



SIGMA

**Support for Improvement in Governance and Management
in Central and Eastern European Countries**

A joint initiative of the Organisation for Economic Co-operation and Development and the European Union, principally financed by the European Union's Phare Programme.

Peer Review

of the

Supreme Chamber of Control of Poland

- 9 March 2001 -

Table of Contents

	Page
Summary	3
Legal framework	4
Adoption and Implementation of Auditing Standards	5
Managing the SCC	5
Auditing	7
Special issues	8
Reporting and Making Use of Audit Findings	9
Appendix: Interview Participants in the Peer Review	

Summary

1. In June 2000 the President of the Supreme Chamber of Control (SCC) of Poland asked SIGMA to undertake an assessment of the present functioning of the SCC, which got a new legal basis in 1994. The President of the SCC requested this assessment, among other reasons, as part of the preparations being made for the future accession of Poland to the European Union (EU). SIGMA commissioned a team of four senior and experienced audit experts¹ from or with a background from the SAI's of Germany, Sweden and UK, and the European Court of Auditors to help perform the assessment. The fieldwork was carried out during two weeks, the first in October and the second in November, 2000, at the headquarters in Warsaw and at two Regional Offices, Wroclaw and Bialystok. The peers gathered information through extensive interviews and analysed relevant laws, regulations and guidelines. The peers were supported by a special SCC Working Group². Based on the work of this peer review team, SIGMA reached the following overall conclusions.
2. SIGMA acknowledge the SCC's accomplishments in promoting accountability in Poland. The SCC is regarded as an independent, trustworthy and highly professional organisation by a majority of its interested parties. SIGMA's overall impression is that the SCC operates well. The SCC furnishes the Sejm, and the Government, with an impressive number of high quality audit reports every year covering a broad audit scope: legality and regularity audits as well as performance audits. The SCC is a member of the International Organisation of Supreme Audit Institutions (INTOSAI) and the laws establishing the SCC are in general commensurate with the basic requirements of the INTOSAI Lima Declaration.
3. This report, however, by its very nature, gives greatest emphasis and attention to the opportunities and challenges facing the SCC. It concentrates on some of the steps SIGMA consider the SCC should take to continue its development and meet the challenges of the future accession of Poland into the European Union. SIGMA's main areas of recommendation are: legal framework; adaptation and implementation of auditing standards; managing the SCC; auditing; the SCC's role in special audit areas; and reporting and making use of audit findings. The *raison d'être* of the basic structures of the SCC (regions, decision making bodies etc) has not been assessed, as agreed with the SCC leadership, in this review.
4. SIGMA also noted the high ambition by the SCC leadership to improve and further develop the already high performance of the SCC. This peer review is an enlightening example of this ambition. In short, this justifies the joint decision taken by the SCC leadership and SIGMA that only the highest standards and yardsticks are to be applied for the benchmark of the SCC. These are based on: the INTOSAI Lima Declaration, the INTOSAI Auditing Standards, the European Implementing Guidelines for the INTOSAI Auditing Standards, the International Federation of Accountants Standards, Recommendations concerning the Functioning of the SAI in the context

¹ The peers were:

Mr. Phil Duncombe, former Director, National Audit Office, United Kingdom,
Mr. Edward Fennessy, Head of Division, European Court of Auditors, Luxembourg
Mr. Jan Landahl, Deputy Auditor General, Swedish National Audit Office, RRV
Mr. Detlev Sparberg, Member of the International Board of Auditors, North Atlantic Treaty Organisation (NATO), seconded to NATO by the Bundesrechnungshof, Germany.
They worked closely on the assignment with Mr. Bo Sandberg, Principal Administrator at SIGMA

² The members of the Working Group were Mr. Jacek Mazur (chairing), Mr. Slawomir Grzelak, Ms. Elzbieta Matuszewska and Ms. Anna Urbanowicz. The SCC contact person was Vice President Jacek Uczkiewicz, the SCC co-ordinator was Mr. Jacek Kolasinski and as observer Ms. Alina Hussein was appointed.

of European Integration (the 'Prague Declaration'), and finally Best or Good practices among the SAIs in the Member States and the CEEC, based on the knowledge and experience of the peers and SIGMA.

