

SUMMARY

Summary of Report 2/2015, relating to the Notes to municipal General Accounts, year 2012

Barcelona, 22 April 2015

The Public Audit Office for Catalonia, in accordance with its Annual Programme of Activities, has issued this report on the Notes which are an integral part of town and city councils' General Accounts, for the financial year 2012.

The report was approved by the Audit Office Board when it met on 10 March 2015. It was presented by Board Member Mr Joan-Ignasi Puigdollers.

The purpose of the report was to evaluate the Notes, to detect their weak, insufficient or incomplete aspects, or deficiencies arising during their preparation. The results have allowed some recommendations to be made, to improve how these Notes are drawn up.

The work was carried out on a sample of 189 municipalities, out of the 920 that had presented their General Account for the year 2012 by 1 April 2014.

In section 3.1 of the report there is a summary of the main findings from the work carried out, of which the following can be highlighted:

- The majority of Notes do not meet the objective of completing, commenting on and facilitating understanding of the other accounts and statements which make up local government General Accounts, because they do not meet requirements of form or content, or because they include elements which are not reliable and may lead to confusion.
- The Notes drawn up by some local authorities have an inadequate format and structure.
- The computer programmes used by local authorities to manage their corporate accounts generate standard paragraphs to produce some sections of the Notes, which the manager fills in with basic information as requested by the application. This information is often incomplete.
- The way in which the Notes must be submitted –in two independent *xml* files– facilitates data processing and use, but sometimes means that the information is not a faithful reproduction of the Notes actually approved by the local councillors at their Plenary meeting.

Since the primary purpose of the Notes is to provide the information needed, in conjunction with the other accounts and statements, to give a true and fair view of the entity, in section 3.2 of the report the Audit Office makes a series of recommendations, including particularly the following:

- The application used to produce the local government accounts should be capable of generating all the accounts and statements included in the Notes. In this regard, users are recommended to ensure that programmers develop their applications to fulfil this aim and that the versions used by the local entity incorporate all relevant software updates.
- It is recommended that the Notes meet minimum format requirements; that a summary of contents is included; that the different sections follow a uniform pattern of explanations, and subsections within these explanations; and that the order of presentation and structure comply with the Spanish Accounting Instruction for Local Government (ICAL – *Instrucción de contabilidad para la Administración local*), in order to avoid simply reproducing accounts and financial statements without providing any additional information.
- The file generated by the different accounting packages should be compliant with statutory requirements concerning structure, in such a way that all mandatory sections should be present, irrespective of whether they contain information or not.
- If no entries have occurred during the financial year for those account items for which information must be included, then the Notes should show the initial and year-end figures and no movements for the items in question. In this way the fact that there are no transactions for the reported item will be expressly stated.
- Regulations should be more specific on the criteria to be used to determine what information must be included in the Notes, instead of leaving it up to the local government entity to decide whether items are of sufficient significance or not. Then all local government organisations would apply the same criteria in a uniform manner.
- Until regulations establish common criteria for all local authorities on what information must be included in the Notes, each local corporation should specify the criteria it has applied.

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