republic for 2004. The president of the SAI Montenegro engaged herself to deliver her first annual report in October 2005 to the Parliament of the Republic.

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, in organizing study-trips and round-tables for exchange, but also in the financing of necessary infrastructure.

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 control according to international standards of INTOSAI«
the partners in March 2005 defined the following results which they want to achieve together until the end of 2007:

1. SAI Montenegro is legally and de facto independent from the government.
2. SAI Montenegro has is staffed adequately with qualified auditors and employees.
3. SAI Montenegro is equipped with the necessary infrastructure.
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 audits are realized.

During this second phase of the Project, GTZ plans to support especially training measures. This includes support during the first audit procedures, from the conception phase to the reporting. Special emphasis is given to the cooperation with the board for Finance of the Republic of Montenegro. One of the biggest challenges is to include the rights and duties of the SAI into the Constitution of the Republic.

Podgorica/Eschborn June 2005