5. In setting such high standards for the SCC, SIGMA are conscious of the fact that few, if any, SAIs even in the most developed countries can claim to fully apply the entire range of such standards and procedures to the maximum degree. SIGMA consider, nonetheless that in view of the high ambitions of the SCC, and the significant progress it has achieved in the short period since the re-introduction of a democratic society in Poland, the setting of lesser targets would neither satisfy SCC's ambitions nor sufficiently exploit its potential.
6. SIGMA note, however, that many of the recommendations, if implemented by the SCC, represent significant changes to the current working practices and procedures of the SCC. They may also require amendments to existing laws and regulations. SIGMA consider, however, that these recommendations will assist SCC senior management in deciding upon priorities to take forward the development of their Office. These changes cannot all be made overnight. The significance of our recommendations concerning the adoption and implementation of a Strategic Development Plan for the SCC with defined objectives, targets and deadlines for achievement should be seen in this context.
7. *SIGMA recommend* that the SCC to address the following major areas as an integrated package of actions and with a natural and logical flow. The SCC should:
 - a) Separate the present audit type including all four audit criteria (audit scope): *legality, economic prudence or economic efficiency, efficacy or effectiveness, and diligence or integrity* and distinguish between: *Regularity audits and Performance Audits*. Attestation Audit, as a part of the Regularity audits, should get the highest priority and then when the resources admit, a further development of the Performance Audit should get SCC's full attention.
 - b) Introduce a Total Quality Management concept.
 - c) Review the Reporting cycle, starting with simplified contradiction and appeals procedure and ending up with a revised system for getting the Sejm and the Government to take actions on audit findings and recommendations.
 - d) Create a Strategic Development Plan to pull together all the different major activities in a comprehensive and systematic approach.
 - e) Review the legal implications of the new approach.

SIGMA consider the foregoing as the priority areas, possible to deal with in the near future. A significant number of further recommendations are also made by the peers. The most important ones of these, in a more comprehensive format and endorsed by SIGMA, are included in this report for SCC's consideration in their work with the Strategic Development Plan.

Legal Framework

8. The overall assessment is that the SCC have a solid legal basis that gives them the needed platform to successfully fulfil their mandate. *SIGMA consider*, however, that the present Act on the Supreme Chamber of Control (in this paper called "Audit Act") contains too many details that would be more appropriate in internal rules or regulations. Independence (statutory, functional and financial) is the

cornerstone for an SAI and is guaranteed both in the Constitution and in the Audit Act. The possible degree of influence the parliamentary State Audit Committee is able to exercise might be a problem. The audit remit is particularly wide and SIGMA do not see any need to expand it in any particular area. The audit scope covers the full range of public-sector external auditing: regularity and performance audits. However, an attestation audit of the type recommended in the Prague Declaration is not fully applied in practice. The present rules concerning reporting to the Sejm are generally in line with the Lima Declaration, but improvements could be made in the way the Sejm deals with the SCC reports.

Adoption and Implementation of Auditing Standards

9. Appropriate audit policies and standards are an important pre-requisite for developing a meaningful *Strategic Plan*. SIGMA recognise that, although a complete set of policies and standards have not yet been developed, a number of important decisions have been approved by the SCC Management. While the INTOSAI Standards have been adopted to be used for each audit, they are not sufficiently comprehensive to offer adequate guidance to auditors. The more detailed IFAC standards and the European Implementing Guidelines should be adopted for all audits and could serve as a comprehensive base for the development by the SCC of its own standards, guidelines and procedures. These standards and guidelines should be incorporated into revised audit manuals, which should be distributed to all audit staff. This should be a priority area to ensure that the audit process is soundly based and transparent and that it meets the highest international standards. Furthermore, an extensive training programme is recommended for all staff to explain the general audit approach incorporated into the audit manual. It will be necessary to establish a service having on-going responsibility for developing guidelines on specific issues which will arise, and to offer methodological advice where appropriate.

Managing the SCC

10. The present *organisational structure* of the SCC, compared to many other SAIs, is a more traditional type. The high number of departments compels the SCC to undertake a planning and decision-making process of considerable proportions involving numerous contacts between audit departments, supporting departments and regional offices. This is a time consuming and complex exercise with the risk of inefficiencies. SIGMA consider that the SCC in the context of the Strategic Development Plan (SDP), should also re-assess the organisational structure in terms of the number of departments, the present ratio between support and audit staff, and the future needs and size of legal service.
11. The SCC has an elaborate and complicated *annual audit planning process*. The audit programme, operational and annual plans are discussed in detail with all interested parties within the organisation. Making amendments or re-scheduling items after the plan has been decided upon seem to be difficult. SIGMA consider that the SCC should discuss and revise the current planning and decision-making processes with an aim of increasing the flexibility in the organisation and of introducing a further decentralisation of responsibilities of planning of audits. An audit task costing system should also be incorporated and would improve control over audit resources.
12. The SCC is now in the process of drafting a *Strategic Development Plan*. The results of this peer review are considered to be inputs in the preparations. Therefore SIGMA are not able to make any assessments of the SDP and have to restrain ourselves to some more general comments and advice, e.g. on the *desirability* of the SCC developing Mission and Vision statements as well as common Ethical Values among staff.

