



Regional Chamber of Audit
in Bydgoszcz

Report on the state of financial management of the local authority

A special evaluation instrument.



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What is the '*Report on the state of financial management of the local authority*'?

The report is developed drawing on the results of:

- supervision
- audit performance
- opinion-giving

of the regional chambers of audit.

- evaluation of economic prudence
- analysis and evaluation of the operation of the local authority
- financial management evaluation
- assessment of the efficiency of the operation of the bodies of local authority in terms of effective public tasks performance



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What is the *Report created for?*

The legal grounds for Report development:

the need to demonstrate to the bodies of the local authority of

- reoccurring irregularities or
- a threat of non-performance of public tasks

The objective of the Report is:

- the diagnosis of the causes of crisis financial situation
- pointing to the threats to non-performance of public tasks
- pointing to actions indispensable to remedy the situation
- the certification of an external auditor on the existence of the premises which would make it possible to grant funds to the local authority from the state budget and the assessment of the effectiveness of the assumptions of corrective program as well as the possibility of its execution by the bodies of the local authority
- warning against the application of more serious sanctions to be imposed by Prime Minister provided for in laws on the system (suspending the local authority's bodies, establishing compulsory administration)



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What does the Report include?

- general characteristics of the local authority
- results of the supervisory, opinion-giving and control performed by the chamber
- results of the audit of the local authority's financial management performed by the chamber
- synthesis of the local authority's financial situation
- evaluation of the local authority's financial situation
- assessment of how realistic the budget forecast and debt level are.
- evaluation of the actions of local authority's bodies taken to enhance the financial situation
- description of the threats to the performance of public tasks
- recapitulation and conclusions, including pointing to the reasons of the occurrence of the crisis situation as well as to the actions indispensable to remedy the financial situation



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Who takes the decision on Report development?

The Report is developed *ex officio*, based on the autonomic decision of the Board of the chamber the members of which, in the scope of the performance of supervisory tasks and control functions, are independent and subject to Acts only.

The initiative to develop the Report may be also taken by another state body or bodies of the local authority. Those authorities are not entitled to demand the development of the Report by the chamber.



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How is the Report developed? (procedure)

- 1) The Board of the chamber in the resolution on developing the Report:
 - nominates the member of the Board responsible for the development of the draft Report
 - defines the objective scope and time framework of the Report
 - the draft development date
- 2) The Board of the chamber issues a resolution on passing of the Report. Resolution and Report are handed over to local authority's bodies
- 3) Local authority's bodies are entitled to file reservations to the Report. The appeal is processed by the Board passing the resolution on rejecting or accepting it (completely or partially) against which no complaint may be filed to Administrative Court
- 4) Publication of the Report



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How is the Report created? (criteria)

The local authority's activity is mostly evaluated drawing on the criterion of legality.

Granted by the Board, the grades, based on the criteria other than the evaluation of legality, cannot constitute essential grounds for developing the Report the aim of which is to bring the activity of the local authority back to the activity compliant with the law.



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What is the importance of the Report?

Due to the obligation of submitting the Report to the local authority's bodies and publishing the Report in the Information and Communication Technologies system, the document results in:

actual effects - informing:

- the local community of threats to the access to public services,
- state bodies – a signalling note,
- financial institutions and potential counterparties.

formal effects: obligatory annex to the application for loan to be granted from the state budget or justification of the sanctions introduced against the local authority's bodies.



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Actions supporting the Report development

A change in the framework scope of comprehensive audit by separating the chapter of *Public Debt*.

Performing coordinated audits as a review of law institutions in new economic circumstances.

IT tools development 'Bestia' system (reports on the condition of local authorities, debt reports).

On-going monitoring of local authority's debt based on the reports at Board sessions.



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Thank you for your attention😊!

