



## **Audit Conclusion**

**19/05**

### **State funds provided to international organisations and other related expenditures**

The audit was included in the audit plan of the Supreme Audit Office (hereinafter the “SAO”) for 2019 under number 19/05. The audit was managed and the Audit Conclusion was drawn up by SAO member Ing. Josef Kubíček.

The aim of the audit was to verify the effectiveness of state funds provided to international organisations and other related expenditures.

**Audited entities:**

Ministry of Foreign Affairs (hereinafter the “MoFA”),  
Ministry of Education, Youth and Sports (hereinafter the “MoEYS”).

The audit was conducted with the audited entities between March 2019 and October 2019.

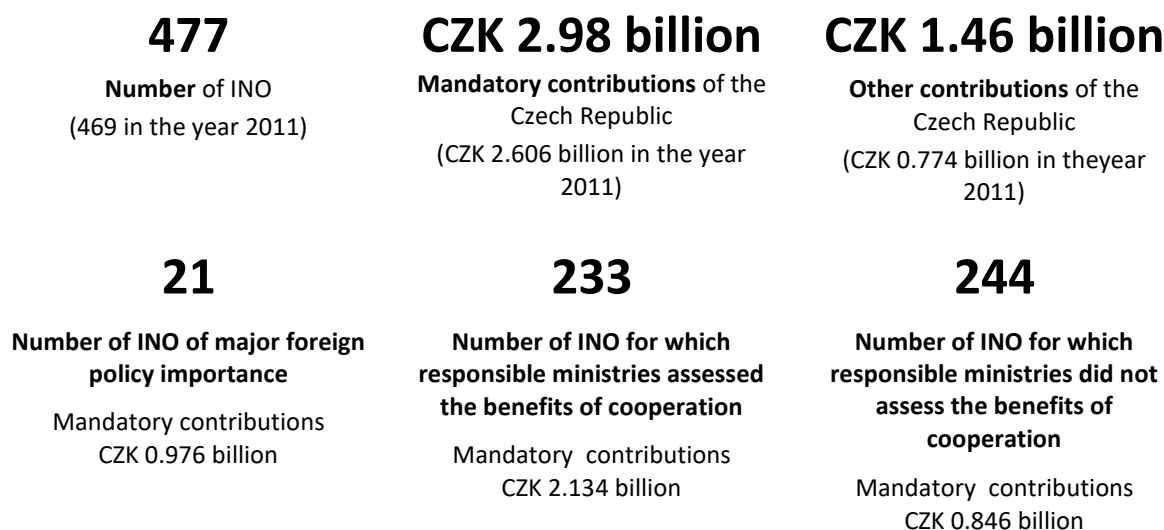
**The period under review** was 2014-2018; both the previous and subsequent periods were also considered for contextual reasons until the completion of the audit.

*The Board of the SAO* at its 7<sup>th</sup> session held on 27 April 2020,

*approved*, by Resolution No 6/VII/2020,

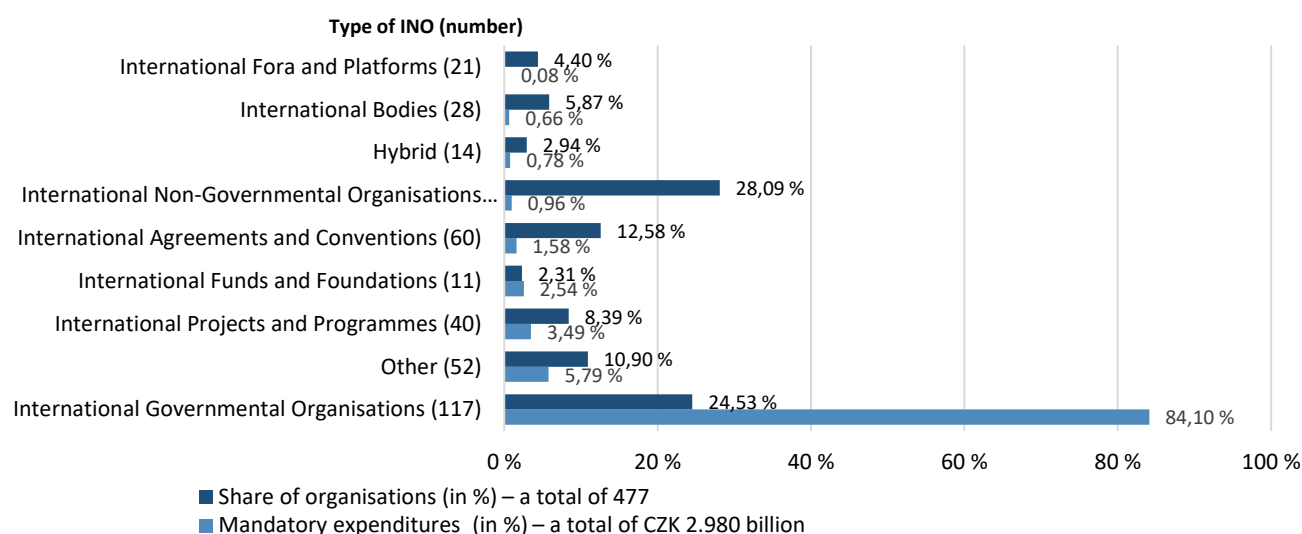
*the Audit Conclusion* as follows:

