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STATSREVISORERNE
RIGSREVISIONEN



Extract from Rigsrevisionen's report on

the Danish Ministry of Culture's administration of distribution funds

submitted to the Public Accounts Committee



1849
147.281
237
1976
114.6
22.480
908

1. Introduction and conclusion

1.1. PURPOSE AND CONCLUSION

1. This report concerns the Danish Ministry of Culture's administration of three distribution funds that are financed through receipts from football pools, other kinds of betting and the national lottery. Grants from the three funds are allocated under the following programme headings: "Kulturpolitisk udvikling og information" (cultural-political development and information), "Bedre service og ny teknologi på Kulturministeriet institutions m.fl. (improved service and new technology at institutions under the Ministry of Culture and others) and "Rådighedssummen" (contingency aiming mainly to provide funds for urgent purposes).

The distribution funds support a large number of non-profit activities, including sports and culture. The Ministry of Culture is responsible for the distribution and administration of the grant programmes earmarked for cultural purposes, which had a total budget of DKK 289.6 million in 2015. The ministry has described the purposes of the programmes in documents submitted annually for approval by the Finance Committee, a standing committee under the Danish parliament. In the period 2011 to 2015, the Finance Committee approved the allocation of DKK 100 million for cultural activities under the three programme headings.

2. We initiated the study in February 2016, because our ongoing audit of the Ministry of Culture in 2015 indicated a lack of clarity in the ministry's administration of the funds. Audit findings concerned matters of principle regarding the rules governing grants and principles of public administration.

3. The purpose of the study is to determine whether the three distributions funds are administered in a satisfactory manner by the Ministry of Culture.

DISTRIBUTION FUNDS

are financed through receipts from the state-owned "Danske Spil A/S" (football pools and other betting) and the national lottery. In addition, the Danish government allocates a small amount to the three grant programmes to cover fluctuations in the receipts from the football pools and national lottery.

CONCLUSION

It is Rigsrevisionen's assessment that the Ministry of Culture's administration of the three distribution funds is very unsatisfactory. The Ministry of Culture has not provided the Finance Committee with adequate information on the implementation of the funds, which has affected the financial transparency of the transactions. To this should be added that the ministry's administration of the funds does not meet the principles of good grant administration and fundamental principles of public administration.

The study shows that 79 per cent of the grants from the funds are allocated either to the department or to institutions under the department. In some cases, grants are allocated to support purposes that must be assumed to have been financed already through operating appropriations provided for in the Finance Act like, for example, operating appropriations for institutions and IT solutions. The Ministry of Culture has not followed the Budget Guideline Handbook issued by the Ministry of Finance and has not informed the Finance Committee of the co-financing arrangement. This practice makes it unduly difficult to achieve transparency concerning total spend on implementation of the objectives defined in the Finance Act, and it has given the Ministry of Culture an exclusive opportunity to increase its appropriations.

The study shows that the purposes defined for the three funds are so broad that the Ministry of Culture could probably allocate funds to all the activities that are pursued under the ministry. This practice makes it difficult to determine exactly how the funds are being used. It should also be noted that the priorities defined for one of the programmes have been changed to the extent that the original purpose of the programme is no longer supported.

The Ministry of Culture has recognized that several of the grants allocated in the period 2011 to 2015 would not now be financed through the three funds. The ministry is currently reviewing the budgeting process in order to achieve a clearer distinction between government allocations and grants from the distribution funds.

The study shows that the Ministry of Culture uses the distribution funds as budget buffers; the funds are used when a project lacks funding, or the minister wishes to support a certain project. The ministry is not advertising the funds, nor does the department take other measures to identify potential recipients of grants from the three programmes. As a result, the majority of potential recipients are unaware of the existence of the funds. This policy conflicts with the principle of equal treatment. The ministry is not collecting data on potential recipients systematically and therefore fails to identify other projects or activities that would be equally - or even more - relevant for the achievement of the purposes defined for the funds. This entails a risk that the principle concerning the department's responsibility for collecting the information necessary to ensure that grants are awarded on an informed basis, is not met. Moreover, the ministry has not defined clear eligibility criteria for funding from the three funds. This entails a risk that the department fails to comply with the principle concerning objective and professional administration.

The study shows that the Ministry of Culture does not in all cases monitor or impose requirements upon the recipients concerning content or effect of the funded projects. To this should be added that the department allocates funding to its own activities, which entails a risk that grants are awarded on a subjective and unprofessional basis.

PRINCIPLE OF EQUAL TREATMENT

What is the same must be treated the same, meaning that potential grant recipients should be treated equally.