

Parliament and Civil Society Organizations – Partners in the Budget Control

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Summary

Participation of the Parliament of Montenegro and Civil Society Organizations (CSOs) in the budgetary cycle is unsatisfactory, and the problems of the lack of transparency and participatory approach are evident in each of its four constituent stages. In the budget preparation and formulation stage, the Ministry of Finance plays an exclusive role, while the Parliament and the CSOs have been completely excluded from the process. This is associated with the budget adoption phase, in which the Parliament is brought before a fait accompli. On the one hand, this is due to the late receiving of the budget proposal, and on the other hand due to its inability to significantly impact the programming part of the budget, i.e. the allocation of resources among the spending units and programs. The budget execution stage is also out of Parliament's influence, since it does not receive a single information on the budget execution during the entire fiscal year. In the last budget cycle stage - audit and control, considered to be the most important one for the supervision of the budget cycle, the Parliament is receiving year-end budget account and accompanying Audit Report rather late, spending very little time reviewing them, placing inadequate focus on the work of the State Audit Institution. In addition to deficiencies in the legal framework, the parliamentary budget control is at a low level due to inadequate capacities of the Parliament, i.e. not having a separate working body responsible solely for budgetary issues. Throughout the budgetary cycle, CSOs are to some extent involved in the budget adoption phase, while the other stages do not envisage any mechanism for triggering and enabling their participation.

Introduction

Announcing the 2012 budget proposal discussions, the Speaker of the Parliament has expressed his belief that the "best budget consideration in the region will be conducted". However, although it is true that a significant progress has been made during 24th convocation in reference to the work of the Parliament in general, the exercise of influence to the budget cycle was far below the satisfactory level, being neither competitive to the regional experience nor compliant with the best practice.

The objective of this research paper is to indicate directions of developing the participation of both the Parliament and the CSOs in the entire budget cycle. Through the review of the national legal framework and practice, comparative overview of the best practices, discussions with the key stakeholders and questionnaires, Institute Alternative (IA) endeavored in obtaining the most objective status of play of the parliamentary budget control and the CSOs' participation in this process.

The term political or parliamentary budget control has been used in its broadest sense, referring to the overall participation of the Parliament in the process of the budget preparation, adoption, execution and evaluation. The paper is structured in a manner to follow the main stages of the budget cycle: i) budget preparation and formulation; ii) budget adoption; iii) budget execution; and iv) control and audit. At the end of the report, provided are the concrete recommendations for the further directions of development that could facilitate the strengthening the parliamentary control of the budget and budget transparency.

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I Budget Preparation and Planning

Pursuant to the Budget Law, the budget proposal development for the next year commences in February and finishes in November of the current year. In these ten months, the executive power has an absolute monopoly over the process: Parliament, CSOs, interested professional public and citizens do not have an institutional mechanism enabling their participation in the decision making process, i.e. possibility to affect decisions adopted in this budget cycle stage. Full exclusion of the Parliament from the budget preparation process is questioning the effectiveness of its participation in the later stages of the budget cycle. The Parliament is therefore placed in a situation of “fait accompli”: unable to consider the principles governing the planning of the budget for the next year and unable to exercise the influence to the main capital budget directions or to be consulted in reference to the strategic economic policy priorities. The Budget Proposal encompassed several components, whereas each component is subjected to an individual development process, as well as the unused options for opening the process for the public.

Budget Development

The Government is determining the strategic priorities of the Economic Policy for the next fiscal at latest by 31 March of the current year. In April, the Ministry of Finance is submitting a report to the Government on the implementation of macroeconomic and fiscal policy, on the grounds of which is planning the main categories of revenues and expenditure with estimates for the next three fiscal years. The Macroeconomic and Fiscal Policy Statements are enclosed to the Budget Proposal and submitted to the Parliament, including the overview of multi - annual contractual commitments, multi – annual expenditures and investment programs.

Parliamentary Committee for Economy, Finance and Budget (CEFB) and the State Audit Institution (SAI) are not involved in the development of the aforementioned documents that are used as a basis for the budget formulation. In this way, in the procedure of the budget adoption, the MPs are left with the option of proposing amendments, advocating reallocation of the specific amounts for certain spending units, not applying a systemic approach in reference to the analysis of the principles governing the budget.

Capital Budget Development

The Ministry of Finance is submitting the capital budget enclosed to the Budget Proposal to the Parliament. The capital budget represents the plan increasing the value of non - financial assets, encompassing the infrastructure of general importance, local infrastructure, construction facilities, land and equipment, being effective for a period longer than a year. The procedure of the capital budget development is not envisaging the consultation process with the Parliament. Since the Parliament is not involved in the capital budget development procedure, and having in mind its specific nature, the development stage represent a sole opportunity to make an impact to the capital budget. Therefore, instead of considering and adopting, it is more proper to say that the Parliament is simply endorsing the capital budget.

