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NORMATIVE DETERMINANTS OF EFFECTIVE MANAGEMENT OF MUNICIPAL RESOURCES

ABSTRACT

Correct and effective management of the resources of municipal authorities constitutes an essential factor in achieving the systemic goals of local government administration and performing public tasks in accordance with the expectations of the local community. The effectiveness of managing these resources depends on creating appropriate legal, organizational, financial and property conditions for regional or local authorities. The legal possibility of conducting business activity within the municipal economy, and a number of planning, organizational and supervisory competences, also play a key role.

The objective of this article is to present the issue of the effectiveness of the management of municipal resources from the legal and administrative point of view. The subject matter of the article includes indicating the legal norms that determine (in the methodological approach) the effective management of the property and finances of the municipality and the laws regulating the obligations of entities responsible for the proper management of municipal resources. The role of corporate governance in achieving the effectiveness of municipal property management, and the principles and criteria of management control and internal audit as an element of the system for assessing the effectiveness of the management of municipal resources, are also presented.

KEYWORDS: *Law, municipality, resources, management, efficiency*

INTRODUCTION

Correct and effective management of the resources of municipal authorities constitutes an essential factor in achieving the systemic goals of local government administration and performing public tasks in accordance with the expectations of the local community. The effectiveness of managing these resources depends on creating appropriate legal, organizational, financial and property conditions for regional or local authorities (Leoński 1999, pp. 21-45). The actual ability to perform effective management is ensured, in turn, by granting regional or local authorities autonomy, the attribute of which is entrusting local government with the exclusive right to perform specific tasks, granting legal personality and judicially protected autonomy, as well as the right to shape its internal structure (Garlicki, 1999, p. 214; Mączyński, 2011, pp. 15-30). The legal possibility of conducting business activity within

the framework of municipal economy, and a number of planning, organizational and supervisory competences, also play a key role.

Thanks to the aforementioned systemic guarantees, the municipal authorities may autonomously (within the limits of the law) choose the form and method of managing municipal resources, taking into account, for example, the economic situation or the supply of services (Dolnicki (ed.) 2017, p. 17). An important factor shaping the method of managing the resources of the municipality is also the legal requirement to implement the principles of sustainable development, the aim of which is to guarantee the possibility of meeting the basic needs of individual communities or citizens within the framework of harmonized actions taking into account environmental aspects (Sitek, 2009, p. 79; Przybyłowski, 2012, p. 241).

The objective of this article is to present the issue of the effectiveness of the management of municipal resources from the point of law and administration. The subject matter of the article includes indicating the legal norms that determine (in the methodological approach) the effective management of the property and finances of the municipality and the laws regulating the obligations of entities responsible for the proper management of municipal resources. This paper also presents the role of corporate governance in achieving the effectiveness of municipal property management, and the principles and criteria of management control and internal audit as an element of the system for assessing the effectiveness of the management of municipal resources.

Due to the legal nature of the study, the theses of the article have been based mainly on publications by representatives of the science of administrative law, with references to the extent necessary to the achievements of management sciences. The implementation of the objectives of the article and confirmation of the adopted theses was possible without referring to economic methods of calculating and measuring the efficiency of expenditures, which goes beyond the scope of this paper.

1. LEGAL CONDITIONS FOR THE MANAGEMENT OF MUNICIPAL PROPERTY

The resources of local government in light of the applicable law include property, financial and personnel resources. The broad scope of tasks of municipal authorities and, consequently, the multitude of processes taking place mean that the management of these resources requires an appropriate degree of formalization. However, as J. Łukasiewicz has stressed, the limit of this formalization should be set by the level of effectiveness necessary to maintain the flexibility of the administrative actions (Łukasiewicz, 1990, p. 141; Opalińska, 2022, p. 527-540).

