

SUMMARY

Summary of Report 3/2017, relating to the University of Barcelona, years 2011-2014

Barcelona, 17 May 2017

The Public Audit Office for Catalonia has issued Report 3/2017, relating to the University of Barcelona (UB), 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 28 March 2017.

The regularity audit undertaken included a review of the annual accounts of the UB 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 UB carried out its activities in accordance with applicable legislation.

In the 2014-2015 academic year there were 47,267 students enrolled at the UB, 13,127 new students signed up and 10,094 students graduated. As at 31 December 2014 the UB had 4,962 TRS (teaching and research staff) and 2,282 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 €382.01m and recognised expenditures totalled €371.93m. As at 31 December 2014 the UB had a negative year-end budgetary balance for general expenses of minus €56.85m, which represented 15.96% of the initial budget for the 2014 financial year.

From an accounting and financial point of view, it should be highlighted that during the audited period the UB included in its general budgetary balance €21.15m corresponding to the results from its halls of residence, €5.00m from bringing forward the concession of usage rights to the building plot located in Pau Gargallo street for the construction and operation of a university hall of residence and €1.26m corresponding to the final settlement for postgraduate courses in years prior to the audited period. These matters, among others, helped to keep down the UB's deficit, which was reduced by €1.16m between years 2010 and 2014.

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 effects of the limitations described in findings 1 to 4 and except for the matters described in findings 5

to 9, the annual accounts represent in all significant aspects a true and fair view of the assets and financial position of the UB 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 limitations described in findings 1 to 4 relate to tangible and intangible fixed assets, to capital grants being included in the results, to advances to staff members and to realised revenues and revenues pending collection from the Agency for Managing University and Research Grants (AGAUR). In the first finding, the report notes that the UB did not have on its ledger –and sometimes not even in any inventory– all the assets it owned. In addition, for some assets received or given on loan the UB did not have signed supporting documents regulating their use or expert valuations to determine the accounting value to be put on the books. Furthermore, the accounting criteria that the UB used for these transactions were not consistent.

The matters described in findings 5 to 9 relate to the budgetary Net Working Capital Statement (*Estat de tresoreria*), to how the halls of residence's operations are included in the UB accounts, to invoices pending allocation to the budget, to doubtful debts that should have been recorded in provisions for bad debts and to a provision for an advance granted by the UB to the Barcelona Science Park Foundation (FPCB). Regarding these findings, it should be mentioned that the halls of residence owned by the UB have separate accounting arrangements; the UB incorporates their transactions at the end of the financial year. The report includes various findings relating to how these accounts are combined, as a result of which the UB's budgetary year-end balance (*Romanent de tresoreria*) is overvalued by €3.80m and tangible assets and net worth are overvalued by €991,321.

Finding 10 is given special emphasis in the report. However, this matter does not modify the Audit Office's opinion. This finding concerns the fact that the FPCB is in a difficult financial position as at 31 December 2014, with negative equity of minus €37.56m and current liabilities totalling 146.76% more than current assets. Bearing in mind this situation, the UB's controlling stake in the FPCB, the fact that many of its debts payable are in arrears and that the UB has presented guarantees for these transactions, liabilities could arise with negative consequences for the University's financial position.

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

- The UB included a provision of €5.62m in the Invoices Not Yet Received item in the Balance Sheet in financial year 2014, but it did not register the corresponding expenditures in the budget, infringing the accrual principle laid down in articles 28.b and 35 of the Consolidated Catalan Public Finance Act.
- The UB made several decisions on the closure of facilities which led to infringements of applicable regulations on working hours and days of paid leave.

- In year 2013 representatives of the UB and the ASS signed an agreement on work-life balance, time management, flexibility and other measures that in practical terms meant a reduction in working hours which contravened current regulations.
- The UB's Agreement on the Teaching Commitment of Full-Time Teaching Staff included some provisions which were not compliant with relevant legislation.
- The Budget Stabilisation Plan for 2013-2016 was not approved by the Social Council as required by article 16 of the 2012 Budget Act (Act 1/2012, of 22 of February), which applied in year 2013. The Plan provided for a required review during the first quarter of 2014, 2015 and 2016, to be passed by the Management Council and submitted to the Social Council for final approval. The Management Council and the Social Council did not approve a single review of this Plan.
- Various findings emerged from the audit of transactions and balances between the UB and the enterprises making up the UB Group, relating to how costs were compensated for, including project and course management, services rendered, staff, use of premises and accounting records.
- In the public-private cooperation agreement for the first phase of the Law School enlargement (awarded in 2015) the operational risk was not transferred to the concession holder. Therefore the assets deriving from this contract should have been classified as public assets in terms of the European System of Accounts (ESA); this would increase the UB's debt and deficit.

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.

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