

Potential pitfalls in the Law on National audit office

A first impression is that the law is very broad in scope. Consequently, there is a real danger that the newly founded National Audit Office will be overburdened with time consuming activities of lesser importance and miss its main objective – to control the flow and use of taxpayers' money. This fact is particularly evident in two key articles of the Law – Article 9 that defines subject of audit, and Article 10 that gives a list of audit subjects.

In the Article 9 the first line stipulates that the Office controls the whole system of public finances, which includes not only budgetary revenues and expenses, but state pension funds, medical care, and unemployment insurance funds as well.

The Office is also obliged to keep in check the system of finance management and control, including internal controls and audits, and financial procedures, among broad spectrum of public funds users. In addition, the Office will have to address the purposefulness of the public funds use, which is a highly debatable issue. As a matter of curiosity, there is no time limit on topics under consideration, since the Office is empowered to take under scrutiny all previous, current or future acts of public funds users.

In the Article 10 the Law gives reigns to the Office over virtually the whole financial system. The Office will have to check direct and indirect users of public funds, but also:

- public companies (electricity, oil and gas production and distribution, rail and water transport, local utilities, etc.), which make business contracts with greater part of the economy,
- private companies that receive public subsidies (broad spectrum of agricultural production),
- private companies in which the state has a stake irrespective of its size (over 1000 companies, where in some cases the state has a negligent share of 2 per cent or even less)
- the Central Bank and its operations with the state,
- political parties subject to public funding,
- beneficiaries of foreign grants and aid,
- non-governmental organizations,
- and all other subjects that use public funds and/or assets (incalculable number of state premises users – for example, there is the state monopoly on urban development areas).

Such a vast number of entities that may come under the Office scrutiny (in fact the Article 35 obliges the Office to audit a greater part of the former list), will necessarily overburden the Office capacity and diminish its ability to oversight the state finances.

Seemingly plenipotentiary Office will exercise low protection from political interference. Members of the governing body (the Council) of this autonomous and independent institution (Article 3) will be elected on a plenary Parliamentary session, according to a list selected by the Parliamentary committee (Article 19). However, members of the Council may be recalled by an initiative of at least twenty parliamentarians or an initiative of the committee (Article 23).

It is obvious that the working Parliament majority will have an upper hand in selection and recall of the Council members. The members will be chosen according to party affiliation, and will work under constant pressure of potential humiliating recall whenever they find something unfavorable toward governing parties. Their independence will be seriously jeopardized by a lack of institutionalized protection.