13. The *personnel* function embraces recruitment, management (performance appraisal, job rotation and resource management) and training of staff. The *recruitment* process is well-defined in the Audit Act. *SIGMA recommend*, however, that the SCC should prepare and make public a guide that will include the criteria used in the selection of staff, and that all vacancies should be advertised. The *performance* of the SCC staff is currently assessed at the end of each task and, formally, every three years. The assessment process is very thorough and the peers found no evidence of undue tension from staff. *SIGMA recommend*, to ensure that staff and the SCC management have timely and fair information on staff performance, that the SCC review the performance and promotion assessment models applied in other SAIs and implement exemplars of good practice within the SCC. *Job rotation* is not institutionalised in the SCC. Most staff remain in their work areas throughout their careers with the SCC. *SIGMA recommend* that the SCC should design and implement a job rotation policy for all staff. *Staff Resource Management* is a most important tool for the Management to safeguard an efficient utilisation of the SCC resources. The SCC are currently undertaking a trial for a time recording system that provides basic information on the time spent by staff on audit and other work. *SIGMA recommend* that the SCC develop further this 'trial' and include information about the costs for each audit, to ensure that the SCC obtain sufficient information about the time and costs associated with each audit they undertake. The SCC should also introduce a 'Job-Based Activity System', which will help to inform the SCC with their Strategic, Corporate and Annual planning requirements.
14. The SCC currently undertake an extensive *training programme* for auditors with three basic components:
 - 'Application Training' for all new entrants,
 - 'Upgrading Training' (Professional Development) for staff requiring in e.g. new legislation, and
 - 'Specialised Training' for staff with particular needs for training and further education (e.g. in EU legislation, languages).
15. SIGMA recognise the training opportunities offered to staff by the SCC's Personnel and Training Department and the professional manner in which it is organised and reported upon. *SIGMA recommend* the SCC to undertake, covering all audit staff: a '*Training Needs Analysis*'; a *comprehensive training and professional development programme*; and *specific training needs* in 'the revised approach to audit (building on the SCC/SIGMA course covering the Implementation of the European Implementing Guidelines).
16. The SCC currently undertake their work in accordance with their Laws and Regulations. Our review of working papers of a selection of audits found that the SCC undertake many of the areas of audit work required under international auditing standards. There is, however, a need for further development regarding the introduction of the European Implementing Guidelines, in particular concerning '*Materiality and Audit Risk*'; '*Audit Evidence and Approach*'; '*Evaluation of Internal Control and Tests of Control*'; '*Audit Sampling*'; '*Documentation*'; '*Reporting*'; and '*Quality Assurance*'. Formal training courses in the implementation of these Guidelines are, however, unlikely to be sufficient in themselves. Our experiences indicate that the SCC would benefit considerably from introducing pilot audits in a small number of selected audit areas. *SIGMA recommend* that the SCC consider undertaking one or two pilot audits implementing these Guidelines in one or two specific entities which directly receive state budget funds; that the SCC prepare a Strategic Development Plan with regard to all aspects, including the training of staff, for the effective development of the SCC's responsibilities, legal duties, working practices and procedures,
17. The SCC's IT-infrastructure is already well advanced and developing. The Chamber has developed its own programming tool for planning and control of the audit process. The existing system mainly concentrates on administrative aspects dealing with planning, control and documentation of already

performed audits and needs to be further developed. The SCC operates in an environment with numerous different types of accounting systems in the country. Developing audit tools for the auditors for retrieval of data (CAATs as e.g. IDEA and ACL) to support the basic audit work must be considered as a strategic issue for the future. Due to the rapid development in IT and the high ambitions of the SCC, there are now gaps to be filled, which need more resources for investments in hardware, software, personnel and training of staff. *SIGMA* consider that the SCC, by implementing a new strategic IT-plan, should develop its position as an advanced SAI in IT-technology. Two issues should be treated with priority: the development of IT-tools for auditors and an upgrading of resources and staff for IT-support.