The analysis of the legal provisions governing the management of public administration resources indicates that formalization in this area is not very detailed, but it permits the achievement of efficiency in the organizational and financial sphere to a certain extent. The legal standards for the management of municipal resources should include the relevant provisions of the Act on Public Finances, the Act on Municipal Authorities and the Act on Municipal Economy, as well as the Public Procurement Law, which permit local government authorities to determine and manage resources and monitor the correctness of their use to a sufficient extent to meet the criteria of effective management (Journal of Laws of 2023, item 1270; Journal of Laws of 2024, item 1465; Journal of Laws of 2021, item 679; Journal of Laws of 2024, item 1320). In addition, they designate the areas, methods and legal forms of such management and indicate the entities responsible for this sphere of administrative activities. However, the legal provisions do not regulate detailed methods of property management, leaving this competence to entities managing the public property.

One of the requirements for proper management of local government administration resources is the identification of the property it manages. This is performed by definitions of public property worded both in the science of administration and included in legal norms. They allow for the separation of local government property based on the criteria of ownership, management entities and the purpose of the property (Dybowski, 1998, p. 275)^[1].

Public property from the point of view of its affiliation is divided into:

- a. state property, the ownership of which is vested, pursuant to Article 44¹ of the Civil Code, in the State Treasury and other state-owned legal persons (Journal of Laws of 2024, item 1061),
- b. local government property, including:
 - ownership and other property rights belonging, pursuant to Article 43 of the *Act on Municipal Authorities*, to individual municipalities and their associations, and the property of other municipal legal persons, including enterprises – the municipal property (a narrower definition).

According to the criterion of the intended use of property – local government property includes property whose intended use is autonomously decided by local government bodies, while the applicable legislation requires that all decisions in this respect not only have a legal basis, but also take into account the implementation of the basic objective of municipal authorities, which is the implementation of their own tasks, including mainly meeting the collective needs of the local community (Boć, Błaś, 2003, p. 291 et seq.). This undoubtedly indicates the praxeological dimension of the management of resources of the municipal authorities.

The basic determinant of effective management of the property resources of a municipality has been referred to in Article 50 of the *Act on Municipal Authorities*. The provision at issue requires special care in managing municipal property. It also indicates three important standards, the meeting of which is necessary to ensure the efficient functioning of the system. The first one requires that the actions of the entities managing the resources be characterised by care for meeting legal and extra-legal requirements (economic, social, technical) and commitment to the effective and economical use of the resources at their disposal. The second standard indicates the obligation to use property only for the implementation of the adopted objectives, which constitute the basis for the management and acquisition of a given property. The third requirement concerns the protection of property and directs the entities managing it to take actions to eliminate disruptions in its use (resulting from the lack of appropriate protection

of property against the negative impact of external factors) (Journal of Laws of 2024, item 1465; J. Sulimierski, 2002, p. 76) .

Legal norms assign property entities managing the responsibility for its proper management. The legislator included the municipal council, the executive body and authorized managers of organizational units of the municipality among the entities responsible for meeting property management standards. The competences of the municipal council in this respect include adopting resolutions in property matters concerning the principles of real estate management, incurring *larger* obligations (above the annually established limit), and also in other matters reserved by law for the competence of the council. The executive body is responsible for the management of municipal property and may grant appropriate powers of attorney to subordinate managers of organizational units (Journal of Laws of 2024, item 1465).

The legislator also indicates two methods, an administrative and a civil one, with which the entities responsible for property may decide on its management. The administrative method consists of administrative and legal forms of administration activity, such as the adoption of resolutions by the municipal council and the issuing of individual administrative decisions by the municipality administrator or heads of organizational units authorized by them. The civil method of property management includes undertaking legal transaction based on the principles of civil law in the form of the executive body and authorized persons submitting declarations of intent on behalf of the municipality.

The defining of property management methods also provides legal security to the effectiveness of decisions made. When applying the administrative method, this will be done through the possibility of appealing against resolutions that are inconsistent with generally applicable law and repealing defective administrative decisions. Under the civil method, it will be possible to seek appropriate quality of management through proceedings before a common court (Guziński , Kocowski, 2003, p. 296). The interests of the municipality related to the property management by the executive body or authorized managers of municipal units are also secured by the requirement contained in Art. 46 of the *Act on Municipal Authorities* for an appropriate countersignature of the municipal treasurer (chief accountant) or a person authorized by him/her, if a legal transaction could give rise to financial liabilities.

