

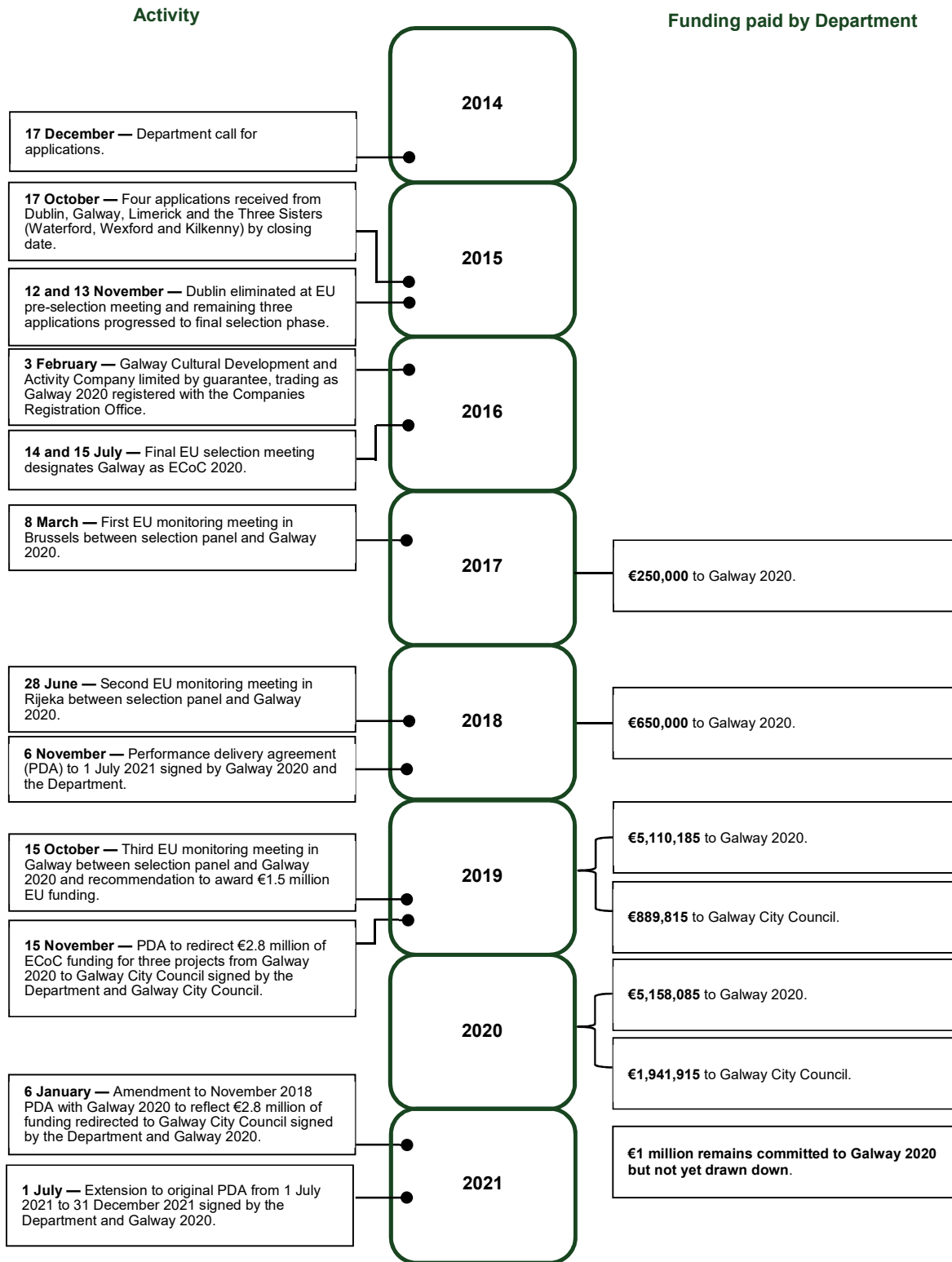
7 Oversight of funding for the European Capital of Culture 2020

