

## SUMMARY

### Summary of Report 11/2020, relating to local authorities' general accounts, year 2018

*Barcelona, 2 September 2020*

The Public Audit Office for Catalonia has issued Report 11/2020, relating to local authorities' general accounts for financial year 2018, 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 July 2020.

The work carried out was to check that local authorities had submitted their general accounts for year 2018 and, in particular, to verify, by reviewing and cross-checking the accounting data submitted, that the 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 established deadline, and that the annual accounts and statements had been correctly drawn up.

For year 2018 there were 1,126 local authorities and 680 subsidiary organisations, making a total of 1,806 auditable accounting entities. This represents a net reduction of five entities in relation to year 2017, continuing the downward trend in the number of subsidiary organisations of the last few years.

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		Properly submitted	
		Number	%	Number	%
Provincial councils ( <i>diputacions</i> )	4	4	100	3	75
County councils ( <i>consells comarcals</i> )	42	33	79	28	67
Metropolitan entities ( <i>entitats metropolitanes</i> )	1	1	100	0	0
Joint service entities ( <i>mancomunitats</i> )	67	26	39	23	34
Town and city councils ( <i>ajuntaments</i> )	947	630	67	562	59
Decentralised municipal councils ( <i>entitats municipals descentralitzades</i> )	65	45	69	34	52
<b>Totals</b>	<b>1,126</b>	<b>739</b>	<b>66</b>	<b>650</b>	<b>58</b>

Out of a total of 739 local authorities that sent in their general accounts to the Audit Office before 15 October 2019, 650 fulfilled all statutory requirements for them to be considered properly submitted.

For year 2018 there was a three percentage point drop in the number of accounts presented in relation to year 2017, due to a reduction in the accounts sent in by municipal joint service entities and by town and city councils.

- In general terms, the level of compliance as regards the contents of the accounts, for those organisations which presented them before the deadline, could be better. Of the general accounts submitted to the Audit Office before 15 October 12% (89/739) were incomplete. This represents an increase from year 2017 in the number of incomplete accounts presented, when the figure was 10% (81/775).
- A total of one hundred and five organisations (sixty-nine local authorities, twenty-four subsidiary autonomous entities and twelve attached consortia) reported a negative budgetary result for 2018, 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, eleven organisations reported negative budgetary year-end net working capital (*romanent de tresoreria*) for general expenditures (four local authorities, two subsidiary autonomous entities and five attached consortia).

- Town and city councils with more than 50,000 inhabitants and upper tier local government authorities are supposed to include information on activity costs and performance indicators in sections 26 and 27 of the Notes to the General Account. Of the entities required to do so, 58% of those that submitted their general accounts (46/80) did not include information on their performance indicators for year 2018.
- As at 31 December 2018 there were still fifty-five public sector consortia registered in Catalonia's Local Public Sector Register which were not attached to any local authority. During year 2019, this figure was reduced to forty-five consortia.
- The accounts of one county council, one joint service entity and one decentralised municipal council were submitted with severe defects in the documentation relating to the accounts' approval. In addition, two joint service entities, two town councils and two decentralised municipal councils sent in their general accounts before the legal deadline, but the submission was not signed by the corporation's president or chair. In all these instances the accounts were considered not submitted by the Audit Office.
- 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 2018 and presenting them to the Audit Office was thirty-four days, five days more than for year 2017.

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.
- Local authorities should reply to the Public Audit Office, with their justifications or explanations for the anomalies in the accounting data detected during the validation process, within one month of being notified that their general accounts have been received and processed.
- Local authorities should make the necessary arrangements to set up cost accounting procedures, in line with the general principles and criteria laid down by the Spanish Comptroller General's Office, to allow them to assess their effectiveness, efficiency and economy in the delivery of local government services, and to include this information in the accounting data files sent to the Audit Office.
- Local authorities should also identify and dissolve any local government joint service entities, consortia or subsidiaries which never started operating after they were formally instituted or which have been inactive for the last few years.
- Local corporations should press for changes to the Statutes of the public sector consortia they have a stake in, so as to specify which government administration they are attached to, and then notify the government department in charge of local government affairs, in order to update the information in Catalonia's Local Public Sector Register (RSPLC).
- Local authorities should ensure annotation in the RSPLC of the local government not-for-profit entities and subsidiary entities covered by the stipulations of Spain's Budget Stability and Financial Sustainability Organic Act in which they are stakeholders..
- The RSPLC should coordinate its operations with those of other registers or censuses of local public sector organisations held by the Catalan Government, so as to improve and complete census data and avoid duplicating activities.
- The report recommends changes to the contents of the public inventory which monitors compliance with the requirements to submit financial reports to the First Minister's Department (*Departament de la Presidència*) and the Public Audit Office, and that it includes the information relating to financial oversight which local authorities are required to send periodically to the Directorate-General for Financial Policy, Insurance and the Treasury (at the Department for the Deputy First Minister, the Economy and the Exchequer).
- The report urges the relevant officials in Spain's central government and Catalonia's regional government to push for vacant posts reserved for local government personnel

with nationwide civil servant status to be filled through a selection process or any other valid means, particularly those positions involved with carrying out internal control functions.

- There is a need to pass the regulations relating to how local government consolidated accounts should be drawn up, for those public sector consolidated annual accounting statements which, according to reporting rules, are supposed to be included with each local authority's General Account.
- The submission requirement for general accounts should be extended to include the reports issued by each authority's Comptroller relating to compliance with budget stability objectives, the expenditure rule, public debt limits and the summary report on the results of internal controls undertaken.
- Given the current state and availability of technology, the deadlines for local authorities to draw up, announce, offer for inspection and finally approve their general accounts should be considerably shortened with respect to those currently laid down by legislation.

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).