

# SUPREME AUDIT OFFICE

**Annual Report**

**POLAND**  
Warsaw 2010



1810 - 1849  
FRYDERYK CHOPIN





## Supreme Audit Office



The year 2010, when this report is published, is the International Year of Chopin, celebrated on the occasion of the 200th anniversary of the composer's birth. To commemorate this anniversary, the cover of the NIK's *Annual Report* has been illustrated with photographs from Żelazowa Wola - the place where Fryderyk Chopin was born, presenting the composer's family house and garden.

## Annual Report 2009

WARSAW 2010 POLAND



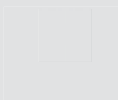
## Supreme Audit Office



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## Annual Report 2009

WARSAW 2010 POLAND





Manor House in Żelazowa Wola  
where Fryderyk Chopin was  
born in 1810





**The mission** of the Supreme Audit Office (NIK) is to promote economic efficiency and effectiveness in the public service to the benefit of the Republic of Poland.

**The vision** of the NIK is a Supreme Audit Institution with a widely recognised standing, whose reports will be an expected and sought for source of information for bodies of the state and the general public.

The organisation and the functioning of the Polish Supreme Audit Office (the NIK) are set out in the Constitution of the Republic of Poland and in the Act on the NIK of 23 December 1994. The NIK is subordinate to the Sejm (the lower chamber of the Polish Parliament) and it is headed by the President, who is appointed by the Sejm for a six-year term of office. The NIK's basic task is to conduct audits related to the execution of the state budget. It also audits public finance spending and the management of public assets by state and local governmental bodies and economic entities (businesses). Every year, the NIK submits three key documents to the Sejm: its analysis of the execution of the state budget and monetary policy guidelines, its opinion on the vote of approval for the government and its annual activity report.



## Dear Colleagues,

It gives me great pleasure to present you with the summary report on the NIK's activity for the year 2009. In this report, you will find the general information on the responsibilities of our institution, its staff and budget, as well as the list of the audits carried out in 2009. Those audits were conducted within three audit priorities, set to cover the years 2009-2011, namely Efficient and Citizen-friendly State, Cost-efficient Governance of Public Assets and Poland in the European Union. The majority of the audits the NIK performs are connected with the state budget execution audit, which is our main responsibility, aimed at informing the authorities and, in the first

place, the citizens, on how the state functions and how the public administration performs its tasks.

As for the international activity, which is also of high importance to the NIK, we continued with fulfilling our role of the EUROSAI Presidency which was handed over to the NIK at the 7th EUROSAI Congress held in Kraków in June 2008 for the following three years. The flagship initiative of our Presidency is the development of the EUROSAI strategic plan, to cover the years 2011-2017, which is a novelty in the history of the Organisation. The document is aimed at making EUROSAI activities yet more efficient, so I do hope that this chal-

lenge will one day be regarded as our joint great success.

The year 2009 was also special because in February we celebrated the 90th anniversary of the establishment of the NIK. So the NIK has been the guardian of public money spending for almost a century already, which makes us one of the oldest institutions in our country. The celebrations organised in connection with the anniversary gave us an opportunity not only to reflect on the past, but also to consider future challenges that the NIK and all Supreme Audit Institutions have to face.

Jacek Jezierski  
President of the NIK

A handwritten signature in blue ink, which appears to read 'J. Jezierski'.



Management of the Supreme Audit Office. From the left: NIK Vice-Presidents Jacek Kościelniak and Józef Górny, NIK President Jacek Jeziński, NIK Vice-Presidents Marek Zająkła and Stanisław Jarosz, and NIK Director General Marek Chodkiewicz

## Audits in 2009 – some statistics

- 175 planned audits
- 2,603 entities audited
- 160 ad hoc audits
- 2,663 post-audit statements
- 177 pronouncements on audit results submitted to the lower chamber of the Parliament (Sejm)
- PLN 15.8 billion – amount of financial or reporting impact of irregularities disclosed in audits
- PLN 740.6 million – financial benefits received from audits
- PLN 1.8 million – financial impact of irregularities to the detriment of the European Communities budget
- NIK representatives participated in 932 sessions of parliamentary committees and sub-committees
- 65 de lege ferenda proposals
- 6 parallel audits conducted with Supreme Audit Institutions of other countries



*Jacek Jezierski  
President of the NIK*

## College 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*



*Prof. Zbigniew Dworzecki  
Warsaw School of Economics*



*Prof. Czesław Martysz  
Silesian University in Katowice*



*Prof. Artur Nowak-Far  
Warsaw School of Economics*



*Prof. Mirosław Stec  
Jagiellonian University  
in Kraków*



*Dr. Marcin Trzebiatowski  
Catholic University of Lublin*



*Waldemar Długołęcki  
Director of the Department of  
Budget & Finance of the NIK*



*Roman Furtak  
Director of the NIK Regional  
Branch in Zielona Góra*



*Mieczysław Kosmański  
Director of the NIK Regional  
Branch in Warszawa*



*Dr. Wojciech Misiąg  
Advisor to the President  
of the NIK*



*Dr. Józef Płoskonka  
Advisor to the President  
of the NIK*



*Dr. Czesława Rudzka-Lorentz  
Director of the Department of  
Public Administration of the NIK*



*Dr. Bogdan Skwarka  
Director of the Department  
of Legal Affairs of the NIK*

A photograph of a grand, dark wood staircase with a blue carpet, leading up to a doorway. Above the doorway is a large, gold-colored inscription on a dark background. The inscription reads "NAJWYŻSZA IZBA KONTROLI". The staircase is flanked by dark wood railings. At the top of the stairs, there is a large, rectangular, light-colored panel with a grid of small, dark, illegible characters. The ceiling is high and features recessed lighting fixtures.

# NAJWYŻSZA IZBA KONTROLI

## College of the NIK

The NIK operates on the basis of the principle of collegiality, which means that there is a special body, called the College of the NIK (Polish: Kolegium NIK), involved in the process of approval and adoption of the most important documents that are submitted to the lower chamber of the Polish Parliament, i.e. the Sejm. The College is composed of the NIK President (Chair of the College), Vice-Presidents, Director General, directors of the NIK's organisational units, Advisors to the President of the NIK and representatives of Polish top academic institutions.

# What the NIK does

Each citizen who pays taxes to the state wants to be sure that this money is spent appropriately. The NIK, as the guardian of public funds, takes care of legal, sound and efficient spending and reliable accountability of these funds. Not only does the NIK disclose irregularities, but it also proposes possible solutions aimed at better spending in the future as well. NIK audits show in which areas the state operates well and which need to be improved. If the irregularities found stem from loopholes in the regulations or unclear legal provisions, the NIK postulates changes in the law (so called *de lege ferenda* proposals). When NIK auditors find criminal offences or negligence, they inform the law enforcement bodies.

