BARRIERS FOR THE PRACTICAL USE OF CONTEMPORARY MANAGEMENT METHODS IN THE SELF-GOVERNMENT SECTOR

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Abstract

In the 80s of the last century, for the whole public sector, due to its low efficiency, old and inefficient administration model begun to replace gradually through multiple used in business management methods. Polish local authorities realize that to achieve beneficial effects is not possible without a modern management system that can help to improve the efficiency and the performance of local government. In addition, we see a lot of changes in economic, social and global, which have the negative impact on the functioning of the local government, and in particular, on its financial situation. In a clash with the growing expectations of the local communities, it forces local authorities to undertake specific activities.

The aim of the article is to present selected tools of contemporary management in the local government sub-sector, in particular multi - year financial planning, annual planning in the form of task-based budgeting, public-private partnership and internal management control and audit in context of legal and organizational barriers which influence the effectiveness of their use.

Keywords*: self-government, efficiency, contemporary management tools.*

1. Introduction

The thesis on the more effective performance of public tasks by self-governments has been discussed multiple times by several Polish and foreign authors. Effective self-government operation management is becoming more important in Poland not only because of numerous adverse trends affecting the financial conditions of self-governments but also due to decreasing financial resources combined with increasing expenses on task fulfillment and new development challenges of self-government territorial units (cf. Surówka, 2016; Szewczuk, 2016; Jastrzębska, 2016; Czekaj, 2015). This operation also requires more advanced management methods and better management skills, which should result in a higher effectiveness of their actions. (Wojciechowski,

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2003; Piszczek (in:) Owsiak (ed.), 2002). The essence of these considerations is to answer the question whether the services provided to the inhabitants are of the best quality and price possible. (cf. Swaniewicz, 2004).

To meet the expectations both authorities and the inhabitants concerning the entire public sector and its effectiveness, in the 1980s, the replacement of the old and ineffective model of administration work with management methods used in business began. This new approach to public administration reforms, used in many countries, is called new public management. Self-government authorities realize that obtaining beneficial results is not possible without a modern management system including strategic planning, budgeting, project management, operational management, and quality management. (cf. Dylewski, 2007). All of them have a common goal: improving the effectiveness and performance of the self-government.

In Poland as well, practically since the beginning of self-government restitution, i.e., the 1990s, many different tools have been implemented in management practice.

The paper aims to present selected tools of contemporary management in the self-government sub-sector, which include long-term financial planning, annual planning in the form of a task-based budget, public–private partnership (PPP), as well as internal control and audit. There is no doubt that these instruments can improve the effectiveness of the self-government's operation. Although they are expected to allow better use of financial and material resources of the self-government territorial units, their practical use is problematic, which makes them dysfunctional.

The paper characterizes two types of barriers: legal and organizational. The author believes them to have a direct effect on the implementation and use of these tools. Legal barriers include the lack of regulations and the fact that the existing provisions do not meet the requirements of the users of the tools. Organizational barriers consist of an unwillingness to use modern tools, if their use is voluntary, and the lack of knowledge or understanding of their correct implementation.

Modern management tools in the self-government sub-sector are the tools that are gradually replacing the old management methods. For example, long-term financial planning was not adopted as obligatory until 2009, with effect from 2010. The task-based budget, although mandatory for the state budget since 2009, has not been introduced in the same form to self-governments. Despite the Act on the Public-Private Partnership, Poland still has one of the lowest ratios of its practical use. Finally, the procedures for internal audit and control that replaced traditional finance control (the Public Finance Act of 2009) are still being poorly implemented in self-government organizations.

The research methods used are observation and critical analysis of the literature and legal acts regarding the public finance sector.

The research and study aim to indicate the possibilities of eliminating the barriers above and propose specific solutions, mostly of a legal nature. The main hypothesis of the study is that the tools of modern self-government territorial unit management may contribute to the better use of financial and material resources and improved efficiency of the operation of self-government territorial units, provided that they are properly implemented, and the barriers limiting their practical use are removed.

Each of the selected self-government territorial unit management tools was defined together with the indicator of the barriers currently limiting their use and proposed changes that may contribute to their reduction or better use.

