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SUMMARY

Summary of Report 14/2018, relating to the company Laboratori de Referència de Catalunya, SA, year 2016

Barcelona, 25 July 2018

The Public Audit Office for Catalonia has issued Report 14/2018, relating to the company for laboratory health tests Laboratori de Referència de Catalunya, SA (LRC), 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 12 June 2018.

The regularity audit included a review of LRC's annual accounts for the 2016 financial year 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. It also included verifying that in the audited period the entity had carried out its activities in accordance with applicable legislation.

The laboratory was set up in 1991, under the provisions of the Fundamentals of Local Government Regulatory Act. In 2016 the stakeholders were the healthcare company Consorci de Salut i d'Atenció Social de Catalunya, SA, the Barcelona Mar Health Park Consortium (CMPS), the company for laboratory health tests Laboratori de Referència Camp de Tarragona i Terres de l'Ebre, SL (LRCTTE), the El Maresme Health Consortium and the El Maresme and La Selva Health Corporation (CSMS), also a consortium.

At the close of financial year 2016 the company's Balance Sheet showed assets and equity plus liabilities totalling €11.66m.

Bearing in mind the aim, scope and methodology used for the report, the Audit Office's opinion is that the annual accounts represent in all significant aspects a true and fair view of the assets and financial position of LRC as at 31 December 2016, and also of its results, cash flow and budget outturn corresponding to the financial year ending on that date.

The Conclusions section of the report presents the most significant findings arising from the audit carried out, of which the following can be highlighted:

- The joint-stock company was set up under legislation for local government and so should be controlled by local authorities. However, given the composition of its share-holders, with a majority stake held by public sector entities belonging to the Catalan

Government (*Generalitat*), giving them decision-making powers in the company's governing bodies, the Public Audit Office considered that this was actually a company reporting to the Catalan Government and therefore constituted part of its public sector.

The Catalan Government Administration should have incorporated the entity's annual budget into the Catalan Government's budget for each year, with the corresponding controlling and monitoring function carried out by the Catalan Government's Comptroller General's Office.

- Even though the company's Statutes stipulate that it is an in-house service provider for its shareholders and their subsidiaries, LRC could not be considered an in-house provider for entities associated with the Health and Social Assistance Consortium for Catalonia which were not directly or indirectly controlled by the Catalan Government; any work commissioned by these entities should have been compliant with public procurement regulations if these entities were in the public sector, or followed the rules for private contracts in all other cases.

- The audit showed that the system for calculating costs in order to determine the fees for the laboratory health tests undertaken by LRC did not actually provide any certainty on whether the fees charged actually covered all of the procedures' costs. The Audit Office noted that there was no clear link between the volume of activity undertaken for each client and the relative weight that that activity had in LRC's revenues, because of the diverse pricing arrangements applied to different clients.

- LRC's acquisition of the production unit from the company CRC Mar, SA, costing €2.00m, and the subsequent signing of three loan agreements to fund it, worth €1.95m, should have required prior Cabinet authorisation, to comply with asset holding and public finance legislation for the Catalan Government. Furthermore, these transactions were not part of the company aims for LRC as laid down in its Statutes.

- The company directly contracted legal advisory services costing €24,800m excluding VAT, and external quality control of its clinical testing laboratories worth €73.439m excluding VAT, without using any procurement procedure.

- When LRC rescinded the contract held with a company which managed its IT services, in accordance with the relevant contract clauses it paid €508,997 between July 2016 and June 2017 as a penalty for terminating the contract. The Audit Office considers that, given the high cost of terminating this contract, abundant justification should have been given for the reasons of public interest which made it unnecessary or inconvenient to maintain the contract and which justified bringing the service in house.

- In year 2016 at least twelve suppliers provided services to LRC for amounts exceeding the sums which, for the same period, had been awarded through public procurement procedures, worth a total of €8.87m. For six of these suppliers, there was actually no contract still in force during the period, whereas in the other six cases expenditures had been incurred in excess of the amounts awarded for the contracts.

- As regards the audit of personnel expenses, the report includes several findings relating to the salary regime for LRC employees and to their job compatibility regime. The Audit Office recommends that LRC sets up a procedure to identify and monitor situations where applications are required for compatibility rulings on practitioners' professional activities and that the information is passed on to the Department of Health.

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