

'07



Annual Report

Supreme Chamber of Control
Poland 2008

'07

Supreme Chamber of Control Annual Report



The mission of the Supreme Chamber of Control (NIK) is to ensure economic efficiency and effectiveness in the public service to the benefit of the Republic of Poland.

The Vision is to be a commonly respected supreme institution of state audit whose reports will be expected and sought for sources of information both by organs of state authority and general public.

The NIK is the supreme audit institution established in February 1919 under the decree by Józef Piłsudski, the Head of State. Its 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 it acts in accordance with the principle of collegiate responsibility. The NIK is headed by the 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: the analysis of the state budget execution and monetary policy guidelines, the opinion on the vote of discharge for the Council of Ministers and the annual report on the NIK's activity.

Dear Colleagues,



A little over a year has passed since the Parliament appointed me as President of the NIK. It has been for me both a great honour but also a great challenge to get entrusted with the management of one of the most trusted and best recognized Polish public institutions.

The NIK is an institution whose employees subscribe to fundamental values in the service of the state and its citizens. Its auditors follow the rules of professional ethics and acknowledged procedural standards, and the constitutionally defined principle of collegiality ensures multistage verification of audit findings, evaluations and post-audit recommendations.

The NIK is the supreme audit institution in Poland, reporting to the Parliament. This means that it is a functionally separate organ of state, that plays the leading role in public audit activities. Moreover, audit findings, recommendations and conclusions are subject only to review by the NIK itself. Herein lies one of the basic principles of the Chamber's independence.

The NIK's position in the budgetary process also guarantees its particular role among state institutions. After approval by the NIK College, the draft budget is sent directly to the Parliament for approval. The Finance Minister is not involved at all in drafting the NIK's financial plan. In this manner, our budget is entirely independent of government organs or other institutions, which are our auditees.

One of the NIK's strategic goals is to consistently improve our audit quality and the applicability of our audit findings. A yearly audit of the execution of the state budget takes into account international solutions for financial audit. We investigate the functioning of the internal audit systems in the public administration, we identify areas threatened by corruption, and the mechanisms of corruption, and we highlight the necessity of undertaking preventive measures by public authorities.

It is worth noting that NIK's role ends with the presentation of an audit protocol and a post-audit statement to the audited unit, including conclusions and pronouncements concerning the audit results, which are submitted to the Parliament, and other authorised state organs. In the event of the disclosure of any irregularities, we recommend preventative measures, although we have no executive powers and do not issue legal verdicts. Our role as the supreme audit institution is to report on potential risks and indicate possible solutions.

The origins of state audit in Poland go back to the parliamentary traditions of the Polish-Lithuanian Commonwealth in the 16th century. At this time the Parliament, initially through the Treasury Tribunal, and later through the Treasury Committee of the Polish-Lithuanian Commonwealth, was already carefully observing the distribution of the revenues and expenditures by the Royal Treasury from the "Common Treasury". In 1919 Józef Piłsudski, the founding father of the re-born Polish state, signed *The Decree on the Supreme Chamber of State Control*, thus laying the foundations for a modern institution of oversight of public finance.

The NIK is the guardian of the public purse, making sure that taxpayer money is spent economically and effectively on established objectives, it also attaches great importance to the quality of legislation. Investigating specific subjects frequently reveals that loopholes in regulations, lack of administrative rules and unclear regulations are the reasons for irregularities. The effects of these observations are *de lege ferenda* conclusions, for which we recommend the rapid rectification of legislative shortcomings.

Internationally, a great challenge for the NIK is implementing the outcomes of VII EUROSAI Congress, which took place in early June 2008 in Kraków. The Congress hosted over 200 representatives of European Supreme Audit Institutions. During the Congress I had the honour to take over the chairmanship of the EUROSAI Governing Board and I look forward to the three years of hard work lying ahead of EUROSAI and its Governing Board in implementing the recommendations of the Congress.



The NIK Management



Jacek Jezierski

President of the Supreme Chamber of Control

Jacek Jezierski was born on 11th April 1958 in Gdańsk. He earned a Masters of Arts at the Faculty of Biology and Earth Sciences of the University of Gdańsk, with a specialisation in animal ecology. In 1981, he joined the University of Gdańsk's annual research expedition to the Polish Academy of Sciences' Research Station in Spitzbergen.

His professional career began in 1983 at the Ornithological Station of the Zoological Institute of the Polish Academy of Sciences, in Górkki Wschodnie, near Gdańsk. During the years 1985-1990, he earned a living by working at heights for the Tri-city High-Mountain Club. From 1990-1992 he worked for the Environment Office of the National Commission of the trade union NSZZ Solidarność.

On 15th June 1992, Jacek Jezierski began working for the NIK as a deputy for the Environmental and

Spatial Management Team (later renamed the Department of Environment, Agriculture and Town and Country Planning). On 1st August 1998 he was appointed to the position of Vice-President of the NIK by the speaker of the Polish Parliament.

Since 1 January 2007, Jacek Jezierski has been part of the OECD Council of Auditors.

On 22 August 2007, Jacek Jezierski was appointed and sworn in as President of the Supreme Chamber of Control by Parliament.

Since June 2008, Jacek Jezierski has served as Chairman of the EUROSAI Governing Board.

Jacek Jezierski is a passionate mountaineer and alpinist, and a polar explorer. In his spare time, he likes to observe and tag endangered species of birds. He is married, and has two sons.



Marek Chodkiewicz

NIK Director General since December 2007, responsible for the supervision of the NIK's Facilities and Logistics and Accounts Departments.

His experience includes among others the Polish Television's Audit Office (Deputy Director), the Chancellery of the Prime Minister of the Republic of Poland (Director of Support Functions) and the Warsaw City Hall (initially as Director of the Administrative-Economic Office, then the Coordinator of Warsaw City Hall)

In the years 2002-2004, he worked for the NIK as the Deputy Director of the Department of Facilities and Logistics.



Józef Górny

NIK Vice-President since December 2006, supervising audits in the areas of public administration, science, education and national heritage. In the years 2001-2006 he served as the NIK Director General. His earlier experience includes among others local government and a term in the Polish Parliament. He was a Vice-Chairman of the Parliamentary Committee for the Protection of the Environment, Natural Resources and Forestry and he took part in works of Policy Committee on Planning, Building and Housing, and the Committee of Public Finance.



Stanisław Jarosz

NIK Vice-President since October 2007, supervising audits in the areas of budget, finance, the economy and privatization. His earlier experience includes among others local government a term in the Polish Senate. For the past seven years he has been part of the NIK (initially as economic advisor to the Budget and Finance Department, then Director of the NIK Regional Branch in Gdańsk, Director of the Economy, Public Assets, and Privatization Department).



Jacek Kościelniak

NIK Vice-President since November 2007, supervising audits in the areas of communications, transport, national defence and internal security. He has experience in the field of finance; he lectured at the School of Banking affiliated with the Foundation of Polish Credit Unions, presided over the Board of Directors of Górnośląski Regional Development Agency and was the director of the Finance Department of Silesian Regional Office. His experience includes also a term in the Polish Parliament. He served as the Secretary of State and Deputy Head of Cabinet for Socio-Economic Affairs of the Chancellery of the Prime Minister and the Vice-Chairman of the Standing Committee of the Council of Ministers.



Marek Zająkała

NIK Vice-President since September 2007, supervising audits in the areas of employment, social affairs and health, agriculture, environment, and town and country planning. His experience includes among others the National Security Office of the Chancellery of the President of Poland (Director General of Information and Analysis) and the National Defence Ministry (Secretary of State). In 1992 he started to work for the NIK initially as Deputy Director of the Planning and Coordination Department, then Advisor to the President of the NIK, Director of the Labour, Social Affairs and Health Department, Director of the National Defence and Internal Security Department.

College of the NIK

The Constitution of the Republic of Poland, and the statute relating to the NIK, determine that the Polish SAI functions on the principle of collegiate responsibility. The Speaker of the Parliament appoints members of the College for a three-year tenure. The tasks of the College include the approval of the analysis of the state budget execution and the principles of fiscal policy, the audit of the NIK's performance, formulating an opinion concerning certification of performance of duties part of discharge procedure of the government, the work plan and the draft budget for the NIK. The College assesses audit programmes and the outcomes of particularly important audits. It also considers post audit objections.



College membership^{1/}

NIK Management

Jacek Jezierski	– President of the NIK
Józef Górny	– Vice-President of the NIK
Stanisław Jarosz	– Vice-President of the NIK
Jacek Kościelniak	– Vice-President of the NIK
Marek Zająkała	– Vice-President of the NIK
Marek Chodkiewicz	– Director General of the NIK

Representatives of Legal and Economic Sciences

Zbigniew Dworzecki	– Professor of Economics, Warsaw School of Economics
Cezary Kosikowski	– Professor of Law, University of Białystok
Florian Kuźnik	– Professor of Economics, Academy of Economics in Katowice

Irena Lipowicz	– Professor of Law, Cardinal Stefan Wyszyński University
Czesław Martysz	– Professor of Law, University of Silesia
Artur Nowak-Far	– Professor of Law and Economics, Warsaw School of Economics
Mirosław Stec	– Professor of Law, Jagiellonian University

Representatives of Chamber Units and Advisors to the NIK President

Waldemar Długolecki	– Director of the Budget and Finance Department
Mieczysław Kosmański	– Director of the Warsaw Branch of NIK
Wojciech Misiąg	– Advisor to the President of NIK
Józef Płoskonka	– Advisor to the President of NIK
Czesława Rudzka-Lorentz	– Director of the Department of Public Administration
Bogdan Skwarka	– Director of the Department of Legal Affairs