## Funds provided to international organisations<sup>1</sup> in 2018



Source: A Comprehensive Categorized List of Memberships of the Czech Republic in International Organisations at State or Ministry Level as of 30 September 2012, SAO questionnaire investigation.

**Chart 1: Share of the amount of mandatory contributions and the number of INO according to their type for the year 2018**



Source: questionnaire investigation performed by the SAO.

Note: The categorisation of the types of INO was taken from the MoFA.

Note: The audit did not concern the membership of the Czech Republic in the European Union and the engagement of the Czech Republic, or rather of the representatives of the audited entities, in the EU. The results of SAO's questionnaire investigation and the names and abbreviations of international organisations are listed in annex 1, which is available at the following link: <https://www.nku.cz/scripts/detail.php?id=11033>.

<sup>1</sup> Hereinafter the "INO".

## I. Summary and evaluation

The SAO verified the effectiveness of state funds provided to international organisations and other related expenditures. The Czech Republic cooperates with almost 500 various international organisations. The entities responsible for cooperation with INO are administrators of individual state budget chapters (hereinafter the “responsible ministries”) according to their specialization. The MoFA is mainly responsible for the cooperation with INO of major foreign policy importance<sup>2</sup>. At the same time, the MoFA is to act as a coordinator in relation to INO which fall within the responsibility of other ministries. The amount of mandatory contributions<sup>3</sup> provided to INO is around CZK 3 billion per year. The Czech Republic also provides other contributions<sup>4</sup> to INO (donations, specific payments and so on) which amounted to CZK 1.5 billion in 2018.

In 2012, the MoFA together with the Ministry of Finance (hereinafter the “MoF”) proposed to implement a fundamental reform of the entire system of providing contributions to INO for both systemic and economic reasons. The MoFA and the MoF subsequently, in 2013, evaluated the under-utilisation of the cooperation of the Czech Republic with INO as key, as well as the assessment of the benefits of such cooperation and the insufficient support from the part of Czech citizens for deeper involvement of the Czech Republic in the work of INO. Since 2012, the government of the Czech Republic has been adopting systemic measures concerning cooperation with INO, based on analyses and recommendations. The aim of these measures was to make the cooperation with INO more efficient, strengthen coordination between ministries and save money. The SAO also verified whether the prerequisites for achieving this objective had been created on a systemic level, and whether the MoFA and the MoEYS fulfilled the tasks specified by the Czech government and set up and implemented the provision of INO funds in accordance with the stated objectives.

