



ANNUAL REPORT 2022

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OPENING MESSAGE FROM THE SAO PRESIDENT

Dear readers,

The present annual report aims not only to evaluate last year's activities of the Supreme Audit Office, but primarily to describe the main problems associated with the management of public funds in the Czech Republic.

The Czech economy was undoubtedly affected in 2022 by the war in Ukraine and its consequences. That being said, most of the shortcomings identified in the report are either completely unrelated to the conflict or are linked to it only marginally.

The main macroeconomic issue is the increasing structural deficit caused by the growing mandatory spending and the accelerating pace of debt accumulation. Last year's GDP growth was 1.1 percentage point lower than the EU average. On the other hand, the inflation rate was the fifth highest in the EU and this had a significant impact on the living standards of the Czech population. Real wages fell by 7.5% year-on-year – this was one of the worst results among OECD countries. All this is framed by the absence of key reforms in the pension, health and social systems, which are indispensable for the stabilisation of public finances.

Faced with the record growth in mandatory spending – for instance the indexation of pensions, which is becoming a budgetary time bomb in times of double-digit inflation – the State has been looking for new sources of income. This publication, just like its previous issues, brings a number of insights into the above topics.

Of the many areas where our audits indicate the potential for significant savings of public money, I would point especially to the bloated subsidy system. The actual purpose of subsidies has given way to formalism, where the need to spend the allocated money outweighs the actual rationale behind the subsidies and their potential benefits. The system built on hundreds of individual subsidy titles worth hundreds of billions of Czech crowns has become unmanageable. Its administration alone requires significant human and financial resources. No one seems to be concerned with the costs of administration and distribution, either on the part of the State or on the part of applicants. The notion that the number of civil servants within the existing system could be significantly reduced is completely illusory.

There is a pressing need to reconsider the areas in which the State should play a key role through the provision of subsidies and assess whether the individual subsidy policies actually deliver the desired results in reality and not just on paper. Public resources will always be scarce and a country that is capable of meaningfully allocating these resources and concentrating them in areas of strategic importance can get a competitive edge. Last but not least, in its study on regulatory impact assessment, the Government's National Economic Council also pointed out the poor quality of the policy impact assessment papers, which the Government subsequently (merely) takes into cognisance.

A separate chapter of this annual report deals with cases where the State acted at variance with its own priorities and objectives – even in key areas such as agriculture and the environment. The digitalisation of public administration is a prime example of inefficiency. In the DESI international comparison, which focuses primarily on digitalisation, the Czech Republic has once again dropped by one place and is currently ranked 19th among EU countries, despite a one-third increase in total ICT expenditure compared to 2018. This confirms what we have been pointing out repeatedly: digitalising inefficient processes does not lead to efficient governance.

The State's long-standing lack of consistency in controlling and regulating certain areas culminated last year in a number of negative phenomena that primarily affected ordinary citizens. These adverse impacts include, for instance, the collapse of numerous utility suppliers; the gradual monopolisation of the wholesale market and food production, resulting in a rise in food prices unprecedented in most of

Europe; and the situation prevailing in the telecommunications market, where mobile data prices are among the highest on the continent.

This publication contains much more than I can mention at this point. And we had a lot to draw from! Last year, we carried out 33 audits and audited 167 institutions and State assets and funds worth CZK 167 billion. We also chaired EUROSAI – an organisation of fifty supreme audit institutions in Europe – for another year and, together with our partners, we stood unequivocally by Ukraine and its people. Our staff were very helpful in this regard and I am proud of them for doing so.

I sincerely hope this text will prove to be an inspiration to you.

Miloslav Kala,
SAO President

I. SAO STATUS AND POWERS

1. BASIC INFORMATION ON THE STATUS AND POWERS OF THE SAO

The existence of the Supreme Audit Office (SAO) is rooted directly in the Constitution of the Czech Republic, which guarantees its independence from the legislative, executive and judicial powers. The SAO thus represents one of the indispensable elements of parliamentary democracy.

More detailed rules on the status, powers, organisational structure and work of the SAO are contained in Act No 166/1993 Coll., on the Supreme Audit Office (the SAO Act). Under this Act, the SAO mainly scrutinises the management of state property and finances collected by law in favour of legal persons, the implementation of revenue and expenditure items of the state budget and the management of funds provided to the Czech Republic from abroad.

The SAO's statutory bodies are the President and Vice-President, the Board, senates and the Disciplinary Chamber. In the interest of ensuring objectivity in the assessment of audit findings and in fundamental matters concerning the SAO's audit powers, the SAO Board and senates decide as collective bodies.

The SAO's independence guarantees that it is not influenced by legislative, executive or judicial powers in the planning, preparation and implementation of audit activities. Besides institutional independence, the SAO has appropriate financial autonomy as well. The decisive body in this area is the Chamber of Deputies, which approves the state budget, including the *Supreme Audit Office* budget chapter.

The basis for the SAO's audit work is the SAO's audit plan. After it is approved by the SAO Board, the audit plan is submitted by the SAO President to the Parliament of the Czech Republic and the Government of the Czech Republic for information and published in the SAO Bulletin. Audit results are presented in audit reports, which summarise and assess audit findings. Audit reports are approved by the SAO Board or the appropriate SAO senates.

Under its defined powers the SAO performs audits in line with its audit standards, which are based on the international standards of supreme audit institutions. The SAO performs compliance, financial and performance audits.

The SAO's compliance audits check whether the audited activities comply with the law and review the substantial and formal correctness of the audited activities to the extent necessary for achieving the audit goals.

The SAO's financial audits check whether the audited entities' financial statements give a true and fair view of the subject of the accounting in accordance with legal regulations. This type of audit is a tool for verifying the accuracy of information which is presented in the closing accounts of state budget chapters and which the SAO uses when formulating its opinions on the draft State Closing Account.

The SAO's performance audits assess the effectiveness, efficiency and economy of the use of state budget finances, state property or other finances which the SAO audits in line with its powers.

2. SAO BOARD

The SAO Board is composed of the President, the Vice-President and Members of the SAO. The SAO Board approves the audit plan, audit reports, the draft budget of the SAO submitted to the Chamber of Deputies of the Parliament of the Czech Republic, the closing account of the SAO budget chapter and the SAO financial statements prepared as at the balance-sheet date. The SAO Board also approves the Annual Report, the SAO Board's and senates' rules of procedure, the organisational rules and changes thereto and the disciplinary rules. It decides on appeals against decisions on objections to audit protocols and on objections claiming bias if raised by an audited entity against a member of the SAO.



Mr Jan Stárek, Mr Petr Neuvirt, Mr Pavel Hrnčíř, Mr Jiří Kalivoda, Ms Jaromíra Steidlová,
Mr Stanislav Koucký, Mr Miloslav Kala, Mr Roman Procházka, Mr Adolf Beznoska, Mr Michal Šmucr, Mr Josef Kubíček,
Mr Daniel Reisiegl, Mr Jan Kinšt, Mr Jan Málek, Mr Roman Sklenák, Mr Vladimír Koniček.

Members of the SAO perform audits, manage audit activities and prepare audit reports according to the audit plan; they participate in the activities of the SAO senates and the SAO Board. They manage audits from the authorisation to perform the audit to the approval of the audit reports.¹

¹ The individual audits are identified in the annual report by the numbers set out in the audit plan for the given year. The reports of 2022 audits can be found in the individual issues of the SAO Bulletin.

Table 1: Overview of audits conducted in 2022

Name of the SAO Member	Member since	Number of audits managed up to the end of 2022	Overview of audits managed by SAO members in 2022	
			Completed	Not completed
Mr Adolf Beznoska	14 March 2017	14	21/17 21/20 22/02*	22/21 22/32
Mr Pavel Hrnčíř	11 Dec. 2009	30	21/33 22/03	22/22
Mr Jiří Kalivoda	17 Sept. 1993	77	21/08	22/07 22/15 22/27
Mr Jan Kinšt	25 Jan. 2018	13	21/22 21/30 22/04*	22/26
Mr Vladimír Koniček	4 Dec. 2018	7	21/05 21/12	22/05 22/24
Mr Stanislav Koucký	8 Oct. 2020	4	21/35 21/38	22/10 22/20
Mr Josef Kubíček	10 June 2014	20	21/07 21/15 21/23* 21/34	22/23
Mr Jan Málek	21 June 2016	17	21/03 21/36	21/37 22/08 22/29
Mr Petr Neuvirt	21 Dec. 2010	42	21/06 21/14 21/19	22/06 22/09 22/11
Mr Roman Procházka	25 Jan. 2018	10	21/10 21/16 21/28	22/01 22/14
Mr Daniel Reisiegel	30 Apr. 2010	33	21/18 21/25	22/17 22/19
Mr Roman Sklenák	17 Sept. 2021	1	–	22/31
Mr Jan Stárek	4 June 2015	18	20/24 21/21 21/29	22/13 22/28
Ms Jaromíra Steidlová	16 Nov. 2006	36	21/24 21/27	22/16 22/18
Mr Michal Šmucr	10 June 2020	4	21/09	22/12 22/30

* The audit report was approved in 2022 but published in 2023.

3. SAO MANAGEMENT

The SAO management consists of employees directly subordinate to the SAO President. These are the Senior Director of the Audit Section, the Senior Director of the Administrative Section, the Director of the President's Office, the Board secretary, the Director of the Security Department and the Director of the Internal Audit Department.



Mr Radek Haubert, Ms Ladislava Slancová, Ms Alena Fidlerová, Mr Miloslav Kala, Mr Pavel Skalník, Ms Zuzana Čandová, Mr Jiří Ploc,

4. MISSION AND BENEFITS OF THE SAO'S WORK

The SAO's strategic mission is to provide objective information on the state's management of public funds. Results in the form of audit reports, opinions on the implementation of the state budget, opinions on the state closing accounts and other outputs of the SAO's work provide important feedback on the legality, economy, efficiency and effectiveness of the use of public funds and state property, and in this way contribute to the promotion of good practice. Independent and objective feedback is essential for the functioning of the Czech state. This information is important for parliament and government, which are the SAO's key partners, as well as for the general public for the proper functioning of public control.

The SAO has a solid footing for its work as a result of its independence from the executive and, above all, because of its long-standing status as a reliable, professional and trustworthy partner and information provider. The SAO's objective, targeted and comprehensible reports and recommendations lead to shortcomings being remedied and a positive shift in the management of public funds and property, with the promotion of good practice.



The most important impacts of the SAO's work include positive pressure exerted on the appropriate authorities to eliminate identified shortcomings and implement systemic corrective measures. Audits also have a crucial preventive effect on other entities, encouraging them to avoid management and control errors and strengthen the accountability of public administration and the enforceability of the law in general. That is linked to the results of the SAO's work in the field of assessing the working of legislation and making legislative recommendations. Last but not least, and although this is not the principal goal of audit work, the SAO has an important impact in the form of its fulfilment of its reporting duty in connection with breaches of budgetary discipline and criminal liability.

The key data on the SAO's activities in 2022, which are set out in the following section of this Annual Report, as well as the numerous findings presented in its other sections, are clear and comprehensible evidence of the SAO's results and contribution.

5. AUDIT PLAN FOR 2022

The SAO audit plan for 2022 was the fundamental document defining the focus and timing of audits last year. When compiling the plan, the SAO, in accordance with its strategy, focused mainly on those areas and issues that are important in terms of the functioning of government policies in various areas of citizens' lives, the effectiveness of state administration, and the CR's competitiveness by international comparison.

The SAO's approach was mainly analytical and risk-based in order to ensure its audit work was effective. The guiding principle was to identify risks in the state's financial management arising from the failure to proceed economically, efficiently and effectively or to comply with the law. The goal is for audit results to help promote good practice in the state's financial management and bring about improvements in areas where the SAO sees shortcomings.

Key areas targeted by the SAO's audit plan include in particular:

- projects for the modernization of public administration;
- support for digital education and the electronicization of healthcare;
- funds for institutional support of research organizations;
- resources intended to increase preparedness for solving and managing risks and disasters and ensuring the population protection system;
- procurement of automotive technology by the Army of the Czech Republic;
- funds for the construction of sewers;
- funds for a compensation bonus to mitigate the impact of the covid-19 pandemic;
- VAT administration with a focus on the area of excessive deductions;
- funds for the system of time-based charging for the use of roads; building the D4 and D35 highways and increasing road traffic safety;
- state funds from gambling tax and administration of this tax;
- support for employment, housing and the implementation of gender audits;
- support for palliative care and regional health care infrastructure;
- support for the restoration and preservation of cultural monuments;
- support of fishing and care for nature and landscapes;
- management of selected state organizations;
- the reliability of data for financial management, through which institutions compile accounts of the management of state budget funds.

The audits included in the 2022 audit plan were based on suggestions arising from the SAO's own monitoring and analytical activities.

The audit plan for 2022 was adopted by the SAO Board at its session on 18 October 2021. A total of 30 audits were approved. During 2022, one audit was cancelled and two other audits were added to a total of 31 audits.

An overview of the audits included in the 2022 audit plan, and their specific focus and timing, are presented in Annex 1 to this Annual Report. In accordance with the time schedule, individual audits were launched gradually during 2022. Depending on the start time and audit duration, the planned completion times, i.e. when audit reports are approved, are in 2022 and 2023.

II. ASSESSMENT OF AUDIT AND ANALYSIS WORK IN 2022

The assessment of the SAO's activities presented in this chapter is based mainly on the results of the audits that were completed in 2022 when the audit report was approved by the SAO Board. Findings from the SAO's opinions on the draft State Closing Account for 2021 and on the report on economic development and the implementation of the state budget of the Czech Republic for the first half of 2022, information from other SAO reports, as well as other findings from the SAO's analysis work were also used.

The assessment is based on the results of a total of **33 audits**, of which one audit was initiated according to the audit plan in 2020, 29 actions in 2021 and three in 2022. Their overview is shown in Annex No 2 of this Annual Report. The SAO fulfilled its mandate in the areas of its competence according to the provisions of Section 3, paragraphs 1 and 3 of the Act on the SAO. Audits were focused mainly on the period of 2018-2022.

1. OPENING SUMMARY

The results of the SAO's audits carried out in 2022 reveal a number of issues that the Czech Republic has long been unable to tackle successfully, or where the State has downright failed.

The principal problem remains connected with the ever-increasing structural deficit of the State budget, where the growth in mandatory spending is not sufficiently covered by corresponding revenues. Over the past five years, total State budget expenditure has increased by CZK 705 billion, while revenue has grown by only CZK 351 billion. This fact reverberates throughout the entire public sector. According to Eurostat, the Czech Republic reported the fourth largest deterioration of the public budgets' balance from among EU countries between 2016 and 2021 – by almost 13 percentage points. While revenues covered 102% of expenditure in 2016, in 2021 this number fell to 89%. As a result, the Czech Republic remains a country with one of the fastest growing debt in the European Union, and this trend threatens the stability of public finances.

In the SAO's view, it is crucial to stabilise the public budgets, not only to ensure the long-term sustainability of financing the State's operation, but also to enable the Czech Republic to successfully deal with various crises and unexpected situations, such as the recent Covid-19 pandemic and the Russian aggression against Ukraine.

In its 2022 Annual Report, the SAO outlines a number of areas where the State should reconsider its approach and place emphasis on achieving its objectives without wasting scarce public resources. The SAO sees an enormous potential for improvement in this regard.

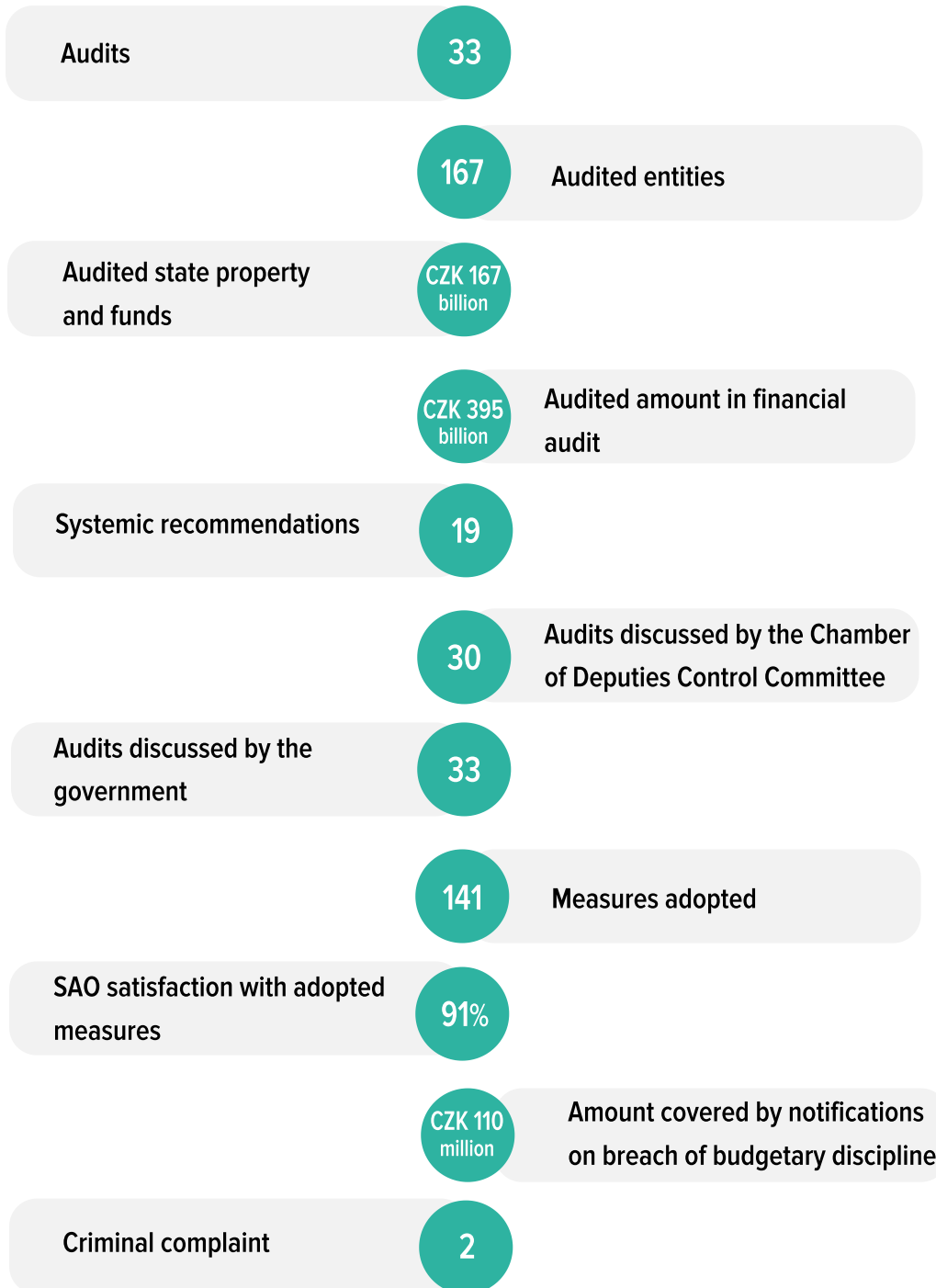
This is true, for example, of the State's approach to certain subsidy policies. The SAO audits have repeatedly shown that governmental institutions neglect the rationale behind the distribution of money and its results, and rather opt for a formalistic approach. This is manifested both in the choice of projects the State supports and in the evaluation of the results the money was supposed to bring. The imperative of subsidy policies has become to spend money for its own sake, instead of focusing on what it actually delivers. The problem lies not only in the individual ministries, but also in the whole system of subsidies as such, which is administratively demanding and its extensive scope overburdens and overwhelms the State.

In a number of cases dealt with in 2022, the SAO also described situations where ministries not only failed to emphasise that the money should deliver the maximum possible value, but even acted in direct contradiction to their own priorities. In practice, they spent money on other things than they had originally intended. This was the case even in strategically important areas, such as the environment and agriculture.

In the search for savings and increased efficiency of public administration, it is also necessary to accelerate and, above all, improve the quality of the public administration digitalisation process. This, however, has yet to be achieved, even though the government spending in this area is constantly increasing. The total volume of ICT expenditure in 2022 amounted to more than CZK 19 billion for organisational components of the State and State funds alone, which is almost one third more than in 2018. The success of digitisation is hampered by the fact that the process is often not preceded by a major review of the existing tasks and responsibilities. At the same time, citizens' demand for e-government services continues to grow.

Based on the audit findings, the SAO points out that governmental institutions have often given up on their fundamental responsibility towards citizens, i.e. the effort to act as a diligent manager. Governmental institutions have a legal obligation to use the property and resources entrusted to them effectively, economically and efficiently, and in accordance with the law. The SAO has repeatedly pointed out shortcomings and situations where institutions have failed to act responsibly and thus wasted public funds.

The SAO in 2022



THE HIGH PACE OF DEBT ACCUMULATION CONTINUES, WHILE SUBSTANTIAL STEPS AND REFORMS NEEDED TO MAINTAIN FISCAL STABILITY HAVE NOT BEEN ENACTED

ALTHOUGH TAX REVENUES GREW IN 2022, THIS GROWTH WAS UNABLE TO OFFSET THE STRUCTURAL DEFICIT IN THE STATE BUDGET. ATTEMPTS TO CURB THE GROWTH OF MANDATORY AND QUASI-MANDATORY SPENDING WERE UNSUCCESSFUL. THE STATE BUDGET THUS AGAIN ENDED UP WITH A VERY HIGH DEFICIT. THESE FACTS FURTHER EXACERBATE THE LEVEL OF GOVERNMENT DEBT, WHICH IS ALSO REFLECTED IN AN ACCELERATING GROWTH OF DEBT SERVICE COSTS.

The national economy continued to recover in early 2022, helped by relaxed public-health restrictions. A negative factor affecting the economy and the State budget was the outbreak of the war in Ukraine and the related effects, such as rising commodity prices and especially the prices of fuel and energy. While the Czech Republic achieved an annual GDP growth of 2.4%, this was 1.1 percentage point below the EU average. The living standards of the population were significantly affected by the sharp rise in the average annual inflation rate, which, according to Eurostat, reached 14.8% and was thus 5.6 percentage points above the EU average. This was the fifth highest year-on-year increase in the price levels among EU countries. The Czech Statistical Office reported the average annual inflation rate at 15.1% in 2022. The inflation rate in the Czech Republic was also significantly higher than the growth of average gross monthly wages, causing real wages to slump by 7.5% in 2022. The year-on-year decline in real wages was one of the highest among OECD countries. The Czech Republic continued to have the lowest unemployment rate in the EU in 2022, standing at 2.4%, which was almost 3.7 pp below the EU's average unemployment rate.

From 2017 to 2021, the number of State employees increased on average by almost 10 thousand per year, and the total funds required for their salaries and other payments grew by almost CZK 20 billion per year. Further increases are expected in the following years.

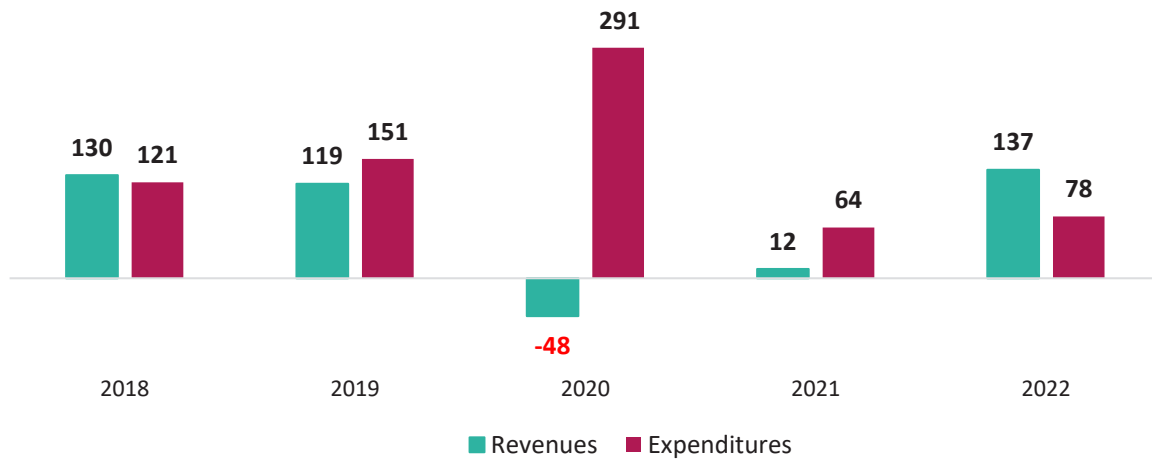
The State budget ended 2022 with a deficit of CZK 360.4 billion. The reported deficit decreased by CZK 59.3 billion year-on-year. The high deficit was again mainly due to a significant increase in current expenditure, which rose by CZK 69 billion. In contrast, capital expenditure increased only by CZK 8.9 billion year-on-year.

Due to the high State budget deficits, government debt has been soaring since 2020. At the end of 2022, it stood at almost CZK 2,895 billion, a year-on-year increase of more than CZK 429 billion. Government debt also increased significantly relative to the GDP, up 2.5 percentage points year-on-year, resulting in a ratio of almost 43%. The growth of debt is also accompanied by an increase in debt servicing costs. Since 2020, these costs have risen by almost CZK 10 billion to a total of CZK 49.7 billion. Although the Czech Republic is still one of the less indebted countries by European comparison, the government debt growth rate in 2022 was the third highest.

While the Czech Republic is still one of the EU's less indebted countries, it has been slipping down the rankings. It ranked as the fourth least indebted country in 2019 and 2020, sixth in 2021 and eighth in 2022, according to European Commission data.

Total State budget revenue amounted to **CZK 1,624.4 billion** in 2022, a year-on-year increase of **CZK 137.2 billion**. The year-on-year growth in revenue was mainly due to an increase in tax income, which rose by **CZK 132.4 billion** year-on-year. This was mainly due to an increase in value added tax collection caused by high inflation. State budget expenditure in 2022 amounted to **CZK 1,984.8 billion** and was **CZK 77.9 billion** higher year-on-year. The increase in State budget expenditure over the last five years equalled **CZK 705 billion**, while revenue grew by only **CZK 351 billion**.

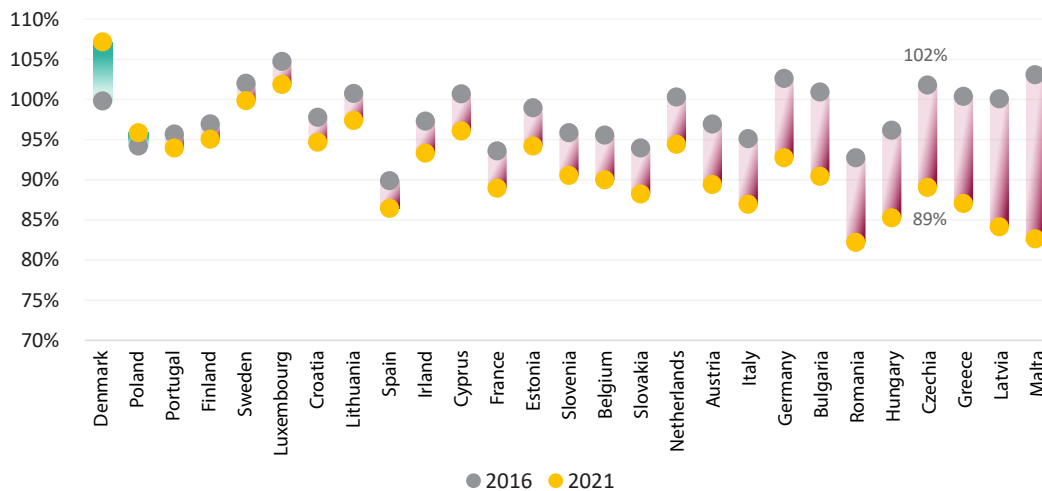
Year-on-year changes in the state budget revenues and expenditures (CZK billion)



Source: Integrated Information System of the State Treasury.

However, the disproportionate increase in spending is a problem that affects the entire public sector. According to Eurostat, the Czech Republic reported the fourth largest deterioration of the public budgets' balance from among EU countries between 2016 and 2021, by almost **13 percentage points**. While in 2016, revenue covered 102% of expenditure, the ratio was only **89%** in 2021.

Share of public sector expenditures covered by revenues difference between 2016 and 2021 (%)



Note: A value of 100% corresponds to a balanced result of the management of public budgets.

Source: Eurostat.

The SAO has repeatedly drawn attention to significant shortcomings in State budget management that pose a significant risk to the stability of public finances.

THE DIGITALISATION OF GOVERNMENT IS LACKING IN BOTH QUALITY AND SPEED. NO SUBSTANTIAL RESULTS CAN BE EXPECTED WITHOUT A CHANGE IN THE ESTABLISHED PROCEDURES

THE PACE AND QUALITY OF THE DIGITALISATION OF PUBLIC ADMINISTRATION'S TASKS AND RESPONSIBILITIES IN THE CZECH REPUBLIC HAVE LONG BEEN INSUFFICIENT, AS THE RESULTS OF THE SAO'S AUDITS AND INTERNATIONAL COMPARISONS SHOW. THE SAO HAS REPEATEDLY NOTED THAT THE STATE HAS YET TO ADOPT FUNDAMENTAL CHANGES AND REVISE ITS PROCEDURES AND PROCESSES. YET THIS IS CRUCIAL BECAUSE WITHOUT SUCH CHANGES, EFFICIENT AND MEANINGFUL DIGITALISATION IS IMPOSSIBLE. DEFICIENCIES IN THE DIGITALISATION AND INTER-MINISTERIAL COMMUNICATION WERE ALSO ONE OF THE MAIN REASONS WHY THE CZECH REPUBLIC PERFORMED SO POORLY DURING THE COVID-19 PANDEMIC.

The electronisation of Czech Republic's public administration has been progressing very slowly and is not delivering the expected results. In the international DESI comparison², focusing primarily on digitalisation, the Czech Republic constantly lags behind the EU average. Moreover, the Czech Republic fell again by one place year-on-year and ranked 19th. This is the worst result since the European Commission started compiling the index in 2014.

The SAO audits carried out in 2022 showed that the governmental authorities' ICT systems were not prepared to handle epidemics of infectious diseases, and also revealed further ICT-related problems in a number of specific sectors.

Citizens as clients of public administration want the option to communicate with the State electronically. Data provided by the Ministry of the Interior in the last year alone show a sharply growing interest in the use of electronic communication in various life situations. The largest increase can be observed in matters related to the processing of social benefits such as housing allowance, pension benefits and others. This puts pressure on individual institutions to make these services as accessible to citizens as possible, and not burden them with excessive red tape. However, there has been little success in this regard – for example, the responsible authorities have been failing to fulfil one of the basic principles of eGovernment defined in the *Information Strategy of the Czech Republic*, specifically the “once only” principle. Thus, authorities keep asking citizens for data that they have already received earlier and could and should have shared with each other.

Since mid-2017, the Ministry of Health was already aware of the poor ICT equipment at regional public health stations, which lacked over 900 workstations and laptops.

The Probation and Mediation Service and the Ministry of Justice repeatedly attempted to implement a project of electronic tags for convicts since 2012. They eventually had to shut it down in December 2021, after only three years of operation, and revert to checking on convicts through personal visits. The average monthly costs of these checks ranged between CZK 232 thousand and CZK 464 thousand.

The Ministry of Health failed to prepare information support for the management of epidemics. Regional public health stations were thus not prepared to deal with such situations in terms of ICT support. The chaotic management of these activities including information support – where the total cost exceeded **CZK 387 million** in the audited period – was coupled with the failure to use the procedures defined by the *Pandemic Plan of the Czech Republic* and the follow-up sectoral pandemic plans. In addition, the Ministry of Health also failed to utilise the IT system envisaged by the *Pandemic Plan of the Czech Republic* – the *Pandemic* information system. The Ministry of Health did not evaluate the efficiency of some newly developed applications and systems of services available within the Smart Quarantine programme. At least **CZK 14 million** was spent unnecessarily and wastefully. This owed to the fact that the Ministry of Health had failed to check what it was actually paying for. The SAO also examined the prices of outgoing calls per new positive case, which rose rapidly from September 2020, when the price for one outgoing call was about **CZK 8**, to more than **CZK 435** in May 2021.³

The Ministry of Justice made only marginal progress in developing the use of ICT in the judiciary to support fair, lawful and fast decision-making by bodies in the justice sector (eJustice), as it accomplished **only two** of the **20 specific objectives** of the eJustice strategy. Nearly **CZK 332 million** was spent on the implementation of this strategy in the 2016–2021 period, but almost **75%** of these funds were used for the acquisition of videoconferencing equipment

2 The Digital Economy and Society Index 2021/DESI/ composite indicator assesses the following: connectivity, human capital, use of internet services, integration of digital technologies, digital public services; Source: *The Digital Economy and Society Index (DESI)* [online], European Commission, 2022. Available at: <https://digital-strategy.ec.europa.eu/en/policies/desi>.

3 SAO audit No 21/35 (see chapter 4.1. of this Annual Report).

and recording devices for courtrooms. Of the three projects examined, none produced results. The key information systems in the sector had either not been completed or the Ministry had not even begun to implement them. However, the electronisation of the judiciary will never be successfully accomplished without a new modular system for the filing service, as the existing information systems are morally and technically obsolete, incompatible with each other and expensive to manage. Data cannot be shared among the sectoral information systems, nor is it possible to remotely access files. Moreover, there are no user-friendly tools for communicating with litigants and for sending electronic submissions with the possibility of immediate electronic payment. For the above reasons, the SAO assessed the implementation of the eJustice strategy, including its management, as inefficient.⁴

THE BENEFITS OF SUBSIDIES OFTEN REMAIN ONLY ON PAPER. FORMALISM HAS OFTEN REPLACED THE REAL MEANING OF SUBSIDIES

IN TARGETING SUBSIDY POLICIES, THE RESPONSIBLE AUTHORITIES ARE REQUIRED TO DESIGN THE SUBSIDY IN SUCH A WAY THAT IS AS EFFICIENT AS POSSIBLE AND FULFILLS ITS MAIN PURPOSE. THE SAO HAS REPEATEDLY POINTED OUT THAT IN THE CZECH REPUBLIC, THE FULFILMENT OF FORMAL CONDITIONS FOR GRANTING SUBSIDIES OFTEN OUTWEIGHS EMPHASIS ON THE ACTUAL PURPOSE OF THE SUBSIDY. SUBSIDIES DISTRIBUTED WITHOUT REGARD TO THE RATIONALE BEHIND THEM ARE A WASTE OF PUBLIC FUNDS; SUCH SUBSIDIES HAVE TO BE FUNDAMENTALLY REDUCED OR REVISED SO AS TO BRING REAL BENEFITS TO CITIZENS OR TO THE DEVELOPMENT OF THE CZECH REPUBLIC'S COMPETITIVENESS.

