Summary of the findings of audit 18/11

The objective of the audit was to verify whether the provision and use of state funds at the Ministry of Health (hereinafter "MoH") for the support of the development and restoration of the material and technical base of the regional health system were compliant with the law, effective and economical. The audit focused on financing provided in programme no. 235 210 – *Support of the development and restoration of the material and technical base of the regional health system* (hereinafter "programme 235 210"), actual use of the subsidies by the beneficiaries or programme participants and the performance of the programme manager at MoH.

During the audit of selected actions, the SAO determined that programme participants violated public procurement law and failed to comply with basic parameters of the action. In two cases, the Office's verdict was breach of budgetary discipline. In addition to making formal errors in processing the actions, the MoH also incorrectly allocated state budget funds to an investment that was not in line with the objectives set in the programme documentation. However, the SAO believes that the most significant issue was that the MoH did not fulfil its duty as administrator of programme 235 210 in accordance with the basic principles of programme financing, but performed only formal administration of the provision of subsidies.

1. MoH had no vision for regional health facilities.

In the period under review, the MoH provided CZK 833 million to support investment in regional health facilities without any strategy or concept. As the central public administration authority for health, MoH covers the entire health sector in the Czech Republic and should therefore have a clear idea of the current status, needs and developments also in regional health, even though it is primarily financed through public health insurance. Resources coming from the regions or directly from the MoH are complementary in character.

2. The MoH did not fulfil its role as programme manager and failed during planning.

Financial planning and administration of programme 235 210 was not optimal, because the MoH did not prepare a realistic budget in the period under review and therefore could not ensure compliance with this budget. In 2015, at a time when the programme was nearing its end, the budget was suddenly increased to almost seven times the figure from the previous period.

In the period under review, the MoH merely processed applications for subsidies and investment plans. Even though the MoH is responsible for the utilisation of state budget funds for financing programmes, the realisation of 235 210 was essentially not administered by the MoH at all and actions that were to fulfil predetermined objectives were not selected by the Ministry. The MoH did not assess or select investment plans for inclusion in programme 235 210 in accordance with defined criteria and procedures. The selection of actions that would be supported by MoH was mainly carried out by the regions that themselves were often also the applicants for subsidies.

In the case of expensive equipment, statements on the purchase were provided by the equipment committee which had been set up at the MoH in 2014.

The implementation of programme 235 210 was extended several times to more than three times the originally approved period and the volume of planned expenses from the state

budget almost doubled. The evaluation can only formally compare the values achieved by implemented actions with target values that were, however, continuously adjusted based on the nature of included actions.

For almost the entire duration of the programme (14 years), the MoH did not carry out any ongoing evaluations. The Ministry only did so when preparing the final evaluation of the programme.

3. The MoH's performance was inadequate when processing actions from application to final evaluation.

In the sample of 23 audited actions, it was determined that:

- In one case, the MoH supported an action the content of which was not in line with the programme's objectives.
- When administering subsidy applications, the MoH accepted even those delivered after the deadline and in some cases accepted applications that were missing mandatory content or annexes.
- The MoH was inconsistent in enforcing compliance with conditions agreed when the action was registered.
- In actions where the public contract was divided into several parts, MoH was issuing decisions to provide the subsidy before all the tenders amounting to the expected full sum of the subsidy were closed, even though it was supposed to utilise only data from already concluded contracts.
- In four cases, the MoH did not carry out final evaluation of the action even eighteen months after it had received documentation from programme participants.

In these cases, the MoH created unequal conditions for participants in programme 235 210 and in case of open actions unjustifiably caused uncertainty regarding compliance with the conditions under which the state budget funds were provided.

4. Shortcomings were identified among programme participants in the selected sample of actions.

During the audit of a selected sample of 23 actions by 14 participants in the programme, the SAO identified uneconomical use of state funds or use of state funds for objective other than what was defined in the MoH's decision to provide the subsidy. Programme participants most often made errors in public procurement, but only one of them made an error that influenced the selection of the best bid. In one case, serious non-compliance with the material parameters of the action was identified. The same programme participant committed several other errors, particularly when he asked the MoH to release funds from the state budget to pay for work which had not yet been performed.

In the case of two programme participants, the SAO considers the determined shortcomings to be breach of budgetary discipline amounting to at least CZK 7.9 million and has notified the relevant tax administrator.

5. The MoH did not audit programme participants.

In the period 2014–2017, the MoH did not carry out a single inspection of the implementation of supported actions directly at the programme participants. No inspections on site were planned for 2018.

6. The MoH did not adopt sufficient measures to remedy the shortcomings identified in the previous SAO audit.

As part of the measures to remedy the shortcomings identified in the previous SAO audit focusing on programme 235 210, the MoH committed to improving preliminary and ongoing control of investment actions. Because the SAO has now, as in 2013, concluded that programme participants were not audited and has identified shortcomings in the MoH's administration of the actions, this measure clearly has not been adopted. **This means that the MoH did not comply with Government Resolution no. 414 of 4 June 2014 which ordered the Ministry to adopt measures that would remedy the shortcomings identified in the audit.**