- 7.1** The European Capitals of Culture (ECoC) initiative was developed in 1985 to highlight the richness and diversity of cultures in Europe, celebrate the cultural features Europeans share, increase European citizens' sense of belonging to a common cultural area and foster the contribution of culture to the development of cities.¹
- 7.2** In April 2014, the European Parliament and Council established a list of the member states that can apply to host the ECoC title annually from 2020 to 2033. Ireland and Croatia were listed for 2020.
- 7.3** Host member states publish a call for applications, usually through the government body in their country with responsibility for culture, six years in advance of the title year. Cities interested in participating must submit a proposal for consideration in the competition.
- 7.4** A panel of ten independent experts was appointed by the European Union institutions and bodies (European Parliament, Council, Commission and the Committee of Regions) to select the winning application. The Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media (the Department) decided not to exercise its right to appoint up to two members to the panel.
- 7.5** Galway was designated as the ECoC 2020 on the basis of the plans set out in its 'Bid Book' i.e. the application submitted on behalf of Galway to the EU panel. In accordance with EU regulations, Galway was required to engage in a monitoring process with the EU panel from designation of the title to secure the associated EU funding of €1.5 million. This funding is payable within the first three months of the particular year designated.²
- 7.6** The Department subsequently provided most of the funding for the operation of ECoC 2020 from its Vote. The timeline in Figure 7.1 summarises the key organisational events and voted funding.

¹ Decision No 445/2014/EU of the European Parliament and of the Council 16 April 2014.

² Payment of the funding (called the Melina Mercouri Prize) is subject to certain conditions being honoured as set out in Article 14 (2) of Decision No 445/2014/EU of the European Parliament and of the Council 16 April 2014.

Figure 7.1 Key organisational events and voted funding timeline



Source: Analysis by the Office of the Comptroller and Auditor General

Governance and oversight arrangements

Company incorporation

- 7.7** Galway Cultural Development and Activity Company limited by guarantee, trading as Galway 2020, is an independent legal entity and is not a subsidiary of any national, regional, or local agency. The company's main objective is the creation, organisation, promotion and sustainable development of artistic and cultural activities domestically and internationally for social, industrial or commercial benefit resulting in the direct or indirect enhancement of Galway City, Galway County and the wider community.¹
- 7.8** The subscribers to the company's memorandum of association signed in December 2015 were
- the then Chief Executive, Galway City Council
 - the interim Chief Executive of Galway County Council, and
 - a Senior Executive Officer, Galway City Council.
- 7.9** The Chief Executive of Galway City Council and the Chief Executive of Galway County Council were appointed board members at incorporation stage. The application states that in order to ensure appropriate connection between Galway 2020 and Galway City and County Councils, the chief executives of both councils will each have power to appoint one director of the company — they were free to appoint themselves to these positions.
- 7.10** Previous 'capital of culture' designations in Ireland (i.e. Dublin, Cork and Limerick) were managed by the relevant city councils.² The Department stated that while the model of an independent company was different to the previous capitals of culture in Ireland, a special purpose company or foundation is regularly the model chosen by other European capitals of culture. Recent examples include Aarhus 2017, Leeuwarden 2018 and Matera Basilicata 2019.

Board of directors

- 7.11** The final application states that the company may have up to 15 Board members. The role of the Board is detailed in the application, and includes *inter alia*
- the employment of senior executives to the company
 - establishing, and ensuring the implementation of, strategic policy objectives
 - ensuring the highest standards of governance and transparency
 - appointing sub-committees/working groups to ensure that the company has access to the broadest range of specialist expertise and advice in all aspects of its work
 - accounting fully for its activities at the end of Galway 2020 and in particular providing leadership and continuity towards maximising the legacy benefits of the ECoC year.
- 7.12** Since its inaugural meeting in June 2016, there have been 28 different board members and just two of the original board members are still serving. The average length of time each board member served to year end 2020 was two years and three months.

¹ Memorandum of association, Companies Registration Office.

² Dublin was designated European city of culture in 1991. Cork was designated the European capital of culture in 2005. Limerick city was awarded an inaugural designation of National city of culture for 2014 which was not a European designation.