The State continued to support a number of areas without the responsible authorities adequately evaluating the effectiveness and efficiency of the funds spent. As a result, the State lacks information on the real benefits of the money it spends – for example, how the support has helped families or socially vulnerable groups. The SAO audits showed that individual ministries supported ineffective and inefficient projects that did not have the required impact and benefits (as in the case of industrial research subsidies) and did not contribute to the attainment of the set objectives. That being said, this should be the main reason why individual projects receive subsidies in the first place.

In 2016–2022, the Ministry of Industry and Trade and the Technology Agency of the Czech Republic spent almost **CZK 10 billion** on industrial research grants within three national programmes. The Ministry considered a project successful if it achieved, for example, the planned number of patents, utility models, industrial designs, prototypes or functional samples. However, it did not consider whether the expected economic benefits were also achieved when the research results were put into practice. In most cases, the audited projects in the TRIO programme of applied research and experimental development did not yield practical economic benefits. In aggregate, the audited projects provided only **10%** of the planned revenue and approximately **8%** of the planned profit and exports. The SAO concluded that more than **63% of the 19** TRIO projects audited had been only of limited effectiveness and efficiency, or even completely ineffective and inefficient. The Ministry of Industry and Trade failed to set up a system of evaluating the selection of projects to ensure that only efficient and effective projects were supported. In addition, the Ministry did not prevent the risk of wasteful expenditure as it failed to specify proportionality criteria for personnel costs.⁵

*The SAO assessed as ineffective and inefficient a project for the development of a new generation of special types of industrial sewing machines, for which the beneficiary had drawn **CZK 20 million**. The economic benefits in the form of increased sales, profit and export were significantly lower than the beneficiary had anticipated, and none of the six planned jobs had been created. The beneficiary went bankrupt in 2021, although the company had repeatedly drawn subsidies for various projects under various programmes of support for research, development and innovation, totalling almost **CZK 455 million**, between 2007 and 2021.*

4 SAO audit No 21/28 (see chapter 4.1 of this Annual Report).

5 SAO audit No 21/30 (see chapter 4.2 of this Annual Report).

*Ineligible expenditure was reimbursed within the IROP, as a beneficiary used **CZK 2.9 million**, i.e. **69%** of the total subsidy, for the purchase of real estate from a family member. According to the SAO, such expenditure cannot be considered efficient and effective in relation to the stated objective to “support the creation and development of social entrepreneurship”.*

In the case of support for social enterprises under the Operational Programme “Employment” and the *Integrated Regional Operational Programme* (IROP), the Ministry of Labour and Social Affairs and the Ministry of Regional Development spent almost **CZK 1 billion** between 2015 and 2021. Half of the audited projects were assessed by the SAO as being of limited effectiveness and efficiency, or even completely ineffective or inefficient. It also turned out that the vast majority of enterprises checked had not fulfilled the economic assumptions included in their business plans. Moreover, newly established social enterprises frequently had significant personnel ties to their intended customers and suppliers, and the subsidies more often helped their beneficiaries than socially vulnerable people.⁶

Funds for family support totalling **CZK 8.9 billion** only partially contributed to the achievement of family policy objectives. The subsidy policy system in this area was set up in such a way as to maximise the volume of subsidies drawn by the beneficiaries. However, the Ministry of Labour and Social Affairs had no indicators regarding the effectiveness of the support. The Ministry monitored primarily the number of supported entities, rather than the qualitative benefits of the support, i.e. how it actually helped the families.⁷

WITH REGARD TO POLICIES WITH STRATEGIC SIGNIFICANCE, THE MINISTRIES ACTED AT VARIANCE WITH THEIR OWN PRIORITIES

ON OCCASIONS, THE MINISTRIES ACTED CONTRARY TO THEIR OWN PRIORITIES AND STATED OBJECTIVES. IN SUCH CASES, IT IS DOWNRIGHT IMPOSSIBLE TO ACHIEVE THE SET OBJECTIVES, WHICH – IN THE CASE OF THESE SPECIFIC POLICIES – ARE CRUCIAL FOR THE SUSTAINABLE DEVELOPMENT OF THE CZECH REPUBLIC. THESE WERE POLICIES WITH STRATEGIC SIGNIFICANCE, SUCH AS AGRICULTURE AND THE ENVIRONMENT.

The SAO found that in the case of municipal waste management, the responsible authorities prioritised landfilling over more environmentally friendly methods, and thus acted contrary to their own national waste policy strategy. Their actions did not sufficiently prevent the generation of waste, nor did they contribute to waste reduction.

The majority of support intended for the processing of agricultural products was allocated by the responsible authorities to large processing enterprises, although according to the Ministry of Agriculture’s strategies and the European subsidy programme, priority should have been given to micro, small and medium-sized enterprises.

*Between 2016 and 2020, there was a 23% increase in hazardous waste production, but the risk component of the fee (**CZK 4,500 per tonne**) for landfilling hazardous waste, i.e. the component that served as a revenue of the State Environmental Fund, was only charged for 7% of hazardous waste disposed of by landfilling⁸. The State thus lost at least **CZK 2.5 billion**.*

By the end of 2020, the Ministry of the Environment spent almost **CZK 9 billion** on measures in the field of municipal waste management. However, this led to no positive change in the waste management structure. Contrary to the hierarchy of management methods set out in the law⁸, landfilling of municipal waste remained the most common approach. Landfilling is the least desirable way to manage waste, and yet in 2020, **48%** of municipal waste was landfilled, **39%** of waste was used for material recovery, and only **13%** was processed through energy recovery. Neither the expected increase in waste recycling capacity (achieving only **7.4%** of the target value) nor the envisaged expansion of newly built or upgraded facilities for energy recovery of other waste (only **1.2%** of the target) was achieved by the end of 2020 under the 2014–2020 Operational Programme “Environment”. This situation owed, among other things, to the fact that the Ministry of the Environment failed to use financial instruments to support the landfill ban set by the law for 2024,⁹ and instead postponed the ban until

6 SAO audit No 21/22 (see chapter 4.5 of this Annual Report).

7 SAO audit No 21/29 (see chapter 4.5 of this Annual Report).

8 Provisions of § 9a of Act No. 185/2001 Coll., on waste and on the amendment of certain other laws; provisions of § 3 paragraph 2 of Act No 541/2020 Coll., on waste.

9 Act No 229/2014 Coll., amending Act No 185/2001 Coll., on waste and amending certain other laws, as amended.

2030¹⁰. Moreover, it took the Ministry of the Environment 12 years to increase the landfill fee from **CZK 500/tonne** to **CZK 800/tonne**. However, an exemption enshrined in the law¹⁰ allows municipalities to landfill part of the generated waste at the original rate of CZK **500 per tonne** until 2029. This effectively favoured landfilling over other forms of waste management.¹¹

According to the Ministry of Agriculture's strategy¹³ and the *Rural Development Programme for 2014–2020*, support for the processing of agricultural products was to be provided preferentially to micro, small and medium-sized enterprises, but the Ministry failed to prepare any national subsidy programme for these enterprises in 2018–2021. On the contrary, it announced a programme to increase the competitiveness of large processing companies, from which it then paid **CZK 1.7 billion** during the audited period. In the case of EU subsidies, the Ministry of Agriculture set the conditions for drawing the money in such a way that small and medium-sized enterprises were eventually interested in only one of the four investment operations. As a result, support from national and EU sources was drawn each year mainly by large companies with multimillion profits.¹⁴

A NUMBER OF OBJECTIVES AND TASKS THAT COULD HAVE HAD A DIRECT IMPACT ON THE LIVES OF CITIZENS YIELDED NO RESULT

THE STATE IS FAILING TO MEET ITS STRATEGIC GOALS AND OBJECTIVES IN A NUMBER OF AREAS THAT HAVE A DIRECT IMPACT ON THE LIVES OF CITIZENS. IN 2022, THIS WAS TRUE OF GOALS IN EDUCATION AND SECURITY, AS WELL AS, FOR EXAMPLE, TELECOMMUNICATIONS. IN A NUMBER OF CASES, THE MINISTRIES' AND OTHER INSTITUTIONS' SPENDING DID NOT CONTRIBUTE TO THE SET OBJECTIVES, AND THUS COULD NOT BE CONSIDERED PURPOSEFUL.

The Ministry of Education, Youth and Sports failed to meet the goals of the 2020 Digital Education Strategy in due time, so schools were not sufficiently prepared for distance learning when the Covid-19 pandemic broke out. The Czech Republic still lacks a comprehensive system of soft targets protection (STP), although the country has been dealing with this issue for more than 12 years. The price of mobile data has yet to be reduced through an auction of frequencies, although this was the State's plan. Prices in the Czech Republic were among the highest in the European Union in 2021.

The Ministry of Education, Youth and Sports spent a total of **CZK 8.2 billion** to support digital education. Given the significant delays and failure to complete up to a quarter of the activities planned, it is clear that even priority objectives have yet to be accomplished. In view of the above, the SAO concluded that the funds allocated for the implementation of the Digital Education Strategy were not fully used for their intended purpose. During the audited period, the responsible authorities lacked comprehensive information on the digital skills of Czech teachers. Moreover, the Ministry lacked a sustainable system of financing schools' ICT equipment during the audited period.¹⁵

*In 2019, the Ministry of Education, Youth and Sports concluded that the funding for ICT equipment should be increased by **CZK 500 per student**; this was not accomplished. This was one of the reasons why the Ministry had to provide additional **CZK 1.3 billion** in one-off funding after the outbreak of the Covid-19 pandemic, whereby it increased the number of portable ICT equipment in schools **by almost 91%** (compared to 2018–2021).*

The Ministry of the Interior failed to meet the goal of the *Soft Targets Protection Strategy for 2017–2020*, i.e. to establish a national STP system. In addition, the SAO pointed out significant shortcomings reducing the effectiveness and economy of the funds spent on the implementation of non-investment programmes. Through non-investment programmes, the Ministries of the Interior, Culture and Health spent **CZK 194 million** on the soft target protection system in the 2019–2021 period. The Ministry of the Interior allocated the funds regardless of the actual, previously identified needs.¹⁶

10 Act No 541/2020 Coll., on waste.

11 SAO audit No 21/06 (see chapter 4.7 of this Annual Report).

12 Act No 185/2001 Coll., on waste.

13 *Strategy of the Department of the Ministry of Agriculture of the Czech Republic with a view to 2030*, which was approved by Resolution No 392 of the Government of the Czech Republic on 2 May 2016.

14 SAO audit No 21/33 (see chapter 4.8 of this Annual Report).

15 SAO audit No 22/02 (see chapter 4.9 of this Annual Report).

16 SAO audit No 21/21 (see chapter 4.3 of this Annual Report).

*As an example of a successful outcome, the SAO cited a frequency auction in France which – thanks to the entry of a fourth infrastructure operator – had led to a reduction in the price of calls and mobile data in the country¹⁸. The fourth operator was granted a licence to use the relevant frequencies and within a year of the launch of its new network, the price of calls and mobile data dropped by an average of **40%**. France’s licensing procedure was investigated by the European Commission – the Commission did not find any State aid in the procedure and, on the contrary, noted that it had been geared to increase competitiveness and competition.*

In 2020, the Czech Telecommunication Office as the radio spectrum administrator held an auction of radio spectrum frequencies. These were distributed among the three existing established operators without any significant competition. The proceeds of the auction, at **CZK 5.6 billion**, were thus significantly lower than the original estimate of **CZK 7 billion**. The auction was intended, among other things, to reduce the price of mobile data and increase competition in the market. Nonetheless, the prices of calls and mobile data in the Czech Republic remained among the highest in the European Union in 2021.¹⁷

SLOW AND INEFFICIENT GOVERNMENT ACTIONS UNNECESSARILY DELAY INFRASTRUCTURE PROJECTS AND INCREASE THEIR COST

THE SLOW AND HESITANT APPROACH OF THE STATE TO PROJECT PREPARATION SIGNIFICANTLY DELAYS IMPORTANT INFRASTRUCTURE PROJECTS IN THE CZECH REPUBLIC AND INCREASES THEIR COST. IN SOME CASES, THIS MAY ALSO CAUSE THE STATE TO VIOLATE ITS INTERNATIONAL OBLIGATIONS.

Due to the slow preparation of trans-European rail network projects, there is a realistic risk that the Czech Republic will not meet the 2030 deadline that it has committed to as a member of the European Union. Moreover, delays in reconstruction projects result in increased costs.

The SAO found similar problems in the development of recreational boating. The Ministry of Transport approved inadequately prepared projects, which were often subject to numerous changes and consequent delays, increasing the resulting costs. Moreover, the Ministry failed to evaluate the actual benefits of the projects or the overall results of the funding aimed at the development of recreational boating.

*The completion of the Prague-Kladno line with a connection to Václav Havel Airport Prague has been postponed by **four years** to 2029. The cost of the two-stage modernisation of the line has now been set by the Railway Administration Company at **CZK 42.7 billion**, which is **CZK 13.1 billion more** than originally projected.*

Priority projects for the reconstruction of selected off-corridor railway lines were not prepared by the milestones specified in the Ministry’s strategic materials. The delays also affected projects in the trans-European transport network (TEN-T), which threatens the country’s international commitment to modernise lines in the main TEN-T network by 2030. Inadequate project preparation led to changes in the design and scope of construction, including increases in project costs and the ensuing risk that there would not be enough resources to cover these costs. For example, the Ministry of Transport projected costs of almost **CZK 227 billion** in 2013 for 59 priority projects which are key to securing the strategic objectives and international commitments. Currently, however, it already works with the amount of **CZK 441 billion**.¹⁹

17 SAO audit No 22/03 (see chapter 5.1 of this Annual Report).

18 A detailed description of the situation and progress of France is available at: https://ec.europa.eu/competition/publications/cpn/2011_3_6_en.pdf.

19 SAO audit No 21/36 (see chapter 4.4 of this Annual Report).

The Ministry of Transport has failed to develop an effective investment management system for the development of recreational boating to ensure effective, economical and efficient spending of funds. The Ministry approved poorly prepared projects, which were often subject to numerous changes and consequent delays, increasing the resulting costs. The Ministry also failed to evaluate the actual benefits of the projects or the overall results of the funding for the development of recreational boating.²⁰

*The preparation of the **Orlík Ship Lift** project has been underway since 2008, and the Waterways Directorate planned to implement it in 2011–2013. However, the actual construction of the lift has yet to start. Delays in the project's implementation also entail an increase in the expected costs, where the original estimate made in 2008 was **CZK 360.2 million**, while the latest estimate from 2019 rose to **almost CZK 2 billion**.*

WASTE AND LACK OF CONTROL. GOVERNMENTAL ORGANISATIONS FAILED TO HANDLE GOVERNMENT MONEY ACCORDING TO THE RULES

A FUNDAMENTAL ASPECT OF PUBLIC SPENDING IS THAT INSTITUTIONS HAVE THE LEGAL DUTY TO USE PUBLIC MONEY ECONOMICALLY, EFFECTIVELY AND EFFICIENTLY. THIS, HOWEVER, WAS OFTEN NOT THE CASE AS SOME GOVERNMENTAL ORGANISATIONS FAILED TO ADHERE TO THESE PRINCIPLES. IN ADDITION, THEY ALSO FAILED TO SET UP CRUCIAL CONTROL MECHANISMS THAT WOULD HELP AVOID THIS MALPRACTICE. IN SPECIFIC CASES, THESE PRINCIPLES WERE NOT EVEN ADHERED TO BY KEY INSTITUTIONS THAT SET THE RULES FOR HANDLING GOVERNMENT MONEY AND ARE SUPPOSED TO OVERSEE THEM. ALL THIS LED TO A FURTHER WASTE OF PUBLIC RESOURCES IN 2022.

For example, an audit revealed that the Ministry of Finance had spent public funds for the *Účtenková loterie* campaign (*Receipt Lottery*) with a view to promoting tax collections, but had never evaluated whether tax collection had actually improved. Furthermore, almost one third of the software licences procured were never used. The Ministry of Regional Development abolished an internal audit department of its subordinate contributory organisation as redundant, without replacing it with public administration control. The SAO's audit revealed a number of deficiencies in its management that could have been avoided.

The receipt lottery was intended to motivate citizens to take receipts from vendors and thus encourage proper tax collection. However, the Ministry of Finance ultimately did not evaluate whether the lottery had indeed contributed to higher tax collection, although it had paid **CZK 231 million** for its implementation. Moreover, the Ministry concluded a contract based on which it was required to pay the full price to the supplier even at a time when the lottery itself was no longer running and the system was only being maintained – this amounted to almost **CZK 14 million**.²¹

Between 2016 and 2020, the Ministry of Finance also inefficiently spent at least **CZK 10.6 million** for the maintenance of unused software (SAP platform) licences related to the operation of the Integrated Information System of the State Treasury. On average, the Ministry failed to utilise **28%** of the approximately **6 thousand** software licences purchased. In 2019, the Ministry managed to negotiate a reduction in the number of licenses by **400**, but this was conditional on the acquisition of software to ensure compliance with cybersecurity requirements at a cost of more than **CZK 94 million**. From 2008 until the end of the audit, the Ministry of Finance paid a total of **CZK 933 million** for software products to ensure the system's operation.²²

20 SAO audit No 21/03 (see chapter 4.4 of this Annual Report).

21 SAO audit No 21/12 (see chapter 5.1 of this Annual Report).

22 SAO audit No 21/05 (see chapter 4.1 of this Annual Report).

*The mountain rescue service made errors in **nine out of ten** public contracts reviewed in the SAO's audit. The agency violated the Public Procurement Act, for example, by failing to publish the full text of a contract within the prescribed time limit, by failing to cancel tender procedures where only a single bid had been submitted, and by concluding a purchase contract with the selected tenderer before expiry of the 10-day period for submitting objections. The SAO found these shortcomings to be in violation of the budgetary discipline, corresponding to almost **CZK 96.5 million**.*

The Ministry of Regional Development failed in the management of subordinate organisations as it did not supervise compliance with the conditions for procurement procedures and, in some cases, violated the Financial Control Act. The Ministry, for example, abolished the internal audit department at the CzechTourism agency in violation of the conditions set out in the Financial Control Act. One of the reasons was that there was allegedly a low likelihood of unreasonable risks entailed in the management of public funds, although the Ministry had repeatedly identified such risks with the agency. The function of the abolished department was to be replaced by public administration control ensured by the Ministry of Regional Development, but the Ministry had started no such control by the end of the SAO audit (February 2022). The SAO audit found deficiencies in **19 of the 60** public contracts audited.²³

The National Gallery's internal control system did not function properly and was one of the main reasons for the fundamental deficiencies in its economic management and in the awarding of public contracts. Although the National Gallery had its own legal department, it hired three external companies to handle its responsibilities. Without a tender procedure, it thus concluded seven contracts worth a total of **CZK 6.7 million**. In addition, again without any selection procedure, the National Gallery concluded a contract with its Director General for the creation of a copyrighted work worth more than **CZK 1 million**; on top of that, the contract was signed by an unauthorised person on behalf of the gallery – the Director General's chancellor. Last but not least, the National Gallery wastefully spent **CZK 1.3 million** on the design of its new logo. Since the new logo comprises a different name than the one specified by the law, the National Gallery is unable to use it.²⁴

23 SAO audit No 21/07 (see chapter 5.1 of this Annual Report).

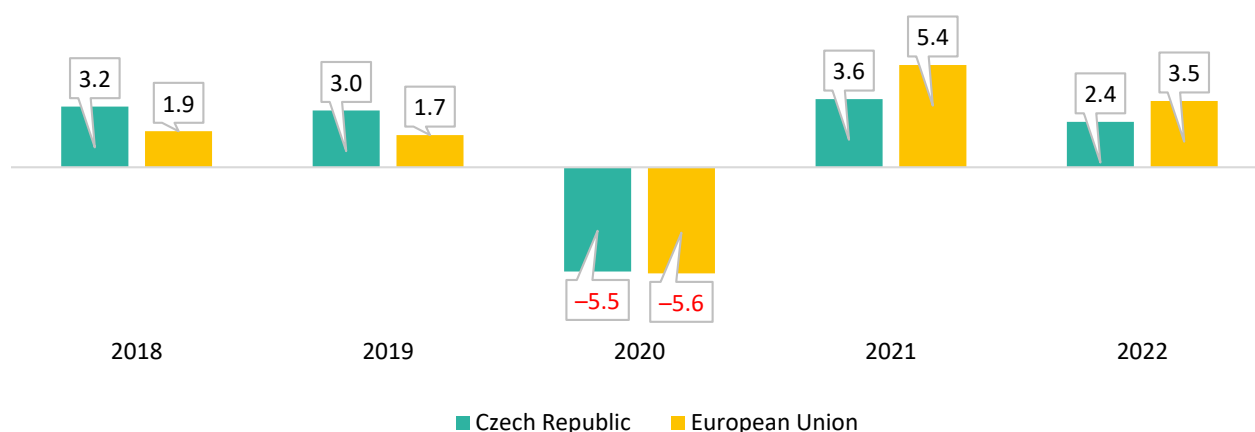
24 SAO audit No 21/10 (see chapter 5.1 of this Annual Report).

2. PUBLIC FUNDS

Based on its opinions on the draft State Closing Account and the report on the implementation of the State budget, the results of audit and analytical work and the current data for 2022, the SAO expresses its opinion on the development of the economic situation and the results of the management of public funds and the State budget.

The Czech economy entered 2022 in a phase of gradual recovery from the impacts of the Covid-19 pandemic, which had adversely affected the global economy in the previous two years. During the year, however, new economic difficulties emerged because of the Russian invasion of Ukraine. The GDP eventually grew by 2.4% year-on-year in 2022. The main contributors to this increase were household consumption, although this had been gradually declining during the year due to a fall in real income, investment activity and also a lower comparison base of the previous year. The development of the Czech Republic's GDP lagged behind the EU, where it grew by 3.5% in 2022.

Chart 1: Development of year-on-year change in GDP 2018–2022 (%)



Source: Eurostat.

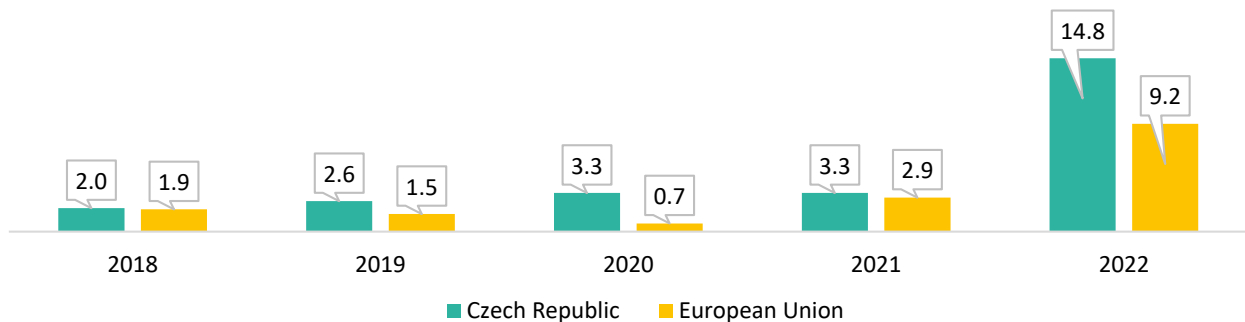
The biggest obstacle to economic growth in 2022 was the sharply rising inflation, which also lowered the living standards of the population. The inflation rate was in double digits starting from February 2022, and reached the highest level in September at **17.8%**, according to Eurostat. Inflation later declined slightly and averaged **14.8%** for the year as a whole.²⁵ This was the fifth highest year-on-year increase in the price levels among EU countries. The average EU inflation rate of **9.2%** was exceeded by **5.6 pp** in the Czech Republic.

*The inflation rate in the Czech Republic was also significantly higher than the growth of average gross monthly wages, causing real wages to slump by **7.5%** in 2022. According to available OECD data (for Q3 2022)²⁶, the Czech Republic experienced the largest decline in real wages among OECD countries.*

25 The Czech Statistical Office reports an average annual inflation rate of 15.1% in 2022. For the sake of international comparison and uniform methodology, Eurostat data was chosen in the text.

26 Economic Outlook: Volume 2022 Issue 2 [online]. OECDiLibrary, 2022. Available at: https://www.oecd-ilibrary.org/sites/f6da2159-en/1/3/1/index.html?itemId=content/publication/f6da2159-en&csp_=761d023775f288a22ebcaaa183fbd6c&itemGO=oecd&itemContentType=book#figure-d1e777.

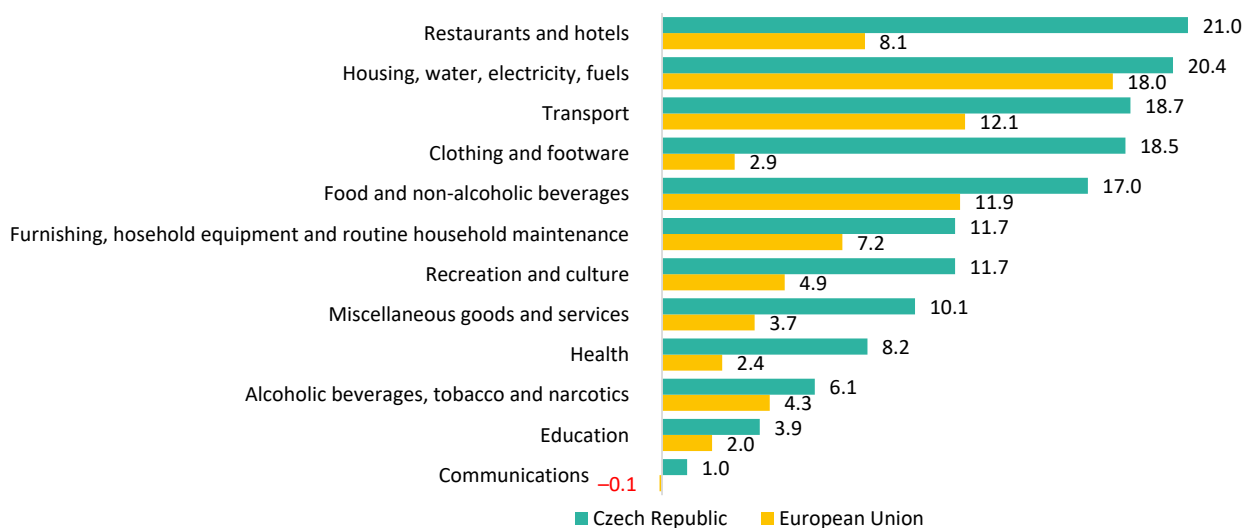
Chart 2: Development of inflation 2018-2022 (%)



Source: Eurostat.

Rising price levels affected the entire consumer basket in the Czech Republic. The fastest year-on-year price increases were recorded in restaurant and hotel services, in transport due to rising fuel prices, and in housing through rising energy prices. The prices of clothing, food and non-alcoholic beverages also grew significantly.

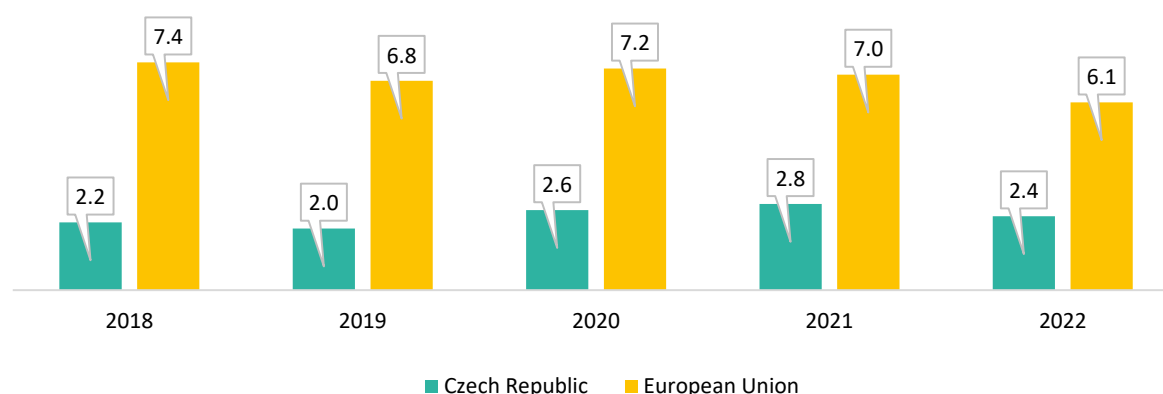
Chart 3: Inflation for individual commodity groups in the Czech Republic and the EU average for 2022 (%)



Source: Eurostat.

On the labour market, the Czech Republic continued to have the lowest unemployment rate among EU countries. The Czech unemployment rate reached **2.4%** in 2022, which is **3.7 pp** below the EU average. However, an imbalance still persists on the labour market due to a shortage of skilled labour; the arrival of refugees from Ukraine has yet to have any significant impact in this regard. Staff shortages are apparent across all sectors of the economy and represent a significant barrier to growth, especially in the construction sector.

Chart 4: Development of unemployment 2018–2022 (%)



Source: Eurostat.

THE CZECH ECONOMY WAS SIGNIFICANTLY AFFECTED BY THREE FACTORS IN 2022: THE ENERGY CRISIS, HIGH INFLATION AND SUPPLY CHAIN DISRUPTIONS. THE RECOVERY OF CZECH ECONOMY FROM THE PANDEMIC WAS HAMPERED BY THE WAR IN UKRAINE. THIS CONFLICT, OR RATHER ITS CONSEQUENCES, CAUSED A MILD RECESSION THAT IS EXPECTED TO CONTINUE IN THE FIRST HALF OF 2023. THE PERSISTENT HIGH INFLATION IS ALSO A MAJOR PROBLEM IN THE ECONOMY, SLOWING ECONOMIC GROWTH AND REDUCING REAL HOUSEHOLD INCOME.

The 2022 State Budget Act²⁷ was not approved until March 2022, which meant that the Czech Republic had to operate on the basis of a “provisional budget” until the Act entered into effect. The Act set revenues at **CZK 1,613 billion**, expenditures at **CZK 1,893 billion** and the deficit at **CZK 280 billion**. Due to the conflict in Ukraine and its negative impact on the State budget, the Act was amended with effect from November 2022²⁸, increasing revenues to **CZK 1,678 billion**, expenditures to **CZK 2,053 billion** and the expected deficit to **CZK 375 billion**. As the end of the year approached, the statutory deficit thus grew by **CZK 95 billion**. The State budget’s management ended the year with a deficit of **CZK 360 billion**, i.e. almost **CZK 15 billion** less than envisaged by the law.

*A deficit of **CZK 295 billion** was planned for 2023, but according to the National Budget Council, this figure does not include **CZK 20 billion** in expenditure required for an extraordinary pension increase.*

Table 2: State budget performance in 2018–2022 (CZK billion)

Indicator	2018	2019	2020	2021	2022
Revenue	1,403.92	1,523.22	1,475.48	1,487.24	1,624.41
Expenditure	1,400.97	1,551.74	1,842.93	1,906.93	1,984.81
Balance	2.94	-28.52	-367.45	-419.69	-360.40
Balance approved by law	-50.00	-40.00	-500.00	-500.00	-375.00

Source: Integrated Information System of the State Treasury.

Total State budget revenue in 2022 increased by **CZK 137.2 billion (9.2%)** year-on-year to **CZK 1,624.4 billion**, thus surpassing the same period of 2019, which preceded the pandemic. From the beginning of the year, the national economy was strongly affected by the onset of high inflation, which was reflected in higher value added tax collections (an annual increase of **CZK 46.7 billion**). Continued high employment and growth in wages and salaries, especially in the private sector, further contributed to the rising trend in the collection of social security contributions (a year-on-year increase of **CZK 42.2 billion**). On the other hand, revenues from the European Union and financial mechanisms, which amounted to **CZK 117.6 billion**, dropped by **CZK 8.8 billion** year-on-year. Their approved budget, which equalled **CZK 194 billion**, was effectively underfinanced by **CZK 76.4 billion**.

27 Act No 57/2022 Coll., on the State budget of the Czech Republic for 2022.

28 Act No 344/2022 Coll., amending Act No. 57/2022 Coll., on the State budget of the Czech Republic for 2022.

Total State budget expenditure in 2022 amounted to **CZK 1,984.8 billion**, which was **CZK 77.9 billion** higher year-on-year (by **4.1%**). The year-on-year growth in expenditure was driven not only by current expenditure, which increased by **CZK 69 billion** (by **4%**), but also by capital expenditure, which grew by **CZK 8.9 billion** (by **5%**). The level of expenditure was influenced mainly by the ongoing support related to the Covid-19 pandemic, the impact of the war in Ukraine and the increase in pension benefits, which – also due to the high inflation rate – are becoming a dangerous component of the State budget expenditure.

