
SUMMARY

Summary of Report 2/2016, relating to the Local Communication Consortium and subsidiary entities, year 2012

Barcelona, 16 March 2016

The Public Audit Office for Catalonia has issued Report 2/2016, relating to the Local Communication Consortium and its subsidiary entities, financial year 2012, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Ms Maria Àngels Servat, was approved by the Audit Office Board at its meeting on 28 January 2016.

The work carried out was a regularity audit of the Local Communication Consortium's General Account, which includes the annual accounts of the Consortium itself and those of the company ACL – Agència de Comunicació Local, SA (Local Communication Agency), and a review of the annual accounts of the company CEPESA – Compañía de Emisiones y Publicidad, SA (Company for Broadcasting and Advertising), to check that they were presented in accordance with the applicable financial reporting regulatory framework and, in particular, according to the accounting principles and criteria contained in that framework. It also included verifying that in the period covered by the audit the Consortium and its subsidiary entities carried out their activities in accordance with applicable legislation.

The Consortium is a local government entity, set up on 19 September 1994 for the purpose of promoting the activities of municipal radio stations by producing and promoting their programmes and, in general, all operations relating to local broadcasting. On 31 December 2012 the organisations making up the Consortium were Barcelona Provincial Council (*Diputació*), Barcelona Metropolitan Area, EMUC – Catalan Municipal Broadcasters (*Emissores Municipals de Catalunya*) and 144 town and city councils in Catalonia.

To pursue its aims, on 21 November 1994 the Consortium set up ACL. ACL created a series of radio programmes, for which broadcasting began in March 1995, which were made available to municipal broadcasters under the commercial name *COMRàdio*.

The Consortium, through ACL, managed twenty-two FM radio frequencies, under the license granted to it by virtue of governmental resolution PRE/3315/2006, of 17 October. This resolution was challenged in the courts by the Catalan Radio Association, and was annulled by Catalonia's High Court in verdict 262, of 30 March 2011. As a result, on 1 September 2012 the Consortium permanently suspended all the radio programme broadcasting it had previously offered.

In addition, ACL had 99.9% ownership of CEP SA, a company that had been set up on 2 October 1952, which ACL acquired for the purpose of broadcasting its programmes on medium wave radio. The remaining CEP SA shares (0.1% of share capital) were divided out among ten private shareholders.

On 19 December 2012, ACL's Board of Directors gave approval for all its assets and liabilities to be transferred to the company XAL – Xarxa Audiovisual Local, SL (Local Audio-Visual Network), wholly owned by Barcelona Provincial Council, to take effect on 1 January 2013. This meant, in practical terms, that the company ceased operating and was wound down. The notarised act of dissolution was signed on 19 December 2013. During the 2012 financial year the company made adjustments to the valuations of its assets based on its best estimates, which left its own funds at € 49,779. The effective dissolution of ACL took place on 9 January 2014.

Subsequently, agreements were also reached on dissolving CEP SA and the Consortium, on 25 February 2015 and 26 of March 2015, respectively. The agreement to dissolve the Consortium was still in the process of being ratified by all of its member organisations on 31 December 2015.

Bearing in mind the aim, scope and methodology used for the report, as specified in the Introduction, the opinion of the Audit Office is that the annual accounts of the Local Communication Consortium and its subsidiary entities, ACL and CEP SA, represent in all significant aspects a true and fair view of their assets and their financial position as at 31 December 2012, and also their results corresponding to the financial year ending on that date, in accordance with the applicable financial reporting regulatory framework and, in particular, the accounting principles and criteria contained in that framework.

It should be specially emphasised that the annual accounts of the Consortium and its subsidiary entities were drawn up using the going concern principle with the aim of more clearly providing a true and fair view of the activities carried out by the organisations during the 2012 financial year, in spite of the agreement to dissolve ACL taking effect on 1 January 2013, and the agreements in 2015 to dissolve the Consortium and CEP SA. However, this fact does not modify the Audit Office's opinion.

The most significant findings which can be highlighted from the audit undertaken are as follows:

- The Consortium's Statutes did not define how the accounts of its subsidiary entities were to be inspected. Nor did they provide for any effectiveness audits or periodical reviews of the extent to which objectives were being met, or any analyses of the running costs and effectiveness of services or investments.
- The Consortium's General Account, which was approved by the relevant body before the established deadline, did not include CEP SA's annual accounts as supplementary documentation, which contravenes relevant regulations. Nor did the Consortium send

information to the Department for Governance and Institutional Relations on the 2012 budget and budget outturn, either for itself or for its subsidiary entities.

- CEPESA was never included in the Register of Local Government Organisations, in violation of the relevant regulations.
- During year 2012, ACL gave permanent job contracts to forty-four employees who were providing services to ACL through three companies. It also hired its News Director and Sales Director using the special employee regime for senior executives. CEPESA, for its part, hired a person previously involved with the XAL public enterprise. The hiring of these staff members was in breach of the 23rd additional provision of Spain's General Budget Act for 2012 (Act 2/2012, of 29 June).

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