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Supreme Audit Office
Poland 2009

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Supreme Audit Office



The mission of the NIK is to ensure economic efficiency and effectiveness in public service for the benefit of the Republic of Poland.

The vision of the NIK is to be a commonly respected supreme institution of state audit, whose reports are an awaited and sought after source of information for state authorities and the general public.

The NIK's organisation and functioning are set out in the Constitution of the Republic of Poland and the NIK Act of 23 December 1994. The NIK is subordinate to the Sejm (lower chamber of the Polish Parliament) and acts in accordance with the principle of collegiate responsibility. The NIK is headed by its President, who is appointed by the Sejm for a six-year term of office. The NIK performs audits related to, primarily, the execution of the state budget as well as public finance spending and management of public property by state and local governmental bodies and economic entities. Every year, the NIK submits three key documents to the Sejm: its analysis of the state budget and monetary policy guidelines execution, its opinion on the vote of discharge for the Council of Ministers and an annual report on its activity.

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Dear Colleagues,

I am extremely pleased to present you with a summary report of the NIK for the year 2008.

Every year, at the end of June, the NIK submits a detailed report on its operations to the Polish Sejm, traditionally, together with an audit report on the execution of the state budget for the previous year.

In the course of a year, the NIK presents the Sejm with many reports, on most conducted audits. Pursuant to the Act on the NIK, its President is authorised to present such a document to the general public only after submitting it to the Sejm. In 2008, the NIK submitted 172 such reports to the Sejm.

Undoubtedly, except for the audited units, the Sejm and general public

are the most significant recipients of the NIK's audit findings.

The NIK's long-term planning covers three-year periods during which audit procedures are conducted based on the main priorities defined by the College of the NIK. In the years 2006-2008, these priorities were: *Citizen-friendly state*, *Cost-efficient governance* and *Sound governance*. Further in the text you will find a list of all audit topics explored by the NIK in the past year in every mentioned priority area.

The year 2008 was special for the NIK on an international scale: on 2 to 5 June, our institution hosted the 7th EUROSAI Congress during which I had the honour to be

appointed Chair of the Governing Board of this organisation for the next three years.

Although chronologically it refers to the current year, I would like to mention another event of great importance for our institution: in February, we celebrated the 90th anniversary of the NIK's establishment. The NIK is almost of the same age as the independent Poland reborn in November 1918, which makes it one of the oldest public institutions in our country.

Finally, let me encourage all of you to become acquainted with this report, and to visit our website at www.nik.gov.pl, as well as the website of the Polish presidency in EUROSAI at www.eurosai2008.pl.

Jacek Jezierski
President of the NIK

A handwritten signature in blue ink, which appears to read "Jacek Jezierski".



Some audit-related statistics

- 165 planned audit topics
- 2,624 audited units
- 218 ad hoc audit topics
- 2,973 post-audit statements
- 172 pronouncements on audit findings presented to the Sejm
- PLN 16,767 million of financial irregularities found
- PLN 553.6 million of financial impact (ca. 2 PLN for every 1 PLN spent)
- 966 meetings of the Sejm committees and subcommittees attended by NIK representatives
- 43 *de lege ferenda* motions
- 9 audits conducted parallelly with other SAIs

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The NIK College



The Constitution of the Republic of Poland and the NIK Act state that the NIK acts in line with the principle of collegiality. These principles are reflected in the appointment of the NIK College, vested with wide mandate. The Members of the NIK College, who perform their function independently, are appointed by the Marshal of the Sejm for a three-year term of office upon the NIK President's request. The College consists of: the President of the NIK acting as Chairman, the Vice-Presidents, the General Director and 14 members: 7 representatives of legal and economic sciences, and 7 directors of the NIK's organisational units or advisers of the NIK's President.

The NIK College is responsible for: approving the analysis of state budget and monetary policy guidelines execution, approving the report on NIK's activity, formulating an opinion on the vote of discharge for the government, work plan and draft budget of the NIK. Moreover, the College assesses audit programmes and pronouncements on the results of particularly important audits as well as considers post-audit claims.

*Jacek Jezierski, President of the NIK with his four deputies,
NIK Vice-Presidents: Jacek Kościelniak, Józef Górny,
Stanisław Jarosz and Marek Zająkała*



Audit mandate of the NIK

The Polish Constitution states that the NIK is the state supreme audit institution. This means that the NIK is a functionally autonomous body, playing the leading role in the performance of audits in Poland, and its findings, assessments and conclusions are subject to verification only by the NIK itself. Even the Sejm, to which the NIK is subordinate, is not entitled to introduce any changes in this respect.



The Act on the NIK defines its structure and operating principles, regulates audit procedures and determines the rights and obligations of the NIK's employees. Most frequently the NIK carries out audits on its own initiative. Pursuant to the Act, the NIK undertakes audits also upon the order of the Sejm or its bodies as well as upon the request of the President of the Republic and the Prime Minister.

Bodies subject to audit by the NIK and applied criteria

Bodies subject to audit by the NIK and applied criteria			
Bodies subject to audit by the NIK	Government administration authorities, the National Bank of Poland, state legal entities and other state organisational units	Audit criteria	Legality, sound management, efficacy and integrity
	Local government authorities, local government legal entities and other local government organisational units		Legality, sound management and integrity
	Other organisations and businesses (entrepreneurs) ^{1/}		Legality and sound management

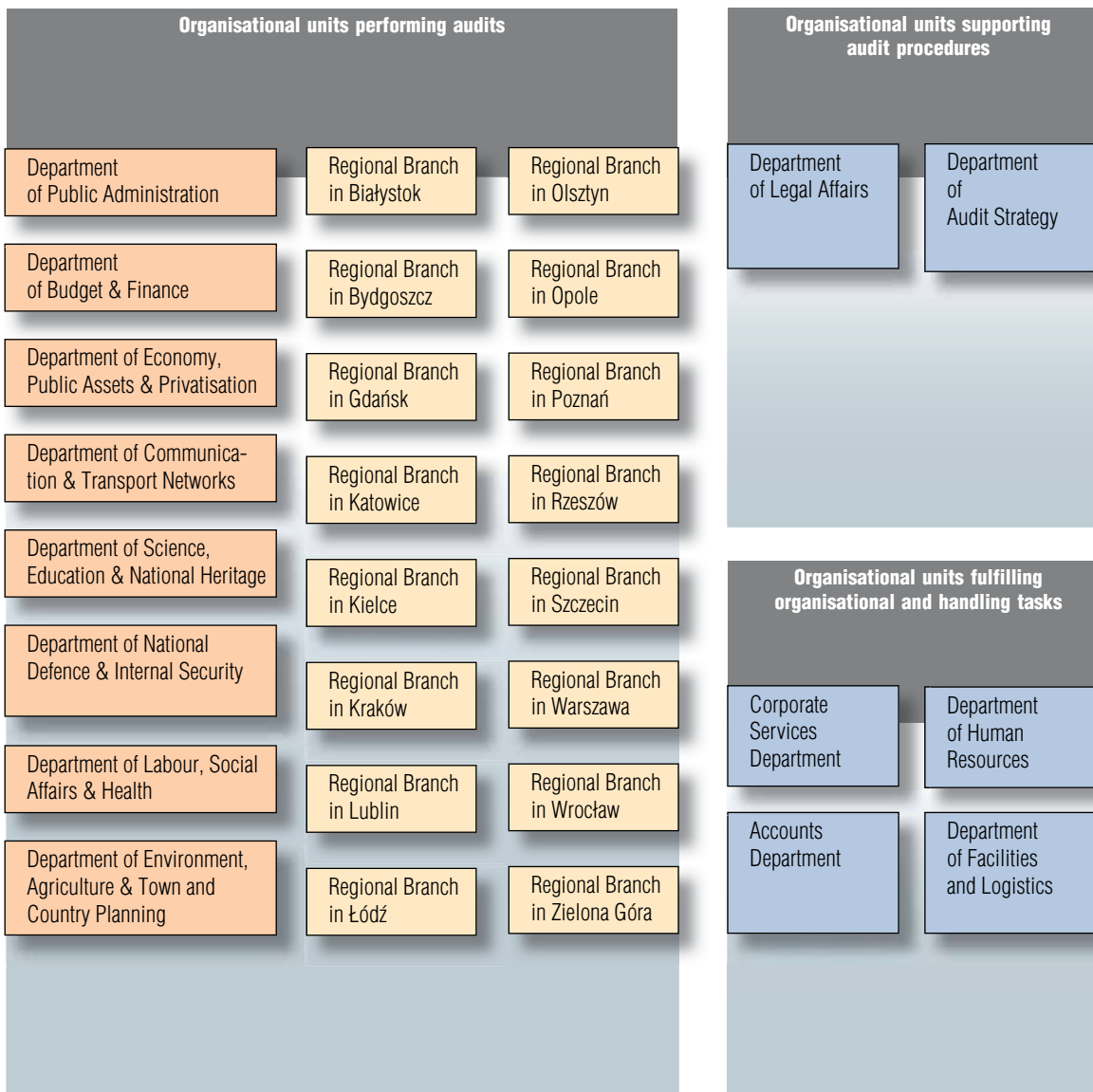
^{1/} To the extent these bodies take advantage of state or municipal assets or funds and settle their financial liabilities against the state