Best Practice Example: In Finland, at the beginning of a year, the Government is establishing the general budgetary framework encompassing also the expenditures in the area of competences of the different ministries, and in this stage, usually in March; this broadly devised overview is submitted to the Parliament in the form of the report (so – called “White Paper”). Finance Committee is issuing its opinion to this document, whereas other Committees are entitled to submit their opinions to the Finance Committee within 2 to 3 weeks. Pursuant to the Report issued by the Finance Committee, the Parliament is considering the expenditures envisaged for the next four years and votes thereof.

Spending Units Budgets

MPs do not have the data on the amount of initial requests for the allocation of the budgetary funds of the spending units. The Ministry of Finance is making the proposal for the spending units, based on their requests and revenues assessment. MPs neither have an insight into the allocation of the budget funds in the budget development stage, nor the idea about the nature of corrections that were made by the Ministry of Finance. These data are necessary for a comprehensive consideration of the Budget Proposal for the spending units subjected to their oversight. Discussions held at the level of Committees have proved that there are substantial differences between a request of a spending units and the Government's proposal.¹



Graph No. 1: Budget preparation and formulation process timeframe.

Programme Budgeting

The process of the Parliament's review of the Budget Proposal was to the great extent hampered due to poor implementation of the programme budgeting. The programme budgeting application is generally improving the procedure of the budget preparation, development and analysis. Budget development based on programmes is providing greater information on what will be paid through a specific budget item, making the use and utilization of the budgetary funds more transparent. Programme budgeting is enabling the performance assessment of the budget planning procedure and the achievement of objectives of large - scale social projects. The process of introducing the programme budgeting in Montenegro is slow and unwillingly implemented. Although currently all spending units have formally introduced the programmes, they lack with

¹ Illustrative example indicating a difference of EUR 12 million between required and approved budget for the spending unit "judiciary", data from the discussion on Proposal of the Budget Law for 2012.

the determined indicators for the programme performance, efficiency and effectiveness, whereas the items in the programme budget are not indicating the expenditures analytics.²

CSO Participation

Organic Budget Law has failed in envisaging the public participation, primarily CSO's and stakeholders in the budget planning process. Unlike the process of preparing the budget proposal at the local level, where the local authorities are required by the law to conduct a public discussion on the Draft Budget³, there isn't a practice of organizing such discussions and other forms of public consultation on the Draft Budget at the central government level, although there is a legal option for it.⁴

II Budget Adoption

Generally, the plenary discussion on the Budget Proposal lasts two to three days at average, while additional day is devoted to the amendments and voting. From 2011, introduced was the practice that a kind of keynote address of the Prime Minister is preceding the discussion of the Budget Proposal, presenting the key principles of the budget proposal with a reference to the results achieved. Developed was a complex network of considering the Budget Proposal at the level of the parent and interested committees, with the participation of other parties and civil society representatives. However, the end result of these efforts is negligible, measured by the degree of introduced changes to the Budget Proposal in the parliamentary stage.

Timeframe

The Parliament is left with less than a month to adopt the Budget Proposal. Parliamentary phase commences with the submission of the Budget Proposal to the Parliament, in the second half of November of the current year, ending up with its adoption, usually in the third week of December.⁵ At almost the same time, the Parliament is also considering the Year - end budget account for the previous year. This time frame is far away from the best practice governing the budget transparency,⁶ requiring that the Budget Proposal is submitted to Parliament "not less than 3 months from the commencement of the new fiscal year."⁷

2 Finding taken over from the SAI's Audit Report on Year – end Account of the Budget of MNE for 2009.

3 "in addition to the Decision on the budget referred to in Article 42 of this Law, the Municipal Assembly shall enclose the following: 1) Report on implemented public discussion on budget (...)" Article 43 of the Law on Local Government Financing ("Official Gazette of the RoM", No. 42/03, 44/03, "Official Gazette of MNE", No. 05/08 of 23 January 2008, 51/08 of 22 August 2008).

4 "The Minister shall be obliged to publish a text of the Draft Law, regulating rights, obligations and legal interest of citizens, via means of public information and to send an invitation to all stakeholders to give their objections, proposals and suggestions. The Minister may decide to implement the public discussion procedure also in the development of other laws. (...)" Article 97 of the Law on State Administration ("Official Gazette of the RoM ", No. 38/03 of 27 June 2003, 22/08 of 2 April 2008, 42/11 of 15 August 2011).

