

Abengoa Audit and Control Committee

Abengoa Audit and Control Committee

1. Composition and Appointments.

Abengoa's Audit Committee was created by the Board of Directors of Abengoa, S.A. on December 2, 2002 under article 44 of the By-Laws, in order to meet the provisions on the Audit Committee set forth in Law 44/2002 on the Reform of the Financial System. Its Internal Regime Regulations were approved by the Board of Directors on February 24, 2003. Both these events were duly notified to the Stock Market National Commission as relevant facts.

The Audit Committee is, in its totality, formed by non-executive Board Members, its current composition, together with the dates of appointment, being as follows:

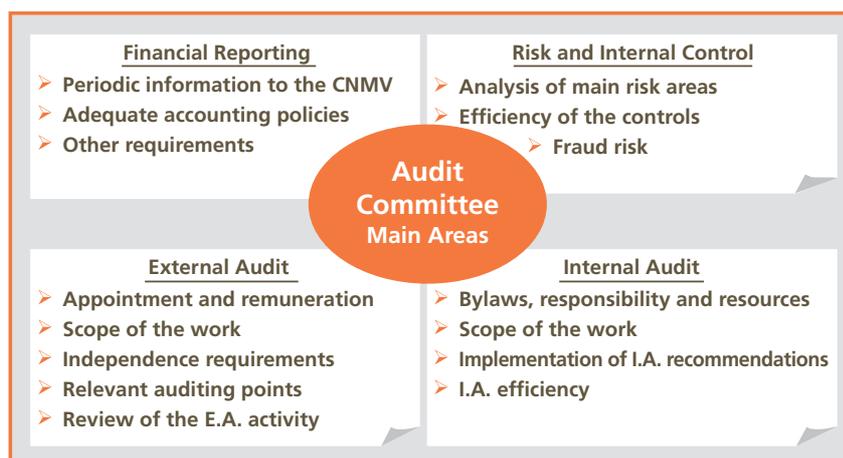
Chairman	D. Daniel Villalba Vilá	28 de febrero de 2005
Member	D. José B. Terceiro Lomba	24 de febrero de 2003
Member	D. José J. Abaurre Llorente	24 de febrero de 2003
Member	D ^a Mercedes Gracia Díez	12 de diciembre de 2005
Secretary	D. Miguel Angel Jiménez-Velasco	24 de febrero de 2003

For the Board of Directors to perform its functions in a strong and efficient manner, specialized Commissions must be created within the Board, in order to diversify the work and ensure that, in certain important issues, the proposals and resolutions have previously been approved by a specialized independent body that is able to filter and obtain information on its decisions, so as to strengthen the guarantee that the resolutions are objective and have been given due consideration.

2. Activities Executed.

During the year 2004, the Audit Committee met 5 times.

The main activities that the Audit Committee has handled and analyzed may be grouped into three different areas of competency:



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2.1. Financial Reporting.

The Group's financial information consists basically of the consolidated financial statements, drawn up quarterly, and the full consolidated Annual Accounts, drawn up annually.

This information is prepared on the basis of the account reporting that all the Group companies are obliged to submit for this purpose.

The information reported by each one of the individual companies is verified by both the Group's internal auditors and the external auditors, in order to ensure that the information is true and provides an accurate picture of the company.

Over recent years, Abengoa has made a significant effort to reduce the periods required for presenting the Group's financial information, an area where continuous improvement is deemed possible, meaning that a reduction in these periods is constantly being sought through new tools and information systems.

One of the recurrent and most important activities of the Audit Committee is the verification of the economic and financial information prepared by the Group, prior to its submission to the Board of Directors of Abengoa and the Stock Market regulatory bodies (Stock Market National Commission).

