

**CAP Shortcomings**  
SAO Czech Republic 2004 - 2009

Subject of audit	Audit no.	Type of shortcoming	Description of shortcoming
SAPARD	04/08	Protracted approval procedures	At the start of 2004 there were insufficient Community finances in the National Fund-SAPARD EURO 2000 account to cover the Agency's payables due to beneficiaries.
SAPARD	04/08	Protracted approval procedures	Co-financing for SAPARD was budgeted from the year 2000 but drawdown only began in 2003.
SAPARD	04/08	Shortcomings in the legislation	In certain cases the instructions in the Manual differed from the Instructions for Applicants that were handed over to applicants and formed the basis for the procedure used by the Agency's regional offices.
SAPARD	04/08	Shortcomings in contracts and decisions	Contracts did not require beneficiaries to label the acquisition of a thing with information about the involvement of SAPARD finances and they were merely obliged to let another entity (Agency/SAIF) to perform the indication. This indication was lacking in the case of 6 of the 32 audited beneficiaries.
SAPARD	04/08	Shortcomings in control work	In approx. 30 cases the outputs of the Agency's internal control did not react to existing shortcomings.
SAPARD	04/08	Shortcomings in financial settlement	In the case of 33 projects the Agency did not comply with the 3-month time limit because of a shortage of EU finances (the total amount of support for these projects was CZK 134,207,000); in the case of 3 projects because of delay in the ratification of RFD 2002 and 2003 (the total value of support to these projects was CZK 1,080,000).
SAPARD	04/08	Breach of beneficiaries' obligations	Finances totalling CZK 262,500 were used for a different purpose than that defined by SAPARD.
SAPARD	04/08	Breach of beneficiaries' obligations	E.g. a beneficiary did not open a separate bank account intended solely for project financing; a beneficiary failed to demonstrate the effectiveness of expenditure; breach of terms for tender; non-compliance with project completion deadlines; failure to insure assets; failure to present documents for inspection; accounting contravening accounting procedures. 10 of the 32 audited beneficiaries were found to have committed breaches of the rules; in the case of 1 project the contractually defined purpose remained partly unachieved.
OP RDMA	05/32	Shortcomings in delegation of powers	The delegation agreement insufficiently identifies the legal entity carrying out the Intermediate Body's work.
OP RDMA	05/32	Badly defined assessment criteria	The assessment criteria defined by the OP Monitoring Committee were not always set up in a way that sufficiently reflected projects' quality.
OP RDMA	05/32	Shortcomings in the legislation	The Ministry of Finance did not specify the financial flow management method by generally binding decree, which contravened Section 37 (2) of the act on budget rules.

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OP RDMA	05/32	Shortcomings in the legislation	The rules were changed several times and some changes were not published or announced in the Ministry of Agriculture's bulletin.
OP RDMA	05/32	Shortcomings in the legislation	Confusion arising from different versions of the Rules.
OP RDMA	05/32	Shortcomings in the legislation	The rules concerning selection of suppliers were unclear, so much so that a Tenders Handbook had to be issued.
OP RDMA	05/32	Shortcomings in the legislation	The original wording of the Rules contained needlessly stringent standards, which were changed – some changes having retroactive effect – based on experiences from the first rounds of project selection.
OP RDMA	05/32	Shortcomings in administration of applications	Shortcomings in the particulars of applications; incomplete applications; data in applications did not tally with data in electronic form.
OP RDMA	05/32	Shortcomings in administration of applications	SAIF did not meet the deadlines set for returning applications in cases where administrative checking found shortcomings (in 8 of the 42 audited cases).
OP RDMA	05/32	Shortcomings in project assessment and selection	The results of the points scoring were only saved in digital form, even though they determined whether a project would be accepted. There was not even any obligation to notify applicants of the results.
OP RDMA	05/32	Shortcomings in project assessment and selection	In two cases data in the information system did not match data on paper.
OP RDMA	05/32	Shortcomings in project assessment and selection	The Lists of Selected Projects and Lists of Projects Not Recommended for Financing changed. In some cases the information system did not assess the order of projects with equal points consistently and correctly.
OP RDMA	05/32	Shortcomings in administration of applications	In 22 cases SAIF changes were not accompanied by an annex to the Conditions, as the Rules require. It was found that one beneficiary did not report SAIF changes during project implementation.
OP RDMA	05/32	Shortcomings in administration of applications	In the selected sample of 42 projects the average interval between submission of an application and the payment of EU funds was 114 days (ranging from 65 to 206 days). The average interval between the submission of an application for payment of state budget funds was 111 days (ranging from 63 to 204).
OP RDMA	05/32	Shortcomings in financial settlement	The Ministry of Agriculture failed to ensure the financial settlement of projects whose financing from the National Fund ended in 2005.

