

# Financial Supervision of the Federal State of Tyrol over the Tyrolean Tourism Associations

Audit Report of the Tyrolean Court of Audit of  
14 November 2024

# Tourism in Tyrol

## Summer season 2024

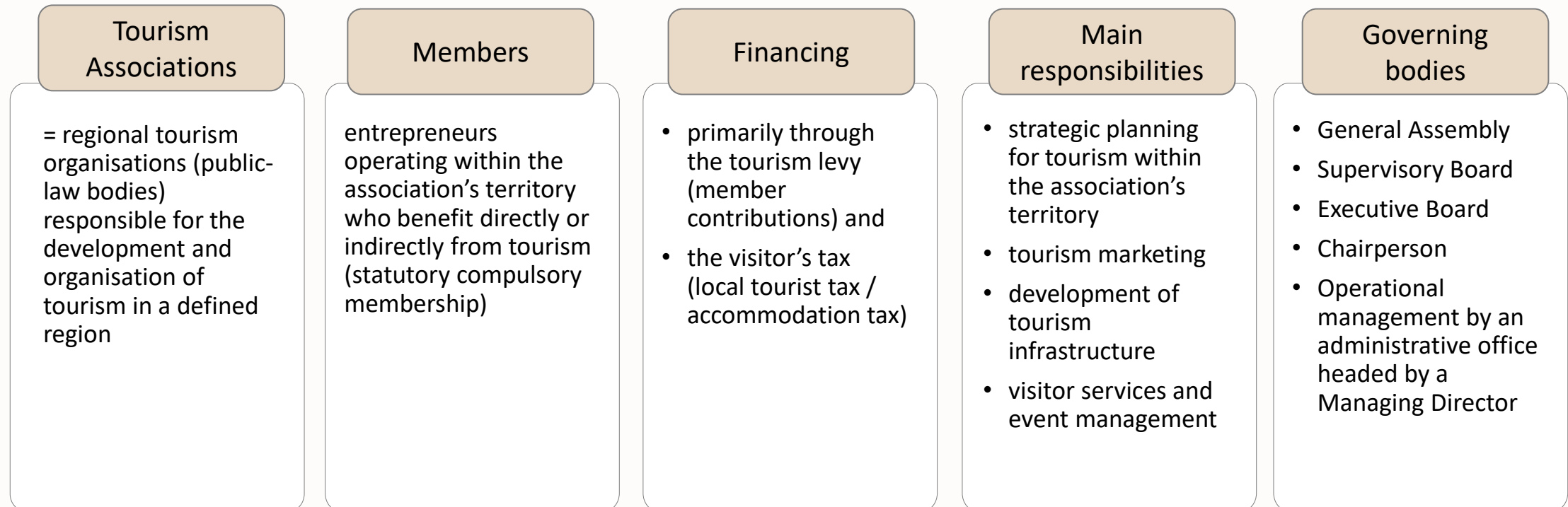
- 22.7 million overnight stays
- 6.4 million guests
- 338 thousand beds
- 22 thousand tourism businesses

## Winter season 2024/2025

- 26.4 million overnight stays
- 6.1 million guests
- 341 thousand beds
- 22 thousand tourism businesses

Source: Amt der Tiroler Landesregierung, Landesstatistik Tirol 2025

# What are Tourism Associations (TVB)?



# 34 Tourism Associations in Tyrol



## Why Audit the Supervision of the Tourism Associations?

- 34 tourism associations in Tyrol
- Total revenues: approx. €230 million per year
- Total expenditures: approx. €210 million per year
- High reserves despite the COVID crisis (pandemic)

High financial volumes → higher risk → high legal requirements for tourism associations and supervision

# Objective of the audit by the Court of Audit

- Presentation of the legal framework governing supervision over the Tourism Associations (audit criteria) and its assessment by the Court of Audit.
- Review of the activities of the Federal State of Tyrol as supervisory authority.
- Audit period: 2019–2023



# Legal Basis of Supervision over the Tourism Associations I

## Constitutional law (Art. 120b (1) Federal Constitutional Law):

- The Federation or the Federal State has a right of supervision over the Tourism Associations, in accordance with the legal provisions, with regard to the **legality of administrative management**.
- In addition, supervision may also extend to the **expediency of administrative management** where this is required due to the tasks of the Tourism Association.