We can highlight the fact that, as a result of the changes in Accounting Rules over recent years, Abengoa has carried out a process to adapt the consolidated financial statements to the IFRS (International Financial Reporting Standards), a process that has culminated in the preparation, presentation and formulation of the consolidated accounts of Abengoa prepared in accordance with said accounting Standards. In the year 2004, the Audit Committee initiated a special project with the objective of carrying out detailed monitoring of the adaptation and the impact of the adoption of the new Rules. This project continued throughout the year 2005 and finalized with the submission of the aforementioned consolidated annual accounts prepared under IFRS to the Board of Directors of Abengoa and the Stock Market regulatory bodies (Stock Market National Commission).

2.2. Risk and Internal Audit and Control.

The Audit Committee's functions include "to supervise the internal audit services" and "to know the financial information and "to know the company's financial information system and internal control systems".

The person responsible for Corporate Internal Audit systematically informed the Committee in the year 2005, in relation to the Department's activities, on:

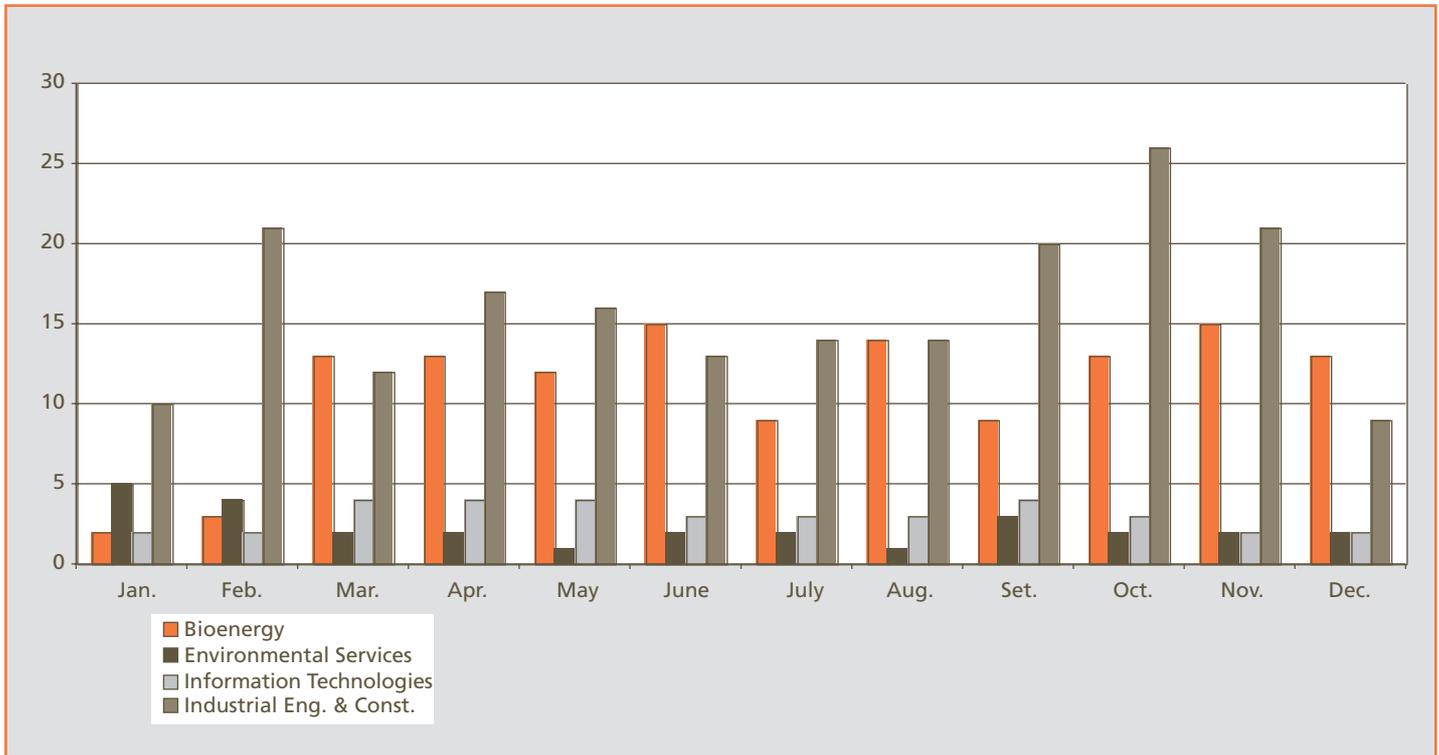
- the Annual Internal Audit Plan and the extent to which it is met;
- the extent to which the recommendations issued have been implemented;
- an adequate description of the main areas reviewed and the most significant conclusions;
- any other more detailed explanations that the Audit Committee may require.