- 7.13** Since April 2017, there has been a nominee of the Minister on the Board of Galway 2020. However, the Department has stated that it has no role in the Board of Galway 2020 or its operations. The Department did not receive the terms of reference of the sub-committees of the Board, minutes of Board meetings or minutes of any sub-committee meetings.

Recruitment — CEO and Creative Director positions

- 7.14** As part of the application, Galway 2020 committed to the principle of open competition for the recruitment of the CEO and Creative Director positions, stating that both positions would be filled by open recruitment on an international basis. Both posts were filled through appointments made in May 2017 (CEO) and July 2017 (Creative Director).
- 7.15** The Creative Director resigned in May 2018 and the CEO resigned in September 2018. The CEO position was subsequently filled via a secondment of a Galway City Council official in October 2018. The Creative Director position was filled through the appointment of Artichoke, a private company appointed in January 2019 to lead Galway 2020 and to raise funds for the project.

Performance delivery agreement

- 7.16** A performance delivery agreement (PDA) between the Department and Galway 2020 was signed on 6 November 2018 to define the respective roles and responsibilities of the Department and of Galway 2020. The PDA covered the period to 1 July 2021 and aimed to ensure resources are used in an effective and cost-effective manner to deliver an agreed work programme by Galway 2020.¹
- 7.17** The PDA commits to ensuring that representatives of the Department attend both bi-lateral monitoring meetings with Galway 2020 and separate meetings with the local authorities (i.e. the other public funders) at least quarterly. The number of bilateral meetings held subsequently was in line with the PDA commitments, until the onset of the Covid-19 pandemic in March 2020.
- 7.18** The Department stated that the bi-lateral monitoring meetings were subsumed into fortnightly meetings with the Galway 2020 executive, which commenced in August 2020 subsequent to the Minister's approval of a restructured cultural programme. The Department also stated that, in 2020, subsequent to a hiatus in cultural programme activity as a result of the pandemic, meetings with other public funders recommenced in the quarter following the launch of the restructured programme.
- 7.19** The PDA is subject to annual review, as part of the bilateral review meeting process. The Department stated that a review which commenced in November 2019 was paused due to the onset of the pandemic in March 2020. The review recommenced in the second half of 2020, resulting in an amendment to the PDA being signed in January 2021. Minutes of the quarterly meeting between the Department and Galway 2020 in December 2019 note the PDA was discussed and the topic of disposal of assets purchased by Galway 2020 from Department grant funding was raised. The Department was to amend the PDA to address the disposal of assets and circulate the draft for agreement.

¹ Performance delivery agreement between the (then named) Department of Culture, Heritage and the Gaeltacht and Galway Cultural Development and Activity Company limited by guarantee T/A Galway 2020. See Annex 7A.

- 7.20** The amendment to the Galway 2020 PDA signed in January 2021 reflected a decision that €2.8 million of the €15 million commitment to the ECoC would be paid directly by the Department to Galway City Council.¹ The provision of this funding to the City Council was already reflected in a separate PDA entered into between the Department and the Council in November 2019.
- 7.21** The Department has stated that the Galway 2020 PDA was reviewed again prior to the signing on 1 July 2021 of an agreement for extension of the programme to end December 2021 and that no changes were made.
- 7.22** Galway 2020 is required by the PDA to comply with relevant statutory and funding requirements such as the Department of Public Expenditure and Reform circular 13/2014 *Management of and Accountability for Grants from Exchequer Funds, Public Financial Procedures*, relevant provisions of the Companies Act, the requirements of the Revenue Commissioners, the Charities Regulator, the *Public Spending Code* and the General Data Protection Regulation.