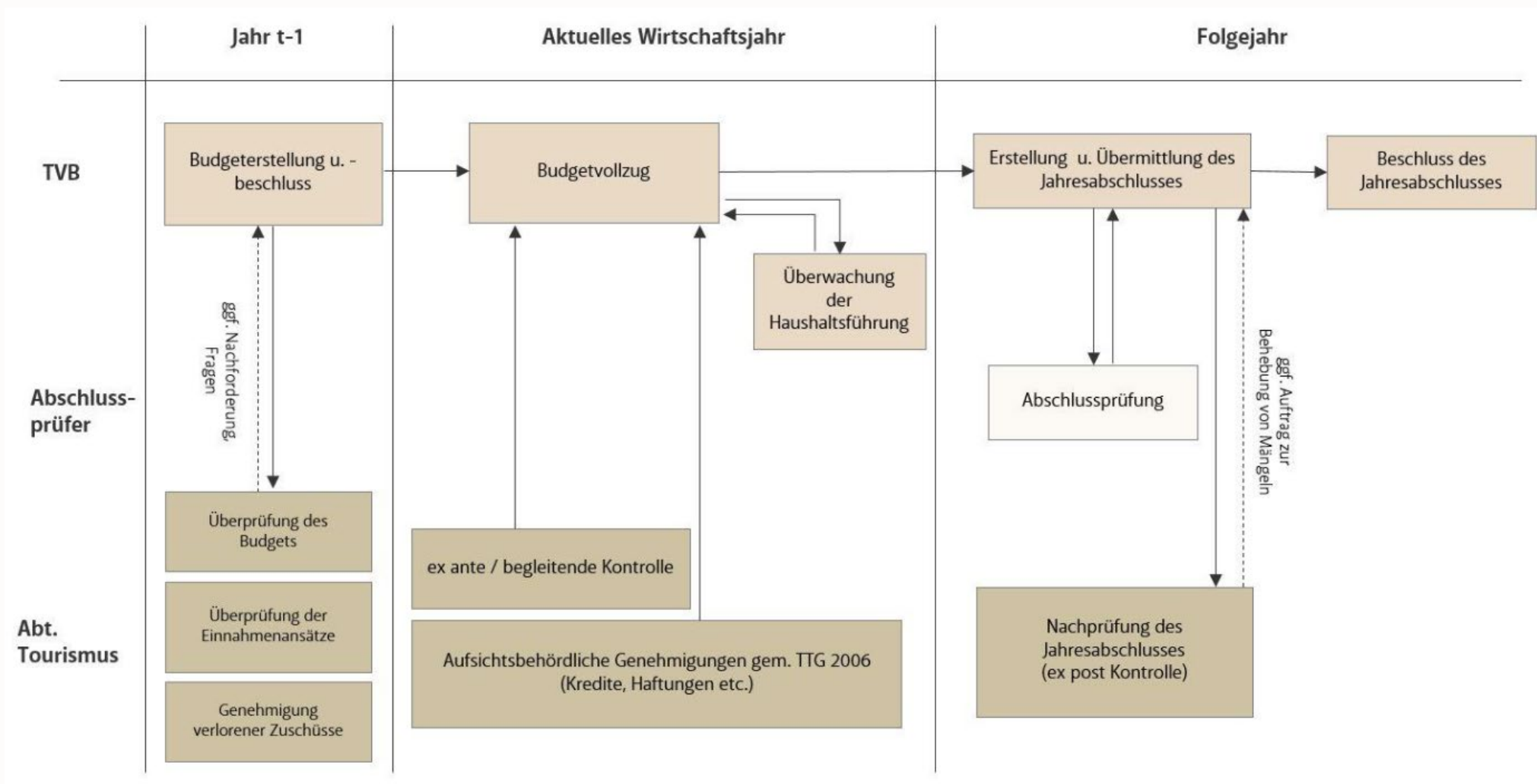
## Tyrolean Tourism Act (TTG 2006):

- The Tourism Associations are subject to **supervision by the Tyrolean Provincial Government** (§ 39 (1) TTG 2006).
- **Submission of the budget** and budget planning to the Provincial Government (§ 40 (1) TTG 2006).