In the year 2005, the Audit Committee recorded and supervised the Internal Audit Department's execution of a total of 388 missions, the Annual Audit Plan fixed for the year being 382 missions. The additional missions not provided for in the Plan relate mainly to general reviews of companies that had not been included in the initial planning.

As a consequence of these tasks, 178 major recommendations were issued, 131 of which have already been implemented, while the remainder are in the process of implementation by the different companies.

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The following chart shows the monthly evolution by Business Group of the work performed during the year 2005:



The Audit Committee has been informed that, during the year 2005, the work that was being carried out in the Group to adapt its internal control structure to the requirements of the Sarbanes-Oxley Act (SOX) was supervised.

2.3. External Audit.

The Audit Committee's functions include ensuring the independence of the external auditor, proposing the appointment or renewal thereof to the Board of Directors and approving its fees.

Abengoa, S.A.'s statutory auditor is PricewaterhouseCoopers, which is likewise the group's main auditor. Notwithstanding, a significant part of the Group, the part relating to the Environmental Services Business Group (Befesa), is audited by Deloitte. In addition, other audit firms also provide their services in small companies, both in Spain and abroad, although their scope cannot be called significant.

Abengoa's policy is for all group companies to be audited externally, even if they do not meet the requirements to make this compulsory.

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The global amount of the fees agreed with the external auditors for the audit of the year 2005, including the review of the periodic information and the audit of the company listed in the USA applying US GAAP, and the distribution thereof is shown in the chart below:

	Firm	Fees (€)	Companies
Spain	PwC	841,341	30
Spain	Deloitte	369,523	22
Spain	Other firms	43,096	13
Abroad	PwC	518,670	48
Abroad	Other firms	290,584	19
Total		2,063,214	132

The Audit Committee is also responsible for supervising the results of the work of the external auditors. In order to do this, it is promptly informed of their conclusions and any incidents detected in the course of their reviews.

The external auditor has attended the Audit Committee meetings when required to do so, in order to inform on matters within its competency, basically relating to:

- The review of the financial statements of the consolidated group and its companies and the issuance of an audit opinion thereon.

Although the scope of the opinion is the financial statements as of December 31 each year, the work performed by the auditors in each company includes a review of a previous accounting period end, usually that of the third quarter of the year (September), in order to anticipate any significant matters or operations that have arisen up to that date. In addition, reviews were performed of the quarterly financial statements prepared in order to present the information required by official bodies.

Likewise, we highlight the fact that, since the year 2004, the consolidated financial statements of the following parent companies of their respective business groups (and subsidiaries) have likewise been audited: Abeinsa, Befesa, Telvent GIT and Abengoa Bioenergia.

- Evaluation of the Internal Controls.

The advanced approach to auditing practice considers this to be part of an auditor's work, since this approach places more emphasis on the evaluations of the company's controls than on the substantive proof. In addition to their standard professional opinion, external auditors must issue an internal control report that is the basis of their presentation to the Audit Committee. This fact will be reinforced by the implementation of the SOX, which regulate the type of report and the scope and performance of the company auditor's activities.

- Matters of special interest.

For certain specific matters or operations, an advancement of the auditors' opinion on the accounting principles adopted by the company is required, in order to reach a prior agreement on that principles.

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3. Audit Committee Internal Regime Regulations.

The Internal Regime Regulations of the Audit Committee were approved by the Board of Directors on February 24, 2003. They state that:

- Composition and Appointment:

It shall be formed permanently by three members of the Board of Directors as a minimum. At least two of them will be non-executive Board Members, thus complying with the majority of non-executive members provided for in Law 44/2002.