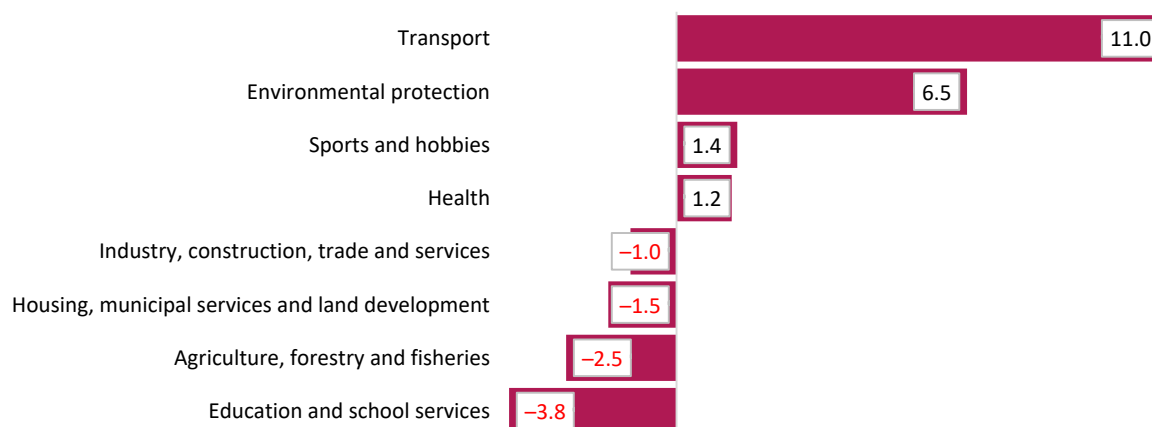
Table 3: State budget expenditure in 2018–2022 (CZK billion)

Expenditure	2018	2019	2020	2021	2022	Year-on-year change 2022 → 2021
Current expenditure	1,284.52	1,412.60	1,670.31	1,729.79	1,798.81	69.02
Capital expenditure	116.46	139.14	172.62	177.14	186.00	8.86
Total expenditure	1,400.97	1,551.74	1,842.93	1,906.93	1,984.81	77.88

Source: Integrated Information System of the State Treasury.

Capital expenditure reached **CZK 186 billion** in 2022, which meant an increase in its share of total expenditure to **9.4%**. In 2021, this share equalled **9.3%**. The largest year-on-year increases in capital expenditure were in transport and environmental protection while investment in education and school services fell.

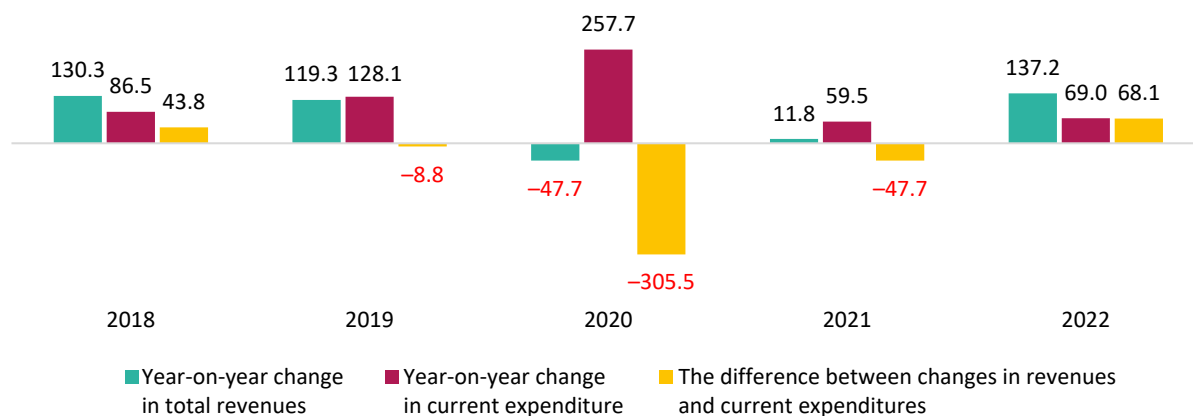
Chart 5: Year-on-year change in selected capital expenditures by sector classification in 2022 (CZK billion)



Source: Integrated Information System of the State Treasury.

A positive difference (year-on-year change) in total revenue and current expenditure was reported in 2022, after three years of red numbers. This owed mainly to the high inflation, which had a significant impact on tax revenue, and also the phasing out of support programmes related to the Covid-19 pandemic.

Chart 6: Year-on-year change in total revenues and current expenditures in 2018–2022 (CZK billion)



Source: Integrated Information System of the State Treasury.

ALTHOUGH THE YEAR-ON-YEAR REVENUE GROWTH IN 2022 WAS ONE OF THE STRONGEST, THE FIGURES COULD HAVE BEEN EVEN HIGHER IF THE REVENUES FROM THE EUROPEAN UNION AND FINANCIAL MECHANISMS HAD MET THEIR APPROVED BUDGET (CZK 76.4 BILLION BELOW TARGET). CURRENT EXPENDITURE AGAIN INCREASED YEAR-ON-YEAR, EVEN THOUGH THE COMPARATIVE BASE OF THE PREVIOUS YEAR WAS HIGH DUE TO THE COVID-19 PANDEMIC.

An international comparison of changes in revenues and expenditures of public budgets – of which the State budget forms the main component – shows that the Czech Republic is experiencing a significant growth in expenditure that is not adequately covered by revenue. In 2021, there was a **57%** increase in expenditure compared to 2016, while revenues grew only by **37%**. This trend in the management of public funds is unsustainable in the long term.

Table 4: Revenues and expenses of public budgets in 2016 and 2021 (EUR million, %)

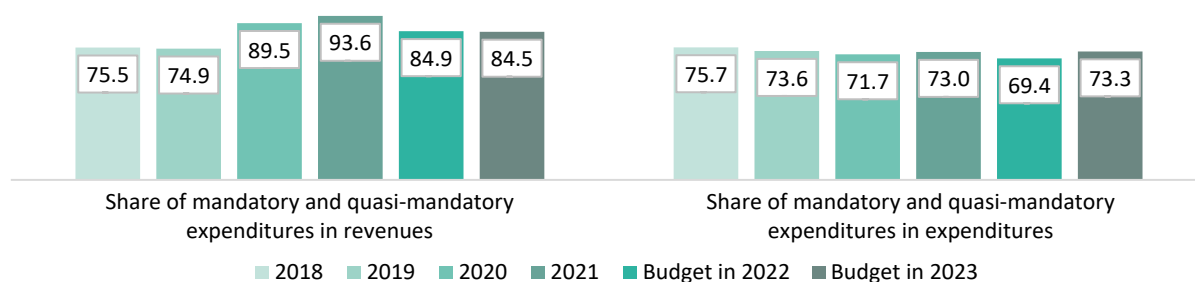
Country	Revenues			Expenses		
	2016	2021	Change	2016	2021	Change
Belgium	218,287.7	250,812.9	15%	228,451.2	278,744.4	22%
Bulgaria	17,107.4	26,103.2	53%	16,952.3	28,871.1	70%
Czech Republic	71,796.6	98,668.8	37%	70,533.6	110,818.6	57%
Denmark	148,272.0	183,302.4	24%	148,572.1	171,065.9	15%
Germany	1,426,748.0	1,711,747.0	20%	1,390,374.0	1,845,999.0	33%
Estonia	8,478.5	12,278.1	45%	8,568.1	13,034.6	52%
Ireland	73,822.2	98,734.9	34%	75,880.4	105,814.2	39%
Greece	87,476.0	90,830.0	4%	87,154.0	104,368.0	20%
Spain	425,315.0	527,918.0	24%	473,208.0	610,864.0	29%
France	1,185,174.0	1,313,353.0	11%	1,266,435.0	1,476,678.0	17%
Croatia	21,494.9	26,769.8	25%	21,985.5	28,276.4	29%
Italy	791,500.0	857,266.0	8%	832,265.0	986,168.0	18%
Cyprus	7,138.1	9,937.8	39%	7,089.4	10,345.8	46%
Latvia	9,518.0	12,463.6	31%	9,512.3	14,814.2	56%
Lithuania	13,413.2	20,512.3	53%	13,315.4	21,067.2	58%
Luxembourg	23,573.6	31,580.5	34%	22,509.6	31,006.2	38%
Hungary	52,315.9	63,463.5	21%	54,404.9	74,447.5	37%
Malta	3,951.5	5,439.4	38%	3,834.1	6,582.3	72%
Netherlands	310,066.0	376,745.0	22%	309,167.0	399,073.0	29%
Austria	173,571.2	203,178.9	17%	179,059.0	227,261.6	27%
Poland	165,371.1	243,556.9	47%	175,560.8	254,114.0	45%
Portugal	80,007.3	96,321.5	20%	83,615.9	102,536.9	23%
Rumania	54,354.9	78,825.8	45%	58,618.8	95,912.6	64%
Slovenia	17,893.5	23,295.5	30%	18,669.7	25,735.1	38%
Slovakia	32,482.8	40,275.0	24%	34,574.9	45,656.4	32%
Finland	117,350.0	133,019.0	13%	121,044.0	139,956.0	16%
Sweden	236,447.2	265,566.8	12%	231,790.1	265,985.4	15%

Source: Eurostat.

Overall spending is strongly influenced by mandatory and quasi-mandatory spending, which has been increasing every year. In 2021, these two types of mandatory expenditure together amounted to **CZK 1,392 billion**, which was approximately CZK 72 billion more than in the previous year. The plan for 2022 is **CZK 1,424 billion** and, for 2023, almost **CZK 1,630 billion**, which is **CZK 206 billion** more.

The high share of mandatory and quasi-mandatory expenditure in total spending represents a significant risk to the sustainability of public finances over time. The growing ratio of this expenditure to total revenue also has an adverse effect on the State budget management and attempts to achieve a balanced budget.

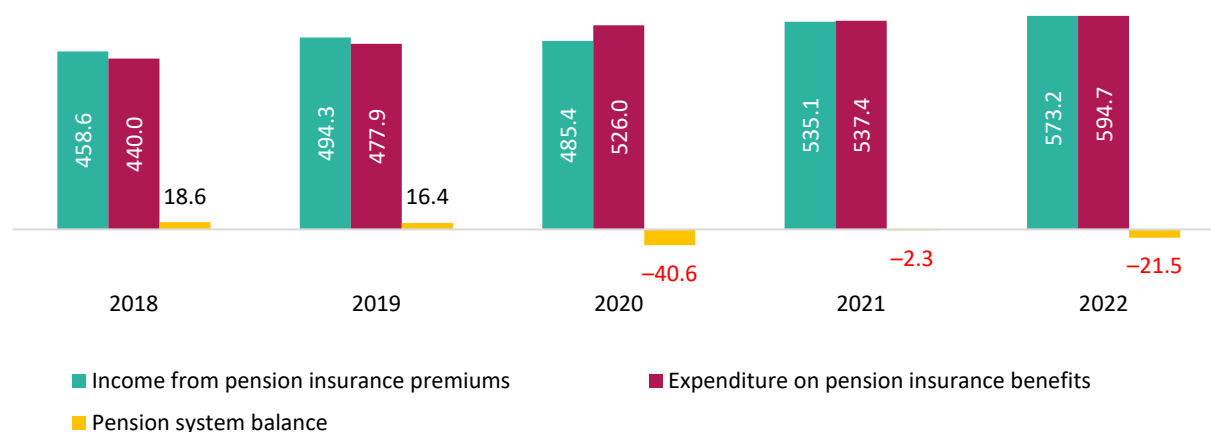
Chart 7: The share of mandatory and quasi-mandatory expenditures in state budget revenues and expenditures in 2018–2023 (%)



Source: State closing account for 2021, *Integrated Information System of the State Treasury*, documentation on the draft law on the state budget for 2023.

The level of mandatory spending will be negatively affected by the demographic situation in the coming years, as the number of people aged 65 and older is increasing in the Czech Republic, while the number of economically active people is dropping. Although the system's revenues were high due to low unemployment, they were still unable to cover pension expenditure. Thus, the pension system ended up with a deficit of **CZK 21.5 billion** in 2022 for the third consecutive year. At this point, a reform of the pension system can no longer be postponed.

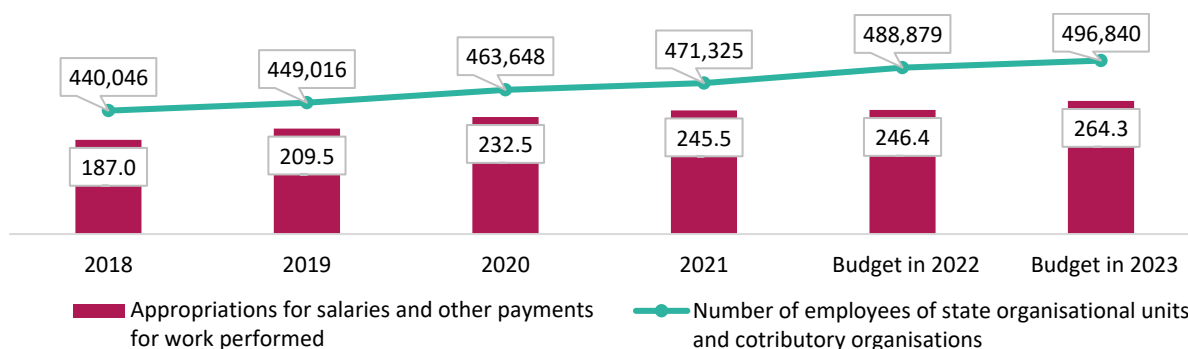
Chart 8: Management of the pension system in 2018–2022 (CZK billion)



Source: Ministry of Finance.

Quasi-mandatory spending is mostly influenced by the level of salaries and other payments for work in the government-regulated sector. Their amount is related not only to the increase in salaries, but also to the number of employees in this sector. From 2018 to 2021, the number of employees increased by almost **32 thousand** and total salaries grew by nearly **CZK 59 billion**. Further increases were planned for 2022 and 2023. The number of employees for 2023 is set to be more than **25 thousand** higher than in 2021, and the funds for salaries are higher by almost **CZK 19 billion**.

Chart 9: Number of employees of the organizational units of the state and state-funded organizations and funds for their salaries in the years 2018–2023 (in billion CZK, in persons)

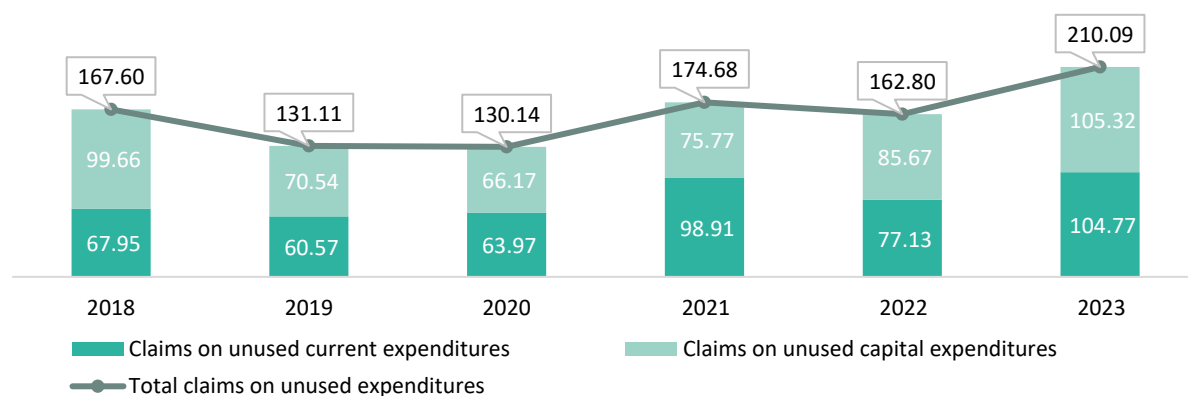


Source: State closing accounts for the years 2018–2021, documentation on the draft act on the state budget for 2023.

MANDATORY AND QUASI-MANDATORY SPENDING SHOULD BE THE KEY ISSUE IN RESTRUCTURING EXPENDITURE. THE VOLUME OF SPENDING PLANNED FOR 2023 IS ALMOST CZK 206 BILLION HIGHER YEAR-ON-YEAR, WHICH IS ONE OF THE MOST SIGNIFICANT INCREASES IN RECENT YEARS. EVERY YEAR THUS SEES AN INCREASE IN THIS TYPE OF EXPENDITURE; IF THE STATE BUDGET DEFICIT IS TO BE REDUCED, THIS FACT WILL ALSO NEED TO BE REFLECTED IN THE STATE BUDGET'S REVENUE.

The budgeting of high government deficits and the ability of individual budget chapters to spend all the budgeted funds in a given year are reflected in claims resulting from unspent expenditure. Due to the emergency situation and increased budgets caused by the Covid-19 pandemic, the claims balance in 2021 and 2022 was significantly higher than as at 1 January 2019 and 2020. As at 1 January 2023, claims on unused expenditure amounted to **CZK 210.1 billion**, which represented a year-on-year increase of **CZK 47.3 billion**.

Chart 10: Balances of entitlements from unconsumed expenditures as of 1 January 2018–2023 (CZK billion)



Source: Integrated Information System of the State Treasury.

High payments resulting from claims on unspent expenditure could mean a significant burden for the expenditure side of the State budget in the coming years; this would be a constraint on the necessary consolidation of public finances.

In recent years, the State budget has been running significant deficits, which has reflected in rising national debt. The debt increased again at the end of the year, this time by **CZK 429 billion** to **CZK 2,894.8 billion**. In proportion to the GDP, the government debt also increased by **2.5 pp** to **42.9%** of the GDP. Rising debt means rising debt servicing costs, which will also increase due to growing interest rates.

Table 5: Expenditure on servicing the government debt 2018–2022 (CZK billion)

Indicator	2018	2019	2020	2021	2022
Expenditure on servicing the government debt	40.7	39.6	40.1	42.2	49.7

Source: State closing accounts for the years 2018–2021, *Report on the management of the state debt of the Czech Republic in 2022*.

The government debt is the largest part of the public sector debt, which is why the total debt of the Czech Republic has increased and is estimated by the European Commission at **42.9% of the GDP** at the end of 2022. Compared to the previous year, the debt increased again, this time by **0.9 pp**. In 2022, the Czech Republic was thus among three EU countries expected to experience year-on-year debt growth. The Czech Republic's debt is also projected to increase in 2023 and 2024.

*The Czech Republic is still one of the least indebted EU countries, but has been dropping in the rankings. It ranked as the **fourth** least indebted country in 2019 and 2020, **sixth** in 2021 and **eighth** in 2022, according to European Commission data.*

Table 6: Government debt in 2019–2024 in EU countries (% of GDP, in p.p.)

State	2019	2020	2021	2022*	2023*	2024*	Difference 2022 → 2021	Difference 2024 → 2022
Malta	40.7	53.3	56.3	57.4	59.9	60.6	1.1	3.2
Estonia	8.5	18.5	17.6	18.7	19.3	21.9	1.1	3.2
Czech Republic	30.0	37.7	42.0	42.9	44.2	44.5	0.9	1.6
Luxembourg	22.4	24.5	24.5	24.3	26.0	26.3	-0.2	2.0
Hungary	65.3	79.3	76.8	76.4	75.2	75.1	-0.4	-1.3
Romania	35.1	46.9	48.9	47.9	47.3	47.6	-1.0	-0.3
France	97.4	115.0	112.8	111.7	110.8	110.2	-1.1	-1.5
Germany	58.9	68.0	68.6	67.4	66.3	65.4	-1.2	-2.0
Latvia	36.5	42.0	43.6	42.4	44.0	43.6	-1.2	1.2
Bulgaria	20.0	24.5	23.9	22.5	23.6	25.6	-1.4	3.1
Finland	64.9	74.8	72.4	70.7	72.0	73.3	-1.7	2.6
Netherlands	48.5	54.7	52.4	50.3	52.4	53.2	-2.1	2.9
Poland	45.7	57.2	53.8	51.3	52.9	54.2	-2.5	2.9
Slovakia	48.0	58.9	62.2	59.6	57.4	57.4	-2.6	-2.2
Denmark	33.7	42.2	36.6	33.7	32.8	32.1	-2.9	-1.6
Belgium	97.6	112.0	109.2	106.2	107.9	108.6	-3.0	2.4
EU	79.2	91.5	89.4	86.0	84.9	84.1	-3.4	-1.9
Austria	70.6	82.9	82.3	78.5	76.6	74.9	-3.8	-3.6
Sweden	35.2	39.5	36.3	32.1	29.4	28.5	-4.2	-3.6
Spain	98.2	120.4	118.3	114.0	112.5	112.1	-4.3	-1.9
Slovenia	65.4	79.6	74.5	69.9	69.6	68.8	-4.6	-1.1
Lithuania	35.8	46.3	43.7	38.0	41.0	39.9	-5.7	1.9
Italy	134.1	154.9	150.3	144.6	143.6	142.6	-5.7	-2.0
Croatia	71.0	87.0	78.4	70.0	67.2	68.0	-8.4	-2.0
Portugal	116.6	134.9	125.5	115.9	109.1	105.3	-9.6	-10.6
Ireland	57.0	58.4	55.4	44.7	41.2	39.3	-10.7	-5.4
Cyprus	90.4	113.5	101.0	89.6	84.0	77.7	-11.4	-11.9
Greece	180.6	206.3	194.5	171.1	161.9	156.9	-23.4	-14.2

Source: European Commission: *Statistical Annex – European Economic Forecast – Autumn 2022*.

* In the case of the years 2022, 2023 and 2024, this is the estimate of the European Commission from November 2022.

ALTHOUGH THE CZECH REPUBLIC IS ONE OF THE LEAST INDEBTED COUNTRIES IN THE EUROPEAN UNION, ITS DEBT GROWTH RATE IS AMONG THE HIGHEST. THE RISING DEBT BURDEN ALSO ENTAILS AN INCREASE IN PUBLIC DEBT SERVICE COSTS, WHICH – COMBINED WITH THE CONSTANT POSTPONEMENT OF PUBLIC FINANCE CONSOLIDATION AND THE FAILURE TO IMPLEMENT NECESSARY REFORMS – POSES A SIGNIFICANT RISK TO THE SUSTAINABILITY OF PUBLIC FINANCES.



The rapid rise of **government debt accumulation continues**, while substantial steps and reforms needed to maintain fiscal stability have not been enacted

THE INCREASE IN REVENUE, OWING MAINLY TO THE HIGH INFLATION, COULD NOT COMPENSATE FOR THE STRUCTURAL DEFICIT OF THE STATE BUDGET, WHICH AGAIN LED TO A HIGH DEFICIT

Gross domestic product
2.4%
(2021–2022) ↑

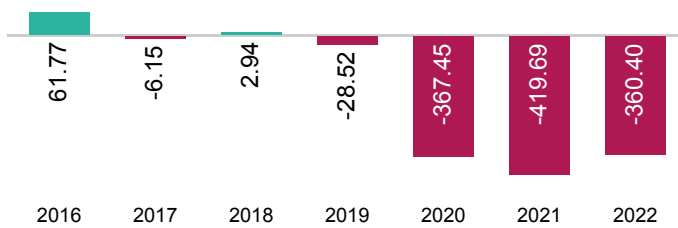
Inflation
15.1%
(2022)
by 11.3 pp year-on-year ↑

Unemployment
2.4%
(2022)
by 0.4 pp year-on-year ↓

Development and year-on-year change in total State budget revenue and expenditure (in CZK billion)

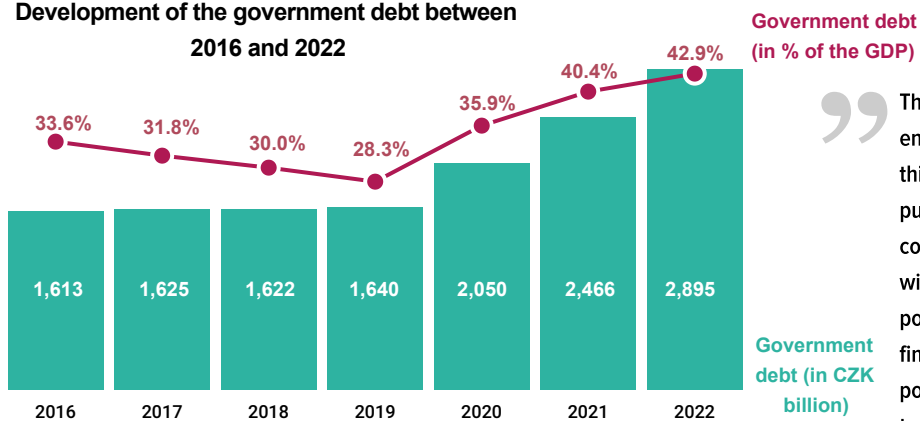
	2021	2022	change	
Revenue	1,487.24	1,624.41	+ 9.2%	↑
Expenditure	1,906.93	1,984.81	+ 4.1%	↑

Balance of the State budget in 2016–2022 (in CZK billion)



AT THE END OF 2022, THE GOVERNMENT DEBT AMOUNTED TO ALMOST CZK 2,895 BILLION AND INCREASED BY CZK 429 BILLION YEAR-ON-YEAR; THE RATIO OF THE GOVERNMENT DEBT TO THE GDP THUS GREW AGAIN, REACHING ALMOST 43%

Development of the government debt between 2016 and 2022



“ The rising debt burden entails, among other things, an increase in public debt servicing costs, which – combined with the constant postponement of public finance consolidation – poses a significant risk to the sustainability of public finances.

3. STATE REVENUE

The SAO's audits also pay constant attention to State revenue. This is not only because securing sufficient resources is a necessary precondition for meeting the needs and objectives of the State's spending policies, but also because it is crucial to assess the effectiveness of their management and the impact of a number of legislative changes and measures in this area. Tax income represents the largest share of State revenue. Similar to the previous year, the actual revenue was adversely affected by the Covid-19 pandemic and the resulting partial reduction in economic activity in early 2022, and also by the war in Ukraine, which started at the end of February 2022. The latter had negative effects on both the revenue and expenditure sides of the economy, leading to huge price increases and associated high inflation. Changes in legislation with an impact on the State budget revenues were made in response to the rapidly rising fuel and energy prices, e.g. by reducing the number of vehicles subject to road tax and cutting excise duty on diesel fuel, and also by introducing support for low-emission vehicles. The year-on-year increase in the State budget revenue was driven primarily by inflation and the lifting of public health measures, which contributed to an increase in economic activity.

Total State budget revenue in 2022 amounted to **CZK 1,624.4 billion, representing an increase by 9.2% year-on-year, i.e. CZK 137.2 billion**. The year-on-year change in the individual classes of State budget revenue is shown in Chart 11. The chart shows that tax collections grew by **10.2%** year-on-year. While the sum comprising non-tax revenue, capital revenue and incoming transfers increased by **2.5 %** year-on-year, the budgeted revenue was not achieved in 2022.

The main contributors to the overall revenue growth were revenues from social security contributions and tax income, which increased by **CZK 132.4 billion** year-on-year. The tax income was driven mainly by the collection of value added tax, which grew by **CZK 46.7 billion**, i.e. by **15.6%** year-on-year, and the collection of corporate income tax, which increased year-on-year by **CZK 22.4 billion**, i.e. by **17.3%**. Dividend tax income also increased, by **CZK 14.1 billion**. On the other hand, revenue from the European Union and financial mechanisms dropped by **CZK 8.8 billion**, i.e. by **7%**. Moreover, the degree of underperformance in non-tax revenue, capital revenue and incoming transfers by **CZK 70.6 billion**, i.e. by **26.4%** year-on-year, was distorted by revenues from the auction of frequencies (**CZK 5.6 billion**) in 2021.

Chart 11: Fulfilment of state budget revenues by individual classes for the years 2021 and 2022 (CZK billion)



Source: Integrated Information System of the State Treasury.

Significant facts affecting the collection of tax revenues of the State budget in 2022:

- The collection of personal income tax paid by taxpayers was adversely affected by changes made with effect in 2021, i.e. a reduction of the tax base by more than 25% (the abolition of the “super-gross salary”), an increase in the taxpayer discount and child tax credit, and the payment of a compensation bonus of **CZK 2.6 billion**.
- The Ministry of Finance estimated that a waiver of value added tax on selected commodities (utilities, vaccines, tests and respirators) would reduce its collection by approximately **CZK 2.5 billion**.
- The total impact of the temporary reduction in the excise duty rate for petrol, effective from June to September 2022, and for diesel fuel, which was extended until the end of 2023, was estimated by the Ministry of Finance at **CZK 5.3 billion**.
- + Growing employment and salary increases, especially in the private sector, translated into higher year-on-year collections of social security contributions by **CZK 42.2 billion**.
- + The year-on-year economic recovery, price growth and also the higher number of working days were reflected in an increase in value added tax collection by **CZK 46.7 billion**.
- + Higher advance tax payments and tax settlements for the 2021 tax period due in 2022 contributed to an increase in corporate income tax collections by **CZK 22.4 billion** and, in the case of personal income tax paid by taxable persons, by **CZK 2.8 billion**.
- + Economic growth and the recovery of the tourism industry were reflected in a year-on-year increase in excise duty collections, including energy taxes, by **CZK 3.3 billion**.

In 2022, the SAO completed two audits concerning revenues, scrutinising the following areas:

- road tax (audit No **21/34**);
- administration of assets seized, attached, confiscated, forfeited and sold in criminal and tax proceedings (audit No **21/23**).

In audit No **21/34**, the SAO examined the administration of road tax²⁹ in the period from 2017 to 2020, focusing on the efficiency and administrative complexity of its collection and whether it also met environmental objectives, in addition to the fiscal ones. The SAO also checked whether the tax administration authorities (specifically the GDF and two tax offices) had administered this tax in accordance with the legal regulations.

The efficiency of road tax administration was more than four times lower than the efficiency of all other taxes, and it continued to decline during the audit period. This was partly due to the administratively demanding way of checking tax compliance and the slow introduction of automated processes. The road tax met its fiscal target until 2019, but collections fell in 2020 with the introduction of reduced rates aimed to mitigate the impact of the Covid-19 pandemic³⁰. The reduction was introduced without any time limit, and would thus also have an impact in subsequent periods. In addition, due to outdated legislation, incentives in the form of tax reliefs had a negligible impact on the attainment of environmental targets in the transport sector.

*In 2017–2019, road tax collections averaged CZK 6.3 billion per year. Following the introduction of the time-unlimited³¹ measure to mitigate the impact of the Covid-19 pandemic, the **collection of this tax dropped in 2020 by more than 8%, i.e. by about CZK 525 million.***

29 Road tax is a direct property tax, regulated by Act of the Czech National Council No 16/1993 Coll., on road tax.

30 Act No 299/2020 Coll., which amends certain tax laws in connection with the outbreak of the SARS CoV-2 coronavirus, and Act No. 159/2020 Coll., on the compensation bonus in connection with crisis measures in connection with the outbreak of the SARS CoV coronavirus -2.

31 The road tax rate has been reduced by 25% for vehicles over 3.5 tonnes.

- The SAO repeatedly pointed out³² that the amendment to the Road Tax Act of 2008, which increased the tax rate by 25% for vehicles first registered before 31 December 1989, had gradually become an ineffective instrument aimed to reduce the average age of vehicles, also with the aim of mitigating the environmental burden of transport in the Czech Republic.

THE EFFICIENCY AND COST-EFFECTIVENESS OF THE ROAD TAX WAS INFLUENCED NOT ONLY BY THE EXPENDITURE ON TAX ADMINISTRATION, BUT ALSO BY THE LONG UNCHANGED TAX RATE AND OTHER ATTRIBUTES AFFECTING THE FINAL TAX AMOUNT (E.G. DISCOUNTS AND EXEMPTIONS).

In view of the SAO's findings and in response to the rise in fuel prices in connection with the war in Ukraine, the Czech Government approved an amendment to the Road Tax Act³³. According to the Ministry of Finance, the amendment was intended to simplify and clarify the tax system. The amendment excluded from the scope of this tax passenger cars, buses and vehicles with a maximum permissible weight below 12 tonnes. It also removed from the Act a provision increasing the tax rate on vehicles registered before 1990. Road tax returns can now only be filed electronically.

In audit No **21/23**, the SAO examined whether the assets seized, attached, confiscated, forfeited and sold in criminal and tax proceedings were administered efficiently and whether the authorities concerned – the Office of the Government Representation in Property Affairs (OGRPA), the General Directorate of Customs (GDC), the General Directorate of Finance, the Ministry of the Interior – the Centre for Seized Assets, the Regional Court in Ostrava and the Regional Police Directorate of the South Moravian Region administered these assets in accordance with the law.

The SAO found that the practice of the various authorities in individual asset management activities (e.g. maintenance, storage or sale) differed. In the case of property seized in criminal proceedings, the DGC and the OGRPA failed to comply with Act No. 279/2003 Coll.³⁴, especially with regard to the maintenance and sale of rapidly depreciating assets. The SAO also found deficiencies in the maintenance of assets seized in tax proceedings.

- The OGRPA had neglected the maintenance of the motor vehicles seized in **67%** cases in the audit sample³⁵ and the GDC had failed to comply with this duty altogether. Deficiencies were also found in the maintenance of assets seized in tax proceedings. In **57%** cases in the audit sample³⁶, the OGRPA had failed to propose that the prosecuting bodies sell the passenger cars seized, or had not sold this property itself.

In some cases, the records kept by the audited persons lacked valuation of the assets seized or the assets were not valued at fair value. For example, in the case of the OGRPA, over 90% of the assets seized in criminal proceedings were valued at zero.

The SAO recommended that the responsible authorities set up procedures for the administration of property seized primarily in criminal proceedings so that individual acts in the administration of property were performed by the relevant government bodies in a mutually comparable manner.

Tax collection and expenditure on tax collection

In the long term, it is clear from the data on tax revenues collected for the State budget that the largest year-on-year growth was recorded in the collection of insurance contributions and accessions by the Czech Social Security Administration. The lower year-on-year growth in taxes collected by the Tax Administration of the Czech Republic was mostly due to the abolition of the “super-gross salary” concept. Just like in 2020, factors related to the reduced economic activity of taxable persons and measures taken to prevent the spread of the Covid-19 pandemic also had an impact on the revenue collected in 2021.

32 Audit No 18/22 – *Support of environmental policy in the area of public budget revenues* (the audit report was published in volume 6/2019 of the SAO Bulletin).