Circular 13/2014 compliance

- 7.23** In the course of the audit of the 2019 appropriation account for Vote 33 Culture, Heritage and the Gaeltacht, it was noted that Galway 2020's annual financial statements for 2018 were not in compliance with the requirements of circular 13/2014. The non-compliance was in respect of the information grantees must report in their financial statements. The audit also noted there was no evidence that the Department had reviewed the company's financial statements for 2018 for compliance with the disclosures required in the circular, or undertaken any follow-up in that regard.
- 7.24** In its response to the audit's enquiries, the Department stated that the auditors of Galway 2020 would prepare a supplementary schedule for the 2018 and 2019 financial statements which would outline the information required under the circular.²
- 7.25** The Department could not provide evidence of having received the declaration required under the circular where funding is being provided as part of a co-funding arrangement. In such co-funded cases, the source, amount and purpose of all other funding the grantee receives along with a declaration that there will be no duplication of funding for the same activity/project, is required annually. This declaration should also state if the Exchequer funding from all sources exceeds 50% of total income.
- 7.26** The Department stated that while the requirement for an annual declaration was not specified in the PDA, a compensating control is in place whereby for each funding drawdown request to the Department, the Chief Executive of Galway 2020 confirms that there is no duplication of funding for the project/activity and that Galway 2020 also reports quarterly on all income and expenditure under the project.

Financial reporting standards

- 7.27** Up to and including the 2018 financial year of the company, Galway 2020 prepared its financial statements in line with the requirements of the Companies Act 2014.
- 7.28** In 2019, Galway 2020 was granted charitable status. The 2019 financial statements for the company state they are also compliant with the (UK) Charities Statement of Recognised Practice (SORP). This requires the disclosure of significantly more information of value to funders and the general public in the financial statements than is required under the Companies Act 2014.

¹ The change in funding did not impact on the role of Galway 2020 as coordinator of the overall delivery of all elements of Galway 2020 ECoC.

² The supplementary schedule discloses that the purpose of the funding is for charitable activity.

Funding

Income

- 7.29** Funding commitments of €12 million were secured by Galway 2020 from Galway City and Galway County Councils in advance of the final selection phase for the ECoC 2020 and formed part of the budget submitted in the application to the EU selection panel.
- 7.30** Also in advance of the final selection for the ECoC, the Department committed in principle to provide €15 million in funding from the Vote. The amount committed was subject to Exchequer funding not exceeding 50% of the overall financial cost of the event.¹ The PDA between the Department and Galway 2020 reflects the Department's funding commitment, but does not specify the requirement for the amount not to exceed 50% of overall funding.
- 7.31** Up to the end of 2020, the Department had paid €11.2 million to Galway 2020 in direct Exchequer funding — this was 54% of Galway 2020's cumulative income. The Department also paid €2.8 million to Galway City Council as provided for in the 2019 PDA with the Council. This amount was to fund three of Galway 2020's original planned projects — Mirrored Pavilion, Middle Island and Gilgamesh² — and was paid through grant drawdowns. The Department stated that it has checks in place for the drawdown of funds to ensure Galway City Council's compliance with the requirements of the PDA, which include
- a written drawdown request signed by the Council's CEO, or the Director of Services on his behalf
 - a copy of the latest quarterly management report from Galway 2020 outlining progress against cultural programme milestones
 - evidence of payment by the Council of the previous drawdown
 - a copy of the cashflow(s), evidence of expenditure by the grant recipient and evidence of department checks on all drawdowns.
- 7.32** Figure 7.2 analyses the projected and actual income for Galway 2020 from 2017 to 2020.
- 7.33** The application budgeted for EU income of €3 million. EU funding of €1.5 million was paid directly to Galway 2020 in February 2020 in accordance with EU regulations. The remaining €1.5 million in EU funding envisaged in the application was funding that could be applied for but was not associated with the ECoC designation. The Department confirmed that no other EU funding was applied for by Galway 2020.
- 7.34** By comparison to the funding profile outlined in the application and the amended PDA, Galway 2020's income to the end of 2020 was significantly lower. While the reduction in projected income is significant, it is not evenly spread throughout the various funding sources (see Figure 7.2). The Department stated that the onset of Covid-19 in early 2020 halted further local authority and private sector funding. The Department has also indicated that a further €1 million remains committed to the programme.

¹ Government decision S180/20/10/1629.

² The three projects formed part of the 'Weigh Anchor' project.

