

Financial and legal aspects of local government units' promotion measures

Barbara PAWEŁKO-CZAJKA
WSB University of Wrocław, Poland
Jędrzej CZAJKA
University of Economics in Wrocław, Poland

Abstract:

Aim: The aim of the paper is to discuss how local government units perform their direct responsibilities in light of the audit practice of Najwyższa Izba Kontroli (NIK) (Supreme Audit Office). Effective promotional measures on the part of local government units (LGUs) contribute to improved quality of services they provide, to enhancing LGUs' positive image, to raising their attractiveness and competitiveness, to reducing unemployment as well as to strengthening local identity.

Design / Research methods: The first section of the paper is concerned with placing the LGU's promotional measures within the framework of local marketing theory. Next, the discussion centers around the legal basis for conducting promotional activities and their place within the LGUs' direct responsibilities, at their various levels. What deserves to be highlighted is the differentiated focus of provisions on self-governing commune, district and voivodship. The subsequent section of the paper analyses the rules on budgeting the LGU's promotional actions. The paper ends with a discussion on audits carried out by NIK within the scope of LGUs' promotional activities. The method employed consisted in a critical analysis of the relevant provisions of law, academic literature and information on NIK's audit findings.

Conclusions / findings: The provisions applying to tasks pertaining to promotion have been formulated in a very general way, and so the authors decided to compare them with the interpretation of an audit body, such as NIK. A particular emphasis was placed on financial aspects of promotion by local governments, as they are the focus of NIK's interests, with the Office conducting audits based on the criteria of legality and cost-effectiveness.

Originality / value of the paper: Through its discussion of audit findings referring to LGUs' promotional actions, the paper sheds new light on the very general provisions constituting their legal basis.

Implications of the research: This paper may be of practical assistance to LGUs' employees responsible for promotion in terms of good and bad practices – from the view of audit authorities.

Limitations of the research (if applicable): Not applicable.

Keywords: Local government, promotion, finance, NIK (Supreme Audit Office) administration, local marketing.
JEL: M31, M38, H72, H76

1. Introduction

Devolution of powers in Poland affected the creation of the new role to be played by local governments as they assumed responsibility for their development managing it by themselves. On the one hand, local governments were endowed with more freedom to determine directions of their development, yet, on the other hand, they became more dependent on the surrounding conditions and the mechanisms governing market economy. Since local governments cannot confine themselves to traditional forms of providing public services to local communities, they have become market-oriented, focusing on the needs of their consumers. Local governments accomplish these goals through promotion measures which are a category of direct responsibilities, with this category being, however, little specified. Whether a particular task may be classified as one covered by the category of tasks promoting a given unit is every time determined by the type and character of the task.

The aim of the paper is as follows: to characterize the tasks related to promotion of local government units (LGUs), with these tasks being classified as their direct responsibilities; to discuss financial aspects involved in those tasks and the irregularities which were most likely to be indicated in the information on audit findings made by the Supreme Audit Office (NIK).

2. Local marketing and LGU promotion

In Poland, the development of local marketing dates back to the political transition of 1989 (Sekuła 2005: 216). By virtue of the Act of 8 March 1990 on Commune Local Government (Official Journal 2017, item 1875, as amended), the first units of local government were established – communes (gminy). The development and consolidation of local marketing were influenced by marketing and economic factors, as well as those related to the political system.

The marketing factor group encompasses the evolution of marketing concepts and a more widespread application of marketing- not only across markets with consumer goods but also across service companies and non-profit organizations.

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Among the economic factors one could name the following: a shortage of resources available to local governments to perform their responsibilities, a shift from focusing exclusively on satisfying the current needs to long-term strategic development, an increased economic role of local governments (transfer of taxes, EU funds), a growing role of the services sector in the economy (including public services), eliminating negative consequences of business cycles (fighting unemployment at the local level) (Sekuła 2005: 217).

