



**SUPREME CHAMBER OF CONTROL**

DELEGACY OF POZNAN CITY

LPO-4114-001-07/2014

I/14/002

**In response please refer to this document**

# **OCCURENCE OF POST INSPECTION**

**SUPREME CHAMBER OF CONTROL**

DELEGACY IN POZNAN CITY

Dozynkowa st. 9H,61-662 Poznan

Ph.No: +48 655 62 00, Fax: +48 61 655 62 01

[lpo@nik.gov.pl](mailto:lpo@nik.gov.pl)

# 1. THE IDENTITY OF CONTROL

NUMBER AND TITLE	1/14/002 Used by public benefit organizations of Greater Poland funds from 1% tax in years 2011-2013
LEADING CONTROL UNIT	Supreme Chamber of Control
CONTROLLER	Pawel Szczepaniak, General Specialist of State Control, Authorisation no. 89447 from 20 March 2014
CONTROLLED ENTITY	Charity Foundation For People With Special Needs "Sloneczko"
HEAD OF CONTROLLED ENTITY	1. Zuzanna Pabinska- President, Founder 2. Wioletta Carewicz- Vice President 3. Dorota Audustyniak- Vice President

## 2. EVALUATION OF CONTROLLED ACTIVITY

### GENERAL RATING

Supreme Chamber of Control assesses positively, apart from irregularities, use by Foundation funds from 1% of tax in years 2011-2013

### OVERALL JUSTIFICATION

Positive assessment justifies the proper use of funds for charitable activities as set out in the Act of Public Activities and Volunteerism from 24 April 2003 hereinafter "UDPP" and statutory tasks in particular, the specific objectives identified by the taxpayers.

Notes concern inadequate performance of formal and accounting control and accounting documents related to the order by the Foundation rehabilitation services also the administration of substance in the reports

erroneous data concerning the amount used for the specific objectives identified by the taxpayers.

### **3. DESCRIPTION OF THE PHYSICAL CONDITION SET**

a) Compliance with the conditions for for obtaining revenue from 1% income tax from individuals.

- Foundation on 9<sup>th</sup> January 2004, was entered into the National Court Registry and Status of Public Benefit Organisation, According to records, in the years 2011-2013 Foundation conducted public benefit activities in the sphere of public tasks set out in Art.4 of the Act 1 of Public Benefit (UDPP). The basic tasks of the Foundation in the sphere of public tasks as defined in UDPP and statute was activity:

1-For people with disabilities by promoting rehabilitation,activating healthy people for rehabilitation,for the protection and promotion of health,social assistance by enabling individuals and families to overcome difficult situations,where they are not able to overcome using their own resources and capabilities

2-Facilitating an establishment of sub-accounts

3-Facilitating people with disabilities and their families raising funds for treatment,rehabilitation and purchase of equipment,provision of material assistance,organizing and financing operations,rehabilitation and healing, to transfer funds earmarked for satisfaction the necessities of life of individuals and their families,organizing cultural events,tourist and sports events with participation of people with disabilities.

(Evidence: Control file: pages 23-28)

b) Approved annual financial statement and reports on the activities fao 2011 and for 2012. They have been published on the Foundation's website and on the The Office Servicing Minister responsible for Social Security website.Foundation was entitled to receive 1% of tax due for subsequent tax years 2010,2011,2012 included in the list of public organizations set out every

year on website of the Public Information Bulletin of the Ministry of Labour and Social Policy.

(Evidence: Control files: pages 29-80)

c) Accounting principles in the Foundation, in controlled period enacted, Resolution of the Board of 15<sup>th</sup> January 2005 (in force until 31<sup>th</sup> of May 2013) and Resolution no.1/2013 of 31<sup>th</sup> of May 2013 (in force since 1<sup>st</sup> of June 2013)

In the company chart of accounts and accounting record extracted account 740 on which the record keeping statutory revenue, which was carried out on account 740-3 analytics revenue 1% tax. Costs of statutory activities including funded from 1% tax keeping records of account 500, which was carried out following analytical accounts

- 500-1 –Liability of sub-accounts including the costs of payments from 1%
- 500-11 –(since 2013) Liability of sub-accounts including the costs of payments from 1%
- 500-2 –RYMAN- It concerns the cost of rehabilitation and therapeutic activities conducted in the subsidiary foundation in the village of Ryman.
- 500-3 – Other statutory objectives (not associated with running sub-accounts)
- 500-4 – Foundation Center – which recorded costs of Foundation facilities (until 2012)

(Evidence: Control files: pages 84-102)

#### ESTABLISHED IRREGULARITIES

There were no irregularities

#### PARTIAL EVALUATION

In Foundation's activities in the field of illustrated above.