Members shall be appointed for a maximum term of office of four years, which may be renewed for further terms of the same duration.

- Chairman and Secretary:

The Audit Committee will initially elect its Chairman from among all its members who are non-executive Board Members.

The Secretary to the Board of Directors shall act as Secretary to the Committee.

- Functions and Competencies:

The functions and competencies of the Audit Committee are as follows:

1. To inform on the Annual Accounts and the six-monthly and quarterly Financial Statements that must be sent to the market regulatory or supervisory bodies, mentioning the internal control systems, the control of the monitoring thereof and compliance therewith through internal audit and, when appropriate, the accounting principles applied.
2. To inform the Board of any change in accounting principles and the balance sheet and off-balance sheet risks.
3. To inform the General Shareholders' Meeting on the issues raised thereat by shareholders in relation to matters that fall within its competency.
4. To propose the appointment of the external Account Auditors to the Board of Directors, in order for the proposal to be submitted to the General Shareholders' Meeting.
5. To supervise the Internal Audit services. The Committee will have full access to the Internal Audit and will inform during the process of choosing, appointing, renewing and/or removing the manager thereof and fixing his remuneration, likewise informing on the budget of this Department.
6. To know the company's financial information system and internal control systems.
7. To be in contact with the external auditors to receive information on any issues that may jeopardize said auditors' independence and/or any other issues related to the account auditing process.
8. To call the Board Members it sees fit to attend to the Committee meetings, so that they can inform to the extent decided by the Committee.
9. To prepare an annual report on the Audit Committee's activities, which must be published together with the Annual Accounts for the year.

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- Meetings and Notice:

The Audit Committee shall meet on the occasions required to perform the functions stated in the preceding article, which must be at least once a quarter. In general, the meetings will be held at the company's registered office, although the members may designate a different place for a specific meeting.

The Audit Committee shall also meet whenever a meeting is called by the Chairman, at his own initiative or at the request of any member of the Committee. Members of the Committee may, in any case, inform the Chairman of the advisability of including a certain matter on the Agenda of the following meeting. Notice shall be given sufficiently in advance, not less than three days, and in writing, including the Agenda. However, a meeting of the Audit Committee will be valid when all its members are present and they agree to hold the meeting.

- Quorum:

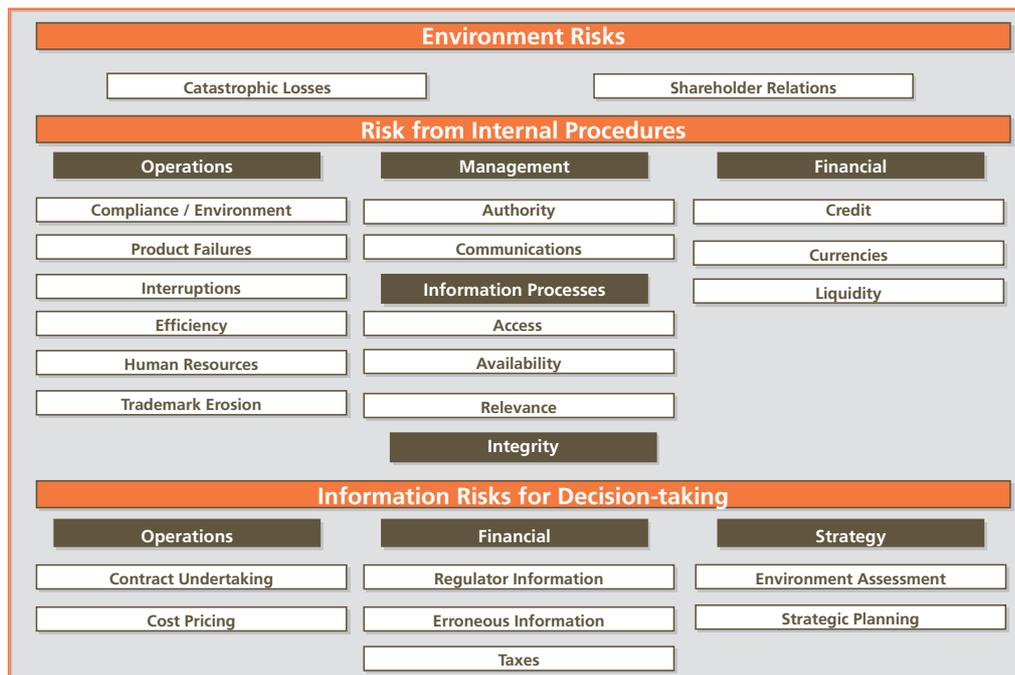
The Audit Committee shall be considered to have a valid quorum when a majority of its members are present. Attendance may only be delegated to a non-executive Board Member.