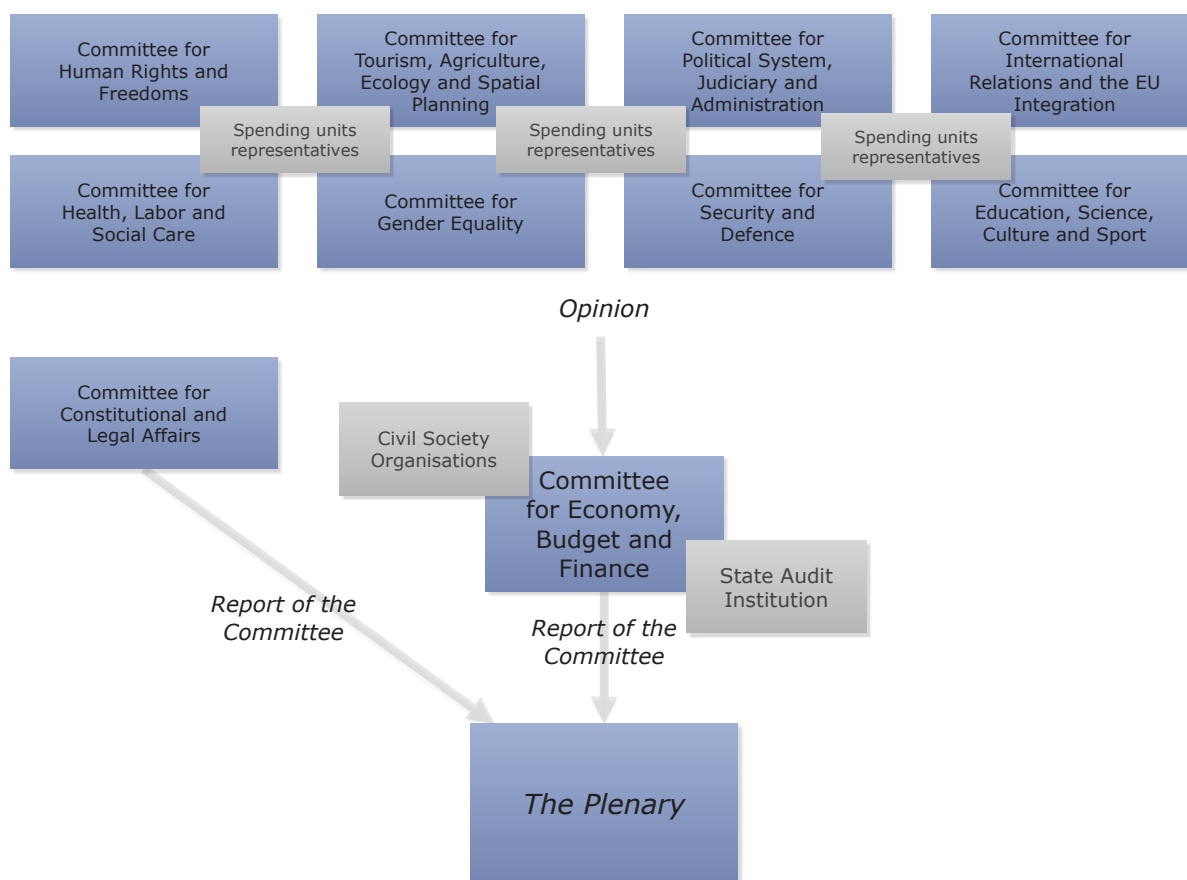
5 The Parliament is effectively holding sessions from the beginning of the last week of December, i.e. religious and New Year's holidays.

6 "OECD Best Practices for Budget Transparency" (OECD, 2002)

7 In the new EU member states this stage begins earlier, e.g. in Poland in late September, in Slovenia on 1 October, in Estonia on 1 October, in Romania on 15 October, in Slovakia on 15 October, in Lithuania on 17 October - pending amendments to the Law in order to change this date to 15 September.

Consideration Procedure

In addition to the frame rules on the manner of considering all legislative proposals and the provision that the CEFB considers also the Year – end budget account, the Parliament’s Rules of Procedure are not setting forth the procedure of its consideration by the working groups and at the Parliament’s plenum. [1] The Collegium of the Parliament’s President, exercising the rights from the Rules of Procedure, [2] before the Budget and Year – end account debate commencement is agreeing upon the manner in which the discussion at the Plenum will be carried out: how long it will last, which Committees will consider these documents and within which deadline, deadline by which interested Committees are required to submit their opinions on the Budget Proposal, as well as other details. It is not uncommon that MPs have different interpretation of the agreement reached at the Collegium, which creates delays in the discussion, being the source of controversy and debate about the technical details of consideration.



Graph No. 2: The process of reviewing the budget proposal in the Parliament

Consideration at the level of the Working Bodies

The practice that in addition to the parent Committee and the Committee for Constitutional Issues and Legislation, other working bodies of Parliament take part in the process of considering the Budget Proposal has initiated in 2009. During the discussion on the Proposal of the Budget Law for 2010, interested working bodies and working committees have for the first time used the option⁸ of considering the Law governing the area that is a subject to their oversight, i.e. oversight of the spending units, the activity of which is subjected to their oversight. Six working bodies had considered the aforementioned Law and had submitted their opinions to the parent Committee, and this number has increased to eight in the next two years.

⁸ Rules of Procedure of the Parliament of MNE, Article 137.

Interested Committees are submitting their opinions on the Budget Proposal to the parent Committee, which is examining their proposals and issuing its opinion enclosed to the report submitted to the Parliament.⁹ The discussion at the session of interested Committees is scarcely ever resulting in concrete amendments to the Proposal of the Law - although the Committees are reaching the agreement on certain proposals. Contrary to this, in a certain number of cases, they are issuing a recommendation to the CEFB to amend the Budget Proposal based on the issue subject to recommendation. Certain conclusions that are more of a general nature are difficult to turn them into a form of amendments, and professional services of interests Committees lack with the knowledge required to participate in the budget cycle.¹⁰ The number of the spending units taking part in the work of parliamentary working bodies when addressing the Budget Proposal is not of significance: less than 30 representatives are taking part in the sessions of eight interested committees.

