
SUMMARY

Summary of Report 4/2018, relating to Olesa de Montserrat Town Council, budget stability and financial sustainability, year 2014

Barcelona, 3 May 2018

The Public Audit Office for Catalonia has issued Report 4/2018, relating to Olesa de Montserrat Town Council's budget stability and financial sustainability in 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 13 March 2018.

The assignment was a financial and legal compliance audit, limited to checking that legislation relating to the objectives of budget stability and financial sustainability had been complied with, so as to verify the reasonableness of the indicators calculated by the Town Council and their coherence with the municipal accounts, and fulfilment of the corresponding obligations of supplying and reporting information, and to confirm that, where needed, the necessary measures had been undertaken to correct any shortfalls.

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

- As regards the assessment of the budget stability and financial sustainability indicators referring to year 2014, although the report's conclusions coincide with the Town Council's (it had sufficient funding capabilities, did not exceed the maximum debt ratio percentage but, as regards the expenditure rule, had breached the statutory upper limit in the budget outturn), the values ascertained by the Audit Office referring to funding capabilities, €289,780.64 for the initial budget and €1,155,707.98 for the budget outturn, were significantly lower than the ones calculated by the Council, €2,400,531.61 and €2,475,073.82 respectively.
- As regards how budgetary surpluses for years 2013 and 2014 were applied, the amounts to be distributed as calculated by the Town Council, €911,796.48 and €1,864,378.76 respectively, needed to be increased by €200,422.84 and €143,687.69 respectively. In addition, because the Council did not draw up the mandatory plan for the use of funds (*pla de tresoreria*), it was not possible to verify the way budgetary year-end net working capital (*romanent de tresoreria*) for general expenses for years 2013 and 2014 had been applied, to check compliance with the rules on using budget surpluses to reduce net debt levels.

- The financial plan that was required because of non-compliance with the expenditure rule objective in the 2014 budget outturn was approved by the Council approximately six and a half months late. Furthermore, the Council did not pass an agreement on the non-availability and withholding of budgetary appropriations, which was needed to guarantee the fulfilment of this objective.
- As regards the information reporting requirements envisaged in relation to the budget stability and financial sustainability objectives for the 2014 financial year, the Council failed to comply with them in several ways, both in terms of meeting reporting deadlines and regarding the contents of the information supplied.
- In relation to the Town Council's internal control arrangements, in the official list of staff positions for year 2014 the posts of Secretary and Comptroller were designated as Class Two, whereas, given the town's population, they should have been designated as Class One.

In section 3.2 of the report the Audit Office makes a recommendation on the need to reduce to the bare minimum any budgetary adjustments because of surpluses carried over from the previous year, and another on the advisability of including appropriations in the initial expenditure budget in section 5, Contingency Fund and Other Unforeseeables, to fund these adjustments. Furthermore, the Audit Office also recommends drafting standard paragraphs relating to budget stability and financial sustainability and including them in the Notes to the Accounts, given the large quantity of complex information that current legislation requires on this matter.

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