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HRDP	06/26	Protracted approval procedures	The government regulation on the implementation of certain HRDP measures, which placed conditions on the start of implementation of these regulations, was not prepared in sufficient time and was not legally effective upon the Czech Republic's accession to the EU. As a result, there was almost a year's delay in the start of implementation of the measures "early retirement" and "establishing producer groups".
HRDP	06/26	Shortcomings in the legislation	Up to 13.4.2006 the national legislation did not allow the Ministry of Agriculture to be receive subsidies for technical assistance measures.
HRDP	06/26	Shortcomings in the legislation	No decree was issued to implement the act regarding the obligation to enter grants data in CEDR.
HRDP	06/26	Shortcomings in the legislation	There was not sufficient special legislation on the grants provision process – e.g. time limits were not set for decisions on the provision of grants or decisions on the return of grants.
HRDP	06/26	Shortcomings in the legislation	Unreasonably harsh provision on non-compliance with the deadline for announcing the start of a grazing period.
HRDP	06/26	Shortcomings in the legislation	Discrepancy in the formulation of national legislation and EU legislation – the discrepancy concerned the day on which the grant beneficiary's obligation to pay a penalty begins.
HRDP	06/26	Shortcomings in the legislation	Unclear relationship between provisions of the budget rules and the administrative code.
HRDP	06/26	Shortcomings in contracts and decisions	Formal and substantive shortcomings in decisions – e.g. there was no specification of the percentage of the total grant amount that should be paid in in the event of breach of the budget rules if less serious conditions were not satisfied.
HRDP	06/26	Shortcomings in financial settlement	The Ministry of Agriculture did not perform annual settlement of exchange rate differences linked to the receipt of EU finances.
HRDP	06/26	Shortcomings related to CEDR	The Ministry of Agriculture did not enter in CEDR data on grants provided under HRDP.
HRDP	06/26	Shortcomings in control work	The Ministry of Agriculture did not perform any administrative control of SAIF, even though it provided CZK 14,680,545,000 to finance HRDP measures.
HRDP	06/26	Shortcomings in administration of applications	SAIF incorrectly assessed grant applications and wrongfully provided CZK 338,675 to applicants.
HRDP	06/26	Shortcomings in administration of applications	SAIF accepted and administrated (and paid) grant applications that did not possess all the necessary particulars.
HRDP	06/26	Shortcomings in contracts and decisions	Some decisions had shortcomings that could have had a negative influence on the result of further administrative proceedings with an applicant or on the outcome of court proceedings.

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HRDP	06/26	Shortcomings in control work	In the case of the multi-year AEM, no system was put in place for verifying that the conditions for the continuing entitlement to a grant already paid out were constantly satisfied (if the beneficiary has not already applied for an application in the next year after a grant was awarded and provided).
HRDP	06/26	Shortcomings in the legislation	Violation of the principles of good farming practice was not punishable by a penalty (reduction of the grant under HRDP)
HRDP	06/26	Shortcomings in administration of applications	In approx. 6,650 cases SAIF did not issue a decision on the return of a proportion of a grant on the grounds of a reduction in the area of agricultural land in the case of applicants paid out of AEM; the amount concerned was approx. CZK 120 million.
HRDP	06/26	Shortcomings in financial settlement	In grant applications in 2005 SAIF did not take into consideration the interest on deposits in bank accounts from grants returned by applicants equalling CZK 1.4 million in total – the burden on the state budget was needlessly increased by this amount
HRDP	06/26	Shortcomings in financial settlement	Under LFA measures in 2004 SAIF paid out compensatory allowances without the applicant's land blocks being included in the land records for the specified minimum time
HRDP	06/26	Shortcomings in financial settlement	There was no financial settlement of grants the Ministry of Agriculture provided to SAIF out of its budget for HRDP implementation.
SAPS	07/11	Shortcomings in awarding public contracts	When conducting commercial tenders for audit of paying agencies for CAP measures and certification of the paying agency account the Ministry of Finance contravened the act on public contracts and also the declared terms of the commercial tender in question.
SAPS	07/11	Shortcomings in control work	The Ministry of Finance did not check finances for the area of direct payments from the guarantee section of EAGGF. The Ministry of Agriculture did not perform administrative on-the-spot checks in the field of direct payments.
SAPS	07/11	Shortcomings related to CEDR	The Ministry of Finance did not issue a decree on entering data in CEDR.
SAPS	07/11	Shortcomings in contracts and decisions	A decision contained a reference to a regulation that was already null and void at the time.
SAPS	07/11	Shortcomings related to CEDR	The Ministry of Agriculture as the grant provider did not enter in CEDR grants provided to SAIF for direct payments. SAIF did not enter data in CEDR.
SAPS	07/11	Shortcomings in financial settlement	The Ministry of Agriculture did not perform annual settlement of exchange rate differences linked to the receipt of EU finances.
SAPS	07/11	Shortcomings in control work	The Integrated Administrative and Control System displayed shortcomings concerning planning, control documentation and the agenda of measures being adopted. The Ministry of Agriculture did not monitor and assess the quality, proportionality and effectiveness of the control work within the framework of the system.

