

Switzerland, Canton of Zurich

Audit of the financing of public-sector cultural offers

- Funding in general
- Example: Zurich Opera House
- Example: Swiss school

Dresden, 23 October 2015

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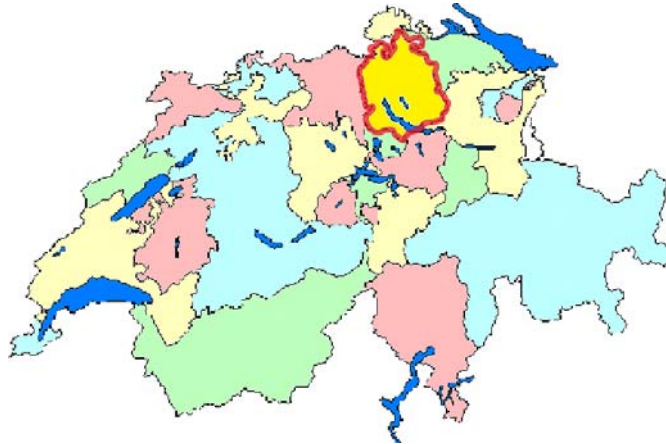
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Canton of Zurich

- “Largest and most important” canton in economic terms
- 2,500 new companies established per year
- Government: 7 / parliament: 180



- In northeastern Switzerland (1/27)
- 1.4 million inhabitants (most populous canton)
- 12 districts, 167 municipalities and 2 cities
- 1,729 km²
 - 25% settlements
 - 40% agriculture
 - 35% unproductive land (forest/bodies of water/mountains)



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Audit of cultural funding

Definition of “culture”: serving the public good, beneficial, in the public interest

**Cultural preservation/promotion
(responsibility of the state)**

Traditions

**Protection of
property/places**

**by applying
to**

**required/necessitated
by**

**cantonal lottery
fund or cultural
department**

**bodies responsible for the
preservation of cultural
heritage/historic monuments**



Audit of cultural funding

Cultural funding:

- from lottery proceeds (federal law)
- from state funds (cantonal)

Swiss Federal Constitution/Federal Act

Intercantonal Agreement

Cantonal law: entering into Intercantonal Agreement

**Cantonal Constitution / Culture Promotion Act /
Culture Promotion Ordinance**



Audit of cultural funding

Organisation for lotteries and betting

Directors' Conference

Authorisation

ComLot (inspectorate)

**Supervision
(Appeals Commission/
Federal Supreme Court)**

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Swisslos
EuroMillions
Sports betting
Private
Lotteries

Swisslos (cooperative)

Balmer Etienne (auditing body)



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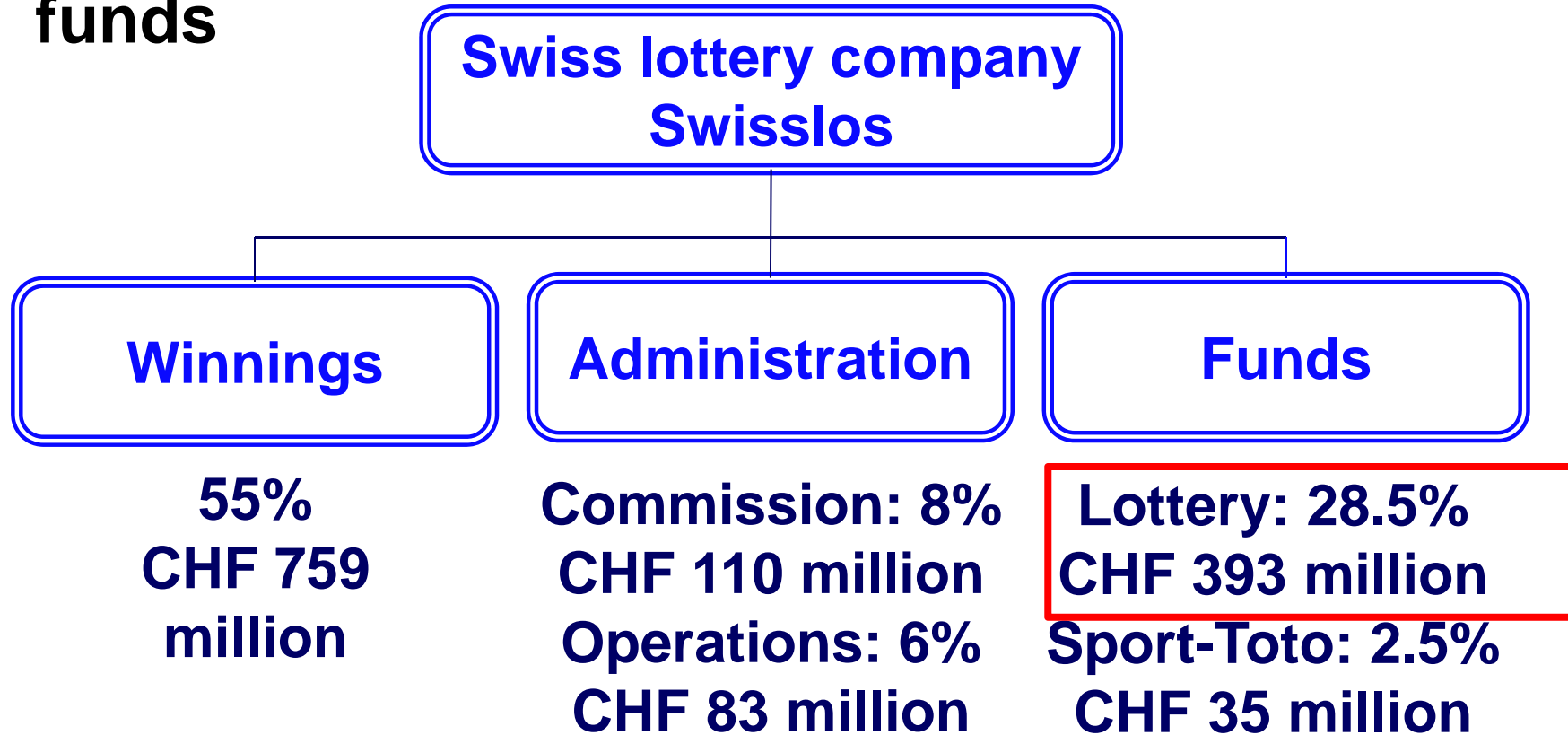


