

SUMMARY

Summary of Report 11/2021, relating to the airport operator Aeroports Públics de Catalunya, SLU, year 2018

Barcelona, 29 July 2021

The Public Audit Office for Catalonia has issued report 11/2021, relating to the airport operator Aeroports Públics de Catalunya, SLU (APC), 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 29 June 2021.

The regularity audit included a review of APC's abbreviated annual accounts for year 2018, to check that they had been drawn up in accordance with the relevant financial reporting regulatory framework and, in particular, the accounting principles and criteria contained in that framework. It also included verifying that in the period covered by the audit APC had carried out its activities in accordance with applicable legislation.

APC is a single-shareholder limited company, which was set up on 25 September 2007 according to a Cabinet agreement, for the purpose of managing the Lleida–Alguaire and Andorra–La Seu d'Urgell airports, these being the only two Catalan airports without general interest status and included within the remit of the Government of Catalonia. In the audited year the company reported to the Department for Territory and Sustainability (DTES).

Total assets and equity plus liabilities as at 31 December 2018 stood at €26.42m. This was a €3.74m reduction from the figure for year 2017. The result for year 2018 was a loss of €1.33m.

The Audit Office's opinion, as stated in section 3.1 of the report, is that except for the matters described in findings 1 and 2, APC's annual accounts represent, in all significant aspects, a true and fair view of its assets and financial position as at 31 December 2018, and also of its results and budget outturn corresponding to the financial year ending on that date, in accordance with the applicable financial reporting regulatory framework and, in particular, the accounting principles and criteria contained in that framework.

The report gives special emphasis in findings 3 and 4 to the uncertainties it describes relating to the status of the company as a going concern.

In the same section the report describes the most significant findings arising from the audit work carried out, which can be summarised as follows:

- APC incorrectly reported, under the heading of other reserves, surpluses from grants for current expenditures, which at the close of year 2018, amounted to a total of €2.77m. These should have been reported under the heading of short-term debts.
- As at 31 December 2018 there were expenditures accrued and not registered in the accounts totalling €406,457, corresponding to non-deductible VAT from expected invoices awaiting receipt, relating to expenditures for promoting tourism. As a consequence, commercial creditors and other payments pending, and the result for the year, were respectively understated and overstated, by this amount.
- As at 31 December 2018 APC had €8.94m in balances pending receipt from the Spanish Tax Administration Agency (AEAT), deriving from a VAT inspection and verification process started in 2015. This figure was reported in its current assets. For this reason, non-earmarked budgetary year-end net working capital (*romanent de tresoreria*) as at 31 December 2018 was minus €1.21m.
- According to findings 1 and 2, APC would end up with negative equity, with own funds of minus €2.38m. The consequences of a possible negative ruling relating to claims made to the Catalan Regional Financial and Administrative Tribunal against the findings of VAT inspections (totalling €11.67m) also need to be taken into account. APC's continuity as a going concern would depend on financial support from its sole shareholder, the Government of Catalonia.
- Widening APC's company aims in October 2015, by incorporating economic, business and tourism promotion to encourage territorial development, provided coverage for undertaking the flight promotion activities carried out by the entity. However, it should be borne in mind that there was another public sector entity belonging to the Catalan Government, the Catalan Tourist Board, specifically charged with this function.
- During year 2018 APC took on expenditures worth €1.28m for which it did not have funding, without drawing up the mandatory plan to rebalance its budget. It must be pointed out that on 31 March 2020 APC did draw up this plan, establishing expenditure reductions and savings worth €3.5m in year 2020.
- As regards governmental procurement, the audit found various breaches of public sector procurement regulations in the open and negotiated tendering procedures carried out. These related, amongst other things, to the tendering specifications, the composition of the purchasing panels, the solvency requirements for tenderers, and the insurance policies taken out to cover liabilities.

As regards low-value contracts, contract files numbers 40, 41 and 57 in the sample corresponded to successive contracts to cover recurring needs. This issue resulted in arrangements which eluded publicity rules or other requirements which should have been met in the procurement processes. 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.

- The agreements signed with airlines and tour operators to promote flight activity (to promote the economy, tourism and businesses in the areas around Reus, Girona, Andorra–La Seu d’Urgell and Lleida–Alguaire airports) did not have the defining features of cooperation agreements, because they involved bilateral onerous relationships. In the Audit Office’s opinion, they were actually contracts for providing marketing and advertising services, which were awarded directly without respecting publicity and competition principles. Likewise, the agreements with the Aeronautical Park of Catalonia Foundation and the Brainstorm Study did not meet the requirements to be considered cooperation agreements.
- APC had signed twelve labour contracts for specific undertakings or services which were actually covering jobs of a structural nature. In addition, seven of these contracts had exceeded the maximum duration permitted for this type of contract.

Lastly, the report makes eight recommendations which, in the Audit Office’s opinion, would help to improve some of the issues described in the findings section.

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