Auditing

18. *The Overall Programming of Audit Work* needs to start from a complete inventory of the audit field, an assessment of priority areas, an identification of all compulsory audit tasks and a decision on the desired frequency of the audit cycle in which other audit tasks should be covered. While the SCC has already addressed the bulk of these issues, *SIGMA* consider that clear criteria should be established to select audits for inclusion in the annual work programme. Greater attention should also be devoted to assessing the audit resources required for specific audit tasks with the objective of ensuring that audit resources are assigned to priority areas. Consideration should finally be given to how much resources should be reserved for "ad-hoc" or not programmed audit tasks, which can tie up considerable audit resources at present.
19. Concerning the *Task Planning* the peers were informed, and reviews of specific audit tasks confirm, that the SCC attaches particular attention to the proper planning of field work, both for repetitive audits and for selected audits. *SIGMA* fully endorse such an approach, as it leads to more targeted audits, with appropriate emphasis on risk areas. However, *SIGMA* would encourage particular attention to the following areas: an evaluation of the internal control systems for the revenue/expenditure being audited; a thorough assessment of the inherent and control risk involved, also taking into account an assessment of the control environment; an assessment of the desired extent and scope of the audit which, in some of the audits reviewed by the peers, appeared to have been excessive; and finally a careful analysis of the audit resources needed to complete the task.
20. Concerning the *Evaluation of the internal control system*, a critical analysis, which also impinges on risk assessment, *SIGMA* recommend greater use of "walk-through tests", which would significantly enhance the overall task planning process.
21. The overall objective of the twin elements of Quality Control and Quality Assurance is to implement an integrated *Quality Assurance system* involving four distinct phases: 1) definition of audit policies and standards; 2) "real time" reviews and supervision (Quality Control) to ensure the application of adopted policies and standards; 3) "ex-post" reviews on a selective basis (Quality Assurance) to monitor compliance with adopted policies and standards; and 4) review and modification of policies and standards where necessary. *SIGMA* recommend that the SCC develop more transparent methodologies for documenting audit work done to overcome the difficulties facing the SCC today in the area of Quality Control. Regarding the Quality Assurance procedures, *SIGMA* recommend that the SCC, while keeping individual detailed review reports confidential on a 'need to know' basis, an 'annual summary of the most significant general conclusions' to be drawn from the Quality Assurance reviews and widely distribute it among staff.
22. The SCC's audit responsibilities cover the audit criteria of *legality, economic prudence/efficiency, efficacy/effectiveness and diligence/integrity*. While the SCC has drawn up some guidance as to how these audit criteria are to be interpreted, there are a number of grey areas and overlaps between the

concepts applied. The peers considered that more detailed guidelines for determining how the criteria are to be interpreted should be developed. Furthermore, the audit approach to date appears to be to cover as many of those criteria as possible in each and every audit with the result that the focus of the audits sometimes could be unclear and the results difficult to place in context. The peers also found in their examination of audits performed: *that* analytical reviews could be used more extensively; *that* there is a need for greater attention to Information Technology audit aspects; *that* analysis of the internal control environment and an assessment of risk areas needs to be improved and adequately documented; *that* there is a need for a more complete assessment of the materiality of audit findings; and *that* audits consume significant resources. Based on these findings *SIGMA recommend* the SCC

- the separation of financial and performance audits with the objective of achieving a clearer focus for each type of audit and, in the medium term, more efficient use of audit resources,
- the development of an attestation-type financial audit in line with INTOSAI Auditing Standards, thereby providing the budgetary authorities with more relevant audit results for the discharge procedure,
- the clarification of audit criteria to achieve the above-mentioned objectives and the development of appropriate methodologies and performance indicators that would allow the implementation of comprehensive audits in each area, and
- that the Attestation Audit should get the highest priority and then when the resources admit, a further development of the Performance Audit should get SCC's full attention.

23. According to the Constitution and the Audit Act, the SCC is obliged to submit to the Sejm an analysis of the implementation of the state budget and of the monetary policy guidelines. In this report the SCC also publish an analysis or an assessment of the execution of macroeconomic postulates. *SIGMA consider* that the SCC should discuss the risks and benefits involved of conducting and publishing these kind of assessments.

Special issues

24. It is widely recognised that *internal control/audit* in the Polish administration needs to be fundamentally reformed and strengthened. The Ministry of Finance plays a leading role in this reform endeavour. The SCC also has an important role to play in providing advice and monitoring the implementation of the system, which directly impinges on the adequacy of the overall internal control system. *SIGMA recommend* that the SCC should closely monitor the introduction and functioning of the Internal Audit function in the Polish Government. The respective roles of the Internal and External Audit should be re-assessed to achieve a working relationship more in line with INTOSAI Auditing Standards than is the case today.
25. As in all economies in transition, the Polish economy is particularly vulnerable to fraud and corruption. There are indications that there are significant risks across the whole spectrum of public life and that corruption, in particular, is endemic in a number of areas. The SCC has a role to play in combating fraud and corruption although the fact that "*the auditor is a watchdog and not a bloodhound*" should not be lost sight of in this respect. The peers noted that the SCC has correctly assumed its responsibilities in regard to the fight against fraud and corruption. This area has also been addressed as one of seven priority areas in the Strategic Audit Plan for the period 2000-2002. An awareness of the risks of fraud and corruption have been highlighted in a circular to all audit staff with the instruction that fraud detection and prevention measures be included in all audit tasks. Furthermore, a specific guideline has been issued on elements to be examined. The SCC has recently issued a summary report entitled "*Threat of Corruption in the light of audit studies carried out by the Supreme Chamber of Control*". This report was targeted mainly for use by the Polish Administration to enlighten them on the

