



CENTRALNA BANKA CRNE GORE

Odbor za reviziju

**CENTRAL BANK OF MONTENEGRO
AUDIT COMMITTEE REPORT
2024
(SUMMARY)**

Podgorica, January 2025



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GENERAL REMARKS

Pursuant to the Central Bank of Montenegro Law (OGM 040/10, 046/10, 006/13, 070/17, 125/23) the Audit Committee (the Committee) is the standing body of the Council of the Central Bank of Montenegro (the Council). The Audit Committee was established on 30 November 2010 and has been functioning continuously. The scope of work and the modus operandi of the Committee are regulated in detail by the Rulebook No. 0101-4014/7-4 of 28 January 2011 and No. 0101-2213-4/21 of 30 March 2021) and the Rulebook on the Work of Audit Committee (the Rulebook) (I. No. 06-211-3/2021). The Audit Committee has three members, of which two members are members of the Council and one member is an expert with the relevant experience in accounting or auditing. Pursuant to the Decision on Establishing the Audit Committee (Decision no. 0101-6811-2/2018), the Audit Committee members are president Ruždija Tuzović, prof. dr Nevenka Glišević, member, while prof. dr Milorad Jovović, has been appointed a member pursuant to the Decision Amending the Decision on Establishing the Audit Committee (Decision no. 0101-6222-12/2023).

The Committee shall submit an annual report on its work to the Council, no later than the end of January of the current year for the previous year. The Annual Report on the Committee's work for 2024 summarises the results of the Committee in the past year and presents information about its meetings, the key issues discussed, positions taken, proposals, opinions and recommendations that have an impact on risks, business processes and internal controls in the operations of the Central Bank of Montenegro (CBCG).

Pursuant to its obligation from the Rulebook, the Committee held thirteen (13) meetings in 2024. Pursuant to the Rulebook, the Committee communicated with the external auditor, especially at the start of the audit, when it discussed the planned activities in the audit and at its end when it discussed issues for which the Committee or the external auditor considered to be analysed, and particularly the findings, remarks and external auditor's recommendations. In 2024, the Committee also participated in the CBCG activities during the IMF's *Central Bank Transparency Code Review* mission (CBTCR). For transparency purposes, the key information of the Committee were published on the CBCG website.

Pursuant to Article 73 paragraph 3 of the Central Bank of Montenegro Law, the Committee submitted to the Council the positions, opinions and suggestions on the discussed issues. Pursuant to Article 13 of the Rulebook, the Committee reported to the Council on its work quarterly in 2024, and submitted the annual report on its work for 2023.



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1. AUDIT COMMITTEE'S SCOPE OF OPERATIONS

In 2024, the Committee:

- oversaw the functioning of the internal controls system;
- Oversaw and analysed financial reporting and monitored the execution of income and expenses relative to the CBCG's Financial Plan;
- give opinion on the appointment of independent external auditor;
- monitored and assessed the procedure of auditing the CBCG's financial statements;
- monitored and analysed the compliance of the CBCG's operations with the law, other regulations and general acts;
- oversaw the effectiveness and efficiency of the internal audit work and monitored the implementation of internal and external auditors' recommendations; and
- performed other tasks under its competence.

1.1. OVERSEEING AND EVALUATING THE FUNCTIONING OF THE INTERNAL CONTROLS SYSTEM

In 2023, the Committee continuously oversaw the functioning of the internal controls system, both at the CBCG level and at the level of individual organisational units and business processes subject to audit. The Committee endeavoured to contribute to the improving the efficiency and effectiveness of the internal control system, by monitoring and evaluating the application of procedures and control procedures in the decision-making process related to business, financial and operational policy, monitoring the application of the methodology for risk identification, measurement and management and the information system's reliability and efficiency in the function of the internal control system, its security, adequacy and completeness of monitoring. Monitoring the application for monitoring the application of the methodology for risk identification, and performing measures for providing business continuity, the Committee discussed:

- *Report on operational risk management – for the second half of 2023*
- *Report on information security, July-December 2023*
- *Report on the implementation of the activities related to business continuity, July-December 2023*
- *Report on operational risk management – for the first half of 2024*
- *Report on information security, January-June 2024*
- *Report on the implementation of the activities related to business continuity, January-June 2024*

1.2. MONITORING AND EVALUATING FINANCIAL REPORTING

In 2024, the Committee continuously monitored and evaluated financial reporting, and monitored the execution of income and expenses compared to the CBCG's Financial Plan, discussing:

- *Financial statements for the year ending at 31 December 2023;*
- *Analysis of financial statements of the CBCG for 2023 with annexes;*
- *Plan of executing the Investment Plan of the CBCG for 2023 (financial aspect);*
- *Plan of executing the Public Procurement Plan of the CBCG for 2023 (financial aspect);*
- *Decision on allocating the Central Bank of Montenegro's profit for 2023;*



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- *Quarterly reports in 2024, i.e. the Analysis of the Financial statements of the CBCG; Overview of Investment Plan and Public Procurement Plan's execution and Report on Public Procurement Report*
- *Financial Plan of the CBCG for 2025; Investment Plan, Public Procurement Plan, and Cash Flows plan of the CBCG for 2025*

1.3. APPOINTMENT OF INDEPENDENT EXTERNAL AUDITOR

The Committee reviewed the **Tender documentation for selecting the most favourable bidder for auditing the financial statements of the CBCG for 2024 and the Guidelines for establishing a framework for selecting an independent external auditor of the CBCG's financial statements.** It also discussed and accepted the **Information on the public procurement procedure for selecting the most favourable bid for auditing the CBCG's annual financial statements for 2024 with the proposal of the Commission for implementing the public procurement procedure.** Pursuant to Article 75, paragraph 3 of the Central Bank of Montenegro Law and Article 7 of the Rules of Procedure of the Audit Committee (the Rules of Procedure), the Committee gave its opinion to accept the proposal of the Commission for Opening and Evaluation of Bids, which considers the offer of the bidder "HLB MONT AUDIT" Ltd Podgorica, using the capabilities of another business entity, "Grant Thornton" Ltd Banja Luka, Bosnia and Herzegovina, for auditing the CBCG's annual financial statements for 2024.

