

SUMMARY

Summary of Report 6/2021, relating to the water company Aigües d'Osona, SA, year 2018

Barcelona, 7 July 2021

The Public Audit Office for Catalonia has issued Report 6/2021, relating to the water company Aigües d'Osona, SA (AOSA), financial year 2018, 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 15 June 2021.

The subject of the report is a limited scope audit of AOSA, focused on auditing its Abbreviated Profit and Loss Statement and reviewing its compliance with applicable legislation in the areas of accounting, staff salaries and public sector procurement, corresponding to financial year 2018.

AOSA is a joint stock company that was set up in 1994. Its current shareholders are Osona County Council, with 51%; the Barcelona regional water company Sociedad Regional de Abastecimiento de Aguas de Barcelona, SAU (SOREA), with 24.5%; and the water company for the city of Vic, Aigües de Vic, SA, with 24.5%. AOSA's main purpose is to deliver the bulk drinking water supply service to municipal boroughs in the county of Osona.

The company's net turnover came to €1.62m in year 2018. Of the €1.62m in total expenditures reported in the Profit and Loss Statement for that year, 52.3% corresponded to supplies, 17.4% to personnel expenditures and 22.9% to other operating expenses.

The most significant findings from the audit work carried out, as explained in section 3.1 of the report, can be summarised as follows:

- Although Osona County Council is AOSA's majority shareholder, it does not have a voting majority on the Board of Directors, which calls into question the controlling stake held by the County Council.
- The audit's analysis of the inventory of assets did not obtain evidence for the correct valuation of various items, worth a total of €336,217, amounting to 26.1% of the gross accounting value of the inventory as at 31 December 2018. This could affect the validity of the allocations for depreciation and the accumulated depreciation figure.
- The company put on its books as work undertaken for its capital assets the entire amount of new assets obtained during the financial year, €123,550, even though the company's own

equipment or personnel were not used. A corresponding balancing entry for this amount was also recorded under the heading of supplies. For this reason revenues and expenditures for year 2018 were overvalued by €123,550.

- As regards the improvements, extensions and refurbishments at the facilities used for the water supply service, the company's approach was to account for all the investments made as intangible fixed assets, as an additional amount under the heading of public sector concessions. The figure involved, €515,428, should have been put on the books under tangible fixed assets, given the nature of the items.
- As regards governmental procurement, the audit carried out showed that, except for two contracts which were tendered out using the open tendering procedure, all other expenditures, approximately 63% of total expenditure for the year, were awarded directly.

The audit concluded that the majority of the contracts reviewed should have been tendered out through one of the procurement procedures envisaged in legislation, to guarantee adherence to public sector procurement principles.

In some of the contracts reviewed, certain issues were detected relating to the separate acquisition of services which should have been handled in a single contract, because they constituted an operational or functional unit or because they involved a succession of contracts to cover recurring or foreseeable needs. These anomalies resulted in arrangements which eluded publicity rules or other requirements which should have been met in the procurement process. For this reason, they constituted an improper splitting-up of a contract and, therefore, an infringement of articles 99.2 and 118.3 of Spain's Public Sector Contracts Act.

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