^{1/} As of 1 July 2008

Our activities and achievements in 2007

166 planned audit topics

2,864 audited institutions

128 ad hoc audit topics

2,957 post-audit statements

160 pronouncements on audit findings presented to Parliament

PLN 8,373 million financial irregularities disclosed by NIK audits

PLN 708 million recovered as an outcome of audits

47 *de lege ferenda* recommendations submitted in 26 pronouncements

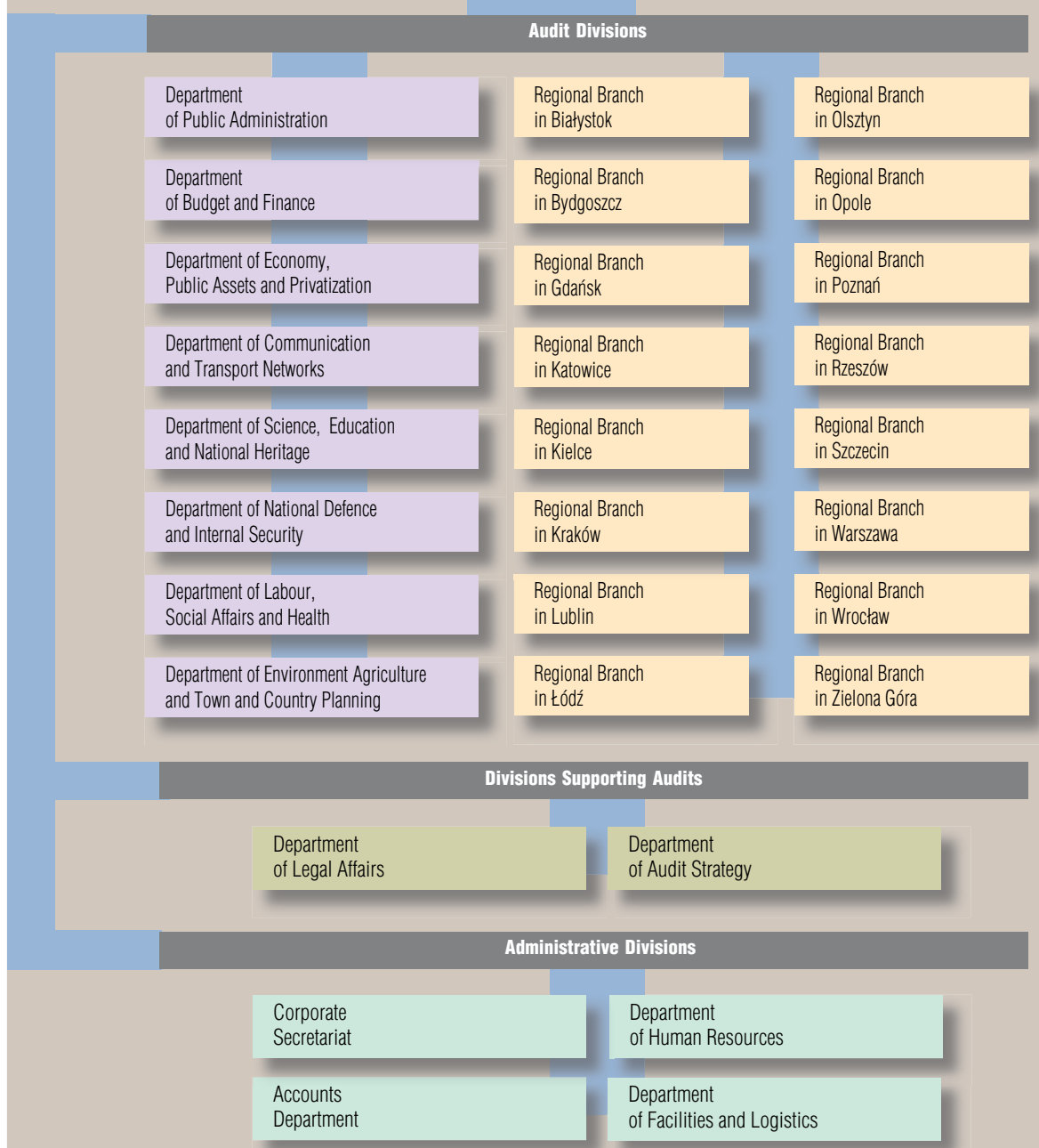
12 peer reviews conducted with supreme audit institutions of other countries



The Structure of the NIK

The NIK statute states that its organisational structure consists of eight audit departments fulfilling their tasks according to areas of specialisation, 16 regional branches with defined territorial responsibility consistent with the administrative division of the country, two departments supporting audits, and four organisational and support departments. Audit departments coordinate and carry out audits; in particular they prepare audit programmes and information on audit findings. Regional branches undertake audits in local bodies consistent with the relevant territorial divisions. In agreement with the appropriate department, they may undertake audits in chief and central government institutions, and coordinate audits.

The Organisational Structure of the Supreme Chamber of Control



Internal Organisation

The areas of specialisation of audit departments are defined by the decree of NIK's President on internal organisation and the scope and specialisation of NIK's organisational units.

Audit Departments

	Areas of Specialisation and Responsibilities
Department of Public Administration	Public administration and matters directly relating to same of government administration departments : justice, foreign affairs, regional development, and European integration
Department of Budget and Finance	Management of public funds, all matters relating to the planning and the execution of the state budget, finance, public finance and state-funded institutions.
Department of Economy, Public Assets and Privatisation	The economy, management of public assets, ownership transformations, the Customs system, tourism.
Department of Communication and Transport Networks	The functioning of infrastructure in energy, transport (land, water and air), telecommunication systems, the post office, pipelines, airport terminals and harbours.
Department of Science, Education and National Heritage	Science, education, culture and national heritage, physical culture and sport.
Department of National Defence and Internal Security	Defence and internal affairs, the Polish Armed Forces, protection of security and public order, border control, civil defence and fire services, the functioning of the Police.
Department of Labour, Social Affairs and Health	Social issues and questions relating to employment, unemployment, health care and social security.
Department of Environment, Agriculture and Town and Country Planning	Biological production, environmental preservation, use of natural resources, agriculture and forestry, town and country planning (architecture, building, housing)

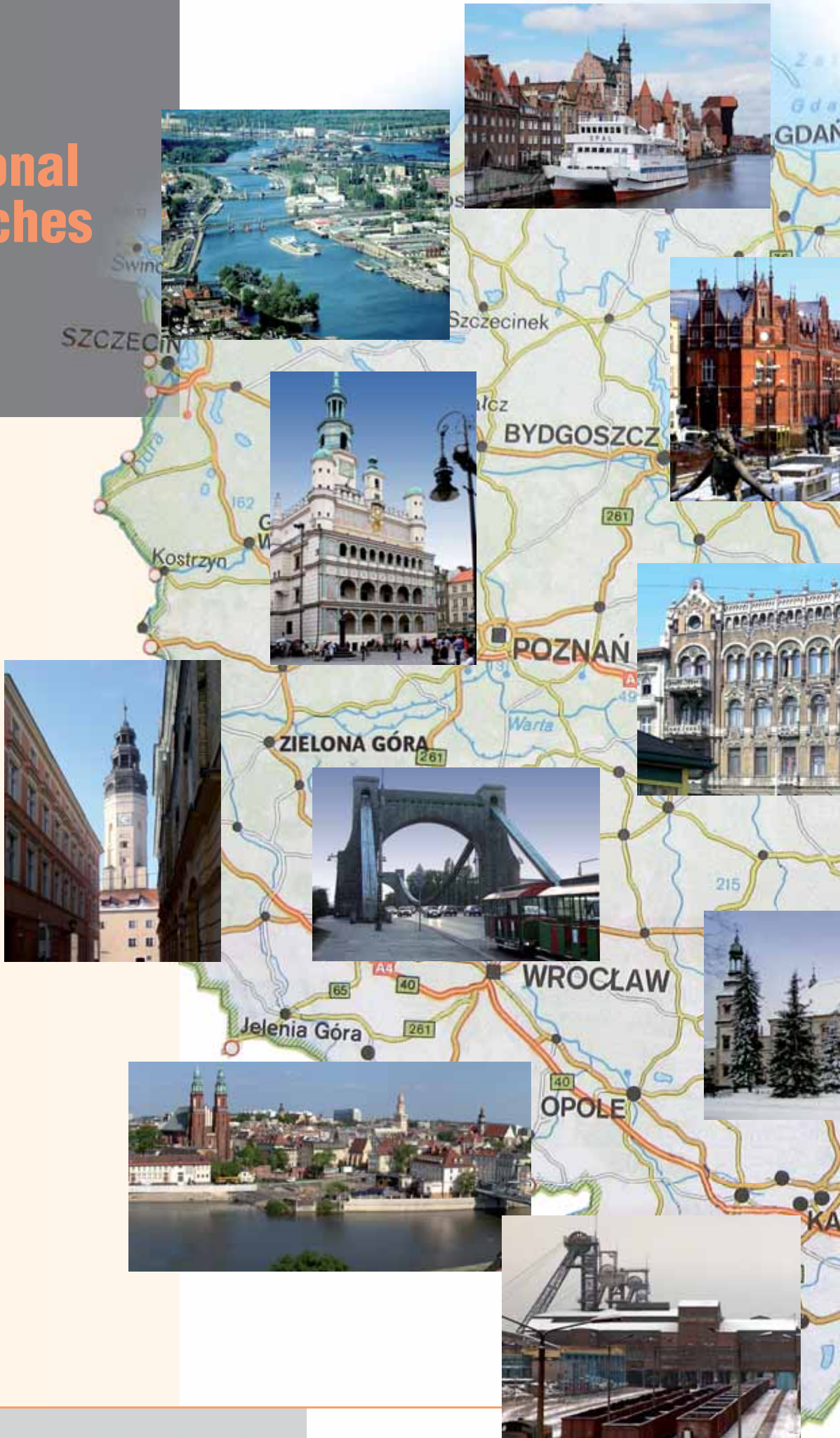
Divisions Supporting Audits

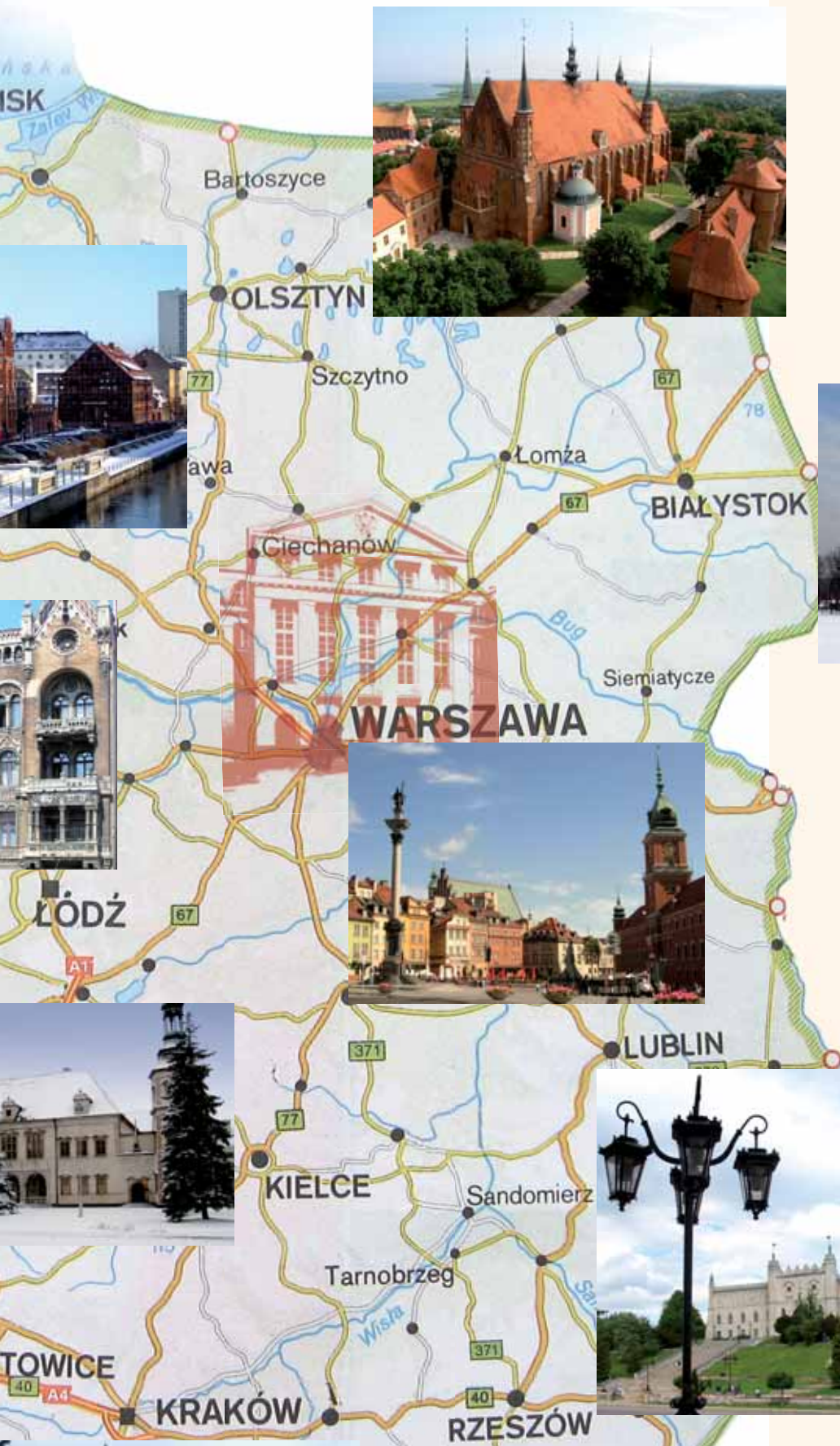
	Areas of specialisation and responsibilities
Department of Legal Affairs	Legal ramifications of audits and their coordination by the Chamber, the process of complaint consideration by the management, the NIK College and arbitration committees, tasks associated with the Chamber's participation in the legislative work of Government and Parliament.
Department of Audit Strategy	Supporting the audit process and the Chamber's functioning by preparing strategies of audit activities, development of audit methods, planning and coordination of audit activities, reporting, acceptance and consideration of motions and complaints, analysis and researching of information concerning the Chamber's activities, publishing, library and archives.

