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## **SUMMARY**

### **Summary of Report 21/2015, relating to the Catalan Institute for Culture Enterprises, subsidies and reimbursable contributions, years 2012 and 2013**

*Barcelona, 25 November 2015*

The Public Audit Office for Catalonia has issued Report 21/2015, relating to subsidies and reimbursable contributions by the Catalan Institute for Culture Enterprises (ICEC) in financial years 2012 and 2013, in accordance with its Annual Programme of Activities.

This report, which was presented by Board Member Mr Jordi Pons i Novell, was approved by the Audit Office Board at its meeting on 6 October 2015.

The purpose of this report was to audit the activities carried out by the ICEC during years 2012 and 2013 to foster culture, by assessing how subsidies were announced and awarded and how beneficiaries fulfilled their obligations.

The total expenditure covered by the audit was €63.77m. The review was carried out on a sample of twenty-three subsidy schemes, with awards totalling €38.60m, and a sample of one hundred and ninety-five beneficiaries, selected from a range of competitive grant schemes, non-competitive grant schemes and dual-category support schemes involving subsidies plus reimbursable contributions, with awards totalling €36.16m.

In the Conclusions section of the report there is a summary of the main findings from the work carried out, of which the following can be highlighted:

- Among the representatives of creative sectors and culture enterprises on the ICEC's governing bodies there were cases of officials who possibly should have abstained to avoid conflicts of interest, particularly when the Board of Directors was exercising its powers to approve the regulations for particular subsidy schemes run by the ICEC. There was no evidence of any members of governing bodies abstaining from decisions on award schemes run in years 2012 and 2013.
- In the years covered by the audit the ICEC did not have a Strategic Subsidy Plan with contents as laid down by article 8 of the General Subsidies Act (*Ley general de subvenciones*).
- The general regulations for awards granted by the ICEC, as approved by the Board of Directors on 31 October 2012, establish the following ways to justify expenditure: an explanatory account with expenditure vouchers, a simplified explanatory account and an

explanatory account with an auditor's report. The Order issued by the Economy and Finance Department on 1 October 1997 on the processing, justifying and monitoring of grants and subsidies, which was still in force in the audited period, does not envisage the explanatory account with an auditor's report or the simplified explanatory account as proper means of justification. Therefore, the regulations for individual schemes run by the ICEC which envisage these ways of justifying expenses do not conform to statutory requirements.

- Several of the schemes' regulations envisaged setting up an Advisory Committee, in charge of assessing the applications received and making award proposals. Findings from the work carried out include points being awarded without due justification being provided, introducing criteria and procedures not envisaged in the schemes' regulations and not properly justifying the criteria used for distributing grants.
- The auditors' reports accompanying the dossiers of thirty-seven competitive grant schemes did not always clearly state whether article 31.3 of the General Subsidies Act had been complied with. This article provides that when the subsidisable amount is over the threshold for low-value contracts as defined in the Public Sector Contracts Act, the beneficiary has to request at least three estimates from different suppliers. In addition, in four cases the auditor's report did not state what other sources of finance had been obtained; in one of these four cases it also gave no assessment of the closing report on the activities undertaken.
- Article 94 of the Consolidated Catalan Public Finance Act states that, in exceptional cases, subsidies for unspecified recipients or of a general nature can be awarded directly when proof is given that a public competitive award process is impossible because of the specific nature of the beneficiary or of the activities to be carried out. In the Audit Office's opinion, in all the files analysed the justifications given for a competitive award process being impossible were based on subjective aspects or expediency and not on any true impediment to establishing a competitive process. In nineteen cases the grants should have been included in the ICEC's budget as awards to named beneficiaries; in three cases, bearing in mind the activity to be subsidised, they could have been included in existing competitive grant schemes, and in nine cases a competitive process for grant applications could have been approved.
- In eight of the files for non-competitive grant schemes analysed, the reports by controllers or auditors, whichever was the case, did not make any clear statement on all the aspects to be included in the justification, such as compliance with article 31.3 of the General Subsidies Act. Furthermore, in three of the eight aforementioned files, neither was any statement given on the amount and correctness of the funding for the subsidised activity.
- The specific regulations for award schemes under the dual category of subsidies plus reimbursable contributions establish a requirement for the beneficiary to return a certain percentage of the grant received as soon as the income generated goes beyond a

certain expenditure threshold. This requirement is not compliant with current legislation relating to subsidies.

- The signed agreements or award decree proposals in eleven of the dual subsidy plus reimbursable contribution dossiers reviewed established reimbursement criteria over the first thirty months of the activity, but bearing in mind the nature of the projects (exhibitions and audio-visual or publishing products), their capacity to generate revenue could be substantially shorter. In addition, for seven files related to running theatrical performances the time periods for returning funds were established way beyond the finishing dates of the performances.

Finally, in the Conclusions section of the report various recommendations are made which, in the view of the Audit Office, would help to improve the ICEC's management and correct some of the issues mentioned 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](http://www.sindicatura.cat).