
SUMMARY

Summary of Report 12/2019, relating to the public enterprise Healthcare Services Management, year 2016

Barcelona, 12 September 2019

The Public Audit Office for Catalonia has issued Report 12/2019, relating to the public enterprise Healthcare Services Management (GSS), financial year 2016, in accordance with its Annual Programme of Activities.

The report, which was presented by the Chairman, Mr Jaume Amat, was approved by the Audit Office Board at its meeting on 23 July 2019.

The assignment, a regularity audit, included a review of GSS's annual accounts for year 2016, to check that they had been drawn up in accordance with the relevant financial reporting regulatory framework and, in particular, the accounting principles and criteria contained in that framework. The audit also verified that in the audited year the entity carried out its activities as required by applicable legislation.

Healthcare Services Management is a public enterprise with the status of an entity set up under public law but subject to private law. It was created in 1992 and charged with running and administering the services relating to healthcare which were transferred from Lleida Provincial Council (*Diputació*) to the Government of Catalonia (*Generalitat*). GSS carries out its healthcare activities in the area covered by the Lleida Healthcare Region and the Upper Pyrenees and Aran Healthcare Region and their catchment zones.

Revenues and expenditures in GSS's budget for year 2016 totalled €64.95m. The entity's Balance Sheet as at 31 December 2016 showed assets and equity plus liabilities of €45.13m.

The Audit Office's opinion, as given in the Conclusions section of the report, is that, except for the possible effects of the limitations described in findings 1 and 2, the annual accounts represent in all significant aspects a true and fair view of GSS's assets and financial position as at 31 December 2016, and also of its results, cash flow and budget outturn corresponding to the financial year ending on that date.

Section 3.1 shows the most significant findings from the audit carried out, which can be summarised as follows:

- The assets section of GSS's Balance Sheet had no figure for the east wing of the Santa Maria University Hospital building or for its extension; nor were there figures for the

transferral on loan of the Pallars Hospital or the Balàfia and Balàfia II homes and day-care centres for the elderly in Lleida.

- Under the heading of Other Financial Liabilities there was an item of €4.04m corresponding to the revenues obtained since 1992 by GSS from long-term in-patients with chronic psychiatric illnesses. In the audited year revenues of €43.007 were collected for this item under this heading. GSS and the Catalan Health Service (CatSalut) need to reach an agreement on the final allocation of these revenues, so they can be accounted for as their nature warrants. In year 2018, the entity, in agreement with CatSalut, assigned these revenues to Results from Previous Financial Years, except for the ones corresponding to the last four years.
- In year 2016, GSS did not deduct 5% from employees' salaries to comply with the statutory provisions of Royal Decree-Act 8/2010, of 20 May, which established extraordinary measures to reduce the public sector deficit, because, according to their collective bargaining agreement, the deduction could only be applied to variable objectives-based pay (DPO) for the year and in 2016 the entity did not achieve a budgetary and financial surplus large enough to pay their employees this variable salary item.

The entity considers that it did comply with the restraining requirement because the net effect on payrolls and personnel expenditures for the year would have been the same if it had applied a 5% reduction to monthly pay, since that would have led to an increase in the year-end surplus, thereby allowing that amount to be distributed under the heading of variable objectives-based pay.

However, it should have calculated the DPO that would have applied to each employee and have evaluated whether that amount was less than the figure for 5% of total pay for the year and, if that was the case, claim back the difference.

- GSS did not include any amount on its books as a provision for the possible effects of the judgement by the High Court of Justice for Catalonia upholding the claim brought by nursing trade unions, which is currently under appeal at Spain's Supreme Court. The entity established a provision for these amounts at the close of year 2017.
- In year 2015 GSS was not compliant with the requirements of article 68 of the Fiscal and Financial Measures Act (Act 7/2011, of 27 of July), as regards managerial autonomy. This fact meant that, in year 2016, the entity should have necessarily been subject to Catalan Government staffing regulations and to the stipulations of the Catalan Government Budget Act for 2016.
- As regards procurement, the audit showed that 27 of the 35 contracts for services signed in 2016 were arranged as low-value contracts. Given the purpose and recurring nature of the services procured, these contracts should have been tendered out using procedures ensuring greater publicity and competition and for time periods longer than one year.

- As regards personnel expenditures, the audit detected the hiring of medical professionals using business contracts to cover structural personnel requirements, and some salary items (additional bonus, fixed productivity bonus, productivity and extraordinary activity bonus) paid even though they were not included in the relevant collective bargaining agreements and there was no evidence that they had been approved by the Board of Directors.

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