Its decisions will be validly adopted when the majority of the Committee members in attendance vote in favour. In the event of a tie, the Chairman shall have the casting vote.

4. The Risk Management Model in Abengoa.

In a Group like Abengoa, with more than 200 companies, presence in more than 70 countries and more than 11,000 employees, it is indispensable to define a common business management system that allows it to work efficiently on a coordinated and consistent basis.

Abengoa manages its risks using the following model, which is intended to identify any potential risks that may arise in a business.



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The procedures intended to eliminate the above identified risks are carried out through the Common Management Systems.

The Common Management Systems perform both the identification of the risks included in the present model and the control activities that mitigate them. They therefore put the internal rules for action into practice and represent a common culture in the management of Abengoa's businesses.

Through the Common Management Systems, it is also possible to:

- Optimize day-to-day management, applying procedures favouring financial efficiency, a reduction in expenses and the standardization and compatibility of information and management systems.
- Promote synergies and value creation by Abengoa's business groups, working in an environment of co-operation.
- Reinforce the corporate identity, with all the Abengoa companies respecting the shared values.
- Attain growth by strategic development seeking innovation and new options in the medium- and long-term.

The Systems cover the whole organization at three levels:

- all the Business Groups and areas of activity
- all levels of responsibility
- all kinds of operations

Meeting the provisions of the Common Management Systems is compulsory for the whole organization and, therefore, they must be known to all the members thereof. Any exceptions to the fulfillment of these Systems must be made known to the person concerned and appropriately authorized.

The Common Management Systems are submitted to a permanent updating process, which allows the best practices to be included in each one of its fields of action. The successive updates to which they are submitted are immediately notified to the organization using computing media, which greatly facilitates the dissemination thereof.

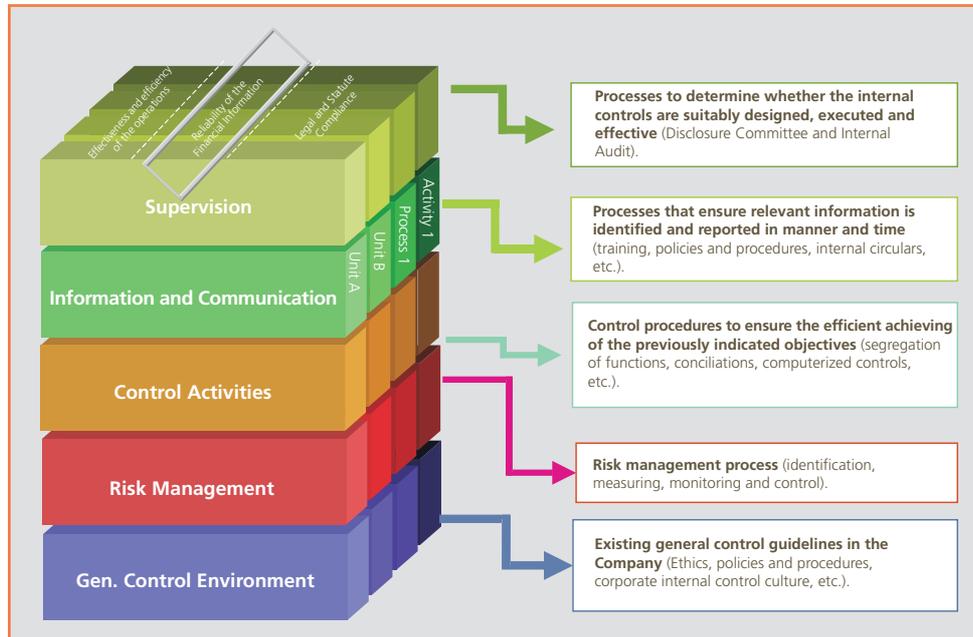
Those responsible for each one of the rules that form the Common Management Systems must verify and certify compliance with said procedures. Each certification for the preceding year is issued and submitted to the Audit Committee in January each year.