The Supreme Chamber of Control rates positive activities of the Foundation in the audited area.

#### **4. COMPLIANCE TASK FINANCED FROM 1% TAX WITH THE STATUTORY AND INTERNAL REGULATIONS OF THE ORGANIZATION AND SPECIFIC OBJECTIVES ( INDICATED BY DONORS)**

a) In controlled period, Foundation account received the following amounts from 1% tax on individuals:

- in 2011 total- 9.950.222.64 PLN (incl. 9.004.958.90 PLN in July)

- in 2012 total- 13.444.965.79 PLN (incl. 12.384.043.83 PLN July)

- in 2013 total- 15.398.946.47 PLN (incl. 14.092.441.35 PLN July)

2011- spent in total 7.259.217.90 PLN funds from 1% tax, including the amount 9.611.476.40 PLN funds unused in previous reporting period. Also an amount 9.950.222.64 PLN of current funds. At the end of 2011 12.302.481.14 PLN remained of unused funds.

2012- spent in total 12.019.898.02 PLN funds from 1%, including the amount 12.302.481.14 PLN of unused funds from previous reporting period. Also an amount 13.444.964.99 PLN of current funds. At the end of 2012 13.722.548.11 PLN remained of unused funds.

2013- spent in total 12.953.589.46 PLN funds from 1% tax, including amount 3.727.548.11 PLN of unused funds from previous reporting period. Also an amount 15.393.833.94 PLN of current funds. At the end of 2013 16.167.792.59 PLN remained of unused funds.

(Evidence: Control files: pages 115-118)

In 2011 the amount designated by the taxpayers for the specific objectives amounted 8.964.318.85 PLN and it represented 90% of total funds from 1% tax, in 2012 amounted 12.604.867.13 PLN and it represented 93.9% of total funds. In 2013 amounted 14.463.284.62 PLN and it represented 93.9% of total funds.

In 2011 Foundation has used 7.185.541.82 PLN funds from taxpayers indications, which accounted for 80.2% of total incomings.

In 2012 Foundation has used 6.721.927.53 PLN funds from taxpayers indications, which accounted for 53.3% of total incomings.

In 2013 Foundation has used 12.883.941.35 PLN funds from taxpayers indications, which accounted for 89.1% of total incomings.

Unsued funds in given years were used by dependants in subsequent years. At the end of fiscal years 2011,2012,2013 unused funds remaining at the accounts of with disabilities.

(Evidence: Control files: pages 119-270)

In 2011-2012, in Optima Systems, was booked individual cost statement that were checked in terms of content by the staff of secretariat (Board Office Manager and office employee), in terms of formal and accounting by the Chief of Accounting (approved by the president or vice-president).

Source evidence proving business operations associated with reimbursement of the costs incurred (original invoices, receipts).They were, as required § Law 3 as above mentioned regulations, description of people, and (or) persons representing advisability of their incurrence.

In 2013 single accounting evidence for documenting business transactions related to reimbursement of medical expenses and rehabilitation, , foundation paid for by money transfer (according to the order § 2 Law 2 regulations of reimbursement of costs), and collective statement, incurred by the people in need (according to the order § 1 Law 1 regulations of reimbursement of costs) and reported to the refunds, they were examined on its merits by employees of secretariat (Board Office Manager and office employee), These proofs were checked for formal and accounting by the Chief of Accounting or the Vice-president.

After inspection, the Chief accountant or Vice-president, in scribed attribution indicating how to register a document in devices of synthetic and analytical accounting. The document was approved by authorised persons.

