

SUMMARY

Summary of Report 27/2017, relating to Mont-roig del Camp Town Council, debt levels, year 2015

Barcelona, 7 February 2018

The Public Audit Office for Catalonia has issued Report 27/2017, relating to Mont-roig del Camp Town Council's debt levels in financial year 2015, 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 20 December 2017.

The aim of the assignment was to audit financial activity, but limited to a review of aspects relating to compliance with current legislation applying to debt levels in the 2015 financial year, for both short-term and long-term debt. For the purposes of this report, debt categories are restricted to those covered by the Catalan Government (*Generalitat*) departmental Order ECF/138/2007, of 27 April, dealing with procedures relating to the financial oversight of local authorities.

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

- In the Town Council's workforce register for the 2015 financial year, it should have been noted that the Accounts Comptroller position (*Intervenció*) was held by a civil servant, with a Comptroller-Treasurer civil service grade valid for the whole of Spain, in conjunction with another post, based on a Directorate-General for Local Government decision. This position should therefore have been fully covered by a budget allocation. The position of Treasurer should also have been included, and correctly filled.
- In 2009 the Town Council arranged an investment loan from a financial institution along with a swap agreement as a hedge against the interest rates of the main loan agreement. A series of anomalies were brought to light regarding the way this product was acquired, because although the requisite technical reports showed that it was not the cheapest proposal, neither was it the most adequate, given the complexity of this financial derivative, the risks involved and how little experience the Council had in obtaining this type of funding. Furthermore, the pre-contract conditions signed in the framework agreement were then modified, as regards interest payments, to include a higher rate of interest in the final contract.

- In addition, in the Notes issued with the General Account for Year 2015, sufficient requisite information on this swap agreement should have been included, given that this financial derivative was still in operation at that time.
- As regards the substitution of the loan secured by the Council in the first phase of the arrangements for paying suppliers, worth €3,021,886.27, a number of anomalies were uncovered, such as the fact that, between the date when the Ministry for the Treasury and Government Administrations authorised the substitution of the loan and the date when the operation was signed with the banking institution, there was a time lapse of five months and that, in view of the constant downward trend in financial markets over this period, the Council should have requested new loan proposals from other financial institutions. As well as this, the finalisation date put on the new contract did not maintain the end date of the contract it was substituting for and was one year beyond the finalisation deadline authorised for this loan.
- As regards the requirements for the Town Council to send information to the Directorate-General for Financial Policy, Insurance and the Treasury, both in the case of the long-term loans arranged with the Fund to Finance Payments to Suppliers and in the case of its short-term overdraft facilities, the audit showed that reporting deadlines were not adhered to.

In its report the Audit Office also makes several recommendations relating to fulfilling the targets laid down in the financial recovery plan and to the information to be disclosed in the Notes to the Accounts for financial reporting purposes.

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