In addition, since the year 2004, Abengoa has been adapting its internal control structure to the requirements of the Sarbanes-Oxley Act (SOX).

Although, pursuant to instructions of the Securities and Exchange Commission (SEC), this Act relates to legislation that is compulsory for companies and groups listed in the United States market, Abengoa considers it necessary to meet these requirements, not only in the subsidiary that is listed on the Nasdaq, but in all the group of companies, since this implies the completion of its risk control model.

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Abengoa considers that an appropriate internal control system must ensure that all the relevant financial information is reliable and known to Management. Thus, we believe that the model developed in the SOX complements and completes our Common Management Systems, the main objective of which is the control and mitigation of business risks.



The conceptual reference framework taken is the COSO, which is the most similar to the approach required by the SOX and defines internal control as the process carried out in order to provide a reasonable degree of security in relation to the attainment of objectives such as compliance with laws and regulations, reliability of the financial information and effectiveness and efficiency in the operations. Thus, at present, the SOX requirements are being implemented in all the Abengoa Business Groups, meaning that all the processes that affect the different captions of the Group's balance sheet and profit and loss account are being analyzed and documented, identifying the risks that affect the different activities that comprise each process and giving details of the control objectives that exist to mitigate them and the pertinent control activities to be performed. We highlight the fact that the procedures defined are interrelated with the existing Operating Rules in such a way that the controls for business management are combined with the controls related to obtaining financial information.

Likewise, as part of the SOX recommendations, the whole General Control environment is being reviewed: Policies and Procedures, Corporate Internal Control Culture, Codes of Ethics, etc., in order to adapt it to the requirements of said Act.

The implementation of the SOX recommendations will continue throughout the year 2006 in order to gradually implement them in all the business groups.

Supervision and Control of the Risk Management Model.

The Abengoa supervision and control of the risk management model are structured around the Joint Audit Services, which include the audit teams of the Companies, Business Groups and Corporate Services and act in a coordinated manner, reporting to the Audit Committee of the Board of Directors.

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From among their strategic objectives, we can highlight:

- Forestalling the audit risks of the Group's Companies, Projects and Activities, such as frauds, capital losses, operating inefficiencies and, in general, risks that may affect the favourable progress of the business.
- Controlling the application and promoting the development of appropriate and efficient management rules and procedures, in accordance with the Common Corporate Management Systems.
- Creating value for Abengoa, by promoting the building of synergies and the monitoring of optimal management practices.
- Coordinating and criteria and approaches of the work with the external auditors, seeking the greatest efficiency and profitability of both functions.
- As a consequence of the adoption of the Sarbanes-Oxley Act requirements described in the preceding section, the security and reliability of the financial information must be guaranteed by checking the controls put in place for this purpose and ensuring they operate correctly.