Administratives Divisions

	Areas of specialisation and responsibilities
Corporate Secretariat	Work organisation, the administration and development of telecommunications and-information resources, protecting confidential information, protection systems, securing personal data and information protected on the basis of other statutes, partnerships with EU institutions and other foreign partners, disseminating public information.
Department of Human Resources	Employment policies.
Department of Facilities and Logistics	Organisational issues and the Chamber's functioning in areas such as day-to-day management, office administration, social, and transport issues.
Accounts Department	Budget management, finance and accounting, coordinating and overseeing the accountancy services in organisational units

NIK Regional Branches







NIK's legal position

The Polish Constitution establishes NIK as the supreme state audit institution accountable to the Polish Parliament and functioning on the principle of collegiality. This means that it is an autonomous state institution, plays the leading role in auditing tasks in the country, and its findings, appraisals, remarks and conclusions are subject only to verification by NIK itself.

The *NIK Act* defines its organisation and functions. It regulates the process of auditing, and defines the responsibilities and rights of the employees undertaking or supervising audit activities. The act also states which institutions can request audits from the NIK or initiate similar requests. The NIK undertakes audits at the request of the Polish Parliament, or its organs, the President and Prime Minister of the Polish Republic. The NIK can also undertake audits on its own initiative.

The NIK audits the execution of the state budget, implementation of decrees, and other legal statutes in the areas of finance, management and the administration of institutions defined within the above-mentioned act. The scope of audit powers is either of an obligatory or optional character. Audit criteria that the NIK utilises differentiate in relation to audited subjects and institutions, whether they are public sector or non-public.



Cooperation with the Parliament

The NIK implements its main tasks, i.e. providing information regarding affairs of state, by presenting pronouncements on audit results to the Parliament. In 2007, NIK presented 160 pronouncements to the Parliament. The NIK conducts ongoing cooperation with Parliament through the participation of the NIK's representatives in the work of legislation and Parliamentary committees. At these meetings, NIK representatives share their views on governmental proposals as well as drafts of information, reports and projects. In 2007, NIK representatives attended 720 meetings of Parliament committees and sub-committees. In addition, the NIK presented 47 *de*

lege ferenda proposals ("what the law ought to be") to Parliament, in this manner proposing amendments to regulations and decrees governing issues crucial for the functioning of state.

The President of NIK spoke at the plenary session of the Polish Parliament on 22 August 2007, where he presented "The Analysis of the State Budget Execution and Monetary Policy Guidelines in 2006" and "The Report on NIK's Activities in 2006". At the 16 March 2007 session of Parliament, the Vice President of NIK presented the pronouncement on audit results of the privatisation of Polish Steel Foundries SA.

Parliamentary committees frequently emphasise the usefulness of NIK findings and information in Parliamentary work, in particular pronouncement on audit results. It is in this forum that post-audit recommendations formulated by NIK are reinforced by postulates (*desiderata*) issued by Parliamentary Committees to the various agencies of public administration.



NIK Employees

The President of the NIK is appointed by the Polish Parliament by absolute majority, with the approval of the Senate of the Republic of Poland. The President is assisted by Vice Presidents and the Director General. Vice Presidents are appointed and dismissed by the Speaker of Parliament at the request of the President of NIK. The Director General is appointed and dismissed by the President of NIK with the consent of the Speaker of Parliament. The status of the NIK is defined by the Constitution.

Employees conducting or overseeing audit activities must fulfil requirements defined in the NIK Act: they must be Polish citizens, have full legal capacity and full public rights, and they must not have previous convictions for intentional criminal offences. In addition, they must have a post-secondary education and be in good health. The recruitment process for auditors is publicly announced, and selection is according to a set of required criteria, which are checked in an application and during interviews. Candidates must demonstrate above average knowledge, relevant work experience, and know one foreign language. Other qualifications are also taken into account: experience working in the civil service and audit institutions, advanced degrees, post-graduate studies in relevant areas, and certification to practice law. Directors and Vice Directors in organisational units, as well as legal, economic and technical advisors, are selected via a competitive process. A selection committee evaluates candidates on the basis of their knowledge and the course of their career within the Chamber.

Appointed employees undergo periodic evaluations. The methods used include appraisal of employees, taking into consideration, among others, their participation in training programmes in the year under review. Continuous staff development is a crucial element for increasing the quality and effectiveness of audits. Ongoing improvement of auditors' skills and expertise through training guarantees a high standard of work, and that NIK has a competent and involved staff.

In 2007, NIK employed an average of 1690 full-time staffers. The majority of employees had educational backgrounds in the legal, administrative and economic fields. Seventy-eight persons hold PhDs.



*Above end right:
Participants of auditors training
programme
in the NIK training centre
in Golawice.*

Training and Probation of Auditors

The Supreme Chamber of Control provides training to enable candidates for auditors to conduct audits properly. In accordance with *NIK Standards*, candidates undergo an initial (three-year) probationary period as part of their employment contract. During this period, they must sit and pass an exam set by the board of examiners of the Chamber, before finally being appointed for the position.

During a twelve month training programme, comprising 400 hours of lectures, seminars, classes and workshops, candidates acquire necessary skills for preparing documentation and paperwork required at both the planning and implementation stages of audit. They enhance their knowledge of state audit practices in Poland and other countries. Candidates become acquainted with the tasks facing NIK as the supreme state audit institution, its structure and the status of auditors undertaking and monitoring audit activities. They learn the basics of accountancy and report writing; they also acquire analytical skills and study balance sheets. They study select topics in economics, economic systems, finance controls and auditing. The training programme also includes chosen areas of law (including European Union law), elements of information technology and how it is applied in auditing, and interpersonal skills.



The Supreme Chamber of Control 2000-2008 Long-term development programme

NIK, having a longstanding tradition, combines its own achievements with the best solutions applied worldwide. We strive to achieve the highest quality standards through continuous upgrading of practices and methodologies. Working procedures initiated in the last few years by the NIK prepared it to function within the institutional framework of the European Union. These steps modernise audit methods and procedures to meet the strictest of international standards. The Polish Parliament also recognised the importance of a well-functioning state audit body and incorporated the Chamber's role in preparing a development strategy.

2000

The Parliamentary resolution strengthening state audits by NIK

The Parliament acknowledged the necessity of strengthening and modernising state audits carried out by NIK. In this resolution, the Parliament proposed a comprehensive, long-term strategy for the Chamber's activities and transparent personnel policies. At the same time, the Parliament expressed the expectation that NIK's reports will provide an in-depth diagnosis of the situation of the state, presenting the mechanisms generating the disclosed irregularities.

Peer review of NIK within SIGMA

An international team of experts acting under the SIGMA project carried out this review. This team presented recommendations to speed up improvements in the Chamber's work. The most important recommendations included setting a strategy for NIK's activities and the publication of an auditor's manual with systemised methods of audit.

2002

Approval of the document "NIK's Strategy – mission and vision"

This strategy paper defines the aims, directions and activities implemented in order to fulfil the tasks of the Chamber as the supreme organ of state audit. This document contained the long-term development programme and plans for the modernisation of audits, amongst which were introducing accepted audit standards and the experiences of supreme audit institutions in European Union member states.

The Chamber's foremost objective is *"to ensure economic efficiency and effectiveness in the public service to the benefit of the Republic of Poland."* NIK's vision is to be *"a commonly respected supreme institution of state audit whose reports will be expected and sought for sources of information both by organs of state authority and general public."*

Developing NIK's audit standards

These standards regulate the planning, preparation and running of audits, as well as post-audit reports and recommendations. They also define criteria for quality control, the work of auditors, and personnel policies.

Auditor's code of ethics

This code contains collected writings on the rules of proceedings and norms of behaviour for auditors. Topics include: services to the public and the state, objectivity and impartiality, openness and consistency in assessments, as well as ethics and professionalism. The basic message of the code of ethics for auditors is that the public interest is more important than the private.

2003

Approval of the Auditor's Manual

This manual translates NIK's strategic principles into the practical language of auditors. Individual chapters of the manual correspond to groups of standards and include detailed methodical guidelines for their use during audits. These are also helpful in defining the subject of controls.

The Auditor's Manual is continually supplemented and improved. Apart from using our own experiences, the manual also takes into account the experiences of audit institutions of other countries, as well as the European Court of Auditors.

2004

Completing NIK's Information Technology (IT) Strategy

NIK places great emphasis on perfecting applied techniques of IT. Our IT strategy is based on our own experiences and tendencies in technology and directions of development within IT systems of audit institutions in other countries. Among others, the PILOT system, the primary database for audit proceedings, is used in supporting audits controls. NIK uses both a legal information system, and a number of copyrighted programmes. These include *Pomocnik Kontrolera* (The Auditor's Assistant), designed to aid in financial audits, and *Skargi* (Complaints), a special programme designed to support the processing of complaints filed with NIK.

2006

NIK's peer review

This review was carried out by the National Audit Office of Denmark and requested by the board of NIK. The purpose of the review was to provide an objective and impartial assessment of NIK's audits and its reports by independent experts. The report of the peer review confirmed the high quality of NIK's audits and emphasised the positive effects of using objectively verified tools. Subsequently, the Chamber accepted and implemented the review's findings. It formulated and approved audit standards, and published them in *The Auditor's Manual*. NIK started draft-

ing yearly works plan on the basis of importance and risk analysis, and now applies an effective system of supervising audit proceedings and checking the implementation of post-audit conclusions. It also benefits from efficient new methods of running audits and applied a system of quality control to the audit process.

2007

Preparing thematic sessions for the VII Congress of EUROSAI:

Establishing an Audit Quality Management System within a Supreme Audit Institution; Audit of Social Programmes – Audit of Programmes in the Field of Education; Audit of Social Programmes – Audit of Programmes for Professional Integration of the Disabled.

2008

NIK as the host of the VII Congress of EUROSAI in Krakow

The Congress adopted a series of *Conclusions and Recommendations*. For the next three years, the President of NIK will serve as the chairman of the Governing Board of EUROSAI .



Auditing activities

The NIK fulfils its tasks based on periodic work plans. In the first instance, the audit of the state budget execution is completed, as the NIK is legally bound to conduct this activity. NIK undertakes other audits according to prioritised directions established by the NIK College for a period of three years. The following priorities were defined for the years 2006-2008: a citizen-friendly state, cost-efficient governance, and sound well-managed governance. By taking such priorities, the NIK aimed to establish whether the state fulfils its obligations towards its citizens, as well as indicate areas in which there are concerns, in particular ones that could be hindering proper development. Each year new audit areas are selected according to which specific themes for planned audits are programmed. NIK can also undertake ad hoc audits.

Audit priorities in 2006-2008 and main audit areas resulting from these

Audit priorities	Main audit areas in 2007
The citizen-friendly state	Internal and external security, fighting unemployment, access to and quality of education, effective functioning of the Police and Justice Department, the functioning of the system of healthcare including the accessibility and quality of medical services, the functioning of the agencies of control and inspection, life in a clean environment, housing management, social assistance and social security, quality and effectiveness of public administration agencies in meeting the needs of citizens.
Cost-efficient governance	State of public finances including collecting budget revenues, management of public funds, local government and local utility companies including public tenders, public assistance and state budget subsidies, implementation of projects financed by public funds including multi-year undertakings, accessing and managing EU funds, simplifying procedures for allocating funds, creating conditions for economic growth.
Sound governance	Management of State Treasury assets (including by government agencies), resource management by local government and state-owned enterprises, restructuring and privatisation of sectors of industry by State Treasury and municipal authorities, development and maintenance of infrastructure.