## Legal Basis of Supervision over the Tourism Associations II

- Certain resolutions of the Tourism Associations require **approval** by the Provincial Government (§ 40 (2) TTG 2006), for example:
  - participation in commercial enterprises
  - granting and taking up of loans and assumption of guarantees
  - acquisition and disposal of real estate
  - granting of subsidies for marketing and infrastructure projects
- **Approval requirement** (§ 40 (3) TTG 2006): projects must be expedient and economically justified, have secured financing and ensure that the debt ratio of the Tourism Association remains below 85%.
- **Criticism:** The conclusion of leasing contracts is not subject to approval. Leasing obligations (e.g. finance leasing) may involve significant financial risks for individual Tourism Associations.
- The audit report of the statutory auditor of the Tourism Association must be **submitted** to the Provincial Government for review (§ 29 (4) TTG).

# Control structure: TVB, statutory auditor and supervisory authority



## Supervisory Authority I

- **Limited staff resources:** Only two employees in the supervisory authority (Department of Tourism) were responsible for supervising the 34 Tourism Associations.
- **Criticism:** Due to this, the supervisory authority did not carry out on-site inspections.

The Court of Audit examined the **supervisory activities** performed by the Department of Tourism. It identified critical issues and issued the following **recommendations** to improve audit quality:

## Supervisory Authority II

### Review of Budget and Budget Execution

The Provincial Government should request reports and minutes from the Supervisory Boards in order to verify whether they

- monitor budget overruns
- supervise budgetary and cash management
- ensure economy, efficiency and expediency of the Executive Board's activities

### Supervisory Approvals

The Provincial Government should ensure that all **required supervisory approvals** (e.g. borrowing / guarantees) are obtained. The statutory auditors of the Tourism Associations should verify the completeness of the required approvals.

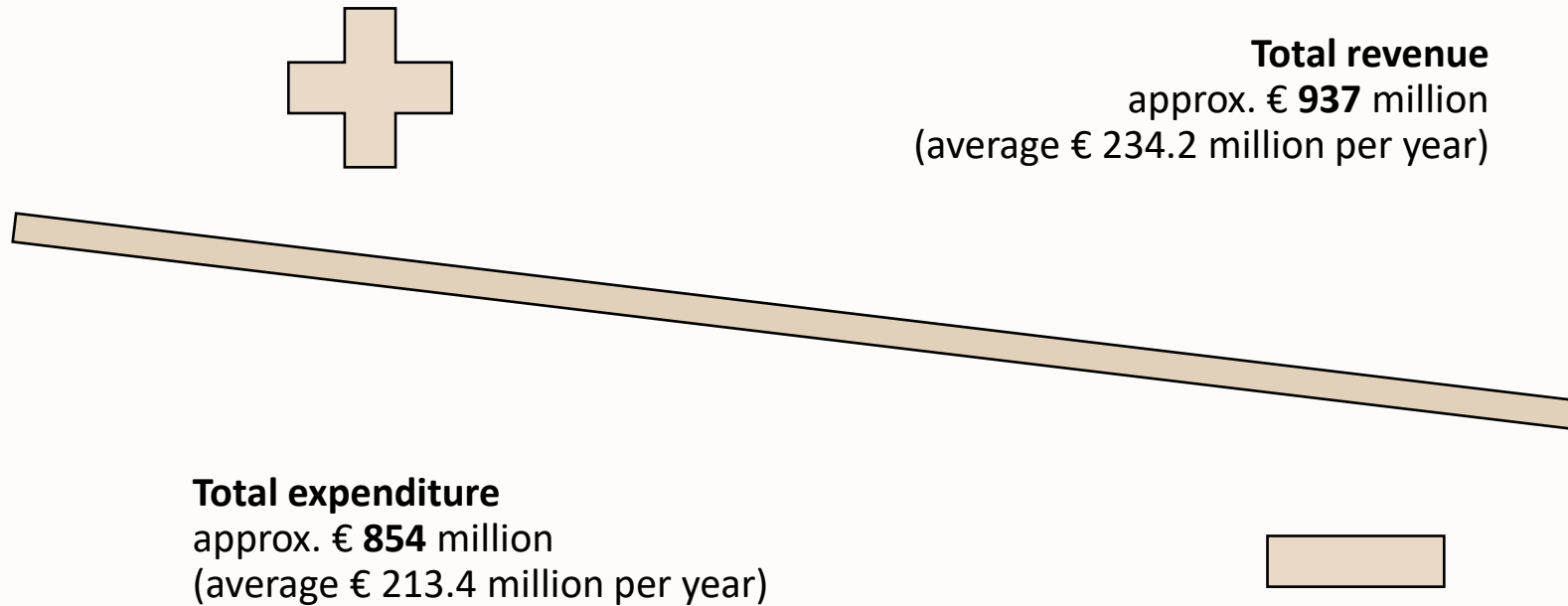
### Review of audit reports:

A sample examined by the Court of Audit showed incomplete management reports of Tourism Associations (e.g. no meaningful explanation of deviations between planned and actual profit and loss accounts). The Provincial Government should therefore, during the review,

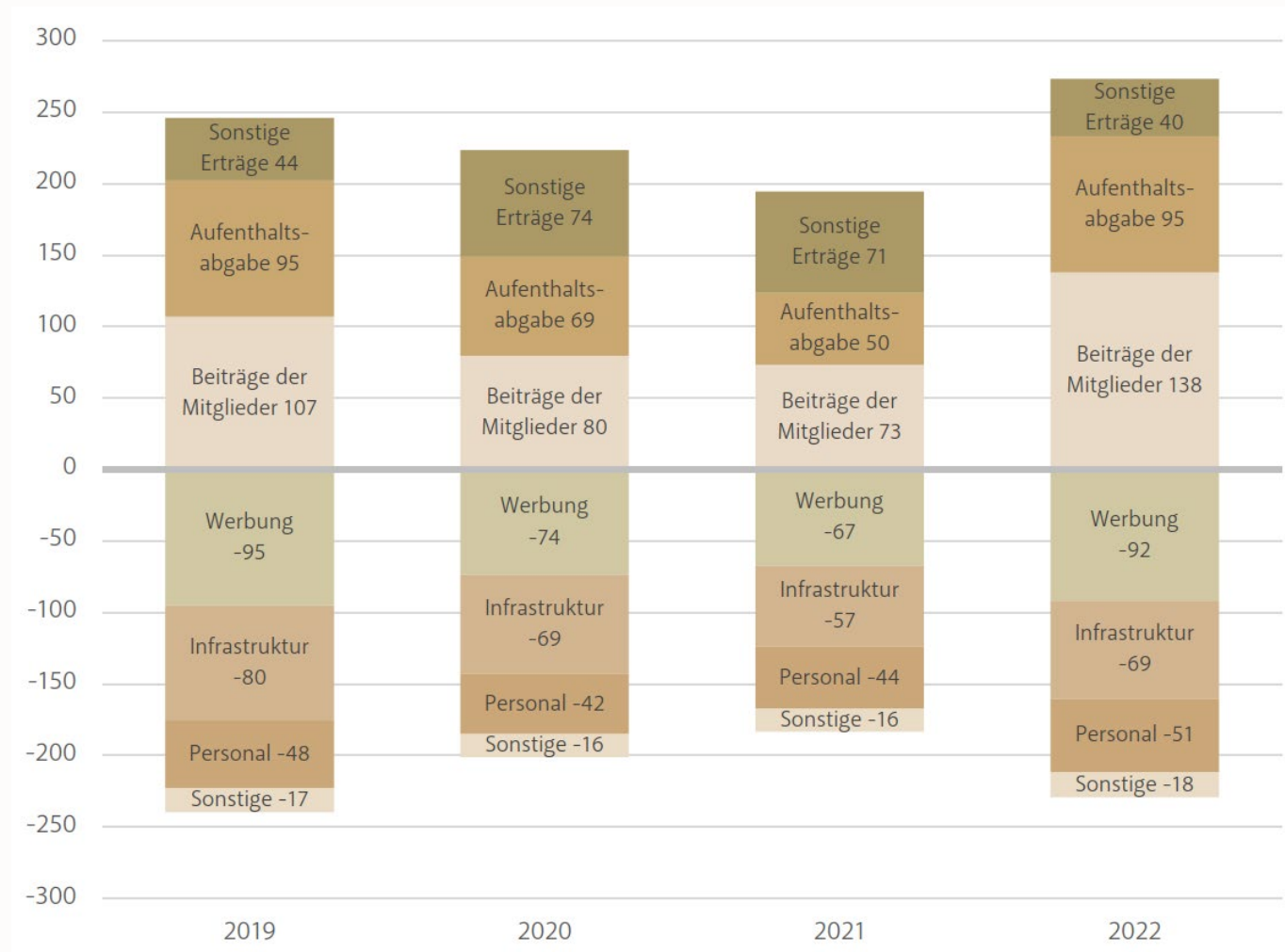
- check the completeness of the management reports
- require the Supervisory Board to remedy missing elements.