Controls were randomly selected, implementation of evidence from years 2011-2013, of which:

- Year 2011 – 13<sup>th</sup> December – posting of the day included 67 statements of costs (an average of several invoices) on total amount 77.617.15 PLN
- Year 2012 – 10<sup>th</sup> December – posting of the day included 83 statements of costs (an average of several invoices) on total amount 126.207.40 PLN
- Year 2013 – 10<sup>th</sup> December – posting of the day included 33 statements, 23 invoices on total amount 53.212.15 PLN.

The evidence comply with requirements of Art. 21 of the Act of 29<sup>th</sup> September 1994 on Accounting.

(Evidence: Control files: pages 143-148, 191-200)

An explanation on how to assess the merits of source documents, issued in particular the foundation and paid for by the foundation, filed Chairman of the Board Zuzanna Pabinska. She said that first assessment of the substantive documents for the reimbursement are being done by Foundation's office employees, who pay attention to the description of invoices, its reliability of disbursed funds. In unclear situations, employees contacts by phone or e-mail with issuer of the invoice or pupils.

(Evidence: Control files: page 224)

Rules for the collection of funds on sub-accounts and reimbursement of costs collected on the sub-accounts defined the relevant regulations, attached to contacts for the provision of sub-account (concluded for an indefinite period) between Foundation and their Pupils for access to the Foundation's bank account and sub-accounts in analytical accounting for the collection of funds from 1% tax with an indication of the particular Pupil (the entity).

Keeping a sub-account is free and does not involve charge. All funds on sub-accounts are intended for treatment and rehabilitation. The withdrawal of funds followed in the form of reimbursement of expenses incurred by the person in need on the basis of submitted invoices and other evidence of costs incurred.

(Evidence: Control files: pages 149-159)

Chairman of the Board – Zuzanna Pabinska said in explaining that the reason for this solution was that when payer is a foundation. And the pupil is only a recipient, it allows for better control of issued funds. In case of complaints, refund or error of any kind, measures could be returned directly to the person in need, and foundation would not have any control whatsoever.

(Evidence: Control files: pages 120-148. 201-213)

In the opinion of NIK, such a practice is not contrary to the provisions of the accounting act but must be specified and described in the accounting policies as the base for use in addition, the Foundation has not established formal methods, principles and form of transfer of items purchased and used.

Clarification in that case filed CEO - Z.Pabińska. It reported that in the accounting policy has not been established rules of purchase of wheelchairs, rehabilitation equipment, laptops and other items and the transfer of their young pupils, because it was considered acquired by pupils, the objects were not designed for the needs of the Foundation. They were not controlled by it, they did not contribute to achieving a financial benefit and in accordance with Article 3 section 1 item 15 of the Accounting Act, they are unable to fixed assets. However, it noted that the record of no recognition of asset purchases as described above and transferring their dependents should be included in the accounting policy and has declared changes with effect from 1 May 2014.

(Evidence: control files page 268)

The remaining funds from the 1% income tax from individuals, given to the Foundation (no indication of specific objectives) was also used for people with disabilities. These activities also included the reimbursement of medical expenses, rehabilitation branch of the Foundation in the village of Ryman (500-4 account), donations and help those in need funding of integration events (account 500-3) and, in 2012, equipping the emerging Center. (500-4)

Foundation with funds from the 1% tax on individuals built and put into use in August 2012, building a rehabilitation Center, in which housed the offices of the foundation. The value of the asset was adopted 5.052.710.89 PLN. Expenses for the construction were recorded on account 080-



investments. Transfers invoices were made out of the general bank account of the Foundation (130) for gathering funds from different sources of revenue.

In 2012 the Center assumed the state of fixed assets in the amount of 5.052.710.89 PLN and have been shown in the report merits. This amount came from 1% personal income tax since 2007.

(Evidence: control files: pages 120-141,160-164,270)

As reported in explaining President Z.Pabińska, spending on investment came from both the 1% tax payments without assigned to specific (with contributions to the general objectives of the foundation), as well as from the 1% tax payments allocated to the sub account charges, because all payments of 1% tax There are entrusted to the Foundation, and the opportunity to use these funds for statutory purposes. This does not mean, however, that funds from deposit 1% of the tax attributable to the sub accounts have been diminished on that account. The Foundation conducts analytical records revenues and expenditures at the sub accounts using the Internet, and any turnover on the sub accounts are available for inspection by dependants. The Foundation has never refused to refund the costs incurred due to lack of funds in the bank account when the dependant was registered at the sub-account balance sufficient. Foundation is secured by multi-million bank deposits.

