
SUMMARY

Summary of Report 3/2018, relating to Mollet del Vallès Town Council's accounting of receipts from grant transfer payments in year 2015

Barcelona, 18 April 2018

The Public Audit Office for Catalonia has issued Report 3/2018, relating to how Mollet del Vallès Town Council accounted for receipts from grant transfer payments in financial year 2015, 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 27 February 2018.

The audit undertaken was a limited financial review of Mollet del Vallès Town Council's accounts for year 2015 dealing with receipts from transfer payments and grants, for current and capital expenditures, to check whether they had been drawn up in accordance with the applicable financial reporting regulatory framework and, in particular, the accounting principles and criteria contained in that framework.

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

- Accounting criteria or treatments established by regulations were inadequately applied, both in the way revenues from grants and transfers of funds were recognised in the budget and in how the corresponding receipts of funds were accounted for in the non-budgetary accounts and statements. This basically occurred in relation to the following aspects:
 - Budgetary recognition of some revenues just based on estimates and other mistakes.
 - In general, recognising budgetary revenues as a function of the related expenditures recognised by the Council in the budget for the subsidised activities, instead of reporting these revenues when actually received or when it was definitely known that the awarding entity had recognised its corresponding liability.
 - Not using the account heading Debtors for Accrued Revenues to report those revenues which had accrued in the financial year but had not yet been recognised in budgetary execution.
 - Incorrectly using some revenue headings relating to grants and transfers of funds, to register the initial recognition of fixed assets whose existence had been uncovered;

and also, in some cases, an inadequate accounting treatment of specific headings established by the ICAL (Spain's official schedule of accounts for local government) for recording, and distinguishing between, grants and other transfer payments received and for showing which grants are to cover current expenditures and which are to fund capital expenditure on fixed assets.

- The audit evaluated the quantitative effect of the aforementioned anomalies on the most representative accounts and statements of the Town Council's General Account at the close of financial year 2015, showing that figures reported by the Council for both the Adjusted Budgetary Result for the year and budgetary Year-End Net Working Capital (*Romanent de tresoreria*) for general expenditures were overvalued by €3,054,783.38 and €7,181,572.78 respectively. The following were also overvalued: Current Assets and Net Worth, in the Balance Sheet; the Net Result for the Year, in the Operating Statement; and Net Worth, in the Statement of Changes in Equity.

It must be borne in mind that the report does not take into account the adjustments that might eventually have been necessary if the assignment's scope had been a financial audit of the Council's annual accounts in their entirety.

- The Notes to the Accounts should have included information about the agreement signed in 2006 with the Catalan Government's Department for Social Welfare and the Family, to fund 50% of the costs of constructing and putting into operation the El Lledoner centre providing facilities for the elderly.

In section 3.2 of the report, the Audit Office makes a series of recommendations on the need to undertake a review of the situation existing regarding administrative procedures and accounting criteria used, both from the point of view of complying with statutory requirements and of correctly managing the accounting data. The report also recommends reviewing the internal control arrangements which the Town Council has in place.

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