



Brussels, 7.5.2015  
SWD(2015) 105 final

**COMMISSION STAFF WORKING DOCUMENT**

**Relevant underlying factual information concerning the misrepresentation of data in the  
Autonomous Community of Valencia**

*Accompanying the document*

**Report from the Commission**

**on the investigation related to the manipulation of statistics in Spain as referred to in  
Regulation (EU) 1173/2011 of the European Parliament and of the Council on the  
effective enforcement of budgetary surveillance in the euro area (Commission Decision of  
11 July 2014)**

{COM(2015) 211 final}

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## List of acronyms used

AC - Autonomous Community (*Comunidad Autónoma*)

B.9 - Government deficit/surplus

CPFF - Fiscal and Financial Policy Council (*Consejo de Política Fiscal y Financiera*)

EDP - Excessive Deficit Procedure

ESA – European System of Accounts

IGAE - National Audit Office (*Intervención General de la Administración del Estado*)

IGGV - Regional Audit Office of Valencia (*Intervención General de la Generalitat Valenciana*)

INE - National Statistical Institute (*Instituto Nacional de Estadística*)

MoF - Ministry of Finance (*Consejería de Hacienda y Administración Pública*)

PGCP - General Public Accounting Plan (*Plan General de Contabilidad Pública*)

PGCPGV - General Public Accounting Plan of the AC of Valencia (*Plan General de Contabilidad Pública de la Generalitat Valenciana*)

SQ - Standardised Questionnaire

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## 1. Institutional responsibilities in the framework of the EDP data reporting in Spain

In Spain, the Technical Committee of National Accounts (formerly called National Accounts Working Group) is composed of the following three participating institutions:

- National Statistics Institute (*Instituto Nacional de Estadística* - INE);
- National Audit Office (*Intervención General de la Administración del Estado* - IGAE);
- Bank of Spain (*Banco de España*).

This Committee is led by INE and its role is limited to the classification of units, decisions on the treatment of special transactions and discussion of other horizontal issues. This Committee discusses only methodological issues. Issues related to quality of data are not discussed in this forum. The three institutions meet on a regular basis.

The responsibilities of each of the participating institutions are laid down in the National Statistical Plan. As regards EDP compilation, the responsibilities are divided as follows:

- INE is an autonomous body attached to the Ministry of Economy and Competitiveness. INE is the supreme statistical authority in Spain. The role of INE in EDP issues is limited. Its main responsibility relates to the participation in (and chairing of) the Technical Committee of National Accounts to discuss methodological issues, with IGAE and the Bank of Spain. INE is also the co-ordinator of the EDP reporting of Spain to Eurostat. INE does not elaborate by itself the non-financial government accounts, which are the responsibility of IGAE.
- IGAE is part of the national Ministry of Finance. It is the internal control unit of the economic and financial management of the public sector at central government level. IGAE is responsible for the collection of data on non-financial government accounts for the whole government sector. Moreover IGAE is responsible for the translation of the public accounts of the Autonomous Communities into national accounts.
- Bank of Spain is responsible for compiling both financial accounts and Maastricht debt of general government and is not involved in the compilation of non-financial accounts

According to the Ministerial Order *ORDEN HAC/2283/2003*<sup>1</sup>, the Regional Audit Office (*Intervención General Regional*) of each Autonomous Community (hereinafter referred to as AC) is obliged to send data to IGAE.

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<sup>1</sup>Ministerial Order HAC/228/2003 is available at the following link: [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2003-16001](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2003-16001)

From 2012 onwards: Ministerial Order HAP/2105/2012: [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2012-12423](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2012-12423)

Every AC is responsible for sending correct data to IGAE in the context of EDP reporting. The accrual principle has to be respected.

IGAE organises meetings on an ad-hoc basis, with the main aim to inform the Autonomous Communities about all methodological rules to be followed and about changes in national accounts (ESA 95)<sup>2</sup>. In addition, supplementary information (a Manual on the calculation of deficit in National Accounts<sup>3</sup>) has been available on the website of IGAE from 2006 onwards. Methodological notes stressing the importance of the accrual principle are also published on the website of IGAE.

IGAE's responsibilities are defined by law. IGAE does not have the same competences over Autonomous Communities in the same way in which they do for the other three government sub-sectors (central government, social security funds and local government), to adapt the norms of the General Public Accounting Plan (PGCP) to each of them. In Autonomous Communities this responsibility is under the *Intervenciones Generales Regionales* (Regional Audit Offices). Moreover, Autonomous Communities can adapt to their own needs the general accounting plan of government.

