

SUMMARY

Summary of Report 11/2022, relating to Sabadell City Council, revenues, year 2019

Barcelona, 7 September 2022

The Public Audit Office for Catalonia has issued Report 11/2022, relating to Sabadell City Council's revenues in financial year 2019, in fulfilment of its Annual Programme of Activities.

The report, which was presented by Board Member Mr Manel Rodríguez, was approved by the Audit Office Board at its meeting on 26 July 2022.

The purpose of the assignment was a limited-scope financial and legal compliance audit, looking at Sabadell City Council's budgetary revenues corresponding to year 2019.

The Audit Office considered that the Council's revenue budget outturn for year 2019 showed a budgetary outcome more favourable than the one actually existing, by an amount that was calculated at €973,653, according to the adjustments reckoned by the Audit Office. The differences were basically caused by the fact that the apportioning to accounting periods or the accounting criteria used by the City Council to record certain transactions were not appropriate.

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

- The Council approved and then submitted its General Account for 2019 after the deadlines set for that financial year.
- The audit work was hampered by certain deficiencies in the available data, basically relating to the fact that the Council's local taxes and other public law revenues were managed using its own custom tax administration software that was inadequate and obsolete.
- The rules governing the local tax for the use of the public domain by companies supplying public interest utility services had stipulated a self-assessed regime, but one which was not in operation, because it was the Council itself that prepared the tax statements, based on the declarations of gross earnings presented by the utility companies.
- In year 2019 checks were not carried out to enable verification that all the companies supplying public interest utility services with operations in Sabadell had presented their

declarations of gross earnings generated in the borough, these being the basis for the tax statements for collecting the local tax on public domain usage.

- The City Council had not correctly accounted for its decisions allowing for payment by instalments or delayed payment of amounts due from tax payers.
- Regarding revenues for the current year, the audit detected amounts receivable in year 2019 that had been shifted to year 2020, to the sum of €2,631,602. This distorted the balance for amounts pending collection at the close of the financial year.
- Regarding revenue items to be refunded, the audit detected items shifted from year 2019 to year 2020, totalling €3,762,473.
- The audit detected the existence of balances pending collection from previous years with time lapses of more than four years totalling €411,499. For these items forcible collection options should be exhausted and, as appropriate, they should be declared uncollectable and written off in the accounts. It should be said that provisions for doubtful debts for nearly all of these balances had been included in the budgetary year-end net working capital statement (*Estat del romanent de tresoreria*).

In section 3.2 of the report the Audit Office makes various recommendations regarding some of the issues brought to light during the audit work. Notable among these is the recommendation to the City Council regarding the fact that, since ex-ante comptrollership of revenues was not being applied and, in practical terms, had been substituted by direct annotation in the accounts, a Plenary Council agreement should give approval to this arrangement. The recommendation regarding the use of the transitory accounting item Amounts Received Pending Final Allocation should also be highlighted: moneys received need to be assigned to the relevant account headings at designated regular intervals and particularly when closing the yearly accounts, so as to avoid distortions to the balance of items pending collection.

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