

SUMMARY

Summary of Report 7/2019, relating to local authorities' general accounts, year 2017

Barcelona, 10 July 2019

The Public Audit Office for Catalonia has issued Report 7/2019, relating to local authorities' general accounts for financial year 2017, 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 14 May 2019.

The work carried out was to verify, by reviewing and cross-checking the accounting data submitted, that the general accounts presented were compliant with legislation in terms of the organisations and accounting statements included, that they had been properly approved and had been forwarded to the Audit Office before the legal deadline and that the annual accounts and statements had been correctly drawn up.

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

- General account submission levels, before the established deadline, for the different types of local authority, were as follows:

Type of local authority	Number of authorities	Submitted by the deadline		Fully submitted by the deadline (correctly submitted)	
		Number	%	Number	%
Provincial councils (<i>diputacions</i>)	4	4	100	4	100
County councils (<i>consells comarcals</i>)	42	31	74	21	50
Metropolitan entities (<i>entitats metropolitanes</i>)	1	1	100	0	0
Joint service entities (<i>mancomunitats</i>)	67	29	43	26	39
Town and city councils (<i>ajuntaments</i>)	948	666	70	600	63
Decentralised municipal councils (<i>entitats municipals descentralitzades</i>)	65	44	68	43	66
Totals	1,127	775	69	694	62

Out of a total of 775 local authorities that had sent in their general accounts to the Audit Office by 15 October 2018, 694 fulfilled all statutory requirements for them to be considered properly submitted.

For year 2017 there was a slight improvement in account submission levels in relation to year 2016, in large part thanks to an increase in the accounts presented by municipal joint service entities, town and city councils and decentralised municipal councils.

- In general terms, for those organisations which sent in their accounts before the deadline the level of compliance in terms of the accounting statements' contents could be better, although the downward trend in the number of incomplete accounts submitted has continued. Thus, a total of 81 general accounts, of the 775 submitted to the Public Audit Office by 15 October, were incomplete.
- A total of 88 organisations (48 local authorities, 23 subsidiary autonomous entities and 17 attached consortia) reported a negative budgetary result for 2017, after adjusting for budget appropriations funded by budget surpluses carried over from previous years and for negative and positive budget deviations. This shows that realised revenues for the year were insufficient to cover the expenditures incurred.

In addition, 18 organisations (6 local authorities, 5 subsidiary autonomous entities and 7 attached consortia) reported negative budgetary year-end net working capital (*romanent de tresoreria*). An agreement should be passed in the respective plenary Council meetings to reduce expenditure in the budget for the next financial year or to arrange a bank loan for an amount equal to the deficit incurred.

- Statutory deadlines are still not being met, both for approving general accounts and for submitting them to the Public Audit Office. The average time lapse between final approval of general accounts for year 2017 and presenting them to the Audit Office was twenty-nine days; this is a reduction of one day compared to the average time lapse for year 2016, which was thirty days.

In section 2.2 of the report the Audit Office makes a series of recommendations to improve the content of the accounts to be presented and submission levels. The following may be highlighted:

- The Council itself should make sure that, once the corporation's General Account has been approved, it gets sent to the Public Audit Office without delay; the report therefore recommends that the decision passed in the plenary Council meeting includes a submission deadline and that this is not more than a fortnight later. Likewise local authorities should take steps to ensure the accounts sent in are complete in all respects.
- Local authorities whose budget outturns report negative budgetary year-end net working capital for general expenditures should draw up appropriate financial recovery plans and ensure they are put into operation in an effective and timely manner, so as to restore solvency within the short term.
- Local authorities should make more progress in setting up cost accounting arrangements, to allow them to assess their effectiveness, efficiency and economy in the delivery of services.

- Local authorities should also undertake the necessary measures to ensure that their local government not-for-profit entities and subsidiary entities which are subject to the provisions of Spain's Budget Stability and Financial Sustainability Organic Act and in which they are stakeholders are registered in Catalonia's Local Public Sector Register.
- There is a recommendation to the Catalan Government, that its Directorate-General for Local Government ensures that every local authority includes in the Local Public Sector Register all the information relating to its subsidiary, attached or associate organisations. The report also recommends changes to the contents of the public inventory which monitors compliance with the requirements for submitting financial reports, so that it includes the requisite information which local authorities have to send in periodically for financial oversight purposes.
- The corresponding regulatory bodies need to establish the statutory provisions for preparing local government consolidated accounts. The report also recommends changing the statutory deadlines for local authorities to draw up, publicise, offer for inspection and finally approve their general accounts, so as to considerably reduce the time scale currently in force.

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