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SAPS	07/11	Shortcomings in control work	In its annual reports on the results of financial controls the Ministry of Agriculture did not assess the proportionality and effectiveness of the financial control system that had been introduced. Economy, efficiency and effectiveness were not scrutinized as the goals of public administration. The Ministry of Agriculture did not perform systematic assessments of the results of audit missions by EU authorities.
SAPS	07/11	Shortcomings in delegation of powers	SAIF effectively transferred to the Ministry of Agriculture actions associated with the receipt of an application for a separate sugar payment, even though delegation agreements did not contain any such empowerment.
SAPS	07/11	Shortcomings in contracts and decisions	SAIF did not apply a uniform interpretation of the legal regulations concerning the definition of a decision's force in law.
SAPS	07/11	Shortcomings in financial settlement	A software error resulted in a wrong calculation of an amount stated in a decision – the problem affected 13 SAPS payment applications.
SAPS	07/11	Shortcomings in financial settlement	SAIF made payments after the government regulation governing the payments had lost legal force.
SAPS	07/11	Shortcomings in financial settlement	SAIF did not perform financial settlement of amounts linked to the state budget.
SAPS	07/11	Repeated shortcomings	Similar shortcomings were found as in the previous audit.
CMO	08/05	Shortcomings in contracts and decisions	The Ministry of Agriculture issued to change decisions changing or complementing grant provision decisions already issued, even though the national legislation did not allow this.
CMO	08/05	Shortcomings in financial settlement	The Ministry of Agriculture incorrectly reported reserve fund finances.
CMO	08/05	Shortcomings in administration of applications	SAIF was in breach of the administrative code when it did not decide on permission for a change in the substance of a submission.
CMO	08/05	Shortcomings related to CEDR	The Ministry of Agriculture did not enter grant data in CEDR.
CMO	08/05	Shortcomings in financial settlement	The Ministry of Agriculture did not perform settlement of exchange rate differences.
CMO	08/05	Shortcomings in financial settlement	SAIF did not perform financial settlement of amounts linked to the state budget.
CMO	08/05	Shortcomings in administration of applications	SAIF applications for grants from EU finances did not specify the individual common market organization measures.

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CMO	08/05	Shortcomings in administration of applications	SAIF did not demand that shortcomings consisting in non-compliance with time limits by applicants be redressed and went ahead with the administration. SAIF accepted and worked on applications submitted by fax. In another case a file contained more than one application and certification without any indication which of them were valid.
CMO	08/05	Shortcomings in contracts and decisions	Support provision decisions did not specify how the level of support was calculated, so the beneficiary could not check if it was correct.
CMO	08/05	Shortcomings in contracts and decisions	When providing a grant for FAME, first a grant provision decision was issued that did not specify the size of the grant. Once the grant provision conditions were satisfied, SAIF notified beneficiaries of the size of the grant by letter. That prevented beneficiaries from using remedial measures under the administrative code if they disagreed with the size of the awarded grant.
CMO	08/05	Shortcomings in financial settlement	SAIF used the wrong procedure to calculate support and paid on beneficiary CZK 329,780 less than the beneficiary was entitled to.
CMO	08/05	Shortcomings in control work	SAIF performed merely formal checks of applications and did not perform on-the-spot checks.
CMO	08/05	Breach of beneficiaries' obligations	Two beneficiaries did not include a grant in their value added tax base, thus paying approx. CZK 1,300,000 less value added tax than they should have.
CMO	08/05	Repeated shortcomings	Similar shortcomings were found as in previous audits.
LEADER	08/25	Shortcomings in the legislation	Changes to the MAS Rules and LEADER+ Rules were not declared in the Ministry of Agriculture bulletin; the effective date of these changes was not defined.
LEADER	08/25	Shortcomings in the legislation	The Ministry of Agriculture insufficiently defined specific eligible expenditure for investment objective c) and eligible overheads for investment objective a).
LEADER	08/25	Shortcomings in the legislation	Internal regulations issued by SAIF were mutually conflicting and some provisions contravened LEADER+ Rules.
LEADER	08/25	Shortcomings in delegation of powers	SAIF drew up Conditions that were an integral part of a Decision on Provision of Aid, even though it had no such authorization.
LEADER	08/25	Badly defined assessment criteria	Just one result monitoring indicator was approved for LEADER+ sub-measure and no impact monitoring indicator was specified. This created a risk of insufficient monitoring.
LEADER	08/25	Shortcomings in administration of applications	A local task force did not perform proper administrative control of applications for financial aid and thus failed to detect their shortcomings.
LEADER	08/25	Shortcomings in administration of applications	SAIF specified a shorter time limit for providing additional required information than that specified by the Rules.



