

**RESOLUTION**  
**of the Council of the Supreme Audit Office**  
**of 6 June 2024 on the opinion**  
**on the discharge to the Council of Ministers for the year 2023**

Pursuant to Article 23(2)(1) of the Act of 23 December 1994 on the Supreme Audit Office (Dz. U. [Journal of Laws] of 2022, item 623), the Council of the Supreme Audit Office (NIK Council), having familiarised itself with the ‘Analysis of execution of the State budget and monetary policy assumptions in 2023’,

**expresses its opinion on**  
**granting the Council of Ministers discharge for 2023.**

**The NIK Council negatively assesses the changes in the system of public finances that have been taking place since 2020. In 2023, the financial management of the State continued to be conducted largely outside the State budget, disregarding the principles relevant for this budget. The financing of a significant portion of public tasks, including the national recovery and resilience plan (NRRP), occurred not only outside the Budget Act but even outside the public finance sector. As a consequence, significant financial operations affecting the growth of public debt were not covered by the Act.**

1. The Report of the Council of Ministers on the execution of the State budget for the period from 1 January to 31 December 2023 was prepared based on the data included in the budget reports of individual administrators of the State budget and in accordance with applicable legal principles. The data included in the audited accounts reflected the nature of the operations performed. Thus, the report presents fairly, in all material respects, information and data on the execution of the Budget Act for 2023, including the amount of revenues, expenditures, receivables, liabilities, and the State budget deficit, as well as the implementation of financial plans. However, for yet another consecutive year, the Supreme Audit Office notes that the State budget execution report does not reflect the actual state of public finances.
2. Total revenues of the State budget and the budget of European funds in 2023 amounted to PLN 650 billion, which was PLN 72.5 billion higher than in the previous year. However, these revenues were 8.7% and 8.2% lower than the revenue forecast in the Budget Act and its amendment, respectively. The weaker-than-planned economic growth and the decision by the Minister of Finance to issue significant VAT refunds — amounting to PLN 11.6 billion — by the tax authorities in December 2023, despite the statutory deadline expiring in 2024, had the most impact on this lower-than-expected revenue performance. Tax revenue increased by 9% in 2023 compared to 2022, but its share in the total revenue of the State budget and the budget of European funds decreased by nearly 3 percentage points (from 80.6% in 2022 to 78% in 2023).
3. Total expenditures of the State budget and the budget of European funds in 2023 amounted to PLN 734.7 billion, compared to volumes close to PLN 600 billion in 2021–2022. This means that these expenditures were approximately 24% higher in 2023 than in the two previous years.
4. The total deficit of the State budget and the budget of European funds in 2023 amounted to PLN 84.7 billion, which was six times higher than in the previous year, slightly — by 0.6% — higher than planned in the Budget Act, and 21.7% lower than estimated at the stage of amending the Budget Act. As a proportion of gross domestic product (GDP), the total deficit was 2.5%, an increase of 2 percentage points compared to the previous year. This was the main reason for the surge in the net borrowing needs of the State budget in 2023, which reached PLN 137.6 billion during that period.

In 2023, more than 37% of the government subsector deficit was recorded outside the State budget and the European funds budget. Although this figure was significantly lower compared to 2022, operations conducted outside the Budget Act continued to create substantial financial imbalances within the government subsector. Consequently, the combined deficit of the State budget and the budget of European funds did not accurately reflect the true scale of the State’s financial imbalance.

5. For yet another consecutive year, there was a decline in the proportion of positive assessments issued following the audit of State budget execution in 2023. Although the share of positive assessments decreased by 9.8 percentage points compared to the previous year, amounting to 60.9%, the majority of State budget execution audits still concluded with a positive assessment. Simultaneously, the share of negative assessments has steadily increased since 2021, rising from less than 1% in 2020 to as much as 4.5% in 2023.
6. The Supreme Audit Office has negatively assessed the measures implemented since 2020, which contravene fundamental budgetary principles, particularly the principles of unity, transparency, and openness of the budget. These actions undermine the significance of the State budget as the primary financial plan of the State, as defined in Article 219 of the Constitution of the Republic of Poland. They not only obscure the transparency of the presented public finance data but also complicate year-on-year comparisons and, crucially, limit parliamentary and public scrutiny over the collection and expenditure of significant funds on public tasks. The Council of the Supreme Audit Office warns that further erosion of the State budget's status may result in the incompatibility of the adopted solutions with the Constitution of the Republic of Poland, as well as the erosion of political and legal accountability for public finance management, thereby threatening the State's sovereignty.

As of the end of 2023, Bank Gospodarstwa Krajowego operated 20 funds that were not subject to the principles of the Public Finance Act. Consequently, part of the costs of performing public tasks was not included in the State budget. The inflows and outflows of these funds in 2023 equated to nearly 4% of GDP, compared to 3.5% the previous year.

Treasury securities continued to be transferred free of charge to various entities. The value of bonds transferred to finance tasks outside the State budget in 2023 amounted to PLN 21.6 billion, and the total for 2020–2023 reached PLN 88 billion.