**The SAO assessed that the prerequisites for an effective provision of INO funds were not fulfilled. The measures laid down by the government of the Czech Republic, which among other things were aimed at achieving savings, were not properly implemented. The inconsistent fulfilment of the specified tasks concerned procedures prior to cooperation with INO, as well as the process of monitoring and evaluation of the benefits of cooperation and coordination.**

**According to SAO’s findings, the number of INO, which the Czech Republic cooperated with has increased from 469 to 477 since 2011. The mandatory contributions provided to INO increased from CZK 2.606 billion in 2011 to CZK 2.98 billion in 2018 and the total number of Czech citizens working in INO changed only slightly (it increased by 16 people to a total of 278 in 2018).**

**Thus, there was no increase in the efficiency of cooperation with INO, which was a requirement of the Government of the Czech Republic; so the realised savings were an exception and were minimal, and the coordination between ministries did not improve.**

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<sup>2</sup> INO listed in the *list of INO of major foreign political importance and of a supraministerial character* in Annex 1 to the Resolution of the Government of the Czech Republic No 317 of 2 May 2013, *on membership of the Czech Republic in international organisations*.

<sup>3</sup> These are payments related to INO, such as membership contributions and other mandatory payments based on the cooperation concluded, e.g. on the basis of a contract, memorandum, convention etc.

<sup>4</sup> That is payments defined by the provisions of Section 7(1)n) of Act No 218/200 Coll., on Budgetary Rules and on Amendments to Certain Related Acts (Budgetary Rules), projects related to humanitarian aid and international development cooperation.

**The above-mentioned overall assessment is based on the following findings:**

## **A. Supraministerial level**

### **1. In 14 of 28 cases, cooperation with INO led to the the creation of new financial commitments without the knowledge of the Czech Government and without the involvement of the MoFA**

The MoFA is responsible, inter alia, for the coordination of activities of the central bodies of state administration (hereinafter the “CBoSA”) in the field of international relations, for activities arising from international cooperation, providing relations with INO and other tasks<sup>5</sup> in the field of cooperation with INO. However, the MoFA may not learn beforehand, or ever, about cooperation with INO, which is within the scope of other ministries. Therefore, the MoFA cannot properly fulfil its coordinating role without the cooperation from the part of the responsible ministries.

Despite the obligation of the responsible ministry to submit documents for the creation of new significant financial obligations in relation to INO for the inter-ministerial observation procedure, there were at least 14 such cases from a total of 28 in the period 2014-2018 without the Government’s prior consent or without the knowledge of the MoFA. Measures introduced by the Resolution of the Czech Government (hereinafter the “RoG”) No 581/2012<sup>6</sup> to make the system of cooperation with INO more efficient and to achieve savings was therefore not effective.

Since 2014, the MoFA had information, from annual monitoring, on the basis of which it could become aware of newly established cooperation with INO and subsequently verify the detected discrepancies. However, the MoFA did not do so in any of the identified cases.

The MoFA should also coordinate the negotiation of international treaties (i.e. assess whether they are negotiated in accordance with the foreign policy interests of the Czech Republic) and monitor their compliance. However, for two concluded international agreements, related to cooperation with INO, the MoFA did not provide documents showing how it assessed these agreements.

### **2. The SAO assessed the monitoring carried out by the MoFA as ineffective**

- **Even after seven years, the MoFA did not specify the criteria for monitoring the benefits of cooperation with INO**

In the context of fulfilling the tasks set out in the relevant RoG, the MoFA did not define the concept of “international organisations”, or rather, it did not specify the types of INO which responsible ministries should monitor. The term “membership in INO” was also used by the MoFA in an ambiguous manner. The MoFA thus left the decision which organisations or institutions should be included in overviews up to the responsible ministries. Due to the lack of methodology/criteria for

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<sup>5</sup> See in particular the Competence Act, Government Guidelines for Negotiating, National Negotiations, Implementation and Termination of International Treaties, RoG No 581/2012, RoG No 317/2013, RoG No 563/2015 and Act No 151/2010 Coll. on International Development Cooperation and Humanitarian Aid provided abroad.

<sup>6</sup> Resolution of the Government of the Czech Republic No 581 of 25 July 2012 *on the Evaluation of Costs Associated with the Membership of the Czech Republic in International Organisations*.

collecting information, the information from responsible ministries may not be comparable and complete. The MoFA did not provide other ministries with instructions on how to report on the effects and benefits of cooperation with INO and thus did not follow the RoG No 317/2013. It only asked the responsible ministries to provide an update of the INO overview and information on paid mandatory contributions, which did not correspond to the requirements of RoG 317/2013<sup>7</sup>. Individual responsible ministries (with the exception of the MoEYS) did not provide information about the effects and benefits of cooperation in their documents, submitted by the MoFA. In the area of evaluating the impact and benefits of cooperation between the Czech Republic and INO, due to the inconsistent fulfilment of the tasks both from the part of responsible ministries and the MoFA, there was no qualitative change in comparison to the situation prior to the adoption of RoG No 317/2013.