Bodies audited by the NIK and the criteria applied

| Bodies audited by the NIK   | Audit criteria applied                             |
|---|--|
| Government administration authorities, the National Bank of Poland (NBP), state legal entities and other state organisational units | 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 that use state funds or assets   | Legality and sound management                      |

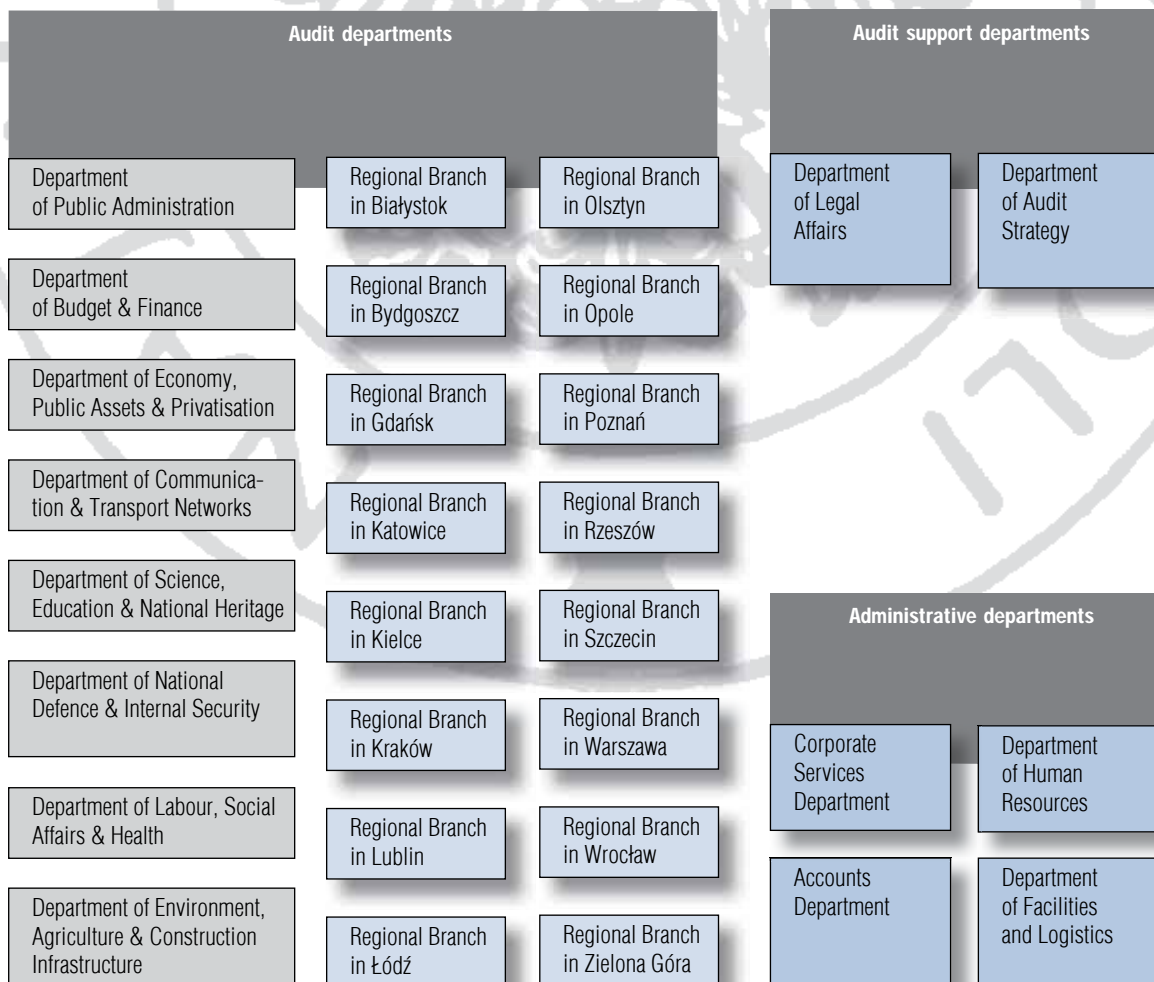
## Public money spending under the microscope

The NIK investigates all the areas of the state where public money or state assets are involved. It also checks whether public institutions do their job effectively, efficiently and economically. Every year, the NIK audits a few thousand entities, and on this basis it

develops a report presenting the overall picture of the state functioning. Pronouncements on audit results are submitted to the Sejm (the lower chamber of the Polish Parliament) and to the institutions responsible for the proper functioning of the audited entities.

# Structure of the NIK

The NIK is composed of 14 departments, located in its central office in Warsaw, and 16 regional branches, one in each administrative region of Poland. Out of the 14 departments in the central office, there are eight departments directly involved in audits (audit departments), each dealing with a different area of state activity, two audit support departments and four administrative departments which provide internal services for the office. All 16 regional branches are directly involved in auditing.





## Audit planning

The NIK's annual work plans are developed on the basis of priority audit directions defined by the NIK College every three years. In the years 2009-2011, the NIK is to assess whether the state operates smoothly and is friendly to its citizens, whether public resources are managed effectively and how the Polish state functions within the European Union. The audits planned for 2009 were also concerned, as in the previous years, with examination of corruption threats. Within each audit, already at the stage of developing its schedule, potential corruption threats were taken into account. This allowed for identifying

potential corruption areas and corruption-prone mechanisms. During each audit, the NIK also assessed the functioning of the auditee's internal control system.

The most important audit in each NIK's annual plan and the NIK's priority task is the audit of the execution of the state budget and monetary policy guidelines. Every year, the NIK carries out audits in some 400 entities within the state budget execution audit, whose results are presented by the President of the NIK at a plenary session of the Sejm. They are described in the document entitled *Analysis of the Execution of the State Budget*

and *Monetary Policy Guidelines* (in Polish: *Analiza wykonania budżetu państwa i założeń polityki pieniężnej*).

To support audit planning, NIK experts have developed a specialist software, tailored to meet the specific needs of the planning process, called SterNIK. It has proved to be a useful tool as it allows for making lists of potential audit topics, for drawing up audit schedules, as well as for analysing the number of tasks assigned to auditors and the frequency of audits carried out in individual entities.

# Audit priorities of the NIK

The NIK work plan for 2009 was adopted by the College of the NIK at the end of 2008. At the same time, audit priorities were set for the years 2009-2011. It has been decided that NIK audits should focus on checking whether the state is efficient and friendly to its citizens, whether it effectively manages public assets and how Poland functions within the structures of the European Union.

An Efficient and Citizen-friendly State should ensure safety and

other needs of its citizens, and it should also be able to look to the future and see potential threats and opportunities it may bring. Such a state should perform its tasks efficiently and effectively and it should provide professional services for its citizens.