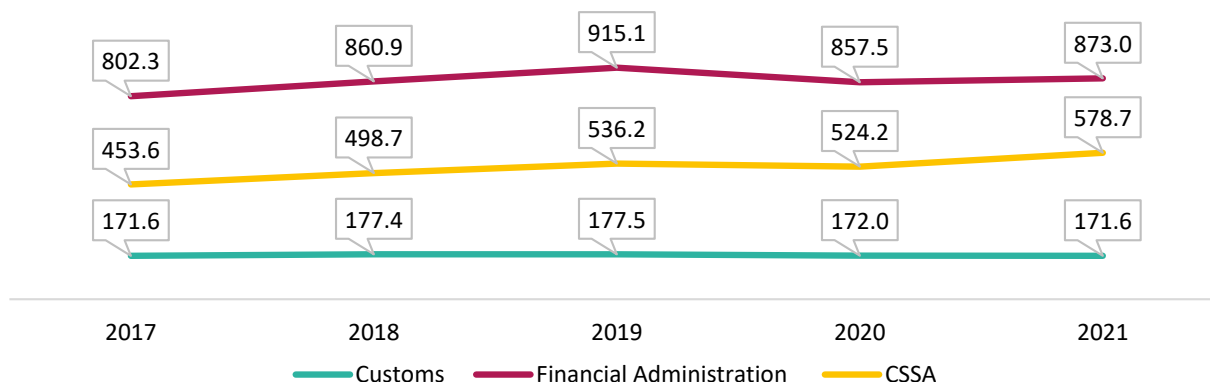
33 Act No 142/2022 Coll., amending Act No 586/1992 Coll., on income taxes, as amended, Act No 16/1993 Coll., on road tax, as amended, and Act No 201/2012 Coll., on air protection, as amended.

34 Act No 279/2003 Coll., on the enforcement of the seizure of property and things in criminal proceedings and on the amendment of certain laws.

35 The audit sample at the OGRPA consisted of a total of 180 seized motor vehicles, and maintenance was not performed on 120 motor vehicles. The OGRPA managed a total of 334 motor vehicles.

36 The audit sample at the OGRPA was a total of 180 seized motor vehicles, and for 102 motor vehicles, the law enforcement authorities did not propose their sale. The OGRPA managed a total of 334 motor vehicles.

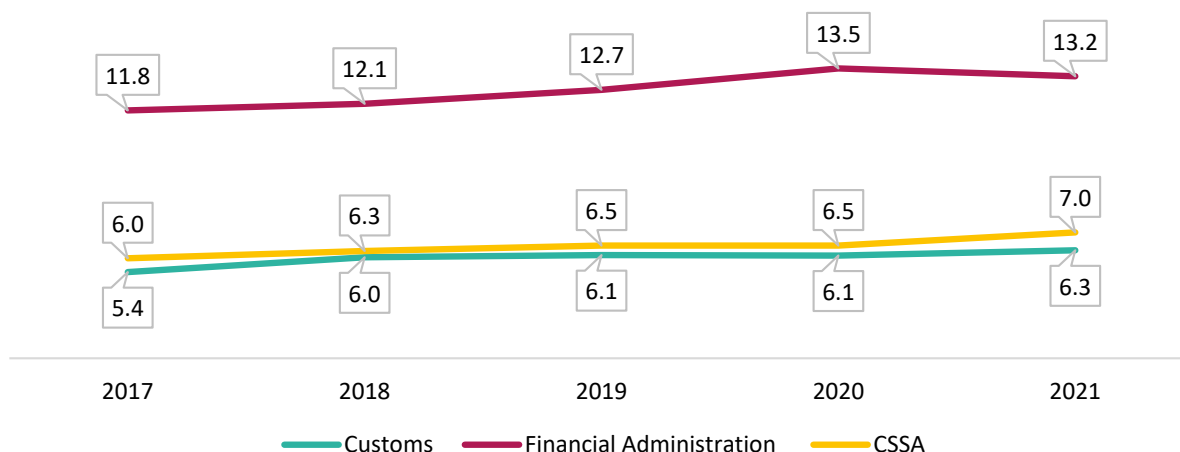
Chart 12: Development of total tax revenue collection in 2016–2020 (in billions of CZK)



Source: reports on the activities of the Financial Administration of the Czech Republic and the Customs Administration of the Czech Republic, reports on the activities of the Czech Social Security Administration; own processing by the SAO

In 2021, expenditure incurred by bodies of the Tax Administration in relation to tax collection dropped by **CZK 0.31 billion**. For example, personnel expenses under Chapter 312 – Ministry of Finance were **1.9%** lower than in 2020. This decrease was due to a reduction in available resources as a result of the commitment of appropriations for staff salaries and compulsory salary supplements for vacant systemic posts³⁷. In contrast, expenditure on the administration of taxes under the competence of the Customs Administration of the Czech Republic and expenditure on the administration of social security contributions and the State employment policy contributions increased last year. This increase amounted to **CZK 0.21 billion** in the case of the Customs Administration and to **CZK 0.52 billion** in the case of the Czech Social Security Administration.

Chart 13: Development of total expenditure on the collection of tax revenues in 2017–2021 (CZK billion)



Source: closing accounts of state budget chapters 312 (Annex 5) and 313 (Annex 3); prepared by the SAO.

IN THE 2020–2021 PERIOD, THE TOTAL TAX COLLECTION GREW BY CZK 69.6 BILLION, I.E. BY ABOUT 4.5% YEAR-ON-YEAR. TOTAL EXPENDITURES ON TAX COLLECTION INCREASED BY MORE THAN CZK 0.4 BILLION, AMOUNTING TO APPROX. 1.6%. THE OVERALL COST-EFFECTIVENESS OF TAX ADMINISTRATION THEREFORE INCREASED SLIGHTLY COMPARED TO THE PREVIOUS YEAR.

37 Closing account – chapter 312 [online]. Ministry of Finance, 2021 [cit. 2023-02-10]. Available at: https://www.mfcr.cz/assets/cs/media/2021-12-31_Zave-recny-ucet-kapitoly-312-MF-za-rok-2021.pdf.



The administration of the road tax was burdened by **complex administration** and **reduced efficiency** in its collection

THE MAIN CONTRIBUTORS TO THE OVERALL REVENUE GROWTH OF MORE THAN CZK 132 BILLION WERE HIGHER REVENUES FROM VAT AND SOCIAL SECURITY CONTRIBUTIONS

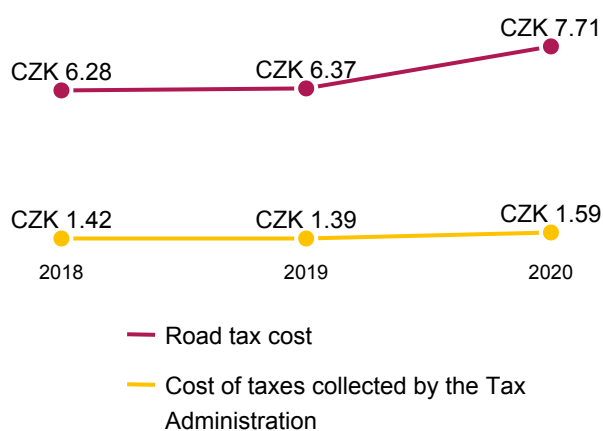
Year-on-year comparison of State budget tax revenue collection in 2021 and 2022 (CZK billion)

Taxes	2021	2022	Year-on-year
VAT	298.5	345.2	46.7
Social security and State employment policy contributions	595.5	637.7	42.2
Corporate income tax	129.1	151.5	22.4
Personal income tax	109.0	123.6	14.6
Excise duties including energy taxes	150.1	153.5	3.4
Gambling tax	6.1	8.0	1.9
Other taxes and fees	6.5	7.8	1.3



” The increase in VAT collection was mainly due to high inflation, while the year-on-year increase in insurance contributions collection owed to rising employment and salary increases, especially in the private sector

THE SYSTEM OF ROAD TAX COLLECTION WAS ADMINISTRATIVELY BURDENSOME DUE TO SLOW ELECTRONSATION, AND OUTDATED AND INSUFFICIENT LEGISLATION

Tax cost-effectiveness indicator – expenditure per CZK 100 of revenue in 2018–2020



The road tax cost-effectiveness is affected by:

-  amount of tax revenue
-  administrative complexity of road tax administration – expenditure on tax administration

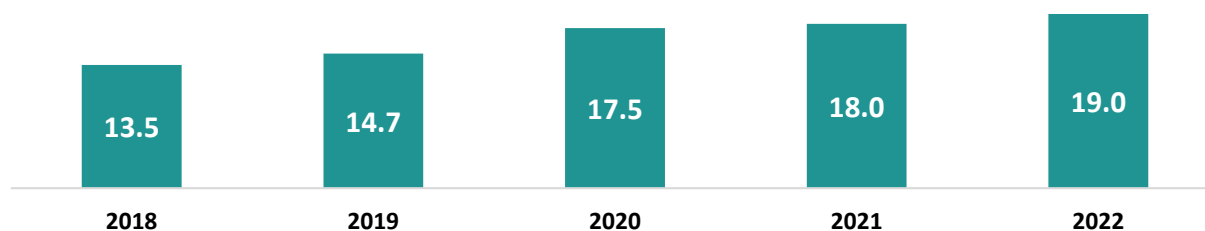
4. GOVERNMENT EXPENDITURE AREAS

The following sections of the annual report are devoted to the results of the SAO's audit and analytical work in the areas of government expenditure policy that the SAO covered in the past year. These expenditure areas were the focus of more than two-thirds of all audits undertaken in 2022. The audits' main objective was to check whether public funds were spent in accordance with the principles of effectiveness, efficiency and economy. In other words, whether the State was able to deliver the necessary value to citizens in accordance with their legitimate needs and thus fulfilled its indispensable role. The SAO thus provides important feedback to policy-makers on good practice and better management of public expenditure. At the same time, this feedback should serve legislators, experts and the general public as objective information on the reality of the State's financial management.

4.1 DIGITALISATION OF PUBLIC ADMINISTRATION

The government spends considerable funds on the digitalisation of public services, and yet the responsible authorities have been failing to fulfil one of the basic principles of eGovernment as defined in the *Information Strategy of the Czech Republic*, specifically the “once only” principle³⁸. The total volume of ICT expenditure in 2022 amounted to more than **CZK 19 billion** for organisational components of the State and State funds alone, which represents a growth of **6%** compared to 2021.

Chart 14: Spending by organisational components of the State and State funds on ICT in the years 2018–2022 (CZK billion)



Source: Integrated Information System of the State Treasury.

The Czech Republic ranked 19th in the Digital Economy and Society Index (DESI) – this is the worst result since 2014, when the European Commission started to compile this index.

For the second year in a row, the Czech Republic’s position worsened in the international comparison of the level of digitalisation of the economy and society (the DESI index). Nonetheless, compared to the previous year, the Czech Republic managed to improve in the area of digital public services, which is one of the four areas assessed by this composite indicator. The Czech Republic advanced from 20th place in 2021 to 17th in 2022 in this area. That being said, the Czech Republic’s score with regard to online pre-filled public administration forms still remains low at **41%**, compared to the EU average of **64%**. The number of pre-filled forms often shows how the government is able to reuse information it already has about its citizens, thus adhering to the principle: “Data, not citizens, should travel between offices”.

THE SAO POINTS OUT THAT THE HIGH DEGREE OF AUTONOMY IN THE MANAGEMENT OF ICT DEVELOPMENT AT THE LEVEL OF INDIVIDUAL MINISTRIES (SECTORS), WHERE CO-ORDINATION WAS LEFT ON A “VOLUNTARY” BASIS, RESULTED IN VERY LOW DATA EXCHANGE AMONG AUTHORITIES THROUGH THE “REFERENCE INTERFACE”. THE SITUATION IN THE HEALTH SECTOR AT THE BEGINNING OF THE COVID-19 PANDEMIC IS A PRIME EXAMPLE OF THIS ISSUE.

There is great potential for electronic communication with the State on the part of citizens as the clients of public administration. The managers of individual administrative sectors³⁹ are gradually starting to take advantage of this fact – as well as of the increasing availability of service channels in their areas of responsibility – to improve the availability of electronic submissions. The right to a digital service implies, among other things, that users have the right to use a digital service and the public authorities have the duty to provide it. The Committee on Public Administration, Regional Development and the Environment of the Czech Senate pointed out in the debate on amendments to Act No 300/2008 Coll.⁴⁰, in connection with the abolition of the private individuals’ duty to use a data box, that the State should create such services and systems for its citizens in such a quality that the citizens will want to use them of their own accord without being forced to do so by law⁴¹. On the basis of this Act, the Ministry of the Interior has

38 The primary function of the interconnected data pool is to implement the “only once” principle, i.e. that “data, not citizens, should travel between offices”, in the common practice of public administration in the Czech Republic. The Interconnected Data Fund (IDF) consists mainly of basic registers and further sectoral information systems, and should be supplemented by further authoritative sources of non-public data from the key areas of public administration. Source: *Information Strategy of the Czech Republic*, Goal No. 5 – *Efficient and centrally co-ordinated ICT public administration*.

39 As a rule, the central administrative office, which according to Act No 111/2009 Coll., on basic registers, reports the agenda within its jurisdiction to the administrator of the Register of Rights and Obligations (§ 49 of the same Act).

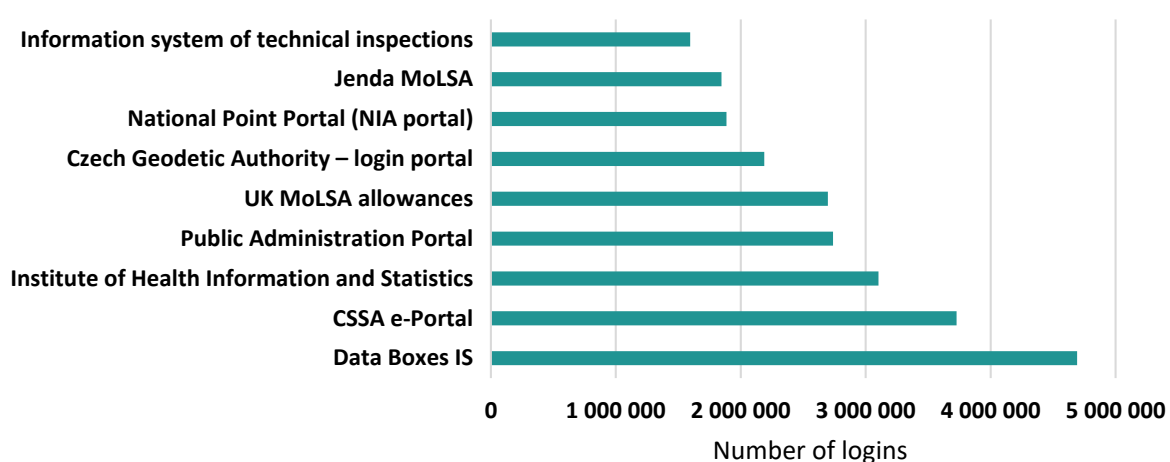
40 Act No 300/2008 Coll., on electronic actions and authorized conversion of documents.

41 Resolution of the Committee for Territorial Development, Public Administration and Environment of the Senate of the Parliament of the Czech Republic No 10 of 7 December 2022 on the draft law amending Act No 300/2008 Coll., on electronic actions and authorized conversion of documents, as amended regulations, and other related laws.

to send over two million registered letters in the period from 1 January to 31 March 2023 to all small entrepreneurs (including those who have suspended their business), associations and foundations, as well as, for example, associations of unit owners, informing them about the establishment of a data box, including login details.

Data provided by the Ministry of the Interior in the last year alone on the number of electronic identifications showed a sharply growing interest in the use of electronic communication in various life situations (see the following chart). The largest increase can be observed in matters related to the processing of social benefits. This puts pressure on the responsible authorities to streamline the relevant processes and procedures internally and thus make it possible to deal with electronic submissions with a higher degree of automation of routine control mechanisms and other tasks related to the processing of a public administration client's request.

Chart 15: The most significant examples of the use of electronic identification in 2022



Notes: Jenda MoLSA – the MoLSA's client portal for a one-time allowance of CZK 5,000 per child; the UK MoLSA – humanitarian allowance intended for citizens of Ukraine.

Source: MoI's eGovernment department, conference *Easy navigation through the world of authorities 2022* (dates as of 15 November 2022).

Due to the expanded scope of competence⁴², the Department of the Chief Architect at the Ministry of Interior commented on a greater number of project plans in 2022 than in 2021. In the course of 2022, the Department approved a total of 281 ICT projects worth more than **CZK 13.9 billion** excluding VAT. Most of the projects approved were in the field of healthcare. These were 82 projects in total, mostly aimed at improving cybersecurity of healthcare providers. However, it can take many years from the Department's approval of a certain project to the completion of its implementation and start of routine use.

Table 7: Projects approved by the Department of the Chief Architect in the period 2016–2022

Assessment year	Number of applications submitted	Financial volume of submitted applications (CZK billion)	Agreed opinion of the Department of the Chief Architect	Financial volume of approved applications (CZK billion)
2016	119	-	115	19.1
2017	357	24.8	296	22.6
2018	106	14.8	88	10.7
2019	132	30.2	97	28.0
2020	210	18.1	180	15.8
2021	148	14.4	138	13.6
2022	409	18.1	281	13.9

Source: prepared by the SAO based on documents from the Department of the Chief Architect.

42 Resolution of the Czech Government No 831 of 5 October 2022.

It should be pointed out in this respect that a persistent shortcoming at the level of administrators of newly created or developed information systems lies in inconsistent evaluation of their actual benefits. There is no definition of measurable targets and indicators that would provide information on whether significant investments in ICT have increased efficiency or at least improved the quality of the services provided in the given area. Obtaining this important feedback is still not a standard procedure in public administration.

THE SAO HAS REPEATEDLY OBSERVED SITUATIONS WHERE THE ACQUISITION OF A NEW PUBLIC ADMINISTRATION INFORMATION SYSTEM (IS) OR THE COMPLETION OF AN EXISTING PUBLIC ADMINISTRATION IS DOES NOT LEAD TO MORE EFFICIENT PERFORMANCE OF THE GIVEN TASKS AND RESPONSIBILITIES.

A new source of funding for the ongoing digitalisation of public services is the National Recovery Plan (NRP), which is being implemented with funding from EU's Recovery and Resilience Facility. Funds to support the digitalisation of public services are concentrated in Pillar 1 (*Digital transformation*) of the National Recovery Plan, where approximately **CZK 28 billion** of the total National Recovery Plan budget of **CZK 180 billion** are allocated.

Table 8: Breakdown of pillar 1 NRP – Digital transformation

Component number	Component name	Total allocation (CZK million)	Calls issued in 2020	Allocation for calls issued in the year 2022 (CZK million)
1.1	Digital services for citizens and companies	2,857	11	1,836.92
1.2	Digital systems of public administration	7,054	15	7,054.36
1.3	Digital high-capacity networks	5,787	2	3,020.00
1.4	Digital services economy and society, innovative start-ups and new technologies	5,710	0	0
1.5	Digital transformation of businesses	5,000	0	0
1.6	Acceleration and digitalization of the construction process	1,446	0	0
Total		27,854	11,911.28	11 911,28

Source: web pages of the NRP, Mol and MoIT, as at 12 December 2022.

Out of the 28 calls launched in Pillar 1 in 2022, two calls have the project closing date in 2025 and twenty-six in 2026. The overview of supported projects⁴³ shows that no project was supported in Pillar 1 – *Digital transformation* as at 31 December 2022. The individual calls consist of partial or independent projects that can be completed on an ongoing basis until 2025.

IN VIEW OF THE CURRENT INFLATION TREND, THE SAO PERCEIVES A RISK OF LIMITED FEASIBILITY OF PROJECTS DEPENDENT ON THE NATIONAL RECOVERY PLAN'S FINANCING DUE TO THE LOWER REAL VALUE OF MONEY. THE BULK OF THE FUNDING WILL BE DRAWN AFTER 2024 AND THE VALUE OF MONEY⁴⁴ AT THE TIME OF DISBURSEMENT WILL BE SIGNIFICANTLY LOWER THAN AT THE TIME OF APPROVAL OF THE PROJECTS INCLUDED IN THE PLAN (2021).

In December 2022, the Czech Parliament enacted a law⁴⁵ approving the creation of a new central administrative authority – the Digital Information Agency (DIA), which will overarch the individual sectors and will be independent of the management of ministries and other central administrative authorities. At the strategic level, DIA will ensure, among other things, central shared services and eGovernment cloud services, and will provide infrastructure and applications to public authorities.

43 *National Recovery Plan* [online]. Prague: Ministry of Industry and Trade, 2021 [cit. 2023-02-10]. Available at: <https://www.planobnovy.cz>.

44 Time value of money.

45 Act No 471/2022 Coll., amending Act No 12/2020 Coll., on the right to digital services and on the amendment of certain laws, as amended, and other related laws.

The risks associated with the creation of the DIA were discussed in the Senate as part of the debate on draft Act No 12/2020 Coll. In its resolution⁴⁶, the Senate pointed out, for example, the need to carry out a strategic analysis of all the intended changes, especially with regard to good governance, sound legislative procedures and the security interests of the Czech Republic and its citizens.

GIVEN THE RAPIDITY AND DEGREE OF PREPAREDNESS OF THIS CHANGE, THE SAO PERCEIVES RISKS ASSOCIATED WITH MAINTAINING PROFESSIONAL CAPACITY AND SHIFTING RESPONSIBILITIES AND COMPETENCE, AND ALSO CHANGES IN THE COMMUNICATION RULES RELATING TO THE ACTIVITIES OF THE DEPARTMENT OF THE CHIEF ARCHITECT AND THE DIGITAL INFORMATION AGENCY. NEGATIVE IMPACTS MIGHT SLOW DOWN OR TEMPORARILY HALT THE PREPARATION OF NEW ICT PROJECTS. SHOULD THESE RISKS MATERIALISE, THIS WOULD RESULT IN A DELAY CREATING AN UNDESIRABLE PRESSURE TO DISBURSE MOST OF THE FUNDS AT THE END OF THE NEW 2021–2027 PROGRAMMING PERIOD, AS WELL AS THE PERIOD OF UTILISATION OF FUNDS FROM THE NATIONAL RECOVERY PLAN, I.E. UNTIL 2026.

In 2022, the SAO completed the following three audits targeting:

- funds for the information support for anti-epidemic activities (audit No **21/35**);
- State and EU funds spent on the ESF 2014+ information system (audit No **21/20**);
- State funds spent on the Integrated Information System of the State Treasury (audit No **21/05**);
- funds for electronisation at the Ministry of Justice (audit No **21/28**).

In audit No **21/35**, the SAO focused on the effectiveness and economy of the funds spent on information support for anti-epidemic activities, in particular in the area of provision and setup of IT solutions in the event of occurrence of the Covid-19 disease. The audited bodies were the Ministry of Health, the Institute of Health Information and Statistics of the Czech Republic (IHIS) and the National Agency for Communication and Information Technology (NACIT). The services selected for the audit comprised the provision of the *Smart Quarantine* service system⁴⁷ and purchases of IT equipment, including software licences. The audited period was from 2017 to 2021 and the total financial volume equalled **CZK 495 million**.

The SAO concluded that the Ministry of Health had not prepared information support for dealing with epidemic situations and also failed in its co-ordination role via the chief public health officer of the Czech Republic. Until the second half of 2020, regional public health stations were not sufficiently equipped with computer technology and did not use uniform communication links. As a result, the regional public health stations were ill-prepared and unable to handle epidemic situations effectively. After the announcement of the Covid-19 pandemic by the World Health Organisation, the Ministry of Health did not follow the approved *Pandemic Plan of the Czech Republic* and the procedures defined therein, nor did it use the IT support that this plan had envisaged. The Ministry of Health neither activated nor otherwise used the Pandemic information system, although the *Pandemic Plan of the Czech Republic* foresaw the use of this information system for public health measures at the level of regional public health stations. New management structures were created without any underlying definition and without clearly set competences and responsibilities. The Ministry also failed to monitor and evaluate the effectiveness and economy of the expenses made in its budget chapter.

Since mid-2017, the Ministry of Health was already aware of the poor ICT equipment at regional public health stations, which lacked over 900 workstations and laptops.

⁴⁶ Resolution No 72 of the Senate of the Parliament of the Czech Republic dated December 14, 2022, adopted in connection with the discussion of the draft law amending Act No 12/2020 Coll., on the right to digital services and on the amendment of certain laws, as amended, and others related laws (Senate Press No. 17).

⁴⁷ The *Smart Quarantine* service system is a comprehensive system linked to the basic registries and to the departmental information systems (ISIN, tools used to perform tasks of the regional public health stations, laboratory IS, etc.) that handle personal and sensitive data on the basis of the law, and in addition, it has also become an integration platform for the launch of a tracing communication tool.

The Ministry of Health paid **CZK 20 million** for the eMask (eRouška) application, but neither utilised the data from the application, nor had such data even available.

- The chaotic management of activities relating to the Covid-19 pandemic including information support – where the total cost exceeded **CZK 387 million** in the audited period – was coupled with the failure to use the procedures defined by the *Pandemic Plan of the Czech Republic* and the follow-up sectoral pandemic plans. The Ministry of Health did not evaluate the efficiency of some newly developed applications and systems of services of the *Smart Quarantine programme*. At least **CZK 14 million** was spent unnecessarily and wastefully because the Ministry had failed to check what it was actually paying for. The SAO also examined the prices of outgoing calls per new positive case, which had been rising rapidly. In September 2020, the price for an outgoing call was approximately **CZK 8**. By May 2021, the price had risen to more than **CZK 435**.

THE MINISTRY FAILED TO SET LONG-TERM GOALS FOR THE DEVELOPMENT OF INFORMATION SYSTEMS AND DEFINE THE NEEDS FOR IT DEVELOPMENT IN THE HEALTH SECTOR TO ENSURE FUNCTIONING INFORMATION SUPPORT NOT ONLY WITH REGARD TO ACTIVITIES TO COMBAT EPIDEMICS.

Although according to the contract, the ESF IS was to comprise an application enabling easy and quick creation of user reports, the Ministry of Labour and Social Affairs ordered from the contractor new reports and modifications of existing reports for a fee exceeding **CZK 600 thousand**.

In audit No **21/20**, the SAO examined how the Ministry of Labour and Social Affairs had managed State and EU funds allocated for the development, operation and administration of the European Social Fund Information System – ESF 2014+ (ESF IS). The Ministry spent more than **CZK 67 million** on this system.

The SAO found some weaknesses in the IS relating to the accuracy and comprehensive nature of the data, as well as insufficient use of the IS for checks aimed to eliminate the occurrence of erroneous data. The Ministry had also never used two functionalities of the ESF IS⁴⁸.

- The ESF IS allowed for the entry of mutually exclusive data. The control system operated on a random basis and the Ministry had no records of the checks carried out.

ALTHOUGH THE ESF IS HAD BEEN CREATED WITHOUT MAJOR ERRORS, THE MINISTRY NEVER USED SOME OF THE IS FUNCTIONS IT HAD ACQUIRED, AND THIS – IN TURN – IMPAIRED THE EFFECTIVENESS OF THE FUNDS SPENT.

In audit No 21/05, the SAO reviewed whether the government funds earmarked for the acquisition, operation and development of the *Integrated Information System of the State Treasury* (IISST) in the sector of the Ministry of Finance had been spent effectively, economically and efficiently, and in line with the objectives of eGovernment development in the 2015–2020 period. Expenditure on the operation and development of the IISST in 2016–2020 amounted to **CZK 613 million**.

The audit revealed that in the period under scrutiny, the Ministry of Finance had spent inefficiently at least CZK 10.6 million for the maintenance of unused SW licences (for the SAP platform) relating to the operation of the IISST. Also, as of 2019, it had failed to ensure compliance with contractually mandated processes for managing reports in the service desk system, and had failed to meet by the original deadline the partial eGovernment goal⁴⁹ of introducing uniform authentication of IISST users. Since the contractor will discontinue providing support services for the current IISST architecture⁵⁰ in 2027 (or 2030), it is also dangerous to postpone the decision on migrating to a new IISST platform.

Of the total number of **almost 6 thousand** user licenses acquired by the Ministry of Finance, **28%** (on average) were never used.

- Within the IISST development plan, the Ministry of Finance committed itself to introduce uniform users' electronic identification, which should provide officers with an option of easy and uniform electronic identification when working with the public administration IS. Uniform identification is one of the goals of the *Information Strategy of the Czech Republic*, which forms part of the *Digital Czech Republic* programme and was originally supposed to be completed by the end of 2019. However, the Ministry failed to meet the deadline and postponed it to the end of 2022.

48 These were: (i) generating a comparative population as a source of data for counterfactual impact evaluations; and (ii) an interface with the *Employment* information system, which should replace the existing systems supporting the performance of tasks and responsibilities in the field of employment.

49 Partial eGovernment goal 3.6 – Introduce a trusted electronic identification system into practice.

50 SAP announced that it would cease providing support services for the SAP R/3 platform in 2027; for some products, the support should be extended until 2030.

THE MINISTRY OF FINANCE DID NOT ALWAYS PROCEED EFFICIENTLY IN ITS USE OF THE SOFTWARE LICENCES ASSOCIATED WITH THE OPERATION OF THE IISST AS IT FAILED TO USE ALMOST A THIRD OF THESE LICENCES. WHILE IT DID NEGOTIATE A REDUCTION IN THE NUMBER OF LICENCES, THE TERMS OF THE REDUCTION WERE UNFAVOURABLE.

The SAO recommended that the Ministry of Finance define the links and rules of operation for the whole State Treasury system in connection with the announced discontinuation of support services for the current IISST technical solution and the decision on a new solution, which requires e.g. the definition of links among individual modules, data flows and outputs, and also the rights and obligations of individual users.

In audit No **21/28**, the SAO examined whether the Ministry of Justice had spent the State and EU funds earmarked for the *Sectoral eJustice Development Strategy 2016–2020*⁵¹ (the eJustice Strategy) in an efficient and economical manner in the 2016–2021 period. The new sectoral information system and the EMS project were also audited at the Probation and Mediation Service (PMS)⁵².

The audit showed that the Ministry had made only minimal progress in developing eJustice⁵³. The Ministry had met only two of the total of 20 specific goals of the eJustice Strategy. For example, the Ministry failed to enable efficient and user-friendly management of the filing service, to ensure long-term and secure archiving of data, and to facilitate retrieval of information from other information systems outside the judiciary. Of the three projects examined, none produced results. The key information systems in the sector had either not been completed or the Ministry had not even begun to implement them. However, the electronisation of the judiciary will never be successfully accomplished without a new modular system for the eFile filing service, as the existing information systems are morally and technically obsolete, incompatible with each other and expensive to manage. Data cannot be shared among the sectoral information systems, nor is it possible to access files remotely. Moreover, there are no user-friendly tools for communication with litigants and for sending electronic pleadings with the option of immediate electronic payment. For the above reasons, the SAO assessed the implementation of the eJustice strategy, including its management, as inefficient.

Nearly CZK 332 million was spent on the implementation of the eJustice Strategy in the 2016–2021 period; however, almost 75% of these funds were used for the acquisition of videoconferencing equipment and recording devices for courtrooms.

- The Ministry of Justice was supposed to implement most of the key activities via the eSIR project, but the project is already three years behind schedule and the Ministry has acquired only three supporting applications over the six years. In addition, if the project is not completed by the end of 2023, the Czech Republic will have to return the EU subsidy of almost **CZK 178 million** and cover the costs from the State budget.
- The Ministry has repeatedly attempted to implement the EMS project since 2012. Eventually, the Probation and Mediation Service was forced to shut it down in December 2021, after three years of operation. Persons sentenced to house arrest thus again have to be checked on by means of personal visits carried out by probation officers. The average monthly costs of these checks ranged between **CZK 232 thousand and CZK 464 thousand**.

THE MINISTRY OF JUSTICE DID NOT MAKE EVEN A ROUGH ESTIMATE OF THE AMOUNT IT WOULD NEED TO MEET THE OBJECTIVES OF THE EJUSTICE STRATEGY. AS NO SECTORAL INFORMATION STRATEGY HAD BEEN IN PLACE FOR SEVERAL YEARS, THE MINISTRY DID NOT HAVE A CLEAR IDEA OF WHAT PROJECTS IT WOULD IMPLEMENT, TO WHAT EXTENT AND WHEN. THE DEVELOPMENT OF EJUSTICE WAS THUS NOT CO-ORDINATED.

51 Approved by Government Resolution of 8 June 2016, No. 505, on the Sectoral eJustice Development Strategy for the period from 2016 to 2020. The eJustice development is also part of the *Digital Czechia* government programme.

52 An electronic system for the monitoring of persons sentenced to house arrest and persons for whom custody has been replaced by supervision.

53 The term eJustice describes the gradual electronisation of justice in connection with the efforts to make the judicial part of the Ministry of Justice more efficient, and was already introduced in the Smart Administration strategy for the 2007–2015 period. The term “justice” refers to the court system extended by other bodies that mainly administer the judiciary or related fields – the public prosecutor’s office, the Probation and Mediation Service, the Prison Service, the Justice Academy and, last but not least, the Ministry of Justice itself.

Impact of previous audits in the area of public administration digitalisation

In 2022, the Government of the Czech Republic⁵⁴ and the Audit Committee of the Chamber of Deputies⁵⁵ discussed the implementation of measures taken by the Ministry of the Interior relating to audit report No **19/14**.⁵⁶ Among other things, the Ministry decided to ensure greater promotion for eGovernment services, and determined – by means of a sociological survey it had commissioned – that citizens primarily expected simplification of their dealings with the authorities. However, the results of the survey did not provide an answer as to which services citizens perceived as the most important to satisfy their needs. The digitalisation is thus carried out according to a timetable envisaged by the law⁵⁷, where despite repeated updates, the highest number of newly digitalised services are being concentrated in the last year of the timetable (2025). The SAO still considers it crucial to set priorities for the digitalisation of individual fields and relevant tasks within the timetable in order to reflect the real needs of citizens in dealing with their life situations.

