

Pursuant to Article 44 paragraph 2 item 19, and in conjunction with Article 76 of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17, 125/23), at its meeting held on 31 July 2024, the Council of the Central Bank of Montenegro passed the following

GUIDELINES

for establishing the framework for the selection of an independent external auditor for the audit of financial statements of Central Bank of Montenegro

I. BASIC PROVISIONS

1. The objective of these Guidelines is to establish a comprehensive framework for the selection of an independent external auditor for auditing the financial statements of the Central Bank of Montenegro (hereinafter: the Central Bank).
2. These Guidelines, in accordance with the law, shall specify the conditions and manner of selecting an independent external auditor, the duration and termination of the contract concluded with the independent external auditor, the rotation of audit partners, the independence principles, as well as additional services that may not be performed by an independent external auditor.
3. The Audit Committee shall be responsible for the implementation of these Guidelines.

II. CONDITIONS FOR THE SELECTION OF AN INDEPENDENT EXTERNAL AUDITOR AND ROTATION

4. The audit of the financial statements of the Central Bank may be performed by an independent external auditor who shall:
 - 1) have international experience in the auditing of central banks, namely at least 1 (one) audit of the annual financial statements of central banks;
 - 2) have the authorisation to perform audit activities (permit, license, approval or another relevant act), in accordance with the provisions of the Law on Audit (OGM 1/17);
 - 3) fulfil the minimum professional and staffing capacities required for conducting an audit, namely: have an audit team that shall include a minimum of 2 (two) persons who hold licenses for the acquired professional title of auditor and who shall have experience confirmed by the minimum of:
 - one reference confirming the work experience in auditing annual financial statements of central banks, and
 - one reference confirming the work experience in auditing annual financial statements of financial institutions in the last five years.

If the implementation of the public procurement for the selection of an independent external auditor of the annual financial statement of the Central Bank is carried out through a special form

of public procurement - a framework agreement, the independent external auditor is obliged to select one Partner (team member) to be in charge of the execution of the services, i.e. the signing of the Independent Auditor's Report (Audit Engagement Partner) and another Partner (team member) to be responsible for quality control (Review Partner), as well as to ensure the rotation of the Audit Engagement Partner during the period of the framework agreement.

In addition to the minimum conditions specified in this point, the Central Bank may specify other conditions for the selection of an independent external auditor in the public procurement procedure, in accordance with the provisions of the Law on Public Procurement.

III. MANNER OF SELECTING THE INDEPENDENT EXTERNAL AUDITOR

5. The Central Bank shall select an independent external auditor in a transparent procedure, the open public procurement procedure, thereby adhering to the principles of transparency, competition and equality of bidders, in accordance with the provisions of the Law on Public Procurement.

IV. DURATION AND TERMINATION OF THE CONTRACT

6. In accordance with the Central Bank of Montenegro Law, the independent external auditor may audit the financial statements of the Central Bank for a maximum of three consecutive years.
7. The public procurement contract concluded with an independent external auditor may be terminated under the conditions and in the manner provided for in that contract, in accordance with the Law on Public Procurement.

V. AUDIT TIMELINE

8. The audit of the financial statements of the Central Bank shall be carried out according to the following timeline:
 - 1) interim audit, which includes the audit of financial statements of the Central Bank for 10 (ten) months, shall commence no later than on 15 December of the current year;
 - 2) the final audit and the audit of annual financial statements of the Central Bank prepared in accordance with the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS), and the Central Bank of Montenegro Law shall commence in February of the following year;
 - 3) a draft audit report and the Letter to the Management of the Central Bank (if issued) shall be submitted until 5 March of the following year;
 - 4) the final report of the independent external auditor with the issued opinion shall be submitted immediately after the receipt of written comments from the Management of the Central Bank and their reconciliation, no later than until 15 March of the following year.

VI. INDEPENDENCE PRINCIPLE

9. The selected independent external auditor and members of the audit team must perform their audit activities in accordance with the International Standards on Auditing (ISA), the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC), and the law.
10. The selected independent external auditor:
 - 1) may not enter into any contract with the Central Bank for the provision of additional services specified in Chapter VII point 13 of these Guidelines during the audit engagement and in the year for which the financial statements are subject to audit;
 - 2) may not in any way be involved in the decision-making process in the Central Bank;
 - 3) members of the audit team must not have a conflict of interest with the management of the Central Bank.
11. The Audit Engagement Partner may not take up managerial position in the Central Bank, be a member of the Audit Committee or a member of the governance and/or management bodies in the Central Bank for a minimum of 2 (two) years following the signing of the audit report, and the employee of the independent external auditor who performs audit tasks and the person engaged to carry out audit activities under his supervision may not take up the aforesaid positions before the expiry of the period of one year following the audit report signing date.
12. In the case of concluding a framework agreement, the independent external auditor shall be obliged to submit a written statement to the Central Bank once a year in which it shall:
 - 1) confirm its independence from the Central Bank. This independence statement shall also include independence statements for each engaged member of the team;
 - 2) disclose all other contractual services it provides to the Central Bank, in addition to the legal audit (if any, or it shall issue a statement that there are no such services).

VII. ADDITIONAL SERVICES THAT MAY AFFECT INDEPENDENCE OF THE EXTERNAL AUDITOR

13. Additional services that may affect independence of the external auditor and that may not be provided to the Central Bank in the period defined in Chapter VI point 10 sub-point 1 of these Guidelines are:
 - 1) accounting services (keeping accounting and preparing accounting records and financial statements);
 - 2) services related to the internal audit functions of the audited entity;
 - 3) devising and conducting internal audit or risk management procedures, related to preparation and/or control of financial information, and devising and conducting information technology systems in the field of financial operations;
 - 4) services for assessing the value of assets and liabilities;

- 5) legal services related to the provision of general consultations and representation when settling disputes;
- 6) services that include any role in the management or decision-making at the Central Bank;
- 7) payroll services, and
- 8) tax services.

14. The independent external auditor may provide services other than the additional services stated in point 13 of these Guidelines, subject to a prior approval of the Central Bank and provided that it is assessed that they are not contrary to the independence principle.

VIII. FINAL PROVISION

15. These Guidelines shall enter into force from the date of their adopting and they shall be published on the Central Bank intranet and website.

COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

CHAIRPERSON

G O V E R N O R

Irena Radović, m.p.

Decision no. 0101-5825-8/2024
Podgorica, 31 July 2024