# Financial Situation of the Tourism Associations

The supervisory authority prepared annual **reports on the financial situation** of all 34 Tourism Associations.



## Distribution of revenue and expenditure (in € million)



The **expenditure** was **distributed** as follows:

- 38 % marketing
- 32 % infrastructure
- 23 % personnel
- 8 % other expenditure

## Financial Indicators of the Tourism Associations

- **High annual surpluses:** 2019–2022 total surplus approx. **€ 87 million** (average € 21.8 million per year)
- **Operating reserve:** Despite the COVID-19 pandemic, the 34 Tourism Associations held reserves of **€ 80.5 million** (average € 2.37 million per association)
- **Balance-sheet indicators** calculated annually:
  - fixed asset coverage ratio
  - equity ratio
  - liabilities ratio
  - debt ratio
  - liquidity ratio

## Improvement of Financial Indicators (Recommendations of the Court of Audit)

### Fixed Asset Coverage Ratio II

Additional calculation of **fixed asset coverage ratio II** (including long-term liabilities) → shows whether fixed assets are covered by long-term capital.

### Debt Ratio

Including long-term liabilities and guarantees → more transparent presentation of future obligations.

### Liquidity Indicators

Addition of liquidity indicators:

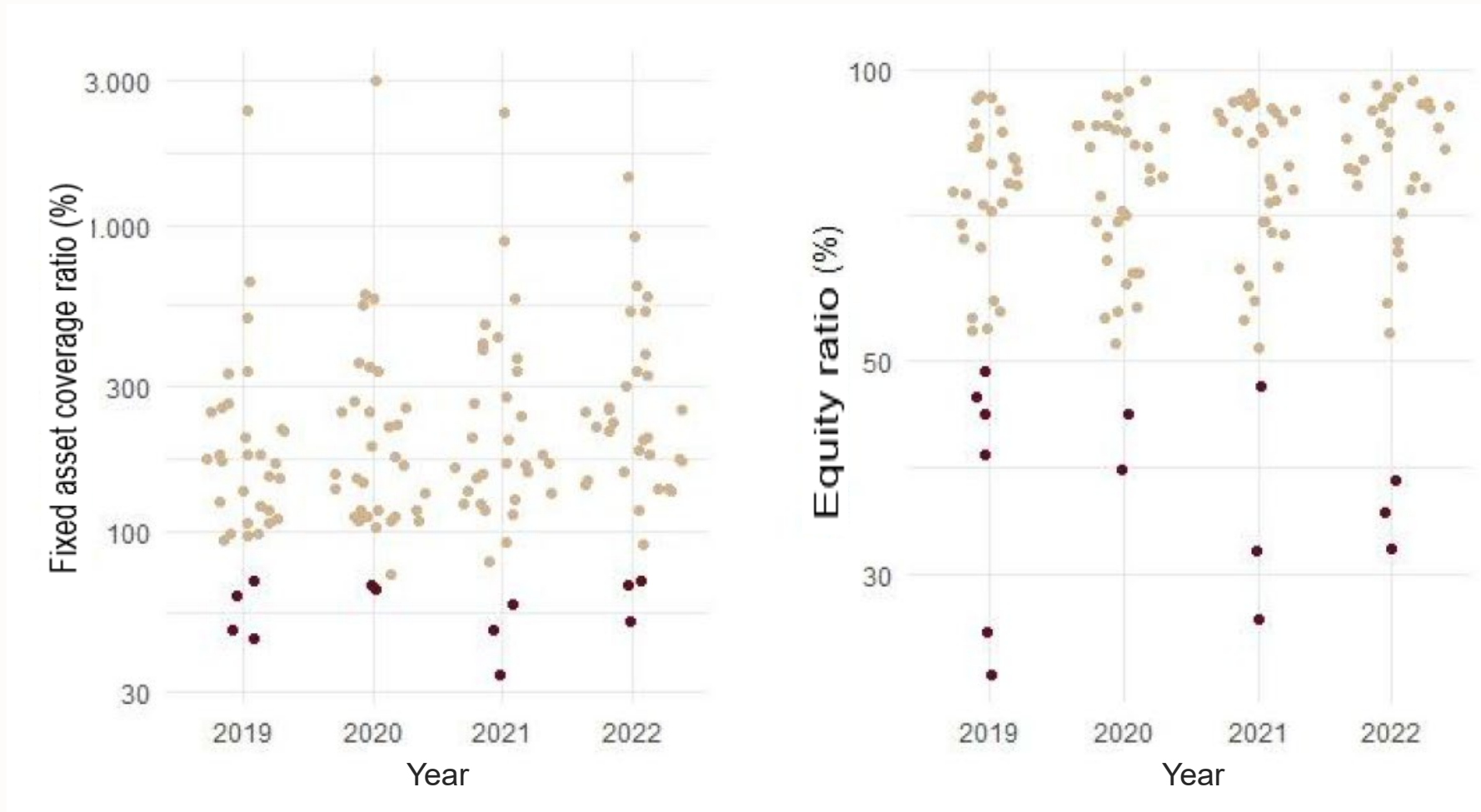
- Cash ratio
- Quick ratio
- Current ratio

→ takes into account different degrees of liquidity of assets.