The second priority, namely the Cost-efficient Governance of Public Assets, requires the state to be economical and well-managed, to take care of its assets properly and to implement objectives of high importance to the

society through well-thought-out activities and taking account of potential risks.

Poland in the European Union is a new priority related to the country's involvement in the Community's matters. It combines various issues in the field of economy, ecology, law etc. This priority is related to both the rights stemming from Poland's membership in the European Union as well as tasks and responsibilities accepted in this respect.

| Audit priorities                           | Audit areas   |
|--|---|
| Efficient and Citizen-friendly State       | Internal and external state security; functioning of investigation and judiciary bodies; performance of controlling and supervisory functions by government bodies; quality of services for citizens offered by public administration offices; promotion of e-administration; living in a clean environment; rational use of natural resources; cultural heritage protection; access to education and its quality; labour management; unemployment fighting; social assistance and social security, support for families and the disabled; access to and quality of medical services in the public healthcare system; promotion of Poland in Europe and worldwide.  |
| Cost-efficient Governance of Public Assets | State of public finances, including the budget deficit development; collection of revenues of the state budget and local government units; public funds management in public finance sector units and public utilities; implementation of investments financed from public funds; public aid for entrepreneurs and subsidies for non-public finance sector units; functioning of earmarked funds; restructuring, commercialisation and privatisation of economic sectors, State Treasury entities and municipal entities; management and administration of State Treasury assets, local government and state-owned enterprises' assets; development and maintenance of the infrastructure; providing conditions for economic growth, including implementation of undertakings related to 2012 European Football Championship. |
| Poland in the European Union               | Adjusting the law to EU requirements and meeting commitments taken towards the EU; obtaining and managing EU funds; simplification of procedures and elimination of institutional barriers as regards the use of 2007-2013 funds; implementation of the Common Agricultural Policy.   |

## NIK audits

**Audits carried out by the NIK comprise a whole variety of issues. Not only does the NIK conduct financial audits and examine the state budget execution, but it also checks whether the public administration performs its tasks in an effective, efficient and economical manner.**

**The following are the audits conducted by the NIK in 2009, divided according to the three audit priorities which are the Efficient and Citizen-friendly State, the Cost-efficient Governance of Public Assets and Poland in the European Union.**

## Efficient and Citizen-friendly State

### Internal and external state security:

a broad spectrum of audits covering issues related to defence, activities of internal policing services, traffic safety and preparedness for natural disasters and emergencies. In this field, the following audits were conducted in 2009:

- Implementation of the *Programme for modernisation of the Police, the Border Guards, the State Fire Service and the Government Protection Bureau (BOR)*.
- Supervision of vehicle testing stations by local authorities.
- Assignments of army employees for posts in military institutions and army units in case of a war.
- Fire protection in the army.
- Tasks of the Government Protection Bureau (BOR) with regard to securing Polish diplomatic posts, including protection of their employees (secret).
- Use of state budget subsidies allocated to the Voluntary Fire Service (OSP).
- Acquisition planning, distribution and register of computer equipment in national defence units.
- Maintenance of road and rail checkpoints on the north-eastern and eastern section of the state border.
- Functioning of water rescue services.
- Flood protection.
- Functioning of border services at road checkpoints on the Polish-Russian and Polish-Belorussian state border.
- Providing appropriate conditions for transporting students to primary and middle schools.

### Access to education and its quality, cultural heritage protection:

audits in this field present the functioning of military higher education institutions, awarding of academic degrees by state universities and the functioning of the Polish Academy of Sciences (PAN) and its subordinate units. Special attention was paid to the audit aimed at checking whether the state provides good conditions for talented students and to the audit of the organisation of sports for the disabled.

- Protection of and access to museum collections in Poland.
- Organisation and financing of special education.
- Education for adults in the light of labour market needs.
- Functioning of training schools for non-commissioned officers in the years 2005-2008 (first half).
- Functioning of young offenders institutions.
- Performance of public broadcaster tasks and assets management by the Polish Television (TVP SA).
- Functioning of regional public radio broadcasting companies.

### Functioning of the healthcare system, including access to and quality of medical services:

audits in this field checked how the National Health Fund (NFZ), local self-government bodies and providers of medical services meet their obligations. The NIK paid special attention to issues concerning access to medical services within the health insurance.



- Implementation of the National Health Fund's (NFZ) financial plan.
- Use of specialist medical equipment for medical services financed from public funds.
- Implementation of selected tasks of the *National Programme for Cancer Fighting*.
- Functioning of self-governmental hospital treatment.
- Preventive healthcare for children and teenagers.

## Performance of supervisory and controlling functions by government bodies; functioning of inspection and supervision bodies:

- Functioning of government administration bodies in the field of providing trainings for drivers of road vehicles transporting passengers and goods, and supervision of their activity.
- Supervision of regional governors (voivodes) with regard to how local self-government units fulfil government administration tasks.
- Legalisation of buildings constructed lawlessly and regularity of execution proceedings.
- Functioning of the system for filing and investigating complaints in several supreme public administration bodies.
- Activity of several administrative districts with regard to consumer rights protection.

## Living in a clean environment and ecological security:

- Monitoring of the environment of the Baltic Sea area.

- Implementation of the *National Programme for Council Sewage Treatment*.
- Functioning of the State Monitoring of the Environment.
- Collecting environmental payments from farms by governors of the regions (marshals).
- Technical equipment recycling.
- Implementation of selected tasks set out in the United Nations Framework Convention on Climate Change.
- Organic farming in Poland.
- Dealing with genetically modified organisms (GMOs).

## Public assistance, welfare and support for families:

- Performance of tasks related to public assistance by the self-government administration.
- Aid granted to those harmed by tornado and the repair of tornado damage.

## The quality of services for citizens provided by public administration offices:

Poland's accession to the European Union, which opened the labour markets of several states to Polish employees, saddled Polish consular services with new responsibilities, such as providing emigrants with contacts with the country and its culture. This was also one of the issues audited by the NIK.

- Judging cases related to land registers by courts and the implementation of the New Land Register project.
- Realisation of projects related to the electronic Platform for Public Administration Services (e-PUAP) and the Public Administration IT Network (STAP).
- Activity of the Polish Post Office, including financial flows and quality of the services provided.
- Implementation of the provisions of the repatriation act by government and local-government administration bodies in the Małopolskie region.

## Real estate management and land register:

- Updating the actual and legal state of real estate by bodies that manage state property and assets.

## Labour management and unemployment fighting:

- Recruitment for posts of civil servants in local government units in the Lubuskie region.

## Assistance to the disabled:

- Rules for performance and financing of professional activation centres.