Interested Committees that reviewed 2012 Budget Proposal

Interested Committees in 2011	Number of spending unit's representatives	Number of amendments proposed	Number of conclusions adopted	Opinion	Recommendations
Committee for Health, Labor and Social Care	6	0	0	Positive	"The Committee supports the initiative of the representative of spending unit for funds reallocation."
Committee for Human Rights and Freedoms	6	1	1	Positive	-
Committee for Gender Equality	2	0	0	Positive	"Create grounds enabling gender equalization of the Budget for 2013."
Committee for Tourism, Agriculture, Ecology and Spatial Planning	3	0	0	Positive	-
Committee for Education, Science, Culture and Sport	5	0	0	Positive.	-
Committee for Political System, Judiciary and Administration	9	0	0	Positive.	1) Provide funds in the Budget for the employment of 5 constitutional - judiciary advisors (Government has accepted the recommendation) 2) Increase the Budget of Constitutional Court for the purpose of the IT system, by EUR 35, 000 on the item 4415 - capital expenditures - expenditures for equipment.
Committee for International Relations and the EU Integration	1	0	0	Positive.	-

⁹ Article 138 of the Rules of Procedure of the Parliament of MNE.

¹⁰ For example: the Project "Strengthening capacities of the Parliament of MNE in the area of financial oversight", Westminster Foundation for Democracy supporting the Parliament of MNE, encompasses various types of trainings the beneficiaries of which were only the employees of the CEFB's professional service.

CSO's Participation

CEFB is the central forum for the involvement of interested professional public and CSO's in the discussion of the Budget Proposal. The first day of the CEFB session committed to the discussion on the Budget Proposal is attended by the following representatives invited to participate: SAI, Central Bank of MNE, both Montenegrin Trade Unions, NGOs, University, Union of Employers, Chamber of Commerce, etc. The number of persons, including CSO's representatives that are taking part in the discussions on the Budget Proposal is has the downward trend from year to year. The procedure of inviting persons, or organizations that will be invited to a session of the Committee is not defined. As far as the sessions of interested Committees are concerned, CSO's representatives, almost without exception, 11 did not take part.

The newly established mechanism of cooperation with NGO's (Memorandum of Cooperation between the Parliament and CSO Networks for Democracy and Human Rights) 12 has not been used for the promotion of opportunities for participation of CSO's representatives to the Committee's meetings aimed at considering the Budget Proposal. On the other hand, the specific effect of these actors to the Proposal of the Budget Law is difficult to assess, having in mind the fact that MPs, in the current practice, did not formulate amendments to the Proposed Budget. The question is whether, during the discussion on the Budget Proposal with a broad range of actors, it should be necessary to convoke a different format of the session, such as the consultative hearing.

Entities the representatives of which took part in the CEFB's Session on the occasion of reviewing the Budget Proposal (Article 67 of the Rules and Procedure of the Parliament of Montenegro)

2009	2010	2011
State Audit Institution	State Audit Institution	State Audit Institution
Central Bank of Montenegro	Central Bank of Montenegro	Central Bank of Montenegro
University of Montenegro	/	/
University Mediterranean	University Mediterranean	/
Chamber of Commerce	Chamber of Commerce	/
Montenegro Business Alliance	Montenegro Business Alliance	Montenegro Business Alliance
Trade Unions	/	Trade Unions
Free Trade Union	Free Trade Union	Free Trade Union
Employers Union	Employers Union	Employers Union
/	Institute Alternative	Institute Alternative
/	"Our Initiative "	
/	/	NGO's Coalition – Reaching objectives through cooperation
9	9	8

SAI's Role in Budget Proposal Discussions

SAI's representatives are taking part in the sessions of the CEFB convoked for the purpose of discussion the Budget Proposal, providing for their overview of the Budget Proposal. The dead-

11 Exception represents the participation of the NGO "Građanska alijansa", at its own request, and based on the approval of the President of the Committee, took part in the session of the Committee for Human Rights and Freedom on the occasion of considering the Proposal of the Budget Law for 2012.

12 Available at: <http://www.crnvo.me/index.php/vijesti/crnvo-vijesti/7754-memorandum-o-saradnji-izmeu-skuptine-crne-gore-i-mree-ocd-za-demokratiju-i-ljudska-prava>

line within which the SAI is issuing Opinion on the Proposal of the Budget Law has not been determined and MPs do not have a chance to become familiar with the professional remarks of SAI prior to the session and to use them for proposing amendments. During the parliamentary discussion, SAI is sporadically raising objections in reference to the Budget Proposal, mostly in reference to the manner in which the Proposal has been developed.¹³ However, in this stage of the budget cycle, these kinds of objections may not generate any impact to the final design of the Budget. Both the SAI and the Parliament are obtaining the Budget Proposal at the same time, and it is not involved in the budget formulation stage.