(Evidence: Control files: page 270)

After completion of construction, as from 1 September 2012. The greater part of the building is leased by neighbouring Hipomedical and Rehabilitation Center Zabajka sp. Jawna in Stawnica (tenant), Rent amounted to PLN 12,000. The costs of maintaining the facility, provisional heating, electricity, water, sewerage, waste disposal and other media bear tenant. The tenant is committed to the use of leased premises in accordance with its intended purpose, it is on the organization's objectives rehabilitation stays for disabled people.#

(Evidence: Control files: pages 165-177)

In a controlled period, the Foundation has incurred costs of administration and promotion, but they were not financed from the proceeds of the 1% income tax from individuals.

(Evidence: Control files: pages 39-40,124,132,139)

In a controlled period, the Foundation did not conclude any agreements with legal entities on the implementation of the tasks of the funds from the 1% tax. Were examined implementation in 2011-2014 (end of February) the agreement concluded on 2 November 2009 at the provision of rehabilitation services in the field of massage, physiotherapy. It was found that for services, the contractor staged bills on a monthly basis. The accounts include the number of hours made the order and the rate and amount of the payment. In 2011, we paid 17.985.00 PLN, in 2012 paid 16.065.00 PLN, while in 2013 and two months of 2014 paid 19.710.00 PLN.

(Evidence: Control file: pages 182-190)

The Foundation, with the delivery of services, supplies or works was not obliged to apply the Public Procurement Act (dz.Uz 2013, pos. 907, as amended.) And did not execute such orders. The Foundation did not provide funds from the 1% tax as an own contribution to co-finance the implementation of tasks / programs financed from European funds, because there were no circumstances which would require.

(Evidence: Control file: pages 43,70)

In the period from 24 October to 8 November 2011 year, the Governor of Wielkopolska Foundation conducted a check on the correctness of the problematic use of the power to receive 1% of income tax from individuals. The audit covered the period from 1 January 2010 to June 2011. During the audit found, among others, that during this period the Foundation disbursed received funds from 1% tax on public benefit activities. As a result of checks, they formulated conclusions of their examinations, aiming to draw up by the Foundation for the correction of the financial statements and reports on the activities of the 2010 and the timely submission to the minister competent in matters of social security.

(Evidence: Control files: pages 214-234)

In accordance with Art. 26 udpp, public radio and television allow public benefit organizations free information about their activities on the principles set out in separate regulations. The provisions of Art. Paragraph 23a. 1 of the Act of 29 December 1992 on Radio and Television (OJ from 2011. No. 43, item. 226, as amended.) Stipulate that public radio and television public benefit organizations create the possibility of free programs to inform the public radio units and television by carried out by public benefit organizations unpaid public benefit activities (Dz. U. No. 109, poz.638 as amended.). The Regulation entered into force on 30 June 2011.

(Evidence: Control files: pages 40,60)

Chairman of the Board, Z.Pabińska, said in explaining complex that the Foundation did not use this right, because done conditions for the preparation and dissemination of such programs exceeds the capacity of the Foundation.

(Evidence: Control files: page 244)

#### ESTABLISHED IRREGULARITIES

The Foundation's activities in the field of illustrated above, it was found the following irregularities: When the settlement agreement concluded on 2 November 2009 for the provision of rehabilitation services in the field of massage, physiotherapy, to monthly bills for services not stipulated in the contract included a schedule of hours worked, although all bills were approved by the CEO or Vice President W.Carewicz. Thirteen bills from the years 2011-2012 (out of a total of 22 issued) was not tested in formal and accounting, while 19 was not approved. These accounts do not have all the features so accounting evidence required under the Article 21 of the Act of 29 September 1994 on accounting, even though it was paid and recognized in the accounts of the Foundation.

(Evidence: Control files: page 190)

As reported in a complex explanation, Chairman Z. Pabińska, the reason for this was an oversight. Since 2013, control is exercised formal

accounting source documents. These accounts were paid without providing an appropriate schedule, but always on the oral interview confirming the job done. Since April 2014, each account will be attached schedule. With the benefit of rehabilitation dependent, who have a certificate of disability.