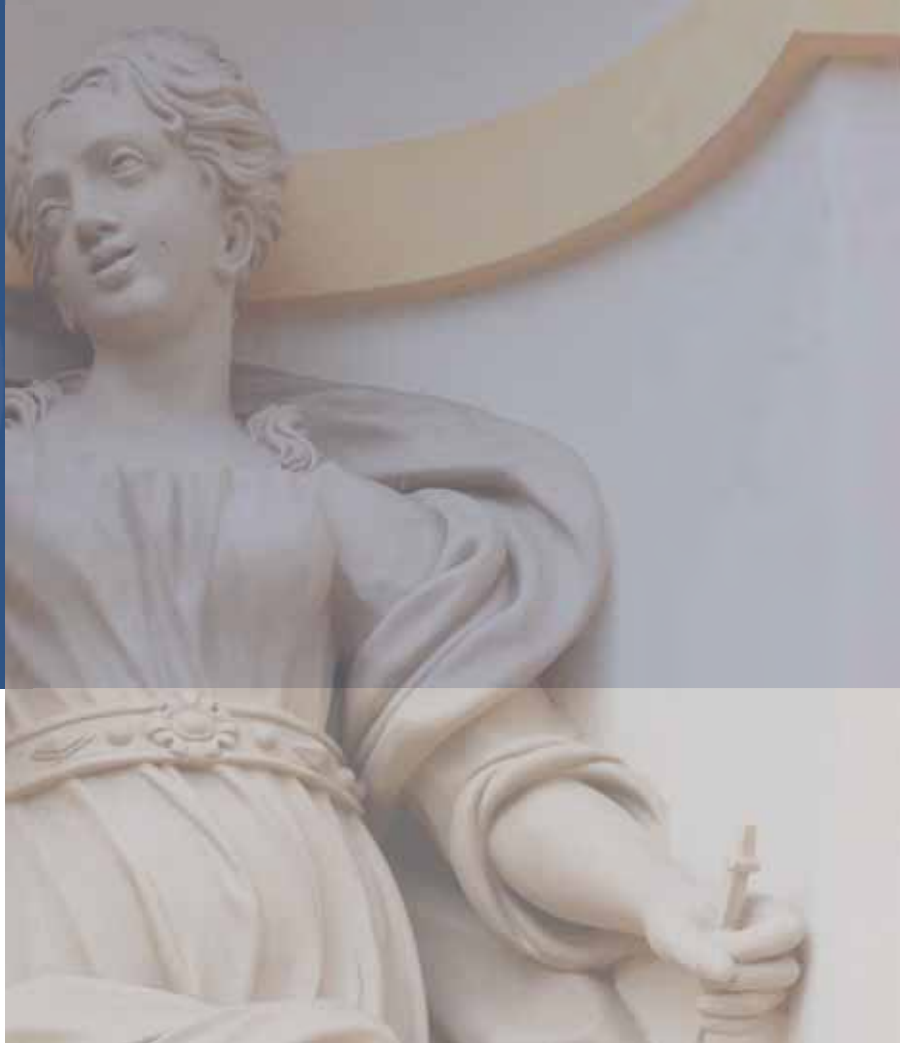


In some bodies the NIK may audit only budget execution and finance and asset management. This restriction refers to: the Chancellery of the President of the Republic, the Chancellery of the Sejm, the Chancellery of the Senate, the Constitutional Tribunal, the Commissioner for Civil Rights Protection, the National Broadcasting Council, the Inspector General for Personal Data Protection, the Institute of National Remembrance – the Commission for the Prosecution of Crimes against the Polish Nation, the National Electoral Office, the Supreme Court, the Supreme Administrative Court and the National Labour Inspectorate.

30 organisational units, departments and branches, exist within the NIK. These include units: performing audits (departments and regional branches), supporting audit procedures and fulfilling organisational and handling tasks.

Organisational structure





Audit planning

The NIK realises its mission on the basis of the adopted strategy and periodic (annual) work plans submitted to the Sejm. Every annual work plan contains the audit of state budget and monetary policy guidelines execution in the past year, which the NIK is obliged to undertake pursuant to the law. The remaining audits are planned in accordance with the main audit priorities adopted by the NIK College. The work plan includes also audit topics undertaken by the NIK upon the order of the Sejm or its bodies as well as upon the request of the President of the Republic and the Prime Minister. The principles of work plan drafting as well as audit topic selection criteria are determined in the *NIK Audit Standards* and guidelines thereto.

Planning is of a long-term and short-term nature. Long-term (stra-

tegic) planning is realised using the results of the analysis of the state's social and economic situation. It defines the main audit priorities for three years. Within these priorities, specific audit areas are selected for a given year based on the risk analysis. The risk analysis takes into account several different points of view expressed by: the NIK, experts, citizens and main report recipients (the Sejm, the Senate, the government). This makes it possible to concentrate audit activity on selected areas, enables proper fund management and audit findings maximisation.

The basis for the NIK's annual planning, within the audit areas, are its own suggestions as to audit topics, amended by the suggestions sent by the Marshal of the Sejm and the Marshal of the Senate, the President of the Republic

and the Prime Minister, as well as other concerned public administration bodies. Audits are planned in such a way that their results enable identification of causes and mechanisms of possible irregularities in the state's functioning.

If necessary, the NIK may also perform ad hoc audits.

The NIK's experts have developed a custom-made software supporting the audit planning process (*SterNIK*¹). One of its functions is generating useful lists: suggested audit topics and schedules, task load, NIK audit frequency in chosen entities and more.

¹ A play of words in Polish: „sternik” means „wheelsman”, and „NIK” is the acronym of the name of the Polish SAI.



Cost-efficient governance describes a state that uses only necessary funds to finance its operations in a functional manner, deprived of extravagance or waste of funds.

Main audit priorities

The main audit priorities of the NIK adopted by the College for the years 2006-2008 are correlated with the idea of a citizen-friendly and cost-efficient state, managing assets for the public benefit. Performing audits, the NIK pays special attention to these aspects and diagnoses the state's condition from this point of view.

A citizen-friendly state is to provide citizens with the possibility to exercise their rights under the constitution and also to be friendly towards them: attempt to properly identify and satisfy,

whenever possible, citizens' genuine needs, support citizens, help solve their problems.

Cost-efficient governance describes a state that uses only necessary funds to finance its operations in a functional manner, deprived of extravagance or waste of funds. The efficiency of public administration audited within this priority is assessed from the point of view of achieving the assumed goals at a relatively low expenditure, observing relevant regulations and procedures, avoiding unnecessary expenditure and costs.

Sound governance describes a state that manages public assets in an effective manner and allocates profits to the public benefit. It is driven by economic calculation, applies effective management procedures, conducts profitable activity. It prevents non-public entities to whom the State Treasury sells, lets for usufruct or leases public assets or with whom the State Treasury is involved in joint economic ventures from deriving unjustified benefits.



