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## SUMMARY

### **Summary of Report 18/2018, relating to property asset management by the Government of Catalonia, years 2011-2014**

*Barcelona, 22 October 2018*

The Public Audit Office for Catalonia has issued Report 18/2018, relating to the Government of Catalonia's management of its property assets in years 2011-2014, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Ms Emma Balseiro, was approved by the Audit Office Board at its meeting on 10 September 2018.

The purpose of the audit was to analyse how the Catalan Government (*Generalitat*) had managed its real estate assets by examining the legal, financial and technical information held in the available databases. To this end, reviews were carried out and data cross checked in the areas and aspects explicitly mentioned in the report.

The organisation in charge of managing the Catalan Government's property holdings is the Directorate-General for Government Property (DGP), assigned to the Department for the Economy and Knowledge in the audited period.

In section 3 of the report, the Audit Office concludes that the information provided by the government departments and their subsidiary entities relating to the Government of Catalonia's property asset management demonstrated that sufficient up-to-date information was not available on the properties owned by its entire public sector or on their valuation. As a consequence, given the limitations described in the report, it was not possible to fully and consistently determine the extent of the property holdings of the Catalan Government's public sector during years 2011-2014.

According to the information provided, as at 31 December 2014 property assets totalled 2,423 buildings, with an overall surface area of 6,040,988.32 m<sup>2</sup>, for which an accounting value was not available.

The most significant findings from the audit carried out, as given in section 3 of the report, can be summarised as follows:

- The report was limited by the fact that centralised data was not available on all of the Catalan Government's property holdings, or on how they were valued and registered, and also because there were significant deficiencies, explained in section 1.1.2, relating to the information sent in by government departments and their subsidiary organisations.

- The DGP was unable to provide details of all the buildings corresponding to the Catalan Government's public entities, because it did not have full information on the property assets of subsidiary entities; this evidenced a lack of proper control.
- In a sample of fifteen files which were analysed, two instances were found of lease agreements being signed by subsidiary entities without having first requested the mandatory and binding report from the DGP, as required by article 15 of the Consolidated Catalan Government Property Act. Furthermore, in four of the files, in spite of the negative report by the DGP, the subsidiary entity went ahead and signed the lease agreement for the building. No procedure was set up to ensure that all subsidiary entities requested the DGP's mandatory binding report before entering into new, or renewed or modified, contracts for buildings.
- According to the documentation received by the Audit Office, as at 31 December 2014 there were 120 empty buildings: 45 belonging to government departments and 75 belonging to their subsidiary entities. In the period analysed the fact that these buildings were not occupied led to costs of €3.04m. In addition there were a total of 1,961 empty homes, car parks and shop or office premises held by the Catalan Land Institute (INCASÒL) and the La Mina District Consortium.
- Once construction was finished, the Catalan Government did not consider infrastructures and public facilities built using alternative financing arrangements (for example, rights to build on land) to be property assets; instead, their cost was treated as an expenditure item in sections 2 or 4 of the budget. In year 2014 the figure reported for expenditures arising from transfers of rights to build on land was €173.02m, while governmental concessions at the Justice Complex led to an expenditure of €45.64m. The total cost of future payments of seigniorial rights (*censos*) established against Catalan Government properties until 2028 was estimated at €197.6m.
- The review carried out on the paperwork for the sale of buildings showed that fourteen buildings were sold off at below their cost price, and for two buildings there was no evidence that a valuation was undertaken prior to the sale.
- The cost of the lease-back agreements associated with property sales during the 2011-2014 period meant estimated future outlays until 2034 totalling €787.01m. The Audit Office estimated there were negative cash-flows from all the property sales undertaken by the Government of €698.24m.

In section 3.2, the Audit Office recommends that the government department in charge of the economy and finance urges the Catalan Government's public enterprises to draw up inventories as required by regulations, so that the general inventory can be compiled and completed. It also recommends that the Government undertakes the necessary steps to fulfil the requirement to have a full inventory, with property valuations, covering all the assets held by Catalan Government departments and their subsidiary entities.

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| <p>This summary is solely for information purposes. The audit report (in Catalan and Spanish) can be consulted at <a href="http://www.sindicatura.cat">www.sindicatura.cat</a>.</p> |
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