Moreover, the political factors comprise the following: the fact itself of establishing local government units of different levels – communes (gminy) since 1990, districts (powiaty) and voivodships since the Acts on District and Voivodship Governments came into force, i.e. since January 1, 1999 – greater identification of residents with local and regional community, and an increased role of local governments in a global perspective (Sekuła 2005: 218).

According to the classical approach, marketing is understood as a management process which involves identifying, predicting and satisfying consumers' needs, while taking into account social and economic determinants. For local marketing, this process is implemented through local communities and public organizations whose aim is to foster the development of a particular region in terms of its economy, tourism, urban planning, as well as its social and cultural development. All these actions are conducted with the objective in mind to attract to LGUs, first and foremost, tourists and investors. It is also a program for developing local firms and promoting a positive image of the commune outside (Dziekański 2014: 150-151). Local marketing pertains to actions performed by a self-governing community – an obligatory union of citizens which exists under law, being established for the purpose of performing public tasks in order to meet collective needs. Performing those tasks is ensured in that material resources for this purpose are guaranteed (Sekuła 2005: 219). The essence and the overriding objective of local marketing is to change attitudes and behaviors of market entities which determine the flow of growth factors affecting the shape of legislation and emergence of opportunities (Szromnik 2010: 50).

What plays a crucial role in this process are marketing actions and effective communication. Effective marketing actions exert impact on reducing unemployment or increasing a particular LGU's "popularity" (expressed, for instance, in bigger budget revenues coming from tourism) but first and foremost, they foster LGU's growth, thus ensuring a better quality of life of its residents. Comprehensive marketing actions lead to establishing a positive and a specific image of a local

government unit, and thus supporting its development (Niemiec et al. 2013: 125). Moreover, effective communication with local community maintained by an LGU is a valid tool for shaping the identity of a particular region and its people (Dziekański 2014: 127).

Local marketing and LGU's promotion are related to the concept of regional competitiveness. While gaining a competitive advantage, marketplace participants, in seeking to attain their goals and to maximize satisfaction, try to come up with better offers than their rivals. Competitiveness is the ability of an economy to achieve a high rate of economic growth. For a commune and the concept of "regional competitiveness" which corresponds to this context, this may imply the advantage over other regions because of material resources and available intellectual potential (Dziekański 2014: 125).

Whether a particular local government is more or less competitive is influenced by a variety of factors. According to A. Szromnik, the growth factors for urban areas and regions, while adopting a historical approach, which certainly do not exhaust the complexity of this issue, can be broken down into the following three groups: land, capital and labor Szromnik 2010: s. 48-49). The factors affecting competitiveness also encompass such elements as infrastructure, human capital, scientific research, technological progress, investments, and the interest in region shown by foreign capital (Dziekański 2014: 125-126).

The aim of marketing actions within LGU is to satisfy its residents' individual and collective needs through actions carried out by public administration. The effect that these actions can have is, for example, development and strengthening of services rendered by public institutions, building a positive image of a commune, raising its attractiveness and competitiveness. Identifying strongly with a region, which may come with local marketing development, and growing satisfaction among its population have the effect that the actions embarked on by local authorities gain support. Furthermore, this regional identification enables oneself, one's culture and identity to stand out against others with a view to attracting capital or invoking interest. In the light of this, a successful local government comes not only with good localization and infrastructure but it is also an outcome of ideas, innovation, willingness, knowledge and, above all, of bringing the idea of local development into the focus of the local community (Dziekański 2014: 126-127).

The promotion process is a tactical measure aimed at strengthening skillfully and strategically the organization's position in the marketplace. Promotion is a set of actions and resources which allow us to receive information on characteristic features of a product and

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organization. Promotion is not only about providing information and enticing to purchase, but it is also to keep the buyer returning to the brand, and forming partnership loyalty towards the brand. Thus, the purpose of promotion is to inform, remind and to secure consumers' confidence in the product, service, institution, and idea.