1.4. MONITORING AND ASSESSING THE PROCEDURE OF AUDITING OF FINANCIAL STATEMENTS OF THE CBCG

In the process of monitoring the auditing of financial statements of the CBCG for 2023, the Committee discussed the **External auditor's report.** The independent external auditor, a reputable audit company "Ernst&Young Montenegro" Ltd Podgorica submitted the **"Financial statements for the year ending on 31 December 2023, and the Independent Auditor's report".** The independent auditor gave a positive opinion to the CBCG's financial statements, and stated, *"the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023 and of its financial performance and its cash flows in accordance with the International Financial Reporting Standards"*.

1.5. MONITORING AND ANALYSING THE COMPLIANCE OF THE CBCG'S OPERATIONS WITH THE LAW, OTHER REGULATIONS AND GENERAL ACTS

The Committee continuously monitored the compliance of the CBCG's operations with the law, other regulations and general acts and establishing and applying high ethical standards and efficient performing of tasks conferred to CBCG employees. At its May meeting, it discussed the **Report on Central Bank of Montenegro's Compliance for 2023** provided for information.



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1.6. OVERSEEING THE EFFECTIVENESS AND EFFICIENCY OF THE INTERNAL AUDIT WORK

In 2024, the Committee discussed:

- *Internal Audit's Report for 2023;*
- *Draft Rulebook on Internal Audit in the Central Bank of Montenegro;*
- *Internal Audit Charter;*
- *Internal Audit's Working Plan for 2025;*
- *Draft CBCG Internal Audit Charter, aligned with Global Internal Audit Standards, coming into force on 9 January 2025;*
- *Draft Rulebook on Internal Audit in the Central Bank of Montenegro, aligned with Global Internal Audit Standards, coming into force on 9 January 2025*

Moreover, the Committee discussed and accepted reports of nine (9) internal audits conducted in the organisational units of the CBCG.

1.7. OTHER TASKS UNDER THE COMMITTEE'S COMPETENCE

The Committee participated in the CBCG's activities during the **IMF's CBTCR mission** by submitting requested answers and documents, participating in meetings with the IMF team members during their visit to the CBCG in September 2024, and submitting comments on the *Aide Memoire, Central Bank transparency Code Review Montenegro*, and the *Draft Report on the TCR Review and the Action Plan for Implementing Key TCR Recommendations for CBCG*.

For transparency purposes, key information on the Committee was published on the CBCG website, including the Rulebook and the Rules of Procedure, as well as the Summary of the Annual Report on the Audit Committee's Work for 2023, which the Council adopted.

In 2024, the Committee submitted to the Council:

- *Report on the Audit Committee's work for 2023*
- *Report on the Audit Committee's work for the period 1 January – 31 March 2024*
- *Report on the Audit Committee's work for the period 1 April – 30 June 2024*
- *Report on the Audit Committee's work for the period 1 July – 30 September 2024*

2. PROPOSALS, OPINIONS, AND POSITIONS OF THE AUDIT COMMITTEE

Pursuant to Article 75 paragraph 3 of the Central Bank of Montenegro Law, the Committee continually gave its opinions, positions and proposals to the Council on discussed issues. It gave its opinions, positions and proposals to the management, Internal Audit and organisational units in the CBCG with a view to improving the efficiency of the internal control systems, effectiveness and efficiency of the CBCG's Internal Audit, monitoring the reliability timeliness and completeness of financial and other information of the CBCG's operations.



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3.COOPERATION WITH INDEPENDENT EXTERNAL AUDITOR AND ORGANISATIONAL UNITS IN THE CBCG

3.1. COOPERATION WITH INDEPENDENT EXTERNAL AUDITOR

According to its obligation from the Rulebook, the Committee discussed:

- *Report/Presentation of the external auditor “Ernst & Young Montenegro d.o.o.”*
- *Results of the Previous audit and plans for the final revision of 2023, and*
- *Report/Presentation of the external auditor “Ernst & Young Montenegro d.o.o.” on the process of auditing financial statements of the CBCG on the date and for the year ending on 31 December 2023, in the closing phase of audit.*

3.2 COOPERATION WITH INTERNAL AUDIT AND ORGANISATIONAL UNITS IN THE CBCG

The Committee cooperated well with the Internal Audit. The Committee cooperated well with the Internal Audit. The Committee was informed of the **Internal Audit Quality Assurance and Improvement Programme** to assure stakeholders and service users about Internal Audit activities reasonably. It established exceptional cooperation with the Directorate for Finance, Accounting and Controlling, whose materials were praised and plentiful at the meetings, the Directorate for Operational Risk Management, Information Security and Business Continuity, and other organisational units.

4. CONCLUDING REMARKS

According to the competencies defined in the Central Bank of Montenegro Law, the Committee continuously, timely, and reliably performed the aforementioned activities in 2024. According to its Rulebook, the Committee oversaw and evaluated the functioning of the internal controls system, operational risk management, financial reporting and external auditor’s reports, the effectiveness and efficiency of the internal audit work in the CBCG and gave assessments on other issues under its competence.

PREPARED BY

Nataša Raičković Kantar, Secretary

COMMITTEE CHAIR

Ruždija Tuzović, m.p.