“(...) this 2012 budget proposal is well prepared and thought through. Anything else we could do would only spoil it.”

Zarija Franović, vice-chair of the CEFB (DPS) during the plenary discussion in 2012 budget proposal.

Addressing Opposition's Proposals

One of the obstacles in strengthening the role of the Parliament in the budget adoption stage is also the party's discipline of a dominant majority, ensuring the predictability of voting and adoption of the Budget Law without major amendments. Direct consequence of such an approach is that almost all amendments of opposition MPs are rejected by the CEFC. Over the last three years, at the Committee's meetings regarding the budget proposal, the total of seven opposition's amendments was adopted, whereas 60 were rejected.¹⁴

III Budget Execution

From the moment of adopting the Budget in December of the current for the subsequent year. The Parliament and the parent Committee do not have the information in budget execution during the fiscal year for which the Budget was adopted up to considering the Year – end budget account being submitted in September of next year.

Organic Budget Law failed in defining the obligation of the Ministry of Finance to prepare and submit to the Parliament any type of the report on budget execution during the fiscal year for which the Budget was adopted. The Parliament has never so far requested to be informed based on a report on budget execution during a fiscal year.

OECD Best Practices for Budget Transparency enhancement is recommending that the Ministry of Finance, in addition to the preparation of the Year – end account of the budget to prepare other various types of reports in the period of the budget execution, monthly or semi-annually.¹⁵ Comparative practice is implying that Parliaments in other countries are devoting considerable attention to the oversight of the budget

The use of the new techniques, has provided a number of countries to undertake steps aimed at increasing the transparency, such as: monitoring the budget execution on a daily basis - Internet page of the Ministry of Finance of Slovakia.

¹³ For example: “SAI, (...) supports the Budget Law for 2012 has expressed some reservations about the assumptions on which 2012 budget was developed. The reasons for this statement are unclear projections for 2011. The absence of the explanation in relation to the estimates of the fiscal funding sources, as well as deficiencies in determining the macroeconomic projections for 2012, as well as reserves in reference to the certainty of the data envisaged by the plan, or the amount of the nominal annual growth rate, planned increase in VAT and excise duties ...” - Report on the consideration of the Proposal of the Law on Budget of Montenegro for 2012 - CEFB.

¹⁴ Source: Report on considering the amendments and conclusions to the Proposal Budget Law of MNE for 2012 of the CEFB;

¹⁵ OECD Best Practices for Budget Transparency

execution during the fiscal year for which the budget was adopted. Montenegro is an exception in this regard in the region, since all neighboring countries have regulated mechanisms governing semiannual reporting of the Parliament on the budget execution. The most common mechanism is the consideration of semiannual reports on budget execution, and it is not uncommon for a Parliament to request information on budget execution from the executive power, outside from an established reporting schedule.¹⁶

IV Control and Audit

The Year – end account of the budget represents a final picture of the budget execution and the overview of realization of all planned revenues and expenditures. Simultaneously, the Year – end account is the basic instrument through which the Parliament and the public is obtaining an insight into the financial flows of the government in the previous fiscal year. Consideration of the Year – end account is commencing excessively late, overlapping with the consideration of the Budget for the next year, working bodies (except the parent Committee) are to the great extent passive in terms of this important document, cooperation with the external audit is not providing results, given the degree of attention that is paid to audit reports, while the potential of the public internal control system is fully unutilized.

Timeframe

The Government is determining the Proposal of the Year – end account of the budget of the state by the end of June, and it is submitting this Proposal to the Parliament at the end of September¹⁷, almost ten month following the expiration of the fiscal year for which is referring to.¹⁸ The comparative practice is indicating the tendency toward earlier submission of the Year – end account, in some countries even up to four months from the expiration of the fiscal year.¹⁹

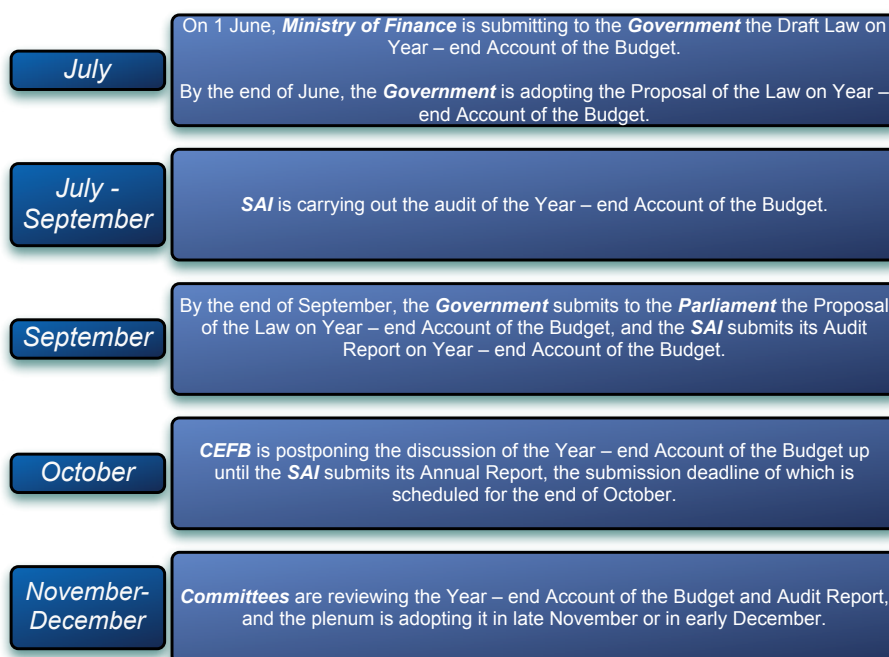
The SAI has established a practice of submitting its Audit Report of the Year – end account of the budget also by the end of September. However, the CEFB is not addressing the report up until the SAI also submits its Annual Report (on work) at the end of October. This report is pending consideration because it also addressed the key findings of all audits performed, and therefore the Committee is opting for summarizing the discussion. This means that the Parliament is considering the Year – end account of the budget in November (in practice at the end of the month).