Figure 7.2 Analysis of projected and actual funding, 2017 to 2020

Income source	Projected ^a		Actual		Variance	
	€m	% ^b	€m	%	€m	%
Department	15.0	33	14.0 ^c	61	-1.0	-7
Local authorities	12.0	26	6.0	26	-6.0	-50
Region	3.5	8	—	—	-3.5	-100
EU	3.0	7	1.5	7	-1.5	-50
Private sector	6.8	15	1.0	4	-5.8	-85
Other	5.5	12	0.4	2	-5.1	-93
Total	45.8		22.9		-22.9	

Source: Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media. Analysis by the Office of the Comptroller and Auditor General.

Notes: a Projected income as per application.

b Any apparent differences in total of percentages is due to rounding.

c This includes €2.8 million paid to Galway City Council to deliver projects planned as part of ECoC 2020.

Private sector income

- 7.35** The Galway 2020 ECoC application envisaged €6.8 million private sector income which comprised sponsorship and box office receipts. The actual income of €1 million reported by Galway 2020 includes €401,141 cash and €520,958 in 'in kind' income being a cost estimate for the time and other resources provided by stakeholders.
- 7.36** The total box office income received by Galway 2020 was €36,180 [2020: €14,976, 2019: €21,204]. This amount is net of €58,465 refunded for events cancelled due to Covid-19.

Expenditure

- 7.37** The PDAs between the Department and Galway 2020 and the Department and Galway City Council require both Galway 2020 and the Council to provide material to facilitate written responses to any correspondence sent to the Minister about processes and procedures regarding the expenditure of the €15 million grant. The relevant clause in each PDA covers the period 2017 – 2020, and through an arrangement with Galway City Council for a period of six years thereafter.
- 7.38** In line with the PDA between the Department and Galway 2020, an independent accounting firm carries out a quarterly financial review of Galway 2020's records and its findings are reported to the Department. These reviews commenced in Q4 2018 and all reviews have asserted that given its size and structure, Galway 2020 "has followed best practice in transparency, accountability and securing value for money".
- 7.39** Figure 7.3 analyses the projected and actual expenditure for Galway 2020 from 2017 to 2020.¹ The Department stated that expenditure by Galway 2020 was managed as part of the approved restructured cultural programme in July 2020, to ensure that it remains within the existing Exchequer allocation as per the requirements of the approval.

¹ A further €2.2 million was spent by Galway City Council as part of the bid phase.

Figure 7.3 Analysis of projected and actual expenditure 2017 to 2020

Category	Projected €m ^a	Actual €m ^b	Variance
Programme expenditure	33.4	13.6	-59%
Promotion and marketing	5.5	1.8	-67%
Wages, overheads and administration	6.9	5.4	-22%
Total	45.8	20.8	-55%

Source: Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media. Analysis by the Office of the Comptroller and Auditor General.

Notes: a Projected expenditure extracted from the application.

b Actual expenditure extracted from the independently audited 2017, 2018 and 2019 financial statements and the draft 2020 financial statements.

Arrangements to evaluate the effectiveness of expenditure

Performance delivery agreement (PDA)

- 7.40** The PDA between the Department and Galway 2020 requires the latter to provide a management report to the Department prior to the bilateral quarterly meetings on progress on agreed milestones under the key performance indicators (KPIs) to include the following sections
- overview of progress on delivery of the programme
 - updates on governance arrangements, risk management and staffing
 - budget v expenditure
 - progress on partnership programmes, and
 - progress on the monitoring and evaluation, and legacy programmes.
- 7.41** KPIs are measurable values that demonstrate how effectively an intervention is achieving key objectives and should offer a comparison that gauges the degree of performance change over time.
- 7.42** The KPIs specified for reporting by Galway 2020 do not include measures such as 'Exchequer funding as a percentage of total funding' or 'payroll and administration costs as a percentage of total expenditure'.
- 7.43** The Department stated that the management report provides quarterly updates on progress against milestones under all KPIs set out in the schedule to the PDA. It stated that these include, under the 'finance and audit' KPIs, a quarterly update and breakdown of income and expenditure based on the quarterly review by the independent auditor.

