
SUMMARY

Summary of Report 8/2017, relating to the Catalan Land Institute, years 2010-2013

Barcelona, 28 June 2017

The Public Audit Office for Catalonia has issued Report 8/2017, relating to the Catalan Land Institute (INCASÒL), financial years 2010-2013, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Mr Miquel Salazar Canalda, was approved by the Audit Office Board at its meeting on 9 May 2017.

The regularity audit included a review of INCASÒL's annual accounts for the given 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 period covered by the audit INCASÒL had carried out its activities in accordance with applicable legislation.

INCASÒL's mission is to promote urban land development, to boost the availability of housing and to manage public facilities, for the purposes of meeting the needs of population groups, redeveloping urban districts and creating open spaces and green areas, local services and facilities. It is charged with promoting, in both organisational and functional terms, the activities needed to enable land use in line with the general interest and to prevent speculation and facilitate people's right to effective access to decent, adequate housing. INCASÒL, as a tool for land and housing policies, is the government organisation for urban development through which the Catalan Government (*Generalitat*) exercises its territorial zoning powers under current urban development legislation. Lastly, it also carries out activities to promote urban land development, to encourage business activities and housing availability and to manage public facilities, all this for the purposes of meeting the needs of population groups, redeveloping urban districts and creating open spaces and green areas, local services and facilities.

The Catalan Government's budget acts envisaged revenues and expenditures for INCASÒL of €521.84m for year 2010, €315.42m for year 2011 and €273.67m for years 2012 and 2013, the latter consisting of an extension of the previous year's budget.

The approved budget for 2013 (the extension of the 2012 budget) was a 62.98% reduction on the approved budget for year 2009 (of €739.41m). This downward progression came about mainly because of a reduction in revenues from the sale of tangible assets and a decrease in funding. The structural, property and financial slump became more evident in

2010 and then worsened in the following years. It affected INCASÒL's main source of revenue, the sale of industrial land, from which it obtained the resources to partially fund its activities of developing subsidised housing (INCASÒL's main line of activity).

Bearing in mind the aim, scope and methodology used for the report, as specified in the report's Introduction, the Audit Office's opinion is that, except for the possible effects of the limitation described in finding 1 and for the matters described in findings 2, 3, 4 and 6, the annual accounts represent in all significant aspects a true and fair view of INCASÒL's assets and financial position as at 31 December 2013, 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 limitation described in finding 1 refers to the signing of a land exchange agreement worth €58.93m with an execution deadline set at the close of 2016. In relation to this operation, €33.64m of assets were included in the Balance Sheet as at 31 December 2013, corresponding to land awaiting designation as a nature reserve. Vilanova i la Geltrú Town Council made a commitment to reallocate the building quota assigned to the Platja Llarga area (land which INCASÒL acquired under the land exchange agreement) to an estate being developed, called Eixample Nord, which at the closure date for this report, did not have its urban zoning status defined. It was impossible to validate the value of this asset item at the close of the 2013 financial year.

The matters described in findings 2, 3, 4 and 6 refer to INCASÒL's contribution payments under Compensation Panels and Consortia, to transactions with the Catalan Housing Agency, to debtor items with no provision for bad debts and to outstanding balances under Grants Pending Collection which need correcting, because their collectability is doubtful, given the time elapsed.

Other findings included in the Conclusions section of the report are as follows:

- The budgetary result for years 2012 and 2013 was negative. The outturns show how realised revenues in the financial year were unable to meet all expenditures incurred, giving rise to a budget execution contrary to the balanced budget principle.
- In various asset divestment operations reviewed, corresponding to year 2013, there was a failure to comply with the public announcement requirements established in article 169 of the Consolidated Urban Planning Act.
- The external committee, as envisaged by the Registration and Lodging of Rental Deposits Act (Act 13/1996), to monitor the correct usage, for certain legally specified objectives, of moneys deposited under the legal requirement to lodge rental deposits, was not set up.
- As regards procurement, the report gives a series of findings that in one instance leads the Audit Office to discern the possible existence of judicial or administrative liability. To

summarise, the different findings are related to how the Procurement Panel was set up and its members chosen, the need to draw up more complete contract specifications with full details of exactly what the contract covered and the awarding criteria and how they were weighted. The report also mentions the need to give more weight to those criteria, related to the object of the contract, which can be assessed using figures or percentages obtained by applying formulae laid down in the contract specifications; the need to enumerate, describe and give a weighting for any contract improvements that will be taken into consideration; that the grounds for modifying the contract are clearly specified; that all communications with tenderers are registered and date stamped; that the basis for awarding the contract is specified; that the services actually supplied are signed for by the official in charge of the contract and date stamped, and that tenderers' bonds are returned within the proper time period.

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