In the event of refusal to provide such a countersignature, the treasurer is obliged to notify the municipal council and the regional accounting chamber of this fact (Journal of Laws of 2024, item 1465).

The legislator also used praxeological standards to define the main criteria for performing tasks of a public utility nature, stating in art. 1 sec. 2 of the *Act on Municipal Economy* that such tasks should be performed in a way that ensures ongoing and uninterrupted satisfaction of the collective needs of the population by providing generally available services. The fulfillment of this obligation is in turn to be facilitated by the legally regulated competence of the municipal authorities to choose the method and forms of municipal economy, and the possibility of entrusting the performance of tasks in the field of municipal economy to basically all entities operating in legal transactions, while maintaining the relevant provisions of the *Act on Public Finances* and the *Public Procurement Law* (Journal of Laws of 2021, item 679). The doctrine indicates that when choosing a specific form of implementing tasks, the municipality should take into account various factors, such as the economic situation or the supply of services (Dolnicki (ed.), 2017, p. 17).

An important issue related to ensuring effective management of the resources of municipal authorities is to equip it with such type and quantity of property that will enable the proper performance of public tasks specified by law. The normative detail of the solutions adopted in the legislation, including the definition of the methods of acquiring this property in an administrative and legal form (municipalization, agreement of municipalities, decision of the Prime Minister on the transfer of property in connection with the creation or change of borders, based on the regulation of the Council of Ministers) or in a civil and legal form (as a result of own business activity and as a result of other legal acts) seems sufficient, because it permits the municipal authorities to autonomously decide on the acquired property, which contributes to improving the efficiency of its use (Sulimierski, 2002, pp. 77-84).

It should be emphasized, however, that in accordance with basic management standards (e.g. ISO quality standards), the decision to acquire property should be preceded by an analysis of its usefulness and the possibility of its effective use in view of the planned and implemented objectives and the amount of the relevant costs. The acquisition of property should be characterized

by an efficient conduct of the property transfer procedure and its reliable inventory and appropriate security, and the subsequent use in accordance with the intended purpose resulting from the tasks performed.

The normative regulation regarding the management of municipal property does not, in principle, indicate the style of managing these resources, and leaves the decision in this respect, in accordance with the principle of autonomy, to the entities responsible for the proper management of this property (more: Sitek, 2018, 127-143).

2. CORPORATE GOVERNANCE AS A FACTOR ENSURING THE EFFECTIVENESS OF MUNICIPAL PROPERTY MANAGEMENT

The factor ensuring the appropriate quality of implementation of public tasks when using local government property is the owner's supervision exercised by the regional or local authorities over the activities of municipal companies. Supervision in public administration is defined as the legal possibility of influencing by a public administration body on the activities of subordinate bodies or institutions (Dawidowicz, 1970, p. 35). The literature also stresses that supervision is a qualified form of control, under which an organizationally superior body has the means of sovereign influence over a subordinate body (Boć, 1998, p. 351). Owner's supervision, on the other hand, is not clearly defined. Usually, this concept refers to the enforcement by owners of proprietary rights from persons and bodies appointed to manage a given entity. Owner's supervision is also a narrower concept than the concept of corporate governance [in Polish: *ład korporacyjny*], which refers to the relationship of an entity with its shareholders and other interested parties, such as suppliers of external capital, management board, customers, employees, state administration bodies and the local community (Andrzejewski, Grabiński, 2016, p. 11).

Owner's supervision over municipal companies primarily includes the verifying of the correctness of municipal economy management by budgetary establishments or commercial law companies. As Ł. Żabski correctly points out, owner's supervision over municipal companies expresses the intention

to reconcile the interests of company owners and stakeholders with respect to management of municipal property, in order to satisfy the needs of both parties (Żabski, 2016, p. 172). This supervision on behalf of the entity is exercised directly by the executive body, acting as a meeting of partners or a meeting of shareholders, depending on the adopted organizational form. Indirect supervision is also exercised by the law-making body, which, within its competences, decides on property matters of the regional or local authorities.