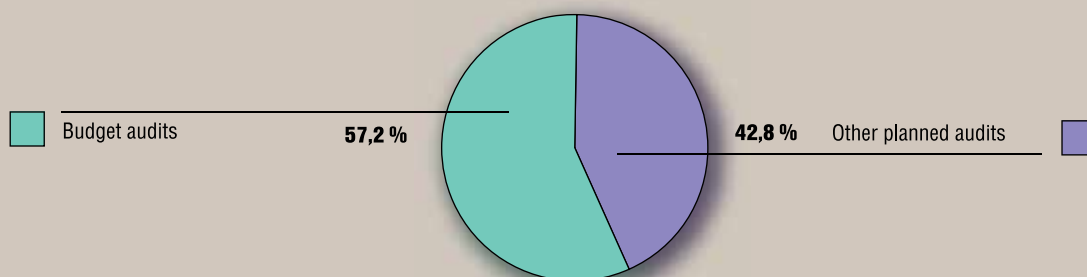
In its annual planning NIK takes into consideration two other priorities. The aim behind this is to focus the attention of audit programme authors, even at the conceptual stage, on specific aspects of conducting audits.

Remaining priorities in audit activities	Task descriptions necessary for the implementation in audit areas covered by the priority
Inspecting areas at risk of corruption	In each audit, particularly in areas of the interface between public and private interests, it's necessary to identify areas at risk from corruption and mechanisms prone to corruption, with special attention to possible conflicts of interest in the public sphere.
Analysis of internal audit functioning	This type of analysis should be conducted during each audit concerning the activities of public administration

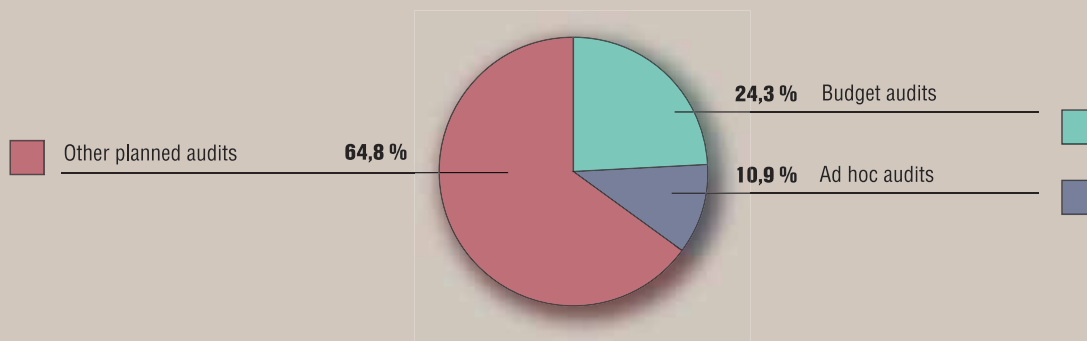
Audit of the state budget execution

The audit of the state budget is one of the NIK's most important tasks that are enshrined in the NIK Act. In 2007, of 166 completed planned audits, 95 concerned the execution of the state budget. Auditors devoted almost one quarter of their work time to this huge enterprise. Pronouncements on the results of budget audits constituted over half of all the pronouncements provided by the Chamber last year. Budget audits are coordinated by the Department of Budget and Finance, all organisational units of the Chamber that perform audit tasks participate in this process. Their work culminates in the preparation of *The analysis of state budget execution and the monetary policy guidelines*. As required by the Constitution, NIK's President presents this document at the plenary sessions of Parliament every year. Closely linked with auditing the budget is the Chamber's opinion relating to the certification of performance of duties (*absolutorium*) for the Council of Ministers presented yearly to the Parliament.

Types of planned audits completed in 2007



Time spent on specific audit categories in 2007.



In 2007, the Supreme Chamber of Control (NIK) completed audits classified under the following priorities and areas of investigation. NIK presented its findings to the Speaker of Parliament, members of Parliament, Senators and, via the mass media, to the general public.



The Citizen-Friendly State

This specifically refers to security in which the organisation of public administration (legal solutions undertaken by public authorities, and activities conducted by administration and public services) assists the citizens in a friendly manner, making it easier to resolve issues affecting them. A citizen-friendly state should not only ensure that citizens are freely able to exercise their constitutional rights, but first and foremost that the state should be sympathetic to and address citizens' needs. Therefore, this direction and scope of investigations were given priority. Audits undertaken by NIK make it possible to evaluate whether the functioning of the state administration, in the interface between the citizen and the state, meets societal expectations and needs.



Audit areas

Internal and external security, as well as the functioning of inspection and control units.

A broad range of audits is undertaken in the areas of national defence, internal security forces, and crisis management during natural disasters and exceptional circumstances. The preparations of Poland's border services to join the Schengen zone were also reviewed.

- The Polish Navy reaching defence capacities in compliance with the North Atlantic Treaty Organisation (NATO) defence plan
- The activities of the Minister of Interior and Administration with regard to close cooperation of the Police, Border Control and the State Fire Service through the integration of their communication and information systems
- Preparations and implementation of security measures at Warsaw's Frederyk Chopin Airport
- Public safety and security within the railway system
- Preparations of public agencies in response to Poland's entry into the Schengen zone
- Implementation of the long-term plan concerning the 'Oder River Project 2006', specifically in the area of flood prevention
- Regulatory functions as performed by the President of the Office of Railway Transport



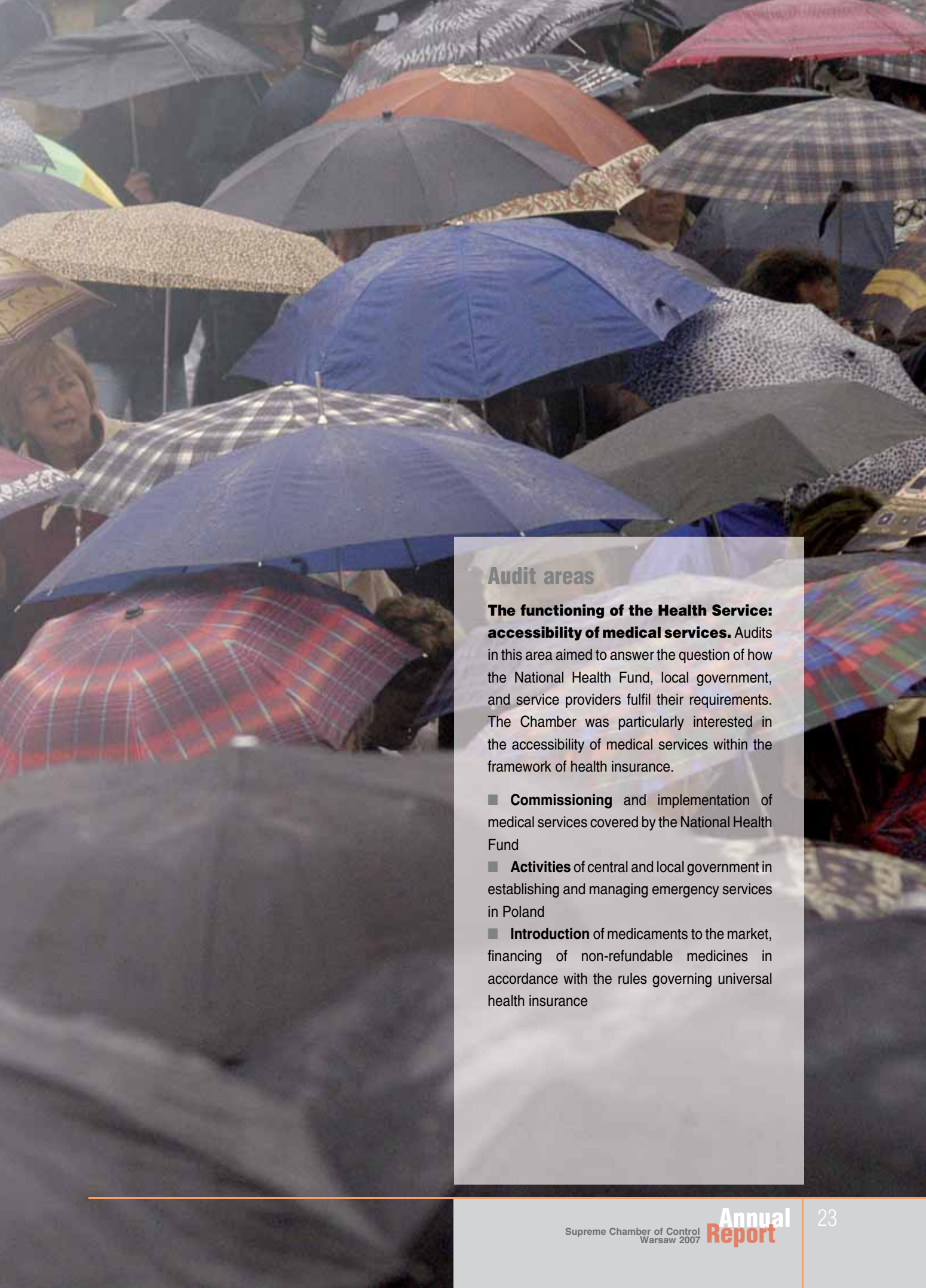
Audit areas

The accessibility and quality of education

– audits covered the functioning of military academies, how higher education institutions awarded degrees, the activities of the Polish Academy of Sciences, and its associated establishments in meeting statutory requirements, how the state met its obligation in providing the best possible learning opportunities for the most able students, and sporting activities for disabled people.

- Organisation and functioning of Military Academies and Higher Officers Schools, with particular emphasis on financial management and the property of the institution as well as the structure of employment
- Implementation of compulsory education for 16-18 year olds
- Care of exceptionally gifted students
- Assisting students with public funds
- Activities of institutions of the Polish Academy of Sciences
- Awarding degrees and academic titles
- Organising sporting activities for the disabled
- Institutions of the film industry





Audit areas

The functioning of the Health Service: accessibility of medical services. Audits in this area aimed to answer the question of how the National Health Fund, local government, and service providers fulfil their requirements. The Chamber was particularly interested in the accessibility of medical services within the framework of health insurance.

- **Commissioning** and implementation of medical services covered by the National Health Fund
- **Activities** of central and local government in establishing and managing emergency services in Poland
- **Introduction** of medicaments to the market, financing of non-refundable medicines in accordance with the rules governing universal health insurance

Audit areas

Life in a clean environment – ecological organisations and the scientific community speak with one voice: the preservation of wild plant and animal life, and unpolluted land and water will ensure our own health and the health of future generations. New techniques of production have replaced traditional ones, frequently to the detriment of the environment. NIK monitors any activity that may upset the eco-system.

- Implementation of policies to remove asbestos and asbestos-related materials
- Treatment of medical waste
- Supervision of the functioning of industrial-scale livestock farms
- Protection of the Bug river catchment area
- Impact of economic activity on the state of the environment in the Bialowiecki Forest





Audit areas

Quality of customer service by the organs of public administration and other public offices.

This is derivative of the competence and functionality of the whole apparatus of government. The Chamber carefully examines interactions between the citizen and the state. Poland's entry to the European Union, and the opening of the labour market in some countries, placed Polish Consular Services in a completely new situation. Apart from fulfilling their routine requirements, they had to respond to new needs, such as enabling migrant workers to retain ties with the country, providing ongoing contact with their native culture and educational institutions.

