

SUMMARY

Summary of Report 16/2017, relating to the Catalan Institute of Oncology, years 2011-2014

Barcelona, 16 November 2017

The Public Audit Office for Catalonia has issued Report 16/2017, relating to the Catalan Institute of Oncology (ICO), financial years 2011-2014, 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 September 2017.

The regularity audit included a review of the ICO's annual accounts for the given years, to check that they had been drawn up in accordance with the relevant financial reporting regulatory framework and, in particular, according to the accounting principles and criteria contained in that framework. It also included verifying that in the period covered by the audit the entity had carried out its activities in accordance with applicable legislation.

The ICO, which was set up on 5 April 1995, is a public enterprise which brings together, in the same integrated organisation, cancer prevention, healthcare, research and specialised training. It has its headquarters at the Duran i Reynals Hospital, located in the city of L'Hospitalet de Llobregat, and serves a registered population of 3,864,264 inhabitants. As at 31 December 2014 the ICO had 164 beds and 1,099 employees.

The ICO's Balance Sheet at the close of years 2011, 2012, 2013 and 2014 showed assets and equity plus liabilities totalling €129.82m, €125.27m, €132.04m and €112.60m respectively. During the audited period Net Working Capital (the difference between current assets and current liabilities) was negative; it went from minus €15.32m in year 2010 to minus €6.88m in year 2014, showing a tendency to improve over the time period.

The budgetary result for the four audited years was positive, with surpluses of €6,277,511 in year 2011, €126,291 in year 2012, €772,148 in year 2013 and €105,805 in 2014.

The Audit Office's opinion, as given in the Conclusions section of the report, is that the annual accounts represent in all significant aspects a true and fair view of the ICO's assets and financial position as at 31 December 2014, and also of its results, cash flow and budget outturn corresponding to the financial year ending on that date.

The following is a summary of the report's most significant findings relating to how the accounts and budget were managed:

- In the audited period, the ICO did not have the Duran i Reynals Hospital building registered on its books under fixed assets. In the month of August 2016, the Catalan Health Service (CatSalut) made a valuation of the premises occupied by the ICO of €22.19m, plus €11.16m for the value of the land they were on.

A brachytherapy system received on loan from a supplier was also not registered in Balance Sheet assets. Furthermore, the Audit Office considers that the agreements with the company which supplied this equipment, as they were drawn up, were not compliant with current legislation.

- The ICO drew up its Budget Outturn for the audited years by transposing amounts from the Operating Statement in its financial accounts, along with the necessary adjustments. Thus, in some Expenditure Budget sections in years 2011, 2012 and 2014 the ICO recognised expenditures in excess of final budget appropriations, without having used the procedures to modify the corresponding budget line items.

As regards procurement, the following findings can be highlighted:

- The ICO had no procedure in place to monitor the expenditures invoiced by suppliers, linked to the contracts awarded. This caused actual expenditure to be in excess of contracted expenditure; most of this corresponded to pharmaceutical supplies.
- Four of the contracts for building work awarded during the audited period finished with delays of up to five months in certain instances. The completion period for these works was one of the assessment criteria in the tendering process and became a contract clause. The official in charge of procurement did not apply the penalties envisaged in the tendering specifications for cases where delays were attributable to the contractors.

One of these contracts was for the construction of the new Pharmacy at the ICO's centre in L'Hospitalet. Analysis of the final hand-over certificate for the building work showed payments for concepts corresponding to the delivery of new items and prices, which did not tally with the ones in the official tendering conditions or those in the summary of the contract's features.

- In the tendering of legal advisory services certain anomalies were detected relating to the object of the contracts, and the amounts and dates in the contract files, which constituted a breach of regulations, such that the report considers that there was an improper splitting up of contracts.
- The companies awarded three of the contracts for services in the audit sample invoiced the ICO for amounts in excess of the fees established for the delivery of the services.

- Because of the breach of contract terms by the awardee, the ICO had to extend the time period established in the contract for maintenance and efficient energy management of the Duran i Reynals Hospital buildings, in order to implement the prior measures for energy savings. In the Audit Office's opinion, this change modified one of the essential features of the tendering process; it should therefore not have been allowed to proceed.
- The contract for the catering service and for running the cafeteria-cum-newsagent's at the Duran i Reynals Hospital was modified in several ways which were not compliant with public sector procurement legislation. The company which was awarded this service invoiced the ICO for service delivery between the months of January and June 2011 and for the duration of year 2015 without any contract being in force.

As regards personnel expenditure management, the most significant findings are as follows:

- In the 2014 financial year the ICO had a total of twenty staff members on its payroll who had been seconded to other organisations. The Audit Office found no evidence of any formal agreement or financial compensation in the case of four people who had been seconded to the Department of Health.
- On some workers' pay slips there were five salary items for which no approval by the entity's Board of Directors could be found. In year 2014 payments for these wage items amounted to €774,802.
- The ICO reduced the salaries of senior managers on labour contracts by 5%, to comply with Decree-Act 3/2010, of 29 May, which established urgent measures for reining in expenditure and for reducing the public deficit through fiscal arrangements, except in one case in which the applicable reduction had to be 8%, given that person's position on the pay scale.

The report concludes with five recommendations which, in the Audit Office's opinion, would help to improve the running of the audited entity. These deal, amongst other matters, with how cooperation agreements should be arranged, with the tendering procedures for maintaining equipment or computer applications and with improving the steps and procedures for tendering out construction work, supplies and services by means of internal protocols or instruction manuals.

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