2. Long-term financial planning

Long-term financial planning is a process of determining financial capabilities of a self-government territorial unit in a long period. It allows for a variant estimation of future revenues and spending of a self-government territorial unit, as well as its deficit levels in determining crediting scale and costs of service of drawn or planned liabilities. Long-term financial planning is a result of many years of financial planning and analysis of different variants of financing tasks fulfilling the goals defined in the self-government territorial unit development strategy. Long-term financial planning is a tool for rational public resources management, and debt management is its integral part. Cichocki (2001) defines its characteristic traits such as:

- long-term perspective in investment and operational task plans,
- exhaustiveness of budget implementation plans and all units providing services for the inhabitants, regardless of their organizational form,
- effective planning and management of own resources and debt,
- participation of inhabitants in self-government territorial unit management.

The author also indicated three pillars of good long-term financial planning including exhaustive, clear, and reliable financial reporting, reliable forecasts of budget encompassing revenues, spending, debt, and its service, and finally low costs of long-term infrastructural tasks (Cichocki, 2001, p. 10-11).

Long-term financial planning is considered one of many complementary methods within integrated self-government territorial unit management and encompasses long-term investment planning methodology, task-based budgeting, as well as self-government territorial unit management and its sectoral policies.

There is an important link between task-based annual budgeting based on the unitary cost of services and other parameters and long-term financial planning. According to Cichocki "in the process of long-term financial plan preparation, effectiveness calculations made using models of task-based budgeting, preparing investment for implementation, and restructuring are used. Moreover, resources for investments defined in the long-term investment plan, in particular for priority investments are reserved." (2001, p. 11).

Long-term financial planning assures thorough forecasts of revenues and spending, which means a precise calculation of available funds for investments financing. It also allows for the creation of a long-term investment plan financing and adjusting the financing to budget liquidity and a safe debt level.

Long-term financial planning, an integral part of which is the anticipation of debt and its payoff, is, together with the budget, one of the most important financial planning documents. Within debt policy, one of the most important tasks is indicating the optimal level of debt in the most reliable and responsible way possible. Nawrocki (2016, p. 27) defines the optimal level of debt as a level on which the debt will be repaid before the need to replace tangible assets of a self-government territorial unit allowing budget liquidity in all the years covered by the plan and warranting creditworthiness without falling into the debt trap. Determining that level will also allow for the designing of a scale of possible investments for implementation (cf. Jastrzębska, 2016).

The obligation of long-term financial plan preparation is defined in Article 226 of the Public Finance Act of 27 August 2009 (Journal of Laws of 2013, item 885 as amended, from now on referred to as PFA), and the Regulation of the Minister of Finance issued on the basis of authorization contained in Article 230b PFA. (Journal of Laws of 2013, item 86). The primary argument for the implementation of these provisions is the postulate of rational management of public funds, maintaining budget stability, or control of self-government territorial units' debt. Without discussing budget stability and budget balance related to it, the impact of many economic and social factors on revenues and expenses, and last but not least, the construction of the debt indicator described in Article 243 PFA, it is worth mentioning that a step in a very good direction was made when it comes to self-government territorial unit finance management. The extent to which this instrument will be used in strategic management depends not only on its construction but also on the methodology used in its elaboration.

Salachna (2015, p. 63) states that long-term strategic planning should encompass at least three stages:

- analysis of priorities focused on stakeholders' (self-government community) expectations and the mission of the organization (main tasks of a given self-government territorial unit),

- choice of an optimal strategy for given conditions and period among the available options,
- implementation of a strategy including both the planning of resources necessary for carrying it out and determining possible organizational structure or control systems changes for implementation of the strategy.

To summarize, long-term financial planning may be a management tool if it had the necessary strategy traits and was elaborated in a process containing the stages listed above. The analysis of the long-term financial planning-related regulations in effect, in particular the construction of the debt ratio (Article 243 PFA), numerous exclusions from the category of debt, as well as off-balance sheet investment financing instruments, and finally the period covered by the plan (sometimes even several tens of years) makes long-term financial planning an unreliable forecasting tool (cf. Salachna, 2015; Tarnowski, 2015; Woźniak, 2015) which cannot be considered effectively used for self-government territorial unit management.