		Audit areas
Main audit priorities	Citizen-friendly state	Internal and external security; HR management, fighting unemployment; availability and quality of education; functioning of the healthcare system, including availability and quality of medical services; functioning of control and inspection agencies; life in a clean environment and ecological safety; social assistance and social security, family support; quality and effectiveness of citizen service in public administration agencies; real property management and land registration; supporting the disabled.
	Cost-efficient governance	State of public finances, including collection of budget revenues; public funds management in units of the public finance sector and public enterprises; public administration operating costs, including standardisation (unification of job and equipment descriptions, establishment of remuneration principles); public aid and subsidies; implementation of investments financed from public funds, including long-term investments; obtaining, using and managing EU funds and non-EU funds, including procedure simplification.
	Sound governance	Management of State Treasury assets (including by government agencies), local government assets and state-owned enterprises assets; restructuring, commercialisation and privatisation of economic sectors, State Treasury entities and municipal entities; development and maintenance of infrastructure.

The NIK's annual plan also contains two other guidelines. Pursuant to them planned audits are oriented towards identification of areas threatened with corruption and

towards the analysis of internal audit systems in audited entities. These two aspects are obligatory components of audit planning.

Audit of state budget execution

In 2008, the NIK performed 165 planned audits, whereby 97 concerned the execution of the state budget in 2007. Reports presenting their findings were submitted to the Sejm successively and discussed by the Sejm committees.

This comprehensive audit of state budget execution enabled financial settlement of audited units, including an audit and evaluation of accounting ledgers as well as an opinion on budget reports. The NIK also assessed the financial settlement of state budget execution in its particular parts and of the state budget as a whole. Moreover, it evaluated the conformity of state budget execution with the Budget Law, the provisions of the

Law on Public Finance and other regulations governing the principles of public funds management, and audited the observance of the provisions of the Public Procurement Law and the Accounting Act.

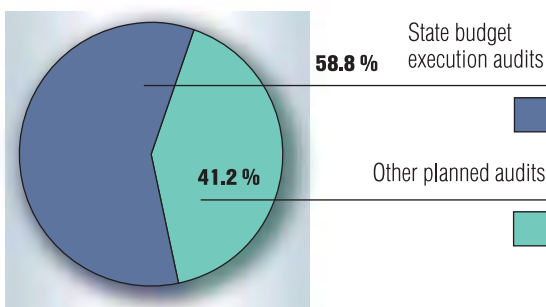
The audit of state budget execution is a certification audit. Auditors performing the audit are supported by software developed by the NIK's experts, mainly *Pomocnik kontrolera (Auditor's Assistant)* and *FK-skan*. These programs are used, inter alia, to audit the accuracy of accounting ledgers, to carry out sampling and to perform an analytical review of accounting ledgers.

Every year, the President of the NIK presents the Sejm with an

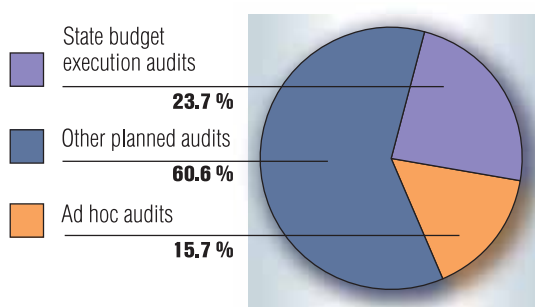
Analysis of State Budget and Monetary Policy Guidelines Execution and presents the NIK's opinion on the vote of discharge for the government.

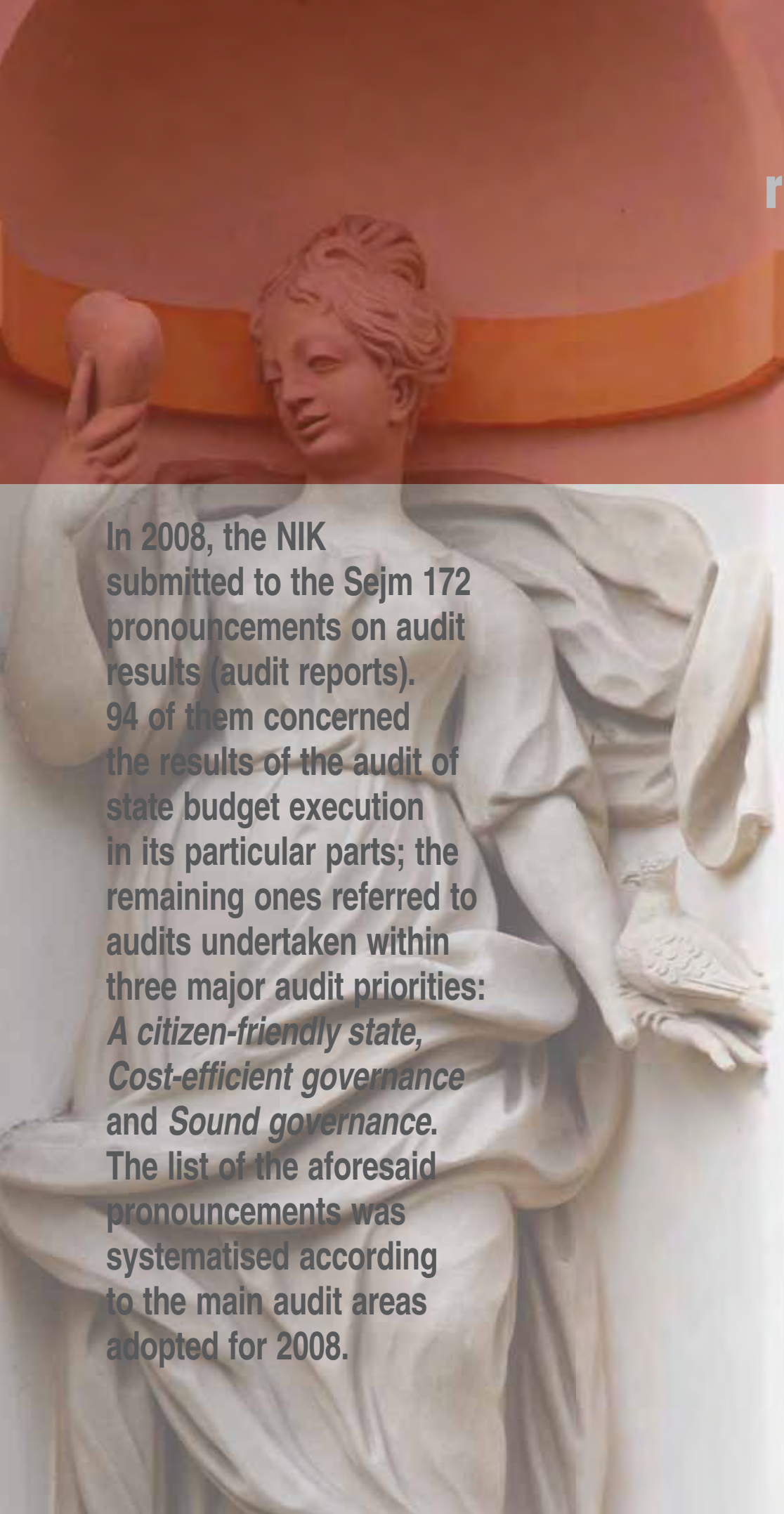
The audit of state budget execution is an important organisational undertaking. In 2008, auditors devoted almost 24% of their working time to prepare and conduct the audit as well as to produce its results (including pronouncements on the results of state budget execution in its particular parts and on the financial plans of state earmarked funds and agencies).

Structure of planned audits realised in 2008



Structure of working time devoted to particular audit types in 2008





In 2008, the NIK submitted to the Sejm 172 pronouncements on audit results (audit reports). 94 of them concerned the results of the audit of state budget execution in its particular parts; the remaining ones referred to audits undertaken within three major audit priorities: *A citizen-friendly state, Cost-efficient governance and Sound governance.* The list of the aforesaid pronouncements was systematised according to the main audit areas adopted for 2008.