Promotion is defined as a policy for communicating with the market. It involves all activities through which an organization conveys information on the characteristics of a particular product or organization, thereby shaping consumers' needs. In this case, the object of promotional activities is the commune's product (in other words, what consumers might find interesting). LGUs choose promotional measures which have to be implemented in order to reach a particular target group (Dziekański 2014: 126-127). In this sense, the process of promoting the commune encompasses a set of multi-step actions aimed at drawing up a program for effective promotion. It is composed of the following components: an analysis of the current situation, setting targets, identifying those to whom the promotion is addressed, making decisions in terms of intensity of the actions, determining the budget allocated to promotion, evaluating effectiveness of the measures taken. Thus, effective promotion is one of the ways to foster the development of a commune. As such, it has to be based on realistic assumptions, as otherwise it will attract interest neither from investors nor tourists. An adequate market strategy, organization's goals, mission and vision will allow for creating the awareness of the brand among target groups (Dziekański 2014: 150-151).

3. Promotion as LGU's direct responsibility

Pursuant to Article 166 (1) of the Constitution of the Republic of Poland, public tasks to satisfy the needs of a self-governing community are performed by LGUs as their direct responsibilities.

According to Article 7 (1) of the Local Government Act of 8 March 1990, satisfying collective needs of a community is part of the commune's direct responsibilities. In its nature it should be realistic, and it should be a constant and systematic activity. In satisfying the needs of a community, what provides guidance to commune authorities is the general welfare of its residents. If there is a conflict between the individual and general good the primacy is given to the general good over the individual one. The commune performs its direct responsibilities in the place of the

state and on its own behalf – these are responsibilities handed over to local governments because of their local nature and involvement in meeting community’s needs (Dolnicki 2016: 217).

The characteristics of the LGU’s direct responsibilities (as exemplified by the commune) are as follows:

- they pertain to the community’s collective needs which the commune satisfies in the interest and on behalf of a self-governing corporation; by contrast, the tasks of government administration delegated to a commune are performed by the commune to the benefit of a delegating party (in this case, government administration);
- direct responsibilities are not performed across the entire country;
- they are characterized by freedom in terms of their performance;
- delegation of tasks of government administration is determined by the functionality of this solution, which is manifested by the citizens’ access to administrative bodies performing specific activities;
- they are financed by communes’ own revenues and subsidies.

The legislator does not use the category of own revenue but instead LGU’s revenue, which is composed of the following components: income from commune assets, tax revenues, general subsidies, targeted subsidies from the state budget. LGUs also receive targeted subsidies from the state budget to perform their direct responsibilities. These subsidies can be made available to communes, for example, for the purpose of eliminating any threats to public security and order. They may also be provided by the state budget for funding investments which are carried out by LGUs as their direct responsibilities (Dolnicki 2016: 218-219).

What distinguishes direct responsibilities from those which are delegated are also the supervision criteria. Direct responsibilities are subject to supervision in terms of their legality (Dolnicki 2016: 220).

Pursuant to Act of 20 December 1996 on Municipal Services (Official Journal 2017, item 827), an LGU performs, in line with the general rules, its direct responsibilities in order to satisfy collective needs of a self-governing commune. Article 2 of the act cited above enables LGU to provide municipal services in the form of a self-governing budget division or commercial companies. Pursuant to Article 3, LGUs may also outsource their responsibilities within the scope of municipal services, on the basis of an agreement, to natural and legal persons or organizational units which lack legal personality, taking into account the relevant applicable provisions of law. In

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performing its direct responsibilities, a commune may establish commercial companies and take participation in them provided it is necessary to satisfy the needs of the self-governing community on the local market, and there is considerable unemployment in the commune which has an adversary effect on the standard of living of the community (Najwyższa Izba Kontroli 2014: 30).

Promoting the commune is one of the commune's responsibilities. Its direct responsibilities may encompass measures in the form and content of a marketing and outreach nature. Such measures correlate positively with the commune's development. Effective actions are aimed at eliminating unemployment, raising interest in the commune in terms of its economy, tourism and culture. Ultimately these actions can lead to strengthening the commune's positive image (Chmielnicki 2013: 235).