A similar line was taken by the Presidium of the Regional Chamber of Auditors and Supreme Audit Office. Therefore, changing several elements in the legal area should be considered:

- Firstly, limiting the long-term financial planning time frame to a maximum of four years, as in the regulations regarding long-term financial planning in the government sub-sector, also in part dedicated to debt forecast.
- Secondly, clarifying the relationship between long-term financial planning and the annual budget, so that the amendments to the budget resolution made through the year do not cause automatic amendments to the resolution on long-term financial planning, which, in principle, is a strategic document[2].
- Unambiguous specification of the categories of debt to be taken into account by self-governments in order to calculate the individual debt indicator, including off-balance sheet debt financing instruments, resulting in the exclusion of the possibility of interpretation of particular events and economic or financial operations by self-government territorial units is also worth considering.
- Surely, one of the largest challenges is — as stated before — the very construction of the debt indicator (Article 243 PFA) in a way that would be more satisfying for self-government territorial units and reflect the capabilities of incurring debt more realistically.

Despite many basic limitations, long-term financial planning is considered a very desirable instrument, the construction method of which should be popularized among self-governments.

2 Research shows that 87.5% of all examined self-government territorial units change their resolution on long-term financial planning 13 times in a financial year on average.

3. Task-based budget

The analysis of functions of budget defined as a form of organization of financial resources management leads to a conclusion that it is an institution (a tool) that might be used for managing a given entity.

The literature describes the attributes of a good modern budget. Among them, the following are worth mentioning: transparency of the intentions of public authorities, presentation of financial results of these intentions, presentation of the relations between tasks and their quality standards, ability to control and monitor budget expenses, and motivation system for the executors of tasks (cf. (ed.) Owsiak, 2002). Numerous functions of the budget, particularly the management function, financial policy of a self-government territorial unit, and communication with the local community, are also indicated. Features such as clarity, understandability, and transparency of the provisions are important for the ability of actual and complete fulfillment of the transparency principle (cf. Filas & Piszczek, 1999).

The budget of a self-government territorial unit is a basic instrument of its financial management and, as an annual financial plan, being an expression of its potential management policy is a base for decisions and delineates the directions for self-government's actions in particular disciplines.

The significance of annual planning and budget is mentioned by Pakoński (2000), who emphasizes the management function of the budget, or Dylewski (2007), who claims that budget as a financial management tool is linked with collecting and spending public resources in a way that provides the maximum effect not only on the economy but also on the social level.

In practice, the budget of a self-government territorial unit, due to the diversity of its contents and features and to the use of different construction methodologies, is of diverse kinds and types which attest to its usefulness in self-government territorial unit operations management.

According to the PFA, the budget is defined as an annual plan of revenues, expenses, incomes, and expenditures of a self-government territorial unit. Apart from the information on planned revenues and expenses, the budget indicates the sources for addressing deficit and surplus.

A self-government budget is a general fund. For purposes of management and planning, it is divided into current budget and investment budget, as these two categories have different objectives. Current expenses serve for fulfilling local community needs in the near future (i.e., financial year), whereas the effects of investment expenses will be noticed by the local community in distant future. Therefore, the budgeting plan allocates a different source of revenues for each type of spending (cf. Kosek-Wojnar & Surówka, 2002, pp. 51-52).

Both legislative and executive authorities take part in the budget procedure of a given self-government level. The budget adopted by representative bodies of self-government authorities sets the limits of the self-government financial economy.

Budget management on an annual basis is very important not only from the viewpoint of task implementation, connected with granting or not the discharge to the executive body[3], but because the relations between particular budget categories, such as total revenues and current budget expenses, indicate the level of gross spare funds (net after subtracting debt servicing costs) that are used as a base for investment task planning. Only a thoroughly planned annual budget can indicate ways of saving money, an alternative, better way of implementing a task, or how to obtain better productivity or effectiveness parameters. Finally, it allows for the precise monitoring of the results of expenses. Perfecting budget planning methodology, when it comes to current expenses, which — as the latest research shows — not only increase but also become inflexible, determining the abilities of self-governments to finance the development, would improve the effectiveness of self-government territorial unit management (cf. Piszczek, 2016). In general, in the case of the current structure of budgets, 80% (in case of some self-government territorial units even 90%) of which are usually current expenses, the only alternative leading to the improvement of the financial condition of self-government territorial units and its correct estimate, is a task-based budget structure that would allow comparing similar units by type and economy (tasks) over time. It would also allow for the allocation, and in consequence, monitoring the full total cost of the tasks.