preconditions for fraud and corruption. It was designed to facilitate the dissemination of the contents of an original report of more than 300 pages. This work has been recognised by the World Bank and the report also rendered a great interest in the Sejm and the Council of Ministers. SIGMA consider that this report was especially valuable as it identified the areas considered to be particularly vulnerable to fraud and corruption and set out principal reasons why corruption had been allowed to flourish. *SIGMA recognise* the notable achievements already made by the SCC in counteracting fraud and corruption in a coherent and systemic way. *SIGMA recommend*, however, that even more specific instructions should be issued to the auditors how to proceed in case of suspected fraud; and that the SCC consider establishing a central service responsible for the co-ordinated fight against fraud and corruption.

26. The Polish *privatisation* programme is extensive. It started with 8800 targeted entities and about 2700 have yet to be privatised. The peers found that the SCC has a proper and strong mandate to audit privatisation of state property compared to many other SAIs. It also seems very reasonable, given the limited resources, to concentrate on major and complicated privatisations of high value for the state. Since major privatisations in most cases are taken in steps, we feel that the SCC and the relevant stakeholders would benefit from audits conducted in mid-term. That would also enhance the SCC's capability to give advice on the ongoing performance of privatisation activities, not only after the finalisation of the privatisation. Thus *SIGMA recommend* that the SCC allocate resources to mid-term audits of privatisation in order to assist the Government and the Sejm with audit advice on ongoing privatisations.
27. The SCC may audit the activities of the organs of *local government*, regarding the legality, economic prudence and diligence. The legislation thus gives, the SCC a very strong position in relation to the local government. The law gives the SCC the right to audit several aspects other than just the use of state subsidies and grants. The Sejm, and the Government, have thus guaranteed themselves the full insight into the local government, on a much larger scale than in EU Member States, not only through the SCC but also through the Regional Accounting Chambers. However, there exists no common planning and no co-operation between the SCC and the Regional Accounting Chambers. The audit plans of the Chambers are, as an example, not sent to the SCC. *SIGMA recommend* that the SCC, in the strategic planning, discuss its relation to the Regional Accounting Chambers with an approach of more actively supervising the audit planning and use of audit findings.
28. The SCC has the right to audit *state-owned companies* and even to audit companies with as little as one percent of shares owned by the state. Some 15% of the enterprises are audited each year, which constitutes about 400 of the 2700 state-owned enterprises. The SCC has, compared to other SAIs, a very strong jurisdiction in auditing state-owned companies. A yearly coverage of about 15 % seems reasonable but the peers felt that the SCC should try to increase the efforts in this sector, due to the substantial values and assets that these companies handle on behalf of the state. A western SAI has often the right to do, in principle, both the annual attestation audit and performance audit, if the state has what is called a 'controlling interest'. The definition must of course take into account Polish circumstances. However, one percent of the shares can never in SIGMA opinion be considered to be a controlling interest. *SIGMA recommend* that the SCC consider different EU Member States' model for its audit remit of partly state-owned limited companies. One solution might be to introduce the "controlling interest" concept as a criterion for SCC audit remit and concentrate on material issues; and that the SCC's rights to audit partly state-owned limited companies needs to be better specified in the legislation.