- Functioning of Consular institutions under the Ministry of Foreign Affairs with particular emphasis on serving the needs of Polish citizens abroad
- Implementation of reprivatisation by the Minister of Treasury and other governmental agencies
- Conformity with the rules governing the decision making processes in planning and issuing building permissions in the region of Mazowsze
- Change of land use from agricultural production and its impact on land, estate and buildings inventory, as well as the taxable implications of this
- Organisation and financing of regional passenger transport
- Functioning of public transport in urban areas
- Compliance with the rules regarding the functioning of 'Sobering Up Rooms' (detention facilities for the intoxicated) in relation to respecting basic legal rights during admission and holding of persons

Cost-efficient Governance

– the state should meet its responsibilities and organise its activities economically so that public funds are utilized only as needed, are not wasted, and, if possible, are actually increased. Therefore, NIK is involved in the analysis, testing and appraisal of the functioning of public services units. The aim is to utilise and maximise public financial funds, including European Union funds, with the view to meeting set goals while minimising the cause of the functioning of governmental structures. Thus cost-efficient governance is not necessarily about the cheapest, but the optimal solutions owing to which the effects of its activities are reasonably proportionate to outlay.



Audit areas

The state of public finances (including budget revenues) is a core topic of interest for NIK.

To a great extent sound public finance depend on cohesive tax legislation, but, first and foremost, comes effective execution so that obligations get collected before expiration. Despite the removal of border controls in the Schengen zone, custom duties continue to have a significant impact on the state budget, including at the external borders of Poland which are also the borders of the European Union. Custom duties and regulations are governed by Polish Customs Law and the Community Customs Code, introduced by EEC regulation in 1992.

- Organising and use of the state budget informational system
- Creation of tax exemptions and tax relief in tax law
- Applying tax relief by local councils and the effectiveness of collection of tax arrears
- Collection of tax and customs arrears by the Customs Office
- Lapse of tax obligations
- Setting of property improvement taxes and planning fees by local governments
- Local councils fulfilling their obligations concerning alimony debt proceedings and alimony pre-payments
- Ensuring that provincial governors (voievodas) meet their obligations to provide technically efficient scales at border crossings in order to weigh transport vehicles on the north-eastern and eastern sections of the border
- Impact of delayed and cancelled public procurement proceedings on public spending
- Creation and functioning of non-profit foundations by the Treasury and other publicly funded institutions
- Activities of the Dairy Promotion Foundation

Audit areas

Management of public money in central and local government, and public utility businesses, in particular public tender processes.

Here audits undertaken by the Chamber aim to determine whether subjects utilised means appropriately and efficiently, and whether managers did not abuse public finances. NIK was interested in determining whether the costs were appropriate for the scope of the relevant activities.

- Costs relating to the functioning of Social Insurance Institution
- Financial management of the National Health Fund
- Functioning of the National Fund for Environmental Protection and Water Management, and local government funds for the water industry and the protection of the environment
- Utilising district and local government funds for the protection of the environment and the water industry, and the collection and redistribution of fees arising from the use of the natural environment
- Implementation of public tenders by autonomous health and care institutions
- Acquisition and upkeep of the offices of the Agency for Restructuring and Modernisation of Agriculture



Audit areas

Public assistance and subsidies from the state budget – audits in this area aim to determine whether employers receiving public funds fulfil statutory duties, and measure the effectiveness of the assistance. The Chamber paid considerable attention to the mechanisms for monitoring the use of funds for public assistance.

- Guarantees and securities granted by BGK Bank (*Bank Gospodarstwa Krajowego*) from the resources of the National Credit Fund and the EU Guarantee Fund
- Public assistance for companies employing the disabled and non-governmental organisations representing the disabled
- The use of public funds in the shipbuilding sector
- Propriety of and execution of guarantees from the state budget for the payment of credit used to finance the building of *Laboratorium Frakcjonowania Osocza Sp. z o.o. in Mielec*, a laboratory producing substitute blood products.



Audit areas

The implementation of publicly funded capital investment projects, including multi-year projects – NIK's enquiries in this area focused on determining whether investors acted in the proper manner throughout all stages of the investment process – planning, implementation and review. The Chamber paid specific attention to whether contracts made with investors guaranteed the completion of planned work, ensured the financial interests of investors, and whether public funds were used effectively and efficiently. The inspections also focused on the degree and the extent of utilising European Union funds for investment projects.

- Proper preparation, implementation and review of building investment by the Ministry of Justice
- Creation of the EUROTERMINAL International Logistics Centre in Slawków
- Implementation of the Project "Cross country motorway" financed by public funds
- Implementation of various projects at the Kraków International Airport, Balice
- Use of public funds by the Factory for Nuclear Waste Deactivation in Otwock-Świerk for the Project "Building of the operational chamber for the storage of spent nuclear fuel"
- Investments and renovations in schools and other educational institutions run by local government
- Implementation of centralised purchases of computer equipment for schools and educational institutions



Audit areas

Accessing and management of EU funds; simplifying the distribution of funds – NIK audits in this thematic area evaluated project financed in part with structural funds. These investments aim to support restructuring and modernisation of the economies of EU countries, and the efficiency and effectiveness of local governments in accessing and utilising funds for building and modernisation of roads. The audits also indicated the reasons for not achieving the set goals and thus forgoing the anticipated benefits.

- Investment projects partly financed from structural funds in the framework of contracts for designated provinces
- Utilisation of structural funds in Poland under the European Commission Community Initiative INTERREG IIIA
- Accessing and utilising European Union funds for road building by local government
- Creation and functioning of local wholesale fish markets, partly financed from the European Union budget

Audit areas

Creating conditions for economic growth – In the view of the Chamber, this requires promoting Poland as a reliable commercial and industrial partner, and the participation of the Polish diplomatic corps, embassies and consulates. Audits included such areas as the regulation and organisation of Polish economic promotion establishments abroad, and the consultations of governmental agencies with interested parties on operating principles for Poland's representatives abroad.

- Implementation of the Government project "The Programme of promoting an efficient and well managed Poland until 2005"
- Shaping of local government planning policies as a key tool to promote investment

Sound governance

Public administration should manage public resources effectively following the principles of sound management (cost-effectiveness) and integrity. Public agencies should endeavour to maximise revenues and utilise resources for the benefit of citizens. Under this priority, NIK audited the management of assets and resources of the State Treasury. The scope of investigation included the efficacy of the management of state assets by the subjects, the extent to which assets are utilised to the benefit of the public, and decisions concerning transformation of form of ownership (privatization). These audits also aimed to test whether activities in this area created circumstances for various interest groups to achieve unmerited profits. Prioritised audits were undertaken in areas whose functioning is closely linked with the idea of a soundly managed state.



Audit areas

Management of State Treasury assets wealth

(including those held by governmental agencies), local government assets, and state owned enterprises. The Chamber's enquiries in this area aim to determine, among others, whether given institutions took effective and proper care of national assets, and whether the interests of the State Treasury did not suffer due to mismanagement or intentional corruption. Audits also examined the distribution and use of resources allocated to Poland by foreign financial institutions for the implementation of projects under crediting agreements.

- Sale of council housing by commercial companies in which the State Treasury is the dominant stakeholder
- Management of assets during insolvency proceedings of state-owned enterprises and other companies in which the State Treasury owns a stake
- Functioning of national economic reserves and statutory liquid fuel stocks in Poland

- Activities of public agencies and the Agricultural Property Agency to protect inland water and monitor the inland fishing industry
- Management of coal supplies for the production of electricity and heat energy, sourcing and cost of purchase
- Closure of coalmines, including the use of World Bank loans
- Utilisation of budget subsidies for restructuring employment within the coalmining industry, including the use of World Bank loans
- Maintenance of buildings, and health, safety and hygiene standards in public schools and educational institutions
- Transfer of real property by the Military Property Agency to local government agencies
- Management of local council estates
- Administering local housing resources



Audit areas

Restructuring, commercialisation and privatisation of sectors of industry under State Treasury or the municipal government control.

Audits in this area evaluate strategies and privatisation programmes, as well as actual implementation in specific segments and branches of the economy. Audits included the management and integrity of restructuring and privatisation, as well as the effectiveness of public assistance for companies at risk of bankruptcy.

- Activities of the Industrial Development Agency SA in the restructuring of Polish industry
- Privatisation of the FSO Passenger Car Plant in Warszawa
- Privatisation of the Power Generating Plant in Łódź SA
- Preparation and privatisation of Zelmer SA
- Privatisation of the Państw-Adamów-Konin Power Plant SA
- Privatisation of the Polish Steel Foundries SA
- Implementation of the restructuring programme for the mining and sulphur industries





Audit areas

Growth and maintenance of infrastructure

– depends largely on the organisation and pace of acquisition of land for new roads by central and local government, as well as effective utilising of funds set aside for this purpose. This area is particularly significant in light of the EURO 2012 Football Championships in Poland, and the programme of speeding up investment projects in road laying and the building of sports facilities.

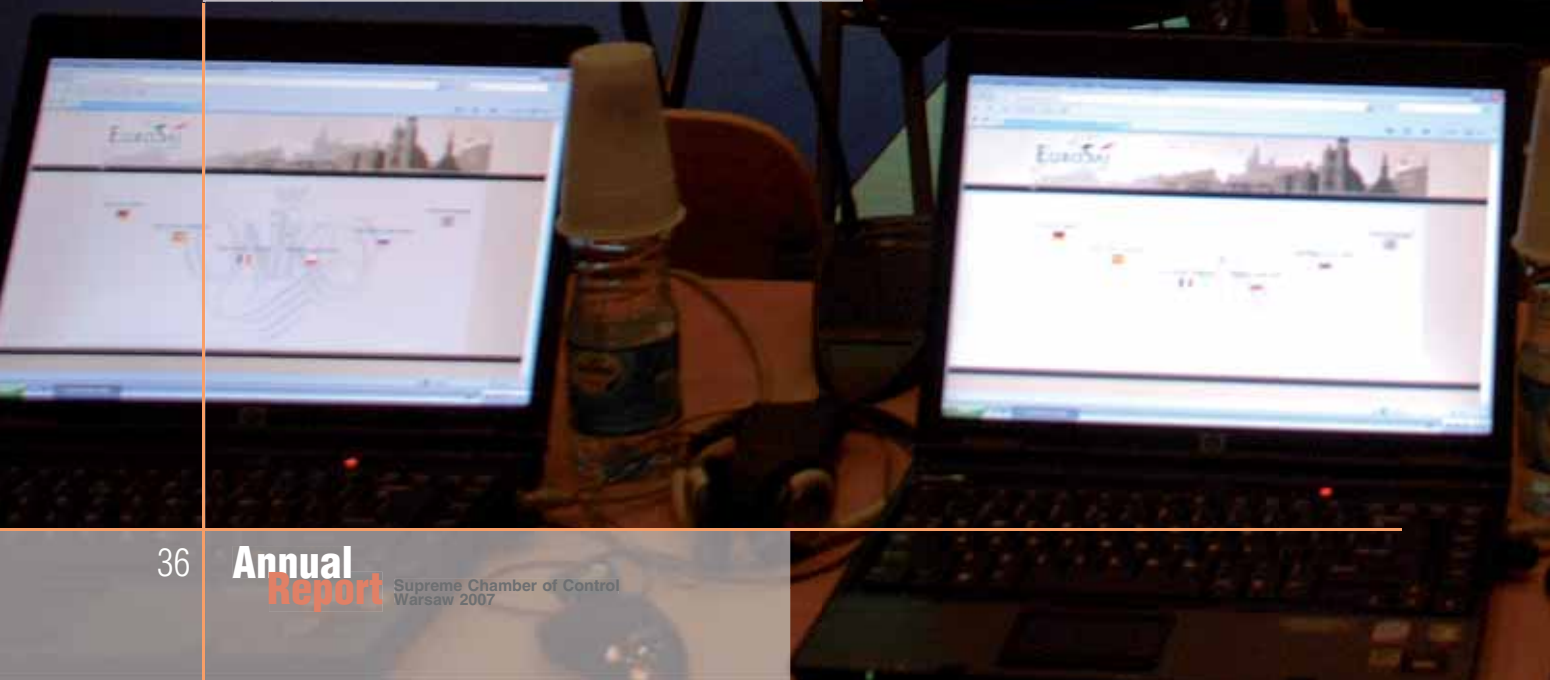
- Financing the building of the shipyard infrastructure and roads ensuring harbour access
- Proper use of public funds for land purchases linked to road building, as well as preparing ownership transfers for the aforementioned land and the changes of its use in local planning



Information Technologies for NIK

- assisting the audit process

The Council for Information Technologies, under the Director General of the NIK, is responsible for improving and modernising the Chamber's internal information systems. The Council shapes the strategies regarding the application of IT within NIK, and these are consistently implemented. Last year, NIK introduced a New Integrated Management System, modernised its WAN server, and uploaded its archives. The BIP website was upgraded to a higher level of functionality, including adding an e-mail based contact page, and further work to ensure data protection. The Chamber also has an intranet system and IT applications supporting the audit process. NIK specialists created specialised programmes, such as a tool for audit sampling (*Pomocnik Kontrolera*); software supporting planning and monitoring of audits (*SterNIK*); and a system for registering requests and complaints (*SKARGI*).

