

## STATE AUDIT INSTITUTION

# Finger pointed at the reckless

State audit is one of the important mechanisms used to control the spending of



by Stevo Muk

the public money, i.e. taxpayers' money, a mechanism to fight corruption and encourage greater accountability and transparency in allocation of budget resources.

In April 2004 the Parliament adopted the Law on State Audit Institution establishing the State Audit Institution of the Republic of Montenegro (SAI) as a form of institutional, external, independent, expert and objective control of budget expenditures and management of state property in Montenegro.

SAI is an independent, autonomous state organ which functions according to the principles of the Declaration from Lima, adopted on the IX Congress of INTOSAI in Lima in 1977, the founding international document on legal organisation, status and functioning of public sector audit.

SAI conducts audit in accordance with the International Auditing Standards of INTOSAI. It is the highest instance of control of the management of budget and property of the state, local governments, public funds, Central Bank of Montenegro and other legal persons whose ownership structure involves the state.

SAI decides independently on

the subjects of its audit, its scope and form, and is obliged to conduct audit of the final budget report once a year. Further, SAI controls the legality and correctness, rationality, effectiveness and efficiency with which the public money has been spent and public property managed. It reports the findings of its audits to the Parliament of Montenegro in a yearly report, which is to be submitted to the Parliament and the Government by late October.

In July 2004, the Parliament of Montenegro appointed the president and members of the Senate of State Audit Institution, laying the legal and formal grounds for its functioning. Parliamentary committee for Economy, Finance and Environment selected six state auditors through

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public competition.

In this sense, we could say that SAI has been operational for full five years. This is quite sufficient to enable us to assess, at least in principle, the quality of its work and its scope, i.e. the changes which appeared as a result of SAI's work.

So far, SAI prepared audit reports of annual financial reports of the Development Fund, Office of the Protector of Human Rights and Freedoms, Directorate for Cadres, financial statements of the Railways of Montenegro for 2007, final budget report of the Municipality of Rožaje for 2007, control audit of the Ministry of Culture, Sports and Media and National Museum of Montenegro for 2007, Ministry of Defence for 2007, Veterinary

Authority for 2007, Agency for Telecommunications and Postal Services in 2007, Bureau for Hydro-meteorology for 2007, Constitutional Court for 2007, Pension Insurance Fund, annual financial report of the Ministry of Culture, Sports and Media for 2006, final budget report of the Municipality of Kolašin for 2006, Pension Insurance Fund for 2006, and final budget reports of the municipalities of Ulcinj and Nikšić for 2005.

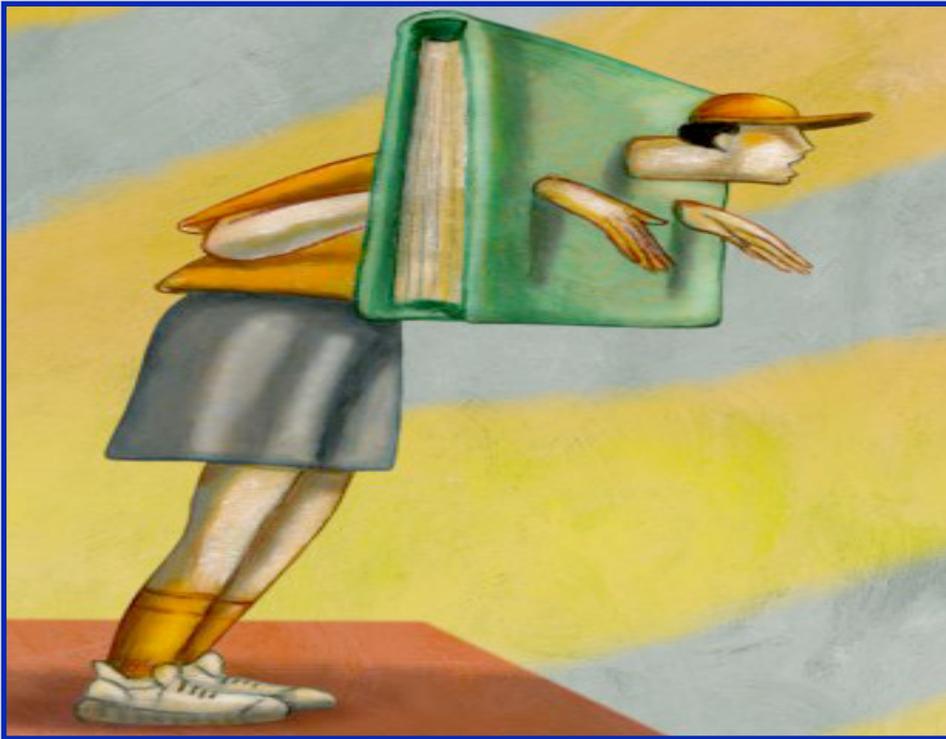
SAI also audited the final budget report of Montenegro for 2005, 2006 and 2007.