The Bank of Spain is the National Central Bank and the supervisor of the Spanish banking system. As regards EDP statistics, the Bank of Spain is responsible for compiling both financial accounts and Maastricht debt of general government and is not involved in the compilation of non-financial accounts.

The National Court of Auditors (*Tribunal de Cuentas*) is the external control unit of the economic and financial management of the public sector at central government level. It is not directly involved in EDP.

Each AC is responsible for its General Budget and for compiling a set of public accounts (general account, integrated by the balance sheet, profit and loss account and a detailed report) on a yearly basis. The compilation of the accounts is the responsibility of the Regional Ministry of Finance (*Consejería de Hacienda y Administración Pública*). A specific unit, the Regional Audit Office (*Intervención General Regional*), exists for this purpose within each Regional Ministry of Finance.

The external control of public accounts in the regions is carried out by the Regional Court of Auditors (in some Autonomous Communities by the National Court of Auditors).

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<sup>2</sup> The relevant reporting described in the current case was made under Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community, OJ L 310, 30.11.1996, p. 1, (ESA 95). Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union, OJ L 174, 26.6.2013, p. 1, (ESA 2010) is applicable from 1 September 2014.

<sup>3</sup>A Manual on the calculation of deficit in National Accounts is available on the following link:  
<http://www.igae.pap.minhap.gob.es/sitios/igae/es>

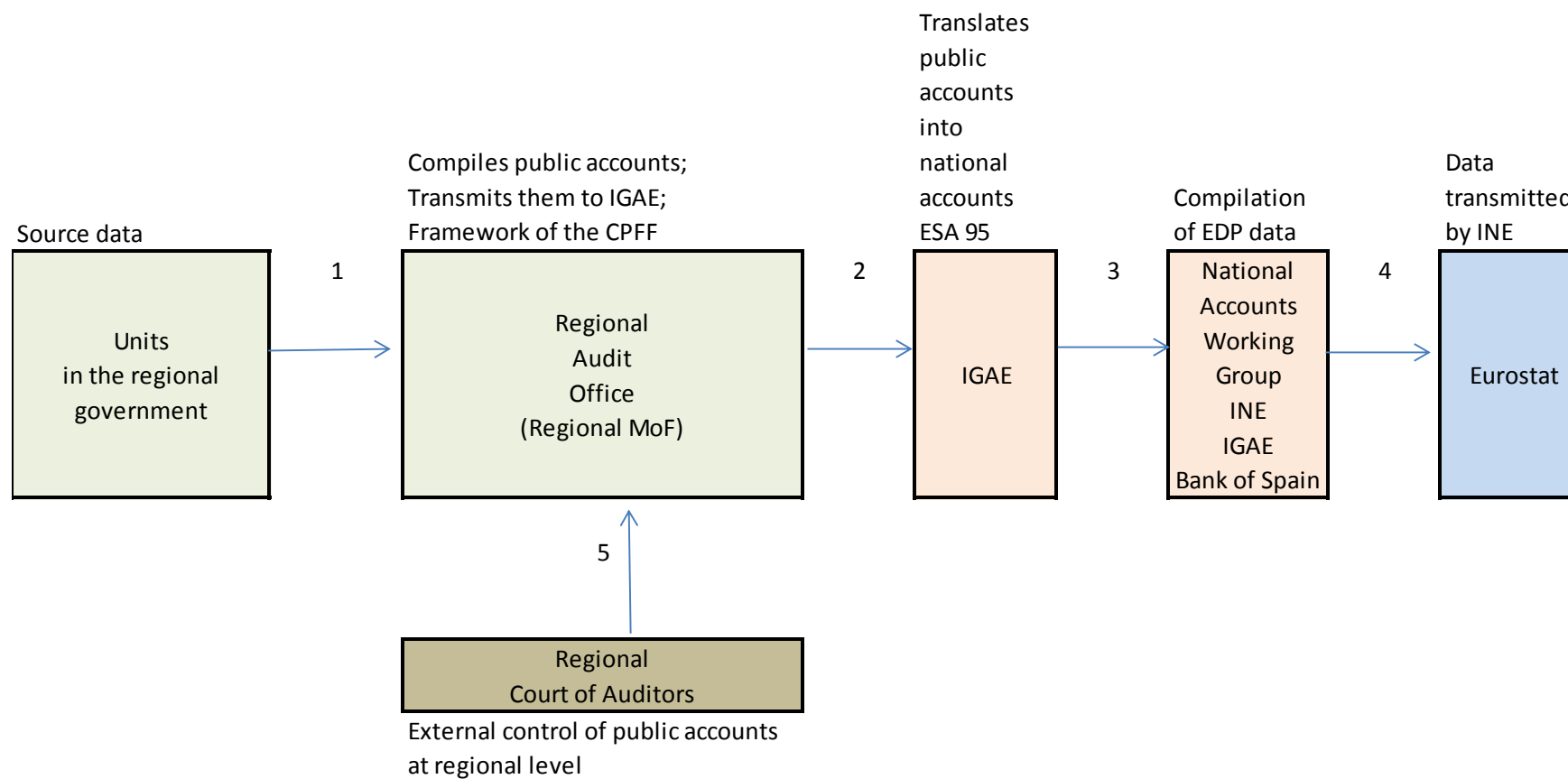
ES/ContabilidadNacional/InformacionGeneral/Documents/Manual\_AATT/ManualCCAA1Edicion2006b.pdf

