



Regional Chamber of Audit in Bydgoszcz

New forms of outsourcing and financing of public activities – a challenge for Regional Chambers of Audit in Poland

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RIO
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fol. Justas Shell



Opera Nova House

Mill Island

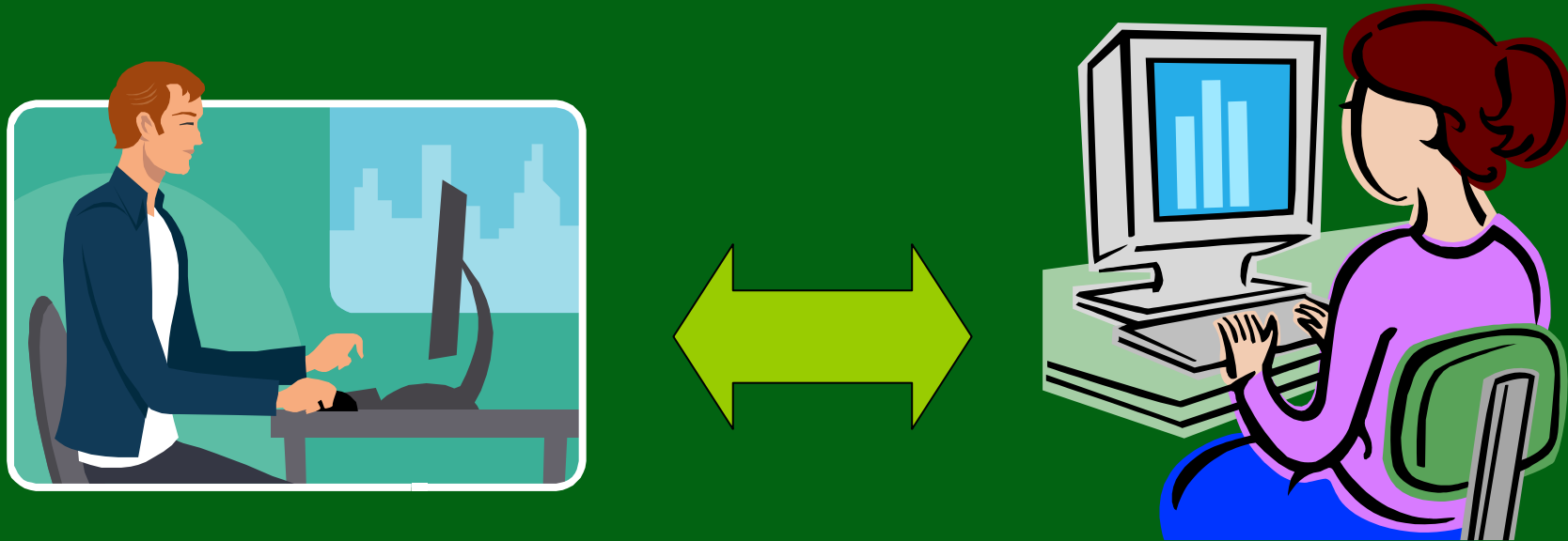
Conference Centre

For: Robert Sawicki

Local communities expect the local authorities to:

- ✓ take up new activities for:
 - ✓ social
 - ✓ economic
 - ✓ civilizational reasons
- ✓ perform public services
 - ✓ at a higher level
 - ✓ in new areas
 - ✓ in new forms





The citizen contacts the City Hall officer online from home and deals with his problem

Problem solving - I

New forms of public activities execution:

- ✓ outsourcing non-public finance sector entities (non-profit organizations)
- ✓ local authorities set up communal companies or other subsidiary entities to perform public tasks
- ✓ based on the rules of public-private partnership



Problem solving - II

New forms of public activities financing:

- ✓ credits, loans, bond issue (from other domestic funds NFOŚ (National Fund of Environment Protection), WFOŚiGW (Provincial Fund of Environment Protection and Water Management))
- ✓ assistance funds and from the EU and European funds
- ✓ use of own funds of the entities performing public tasks, and which are not part of public finance sector
- ✓ communal companies can also contract credits, take loans, issue bonds – this debt is not part of the public debt



Grant allocation principles

The Council of the Commune must define the following in the resolution:

- ✓ amount of funds
- ✓ principles of their allocation, e.g.
 - ✓ kind of outsourced activities
 - ✓ date and areas of activity performance
 - ✓ method and form of performance

Local authorities can give grants to non-public finance sector entities for the performance of public activities outsourced only in a form of open bidding procedure.