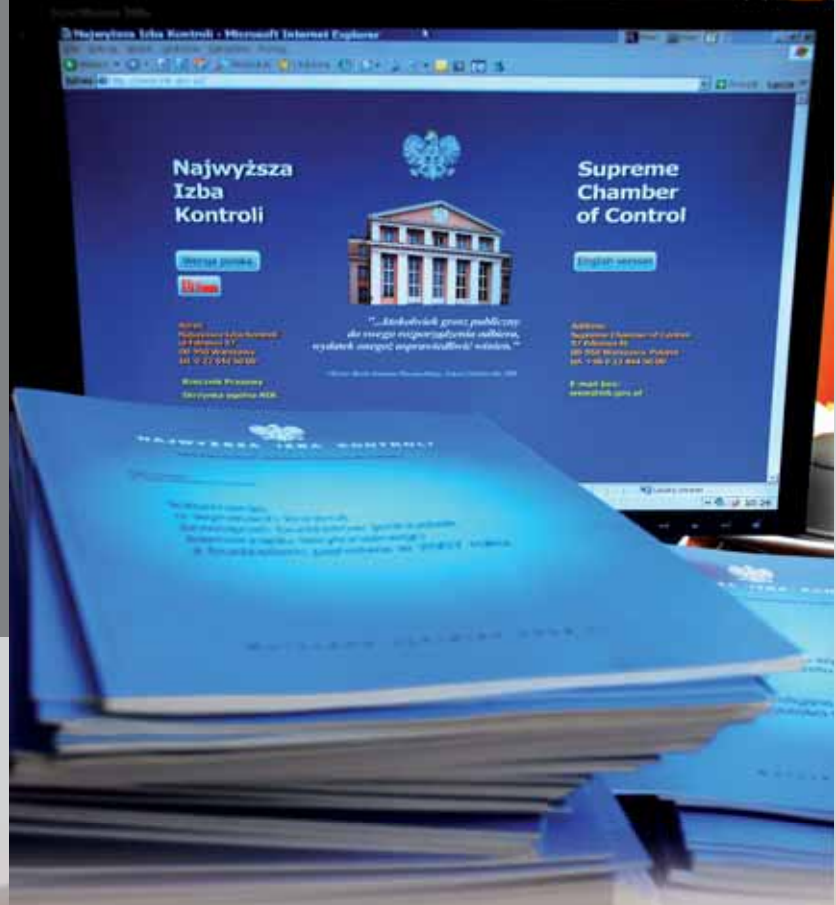


EUROSAI
VII Kongres Kraków 2008

EUROSAI
VII Kongres Kraków 2008



Public access to audit results



The NIK Vice-President,
Mr Stanislaw Jarosz,
participates in an interview
at a press conference.



Making audit results accessible to the public is connected to citizens' constitutional rights to access reliable information concerning the functioning of state administration and the activities of public servants. It is the responsibility of the Media Spokesperson Office to cooperate with the mass media, make the results of audits accessible to the public, and provide general information about the NIK's activities,

The Internet service www.nik.gov.pl, jointly with the *Bulletin of Public Information (BIP)*, is the main tool for the Chamber's communication with the public, and the dissemination channel for information concerning the Chamber's activities. The most important documents of the NIK are accessible on the website, including the analysis of state budget execution and the realisation of monetary policies, the principles and foundations of fiscal policy, reports concerning the activities of the Chamber, and pronouncements of audit results presented previously to Parliament. Part of the Internet service is dedicated to the EUROSAI Working Group on Environmental Auditing, coordinated by the NIK until June 2008.

The continuously improved BIP Internet service www.bip.nik.gov.pl allows for fast and complete access to information concerning the structural organisation of the NIK, legal statutes regulating its activities, and announcements of public tenders. The service also provides an opportunity to send a form requesting publicly accessible information.

The website is an effective tool in employment sourcing for the Chamber. There is a webpage dedicated to employment opportunities, outlining vacancies and providing job requirements for candidates for auditors.

Press conferences are also used for the dissemination of information concerning audit results and general knowledge about the Chamber. In 2007, around 6,500 publications concerning the Chamber appeared in the print media, on the radio and television.

Procedure for Considering Complaints and Requests

The right of citizens to file complaints and requests for interventions is guaranteed by the Constitution of the Republic of Poland. Complaints received by the NIK are registered, considered and analysed. Information provided by citizens constitutes a source of knowledge concerning irregularities, abuses and inefficiency in public life. This information is also used in the planning of future audits. In 2007, NIK received almost 4,000 complaints and requests. These were sent by individuals, as well as organisations representing employees and businesses. Members of Parliament and municipal councillors also use this procedure to notify the Chamber of areas at risk of irregularities.



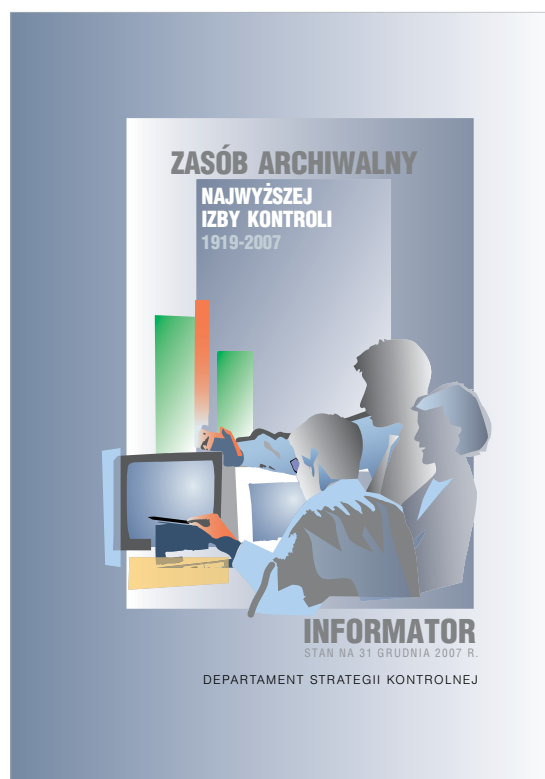
Publishing activities

One of the NIK's tasks is to publish information for the public about the direction and effects of state audits in Poland. NIK's oldest publication, first appearing in 1956, is the bi-monthly *Kontrola Państwowa (State Audit)*, targeting Chamber employees and other readers interested in the workings of the NIK. This periodical features articles about legal, economic, industrial and financial issues. It discusses the findings of important audits undertaken by the Chamber, presents systems and procedures of audits in other countries, as well as aspects of international collaborations involving NIK.

The editorial board also publishes special editions, dedicated to specific events and issues. The first special edition in 2007 was dedicated to the Contact Committee of the Heads of the Supreme Audit Institutions of the European Union and the European Court of Auditors, which took place in December 2006 in Warsaw. A 2008 special edition focused on the VII Congress of EUROSAI.

Kontrola Państwowa is sent to the President of the Republic of Poland, the Polish Parliament, the Prime Minister, Ministries and central offices, local government units, the National Library and University libraries. The magazine is also shared with the supreme audit institutions collaborating with the Chamber in the framework of EUROSAI and INTOSAI.

NIK also publishes *Przegląd Metodyczny (The Methodical Review)*, an internal publication addressed to the Chamber's employees. Its main aim is to disseminate information about audit techniques, propagate new solutions applied by the Chamber and other supreme audit institutions, as well as the overall promotion of good practice. A monograph issue of this periodical included NIK's translation of *Performance Audit Manual* by the European Court of Auditors.



It contained improvements and aims of the Court in relation to the completion of tasks, approaches used, and criteria for economy, effectiveness and efficiency. In particular, the audit process was discussed from the planning stages, conducting the audit, through to audit reporting and monitoring of post-audit recommendations.

In 2007, the Chamber published a book entitled *The Principles of NIK Audits, A Guide to Procedures (Podstawy kontroli NIK. Podręczny zbiór przepisów)*. Every year, two documents are published and presented to the Parliament: *The Report on NIK's Activities* and *The Analysis of the State Budget Execution and the Monetary Policy Guidelines*. There are also publications popularising world achievements in the field of audit task methods, as well as international audit standards.

In 2008 Chamber staff finished research and editing in preparation for publishing *The Manual of NIK's Archives, 1919-2007 (Informator o zasobie archiwalnym Najwyższej Izby Kontroli w latach 1919-2007)*. The manual contains a list of legal acts dating back to 1919, an index and NIK organisational schemata reflecting the changes in the structure of the Chamber over a period of 90 years.

NIK on the international stage

The International Organisation of Supreme Audit Institutions (INTOSAI)

The NIK is a member of the Steering Committee of the Working Group of INTOSAI on Environmental Auditing, and serves as manager of the group. It is also a member of the working groups on information technologies, privatisation, business regulations and public-private partnerships. In February 2007 in Cape Town (South Africa), a NIK delegation took part in the fifth meeting of the Steering Committee of the Working Group of INTOSAI on Environmental Auditing. In March 2007 in Oman, NIK

NIK is a member of the European Organisation of Supreme Audit Institutions (EUROSAI) and the International Organisation of Supreme Audit Institutions (INTOSAI). It actively participates in the Contact Committee of the Heads of the Supreme Audit Institutions of the European Union, as well as in the European Court of Auditors. The Chamber maintains frequent bilateral and multilateral contacts, and since 2007 the President of NIK is a member of the OECD Audit Council.

The Contact Committee of the Heads of the Supreme Audit Institutions of the European Union and the European Court of Auditors

NIK representatives took part in liaison work and the working group on collaboration between Supreme Audit Institutions and the European Court of Auditors (ECA). They also participated in working groups on common audit standards, structural funds II, VAT, national reports on European Union financial management, and audit quality. At the annual meeting of the Contact Committee, which took place in Helsinki, December 2007, the NIK President presented findings from the workshops on ECA peer audits of the supreme audit institutions of the Visegrad Group (Czech Republic, Hungary, Slovakia, Poland), as well as those of Austria and Slovenia.

Heads of SAIs of the Visegrád countries, Austria and Slovenia at VII EUROSAI Congress in Kraków. From left to right: Dr. Árpád Kovács (Hungary), Dr. Josef Moser (Austria), Mr Jacek Jezierski (Poland), Mr Igor Šoltés (Slovenia), Mr Ján Jasovský (the Slovak Republic), Mr František Dohnal (the Czech Republic).



representatives participated in the sixteenth meeting of the INTOSAI Standing Committee on IT Audit. In November 2007, the President of NIK took part in the XIX Congress of INTOSAI in Mexico.

