

SUMMARY

Summary of Report 15/2018, relating to the company SPM Promocions Municipals de Sant Cugat del Vallès, SA, year 2016

Barcelona, 1 August 2018

The Public Audit Office for Catalonia has issued Report 15/2018, relating to the company for housing SPM Promocions Municipals de Sant Cugat del Vallès, SA (PROMUSA), financial year 2016, 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 12 June 2018, with one vote against.

The financial audit included a review of PROMUSA's annual accounts for the 2016 financial year to check whether they had been drawn up in accordance with the applicable financial reporting regulatory framework and, in particular, the accounting principles and criteria contained in that framework.

PROMUSA is a municipal joint stock company owned by the town of Sant Cugat del Vallès, whose deeds of incorporation were notarised on 16 December 1988, set up with an initial share capital of PTA 5.50m (€33,056) and for an unlimited period. The shares, all non-transferable and fully subscribed and paid up, are owned by the municipal council. According to its Statutes the company also has the status of an in-house service provider for the Town Council. PROMUSA's main aim is to facilitate access to housing for Sant Cugat's citizens. Since PROMUSA was set up, the Council has gradually increased the activities it is allowed to do, and also its share capital.

Bearing in mind the aim, scope and methodology used for the report, the Audit Office's opinion is that, except for the possible effects of the limitation and the matters described in the first five findings, the annual accounts represent in all significant aspects a true and fair view of the assets and financial position of PROMUSA as at 31 December 2016 and also of its results and cash flow for the financial year ending on that date, according to the applicable financial reporting regulatory framework and, in particular, the accounting principles and criteria contained in that framework.

The aforementioned findings can be summarised as follows:

- There was a limitation to the audit scope relating to debts of €0.79m incurred by PROMUSA with the Town Council, for which insufficient evidence was obtained to allow an opinion on how they had been valued and classified.

- As at 31 December 2016 PROMUSA had failed to include in its accounts a grant of €2.69m awarded to it by Sant Cugat del Vallès Town Council on 28 December 2016.
- PROMUSA did not account for the amounts owing to or due from the Town Council under its balances with group and associated companies, to differentiate them from other transactions.
- The sum of €17.56m for debt fallen due with payment pending, for using municipal land in the public domain, which should have been included in the accounts under the heading Short Term Debts With Group and Associated Companies, was incorrectly reported under other headings and part of it, €11.50m, was incorrectly classified as long term debt.
- The Notes to the Accounts did not meet the minimum reporting standards required by Spain's General Accounting Plan for Real Estate Companies in terms of completing, extending and commenting on the information given in the annual accounts.

At the end of the report, the Audit Office makes a series of recommendations about the relationship between PROMUSA and the Town Council, the company's internal organisational arrangements and the information it manages and the controls it has in place, which would help to improve the way the entity is run.

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