

Pursuant to Article 45 paragraph 2 item 7 of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17), and Article 37 of the Statute of the Central Bank of Montenegro (OGM 83/17, 3/20, 129/22), the Governor of the Central Bank of Montenegro adopted the

RULEBOOK ON ACCOUNTING

(No. 0102-2256/1 of 16 May 2011, 0102-2227-1/2018 of 22 February 2018,
0102-3621-1/2023 of 27 April 2023)

I. BASIC PROVISIONS

Article 1

This Rulebook defines in detail the organisation of the accounting function; accounting documents; accounting records; recognition and valuation of assets and liabilities, income and expenses; inventory of assets and liabilities; financial statements; system of internal accounting controls; persons responsible for the legality and accuracy of business events and the production of accounting documents and financial statements; safeguarding of accounting documents, accounting records, financial statements and accounting software in the Central Bank of Montenegro (hereinafter: Central Bank).

Article 2

The terms used in this Rulebook shall have the following meanings:

1) professional regulation is a regulation including International Accounting Standards (IAS), the Framework for the Preparation and Presentation of Financial Statements, which is an integral part of those standards, International Financial Reporting Standards (IFRS), the interpretations that are an integral part of those standards, International Standards on Auditing (ISA) and the Code of Ethics for Professional Accountants;

2) accounting document is a written document of the occurrence of a business event based of which a posting is made of a change in assets, capital, liabilities, income, expenses and business results;

3) general ledger is a collection of all analytical accounts from the chart of accounts, which is balanced, for the systematic inclusion of balances and changes in assets, liabilities, capital, income, expenditure and off-balance-sheet positions and is the basis for producing the Central Bank's financial statements (hereinafter: financial statements);

4) subsidiary ledger is an analytical record of a particular type of asset or liability of the Central Bank maintained for the general ledger accounts

according to suppliers, types, quantity, value or other analytical value (sub-ledgers of intangible investments, property, plants and equipment, investment property, long-term financial investments, stocks, receivables, cash and cash equivalents, liabilities, etc.);

5) interface is a software solution allowing the transfer of transactions from subsidiary ledgers in the form of a journal entry to the general ledger;

6) transaction is a business event electronically recorded in a subsidiary ledger that is forwarded for posting to the general ledger via the interface;

7) transaction type is a business event for which a posting template is created;

8) posting template is a model by which the account, type of item, sign and side (debit or credit) is determined for a type of transaction;

9) posting instructions are instructions given by the Directorate for Finance, Accounting and Controlling (hereinafter: the Directorate) defining the posting template;

10) journal entry is a form containing a posting template for a type of transaction and can be in electronic form or created manually if software solution is not available;

11) Central Bank accounting policies (hereinafter: accounting policies) are specific principles, bases, rules and practices applied by the Central Bank in valuing assets, liabilities, capital, income and expenses, and for determining business results, for purposes of disclosing and presenting these positions in financial statements.

Article 3

The Central Bank shall maintain accounting records in accordance with legislation governing accounting and audit, implementing legislation, professional legislation, accounting policies and this Rulebook.

II. ORGANISATION OF ACCOUNTING FUNCTION

Article 4

The accounting tasks of the Central Bank shall be performed in the Directorate for Finance, Accounting and Controlling (hereinafter: the Directorate).

In addition to the organisational unit referred to in paragraph 1 above, other organisational units in the Central Bank that receive, prepare or control accounting documents, deliver them for posting (by application software or other means) and maintain subsidiary ledgers, shall also perform the accounting tasks.

Article 5

The organisational units referred to in Article 4 paragraph 2 herein shall make postings and maintain subsidiary ledgers based on posting instructions issued by the Directorate and a detailed description of a business event received from these organisational units.

III. ACCOUNTING DOCUMENTS

Article 6

An accounting document shall be: a competent authority's decision or conclusion, authorisation, contract, correspondence related to the fulfilment of a contract, decision, bill – invoice or pro-forma invoice, contract note, shipping document, receipt, order, document on the reconciliation of receivables and liabilities, cash payment order, accounting calculations or other document that indicates the basis for receiving or giving monetary or material value, also including documents received via telecommunications means or electronic exchange of data.