- **There was no reliable information on cooperation with INO at supraministerial level. Due to incomplete records, the SAO carried out its own questionnaire investigation**

The MoFA did not address all the ministries responsible for INO, nor did it have the required documents from some of the ministries addressed. The MoFA therefore did not have all the relevant information on the basis of which it could monitor cooperation with INO with the help of responsible ministries. Apart from preparing overviews of INO in 2014 and 2017, which were, however incomplete and not very reliable, the MoFA did not use the information it collected. The collection of information in the form in which it was carried out by the MoFA was ineffective and only constituted an administrative burden for the other ministries without any obvious benefit. In view of MoFA's lack of complete and reliable data on INO and on the benefits of cooperation with INO for the period 2014 to 2018, the SAO approached all the administrators of state budget chapters and the Czech National Bank with a request to complete the questionnaire. All respondents participated in the questionnaire investigation. The investigation showed that the Czech Republic cooperated with 477 INO in 2018 and provided them with CZK 4.441 billion. The selected results of this investigation are listed in Annex 1 of this Audit Conclusion (see <https://www.nku.cz/scripts/detail.php?id=11033>).

### **3. The amount of savings realised was minimal**

RoG No 317/2013 instructed the responsible ministries to identify their savings. Each responsible ministry proposed savings for 16 of a total of 469 INO<sup>8</sup>, amounting to over CZK 18 million since 2015, representing 0.5% of all funds provided annually to INO. The MoFA subsequently did not monitor whether the responsible ministries actually realised the savings to which they committed themselves. The SAO found that the relevant responsible ministries, including the MoFA continued to make payments to some of the INO for which they proposed termination of membership or payments. In 2018 alone, they paid them CZK 10.5 million.

Other possible savings are represented by exchange rate differences in the payment of INO contributions. In 2014, the MoFA launched cooperation with the MoF, which was aimed at achieving

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<sup>7</sup> Resolution of the Government of the Czech Republic No 317 of 2 May 2013 *On the Membership of the Czech Republic in International Organisations*.

<sup>8</sup> Source: *A Comprehensive Categorised List of Memberships of the Czech Republic in International Organisations at State or Ministry Level* as of 30 September 2012.

savings when paying mandatory INO contributions. The SAO found, however, that the MoFA continued to pay payments amounting to CZK 74 million directly, thus it did not achieve any savings.

#### **4. During the four years since the establishment of the inter-ministerial working group, the MoFA had not convened this group again**

As early as 2015, the need to create an inter-ministerial working group arose, which was to facilitate mutual exchange of information and discussions on the desired procedures of the Czech Republic in INO and the recommendations of the MoFA. Although the participants considered the first meeting of the working group in June 2015 to be beneficial and agreed to continue the group's activities, the MoFA did not convene a meeting in the following four years. The MoFA did not address the suggestions which arose from the group's meeting and left the solutions up to the other ministries. There was no increase in inter-ministerial coordination from the part of the MoFA. The audited state of inter-ministerial coordination thus does not constitute a qualitative change compared to the state prior to the adoption of RoG No 317/2013.

#### **5. In priority INO, the Czech Republic remains underrepresented**

*The Strategy for the Implementation of Czech Citizens in International Organisations* (hereinafter the "CINO Strategy") had the main objective to increase the number of Czech citizens working at relevant positions in selected 21 priority INO<sup>9</sup>, however, the MoFA did not specify a specific number of persons. In the evaluation of the level of representation in INO, the MoFA did not only look at the share of Czech citizens in INO's total number of employees compared to the share of financial contributions of the Czech Republic in the total budget of the INO, but also at the qualitative aspects of this representation. In 2016, Czech citizens worked in higher managerial positions only at six INO (11 citizens out of a total of 262 working in INO). In 2018, following a change in the definition of managerial positions, Czech citizens worked in managerial positions at 15 INO (31 Czech citizens out of 278 in assistant and professional positions in INO). The total number of Czech citizens working in INO has increased minimally.

