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## SUMMARY

### **Summary of Report 22/2016, relating to Alcarràs Town Council, earmarked funding deviations, year 2014**

*Barcelona, 21 December 2016*

The Public Audit Office for Catalonia has issued Report 22/2016, relating to Alcarràs Town Council's earmarked funding deviations in financial year 2014, 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 8 November 2016.

The purpose of this audit assignment, a limited financial audit, was to review the information reported by the Town Council relating to expenditure projects using specially earmarked funds in the 2014 financial year, to check whether it had been presented in accordance with the applicable financial reporting regulatory framework and, in particular, the accounting principles and criteria contained in that framework.

The most significant findings arising from the audit carried out, as explained in section 3.1, can be summarised as follows:

- The documentation presented by the Town Council relating to expenditures using earmarked funds did not include all the information required by accounting regulations and, in certain cases, the reported data were not correct. The figure for funding deviations in year 2014 as presented by the Council does not agree with the amount that would have been produced if the calculations laid down in regulations had been used. The following points give a description of the main deficiencies and their effects:
  - Funding deviations were calculated manually using a spreadsheet; this contravenes regulations which make it obligatory to include the necessary data in the accounting software module, in order to generate the required information automatically.
  - Projects with earmarked funding relating to current expenditure were not considered as such and, therefore, were not included in the calculation of funding deviations; furthermore, the calculations did not take into consideration the expenditures, both capital and current, carried over from previous years.
  - Own resources generated during the year and the budgetary year-end net working capital (*Romanent de tresoreria*) carried over from previous years were incorrectly considered as just other funding agents.

- Recognised revenues for the current year and revenues pending payment were over-valued because of assigning recognition of these revenues to the wrong time period.
- The adjusted budgetary result and the budgetary year-end net working capital for general expenditures, as reported by the Town Council, would be reduced by €167,215m and €778,228m respectively, if the relevant adjustments were included and funding deviations were recalculated in the accounting statements.
- Apart from the findings relating to the purpose of the audit, the following deficiencies also came to light:
  - During the year covered by the audit the Treasurer function was carried out by one of the town councillors, which is contrary to current regulations.
  - In the comptrollership of expenditures, the relevant ex ante checks prior to approval were not carried out; nor was an ex post review of a representative sample undertaken.
  - Some expenditures were authorised without sufficient budgetary funds, before approval was obtained for reallocating budgetary funds to the relevant line items.
  - Some expenditures in 2013 without allocations in that year's budget were accounted for in year 2014, instead of following the approval process for non-judicial recognition of expenditures.
  - The Town Council undertook certain expenditures without any governmental contract supporting them.

In section 3.2 of the report, the Audit Office makes a series of recommendations on the need to undertake a review of the situation existing regarding administrative procedures and accounting criteria used, from the point of view of both complying with statutory requirements and correctly managing accounting data, and also recommends reviewing the internal control mechanisms in place.

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).