As part of the supervision, municipal authorities may assess the effectiveness of management and, consequently, the effectiveness of implementing public tasks within the framework of the granted competences by exercising formal, substantive and organizational and financial supervision, and, adequate to the needs, by applying legal forms of authoritative influence on the supervised entities.

A formal supervision consists of verifying the correct functioning of corporate bodies and is carried out by appointing and dismissing members of the supervisory boards, approving the regulations of the company's enterprises, approving the regulations of the management boards and the supervisory boards of companies and the regulations of the meetings of shareholders, and assessing the documents necessary to hold a meeting of shareholders. Substantive supervision is carried out by approving plans and reports on the activities of companies, ensuring ongoing cooperation with companies in the implementation of their statutory tasks, coordinating the coherence of the companies' activities with the adopted strategies, making decisions on changes to the companies' articles of association/statutes, and preparing draft resolutions of the decision-making bodies relating to key areas of the companies' activities. Economic and financial supervision, in turn, consists of reviewing and approving the financial reports of the management board on the activities of companies, including the financial report for the previous financial year, analyzing and assessing the economic and financial situation of companies, obtaining information on the companies' investment expenditures, as well as making decisions on the distribution of profit or covering the loss.

The analysis of the presented forms of owner's supervision indicates that regional or local authorities can actually influence the effectiveness of property management by appropriately shaping the strategic and operational objectives

of companies – directly or through appointed corporate bodies – to direct the way of carrying out tasks to ensure quality consistent with the expectations of the recipients of local government administration activities.

3. STANDARDS FOR EFFECTIVE MANAGEMENT OF MUNICIPAL FINANCIAL RESOURCES

The applicable legislation, in contrast to the legal regulation of property management, sets out in detail the standards of financial management. The rationality and efficiency of the financial management of the administration, in addition to the exercise of administrative power, is the main element influencing the proper functioning of the entire administrative system and its individual processes, and any disruptions to this economy are felt first by citizens (more: Buczyński et al, 2016, 114).

The basic determinants of effective management of the financial resources of a municipality include the principles of financial management regulated in the *Act on Public Finances* (Journal of Laws of 2023, item 1270). The statutory determinants of effective financial management can be divided into three groups. The first group includes general principles of public finance management, including standards for income and expenditure planning, rules for their implementation and control, as well as the competences of the entities responsible for meeting these standards. The second group consists of detailed *technical* standards for preparing and then implementing adopted financial plans, the detailed discussion of which goes beyond the subject of this paper. The third group of determinants, in turn, specifies the responsibility of entities managing these resources for the occurrence of any irregularities in the functioning of the financial system, which hinder the implementation of intended objectives, in accordance with established legal requirements and expectations.

As M. Jastrzębska correctly points out, the effectiveness of expenditures of a regional or local authority is achieved through skillful management of the regional or local authority's finances and proper use of financial management instruments, i.e. task-based budget, multi-annual financial forecast, analysis

of financial indicators, creditworthiness, debt forecast and identification and estimation of financial risk (Jastrzębska, 2016 p. 49).

The basic standards concerning the rules of planning the financial management of a commune have been included in the *Act on Public Finances*. For example, Article 52, sec. 1, points 1 and 2 of this Act indicate the method of determining the level of income and expenditure included in the budgets of public finance sector entities, according to which income should constitute forecasts of their size, while expenditures and outlays should constitute an absolute limit. Such a wording requires the entity to reliably forecast and develop budgets, and in the case of expenditures – to strictly implement the adopted intentions. It should be stressed that legal planning principles guarantee the certainty of implementing plans only to a limited extent. Revenues (from specific sources) or expenditures (for specific purposes) included in financial plans do not constitute a basis for claims or liabilities against third parties, nor claims of these persons against regional and local authorities. On the one hand, this allows for maintaining the necessary flexibility of operation, but on the other hand, it transfers the burden of incorrect planning and functioning of the financial system to the external sphere of administration (Article 51, sec. 2 of the *Act on Public Finances*, Journal of Laws of 2023, item 1270). A positive exception to this rule is the obligation to transfer to regional or local authorities the full amount of subsidies planned for them in the state budget, which undoubtedly ensures effective financial management and, consequently, increases the guarantee of carrying out the planned tasks.

