

MANAGEMENT AND SUPERVISION OVER THE FINANCIAL ACTIVITIES OF BUDGETARY UNITS ON THE EXAMPLE OF EDUCATIONAL UNITS

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Abstract

In budgetary units, including in educational units, the financial plan is the basis for the functioning of financial activities. Moreover, proper control over the feasibility of the financial plan and the financial policy principles are exercised over budget units, as well as the obligation to carry out periodic internal controls (or internal audit). The aim of the article is to analyze the scope and principles of managing the financial activities of budgetary entities in Poland and to supervise this activity on the example of educational units. The author used the method of analyzing literature and legal acts in the scope of principles of managing the financial activity of budgetary units - educational units, as well as in the scope of supervision over this activity. The author positively assesses the method and mode of managing the financial activities of educational units in Poland, as well as the subjective and objective scope of the supervision exercised over them.

Keywords: budgetary unit, financial plan, management audit, internal audit, financial management

Introduction

The financial plan (budget) is the basis for the financial management of budgetary units (including educational units). In order to ensure the correct implementation and function of the budget, the so-called budgetary principles, which formulate demands for education on the basis of legislation and budgetary practice.⁹⁷ Some budgetary principles, so-called budget demands, may only refer to formal, substantive issues or procedures. There are also procedures that constitute legal norms that are an order during the preparation and implementation of the budget. Among the budget principles most frequently discussed in the literature, the principles of unity, completeness, balance, detail, openness and transparency are mentioned.

In addition, budget units are adequately controlled for the feasibility of the budget and the financial policy principles as well as the implementation of procedures within the unit. In budgetary units there is a requirement for periodic internal controls or even a comprehensive internal audit. Control processes are the responsibility of heads of budgetary units as well as supervisory bodies. As a result, this is to improve the efficiency of public funds utilization by budgetary units.

The aim of the article is to analyze the scope and principles of managing the financial activities of budgetary entities in Poland and to supervise this activity on the example of educational units. The article uses the method of analyzing literature and legal acts in the scope of principles of managing the financial activities of budgetary units - educational units, as well as in the scope of supervision over this activity. The work uses the method of literature analysis and legal acts in this area.

1. The concept and essence of the budgetary unit in the light of Polish legal regulations

⁹⁷ J.Ostaszewski (red.), Finanse, Wydawnictwo Difin SA, Warszawa 2013, s. 164

The budget unit is the most widespread organizational form of the public finance sector in Poland. Under Article 9 of the Act of 27 August 2009 on public finances, it was shown as part of the public finance sector.⁹⁸ As part of this organizational form, schools operate, among others. Due to the manner of creating, merging and liquidation of budgetary units, state budgetary units as well as communal, powiat or voivodship budgetary units are distinguished.

In the literature, budgetary units are called organizational units without legal personality, which cover their expenses directly from the budget and the income generated is transferred to the account of the state budget or the budget of local government units, respectively.⁹⁹ The form of a budgetary unit is used when, due to the specific type of tasks carried out, the organizational unit does not generate any income at all or the income is very low compared to operating costs. Its activity, however, is indispensable from the point of view of realizing public tasks.¹⁰⁰

The amount of expenditures of individual budget units is not dependent on the amount of income, moreover along with liquidation, the founding body takes over the receivables and liabilities of the liquidated budgetary unit. In the case of state budgetary units, the budget is included in the state budget, while the budget of local government budgetary units is included in the budget of local government units.¹⁰¹

The basis for the operation of a budgetary unit is the statute given by the founding body, which defines, inter alia, its name, registered office and its basic activity.¹⁰² The founding body, creating a budgetary unit, should also determine the property transferred to the management of the given unit. At the time of liquidation of a budgetary unit, this body determines the purpose of the property to which the unit had at its disposal. The Public Finance Act also defines general principles of property management.

The basis of financial management is the plan of income and expenditure, known as the financial plan of the budgetary unit.¹⁰³ As regards accounting, budgetary entities are required to apply the principles set out in the Act of 29 September 1994 on accounting as well as to specific regulations in this respect.¹⁰⁴ Financial plans are set for a period of one calendar year, taking into account the projected amount of income, while the expenditure amounts set an absolute limit. Unused planned expenditures expire with the end of the calendar year, therefore the entity is obliged to return them to the appropriate bank account of the administrator from whom it was received.¹⁰⁵

2. Financial plan as the basis for financial management of a budgetary unit - an educational unit

The financial plan constituting the basis for the financial management of budgetary units is an integral part of the state budget or the budget of the local government unit. The Public Finance Act of 27 August 2009 defines (Article 17):

- the method and manner of preparing financial plans,
- the manner and mode of making changes in the financial plans of budgetary entities and approving these changes,

⁹⁸Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych, Dz.U. z 2018 poz. 62 z późn. zm.