54 Government meeting No 414/22, discussed on 1 June 2022, measures submitted by the Ministry of the Interior.

55 Audit Committee Resolution No 63 of the 14th meeting on 8 December 2022.

56 Government meeting No 1152/20, Resolution 87.

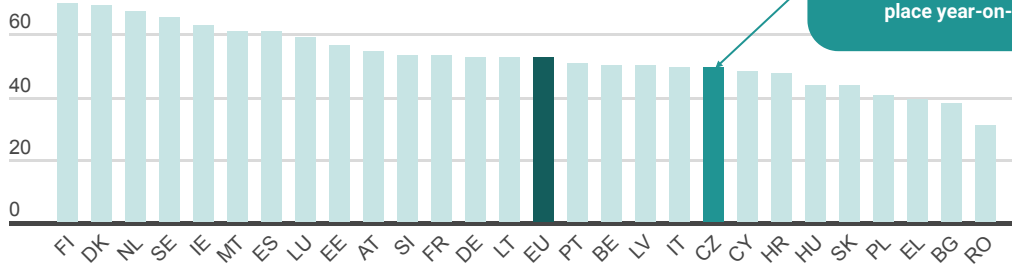
57 Provisions of § 14 paragraph 4 of Act No 12/2020 Coll., on the right to digital services and on the amendment of certain laws.



Digital transformation of society in the Czech Republic is constantly slowing down in comparison to the EU

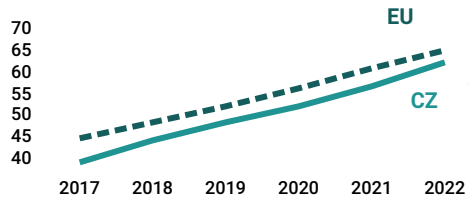
THE CZECH REPUBLIC HAS ONCE AGAIN FALLEN BEHIND THE EUROPEAN AVERAGE IN TERMS OF THE LEVEL OF DIGITALISATION OF THE ECONOMY AND SOCIETY

Overall Digital Economy and Society Index (DESI) for 2022



The Czech Republic ranks 19th among the EU-27, down one place year-on-year

Digital public services (DESI)



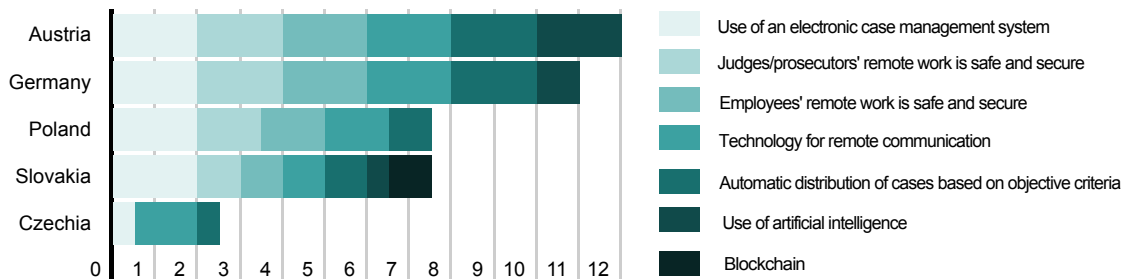
Areas – 2022		
	EU	CZ
Users of electronic public administration (aged 16–74)	65%	< 76%
Pre-filled forms (0–100)	64	> 41
Digital public services for citizens (0–100)	75	= 75
Digital public services for businesses (0–100)	82	> 81
Open data	81%	> 74%

” The Czech Republic improved year-on-year in the area of digital public services and thus came closer to the European average, but still lags behind with regard to pre-filled forms.

THE MINISTRY OF JUSTICE’S PROGRESS IN THE DIGITALISATION OF JUSTICE HAS BEEN SLOW AND INEFFICIENT

Use of digital technologies by courts and public prosecutor’s offices (EU Justice Scoreboard 2022)

Each country could receive a maximum of 14 points. A score of 0 to 2 points was awarded for each criterion if courts and public prosecutor’s offices did not use the technology at all, used it partially or used it regularly



4.2 RESEARCH, DEVELOPMENT AND INNOVATION

The area of research, development and innovation (RDI) is undoubtedly an important source of economic growth and competitiveness of the Czech Republic. According to the *Innovation Strategy of the Czech Republic 2019–2030*, the weak point in this area is the poor mutual linkage and proportionality of the innovation chain: *basic research → applied research → innovation → product → profit → reinvestment in research*.⁵⁸ This is one of the reasons why R&D funding and evaluation also aims to strengthen earmarked support with practical application of its outcomes, as well as earmarked support for applied social science research.

This, too, is why the SAO has long focused on scrutinising expenditure and performance in RDI. In 2022, the SAO carried out two audits in this area, focusing on:

- industrial research, experimental development and innovation (audit No **21/30**);
- applied research and the development of national and cultural identity (audit No **21/16**).

The SAO has long been pointing out a persistent systemic problem in the field of RDI in the Czech Republic – the failure to monitor the fulfilment of the objectives and benefits of earmarked support. This, in turn, makes it impossible to evaluate the effectiveness and efficiency of this support and ensure its more effective targeting in the future. The results of both audits confirmed that neither the Ministry of Industry and Trade nor the Ministry of Culture had set conditions for evaluating the attainment of the expected objectives and impacts of earmarked support programmes. Ultimately, the ministries are or will be unable to assess whether and, if so, to what extent industrial research support has contributed to increased competitiveness of businesses, and whether research on national and cultural identity has had any specific economic or other societal benefits. In the field of industrial research, the SAO showed that ineffective and inefficient projects were also supported, although they did not have the necessary impacts and did not contribute to achieving the set goals.

The SAO found the project for the creation of a prototype robot intended for use by the Radioactive Waste Repository Authority, for which the beneficiary had drawn more than CZK 19 million in support, as ineffective and inefficient. The Ministry supported this project even though the beneficiary had failed to document a demand from further potential customers and had not even anticipated the project to bring economic benefits. For more than two years after the project ended, the prototype model remained completely unused and stored on the beneficiary's premises.

- In audit No **21/30**, the SAO found that the Ministry of Industry and Trade and the Technology Agency of the Czech Republic had provided⁵⁹ almost **CZK 10 billion** in support for industrial research under three national programmes in 2016–2022. Although the audited projects had usually achieved the expected R&D results, in most cases, they had not brought practical economic benefits. Audited projects from the TRIO programme⁶⁰ provided only **10%** of the planned revenue and approximately **8%** of the planned profit and exports over the period of two or three years (as the case may be) from the project completion. The SAO concluded that more than **63% of the 19 projects audited** had been only of limited effectiveness and efficiency, or even completely ineffective and inefficient. The Ministry of Industry and Trade failed to set up a system of evaluating the selection of projects to ensure that only efficient and effective projects were supported. In addition, the Ministry did not prevent the risk of wasteful expenditure as it failed to specify proportionality criteria for personnel costs. In one example, this allowed the hourly rate of the project's principal investigator to reach almost **CZK 4,000**, while the SAO found that the median hourly rate for this position was **CZK 545**.

58 The SAO already pointed to this serious deficiency in its earlier audit No 16/19 – *State funds earmarked for special-purpose support of research and development within the budget chapter of the Czech Science Foundation* (the audit report was published in volume 3/2017 of the *SAO Bulletin*).

59 The TRIO Applied Research and Experimental Development Programme, and the Research, Development and Innovation Programme – The Country for the Future (the CFF Programme), where support is provided by the Ministry of Industry and Trade. Further, the TREND Programme to Support Industrial Research and Experimental Development, where the Ministry of Industry and Trade is the responsible authority and specific support is provided by the Technology Agency of the Czech Republic from its budget chapter.

60 The aim of the TRIO programme, to be implemented between 2016 and 2022, is, among other things, to increase the applicability of research and development outcomes in the business sphere, to increase the productivity and efficiency of research activities in businesses (especially small and medium-sized enterprises) and research organisations.

- Within audit No **21/16**, the SAO found that in 2016–2020, the Ministry of Culture had provided under the relevant national programme⁶¹ more than **CZK 1.6 billion** in earmarked support for applied research on national and cultural identity. The SAO audited 18 projects, and found five of these projects, with a total support exceeding **CZK 112 million**, as not being fully effective and efficient (due to the failure to achieve all the specified principal and secondary results). On the other hand, the SAO considers it positive that the supported projects had found practical application, including heritage and methodological procedures for restoration, software for accessing historical audiovisual data, etc. However, the audit showed that the Ministry had failed to set up indicators to assess the level of contribution to the programme’s main objective, i.e. that public funds invested in applied research and development in the field of national and cultural identity bring specific economic or other social benefits. Moreover, the Ministry had not always acted consistently towards the beneficiaries of the support, e.g. had not required that they implement annual plans for the application of the outcomes, which was one of the conditions of the contract for the provision of earmarked support. That changed only in the course of the SAO’s audit.

THE LONG-TERM SYSTEMIC SHORTCOMINGS IDENTIFIED BY THE SAO ON THE BASIS OF ITS AUDITS IN THE FIELD OF RDI CREATE A SIGNIFICANT OBSTACLE TO THE EFFICIENT IMPLEMENTATION OF EARMARKED SUPPORT FOR SCIENCE AND RESEARCH, WHICH DOES NOT CONTRIBUTE SUFFICIENTLY TO ECONOMIC GROWTH AND INCREASING THE COMPETITIVENESS OF THE CZECH REPUBLIC.

Based on the shortcomings identified and evaluated in audit No **21/30**, the SAO recommended that the Ministry of Industry and Trade, in co-operation with the Technology Agency of the Czech Republic:

- **when assessing project proposals, realistically assess the prospects of the research outcomes being applied in practice and the resulting expected economic benefits;**
- **set the criteria for project evaluation to exclude proposals with low or insufficient proof of the practical applicability of outcomes and expected economic benefits;**
- **as part of the evaluation of project proposals, consistently assess the justification of individual project cost items, in particular personnel costs;**
- **evaluate the effectiveness and efficiency of the State budget funds spent on the supported projects and the programme as a whole, not only on the basis of the research outcomes achieved, but also in terms of the attainment of the projects’ expected economic benefits, on the basis of regular annual reports obtained from the beneficiaries after the project completion. Such evaluation should already be conducted during the programme implementation.**

Impact of audits in the field of research, development and innovation

The responsible authorities took action to address the deficiencies identified in audits Nos **19/17**⁶² and **21/16**, i.e. audits focusing on medical applied research and on applied research and development relating to national and cultural identity. The ministries committed, among other things, to:

- evaluate the achievement of the earmarked support programmes’ objectives, including the evaluation of the benefits and impacts of the money spent. This should also be facilitated by rigorous evaluation of plans for the practical application of the research outcomes, submitted by beneficiaries of earmarked support;
- set indicators in the new earmarked support programmes so that they were more realistic and ambitious, and better reflect the success in attaining the set goals.

The implementation of the above measures is intended to enable more efficient targeting of earmarked support.

⁶¹ *Programme to support applied research and experimental development of national and cultural identity for the years 2016 to 2022 (NAKI II)* [online]. Ministry of Culture, 2013 [cit. 2023-02-10]. Available at: <https://www.npu.cz/cs/o-nas/veda-a-vyzkum/projekty-a-granty/9533-program-na-podporu-aplikovaneho-vyzkumu-a-experimentalniho-vyvoje-narodni-a-kulturni-identity-na-leta-2016-az-2022-naki-ii>

⁶² Audit No 19/17 – *State funds from the budget chapter “Ministry of Health” earmarked for the health care research* (the audit report was published in volume 3/2020 of the SAO Bulletin).

The SAO appreciates that the innovation performance of the Czech Republic as measured by the *European Innovation Scoreboard* has been improving. Although the Czech Republic has been consistently below the EU average in terms of innovation performance, it rapidly approached the average values in recent years 2015–2022. While in 2015, the innovation performance of the Czech Republic was less than **82%** of the EU average, in 2022, it had already risen to almost **93%** of the EU average.

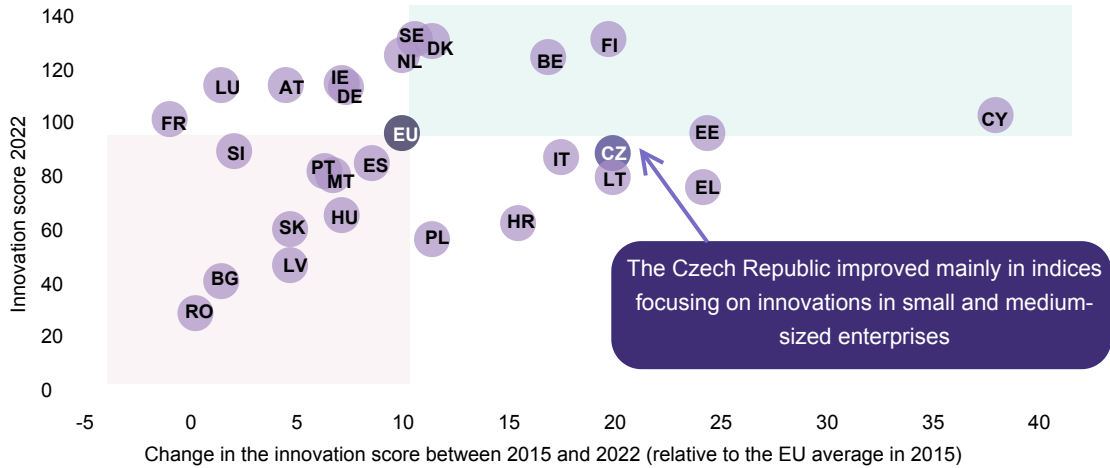
ACHIEVING AND SURPASSING THE AVERAGE EUROPEAN INNOVATION PERFORMANCE CAN BE DRIVEN BY MORE EFFICIENT ALLOCATION OF EARMARKED SUPPORT FOR RESEARCH, DEVELOPMENT AND INNOVATION TO PROJECTS THAT HAVE REALISTIC PROSPECTS OF APPLYING THE RESEARCH OUTCOMES IN PRACTICE. BASED ON EVALUATION OF HOW THE SUPPORT OBJECTIVES AND BENEFITS HAVE BEEN ATTAINED, MEASURES SHOULD BE TAKEN TO ENSURE MORE EFFICIENT USE OF THE AVAILABLE RESOURCES, WITHOUT THE NEED FOR THEIR FURTHER INCREASES.



The Ministry of Industry and Trade also supported ineffective and inefficient industrial research projects

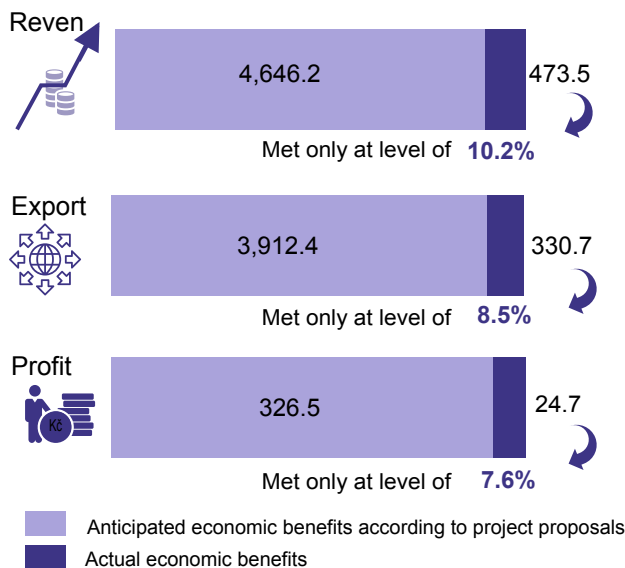
THE CZECH REPUBLIC IS GRADUALLY IMPROVING IN THE EUROPEAN COMPARISON OF INNOVATION PERFORMANCE, BUT STILL REMAINS BELOW THE EU AVERAGE

European innovation scoreboard 2022

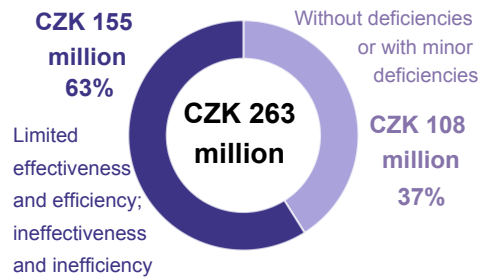


THE MINISTRY OF INDUSTRY AND TRADE CONSIDERED PROJECTS SUCCESSFUL EVEN IN CASES WHERE THE BENEFICIARIES HAD NOT ACHIEVED THE ANTICIPATED ECONOMIC BENEFITS

Comparison of the anticipated and actual economic benefits achieved for 19 selected projects from the TRIO programme (in CZK million)



Results of the evaluation of 19 selected projects from the TRIO

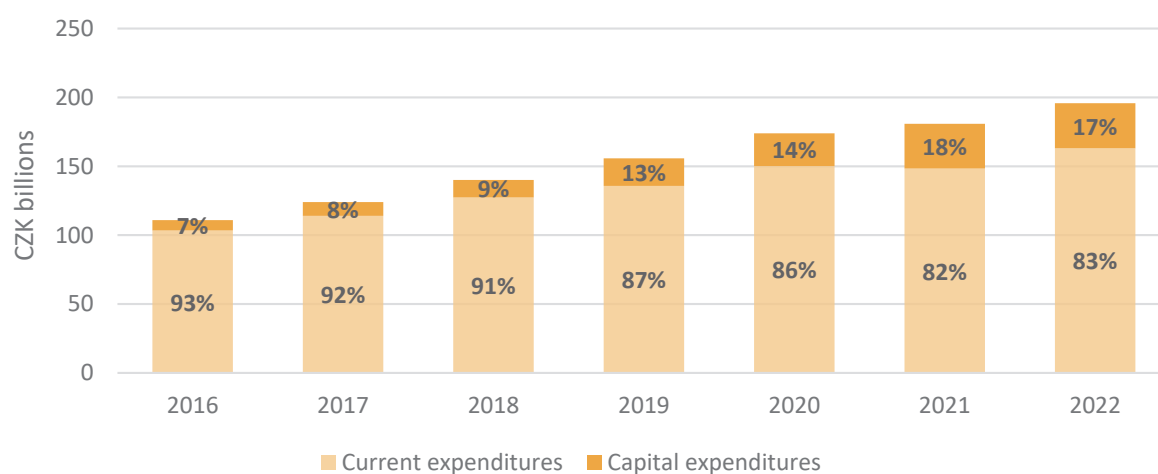


“ The SAO notes the risk that five years after the completion of TRIO programme projects, the revenues will likely fall far below the projected level

4.3 INTERNAL SECURITY AND DEFENCE

The Czech Government's Programme Declaration of January 2022 contains a number of tasks and gradual steps to ensure the internal and external security of the State. The Government is committed to building an efficient, modern and professional public administration. Efficient management should be introduced by the Ministry of the Interior, for example, in the preparation for crisis situations such as pandemics, floods, cyber-attacks and soft targets protection. In the area of justice and law, the Ministry of Justice is to prepare new procedural codes, which are a necessary precondition for modernising, accelerating and improving the quality of court proceedings. Total State budget spending on security and legal protection has been increasing since 2016 and reached almost **CZK 196 billion** in 2022.

Chart 16: Total expenditures of the state budget on Security and legal protection *



* The group of sections in the State budget – *Security and Legal Protection* comprises the following divisions: *Defence; Civil Emergency Preparedness; Security and Public Order; Legal Protection; Fire Protection; and Integrated Rescue System.*

Source: Integrated Information System of the State Treasury.

Ensuring the country's defence is a fundamental responsibility of the State in the field of external security. The war in Ukraine accentuated this task and accelerated some of the envisaged steps. Even before the outbreak of the conflict, it was obvious that due to the deteriorating security environment, it would be necessary to increase investments in the Czech Army. In its *2021 Annual Report*, the SAO pointed out, among other things, that some key investment projects necessary to strengthen defence capabilities and meet NATO commitments had not been implemented.

THE SAO POINTS OUT THAT THE CURRENT INCREASE IN DEFENCE SPENDING MUST CORRESPOND TO THE ECONOMIC POSSIBILITIES OF THE STATE AND TO THE MINISTRY OF DEFENCE'S ABILITY TO USE THE ALLOCATED FUNDS EFFECTIVELY, EFFICIENTLY AND ECONOMICALLY. THESE CRITERIA ALSO APPLY TO THE RECENTLY HIGHLY POPULAR METHOD OF FINANCIALLY SIGNIFICANT STRATEGIC ACQUISITIONS WHERE THE MINISTRY HAS CONCLUDED CONTRACTS WITH SELECTED FOREIGN GOVERNMENTS OR SPECIFIC MANUFACTURERS WITHOUT A SELECTION PROCEDURE.

In 2022, the SAO completed three audits in the area of internal security, justice and defence, which targeted:

- State funds spent on the soft targets protection system (audit No **21/21**);
- State funds spent on compensation (audit No **21/38**);
- State funds spent by the Ministry of Defence on the acquisition, storage and disposal of small-arms ammunition and other munitions (audit No **21/19**)⁶³.

The Czech Republic regularly identifies specific threats to its security based on analyses of the security environment. For many years, these threats have included terrorist attacks and violence. These are increasingly directed at so-called soft targets⁶⁴, i.e. places with a high concentration of people and a low level of security (shopping malls, hospitals, cultural centres, etc.). According to the Ministry of the Interior, the strategic documents and the funds spent should have aimed at building a functioning national system for the protection of soft targets, which would enable a flexible, comprehensive and rapid response to threats of attacks. In audit No **21/21**, the SAO examined whether the Ministry of the Interior, Ministry of Culture and Ministry of Health had spent, and the selected beneficiaries had utilised, funds from non-investment programmes for the soft targets protection system in an effective, economical and legally compliant manner. The above ministries spent the amount of **CZK 194 million** on these programmes in the 2019–2021 period.

In this audit, the SAO pointed out significant shortcomings that had reduced the effectiveness and economy of the funds spent, as the ministries had failed to set the programmes' objectives in a measurable way; as a result, they would not be able to assess the benefits of the support provided and the intended impact, which was to increase the soft targets protection. They had also failed to implement programmes based on an assessment of actual needs and had not launched the originally planned follow-up investment programmes⁶⁵. By the end of the SAO audit, the Ministry of the Interior had also failed to evaluate the *Soft Targets Protection Strategy for 2017–2020* and had not drawn up the planned follow-up strategy for the 2021–2023 period, nor had it evaluated the attainment of the non-investment programmes' objectives.

*During the audit period, the Ministry of Culture and the Ministry of Health abandoned the intention to increase the protection of priority soft targets (46 hospitals and 57 cultural facilities) and expanded the range of beneficiaries. Despite this, a major part of the allocated funds remained unused, with a total of **CZK 153 million**, i.e. **44%**, left unspent.*

- The SAO found that cost-effectiveness had dropped at the Ministry of Culture and the Ministry of Health in 2019, as these ministries had failed to assess the reasonableness of the unit prices of applications, and for example, had failed to set financial limits for the individual supported areas based on market research; this had led to significant price differences. For example, in 2019, the Ministry of Culture provided a subsidy in the amount of almost **CZK 623 thousand** for risk analysis of a theatre building, and **CZK 1.2 million** for the same task on library premises. In 2020, the Ministry of Culture set the financial limits for the preparation of a risk analysis at **CZK 350 thousand** for all types of buildings, and the beneficiaries did not exceed this limit.

THE MINISTRY OF CULTURE FAILED TO MEET THE OBJECTIVE RELATING TO THE *SOFT TARGETS PROTECTION STRATEGY FOR 2017–2020*, BECAUSE IT HAD FAILED TO ESTABLISH A NATIONAL SOFT TARGETS PROTECTION SYSTEM AND HAD NOT INITIATED THE PLANNED INVESTMENT PROGRAMMES.

63 Audit No 21/19 contains classified information pursuant to Act No 412/2005 Coll., on the protection of classified information and security clearance, and its audit report was therefore not published pursuant to Section 30 (3) of Act No 166/1993 Coll., on the Supreme Audit Office.

64 According to the *National Security Audit* (2016), soft targets are the most likely places to suffer a terrorist attack on Czech territory.

65 Material No 784/17, which was approved by the Government Resolution of 24 July 2017, No 527, on the proposal to establish subsidy programmes to increase the protection of soft targets, states, inter alia: "Together with submitting the new *Soft Targets Protection Strategy*, the Ministry of the Interior, in co-operation with the Ministries of Transport, Culture and Health, shall submit to the Government an evaluation of the non-investment subsidy programmes' implementation, on the basis of which the amount of funds proposed for the establishment of investment subsidy programmes will be further specified."

The long-term ambition in the area of justice has been to improve the quality of judges' and prosecutors' work while respecting their independence. Pursuant to Act No 82/1998 Coll.⁶⁶, the Ministry of Justice is also supposed to negotiate on behalf of the Czech Republic on the provision of compensation in cases where damage has been caused by an unlawful decision, by a decision on detention, punishment or protective measure, or by governmental authorities' malpractice (including, for example, an excessive length of proceedings). The Ministry awards compensation on the basis of a claimant's application after having verified the facts relevant to the claim. In audit No **21/38**, the SAO examined whether the funds used for this type of compensation had been spent effectively, economically and in accordance with the law. In audited period 2016–2021, the Ministry of the Interior had settled more than 20 thousand claims for compensation and spent **CZK 1.6 billion** in this regard.

*The Ministry of Justice failed to process compensation claims from previous years; the number of such claims decreased by **only 16%** in the audited period.*

During the audited period, the Ministry of Justice settled almost one half of the compensation claims only after the legal deadline of six months had lapsed⁶⁷. The SAO sees the main reason for the failure to comply with the deadline in the late execution of the first act in processing the request for compensation (the official commencement of investigation). In 35% of the files audited, the Ministry did not commence the investigation until after the legal deadline had passed, and often only after the plaintiff had filed a lawsuit in court.

*The Ministry of Justice paid compensation to victims with a delay of **between 2 and 1,145 days** from the expiry of the statutory deadline.*

- For example, in the case of a claim for compensation of almost **CZK 1 million** relating to damage arising in the exercise of public authority, specifically harm caused by an enforcement officer's malpractice, the Ministry commenced investigation only **436 days** after the receipt of the relevant application, even though the statutory deadline for compensation had long since expired. Only **826 days** after the expiry of the statutory deadline did the Ministry prepare an opinion in this case; on its basis, the victim was paid compensation in the total amount of almost **CZK 700 thousand**. In other cases, further expenses were associated with delays in the proceedings, which the SAO found to be wasteful. These were funds for the payment of interest on late payments and costs of proceedings before the courts in the amount of almost **CZK 703 thousand**, which the Ministry of Justice paid to the victims in cases where their claims had not been previously settled by the Ministry within the legal deadline.
- The audit also pointed out cases where the Ministry of Justice could not claim recourse payments from judges. For example, in one case, the Ministry paid the victim compensation of **CZK 184 thousand** on the grounds of malpractice caused by an excessive length of proceedings. Indeed, the court proceedings lasted almost **25 years**. The Ministry considered this length unreasonable and found that delays had been caused by the acting judge. Yet, the Ministry was unable to claim recourse because the judge's disciplinary liability had already expired at the time; the Ministry had not filed a motion to initiate disciplinary proceedings within three years of the judge's disciplinary offence, although this was a prerequisite for demanding a recourse payment.

THE MINISTRY FAILED TO MONITOR AND CHECK COMPLIANCE WITH THE LEGAL DEADLINE FOR PROCESSING COMPENSATION CLAIMS. HAD THE MINISTRY DEALT WITH THE APPLICATIONS IN DUE TIME, IT COULD HAVE AVOIDED INTEREST ON LATE PAYMENTS OR THE COSTS OF COURT PROCEEDINGS. FAILING A REMEDY, THIS APPROACH WILL AGAIN LEAD TO WASTEFUL SPENDING IN THE FUTURE.

⁶⁶ Act No 82/1998 Coll., on liability for damage caused in the exercise of public authority by a decision or improper official procedure and amending Act No 358/1992 Coll. of the Czech National Council, on notaries and their activities (Notary Code).

⁶⁷ The period of six months established by the provisions of § 15 paragraph 1 of Act No 82/1998 Coll.

Impact of previous SAO audits in relation to internal security

In audit No **20/10**⁶⁸, the SAO found that the goals of the audited State migration policy programmes had been set only in general terms, and their benefits were therefore difficult to evaluate. As part of its audit of selected projects, the SAO described shortcomings that had reduced the effectiveness, efficiency and economy of the funds spent. The measures implemented by the Ministry of Interior had led, for example, to the creation of a new less administratively demanding control and monitoring system concerning the integration of persons, and the introduction of a set of output and result indicators and evaluation tools, which can be used to monitor the effectiveness and efficiency of programmes, and if necessary, to make adjustments so that they yield the maximum benefits, while being as efficient as possible from the State's point of view.

In audit No **20/27**⁶⁹, the SAO concluded that the General Inspectorate of Security Forces (GISF) did not have a system in place for economical and effective management of property and funds. The needs in the economic, investment and personnel areas were determined on the basis of measures taken by the GISF, including e.g. an adjustment of the budgeting process and more detailed specification of the planned investments, which is also a prerequisite for more efficient use of funds and long-term investments and for stabilising the area of human resources.

68 *Audit No 20/10 – State funds spent on implementation of selected goals of the migration policy of the Czech Republic* (the audit report was published in volume 3/2021 of the SAO Bulletin).

69 *Audit No 20/27 – State property and funds allotted to the General Inspection of Security Forces* (the audit report was published in volume 4/2021 of the SAO Bulletin).

Impact of previous SAO audits in the field of defence

In audit No **20/03**⁷⁰, the SAO concluded that the system of acquiring weapons employed by the Ministry of Defence was inefficient. In response to the audit findings, the Ministry focused on improving the quality of planning and increasing the professional qualifications of the acquisition process staff; on determining accurately the required parameters of the armaments to be acquired; on making greater use of framework agreements; on ensuring and monitoring the life cycle costs of armaments; and on ensuring the testing of samples of new weapons or their components, and the verification of their parameters. For example, the newly concluded framework agreement for the acquisition of MINIMI machine guns also addresses the acquisition of spare parts to ensure servicing in military repair facilities for a period of 10 years, as well as the delivery of the necessary accessories for the machine guns.

In audit No **19/20**,⁷¹ the SAO found, among other things, that the Ministry of Defence, acting through the University of Defence in Brno, had failed to provide efficiently for the educational needs of the Czech Army. This was also due to the failure to set up a method for evaluating the efficiency of the University's activities and to set general education objectives in the policy documents. With regard to the efficient addressing of the educational needs of the Czech Army, the Ministry of Defence focused primarily on improving the quality of recruitment campaigns, making the studies more attractive, and improving the study and accommodation environment – this was one of the reasons why as many as 551 military students enrolled in the first year of study in 2021, which is an increase by 201 compared to 2020, all that for the benefit of the Army of the Czech Republic. As regards policy documents, the University of Defence prepared a strategic plan for its educational and creative activities in the 2021–2030 period, which comprises 17 operational objectives elaborated into 62 specific and measurable actions, while also setting indicators concerning the attainment of the individual objectives.

70 *Audit No 20/03 – Acquisition of military equipment of the Armed Forces of the Czech* (the audit report was published in volume 6/2020 of the SAO Bulletin).

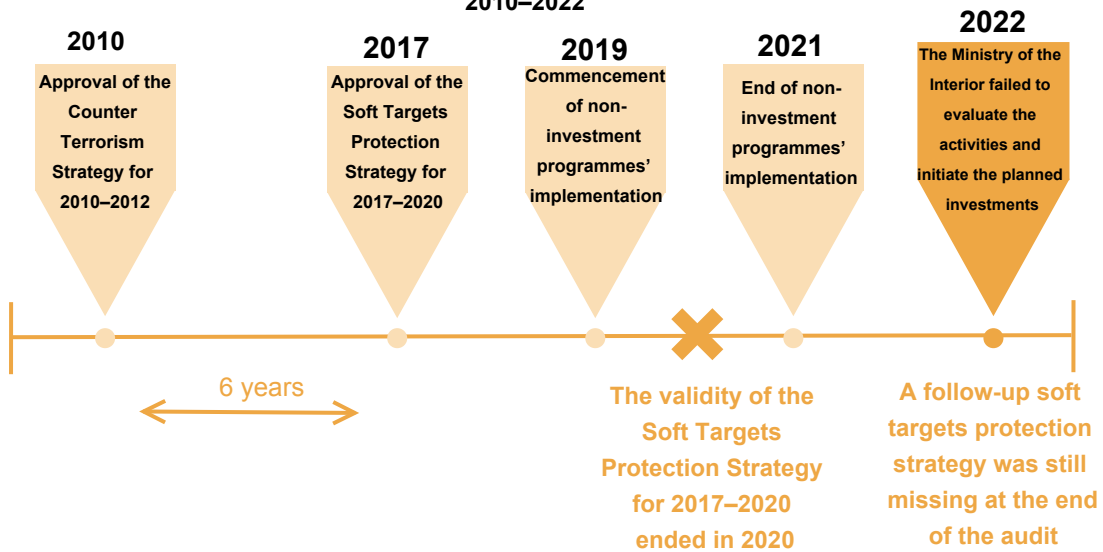
71 *Audit No 19/20 – University education of members of the security forces and soldiers of the armed* (the audit report was published in volume 6/2020 of the SAO Bulletin).