A tool that is perfect for annual planning is a task-based budget, which can also be used for planning in perspective longer than a year.

A task-based budget is a self-government territorial unit financial plan, in which the administration prepares detailed activity-and-finance plans for the disposers before classifying the predicted expenses in accordance with the budget classification in effect (Pakoński, 2000, p. 16). A budget task is defined as a basic budget structure unit, internally coherent, and representing quite uniform actions. For these tasks, the total cost is calculated, and appropriate responsible persons are assigned. (cf. Piszczek (in:) Filas, Piszczek & Stobnicka, 1999).

3 The discharge for self-government territorial units serves the purpose of controlling budget implementation by self-government territorial unit executive bodies. This control takes place once a year by the decision-making bodies of these units. The provisions in effect allow distinguishing four stages of the discharge procedure. The procedure **of discharging self-government territorial unit management** can be divided into: (1) evaluation of the budget implementation report for the previous year prepared by the self-government territorial unit management; (2) preparation of discharge application and its review; (3) resolution of a decision-making body of a self-government territorial unit concerning granting or not the discharge; (4) fourth stage, taking place only when the discharge was not granted, connected with the procedure commenced in order the application of management dismissal, which is a consequence of lack of discharge.

Task planning requires, on the one hand, estimating self-government territorial unit's financial capabilities, and preparing a set of planning data for the resource disposer or the person responsible for implementing the task on the other. It is a very important stage of the process of planning the budget, which should be well-managed and requires some planning process formalization, i.e., using appropriate tools and procedures. Task planning is a process of indicating what, how, by whom, and when should be done. There are different types of tasks: internal, external, permanent, one-year investment, direct, and indirect.

Task management is comparable to project management, as each task is treated as a sort of project, to which a person responsible for its implementation and financial resources is assigned, the duration is indicated, if necessary, subsequent stages of implementation are described. Last but not least, the desired effects are defined.

This confirms the thesis that a task-based budget is a multidimensional tool, and its implementation, apart from the advantages mentioned above, may not only contribute to the better use of financial assets of a self-government territorial unit but also serve as a base for construction of an evaluation or motivation system for employees, quality monitoring, or risk management.

Introducing the task-based budget to a self-government territorial unit as a finance management tools may deliver a range of measurable effects in the form of financial savings and improved financial management effectiveness. Moreover, it is worth mentioning that the task-based budget provides more opportunities for fulfilling certain functions. The advantages coming from the change in resources allocation, budget planning, or using some market mechanisms to evaluate the tasks, are also very important. Allocating based on objective assessment criteria based on careful calculation of unitary cost for each project, which is the opposite of the tendering and discretionary way of allocating resources or output management, allows comparing costs and choosing the best offer.

A correctly introduced task-based budget can improve self-government territorial unit operations, allow savings and better effectiveness (Piszczek, 1999).

Borowik (2013, p. 21) states that a task-based budget is a tool allowing integration of multiple tools into one coherent management system. The author lists quality management systems (e.g., ISO 9001, *CAF – Common Assessment Framework*), strategic planning, monitoring, evaluation, long-term financial planning, risk management, internal audit, internal control, results in measurement systems (e.g., *Strategic Balanced Scorecard*), and cost accounting among these tools. Therefore, task-based budget implementation can not only contribute to the better use of financial resources by self-government territorial units but also serve as a basis for employees' motivation or evaluation system.

This multi-dimensional tool is rarely used in Polish self-government territorial units despite many attempts to introduce it. A survey carried out by the Ministry of Finance in 2013 confirmed not only little interest in a task-based budget in relation to all the self-government units but also the poor quality of short-term planning in self-governments.[4]

On the state level, a task-based budget is an obligatory requirement, in effect for years. There are no regulations obliging self-governments to use the task-based budget though. It is a pity, as it would mobilize Polish self-government to improve their planning methods and ways of using their limited financial resources.

