

SUMMARY

Summary of Report 10/2021, relating to the Localret Consortium, year 2018

Barcelona, 29 July 2021

The Public Audit Office for Catalonia has issued Report 10/2021, relating to the Localret Consortium, 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 29 June 2021.

The aim of the limited-scope assignment was to audit the Consortium's budget outturn and review its compliance with applicable legislation in the areas of accounting, the budget cycle, staff salaries and public sector procurement, corresponding to year 2018.

Localret is a local government consortium which was set up in 1997 by the municipal councils represented by the Catalan Association of Municipal and County Authorities and the Federation of Catalan Municipal Authorities, for the purpose of developing telecommunications networks in their territories, implementing the use of information and communication technology in local authorities and offering guidance in technological and legal matters and training in the field of telecommunications. Since 2014, the Consortium has been designated as attached to Barcelona City Council.

The Consortium's starting budget for year 2018 was for €1,701,985 and during the year modifications to budget appropriations totalling €98,332 were approved. So the final budget came to €1,800,317. As at 31 December 2018 its Budget Outturn showed recognised revenues of €1,682,692 and recognised expenditures of €1,438,642, with an adjusted budgetary result of €135,578.

The most significant findings from the audit carried out, as explained in section 3 of the report, can be summarised as follows:

- The review of the Consortium's internal controls detected a lack of formal procedures for managing expenditures. The Consortium did not follow any formal procedure for authorising expenditures and releasing funds.
- In year 2018 the Consortium's Managerial Board comprised seventeen members, when the maximum number allowed by regulations was fifteen members.
- Within its funding deviations and calculations of budgetary year-end net working capital (*romanent de tresoreria*), the Consortium included the balances from expenditure projects

using earmarked funds, corresponding to moneys received from Barcelona Provincial Council (*Diputació*). The Consortium only earmarked the part corresponding to the expenditures envisaged for services to be subcontracted, when it should have earmarked the entire amount received, because these revenues were wholly destined for a specific purpose.

In addition, in the earmarked funding deviations corresponding to the catalogue of services for year 2016, the Consortium had unrealised expenditures pending, even though the majority of the projects had been completed by the end of year 2018. The Consortium should make adjustments of approximately €47,000 to the balances for negative earmarked funding deviations.

- The framework agreement between the Consortium and Telefónica de España, SA, relating to infrastructure project development and works management, gave this telephone operator various advantages in relation to other utility providers. In the Audit Office's opinion, the Consortium should have included the other leading operators in Catalonia's geographical area.

In its Balance Sheet as at 31 December 2018, the Consortium kept balances of amounts to be invoiced for projects undertaken and accrued, totalling €149,837. Of this figure, €85,378 came from projects prior to 2013, most of which had been put on hold. Given the time elapsed for these balances and the fact that most of the projects had been stopped, the Consortium needed to analyse how enforceable these amounts were, and make a corresponding provision for their decline in value.

- When calculating the contributions from the municipal councils that make up the Consortium, the arrangements envisaged in the Consortium's Statutes needed to be modified to adapt them to the method for calculating the quotas that had been approved on a recurring basis, using the number of inhabitants. The Consortium was also not carrying out an annual technical and financial study to assess whether its expenditures were being properly covered.
- Regarding the audit of the aggregate purchase of telecommunications services in the province of Barcelona, the Public Audit Office considers that, in order to encourage other operators' access to the tendering procedure, the work could have been split up into at least four lots, coinciding with the service divisions defined in the technical specifications.
- The Consortium purchased approximately 52.8% of its recognised expenditures in budget sections 2 and 6 using low-value contracts.

In some of the low-value contracts 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.

In addition, at least two of these low-value contracts also failed to comply with the ban on using low-value contracts for purchases from any one particular contractor that individually or jointly go above the maximum amounts authorised for this type of contract.

Lastly, section 3.2 of the report offers fourteen recommendations which, in the Audit Office's opinion, would help to improve some of the issues mentioned in the findings.

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