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## **SUMMARY**

### **Summary of Report 28/2020, relating to the Catalan Health and Social Assistance Consortium and entities in the group, revenues and expenditures, year 2017**

*Barcelona, 15 February 2021*

The Public Audit Office for Catalonia has issued Report 28/2020, relating to the Catalan Health and Social Assistance Consortium (CSC) and entities in the group, revenues and expenditures, financial year 2017, in accordance with its Annual Programme of Activities.

The report, which was presented by the Chairman, Mr Jaume Amat, was approved by the Audit Office Board at its meeting on 22 December 2020.

The audit work included a limited review of revenues and expenditures for the CSC and the subsidiaries in the CSC group, transactions between entities in the group, and legal compliance in the areas of procurement and staffing. The audit covered the following entities: the CSC; the company Consorci de Salut i d'Atenció Social de Catalunya, SA (CSC SA); the company CSC Atenció Social, SLU (CSC Atenció Social); the company CSC Consultoria i Gestió, SAU (CSC CiG); the company CSC Vitae, SAU (CSC Vitae); the company Projectes Sanitaris i Socials, SAU (PROSS); the company CSC Gestió d'Atenció Domiciliària, SAU (CSC GAD); the Catalan Health and Social Assistance Consortium's S21 Foundation (FS21); and the Social and Healthcare Employers Association Consortium (CAPSS).

According to its Statutes, the CSC is a local government entity, of an associative nature, which was set up in 1984 under the name Catalan Hospital Consortium. In year 2017 it comprised ninety-five associated organisations: twenty-five not-for-profit organisations, twenty-two public enterprises, public consortia or other public sector entities belonging to the Catalan Government, twenty-four municipal councils, two provincial councils and twenty-two local government entities.

The CSC's functions, according to its Statutes, are to encourage coordination between local authorities and centres for healthcare provision and to improve the delivery of healthcare and social healthcare services by its associated members.

The most significant findings from the audit carried out, as explained in the Conclusions section of the report, can be summarised as follows:

- Article 3 of the CSC's Statutes defines the Consortium as a "local government organisation". However, the Audit Office found no indication in its Statutes of a decision to determine it belonged to a particular government administration, something which should have been done by 31 December 2014 at the very latest, according to the sixth interim provision in the Local Government Rationalisation and Sustainability Act (Act 27/2013, of

27 December). Based on the general criteria for situating public sector consortia, currently established in article 120.2 of the Public Sector Legal Regime Act (Act 40/2015, of 1 October) and, specifically, on how more of its funding came from the Catalan Government, through several of its public sector bodies, and also on the number of inhabitants and the geographical area it covers, the Public Audit Office considers that the CSC is an entity which, according to these parameters, should be designated as belonging to the Catalan Government and, therefore, be included as part of its public sector.

- Except for its own CSC accounts, the Consortium submitted the annual accounts for the entities in the group to the Public Audit Office after the statutory deadline.
- The CSC's Statutes state that the Consortium and the entities CSC, SA, CSC Atenció Social, FS21, CSC Vitae and CSC GAD in the group have the status of in-house suppliers and technical services for all associated members. However, according to article 12.3 of Directive 2014/24/EU of the European Parliament and of the Council and to EU jurisprudence, CSC did not meet the conditions to be considered an in-house service provider for all of its associate members, because among these, in addition to public sector organisations, there were private charitable institutions carrying out not-for-profit activities. Therefore, the commissions of a contractual nature which associate organisations made to the CSC should have been arranged in accordance with public sector procurement regulations, in the case of government organisations, or through private contracts, in other cases. Specifically, in 2017 fifteen of the active in-house commissions to the group failed to comply with these aspects. These services should therefore have been tendered out using procedures covered by governmental procurement regulations.
- In year 2017, CSC CiG carried out commercial, financial and investment transactions with its subsidiaries in Chile, Ecuador, Argentina, Brazil, Colombia and Mexico. At the close of the year, it held €282,726 in equity investments in its subsidiaries, which were adjusted down by €230,388 due to a decline in value. So the net value of these investments came to €52,338. Given the public nature of the company's ownership, the Audit Office questions the public interest for creating these subsidiaries in foreign countries which, subsequently, in general give rise to significant losses in the value of the initial investments.
- The audit found some transactions between entities in the group incorrectly registered in the accounts.
- The hiring of permanent staff in year 2017, in all of the group's entities except the CSC and PROSS, exceeded the staff replacement ratio established as mandatory for all tiers of government in Spain's national budget act for that year.
- On 10 September 2015 the CSC arranged a senior executive contract for the post of chairman for the entity. In December 2015, the person who had taken up the chairmanship post signed another contract with another organisation within the group, CSC, SA, thereby taking on the roles of chairman and managing director of that company and all of CSC, SA's subsidiary companies. This second public sector activity did

not comply with the Compatibility Restrictions for Personnel Employed by Government Organisations Act (Act 53/1984, of 26 December).

- As regards the contracts signed by the companies CSC, SA, PROSS and CSC Vitae with six dental practitioners, the Audit Office considers that the clauses relating to their agreed earnings and eligibility for severance payments were contrary to the requirements of the law.
- In year 2017, CSC group organisations recognised and paid out five severance payments for unfair dismissal, totalling € 218,392. These were acknowledged through conciliation agreements with the employees involved which stated that the grounds for dismissal were unfair. The Audit Office considers that, to preserve the principle of non-arbitrariness which should apply to all governmental undertakings, procedures should have been properly followed, bearing in mind the features of each case, so that if an employee had to be dismissed, this would be carried out with all procedural guarantees, for both the employer and the employee.
- The audit's analysis of procurement showed that actual expenditure had exceeded the awarded amounts by at least € 954,546, which represented 159% of expenditures contracted in year 2017.

Lastly, the report includes three recommendations of a general nature, relating to the schedule of staff positions, to earmarked transactions and to the Consortium's corporate mission, which, in the Audit Office's opinion, would help to improve some of the issues described in the findings.

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