## Cost-efficient Governance of Public Assets

### The state of public finance, especially the question of public revenue raising,

is of special importance to the NIK. It depends significantly on the good and coherent tax law, and especially on its effective execution. Although there are no state borders in the Schengen Area, the collection of duties, for example on Poland's external borders that are simultaneously the European Union's borders, is still of high importance to the state budget.

- Collection of tax and non-tax arrears by heads of tax offices.
- Collection of Corporate Income Tax.
- Management of the public debt and the state budget liquidity.
- Effectiveness of administrative collection of taxes and payments set and collected by competent executive bodies at the level of self-governments.

### The management of public funds in public finance sector units and public utilities

was another area of the NIK's audits aimed at checking whether the audited entities used their

resources in accordance with their allocation, in a reasonable and economical manner, and whether the heads of the auditees did not breach the rule of public finance discipline. The NIK was also interested in checking whether the costs of the audited entities' functioning were adjusted to the scope of their activity.

- Use of public funds by state entities dealing with agricultural consultancy.
- Remission of liabilities of the Agency for Restructuring and Modernisation of Agriculture (ARiMR).
- Food and standards of cleanliness in public hospitals.
- Collection and use of payments for alcohol sales licences by self-governments.
- Functioning of the Polish Tourist Organisation (POT).
- Technical condition of buildings used by public healthcare centres.
- Regularity of returns of excise duties included in the price of diesel oil used for farm production.
- Concessions applied in repayment of liabilities at the level of self-governments.

### Costs of public administration functioning:

- Employment and remunerations in regional offices.

### Public aid and subsidies:

Audits related to this issue were aimed at checking whether employers who receive public aid fulfilled their obligations and what were the results of the aid granted. The NIK paid special attention to the mechanisms established in order to monitor the use of public aid funds.

- Implementation of the Civic Initiatives Fund government programme.
- Management and use, for construction purposes, of funds established by the BGK bank.
- Functioning of the housing bonuses system.



## While auditing the realisation of investments financed from public funds, including multi-annual investments,

the NIK focused on the regularity of investors' activities at all levels of the investment process: planning, implementation and settlement. The NIK checked, in the first place, whether agreements concluded with contractors guaranteed performance of the planned works and secured financial interests of investors. Audits in this field also examined whether public funds were spent efficiently, economically and effectively. They also covered utilisation of EU funds allocated for implementation of certain investments.

- Regularity of procedures for selection of entities to construct gas networks and those to provide means of transport, and realisation of the agreements concluded.
- Preparations for construction of the S8 dual-carriageway road.
- Functioning of special economic zones and their extension.
- Regularity of decisions taken with regard to construction planning conditions and planning permissions.
- Realisation of sports investments by selected local self-government units in the Wielkopolskie region.

## Functioning of earmarked funds:

- Collection and division of funds from environment fines and payments, and management of resources of environmental protection and water management funds at the level of self-governments.

- Management of public resources by selected environmental protection and water management funds at the level of regions (voivodeships).

## Providing conditions for economic growth, including realisation of projects related to the organisation of the EURO 2012 Football Championship,

calls for, according to the NIK, involvement of Polish diplomatic services, embassies and consulates in the promotion of Poland as a reliable economic partner. That is why the NIK checked the regulations and organisation of basic tasks of economic and commercial posts abroad, and cooperation of state authorities in making joint arrangements concerning the work of Polish missions.

- Preparations of Poland for the organisation of the EURO 2012 Football Championship.
- Performance of tasks set out in the act on tourist services in the regions where the cities to organise EURO 2012 Football Championship matches are situated.

**While carrying out audits of the management of state assets (also by state agencies) and the management of assets of self-governments and state enterprises,** the NIK focused on checking whether competent institutions appropriately and effectively looked after state assets and whether the interests of the state did not suffer from mismanagement or corruption. These audits also dealt with distribution and utilisation of funds allocated to Poland by foreign financial institutions for realisation of projects subject to loan agreements.

- Capital investments of banks operating with the State Treasury capital.
- Implementation of improvement schemes by selected entrepreneurs from the mining and energy sectors.

- Privatisation with a view to leasing enterprises for chargeable use.
- Governance of enterprises with a State Treasury majority stake.
- Management of the resources of the forest fund.
- Repairs of machines and equipment by entities from the mining sector.
- Functioning of the Służewiec Horse Racecourse Group in Warsaw.
- Management of selected assets of the Polish Academy of Sciences (PAN).
- Sales of wood from state-owned forests managed by the Regional State Forests Office (RDLP) in Olsztyń.
- Protection of seashores.

### Processes related to restructuring, commercialisation and privatisation of the economy sectors, State Treasury and council entities

were audited with regard to proceedings taken in individual sectors. This allowed for assessing the strategies and privatisation programmes adopted and their implementation. The audits carried out in this field comprised, for instance, the efficiency of restructuring and privatisation processes and the effectiveness of public aid allocated to enterprises threatened with bankruptcy.

- Realisation of the offset agreement provisions related to the acquisition of F-16 planes.
- Restructuring of the electrical power engineering sector and the grid security.
- Sale of minority shares and stakes by the Ministry of Treasury.
- Implementation of the privatisation strategy in state health resorts.
- Restructuring and privatisation of the shipbuilding sector.

### The development and maintenance of the infrastructure depends,

for instance, on the acquisition of land necessary

to construct new roads by state and self-government bodies, as well as on the use of funds designated for this purpose. The NIK audited this issue as it is particularly important in the perspective of the organisation of the EURO 2012 Football Championship by Poland, which requires immediate investments in roads and sports facilities.

- Activity of the public administration with regard to providing the required quality of public roads repairs.
- Issuing planning permissions with regard to connections of public roads with commercial and business investments and their realisation.
- Functioning of the monitoring system for rail investments in Polish Railways Infrastructure (PKP PLK SA).
- Activity of Polish Railways Cargo (PKP Cargo SA) on the domestic and international markets.
- Coordination of works related to redevelopment, modernisation and repairs of roads and their infrastructure in selected agglomerations.
- Financial management of selected companies of the Polish Railways Group (Grupa PKP).

### Poland in the European Union

- Capability of the public administration to use the Structural Funds within the Human Capital Operational Programme 2007-2013.
- Overall report on the results of NIK audits concerning the use of funds from the European Communities budget within the cohesion policy in Poland.
- Functioning of the animal identification and register system.
- Issuing integrated permissions for using the environment and compliance with their provisions.
- Activities of public services with regard to technical equipment recycling.
- Realisation of supplementary payments for tobacco producers.



Annual  
Report  
NIK

## State budget execution audit

The audit of the state budget execution is one of the most important tasks of our institution, in accordance with the Act on the NIK.