Independent evaluation

- 7.44** The application describes the plans for monitoring and evaluating the impact of the designation as ECoC on the city and disseminating the results of the evaluation. There is a proposed schedule of activities listing the timeline, activities and outcomes.

- 7.45** Galway 2020 openly advertised (on eTenders) in June 2019 for a key partner for the monitoring and evaluation programme. An independent evaluation organisation (the Audience Agency) was awarded the contract. The contract for this work is between Galway 2020 and the Audience Agency. The total value of the winning tender was €199,450, of which just under 90% was paid by year end 2020.
- 7.46** The Department has stated that an interim evaluation report, covering the period to December 2020, included data collection and analysis on audience engagement with events and the volunteer programme up to that point, and that data from other identified key stakeholders would be collected later in the evaluation.¹ For this reason, the interim report notes that the data presented should only be taken as indicative.
- 7.47** The final monitoring and evaluation report is scheduled for delivery by the end of 2021 and will include results on the number of cultural organisations supported, the jobs created to deliver the programme, new projects commissioned, cultural capacity developed, events held, audience numbers and a breakdown of the total income and expenditure. It will also address the impact of the Covid-19 pandemic on the achievement of the overall aims of the project. Annex 7B outlines the response to the impact that the public health restrictions had on Galway 2020.

Winding down of Galway 2020

- 7.48** At its meeting in April 2021, the Board of Galway 2020 agreed to retain the company in place beyond June 2021 to facilitate the legacy planning phase of the Galway 2020 project. That legacy planning phase is now under way with stakeholder consultation planned over the coming months. This phase will also include an examination of the options for the delivery vehicle(s) for legacy and the Galway 2020 company will be one of the options under consideration in this regard.

Conclusions and recommendations

- 7.49** The model chosen for delivery of the Galway ECoC 2020 was different to that previously used for similar events for other Irish cities. An independent company was used. There was significant turnover in the membership of the company's board of directors. There were also significant changes in the executive leadership of the company early in the planning of the ECoC programme.
- 7.50** At the outset, it was envisaged that the majority of the funding for the activities of the company would be non-Exchequer sourced. However, the company has relied on Exchequer-funded grants for the majority of its funding. The Galway local authorities have provided a substantial part of the other funding.
- 7.51** The projected level of funding for Galway 2020, especially from private sector sources, did not materialise. As a result, the Department/Exchequer became the majority (61%) funder of the ECoC 2020. This was contrary to a government decision that Exchequer funding would not exceed 50%. When local authority funding of the company is included, the total public funding portion rises to 87%.
- 7.52** Part of the Exchequer contribution to the ECoC was the provision of €2.8 million in funding to Galway City Council in respect of three projects which formed part of the overall Galway 2020 programme. The Department entered a separate bilateral agreement with the Council for the latter to deliver the projects.

¹ The interim report, drafted in March 2021, has not yet been finalised.

- 7.53** Initial public financial reporting by the company was limited. While the 2018 financial statements were prepared in compliance with Companies Act 2014 requirements, the level of disclosure was significantly less than was appropriate for a company that relied significantly on Exchequer funding. It also did not comply with the disclosures required under the Department of Public Expenditure and Reform's directions on reporting for grants from Exchequer funds. This was largely addressed when the company became a charity, and was subject to a more transparent financial reporting standard. In addition, the Department made arrangements for the auditors of Galway 2020 to prepare a supplementary schedule to provide assurance on the company's compliance with the grant reporting framework.

Recommendation 7.1

The Department should put in place robust controls to ensure compliance of future grantees with relevant grant management and reporting requirements.

Accounting Officer's response

Agreed.

The Department will continue to work to ensure that all relevant grant management provisions are fully incorporated and implemented as part of future oversight of and reporting on grants.

- 7.54** Delivery of the planned programme for Galway ECoC 2020 was significantly more limited than was originally planned. Apart from the impact of private sector funding levels being significantly less than originally envisaged, the scheduled programme was also very significantly disrupted by restrictions imposed nationally in response to Covid-19.
- 7.55** A process is underway to formally assess the effectiveness of the ECoC. This is being undertaken by independent evaluators, and should help to identify lessons that will inform similar projects or proposals in the future.