The coordination between the national Ministry of Finance (MoF) and the regional MoF in the Autonomous Communities is implemented in the framework of the Fiscal and Financial Policy Council (CPFF), which meets regularly.

Public accounts in the Autonomous Communities are compiled by each Regional Ministry of Finance (Regional Audit Office when existing, if not, directly by the Regional Ministry of Finance). Regional Audit Offices (or Regional ministries of Finance) transmit public accounts of the Autonomous Communities to IGAE via the Standardised Questionnaire (SQ), agreed in the context of the CPFF. IGAE makes the conversion from the public accounts of the regions into national accounts and calculates the deficit figure in national accounts terms (ESA 95) at both the regional and the national level.

Table 1 shows the specific responsibilities of the different institutions involved in the framework of EDP work as regards Autonomous Communities and the relation between them.

**Table 1: Responsibilities in the framework of EDP data reporting in Spain as regards Autonomous Communities**





## 2. Overview of creditor accounts in the Spanish General Public Accounting Plan

Expenditures incurred but not yet paid, which are the focus of this report, can be classified in the following three groups, and ranked according to the potential risk they may represent for a correct recording in public and national accounts:

1. Expenditures not yet paid, but imputed in the budget: expenditures registered in the budget are automatically recorded in public accounts and thus reflected in national accounts. They are recorded in budgetary accounts.
2. Expenditures not yet paid, not imputed in the budget, but recorded in extra-budgetary accounts. They will be reflected in the national accounts when making the transition from public accounts. They are recorded in extra-budgetary accounts.
3. Expenditures not yet paid, not imputed in the budget and not recorded in extra-budgetary accounts, which means that these expenditures are not recorded in any standard public account, thus excluded from any reporting in national accounts<sup>4</sup>.

The General Public Accounting Plan (PGCP) is the compulsory framework for public sector accounts at central government level. In the exercise of its competences, each AC is entitled to approve its own Public Accounting Plan in order to adapt it to the specific needs of the region, as long as it observes the principles and general rules contained in the PGCP, which is the master framework for all Public Administrations. Thus, the public accounting plans at the level of AC can differ slightly among them, although they must all be in line with the PGCP, designed as general framework for central government, and cannot be in contradiction with the PGCP. The accrual principle is a universal principle in the Spanish PGCP. The current version of the PGCP dates back to 2010<sup>5</sup>.

According to the Spanish accounting rules, the expenditures must be imputed to the budget in the year in which they are incurred. This imputation must be preceded by a formal act of recognition of the obligation. If both the timing of the expenditure and the moment of recognition of the obligation fall in the same year, a recording is made in the budgetary accounts.

The creditor budgetary accounts are used to include expenditures already imputed in the annual budget but which have not yet been paid. As these expenditures have already been registered in the budget, they are immediately reflected in the public accounts (although not

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<sup>4</sup> This type of expenditure should not exist. In practice, it reached considerable amounts exclusively in the AC of Valencia, as will be described later in this report.

<sup>5</sup> The current version of the PGCP can be found at the following link:  
<http://www.boe.es/boe/dias/2010/04/28/pdfs/BOE-A-2010-6710.pdf>

paid) and thus translated into national accounts, so that, as far as national accounts rules are concerned, the correct recording is assured.

