



Summary
of the Audit on the State Subsidies for and
Financial Management of Theatres (1039)

Objective and scope of the audit

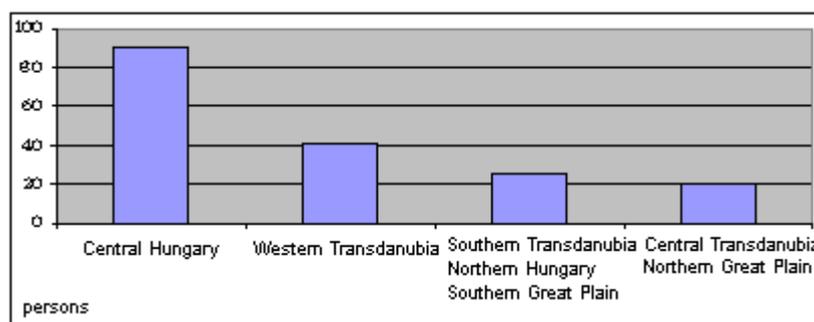
In accordance with its annual audit plan, the State Audit Office of Hungary (SAO) audited the operation of the system of state subsidies provided for the theatres, as well as the utilisation of these subsidies in the financial management thereof. In March 2010 the register of the Performing Arts Office contained 180 organisations involved in theatrical activities. In the audited period – that is, between 2006 and 2009 – a yearly state subsidy of HUF 27.9–30.8 billion was granted to the theatres. The fact that on 1 March 2009 the Act XCIX of 2008 on the Support and Special Employment Rules of Performing Arts Organisations took effect also contributed to the topicality of the audit. The adoption of the act resulted in significant changes in the system of state subsidies granted to theatres. According to the regulation, performing arts organisations – with the exception of state theatres – have been classified under six categories, based on the number of performances and that of premieres, in case of independent theatres taking into account the continuity of operation, too. As a new element of the subsidy system, the so called operator incentive contribution links one part of the central subsidy to the support granted by means of own resources of the theatre's operator. The amount of the operator incentive contribution depends on the number of audience. A new, indirect instrument of the system is the subsidy that can be granted for performing arts organisations since 2009 by the business sector, taking advantage of corporate tax allowances.

Main findings of the audit

1. In the financial management of theatres, irrespective of the operator, nearly two-thirds of the revenues resulted from state subsidies. However, the specification of those cultural, social and financial objectives and impacts the utilisation of public funds was aiming at, as well as the funding principles and methods promoting the realisation thereof, were not linked to the state subsidy system of theatres neither on sectoral nor on the operator's level. In relation to the theatrical sector no approved strategy or action plan was prepared. Consequently, the objectives indicated in government programmes and the draft documentation regarding sectoral plans were only partly achieved. On account of the

equality of cultural opportunities the reduction of the regional differences in the access to theatres did not take place. The number of theatre attendances per 100 inhabitants is twice as high in the Central Hungary region as in Western Transdanubia and more than four times as high as in the Northern Great Plain and Central Transdanubia regions.

The number of theatre attendances per 100 inhabitants in 2009



The objective to increase the international presence of national companies was not achieved, the number of performances abroad dropped by 15.2%.

2. The circle, tasks and funding principles of national theatres of priority support are not regulated. State theatres do not fall under the purview of the performing arts act, therefore there are significant differences in the subsidies granted to theatres holding the same number of audience and capable of the same artistic performance. In 2009 the subsidy per seat granted to state theatres was 2.5 times as high – HUF 2.1 million – as the average sum granted to theatres.
3. Following the entry into force of the performing arts act the system of subsidies became more transparent than previously, which motivates the operators to increase the sum of own support and the theatres to increase the number of audience and that of the performances of preferred genres. However, the present scheme of central subsidies granted to theatres does not take into account the financial needs of maintenance and development of real property. The theatres in possession of outdated infrastructure and of an operator lacking resources suffer a disadvantage, as in case of a smaller amount operator subsidy they are entitled to a smaller amount of central subsidy, too.
4. By way of tender applications, independent organisations were granted subsidies mainly for operational purposes and not for a production. The calls for proposals often failed to precisely specify the objectives and criteria of tendering, the possible ways of utilisation were widespread, the

transit time was long. The regular monitoring of and accounting for the appropriate utilisation of tender subsidies was not wholly ensured, the comprehensive evaluation of the utilisation did not take place. All of these factors decreased the efficiency of the utilisation of tender subsidies.

5. When specifying the annual subsidies for theatres, the Local Governments primarily focused on the maintenance of operability. In the course of the distribution of central budget and operator subsidies between theatres, changes in the artistic performance as well as in the expenses of the maintenance of the building and operation were not considered. In the audited period the operator subsidy granted by the Local Governments for the development of the theatre buildings dropped by 32.0% on the average. The missing reconstructions hindered up-to-date stagecraft achievements and profitable operation.
6. In the audited period the number of audience did not change in the theatres, the number of performances increased and due to the efficient utilisation of subsidies decreasing in real value the effectiveness of the theatrical sector did not fall back.

Recommendations

We recommended the Minister in charge of culture to have a cultural strategy prepared – including also the objectives of the theatrical sector – and, based on that, to have an action plan drawn up. We proposed that the Minister should have prepared the legislation governing the circle, tasks and funding principles of national cultural institutions. Also, we recommended taking the necessary measures in order to specify the rules concerning the utilisation of tender subsidies in alignment with the objectives of the cultural sector; scheduling the disbursements in compliance with the objectives; accounting for the utilisation and monitoring the adequacy thereof. Furthermore, we recommended the Minister to evaluate the accomplishment of the objectives set in the performing arts act following one whole budgetary year.