

SUMMARY

Summary of Report 26/2018, relating to Lleida City Council, expenditures and governmental procurement, year 2015

Barcelona, 16 January 2019

The Public Audit Office for Catalonia has issued Report 26/2018, relating to Lleida City Council's expenditures and governmental procurement in financial year 2015, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Mr Miquel Salazar, was approved by the Audit Office Board at its meeting on 20 November 2018.

The subject of this limited audit was a review of internal controls and the submission of the Council's General Account plus a review of its expenditures and governmental procurement corresponding to the 2015 financial year.

The City Council's budget outturn as at 31 December 2015 showed recognised revenues of €153.92m and recognised expenditures of €150.72m, with a budgetary surplus of €3.20m. With the adjustments deriving from expenditures paid for by carried-over budgetary surpluses and funding deviations, the adjusted result in the budget outturn came to €6.87m.

The most significant findings arising from the audit carried out, as presented in section 3 of the report, can be summarised as follows:

- The City Council approved a dossier for the non-judicial recognition of expenditures to add in all those expenditures which had incurred during the previous year but had not been recognised, which for year 2015 totalled €3.48m. As a consequence, the Budgetary Result for the Year was understated by €1.85m and Budgetary Year-End Net Working Capital (*Romanent de tresoreria*) might have been overstated by €1.63m. These expenditures would have been null and void according to the Common Administrative Procedure for Government Administrations Act and the Local Government Finances Regulatory Act.
- In the contract between the City Council and a bank for the use of an indoor sports facility (for which the financial institution held construction and usage rights for a period of thirty years), the audit detected that the Council was obliged to pay the full amount for the contract even if it was rescinded before the thirty-year period was up. The Audit Office considers that this was a financing operation and, as such, the amount of the outstanding debt, €3.38m, should have been included in the Council's overall debt figure when assessing compliance with the financial sustainability rule.

- In the review of grants awarded, various deficiencies were uncovered relating to how amounts were justified and grants were awarded for changing the grass at the municipal football pitches.
- As regards personnel expenditures, various deficiencies were found in the Schedule of Staff Positions approved by the Council, in terms of meeting statutory requirements. In addition, employees were granted a special leave of absence to balance family and work commitments which, in practice, was tantamount to normal days of paid leave, which meant they exceeded their statutory allowance of days of paid leave.
- As regards governmental procurement, the contracts for water supply and sewage treatment, for car parking and the vehicle depot, for urban public transport and for street cleaning and urban waste management, and also for building and running the Municipal Police Station headquarters, the Municipal School of Fine Arts and a municipal nursery school, did not truly have the nature of contracts for running public services and for public works construction, because there was no transfer of financial risk to the awardee, which is an essential element in these types of contract.

In addition, in the tendering out of contracts for public works concessions various deficiencies were detected, affecting the viability studies, the basic design projects and the information made available to the public. As regards the prices offered by the tenderers, the audit found that they nearly doubled those envisaged in the viability studies, but without the Council rejecting them as being over the tendering price ceiling.

- In several contracts anomalies were detected regarding the mathematical formula for assessing the monetary figure offered in the tender, which led to a loss of the weighting which should have been given to mathematically evaluated aspects; regarding contract execution, with contract modifications being approved which represented significant changes to the initial tendering conditions; and regarding low-value contracts, which could constitute an improper splitting up of a contract.

In its report the Audit Office makes a series of recommendations which would help to improve some of the issues mentioned.

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