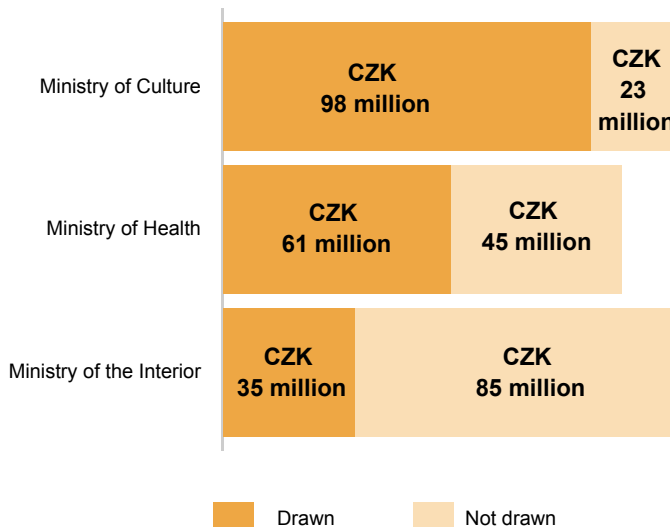
The Czech Republic still lacks a completed soft target protection system

THE MINISTRY OF THE INTERIOR FAILED TO MEET THE OBJECTIVE OF SOFT TARGETS PROTECTION, WHERE A SUBSTANTIAL PART OF THESE TARGETS WAS SUPPOSED TO BE ABLE TO RESPOND TO AN ATTACK IN SUCH A WAY TO ENSURE THAT THE DAMAGE WAS MANY TIMES SMALLER THAN IF THEY HAD BEEN CAUGHT UNPREPARED

Development of the key activities of the Ministry of the Interior in soft targets protection in 2010–2022



Drawing of State budget funds for non-investment soft targets protection programmes

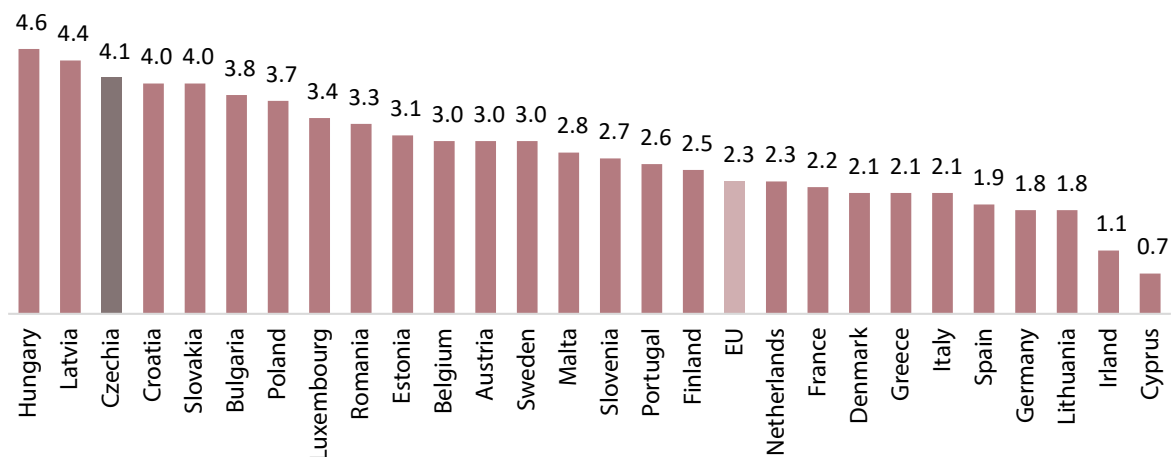


” The audited ministries failed to proceed efficiently in implementing non-investment programmes for the protection of soft targets, as they did not implement them according to the identified needs (among other things). Moreover, more than 44% of the planned funds remained unused.

4.4 TRANSPORT

The Czech Republic's geographical location makes it destined to be a major transport hub in Europe. However, the State has to support this potential through targeted strategic development of transport infrastructure, as this endeavour is directly linked to the further economic, regional and social development of our country. Although, according to Eurostat, the Czech Republic spends one of the highest shares of GDP on the transport sector in the EU⁷², the results of SAO audits have long revealed an unsatisfactory state of transport infrastructure. The SAO therefore strives to draw attention to the causes of this situation and thus contribute to more efficient use of the money spent.

Chart 17: Share of expenditure on the transport sector (% of GDP)



Source: Eurostat.

In 2022, the SAO completed two audits scrutinising the following areas:

- recreational boating support (audit No **21/03**);
- reconstruction of selected off-corridor railway lines (audit No **21/36**).

Recreational boating is the transport of people by small vessels (motorboats, yachts, small cabin vessels and houseboats) and by tourist boats (passenger service). In audit No **21/03**, the SAO examined the support of recreational boating from State and EU funds in the years 2014 to 2021. In addition to the strategic and management activities of the Ministry of Defence, the SAO also audited specific projects within the responsibility of the Waterways Directorate of the Czech Republic and Vltava River Management Company. Specifically, it examined a sample of 13 projects worth more than **CZK 5.1 billion**.

72

General government expenditure by function (COFOG) [online]. Eurostat, 2023 [cit. 2023-02-10]. Available at: https://ec.europa.eu/eurostat/databrowser/view/GOV_10A_EXP_custom_2640137/bookmark/table?lang=en&bookmarkId=a9b3a0d6-2aee-483a-8bbf-e63fdd6d5e5f.

The audit showed that the shortcomings in the Ministry's strategic and managerial work persisted. The SAO had already pointed out these shortcomings in previous audits⁷³. The Ministry of Transport has failed to develop an effective investment management system for the development of recreational boating to ensure effective, economical and efficient spending of funds. The Waterways Directorate submitted to the Ministry for approval poorly prepared projects, which were often subject to numerous changes and consequent delays, increasing the resulting costs. The Ministry also failed to evaluate the actual benefits of the projects or the overall results of the funding for the development of recreational boating⁷⁴. Within its audit of selected projects, the SAO found violation of the legal regulations governing public procurement⁷⁵, which the SAO assessed as facts indicating a breach of budgetary discipline in the amount of CZK 87 million.

- The SAO found that policy documents continued to suffer from ambiguities and inconsistencies among data, which questioned their credibility. *The Waterway Transport Strategy for 2016–2023* has not been approved by the Government, and the Ministry of Transport thus continues to lack a binding basis for waterway development planning. Unreliable assessments of the expected economic efficiency of projects are also a long-standing problem. An example of a poorly prepared project approved by the Ministry of Transport was the March 2006 project *Completion of the Vltava Waterway in the Section Between the Hněvkovice Hydroelectric Power Station and Týn nad Vltavou*. The project was not completed until 2017 (the original deadline being 2014); as a result, the share of EU subsidies in the project's financing was reduced **from 85% to 46%** (including financial correction), with the need to replace this money from national resources.

The modernisation of the Litoměřice harbour, which was approved by the Ministry of Transport in 2010 as part of the wider project of Lower Elbe Passenger Water Transport Mooring, is now being implemented by the Waterways Directorate at a cost 15 times higher than originally proposed.

THE LACK OF PRIORITISATION AND THE OUTDATED GROUPING OF PROJECTS FOR THE SUPPORT OF RECREATIONAL BOATING DEVELOPMENT INTO INTERRELATED UNITS HAS CAUSED THAT PROJECTS ARE BEING PREPARED AND APPROVED BY THE MINISTRY OF TRANSPORT ON AN AD HOC BASIS, WITHOUT REGARD TO THEIR SYNERGIES AND COORDINATION. SUCH A PRACTICE POSES A SIGNIFICANT RISK OF WASTEFUL AND INEFFICIENT SPENDING OF FUNDS ON PROJECTS WITH BENEFITS CONDITIONAL ON THE COMPLETION OF OTHER PROJECTS WHOSE IMPLEMENTATION IS BEING DELAYED FOR VARIOUS REASONS.

With 9,355 km of railway lines, the Czech Republic⁷⁶ has one of the densest railway networks in the EU and the refurbishment of these lines is supported by significant funding in the long term; this is why the SAO focused on this transport area last year. In audit No **21/36**, the SAO examined how the Ministry of Transport and Railway Administration Company had distributed State and EU funds earmarked for the refurbishment of selected off-corridor railway lines from 2016 to mid-2021. Out of a total of 156 projects, 15 were selected for audit, focusing on refurbishment, modernisation, optimisation, revitalisation and increasing track speed. The financial volume of the audited projects amounted to almost **CZK 105 billion**⁷⁷.

The SAO pointed out, in particular, that priority projects for the reconstruction of selected off-corridor railway lines were not prepared by the milestones specified in the Ministry's strategic materials. The delays also affected projects in the trans-European transport network (TEN-T), which threatens the country's international commitment to modernise lines in the main TEN-T network by 2030⁷⁸. Inadequate project preparation led to changes in the design and scope of construction, including increases in project costs and the ensuing risk that there would not be enough resources to cover these costs.

⁷³ Audit No 08/19 – *Funds earmarked for development and modernisation of waterways and harbours* (the audit report was published in volume 1/2009 of the SAO Bulletin); Audit No 14/03 – *Funds earmarked for development and modernisation of waterways and harbours, and for the support of multimodal cargo transportation* (the audit report was published in volume 4/2014 of the SAO Bulletin); Audit No 18/16 – *Development of waterways and support of inland waterway transport* (the audit report was published in volume 4/2019 of the SAO Bulletin).

⁷⁴ The MoT does not monitor the total amounts spent to support the development of recreational boating and passenger shipping separately, with the justification that the waterway is used both by freight and passenger traffic.

⁷⁵ Act No 137/2006 Coll., on public contracts, and Act No 218/2000 Coll., on budget rules and on the amendment of some related laws (budget rules).

⁷⁶ State on 31 December 2022. Basic characteristics of the railway network of the Railway Administration: Total track length [online]. Railway Administration, 2022 [cit. 2023-02-10]. Available at: <https://www.spravazeleznic.cz/o-nas/vse-o-sprave-zeleznic/zeleznice-cr/zeleznicni-sit-v-cr>

⁷⁷ All prices are stated without VAT.

⁷⁸ The goal set in the *Transport Policy* of the Czech Republic and in EU legislation, i.e. to modernize the tracks on the main TEN-T network by 2030. The *transport policy* of the Czech Republic for the period 2014–2020 with a view to 2050 is the basic conceptual material for the reconstruction of railway lines and was approved by Resolution No 449 of the Government of the Czech Republic dated 12/06/2013. Furthermore, the goal is set in the provisions of Article 13 and Article 19 of the regulation of the European Parliament and of the Council (EU) No 1315/2013 of 11 December 2013, on Union guidelines for the development of the trans-European transport network and on the repeal of Decision No 661/2010/EU).

With regard to one of the audited projects, the Railway Administration Company received three tenders in an open tender procedure regarding the design documents, while the SAO ascertained from the data in the tenderers' annual reports that all three tenderers had been mutually linked in terms of both personnel and property. The tender prices offered by all the tenderers were 17.5–19.2% higher than the estimated value of the public contract.

- Of the 15 projects audited, only five projects have so far met their objectives, such as increasing track speed or reducing travel times. Two projects have yet to meet the targets and the remaining eight could not be checked as they have not been completed. For example, the completion of the Prague-Kladno line with a connection to Václav Havel Airport Prague has been postponed by four years to 2029. The cost of the two-stage modernisation of the line has now been set by the Railway Administration Company at **CZK 42.7 billion**, which is **CZK 13.1 billion** more than originally projected. This is due, among other things, to a change in the technical design of bored tunnels and the creation of new underpasses.
- The Railway Administration Company failed to proceed in a uniform way in dealing with errors and shortcomings in the projects, in some cases not acting in accordance with the contract for work and not applying sanctions against the author of the faulty design documents. In eight tender procedures for the selection of an author of the design documents, the SAO identified mutual links among the participants, which poses a risk of an insufficiently competitive environment.

THE CZECH REPUBLIC IS IN REAL DANGER OF FAILING TO MEET ITS INTERNATIONAL COMMITMENTS IN THE CONSTRUCTION OF THE TRANS-EUROPEAN RAIL NETWORK. THIS IS DUE TO THE LACK OF PROJECT READINESS, AND THE DELAYS IN RECONSTRUCTION ALSO INCREASE THE COST OF PROJECT IMPLEMENTATION.

In 2022, the SAO's audits again found, among other things, persistent problems consisting in long preparation times of transport construction projects, as well as a failure to carry out priority construction projects, while implementing projects that did not meet the prerequisites set out in the strategic documents for the transport sector. This approach does not guarantee efficient and effective use of State and EU funds.

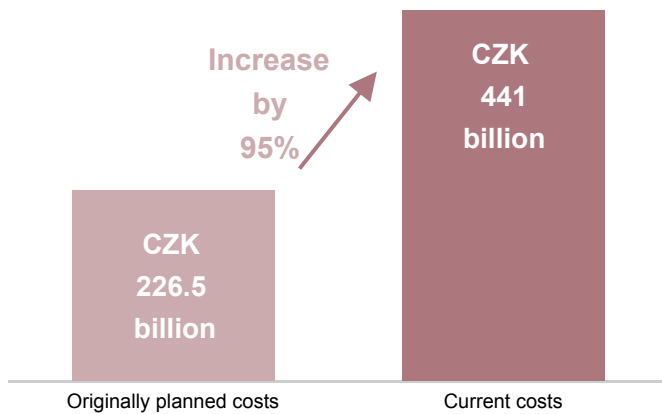
The Ministry of Transport plans to address the above shortcomings by implementing the *Transport Sectoral Strategy, Phase 3*, which was to be presented to the Government for consideration by the end of February 2023. The strategy should reflect changes in the legislative conditions and in the strategic and methodological environment that have occurred since the previous strategy document was prepared, and will be linked to the available financial resources. One of the things stated by the Ministry of Transport in the proposal for remedial measures was that on the basis of the audit report, the Railway Administration Company had modified the application of contractual sanctions; thus, in cases where defects are found in the design documents during the construction project's implementation, the company will apply contractual sanctions against the author of the documents.



Deficiencies in the preparation and implementation of transport infrastructure development projects lead to delays and significant increases in total expenditure

RECONSTRUCTION PROJECTS FOR OFF-CORRIDOR RAILWAY LINES ARE SIGNIFICANTLY DELAYED. THE CZECH REPUBLIC IS IN REAL DANGER OF FAILING TO MEET ITS INTERNATIONAL COMMITMENTS IN THE CONSTRUCTION OF THE TRANS-EUROPEAN RAIL NETWORK

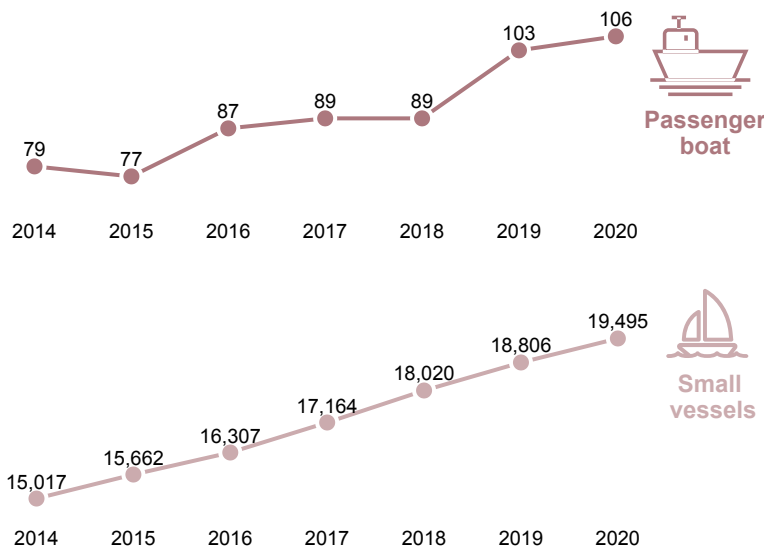
Originally planned and current costs of 59 priority projects



” Delays in reconstruction projects have a serious impact as they lead to a growth in costs. For example, the Ministry of Transport projected costs of CZK 226.5 billion in 2013 for 59 priority projects which are key to securing strategic objectives and international commitments. Currently, however, it works with the amount of CZK 441 billion.

THE MINISTRY OF TRANSPORT FAILED TO CREATE AN EFFECTIVE INVESTMENT MANAGEMENT SYSTEM FOR THE DEVELOPMENT OF RECREATIONAL BOATING, AND APPROVED POORLY PREPARED PROJECTS THAT WERE LATER CHANGED NUMEROUS TIMES, RESULTING IN DELAYS AND ADDITIONAL COSTS

Number of small vessels and passenger boats recorded in the registers kept by the State Navigation Administration

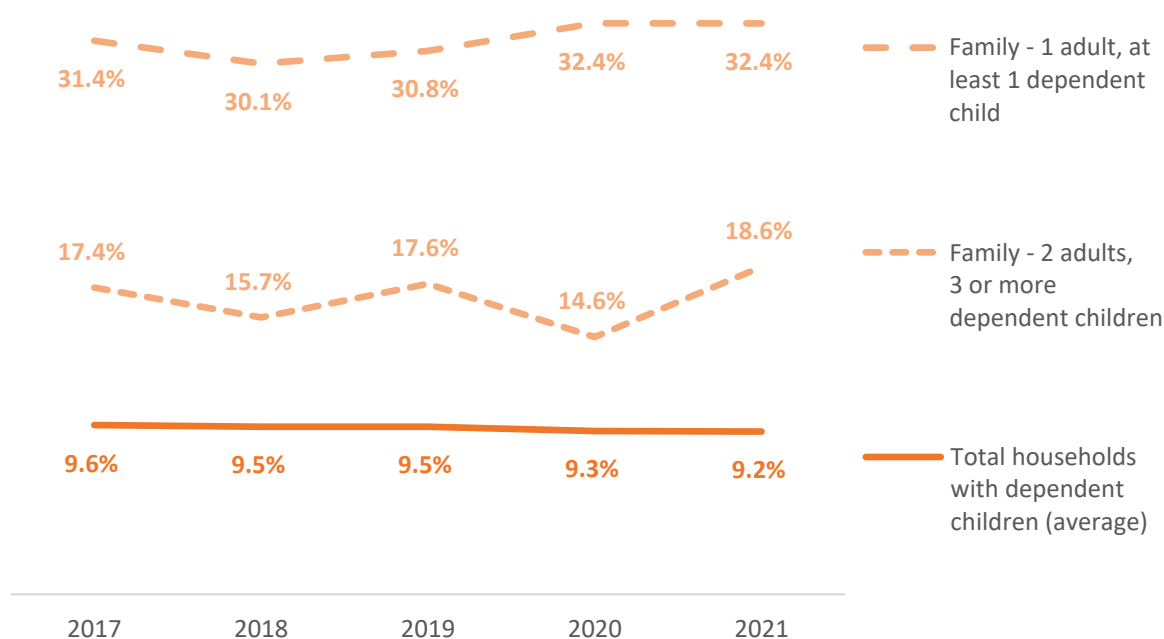


” While interest in recreational boating is growing, it is unclear how much the projects supported actually contributed to this trend. Ministry of Transport failed to set specific targets or indicators that would make it possible to objectively assess the level of progress in the development of recreational boating

4.5 SOCIAL POLICY

Both current and long-term demographic and economic trends affect the whole of society. The Czech family is changing and this also has an effect on the housing policy in the Czech Republic. In recent years, there has been an increasing emphasis on work flexibility, housing support and financial assistance for families, with the aim to reduce the number of people at risk of poverty or social exclusion. In the social and economic context, single-parent and large families are most at risk of poverty. The data in Chart 18 show that although the average risk of poverty for households with dependent children has slightly decreased, the risk of poverty or social exclusion has gradually increased in the case of single-parent and multiple-parent families.⁷⁹ This was one of the reasons why the SAO focused its audit on support aimed at preventing these negative phenomena.

Chart 18: Rate of risk of income poverty in selected households with dependent children



Source: CSO.

In 2022, the SAO completed three audits in the field of social policy aimed at:

- support of family policy (Audit No **21/29**);
- support for social housing (Audit No **21/08**);
- support of social enterprises (Audit No **21/22**).

As part of audit No **21/29**, the SAO focused on family policy support provided by the operational programme *Employment /OPEm/* and the *national subsidy title /NST/ Family*, of which MoLSA provided almost CZK 9 billion⁸⁰.

79 More socio-economic information about the state of families in the Czech Republic can be found in the interactive display of data shown in audit 21/29, which is available at: <https://www.nku.cz/scripts/detail.php?id=12728>.

80 As at 31 December 2021, funds in the amount of CZK 8.6 billion were spent to support families from the *Operational Program Employment* 2014–2020. As part of the national subsidy title *Family*, funds in the amount of CZK 0.3 billion were paid out to support families in 2018–2020.

The support system was set up within the Operational Programme “Employment” (OPE) so that the beneficiaries would use the maximum amount of funds. However, according to the SAO’s findings, the Ministry of Labour and Social Affairs lacked information of the actual impact of the projects, as it monitored mainly the number of participants supported, rather than the qualitative benefits of the support for the target group. At the same time, the SAO concluded that the State and EU funds spent on the audited projects focusing on support for family policies had contributed to improving the situation of persons from the target groups to a lesser extent than the beneficiaries themselves had anticipated. The long-term effects of the completed audited projects are only partial or not demonstrable. The situation was similar in the case of the Family national subsidy programme, which aims to contribute to the prevention of undesirable situations such as family breakdowns and removal of children. Here, the Ministry failed to set specific objectives and indicators that would make it possible to monitor and evaluate its benefits, and thus failed to create preconditions for an efficient use of State budget funds.

- The SAO audited 10 projects with a total expenditure of **CZK 217 million**. These projects aimed to improve the situation of persons caring for children under 15 years of age, as well as those who are at risk of social exclusion. Nearly **3 thousand** people participated in the project, of which **91%** were women. The average cost of support for each person in the audited projects was **approximately CZK 102 thousand**. At the same time, the SAO found that the funds spent had contributed to improving the situation of these people to a lesser extent than the beneficiaries themselves had anticipated. Long-term effects of the support were either only partial or not demonstrable.

The set partial objective, i.e. obtaining qualifications for the project participants, was not achieved in 179 out of 331 (i.e. 54%) completed family policy support projects with a total expenditure of CZK 495 million. The SAO concluded that the funds intended to help participants to gain qualifications had not been spent efficiently in these projects.

THE SAO NOTES THAT THE FAMILY POLICY STRATEGY OF 2017⁸¹ DOES NOT PROVIDE SUFFICIENT BASIS FOR THE EFFICIENT USE OF STATE AND EU FUNDS IN THE AREA OF FAMILY POLICY SUPPORT. THE MINISTRY OF LABOUR AND SOCIAL AFFAIRS FAILED TO SET IN THE STRATEGY ANY SPECIFIC, MEASURABLE AND TIME-BOUND OBJECTIVES AND MEASURES, NOR DID IT SPECIFY INDICATORS FOR THEIR EVALUATION. MOREOVER, THE FINANCIAL IMPACT OF THE STRATEGY’S MEASURES ON THE STATE BUDGET WAS MONITORED BY THE MINISTRY ONLY TO A LIMITED EXTENT.

Within audit No **21/08**, the SAO checked the set-up and implementation of the support provided for social housing from the IROP, and examined whether this support had contributed to ensuring adequate availability of social housing. This audit followed up on previous SAO audits focusing on the housing policy⁸², which had yielded information on the unsatisfactory state of targeting and evaluation of the support provided, and also the absence of a law on social housing, which the Ministry should have addressed by adopting remedial measures.

The audit results showed that the Ministry of Regional Development had failed to ensure the acquisition of **5,000 social flats** as originally planned. Only **2,212 flats** would be built if the projects being implemented were successfully completed by **2023**. The low interest in the support was caused, among other things, by the fact that the rights and obligations of entities implementing social housing were not defined at the time when the support was set up or at the time of the SAO audit. In particular, municipalities did not have a clearly defined role in this field, which adversely affected their interest in applying for support. That is one of the reasons why the Ministry of Regional Development reduced the total allocation from **CZK 7.5 billion** to approximately **CZK 4.5 billion**. Moreover, it is clear from the SAO’s findings that at least one third of the allocated money will not be drawn.

Despite having obtained a decision on the provision of a subsidy, the beneficiaries terminated prematurely the implementation of a total of 76 projects (by the time of completion of the SAO audit), within which 522 social housing units were to be acquired.

81 The concept was approved by Resolution No 654 of the Government of the Czech Republic dated 18 September 2017, in which the Government of the Czech Republic further imposed related tasks on MoLSA.

82 Audit No 15/18 – Funds earmarked for housing support (the audit report was published in volume 3/2016 of the SAO Bulletin) a audit No 17/02 – Support of social housing as a part of the social inclusion (the audit report was published in volume 3/2018 of the SAO Bulletin).

- When selecting projects, the Ministry failed to take into account the costs per supported flat, bed or person using the social housing, nor did it set any other criterion for evaluating the benefits of the support. It is thus unable to evaluate the actual measurable impact of the support on increasing the quality and availability of services leading to social inclusion, which was the objective of the support. The Ministry of Regional Development also lacked data on all available flats intended for social housing, nor did it have up-to-date data on the number of flats required to provide social housing.

IN ORDER TO ENSURE ADEQUATE AVAILABILITY OF SOCIAL HOUSING, IT IS NECESSARY NOT ONLY TO ELIMINATE THE LEGAL UNCERTAINTY RESULTING FROM THE ABSENCE OF A LAW ON SOCIAL HOUSING, BUT ALSO TO IDENTIFY THE ACTUAL NEED FOR SOCIAL HOUSING.

Further to the audit results, the Government ordered the Ministry of Regional Development to implement remedial measures. The Ministry of Regional Development declared in this regard that:

- it would submit to the Government in October 2023 a draft bill on housing support that would offer municipalities a set of optional tools to address the situation of residents in accordance with their needs;
- in co-operation with the Czech Statistical Office, the Ministry of Labour and Social Affairs and the Technology Agency of the Czech Republic, it would design and pilot test a system of uniform registration of flats for social purposes by the end of 2024;
- it would set the conditions for the beneficiaries of support from the IROP in the 2021–2027 period so as to clearly define the duties not only during the term of the project’s sustainability, but also throughout the provision of the service of general economic interest.

In audit No **21/22**, the SAO examined whether State and EU funds earmarked for the support of social enterprises had been provided and used efficiently, effectively and in accordance with the legal regulations. The Ministry of Labour and Social Affairs and the Ministry of Regional Development spent almost **CZK 1 billion** on this support under the Operational Programme *Employment 2014–2020* and the IROP.

The SAO assessed one of the social enterprise projects, in which the beneficiary had purchased technology for the production of malt lemonade worth almost CZK 800 thousand, as inefficient. The beneficiary had sold only 2% of the planned quantity and attained only 5% of the planned revenue. The envisaged number of full-time jobs had not been created either. The Centre for Regional Development had established this fact during its audit, but had applied no sanctions against the beneficiary.

The audit revealed deficiencies in the design, management and implementation of the two operational programmes on the part of both the providers and beneficiaries, which had significantly reduced the effectiveness and efficiency of the funds provided and drawn. Half of the audited projects were assessed by the SAO as being of limited effectiveness and efficiency, or even completely ineffective or inefficient. It also turned out that the vast majority of enterprises checked did not achieve the economic assumptions comprised in their business plans. Social enterprises were often established with significant personnel ties to their intended customers and suppliers. In some cases, the desire to draw subsidies, rather than to help socially vulnerable groups of people, was the main reason for setting up these enterprises in the first place. The principles of social entrepreneurship were set by the Ministry of Labour and Social Affairs and the Ministry of Regional Development ambiguously and without the minimum level necessary for their implementation; hence, it was not possible to reliably verify their implementation.

- In the case of the IROP, the SAO found a significant systemic shortcoming consisting in reimbursement of ineligible expenditure for the purchase of real estate from close relatives.
- Another systemic deficiency in terms of efficiency of the support provided is that neither the Ministry of Labour and Social Affairs nor the Ministry of Regional Development set the maximum amount of support per participant or per full-time job created. As a result, support was also provided for projects where the intensity of support was significantly higher than the average value for operational programmes. In one case, the annual cost per full-time equivalent worker was as high as **CZK 1 million**.

THE SAO ALSO POINTS OUT THAT WITHOUT ADEQUATE ADJUSTMENTS TO THE PRINCIPLES OF SOCIAL ENTREPRENEURSHIP TO ADDRESS THEIR SHORTCOMINGS AND WEAKNESSES IDENTIFIED BY THE SAO AUDIT, IT IS NOT POSSIBLE TO EFFECTIVELY AVOID RECURRENCE OF NEGATIVE EVALUATION OF THE EFFECTIVENESS AND EFFICIENCY OF THE SUPPORT PROVIDED.

On the basis of these facts found in the audit, the Ministry of Labour and Social Affairs and the Ministry of Regional Development declared the following measures as implemented:

- The Ministry of Labour and Social Affairs modified the set of indicators and laid down quantified targets for the OPE+ calls (2021–2027) with the intention to obtain a new comprehensive view of the intervention and its impacts.
- In December 2021, the Ministry of Regional Development launched an extraordinary check of compliance with the “prohibition of purchase of real estate from close relatives” for all the projects aimed to support social entrepreneurship.
- The assessment of the economy and efficiency of each project in OPE+ will be part of the output of the evaluation committee. At the same time, the Ministry of Labour and Social Affairs reduced the maximum volume of investment funds from 50% to 25% of the direct project costs.

Impacts of previous audits in the field of social policy

Within audit No **20/12**⁸³ focusing on drug policy programmes, the SAO pointed out deficiencies in the provision and administration of subsidies. Following these identified shortcomings, the Office of the Czech Government committed, among other things, to optimising the process of providing subsidies and making it more transparent, while limiting, for example, non-systematic extraordinary subsidy procedures and better ensuring that the funds provided were being used efficiently.

The SAO considers the centralisation of the support provided under the drug policy at the Office of the Czech Government a step towards streamlining the processes and reducing red tape for applicants for subsidies in this area.

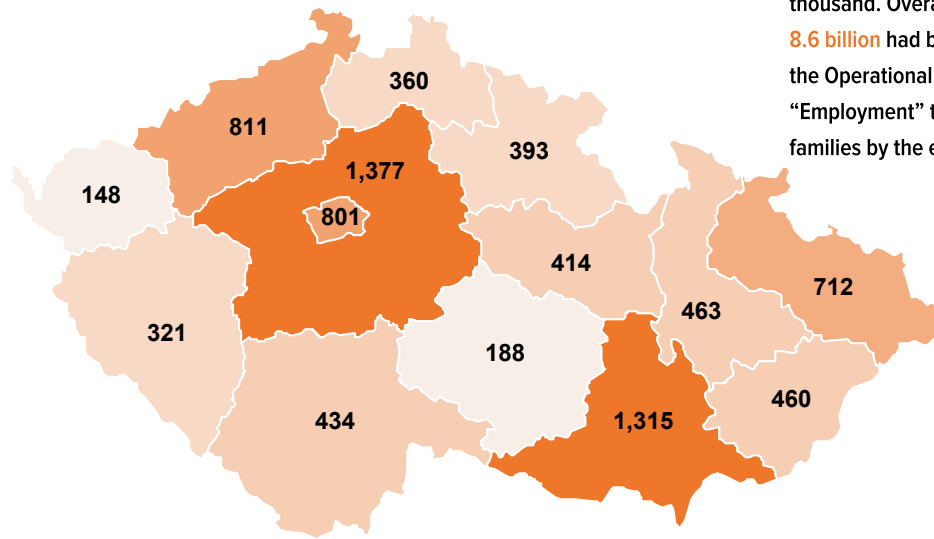
83 *Audit No 20/12 – State funds earmarked for anti-drug programmes (the audit report was published in volume 3/2021 of the SAO Bulletin).*



The responsible ministries failed to sufficiently assess the actual benefits funds spent on the social policy

THE MINISTRY OF LABOUR AND SOCIAL AFFAIRS FAILED TO MONITOR THE QUALITATIVE BENEFITS OF THE MONEY SPENT ON SUPPORTING FAMILIES, WHILE OCCASIONALLY LACKING INFORMATION ON HOW THE MONEY ACTUALLY HELPED THOSE IN NEED

Expenditure on Operational Programme “Employment” projects aimed to support the family policy in the Czech Republic (in CZK million)



” The average reimbursed expenditure per participant ranged from CZK 63 to 121 thousand. Overall, almost CZK 8.6 billion had been drawn from the Operational Programme “Employment” to support families by the end of 2021

DESIGN AND MANAGEMENT DEFICIENCIES IN THE SYSTEM FOR SOCIAL ENTERPRISES SIGNIFICANTLY REDUCED THE EFFECTIVENESS AND EFFICIENCY OF THE FUNDS SPENT

Summary result of the evaluation of the 16 projects under scrutiny

Limited effectiveness and efficiency; ineffectiveness and inefficiency

CZK 31 million
54%



46% CZK 27 million Without deficiencies or with minor deficiencies

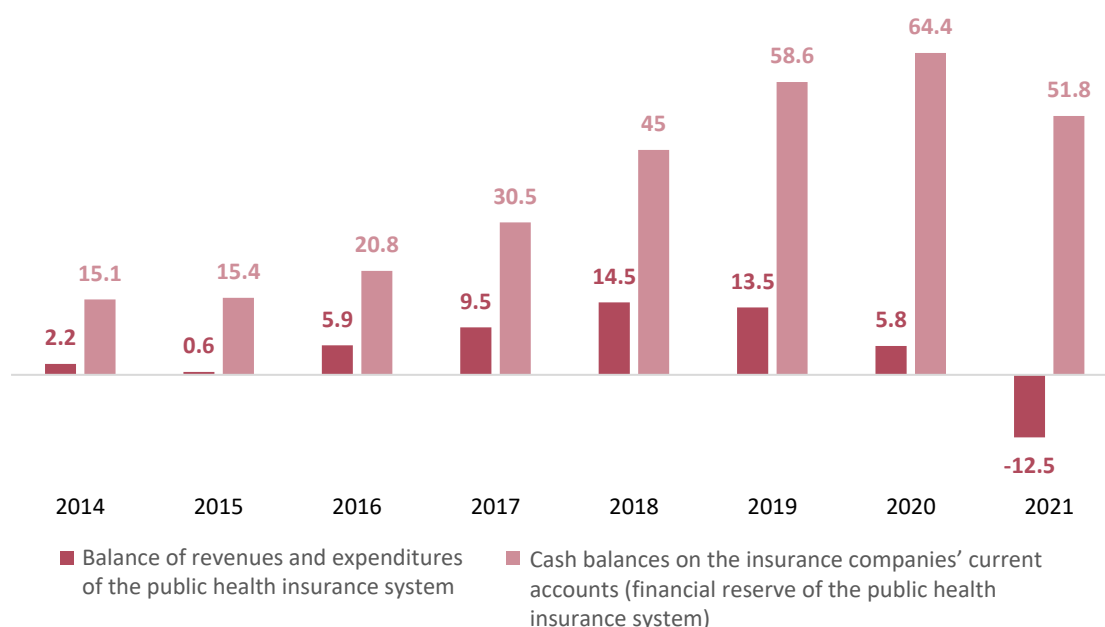
” The vast majority of enterprises checked did not fulfil the economic assumptions included in their business plans. In many cases, subsidies only helped their beneficiaries in economic terms. For example, one of the recipients used almost CZK 2.9 million for the purchase of real estate from a family member.