One of the most important, or at least best known findings of SAI was the one related to the decision of the shareholders' board of the Railways of Montenegro to allow

enormous amounts to be given as severance pay to its members whose term expired. This finding sparked further research and media interest and led to the establishment of a working group of the Government to analyse this issue and create recommendations for public and other enterprises where the state is a majority owner.

SAI's reports provide a long list of shortcomings in the managing of public money in almost all public institutions under revision.

For example, the latest audit report on Development Fund finds that the Fund has, in the period under revision, "functioned outside of the system of the Treasury and conducted its accounting and financial reporting in line with the Law on



accounting and audit, paying no heed to the Law on Budget, which designates it as a public fund". Further, "The Fund did not provide complete documentation related to evaluation of investment projects in need of loans via commercial banks, in spite of the fact that the key purpose of an investment project is to serve as a basis for creditors' decision, as prescribed by the business policy of the Fund". Also, "The Fund does not conduct sufficient control of agreed commitments with respect to employment of persons registered with the Employment Bureau, or of the intended and actual purpose of loans. In this way it allows the contracting parties not to fulfil the commitments from the loan contract, and fails to ensure that the money is spent in accordance with the Programme of general requirements for financial support and approved investment plans".

Audit of the Office of Ombudsman finds that "the Ombudsman functions without a working plan and programme for 2008 and without internal regulations monitoring the expenditures on fuel, costs of land

and mobile phone lines, costs of representation for business trips etc., which is all essential to an efficient system of internal control". Further, the audit "has confirmed that in its acts of procurement the Ombudsman did not always observe the Law on Public Procurement, failing to conduct public procurement in a transparent way and in accordance with standing regulations".

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SAI's reports swarm with such and similar findings, and the subjects of audit are allowed, and expected to act upon its findings and recommendations, which is later controlled by SAI through extraordinary audit procedures. SAI submits its conclusions of audit and control audit to the Parliament, the Government and the Ministry of Finance.

The only control audit was conducted in the case of the Ministry of

Culture, Sports and Media and its conclusion was that "The Ministry made certain improvements and to some extent implemented recommendations...but some of the recommendations remain unimplemented or only partially implemented".

Overall, the work of SAI so far contributed significantly to locate and reveal systemic and individual problems and inadequate practices in managing public finances. Still, these achievements of SAI should become effective through changes in the concrete legal acts and practices within public institutions.

So far, to the best of our knowledge, there was not a single case of disciplinary sanctions, dismissal from public service or administrative or criminal charges on account of findings presented in SAI's audits. There was not one minister or high public official, director of a fund, public enterprise or institution, who bore any political consequences because of SAI's reports. In absence of information on whether the public institutions ever acted upon SAI's recommendations we can only hope that based on these findings the system and practices of the manage-

ment of public money are indeed improving.

The next chance for the public to learn about concrete improvements in this area will be the Annual Report which SAI is due to submit to the Parliament by the end of October.

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