The oldest local government act, the Local Government Act of 8 March 1990 lists the "issues of commune promotion" in the catalogue of commune's direct responsibilities: Article 7 paragraph 1 point 18: Satisfying the community's collective needs is part of commune's responsibilities. In particular, the responsibilities involve the issues surrounding commune's promotion. This provision was implemented in 2001 by an amendment: Article 1 of the Act of 11 April 2001 amending the Act on local government, on district government, on voivodship government, government administration in a voivodship and amending some other acts (Official Journal, No 45, item 497).

The Act of 5 June 1998 on District Government (Official Journal 2017, item 1868) lists the promotion of the district among the public duties laid down in legal provisions – Article 4 paragraph 1 point 21 (Article 4.1. A district performs public tasks aimed at promoting the district as laid down in legislation).

The most detailed context is afforded to promotion in the Act of 5 June 1998 on Voivodship Government (Official Journal 2017 item 2098). Article 11 (2) refers to the voivodship development policy conducted by voivodship. One of the components of this policy is the promotion of the voivodship's assets and of its potential for growth (Article 11.2 point 8).

4. Budgeting LGU's promotional actions

The Ordinance of the Minister of Finance of 2 March 2010 on detailed classification of income, costs, revenues and expenditures and funds from foreign sources (Official Journal 2010,

No 38, item 207, as amended) allocates promotion costs to section 750 – Public Administration and to chapter 75075 – promotion of local government units. One of the key issues causing problems in terms of the interpretation and referring to the performance of responsibilities involving promotion is its financing. An important role here is played by a budgeting process, that is, planning how to use the resources for carrying out potential goal-orientated actions. In this case, the issue in question refers to the promotion of LGU, identification of availability of resources and indication of ways in which they could be used effectively. That is why the LGU's budget allocates resources earmarked for promotion on a yearly basis. This policy is often in contrast to the city's promotional strategy considering that it is planned for a period exceeding one year with the measures provided for in the strategy displaying a long-term and consistent nature (Florek, Augustyn 2011: 211). One of the rules on budgeting is to establish the LGU's budget in accordance with the established ways of achieving objectives, which is to allow for attaining the goal set out in the LGU's promotional strategy (Florek, Augustyn 2011: 212).

This unfolds according to the pattern presented below, where the dominant role is assumed by the executive authorities. With the procedure for drawing up and adopting the budget established, what needs to be done is to assess and ascertain the LGU's financial possibilities. These steps involve the following: an analysis of the main financial sources and their size, an assessment of potential changes and shortages in the sources of financing, documentation of revenue sources, expenditure projection, a comparison between financial resources and expenditure alternatives, devising a plan for budget improvement. The next step is to make choices necessary for the budget to be adopted. They consist in drawing up and presenting a budget recommended for promotion, providing guidelines for implementations, explaining budget accounting rules, preparing budget summary and presenting the budget in a clear way (Florek, Augustyn 2011: 211-214).

In drawing up a promotion budget what should be highlighted in the first place is its purposefulness and reliability, especially in situations when we may have to deal with political interference. This takes place, for instance, when politicians seek to achieve their own political goals, including the promotional ones, by using the budget (Florek, Augustyn 2011: 212). Another problem related to budgets allocated for promotion is the analysis of the sources of financing. It harbors the information on promotional expenditures coming from, e.g. sport, health, culture departments, or self-governing organizational units, e.g. community centers. The difficulty

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involved in defining the funding sources on account of their diversity gives grounds for calling into question, by way of an audit, the LGU's budget policy (Florek, Augustyn 2011: 212-214).

The setting of the promotional budget can be accomplished through different methods, such as, for example, the historical method, zero-based budget and program budgeting. The first method consists in establishing the budget for the upcoming period on the basis of the data coming from the preceding period. The second method, the zero-based budget, focuses on finding effective ways of accomplishing goals, and as such it is often about granting funds in line with the order of priority that was adopted. The third method, program budgeting, centers around dividing operations of an entity into programs implementing the objectives set. Illustrative of this method is the task-based budget, where the LGU's financial plan is prepared in the form of budgetary tasks and expenditures devised in detail (Florek, Augustyn 2011: 215-217).

