

SUMMARY

Summary of Report 8/2021, relating to the waste collection company Recollida de Residus d'Osona, SL, year 2018

Barcelona, 7 July 2021

The Public Audit Office for Catalonia has issued Report 8/2021, relating to the waste collection company Recollida de Residus d'Osona, SL (RRO), financial year 2018, 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 15 June 2021.

The subject of the report is a limited scope audit of RRO, which was focused on auditing its Profit and Loss Statement and reviewing its compliance with applicable legislation in the areas of accounting, staff salaries and public sector procurement, corresponding to financial year 2018.

RRO is a limited company which was set up in 1996 as a public-private partnership by Osona County Council, for a duration of sixteen years, and for which, in the year covered by the audit, the County Council had a 55% shareholding and the remaining 45% was held by the private partner, the company Cespa Compañía Española de Servicios Públicos Auxiliares, SA (CESPA). It was subsequently agreed that the company's existence should be extended to April 2021. In year 2018, RRO delivered the public service of selective waste collection in thirty-nine boroughs in the county of Osona.

The company's net turnover in year 2018 amounted to €7.17m. This represented 99.7% of total revenues in the abbreviated Profit and Loss Statement.

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

- During their review the auditors were unable to see the contract signed between Osona County Council and the private shareholder when the company was set up. It was therefore not possible to validate this contract or the service extension for nine years longer than originally envisaged.

The report mentions this as a limitation to the scope of the audit. The fact that the service concession contract signed when the company was set up could not be located represents a serious breach of the duty beholden on all government organisations of taking good care of their documents.

At the time the audit fieldwork was completed, in February 2021, the company was scheduled to start the liquidation and final dissolution process. This process had not yet been initiated.

- The analysis undertaken detected that in the inventory there were several containers registered in the accounts with a net book value of €128,264, when the company's general approach consisted in not registering these items as assets but putting them on the books as a current expenditure in the year of purchase.
- The company did not have separate invoicing accounts for the different municipal councils or types of services rendered, or for moneys received from Ecoembes and Ecovidrio. This made it difficult for Osona County Council, the company's principal shareholder, to monitor, on an individual basis, the revenues deriving from the company's main activity.
- RRO's Board of Directors agreed to transfer to CESPÀ 4.0% of the revenues obtained from reimbursements from Ecoembes. The audit detected that the company was also transferring revenues coming from Ecovidrio, although no documentary evidence was forthcoming as a basis for this.
- The company only issued invoices for the glass collection service to four of the thirty-eight municipal councils where it provided this service.
- The headings of leases and fees and insurance premiums included various payments between the County Council and the company, totalling €120,258; between CESPÀ and the company, totalling €33,116; and between VialnetVic, SL (a company that was a public-private partnership for Vic City Council, with a stake also held by CESPÀ) and the company, totalling €23,145. For these payments no agreement or supporting document existed governing the amounts to be paid for the services provided.

The audit also found that these expenditures relating to group or associated companies were registered directly in RRO's accounts by Ferroviai Servicios, SA, a company holding 99.9% of CESPÀ shares; RRO simply checked that the amounts and items were correct. In this regard, the auditors felt that the County Council, as RRO's majority shareholder, was neglecting to oversee and monitor expenditures on an individual basis.

- In relation to procurement, the audit found that, except for one contract tendered out using the open tendering procedure, all other expenditures were awarded directly, in some cases by signing on to contracts that Ferroviai Servicios, SA, had already arranged with suppliers, on the basis of CESPÀ being a company in the Ferroviai Group.

The audit concluded that the majority of the contracts reviewed should have been arranged using one of the procedures envisaged in public sector procurement legislation.

In some of the contract files reviewed, certain issues were detected relating to the separate acquisition of services which should have been handled in a single contract, because they involved a succession of purchases to cover recurring or foreseeable needs. These anomalies resulted in processes which eluded publicity rules or other requirements in the

procurement procedures which should have been followed. For this reason, they constituted an improper splitting-up of a contract and, therefore, an infringement of articles 99.2 and 118.3 of Spain's Public Sector Contracts Act.

- The contract for supplying a side-loading refuse-collection vehicle was over the legal limit for contracts subject to harmonised rules. The tendering process should therefore have been announced in the *Official Journal of the European Union*.

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