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Cuentas de
Canarias | 25 aniversario
1989 - 2014

OVERVIEW

- Rendering of accounts to the public sector control bodies. Measures for increasing the quality and coherence of the accounts and their rendering in the legally foreseen term.

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OVERVIEW

- The external control of local Entities, in accordance with the Spanish Constitution, is attributed to the Court of Auditors, granting it the nature of ***"supreme scrutinising body of the accounts and of the financial management of the State, and of the Public Sector"***.

OVERVIEW

- ***All the entities that form the public sector, in accordance with the precepts of the Law on Functioning of the Court of Auditors, are subject to the obligation to render the legally established accounts of their operations.***

OVERVIEW

- The doctrine of the Constitutional Court declared that: ***“The Court of Auditors is supreme, but not unique, when it scrutinises, and unique but not supreme when it judges the accounting responsibility”***. Thus, the scrutinising with regard to the financial activities of the local entities is a competence of control in which the activity of the Court of Auditors concurs and that of the External Control Bodies of Autonomous Regions (OCEX).

OVERVIEW

- ***The formation, approval and rendering of the General Account by the local entities constitutes legal obligation*** derived from the Law Regulating the Local Treasuries and the respective laws which regulate the external control, the purpose of which is to materialise the principle of transparency and permits the functioning and economic-financial management of the local entities to be known.

OVERVIEW

- The Local Entities as managers of public funds have the obligation to ***inform, justify and be responsible for the economic-financial activity-which they have carried out for one year.*** To do so, they must compile their annual accounts which reflect the way in which this activity has been developed.

OVERVIEW

- The General Account includes the account ***of the actual entity, those of its Autonomous Bodies and those of the Business Companies fully owned by it.*** Also, all the Companies with majority holding are subject to the obligation to render accounts.

OVERVIEW

- The Law Regulating Local Treasuries provides that the general account "***will show the management carried out in the economic, financial, capital and budget aspects***". Consequently, ***the first objective of the account*** is to offer information, so that, although later it may include another purpose, which is to control, the first is for information, which does not impede that its original function has been felt especially in the long regulation of its preparation proceedings.

OVERVIEW

- The information included in the General Account should be ***clear, relevant, reliable and comparable***. In other words, its purpose should be to reflect the reality as objectively as possible, because the information it provides is not an end in itself, ***but first of all this should be useful information, to adopt economic decisions.***

CONDITIONING FACTORS

- It is essential to count on the ***most updated and detailed*** information possible, which is only feasible by drawing up, approving and rendering the accounts ***in the legal term to enable citizens to know them and for the respective control bodies to immediately issue their report.***

CONDITIONING FACTORS

- ***Failure by the local entities to fulfil the duty to render accounts*** to the OCEX, not only affects the exercise of the outside control function which is attributed to these Institutions, ***but it also affects the quality and content of the information which the different agents of the system should receive regarding the management of the local entities.***

CONDITIONING FACTORS

- ***Failure to render accounts may lead to administrative responsibilities of a disciplinary, accounting and penal nature***, coercive measures established in the law regulated by the Court of Auditors and those provided in article 502 of the Penal Code, the effectiveness of which has however, until now, proved insufficient to counteract the problem.

CONDITIONING FACTORS

- To facilitate the rendering of accounts of the Local Entities and allow citizens access to the information and to know the management that has been carried out, the ***Portal Rendering of Accounts, initiative of the Court of Auditors and ten autonomous OCEX***, has been implemented.

CONDITIONING FACTORS

- In its present layout ***the General Account is incomplete***, because there are entities in the scope of the local entity that are not included in it. This question has been resolved by the new Accounting Instructions for the Local Administration which will come into effect in 2015.

CONDITIONING FACTORS

- ***The procedure for processing the Account offers a few examples of its unsuitability*** for fulfilling those objectives for information and for control. ***It is a complex document***, which is made up of a number of financial statements and annual reports.

CONDITIONING FACTORS

- Independent of the ***more formal rather than effective nature of this documentation***, is the fact of the excess detail in its processing. ***The repetition of some of the phases of the procedure*** should be mentioned, specifically having to pass the General Account through the Special Commission of Accounts and later through the Plenary Session of the Cabinet.

CONDITIONING FACTORS

- A significant part of the accounts rendered have ***numerous defects and omissions which limit the validity of the information supplied and its representativeness due to:*** The omission and lack of coherence of the statements, accounts and annexes which form the General Account.

CONDITIONING FACTORS

- Quite frequently the General Accounts ***are rendered incomplete since they do not include the accounts corresponding to the dependent Entities.***

CONDITIONING FACTORS

- ***In view of the large number of local entities the external control over the General Account is a limited control.*** The local accounts are reviewed by the OCEX, which offer information in their reports about a number of transactions and about the results obtained from the three types of control: formal, accounting and legality.

CONDITIONING FACTORS

- On the other hand, ***the scrutinising action is limited to remitting the anomalies that are detected to the Local Corporations for them to remedy, without there being a real monitoring of the fulfilment of the rules*** or otherwise an effective system of penalties. The cases in which accounting responsibility is required are very exceptional.

PROPOSALS

- Proposals have not been shortcoming in trying to head off some of the problems which have been described. In this respect, perhaps one of the oldest is the one ***formulated by the Spanish Federation of Municipalities and Provinces, mainly related with the procedure for handling the Account.*** The proposal refers to eliminating the public information process in several of the cases in which this is foreseen.

PROPOSALS

- ***To adapt the terms for processing and rendering the general accounts*** of the local entities, fixed over 25 years ago, to suit the present reality in which both the book-keeping, the preparation and rendering of the financial statements is carried out by electronic procedures which do not require such long timespans as those foreseen in the regulations.

PROPOSALS

- To promote the appropriate legal *reforms so that the rendering of accounts is considered a necessary requirement for* a local entity and its dependent entities *to have access to the procedures for the grant of public subsidies and aid.*

PROPOSALS

- To analyse the regulations ruling the rendering of accounts, in order to ***simplify both their contents and the procedure for processing, approving and rendering the general account***, so it approximates the supply of accounting information, to the management to which they refer, with transparency and expediency criteria.

PROPOSALS

- ***As annex documentation include:*** regularity audits, whether compulsory or carried out by the actual entity, the financial control reports and other information to be reported to the Plenary, but which at present is not compulsory to include as annex to the general account.

PROPOSALS

- To include the ***obligation to prepare consolidated annual accounts*** of each local entity, in order to show its economic-financial position with more precision. This requires establishing defined criteria for the consolidation.

PROPOSALS

- ***To facilitate the transparency of the General Account and of the budget-accounting indicators***, demanding, once an important effort has been made for standardisation and synthesis, the preparation of statements that can be readily understood by the receivers of such information, and which are published at the local entities' corporate headquarters.

PROPOSALS

- To create a ***single electronic platform for sending information***, to all the bodies or entities receiving information, that would permit the design of standardised outputs which, reported and signed electronically by the local controller would be the only possible requirement for sending information.

PROPOSALS

- ***Convert the Accounts Commission***, that at present is formed by the representatives of the different municipal groups, ***into a body that receives the reports on the internal control and monitoring of the accounts rendered, meeting periodically in less than one year***, and with the obligation to issue a report at the end of each financial year with proposals about improvements in the actual rendering, transparency and publicity of the public accounts.

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