¹⁶ Preparation, determining and adoption of the government budget – comparative review, NDI, 2010.

¹⁷ Article 50 of the Budget Law.

¹⁸ Using its competence for proposing amendments, the CEFB has altered the deadline in the Organic Budget Law for the submission of the Proposal Law on the Year – end Account of the Budget to the Parliament, from the end of July to the end of September. The explanation of the CEFB was that this extension is providing necessary time to auditees to provide more qualitative statements to the Draft Audit Report on the Year – end account of the Budget, and that this alteration is “neither affecting the deadline for determining this Law by the Government (end of June), nor the deadline for consideration of the Year – end account by the Parliament”.

¹⁹ Branislav Radulović, Basics of the Budget Law and Budget Control in Montenegro, HRMA, Podgorica, 2008.



Graph No. 3: Year – end Account of the Budget preparation and formulation process timeframe.

Unconcerned Committees and CSO representatives

Unlike the Budget Proposal, the Year – end account of the budget is subjected to consideration of only CEFB and the Committee for Constitutional Issues and Legislation (which must go through any law proposal). Other parliamentary working bodies are not interested in reviewing this document. Furthermore, unlike the budget discussion, CSO representatives do not participate in the parliamentary process of considering the Year – end account.

A change and a progress in comparison to the previous years represent the Committee for Security and Defense, which in a relatively thorough manner 20 has considered the Proposal of the Law on Year – end Account of the Budget for 2010. This session of the Committee

for Security and Defense can serve as a benchmark to be used by the interested parliamentary working bodies for the purpose of addressing the Year – end account of the budget.

“(…) every year, we are endeavoring in strengthening the SAI’s conclusions, by adopting them at the plenum, yet these conclusions are not being at all implemented or they are insignificant.”

Radojica Živković, NOVA delegate, discussion on Year – end account for 2009

Consideration of the Year – end Account of the Budget

While the discussion at the plenum on the Budget Proposal take three days on average, the MPs spend only few hours on the Year – end account discussion. This data is even more significant if we have in mid the practice is, when discussing the Year – end account of the budget, MPs are actually discussing three different documents, because one item of the agenda consolidates dis-

20 The Committee for Security and Defense deserves this assessment for several reasons: 1) the discussion was focused on those spending units subject to the Committee’s oversight, the representatives of which have attended the session; and, 2) the discussion was attended by the SAI’s representative who gave its review of the Year – end account and who pointed out the problems identified with the entities in the security and defense sector; 3) after the discussion, adopted was, inter alia, a concrete conclusion obliging the spending units subjected to oversight, to submit “a detailed analytical report from the aspect of efficiency and effectiveness of spending allocated budget funds up to the first half of the current year for the previous year. “

cussion on: 1) Proposal of the Law on Year – end Account of the Budget; 2) SAI’s Audit Report on the Year – end Account; 3) SAI’s Annual Report on Audits Performed. The discussion on the aforementioned documents is combined at the plenum and at the parent Committee’s sessions (although the Committee has initiated with a practice of separating discussion on different aspects of the same item of the agenda to several days).

Year – end Account Audit

Up to present, the SAI has produced seven reports on Audit of the Year – end Account of the National Budget. Audit report on the account of the national budget. Audit Report on the Year – end Account of the Budget of MNE for 2010, has for the first time introduced a conditional positive opinion. In all previous audits of the Year – end accounts , the SAI had issued a positive opinion.

When adopting the Year – end account, the Parliament is adopting recommendations issued in the SAI’s Audit Report on Year – end Account as its conclusions. In the current practice, MPs have never proposed to amend these conclusions by including new items or recommendations. At the plenum, conclusions are not subjected to a special discussion, but they are a part of a unified discussion on the Year – end account, thus MPs activity is limited to voting. In the current period, the conclusions of the CEFB were adopted anonymously, and by the vast majority at the plenum. It is worth mentioning one exception of NOVA, which during the discussion on Year – end account of the budget for 2009, refused to endorse the conclusions, justifying its decision by stating that the conclusions are not adhered to and that nothing has been done to fulfill the conclusions, regardless of the opinion of the Parliament.