4. Public-private partnership (PPP)

In Poland, the public-private partnership is regulated by two basic acts: the Act of December 19, 2008 on Public-Private Partnership (Journal of Laws of 2009 No. 19, item 100) and the Act of January 9, 2009 on Construction Works and Services Concession (Journal of Laws of 2009 No. 19, item 101 and No. 157, item 1241). Therefore, previous legal acts related to the PPP ceased to be legally binding.

The legislator intended to create legal norms for the PPP operation that could become an equivalent model of tasks and infrastructural expenses financing. Both the PPP and a concession, in the legal sense, are specific forms of public service contracts.

In the contemporary public management system, government, and self-government administration transfer public functions to private entities. PPP should be understood as an entire field of cooperation of all sectors, in terms of the doctrine of state, economy, and society operation and regarding organizational activities leading to the assumed goal. The new approach to public management focuses on privatizing public tasks, assuming that if a given task or field of activity can be carried out on market terms, there is no reason for public authorities to do it themselves. This means that such a task is usually no longer financed by taxpayers, i.e., budget money, and the cost of such a task is partially financed by an interested private entity.

The essence of PPP is cooperation and sharing of risk when performing a task so that job and risk distribution can make most of the advantages of each project participant. This way, each party will be able to fulfill its tasks better than the other. Task and risk distribution within the PPP achieves the most economically effective way of creating infrastructure and providing public

4 www.mf.gov.pl

services. It is also assumed that each party benefits from the cooperation proportionally to its involvement. Key PPP elements are:

- cooperation of private and public sectors
- contractual nature of a civil law relationship
- purposeful nature of projects concerning carrying out ventures traditionally implemented by the public party
- optimal task distribution
- risk sharing
- mutual benefits

Moreover, in the literature, the long duration of contracts, which are concluded for 30 and more years within PPP[5], is usually mentioned as a characteristic element.

The PPP also assumes a specific type of contracts for such tasks. The most popular and complex are concession contracts.

Cooperation models within PPP may differ significantly. The most common are:

- **BOT — Build — Operate — Transfer.** In this type of contract, a private investor designs and builds an object, operates it, and finally transfers it to its public partner that fulfills regulatory and supervisory functions. The investment is financed by the public party, which is the owner of the infrastructure. In a BOT model, a private company is granted a concession to build and operate a facility, which would otherwise be constructed (as a public procurement contract) and operated by the public sector. Such a facility may be a power plant, airport, toll road, tunnel, sewage treatment plant, or telecommunication infrastructure.
- **DBFO — Design — Build — Finance — Operate.** In this type, private partner designs appropriate infrastructure, financing design and construction works by itself. For the duration of the agreement, the investment is usually private investor's property and is later transferred to the public entity. A variant in which the infrastructure belongs to a public entity is also possible, especially when the private partner's financial contribution is small at the investment stage. Unlike in the BOT model, the assumption of this model is to obtain a financial contribution from the private partner as early as the investment stage to build infrastructure with a bigger impact. This model is used when the public partner does not have enough resources to finance the investment or wants to minimize public resources contribution through searching private financing on the market. Contrary to a service concession and BOT models, the private

5 For example, the concession for construction and operation of the parking place on Plac na Groblach in Kraków was concluded for 70 years.

partner finances a part of investment costs, not only the operational costs during the operational stage.

- **DBML — Design — Build — Manage — Lease.** In this type, private partner plans and designs the infrastructure builds and activates it, and then maintains and manages it, making it available to entrepreneurs who conduct business activity using it. The difference between the BOT and this model is that the private partner does not only provide services in the infrastructure itself, or designs it (in terms of construction projects) but also plans it — business activity is carried out by the entities with which the project partner concludes appropriate agreements. In this PPP model, entity distribution of the operational and service functions takes place.

