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## SUMMARY

### **Summary of Report 8/2016, relating to the Foundation for Healthcare Management of the Santa Creu i Sant Pau Hospital, years 2010, 2011 and 2012, Parliamentary Resolution 236/X**

*Barcelona, 8 June 2016*

The Public Audit Office for Catalonia has issued report 8/2016, relating to the Foundation for Healthcare Management (FGS – *Fundació de Gestió Sanitària*) of the Santa Creu i Sant Pau Hospital, financial years 2010, 2011 and 2012, Parliamentary Resolution 236/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 19 April 2016.

The purpose of the report was a regularity audit of the FGS's monetary and financial activities corresponding to years 2010, 2011 and 2012.

The FGS was set up by the FPHSP, the Private Foundation for the Santa Creu i Sant Pau Hospital, on 18 March 1991, with the aim of providing medical and healthcare services in the geographical area of Catalonia. It carries out its activities at the new Santa Creu i Sant Pau Hospital, owned by the FPHSP, which leases the building and its facilities to the FGS through a rental agreement.

In its budget outturn realised revenues came to €349.77m in year 2010, €304.51m in year 2011 and €302.56m in year 2012. Recognised expenditures were €349.77m in 2010, €323.27m in 2011 and €303.84m in 2012. The differences led to a balanced budgetary result in 2010, a deficit of €18.75m in 2011 and a deficit of €1.28m in 2012.

The FGS's Balance Sheet at the close of financial years 2010, 2011 and 2012 showed assets and liabilities totalling €407.70m, €387.80m and €376.06m respectively. Net working capital (current assets minus short term liabilities) was negative: –€21.89m in 2010, –€39.17m in 2011 and –€44.61m in 2012; own funds (equity except for grants, donations and legacies received) were also negative: –€249.72m, –€266.71m and –€269.19m for these same financial years.

As a result of the audit work carried out, the opinion of the Audit Office is that, owing to the very significant effects of the matters described in findings 2, 3 and 5 in the Conclusions section of the report, the annual accounts do not represent a true and fair view of the assets

and financial position of the Foundation for Healthcare Management of the Santa Creu i Sant Pau Hospital, as at 31 December of years 2010, 2011 and 2012.

The Conclusions section of the report highlights twenty findings relating to the annual accounts, procurement and personnel management. Some of the most significant are as follows:

- The budget outturns for years 2010, 2011 and 2012, as noted in finding 2 of the report, did not include the variations in loans from financial institutions or the variations in inventory. If these variations has been taken into account, the budget outturn equilibrium for year 2010 would have been a surplus of €2.07m, and the shortfall of €18.75m for year 2011 would have been reduced to just €2.51m.
- Finding 3 of the report refers to the fact that the FGS accounted for the grants from the Catalan Health Service (CatSalut), as pledged in Government agreements and in the programme-contract for 2007-2010, worth €245.71m in 2010, €242.75m in 2011 and €238.33m in 2012, as financial assets in the Balance Sheet's long-term fixed assets. Because these grants did not have non-returnable status, according to applicable accounting rules, they should not have been included in the corresponding balance sheets.
- Finding 5 in the report noted that the FGS showed the grants awarded to cover interest payments for financing arrangements in years 2010, 2011 and 2012, for €8.06m, €8.52m and €8.23m, respectively, in the Financial Results section of the Profit and Loss Statement, whereas they should have been reported in Grants, Donations and Legacies Received and Transferred to Results, in the Operating Result.
- In the area of procurement, the FGS has been using the procurement procedures applicable to non-governmental contracting authorities, although it meets the requirements to be considered a governmental contracting authority and for Spain's Public Sector Contracts Act to be fully applicable.
- The Audit Office's findings from the audit of procurement arrangements include comments on the lack of prior authorisation from the Government for contracts over a certain threshold value, the direct awarding of some services which required the use of open procurement procedures, tender assessment criteria not being clearly defined in several cases, and a lack of proof that negotiations took place in negotiated procedures.
- A comparison of the amounts stipulated in signed contracts and the expenditures recorded in the accounts, for the FGS's most important suppliers, showed that actual expenditure was in excess of contracted expenditure in the 2010-2012 period. In the audited period, the FGS had no procedure in place to monitor expenditure relating to awarded contracts.

- From its review of the contract for the FGS's comprehensive catering service, the Audit Office concluded that, in view of the anomalies detected, the contract should have been rescinded and the service put out to tender again.
- In regard to personnel expenditure, the Audit Office's findings refer to the contractual relationship with the managing director, salaries paid to managerial staff, severance payments to senior management and the compatibility regime for FGS medical staff carrying out both teaching and healthcare functions.

In the Recommendations section, the Audit Office suggests that, given the entity's financial position, the FGS and the institutions represented on its Board of Trustees should undertake the managerial and supervisory measures needed to bring the FGS's assets and liabilities back into equilibrium, restore and maintain financial performance and ensure its long-term financial viability. In this regard, it also encourages the CatSalut to sign the additional clauses to the service-provider agreement it has with the FGS and other healthcare providers establishing the amounts to be paid for contracted services before the start of the financial year, so as to improve healthcare planning and management.

<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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