In 2009, 96 out of 175 completed planned audits were related to the state budget execution. NIK auditors spent almost a quarter of their working hours on this huge audit. Pronouncements on the results of state

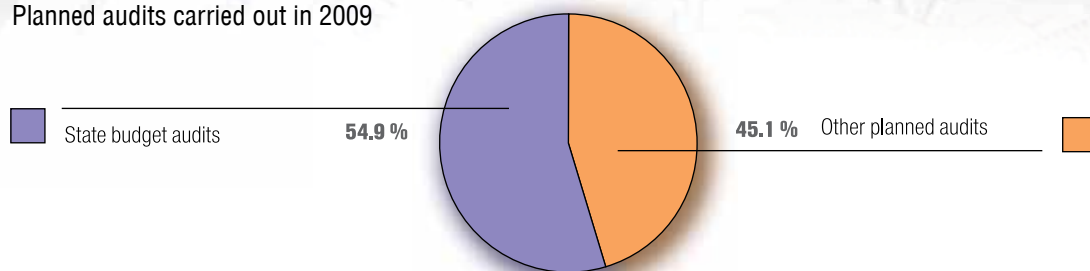
budget audits made over a half of all the pronouncements that the NIK developed in 2009.

State budget audits are coordinated by the Department of Budget and Finance of the NIK, and all NIK audit departments participate in them. The outcome of state budget audits is *Analysis of the Execution of the State Budget and Monetary Policy*

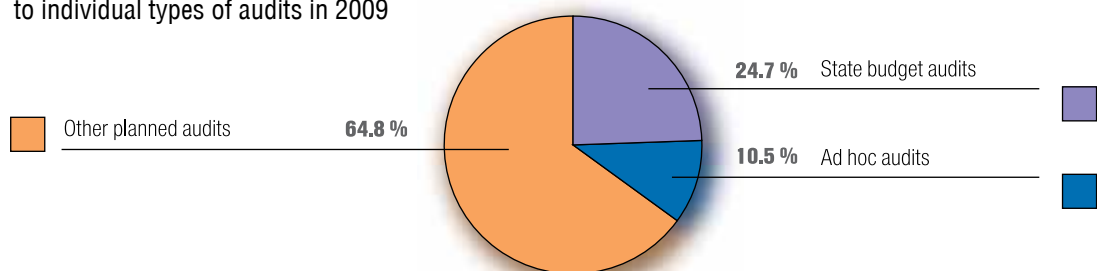
*Guidelines*, which is a document that the President of the NIK presents at plenary sessions of the lower chamber of the Parliament (Sejm) every year, as set out in the Constitution of Poland. These audits also determine the opinion on the vote of approval for the government that the NIK annually submits to the Parliament.



Planned audits carried out in 2009



Percentage of working time dedicated to individual types of audits in 2009





## Addressees of our reports

Reports on the NIK's audits are presented to the Parliament, the President of Poland and the Prime Minister. In this way, these bodies are provided with knowledge on how the most important areas of the state function. The NIK also sends its reports to other government and local government authorities.

After audit reports are presented to the Parliament, the President of the NIK can make them public, except for confidential and sensitive data.

As the citizens have the right to be informed on the performance of public bodies, institutions and officials, which is guaranteed in the Constitution, the NIK is

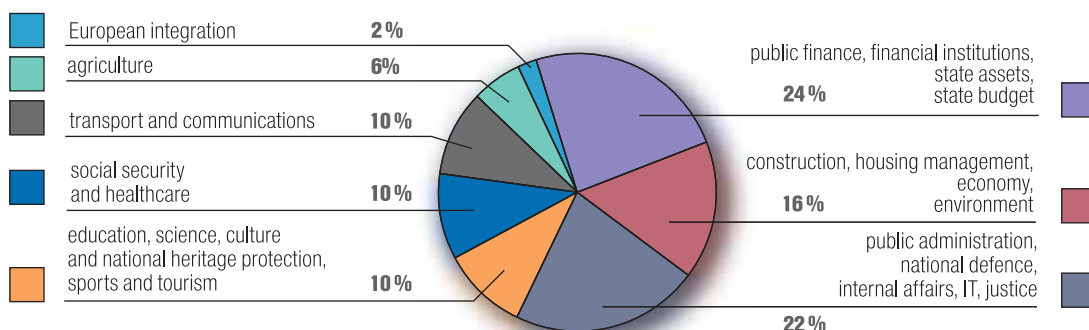
obliged to make results of its audits public. Therefore, the President of the NIK meets the media and makes statements, press conferences are organised and information on audit results is available in the Internet at [www.bip.nik.gov.pl](http://www.bip.nik.gov.pl).

In 2009, the NIK presented the Sejm with a total of 177 reports (including 94 concerning state budget execution audits).



President of the Supreme Audit Office in the Polish Sejm, Warsaw, 15 July 2009.

Structure of 83 pronouncements on audit results (excluding state budget audits) submitted in 2009, by government administration sections



## Results of NIK audits

Audits conducted by the NIK provide information on the most important areas of the state's functioning. The NIK elaborates recommendations, both with regard to individual entities and with regard to the overall functioning of the state system.

The effectiveness of audits can be seen from the angle of activities undertaken as a result of the implementation of audit recommendations. They add to the improvement of the functioning of the audited entities and certain areas of the state alike. The NIK attaches considerable weight to the implementation of audit recommendations and it also carries out audits on how it progresses.

### De lege ferenda proposals

De lege ferenda proposals, i.e. proposals for changes in the law aimed at eliminating loopholes or inconsistencies, are an important result of the NIK's audit activity. They are mainly addressed to the legislative body (the Parliament) and to the government. In 2009, the NIK voiced 93 de lege ferenda proposals.

The effectiveness of NIK audits is also mirrored in their financial outcomes. They can be divided into two groups:

- financial benefits, especially savings generated as a result of audits,
- financial irregularities.



# Results of NIK audits

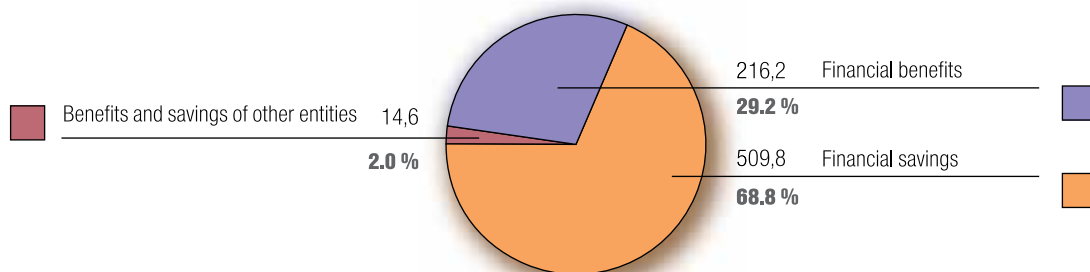
## Financial benefits in 2009

Financial benefits received in 2009 as a result of NIK audits reached PLN 740.6 million, which is three times more than the costs that the NIK incurred. This means that the NIK's activity paid for itself three times over.