(Evidence: Control files: page 243)

#### Notes on the activities under investigation

According to the SCC, it is reasonable to consider the possibility of transferring charges of valuables in use, so that when they are no longer needed, they can be communicated to others in need.

#### PARTIAL ASSESSMENT

The Supreme Chamber of Control, assessed positively, despite the irregularity, the activities of the foundation in the audited area.

### **3. Compliance with financial and accounting records of the data shown in the reports of substance, in terms of revenues and expenses of 1% tax.**

#### DESCRIPTION OF THE FACTS

Data contained in the reports of substance with activities for the years 2011 and 2012 in Section III "Revenues and costs of public benefit organizations in the reporting period " in paragraph 5 " revenue of 1% of income tax from individuals " and the data shown in the third paragraph 3 of these reports, in the part concerning the expenditure incurred for the implementation of the tasks of the funds coming from the 1% tax they were consistent with the accounting records, kept in a way that allows identification of individual business events.

(Evidence: Control files: pages 38-40,65-66,115,117,125,133,138,143-148)

In a controlled period (2011-2013), the Foundation came one asset, financed from the proceeds of a 1% tax. It was a building foundation and rehabilitation center with rooms worth 5.052.710.89 PLN, which was included in fixed assets of the Foundation.

(Evidence: Control files: page 164)

#### ESTABLISHED IRREGULARITIES

The foundation activities set out above range, it was found the following irregularities:

The substantive reports on the activities for the years 2011 and 2012 in the position III.4." Specific objectives, as indicated by the taxpayers, to which non-profit organization, has spent the most funds from the 1% income tax along with the amount" incorrectly stated amount for the treatment, rehabilitation and purchase of equipment, respectively 6.967.187.13 PLN and 7.259.217.90 PLN, speaking in them all the costs of statutory (account 500). However, from the accounting (account 500-1) resulted amounts less and they amounted respectively 7.185.541.82 PLN (in 2011) and 6.721.927.53 PLN (in 2012).

(Evidence: Control files: pages 39,66,115)

#### PARTIAL EVALUATION

Supreme Chamber of Control assesses positively, despite the irregularity, the Foundation's activity in the audited area.

#### POST-INSPECTION CONCLUSIONS

## IV. CONCLUSIONS

Given the above assessment and observations arising from the audit findings, the Supreme Chamber of Control, pursuant to art. 53

paragraph. 1 point 5 of the Act of 23 December 1994 on the Supreme Chamber of Control, (Dz. U. of 2012, pos. 82, as amended.) Asks:

1. Proper documentation of business transactions, associated with the outsourcing by the Foundation of rehabilitation services.
2. Administration of substantive reports on the activities of the foundation, accurate data on the amounts used for the specific objectives identified by the taxpayers.
3. Establishing the accounting of purchased items (about the characteristics of the asset)
4. and ways and forms of their transmission charges of the foundation.

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THE RIGHT TO RAISE OBJECTIONS

## **V. OTHER INFORMATIONS AND INSTRUCTIONS.**

The occurrence of post-inspection, have been prepared in duplicate; one for the manager control unit, the second to the act of control.

In accordance with Art. 54 of the Act on the NIK, the head of the audited entity is entitled to propose in writing justified objections to the occurrence of post-inspection within 21 days of its notification. Claims shall be submitted to the Director of NIK in Poznan city.

THE OBLIGATION TO INFORM NIK OF THE USE OF OBSERVATIONS AND EXECUTION OF REQUESTS

According to art.62 of the Act on the NIK, please notify the NIK, within 21 days of receipt of the post-inspection of the use made comments and performance of applications and the actions taken or reasons for not taking that action.

In the event of an objection to the occurrence, deadline for the submission of information counts of receipt of the resolution to reject the claims in whole or amended a post-inspection.

Poznan, 08 May 2014.

**Supreme Chamber of Control**

DELEGACY OF POZNAN CITY

**Controller**

**President**

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**Pawel Szczepaniak**

Chief specialist of state control

under authority: **Grzegorz Malesinski**

Vice president