⁹⁹ Ibidem art. 11

¹⁰⁰ I. Motowilczuk (red.), Rachunkowość w oświacie, Wyd. Infor Ekspert Warszawa 2009, s.11

¹⁰¹ M. Kaczurak-Kozak, Rachunkowość jednostek oświatowych, Wyd. Wolters Kluwer, Warszawa 2014, s. 24

¹⁰² A. Zysnarska, Rachunkowość jednostek budżetowych i gospodarki pozabudżetowej, Wyd. ODDK, Gdańsk 2008, s.14

¹⁰³ Ustawa z dnia 27 sierpnia 2009r. o finansach publicznych, op.cit., art. 11pkt.3

¹⁰⁴ Ustawa z dnia 29 września 1994 r. o rachunkowości, Dz.U. z 2018, poz. 395 z późn. zm

¹⁰⁵ A. Zysnarska, Rachunkowość jednostek budżetowych, op.cit., str.15-20

- the mode of collecting incomes and making expenditures of state budgetary units,
 - the method of determining the surplus of current assets in self-government budgetary institutions,
- taking into account the need to comply with the rules of purposeful and cost-effective expenditure and transparency, transparency and timely implementation of tasks.¹⁰⁶

The implementation of Article 17 of the Public Finance Act was specified in detail in the Regulation of the Minister of Finance of 7 December 2010 on the manner of conducting financial management of budgetary units and self-government budgetary establishments.¹⁰⁷ The draft financial plan shall be drawn up for a period of one financial year covering one calendar year. Therefore, the head of the unit is obliged to distribute the amount of funds to ensure both the proper functioning of the unit and the implementation of public tasks. The financial plan, drawn up by budgetary units, although it does not have a valid form template, is prepared on the basis of information on income and expenditure received from the trustee, which are included as follows:

- income - detailing for the department,
- expenses - with details for the division, division of budget classification and expenditure group.¹⁰⁸

Since 2010, in addition to the traditional preparation of a financial plan in the layout:

- subject - divided into parts indicating the resources' owner,
- subject - divided into sections, chapters and paragraphs,

a task budget was introduced. The essence of planning in a task-based system is to precisely define goals and to carry out tasks in an effective manner. The enrichment of planning with activity-based budget is aimed at increasing the efficiency and effectiveness of the public funds spent.¹⁰⁹ In order to increase the readability and transparency of the planned budget in the task setting, the division into: functions, tasks, subtasks and activities was introduced.

The financial plan approved by the head of the state budget unit shall be forwarded to the appropriate trustee by 1 December of the year preceding the budget year.

During the implementation of the budget during the year there may be situations that force changes in the financial plan. They concern the realignment of current needs in relation to the amounts of expenses planned in a given classification breakdown. The possibility of a change involving the transfer of funds between paragraphs must be balanced, that is, increasing one paragraph requires the reduction of another paragraph. The manager's decisions to change the financial plan are communicated and accepted to the appropriate trustees. Managers of entities do not have the right to transfer appropriations relating to personal salaries and emoluments.¹¹⁰

3. Management of financial activities of budgetary units - educational units

Management in units is aimed at achieving the intended goals in an efficient and effective manner and includes: planning, organizing, controlling and motivating. In order to manage the budget unit effectively and effectively, it is necessary to formalize the organizational structure of the unit. In practice, this means that the head of the unit has prepared a number of documents that allow to regulate the rules of the unit's operation legally and organisationally,

106 Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych op.cit., art. 17 pkt1

107 Rozporządzenie Ministra Finansów z dnia 7 grudnia 2010r. w sprawie sposobu prowadzenia gospodarki finansowej jednostek budżetowych i samorządowych zakładów budżetowych. Dz.U z 2015r., poz. 1542 z późn zm.

108 I.M. Świderek, Plan finansowy jednostek budżetowych i samorządowych zakładów budżetowych, Zasady gospodarki finansowej po zmianach, Wydawnictwo Wiedza i Praktyka, Warszawa 2011, s. 23

109 T. Lubińska, Budżet a Finanse publiczne, Difin, Warszawa 2010, s..125

110 Ibidem, str.42

as well as to perform the tasks, responsibilities and rights of individual employees.¹¹¹ These include: statute, organizational rules, organizational structure chart, job descriptions (task ranges), document flow instructions, procedures, guidelines and the like.¹¹²

In budget units, the person responsible for the management process is the head of the unit or the mayor, head of the county, district staroste, respectively, while in the educational units - the headmaster. Educational units operating as budgetary units within the organizational scope are subordinated to the education system and generally accepted scheme of educational institutions. The bodies of the school are:

- headmaster,
- teaching council,
- advice of parents,
- student self-government.