Internal and external safety

- Actions taken by the President of the Material Reserves Agency and the Minister of Economy in relation to levying a fine on the company J&S Energy SA
- The Navy attaining defences as a result of the defence planning process conducted by the North Atlantic Treaty Organization (classified)
- Actions taken by the Minister of Interior and Administration aimed at establishing close cooperation between the Police, Border Guards and the State Fire Service through integrating their communications and IT systems (classified)
- Performance of preventive functions by community policemen
- Realisation of R&D and implementation projects related to technical modernisation of the Polish Armed Forces (classified)
- The Polish Armed Forces taking advantage of qualifications obtained by regular soldiers during their studies abroad, service in NATO structures and during foreign missions
- Preparedness of military healthcare with regard to battlefield medicine to fulfil defence tasks in accordance with NATO standards (classified)
- Preparedness of the State Fire Service to prevent

and counteract the effects of serious breakdowns posing a threat to the environment

- Military employees receiving mobilisation assignments to fill service and employee posts defined in the list of vacancies of a given military institution or unit at the time of war
- Maintenance of road and railroad border crossings on the north-eastern and eastern section of the national border
- Transboundary transfer of waste between Ukraine, Slovakia and Poland in the light of the Basel Convention

Human resources management; countering unemployment

- Use of public funds to realise tasks related to employment promotion and professional development
- Fulfilment of tasks related to training the unemployed by selected district employment agencies

Availability and quality of education

- Awarding academic degrees and titles
- Activity of institutions of the Polish Academy of Sciences

- Fulfilment of schooling duty by children between 16 and 18 years of age
- Functioning of non-public schools with public school accreditation
- Counteracting pathologies in schools and educational institutions
- Functioning of the teachers' professional promotion system
- Organisation and financing of post-graduate studies in public higher education institutions
- Organisation and functioning of military academies and higher officers' schools
- Provision of preventive healthcare services to children and school-age youth
- Functioning of local hospitals
- Realisation of public procurements by public healthcare centres
- Functioning of psychiatric healthcare, with special emphasis on inpatient healthcare

Functioning of the healthcare system

- Provision of basic healthcare services and selected outpatient specialist services by healthcare providers within health insurance
- Financing and availability of cardiological treatment, taking into account realisation of the "POLKARD National Programme of Prevention and Treatment of Cardiovascular Diseases"
- Execution of the financial plan of the National Health Fund in 2007

Functioning of inspection and control bodies

- Marketing of construction products
- Exercising construction supervision over the construction and use of large public utility facilities

Life in a clean environment and ecological safety

- Disposal of medical waste
- Protection implementation in Natura 2000 areas
- Monitoring of the Baltic Sea environment
- Handling of genetically modified organisms
- Issuance of integrated permits for using the environment and satisfaction of conditions contained therein
- Collection of charges for using the environment from agricultural animal farms

Social assistance, social security and family support

- Functioning of selected care and education centres
- Fulfilment of tasks related to satisfying housing needs by communes
- Correctness of allocating subsidies for family benefits
- Use of public funds for the implementation of the long-term "Government Nutrition Program" by the communes

Quality and effectiveness of citizen service in public administration agencies

- Functioning of the system of claim acceptance and settlement in principal public administration bodies
- Functioning of the system of protecting the rights of bank and other financial intermediary institution customers
- Servicing final recipients of natural gas
- Functioning of regulations and procedures related to economic activity (as a barrier to enterprise development)
- Fulfilment of tasks related to regulating the market of telecommunications services by the President of the Office of Electronic Communications

- Institutional efficiency of the General Directorate of Domestic Roads and Motorways in fulfilling its statutory tasks
- Activity of district (city) consumer advocates

Real property management and land registration

- Update of the actual and legal state of real property by public administration bodies
- Sale and lease of agricultural real property forming the Agricultural Property of the State Treasury
- Real property management by the Military Property Agency for the benefit of local government units
- Communal real property management
- Fulfilment of tasks described in the Act on Allotting Agricultural Land for Afforestation by the starosts¹

¹ Head of a county (powiat)



State of public finances with particular focus on collecting budget revenues

- The state budget and *Monetary Policy Guidelines* execution
- Links between local government budgets and the state budget
- Liquid fuel taxation
- Taxation of revenues not covered by disclosed sources of revenues or from undisclosed sources of revenues

Public funds management in units of the public finance sector and public enterprises

- Granting and settling subsidies for tasks to be realised by entities from outside the public finance sector by local government units
- Indebtedness of local government units with particular focus on pre-financing and co-financing of projects implemented with the participation of EU funds

- Financing of advisory and expert services and other commissioned tasks
- Release of debts of the Agency for Restructuring and Modernisation of Agriculture concerning the means of the Fund for Agricultural Restructuring and Debt Rescheduling

- Use of public funds for financing the stay of minors in social rehabilitation centres
- Use of public funds of the Agency for Restructuring and Modernisation of Agriculture for external funding of interest on bank investment loans for the benefit of agriculture
- Use of district and communal means of environment protection and water management funds as well as collection and redistribution of charges paid for using the environment
- Use of public means for afforestation of agricultural land
- Application of the Public Procurement Law in the purchase of equipment for the International Rzeszów-Jasionka Airport

Public administration operating costs

- Operating costs of the Social Insurance Company
- Recruitment procedure for clerical posts in local government units

Implementation of investments financed from public funds

- Poland's preparedness to organise the final tournament of the UEFA European Football Championships EURO 2012

- Use of funds for the implementation of the project "Construction of an Operating Chamber for Capsuling Burnt Nuclear Fuel"
- Construction of an indoor velodrome in Pruszków by the Polish Cycling Federation

Obtaining, using and managing EU funds and non-EU funds

- Results of implementing the Sectoral Operational Program – Human Resources Development
- Implementation of technical assistance projects financed from structural funds
- Preparedness of public administration to manage and control funds of the EEA Financial Mechanism and the Norwegian Financial Mechanism
- Investment support from EU funds for small and medium enterprises based on Action 2.3. of the Sectoral Operational Program – Improvement of Competitiveness of Enterprises
- Actions taken to obtain direct foreign investments
- Use of EU aid for building chosen railroads of fundamental significance
- Realisation of the Sectoral Operational Program "Restructuring and Modernisation of the Food Sector and Rural Development" within Action 1.2. "Setting-up of Young Farmers"

- Observance of the Community and national regulations in the process of implementing management and control systems in relation to regional programs

Management of State Treasury assets

- Use of State Treasury real property located in the capital city of Warsaw for the needs of ministries, central offices and national legal entities
- Capital investments made by banks operating with the participation of the State Treasury
- Effectiveness of using State Treasury assets contributed to companies by the former Minister of Economic Co-operation with Foreign Countries
- Sale and lease of agricultural real property forming the Agricultural Property of the State Treasury
- Managing State Treasury real property by the Military Housing Agency
- Disposal of company flats by commercial companies in which the State Treasury is a controlling entity
- Use of district and communal means of environment protection and water management funds as well as collection and redistribution of charges paid for using the environment

Restructuring, commercialisation and privatisation of economic sectors, State Treasury entities and municipal entities

- Ownership changes in Fabryka Samochodów Osobowych in Warsaw ²
- Fulfilment of reprivatisation tasks by the Minister of the State Treasury and other government administration authorities
- Privatisation and restructuring of the pharmaceutical sector
- Privatisation of the great chemical synthesis plants
- Privatisation through letting an enterprise for paid usufruct
- Functioning of Zakłady Mięsne Płock SA ³
- Restructuring of independent public healthcare centres with focus on the use of public aid
- Technical condition and preparedness of railway stations to provide services to passengers
- Activity of public administration related to assuring quality of works carried out on public roads
- Preparedness to realise the S8 express road in the Łódź Voivodeship
- Use of public funds, including the funds within the Financial Instrument for Fisheries Guidance, for fishing harbour infrastructure

Development and maintenance of infrastructure

- Organisation and financing of regional passenger railroad transport
- Financing of the construction of harbour infrastructure and roads ensuring access to sea harbours

² FSO – Car Factory in Warsaw.

³ ZMP SA – Meat Plant in Płock



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Recipients of our reports



Pursuant to *the Act on the NIK*, pronouncements on audit results are submitted to the Sejm, the President of the Republic and the Prime Minister, enriching their knowledge on the actual functioning of the most vital state areas. The NIK also sends reports to other government and local government authorities.

Having submitted the reports presenting audit findings and results to the Sejm, the President of the NIK may make them public, retaining information protected by the law.

Public announcement of audit results (among others through interviews and statements of the President of the NIK, press conferences and, above all, publication of the aforesaid pronouncements in the Public Information Bulletin website¹) serves the execution of the constitutional right of all citizens to be informed about the functioning of public bodies and institutions as well as individuals holding public offices. It is also an action aimed at improving the effectiveness of enforcing NIK's post-audit recommendations.