From the point of view of effective management of financial resources, local government administration income should be classified according to the influence of financial management entities on their level. It should be noted that such a division is possible based on applicable legal regulations. Municipal income, the level of which depends exclusively or mainly on the organizational efficiency of municipal units, may include taxes, fees, municipal property incomes, proceeds from self-taxation of residents, as well as other proceeds (for example funds from the European Union budget). Appropriate actions taken by the municipality can effectively improve financial resources, and consequently ensure better satisfaction of the needs of the local community.

The level of income obtained in comparable periods will be a measure of the effectiveness of the bodies responsible for managing the financial resources.

Financial management standards also include the principles of making expenditures. These principles, included in Article 44 of the *Act on Public Finances* are an example of regulations referring to praxeological principles. The legal standards that constitute determinants and at the same time measures of effective management of municipal finances include the obligation to make expenditures:

- for the purposes and in the amounts specified in the budget act, the budget resolution of a regional or local authorities or the financial plan of an organizational unit of that authority,
- in accordance with the provisions of individual expenditure,
- in a way that enables timely execution of tasks,
- in the amounts and terms resulting from previously incurred liabilities,
- on the principles specified in the *Law on Public Procurement* in the case of purchases, supplies and services (Journal of Laws of 2023, item 1270; Gilowska, 1999, vol. 3)^[2].

The content of these standards indicates that the normative criteria for assessing effective financial management are primarily the legality, purposefulness and timeliness of expenditure, and the principles of conducting public procurement (for example, transparency, the principle of fair competition and selection of the most advantageous offer). In the case of the other standards contained in Art. 44 sec. 3 item 1 a and b of the *Act on Public Finances*, including the obligation to spend in a purposeful and economical manner, while maintaining the principle of obtaining the best effects from given expenditures and making some expenditures following an analysis and assessment of the effects to date, it should be stated that these regulations are too general to be fully used to enforce the proper execution of expenditures and to measure their effectiveness (Journal of Laws of 2023, item 1270). The Act on Public Finances does not provide a definition of purposefulness and economy. Therefore, when assessing the effectiveness of financial management, the criteria and measures of the effectiveness of actions developed by management science should

also be taken into account (Zalewski, Kociński, Solecki, Turowski, Wysocki, Duda, Skiba, Szarycz, Tomaszewski, 2000, pp. 7 et seq).

The Act on Public Finances introduces solutions in Chapters 3 and 4 that secure the correct management of financial resources by establishing restructuring procedures and general principles for incurring liabilities by public finance sector entities other than the State Treasury. These regulations can limit the risk of losing financial liquidity, which could as a result prevent the implementation of planned tasks (Journal of Laws of 2023, item 1270).

The next group of standards consists of the provisions of the *Act on Public Finances*, which define competence and responsibility for the proper management of financial resources, and in relation to municipal authorities, the relevant provisions of the *Act on Municipal Authorities* will additionally apply. In accordance with Art. 53 sec. 1 of the *Act on Public Finances*, the entity responsible for the entire financial management is the manager of the entity (Journal of Laws of 2023, item 1270). The provisions of the *Act on Municipal Authorities*, which after amendments in 2002 provide for the single-person responsibility of the municipality administrator for the correctness of the financial management of the municipality, also correspond to this provision (Journal of Laws of 2024, item 1465). Article 247 of the *Act on Public Finances* also provides for the responsibility of the executive body for general supervision over the implementation of the income and expenditure, revenues and outlays of the budget of a regional or local authority, specified in the resolution on the budget (Journal of Laws of 2023, item 1270). This provision is therefore a competence standard enabling the executive body to control the correctness of implementation of the budget adopted by the municipal council (Sawicka, 2002, p. 279).