The pedagogical council, the parents' council and the student self-government board adopt the regulations of their activities, which may not be in conflict with the provisions of educational law and the school's statute. They are therefore auxiliary bodies in managing the institution. However, the director manages the school's activities and represents it outside. As part of the day-to-day activities of the school, individual managerial positions have been identified that act as assistant director. People employed at school realize goals and tasks related to the organization of didactic and administrative and financial work. On the other hand, the overall responsibility of the school is the director, who includes the following tasks: managing the current activity of the unit, organizing the entire didactic work, exercising pedagogical and financial supervision, administering the school's financial resources and responsibility for their proper use.

Educational units, like every budget unit, are obliged to comply with public finance discipline. In practice, this means that they are required to apply the rules and principles set out in the provisions of the financial law, public finance and accounting laws, whose aim is to maintain budget balance and the principles of proper and rational management of public funds.¹¹³

Violation of legally established rules is defined as a violation of financial discipline, which is regulated by the Act of 17 December 2004 on liability for violation of public finance discipline.¹¹⁴ In the event of committing a deed which violates the discipline, penalties may be applied and are: reprimand, reprimand, financial penalty or a ban on performing functions related to the disposal of public funds (from one to five years).¹¹⁵

In budgetary units, violation of the discipline according to the provisions of this Act may be:

1) as regards the realization of income:

- irregularities in the scope of determining, not collecting, entering receivables,
- allowing the head of the unit, as a result of negligence or failure to perform his duties, to deplete due payments to the budget,
- failure to remit or untimely payment of amounts due to the budget,
- the allocation of budget revenues to the expenditure of the unit

2) regarding the financial plan: making changes to the financial plan without authorization

111 S. Stonoga, *Zasady obiegu i kontroli dokumentów księgowych dla jednostek budżetowych i samorządowych zakładów budżetowych*, Wydawnictwo Topaz, Olkusz 2015, str. 52

112 A. Zakrzewska Bielawska, *Podstawy zarządzania. Teoria i ćwiczenia*, Wydawnictwo Wolters Kluwer Polska, Warszawa 2012, str. 273

113 I. Motowilczuk, *Poradnik Rachunkowości Budżetowej nr 3/2012*, Wydawnictwo Infor

114 Ustawa z dnia 17 grudnia 2004 roku o odpowiedzialności za naruszenie dyscypliny finansów publicznych. Dz.U. z 2017r., poz. 1311 z późn.zm.

115 Ibidem, Art.31

- 3) in the scope of expenditure implementation:
 - exceeding the amount of expenditure specified in the financial plan,
 - failure to pay or pay in the amount of reduced social security, health insurance, Labor Fund, State Fund for the Rehabilitation of the Disabled,
 - payment of interest or penalty in connection with default,
 - allowing the manager of the unit to default,
- 4) regarding the inventory: abandonment or non-accounting of the inventory or conducting or its settlement in a manner inconsistent with the regulations,
- 5) in the field of reporting: demonstration of data inconsistent with accounting records, etc.¹¹⁶

4. Supervision over the financial activity of a budgetary unit - an educational unit

Control plays an important role in the management process, which is based on observing the individual's progress in achieving its goals. In the public finance sector entities, including budgetary units, the control instrument is management control, which was defined in Article 68 of the Public Finance Act as a whole of actions undertaken to ensure the implementation of goals and tasks compliant with the law, effective, economical and timely.¹¹⁷ Its aim is to ensure, among other things: compliance of the activity with legal provisions and internal procedures; effectiveness and efficiency of operations; reliability of reports; resource protection; adherence to and promotion of ethical conduct; efficiency and effectiveness of information flow; risk management.¹¹⁸ The management control is carried out on the basis of the standards set out in the Annex to the Announcement No. 23 of the Minister of Finance of 16 December 2009 on the standards of management control for the public finance sector.¹¹⁹

In the process of executing tasks in the scope of management control, the implementation of internal audit plays an important role. According to article 272 item 1 of the Public Finance Act of 27 August 2009, the internal audit is an independent and objective activity, the purpose of which is to support the minister managing the department or the unit's manager in the accomplishment of goals and tasks through systematic assessment of management control and advisory activities.¹²⁰ These are activities undertaken to provide an independent objective assessment and the operation of the internal auditor, the scope of which is agreed with the head of the unit and is aimed at improving the functioning of the unit.¹²¹ The main condition for mandatory application of the audit is the amount of income (revenues) and expenses (outlays) included in the financial plan of the unit. Article 274 of the Public Finance Act stipulates that this amount must be higher than PLN 40 000.¹²²

In order to unify certain standards, the Minister of Finance's decision adopted the so-called International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors. In order to conduct an internal audit in a budgetary unit, the entity's manager may appoint to this:

- a person employed in the unit (internal auditor),

116 I. Motowilczuk (red.), Rachunkowość op.cit.; str.60-64

117 Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych op.cit., art. 68 ust. 1

118 Ibidem, art. 68 ust. 2

119 Komunikat nr 23 Ministra Finansów z dnia 16 grudnia 2009 r. w sprawie standardów kontroli zarządczej dla sektora finansów publicznych. Dz.Urz. MF nr 15 poz. 84

120 Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych op.cit., art. 272 ust. 1

121 A.Wszelaki, Procedures and techniques of internal audit in public administration in view of Polish legislation. [w] red. В. Дучмала, Т.П. Несторенко, Т. Покуси. – Бердянськ : Видавець Ткачук: СОЦІАЛЬНО-ЕКОНОМІЧНИЙ РОЗВИТОК: РОЛЬ ІНФОРМАЦІЇ ТА НОВИХ ТЕХНОЛОГІЙ. Wydawnictwo Uniwersytetu Państwowego pedagogicznego w Berdiansku, Berdiansk 2016 Ukraina, s. 136-145; ISBN 978-617-7291-44-1

122 Ibidem, Art. 274 ust.2

- a service provider (a person not employed in the unit).

The Ordinance of the Minister of Finance of February 1, 2010 on conducting internal audit documentation indicates among others what criteria should be followed by the auditor.¹²³

The financial supervision over the budgetary and educational unit is exercised by the Regional Audit Office, operating on the basis of the Act on Regional Accounting Offices of October 7, 1992.¹²⁴ As part of the supervision, it includes resolutions and orders taken by local government units, for example in the scope of:

- procedures for adopting the budget and its changes,
- incurring liabilities affecting the amount of public debt of a local government unit and granting loans,
- the rules and scope of awarding subsidies from the budget of a local government unit.

The Regional Audit Office also conducts control activities in the area of the financial management carried out by the unit as well as the purposefulness, reliability and economy of the tasks performed by the units. These checks are carried out at least every 4 years.

Institutional supervision is also exercised by the Supreme Audit Office, which is an independent and supreme organ of state control, which operates on the basis of the Constitution of the Republic of Poland of April 2, 1997 and the Act on the Supreme Chamber of Control of December 23, 1994.¹²⁵ The task of the Supreme Audit Office is to analyze and evaluate the budget's performance.

Controls are also carried out by the Tax Offices and the Tax Administration Chamber. The final stage of the inspection carried out at the inspection unit is:

- decisions - in the case of arrangements related to taxes, fees, or untaxed receivables of the state budget,
- result of control - in the case of irregularities regarding the expediency and compliance of public funds management, asset declarations,
- provisions - in case of limitation of tax liability during the proceedings.¹²⁶

Province governor also supervises the activities of the current units, supervising the legitimacy created by the local government resolutions and decrees, but has no powers to oversee financial matters.

Conclusion

The management of public funds is a complex process - starting from the planning and implementation of operations related to cash, through the ongoing management of the financial economy, up to the control processes. This process is based, on the one hand, on unchanging budgetary rules and principles, and on the other hand on solutions defined by law and subject to budgetary discipline.

Educational units in the field of financial management function on the same principles as all budgetary units. The structure of the unit and its statutory objectives result simultaneously from the plans and tasks provided for by the country's educational and cultural policy.

Procedures related to the implementation of the financial plan are based both on the provisions of the Public Finance Act, the Accounting Act, other laws and regulations, as well

¹²³ Rozporządzenie Ministra Finansów z dnia 1 lutego 2010 w sprawie przeprowadzania dokumentowania audytu wewnętrznego. Dz.U. z 2010r. , poz. 108

¹²⁴ Ustawa z dnia z dnia 7 października 1992 r o Regionalnych Izbach Obrachunkowych. Dz.U. z 2012 Nr 0 poz. 1113 z póź. zm

¹²⁵ Ustawa o Najwyższej Izbie Kontroli z dnia 23 grudnia 1994 r. Dz.U. z 2015 poz. 1096 z późn.zm.

¹²⁶ C. Kosikowski, Sektor finansów publicznych w Polsce. Wyd. Wolters Kluwer, Dom Wydawniczy ABC, Warszawa 2006, s. 118

as on the detailed orders and instructions of the school's director. All procedures, instructions and rules published in the form of directors' orders are at the same time maintaining an appropriate level of compliance with the provisions of individual acts, as well as compliance with the regularity and transparency of the unit's finances. These procedures are also part of the proper internal control and supervision, required by the provisions of the Public Finance Act.

Supervision over the financial activity of the educational unit covers the same scope as in each budget unit. It is also performed on the same basis by, for example, the Regional Audit Chamber, the Supreme Audit Office, and internal auditors.

The author of the article, after the analysis, positively assesses the state of legal regulations in the scope of management and supervision over the financial activities of educational units.

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