4.6 HEALTHCARE

The State should strive – as one of its main priorities – to ensure the long-term sustainability of healthcare financing and improvement of the healthcare system. Healthcare expenditure is mainly covered from public sources in the Czech Republic, and specifically through payments from the public health insurance system, which are influenced by the current economic situation. The SAO repeatedly points out in its opinions relating to the National Institute of Public Health the issue of financial sustainability and resilience of the public health insurance system in relation to possible effects connected to demographic trends and economic downturns.

After seven years of surplus management, the public health insurance system recorded a negative balance of **CZK 12.5 billion** in 2021. The deficit thus increased by **CZK 18.3 billion** year-on-year. At the same time, the financial balances on health insurance companies' current accounts decreased to **CZK 51.8 billion**, which is over **12%** of the system's total expenditure (see Chart 19).

Chart 19: Trends in the indicators of the public health insurance system in the 2014–2021 period (CZK billion)



Source: Evaluation of the trends in the public health insurance system, submitted annually by the Ministry of Health to the Czech Government.

In 2021, the revenues of the public health insurance system amounted to **CZK 407.1 billion** and increased by **CZK 49.1 billion** year-on-year. Expenditures reached almost **CZK 419.6 billion**, with a record increase of **CZK 67.4 billion** year-on-year. The increase in contributions for persons insured by the State had a particularly significant impact on revenue growth. In 2021, the Czech Republic paid a record **CZK 126.3 billion** in contributions for persons insured by the State. By increasing payments for economically inactive persons, the State helped to stabilise the revenues of the public health insurance system, but at the same time it placed a heavier burden on the State budget. In its opinion relating to the National Institute of Public Health, the SAO pointed out that the payments for persons insured by the State had been reduced in 2022, resulting in a likely drop in the collection of contributions by **CZK 14 billion**; in the context of the deteriorating economic situation, the refugee crisis and uncertainty about the Covid-19 pandemic, this made the public health insurance system highly unpredictable.

THE FUTURE TREND IN THE HEALTH INSURANCE COMPANIES' MANAGEMENT WILL LIKELY BE THE CREATION OF SIGNIFICANT DEFICITS BECAUSE HEALTHCARE EXPENDITURE IS GROWING AT A HIGHER RATE THAN REVENUE. HOWEVER, REVENUE IS RAISED MAINLY BY PAYMENTS FOR PERSONS INSURED BY THE STATE, WHICH LEADS TO AN INCREASING DEPENDENCE ON THE STATE BUDGET FOR REVENUE. THE POSSIBLE CONSEQUENCES OF FUNDING SHORTAGES IN THE PUBLIC HEALTH INSURANCE SYSTEM MAY INCLUDE REDUCED AVAILABILITY OF HEALTHCARE AND IMPAIRED QUALITY OF THE CARE PROVIDED.

The management of public resources in healthcare has repeatedly been the subject of the SAO's audits. In 2022, the SAO focused on:

- economic management of the General Health Insurance Company of the Czech Republic (audit No **20/24**);
- humanisation of psychiatric care (audit No **21/17**);
- support for the regional healthcare infrastructure (audit No **22/04**).

The General Health Insurance Company of the Czech Republic (VZP CR) is the most significant institution in terms of revenues and expenditures of the health insurance system; in 2021, it covered more than half of all insured persons in the Czech Republic. In audit No **20/24**, the SAO examined whether in 2018 to 2019, the insurance company had used the funds from the collected public health insurance contributions effectively, economically and in accordance with the legislation.

In several cases, the VZP CR had used funds from the collected public health insurance contributions wastefully and inefficiently, had made errors in the use of the prevention fund and had failed to comply with the legal regulations governing public health insurance contributions, public procurement, accounting, the Contracts Register and the internal control system. The most significant shortcomings were found by the SAO in the prevention fund, where the VZP CR had acted in a non-transparent or discriminatory manner in several cases, as it had failed to treat the insured persons equally. In another case, it had paid for projects it was not legally required to pay for.⁸⁴ It had also failed to adequately manage its claims in the long term, which attests to a systemic problem, as the SAO had pointed out in its 2010 audit⁸⁵. If the VZP CR had a sufficiently functional internal control system in place, it could have avoided some of these issues.

- The VZP CR partially used the prevention fund to pay for at least two pilot projects worth more than **CZK 1.3 million**, although they did not serve to detect or prevent serious diseases. The SAO assessed these funds as spent in an inefficient and wasteful manner – this was, in fact, hidden financing of research and development in the health sector. The VZP CR also failed to enforce in time outstanding contributions and penalties totalling more than **CZK 13 million**. Furthermore, the SAO pointed out that since the previous SAO audit, No. 09/29, the company had not remedied the issues found in the area of documentary inventories of public health insurance claims. For example, it recorded extinct and uncollectible claims up to 25 years old; in 2019, these claims amount to almost **CZK 20 million**.

*In 2018 and 2019, the VZP CR paid almost **CZK 59 million** for seaside health stays for children in the Seahorse project; this money went to a contractor who should have been previously excluded from the tender procedure. Although the company's inspection revealed that the contractor had provided false information, the VZP CR subsequently concluded a contract with it regardless of this fact.*

*In 2010–2019, VZP CR unjustifiably reimbursed **CZK 672 thousand** to medical institutions for death-related procedures concerning **362 living insured persons**.*

DURING THIS AUDIT, THE SAO IDENTIFIED POTENTIAL SAVINGS OF VZP CR'S EXPENDITURES AND POINTED OUT THE POSSIBILITIES OF INCREASING ITS REVENUE, FOR EXAMPLE, THROUGH CONSISTENT CLAIMS MANAGEMENT. THIS COULD ALSO HELP IMPROVE THE MANAGEMENT OF RESOURCES IN THE PUBLIC HEALTH INSURANCE SYSTEM.

84 Act of the Czech National Council No 551/1991 Coll., on the General Health Insurance Company of the Czech Republic.

85 Audit No 09/29 – Funds collected on the basis of the law in favor of the General Health Insurance Company of the Czech Republic (the audit report was published in volume 1/2011 of the SAO Bulletin).

The SAO appreciates that the VZP CR already took some remedial measures during the audit. For example:

- **It put in place a number of controls mechanisms relating to the determination of the status of insured persons so that payments for death-related procedures were avoided with regard to living persons.**
- **In the area of debt recovery, VZP CR introduced automatic monitoring of limitation periods for the enforcement of outstanding insurance contributions and penalties. It also set up a control mechanism for detecting the termination or merger of payers of public health insurance contributions.**
- **VZP CR committed to update its internal regulations in order to improve the internal control system and thus improve the collection of funds in the public health insurance system.**

In the field of healthcare, the SAO also focused its attention on how the Ministry of Health (two programmes)⁸⁶ and the Ministry of Regional Development (two calls)⁸⁷ fulfilled one of the important pillars of the ongoing mental healthcare reform by providing subsidies relating to the humanisation of psychiatric care. In audit No **21/17**, the SAO reviewed selected investment projects aimed both at deinstitutionalisation of psychiatric care and at support for the development and renewal of the material and technical base of psychiatric hospitals. The Ministry of Health and the Ministry of Regional Development provided over **CZK 2.8 billion** for these projects in 2016–2020. The audit was also carried out at two beneficiaries, specifically university hospitals in Brno and Ostrava.

The Ministry of Health reimbursed the University Hospital Brno for more than CZK 50 million in ineligible expenses in the form of a subsidy; this gave the hospital an unjustified advantage over others.

The SAO concluded that the funds had been spent efficiently on the projects it had audited. The audit also showed that the Ministry of Regional Development, as IROP's managing authority, had delegated the responsibility for checking the fulfilment of conditions by selected beneficiaries⁸⁸ to the Ministry of Health, which had pre-financed the investment projects from the State budget. However, the Ministry of Regional Development is supposed to check the set conditions and pay eligible project expenditure only after the completion of the project or project phase. In case of irregularities on the part of the beneficiary, the EU subsidy in the total amount of CZK 913 million will not be paid, although the Ministry of Health has already incurred expenditure from the State budget. The Ministry of Regional Development also failed to set appropriate indicators to evaluate the actual benefit following from the funds spent on deinstitutionalisation of psychiatric care.

- The Ministry's control activities at the level of the programme administrator were ineffective, dysfunctional and merely formal in nature. For example, the Ministry of Health decided to provide subsidies for two projects totalling **more than CZK 1.1 billion**, although the project plans suffered from various deficiencies. The Ministry even significantly restricted, in its internal regulations, its own ability to carry out monitoring visits relating to the supported projects. The SAO also pointed to the low interest of beneficiaries in support for activities relating to mental health centres, as evidenced by the fact that these projects only accounted for less than **21%** of the total number of supported projects.

THE MINISTRY OF REGIONAL DEVELOPMENT FAILED TO SUFFICIENTLY EVALUATE WHETHER THE SUBSIDIES HAD ACTUALLY LED TO AN INCREASE IN THE AVAILABILITY AND QUALITY OF PSYCHIATRIC CARE, AS WELL AS TO AN INCREASE IN THE SUCCESS OF INTEGRATING PEOPLE WITH MENTAL ILLNESS INTO SOCIETY. THE SUBSIDY PROVIDERS (THE MINISTRY OF HEALTH AND THE MINISTRY OF REGIONAL DEVELOPMENT) FAILED TO CARRY OUT THEIR CONTROL WORK IN ACCORDANCE WITH THE LEGAL REGULATIONS.

86 Support for the development and renewal of the material and technical base of state medical institutions and programme No 135 11 – IROP pre-financing.

87 Calls of the Integrated Regional Operational Program: call No 54 – Deinstitutionalization of psychiatric care and call No 75 – Deinstitutionalization of psychiatric care II.

88 Contributory organizations of the Ministry of Health, e.g. faculty hospitals.

Based on the shortcomings identified and evaluated in audit No 21/17, the Ministry of Health and the Ministry of Regional Development agreed to adopt a number of measures:

- **The Ministry of Regional Development has already modified the indicator system for the 2021–2027 programming period and added a new indicator. Along with the supported capacity, this indicator measures the actual number of users.**
- **In co-operation with the Ministry of Regional Development, the Ministry of Health has modified the terms of management documents for projects implemented by the Ministry of Health’s contributory organisations and financed from the IROP so as to ensure that the financing of ineligible expenditure is clearly defined.**
- **The Ministry of Health will adjust the wording of the methodology for project control at the contributory organisations and organisational components of the State falling under the remit of the Ministry with regard to projects financed from the IROP, as well as for national investment programmes, and will modify the performance of public audits relating to national investment programmes by issuing a methodological instruction.**

In the past year, the SAO also focused on support for regional healthcare infrastructure (audit No **22/04**), for which the Ministry of Regional Development had spent a total of **CZK 7.5 billion** under the IROP in the period from 2015 to 2022.

In an audit of the procurement of medical equipment in selected projects, the SAO found that the vast majority of the funds had been spent effectively and economically. The equipment purchased had contributed to qualitative improvements of regional healthcare and the beneficiaries had used the funds in accordance with the legislation. Nevertheless, the SAO found shortcomings which posed risks to the achievement of the set objective of the support⁸⁹. Some hospitals had not been completely cost-effective as they had acquired unnecessarily expensive or redundant equipment.

- When preparing the conditions for submitting and evaluating applications for subsidies to support follow-up healthcare, the Ministry of Regional Development completely overlooked the problem of regional disparities in the quality and availability of healthcare, which it actually aimed to address with the aid. Without the transfer of funds from another operational programme less than two years before the end of the 2014–2020 programming period, support would never have been provided e.g. to the Pardubice Region; this would have run completely counter to the stated objective. The support provided should also have resulted in a reduced number of acute follow-up care beds, but the interim figures suggest otherwise and it is unlikely that this target will be achieved. Compared to 2014, there was a slight increase of about **0.5%**, and hence the SAO does not consider it likely that the planned reduction of **13%** in the capacity of acute follow-up care beds will be achieved by the end of 2023.

*The SAO concluded that the purchases of medical equipment by three hospitals for the total amount of over **CZK 27 million** had been only partially economical (and purposeful). One of the hospitals acquired a second MRI anaesthesia device, although it already had one and this was sufficient for its needs in view of its limited use. Two other hospitals purchased an unreasonable number of operating tables with high load-bearing capacity (more than 360 kg).*

⁸⁹ According to the IROP programme document, the aim is to improve the system of functional and sustainable care supporting social inclusion of people whose health condition exposes them to the risk of social exclusion, to improve the accessibility of health services (i.e. the problem of regional disparities in the quality and availability of highly specialised and follow-up healthcare), and to reduce the length of the patients’ stay outside their natural environment and the duration of their unfitness to work.

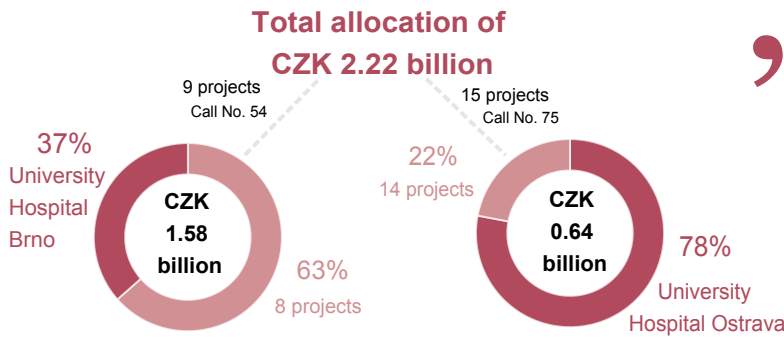
THE SAO CONCLUDED THAT THE MEDICAL EQUIPMENT ACQUIRED HAD BEEN BENEFICIAL IN TERMS OF IMPROVING THE PROVISION OF REGIONAL HEALTHCARE. HOWEVER, THE OBJECTIVE OF CONCENTRATING FOLLOW-UP CARE AND THUS ULTIMATELY REDUCING THE NUMBER OF BEDS IN HIGHLY SPECIALISED AND FOLLOW-UP CARE HAD NOT BEEN MET. THE MINISTRY OF REGIONAL DEVELOPMENT FAILED TO TRACK THE OUTCOMES OF THE SUPPORT PROVIDED, EXCEPT FOR THE CONCENTRATION OF FOLLOW-UP CARE, AND FAILED TO EVALUATE THE BENEFITS TO PATIENTS OF HIGHLY SPECIALISED AND FOLLOW-UP CARE.



The responsible authorities failed to sufficiently assess the actual impact of aid on the health sector

THE MINISTRY OF REGIONAL DEVELOPMENT AND THE MINISTRY OF HEALTH WERE EFFECTIVE IN SPENDING MONEY ON THE AUDITED PROJECTS, BUT IT WILL NOT BE POSSIBLE TO ASSESS THEIR ACTUAL IMPACT ON DEINSTITUTIONALISATION OF PSYCHIATRIC CARE

Subsidies provided from the European Regional Development Fund and the State budget in 2016–2020 to support 24 projects



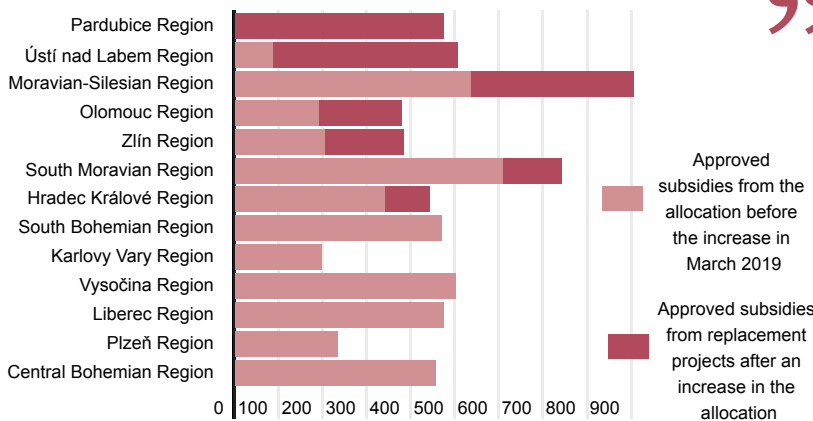
” According to the SAO, the actual impact cannot be evaluated because the Ministry of Regional Development set only one specific programme outcome indicator – “the average length of hospitalisation in long-term psychiatric care institutions” – and monitors data within this indicator only for a narrowly defined part of the target group

Failure of the internal control system

- The Ministry of Health acted in violation of all the conditions and rules of programme financing as it reimbursed ineligible expenses of approximately CZK 50 million, which gave an unjustified advantage to one beneficiary (University Hospital Brno).
- The Ministry of Regional Development failed to ensure that the applicant for subsidies (University Hospital Ostrava) met all the conditions, as the applicant had not submitted a valid building permit

THE MINISTRY OF REGIONAL DEVELOPMENT FAILED TO EVALUATE THE EFFECTS OF SUPPORT PROVIDED TO REGIONAL HEALTHCARE. SUPPORT FOR FOLLOW-UP HEALTHCARE WITHOUT ADDITIONAL RESOURCES WOULD NOT CONTRIBUTE TO REDUCING REGIONAL DISPARITIES

ERDF subsidies approved before the increase in the allocation for follow-up healthcare and subsidies for replacement projects after the increase in the allocation in March 2019 (in CZK million)



” Without the transfer of funds from another operational programme less than two years before the end of the 2014–2020 programming period, support would never have been provided e.g. to the Pardubice Region; this would have run completely counter to the stated objective to compensate for regional differences in the quality and availability of healthcare services.

4.7 ENVIRONMENT

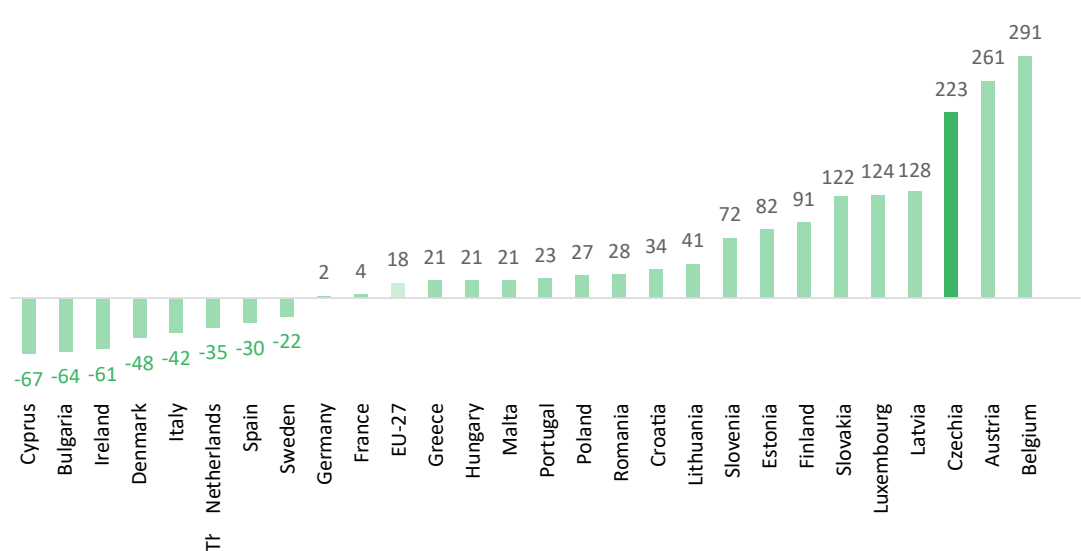
The Czech Republic, like the EU as a whole, is committed to preserving the quality of life for future generations. However, human society's earlier development model, which focused predominantly on economic growth, has resulted in degradation of the environment and deterioration of living conditions. That is why it is so important to emphasise sustainable social development, which the Czech Republic wants to achieve through the *2030 State Environmental Policy (SEP 2030)*, and by meeting the *2030 Sustainable Development Goals*. Along with nature conservation and protection of the landscape, the main policy areas include climate neutrality and circular economy. If targets are met in these areas, this should improve the state of nature and the landscape, ensure the achievement of sustainable management, and facilitate transformation to a circular and climate-neutral economy. In its systematic review of this field, the SAO seeks to answer the question of whether the State is accomplishing the above-mentioned objectives to ensure a sustainable quality of life for its citizens.

In 2022, the SAO focused on two SEP 2030 priorities mentioned above. By means of two audits, it reviewed:

- the implementation of measures in the area of waste management (audit No **21/06**);
- visitor infrastructure projects relating to nature conservation (audit No **21/09**).

A significant burden on the environment in the Czech Republic and in the EU is caused by the production and management of waste, especially the generation of municipal waste. Eurostat's international comparison showed that the amount of waste per capita varied significantly among EU countries. In 2020, the amount of municipal waste generated in the Czech Republic per capita was **543 kg**, which was **26 kg** above the EU average. An analysis of Eurostat data revealed that the Czech Republic had recorded the third largest increase in municipal waste generation among EU countries between 2011 and 2020 (see Chart 20).

Chart 20: Increase in municipal waste generation in kg in EU countries between 2011 and 2020⁹⁰ (kg per capita)



Note: The 2020 figure was not available for Greece, so the 2019 figure was used instead. In addition, qualified estimates were used with respect to Poland for 2011, and regarding Spain and France for 2020.

Source: Eurostat.

90 Municipal waste by waste management operations [online]. Eurostat, 2023 [cit. 2023-02-10]. Available at: https://ec.europa.eu/eurostat/databrowser/view/env_wasmun/default/table?lang=en.

Despite rising production, the total amount of municipal waste deposited in landfills decreased in the EU. In 2020, the total volume of landfilled municipal waste dropped **by 58 %** compared to 1995⁹¹. However, the situation is quite the opposite in the Czech Republic, where landfilling is still the most common method of waste disposal. This was confirmed by the results of the SAO's audit No 21/06, which examined whether and, if so, how the subsidies contributed to waste prevention, to proper waste management and to other objectives in 2018–2020. By the end of 2020, the Ministry of the Environment provided almost **CZK 9 billion** from the European Operational Programme “*Environment 2014–2020*” and **CZK 600 million** from the National Programme “*Environment*” to implement measures in the area of waste management.

Despite this considerable spending, no positive change was achieved in the structure of municipal waste management. The SAO revealed major problems in waste management in the Czech Republic. Contrary to the hierarchy of management methods set out in the law⁹², landfilling of municipal waste remained the most common approach. Total waste production, including hazardous waste, did not decrease, and municipal waste generation had even increased since 2012, although reducing total waste production – together with waste prevention – was a priority objective of the national waste policy. European subsidies did not contribute significantly to an increased waste recycling capacity, nor to refurbishing or building facilities for the energy recovery of other waste.

- Although landfilling is the least desirable way to manage waste, **48%** of municipal waste was landfilled, **39%** of waste was used for material recovery, and only **13%** was processed through energy recovery in 2020. Neither the expected increase in waste recycling capacity (achieving only **7.4%** of the target value) nor the envisaged expansion of newly built or upgraded facilities for energy recovery of other waste (only **1.2%** of the target) was achieved by the end of 2020 under the Operational Programme “*Environment*”. This situation owed, among other things, to the fact that the Ministry of the Environment failed to use financial instruments to support the landfill ban set by the law for 2024⁹³, and instead postponed the ban until 2030⁹⁴. Moreover, it took the Ministry of the Environment 12 years to increase the landfill fee from **CZK 500/tonne** to **CZK 800/tonne**. However, an exemption enshrined in the law⁹⁴ allows municipalities to landfill part of the generated waste at the original rate of **CZK 500** per tonne until 2029. This effectively favoured landfilling over other forms of waste management. For example, energy recovery of one tonne of waste cost an average of **CZK 1,799** in 2021. The Ministry of the Environment also failed to ensure that the funds obtained from the landfill fee were reinvested in waste management.

Between 2016 and 2020, there was a 23% increase in hazardous waste production, but the risk component of the fee (CZK 4,500 per tonne) for landfilling hazardous waste, i.e. the component that served as a revenue of the State Environmental Fund, was only charged for 7% of hazardous waste disposed of by landfilling; this represented a reduction in the SEF's revenue in excess of CZK 2.5 billion over the given period.⁹⁵

THE SAO FOUND THAT THE RESPONSIBLE AUTHORITIES' PRACTICE FAVOURED LANDFILLING OVER MORE ENVIRONMENTALLY FRIENDLY WASTE PROCESSING OPTIONS, AND THE AUTHORITIES THUS FAILED TO MEET THEIR OWN AS WELL AS EUROPEAN WASTE MANAGEMENT PRIORITIES.

The SAO appreciates that the Ministry of the Environment has proposed or already implemented a number of measures and set very ambitious long-term goals, which result from the new waste management legislation and the update of the *Waste Management Plan of the Czech Republic for the 2015-2024 Period, with an Outlook to 2035*. Among other things, the Ministry of the Environment undertook to:

- **promote the transition to a circular economy;**
- **increase the rate of municipal waste recycling to 65% by 2035;**
- **fundamentally reduce municipal waste landfilling by 2035 (no more than 10% of the municipal impact should be landfilled).**

91 Municipal waste generation up to 505 kg per person [online]. Eurostat, 2022 [cit. 2023-02-10]. Available at: <https://ec.europa.eu/eurostat/en/web/products-eurostat-news/-/tdn-20220214-1>.

92 Provisions of § 9a of Act No 185/2001 Coll., on waste and on the amendment of certain other laws; § 3 paragraph 2 of Act No 541/2020 Coll., on waste.

93 Act No 229/2014 Coll., amending Act No 185/2001 Coll., on waste and amending certain other laws, as amended.

94 Act No 541/2020 Coll., on waste.

95 Pursuant to Act No 185/2001 Coll., on waste and on amendment to some other laws, as amended, the SEF was the recipient of part of the collected fees, but it lacked the authority to check the records of landfilled waste. This authority was vested in the Czech Environmental Inspectorate, regional authorities and the municipalities in whose land registry territory the landfills were located.

Another significant problem relating to direct and indirect impacts on natural and landscape values is the significant growth in the number of tourists in recent decades, creating increasing pressure on the environment, primarily in highly protected areas. Within its audit mandate (audit No 21/09), the SAO therefore reviewed in 2022 the support for visitor infrastructure projects relating to nature conservation for the 2012–2021 period, financed from two Operational Programmes “*Environment*” for the periods of 2007–2013 and 2014–2020, and amounting altogether to **CZK 1.3 billion**. In particular, the audit focused on projects related to cave entry structures and visitor centres, which were intended to reduce the negative environmental impact of visitors.

The SAO found that although the visitor centres fulfilled their intended educational and awareness-raising function, their contribution to nature conservation was not demonstrable. The assumptions of the Ministry of the Environment regarding positive changes in visitors’ behaviour were not confirmed either. The number of offences even increased in some protected areas. The Ministry of the Environment also set too high a limit for indicative investment costs – this opened the door for excessively expensive projects, which now operate at a loss and depend on public subsidies. These projects are thus running a serious risk of being unsustainable.

- The Ministry of the Environment set the criteria for project selection only in general terms, failed to take into account the attractiveness, size and visitor rates in protected areas, and failed to factor in the distance of the future centres from similar facilities. In addition, the Ministry set an unreasonably high financial limit for evaluating the projects’ cost-effectiveness and increased the limit for investment costs of these projects (compared to the previous programming period) by an amount exceeding the rate of inflation and officially documented price increases in the construction industry. Furthermore, the SAO also assessed the risk of wasteful spending for the construction of similarly equipped expensive visitor centres in close proximity to each other. In addition to the shortcomings in project selection, the SAO also pointed out that the Ministry of the Environment had not set appropriate indicators for monitoring and evaluating the projects’ contribution to environmental protection. Similar shortcomings were already pointed out by the SAO in previous audit No **16/10**⁹⁶.

DURING BOTH PROGRAMMING PERIODS OF THE OPERATIONAL PROGRAMME “ENVIRONMENT”, THE MINISTRY OF THE ENVIRONMENT FAILED TO SET CLEAR EVALUATION CRITERIA TO ENSURE EFFECTIVE PROJECT SPENDING AND INDICATORS FOR MONITORING AND EVALUATING THE BENEFITS OF VISITOR CENTRES. IN ADDITION, THE MINISTRY SET AN UNREASONABLY HIGH FINANCIAL LIMIT, WHICH IT USED TO ASSESS THE PROJECTS’ COST-EFFECTIVENESS.

Impact of previous audits in the field of the environment

In 2021, the SAO completed audit No **20/04**⁹⁷, which focused on maintaining sustainable water quality and eliminating pollution caused by anthropogenic activities. The major shortcomings related to the setting of objectives and targets in the National Action Plans (NAPs) and the introduction of electronic records of pesticide and plant protection product consumption (PPP). The National Action Plans lacked measures to reduce pesticide levels in water. **There was no improvement in the quality of groundwater and surface water, as confirmed by the regular monitoring done by the Czech Hydrometeorological Institute.** That is why the State has been forced to invest billions of crowns from the EU funds and State budget in the modernisation of drinking water treatment plants. The Ministry of Agriculture also lacked accurate and up-to-date information on actual fertiliser and pesticide consumption.

⁹⁶ Audit No 16/10 – *Funds provided for the improvement of nature and landscapes* (the audit report was published in volume 1/2017 of the *SAO Bulletin*).

⁹⁷ Audit No 20/04 – *Interventions to ensure sustainable water quality* (the audit report was published in volume 4/2021 of the *SAO Bulletin*).

In response to the SAO findings, the Ministry of Agriculture announced a number of measures that should lead to a reduction in pesticide content in waters. The Ministry of Agriculture, for example:

- **introduced, through an amendment to the Plant Medicinal Care Act⁹⁸, the duty of farming entities to keep records of PPP. However, the duty was not introduced for all entities without distinction and applies only to agricultural businesses farming more than 200 ha, so information on PPP consumption will not be available from all farmers;**
- **is preparing a new concept of the NAP, which should be generally more ambitious, with binding and non-binding targets and, above all, planned measurable progress.**

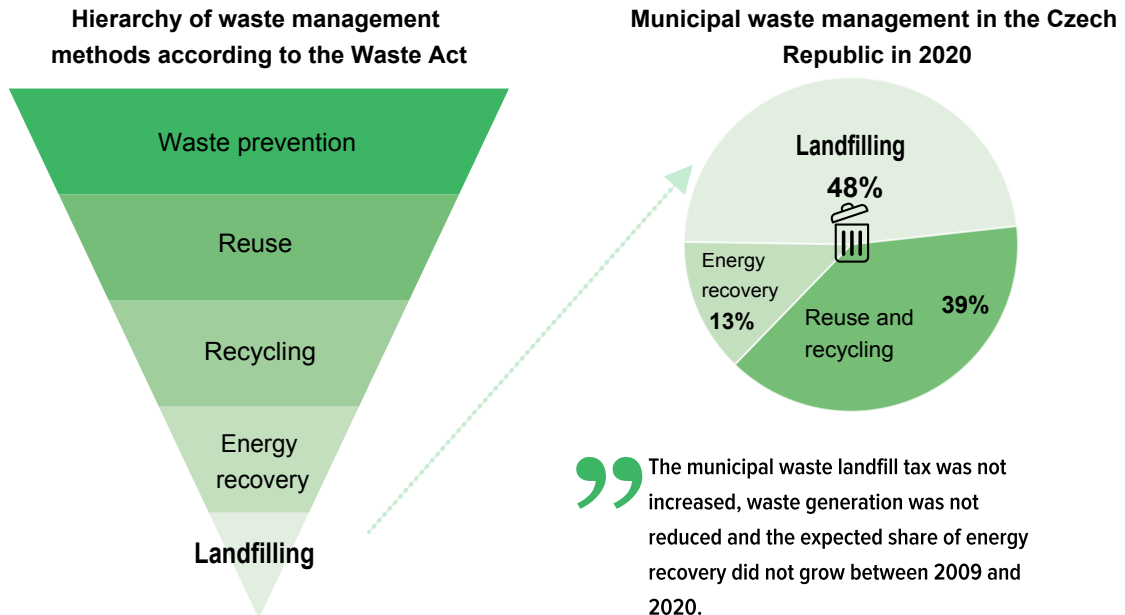
With regard to the above measures, the SAO stresses the importance of those measures that will lead to efficient recording of the actual consumption of PPP (pesticides) and transmitting the recorded data on the use of these products to water-law authorities, public health authorities and, last but not least, drinking water producers in real time and quantity, and according to the specific location.

98 Act No 326/2004 Coll., on phytosanitary care and on the amendment of some related laws.



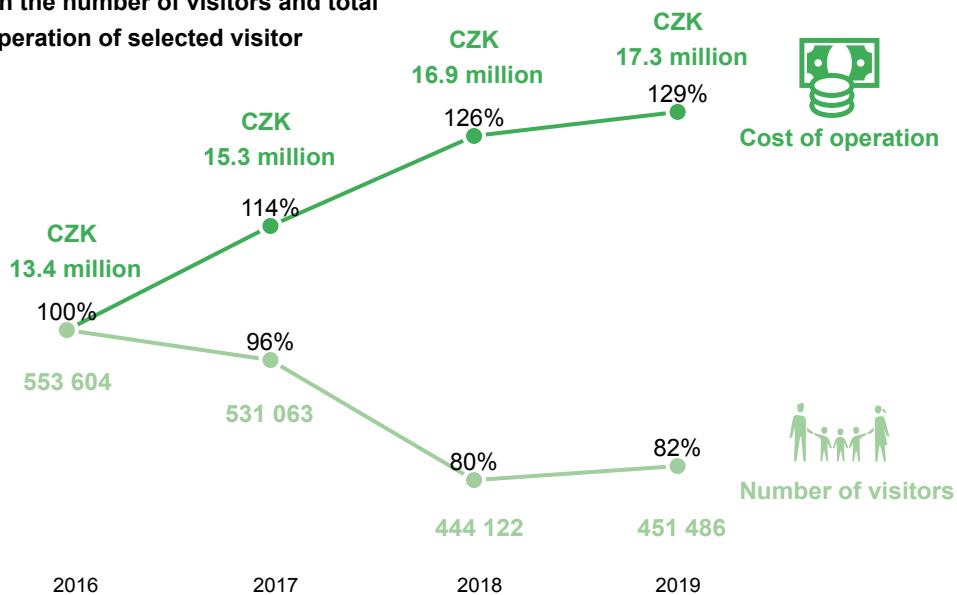
Protection of the environment in the Czech Republic that will be sustainable in the long run depends on **consistent implementation of the set priorities**

THE RESPONSIBLE AUTHORITIES' PRACTICE FAVOURED THE LANDFILLING OF MUNICIPAL WASTE OVER OTHER WASTE PROCESSING OPTIONS PREFERRED IN THE APPROVED HIERARCHY



VISITOR CENTRE PROJECTS OPERATE AT A LOSS AND, BECAUSE OF THEIR DEPENDENCE ON STATE SUBSIDIES, THE SAO BELIEVES THAT THEY ARE RUNNING THE RISK OF BEING UNSUSTAINABLE

Change in the number of visitors and total cost of operation of selected visitor centres



4.8 AGRICULTURE

It follows from the Ministry of Agriculture's strategy⁹⁹ that the essential long-term priorities of this sector include the development of competitive and sustainable agriculture and food industry. These priorities are directly linked to the main objectives, which include appropriate food self-sufficiency and food safety; support for businesses with particular attention paid to micro, small and medium-sized enterprises; a functional and fair organisation of markets; and, equally important, reinforced research and innovation in the food sector, including links between research and Czech food businesses. This is why the Ministry of Agriculture supports processing companies through a number of subsidies, both national and EU co-financed. Given the strategic importance and high allocation of funds to support this sector, the SAO repeatedly focuses its audits on this area.

