

SUMMARY

Summary of Report 23/2017, relating to the ambulance organisation Sistema d’Emergències Mèdiques, SA, years 2012-2015

Barcelona, 24 January 2018

The Public Audit Office for Catalonia has issued Report 23/2017, relating to the ambulance organisation Sistema d’Emergències Mèdiques, SA (SEM), financial years 2012-2015, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Mr Andreu Morillas, was approved by the Audit Office Board at its meeting on 5 December 2017.

This regularity audit included a review of SEM’s annual accounts for financial year 2015 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 period covered by the audit the organisation carried out its activities in accordance with applicable legislation.

For years 2012, 2013 and 2014 the accounts were analysed and the most significant aspects were audited. The report also includes a follow-up of the findings and recommendations given in Report 9/2014 issued by the Audit Office, relating to years 2010 and 2011.

SEM is a public sector joint stock company 100% owned by the Catalan Health Service (CatSalut). It is in charge of coordinating, monitoring and controlling emergency ambulance transport in Catalonia. According to its Statutes, SEM has the status of an in-house provider and technical service for CatSalut.

The company’s Balance Sheet showed assets and equity plus liabilities totalling €66.39m, €68.94m, €69.00m and €59.00m at the close of years 2012, 2013, 2014 and 2015 respectively.

Initial budgeted revenues and expenditures for SEM were set at €224.10m in years 2012 and 2013, €216.85m in year 2014 and €311.22m in year 2015.

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 SEM as at 31 December 2015, and also of its results, cash flow and budget outturn corresponding to the financial year ending on that date.

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

- In fourteen contracts from the audit sample, the technical reports assessing the offers received introduced partial weighting criteria or assessment factors which had not been explicitly envisaged in the tendering specifications.
- Two contracts for supplies from the audit sample showed deviations in the amounts invoiced by the supplier in excess of the total amounts awarded. In addition, two suppliers of services invoiced SEM to a total of €18.39m over a four year period, without any procurement procedure having been undertaken. In both of these cases, given the annual expenditure involved, above EU thresholds, the requisite procedure was an open tendering process.
- As regards the emergency air ambulance service, awarded to TAF Helicòpters, SL, SEM signed a cooperation agreement with the RACC automobile association, giving this latter the status of qualified alerter and allowing it advertising space on the helicopters providing the service. The Audit Office considers that this legal arrangement was not, strictly speaking, a cooperation agreement. Rather, it had the legal status of a contract to provide advertising to this private entity. However, as such, it was not legally valid, because the object of the contract was vague and imprecise and because advertising services are not any part of SEM's stated aims.
- On 1 April 2015 CatSalut awarded the contract for urgent and non-urgent ambulance services in Catalonia, except in the Aran area, for the sum of €1,199.43m, excluding VAT, and for a period of six years, extendable four more years, using an open competitive tendering process. SEM is the entity charged with executing the contract, according to the in-house sourcing commission received from CatSalut.

Several tenderers lodged appeals for a judicial review; at the time that this report was drawn up these were awaiting a court ruling. As a consequence, the Audit Office did not make an assessment of the tendering process and awarding of this contract.

Before the contract was signed, the official in charge of procurement notified the tenderers who had presented the most financially advantageous offers that they were required to present a solemn declaration that the vehicles described in the offers were at their disposal. Having the tenderers present a solemn declaration was not compliant with the provisions of article 151.2 of Spain's Consolidated Public Sector Contracts Act.

In addition, no changes to the material resources, as offered by tenderers but allocated to the service after it had been awarded, could be allowed.

At the starting date for the service, all but two of the tenders were offering provisional operating bases, pending relocation, because they were not compliant with the contract specifications.

The conclusions reached by the external audits commissioned by SEM to review the non-urgent ambulance service highlighted significant breaches of contract. In spite of the seriousness of these breaches, and the fact that the contract's technical specifications expressly stated that failure to comply with essential features would be sufficient cause for rescinding the contract, the official in charge of procurement did not start the rescinding procedure for any of the lots awarded.

- During the period covered by the Audit Office audit, SEM approved extensions and budget readjustments to contracts signed in 2006 with the different contractors awarded the contract for providing the public emergency ambulance service. The amounts for the extensions included an increase in fees to cover additional labour costs arising from a new collective bargaining agreement, worth a total of €125.64m. The Audit Office found no evidence that SEM checked that the conditions and circumstances leading to this additional cost continued to exist; it cannot therefore make any judgement on the compensation payments made in the audited period.
- During the audited period, SEM made three severance payments to staff for unfair dismissal. One of these corresponded to a manager whose contract was terminated for disciplinary reasons, because of two very serious instances of misconduct; according to SEM, this was to avoid litigation.

The Audit Office considers that, to preserve the principle of non-arbitrariness which should apply to all governmental undertakings, procedures should be properly followed in each case, bearing in mind its characteristics; thus, if someone had to be dismissed, the dismissal should have been subject to all procedural checks and balances, for the sake of both the employer and the employee.

- SEM paid several bonus wage items to employees in the audit sample which were either not envisaged in the collective bargaining agreement or were simply not applicable.

In section 3.2, the Audit Office makes six recommendations: four regarding the need to improve the way procurement is managed and two relating to personnel issues.

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