



The Art of Governing – the Government's management of cultural sector institutions

The Swedish National Audit Office (Swedish NAO) has audited the central governance of government agencies, state-owned companies, foundations and of non-profit and economic associations in the cultural sector.

Background

Compared to other policy areas, the cultural sector stands out in certain aspects relating to administrative policy and governance. The sector is characterised by a large number of small government agencies and a large diversity of operational forms. Aside from government agencies, there are economic associations, non-profit associations, foundations and state-owned companies.

In addition to these factors – i.e. the large number of institutions and the diverse operational forms – the cultural sector is a policy area characterised by a strong autonomy norm. This is often referred to as the arm's length principle. This means that Swedish cultural policy aims at creating the best possible conditions for artistic creativity, while matters relating to the content and quality of the art are customarily left to those working in the sector.

This audit is divided into three questions, with the aim of determining whether the central governance of the cultural sector fulfils the criteria set by the Riksdag for the management of central government operations.

- Is the central governance clear and result-oriented?
- Is the central governance adapted to the different operational forms of the institutions?
- Is the central governance long-term and strategic?

Audit results

The central governance has become clearer

The Swedish NAO has repeated a survey conducted by the Ministry of Culture in 2010 at the institutions with which the ministry had an annual dialogue. The survey conducted by the Swedish NAO in 2018 shows that the institutions engaged in annual dialogue with the Ministry of Culture are generally satisfied with the formal governance and deem it to be clear. The instruction, which is a central steering tool for government agencies, and the appropriation directions (or corresponding document for institutions that are not government agencies) are considered to regulate the right elements. The formal governance is perceived to work better now than in 2010. At the same time, the institutions that meet with the Ministry of Culture for annual dialogue find they have opportunities to discuss the formal governance to a greater extent than those that do not engage in such annual dialogue. Furthermore, the government agencies are more satisfied with the annual dialogue than the other institutions.

The documentation in the form of analysis memorandums produced by the Ministry of Culture in preparation for the annual dialogue is slightly more comprehensive for the government agencies than for foundations, companies and associations above all because it discusses the agencies' employer responsibilities and financial results to a greater extent.

When it comes to informal contacts, the survey conducted by the Swedish NAO shows that it is more common for administrators to have informal contacts with government agencies than with other types of institutions. The institutions in the survey have almost uniformly made the assessment that there is no risk of these informal contacts leading to any form of undue influence.

The central governance of the cultural institutions has become more result-oriented during the period. There appears to be a greater consensus between the Ministry of Culture and the institutions on how to report performance and costs.

The central governance is not sufficiently adapted to the different operational forms of the institutions

The heads of the cultural institutions essentially perceive the central governance to be well adapted to the direction and scope of their activities. However, the Swedish NAO makes the assessment that the central governance is not sufficiently adapted to the different operational forms in the sector.

The annual dialogue is conducted more or less in the same way for all the institutions. The Government sets guidelines or conditions for public funding to the cultural sector companies

and foundations in order to carry out certain tasks. This is a form of influence that risks creating uncertainties.

The Royal Opera and the Royal Dramatic Theatre are companies with certain societal functions, and they receive funding to carry them out. The Government's guidelines for these companies contain reporting requirements as well as requirements for the companies' activities linked to the public funding. Unless the Government ensures that the content of the guidelines corresponds to that of other policy documents established by the shareholders' meeting, there is a risk of conflicting goals. If there is a conflict the board must by law prioritise the instructions from their shareholders. Guidelines established by the Government have no validity in company law, and the boards of these companies have no obligation to comply with them. If the boards find it necessary to make a different prioritisation than what the Government has recommended, the Government risks not getting what it expects in return for public funding allocated to the companies.

The Swedish NAO's audit of the Government's insight into and monitoring of public foundations in 2008 found that the Ministry of Culture was managing these foundations as if they were government agencies. The Swedish NAO makes the assessment that this is still the case. The guidelines or conditions set out by the Government are not legally binding for the foundations. It is likely that the foundations adhere to the guidelines in order to receive public funding. However, here there is also a risk of conflicting objectives. In which case the board must prioritise in accordance with the statutes of the foundation. This means that the Government is again at risk of not getting what it expects in return for the public funding allocated to the foundations.

The central governance is characterised by longevity

The Ministry of Culture has been working actively with the development and review of institutions and operations. It has audited several institutions over the years. In some cases, institutions have been merged and in other cases tasks have been moved from one institution to another.

Another aspect of the Government's long-term and strategic management is the process surrounding the annual dialogue with the institutions. This process is well-established and documented. This creates good conditions for long-term governance, and it makes it easier for new key individuals at the Ministry and at the institution to access the content of earlier dialogues. The history and the knowledge of the activities are thereby institutionalised and not tied to individuals. Documentation also improves the possibilities for the Riksdag to exercise control and insight.

Recommendations

The Swedish NAO addresses the following recommendations to the Government.

- The Government should consider implementing their guidelines for state-owned companies through owner instructions.
- In dialogue with the foundations, the Government should ensure that the guidelines or conditions for public funding do not contradict the statutes of the foundations.