The European Organisation of Supreme Audit Institutions (EUROSAI)

EUROSAI is currently one of the main platforms for NIK's international activities. At the VII Congress of EUROSAI in Kraków, NIK took the Presidency of this organisation, a position it will hold until 2011. NIK also participates in the EUROSAI training committee and is a member of EUROSAI's working group on information technologies.



XXXIII EUROSAI Governing Board: From left to right: Mr Manuel Núñez Peréz, Mr Jan Eickenboom, Prof. Dr. Dieter Engels, Ms Beate Korbmayer, Mr Jacek Jezierski, Ms Aleksandra Kukula.



The VII EUROSAI Congress in Kraków

The opening ceremony of the VII EUROSAI Congress was attended by Prof. Lech Kaczyński the President of the Republic of Poland. Prof. Kaczyński, who in 1992-1995 served as the President of the NIK, gave an inaugural lecture on the role of an SAI within the framework of state government.

...I regard my time spent in the NIK as very important for what I have done in my life, and I have held many functions so far. The NIK allowed me (between 1992-1995) to answer the question of how the Republic of Poland functions. The country which I serve, to which I have devoted most of my life, ever since regaining its independence in 1989. (...) In our country the NIK provides an excellent opportunity to gain valuable public service experience. I can truly say that I have not seen a better school, even though I have performed many functions in our country – in the government, outside the government, I was a general public prosecutor of Poland, which in Poland is connected with enormous power. None of the state bodies gives such an overview of the situation in the country as the NIK does...



The VII Congress of the European Organisation of Supreme Audit Institutions took place between 2-5 June 2008 in Kraków. NIK hosted the event, and NIK President Jacek Jezierski chaired the proceedings. The Congress adopted the following aims: 1) exchanging experience in the areas of the managing audit quality control and audits of social programmes in the fields of education and the health service; 2) considering these themes at the Congress and reaching conclusions and recommendations; 3) discussions concerning the possibilities of expanding cooperation. The Congress accepted a final document entitled *Kraków Conclusions and Recommendations*.

As the host of the Congress, NIK intended the event to be as environmentally friendly as possible. Meetings were organised so that there would not be any need to use printed materials. Every Congress participant had access to computers so they could simultaneously follow the debate and review Congress documents in electronic form. The meetings took place in the *Auditorium Maximum* of the Jagiellonian University.

Presidents and staff of supreme audit institutions participated in the Congress. In addition, there were

also delegations from AFROSAI, ARABOSAI, ASOSAI, EURORAI and OLACEFS. The following core themes were discussed: *Establishing an Audit Quality Management System within a Supreme Audit Institution* (Working Group: Hungary—chairing and reporting, Denmark, Malta, the Russian Federation and the European Court of Auditors); *Audit of Social Programmes – Audit of Programmes in the Field of Education* (Working Group: Portugal—chairing and reporting, Estonia, France, Sweden and Ukraine); *Audit of Social Programmes – Audit of Programmes for Professional Integration of the Disabled* (Working Group: Great Britain—chairing and reporting, Estonia, Iceland, Switzerland and Sweden).

At the close of the thematic sessions, the proposals of conclusions and recommendations were presented for debate at the plenary session. A report on EUROSAI activities was also presented and accepted. Finally, the conclusions and recommendations of the Congress were accepted.

At the Congress in Kraków, NIK accepted the chair of EUROSAI for a period of three years.

The next, the VIII EUROSAI Congress will take place in 2011 in Lisbon.



EUROSAI

VII Congress Kraków 2008



At the top – Mr Valentyn Symonenko, President of the Auditing Chamber of Ukraine, Mr Jacek Jezierski, President of the NIK and Mr Zenon Lomat, President of the State Audit Committee of the Republic of Belarus, signing the Joint Report on the parallel audit on Protection of waters in the Bug River catchment area from pollution.

5 June 2008 – Mr Jacek Jezierski, President of NIK, Mr Valentyn Symonenko, President of the Auditing Chamber of Ukraine, signing the letter of intent on a parallel audit of Euro 2012 preparations.



Reports signed during the Congress:

– Joint Report on the *International Co-ordinated Audit of Chernobyl Shelter Fund*, conducted by experts of the SAIs of Ukraine (Co-ordinator), Germany, Poland, the Netherlands, the Russian Federation, Switzerland, Slovakia, USA and the ECA.



– Joint information on the results of transboundary movement of waste between Ukraine, the Republic of Slovakia, and the Republic of Poland, between the period of 2004 and the first six months of 2007, in the light of the Basel Convention.



– Joint Report on the parallel audit conducted by the SAIs of Poland, Ukraine and Belarus on *Protection of the waters in the Bug River catchment area from pollution*.



EUROSAI

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The EUROSAI Working Group on Environmental Auditing

Since 1999, the NIK coordinated the activities of the EUROSAI Working Group on Environmental Auditing. In June 2008 during the VII Congress in Kraków, the Chamber transferred the coordination of this group to the Supreme Audit Institution of Norway. NIK will continue to participate in the work of the group.

Mr Zbigniew Wesolowski, EUROSAI WGEA Coordinator, presenting the President of SAI Norway, Mr Jorgen Kosmo with the symbol of the chairmanship.





Mr Zbigniew Wesolowski, the Coordinator of EUROSAT WGEA, and its Secretariat (Ms Monika Skrzypiec and Ms Ewa Borkowska-Domańska) at the opening of poster exhibition "International environmental audits 2005-2008".

EUROSAI

VII Congress Kraków 2008



The VII EUROSAI Congress in Krakow was attended by 57 foreign delegations consisting of EUROSAI members, observers from INTOSAI regional groups (AFROSAI, ARABOSAI, ASOSAI, and OLACEFS), the INTOSAI Development Initiative (IDI) and also the INTOSAI Journal.



Ms Almagul Mukhamediyeva from the Account Committee of the Republic of Kazakhstan, presenting the President of the NIK, Mr Jacek Jezierski with commemorative statuette – the symbol of independent Kazakhstan.

Execution of the NIK Budget

Government, which itself is subject to the Chamber's auditing, to put financial pressure on the Chamber.

The Chamber's budget for 2007 was implemented in 100% of planned with expenditures of 229,352 thousand PLN, after taking into account the transfer of resources based on the decision of NIK's President. The transfer of resources, which included the sum of 4,755.4 thousand PLN (2.1% of expenditures), required savings in some areas of expenditure and increased needs in others, particularly capital expenditures. Revenues, originally established at the level of 497 thousand PLN, exceeded the forecast by 260.8%, and amounted to 1,793.1 thousand PLN.

The NIK's budget is constructed in such a manner to guarantee the Chamber's autonomy relative to the organs of executive power. After the NIK's College accepts a proposed budget, NIK sends it directly to Parliament for further consideration. The Minister of Finance and other representatives of administration have no right of review over a proposed budget. Thus the NIK is statutorily protected from the potential temptation of the

From left to right: Mr Marek Chodkiewicz, NIK Director General, Mr Jacek Szczerbiński, Director of the Audit Strategy Department, Mr Jacek Jezierski, President of the NIK, Mr Jacek Kościelniak, Vice-President of the NIK.



The Opinion of NIK's Internal Auditor

In 2007, the NIK's budget execution was analysed and verified on an ongoing basis with a view to tightening spending and optimising the use of budget resources. The process of financing spending was proportionate to the passage of time. Monitoring of budget execution enabled NIK to conduct its statutory tasks in a proper manner.

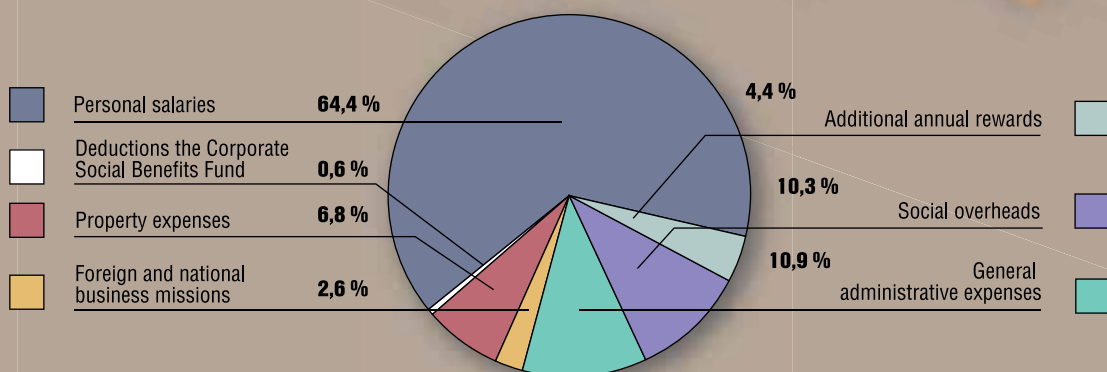
NIK's internal auditor confirmed that financial and budget reports presented a true and accurate picture of the Chamber's financial and material resources.

Audit reviews were undertaken in accordance with the Act on Public Finances, NIK's audit standards and International Standards for the Professional Practice of Internal Auditing. The audit was planned and undertaken in a way, which allowed for expressing an independent opinion on matters under investigation.

Inspected financial documents present clearly and reliably all essential information for the appraisal of NIK's management of its finances and resources on 31 December 2007. They were made in accordance with the rules of accountancy and correctly maintained accounting books.

These findings enabled NIK's internal auditor to express the opinion that the Chamber used its resources in a purposeful and efficient manner. Resources were utilised in accordance with the principle of the effective allocation allowing for completion of tasks in a timely manner, at the level of agreed resources, and within the agreed time constraints. The auditor did not observe any improper or inefficient use of resources, which confirms that NIK conducts proper financial planning.

Structure of NIK Budget Expenditures for 2007



The history of the state audit in Poland

The beginnings of the state audit of public finances reach back to the parliamentary traditions of the 16th century Kingdom of Poland and Lithuania. Even then the Parliament (*Sejm*) - initially through the Treasury Tribunal and later through the Treasury Commissions of the Crown and Lithuania—began to consider separating the income and expenditure of the Royal Treasury from “the common treasury.” In 1791, the Treasury Commission of the Kingdom of Poland and Lithuania was established. In this manner, a model of public finance control was first established, and entailed granting the administration the right of direct control over finances and the treasury, while guaranteeing auditing and statutory rights to the Parliament.

The partition of Poland in the 18th century by Russia, Prussia, and Austria put an end to Polish state institutions. In the 19th century, there were

Decree on the Supreme Chamber of State Control of 7th February 1919.

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 powołana 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. English

ersatz audit institutions – *The Main Audit Chamber*, later referred to as *The Audit Chamber of the Kingdom of Poland*. Even then, attention was paid to the need for transparency in public spending: “Whoever is given public monies to manage must justify their spending” was a famous quote by Tadeusz Dembowski, the Minister of the Treasury of the Duchy of Warsaw, as proclaimed in 1802 during a debate on creating the Main Audit Chamber.

Only after regaining independence in 1918, and the signing of *The Decree Creating the Supreme Chamber of Control* by Jozef Pilsudski on 7 February 1919, were the foundations created for the development of modern

institutions of public finance control, as NIK is today. According to this decree, “the NIKP was directly responsible to the Chief of State. It was an autonomous body and appointed for constant and thorough auditing of state revenues and expenditures, monitoring management of state assets, as well as industry, institutions and foundations, including municipalities and local government.” The President of NIKP was Józef Higersberger.

The March Constitution of 1921 changed the conception of the NIKP, it enhanced the importance of auditing and emphasised its links with Parliament. In the spirit of these decisions, the Supreme Chamber of Control (as

Ignacy Jan Paderewski (1860 – 1941) – a Polish pianist, composer and statesman. He became the Prime Minister and Minister of Foreign Affairs of the Republic of Poland in 1919.



