

## SUMMARY

### Summary of Report 13/2022, relating to local authorities' general accounts, year 2020

*Barcelona, 14 September 2022*

The Public Audit Office for Catalonia has issued Report 13/2022, relating to local authorities' general accounts for financial year 2020, in fulfilment of its Annual Programme of Activities.

The report, which was presented by Board Member Mr Manel Rodríguez, was approved by the Audit Office Board at its meeting on 26 July 2022.

The work carried out was to check that local authorities had sent in their general accounts for year 2020 and, in particular, to verify, by reviewing and cross-checking the accounting data submitted, that the accounts presented were compliant with legislation in terms of the organisations and accounting statements included, that they had been properly approved and had been forwarded to the Audit Office before the established deadline (15 October 2021), and that the annual accounts and statements had been correctly drawn up.

For year 2020 there were 1,118 local authorities and 644 subsidiary organisations, making a total of 1,762 auditable accounting entities. This represents a net reduction of twenty-nine entities in relation to year 2019, thus continuing the downward trend in the number of subsidiary organisations of the last few years.

The most significant findings arising from the work carried out, as explained in the Conclusions section of the report, can be summarised as follows:

- General account submission levels, before the established deadline, for the different types of local authority, were as follows:

Type of local authority	Number of authorities	Submitted by the deadline		Properly submitted	
		Number	%	Number	%
Town and city councils ( <i>ajuntaments</i> )	947	688	73	636	67
County councils ( <i>consells comarcals</i> )	41	32	78	29	71
Provincial councils ( <i>diputacions</i> )	4	3	75	3	75
Decentralised municipal councils ( <i>entitats municipals descentralitzades</i> )	65	46	71	41	63
Metropolitan entities ( <i>entitats metropolitanes</i> )	1	1	100	1	100
Municipal joint service entities ( <i>mancomunitats</i> )	60	31	52	27	45
<b>Total</b>	<b>1,118</b>	<b>801</b>	<b>72</b>	<b>737</b>	<b>66</b>

Out of a total of 801 local authorities that sent in their general accounts to the Audit Office before 15 October 2021, 737 fulfilled all statutory requirements for them to be considered properly submitted.

There was a five percent decrease in the submission figures for the 2020 accounts in relation to year 2019. This result needs to be interpreted bearing in mind that the deadline for submitting general accounts for 2019 was extended by ninety-nine days, due to the state of alarm declared on 14 March 2020 to deal with the health crisis situation created by Covid.

- In general terms, the level of compliance as regards the contents of the accounts submitted before the deadline could be better. Of the general accounts forwarded to the Audit Office before 15 October 8% (64/801) were incomplete. This represents a two percentage point improvement in relation to year 2019, when the figure was 10% (89/864), thus continuing the downward trend of the last few years.
- Municipal councils with more than 50,000 inhabitants and upper-tier local government authorities are supposed to include information on activity costs and performance indicators in sections 26 and 27 of their Notes to the General Account. Of the entities required to do so, 60% of those that submitted their general accounts (51/85) did not include information on the cost of their activities and 72% (61/85) did not include performance indicators for year 2020.
- Of the local authorities with subsidiary entities that sent in their general accounts before the deadline, 57% (89/155) failed to include the audit reports, which the comptroller's office at the controlling authority was required to draw up, on some or all of the subsidiary organisations covered by article 29.3.A of the internal control regulations for local government entities, or the audit reports on those subsidiaries subject to a requirement to be audited in accordance with company law or other legislation applicable in their particular case.
- The accounts of two municipal councils and one county council were submitted with serious defects in the documentation relating to the accounts' approval. One municipal council also sent in its General Account without the required signature of the mayor as the authority chair. These two issues meant that, in these four cases, the accounts were not considered to have been presented to the Audit Office. Apart from that, one municipal council's General Account was sent in without final approval, based on the provisions of article 41.6 of the Public Audit Office Act.
- Statutory deadlines are still not being met, both for approving general accounts and for submitting them to the Public Audit Office. Moreover, the average time lapse between final approval of general accounts for year 2020 and their being presented to the Audit Office was thirty days.
- The number of consortia registered in Catalonia's Local Public Sector Register (RSPLC) that were not shown as attached to any local authority has continued to decline very slowly. During year 2020, the figure only went down by one consortium and there were still sixteen registered consortia not attached to any local authority.

In section 2.2 of the report the Audit Office makes a series of recommendations to improve the content of the accounts to be presented and submission levels. The following can be highlighted:

- The Council itself should make sure that, once the corporation's General Account has been approved, it gets sent in to the Public Audit Office without delay; the report therefore recommends that the decision passed in the plenary Council meeting includes a deadline no more than fifteen days later for submitting it.
- Local authorities should send the Public Audit Office their justifications or explanations for the anomalies in the accounting data detected during the validation process.
- Local authorities ought to include in the document certifying the decision to approve the General Account a statement confirming fulfilment of all the steps in the approval process plus a list with the names of all the subsidiary organisations falling within the scope of the General Account.
- Local authorities should include in their respective annual internal auditing plans all their subsidiary, attached or connected organisations that fall within the scope of their general accounts and that are not required by applicable legislation to have an external audit of their accounts.
- Local authorities should make the necessary arrangements to set up cost accounting procedures, in line with the general principles and criteria laid down by the Spanish Comptroller General's Office, to allow them to assess their effectiveness, efficiency and economy in the delivery of local government services, and to include this information in the data files sent to the Public Audit Office.
- Local authorities should press for modifications to the statutes of the public sector consortia they have an equity stake in, so as to specify which government administration they are attached to, both when the statutes do not include this or when it has been changed. They should also notify the government department in charge of local government affairs about annotations or modifications made to data in the RSPLC.
- Local authorities should ensure that not-for-profit entities and their authority's subsidiaries covered by the stipulations of Spain's Budget Stability and Financial Sustainability Organic Act in which they are stakeholders have been properly registered in the Local Public Sector Register.
- In order for the RSPLC to be kept permanently up-to-date and complete, the report recommends that the Directorate-General for Local Government makes an effort to ensure that every local authority registers all the information about its subsidiary entities, particularly the details of attached public sector consortia, limited companies in which it has only a minority equity holding and the not-for-profit entities it controls, irrespective of them being included in other official registers.
- The submission requirement for general accounts should be widened to include the reports issued by each authority's accounts comptroller relating to compliance with budget

stability objectives, the expenditure rule, and public debt limits, and also the summary report on the results of internal controls undertaken.

- Given the current state and availability of technology, the deadlines for local authorities to draw up, announce, offer for inspection and finally approve their general accounts should be considerably shortened with respect to statutory deadlines as they now stand.
- Regulatory bodies ought to include in the statute book the possibility of imposing coercive fines on officials that fail time and again to fulfil their obligation to supply information to the Public Audit Office and, in particular, to send in the General Account for each year, to be applied while the issue of non-compliance persists.

This summary is solely for information purposes. The audit report (in Catalan and Spanish) can be consulted at [www.sindicatura.cat](http://www.sindicatura.cat).