

SUMMARY

Summary of Report 21/2021, relating to local authorities' general accounts, year 2019

Barcelona, 15 December 2021

The Public Audit Office for Catalonia has issued Report 21/2021, relating to local authorities' general accounts for financial year 2019, 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 26 October 2021.

The work carried out was to check that local corporations had sent in their general accounts for year 2019 and, in particular, to verify, by reviewing and cross-checking the accounting data submitted, that the accounts presented were compliant with legislation in terms of the organisations and accounting statements included, that they had been properly approved and had been forwarded to the Audit Office before the established deadline, and that the annual accounts and statements had been correctly drawn up.

The submission deadline for general accounts for year 2019 was affected by the state of alarm which was declared to manage the health crisis caused by Covid-19, because it was extended to 22 January 2021.

For year 2019 there were 1,120 local authorities and 671 subsidiary organisations, making a total of 1,791 auditable accounting entities. This represents a net reduction of fifteen entities in relation to year 2018, continuing the downward trend in the number of subsidiary organisations of the last few years.

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

- General account submission levels, before the established deadline, for the different types of local authority, were as follows:

Type of local authority	Number of authorities	Submitted by the deadline		Properly submitted	
		Number	%	Number	%
Provincial councils (<i>diputacions</i>)	4	3	75	2	50
County councils (<i>consells comarcals</i>)	42	36	86	29	69
Metropolitan entities (<i>entitats metropolitanas</i>)	1	1	100	1	100
Joint service entities (<i>mancomunitats</i>)	61	28	46	22	36
Town and city councils (<i>ajuntaments</i>)	947	741	78	670	71
Decentralised municipal councils (<i>entitats municipals descentralitzades</i>)	65	55	85	51	78
Totals	1,120	864	77	775	69

Out of a total of 864 local authorities that sent in their general accounts to the Audit Office before 22 January 2021, 775 fulfilled all statutory requirements for them to be considered properly submitted.

For year 2019 there was an eleven per cent improvement in accounts submission levels in relation to year 2018, probably because the submission deadline was extended to 22 January 2021. All groups showed an improvement except for provincial councils.

- In general terms, the level of compliance as regards the contents of the accounts, for those organisations which presented them before the deadline, could be better. Of the general accounts sent in to the Public Audit Office by 22 January, 10% (89/864) were incomplete. This represents an improvement in relation to year 2018, when the figure was 12% (89/739).
- Town and city councils with more than 50,000 inhabitants and upper tier local government authorities are supposed to include information on activity costs and performance indicators in sections 26 and 27 of the Notes to the General Account. Of the entities required to do so, 65% of those that submitted their general accounts (53/81) did not include information on the cost of their activities and 70% (57/81) did not include performance indicators for year 2019.
- As at 31 March 2021 there were still seventeen public sector consortia registered in Catalonia's Local Public Sector Register (RSPLC) which were not shown as attached to any local authority. During year 2020, this figure only went down by one consortium.
- Of the local authorities with subsidiary entities that sent in their general accounts, including the annual accounts of their subsidiaries, before the deadline, 65% (107/164) failed to include the audit reports, which the comptroller's office at the stakeholding authority was required to draw up, on some or all of the subsidiary organisations covered by article 29.3.A of the internal control regulations for local government entities, or the audit reports on those subsidiaries subject to a requirement to be audited in accordance with company law or other legislation applicable in their particular their case.
- The accounts of one municipal joint service entity, two town or city councils, and one decentralised municipal council were submitted with serious defects in the documentation relating to the accounts' approval. In another instance, the General Account of one of the

town and city councils was sent in before the deadline, but the submission had not been signed by the mayor as authority chair. In all of these cases the accounts were considered by the Audit Office to be not submitted.

- Statutory deadlines are still not being met, both for approving general accounts and for submitting them to the Public Audit Office. The average time lapse between final approval of general accounts for year 2019 and presenting them to the Audit Office was fifty-six days, twenty-two days more than for year 2018.

In section 2.2 of the report the Audit Office makes a series of recommendations to improve the content of the accounts to be presented and submission levels. The following can be highlighted:

- The Council itself should make sure that, once the corporation's General Account has been approved, it gets sent to the Public Audit Office without delay; The report therefore recommends that the decision passed in the plenary Council meeting includes a deadline of no more than fifteen days to submit the General Account.
- Local authorities should send the Public Audit Office their justifications or explanations for the anomalies in the accounting data detected during the validation process.
- Local authorities should make the necessary arrangements to set up cost accounting procedures, in line with the general principles and criteria laid down by the Spanish Comptroller General's Office, to allow them to assess their effectiveness, efficiency and economy in the delivery of local government services, and to include this information in the data files sent to the Public Audit Office.
- Local authorities should include in their respective annual internal auditing plans all their subsidiary, attached or connected organisations that fall within the scope of their general accounts and that are not required by applicable legislation to have an external audit of their accounts.
- Local corporations should press for changes to the statutes of the public sector consortia they have an equity stake in, so as to specify which government administration they are attached to, both when the statutes do not include this or when it has been modified. The government department in charge of local government affairs should also be notified, in order to annotate or update this information in the RSPLC.
- Local authorities should ensure that the not-for-profit entities and subsidiary entities covered by the stipulations of Spain's Budget Stability and Financial Sustainability Organic Act and in which they are stakeholders have been properly registered in the RSPLC.
- In order for the RSPLC to be kept permanently up-to-date and complete, the report recommends that the Directorate-General for Local Government makes an effort to ensure that every local corporation has registered all the information about its subsidiary entities, particularly the details of attached public sector consortia, limited companies in which it has only a minority stakeholding and the not-for-profit entities it controls, irrespective of them being included in other official registers.

- The submission requirement for general accounts should be widened to include the reports issued by each authority's accounts comptroller relating to compliance with budget stability objectives, the expenditure rule, and public debt limits, and also the summary report on the results of internal controls undertaken.
- Given the current technological conditions and facilities available, the deadlines for drawing up, announcing, offering for inspection and finally approving local authorities' general accounts should be considerably shortened with respect to those currently laid down by legislation, in order to set 31 July of the following year as the deadline for general accounts being submitted to the Public Audit Office.

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