
SUMMARY

Summary of Report 18/2015, relating to the internal control in municipal councils with more than 100,000 inhabitants

Barcelona, 28 October 2015

The Public Audit Office for Catalonia has issued Report 18/2015, relating to the internal control in municipal councils with more than 100,000 inhabitants in financial year 2012, 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 28 July 2015.

The aim of this audit assignment was to analyse and verify the internal control function carried out by the comptrollership section (*Intervenció*) in municipal councils with more than 100,000 inhabitants.

The most significant findings from the work carried out are explained in section 3.1 of the report and may be summarised as follows:

- The comptrollership function would be improved if internal procedure manuals were available for the different administrative divisions and, even, for the comptrollership section itself. In addition, if standardised procedures were in place, this would facilitate the scrutiny process to enable tasks being carried out to be subject to permanent supervisory and review systems.
- Diverse methodologies and the lack of developed regulations for internal control mean that, in general, there are no specific IT packages to manage internal control; this applies both to the comptrollership function, whether this is by means of a comprehensive or selective ex ante validation of transactions, or ex post reviews using sampling procedures, and to financial reviews or audits.
- Each city council has established its own regulations relating to the selective ex ante comptrollership function. From the review carried out, the following points can be highlighted:
 - A limited or selective ex ante comptrollership regime was in place in nine of the ten municipal councils studied.
 - In Sabadell and Lleida city councils a limited ex ante comptrollership procedure was approved but never properly developed.
 - Barcelona and Terrassa city councils did not develop their limited ex ante comptrollership procedures by specifying what aspects needed to be checked depending on the type of transaction involved.

- In ex ante controls, apart from lodging objections to suspend the process, comptroller-ship officials may make any other comments they consider appropriate. Because no detailed statutory definitions exist, there is no classification scheme available to sort comptroller reports according to their importance, how they are lodged, and how their comments are followed up.
- In general, the results of the review carried out of comprehensive and selective ex ante comptrollership activities have been satisfactory. Ex post reviews using sampling procedures should cover all areas where only limited ex ante controls have been applied. However, depending on the resources available, it may be that certain areas will fall outside these mandatory ex post controls, rendering them insufficient. In this regard, Barcelona City Council did not carry out ex post reviews in all of its autonomous agencies where only limited ex ante comptrollership was in place and Sabadell City Council did not draw up the reports corresponding to its comprehensive ex post comptrollership.
- In Sabadell City Council the comptrollership section did not carry out the financial audit function; however, municipal enterprises did contract out financial auditing services and various management centres contracted out audits of outsourced services.
- In general, comptrollership sections did not carry out effectiveness reviews because, even though the municipal councils had programme budgets at their disposal, managers at these local corporations did not define explicit, quantifiable goals to be reached. Analytical accounting also needs to be developed.

In section 3.2 of the report the Audit Office makes a series of recommendations to improve the way the various internal control functions are carried out at local authorities. The following recommendations may be highlighted:

- Local authorities should reinforce, to the extent that their capabilities allow it, the areas of financial management, administration and accounting, and the section in charge of the entity's internal controls.
- Detailed regulations need to be developed regarding the internal control function and the civil service regime of officials with a civil service qualification valid for the whole of Spain.
- Large population municipal councils should initiate procedures to segregate the internal control and accounting functions.
- The development of uniform review arrangements and procedures should be encouraged, both to standardise the way the comptrollership function is carried out and to facilitate the way warnings issued are analysed and monitored by both internal and external control bodies.
- In those cases where no auditing or financial review plan exists, or where this plan has not been kept up to date, the comptrollership section should establish and approve an annual plan to define the objectives, scope, methodology and resources assigned to

financial auditing in local authorities and their subsidiary entities, and to the auditing of grants and subsidies awarded when these are paid for by the municipal budget.

- Municipal councils should define explicit quantifiable objectives to allow them to monitor performance in terms of effectiveness and develop analytical accounting arrangements. Minimum content criteria should also be established for the two documents of notes to the accounts which are mandatory for municipal corporations with over 50,000 inhabitants: the notes on how planned objectives have been met and the notes on the costs and performance of services.

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