An accounting document shall contain the following basic elements:

- name of accounting document;
- the name of the natural person, or the name and address of the legal person, who issued the document;
- place and date of creation;
- date the business event occurred;
- description of the business event from which the basis and type of the event are determined;
- quantity and price expressed in a way appropriate to the nature of the work carried out, and total value;
- signatures of employees authorised to control the completeness, veracity and accounting accuracy of the document;
- other elements necessary for the preparation of the posting template.

A written explanation based on which posting errors are corrected and written reviews based on which a reposting is made shall also be considered accounting documents referred to in paragraph 1 above.

Article 7

Business events related to assets, liabilities, capital, income and expenses shall be posted based on an original accounting document.

As an exception to paragraph 1 above, if the original of an accounting document is lost, or is so damaged that it is unusable, a posting may be made based on a duplicate or copy.

An accounting document that is a duplicate shall be marked "duplicate", and if it is a copy, it shall be certified by an authorised person of the document issuer.

If more than one copy of an accounting document is issued, the original and copies should be separately marked original and copies in order, and with an indication of the document purpose (issue, receipt, payment and posting).

Article 8

The checking, approval and forwarding for posting of an accounting document that is created in the Central Bank shall be completed within three days of the day the business event occurs.

If the accounting document is received from a legal or natural person outside the Central Bank, the deadline referred to in paragraph 1 above will run from the day it is received.

An accounting document referred to in paragraph 2 above shall be delivered on the same day or at the latest the day after the date it is received through a delivery book for signature to the person who organises work in the organisational unit where the business event to which the document refers occurred.

The person referred to in paragraph 3 above shall sign the document or its attachments to confirm that the document properly reflects the business event, and it shall deliver the document with its attachments to the Directorate immediately, or at the latest the day following the day the accounting document was received.

Article 9

If the organisational unit responsible for receiving mail is unable to establish the location where the business event to which the document refers occurred, it shall deliver the document to the Directorate immediately, but at the latest the day following the receipt of the accounting document.

On the same day, or at the latest the day following receipt, the Directorate must deliver the document for authorisation to the organisational unit where the business event to which the document refers occurred.

Article 10

The date of sending and signature of the person who sent the document must be present on accounting documents sent to the Directorate after the deadlines defined in this Rulebook.

Article 11

Data entered in an accounting document may not be deleted or cancelled.

Corrections to accounting documents shall be made by crossing out the original text or amount with a single horizontal line, so the original text or amount shall remain legible, and then writing the correct text or amount above the crossed out version.

Corrections shall be made by the person who created the accounting document and confirmed by that person's signature on all its copies.

Corrections shall also confirmed by persons who signed the accounting document.

As an exception from paragraph 1 above, in the event of a change of data in an order for: access to funds from the Central Bank accounts, orders for cash payments in or out, and for deposits or withdrawal of cash from the Vault, these shall be deleted and new ones created.

IV. ACCOUNTING RECORDS

Article 12

Accounting records shall be:

- 1) the general ledger,
- 2) journal,
- 3) subsidiary ledgers.

Article 13

Records of balances and transactions of assets, liabilities, capital, income, expenses and off-balance-sheet items shall be recorded in the accounting records.

The accounting records shall be maintained on the principles of timeliness, reliability and accuracy, in accordance with International Accounting Standards.

In accordance with the principle of timeliness, posting to the accounting records shall be carried out by the deadlines defined in this Rulebook.

The principles of reliability and accuracy shall ensure:

- posting to accounting records based on reliable, previously properly checked and authorised, accounting documents;
- the impossibility of altering or deleting data posted to accounting records;
- information on the date of the business event (value date);
- use of a unique codes manual in the general ledger and subsidiary ledgers;
- existence of a unique number for each journal entry for posting to the general ledger;
- links between the general ledger and subsidiary ledgers providing an audit trail from the subsidiary ledgers to the general ledger, and vice versa.
- the possibility of an overview of business operations so that analytical data exists in the general ledger for positions for which the maintenance of a subsidiary ledger is not provided.