In 2023, investments undertaken as part of the NRRP were financed by Polski Fundusz Rozwoju S.A. (Polish Development Fund), rather than the State budget. While the initiation of these investments is not being questioned, given the lack of incoming funds from the European Union, the NIK Council points out that this constitutes yet another mechanism for financing State tasks outside the Budget Act. The value of expenditure by Polski Fundusz Rozwoju S.A. on 'pre-financing' these investments in 2022–2023 amounted to PLN 5.2 billion.

7. The NIK Council also highlights other significant issues related to the planning and execution of the Budget Act.

As in the two previous years, the stabilising expenditure rule did not play a significant role in limiting the growth of public expenditure. The spending reviews conducted also failed to strengthen the State budget planning process or impact the efficiency of public spending.

In 2023, there was a further significant increase in the funds allocated to specific provisions, which collectively accounted for as much as 17.5% of the expenditure limit of the State budget and the budget of European funds. The Supreme Audit Office raised concerns regarding the planning of some of these reserves.

The NIK Council also notes the allocation of a significant portion of general reserve funds, contrary to their intended intervention nature, to tasks that did not arise from urgent, unforeseeable situations requiring immediate action.

Additionally, the NIK Council points to actions aimed at unacceptable limiting of the financial autonomy of local government units by allocating funds to them on a discretionary basis by selected government authorities, based on unclear criteria, in violation of the provisions of the European Charter of Local Self-Government.

The Council also draws attention to the persistent underfunding of police units. Despite this, unreliable budget planning and management in this area led to a situation in which units responsible for citizen security frequently settled their debts after the payment deadline, thereby incurring interest costs. Finally, the NIK Council highlights the deepening imbalance between

the revenues and costs of State special purpose funds, whose financial plans are included in the annexes to the Budget Act. Some of these funds continued to finance tasks unrelated to the purposes for which they were originally established.

8. At the end of 2023, debt calculated according to the EU definition (PLN 1,691.2 billion) was higher by PLN 363.1 billion than debt calculated according to the national definition (PLN 1,328.1 billion). This discrepancy was primarily due to the inclusion of debt from funds placed with Bank Gospodarstwa Krajowego and the Polski Fundusz Rozwoju S.A.'s financial shield in the EU definition. Liabilities arising from the sale of bonds by Bank Gospodarstwa Krajowego and Polski Fundusz Rozwoju S.A., as well as loans contracted by Bank Gospodarstwa Krajowego to raise funds for public tasks, amounted to PLN 348 billion at the end of 2023. It should be noted that settling some of these liabilities may necessitate the allocation of public funds, which would increase the State Treasury's debt. The Supreme Audit Office estimates that the total cost of servicing bonds issued by Bank Gospodarstwa Krajowego for the COVID-19 Prevention Fund, the Aid Fund, and the Armed Forces Support Fund, as well as those issued by Polski Fundusz Rozwoju S.A. for the performance of State tasks, over their entire maturity period until 2042, will be PLN 13.6 billion higher than the cost that the State budget would incur to finance those tasks with Treasury securities.

The ratio of consolidated State public debt to GDP reached 38.9% at the end of 2023, while the ratio of public debt calculated according to the EU definition to GDP stood at 49.6%.

The NIK Council highlights a significant increase in State budget expenditures on servicing the public debt, which amounted to PLN 61.7 billion in 2023 (up from PLN 32.7 billion in 2022) and accounted for 9.4% of State budget expenditures. This share was almost equal to that of capital expenditures (9.5%). Moreover, these figures did not include the costs of servicing the debt associated with the funds held in Bank Gospodarstwa Krajowego and Polski Fundusz Rozwoju S.A. The NIK Council also notes that if the debt had been issued by the State Treasury, the estimated cost of servicing it in 2023 would have been lower by PLN 1.6 billion.

**In light of these audit findings, and considering that:**

- **in accordance with Article 219 of the Constitution of the Republic of Poland, in conjunction with Article 109 of the Public Finance Act, the State budget, adopted in the form of a Budget Act, serves as the basis for the financial management of the State;**
- **expenditures on national defence, as essential to the basic function of the State, deserve special protection and guarantees of multiannual financing to ensure the uninterrupted implementation of the Polish Armed Forces Development Programme, while maintaining parliamentary scrutiny;**
- **Article 167 of the Constitution of the Republic of Poland guarantees local government units a share in public revenues, proportional to their tasks, and their financial independence is ensured by Article 165 of the Constitution.**

**The NIK Council, while expressing its negative assessment of the changes in the system of public finance, reiterates the necessity of taking effective measures to ensure the openness and transparency of public finance and to restore the role of the Budget Act as the primary instrument of State financial management. The Budget Act should present the true state of public finances, enable the financing of State tasks, and ensure parliamentary scrutiny over them.**

**In the opinion of the Council, the redistribution of funds for financing State tasks outside the Budget Act, including in the form of Treasury securities and through funds operated by Bank Gospodarstwa Krajowego, should be discontinued.**

**The Council also emphasises the necessity for the Minister of Internal Affairs and Administration, along with the Minister of Finance, to ensure that the necessary funds for the functioning of the Police are secured during the drafting stage of the Budget Act.**

**Considering the type and scope of irregularities identified in the planning and expenditure of public funds, the NIK Council concludes that the administrators of these funds should ensure compliance**

with the principles of budgetary economy.

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COUNCIL OF THE  
SUPREME AUDIT OFFICE

ob

Tomasz Sobecki



PRESIDENT  
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Marian Banaś