Amount and structure of financial benefits in 2009

(in PLN million)

total PLN 740.6 million





President of the NIK Jacek Jeziński presents the Polish Sejm with *Analysis of the Execution of the State Budget and Monetary Policy Guidelines and Report on the Activity of the NIK*. Warsaw, July 2009.

## Cooperation with the Parliament

The NIK is the supreme body of state auditing and it reports to the Sejm, which is the lower chamber of the Polish Parliament. The NIK presents the Sejm with pronouncements on the audits performed, in this way accomplishing its mission of informing the Parliament on the condition of the State, including the situation of public finance. The NIK also submits other important documents to the Sejm, as set forth in the Act on the NIK. These are the analysis of the execution of the state budget and monetary policy guidelines, the NIK's opinion on the vote of approval for the government and its annual activity report. They are presented by the President of the NIK at plenary sessions of the Sejm.

The NIK's collaboration with the Sejm is not limited to participation of the NIK President in plenary ses-

sions. The NIK closely cooperates with the Committee on State Auditing, which is tasked with giving opinion on the most important documents developed by the NIK and with periodic evaluation of the NIK's activity. NIK representatives also participate in works of other parliamentary bodies. In 2009, they took part in 932 sessions of parliamentary committees and subcommittees.

Moreover, NIK representatives are involved in legislative works of Sejm committees. They are entitled to voice their comments and present the NIK's stance with regard to draft bills, both elaborated by the Members of the Parliament and the government.

# Budget of the NIK

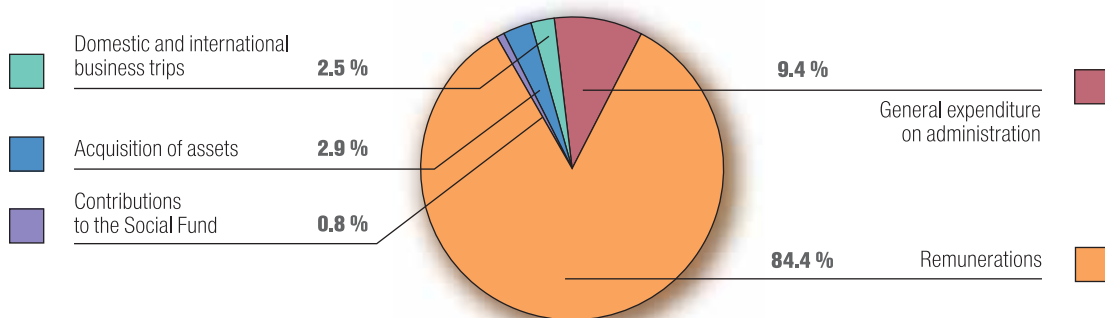
In 2009, the NIK's expenditure stood at PLN 234.5 million, in accordance with the Budget Act. It is worth comparing this amount with PLN 740.6 million of recorded financial benefits for the state budget and budgets of local self-governments received as a result of the audits carried out by the NIK.

The NIK budget is also developed as a performance budget. It is connected with the obligation to include in the Budget Act a justification that comprises, among other things, a list of tasks performed within the planned expenditure with their objectives and performance measures. The NIK supports this method for budget development, as it adds to the transparency of the State's expenditure, which directly translates into a possibility of carrying out performance audits in the public sector. The basic task of the NIK is to audit the activity of the government administration, the National Bank of Poland (NBP), state legal persons and other public entities.

The implementation of the NIK budget was analysed and verified systematically with regard to the discipline of expenditure and reasonable management

of budgetary resources. It was also examined by the internal auditor who positively assessed the functioning of the NIK's financial and accounting system. The financial documents and statements examined, in a reliable and transparent manner presented all information necessary for assessing the financial and assets management as of 31 December 2009. They were developed in accordance with the binding regulations and on the basis of the account books. The expenditures were realised as planned, in an economic manner and in accordance with the value for money principle.

Structure of the NIK's budget expenditure in 2009





President of the NIK Jacek Jeziński awards a nomination certificate to a graduate of the course for audit professionals

## Introductory practical course for audit professionals

The introductory practical course for audit professionals (Polish: aplikacja kontrolerska) is a specialist course that prepares NIK employees for the posts of auditors. According to the NIK standards, candidates for auditors have to take this course within the first three years of their employment. After they pass the final

examination, they can become nominated employees of the NIK.

In 2009, 77 NIK employees participated in the introductory practical course for audit professionals. The course covered 390 hours of lectures, seminars and practical classes. The participants in the course learned how to correctly elaborate documentation on audit findings and how to develop documents required for audit proceedings. They also got acquainted with the tasks of the NIK as the Supreme Audit Institution, its internal organisation and the organisation of its work. The curriculum of the course also comprised some legal issues, including the European Union's law. Among the lecturers of the training, there are both experienced NIK professionals and academic professors.



New auditors of the Supreme Audit Office



## NIK Staff

In 2009, the NIK employed ca. 1,700 persons. NIK auditors and audit supervisors are supposed to be citizens of Poland, to have a university degree and to have no criminal record. Our employees are experienced people with various educational background, mainly in law, economy, technical sciences and agriculture.

The recruitment for posts of auditors is conducted as an open competition, compliant with the INTOSAI international auditing standards and *The Auditing Standards of the NIK*. Candidates must possess broad knowledge and skills, as well as appropriate professional experience. After they are qualified for

posts of auditors, NIK employees must complete a specialist course in auditing, tailored to the needs of our institution, called the introductory practical course for audit professionals (Polish: aplikacja kontrolerska), and pass the final examination. Then, they are nominated for the posts of public auditors. The NIK provides its employees with a variety of opportunities for development and improvement of skills, it guarantees experience exchange and further broadening of knowledge, as well as constant improvement of audit methodology.

## Annual Report



President of the NIK Jacek Jezierski at the 35th session of the EUROSAI Governing Board in Kyiv, 23-24 June 2009

International activity of the NIK covers two main fields: audits conducted in cooperation with foreign partners (cooperative audits) and initiatives related to exchange of standards, best practices and knowledge, aimed to support audit activity, realised, for instance, through participation in international organisations of audit institutions. The NIK is a member of the European Organisation of Supreme Audit Institutions (EUROSAI) and the International Organisation of Supreme Audit Institutions (INTOSAI). It is actively involved in the works of the Contact Committee of the Heads of the Supreme Audit Institutions of the European Union and the European Court of Auditors (ECA), as well as in bilateral and multilateral contacts with SAIs of other countries. Since 2007, President of the NIK Jacek Jezierski has been a member of the OECD Audit Committee and since June 2008, the Chair of the EUROSAI Governing Board.