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LEADER	08/25	Shortcomings in project assessment and selection	A project that had a number of uncertain points and discrepancies, mainly affecting the way the project's results would be achieved, was assessed as eligible.
LEADER	08/25	Shortcomings in project assessment and selection	SAIF did not produce an assessment report from sessions of the selection committee.
LEADER	08/25	Shortcomings in administration of applications	The report from the first round of receipt of applications did not possess all the necessary particulars.
LEADER	08/25	Shortcomings in administration of applications	A local task force made a change in the Fiches without presenting these changes to SAIF on the prescribed form. SAIF did not demand that the state of affairs be put right.
LEADER	08/25	Shortcomings in administration of applications	SAIF did not give its written approval for changes reported in the strategy, project or the substance of a contract or approved them after the specified time limit.
LEADER	08/25	Shortcomings in administration of applications	In its procedures used when administering financial aid the Ministry of Agriculture did not set any time limit for processing applications for reimbursement of project expenditures.
LEADER	08/25	Shortcomings in contracts and decisions	Cooperation contracts between SAIF and MAS did not specify the version of the Rules applicable at the time of contract signing; it was therefore unclear what version of the Rules applicants were supposed to follow during strategy and project implementation.
LEADER	08/25	Shortcomings in contracts and decisions	The Conditions did not contain a sufficient timetable for project implementation.
LEADER	08/25	Shortcomings in contracts and decisions	In the case of three projects SAIF did not specify a minimum time limit for relevant use in the Conditions, even though an investment was acquired during the projects (the time limit should have been five years).
LEADER	08/25	Shortcomings in contracts and decisions	In the case of the acquisition of petty long-term tangible assets the Ministry of Agriculture did not specify any time limits for relevance of use at all.
LEADER	08/25	Shortcomings in contracts and decisions	In some cases SAIF did not create an annex for approved changes in the Conditions.
LEADER	08/25	Breach of beneficiaries' obligations	Three beneficiaries contravened the act on accounting.

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LEADER	08/25	Shortcomings in control work	Insufficient definition of the selection of the 5% control sample. Incomplete risk analysis. Failure to respect the recommendations of the European Commission audit mission and Ministry of Agriculture supervision. The Ministry of Agriculture did not accept the recommendations of the European Commission audit mission, even though not accepting audit mission recommendations puts the Czech Republic at risk of financial penalties.
LEADER	08/25	Shortcomings in control work	SAIF's on-the-spot control failed to detect shortcomings, namely ineligible expenditure and unreported changes.
Fishery	09/12	Badly defined assessment criteria	The Ministry of Agriculture failed to prepare monitoring indicators in a way ensuring the aims were specific, measurable, appropriate and defined in terms of timing. It was therefore impossible to monitor and assess the quality of implemented aid properly.
Fishery	09/12	Badly defined assessment criteria	Unsuitable indicators were drawn up for certain types of project; these indicators could not properly be used to prove that aims were achieved.
Fishery	09/12	Shortcomings in control work	During the programming period SAIF and the Ministry of Agriculture merely gathered values of reported indicators without verifying them.
Fishery	09/12	Shortcomings in contracts and decisions	Decisions contained penalties for not achieving the planned value of one or more of the monitoring indicators; the penalties were equal to the entire grant amount, which is too harsh a penalty.
Fishery	09/12	Unsatisfactory result of operational programme	Applicants were insufficiently interested in the support offered. It was impossible to draw down the original allocation. Measures had to be taken to enable the entire allocation to be drawn down and the effected transfer of finances indicates that the original analyses were unsatisfactory.
Fishery	09/12	Unsatisfactory result of operational programme	Fish consumption per head continued to fall during the assessed period and employment in the fisheries sector also decreased. Not even the target volume of processed fish was achieved.
Fishery	09/12	Badly defined assessment criteria	The points scoring criteria did not include criteria for assessing the efficiency and economy of projects and did not make it possible to compare the submitted projects in terms of their quality. No criteria at all were defined for some sub-measures.
Fishery	09/12	Shortcomings in project assessment and selection	In 2009 SAIF did not award points scores to projects at all.
Fishery	09/12	Shortcomings in administration	In several cases SAIF contravened the Rules when administering applications.
Fishery	09/12	Shortcomings in project assessment and selection	SAIF incorrectly assessed two projects as eligible and recommended them for financing; CZK 6,315,000 was wrongly paid out.
Fishery	09/12	Shortcomings in control work	In one project SAIF failed to detect ineligible expenditure of approx. CZK 355,000. This irregularity led to a loss in the EU budget in the form of ineligible expenditure, which led to a discrepancy of approx. CZK 250,000.