### **B. Ministerial level**

#### **6. The MoFA and MoEYS had the following shortcomings in the management of cooperation with INO within their scope:**

- The internal management of the MoFA was fragmented and in many cases lacked clearly defined competences and responsibilities. This situation also had an impact on the quality and extent of information provided by the MoFA during the SAO audit. Information had to be repeatedly clarified and verified. The coordination group of the MoEYS, which was set up by the ministry to coordinate the agendas in the field of cooperation with selected INO, has not met since its establishment in 2013 until 2017.

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<sup>9</sup> These are INO listed in the CINO Strategy. Some of the priority INO are also of a major foreign policy importance according to RoG No 317/2013. However, the list of priority INO and INO of major foreign policy importance is not the same.

- The MoFA set out the objectives of cooperation with INO only for certain INO in its area of responsibility. This was the case of INO of major foreign policy importance. Similarly, the MoEYS set targets only for some INO in its area of responsibility, that is for INO falling within the scope of other directly controlled organisations.
- Without clearly set objectives, the MoFA and MoEYS could not objectively assess the benefits of such cooperation. The MoFA and MoEYS did not ensure the basic prerequisites for fulfilling the task to permanently strive for maximum efficiency in the cooperation with all INO in their area of responsibility according to RoG No 317/2013.
- Although the MoFA considered regular evaluation as one of the most important tools for improving the effectiveness of cooperation with INO, it did not set up a regular and functional system for assessing the effects and benefits of cooperation with INO and did not carry out an evaluation of the benefits of cooperation with each INO within its scope. The MoFA only processed information about activities in INO of major foreign policy importance, however, it did so irregularly. The MoFA thus did not proceed in accordance with RoG No 317/2013. The MoEYS provided the MoFA with information on the effects and benefits of cooperation with INO, but this information was incomplete and inaccurate.
- The MoFA did not prepare a cost-benefit analysis of cooperation with INO within its scope, nor an operating strategy in these INO in order to find savings as imposed by RoG No 317/2013. However, it proposed to end membership or payments in four INO starting from 2015. Nevertheless, for two INO the MoFA subsequently proposed to continue payments without proper justification and so paid out almost CZK 44 million in the period 2015-2018. In the case of two other INO, there were no real savings (one INO ceased operations in 2012 and for the second one the European Commission took over payments starting from 2014). Other measures leading to savings in the form of reductions of payments from the part of the MoFA did not take place during the audited period.
- The MoEYS failed to analyse the costs of cooperation with INO and therefore did not identify any specific savings. The MoFA and the MoEYS failed to fulfil the task according to RoG No 317/2013.
- The MoFA and, in some cases, the MoEYS violated budgetary rules<sup>10</sup> by reporting funds for INO contributions which were in breach of the budget structure. Data in the *Integrated Information System of the Treasury* are thus not reliable. Moreover, it is not possible to obtain (apart from specific accounting records of individual ministries) at least basic information on how many INO the Czech Republic cooperates with or on the total amount of funds provided from the state budget to INO. The SAO also found deficiencies on the part of the MoFA in the reimbursement of donations abroad (see part IV of this audit conclusion).
- Both the MoFA and the MoEYS regularly ensured the participation of its representatives at meetings in selected INO and the participants actively engaged in the activities of INO. The possibility to make use of the experience and knowledge of posted experts was at the MoFA often limited by the obligation of confidentiality. For areas to which confidentiality did not apply, the MoFA documented the inclusion of experts in the organizational departments of the MoFA after their return from INO and also lecture activities in the case of two experts.

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<sup>10</sup> Act No 218/2000 Coll., on Budgetary Rules and on Amendments to Certain Related Acts (Budgetary Rules).

**In view of the above, the SAO recommends to revise the monitoring system carried out on the basis of RoG No 317/2013 in order to meet the stated objectives of the Government of the Czech Republic: streamline cooperation with INO and identify savings. Furthermore, the SAO recommends that information on cooperation with INO, after prior discussion with the MoFA, should be part of the results of the budgetary management evaluated by the administrator of the chapter.**