

SUMMARY

Summary of Report 15/2022, relating to the Catalan Water Agency, its Water Charge and other taxes, year 2019

Barcelona, 20 October 2022

The Public Audit Office for Catalonia has issued Report 15/2022, relating to the Catalan Water Agency (ACA), its Water Charge (*cànon de l'aigua*) and other taxes, financial year 2019, in fulfilment of its Annual Programme of Activities.

The report, which was presented by Board Member Mr Josep Viñas, was approved by the Audit Office Board at its meeting on 28 September 2022.

The purpose of this limited-scope audit was to analyse trends over the 2014-2019 period for the ACA's public law revenues and how they had impacted on its results, debt levels and capital investments, and also to review the procedures and controls applied by the ACA to administer the Water Charge.

The ACA is the Catalan Government's water administration, according to Statutory Decree (*Decret legislatiu*) 3/2003, of 4 of November, which established consolidated legislation on water usage in Catalonia.

The Audit Office's previous reports on the ACA, particularly Report 5/2014, on the audit of financial year 2010, highlighted the uncertainty regarding the continuity of the entity's operations and activities owing to misgivings regarding the extent to which the Water Charge, as its main source of income, was capable of covering its overall funding needs.

The general conclusions after analysing the data for the period 2014-2019 were as follows:

- By setting in motion its Viability Plan, which involved implementing the measures laid down in the Business and Financial Plan for 2011-2014 –increasing revenues from the Water Charge and limiting expenditures and investments– and a restructuring of its bank loans, which began in 2012, the ACA was able to achieve significant improvements between years 2011 and 2013, and its first positive year-end results.
- Keeping these measures in place over years 2014 to 2019 led to a continual growth in realised revenues but also a reduction in current and capital expenditures to minimal levels in order to carry out only activities that were strictly necessary. These measures allowed the ACA to return all of its bank loans, resume part of its investment activity and return to the operating levels of year 2010. It should be mentioned that subsequently, in

year 2020, although it still reported a positive result, this was 51.2% less than the 2019 figure, basically because of the effects of the Covid pandemic.

The most significant findings from the audit carried out can be summarised as follows:

- The ACA had not transferred to the relevant local authorities any of the sewage treatment infrastructures that were more than ten years old, as required by regulations.
- The ACA should have adequately reported, in the Notes to the Annual Accounts for year 2019, that payment of the Diversion Charge by the Tarragona Water Consortium had been suspended, as a result of appeals lodged with the Financial and Administrative Tribunal for Aragón relating to the quarterly charge statements issued by the Ebro River Hydrographic Confederation, totalling €1.22m at the end of 2019 and €2.36m at the end of 2020.
- The ACA did not have detailed information on the different elements making up the installations and infrastructures it held as fixed assets, or a breakdown of the replacement and maintenance expenses associated with these elements that could have constituted an extension to their useful working life.
- Breaches by utility supplier organisations during 2019 which involved them not submitting their monthly or quarterly statements, or submitting them past the deadline, did not cause the ACA to start procedures to issue penalties, as envisaged by regulations.
- In four of the files, the ACA established the figure for the Water Charge based on parameters from 2014 declarations instead of the ones corresponding to 2019. And in eleven files it applied procedures for estimating the base figure for the charge that were inconsistent and not laid down in any type of regulations.
- As regards the Tax Inspection Plan for the Water Charge in year 2019, no undertakings were planned for domestic water supply network charges. The ACA did not draw up any end-of-year report on how the Plan was executed or the results of the inspections carried out.

Lastly, the audit report includes four recommendations to the ACA which, in the Audit Office's opinion, would help to improve some of the issues mentioned in the findings.

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