Therefore, the Joint Internal Audit Services act through specific objectives:

- Evaluating the Audit Risk of Abengoa Companies and Projects following an objective procedure.
- Defining standard types of Internal Audit and Control work, in order to develop the pertinent Work Plans with the scope appropriate to each situation. The different types of work are linked to Audit Risk Evaluation, determine the Work Plans to be used and involve an appropriate type of Recommendations and Reports, meaning that, therefore, they should be used explicitly in said documents.
- Guiding and coordinating the internal audit and control work planning processes of the Companies and Business Groups, defining a procedure for notification of said work and communication with the parties involved and establishing a coding system for the work, so that it can be appropriately controlled and monitored.
- Defining the process for communicating the results of each piece of audit work, the persons affected and the format of the documents in which it materializes.
- Reviewing the application of the plans, the appropriate performance and supervision of the work, the prompt distribution of the results and the monitoring of the recommendations and the implementation thereof.
- Reviewing the correct operation of the manual and automatic controls identified in the processes, together with the evidence of control, in order to guarantee security in obtaining the financial information.

An Internal Audit Plan will be drawn up annually, its scope being determined by:

- the evaluation of the risk of the different companies, areas and projects
- the circumstances in each one of them at any given moment
- and the Audit Committee requirements

The evaluation of the audit risk is made for each project, company and Business Group. In this respect, audit risk is defined as any possible event that might have a negative effect on the business, such as fraud, capital losses or operating inefficiencies. The risk evaluation allows us to find out the areas on which we should focus our attention and work.

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Planning seeks to guarantee that the risk areas identified will be covered by work that mitigates or eliminates the risks and allows them to be adequately identified, controlled and monitored. The result of this planning is the Annual Internal Audit Plan.

The Annual Plan establishes the types of work to be performed and the scope of each one of them. Depending on the proposed scope, general company reviews, reviews of specific areas, procedure review or special work are proposed.

The Annual Plan is continually monitored by the Audit Committee, which is informed systematically on both the progress thereof and the results obtained in the reviews performed.

For each of the tasks planned, once the field work has been performed, recommendations are identified that imply, not only that both legal and internal regulations are applied, but also that the best management practices in the pertinent area of activity are incorporated. These recommendations are classified as major or minor, depending on the importance of the area affected or, if applicable, the economic impact they imply.

Traditionally, the main objective sought by internal audit has been the control of audit risk, defined as any risk that affects the business and that it is possible for Management to estimate, evaluate and control. Since the adoption of SOX, without forgetting the aforementioned objective, the correct operation of the controls put in place by the company in order to guarantee the reliability and veracity of the Abengoa's financial information must also be guaranteed.

Each Abengoa activity, project and company must have a preliminary audit risk evaluation that allows appropriate planning of the reviews to be performed. This risk estimate must follow objective criteria common to all the Group and will be the responsibility of the Internal Audit and Control Department, at the level of Joint Services that corresponds to each specific case.

In relation to the above, the Internal Audit and Control function should exceed a mere supervisory approach and, without decreasing the inspection and review activity, should actively promote improvements with immediate repercussions on the optimization of processes and businesses, the obtaining of synergies and, in short, the creation of value for Abengoa.

In both the focus of the work and the planning, performance, documentation, programs and notification of results thereof, coordination with the external auditors should prevail, so that the work of the two functions is not duplicated and Abengoa's internal audit and control procedures are validated and may be deemed to be adequate audit proof to support the external auditor in his opinion.

To attain this objective, a standardization of all the work cycles and documentation that contribute to the consistency of the work of Abengoa's internal auditors will be fomented.

In addition, a computer application (RCTS) is being implemented and will allow Internal Audit to check the correct operation of the controls put in place to mitigate the risks identified in the different activities of the processes that affect the financial statements, together with the existence of the evidence of the control activity and compliance with the control objectives fixed.

Following the doctrine of The Institute of Internal Auditors and its Spanish branch, Instituto de Auditores Internos, the ultimate purpose of this structure is to provide the Management of Abengoa and of each of its Business Groups with an extra "control" flow of information, running parallel to the normal hierarchical flow, but with permanent horizontal information channels between each one of the hierarchical levels of the Companies and Business Groups and the pertinent Internal Audit services, applying clear and transparent criteria and safeguarding the confidential information involved.

This structure is shown in the following diagram:

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