However, a period of time can occasionally elapse between the moment of the expenditure and the recognition of the obligation, causing a delay in the recording/allocation of the expenditure, and allowing a temporary entry in extra-budgetary creditor accounts.

Creditor extra-budgetary accounts are designed for expenditures (with or without obligation to pay) already incurred but not yet paid, which have not been imputed in the annual budget.

The amounts in extra-budgetary accounts must:

1. As regards public accounts: be incorporated into the budget of the following year(s).
2. As regards national accounts: be accounted for as expenditure in the deficit of the current year (year in which the expenditure incurred) in order to respect the accrual principle. This happens automatically if the expenditures are correctly accounted for in the extra-budgetary accounts, as these accounts are part of the SQ and are automatically recorded in the correct year in national accounts (ESA 95).

For a better understanding of the report it is important to provide a description of the two extra-budgetary accounts that had a major role in the deficit revision in May 2012. These accounts are account 409<sup>6</sup> and account 411<sup>7</sup> and they play a crucial role in translating public accounts into national accounts.

In the implementation of the accrual principle, both accounts are used to register expenditure made which neither have been paid nor included in the budget at the end of the year. The difference between them is that account 409 registers expenditures made and matured which were not imputed, as some administrative procedure requisite was still pending, whereas account 411 registers expenditures made but not matured (i.e. expenditures that have taken place in the economic sense, but they have not matured yet and therefore they have not generated obligations in a budgetary sense).

Account 409 consists of expenditure, not imputed in the budget of year T, for which the obligation to pay has been recognised (invoice received) and must be imputed to the budget of year T+1. Such expenditure impacts the EDP deficit (B.9) of year T.

Account 411 consists of expenditure, not imputed in the budget of year T, for which the obligation to pay has not been created, as the expenditure is not matured (the official invoice was not yet received), and which must be imputed to the budget of year T+1 once the invoice has been received, after the due date, and the obligation to pay is recognised. Such expenditure impact the EDP deficit (B.9) of year T.

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<sup>6</sup> Account 409 became account 413 in the new PGCP of 2010, but this did not change substance of the account. The reference used in the report is to account 409.

<sup>7</sup> Account 411 is in fact relevant just in the case of the AC of Valencia as it was extensively used only in this AC.

### 3. The compilation, recording and reporting of expenditures in the AC of Valencia

#### 3.1. Legal framework in the AC of Valencia

As for the rest of Autonomous Communities, the AC of Valencia has its specific legal framework in addition to the common framework applicable to all ACs. The regional laws in the AC of Valencia, which are relevant in the context of the present report, are the following:

– **Public Finance Act (*Ley de Hacienda Pública de la Generalitat Valenciana*)**

This Law specifies the budget system and the economic, financial, and accounting framework and sets the basis for the control of public accounts in the region. It dates back to 1991<sup>8</sup>.

This Law has been updated several times. By Law 12/2004 of 27 December, new Article 59bis, in addition to Article 59, was adopted. Article 59bis set the framework for the non-recognition of payment obligations under certain circumstances. Later, by Law 10/2006 of 26 December, two new sections (2.d and 3) were added to Article 59bis. These new sections 2.d and 3 enabled the adoption of specific measures for budget allocation to future years in case of insufficient budgetary provision to meet past and present payment obligations<sup>9</sup>. By Law 10/2012 of 21 December 2012, sections 2.d and 3 were revised again and the adoption of specific measures for budget allocation to future years, in case of insufficient budgetary provision to meet past and present payment obligations was deleted.

– **General Public Accounting Plan for the AC of Valencia (*Plan General de Contabilidad Pública de la Generalitat Valenciana*) - PGCPGV**

It sets the framework for public accounts in this region. It should be in line with the PGCP set for central government units. It was approved in 2001<sup>10</sup>.

– **Accounting Instruction for the AC of Valencia (*Instrucción de Contabilidad para la Generalitat Valenciana*)<sup>11</sup>**

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<sup>8</sup> The Public Finance Act of the *Generalitat Valenciana* is available at the following link: [http://noticias.juridicas.com/base\\_datos/CCAA/va-dleg260691.html](http://noticias.juridicas.com/base_datos/CCAA/va-dleg260691.html)

<sup>9</sup>Under Section 3 of Article 59bis, it is stated that "However, when in the current year there is an absence of adequate and sufficient budgetary credit to meet the current obligations and in addition, the use of the possibility provided in Article 32 of this Act is not considered as appropriate, it will be necessary to submit in advance to the Consell (the Regional Government) the documentation, jointly with a favourable opinion from the Regional MoF so that, if need be, the Consell would adopt a program of budget allocation to future years." This Article allowed the inclusion in the Budget of the health expenditures which were previously never included in account 409, which shows that IGGV was indeed aware of the existence of health expenditures undertaken, not paid and not included in the budget, and that according to IGGV the account 411 was not suitable and could not be used (as it should have been and as it was used in the other ACs) to record these expenditures.

