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## **SUMMARY**

### **Summary of Report 4/2017, relating to tax collection arrangements at municipal councils with 5,000 to 20,000 inhabitants, year 2013**

*Barcelona, 24 May 2017*

The Public Audit Office for Catalonia has issued Report 4/2017, relating to the tax collection arrangements at municipal councils with between 5,000 and 20,000 inhabitants in financial year 2013, 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 11 April 2017.

The purpose was to analyse the organisational arrangements for tax collection set up by each entity and their compliance with legal requirements and, at the same time, to assess the entity's internal control system as it related to the different procedural phases of tax collection and evaluate the reliability and surety of the accounting information relating to tax collection. Given the wide scope of the assignment, the audit of the tax collection arrangements focused on the following two local taxes: the Property Tax (IBI), as applied to properties in built-up areas (IBI-U), and the Tax on Motor Vehicles (IVTM).

Of the one hundred and forty-seven town and city councils covered by the audit, forty-one (28%) had delegated the collection procedures for all voluntarily-paid taxes, ninety-two (63%) had delegated some of these procedures and only fourteen municipal councils (9%) were managing their own tax collection. The number of municipal councils directly managing their executory tax collecting arrangements for all local taxes was even lower, at just seven (5%).

The structures at municipal councils running their own collection arrangements for some or all of their local taxes were not large; the task was mostly carried out by specialised departments or divisions at the council offices, with few staff members and not very standardised procedures.

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

- At 24% of the town and city councils reviewed the post of Council Secretary was designated as Class Three instead of Class Two; this meant that the offices of Secretary, Comptroller and Treasurer were not being filled in an appropriate manner. In 79% of cases, tax collection functions were not being carried out by the requisite personnel, given the way the post of Secretary was classified and the regulations in force in 2013.

- The work carried out for the report showed that some municipal councils, in order to alleviate their lack of resources, had signed contracts with companies to take part in and assist them with their tax collection arrangements; in some cases there was evidence that these contractors might have taken on functions beyond those permissible for them. In addition, two councils had hired non-tenured civil service staff to carry out support work relating to tax collection arrangements with a variable salary depending on the amounts collected. Some municipal councils are currently correcting these arrangements.
- In town and city councils managing their own collection arrangements for both of the local taxes covered by the audit, procedural anomalies were detected, most of which occurred because the relevant manuals of procedures had not been drawn up, with details of the officials responsible, the deadlines they were to adhere to and the controls they were to undertake. Anomalies were also found owing to the absence of the minimum amount of information deemed necessary for any municipal council managing its own tax collection arrangements; this showed up in the information submitted.
- In those cases where tax collection was delegated, the delegation agreements publicised should have a certain minimum content: the date of the council decision, the date of acceptance by the awardee entity and the scope of the delegation. The audit found some announcements which did not publicise all of these minimum required contents.
- In the case of 28% of the forty-three local councils which had awarded contracts to business contractors who provided assistance in the tax collection arrangements, the revenues arising from these local taxes were not paid into the municipal treasury but collected directly by these contractors.
- In some cases, municipal councils that had delegated arrangements to four of the eight governmental organisations studied by the report were not able to receive the information from their Tax Collection Statement in time to include it when closing their accounting year.

Lastly, the report makes a series of recommendations to the municipal councils regarding formalising procedures in order to improve their tax collection arrangements. It also recommends that, from time to time, those in charge at these councils assess the adequacy of the tax collection arrangements used, in terms of effectiveness and value-for-money, compared with the costs of delegating it to the governmental entity for their area.

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