



AUDIT OFFICE OF THE REPUBLIC OF CYPRUS

SPECIAL REPORT No. EA/01/2019

Special Report concerning the Water Abstraction License no. (N)/05/6/4 for the Water Abstraction Project no. 5/6/3 and Approval Certificate no. 5/6/3 in a plot in Parakalamos area in the Community of Agios Theodoros Agrou.

EXECUTIVE SUMMARY

**AUDITED ENTITY:
WATER DEVELOPMENT DEPARTMENT**

January 23rd, 2019

Executive Summary.

Water scarcity remains a serious problem in Cyprus, with negative impact on economic growth, the environment, agriculture and public health, with the situation deteriorating in recent decades, as a result of climate change.

Realizing the importance of the sustainable management of the country's water resources, as well as the possible negative impact of issuing water abstraction licenses for groundwater resources in mountain areas, where alternative potable water supply and irrigation methods are not available today, our Office decided to carry out an audit, investigating an allegation regarding the procedures followed by the Water Development Department (WDD) during the consideration of the Water Abstraction License no. (N) / 05/6/4 concerning the Water Abstraction Project no. 5/6/3 and Approval Certificate no. 5/6/3 in a plot of land in Parakalamos area in the Community of Agios Theodoros Agrou. Additionally, on 19.6.2018, the Parliamentary Committee on Agriculture and Natural Resources of the House of Representatives requested a review of the above mentioned case by our Office.

The audit was based on the assessment of data for the period 2011-2018, except where it is mentioned otherwise in the text, according to the provisions of the International Standards of Supreme Audit Institutions (ISSAIs) 100 "Fundamental Principles of Public Sector Auditing", 400 "Fundamental Principles of Compliance Auditing" and 5120 "Environmental Auditing in the Context of Financial and Compliance Audit", issued by the International Organisation of Supreme Audit Institutions (INTOSAI). The methodology followed included document review and data collection from the WDD, as well as communication with responsible officers of the Department.

The audit revealed several shortcomings, which are summarized below:

- There was no evidence to support the grounds on which WDD made decisions to issue (i) the Water Abstraction Project License no. CEN / 5/6/3 on 9.8.2011, (ii) the Water Abstraction License no. (N) / 05/6/4 on 27.7.2012 and (iii) the corresponding renewals and amendments of the License.
- There was no evidence to support that, before issuing the above mentioned licenses, WDD had evaluated (i) the Project's potential direct and negative impact on any other water rights or abstraction licenses, or on the natural water flow, (ii) the status of the Troodos Mountain aquifer, (iii) the status of groundwater resources and (iv) other data concerning other similar licenses in the same area.
- As far as the last renewal (dated 15.2.2018) of the above mentioned Water Abstraction License is concerned, we observed that the WDD supported its decision to increase the licensed quantity of water abstraction, from 15.000 m³ to 40.000 m³, based on a hydrological study carried out by a private company, appointed by the applicant without documenting its evaluation of the study.
- In conclusion, there was no evidence to support that, for the issue and renewal of the above mentioned licenses, WDD took into account the provisions of Integrated Water Management Legislation, such as the qualitative and quantitative status of the water body concerned, the

government water policy in force, the public interest in general and the reasonable needs of the applicant, according to the WDD' s judgement. We emphasized that the lack of a thorough, well-documented evaluation can lead to wrong decisions with negative consequences and that all such decisions must be based on quantitative analysis and economic and technical data.

The Deputy Director of WDD informed us that Communities' water supplies are one of the Department's main concerns, which are closely monitored in order to ascertain that the Department's procedures were followed, as in other similar cases. He also informed us that, in this case, not only was a special study carried out, but also the case was closely monitored. Our Office continues to maintain its position on this issue. Additionally, the Deputy Director of WDD agreed with our suggestion that the lack of a thorough, well-documented evaluation could lead to wrong decisions with negative consequences, stating that all decisions of the Department are based on available quantitative analysis and technical data. He also informed us that, although there was no evidence to support this, an evaluation of the available data was carried out by the Department's officers.