<sup>10</sup> The General Public Accounting Plan for the *Generalitat Valenciana* is available at the following link: <http://www.docv.gva.es/index.php?id=26&L=1&sig=3185/2001>

<sup>11</sup>The Accounting Instruction for the *Generalitat Valenciana* is available at the following link: [http://www.docv.gva.es/portal/ficha\\_disposicion\\_pc.jsp?sig=5627/2002&L=1](http://www.docv.gva.es/portal/ficha_disposicion_pc.jsp?sig=5627/2002&L=1)

It was approved in 2002 and it establishes the accounting framework needed after the adoption in 2001 of the PGCPGV.

Rule 5 of the Accounting Instruction of the AC of Valencia deserves special attention, as it explicitly establishes account 409 for the recording of expenditure incurred, not yet paid and not imputed to the budget of the current year.

– **Specific Agreements of government in 2007 – 2010 (*Acuerdos del Consell*)**

The Government of the AC of Valencia signed different agreements between 2007 and 2010.

The debt recognised through these agreements has been recorded in the account 411, impacting the accounts of the year when the agreement was signed instead of the years in which the expenditures took place (thus violating the accrual principle in national accounts). The agreements foresaw a payment scheme, to be implemented through a number of future years, via the imputation of a constant amount every year.

There is a double effect of such agreements in the account 411 and, thus, on government accounts. On the one hand, the new debt recognised after each agreement impacts government deficit. On the other hand, the regular payments foreseen each year impact the flow of payments in public accounts.

As a consequence of these agreements, around 2 billion euro of expenditures related to health, incurred in past years and never recorded before in the accounts, were recognised, impacting the accounts of the region from 2007 onwards<sup>12</sup>.

**3.2. Units involved in the compilation, recording, reporting and control of EDP data in the AC of Valencia**

The units dealing with the compilation, recording, reporting and control of EDP data in the AC of Valencia are the following:

- The Regional Ministry of Finance (*Consejería de Hacienda y Administración Pública*, hereinafter referred to as the “Regional MoF”), which is part of the Government of the *Generalitat Valenciana*.
- The Regional Audit Office (*Intervención General de la Generalitat Valenciana - IGGV*, which is a specific unit inside the Regional MoF responsible for the compilation, internal control and reporting of the public accounts of the region. The responsibility of the IGGV is established in the Public Finance Law (*Ley de Hacienda Pública de la Generalitat Valenciana*). IGGV forms part of the Regional MoF, but it is functionally independent in relation to the control and the accounting of expenditure.
- The Regional Ministry of Health (*Consejería de Sanidad*, hereinafter referred to as the “Regional MoH” and other public units, providing source data to IGGV.

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<sup>12</sup> As they had been incurred in past years, they should have been recorded as expenditure in the year in which they were incurred.

- The Regional Court of Auditors (*Sindicatura de Cuentas de la Comunidad Valenciana*, hereinafter referred to as the “Regional Court of Auditors”) which is part of the Government of the *Generalitat Valenciana* although is functionally independent. It is in charge of the external control of the public accounts compiled by IGGV. The Regional Court of Auditors does not assess the respect of national accounts principles as the national accounts principles are not applied at the level of Autonomous Communities but at the level of the national statistical authorities.

### **3.3. The workflow for public accounts and EDP data in the AC of Valencia**

The workflow for the compilation of EDP data in the AC of Valencia is the following:

#### **3.3.1. Compilation of Public Accounts: IGGV**

As stated in the Public Finance Law (*Ley de Hacienda Pública de la Generalitat Valenciana*), the compilation of public accounts is carried out by the IGGV, which is part of the Regional MoF. IGGV also complies with the function of internal auditor of the AC of Valencia.

The IGGV compiles the General Account of the *Generalitat Valenciana* in terms of public accounting, following the PGCPGV and the Accounting Instructions (*Instrucción de Contabilidad*).