### International Organisation of Supreme Audit Institutions (INTOSAI)

The NIK is a member of the following INTOSAI bodies:

- *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*
- *IDI (INTOSAI Development Initiative) Advisory Committee.*

### European Organisation of Supreme Audit Institutions (EUROSAI)

The NIK participates in the works of the following EUROSAI bodies:

- *EUROSAI Strategic Plan Task Force (chair)*
- *EUROSAI Working Group on Environmental Auditing*
- *EUROSAI IT Working Group*
- *EUROSAI Training Committee (ETC)*
- *EUROSAI Working Group on Elaboration of Good Practices for Achieving Quality within an SAI*
- *EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes.*



Works of the EUROSAl Strategic Plan Task Force

## NIK's Presidency of EUROSAl

At the latest 7th EUROSAl Congress, held in Kraków on 2-5 June 2008, the NIK was vested with EUROSAl Presidency and President of the NIK Jacek Jezierski became the Chair of the EUROSAl Governing Board for the following three years.

During its Presidency of EUROSAl, the NIK runs an Internet website at [www.eurosai2008.pl](http://www.eurosai2008.pl) which serves as a communication platform for the current Chair of the Governing Board and comprises the materials of the 7th EUROSAl Congress.

### EUROSAl Strategic Plan

During the 7th Congress, a decision was taken to elaborate the first EUROSAl strategic plan, aimed at making the functioning of the Organisation more effective. Therefore, the Congress entrusted the EUROSAl Governing Board with preparing the EUROSAl Strategic Plan, which has become the flagship initiative of the Polish Presidency. This strategic document, to cover the years 2011-2017, is being developed by the EUROSAl Strategic Plan Task Force appointed by the EUROSAl Governing Board. The Task Force is chaired by the NIK and composed of representatives of the SAIs of Austria, Germany, the Netherlands, Norway, Portugal, Spain and the UK. Over 2009, the Task Force had three meetings dedicated to the development of the document whose draft is to be consulted on with the

members and observers of the Governing Board and commented on by all EUROSAl members. The final version of the Strategic Plan will be agreed by the Governing Board at the beginning of 2011 at the latest, translated into all official languages of EUROSAl and then it will come up for debate at the 8th Congress, to be held in Lisbon at the turn of May and June 2011. The document is to define the mission and vision of EUROSAl, to list activities and projects aimed at achieving EUROSAl's strategic goals and objectives, as well as to propose a new organisational structure of EUROSAl which should facilitate effective implementation of the new strategic plan. The plan is also meant to contribute to the performance of the INTOSAl strategic plan in Europe and to maximise the effective use of INTOSAl initiatives and products, so that to further develop public sector auditing in the European region.

### Seminar on Raising Awareness of International Standards of Supreme Audit Institutions

The NIK as Chair of the EUROSAl Governing Board and the Danish Rigsrevisionen as Chair of the INTOSAl Professional Standards Committee (PSC) organised a pilot seminar on the International Standards of Supreme Audit Institutions (ISSAI) and INTOSAl Guidelines on Good Governance. The seminar was held on 28-29 October 2009 in Warsaw. It gathered representatives of 26 EUROSAl SAIs (including the European Court of



Meeting of the Heads of Nordic – Baltic SAIs, Sopot, 3-4 September 2009

Auditors), 1 OLACEFS SAI and 1 ARABOSAI SAI.

The main objective of the seminar was to increase the knowledge of EUROSAI SAIs on the content, structure and purpose of INTOSAI standards and guidelines. The participants exchanged experience on the application of the standards on financial, compliance, performance, environmental and internal control auditing within their national organisations.

All materials from the seminar are available on the website of the EUROSAI Presidency at [www.eurosai2008.pl](http://www.eurosai2008.pl).

## NIK's participation in parallel audits in 2009

Parallel audits, carried out in cooperation with foreign partners, make a very important element of the NIK's international activity. In 2009, the NIK participated in six audits performed with other SAIs:

1. Audit of the sea environment monitoring and fishery in the Baltic Sea area. The audit was performed by the SAIs of Denmark, Estonia, Finland, Lithuania, Latvia, Germany, Poland, the Russian Federation and Sweden. It was divided into two parts: Latvia, Germany and Poland participated in the first part concerning the monitoring of the Baltic Sea environment, while Estonia, Finland, Lithuania, the Russian Federation and Sweden in the other,
2. Audit of the effectiveness of state bodies (services) in checkpoints on the border between the Russian Federation, Belarus, Lithuania and Poland. The audit was carried out by the SAIs of Russia, Belarus, Lithuania and Poland. The joint document presenting the audit results was signed in May 2009.
3. Audit of preparations for the joint organisation of the UEFA EURO 2012 Football Championship in Poland and Ukraine. The first stage of the audit, conducted by the SAIs of Ukraine and Poland, took place between September 2008 and January 2009 and covered the years 2007-2008. It was concluded with developing and signing a common audit report in June 2009. The second stage of the audit started in September 2009 and it is to cover the years 2009-2010.
4. EUROSAI Audit on Climate Change, performed under the INTOSAI Global Audit on Climate Change. In the audit, concluded in December 2009, 10 SAIs participated from the following countries: Azerbaijan, Cyprus, Denmark, Estonia, Israel, the former Yugoslav Republic of Macedonia, Poland, Russia, Switzerland and Ukraine. The audit was



Meeting of representatives of the Supreme Audit Institutions of the Visegrad Group, Austria and Slovenia, Zakopane, 5-6 November 2009

coordinated by the SAI of Poland. The aim of the audit was to assess the actions taken in the states involved in order to implement the provisions of the United Nations Framework Convention on Climate Change, the Kyoto Protocol to this Convention, Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community and the requirements of the national legislation with regard to certain climate-related matters.

5. Audit of the implementation of programmes supporting employment of the disabled. The NIK is the coordinator of this audit in which 14 EUROSAI member SAIs participate. A joint audit report should be ready by April 2011 and presented at the 8th EUROSAI Congress in Lisbon in June 2011. The audit is a part of the package initiatives in the field of professional integration of the disabled, inspired with the Conclusions and Recommendations of the 7th EUROSAI Congress. The other part of the initiative was the seminar entitled Performance Audit of Social Programmes for Professional Integration of the Disabled: A Practical Approach to Evaluating Economy, Efficiency and Effectiveness, organised in January 2010 by the NIK in cooperation with the European Institute of Public Administration – the European Centre for Public Financial

Management (EIPA Warsaw) which contributed with expert knowledge.

6. Audit of the management of programmes for the environment quality improvement co-financed from the European Regional Fund within regional operational programmes, performed by the SAIs of Denmark (coordinator) and Poland. In December 2009, representatives of the two SAIs met in Copenhagen to sign a draft agreement on the audit.