The executive body of the municipal authority has also been granted the power to block planned budget expenditures (as is the case for the Minister of Finance with regard to the entire state budget and for the administrators of budget parts with regard to their own part). Such decisions may be taken when mismanagement in specific entities, delays in the implementation of tasks, an excess of funds and a breach of the principles of financial management are found, and the executive body must notify the municipal council of such a decision. The executive body of the local government is responsible for the implementation of the budget adopted by the legislative body

and is obliged to submit to this body and the regional accounting chamber a half-yearly and annual report on the implementation of the adopted budget. The degree to which expectations in the area of financial resources management are met is determined by the granting or refusal to grant a discharge to the entity managing these resources (Journal of Laws of 2024, item 1465).

4. PRINCIPLES OF RESPONSIBILITY FOR INEFFECTIVE FUNCTIONING OF THE MANAGEMENT SYSTEM OF THE MUNICIPALITY'S FINANCES

The legislation links the prerequisites for the responsibility of these entities for the *flawless* functioning of the system of municipal finances with the issue of the competence of the entities managing financial resources. The legislation indicates the most important irregularities, the occurrence of which results in mandatory responsibility of persons managing the financial management of a given institution. The determination of sanctions against persons responsible for disruptions to the system (managers of public finance sector entities) determines the organizational actions they undertake, aimed at eliminating failure resulting from defective processes occurring within the system. The prerequisites of responsibility for system disruptions, which are also determinants of the quality of financial management, have been defined in the *Act on responsibility for breach of public finance discipline (previously in the Act on Public Finances)*. They define the limit, the exceeding of which justifies the statement that the financial resources management system does not ensure the appropriate quality of the internal organization of individual public administration units. The reasons for responsibility for the breach of public finance discipline, indicating low quality of action in this area, include, among others:

- failure to establish public dues, as well as to collect, establish or claim at an amount lower than that resulting from a correct calculation, and discontinuing them in violation of the law or allowing them to become time-barred,
- exceeding the scope of the authority to make expenditures from public funds, changes to the budget or to the financial plan and to contract obligations without the authority or while exceeding the scope of the authority,

- the allocation or transfer of the funds from the European Union budget and other funds from foreign sources that are non-returnable, without observing or in breach of the procedures applicable to their transfer, and the use of such funds contrary to their intended purpose or the applicable procedures,
- non-payment or underpayment of relevant benefits or contributions,
- violation of the principles and procedure for granting subsidies from the budget,
- awarding a public contract without applying the procedures specified in the public procurement regulations or in breach of the provisions on the conditions for applying individual procedures for awarding a contract, and the subject matter or conditions of which were specified in a way that violated the principles of fair competition,
- failure to meet the obligations of a public finance sector entity and, as a consequence, depletion of public funds due to the payment of interest for late payment,
- showing data in the budget report that is inconsistent with the data resulting from the accounting records,
- permitting by the manager of the entity, as a result of negligence or failure to fulfil financial control obligations, a reduction in proceeds due to the state budget or the budget of a regional or local authority, as well as incurring an expenditure resulting in exceeding the amount of expenditures specified in the annual financial plan, or violating the provisions on the award of public procurement contracts in situations specified in the Act (Act of 17 December 2004 *on liability for violation of public finance discipline*, Journal of Laws of 2024, item 104).

The analysis of the premises of liability for the violation of public finance discipline indicates that there are legal grounds for enforcing the appropriate effectiveness of actions in the sphere of municipal finance management. These premises also determine the management to undertake appropriate organizational actions and emphasize the obligation to engage in obtaining the effectiveness of financial management of local government administration.

Selected elements of the system for assessing and monitoring the effectiveness of management of municipal resources

Monitoring and assessing the management of municipal resources is another factor determining the appropriate level of effective resource management. Limiting the discussion on this topic to the internal assessment system, it should be noted that the standards in this area have been regulated in the Act on Public Finances and in implementing regulations pertaining to the principles and obligations related to ensuring the functioning of management control and internal audit. Pursuant to art. 67 of the *Act on Public Finances*, management control in public finance sector entities includes all of the activities undertaken to ensure the implementation of objectives and tasks in a manner consistent with the law, effective, economical and timely. The purpose of this control is to ensure, in particular, compliance of the public sector entity's activities with the provisions of the law and internal procedures, effectiveness and efficiency of operations, credibility of reports, protection of resources, compliance with and promotion of ethical conduct principles; effectiveness and efficiency of information flow and risk management (Journal of Laws of 2023, item 1270).