In Spain, every region is responsible for sending correct data to IGAE in the context of the EDP reporting. The accrual principle has to be respected. The responsibility for doing so in the AC of Valencia belongs to IGGV. IGGV transmits data to IGAE, via the SQ, four times per year<sup>13</sup>.

IGGV has to collect the information from all the units in Regional Government (public hospitals, units involved in health care, universities, etc.) before transmitting the S Q to IGAE. The deadline for regional units to report data of year T-1 to the IGGV is mid-January of year T. Subsequently, the S Q is provided by IGGV to IGAE by the end of January of year T, including for the first time data of year T-1 and is the basis used for the April EDP Notification of year T.

Ideally, all information concerning extra-budgetary accounts would be correctly and completely recorded in the SQ in January, allowing for a real reflection of the economic activity, the respect of the accrual principle in the translation of public accounts to national accounts and the correct calculation of deficit (B.9) in the April EDP Notification of year T.

IGGV was constantly informed about the methodology used for the reporting of EDP, via different means:

- firstly, by the Ministerial Order of 2003 (Orden HAC/2283/2003);

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<sup>13</sup>From 2013 onwards, Autonomous Communities transmit data to IGAE, via SQ, on a monthly basis.

- secondly, every year in a form of a letter by IGAE to all regions, reminding them about the importance of EDP reporting;
- thirdly, the Article 69 of the Public Finance Act (*Ley de Hacienda Publica de Valencia*) sets the obligation for IGGV to centralise all necessary data and send them to IGAE, both for national purposes and for EDP reporting.

Article 69 of the Public Finance Act establishes, that the General Comptroller of IGGV is responsible, amongst other, for:

- (a) preparing the General Account of the *Generalitat Valenciana*;
- (b) preparing and reviewing, with appropriate observations, the accounts to be submitted to the *Regional and National Court of Auditors*;
- (c) requesting the presentation of the accounts, statements and other documents subject to critical examination;
- (e) preparing the public sector accounts of the *Generalitat Valenciana* in a manner consistent with the national accounting system followed by the State;
- (h) standardising accounting information in terms of the European accounting system.

The General Account is composed of the following elements: balance sheet, profit and loss account, budget implementation and a detailed report.

Before the end of June of year T, the General Account of year T-1 is sent to the Regional Court of Auditors for external control.

The General Account of the *Generalitat Valenciana* is published every year in the website of the IGGV.

### **3.3.2. Control of Public Accounts: the *Regional Court of Auditors***

While the internal control of public accounts is carried out by the IGGV, the external control is undertaken by the Regional Court of Auditors, which analyses the General Account of the region and prepares a report on the fulfilment of public accounting principles. The Regional Court of Auditors receives the General Account of year T-1 from the IGGV at the latest by June of year T and the deadline for publishing its report is December of year T.

### **3.3.3. The translation of public accounts into national accounts: IGAE**

Being responsible for the compilation of general government accounts in terms of ESA95, IGAE is in charge of translating the public accounts of the AC of Valencia (as well as of the other regions) into national accounts. This is achieved by way of the SQ that IGGV sends to IGAE on a quarterly basis<sup>14</sup>, which contains all the information related to the public accounts of the region.

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<sup>14</sup> On a monthly basis from 2013 onwards.

The main source of estimated and preliminary data is the SQ while final data (available in the October notifications for data of year T-2) are based on the General Account of Autonomous Communities.

Autonomous Communities transmit data to IGAE via the SQ by:

- 31 January (used for the April EDP notifications);
- 30 April (used for the October EDP notification);
- 31 July (used for the October EDP notification, if updates are made);
- 31 October.

According to the Ministerial Order HAC/2283/2003, the *Intervencion General* of each region is obliged since the year 2003, to send data to IGAE. In line with this Order, meetings between IGAE and the regional Audit Offices (*Intervenciones Generales*) of each region are also organised.

Whenever additional clarifications about data are needed, or there are doubts about the quality of data provided by the Autonomous Communities, IGAE contacts directly the AC concerned. These contacts are made almost exclusively by phone. In some cases, after discussing data quality issues with IGAE, the Autonomous Communities correct the data accordingly and re-send them by the SQ to IGAE. In other cases, IGAE receives additional qualitative information which explains / confirm the data sent earlier or at the same time by the Autonomous Communities.

IGAE is not allowed to correct unilaterally the data sent by ACs or to make estimations, as the data sent by regions are considered as official. IGAE would be entitled to make estimations only if the ACs would not send the data, although this has never happened (moreover, Autonomous Communities have, from 2003 onwards, a legal obligation to send data).