### Contact Committee

The Contact Committee gathers the Heads of the European Union Member States' SAIs and the European Court of Auditors, and its aim is to facilitate cooperation among audit institutions. NIK representatives are actively involved in the works of the following groups of the Contact Committee:

- *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.*



Visit of the Head of the European Court of Auditors to the NIK, Warsaw, 30 June 2009. From the left: Hendrik Fehr, Director, Vitor Manuel da Silva Caldeira, President of the ECA and Jacek Jezierski, President of the NIK



At the annual Contact Committee meeting, held on 30 November and 1 December 2009 in Budapest, the SAI Heads discussed the role of SAIs in counteracting the financial and economic crisis, threats to independence of SAIs and the need to define common auditing standards and comparable audit criteria in the field of European Union funds. The Contact Committee also adopted the tasks to be implemented or started in 2010.

One of the priority questions discussed at the meeting was the independence of SAIs and the main areas where it is threatened. Concrete examples of threats were presented and debated on. The participants remarked that audits conducted by “dependent” audit institutions are not audits and therefore they do not meet their obligation to inform the citizens properly. They observed that constitutions of individual countries contain provisions on independence of audit

institutions, yet parliaments and governments are not familiar with the basic documents that define the principle of SAIs’ independence, namely the Lima and Mexico Declarations. The Contact Committee adopted a resolution on independence of SAIs.

## Cooperation with the European Court of Auditors

The NIK cooperates with the European Court of Auditors (ECA) during its audit missions conducted in Poland (13 such missions in 2009). This cooperation covers, among other things, participation of NIK auditors as observers in ECA audit missions in Poland, support for the ECA in dealing with Polish auditees and in obtaining necessary data and documents, as well as exchange of periodic work plans between the NIK and the ECA. Experience and information gained through participation in ECA audit missions adds to NIK auditors’ knowledge on potential irregularities in the field of European Union funds management. This information is also useful for the NIK in planning its audits related to EU funds.

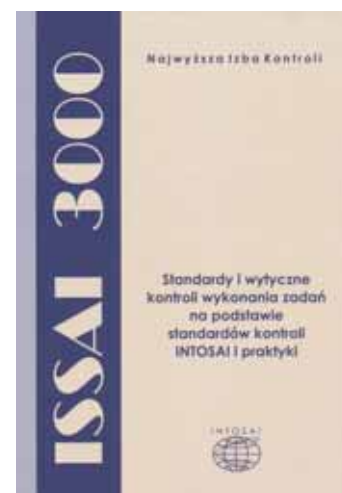
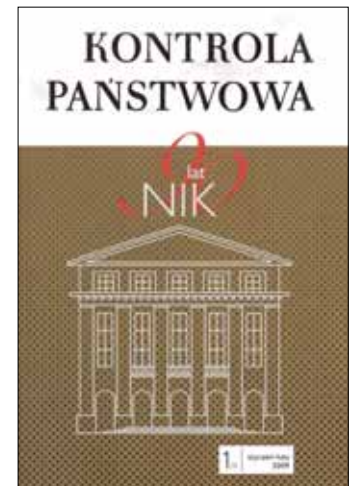
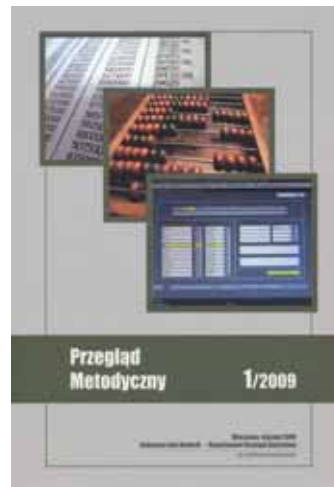
# Our publications

Publications of the NIK are addressed both to its employees and to all those interested in the NIK's work. The NIK's flagship periodical is the bimonthly entitled *Kontrola Państwowa (State Audit)*, published since 1956. It presents articles dedicated to auditing, economy, law and social affairs, as well as to the NIK's international cooperation. Another NIK's periodical entitled *Przegląd Metodyczny (Methodological Review)* is addressed to NIK auditors. It contains articles in which audit experiences are shared and achievements in the field of audit methodology are promoted.

The NIK also publishes specialist titles dedicated to training and methodology, which popularise the achievements of the NIK and Supreme Audit Institutions of other countries, as well as occasional publications. Last year, *Standards and Guidelines of Performance Audits Based on INTOSAI Auditing Standards and Practices – ISSAI 3000* were issued in the Polish language (Polish title: *Standardy i wytyczne kontroli wykonania zadań na podstawie standardów kontroli INTOSAI i praktyki – ISSAI 3000*). After the 7th EUROSAI Congress, held in June 2008 in Kraków, a CD was published comprising Congress materials. The NIK also published a Polish and English version of the joint report on the audit on climate change carried out within EUROSAI.

On the occasion of the 90th anniversary of the NIK, celebrated on 6 February 2009, two books were published dedicated to the history of our institution. The first is a series of lectures by former NIK Vice-President Zenobiusz Rugiewicz delivered in the 1930s during courses for public auditors, a reprint of the 1937 edition. The other is an illustrated book dedicated to the NIK history entitled *The Supreme Audit Office – Tradition and Modernity (Najwyższa Izba Kontroli – tradycja i współczesność)* written by employees of the NIK. We have also published an album with photographs displayed at the exhibition dedicated to the 90th anniversary of our SAI.

Every year, the NIK publishes two large documents that are submitted to the lower chamber of the Polish Parliament, namely *Report on the Activity of the NIK and Analysis of the Execution of the State Budget and Monetary Policy Guidelines*. An abridged version of the *Report* is also published in English, addressed to foreign readers.



## 90th Anniversary of the NIK

In February 2009, the NIK celebrated the 90th anniversary of its establishment. On this occasion, NIK representatives laid wreaths at the memorials to Head of State Józef Piłsudski and first Prime Minister of the independent Poland Ignacy Paderewski, who on 7 February 1919 signed a decree on the establishment of the Supreme Audit Institution. On the occasion of the anniversary, a special session of the NIK College was held in the building of the Parliament with the participation of numerous eminent guests, including the late President of Poland Lech Kaczyński, who was the President of the NIK in 1992-1995 (in the photograph on the right with NIK President Jacek Jezierski).



## Regional Conferences

Jubilee scientific conferences were organised in the NIK Regional Branches in Poznań, Łódź, Białystok, Wrocław, Kraków, Olsztyn, Gdańsk, Kielce and Katowice, dedicated to promotion of the NIK's activity and its achievements. During those meetings, the proposed amendments to the Act on the NIK were also discussed. In this way, the history of the NIK was a good opportunity to discuss future challenges of the institution.

Jubilee scientific session, Adam Mickiewicz University, Poznań, 12 March 2009





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