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## SUMMARY

### **Summary of Report 2/2018, relating to the Gran Teatre del Liceu (Opera House) Foundation, year ending 31 August 2015**

*Barcelona, 26 March 2018*

The Public Audit Office for Catalonia has issued Report 2/2018, relating to the Gran Teatre del Liceu (Barcelona Opera House) Foundation, for the financial year ending on 31 August 2015, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Mr Jordi Pons i Novell, was approved by the Audit Office Board at its meeting on 13 February 2018.

The work in this limited auditing assignment included a review of the Profit and Loss Account and of managerial performance. As specified by the Foundation's Statutes, its financial year starts on 1 September of each year and finishes on 31 August of the following year.

As at 31 August 2015, the running of the Liceu Opera House was split between two entities: the Consortium, which owned the building and was charged with running, maintaining and exploiting the infrastructure, and the Foundation, which was designated as the institution for running and managing the Opera House's activities. In the financial year audited, the members of the Foundation's Board of Trustees (*Patronat*) were from the Government of Catalonia (*Generalitat*), the Spanish central (State) Government, Barcelona City Council, Barcelona Provincial Council (*Diputació*), the Opera House Society (*Societat del Gran Teatre del Liceu*) and the Board of Sponsors (*Consell de Mecenatge*).

In the financial year ending on 31 August 2015, the Foundation's own revenues came to €19.09m and it received grants totalling €18.96m and reported a negative result of minus €26,403. Prominent in its own revenues were ticket sales (€12.90m) and income from promotion campaigns, sponsorships and collaborative arrangements (€5.78m). Within government contributions, 42.29% came from the Government of Catalonia; 36.26% from the Spanish Ministry of Education, Culture and Sport; 13.58% from Barcelona City Council, and 7.87% from Barcelona Provincial Council.

The Conclusions section of the report presents the most significant findings arising from the audit carried out, of which the following can be highlighted:

- Several limitations to the scope of the audit arose during the auditing work carried out, evidencing internal control weaknesses at the Foundation. In addition, the accounting procedures followed by the Foundation did not allow a breakdown of certain expenditure and revenue headings to be obtained, making controlling and monitoring difficult.

- The Foundation applied prices and discounts to general ticket sales and season tickets, to the rental of premises and to Opera House visits, which were not included in its official price list and had not been approved by the relevant internal body. Furthermore, for the financial year under audit, no official body at the Foundation had approved the price list for supplementary services provided to those renting spaces at the Opera House.
- The Foundation holds sponsorship and patronage agreements with several companies, which provide money or goods, whereby the Foundation, as well as advertising who the sponsors are, offers them benefits whose monetary value can be calculated. This circumstance means that the legal transaction taking place does not properly conform either to a patronage agreement or to a sponsorship contract.
- The review of the sponsorship and patronage agreements led to several findings on how they are controlled, monitored and accounted for, which are explained in sections 2.2.1 and 2.2.2 of the report.
- The report includes several findings regarding compensation payments made by the Foundation to employees whose contracts were terminated and to people supplying outsourced services.
- On 1 September 2015 the Foundation signed an agreement to terminate a civil-law relationship for the hire of professional services which the Audit Office considers was not legally valid and which could give rise to matters actionable through administrative or judicial proceedings. This statement is made on a strictly tentative basis and only serves to say that some possible evidence may exist, because determining these matters is the sole preserve of the relevant jurisdictional authority.
- The Audit Office considers that the Foundation directly acquired certain supplies of services which should have been contracted using procurement procedures and respecting the principles of publicity, competition and non-discrimination. The Foundation also directly signed three contracts that were supposedly business contracts, which the Audit Office considers were incorrect because by asserting the civil-law nature of these agreements the aim was to by-pass compliance with applicable legislation, since these were really labour contracts.
- As at 31 August 2015 the Foundation had €2.33m outstanding on its books, under accounts receivable from the Consortium, which included €1.97m for funds provided with no documentary basis. The Audit Office considers that the Foundation will only be able to recoup the moneys it provided if the Consortium receives them from the government institutions. Otherwise, these amounts will be a loss for the Foundation.

Finally, in the Conclusions section of the report various recommendations are made which, in the view of the Audit Office, would help to resolve some of the issues mentioned in the Findings section.

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