*A Manual on the calculation of deficit in National Accounts (Manual de cálculo del déficit en contabilidad nacional adaptado a las Comunidades Autónomas)* adapted to Autonomous Communities is published on the website of IGAE and provides further guidelines for the Autonomous Communities on how to report data to IGAE in the context of EDP reporting. Methodological notes stressing the importance of the accrual principle are also published on the website of IGAE.

In addition, IGAE organises regular meetings with the Autonomous Communities, informing them about any methodological changes which would affect EDP data.

Autonomous Communities are fully informed about the importance of data sent to IGAE for the EDP purposes. IGAE sends a letter to all Autonomous Communities several times per year<sup>15</sup>, explaining the importance of the data sent via the SQ for the EDP purposes.

With the information provided in the SQ, IGAE calculates the deficit (B.9) and the other national accounts data for the AC of Valencia (and all other Autonomous Communities) to be transmitted to Eurostat in the EDP Notifications.

IGAE sends regularly to all Autonomous Communities the preliminary National accounts figures (including the EDP deficit), containing all the adjustments made to public accounts data. At this stage, the ACs still have the possibility to revise data, if necessary. For this purpose, an annual meeting is held with the Autonomous Communities every year in July. Usually, the General Comptrollers of the regional Audit offices (*Intervenciones Generales*) participate to these meetings, either alone or accompanied by other officials.

IGAE is not supervised by any other unit in the process of translation of regional public accounts data to national accounts data to be used in the EDP context.

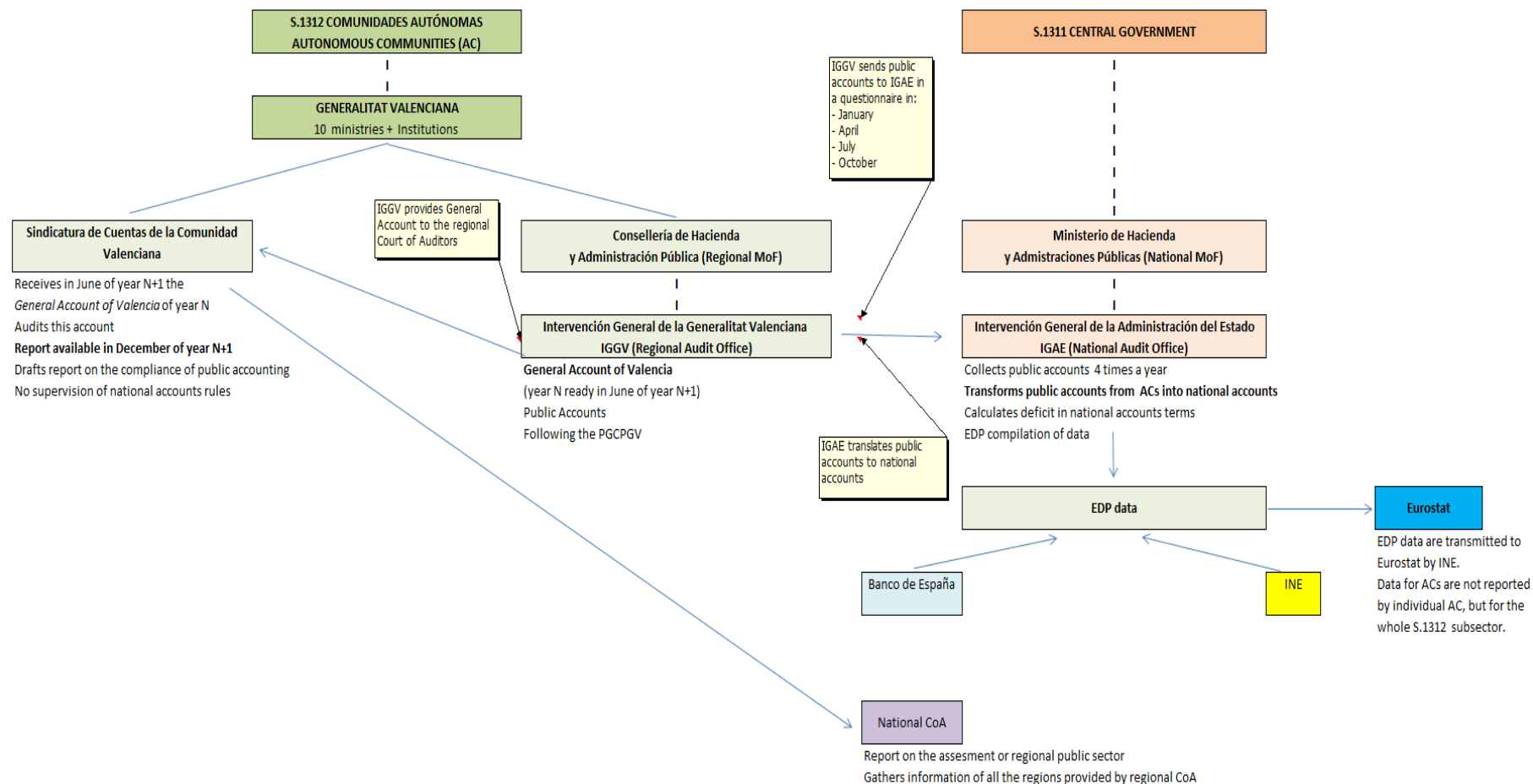
Table 2 provides an overview of the workflow between the different units involved in the EDP data compilation in the AC of Valencia.

