
SUMMARY

Summary of Report 16/2015, relating to the *Palau de la Música Catalana* Consortium, years 2010-2013

Barcelona, 28 October 2015

The Public Audit Office for Catalonia has issued report 16/2015, on the Consortium in charge of the *Palau de la Música Catalana* concert hall, for financial years 2010-2013, 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 28 July 2015.

The aim of the audit was to review the activities of the Consortium for the *Palau de la Música Catalana* (CPMC) in years 2010, 2011, 2012 and 2013; however, where necessary, to aid understanding, information on previous or subsequent years was also included. The aspects relating to the CPMC's management, internal controls and functioning have been understood as relating solely to the periods when the CPMC was active.

The CPMC was set up in 1983 by the Catalan Government (*Generalitat*), Barcelona City Council and Barcelona Provincial Council (*Diputació*) to run the *Palau de la Música Catalana* concert hall (PMC). The CPMC and the AOC choral society (*Associació Orfeó Català*), which owns the PMC concert hall, signed a loan agreement for the PMC premises for an initial twenty-year period which was then extended to seventy years in 2001. In 2002 the Ministry for Culture took the place of Barcelona Provincial Council as a member of the CPMC.

In 1990 the *Fundació Orfeó Català – Palau de la Música Catalana* (Choral Society and Catalan Concert Hall Foundation), henceforth “the Foundation”, was set up, with the aim of stimulating and encouraging all manner of cultural activities, particularly involving music, by providing financial and promotional support, in order to facilitate the organising and contribute to the running of projects and initiatives developed at the PMC.

In July 2009 a series of events took place which led to the replacement of the officials in charge of the entity until then and the start of a new era in the running of the PMC, which culminated in management being handed over to the Foundation on 1 January 2012 and the signing of the so-called Three-Way Agreement (*Conveni Tribanda*) between the CPMC, the Foundation and the AOC, on 20 July of that same year.

As a result of the events occurring in July 2009, criminal proceedings were brought against the officials then in charge of the PMC on several counts, including the misappropriation of CPMC funds. The judicial investigation was still under way as at March 2015. Accounting

liability proceedings were also initiated and are currently in a judicial phase, with a presumed liability for the loss of funds, as determined in the preliminary settlement (April 2013), for the same amount (€3.65m plus interest) as that established for the presumed misappropriation of CPMC public funds in the criminal proceedings.

In financial years 2010 and 2011 the CPMC continued functioning with the same activities it had pursued since it was set up, namely, managing the buildings which make up the PMC. As from 1 January 2012 these activities were transferred to the Foundation.

In the Conclusions section of the report there is a summary of the main findings from the work carried out, grouped under four categories:

1. Findings relating to the signing of the Three-Way Agreement and its subsequent addenda.
2. Findings dealing with the Special Voluntary Fund (SVF) and the recoveries of CPMC funds by Instruction Court number 30 in Barcelona. The Three-Way Agreement and the addendum signed on 20 December 2012 regulated the so-called SVF as a joint fund for the three organisations affected by the presumed embezzlement committed by the former CPMC management. This fund will be financed by the moneys recovered from the presumed guilty parties.
3. Findings relating to the grant earmarked for the CPMC in the Catalan Government's budget for 2012 and the contribution of € 1.17m made by the CPMC to the Foundation in 2012.
4. Findings relating to the management and activities of the CPMC, particularly to the fact that in 2010 and 2011 no significant changes were made to the way the CPMC was managed and run in relation to the arrangements existing prior to July 2009. In years 2012 and 2013, without due regard to existing legislation, it was effectively turned into a shell entity.

The Conclusions section also presents a series of recommendations which the Audit Office considers should be implemented forthwith:

1. The CPMC and the government organisations making up the Consortium should take the necessary steps to ensure that moneys recovered by Instruction Court number 30 for the CPMC are returned by the Foundation and the AOC, since these are advance amounts received on a provisional basis until a verdict has been handed down in the criminal proceedings.
2. The CPMC should register the amounts recovered as a Balance Sheet liability; this means correcting the €0.70m registered as an income item in years 2010 and 2011 by allocating it to Equity and registering a debit item for the amounts paid to the AOC and the Foundation (€ 1.72m).
3. The government organisations within the Consortium should press for a framework of relations between the different entities involved in the PMC which is compliant with government related legislation and includes arrangements for monitoring the Foundation

to ensure that public funds provided to it have the same level of control as if they had been provided to the CPMC.

4. The CPMC should expedite the administrative process to revoke the award of € 1.17m given to the Foundation in 2012. It should be borne in mind that if this amount were not recovered the CPMC would have suffered a loss of assets which would leave its equity in a delicate position.
5. The government organisations must try to ensure that the PMC premises are managed in such a way as to comply fully with the principles of economy, efficiency and transparency in the use of public resources.

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