There are also other models or types of contracts, such as:

- **BOOT — Build — Own — Operate — Transfer**. In this type, a private partner is the owner of the infrastructure element constructed. After construction, it manages the assets and obtains benefits covering the costs of creating the infrastructure and ensures a specific return rate. The incomes come directly from the users of the infrastructure, who pay the service provider in exchange for using it. After some time, when the private partner has earned enough, the infrastructure is transferred to the public party free of charge.
- **DBO — Design — Build — Operate.** DBO projects are one of the forms of a public-private partnership. In a DBO project, the ordering institution concludes an agreement with a private sector company (or a consortium) for a project, construction, and operation for a given period of an infrastructure element. The resources come mostly from the public sector (including potential EU subsidies), which is the main difference between this model and the DBFO. The DBO method is used in many sectors and countries.
- **DBFM — Design — Build — Finance — Maintain**. This type is a well-known approach to PPP, in which the partner from the private sector is selected in an open competitive tender. Usually, several groups cooperate to form a consortium responsible for project, construction, and operation of the object, which provides an advantage in the form of a fully integrated process that may lead to innovative solutions. Some elements of the operation may be transferred to the private sector. The scope of these services is usually limited, and overall responsibility for object operation is kept by the public sector.

The ASD (*Alternate Service Delivery*) as a form of PPP, particularly when there is no need for a new object, is worth emphasizing.In this case, the public entity concludes a contract with a private entity only for the provision of services, mostly concerning the facility’s operation and maintenance, or provision of some services to external entities. These services usually encompass operation and maintenance of recreational facilities, operation and maintenance of self-government water-sewage networks, provision of public transport services, operation of municipal parking places, as well as the provision of IT services, and devices for the self-governments.

A public-private partnership can be based only on a public-private partnership contract or on a limited liability company, joint-stock company, limited company, or a limited joint-stock company set up for this purpose. The variant of setting up a special purpose vehicle may be used practically in each of the models described above. Depending on the decision of the public partner, it may prefer a looser contractual form without establishing a common organizational unit (a company) or a stricter one, requiring the establishment of such a unit (cf. (ed.) Korbus, 2010; Słodowa-Hełpa, 2014).

For years, the public-private partnership has been considered a very beneficial form of implementing infrastructural investments in many countries. A visible PPP popularity increase has been observed for the last few years. Since the middle of the 1990s, the number of PPP projects has increased over twenty times, reaching the value of USD 100 billion. The main area of PPP investment implementation is Western Europe.

The leader of PPP is unquestionably the United Kingdom, where 980 projects have been implemented since 1992, and ventures carried out using PPP instruments constitute 23% of all public investments. In Poland, a corresponding indicator is ca. 1%. The value of Polish projects is only 1.8% of the PPP market in the EU, whereas the value of British projects is 53%. In Europe, this form of public and private sector cooperation is common not only in the United Kingdom but also in Spain, Portugal, France, and Italy. This form of partnership is also more popular in Germany. High public debt made German self-governments use this instrument. Between 2002 and 2014, 194 contracts of a total value of EUR 7.6 billion (31.8 billion PLN) were concluded (cf. Słodowa-Hełpa, 2014, p. 14).

Outside Europe, the PPP is widely used in India, Australia, US, Japan, South Africa, or Canada. Unfortunately, in Poland, this instrument is still rarely used. Between January 2009 and December 2016, a total of 112 agreements were concluded. Among all 470 initiated procedures, 297 were canceled for different reasons. The fields in which PPP was used the most frequently were sport and tourism, transport infrastructure, energy efficiency, healthcare infrastructure, and water and sewage management. The value of the concluded contracts is ca. PLN 5.6 billion (cf. (ed.) Korbus, 2016, p. 31).

Undoubtedly, the still small popularity of PPPs in Poland is due to the fact that self-governments, which are the most active party when concluding contracts, have been successfully reaching for EU funds for many years.

Moreover, popularizing the knowledge about concluding favorable contracts within PPPs is very important. In its mission, the Ministry of Development included the popularization of this tool, believed to be more complicated and therefore requiring more knowledge, appropriate negotiation, and forecasting skills. Risk and responsibility distribution among the parties of the contract, the duration of which is several decades or the choice of the appropriate form of cooperation and the contract, also depending on the type of financial task, is surely a challenge for the parties to the contract.

5. Internal audit and internal control

Internal audit and internal control are instruments supporting management in public finance sector units. The main aim of their implementation to the practices of public finance sector units is to increase their effectiveness through introducing techniques and methods of its evaluation.

