

Special report on the funding of culture

Overview of observations made during the audit of the area of culture

Report of the National Audit Office to the Riigikogu. Tallinn, 6 February 2013

Summary

The purpose of the special report was to give an overview of how the areas of culture are supported from the budget of the Ministry of Culture's area of government. The National Audit Office looked for answers to the following questions:

- Is there a good overview of the state's activities in supporting the areas of culture and sports, and is support based on understandable choices?
- Is funding transparent and based on law?
- Is inspection of the expedient and lawful use of the allocated funds guaranteed?

The report covers the distribution of support in the areas of architecture, film, literature, art, heritage protection, museums, music, folk culture, public libraries, theatre and sports in 2011 and 2012. The National Audit Office did not audit the areas of media, cultural diversity and integration.

The budget of the area of government of the Ministry of Culture in 2011 was 173.1 million euros and it comprised 2.88% of total state budget expenditure.

The budget of the area of government of the Ministry of Culture in 2012 was 167.6 million euros (2.69% of total state budget expenditure).

According to forecasts the budget of the area of government of the Ministry of Culture will not increase considerably in the nearest future, and it's unlikely that culture will be a priority area during the next programme of European Union grants. However, the representatives of almost all areas pointed out that funding should be increased during the preparation of the new Cultural Policy Development Trends 2020. This means that strategic choices will become particularly important, as it's important to guarantee that the state's money is spent expediently and efficiently.

The National Audit Office has already highlighted problems in the distribution of the state's money as support and inspection of the use of funds in its earlier audits. Funding the area of culture has not always been transparent or expedient.

The National Audit Office found that attempts to eliminate problems in the organisation of the distribution of funds as well as the shortcomings in the inspection system have been made in the area of government of the Ministry of Culture. The situation has improved as a result of this. The National Audit Office is of the opinion that defining the roles of the different distributors of funds would help to streamline the funding system further. The bases of funding should also be brought in line with the principles set forth by law. Funding criteria should be agreed on and made public, and funding of culture should be tied to the clear expectations of the state.

■ The present funding system is not expedient or sustainable, because several bodies make decisions about supporting the same target group, activity or project. As a whole, such organisation of matters does not bring more money to the area of culture, but instead causes considerable expenses and increases the administrative burden of both the applicants and the persons who review the applications. Funding the same project or activity from several sources also makes inspecting the use of funds difficult and labour-intensive.

■ The general funding principles of the various areas of culture have been developed, but they are not always adhered to. Allocation of support to performing arts institutions, sports organisations and public libraries has not been lawful, because the support schemes do not meet the requirements set

forth in legislation. Supporting creative persons on the basis of the Creative Persons and Artistic Associations Act no longer proceeds from the initial objective of the act.

- Specific selection criteria that would help choose between the applications that comply with the general funding principles and make the decision-making process more transparent have mostly not been agreed on. Criteria have existed in some cases, but they have not been made public.
- The Ministry of Culture and the Cultural Endowment of Estonia have started to pay more attention to guaranteeing the objectivity of the decision-makers, but there have still been cases where the requirement of removal has not been adhered to in case of conflicts of interest.
- Official written justifications of support decisions are now issued. The Estonian Film Foundation (Estonian Film Institute) is the only one who does not provide official justifications of its decisions.
- Systems for inspection of the use of funds have been created. Project support reports are inspected more thoroughly than before, but inspection of the use of activity support should be improved. Substantive inspection of activities and prevention of double funding of the same activity is usually not achievable with the current funding system.

The **Minister of Culture** responded that as a result of the earlier audits carried out by the National Audit Office the Ministry of Culture has made several changes to guarantee that state budget funds are distributed more expediently, efficiently and transparently. The National Audit Office also mentioned the positive results of these changes in its audit, saying that the situation in the Ministry of Culture has improved when compared to previous audits. We believe that our cooperation allows us to provide an even better public service and use budget funds more efficiently.

The **managing director of the Estonian Film Institute** explained the differences in making funding decisions that arise from the specific characteristics of the area of film and found that amendment of the support allocation rules would help make the funding decisions clearer.

The **Estonian Olympic Committee**, the **Cultural Endowment of Estonia**, the **Gambling Tax Council**, the **National Heritage Board** and the **Estonian Folk Culture Centre** highlighted the changes concerning funding decisions that have already been made or are being planned.

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