While analyzing the concept of a budgetary task, which is the smallest element in the budget, what it should display are the following characteristics: name, goal, specific outcome in terms of quality and quantity, specifying the unit responsible for the task, planning the implementation costs, task performance rate.

The source of financing represents the key element while performing a budget task. With respect to actions linked to promotion and the analysis of their sources of funding attention should be given to a threat that emerges in the context of performing the key actions, i.e. purposefulness, reliability and cost-effectiveness. One of the sources of financing are LGU's resources. In this case the funding is carried out based on the historical method. LGU transfers some of its funds to finance promotional actions according to its own assessment which is not always based on a detailed analysis of expenditures, as it often focuses on what costs we can bear to the detriment of other expenditures, e.g. social assistance.

The sources of funding are divided into primary sources and co-financed sources – this refers to LGU's strategy for promotion. The sources encompass the following: LGU's own budget, co-funding by local resources related to LGU, state budget (governmental programs, appropriate resources), resources of the Polish Tourism Organization, of the Regional and Local Tourism Organizations, neighboring LGUs' budgets, the EU funds, funds of chambers of commerce, unions and associations, firms' own funds, funds of the LGU's sponsors and partners, funds available through domestic and foreign institutions and foundations.

5. NIK's audits of LGUs' promotional actions

The Supreme Audit Office is an audit authority of the state administration which is answerable to Sejm and which operates based on the collegiality principle. Pursuant to Article 2 of the Act of 23 December 1994 on Supreme Audit Office (Official Journal 2017, item 524), it is the office's responsibility to audit local government units' actions. This audit is conducted taking into account the criteria of legality and economy of the operations of organizational units and economic entities performing tasks within the scope of the operations of schemes for guaranteeing financial means and providing aid to entities covered by the guarantee scheme. According to Article 216 (1) point 1 of the Act of 27 August 2009 on Public Finance (Official Journal 2017, item 2077), expenditures of local government unit's budget are earmarked for performing tasks laid down in separate provisions, and in particular for: 1) direct responsibilities of local government units. Moreover, pursuant to Article 44 (2) of this act, public expenditures may be incurred for goals and for amounts set out in the budget resolution of local government unit.

In light of the audit criteria cited above, emphasis should be put on their meaning. Auditing purposefulness of a particular goal means assessing whether the entity's actions are compliant with goals set. Auditing the economic aspect means assessing whether financial resources are used effectively and properly. The reliability criterion means assessing the unit's diligence while performing its task.

In conducting the audit, NIK pays attention to the audit criterion. This involves the following elements: organizational arrangements and preparation in terms of documents and planning for carrying out local marketing, the extent to which goals set have been achieved and the effects produced by promotional actions, and while conducting promotional actions, compliance with legal provisions, adopted procedures and documents defining marketing strategy (Najwyższa Izba Kontroli 2014: 4).

Auditing promotional actions of local governments is predominantly concerned with the following: defining strategic goals of promotion, adopting suitable organizational solutions, selecting outside operators and raising additional funds from outside sources.

While considering the nature of tasks performed by LGU and relating to promotion and goals, one should analyze NIK's post-audit reports. They show a number of irregularities which are either caused by a literal interpretation of the provisions or a lack of knowledge on local marketing.

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The objections made following the audit involved, among other things, a lack of clear and precise guidelines for the valuation of marketing services, restraining competition while outsourcing promotion services through sport. The data of the Ministry of Finance show that in 2011 investments in promotion by urban areas through sport events grew from about PLN 45 million to PLN 60 million. According to the audit findings, outsourcing promotion services through sport was perceived in numerous cases as a form of additional funding for sports clubs, and not as purchasing promotion services at a price corresponding to that of promotion contracts.

As NIK noted (2014: 6), the promotion actions carried out by LGUs also involved running promotional media campaigns, publications of written media, organizing particular events and even presenting the city's assets through popular TV series (for more on cityplacement see Szromnik et al. 2015: 100-155). Such action was aimed at increasing the number of tourists and investors, encouraging youth to study at local universities or increasing the number of people paying income taxes in the city.

