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## **SUMMARY**

### **Summary of Report 7/2017, relating to the Polytechnic University of Catalonia, years 2011-2014**

*Barcelona, 14 June 2017*

The Public Audit Office for Catalonia has issued Report 7/2017, relating to the Polytechnic University of Catalonia (UPC), financial years 2011-2014, in accordance with its Annual Programme of Activities.

This report, which was presented by Board Member Mr Jordi Pons i Novell, was approved by the Audit Office Board at its meeting on 27 April 2017.

The regularity audit undertaken included a review of the UPC's annual accounts for the aforementioned years, to check that they had been drawn up in accordance with the relevant 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 audited period the UPC carried out its activities in accordance with applicable legislation.

In the 2014-2015 academic year the UPC had 25,698 students enrolled, 6,039 new students joined and 5,372 students graduated. As at 31 December 2014 the UPC had 2,502 TRS (teaching and research staff) and 1,446 ASS (administration and services staff), as well as having administrative staff and research personnel hired for research projects.

Realised revenues in the revenue budget for the 2014 financial year came to €325.66m and recognised expenditures totalled €290.00m. Between 31 December 2010 and 31 December 2014 the UPC's deficit rose by €29.56m, which represented an increase of 35.99%. As at 31 December 2014 the UPC had, according to its annual accounts, negative budgetary funds for general expenses (i.e. a deficit) of minus €111.72m, which represented 42.49% of the initial budget for the 2014 financial year.

Bearing in mind the aim, scope and methodology used for the report, as specified in the Introduction, the Audit Office's opinion is that, except for the possible effect of the limitation described in finding 1 and except for the matters described in findings 2 to 5, the annual accounts represent in all significant aspects a true and fair view of the assets and financial position of the UPC as at 31 December 2014 and also of its results, cash flow and budget outturn 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.

The limitation described in finding 1 refers to the realised revenues and revenues pending collection from the Agency for Managing University and Research Grants (AGAUR). The matters described in findings 2 to 5 refer to deductible VAT, based on application of the pro rata rule, to how amounts borrowed on overdraft facilities were recorded on the books, to budgetary year-end net working capital (*romanent de tresoreria*) and to the debt item based on the commitment by the Catalan Government (*Generalitat*) to return certain loans provided by different central government ministries. Of these findings, the following two should be highlighted:

- The review of revenues pending collection as at 31 December 2014 showed that budgetary year-end net working capital was overvalued by €17.11 m (earmarked funds were overvalued by €1.57 m and non-earmarked or general funds by €15.54 m) and equity was overvalued, and the provision for bad debts undervalued, by €10.18 m. These adjustments meant that the deficit of €111.72 m shown in the annual accounts as at 31 December 2014 increased to €127.26 m.
- The UPC had the Catalan Government's commitment to return certain loans provided by central government ministries registered on its books as €24.50 m under Long-term Debtors and under Adjustments for Deferrals as at 31 December of years 2011, 2012, 2013 and 2014. This commitment does not actually imply any debt owed by the Catalan Government to the University.

Finding 6 is given special emphasis in the report. However, this matter does not modify the Audit Office's opinion. This finding refers to the fact that the UPC's large deficit as at 31 December 2014 is indicative of a delicate financial position which could compromise the UPC's activities in the future.

Below are highlights of other findings included in the Conclusions section of the report:

- The UPC did not approve the upper limit for annual budgetary expenditure for years 2013 and 2014 established in the fifth subsection of article 6 of Royal Decree-Act 14/2012, of 20 April, on urgent measures for rationalising public spending in the education sector.
- The UPC made several decisions on the closure of facilities which led to infringements of applicable regulations relating to working hours and days of paid leave.
- The agreements on flexibility and passing on know-how adopted by the UPC in year 2014 in practical terms meant a reduction in working hours which contravened current regulations.
- The teaching commitment of the UPC's full-time lecturing staff was not in compliance with the provisions of Royal Decree-Act 14/2012, of 20 April, on urgent measures for rationalising public spending in the education sector.
- The UPC does not have a system to allow the date that invoices are received to be ascertained.

- The UPC did not provide the Audit Office with its Budget Stabilisation Plan, a document mentioned in the missive of 21 March 2014 from the Director-General for Universities to the UPC's Rector, and there is no record of one being approved by the UPC's Social Council. Neither did it provide documentation to show monitoring of this Plan's implementation or that measures had been put in place to reduce the deficit and its impact on the 2014 financial year.
- As at 31 December 2014 the UPC had € 11.38m of revenues pending collection from the Government of Catalonia carried over from 2013 or previous years. This delay in payments from the Catalan Government is causing significant liquidity problems and financing costs for the University, and may compromise its ability to function properly.

Finally, in the Conclusions section various recommendations are made which, in the view of the Audit Office, would help to resolve some of the issues mentioned in the report.

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