Article 14

Accounting records shall be maintained in electronic form.

Accounting records are maintained for a financial year that coincides with the calendar year.

Article 15

The general ledger shall be unique at the level of the Central Bank and it shall be the basis for producing financial statements.

The general ledger shall be maintained in the Directorate.

The general ledger for the financial year shall be closed after the annual financial statements are adopted, by the creation of an automatic closing order in the Directorate.

The opening balances of the general ledger at the beginning of a calendar year must be the same as the closing balances at the end of the previous year.

Article 16

Posting to the general ledger shall be made via sub-ledgers, whose structure and groups shall be defined by the Directorate.

Article 17

The journal is a chronological record of all business events by date of their occurrence, that is, the order of receiving accounting documents.

Article 18

For the purposes of this Rulebook, subsidiary ledgers shall be:

- fixed assets and inventory sub-ledger;
- stocks of supplies, small stationery and spare parts sub-ledger;
- suppliers sub-ledger;
- client deposits sub-ledger;
- issued loans sub-ledger;
- sub-ledger of mortgages and receivables from the sale of flats;
- securities sub-ledger;
- cash and cash equivalents sub-ledger;
- sub-ledger of other receivables on various bases;
- sub-ledger of other liabilities on various bases;
- vault sub-ledger;
- sub-ledger of salaries and other personal earnings;
- other subsidiary ledgers.

Receivables and liabilities shall be maintained as a sub-ledger of the general ledger.

Article 19

Subsidiary ledgers shall be maintained via appropriate software solutions, which are linked to the general ledger by the interface.

Data entered into the Central Bank's accounting software may only be used with the written permission of the data owner.

Subsidiary ledgers shall be reconciled to the general ledger monthly.

For receivables and liabilities denominated in foreign currencies, reconciliations of data from the subsidiary ledgers to the general ledger shall be carried out in the foreign currency.

Article 20

A cash journal shall be maintained for cash in hand, into which business events arising based on payments in or out of cash are entered.

The cash journal shall be closed at the end of every business day.

Article 21

After entering records in the subsidiary ledgers, the organisational units referred to in Article 4 paragraph 2 herein shall forward the transactions to the Directorate via the interface.

On the basis of the transactions forwarded from the subsidiary ledgers, after checking that the journal entries comply with the delivered accounting records, the Directorate shall generate and post journal entries on the same day.

Article 22

Manual journal entries to the general ledger shall be created in the Directorate based on checked and authorised accounting documents.

V. RECOGNITION AND VALUATION OF ASSETS AND LIABILITIES, INCOME AND EXPENSES

Article 23

Assets and liabilities, income and expenses of the Central Bank are recognised and valued in accordance with the Central Bank's accounting policies.

VI. INVENTORY OF ASSETS AND LIABILITIES

Article 24

An inventory of the assets and liabilities of the Central Bank shall be made in accordance with the act defining the method and deadlines for making inventories and reconciling book balances with actual balances.

VII. FINANCIAL STATEMENTS

Article 25

The Central Bank shall prepare financial statements in accordance with professional legislation.

Article 26

The Directorate shall reconcile receivables and liabilities with debtors and creditors as at 31 December of the year for which the financial statements are being prepared, and where necessary before this date.

Article 27

The Directorate shall produce annual, quarterly and monthly financial statements based on the data in the general ledger.

Article 28

Annual financial statements shall be produced as at 31 December of the financial year.

The following shall be performed before producing the annual financial statements:

1. reconciliations of receivables and liabilities on the prescribed IOS forms,
2. reconciliations of the balances of the subsidiary ledgers with the general ledger,
3. an inventory of assets and liabilities and reconciliation of the general ledger with the results of the inventory,
4. valuation of the positions of assets and liabilities.

An internationally recognised independent external auditor will audit the annual financial statements.

The Council of the Central Bank shall adopt the annual financial statements, with the opinion of the independent external auditor, by 30 April of the current year for the previous year and shall deliver them to the Parliament of Montenegro for information.

The annual financial statements shall be published on the Central Bank website within 15 days of the day of their adoption.