In the audit, NIK stressed that, based on the provisions of the act, the Office did not assess the purposefulness of LGUs' activities. However, it focuses on how public money is being spent and the way in which promotion is carried out. This process should unfold in a targeted and cost-effective way, ensuring that the principles are observed in terms of producing the best results based on the expenditures in question and making an optimal choice of methods and resources used in attaining the goals set, taking into account the indicators of effectiveness and efficiency of those projects.

In NIK's view, ambiguous provisions as regards the classification of expenditures, and, in particular, no legal definition for the term of promotion may lead to considerable discretion on the part of accounting services, making it ultimately impossible to determine what the expenditures for this purpose actually are. The results of the audit showed, *inter alia*, irregularities within the area concerned with outsourcing promotion services to outside entities and respecting the principle of fair competition.

Between January 2010 and June 2011, NIK audited 40 LGUs. The selection of local governments was targeted, as it covered those LGUs whose expenditures on promotional measures turned out to be the highest in the budget – at individual levels of the local government.

In its summary of the audit findings, NIK referred to judgment of 23 March 2000 issued by the Supreme Administration Court, II SA/Ka 2407/99, which stated that, “There is no commonly binding act of statutory ranking which would regulate the issue of district promotion and which would specify the competences of the authorities of local government unit while performing this task”. According to NIK, there exists, however, a regulation which requires from LGUs to recognize expenditures on promotion in chapter 75075 “Promotion of units of local government” (Najwyższa Izba Kontroli 2012: 9-10).

Despite the irregularities found, the audit conclusion was positive. With respect to 39 LGU offices whose audit results were taken into account in “Information on audit findings” (when the Information was published, the audit procedure had not been completed in one of the local governments subject to audit), in 25 cases the assessment was positive, in 13 cases it was still positive although irregularities were found, and one case was assessed negatively.

One of the grounds for NIK’s positive assessment over the period of 2010-2011 was for local government units to define their strategic goals and directions of actions in terms of promotion in the long-term planning documents: strategies for promotion, growth or tourism development. The LGUs’ strategic goals and the lines of promotion adopted by their decision-making bodies are formulated in a variety of planning documents: promotion strategy, brand strategies, growth strategies, tourism development strategies. The documents may show individual priorities in terms of promotion, e.g. raising the LGU’s attractiveness for residents, tourists and investors, integration of residents, promotion of ecological assets and agri-tourism, or cultivating tradition and concern for cultural heritage. Planning documents, as a rule, are a starting point for planning promotional activities and for their budgeting. NIK’s audit showed that although specific promotional actions were formulated in strategic documents, they had not been undertaken or other actions were carried out. The most likely reason for this situation was the lack of resources or a change in leadership which was then followed by the change of the LGU’s promotion concept (Najwyższa Izba Kontroli 2012: 12-14).

What NIK evaluated positively was drawing up strategic planning documents within the scope of promotion, although this is not required, also during the next audit – promotional actions – in each of the cities with district rights which were audited over the years 2011-2014 (Najwyższa Izba Kontroli 2014: 8-9). On the other hand, NIK’s position is that promotional actions which involve large public expenditures should be planned in an informed way at a strategic level, for

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only then the principles can be satisfied in terms of purposefulness, cost-effectiveness and best results based on given expenditures, and an optimal choice in terms of the methods and resources used for attaining the goals set.