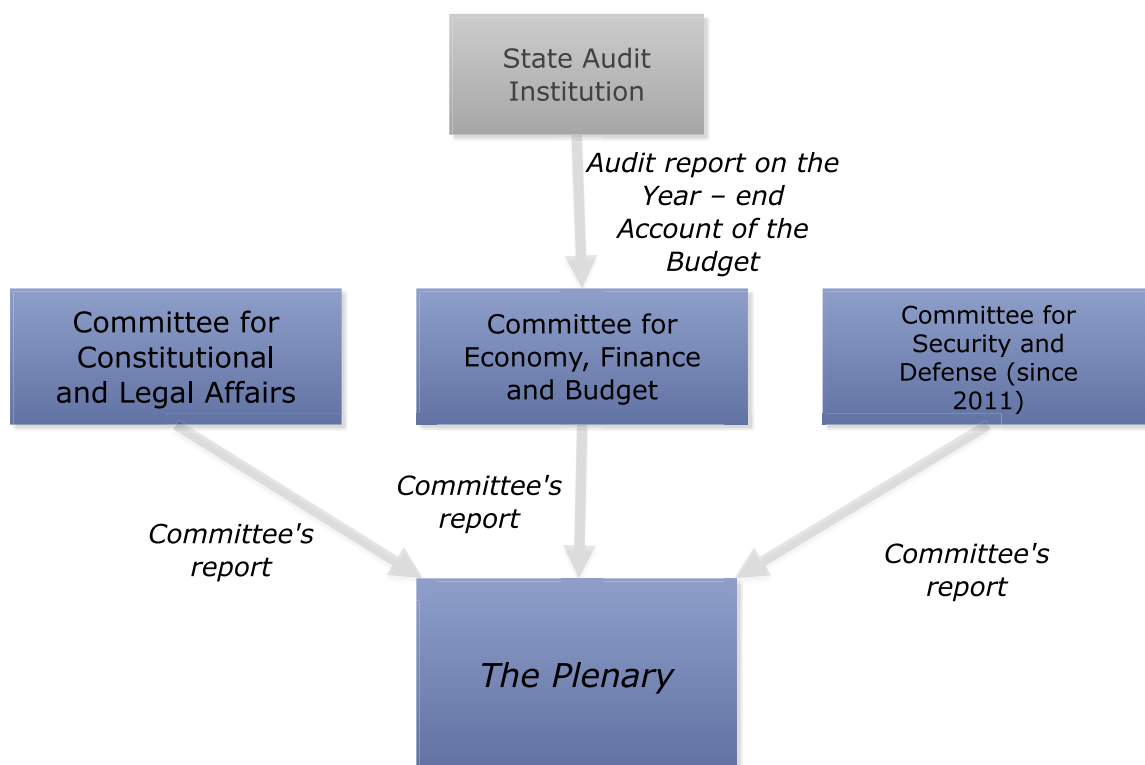
Conditional positive opinion on the Year – end account of the budget for 2010, has triggered the CEFB to draw the attention for the first time to the implementation of Parliament’s conclusions. The Committee requested the SAI and the Ministry of Finance to submit the information on the extent to which the users of the budget have remedied identifies problems and deficiencies and to which extent they have implemented issued recommendations. ²¹ However, due to lack of capacity the SAI has failed in submitting its report within the prescribed deadline, thus the results of MPs initiative of holding a control hearing of representatives of “problematic” auditees has not been endorsed.²² The Committee has recently requested the same information from the SAI and also for the conclusions of last year, although the Committee has failed in enabling the strengthening of SAI’s capacities.²³

On the other hand, reports on individual audits (SAI is publishing around 14 audit reports on average annually) are not being paid a special attention by the CEFB. The CEFB is considering the reports integrally, within the discussion on SAI’s Annual Report. Individual audit reports are neither considered by other working bodies, nor in cases in which spending units were audited that are falling under the competence of these working bodies.

21 The Committee, based on a special conclusion has requested this Report, at 45th Session, of 28 March 2011.

22 Conclusions of the Parliament adopted on the sixth session of the second regular (autumn) convocation in 2011, of 24 November, and the Committee requested this information from the SAI, at 99th Session, of 16 July 2012.

23 CEFB has permitted that the SAI’s budget proposal for 2012 is decreased by more than 20% by the Ministry of Finance, omitting to use the amendments option in this regard.



Graph No. 4: The process of reviewing the year-end account of the budget

(Dis)Link to the PIFC

The Parliament is completely excluded from the Public Internal Financial Control System (PIFC), and it doesn't dispose with even the most basic information about the results of the PIFC functioning. The Ministry of Finance is producing the Annual Consolidated Report on the PIFC which is neither publicly available nor submitted to SAI, or the Parliament. In this way, a deviation was made from the best practice advocated by the European Commission, which believes that information on the PIFC functioning is improving the parliamentary oversight and assisting in the external audit effectiveness.²⁴

Capacities of the CEFB

The CEFB is a working body of the Parliament being one of the bodies with overbooked schedule and the greatest number of activities during a year. With the exceptions in reference to considering the key budget documents, the Committee is in charge of many other areas related to the economy and finance. In 24th convocation, the CEFB held 101 sessions, which after the Committee for Constitutional Issues and Legislation (which according to the Rules of Procedure must consider any legislative document that enters the parliamentary procedure) has held the greatest number of sessions. The number of sessions per year was steadily increasing, as well as the scope of work: number of legislation proposals, reports to be addresses and implemented control mechanisms. The professional and administrative operations for the needs of the CEFB are performed by a professional service composed of only four officers (out of the total five systematized job positions).