Reporting and Making Use of Audit Findings

29. The SCC *undertake audits on the order of* the Sejm or its bodies, on the request of the President of the Republic of Poland, the Prime Minister, or at its own initiative. The Sejm's way to handle the SCC's reports is strictly defined in the Standing Orders of the Sejm. The SCC can also address the Sejm on particular problems considered by the Sejm in relation to the activity of bodies performing public tasks and also pronouncements containing demurrers arising out of audits concerning members of the Council of Ministers, among others. The decisive role in the Sejm's way handling the SCC's opinions and reports is played by the Speaker and the Presidium of the Sejm. The material handling of audit findings and recommendations are taken care of by different Standing Committees on behalf of the Sejm. Two of them have special roles vis-à-vis the SCC, the State Audit Committee and the Public Finance Committee. The peers considered that there are too many, sometimes not sufficiently co-ordinated committees, dealing with the reports and that the committees operate without a standardised procedure and a proper follow-up system. A special problem is the perceived remit for the State Audit Committee. *SIGMA consider*
- that there should be provisions guaranteeing that the Sejm considers and, if appropriate, takes action on the SCC's Reports in the Standing Orders of the Sejm. This would encourage the Government to act and would emphasise the importance of public accountability,
 - that the State Audit Committee should more actively fulfil their responsibility to co-ordinate the handling of the SCC's Reports within Sejm with the aim of ensuring that all matters are fully considered, acted upon and followed up,
 - that senior SCC management and key Parliamentarians undertake a study visit to a number of SAIs of EU Member states, which have well-developed systems for parliamentary handling of Audit Reports, to review different practices for meeting parliamentary accountability requirements,
 - that the SCC in its reporting to the Sejm restrict themselves only to matters that truly warrant parliamentary attention,
 - that the SCC after completing the final audit report, be prepared to work with Parliamentarians to assure that they understand the nature and significance of the audit findings, and to help them develop appropriate corrective actions,
 - that the SCC should also make greater efforts to improve the follow-up of its reports to the Sejm.
30. A general experience among western SAIs is that *a well developed media function* is a necessity to be able to inform the general public about the audit findings on accountability issues. The probability to get the attention of Parliamentarians as well as the Government increases substantially with good media coverage. The SCC has a high profile in the media and seeks to give the media unrestricted access to information. Annually the SCC organise some fifty press conferences and briefings resulting in approximately four to five thousands broadcasts and articles. During the two missions the peers attended the weekly press conference given by the SCC. The media coverage was extraordinary - approximately 20 journalists and four TV channels attended the whole conference and asked many questions. The peers were informed that this was not an unusual attendance. *SIGMA are really impressed* by the media interest. Very few, if any, of the Member States SAIs have a similar coverage in media. The SCC approach could be a model for many other SAIs in how to successfully deal with the media.
31. The Prague Declaration recommends SAIs *to issue formal audit opinions, through attestation audits*. In a SCC paper 'Developments in the SCC Audit Methodology in the Context of European Integration' (May 2000), SCC discuss the differences between attestation audits and SCC audits. Attestation audits focus on the truth and fairness of financial statements and compliance of financial operations with applicable laws. Briefly, such an audit assesses an audited entity's financial controls, samples transactions in a statistically-defensible manner and, after extrapolating the results, the SAI provides a

formal (positive or negative) audit opinion regarding truth, fairness and legal compliance of all activities. SCC consider that their annual Audit on the Execution of the State Budget complies with the above, with some exceptions. SCC's audit is more comprehensive as it examines compliance with the criteria of legality, economic prudence/efficiency, efficacy/effectiveness and diligence/integrity (thereby combining performance with attestation audit). Also SCC do not extrapolate their audit findings since these are normally based on non statistical samples of operations. SCC usually presents audit findings in a descriptive manner. *SIGMA also recognise* the material differences between the present 'Report on the Execution of the State Budget' at the SCC and the Attestation Audit described in INTOSAI Auditing Standards. *SIGMA recommend* that SCC's Report on the Execution of the State Budget should provide a clear and separate 'Opinion' regarding the financial statements of each entity in receipt of funds from the State Budget. This Opinion should form the 'bedrock' of each attestation audit undertaken by SCC. Other material issues might still be raised in the Report, but the outcome of each Attestation Audit should be clearly reported upon. The Audit Opinion should be in a concise, standardised format which reflects the results of the audit tests undertaken, which is easy to understand and which only includes information that is supported by competent and relevant audit evidence. This 'Audit Opinion' should form the bedrock of all the regularity (financial) audits undertaken by SCC and should comply fully with the requirements of International Auditing Standards. SCC should also consider following more closely the form and content of audit opinions and reports set out in paragraph 170 of the *INTOSAI Auditing Standards*; and in paragraphs 171 to 182 concerning Audit Opinions and related paragraphs in the Audit Report.

32. The reporting of audit results happens in three separate steps (Audit Protocols, Post-Audit Statements and Audit Reports). Firstly, the auditor describes any findings made in the course of the audit in the audit protocol. He is responsible for this audit protocol and he also signs it. This audit protocol is subject to a rather involved appeals procedure in case the auditee does not agree with it totally or in parts. Afterwards SCC draws up a post-audit statement, which contains the evaluation of the facts included in the audit protocol. It is presented to the auditee who can again appeal against it. On the basis of the audit protocol and the post-audit statement or statements SCC draws up an audit report. Before its submission to the Sejm, the audit report is submitted to the appropriate bodies, which may present their viewpoints. The whole process of separating an audit report into three different and separate parts seems rather involved and neither necessary nor cost-effective according to the peers. *SIGMA consider*