Among the good practices examined by NIK, one should mention the following organizational solutions adopted in administration offices with a view to ensuring that the tasks related to promotion were performed appropriately: separated organizational cells or independent work positions. The competences in terms of promotion were most likely to be entrusted to organizational cells or employees working at independent positions. For one office, promotional tasks were performed by the commune's organizational unit – Center for Promotion, Tourism and Sport of Zamość Commune. It is worth noting that in the majority of cases promotional tasks were not the only tasks to be performed by a given organizational unit or work position. There were several cases where the organizational cells were concerned exclusively with promotion (Najwyższa Izba Kontroli 2012: 14-15). Moreover, NIK found that, on a case-by-case basis, there was no coordination of promotional actions when tasks related to promotion were performed by more than one organizational cells

Within the organizational structure of administration offices of the cities with district rights audited over the period of 2011-2014, there were organizational units responsible for promotion. In a few of them, some promotion tasks were allocated to local organizational units such as sports and leisure centers (Gdańsk and Gdynia), Sports Infrastructure Management Board (Cracow), Cracow Festival Office. In some cases the units were involved only in promotion, while in other cases, they combined promotion with other responsibilities such as tourism, sports, foreign cooperation, investor support center, etc. (Najwyższa Izba Kontroli 2014: 9)

Among other grounds which allowed NIK to assess positively the LGUs over the period of 2010-2011 was their choice of outside entities to which they outsourced the provision of services, delivery of materials and performance of promotional activities, pursuant to the Act of 29 January 2004 – Public Procurement Law, and their raising additional funds for promotional actions from such external sources as sponsors, Regional Operation Program with the funds coming from the European Regional Development Fund, aid schemes for non-repayable aid (Najwyższa Izba Kontroli 2012: 8-9).

Time and again, NIK found irregularities in that the classification of expenditures failed to comply with the requirements laid down in the Ordinance of the Minister of Finance of 2 March 2010 on detailed classification of income, costs, revenues and expenditures and funds from foreign sources. During the audit in question expenditures on two tasks within the scope of promotion over the years 2010-2011 were scrutinized in detail. The irregularities pertained to non-compliance with the requirement to classify expenditures on LGU promotion in 75075 Chapter "Promotion of local government units" as laid down in the Ordinance of the Minister of Finance of 2 March 2010. This type of errors was spotted in 18 among 39 LGUs examined. Irregularities were found in as many as 6 out of 8 districts. In the light of the ordinance, it is not correct to classify expenditures unrelated to promotion in 75075 Chapter, nor is it correct to classify expenditures allocated for promotion in other chapters. There were cases when promotion expenditures were classified as remuneration costs for running a fire brigade orchestra, a partial reimbursement of costs of buying a flag for County Beekeepers Association, and even reimbursement of costs spent on a mayor's return from holiday because of flood risk. It is worth noting that classifying promotion expenses in other than 75075 chapters is an irregularity as well (Najwyższa Izba Kontroli 2012: 27-28). NIK points out that incorrect classification of promotion expenditures leads to including unreliable data in financial statements (Najwyższa Izba Kontroli 2012: 29).

NIK notes that the provisions on classifications of expenditures on promotion are ambiguous and allow for considerable discretion of accounting services. The Ordinance of the Minister of Finance on detailed classification of revenues and expenditures provides in every section for a chapter "Other activities" and paragraph 430 "Purchase of other services", which covers expenditures, among other things, on purchase of advertising services, services relating to ads, announcements and distribution of letters (Najwyższa Izba Kontroli 2014: 18).

During the audit individual cases of mismanagement were detected. This can be illustrated, for example, by a case where an agreement for a specific task was concluded with an employee of the office employed under a contract of employment for the same scope of duties; generating additional expenses for failing to make payments due on time, or failing to account reliably for mission expenses (Najwyższa Izba Kontroli 2012: 28).

The irregularities were often due to local governments' failure to provide appropriate supervision over sports club entrusted with promotional tasks, and they also arose from failing to

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specify, in planning documents, the measurable effects (benefits) which were expected to be achieved through promotional actions (Najwyższa Izba Kontroli 2012: 9).

25 out of 39 LGUs did not define the effects envisaged (measurable benefits) coming from promotional actions. Nor were the methods for measuring these effects specified in the cases mentioned. The LGUs which set and monitored the goals that were expected of promotion included such objectives as an increase in tourist flows, an increase in revenues from tourism and greater PIT and CIT revenues (Najwyższa Izba Kontroli 2012: 29-31).

