

SUMMARY

Summary of Report 1/2018, relating to El Masnou Town Council, year 2014

Barcelona, 28 February 2018

The Public Audit Office for Catalonia has issued Report 1/2018, relating to El Masnou Town Council, financial year 2014, in accordance with its Annual Programme of Activities.

The report, which was presented by the acting Chairman, Mr Jaume Amat, was approved by the Audit Office Board at its meeting on 17 January 2018.

The regularity audit included a review of El Masnou Town Council's annual accounts for the year in question to check that they had been drawn up in accordance with the relevant financial reporting regulatory framework and, in particular, the accounting principles and criteria contained in that framework. It also included checking that in the audited period the Town Council had carried out its activities in accordance with applicable legislation.

The Budget Outturn for year 2014 showed recognised revenues of €24.64m and recognised expenditures of €22.03m, with a budgetary result of €2.61m. Taking into account expenditures funded from budgetary net working capital carried over (*romanent de tresoreria*) and funding deviations, the adjusted budgetary result was €1.80m.

The Conclusions section of the report explains that, because of the very significant effect of finding number 5, relating to the lack of an inventory of assets, the Audit Office was unable to issue an opinion on El Masnou Town Council's annual accounts for the 2014 financial year.

The most significant findings from the audit undertaken can be summarised as follows:

- The amounts set for year 2014 for municipal charges for refuse collection and for the sewage system were approved directly at a Council plenary meeting and were not based on any technical or financial report with details of the costs of the activities they referred to; this contravened legal requirements.
- El Masnou Town Council had no inventory of assets as required by legislation; neither did it have any breakdown to allow the validity of the amounts registered in the accounts under the headings of fixed assets and properties to be analysed; this constituted a limitation to the scope of the Audit Office's audit (finding number 5).

- The Council had no provisions on its books for the compensation payments it was obliged to make, worth €485,000 and €405,015, because of two court judgements.
- In the area of personnel management the audit found there was insufficient information in the Schedule of Staff Positions and the Workforce Register and, regarding salary payments, that the productivity bonus did not fulfil the requirements to be considered a performance incentive and the periodical gratuity payments for municipal police posts were not designated as applicable bonuses or mentioned in the descriptions of staff positions. Furthermore, in some instances the audit found inadequate compliance with legal requirements when staff were taken on.
- As regards governmental procurement, the Town Council did not have a register of low-value contracts awarded during the year. The audit also detected the procurement of recurring services using low-value contracts which were renewed on an annual basis, which is against regulations. As regards tendering processes, defects were observed in the way price assessment formulae were used and in how criteria requiring value judgements were assessed.
- In the delivery of the contracts reviewed, the audit found that the final cost of two of the contracts exceeded the awarded amount – by 27.3% in one case and by 22.8% in the other. Furthermore, in the calculations for the projected operating accounts used to calculate the maximum subsidy for the contracts for the municipal nursery schools, cleaning expenditure costs for the year were included, to the sum of €67,328. This expenditure item should not have been taken into account, because it was already included in the contract for cleaning municipal premises.
- The audit of the public works contract for building a municipal sports centre and renovating the current sports centre showed deficiencies in the formulae established in the contract specifications and that the initial design project had been inadequately drawn up.
- In the service contract for refuse collection, seafront street cleaning and beach cleaning within the municipal limits of El Masnou, the contract's technical specifications did not clearly and precisely establish the asset depreciation method to be used, although this had a direct impact on the cost of the contract. The depreciation formula used did not match the true nature of the assets being depreciated; this led to excess asset replacement costs of approximately €300,000.

The report includes six recommendations, concerning the need to draw up an inventory of Council assets and also with regard to reviewing personnel and procurement arrangements which, in the Audit Office's opinion, would help to improve the way the Town Council is run.

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