Józef Pilsudski (1867 – 1935) – a distinguished statesman, the leader of the Polish Legions, the Head of the Republic of Poland, the founding father of the 2nd Republic of Poland.



The history of the state audit in Poland

Józef Higersberger (1856 – 1921)
– the first President of the Supreme Chamber of State Control from 1919 to 1921.



A cutting from "Ilustrowany Kurier Codzienny" of 4th October 1935 – the picture presents NIK staff with Mr Jakób Krzemiński, President of the NIK (in the middle) during their visit in Kraków in 1935, which was aimed at paying tribute to Józef Piłsudski, whose body was placed to rest in the Wawel Castle.

„ILUSTROWANY KURIER CODZIENNY” Nr.

KRONIKA KRAKOWSKA.

Urzednicy Najwyższej Izby



W ostatnich dniach Najwyższa Izba Kontroli Państwowej z prezesem generałem drem Jakóbem Krzemińskim na czele oraz z prezesami wszystkich okręgowych Izb kontroli przybyła do Krakowa celem złożenia

hołdu prochom Wodza Narodu i wzięcia udziału w sypaniu kopca na Sowińcu. Uczestnicy pielgrzymki pod przewodnictwem generała Krzemińskiego ruszyli pochodem szlakiem pogrzebu do katedry

was its name from that time on) functioned on principle of collegiality, and its autonomy was guaranteed by the judicial independence of the College members. The Chamber was appointed to audit the finances of the whole state administration, examining the government's closure of accounts, and each year present a motion to Parliament to either grant or refuse the government a certification of performance of duties (*absolutorium*). During WWII, NIK operated in exile in London in accordance with the decree of the President of the Republic of Poland of 17 February 1940. Under German occupation in Poland, there was an underground Section of Audit Delegates of the London Government. It monitored budget expenditures of the delegate body,

which managed funds, sent from the West. In 1944, as the new state apparatus was being established in Poland, the rights and responsibilities of pre-war NIK were taken over by the Presidium of the National Council, which in turn appointed the Audit Bureau, in accordance with the Law on National Councils. The Law of 9 March 1949 on National Audit reactivated NIK, and subordinated it to Parliament and the State Council, as it was an institution for examining the activities of public administration and the national economy. The relative autonomy of the Chamber lasted until 1952 when the new November Law on State Audit established the Ministry of State Audit, and relegated the Chamber to the status of a governmental department.

275. Piątek, 4 października 1935 r.

17

Kontroli na Sowińcu.



wawelskiej, gdzie odbyło się nabożeństwo żałobne. Po nabożeństwie wszyscy uczestnicy złożyli hold w krypcie św. Leonarda, poczem udali się na Sowińiec.

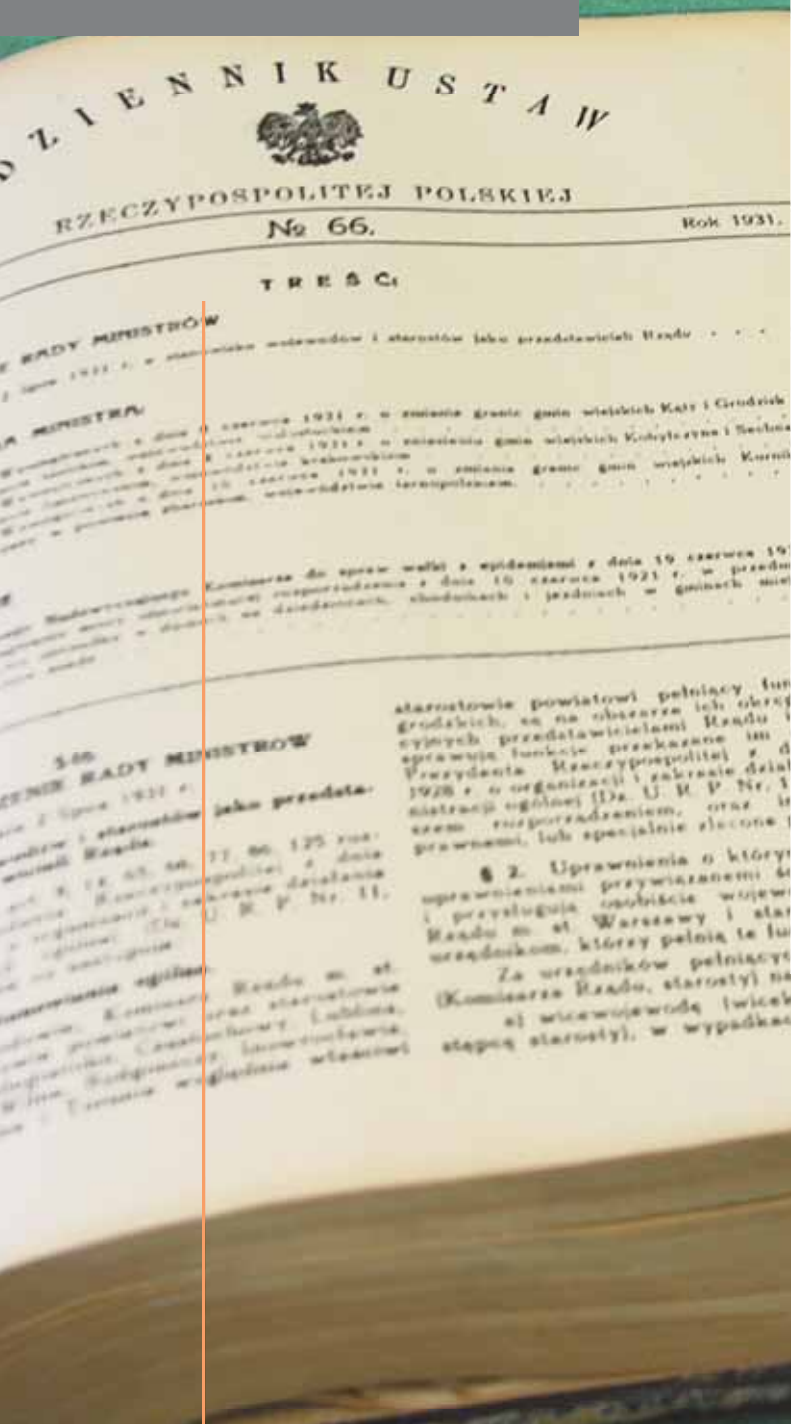
Fotografia przedstawia uczestników pielgrzymki na Sowińcu z prezesem Najwyższej Izby Kontroli generałem Krzemieńskim w pośrodku.

The history of the state audit in Poland

The Polish October of 1956 also brought about a thaw in the area of national audit. The following year the principle of NIK being accountable only to Parliament was restored: the NIK President was now to be appointed and dismissed by Parliament. NIK introduced motions on the question of *absolutorium* for the government; it also presented reports on its activities. This state of affairs lasted until 1976 when NIK was once again transformed into an administrative unit, and the Prime Minister (President of the Council of Ministers) was given supervisory control over NIK.

August 1980 saw the creation of Solidarity, and the wave of public protest brought about long-awaited changes in the Chamber. Based on the Law of 8 October 1980, there was a return to the previous model situating state audit with Parliament and making the Chamber independent of government administration. In the Polish People's Republic, the organisational structure of the Chamber was transformed in accordance with changes in the law. The centuries long tradition linking state audit with Parliament and the legislative achievements of the twenty-year inter-war period were not totally wasted during the first fifty years of post-war history.

The fundamental political, social and economic changes initiated in 1989 led to the necessary reforms of the state audit system. The new role and function of NIK was defined on 23 December 1994 when the Polish Parliament ratified the current Act on NIK. The changes in Poland in the following years resulting from systemic transformations and preparations for membership in the European Union had an impact on the process of modernising state audits initiated by the Chamber. NIK has a long-standing tradition and links its achievements with best practices applied around the world.



SPRAWOZDANIE
KONTROLI PAŃSTWOWEJ
Z DZIAŁALNOŚCI
ZA OKRES BUDŻETOWY
1937/38 r.

NIK PRESIDENTS APPOINTED AFTER 1989

JACEK JEZERSKI
2007 –



WALERIAN PAŃKO 1991



LECH KACZYŃSKI
1992 – 1995



JANUSZ WOJCIECHOWSKI
1995 – 2001

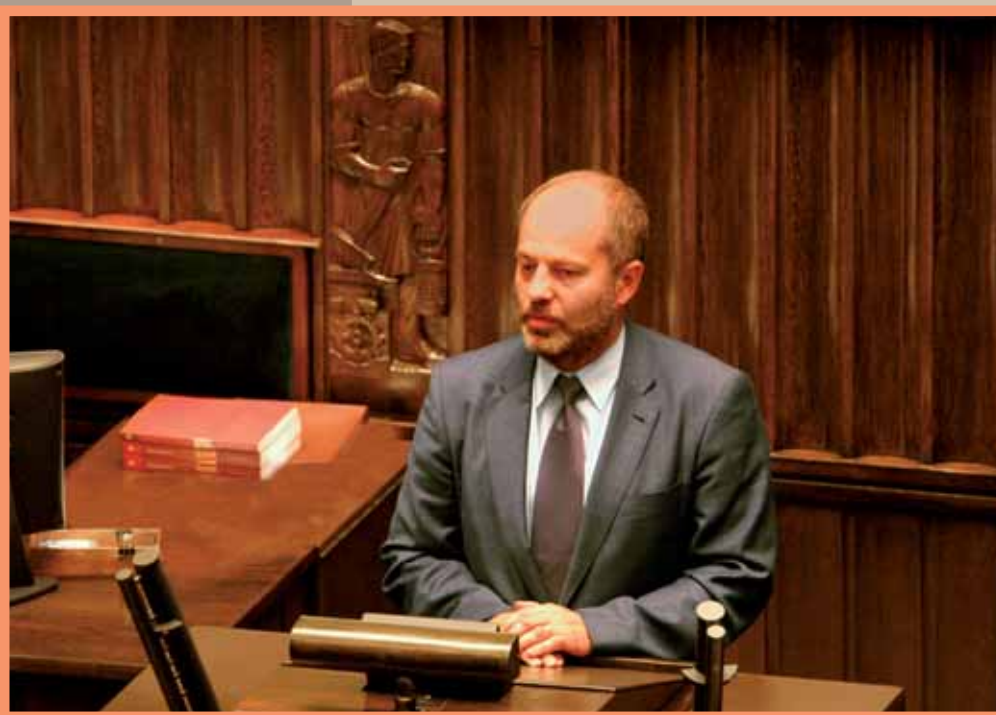


MIROSLAW SEKUŁA
2001 – 2007

The powers of the NIK President

The Constitution of the Republic of Poland
of 2 April 1997
Article 205

1. *The President of the Supreme Chamber of Control shall be appointed by the Sejm, with the consent of the Senate, for a period of 6 years, which may be extended for one more period only.*
2. *The President of the Supreme Chamber of Control shall not hold any other post, except for a professorship in an institution of higher education, nor perform any other professional activities.*
3. *The President of the Supreme Chamber of Control shall not belong to a political party, a trade union, or perform public activities incompatible with the dignity of his office.*



*The President of NIK
in the Polish Parliament*

Prior to the office taking, the President of the Supreme Chamber of Control shall take the following oath before the Sejm:

*“Assuming the office of the President of the Supreme Chamber of Control, I do solemnly swear to be faithful to the provisions of the Constitution of the Republic of Poland, and to perform the duties entrusted with me impartially and with due care.”
The oath may be followed by the words: “So help me, God.”*

NIK Act
of 23 December 1994
Article 15

'07

Supreme Chamber of Control Annual Report



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