¹ www.bip.nik.gov.pl

Recipients of pronouncements on the results of audits conducted by the NIK

Recipients of pronouncements	Recipient	Description
	Sejm RP	Pronouncements on the results of audits commissioned by the Sejm or its bodies, conducted upon the request of the President of the Republic, the Prime Minister, and other major audits
	President of the Republic	Pronouncements on the results of audits conducted upon the request of the President of the Republic, commissioned by the Sejm of the Republic of Poland and its bodies, conducted upon the request of the Prime Minister, and other major audits
	Prime Minister	Pronouncements on the results of audits conducted upon the request of the Prime Minister and presented to the Sejm and the President of the Republic
	Voivodes	Pronouncements on the results of audits conducted upon the request of the Prime Minister and presented to the Sejm and the President of the Republic
	Local government assembly	Pronouncements on the results of audits of local government activity
	Local government units	Pronouncements on the results of audits of local government activity
	Citizens	Pronouncements on the results of audits made public by the President of the NIK and published in the Public Information Bulletin on the website



Recipients of our reports

Pronouncements on audit results presented to the Sejm of the Republic of Poland (by audit type)

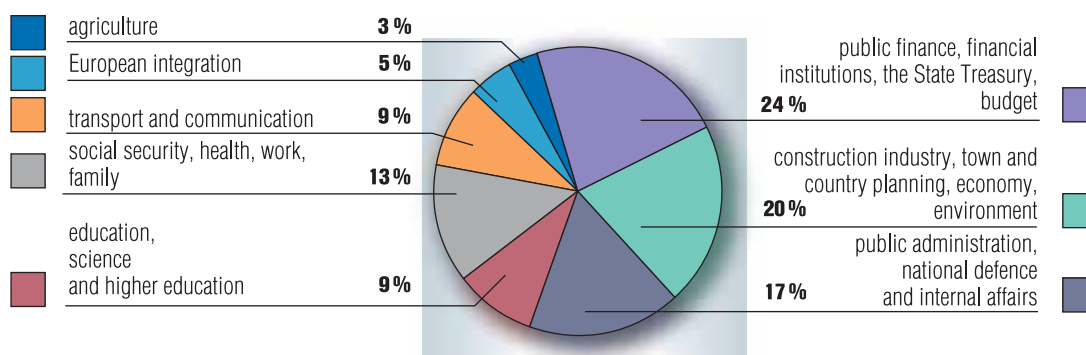
Item.	Audit type	2008	
		Number of pronouncements	Structure (in %)
1	2	3	4
1	Audit of the state budget execution:	94	54.6
1.1.	- budgetary parts ^{1/}	88	51.2
1.2.	- state earmarked funds and agencies	6	3.4
2	Other planned audits	72	41.9
3	Ad hoc audits	4	2.3
4	Other information, including system	2	1.2
x	Total	172	100.0

^{1/} The results of the audit of financial plan execution by 22 state earmarked funds were included in the pronouncements on the results of the audit of budgetary parts.

The NIK publishes information about its current activity and audit findings on its website.

In 2008, the NIK presented the Sejm with a total of 172 reports (including 94 on the execution of the state budget in the parts at the disposal of particular major administrators and financial plans of state earmarked funds and agencies).

Structure of pronouncements on audit results (excluding the audit of state budget execution) presented to the Sejm in 2008 (by government administration sections)



Results of NIK's audits

The audits conducted by the NIK provide information on matters vital for the functioning of the state. The NIK gives recommendations on individual matters, in the form of post-audit conclusions, as well as systemic conclusions.

Audit effectiveness is seen from the angle of actions taken as a result of post-audit recommendations. These contribute to the improved functioning of audited entities as well as of specific spheres of the state's activity. The NIK pays special attention to the implementation of audit recommendations and it is also subject to our audit.

The most important system conclusions include *de lege ferenda* motions, containing suggestions to amend the law in such a way as to eliminate loopholes and contradictory regulations. They are addressed to the Sejm and the government. In 2008, the NIK submit-

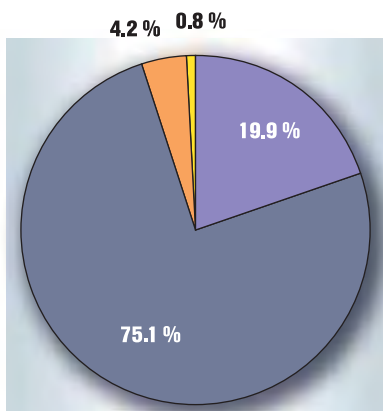
ted 43 such conclusions (4 of them were implemented).

The measure of the NIK's audit efficiency are also the financial outcomes of audits. These can be divided into two groups: financial impact and financial irregularities found.

The 2008 budget of the NIK assumed expenditure amounting to PLN 233.9 million. Financial impact in 2008 as a result of audits conducted by the NIK amounted to PLN 553.6 million. This means that every Polish zloty spent on the functioning of the NIK paid off more than twice.

Volume and structure of financial impact of the NIK in 2008

Financial impact



In total PLN 553.6 million

- Savings obtained as a result of audits – PLN 110.2 million
- Financial gains in the form of due public funds or other assets – PLN 416.0 million
- Other retained financial gains – PLN 22.7 million
- Savings or financial gains obtained for a natural person or entities from outside the public finance sector – PLN 4.7 million

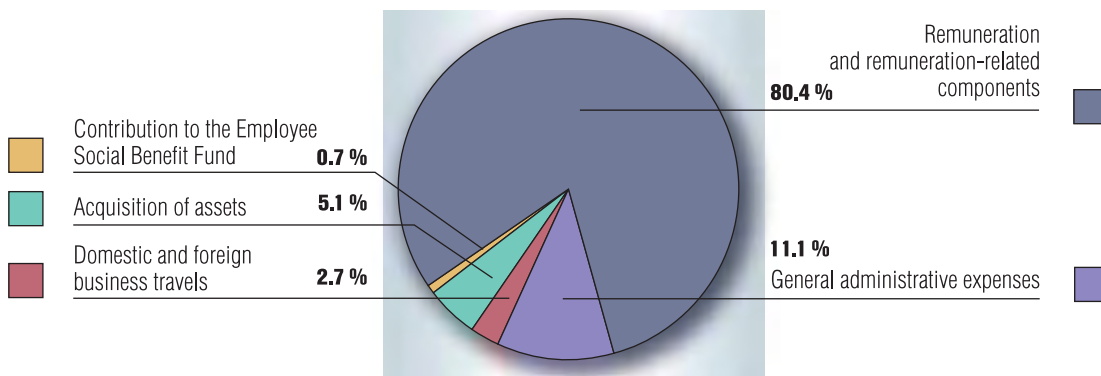
The budget autonomy of the NIK is an effective tool protecting its independence. The annual plan of the NIK is established with no participation of government and is dependent only on the Parliament. The NIK's draft budget, approved by the NIK College, is discussed and recommended by the Public Finance Committee and the State Audit Committee of the Sejm, and then, as a part of the state budget, put to a vote at a plenary session of the Sejm.

Budget of the NIK

The 2008 Budget Act anticipated the NIK's expenditure in the amount of PLN 233.982 million and this amount was spent. The main item were personnel costs together with remuneration-related components (80.4%). General administrative expenses (renovations and technical maintenance of buildings, machines and equipment) accounted for 11.1%, acquisition of assets: for 5.1%, domestic and foreign business trips: for 2.7%, obliga-

tory contribution to the Employee Social Benefit Fund: for 0.7%. The NIK's revenues stated in the 2008 Budget Act and amounting to PLN 271 thousand were realised in the amount of PLN 489.5 thousand, i.e. 80.6% higher than forecasted. The NIK also prepared an objective-based budget for 2008 in conjunction with forecasted titles to be realised in the years 2007-2009.

Structure of NIK's budget expenditure in 2008



The execution of NIK's budget in 2008 was audited by the Internal Auditor of the NIK. The analysis covered, inter alia, the correctness of adopted accounting principles and their application, the correctness of income planning and realisation, legality, integrity, efficacy and cost-efficiency of expenditure planning and realisation, as well as transparency of financial and accounting records. The NIK's budget execu-

tion audit used the same criteria the NIK applies to audit other units.

