

## **SUMMARY**

### **Summary of Report 21/2019, relating to the Eastern Vallès Waste Management Consortium, year 2016**

*Barcelona, 22 January 2020*

The Public Audit Office for Catalonia has issued Report 21/2019, relating to the Eastern Vallès (*Vallès Oriental*) Waste Management Consortium, financial year 2016, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Mr Miquel Salazar, was approved by the Audit Office Board at its meeting on 17 December 2019.

The work carried out was a limited financial audit of the Consortium, focussed on auditing the budget outturn and reviewing compliance with applicable legislation in the areas of accounting, the budget cycle, staff salaries and governmental procurement corresponding to year 2016.

The Eastern Vallès Waste Management Consortium is a public consortium set up in 1998, whose purpose is to provide waste management services. The refuse collection service is carried out through the environmental services company *Serveis Ambientals del Vallès Oriental, SA (SAVOSA)*, owned by the Consortium.

The approved starting budget for year 2016 was for €20,186,449 and during the year modifications to budget appropriations totalling €2,701,366 were authorised. So the final budget came to €22,887,815. The Budgetary Result for the year worked out at €351,080, and taking into account the adjustments arising from expenditures funded by budget surpluses carried over from previous years and from funding deviations, the Adjusted Budgetary Result came to €561,784.

The most significant findings arising from the work carried out were as follows:

- The audit found there was a lack of internal control, because the comptrollership function was not being carried out by a local government official with a civil service grade valid for the whole of Spain. In addition, the Budget Execution Rules envisaged limited ex ante comptrollership, without the corresponding ex post comptrollership using sampling techniques being undertaken.

Nor was any financial audit of SAVOSA carried out, as a subsidiary entity of the Consortium. One of the most significant consequences of this lack of control were the legal proceedings initiated by the Consortium against the official in charge of SAVOSA's management and accounts for misappropriation of public funds totalling €48,005 during the period 2007-2016.

- The Budget Outturn for the year was approved by the Consortium's General Manager and not by the Chair; this was contrary to regulations. The Consortium did not forward its properly approved budget to the government organisation it was attached to, for it to be included in the latter's budget; nor did it send it to Spain's Central (State) Government or to the Government of Catalonia as it was legally required to.
- The files for modifying budget appropriations were not approved by any management official, which was contrary to regulations, and did not include the required comptrol-ship report on the effects of the modifications to budget stability.
- The Consortium did not have an inventory of assets as required by regulations.
- In its analysis of official charges collected by the Consortium, the audit found that the financial studies to justify the official charges did not include indirect costs for the activity or investment costs. It also detected that the official charges corresponding to refuse collection did not even cover the direct costs of the activity.
- The Consortium hired out the vehicles to SAVOSA through leasing agreements, which were renewed annually, worth €229,560 in year 2016. The amount was reinviced back to the Consortium by SAVOSA without any documentary justification, as extra costs borne by SAVOSA in delivering the service between January and December. The expenses from SAVOSA included €146,065 corresponding to the difference between the actual depreciation costs of the vehicles used for refuse collection and the amounts invoiced. The Audit Office did not obtain any information to validate this expenditure.
- As regards governmental procurement:
  - In year 2016 the Consortium did not arrange any tendering procedure to procure its supplies of electricity and diesel fuel; these expenditures came to €447,843 and €18,291 respectively. The service involving collection, transport and treatment of pretreated residues was delivered without any contract until 13 May 2016, at a cost of €210,816.
  - In the files for contracts arranged using the open procurement procedure and competitive process the audit found various formalities which had been omitted, such as formal approval of the contract specification documents or the ex ante comptroller-ship report.
  - In the seven contracts reviewed which were tendered out using the open procurement procedure, and also in the low-value contracts, there were significant deficiencies regarding compliance with statutory publicity requirements.
  - In the review of low-value contracts there were some maintenance services which were renewed on an annual basis with the same suppliers. Thus, these contracts were effectively rolled over, breaching the one year maximum duration requirement. These anomalies relating to the purpose or object of the contracts, their amounts, dates

or contract types constitute a failure to comply with public procurement regulations and therefore lead to the conclusion that an improper splitting-up of a contract occurred.

The report includes eight recommendations which, in the Audit Office's opinion, would help to improve some of the aspects mentioned in the findings section.

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).