
SUMMARY

Summary of Report 29/2020, relating to the company Calafell Empresa Municipal de Serveis, SA, annual accounts, year 2018

Barcelona, 19 February 2021

The Public Audit Office for Catalonia has issued Report 29/2020, relating to the municipal services company Calafell Empresa Municipal de Serveis, SA (CEMSSA), annual accounts, financial year 2018, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Mr Joan-Ignasi Puigdollers, was approved by the Audit Office Board at its meeting on 22 December 2020, with one dissenting vote.

The aim of the assignment was a financial audit of the annual accounts of the joint-stock company Calafell Empresa Municipal de Serveis, SA for the 2018 financial year.

Bearing in mind the aim, scope and methodology used for the report, the Audit Office's opinion is that, except for the possible effects of the limitation described in finding 1 and for the matters described in findings 2, 3 and 4, the abbreviated annual accounts represent, in all significant aspects, a true and fair view of CEMSSA's assets and financial position as at 31 December 2018, and also of its results for the financial year ending on that date, according to the applicable financial reporting regulatory framework and, in particular, the accounting principles and criteria contained in that framework.

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

- No evidence was found that the buildings for the nursery schools had been put on the books and valued or that the corresponding depreciation items had been made.
- CEMSSA transferred surpluses from grants to fund capital investments in the municipal market building from years 2016 and 2018, totalling €11,718, to finance investments in the surface parking control service for blue zones and residential areas with time restrictions. This sum should have been returned to Calafell Town Council.
- The closing balances for the programme-contracts CEMSSA had signed with Calafell Town Council to fund the different municipal services it had been commissioned to run, according to the calculations made by the Public Audit Office, added up to €81,532 in the Town Council's favour. This amount was not returned, though there was no evidence of any agreement by the Council to waive the amount owing. This end-of-year surplus was used to

fund several capital investments made during year 2018 in the services for the cleaning and maintenance of buildings, vehicle parking controls, and the hiring of equipment to swimmers.

- The audit uncovered three invoices, worth a total of € 12,132, corresponding to expenses accrued in year 2018 but which were only put on the books in year 2019.
- In year 2018, through commissions from the Council, CEMSSA started running the services involving towing away vehicles from public highways, running the nursery schools and cleaning public buildings. In none of these three cases did the justification report make clear that having these services run by a municipal enterprise would be more efficient than having the local corporation run them itself.

For the service of running the nursery schools no evidence was found that the cost of delivering the service through a municipal enterprise was lower than delivery by the local authority itself. The reports issued by the local Comptroller's Office did not assess the financial sustainability of the service for towing away vehicles from public highways or the public building cleaning service.

- The programme-contracts governing the relationship between the Town Council and CEMSSA stated, incorrectly, that the type of relationship connecting the company with the Council was that of an in-house instrument for the delivery of services, when for the aforementioned services run by CEMSSA it was clearly one of the forms of direct delivery envisaged by article 85 of the Fundamentals of Local Government Act, with no grounds for invoking in-house provider legislation.

The fact that the programme-contracts stated, as the legal basis for the status of the relationship between CEMSSA and the Town Council, both local government and procurement legislation shows the confusion existing over this matter. It would be advisable to clarify this by removing from the programme-contracts the reference to in-house provision while maintaining the direct delivery status based on article 85 of the Fundamentals of Local Government Regulatory Act.

At the end of the report, the Audit Office makes a series of recommendations relating to how capital investments in the services run by CEMSSA are funded, to internal auditing at the company and to the information to be reported in the notes to its annual accounts, to improve the way the company is run.

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