As a result of the conducted audit, the Auditor expressed her positive opinion on the functioning of the NIK's financial and accounting system and stated that in 2008 the goals were achieved and tasks were fulfilled in accordance with the plans.

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NIK Staff

The Act on the NIK gives special attention to employees performing or supervising audit activities. In 2008, average employment in the NIK amounted to 1,670 jobs.

Employees performing or supervising audit activities must be Polish citizens, have full capacity to perform legal actions, enjoy full civil rights, be university graduates and have no criminal records.

Employment relationship with auditors, after an internship and completing the introductory training programme for auditors, is established by way of nomination, which ensures autonomy in performing audit activities. An auditor may be dismissed only as a result

of conducted disciplinary proceedings or two negative verdicts given after periodic assessment.

When being nominated every auditor vows to: "... serve the Republic of Poland, observe legal regulations, fulfil the obligations of an employee of the NIK with due professional care, objectively and according to their best will and knowledge."

In their work, every NIK's auditor must observe such principles as reliability, responsibility, honesty,

objectiveness, independence and professionalism, and their own interest should never have priority over their responsibilities towards the public. An auditor's set of values, standards of conduct and norms of behaviour is included in the *Code of Ethics for NIK Auditors*. Introduced by the NIK in 2002, it takes into account the provisions of the Code of Ethics of the International Organization of Supreme Audit Institutions (INTOSAI).



President of the NIK awarding certificates of completing the Introductory training programme for auditors. Warsaw, February 2008.



Professional development. Training auditors

The Standards of the NIK's HR Policy find qualifications and abilities of employees participating in the audit process an essential factor determining the quality of audit. Permanent development of auditors through education and training is a guarantee of the high standards of work. Training activity is conducted in two basic forms: an introductory training programme for auditors and constant professional development.

Candidates for the post of auditor undergo the introductory training programme in the initial (three-year) period of employment based on a contract of employment. The programme ensures necessary theoretical and practical preparation to conduct audit procedures.

The programme ends with an exam and its passing before a board appointed by the President of the NIK is the basis for the nomination.

In 2008, similarly to the previous years, within twelve months of training covering almost 400 hours of lectures, seminars, practical exercises and workshops, 120 candidates for auditors obtained skills enabling correct recording of audit findings and preparing documents required in audit procedures. They also developed and broadened their knowledge on the audit system in Poland and other countries, became acquainted with accounting basics, studied selected topics in economics, financial control and audit. Moreover, the auditor's training program covered selected legal

issues, including those related to the law of the European Union, and IT issues, discussing their application in audit procedures.

As a part of permanent professional development, employees may develop or systematise their knowledge and abilities. This development is realised, inter alia, through specialised thematic training. In 2008, the training covered such topics as budget accounting, audit in the public sector, law of the European Union, including the Union's institutions and budget and structural funds management, audit methodology in relation to areas threatened with corruption. The use of e-learning training through the NIK's intranet continued.

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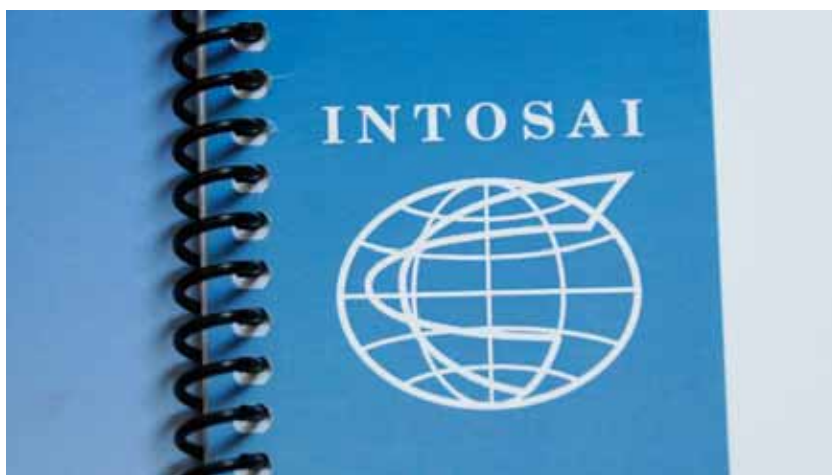
The NIK's international activity is based on two pillars. The first one includes practical audit activities conducted in cooperation with foreign partners, i.e. cooperative audits. The second pillar consists in supporting audit activity through exchanging standards, best practices and knowledge.

The NIK is a member of the European Organisation of Supreme Audit Institutions EUROSAI and the International Organisation of Supreme Audit Institutions INTOSAI. It takes an active part in the Contact Committee of the Heads of the EU SAIs, maintains numerous bilateral and multilateral contacts. Since 2007 President Jacek Jezierski has been member of the OECD Audit Committee and since June 2008 **Chair of the EUROSAI Governing Board**.

International Organization of Supreme Audit Institutions (INTOSAI)

The NIK takes part in the works of the following INTOSAI subcommittees, working groups and task forces:

- Working Group on Privatisation, Economic Regulation and Public-Private Partnerships
- Working Group on Environmental Auditing (member of the Steering Committee)
- Working Group on IT Audit
- Working Group on Programme Evaluation
- Working Group on Key National Indicators
- Working Group on the Fight Against International Money Laundering and Corruption
- Task Force on Financial Crisis
- Subcommittee 3 (of the Capacity Building Committee): Promote Best Practices and Quality Assurance through Voluntary Peer Reviews.



European Organization of Supreme Audit Institutions (EUROSAI)

EUROSAI
VII Kongres Kraków 2008

*Marek Chodkiewicz,
NIK Director General and the staff
of the 7th EUROSAI Congress Secretariat,
Kraków, June 2008*



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European Organization of Supreme Audit Institutions (EUROSAI)

7th EUROSAI Congress in Kraków

On 2-5 June 2008 in Kraków the NIK hosted the 7th EUROSAI Congress. The Congress was chaired by Jacek Jezierski, the President of the NIK. The aim of the Congress was the promotion of experience exchange between the SAIs in the sphere of managing audit quality as well as auditing social programmes. The guest of honour at the opening of the Congress was Professor Lech Kaczyński, the President of Poland.

The Congress was attended by 48 delegations from EUROSAI member states and 9 delegations representing AFROSAI, ARABOSAI, ASOSAI, OLACEFS, EURORAI, IBAN, INTOSAI Journal on Government Auditing, OECD/SIGMA and the IDI. The Congress debated during five plenary sessions. Three theme sessions were devoted to the following topics:

1. *Establishing an Audit Quality Management System within a Supreme Audit Institution* (Working Group: Hungary/chair, Denmark, Malta, the Russian Federation and the European Court of Auditors).
2. *Audit of Social Programmes; Audit of Programmes in the Field of Education* (Working Group: Portugal/chair, Estonia, France, Sweden and Ukraine).
3. *Audit of Social Programmes; Audit of Programmes for Professional Integration of the Disabled* (Working Group: the UK/chair, Estonia, Iceland, Switzerland and Sweden).

The Congress pointed to Portugal as Poland's successor to the chair of EUROSAI (2011-2014) and the host of the next Congress in 2011.

The aim of the NIK, as the host of the Congress, was to make this event as friendly to the natural environment as possible. The Congress debated in an ecological paperless formula. The archives of the Congress are available at the Polish EUROSAI Presidency website: www.eurosai2008.pl.



EUROSAI

VII Kongres Kraków 2008

Jacek Jezierski, President of the NIK and the incoming Chair of the EUROSAI Governing Board, Prof. Dr. Dieter Engels, President of the German Bundesrechnungshof and the outgoing Chair of the EUROSAI Governing Board, Manuel Núñez Pérez, President of the Spanish Tribunal de Cuentas and Secretary General of EUROSAI



NIK's presidency in EUROSAI

Since the 7th EUROSAI Congress Jacek Jezierski, President of the NIK, has been the Chair of the EUROSAI Governing Board.