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Fishery	09/12	Shortcomings in contracts and decisions	When providing finances the Ministry of Agriculture acted in contravention of the account on the budget rules, when decisions issued on the provision of finances did not contain all the obligatory particulars.
Fishery	09/12	Shortcomings in the legislation	The penalties system contained in the Rules contravened EU legislation.
Fishery	09/12	Shortcomings in delegation of powers	The drawing up of grant provision conditions was not properly delegated at SAIF.
Fishery	09/12	Shortcomings in control work	The Ministry of Agriculture failed to ensure preliminary administrative controls were performed – in this way the Ministry was in long-term breach of the act on financial control; the act on accounting was also contravened.
Fishery	09/12	Shortcomings in control work	Controls by the Ministry of Agriculture and SAIF before project approval did not focus on assessing economy, efficiency and effectiveness; the principle of good financial management enshrined in EU legislation was thus flouted.
Fishery	09/12	Shortcomings in control work	Administrative controls were performed in a manner contravening EU legislation, as these controls did not check whether project goals were achieved or the degree to which monitoring indicators were achieved. The Ministry of Agriculture's control system did not meet the quality requirements placed on control systems under the act on financial control as they did not guarantee economical, efficient and effective exercise of public administration.
Fishery	09/12	Shortcomings in discharge of information duties	The Ministry of Agriculture did not give complete and correct information when describing management and control systems.
Fishery	09/12	Shortcomings in discharge of information duties	Annual reports did not contain information about the state of programme implementation as required by the EU legislation.
Fishery	09/12	Shortcomings in discharge of information duties	SAIF did not independently draw up reports on the results of financial control, thus violating the act on financial control.
Fishery	09/12	Shortcomings in discharge of information duties	The Ministry of Agriculture included incorrect and incomplete data in its reports.
Fishery	09/12	Shortcomings in discharge of information duties	SAIF had not drawn up a methodology for reporting suspicions of irregularities to the managing authority. The Ministry did not even keep records of amounts less than EUR 10,000.
Fishery	09/12	Shortcomings in financial settlement	End beneficiaries did not perform financial settlement with the state budget. Neither the Ministry of Agriculture nor SAIF asked them to fulfil this duty.
Fishery	09/12	Shortcomings related to CEDR	The Ministry of Agriculture did not enter data on grants and their beneficiaries in CEDR, thus violating the budget rules.
Fishery	09/12	Shortcomings in the legislation	In some cases the national legislation was unsuitably adapted to the requirements of EU legislation.

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Fishery	09/12	Shortcomings in awarding public contracts	When judging and assessing bids the Ministry of Agriculture failed to make allowance for the fundamental tender conditions and did not assess them properly according to predefined assessment criteria. The Ministry thus contravened the act on public contracts.
Fishery	09/12	Shortcomings in awarding public contracts	It was not clear from the tender conditions which requirements were binding. Additionally, it was not clear what documents should be used to demonstrate that requirements are satisfied.
Fishery	09/12	Shortcomings in awarding public contracts	The Ministry of Agriculture did not discard a bid that did not satisfy the assignment conditions, thus violating both Czech and EU legislation. As a consequence of these failings, an irregularity concerning a sum of CZK 134 million arose during implementation of the project.
Fishery	09/12	Shortcomings in financial settlement	The Ministry of Agriculture paid for some actions before they had been performed. The Ministry paid a sum of CZK 21,000 that was more than specified in the applicable contract, thus committing a breach of good budget practice.