For the purpose of NIK, in the units audited the expected and the achieved effects were compared of such promotional actions as preparing media announcements or printing leaflets and catalogues. In a vast majority, there was no measurable assessment of promotion effects. The statements that were most likely to be formulated included the following: “a significant increase” or “high viewing figures” (Najwyższa Izba Kontroli 2012: 29-31).

During the audit of the cities with district rights over the period of 2011-2014, it turned out that in only three out of nine cities (Katowice, Radom and Zabrze) the goals of promotion satisfied the SMART criteria, i.e. the goals were specific, measurable, achievable, relevant and timely (Najwyższa Izba Kontroli 2014: 11). In four cities, no measurable benefits to arise from promotion actions nor any indicators for measuring effectiveness were outlined (Najwyższa Izba Kontroli 2014: 11).

A good example in terms of assessment of effects brought about by promotion actions is that of Warsaw within the framework of the UEFA EURO championship organization in 2012. The reports show that the city gained financial benefits – PLN 9 million from sponsors and UEFA, social and image-related benefits – increased recognition of the city in the country and abroad, and administrative and organizational benefits. A survey made on foreign football fans to assess the overall impression gained from their stay in Warsaw showed that 73% of them declared that they would like to come to Warsaw again within the next three years, while 89% of respondents would recommend the city to their friends (Najwyższa Izba Kontroli 2014: 21).

NIK assessed positively the LGUs' cooperation with other local governments. An example here is the cooperation between the following voivodships: Świętokrzyskie, Podkarpackie, Lubelskie, Podlaskie and Warmińsko-Mazurskie within the framework of a macroregion of Eastern Poland (Najwyższa Izba Kontroli 2012 : 36).

Individual cases of irregularities found by NIK include the following:

- lacking coordination in promotional actions when tasks related to promotion were performed by more than one organizational cell;
- employees involved in the promotion of LGUs lack adequate skills;
- failure to make payments to suppliers of promotional materials in a timely manner causing due liabilities;
- promotion expenditure overrun, which is not compliant with the Act on Public Finance, constituting a breach of the public finance discipline laid down in the Act on Responsibility for Breaching Public Finance Discipline;
- unreliable accounting for mission aimed at LGU's promotion;
- breaching the Act-Public Procurement Law: choosing contractor without the procedure, choosing the procedure for public procurement in a manner that was not compliant with the act, documenting public procurement procedure unreliably.

In the case of the cities with district rights audited over the period of 2011-2014, frequent cases involved breaching the Act – Public Procurement Law in that a single source procedure was used despite the fact that there were no grounds for adopting this procedure. (Najwyższa Izba Kontroli 2014: 22-23). What was also very common was violating the principles of fair competition during procurement procedures for promoting a city through a sports team. The error consisted in indicating sport team's discipline, which excluded teams from other sport disciplines from the procurement procedure (Najwyższa Izba Kontroli 2014: 24).

6. Conclusion

Since the year 1990 the local government has become a permanent element of the Polish system of public administration. The rivalry between different LGUs of various tiers over residents, investment, tourists and tax revenues is conducive to local marketing perceived as a tool devised to win, sustain and increase a competitive advantage. Considering that the legislative provisions are very general, local governments have considerable freedom in terms of planning and running promotional actions. The findings elicited by auditing the expenditures provide some sort of guidelines for local governments on how to run promotion without the risk of being accused of shortcomings in terms of legality, cost-effectiveness and reliability. Appropriate management of local governments' finances is here of key importance and involves the following: budgeting

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expenditures on promotion and classifying these expenditures in Chapter 75075 – Promotion of local government units. The fact should be noted that LGUs' expenditures on promotion are constantly growing (in 2005-2010 they increased six times – from PLN 109 million to PLN 651 million). Transparency is not fostered by provisions which provide in every section a chapter “Other activities” and paragraph 430 – “Purchase of other services”. NIK's documents show that the Office puts considerable emphasis on strategic planning of promotional actions, on preparing adequately organizational units responsible for promotion and respecting the Act - Public Procurement Law.

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