The main priority of the Polish presidency is to prepare the EUROSAI Strategic Plan for the years 2011-2017. The NIK chairs the EUROSAI Strategic Plan Task Force, composed of (apart from Poland) the SAls of Austria, Germany, the Netherlands, Norway, Portugal, Spain and the United Kingdom. The Strategic Plan should set out EUROSAI's priorities for six years from 2011 to 2017 and explain how the organisation intends to achieve these priorities using the available resources. When developing the draft EUROSAI Strategic Plan, the TF plans to hold at different stages of its works wide consultations with main stakeholders (EUROSAI Governing Board, EUROSAI Working Groups, the ETC and all EUROSAI members). Until the end of its three-year presidency in EUROSAI the NIK will run the Internet website at www.eurosai2008.pl, serving as a platform for current communication of the Chair of the Governing Board, as well as comprising the archives of the 7th EUROSAI Congress.

EUROSAI working groups

The NIK participates in the following working groups and task forces:

- EUROSAI Strategic Plan Task Force: established by the EUROSAI Governing Board on 5 June 2008 in Kraków to prepare the Strategic Plan of EUROSAI. The group is chaired by the NIK.
- EUROSAI Working Group on Environmental Auditing: established in 1999. The NIK coordinated the group's works since its formation and during the 7th Congress gave the chair to the Office of the Auditor General of Norway.
- EUROSAI IT Working Group: established in 2002 and chaired by Switzerland.



- EUROSAI Training Committee (ETC), an auxiliary body of the EUROSAI Governing Board established in 2000, co-chaired by France and Spain. The NIK has been the committee's member since its formation.
- Working Group mandated by the 7th EUROSAI Congress to develop a good practices guide on audit quality, chaired by Hungary.
- EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes, established at the 7th EUROSAI Congress in Kraków and chaired by Ukraine.

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The EU SAIs Contact Committee and the European Court of Auditors

Cooperation within the Contact Committee is realised through the activity of working groups, appointed to perform assigned tasks. Representatives of the NIK actively participate in the works of the following groups:

- Task Force on Cooperation between National SAIs and the European Court of Auditors
- Working Group on Common Auditing Standards
- Working Group on Structural Funds
- Working Group on VAT
- Working Group on National SAI Reports on EU Financial Management.

During the annual Committee session which took place in December 2008 in Luxembourg, the President of the NIK discussed audit findings and conclusions related to information society as element of the Lisbon Strategy'



*Meeting of the Working Group
on National SAI Reports on EU
Financial Management, Warsaw,
September 2008*

Signing the Joint Report on the International Coordinated Audit of Chernobyl Shelter Fund. Kraków, June 2008. From left to right: Jacek Jezierski, President of the NIK, Prof. Dr. Dieter Engels, President of the German Bundesrechnungshof and Kurt Grüter, Director of the Swiss Federal Audit Office.



implementation. Moreover, he presented information provided on the participation of national SAIs' auditors in audits performed by the European Court of Auditors in the Member States. The NIK also participates in all audits carried out by the European Court of Auditors in Poland.

Participation of the NIK in parallel audits

Performance of parallel audits together with foreign partners is a very important cooperation platform for the NIK. In 2008, the NIK participated in 9 audits conducted in cooperation with foreign SAIs.

Audits with the NIK's participation in 2008:

1. Audit of Implementing the Provisions of the *Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal* on the borders between Poland, Slovakia and Ukraine in 2004-2006. In Poland, the audit was coordinated by the Regional Branch of the NIK in Rzeszów. A common pronouncement on audit results was signed in June during the 7th EUROSAI Congress in Kraków.
2. Audit of Using Tax Allowances and Exemptions as an Instrument of the State's Fiscal Policy. The audit was performed by the SAIs of Denmark, Finland, Germany (coordinator), Hungary, Ireland, Lithuania, Latvia, Poland, Romania, the Russian Federation, Slovakia, Switzerland, Sweden and the UK. In the NIK the audit was carried out by the Department of Budget & Finance. A common report was prepared in May 2008 and adopted in June during the 7th EUROSAI Congress in Kraków.
3. Parallel Audit of Protection of Waters in the Bug River Catchment Area in 2003-2006. The audit was performed by the SAIs of Belarus, Poland (coordinator) and Ukraine. In Poland, the audit was coordinated by the Regional Branch of the NIK in Lublin. A common pronouncement on audit results was signed in June during the 7th EUROSAI Congress in Kraków in 2008.
4. Audit of Spending International Funds on the Elimination of the Effects of the Chernobyl Disaster. The audit was performed by the SAIs from Germany, Poland, the Russian Federation, Slovakia, Switzerland, Ukraine, the United States of America and the ECA. The audit was coordinated by the Accounting Chamber of Ukraine. A common pronouncement on audit results was signed in June 2008 during the 7th EUROSAI Congress in Kraków.
5. Audit of the System of Internal Control of EU Structural Funds Use. The audit was performed by the SAIs of Austria, the Czech Republic, Hungary, Poland and Slovakia. The audit was carried-out within the cooperation of the SAIs of the Visegrad Group countries, Austria and Slovenia on the initiative of the SAI of Hungary, acting as

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the coordinator. In Poland, the audit was coordinated by the Regional Branch of the NIK in Gdańsk. A common audit report was signed during the meeting of the Contact Committee in Luxembourg in December 2008.

6. Audit of Fishery and Monitoring of the Influence of Environment on Fish Resources in the Baltic Sea. The audit was performed by the SAIs of Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, the Russian Federation and Sweden. The audit was divided into two parts: Germany, Latvia and Poland participated in the first part concerning the monitoring of the Baltic Sea environment, while Estonia, Finland, Lithuania, the Russian Federation and Sweden took part in the second part concerning the Baltic Sea fishery. Denmark, acting as the coordinator, participated in both parts. Domestic audits were performed in the first half of 2008. A common final report on audit results was settled and signed in December 2008.

7. Audit of Spending Public Funds on Training the Unemployed. The audit was performed by the SAIs of Poland and Slovakia. As a part of the parallel audit, the NIK conducted an audit with the participation of 8 of its branches, coordinated by the Regional Branch of the NIK in Kraków. A common pronouncement was signed in December 2008.



Meeting of the Working Group mandated by the 7th EUROSAI Congress to develop a good practices guide on audit quality, Warsaw, November 2008

Discussion of the NIK's initiative to carry out a cooperative audit on climate change. On the right: Tadeusz Bachleda-Curuś, Director of Department of Environment, Agriculture & Town and Country Planning. 7th EUROSAI Congress, Kraków, June 2008.



8. Audit of the Results of Implementing EU Funds in the Sphere of Employment and/or Environment. The parallel audit was performed by the members of the Contact Committee Working Group on Structural Funds. The audit was performed by: Austria, Finland, Germany, Hungary, Italy, Latvia, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and the UK (Bulgaria, Czech Republic, Lithuania and the ECA acted as observers). The audit was coordinated by the German Bundesrechnungshof. Within this project the NIK audited "The Results of Implementing the Sectoral Operational Program – Human Resources Development." A common audit report was adopted at the meeting of the Contact Committee in Luxembourg in December 2008.

9. Audit of Poland's and Ukraine's Preparations to Host the Final Tournament of the UEFA European Football Championships EURO 2012. The audit was performed by the NIK and the Accounting Chamber of Ukraine. Parallel audits were conducted independently by the two countries within their national audit programmes. The aim of the audit was to assess the preparation of Poland and Ukraine for the EURO 2012 as at the end of 2008. The audit covered the years 2007 and 2008. A common audit report was signed in June 2009.



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Currently (2009), the NIK is involved in 2 such international audits:

- The first one is the audit of implementing the provisions of the United Nations Framework Convention on Climate Change and the Kyoto Protocol. The NIK acts as the coordinator. 14 SAIs – EUROSAI members participate in the audit. The cooperation agreement was signed in January 2009. Domestic audits will be conducted in the first half of 2009 and a common report on their results will be prepared by the end of 2009. In 2010, this report will be included in the report on the global audit of climate changes, coordinated by the Canadian SAI.
- The second one is the planned international audit of programme, aimed at increasing the number of the disabled working in the public sector. The 7th EUROSAI Congress in Kraków recommended that “in developing



Meeting of experts involved in the international audit of implementing the provisions of the UN Framework Convention on Climate Change and the Kyoto Protocol, Warsaw, January 2009



national approaches SAIs should take full advantage of the opportunity to benefit from sharing the knowledge and experience already gained by EUROSAl colleagues”, which was the direct inspiration for initiating this audit by the NIK. The audit is planned for 2010 and the audit report is planned to be ready for the 8th EUROSAl Congress in 2011.

