

SUMMARY

Summary of Report 12/2022, relating to the General Account of the Government of Catalonia, year 2020

Barcelona, 7 September 2022

The Public Audit Office for Catalonia has issued Report 12/2022, relating to the General Account of the Government of Catalonia (*Generalitat*) for financial year 2020, in fulfilment of its Annual Programme of Activities.

The report, which was presented by the Chairman, Mr Miquel Salazar, was approved by the Audit Office Board at its meeting on 26 July 2022.

The aim of the report is to issue an opinion on the General Account, understood as a consolidated account of the whole Catalan Government public sector, not on the individual financial statements of each of the entities that go to make it up.

The Catalan Government's General Account for year 2020 was presented by the Government's Comptroller General's Office (*Intervenció General*), the IGGC, on 28 July 2021 and the annual consolidated accounts on 1 October 2021, before the statutory deadlines.

The General Account submitted included the Government Administration Account, the Catalan Health Service (CatSalut) Account, one for the autonomous agencies of an administrative nature, and the individual annual accounts of the other subsidiary entities referred to in article 80.2 of the Consolidated Catalan Public Finance Act (TRLFPC).

The annual consolidated accounts, presented on 1 October 2021, included the budgetary and financial consolidated accounting statements for the administrative public sector, the consolidated statements of budgetary revenues and expenditures of the entities within the accounting perimeter for the General Account, the aggregate financial statements of the entities not forming part of the administrative public sector, and financial indicators for the consolidated or aggregated accounts.

According to the information provided by the IGGC, the Consolidated Budget Outturn for the Catalan Government's administrative and non-administrative public sector showed realised receipts (revenues) of €49,706.72m and recognised commitments (expenditures) of €50,790.35m.

In year 2020, the consolidated debt for the Catalan Government Administration and its public sector subsidiaries came to €80,464m.

The Audit Office's opinion, as stated in section 2 of the report, is that, except for the possible effects of the limitations described in findings 1, 2 and 3, and for the matters described in findings 4, 5 and 6, the General Account, considered as a whole, represents in all significant aspects a true and fair view of the Government of Catalonia's assets and financial position

as at 31 December 2020, and also of its results, cash flow and budget outturn corresponding to the financial year ending on that date.

The Audit Office added to this opinion three **emphasis of matter paragraphs**, which do not modify its opinion regarding the General Account, the most noteworthy being these two:

- The General Account for year 2020 was affected by the pandemic caused by Covid, which led to an increase in realised revenues thanks to the extraordinary funds from the State (central) government to pay for its impact, totalling €3,286.76m, and an increase in expenditures undertaken, to fund both healthcare expenditure and other indirectly related extraordinary activities. The Notes to the General Account of the Government of Catalonia reported Covid outlays totalling €3,531.75m, of which €2,015.07m corresponded to direct expenditure and €1,516.68m to indirect expenditure.
- The Audit Office noted the delicate financial position of the Catalan Government as at 31 December 2020 in regard to its funding requirements, because its budgetary year-end net working capital (*romanent de tresoreria*) and equity figures were negative, its financial debt levels were high (37.2% of regional GDP), and there was a large volume of expenditure commitments affecting future financial years.

The most significant **findings** from the audit work carried out were as follows:

- In the last few accounting years, the IGGC has pushed on with the regulatory modifications needed to adapt and modernise the Catalan Government's accounting framework. Article 81 of the TRLFPC envisages the General Account as a consolidated account of the entire Catalan Government public sector.

The General Account for year 2020 included a Consolidated Budget Outturn Statement of Revenues and Expenditures for the whole group of entities within the perimeter of the General Account. For the expenditure budget, the consolidation process was undertaken for initial appropriations, final appropriations and recognised expenditures; for revenues it was carried out on initial planned income, final planned income and recognised revenues. Consolidated budgetary information on payments made and moneys collected in the current year were not included.

Just as it did for year 2019, the IGGC presented a Consolidated Balance Sheet and a Consolidated Operating Statement for the government's administrative public sector. It also presented an Aggregate Balance Sheet and Aggregate Operating Statement for the non-administrative public sector, without any of the eliminations required for consolidated accounts.

The consolidated accounts submitted were not complete, since they did not include all the entities within the organisational scope laid down by article 80 of the TRLFPC, and presenting aggregate data for the non-administrative public sector meant that those accounting statements were not sufficiently representative of the assets and financial position of the public sector as a whole, because of duplicated and overvalued items in some accounting categories.

- The data in the CatSalut Balance Sheet as at 31 December 2020 showed recurring deficiencies over the last few years in the areas of tangible fixed assets and property holdings.

The composition, location and valuation of the main groups of items in tangible fixed assets held by Government departments and CatSalut were not described in a comprehensive and up-to-date year-end inventory capable of being reconciled with the accounting records.

- The Government Administration had not undertaken a detailed analysis of the actual time elapsed for revenues pending collection from previous years at its territorial treasury offices, which totalled €627.44m as at 31 December 2020. It was therefore not possible to quantify the provision amount it needed to allocate to cover the risk of bad debts and debt cancellations.
- The review of assets in the Catalan Government's General Administration Balance Sheet found that, as at 31 December 2020, there was a net undervaluation in the value adjustments to financial investments held by the Government Administration of €399.27m; of this the most significant part was €396.05m for CatSalut.

In the CatSalut Balance Sheet the provisions for declines in value were overvalued by €103.95m. Prominent in this figure was €102.40m for the Santa Creu i Sant Pau Hospital's Foundation for Healthcare Management (Fundació de Gestió Sanitària).

- The budget outturns for the Government Administration, CatSalut and the autonomous agencies of an administrative nature failed to include part of the expenditures undertaken in year 2020, due to a lack of sufficient budget appropriations. Expenditures actually undertaken during year 2020 but not registered in the budget totalled €2,381.44m. Expenditures reported in the budget outturn for year 2020 but undertaken in 2019 were €2,654.93m.
- In the calculations for the Government Administration and consolidated budgetary result and budgetary year-end net working capital (*romanent de tresoreria*), the item Positive Funding Deviations for the Year was overvalued by €565.46m. This meant that the adjusted budgetary result and the Government Administration and consolidated budgetary year-end net working capital totals for year 2020 should have been minus €2,295.61m, minus €4,530.44m and minus €6,049.59m, respectively.
- The annual accounts of the Consortium for Redeveloping the Gran Via in L'Hospitalet de Llobregat, the CSIC-IRTA-UAB-UB Consortium – Centre for Research in Agricultural Genomics, and the Catalan Health and Social Assistance Consortium should have been included in the General Account submitted by the IGGC, because they met the requirements to be considered as attached to the Catalan Government.

Lastly, the Audit Office makes eight recommendations relating to some of the issues that came to light during the audit work carried out on the General Account of the Government of Catalonia for year 2020.

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