23. 10.2015

Audit of cultural funding

Flow of funds

Revenue: CHF 1,380 million



Audit of cultural funding

Share for Canton
of Zurich

Swisslos
~ CHF 80 million

Lottery fund
CHF 63 million

Sports fund
CHF 17 million

Additional revenue	CHF -7 million
Projects/conferences	CHF 0.5 million
Zoo	CHF 3 million
Private	CHF 42.5 million
Cultural department	CHF 10 million
Preservation of historical monuments	CHF 4 million
Deposit into funds	CHF 10 million (balance: CHF 330 million)

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Audit of cultural funding

Allocation of culture funds

Lottery fund

Cultural department

CHF 10 million

Additional revenue

CHF -20 million

Fine arts

...

Theatre, music, film, dance, lit.

...

Education (Technorama Museum)

...

Municipal cultural programmes

...

Miscellaneous

...

CHF 20 million

Zurich Opera House

CHF 90 million

Deficit

CHF 90 million



state

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Funding process and auditing

- **Application for funding**
 - Legitimacy, timeliness
- **Assurance**
 - Conditions (% share, maximum, lump sum)
- **Controlling**
 - Instalments/no advance payments
 - Deadlines
- **Partial/full settlement**
- **Sustainability**
 - One-off/recurrent payments
 - Business plan
 - Disbandment / closure of funding recipient/funded property



Audit of Zurich Opera House

Annual contribution towards running Zurich Opera House

One-off investment contributions

- **Auditing activities at the cultural department**
 - Assurance every 4 years
 - ICS (internal control system) and controlling
 - Investments
- **Auditing activities at Zurich Opera House**
 - Artists: fees, expenses
 - Employees: salaries
 - Operating costs
 - Maintenance



Audit of Zurich Opera House

Findings

Director working for new employer during notice period

Acquisition of old property that shows signs of contamination

Advance payments

Business trips → expenses

Recommendations

Negotiate with new employer with regard to taking over expenses

Shift costs of decontamination to the seller

Only on request with documented evidence

Travel and expenses policy, approval by management board



Audit of Zurich Opera House

Findings

Credit card credit limits exceeded

Architectural contracts concluded without notifying funding providers

Wrong rates for architectural contracts

No architect involved in maintenance

Recommendations

Policy on using company credit cards

Inform funding providers about architectural work

Check rates in architectural contracts

Dispense with architect (savings)



Audit of Swiss school abroad

Extension of school building abroad (CHF 1.6 million)

Investment contribution from lottery fund

Guarantees for using funding payments

- **Auditing activities**

- **ICS (internal control system) and controlling**
- **Partial settlements/payments only if paid invoices are provided**
- **Statement of construction costs**
- **Audit on site**
- **Third-party funding**
- **Business plan**



Audit of Swiss school abroad

Findings

Uncertainty regarding legitimacy of invoices

Project modifications after funding has been granted

Complex project organisational structure leading to excessive controls

Recommendations

Check invoices as part of financial control procedure (by the Audit Office) and release them from special bank account on site

Increase funding → donors/loan

Fewer and therefore more responsible controls



Audit of Swiss school abroad

Findings

Differences between building account and bank account

Advance payments by cheque

Accounting for funding not transparent

No financial plan for the future

Recommendations

Better coordination at periodic intervals

More transparency and controls when recording accounts

Statement of donor contributions for covering extra costs

Business plan and reduction in funding