NIK’s participation in audits conducted in Poland by the European Court of Auditors

The NIK cooperates with the European Court of Auditors in relation to audits conducted by the Court in Poland, realising at the same time its obligation under the Community Law. In practice, this cooperation covers participation of the NIK’s auditors as observers in the ECA’s audits in Poland, support for the Court in dealing with Polish auditees, as well as in obtaining data and documents necessary to carry out an audit or an analysis of initial findings presented by the Court after every audit and in justified cases also comments on initial findings and exchange of periodic work plans between the NIK and the ECA. Information obtained as a result of participating in the Court’s audits enriches the NIK’s auditors’ knowledge on potential irregularities in the area of EU funds management and is used by the NIK in planning its own audits concerning the use of EU funds. In 2008, the NIK took part in 11 audits conducted by the ECA in Poland.

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90th anniversary of the NIK

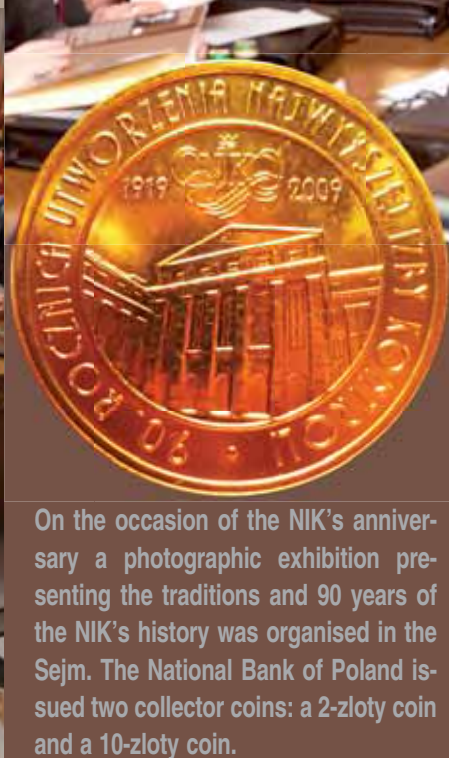
The history of the NIK reflects the history of the Polish state, re-established after the 1st World War. The decree on the *Supreme Chamber of State Audit* of 7 February 1919 by Józef Piłsudski, the then-Head of the Polish State, was the founding act, which paved the way for the development of state audit in Poland.

On 6 February 2009, the NIK organised a celebration of its 90th anniversary. A jubilee session of the College of the NIK, chaired by Jacek Jezierski, the President of the NIK, with the participation of Lech Kaczyński, the President of Poland, took place in the Sejm. Among the participants were also the Vice-Marshall of the Sejm and the Vice-Marshall of the Senate, former Presidents of the NIK and representatives of the highest authorities and public administration bodies. In their jubilee speeches, guests highlighted that the basic principles included in the decree on the formation of the NIK of 1919: collective activity of the supreme audit body and responsibility of the President of the NIK towards the Sejm are still valid.



Jubilee session of the NIK College in the Sejm. From left to right: Bishop Tadeusz Pikus from Poland's episcopacy, Prof. Lech Kaczyński, President of Poland, Jacek Jezierski, President of the NIK, Krzysztof Putra, Vice-Marshall of the Sejm, Zbigniew Romaszewski, Vice-Marshall of the Senat.





On the occasion of the NIK's anniversary a photographic exhibition presenting the traditions and 90 years of the NIK's history was organised in the Sejm. The National Bank of Poland issued two collector coins: a 2-zloty coin and a 10-zloty coin.

Representatives of the NIK laid wreaths at the memorials to: the Marshal Józef Piłsudski, Poland's Head of State, and Ignacy Jan Paderewski, the first Prime Minister of the reborn Poland, whose signatures are under the Decree on the Supreme Chamber of State Control. In the course of this year, regional branches of the NIK have organised special scientific seminars devoted to the tradition of the NIK, its role and future, attended by the Members of the Parliament, local authorities and scientists.

DZIENNIK PRAW



PAŃSTWA POLSKIEGO.

183.

DEKRET

o najwyższej Izbie Kontroli Państwa.

Na wniosek Rady Ministrów stanowią co następuje:

Art. 1. W miejsce utworzonego postanowieniem Tymczasowej Rady Stanu z 10 sierpnia 1917 r. Urzędu Obrachunkowego utworzoną zostaje Najwyższa Izba Kontroli Państwa w Warszawie. Najwyższa Izba Kontroli Państwa jest władzą podległą bezpośrednio Naczelnikowi Państwa, samodzielna i powołaną do stałej, a wszechstronnej kontroli dochodów i wydatków państwowych, prawidłowości administrowania majątkiem państwa oraz gospodarki instytucji, zakładów fundacji i funduszy, tudzież jednostek samorządowych i miast wskazanych w art. 11. Poza tem Najwyższa Izba Kontroli Państwa kontroluje wszechstronnie wykonanie budżetu.

[...]

Dan w Warszawie, dnia 7 lutego 1919 r.

Naczelnik Państwa:
J. Piłsudski

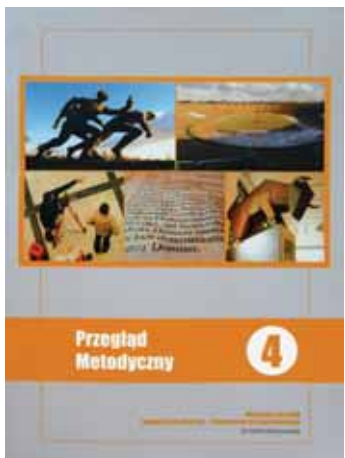
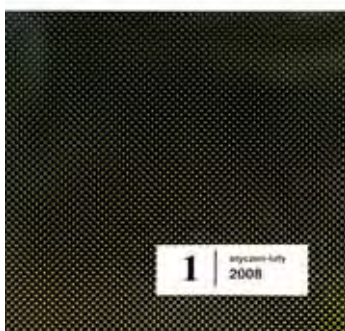
Prezydent Ministrów:
I. J. Paderewski

Minister Skarbu:
Dr. Englich

Publications

Publications of the NIK are addressed both towards its employees and to external recipients, interested in the NIK's functioning.

KONTROLA PAŃSTWOWA



The NIK communicates via its scientific magazine entitled *Kontrola Państwowa* [State Audit] (established in 1965) published every two months which discusses topics related to audit, economy, law and social affairs, the NIK's activity and cooperation on the international stage. *Przegląd Metodyczny* [Methodological Review], addressed towards the NIK's employees, serves as an internal exchange of experience by auditors and promotion of achievements in the sphere of audit methodology.

The NIK contributes also to the appearance of publications promoting worldwide achievements in the sphere of performance audit

methodology and international audit standards, as well as occasional publications. In 2008, within the preparations to celebrate the 90th anniversary of the NIK, two titles were submitted for publication: lectures by Zenobiusz Rugiewicz, the Vice-President of the NIK, given in the 1930s as a part of courses for state auditors (a reprint of the 1937 edition), and a richly illustrated book devoted to the history of the NIK entitled *Najwyższa Izba Kontroli – tradycja i współczesność* [The NIK, Tradition and Modernity], written by the NIK's employees. The NIK published also *Informator o zasobie archiwalnym Najwyższej Izby Kontroli w latach 1919-2007* [A Guide to the Archives of the NIK in 1919-2007].

Every year, the NIK publishes two documents submitted to the Sejm of the Republic of Poland – *Report on NIK's Operations and Analysis of the State Budget and Monetary Policy Guidelines Execution*. Furthermore, an abridged English version of the report for foreign recipients is published annually.



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Supreme Audit Office





Najwyższa Izba Kontroli (NIK)
ul. Filtrowa 57
00-950 Warszawa
Poland
www.nik.gov.pl
www.eurosai2008.pl
e-mail: wsm@nik.gov.pl
Phone: +48 22 444 5480

Prepared by:
Department of Audit Strategy
and International Relations Unit
Photos: Danuta Bolikowska
Zofia Swoczyna (p. 2, 4-5, 28, 30, 32)
Krzysztof Andrzejewski (p. 24, 26)
Marek Brzeziński (p. 34-35)
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