Article 29

Quarterly financial statements shall be produced as at the last day of the quarter and delivered to the Governor and the Audit Committee by the 15th day of the first month of the following quarter for the previous quarter.

Article 30

Monthly financial statements shall be produced as at the last day of the month and delivered to the Governor by the 15th day of the month for the previous month.

VIII. SYSTEM OF INTERNAL ACCOUNTING CONTROLS

Article 31

The system of internal accounting controls shall include actions taken with the view to:

1. ensuring the reliability and credibility of accounting records, data and financial statements;
2. protecting assets from overspending, fraud or inefficient usage;
3. ensuring the implementation of tasks in accordance with plans and policies.

Article 32

The system of internal accounting controls shall include:

- control of the giving and updating of authorisations to work with accounting records;
- entry of data into the subsidiary ledgers in such way as to allow control of input data, control of the accuracy of data entered, inspection of the chronology of entries made and appropriate safeguarding and use of data;
- controls in application software (logical and arithmetical) that are set up to prevent the sending of data from the subsidiary ledger to the general ledger via the interface before the controls have passed;
- built-in controls in the application software when generating journal entries;
- control of supplier invoices so that they are not paid without authorisation and evidence that the goods have been received or services carried out;
- reconciling balances in subsidiary ledger accounts with balances in general ledger accounts before preparing financial reports;
- reconciling balances in general ledger accounts with the records of suppliers and clients on the prescribed IOS form at least once a year, and before the beginning of the annual inventory;
- control of manual journal entries;
- prevention of deleting posted business events;
- other internal controls.

Article 33

The organisational units referred to in Article 4 paragraph 2 herein responsible for issuing accounting documents, forwarding transactions and journal entries via the interface, preparing posting instructions, setting up posting templates, generating journal entries, checking data before closing the general ledger and uploading and entering journal entries to the general ledger, shall be responsible for adherence to the procedures for the above tasks, with appropriate internal controls (checks of input data, checks of the accuracy of data entered, check of chronology of entries made, suitable safeguarding and use of data, etc.)

IX. PERSONS RESPONSIBLE FOR THE LEGALITY AND ACCURACY OF BUSINESS EVENTS AND THE PRODUCTION OF ACCOUNTING DOCUMENTS AND FINANCIAL STATEMENTS

Article 34

The persons authorised by a decision of the Governor to enter into debtor and creditor relationships shall be responsible for the legality and accuracy of business events.

Persons authorised to produce accounting documents shall be responsible for the completeness and veracity of those documents, and that the documents are arithmetically correct and depict the basis for the business event occurrence.

The person who organises the work of the organisational unit that initiated the transaction and the person who enters the data shall be responsible for recording transactions in the subsidiary ledgers.

The head of the Accounting Division in the Directorate and persons making postings shall be responsible for the posting entries to the general ledger.

The persons who sign the financial statements shall be responsible for the reality, accuracy, veracity and fairness of the financial statements.

X. SAFEGUARDING OF ACCOUNTING DOCUMENTS, ACCOUNTING RECORDS, FINANCIAL REPORTS AND ACCOUNTING SOFTWARE

Article 35

Persons who organise the work of the organisational units referred to in Article 4 herein shall organise the safeguarding of accounting documents, accounting records and financial statements until they are passed to the

relevant organisational unit in accordance with the Central Bank act on documents archiving and safeguarding.

Article 36

Accounting records maintained electronically (via software solutions) shall be safeguarded by the IT Department, which along with saving data to memory, shall also ensure the saving of software to memory according to the IT Department's procedures for the safeguarding and protection of data.

Article 37

Accounting documents and accounting records may not be made available to third parties, except in response to a written request of the judicial bodies, when they are given in exchange for a receipt signed by an authorised person of the body that made the request.

XI FINAL PROVISIONS

Article 38

On the date of entry into force of this Rulebook, the Rulebook on Accounting No. 0101-377/13-6 dated October 12, 2005 ceases to be valid.

Article 39

This Rulebook shall enter into force on the eighth day following that of its publication.

GOVERNOR,

Radoje Žugić, m.p.