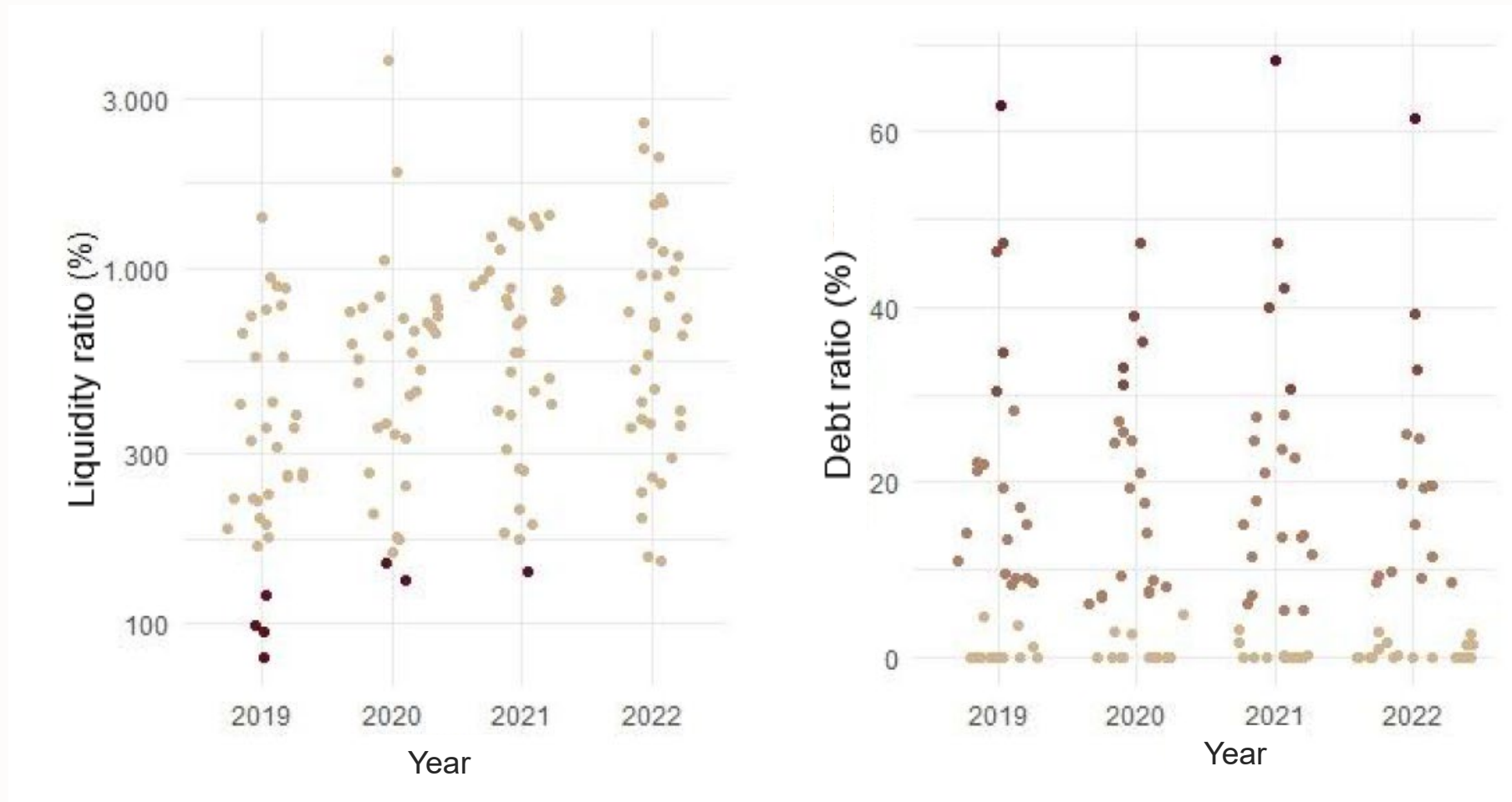
## Assessment of Financial Indicators (2019–2022)

- On average, the **financial indicators** showed good values:
  - Fixed asset coverage ratio: 281 %
  - Equity ratio: 74 %
  - Debt ratio: 13 %
  - Liquidity ratio: 644 %
- **Assessment:** According to the evaluation scheme of the supervisory authority, these values were on average classified as “good”; the debt ratio was even considered “low”.
- **Outliers:** However, when examined individually, up to 6 of the 34 Tourism Associations showed indicator values that were not classified as “good”.

## Indicator values during the audit period I



## Indicator values during the audit period II



## Analysis of Financial Indicators – Criticism and Recommendations

- **No conclusions drawn from indicators:** Significant deviations from the Tyrol average were not analysed.
- **Recommendation: Benchmark analyses** between Tourism Associations → identification of efficiency potential.
- **Recommendation: Medium-term financial trend analyses** → basis for risk-oriented audit approach.

## Audit of Financial Management – Criticism and Recommendations

- **Criticism:** The examination of financial management with regard to economy, efficiency and expediency was only carried out selectively → No systematic comparison between planned and actual results → No cost-benefit analyses of investments.
- **Recommendation:** The audit criteria of economy, efficiency and expediency should be applied more rigorously in the financial management audit of the Tourism Associations.
- **Development of audit plans:** Standardised procedures should be developed for financial management audits → The basis for the annual audit activity should be an audit plan defining the audits planned for a calendar year.
- **Recommendation:** When preparing audit plans, risk factors should be taken into account in addition to audit intervals, for example:
  - major investment projects
  - high levels of debt of individual Tourism Associations

# Thank you for your attention

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