- that the present separation of the reporting process into three separate formal procedures should be replaced with a combined reporting system, at least as regards the first two documents,
- that in the course of a review of the Audit Act the present system should be evaluated and eventually be amended more in line with INTOSAI Auditing Standards,
- that all audits should be discussed with the audited entities at the planning stage, at the preliminary findings stage as well as at the final reporting stage. The Head of the audited entity should be provided with a draft version of the audit facts and audit conclusions before final agreement within SCC and, therefore, before the formal 'Appeals' process starts,
- that the responsible Auditor/Co-ordinator and the responsible Director always should review such drafts before their despatch to the audited entity (this would also help strengthen Quality Control as discussed in paragraph 21). Good working practice would also allow Auditors to clear their findings informally with the operational staff before the more formal clearance process starts,
- that the Heads of audited entities should always be involved in the clearance process before SCC's final position is adopted and their views, when relevant and correct, incorporated into the final draft of SCC's Report. Similarly, the central responsible body for the audited entity should be provided with a draft version of the audit findings before SCC's final position is adopted. These arrangements are greatly facilitated if there is regular face-to-face contact between senior SCC management and senior staff of the audited entities concerned as the audits progress. These

SIGMA Report 9 March 2001

arrangements would not be applied in cases where fraud or corruption are suspected, in which case the relevant authorities would need to be notified,

- that greater responsibility should rest with the Director of the Audit Department in clearing and finalising the various stages of the reporting process (from the Audit Protocol forward). This should provide a more focussed final Audit Report and allow senior SCC management to ensure that the audit has met SCC's (and, thereby, international) auditing standards,
- that SCC consider the introduction of Management Letters for reporting less material audit findings and weaknesses in internal financial control to audited entities.

Interview Participants in the Peer Review

(16-20 October and 6-11 November 2000 - in alphabetical order)

The Supreme Chamber of Control (SCC)

Bojanowski, Mr. Dariusz, Auditor, State Budget Dept.
Borkowska, Ms. Malgorzata, Deputy Director Legal Dept.
Borowski, Mr. Jaroslaw, Expert Auditor, Finance and Banking Dept.
Borzostowski, Mr. Lucjan, Legal Advisor, Agriculture and Food Economy Dept.
Buczynski, Mr. Grzegorz, Deputy Director, Audit Strategy Dept.
Chilinska, Ms. Barbara, Deputy Director of Regional Office of SCC – Bialystok
Cieslak, Mr. Zbigniew, Professor, External Member of the SCC Council
Dlugolecki, Mr. Waldemar, Director, State Budget Dept.
Dziubinski, Mr. Roland, Technical Advisor, Health and Physical Culture Dept.
Gajdus, Ms. Danuta, Deputy Director, Health and Physical Culture Dept.
Glowacki, Mr. Andrzej, Director, Environment Dept.
Golebiowski, Mr. Zygmunt, Economic Advisor, Education, Science and Culture Dept.
Grzelak, Mr. Slawomir, Technical Advisor, Audit Strategy Dept, Working Group
Hawrylik, Ms. Hanna, Audit Expert, Health and Physical Culture Dept.
Hussein, Ms. Alina, Adviser to the President, Observer
Januchta, Mr. Antoni, Director, Regional Office of SCC – Bialystok
Jeziernski, Mr. Jacek, Vice President of the SCC
Karpiuk, Mr. Pawel, Economic Advisor, Dept. of the Treasury and Privatisation
Kazmierczak, Ms. Zenobia, Audit Expert Local Government Dept.
Kilian, Mr. Wojciech, Specialist, IT section
Kolasinski, Mr. Jacek, Deputy Director, Organisation Dept, International Affairs, Working Group
Kosior, Mr. Tadeusz, Advisor, Regional Office of SCC – Bialystok
Kotowicz, Ms. Grazyna, Auditor, Ad-hoc Audits Dept.
Kowalik, Mr. Jan, Deputy Director, Ad-Hoc Audits Dept.
Kowalska, Ms. Grazyna, Deputy Director, Legal Dept.
Kuta, Ms. Magdalena, Deputy Director, Domestic Dept, IT section
Lampczak, Mr. Marian, Chief Specialist, Regional Office of SCC – Wrocław
Maj, Mr. Janusz, Director, Department of Finance and Banking, SCC
Matuszewska, Ms. Elzbieta, Technical Advisor, Administration and EU Integration, Working Group
Mazur, Mr. Jacek, Advisor to the President, Working Group
Mikosa, Mr. Józef, Director General of the SCC
Mozga, Mr. Boguslaw, SCC Council Member and Director, Audit Strategy Dept.
Myrta, Mr. Andrzej, Director, Regional Office of SCC – Wrocław
Nerkowska, Ms. Ewa, Economic Advisor, Dept. of the Treasury and Privatisation
Nojszewski, Mr. Ryszard, Auditor, National Defence & State Security Dept.
Osinski, Mr. Jerzy, Director, Agriculture and Food Economy Dept.
Pelc, Ms. Joanna, Deputy Director, Organisation Dept, Internal Audit
Predka, Ms. Edyta, Senior Auditor, Administration and EU Integration Dept.
Roguski, Mr. Janusz, Auditor, Education, Science and Culture Dept.
Rzesniowiecki, Mr. Krzysztof, Audit Expert, Economy Dept.
Serafin, Ms. Anna, Auditor, Ad-hoc Audits Dept.
Sieranski, Mr. Slawomir, Auditor, Local Government Dept.