Internal control replaced the financial control through the Public Finance Act of August 27, 2009 (Article 68(1)) (Journal of Laws of 2013, item 885 as amended), with a legal effect as of 2010. Internal control answers the question regarding the way of fulfillment of goals and tasks by a public finance sector unit and focuses particularly on ensuring:

- compliance of the activity with the provisions of law and internal procedures
- effectiveness of activity
- reliability of the reports
- assets protection
- following and promoting of ethical conduct rules
- effectiveness of information flow
- activity risk management

The functioning of internal control in public finance sector units is coordinated by the Minister of Finance, which, among other things, issued 22 standards of internal control the aim, of which is to improve internal control systems. They were divided into five problem areas: internal environment, risk management, control mechanisms, information and communication, monitoring, and evaluation. These standards are not divorced from the activities of the units but integrated with their management process. Internal control is a system including diverse procedures and instruments, which should assure that the goals of the unit are fulfilled and is a functional control because it is related to implementing the management function (cf. Nowak, 2017; Sołtyk, 2017).

The internal audit was also defined in the Act of August 27, 2009 (Journal of Laws of 2013, item 885 as amended), Article 227, and shall be understood as an objective and independent activity. The aim is to support the manager of the unit in fulfillment of goals and tasks through systematic evaluation of internal control and advisory activities. The main task of an internal audit is the evaluation of adequacy and effectiveness of internal control in such units in an objective and independent manner. The auditor focuses on two types of tasks: assurance and advisory. Assurance tasks aim to evaluate the internal control system and its most important areas as well as to recommend particular ways of improving a unit's functioning. Advisory tasks encompass other recommendations, supporting diverse processes agreed upon with the manager of the unit, meeting the requirement of internal audit independence.

Just as in the case of internal control, conducting an internal audit in public finance sector units requires following the standards of the Minister of Finance, which, in turn, follow international standards and include:

- internal audit attributes standards defining the goals of the organization and persons carrying out internal audit activities,
- operating standards describing the nature of internal audit operation and the qualitative criteria of their assessment,
- implementation standards concerning specific types of tasks and include standards of assurance and advisory tasks (cf. Nowak, 2017).

Internal audit includes diverse techniques and methods, which make it an effective instrument supporting public finance sector units.

It contributes to effective operation, allowing for unit operation evaluation in terms of different criteria: compliance with the law, reliability, transparency, and clarity. Therefore, an internal audit brings a certainly added value to the units. Internal audit and control are public finance sector where unit management instruments can achieve complex goals and improve the operation of such units.

The research conducted in the area of the use of internal control as a management tool demonstrated that the authorities are not determined to use it or even understand its place in the self-government territorial unit management system. Similarly, internal audit is associated rather with an unpleasant duty than with the increase of management efficiency. This is why making internal audit an obligatory tool also in the units that are currently legally exempted from such obligation is worth considering. As always, the methodology of the audit and the implementation of its conclusions is a core organizational factor that may contribute to the improvement of the use of this tool. The correct design, proper implementation, and smooth functioning of internal audit and control are crucial for their efficiency as management tools. These solutions must include the internal conditions of self-government territorial units. (cf. Nowak, 2017; Sołtyk, 2013; Lisiński (ed.), 2011).

6. Conclusions

In order to improve their resource management, self-governments can use diverse instruments. Both long-term financial planning and annual budget may be used in practice for effective self-government territorial unit management. Long-term planning increases the awareness of future threats of the decision-making bodies in self-government and indicates potential new opportunities, which would not be found without it.

Similarly, a task-based budget, despite the increased workload it requires, provides better analytical capacity and better support for decision-making.

In turn, the PPP as a specific form of carrying out public tasks allows not only for risk diversification but also faster completion of tasks that the self-government is not able to carry out due to budget or time constraints.

Finally, introducing an internal control and internal audit contributes to better control of public resources used.

In summary, it is worth emphasizing that, as a country, we are still in the process of learning and implementing diverse techniques of modern public sector management in territorial self-government units, so we need to popularize and improve them and make them the good standard of work.

This, however, requires determination and elimination of many of the legal and organizational barriers which today are identified.

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