Annex 7A Summary of performance delivery agreement (PDA) commitments

State body	Commitments
Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media	<ul style="list-style-type: none"> ▪ Provide funding of no more than €15 million to Galway 2020 for the delivery of the programme Making Waves, on the basis of the agreed key performance indicators and schedule, and subject to the relevant legislative, policy, financial and reporting requirements. ▪ Provide funding according to a mutually agreed schedule in respect of eligible expenditure incurred, including qualifying administration costs. ▪ Appoint a representative of the Minister to serve on the Board of Galway 2020. ▪ Ensure that representatives of the Department attend both bi-lateral monitoring meetings with Galway 2020 and separate meetings with Galway 2020 and the other public funders at least quarterly. ▪ PDA will be subject to annual review at the relevant quarterly review meetings with the Department. ▪ PDA amended in January 2021 to reflect funding of €2.8 million redirected to Galway City Council for three ECoC productions reducing the original committed funding to €12.2 million.
Galway 2020	<ul style="list-style-type: none"> ▪ Deliver an effective programme for the European Capital of Culture 2020 according to an agreed schedule and in line with Making Waves. ▪ Establish an evaluation and monitoring programme with the National University of Ireland Galway (NUIG) in consultation with the Department. ▪ Deliver a legacy programme arising from the European Capital of Culture Programme. ▪ Comply with the following drawdown requirements <ul style="list-style-type: none"> • apply in writing for each drawdown of the grant • ensure the request is inclusive of a progress report, updated cash-flow statement and a quarterly independent auditor's report. ▪ Hold quarterly meetings with all public funders of Galway 2020 and separate bi-lateral meetings with the Department regarding the progress against milestones under the agreement. One week prior to these meetings, Galway 2020 must provide <ul style="list-style-type: none"> • a management report to the Department on its progress in meeting the agreed milestones in accordance with the KPIs • an independent auditor's report that confirms that best financial practice has been applied in respect of funds being drawn down. ▪ Comply with the recommendations of the EU Expert Panel for the European Capital of Culture. ▪ Develop, implement and monitor programmes, including communications, volunteers, business, tourism and branding. ▪ Ensure that representatives of Galway 2020 attend both bi-lateral monitoring meetings with the Department and separate meetings with the Department and the other public funders at least quarterly.
Mutual	<ul style="list-style-type: none"> ▪ Commit to proactive co-operation and timely communication. ▪ Provide prompt and timely responses to correspondence, information requests and related matters. ▪ Keep each other fully informed and updated on all relevant issues. ▪ Adhere to Public Spending Code, public financial procedures, procurement legislation and all other legislative, policy and reporting requirements.

Source: Performance delivery agreement 2018 (as amended January 2021)

Annex 7B Public health restrictions impact on Galway 2020 — timeline

7 April 2020	Galway 2020 issue statement on future of programme to be considered.
28 May 2020	Galway 2020 submit revised programme, in light of the impact of Covid-19 on funding and operations, to the Department for approval.
15 July 2020	Department approve revised programme.
August 2020	Fortnightly meetings between the Department and Galway 2020 commenced and continued to quarter 2 2021.
September 2020	Various projects given the option to take place virtually or postpone until a time when they can take place in person.
October 2020	Events move to an online platform and any in-person events are postponed.
November 2020	Agreed that the Department must clear any press statements in relation to postponement of events.
December 2020	Contingency planning for level 5 lockdown impact on programme. Level 5 lockdown announced 30 December.
January 2021	Amendments to PDA signed as of 6 January 2021.
March 2021	Only online events are taking place; filming for online projects is allowed but only with essential workers and nothing is to take place that will encourage gatherings.
April 2021	End of level 5 lockdown in early April. Final set of 50 events to take place before the ECoC 2020 designation ends on 30 April.

Source: Analysis by the Office of the Comptroller and Auditor General