



Regional Chamber of Audit in Bydgoszcz

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

Tadeusz Dobek  
*President*







RIO  
BYDGOSZCZ

foto: Justyna Słoboda



Opera Nova House

Mill Island

Conference Centre

For Robert Sævičk

Local communities expect the local authorities to:

ü take up new activities for:

ü social

ü economic

ü civilizational reasons

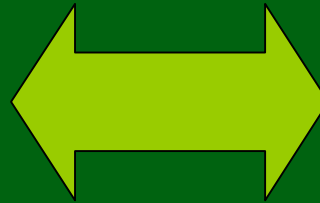
ü perform public services

ü at a higher level

ü in new areas

ü 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:

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



## Problem solving - II

New forms of public activities financing:

- ü credits, loans, bond issue (from other domestic funds NFOŚ (National Fund of Environment Protection), WFOŚiGW (Provincial Fund of Environment Protection and Water Management))
- ü assistance funds and from the EU and European funds
- ü use of own funds of the entities performing public tasks, and which are not part of public finance sector
- ü 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:

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

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



## Sources of irregularities on the part of the outsourced party

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



## Objective of the audit

ü are public activities outsourced according to the procedures defined by law?

ü do contracts secure the public interest?

ü does the contract execution

ü does the grant use

comply with  
earlier  
agreements?



## Audit criteria

ü compliance with the law

ü compliance of documentation with the state of affairs (reliability)



## Fields of the audit

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

- ü physical culture – sports (43% of the grants allocated by local authorities)

- ü health care (15%)

- ü culture and art (12%)





## Scope of the audit

- ü grant allocation procedures

- ü grant spending

- ü whether local authorities control the execution of the activities outsourced



## Irregularities (1) - examples

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

(these irregularities were not numerous)



## Irregularities (2) in the grant allocation procedure

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



## Irregularities (3) in grant spending

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



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

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



## Summary

1. The audit covered:
  - ü the first period of activity outsourcing based on new regulations
  - ü only outsourcing entities
2. Irregularities  $\cong$  1% of the total number of irregularities  
*(grant giving @ 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:

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

### 5. The results of the audit call for:

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





Regional Chamber of Audit in Bydgoszcz

2007

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







Regional Chamber of Audit in Bydgoszcz

**Thank you for  
your attention!**