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<sup>15</sup> Every time before data on deficit is published.



**Table 2: Work and data flow between the different units involved in the EDP data compilation in the AC of Valencia**



### **3.4. The recording and reporting of data in extra-budgetary accounts (409, 411) and their impact on deficit (B.9) according to legal provisions**

All expenditures incurred in one particular year, no matter whether paid or not, must be reflected in the accounts, with a corresponding impact on deficit (B.9).

Expenditures not paid but already imputed to the budget, are automatically reflected in the accounts. Expenditures not paid and not yet imputed to the budget must be recorded in extra-budgetary accounts, as by doing so they will be taken into account in the national accounts of the current year with the corresponding impact on deficit.

Therefore, all expenditures must be reflected either in the budgetary or in the extra-budgetary accounts and under no circumstance may any expenditure not be recorded.

Most Spanish regions register some amounts, mainly related to health expenditure, in account 409. These amounts have increased considerably during recent years due to the economic downturn, which has implied cuts in regional budgets and a sudden decrease in the revenue of regional governments. Almost all the regions seem to have used extra-budgetary accounts to record health expenditures not paid and not imputed to the budget, in order for this expenditure to be recorded (albeit, sometimes with a delay of one year for some small amounts<sup>16</sup>).

The Rule 5 of the Accounting Instructions for the AC of Valencia explicitly mentions account 409 for the recording of expenditure incurred, not yet paid and not imputed to the budget of the current year. It states the following:

“Any recognition of the obligation implies the corresponding payment proposal, meaning by this the request by the competent authority which has recognised the existence of an obligation so that, in accordance with current regulation, the *Ordenador General de pagos* (the person responsible for executing the payments) proceeds to execute the payment order. Once the recognition of the obligation is agreed, the managing service shall issue compliance document which, together with the documents to be used as justification of the operation, will be sent to the Regional Audit Office (IGGV).

When for some justified reasons, the recognition of payment obligations for goods and services actually received in that year has not been made in the current period, the units managing expenditures will take the appropriate measures to transmit to the Regional Audit Office the necessary documents to record such obligations as imputed to the budget of the following year.

Taking as a reference the date in which the expenditure was incurred, which should be specified in the accounting document, an amount concerning pending operations to be imputed to the budget will be recorded in the economic and patrimonial accounts of the

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<sup>16</sup> With the exception of the AC of Valencia where expenditures were recorded sometimes with a delay of many years.

current year, through the account 409, as foreseen in the General Public Accounting Plan of the AC of Valencia.

This account will be balanced once the transaction is imputed to the budget of the following year.”

Accordingly, the procedure in the region should be the following:

Expenditure incurred in the year, but not paid and not imputed to the budget of the current year, should be reflected in account 409 and imputed to the budget of the following year (s). This task is the responsibility of the IGGV, which compiles the general account of the region every year (public accounting).

By following the above mentioned recording, all expenditures would be recorded, either directly in the budget or in the extra-budgetary accounts.

The IGGV should gather all the information concerning public accounts in the AC of Valencia and transmit it to IGAE in the SQ, which makes the translation of public accounts into national accounts and calculate the EDP deficit for the region.

This information will be integrated in the tables for the EDP Notification. Data for year T will be released in the April and October EDP Notifications in year T+1.