

# Audit report on the Centre for the Development of Industrial Technology's control procedures for managing aid granted in 2019 and 2020 under COVID-19 measures

Performance audit

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**FULL REPORT (ES)** 

## What we assessed and why

We assessed the internal control system of the Centre for the Development of Industrial Technology (CDTI), a Spanish public body, with regard to its main activity: managing aid (partially repayable loans and subsidies) for research, development and innovation (RDI) projects. Managing, granting and monitoring aid in the area of RDI entails a greater subjective element, meaning fewer objective and quantifiable criteria as well as greater technical complexity than in other areas. This constitutes a higher management risk and calls for a sound internal control system to minimise or eliminate such risks.

We therefore examined whether the CDTI's:

- aid management system to finance company projects includes procedures and controls that are in line with the principles of good management, legality and the promotion of RDI;
- internal control system includes promoting ethical conduct and good practice, as well as preventing and detecting behaviour that is not consistent with either, to ensure integrity and a strong control and compliance environment for its aid management;
- procedures and controls for managing aid for companies were impacted by the COVID-19 pandemic (impact analysis).

## What we found

According to our findings:

- Procedures and controls for managing aid were formalised at an overall process level. Formalising a second level of controls, including specific tasks or procedures, was pending completion. Despite this, these controls were applied in practice and, to a large extent, included in the IT tool used for managing aid. However, certain controls were not included in the tool and were not set out in any written procedure.
- The internal control system included a process for monitoring and evaluating the impact of aid for R&D projects, based on surveys of beneficiaries. However, it did not include regular, systematic reports arising from this monitoring and evaluation.





- There was no specific department for monitoring the effective implementation of approved procedures and controls.
- The CDTI placed great importance on its anti-fraud policy, but did not take the necessary measures to promote a culture of ethics and compliance in order to raise awareness of its ethical principles and values, and encourage compliance. Therefore, although it has adopted preventive controls that are specific and relevant, its anti-fraud policy is fundamentally geared towards detecting, correcting and prosecuting fraud, as opposed to preventing it.
- The CDTI adapted its aid management measures following the declaration of a state of emergency in March 2020, notably by:
  - prioritising what it deemed “emergency” projects when granting partially repayable loans;
  - replacing the “guarantee reduction mechanism”, an economic recovery measure under which the CDTI bore a share of the risk for its loans, through a guarantee fund provided for in the General State Budget (the “Cervera Fund”);
  - providing only €12 million in grants to alleviate the impact of COVID-19, through a call for proposals. In accordance with the Royal Decree-Law 8/2020 of 17 March 2020 on urgent and extraordinary measures to address the economic and social impact of COVID-19, the call was exempt from the Spanish General Subsidies Law. However, the CDTI followed a procedure similar to the one laid down by this legislation, but with some significant differences, namely:
    - it was not competitive;
    - the full grant amount was paid as one single advance payment;
    - there was no reference to previous legal bases;
    - the call was not published in Spain’s Official State Gazette, although it was published in the National Subsidies Database and on the CDTI’s website.

## What we concluded

Overall, the CDTI’s internal control system for its aid management in 2019 and 2020 can be considered adequate. The measures implemented in light of the COVID-19 pandemic were reasonable in relation to the objectives, and have not undermined the proper functioning of its internal control system. However, the CDTI failed to promote awareness of its ethical principles and values, and to encourage compliance in its aid management.