²⁴ "PIFC system which is successfully established and effective, should, inter alia, (...) provide to the Parliament a clear review of the status in reference to the control environment and public sector functioning" Source: Official Publication of the EC, "Welcome to the world of PIFC", DG Budget.

Recommendations

Key recommendations, the implementation of which would trigger the development of parliamentary oversight of the budget, are as follows:

- The establishment of a special working body of the Parliament in charge of budget and audit, which would deal with the budget monitoring;
- Changes to the fiscal calendar and deadlines prescribed by the Organic Budget Law, providing for a greater time by the executive power to the Parliament for reviewing the budget documents:
 - Providing for the submission of the Proposal of the Budget Law to the Parliament, three months prior to the commencement of a new fiscal year, i.e. in early October;
 - Shortening the deadlines for the development of the Year – end Account of the budget for the previous year, providing for its submission to the Parliament at the beginning of the third quarter of the current year.
- Opening the budget formulation process for participation of other actors, such as the Parliament, the SAI and CSO's.

Other recommendations are divided according to the budget cycle stages to which they refer to, being as follows:

Development and Formulation Stage

- Within the capital budget development, a parent parliamentary Committee should receive a list of proposed capital projects. Based on the list, the Committee shall form an opinion, that will be subsequently forwarded to the competent Commission, as one of the criteria for scoring and assessing proposed capital projects.
- It is necessary to intensify the efforts aimed at more complete introduction of the programme budgeting, primarily in reference to the performance indicators development.
- Through the practice of budget visualization, i.e. formulation of “more narrowed budget”, the Ministry of Finance should inform the public on key information in reference to the draft budget for the next year and main expenditures and revenues categories.
- The SAI should be provided with an insight into the Report on realization of the macroeconomic and fiscal policy, with the next three years prospectus, whereas this insight should be enabled in the budget formulation stage. The SAI's comments would be submitted to the Ministry of Finance and the parent Committee of the Parliament.

Adoption Stage

- A common practice of the parent Committee should be the scheduling of consultative hearings on the Proposal of the Budget Law, issuing the public invitation to all stakeholders to take part in these hearings by submitting initial comments in writing. After holding a hearing, minutes encompassing major conclusions would be produced to be used as a basis for launching amendments. It is necessary to encourage the participation of the CSO's also at the sessions of interested Committees on the occasion of reviewing the Budget Proposal.
- It is necessary to address the special status of the key budget documents (Budget Proposal

and Year – end Account) by the Rules of Procedure of the Parliament and to precisely set forth the procedure its review and adoption at the Committee’s sessions and the plenum, as well as the adoption procedure

- The Protocol on Cooperation between the SAI and the Parliament (being already envisaged by the SAI’s Strategic Development Plan) clearly define the procedures, structure of documents that are submitted and deadlines within which the SAI is cooperating with the parliamentary working bodies when addressing the Budget Proposal and the Year – end Budget Account.
- Training programmes devised for the budgetary oversight should, in addition to the professional service of the parent Committee, involve also representatives of other professional services and other Committees, who in a capacity of the “interested parties” are discussing the Budget Proposal and the Year – end Account of the Budget.

Execution Stage

- Amendments to the Organic Budget Law should oblige the Ministry of Finance to submit, both to the Parliament and the SAI, the semiannual reports on budget execution.
- Organic Budget Law should envisage the option for the Parliament, at the request of the parent Committee and at any moment, to require the Ministry of Finance the Report on the current status of play in the budget execution area.

Control and Audit Stage

- In case of issuing conditional positive or negative opinion on the Year – end Account, the parent Committee should introduce the practice of addressing precise progress report deadlines in the fulfillment of recommendations issued by all parties involved in the procedure.
- The parent Committee should provide for the unconditional support to the SAI’s capacities strengthening (in reference to the Budget Proposal determined by the SAI’s Senate or by issuing amendments for the purpose of annulling the corrections made by the Ministry of Finance).
- SAI should introduce the practice of formal submission of individual audit reports to the parent Committee, which on the other hand, should endeavor in reviewing individual audit scheduled as a separate agenda item. Other parliamentary working bodies should discuss individual audit reports.
- Amendments to the PIFC Law should oblige the Ministry of Finance to submit the Consolidated PIFC Report to the Parliament and the SAI.
- Parliamentary debate on the Year – end Budget Account of MNE and its Audit Report should be separated from the debate on the SAI’ Annual Report. Accordingly, it is necessary to amend both the content and the structure of the SAI’s Annual Report.

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