



CONSTRUCTION OF “ARQUIPÉLAGO – CONTEMPORARY ARTS CENTER” WITHOUT COST-BENEFIT ANALYSIS AND WITH UNDUE OR IMPROPER PAYMENTS

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The Court released the audit findings regarding the physical and financial execution of “Arquipélago – Contemporary Arts Center”, a project promoted by the Azores Autonomous Region (AAR), through the Regional Directorate for Culture (RDC), with European Union (EU) funding by the European Regional Development Fund (ERDF).

The audit assessed the legality and regularity of the underlying transactions, focusing on the European funding as well as evaluating the projects sustainability, based on the first three years of operation.

The EUR 17.5 million investment in the project (EUR 5.9 million by the Regional budget and EUR 11.6 million by the ERDF, the latter representing 66.3% of the total cost), was not preceded by a cost-benefit analysis that examined feasible alternatives to the base project and forecasted long run operating and maintenance costs, aiming to evaluate the projects budgetary sustainability.

The Court recommends the Regional Secretariat of Education and Culture (RSRC), to consider long run operating and maintenance cost estimates while in the decision-making process of evaluating government investments.

The audit also concluded that there were misregistered, invoiced and paid construction works that were not carried out adding EUR 71 600 to the project. This misconduct resulted in EUR 3 276 of undue or improper payments since that there were executed complementary works tallying to EUR 68 324, which were submitted to ERDF funding by the RDC, putting at risk the legality and regularity of this expenditure.

The Court recommends the RDC to implement appropriate control mechanisms focused on achieving rigorous construction works supervision, ensuring that only actual work is stated in the invoice's measurement book. Similar recommendation was expressed in a previous audit report and is, therefore, restated.

Upon project closure or within the close-out phase, an additional public works contract was signed with the same constructor, preceded by a restricted procedure, fully executed and paid (EUR 148 300 plus VAT). This complementary works were executed without the new contract being sent to this Court for validation, as required, since it was related with the initial contract.



Therefore this Court recommended the RDC, to ensure the submission to *ex-ante* review the contracts that, by themselves, or added to others that they are related with or appear to be related to, exceed the annually set limit inscribed in the State Budget Law.

“Arquipélago – Contemporary Arts Center” has been open to the public since April 2015, lacking the required utility license that should be issued by Ribeira Grande municipality. RDC informed that the venue does not require one, because it is not an artistic venue. Nevertheless stated that the project includes an auditorium for 200 people, dressing rooms and ticket office, where various shows have been promoted, namely film cycles, documentary screenings, plays and concerts.

Since 2020 “Arquipélago – Contemporary Arts Center” became one of RDC’s external services, endowed with administrative autonomy, relying its future sustainability on regional budgetary margin to accommodate the financial resources to fund the projects operational and maintenance costs, which ranged within EUR 717 000 and EUR 838 000 between 2014 and 2017.