Legal limitations in activity outsourcing

Entity limitations

Public activities cannot be outsourced to companies – profit-oriented entities

e.g. in the field of social welfare



Audit of grants as a responsibility of RCOs

1. Forms of audit
2. Entities covered by the audit
3. Scope of the audit
4. Specific character of the grant-giving audit



Sources of irregularities on the part of the outsourcing party

- ✓ unequal conditions of access to information about the bidding procedure and grant allocation
- ✓ unequal approach to entities and not being impartial
- ✓ non-precise provisions in contracts
- ✓ no control and no evaluation of public activity performance
- ✓ no verification of grant use



Sources of irregularities on the part of the outsourced party

- ✓ contractors do not meet the requirements of the law
- ✓ data reported is not complete or non-compliant with bookkeeping
- ✓ the same expenditure (invoice) is settled more than once
- ✓ the same activity is outsourced and financed by more than one public entity (multiple financing)



Objective of the audit

- ✓ are public activities outsourced according to the procedures defined by law?
 - ✓ do contracts secure the public interest?
 - ✓ does the contract execution
 - ✓ does the grant use
- comply with earlier agreements?



Audit criteria

- ✓ compliance with the law
- ✓ compliance of documentation with the state of affairs (reliability)



Fields of the audit

Three tasks = 70% of the expenditure from public funds transferred:

- ✓ physical culture – sports (43% of the grants allocated by local authorities)
- ✓ health care (15%)
- ✓ culture and art (12%)



Scope of the audit

- ✓ grant allocation procedures
- ✓ grant spending
- ✓ whether local authorities control the execution of the activities outsourced



Irregularities (1) - examples

- ✓ communes have transferred grants for the performance of activities which are not a public activity
- ✓ communes have transferred grants to companies which are not non-profit organizations
- ✓ communes have transferred grants to their organizational units (e.g. to schools)

(these irregularities were not numerous)



Irregularities (2) in the grant allocation procedure

- ✓ grant allocation without the use of bidding procedures
- ✓ allocation of grants to entities whose bid is not compliant with bidding requirements
- ✓ stating irregularities in the open bidding procedures
- ✓ at the contract signing stage



Irregularities (3) in grant spending

- ✓ not transferring grants to the bank account of the outsourced entity
- ✓ paying invoices directly from the bank account of the commune
- ✓ transferring grants via organisational units of local authorities
- ✓ transferring grants past the deadline



Irregularities (4) in the audit of the execution of the activities outsourced

- ✓ no reports or incomplete reports
- ✓ not making the entities account for the grants allocated
- ✓ no public activity performance control by local authorities



Summary

1. The audit covered:
 - ✓ the first period of activity outsourcing based on new regulations
 - ✓ only outsourcing entities
2. Irregularities \cong 1% of the total number of irregularities
(grant giving \cong 1% of the total expenditure)
3. Most often local authorities outsource activities in the fields of physical culture and sports, education and culture



Summary

4. Causes of irregularities:

- ✓ no experience in the application of new laws
- ✓ inadequate personnel training and skills
- ✓ limited range of entities which could take over the activities

5. The results of the audit call for:

- ✓ changes in legal regulations/making them more precise
- ✓ local authorities' personnel training
- ✓ auditor training





Regional Chamber of Audit in Bydgoszcz

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Joint public activities audit
by the Supreme Chamber of Control
and Regional Chambers of Audit





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**Thank you for
your attention!**

