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## SUMMARY

### **Summary of Report 1/2016, relating to the Centre for Telecommunications and Information Technologies, years 2010, 2011 and 2012**

*Barcelona, 9 March 2016*

The Public Audit Office for Catalonia has issued Report 1/2016, relating to the Centre for Telecommunications and Information Technologies (CTTI), financial years 2010, 2011 and 2012, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Mr Miquel Salazar Canalda, was approved by the Audit Office Board at its meeting on 19 January 2016.

The audit included reviewing the annual accounts for the aforementioned years and verifying that in the period audited the CTTI had carried out its activities in accordance with applicable legislation.

The annual accounts audited include the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Equity, the Statement of Cash Flows, the Budget Outturn and the Notes to the Accounts.

The CTTI is a public enterprise controlled by the Catalan Government (*Generalitat*). Its activities are subject to ordinary civil law, notwithstanding the exceptions laid down in the Act of Parliament of 28 December 1993 which created it, later modified by Act 17/1998. During the period covered by the audit it reported to the Department for Governance and Public Administration; it was subsequently transferred to the Department for Business and Employment.

Since 1 January 2009 it has had the status of internal service provider for institutions within the sphere of the Government of Catalonia. Its functions are technical planning and establishing guidelines for managing and running the Government of Catalonia's telecommunications and computing services and systems, and providing telecommunications services and systems for Catalan Government departments and their public sector organisations.

In the period audited the CTTI switched from decentralised management arrangements, regarding the providers of services to the different departments and the personnel involved, to a centralised management and procurement model. This new model is based on the CTTI's directing role for ICT (information and communications technologies) strategy and management for the whole of the Catalan Government and on outsourcing all other ICT services, which henceforth are contracted out exclusively in a centralised way through this entity.

The audit work carried out consisted in checking the Annual Accounts, the Budget Outturn and procurement undertaken during the 2010-2012 period.

The CTTI has the status of a contracting authority and a governmental organisation. This means that all the contracts it signs are subject to Spain's Public Sector Contracts Act (Act 30/2007), currently the Consolidated Act (which came into force on 16 December 2011).

The Balance Sheet as at 31 December 2012 presents a total of €489.03m. This is an increase of €65.29m (15.4%) from the 31 December 2009 amount.

During the period 2010-2012 equity fell by €33.35m, as shown by a reduction of €29.15m in capital grants and other non-returnable grants and a reduction of €4.20m in own funds. In the Profit and Loss Account, the result went from a profit of €1.94m in 2010 to a loss of €6.14m in 2012.

The operating result for the 2012 accounting year shows a loss of €5.19m; the financial result for year 2012 is a loss of €0.95m, which is a 24.8% reduction compared to year 2011, because of the expiry of two of the three loans held by the CTTI.

The CTTI's approved revenue and expenditure budget came to €285.79m in 2010, €212.92m in 2011 and €284.53m in 2012.

As regards procurement, a sample of fifty contract files was selected, of which sixteen were awarded in year 2010, thirteen in 2011 and twenty-one in 2012. This sample represents 36.4% of the total amount awarded in the audited period.

The sample includes two of the five competitive dialogue tendering procedures undertaken over 2010, 2011 and 2012. The report provides a detailed description of the procurement arrangements for each of the selected contract files.

The Conclusions section gives findings and recommendations relating to the annual accounts, to the budget outturns and to legal aspects, particularly relating to procurement. The following can be highlighted:

- As regards the annual accounts, the most noteworthy findings are those relating to the procedure for adding or removing fixed assets from the ledger and to how some items in fixed assets were not correctly accounted for. These items were assets loaned out, for which the type of lease was of a financial nature, such that they should have been included in assets as debtor items for the current value of the debt.
- As regards the budgets, the outturns do not adequately classify revenues and expenditures from leasing operations or personnel expenditures relating to fixed assets. Earmarked surpluses carried over from the previous year are not properly shown either.

It was also noted that the required explanatory report on the degree of budget execution was not drawn up.

- In the area of personnel expenditure, the variations in salary payments over the three financial years audited were in line with applicable legislation. However, even though the average workforce went from three hundred and fifty employees in 2010 to two hundred and twenty-four in 2012, there were breaches of the limitations on hiring new workers.
- In the audit carried out on procurement, findings refer to inadequate procedures and to regulations not being followed in the different phases of the procurement process, thereby failing to guarantee effective compliance with the principles of publicity, transparency, competition and equal treatment.

Findings relating to the way tenders were assessed included using awarding criteria which depended on very general value judgements, employing subcriteria, weightings and scoring systems which had not been foreseen in the official tendering conditions and, in general, giving too much weighting to improvements offered.

As regards modifications made to contracts, in the Open Network for Catalonia (*Xarxa Oberta de Catalunya*) contract awarded using the competitive dialogue procedure, modifications were made at various stages of the procurement process relating to the scope and purpose of the contract which affected some of its essential features. This should have led to a new tendering process.

In terms of the different types of procurement used, the report queries the true nature of one of the public and private sector partnership contracts (Filling a position and user support for the Catalan Government), because the way risks were allocated between the awarder and the awardee was not made sufficiently clear.

The report also highlights the need for the CTTI to have a database containing all contracts tendered out, including information on execution and finalisation.

<p>This summary is solely for information purposes. The audit report (in Catalan and Spanish) can be consulted at <a href="http://www.sindicatura.cat">www.sindicatura.cat</a>.</p>
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