

SUMMARY

Summary of Report 25/2020, relating to Besalú Town Council, budgetary year-end net working capital, year 2018

Barcelona, 10 December 2020

The Public Audit Office for Catalonia has issued Report 25/2020, relating to Besalú Town Council's budgetary year-end net working capital (*romanent de tresoreria*) for financial year 2018, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Mr Joan-Ignasi Puigdollers, was approved by the Audit Office Board at its meeting on 10 November 2020.

The aim of the assignment was to audit Besalú Town Council's financial activity as it related to its Budgetary Year-End Net Working Capital Statement for year 2018.

The Audit Office considers that the Town Council reported a budgetary result €467,282 more favourable than the actual true figure, this being the difference between the budgetary year-end net working capital for general expenditures calculated by the Council and that calculated by the Public Audit Office.

The most significant findings from the work carried out, as explained in section 3.1 of the report, can be summarised as follows:

- The audit work was hampered by the lack of certain data, relating basically to the fact that the Town Council had no specific accounting module for administering and collecting the local taxes and other public law revenues which it managed directly; this information was therefore not integrated into its general accounting information system. This made it difficult to check budgetary cash levels and ensure that the information on its books was complete.

Although a cooperation agreement existed between Besalú Town Council and Girona Provincial Council's Local Municipal Network (XALOC), whereby this organisation was delegated with handling all forcible tax collection procedures, the Town Council did not send it comprehensive, systematically prepared tax revenue sheets after the deadline for voluntary tax filings had passed, or undertake any measures to initiate the forcible tax collection phase and liability orders, or any measures conducive to issuing demands to tax payers to pay their arrears or to halt the countdown towards the collection expiry date. It therefore failed to comply with the terms of the cooperation agreement and its statutory tax collecting obligations.

Uncollected tax revenues were not written off after a considerable time had elapsed, and if any arrears were finally collected, no late-payment penalties were applied, or any interest payments which might have been chargeable, which meant a loss of income for the Town Council.

Because of the limitations described above, it was not possible to estimate the number of tax collection files which had not been passed on to XALOC, or the amounts which the Council had failed to collect through not having rigorously applied the procedures laid down in local tax collection legislation.

Funding deviations were calculated separately from the main accounts and without taking into account expenditures using specially earmarked funds allocated to budget section 2, for goods and services.

- The audit found that the comptrollership function was ineffective in its internal control role. In the budget execution rules for 2018, as was also the case in previous years, no mention was made of the internal controls to be carried out by the municipal Comptroller's Office. However, in the budget execution rules for 2019, a section relating to internal comptrollership and auditing was included.
- The Town Council did not carry out reconciliations of the balances for local taxes and other revenues pending collection that it was informed of by XALOC.

As regards revenues, the amounts due for collection were overstated in the following cases:

- Elapsed tax revenues, older than the legally enforceable collection period, which had not been written off, worth €88,588.
- Quotas from property owners for street development, recorded as due in year 2008, totalling €120,029, for which no documentation was obtained to justify tax-payer liability.
- Contributions due from private contractors under various urban planning agreements between years 2005 and 2007, totalling €78,748, for which no evidence was found that any documentation existed to confirm they were liable for payment.
- Contributions for capital investments and improvements, recorded as due in year 2010, totalling €54,147, with no evidence provided that these amounts were collectible.
- Income due from the sale of the building which had housed the old municipal swimming pool, put at €743,000, although the transaction was never completed in an auction, or through a direct sale.
- Revenues recorded earlier than allowed, totalling €194,963, corresponding to local taxes administered by XALOC, because this entity only presented the Council with its tax collection report for year 2018 on 29 January 2019.

- Revenue items recorded earlier than allowed, totalling €337,749, for incoming grants and subsidies, for both current and capital expenditures, from the Government of Catalonia and Girona Provincial Council, which were recorded as due as soon as they had been justified, without knowing for certain that the awarding entity had registered them in their own accounts.

It must be said, however, that nearly full-figure provisions for many of these balances had been put into the budget outturn, so the net effect on the final result of the items the audit suggested should be taken out was much less.

As regards expenditures and, therefore, balances of payments pending, the effects of the anomalies detected were much smaller. However, the balance for creditors from operations pending apportionment to the budget is worth highlighting, because of the figure involved, since it stood at €370,360 as at 31 December 2018.

The Audit Office also makes various recommendations, in section 3.2 of the report, relating to some of the issues brought to light during the audit work. Prominent among these is the recommendation to Besalú Town Council that, given its financial situation, it ought to revise the services it provides and the local taxes and fees it charges for them.

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