It should also be emphasized that the results of management control may be burdened with the risk of a lack of objectivity. This is because the control is performed by services and people located within the controlled structure. In the vast majority of units, management control is in fact limited to the completion of questionnaires by unit managers and the submission of a statement on the status of the management control. These documents often indicate that all processes subject to the control are carried out without any disruptions, which is usually not corresponding to the actual state.

Another element of the internal system for assessing the effectiveness of managing municipal resources is an internal audit. The internal audit in the public sector differs from the management control primarily in terms of its scope and subject of assessment. This is because an audit includes both checking the compliance of the actual state with the required state and (as emphasized by J. Maj) serves as an advisory and support function for the manager of the organizational unit in assessing the management of public finances" (Maj, 2004, p. 5; Kuc, 2002, p. 71 et seq.; Czerwiński, 2003, p. 7 et seq.). The definition of an audit referred to in the quoted act should, therefore, be considered accurate, namely, in that it includes the implementation of

objectives and tasks through systematic assessment of management control (according to the criteria of adequacy, effectiveness and efficiency) and advisory activities (Płoskonka, 2005, p. 12). This means that within the framework of the assessment of the functioning of management control, an internal auditor may assess the effectiveness and efficiency of managing municipal resources, and for this purpose examine, for example, the reliability of accounting records, the correctness of financial management, or the legality and efficiency of municipal property management (Journal of Laws of 2023, item 1270; Sawicka, 2002, pp. 281-283).

A drawback of legal regulations in this matter is the incomplete scope of the subject of the audit, which in the case of local government has been limited only to local government units collecting significant financial resources or making *significant* public expenditures, i.e. if the amount of income and revenues or the amount of expenditures and outlays included in the budget resolution of the local government unit exceeded PLN40,000 (Journal of Laws of 2023, item 1270). It should be noted, however, that Article 274 sec. 4 permits the possibility of conducting an internal audit in public finance sector units whose managers decide to conduct an internal audit.

SUMMARY

To sum up, on the issue of legal and organizational standards of effective management of municipal resources, it can be stated that efficiency that is in accordance with the law and acceptable to the local community is achieved through the legal formalization of the principles and methods of managing municipal property and finances, the obligations of bodies and persons responsible for the proper functioning of the municipal resource management system, and a reliably conducted assessment of the system's efficiency within the framework of a management control and an internal audit. An important role in ensuring the efficiency of operation is also played by the owner's supervision of the regional or local authorities (formal, substantive and organizational & financial), as well as the possibility of applying, adequate to the legal situation, forms of authoritative influence on supervised entities.

Another factor counteracting ineffective management of municipal resources is the responsibility of the management of the regional or local authorities for violating the discipline of public finances and a wide range of acts constituting such a violation. The functioning of the management control and the internal audit in municipalities also has a positive impact on the efficiency of communal resource management; however, the results of the management control may be biased due to its performance by employees employed in a given regional or local authority.

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LIST OF LEGAL ACTS

Act of 27 August 2009 on Public Finances (consolidated text: Journal of Laws of 2023, item 1270).

Act of 8 March 1990 on Municipal Authorities (Journal of Laws of 2024 , item 1465).

Act of 20 December 1996 on Municipal Economy (Journal of Laws of 2021, item 679).

Act of 11 September 2024 – Public Procurement Law (Journal of Laws of 2024, item 1320).

Act of 23 April 1964 – Civil Code (Journal of Laws of 2024, item 1061).

Act of 17 December 2004 on liability for violation of public finance discipline (Journal of Laws of 2024, item 104).w

ENDNOTES

^[1] The author states that municipal property consists exclusively of property rights, i.e. those whose value can be expressed in money.

^[2] (Journal of Laws of 2023, item 1270). The author aptly points out that *a specific task (intention, undertaking) does not become a public task because the expenditure for its implementation was included in the budget or financial plan. A public task must be indicated in the act as the duty of a specific public authority.*