Sikorska, Ms. Elzbieta, Economic Advisor, Economy Dept.
Sowinski, Mr. Andrzej, Economic Advisor Finance and Banking Dept.
Staniszewski, Mr. Tomasz, SCC Council Member and Director Legal Dept.
Strak, Mr. Igor, Audit Expert, Administration and European Integration Dept.
Szajdakowska, Ms. Krystyna, Director, Administration and European Integration Dept.
Szawlowski, Mr. Ryszard, Professor, External Member of the SCC Council
Szapkowski, Mr. Piotr, Senior Auditor, Administration and European Integration Dept.
Szyc, Mr. Ryszard, Director, Dept. of the Treasury and Privatisation
Telszewski, Mr. Jerzy, Chief Specialist, Regional Office of SCC – Bialystok
Tulpan, Mr. Arkadiusz, Auditor, National Defence & State Security Dept.
Uczkiewicz, Mr. Jacek, Vice President of the SCC
Urbanowicz, Ms. Anna, International Affairs, Working Group
Uszynska-Soczewka, Ms. Izabella, Auditor, State Budget Dept.
Wernik, Ms. Anna, Technical Advisor, Administration and European Integration Dept.
Wesolowski, Mr. Z., Vice President of the SCC
Wierzejski, Mr. Krzysztof, Director, Transport Marine & Communication Dept.
Witkowski, Mr. Andrzej, Deputy Director, Transport, Marine & Communication Dept.
Wojciechowski, Mr. Janusz, President of the SCC
Wojnicz, Mr. Waldemar, Economic Advisor, Agriculture and Food Economy Dept.
Zajakala, Mr. Marek, SCC Council Member and Director Social Security Dept.
Zak, Mr. Przemyslaw, Audit Expert, Health and Physical Culture Dept.
Zambrzycki, Mr. Zdzislaw, Director, Personnel and Training Dept.

External interested parties

Banas, Mr. Pawel, General Customs Inspector, Customs Inspection
Bujak, Mr. Zbigniew, President, General Customs Office
Cybulski, Mr. Bogdan, President, Regional Chamber of Accounts in Wroclaw
Delis, Mr. Jan, Director, Department of Treasury Audit, Ministry of Finance
Katner, Mr. Wojciech J., Undersecretary of State, Ministry of Economy
Kazmierczak, Ms. Agnieszka, Deputy Director, Ministry of Finance, Foreign Assistance Funds Dept.
Kazmierski, Mr. Jaroslaw, Director of the Internal Control Department, Prime Minister's Chancellery
Knedler, Mr. Konrad, Chief Specialist, Foreign Assistance Funds Department, Ministry of Finance,
Krochmal, Mr. Witold, Voivod of Lower Silesia
Lewoc, Mr. Leszek, Deputy Voivod of Podlasie
Ners, Mr. Krzysztof, Under-Secretary of State, Ministry of Finance
Olejniak, Mr. Marcin, Director of Supervision and Control Department, Ministry of the Interior
Piekut, Mr. Stanislaw, Finance Director in Office of Voivod Podlasie
Rasala, Ms. Maria, Director of the Department of Supervision and Procurement, Ministry of Economy
Sablak, Mr. Jan, President of the Board of Accountants Association in Poland
Srocki, Mr. Stanislaw, Director, Regional Chamber of Accounts in Bialystok
Stupak, Ms. Lydia, Director of Organisation and Supervision in Office Voivod of Podlasie
Tworos, Mr. Piotr, Director, Foreign Assistance Funds Department, Ministry of Finance
Wasilewska-Trenkner, Ms. Halina, State Undersecretary, Ministry of Finance
Wojcieszczuk, Mr. Jan, Under-Secretary of State and General Treasury Audit Insp., Min. of Finance
Wojcik, Mr. Tomasz, Deputy Chairman of the Parliamentary Committee of State Treasury, Affr. and Priv.
Zych, Mr. Józef, Deputy, Chairman of the Parliamentary Committee of State Audit