

SUMMARY

Summary of Report 29/2016, relating to Barcelona Provincial Clinical Hospital, years 2010, 2011 and 2012, Parliamentary Resolution 21/X

Barcelona, 29 March 2017

The Public Audit Office for Catalonia has issued Report 29/2016, relating to Barcelona Provincial Clinical Hospital, the *Hospital Clínic* (HCPB), financial years 2010, 2011 and 2012, Parliamentary Resolution 21/X, 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 13 December 2016.

The purpose of the report was a regularity audit of the Clinical Hospital, covering financial years 2010, 2011 and 2012, and the company Barnaclínic, SA, for financial year 2012; this included a review of the annual accounts, procurement and personnel expenditure at both organisations in the given periods. The Audit Office also analysed the annual accounts of the company For Tissues and Cells, SL for financial year 2012.

In report 17/2012 the Audit Office already pointed out that the HCPB's legal identity did not fit any specific category, making it unclear quite what legal regime was applicable to it. Given the HCPB's historical background, and the way the Catalan public health system is organised, the Audit Office assimilated the Hospital's status to that of a public establishment of an institutional nature integrated in the Catalan Health Service (CatSalut); this meant applying the regulatory provisions of the Catalan Health Sector Organisation Act (*Llei d'ordenació sanitària de Catalunya*). During the period covered by the audit no legislation was passed to change that status. So in this report the Audit Office applied the same criterion.

In 2015 the Catalan Cabinet approved the setting up and the Statutes of the Barcelona Clinical Hospital Consortium, comprising the Catalan Government, through the CatSalut, and the University of Barcelona (UB).

The HCPB's Balance Sheet at the close of financial years 2010, 2011 and 2012 showed assets and liabilities totalling €510.86m, €582.53m and €587.81m respectively.

The budget outturn as at 31 December 2010, 2011 and 2012 showed realised revenues of €473.48m, €452.50m and €521.93m, and recognised expenditures of €471.69m, €452.17m and €477.91m respectively.

The conclusions for the HCPB and for Barnaclínic are presented separately.

Barcelona Provincial Clinical Hospital

The Audit Office concluded that, even aside from the possible effects of the limitation described in finding 2, because of the very significant effects of the matters described in findings 3, 5, 6, 7, 8, 9, 12, 13 and 14, the annual accounts did not represent a true and fair view of the assets and financial position of the Hospital as at 31 December 2010, 2011 and 2012, or of its results, cash flow and budget outturn corresponding to the financial years ending on those dates.

There follows a summary of the aforementioned findings:

- The HCPB carries out the main part of its activity in a building owned by the UB. During the years covered by the audit, the University had still not formalised the loan agreement transferring usage to the HCPB.
- The Land and Reserves headings in the Balance Sheet of the three years audited were overvalued by €6.90m.
- The figures for non-current assets, and also for equity, for years 2010, 2011 and 2012 were overvalued by €121.52m, because the balances for amounts due from Barcelona City Council were incorrectly registered in the accounts.
- The balance for the item Transplant patients from other Spanish regions, of €40.81m, was comprised of invoices issued by the HCPB against the CatSalut which were not based on any contractual agreement and had not been recognised by any debtor. Therefore, this balance should have been adjusted and a reduction made to Reserves, which is what the HCPB did in year 2015.
- The amounts for moneys received from debts sold on to a banking institution, under a non-contestable debt collection contract signed between the HCPB and the said institution, totalling €123.56m in 2011 and €82.80m in 2012, should not have been shown as a liability item for HCPB, nor as a debt owed by the CatSalut.
- The additional revenues achieved by increasing the Hospital's activity and allocated in part to levelling HCPB personnel salary scales, which came to €5.63m in 2010, €4.21m in 2011 and €2.75m in 2012, should have been recorded as payments received in the Profit and Loss Statement, instead of as early payments received.
- The Profit and Loss Statement included, within net turnover, the contribution from the CatSalut to help fund HCPB running costs, amounting to €43.10m in 2010, €51.60m in 2011 and €35.66m in 2012. Given the nature of this inflow of money, it should have been included in the Other operating income section, under the heading Grants, donations and legacies received.
- There were various transactions which, according to their nature and the year they accrued, were incorrectly included in the budgetary revenue and expenditure accounts for the three years.

- Budgetary year-end net working capital (*Romanent de tresoreria*) for years 2011 and 2012 did not include the amounts withdrawn under the cash-pooling agreement after the HCPB joined the Catalan Government's cash-pooling arrangements, respectively totalling € 12.15m and €4.28m.

In the procurement audit various findings were noted, such as the use of the negotiated procedure instead of the open procedure in some tendering processes, the existence of dual tenders for the same service, which contravenes the provisions of the Consolidated Public Sector Contracts Act, or fees being charged in excess of the amount stipulated in the specifications for a design and construction-management contract.

The report also analyses two cooperation agreements relating to new operating theatres and concludes, in one case, that the nature of the agreement was not clearly determined and, in the other, that it should have been arranged as a contract subject to procurement regulations and not as a cooperation agreement.

In the procurement files in the audit sample a comparison of the amounts stated in contracts in force against the amounts of accounted expenditures in years 2010, 2011 and 2012 with the suppliers awarded the contracts showed actual spending in excess of contracted expenditure in all cases.

As regards the audit of personnel expenditure, various findings are reported, the most noteworthy being the absence of a properly drawn up and approved Schedule of Staff Positions; irregular compensatory payments made to staff to offset reductions in staff benefits; the awarding of additional pay items not envisaged in the collective bargaining agreement; ultra vires gratuity payments made when terminating contracts and the amounts of some severance payments, and violations of various aspects of job compatibility regulations.

Barnaclínic, SA

The Audit Office concluded that the annual accounts represent in all significant aspects a true and fair view of the assets and financial position of Barnaclínic as at 31 December 2012, and also of its results, cash flow and budget outturn corresponding to the financial year ending on that date.

The most significant findings are as follows:

- The Audit Office considers that our healthcare model provides for the possibility of private centres taking part in the delivery of public healthcare services, but that there is currently no legal framework allowing the delivery of private healthcare by publicly owned centres using their personnel and material resources, as would be the case with Barnaclínic, which is 100% publicly owned.
- An analysis of all the operations undertaken at the HCPB on Barnaclínic patients showed that 7.4% –or 6.8% if urgent operations were not taken into account– were carried out

wholly or partially during treatment times for the general public. Overlaps in the time-tables for out-patient surgery visits and for various tests and procedures were also detected.

- The audit uncovered discrepancies between the established charges and the amounts actually invoiced for tests, prostheses and medical fees, and mistakes or a lack of standardised arrangements in the invoicing between the HCPB and Barnaclínic.
- Barnaclínic arranged the procurement of all services and supplies audited without following the procurement procedures included in the company's internal instructions on procurement and in violation of applicable public procurement principles.
- As regards personnel management, the report's findings refer to hiring new staff in breach of budgetary limits, awarding bonuses and additional pay items not included in the collective bargaining agreement and paying a gratuity for objectives to a member of management which was against regulations.

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