In 2022, the SAO completed two audits focusing on:

- the promotion of agricultural products and foodstuffs (audit No **21/15**);
- the support for the processing of agricultural products (audit No **21/33**).

Individual partial objectives in the food sector include the development of marketing for Czech foodstuffs and the promotion of agricultural and food products. The SAO reviewed this area in audit No **21/15**, where it reviewed the support for the promotion of agricultural products and foodstuffs from State and EU funds in the years 2016 to 2020, including the implementation of measures taken to eliminate deficiencies identified in previous audits¹⁰⁰. The audit focused on the Ministry of Agriculture, the State Agricultural Intervention Fund (SAIF) and selected beneficiaries of subsidies, including the Agricultural Chamber of the Czech Republic and the Federation of the Food and Drink Industries of the Czech Republic (FFDI). Over **CZK 1.4 billion** was spent on this support during the audited period.

The SAO found serious errors in the promotional programmes co-financed by EU funds, where almost CZK 268 million in support had been drawn. These errors included, in particular, shortcomings in public procurement, where the beneficiaries had selected suppliers without a tender procedure or concluded a contract for a higher price than offered by the tenderers. In the case of national subsidies provided to non-governmental organisations (NGOs) in 2016 and 2017, the Ministry of Agriculture had set up a non-transparent system of evaluating applications for subsidies, and had improved this practice only in 2018 on recommendation from the SAO (following audit No 15/09). The Ministry of Agriculture had failed to set limits for certain types of eligible expenditure, and had therefore not taken sufficient steps to ensure that the expenditure was spent economically. The Ministry also failed to adequately evaluate the benefits of subsidies provided to NGOs. The SAO found no deficiencies in the marketing support for the "KLASA", Regional Food and BIO quality labels.

- In programmes co-financed by the European Union, the Agricultural Chamber approached three agencies directly and selected a service provider for the three-year *White Plus (Milk and Dairy, Big PLUS for You)* programme worth **CZK 11 million** without having organised an open tender procedure, even though the law required¹⁰¹ that the contract be put out to tender. This error was not detected and was accepted by the State Agricultural Intervention Fund as the programme administrator. The FFDI erred in the *Quality from Europe – Tastes with a Story* programme; although it did announce a public tender, it awarded the resulting contract for an amount **CZK 10.8 million** higher than the original price offered by the winning tenderer. The tendered price should have been the maximum price, as indicated by the tender dossier.

99 *Strategy of the Department of the Ministry of Agriculture of the Czech Republic with a view to 2030, which was approved by Resolution No 392 of the Government of the Czech Republic dated 2 May 2016.*

100 *Audit No 13/36 – Funds spent on services aimed at promoting agricultural products and food on the domestic market (the audit report was published in volume 3/2014 of the SAO Bulletin); Audit No 15/09 – Funds spent on education support, consultation and promotion within the Ministry of Agriculture (audit report was published in volume 4/2016 of the SAO Bulletin); Audit No 18/03 – Funds provided to non-state non-profit organisations (audit report was published in volume 3/2019 of the SAO Bulletin).*

101 *Act No 137/2006 Coll., on Public Procurement.*

- In the case of national subsidies, the Ministry of Agriculture provided NGOs with subsidies from the State budget in an amount exceeding **CZK 124 million** in 2016–2020, but failed to require the beneficiaries to present final account documents that would enable the Ministry to verify, even without an on-site project inspection, whether the beneficiary had complied with the conditions for the use of the subsidy and whether the expenses claimed were indeed related to the project.
- With regard to the strategic management of support for the promotion of quality foodstuffs, and the setting and evaluation of objectives, both the SAIF and the Ministry of Agriculture responded to the recommendations of the SAO (audit No. 13/36) and took a number of measures to eliminate the shortcomings identified. This prevented the recurrence of serious problems and enabled the SAIF to respond better to the current trends; the SAIF also began to support other quality labels. **More than CZK 1 billion** was allocated from the State budget for this support in the audited years.

ALL THREE TYPES OF SUPPORT FOR THE PROMOTION OF AGRICULTURAL PRODUCTS AND FOODSTUFFS ARE FUNCTIONAL, BUT TWO OF THEM SHOW ERRORS THAT HAVE A NEGATIVE IMPACT ON THE EFFECTIVENESS AND ECONOMY OF THE FUNDS SPENT.

As part of the measures to remedy the deficiencies identified, the Ministry of Agriculture, *inter alia*:

- modified the conditions for drawing a subsidy; for example, it newly set the conditions for keeping documents on small-scale contracts;
- declared that it would better inform potential beneficiaries about the applications evaluation system, i.e. that it would also publish information on the rate of reduction of a subsidy;
- committed itself to monitor the compliance with indicators at sub-programme level.

Food production is one of the leading sectors of the Czech manufacturing industry, especially in terms of its importance for ensuring the provision of high-quality and mostly affordable foodstuffs to the population. This is why, in audit No **21/33**, the SAO examined the support for the processing of agricultural products via EU and national subsidies in the years 2018 to 2021, including the implementation of measures taken to eliminate deficiencies identified in previous audits¹⁰². The audit focused on the Ministry of Agriculture, the SAIF and selected beneficiaries. The SAO audited the total amount of **CZK 7.9 billion** spent for the support.

According to the SAO, the annual drawing of national subsidies from the Ministry of Agriculture's budget creates a risk of "deadweight effect", i.e. a situation where beneficiaries would invest even without public financial support.

The SAO's audit showed that although the support should have been directed preferentially to micro, small and medium-sized enterprises, according to the Ministry of Agriculture's strategy¹⁰³ and the *Rural Development Programme for 2014–2020*, the Ministry had failed to prepare any national subsidy programme for these enterprises in 2018–2021. On the contrary, it announced a programme to increase the competitiveness of large processing companies, from which it then paid CZK 1.7 billion during the audited period. In the case of EU subsidies, the Ministry of Agriculture set the conditions for drawing the money in such a way that small and medium-sized enterprises were eventually interested in only one of the four investment operations. As a result, support from national and EU sources was drawn each year mainly by large companies with multimillion profits.

102 Audit No 17/26 – *Funds earmarked for the measures of cooperation within the Rural Development Programme CR 2014–2020* (the audit report was published in volume 3/2018 of the SAO Bulletin) and Audit No 18/08 – *Funds spent on the support of the animal production sector* (the audit report was published in volume 3/2019 of the SAO Bulletin).

103 *Strategy of the Department of the Ministry of Agriculture of the Czech Republic with a view to 2030, which was approved by Resolution No. 392 of the Government of the Czech Republic dated May 2, 2016.*

- The support from the RDP 2014–2020¹⁰⁴ should contribute to the implementation of the EU thematic objective of “*increasing the competitiveness of SMEs*”. Micro, small and medium-sized food enterprises were able to apply for subsidies in four distinct operations¹⁰⁵, and the applicants eventually showed interest primarily in one of these investment operations. However, the Ministry of Agriculture also allowed large enterprises to enter this operation with effect from 2020, and major businesses thus obtained yet another source of support. In addition, the Ministry of Agriculture increased the original amount of the maximum subsidy **from CZK 12 million to CZK 37.5 million**. There is thus a realistic risk that these funds will be used up by large companies. In another operation, intended to support the development of new products and technologies, the Ministry of Agriculture favoured mainly large projects. The Ministry set the conditions so that the expenditure on co-operation with a research institution (which was the key element of this operation) accounted for only a minimum percentage of expenditure in large and financially significant projects. Of the total **51** projects, **37** were implemented by large companies with support of almost **CZK 1.6 billion**. Micro, small and medium-sized enterprises carried out 14 projects and received support of less than **CZK 485 million**.
- In addition to investment support, the Ministry of Agriculture paid national non-investment subsidies to milk producers and processors with a view to supporting milk quality. As part of this support, applicants from among dairy companies received money to cover normal operating costs associated with the Q CZ milk quality scheme (e.g. electricity, gas, water and sewerage). These companies have long been reporting profits in the order of tens to hundreds of millions of crowns.
- In terms of national subsidies, the Ministry of Agriculture failed to create the basic prerequisites for the economical use of the funds, as it did not set any binding conditions and procedures for the selection of suppliers or limits on expenditure for the acquisition of services and assets. In the case of large enterprises, the Ministry of Agriculture and the SAIF assessed the incentive effect or the necessity of subsidies only in formal terms and allowed these enterprises, which had reported multi-million crown profits, to draw financial support each year for the modernisation and renewal of technical equipment, even though these major enterprises would have made the investments even without the State support. As the Ministry defined no outcome or impact indicators, it is also impossible to assess whether the quality of product processing has increased and whether the competitiveness of our business on the European market has improved.

THE MINISTRY OF AGRICULTURE DID NOT MONITOR AND EVALUATE THE EFFECTIVENESS, ECONOMY OR BENEFITS OF THE FUNDS SPENT UNDER THE NATIONAL SUBSIDIES. WHEN GRANTING EU FUNDS, THE MINISTRY FAILED TO VERIFY WHETHER THE SUPPORTED PROJECTS HAD BROUGHT THE REQUIRED INNOVATIONS OR WHETHER THE PROJECTS HAD INVOLVED MERELY A REPLACEMENT OF MACHINERY, EQUIPMENT AND TECHNOLOGY.

The SAO has long been drawing attention to shortcomings in the pursuit of strategic objectives in the agricultural sector, which are aimed at increasing the competitiveness of SMEs and achieving the previously neglected food self-sufficiency in the main commodities, such as meat and milk production.

Although SMEs provide significant opportunities for business and employment in rural areas, as well as a significant innovation potential, the Ministry of Agriculture has been unsuccessful in its attempts to increase the interest of these enterprises in the support provided. This is mainly due to the setting of subsidy conditions where the Ministry provides better opportunities to large enterprises.

104 Rural Development Program 2014-2020.

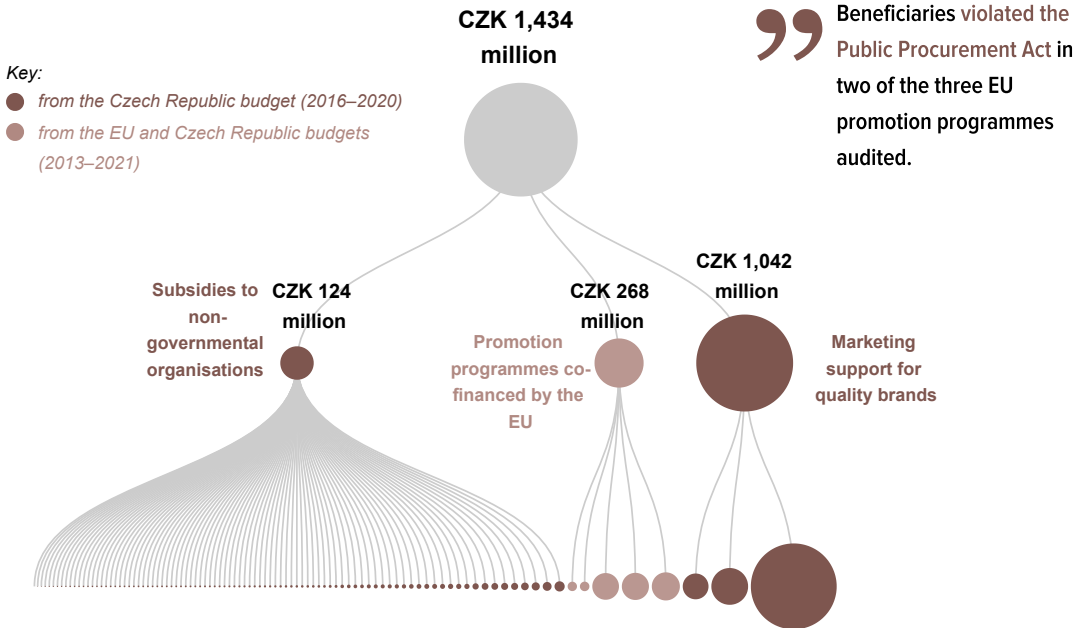
105 Operation 4.2.1 Processing and marketing of agricultural products, operation 16.2.2 Support for the development of new products, procedures and technologies in the processing and marketing of agricultural products, operation 16.3.1 Sharing of equipment and resources, intention b) Cooperation in the field of processing of agricultural products to agricultural and non-agricultural products and their marketing, operations 16.4.1 Horizontal and vertical cooperation between participants in short supply chains and local markets.



The Ministry of Agriculture creates more subsidy opportunities for large enterprises

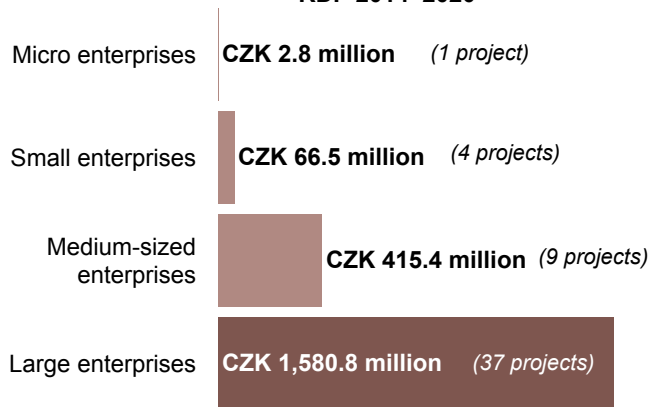
THE AUDITED PERSONS FAILED TO COMPLY WITH THE LAW AND THIS ADVERSELY INFLUENCED THE EFFECTIVENESS AND ECONOMY OF THE FUNDS SPENT ON THE PROMOTION OF AGRICULTURAL PRODUCTS AND FOODSTUFFS

Support paid to promote agricultural products and foodstuffs



THE MINISTRY OF AGRICULTURE FAILED TO PROVIDE SUPPORT FOR THE PROCESSING OF AGRICULTURAL PRODUCTS PREFERENTIALLY TO MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES, ALTHOUGH IT HAD STATED THIS INTENTION IN ITS 2030 STRATEGY

Overview of projects and subsidies paid for these projects within the Support for the development of new products operation under the RDP 2014–2020



(Status as of the start of implementation on 26 May 2022.)

When granting funds from the RDP 2014–2020, the Ministry failed to verify whether the supported projects aimed at the development of new products had brought the required innovations or whether the projects had involved merely a replacement of machinery, equipment and technology.

4.9 EDUCATION

Government support for quality education is a crucial investment in the future of any country. As digital technologies continue to advance, the pace of globalisation of information is increasing, with growing accessibility and use of information in a wide range of human activities. The education system in the Czech Republic must be able to respond to these changes and use digital technologies to support teaching and learning, while developing students' digital literacy and preparing them for their role in society and the labour market.

In 2022, the SAO focused – in its audit No 22/02 – on the support for digital education in the Czech Republic paid from the State and EU funds; it also examined remote learning during the Covid-19 pandemic. The audit was carried out for the 2019–2021 period at the Ministry of Education, Youth and Sports as the guarantor of digital education and at the National Pedagogical Institute (NPI) as the system project manager. In the case of the Ministry of Education, Youth and Sports, the volume of funds audited at the system level equalled almost **CZK 8.2 billion**¹⁰⁶.

The SAO audit revealed that the Ministry of Education, Youth and Sports had not performed the activities and measures under the *Digital Education Strategy to 2020 (DES)*¹⁰⁷ in due time, and as a result, schools were not sufficiently prepared for distance learning when the Covid-19 pandemic broke out. While the tools¹⁰⁸ for the development of digital education have been created, their impact cannot be comprehensively evaluated, also because some have not yet been used in practice. During the audited period, the Ministry also failed to set up a sustainable system of financing schools' ICT equipment. Moreover, neither the Ministry nor the NPI had information on the level of teachers' digital skills in the Czech Republic. The SAO's questionnaire survey¹⁰⁹ and reports of the Czech School Inspectorate (CSI) showed, however, that the pandemic had significantly accelerated digital education, especially in primary schools.

In 2019, the Ministry of Education, Youth and Sports concluded that the funding for schools' non-investment expenditure, including ICT equipment, should be increased by CZK 500 per student; this was not accomplished. This was one of the reasons why the Ministry had to provide additional CZK 1.3 billion in one-off funding after the outbreak of the Covid-19 pandemic, whereby it increased the number of portable ICT equipment in schools by almost 91% (in comparison of the years 2018 a 2021).

- The Ministry of Education, Youth and Sports regularly evaluated the implementation of DES activities. It was clear from these evaluations that only **3 of the 43 activities**, i.e. approximately 7%, had been completed by the deadline. Overall (according to the strategy's final evaluation), the Ministry managed to accomplish **33 out of 43 activities** with significant delays, and a quarter was not completed at all. Consequently, the Ministry failed to attain the DES priority objectives, and it is thus unclear how education was opened up to new methods and ways of learning through digital technologies, or how the students' competence in working with information and digital technologies improved, or how the students developed their computer thinking. In addition, the Ministry failed to lay down a set of indicators for the evaluation of the 2030+ Strategy¹¹⁰. It was also revealed that of the four system projects audited, the outputs of only two projects were used. The outputs of the two other projects will be used only once the content of primary school education changes, which the Ministry plans for 2024. According to the OECD¹¹¹, the Czech Republic was a country with one of the longest periods of remote learning necessitated by the pandemic. The survey results show that the Ministry underestimated the whole situation and that the schools were left unprepared because the DES activities and measures approved in 2014 had not been implemented in time.

106 This corresponds to funds spent on projects supported under a total of 18 calls made within the Operational Programme “*Research, Development and Education*” in connection with digital education, and within extraordinary one-off support in the amount of CZK 1.3 billion provided from the State budget after the outbreak of the Covid-19 pandemic.

107 The key strategic document for the development of digital education in the Czech Republic, the *Digital Education Strategy to 2020*, approved by Czech Government Resolution of 12 November 2014, No 927.

108 For example, the project titled *Support for the Development of Digital Literacy* has been successfully completed in pilot schools, some outputs have already been integrated into the education system, and further implementation is planned from September 2024.

109 The SAO conducted quantitative research using a standardised questionnaire. The purpose of the questionnaire survey was to supplement information on the experience of headteachers, teachers and parents regarding digital education of students in primary schools. The questionnaire was completed by 21,656 primary school teachers and 28,852 legal representatives of students in the 4th and 8th grades of primary schools, and is available at: <https://www.nku.cz/scripts/detail.php?id=12815>.

110 *Education policy strategy of the Czech Republic until 2030+*. In the strategy, MoEYS established five sets of measures supporting the development of, among other things, digital education for the period 2020-2023.

111 *The State of Global Education: 18 Months into the Pandemic* [online]. OECDiLibrary, 2021 [cit. 2023-02-10]. Available at: https://www.oecd-ilibrary.org/education/the-state-of-global-education_1a23bb23-en.

The Teacher21 Profile application is designed to help teachers assess and plan the development of their digital skills. However, of the total of **133 thousand** primary and secondary school teachers,¹¹⁴ only less than **2.5 thousand teachers (2%)** had actually tested their digital skills by the end of 2022.

- Although the NPI supported a platform for sharing digital learning materials, the *RVP. CZ Methodological Portal*¹¹², offering a large number of educational materials, was eventually not much used by the target group, i.e. teachers, as they found the portal poorly arranged. For example, of the approximately **47 thousand** learning materials uploaded to the EMA Catalogue¹¹³ (as at the end of June 2022), nearly **30 thousand**, i.e. **64%**, had never been displayed by any user. In the case of other modules, the NPI only tracked the number of views, and since only downloaded learning materials can in fact be used in teaching, the NPI failed to keep track of whether they had ever been used. The SAO survey also showed that almost **16%** of respondents (teachers/headteachers) would appreciate if information was available on a single portal.

THE MINISTRY OF EDUCATION, YOUTH AND SPORTS HAS YET TO TRANSLATE THE RESULTS OF SYSTEMIC PROJECTS IN THE FIELD OF DIGITAL EDUCATION INTO THE EDUCATION SYSTEM OF THE CZECH REPUBLIC.

In terms of setting up a sustainable system of financing ICT equipment, the SAO believes that the financial contribution to the operation of schools should be provided primarily from the State budget or from other sustainable sources (e.g. by the respective founders) and should depend only marginally on one-off resources (e.g. from European structural and investment funds).

Impact of previous audits in the field of education

On the basis of the shortcomings identified in audit No **20/06**,¹¹⁵ focusing on the financing of public higher education institutions (PHEIs), the Ministry adopted several measures relating to the setup of the system of financing PHEIs, research and strategic management; these measures are currently under way.

- The Ministry committed itself to apply qualitative parameters in the financing of PHEIs to a greater degree, to emphasise long-term strategic planning of PHEIs, and to better motivate PHEIs to establish closer co-operation with the private sector (in their financing).
- The Ministry also undertook to perform regular monitoring of the standing of the Czech higher education system and individual PHEIs in international rankings and subsequently adopt strategic measures to eliminate weaknesses, not only in the academic sphere, but also in research.

112 RVP.CZ METODOICAL PORTAL [online]. National Pedagogical Institute of the Czech Republic [cit. 2023-02-10]. Available at: <https://rvp.cz/>; contains a module „ EMA Catalogue “(catalog of digital educational resources), a module „ Teaching materials “ and module „ Professional articles “.

113 A catalog of digital educational resources, where links to various digital educational resources are concentrated in one place. The author and the person who published the material are fully responsible for the content included in the EMA Catalogue.

114 It concerns the 2021/22 school year.

115 Audit No 20/06 – *State funds earmarked for public universities* (audit report was published in volume 3/2021 of the SAO Bulletin).



The Ministry of Education, Youth and Sports failed to set up a sustainable system for financing ICT in schools

THE PERIOD OF SCHOOL CLOSURES DURING THE COVID-19 PANDEMIC UNDERSCORED THE KEY IMPORTANCE OF USING DISTANCE LEARNING ELEMENTS SUPPORTED BY DIGITAL TECHNOLOGIES AND DEMONSTRATED THAT SCHOOLS WERE NOT SUFFICIENTLY PREPARED IN THIS REGARD

Overview of school ICT equipment (including kindergartens, primary and secondary schools, vocational colleges and conservatories)

	Desktop computers	Portable devices	School wireless network (Wi-Fi)	School system for communication with students and parents	
				parents	students
2018	307,340	166,117	10,332	3,200	2,409
2021	319,664	317,391	12,882	6,632	5,515
increase	4%	91%	24%	107%	129%

” The Ministry of Education, Youth and Sports failed to secure a sufficient increase in non-investment expenditure. Hence, after the outbreak of Covid-19, the Ministry had to provide one-off emergency funds of CZK 1.3 billion from the State budget. This exceptional support resulted primarily in an increase in the number of portable communication devices in schools.

SAO questionnaire survey among eadteachers, teachers and parents

Improvement of the teachers' digital skills before and after the pandemic



Teachers rated themselves on a scale of 1 to 6, where 1 = low digital skills and 6 = high digital skills

94% of teachers and 89% of headteachers stated that online distance learning had helped them improve their digital skills

92% of teachers and 83% of headteachers felt that online distance learning had helped speed up the introduction of digital learning

Statement of headteachers on the additional financial support from the Ministry of Education, Youth and Sports for the acquisition of ICT

- was sufficient for **74%** of schools
- methodological support was provided to **64%** of schools
- was timely for **61%** of schools
- was administratively demanding for **28%** of schools

4.10 CULTURE

Culture plays a key role in shaping the identity of any country, especially in today's globalised world. Culture also inherently comprises cultural heritage, i.e. the legacy of previous generations. This legacy must be cared for to preserve it for future generations. The State plays a crucial role in this regard and should, through its proactive policies, create appropriate conditions for the protection and preservation of this heritage, while exploiting the potential of cultural heritage for the social and economic development of regions. In the context of the Czech Republic, one of the objectives of the *State Cultural Policy for 2021–2025* is therefore to ensure effective care for cultural heritage, especially through the development of an integrated system for the protection of movable cultural heritage. Given the importance and value of cultural heritage in the Czech Republic, the SAO repeatedly focuses on this area in its audits.

In audit No **21/14**, the SAO examined whether the IROP projects intended for the revitalisation of selected cultural monuments had contributed to the preservation, protection and development of the potential of cultural heritage,¹¹⁶ and whether they were able to meet the programme's objectives¹¹⁷. It also examined how the Ministry of Regional Development had distributed and the CRD had administered support for the revitalisation of selected cultural monuments in individual projects during the audited period of 2015–2020. **More than CZK 7.1 billion** was distributed from the IROP among 105 monuments within 119 projects in the years 2014–2020. A questionnaire survey among the beneficiaries was also carried out as part of the audit¹¹⁸.

The questionnaire survey showed, for example, that more than half of the beneficiaries would not have revitalised the cultural monuments without the IROP support, and that the most challenging tasks for the beneficiaries were not the individual aspects of implementation, such as the extension of expositions and overall sustainability, but rather the project management and administration itself.

The SAO audit showed that although support for the revitalisation of selected cultural monuments contributed to the preservation, protection and development of the potential of cultural heritage, there were still shortcomings in the design, management and implementation of this support. These shortcomings reduced the effectiveness and economy of the support. At the same time, the shortcomings found limited the conclusiveness and verifiability of the support's contribution towards the use of the cultural heritage potential for the balanced development of the territory, with positive impacts on local or regional employment and competitiveness. The SAO audit also found violations of the legislation committed by the beneficiaries.

- In addition, the Ministry of Regional Development had failed to establish a sufficient indicator to measure the actual benefits of the support. This indicator measured the number of visits to cultural monuments where entrance fees were charged. However, this indicator fails to monitor the trends in visitor rates at specific (supported) cultural monuments. It was not possible to measure the impact on regional employment and competitiveness because the Ministry had not set the necessary indicators at the time of the audit.

THE SAO NOTED THAT NINE PROJECTS WERE AT RISK OF FAILING TO DRAW DOWN THE IROP SUPPORT, WORTH A TOTAL OF ALMOST CZK 546 MILLION. ALTHOUGH THE PROJECTS ARE DUE TO BE COMPLETED BY 31 DECEMBER 2023, CONTRACTS FOR THE CONSTRUCTION AND RESTORATION WORK HAD STILL NOT BEEN CONCLUDED AT THE TIME OF THE AUDIT¹¹⁹.

¹¹⁶ Integrated regional operational program within specific objective 3.1 *Streamlining the presentation, strengthening the protection and development of cultural heritage /SO 3.1/.*

¹¹⁷ The goal of SO 3.1 is to preserve, protect and develop the potential of cultural heritage and use it for the balanced development of the territory with positive effects on local or regional employment and competitiveness.

¹¹⁸ Online questionnaire survey, the results of which are available at: <https://www.nku.cz/scripts/detail.php?id=12352>.

¹¹⁹ The audit was carried out at the audited entities from May to December 2021.

In response to the shortcomings identified by this SAO audit:

The Ministry of Regional Development as the IROP managing authority undertook to prepare an evaluation that would focus both on priority axis 3 and on the outcomes of specific objective 3.1. Based on the evaluation carried out by the IROP managing authority, the outcome indicator “*number of visitors to supported sites in the field of culture and tourism*” has been newly set in the IROP for the 2021–2027 programming period; the value of the indicator will be based on the project level. The Ministry will use the same (outcome) evaluation to measure the impact on regional employment or competitiveness.

Impact of previous SAO audits in the field of culture

In the area of cultural heritage, the SAO has previously carried out, for example, **audit No 20/16**¹²⁰, which revealed a number of shortcomings in the management of the National Heritage Institute’s property and State funds, including the area of cultural heritage care. On the basis of the audit carried out by the SAO, the Ministry of Culture and the National Heritage Institute (NHI) undertook, among other things, to set up systemic management of collection-forming activities at the NHI in accordance with the Museum Collections Protection Act; to introduce systemic access to the records of special-nature property (collections, mobile collections, chateau library collections, archaeological finds); to improve the conditions for the storage of movable cultural heritage being administered; to create a methodology for keeping records of archaeological finds; and to negotiate with the Ministry of Finance on legislative changes to the legal concept of “agreed conduct” (the authorisation of the Office of the Government Representation in Property Affairs to act on behalf of the NHI in property disputes).

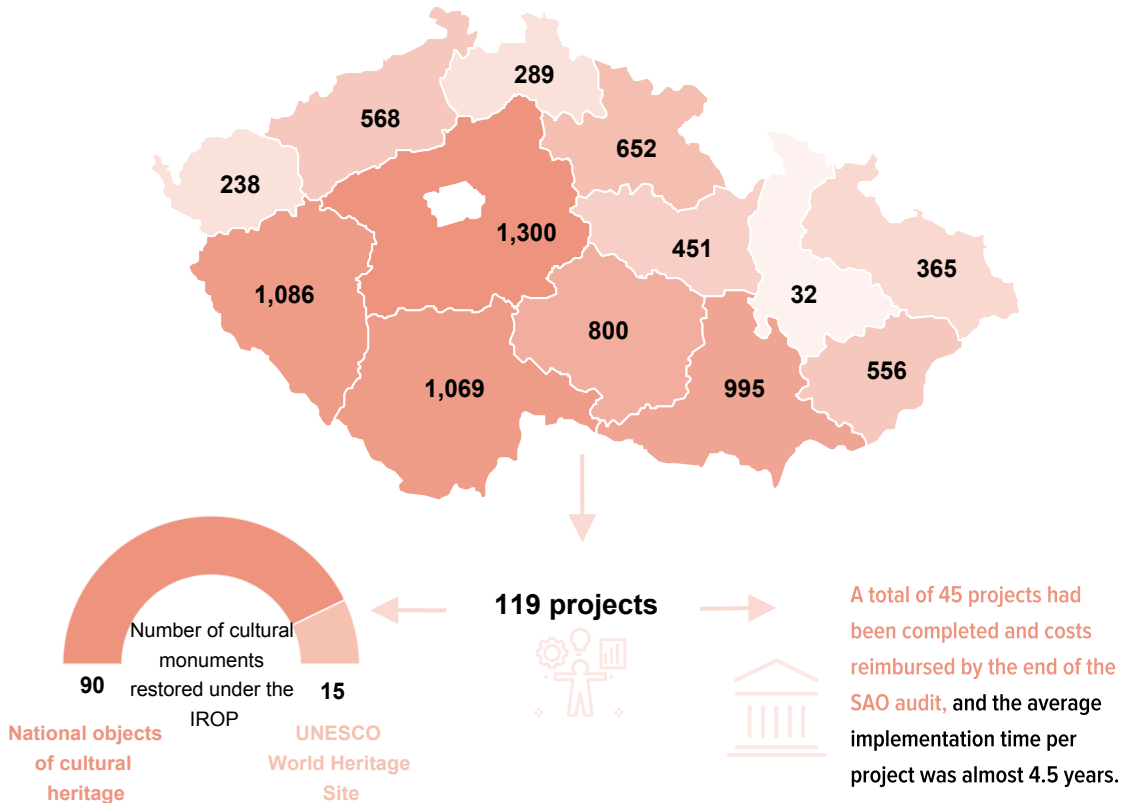
120 Audit No 20/16 – *State property and funds allotted to the National Heritage Institute, the state-funded organisation* (audit report was published in volume 4/2021 of the SAO Bulletin).



European Union funds contributed to the rescue of the supported Czech cultural monuments

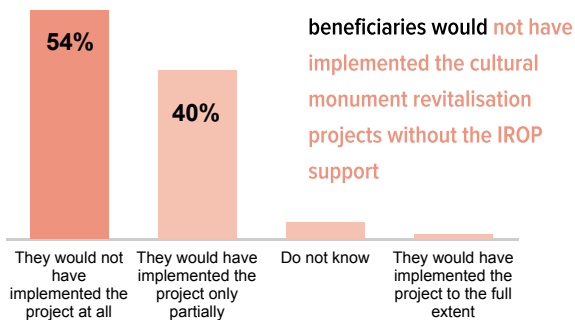
THE FUNDS CONTRIBUTED TO THE PRESERVATION, PROTECTION AND DEVELOPMENT OF THE CULTURAL HERITAGE POTENTIAL, BUT THE MINISTRY WAS UNABLE TO ASSESS, AT THE TIME OF THE SAO AUDIT, THE IMPACT OF THE SUPPORT ON LOCAL OR REGIONAL EMPLOYMENT AND COMPETITIVENESS

Funds spent from the IROP for the revitalisation of a set of cultural monuments (in CZK million)



SAO questionnaire survey among beneficiaries

Would you have revitalised the cultural monument without the IROP support?



Which tasks were the most challenging?

Most demanding



- Administration of change sheets
- Project management

Least demanding



- Sustainability
- Creation of contingent activities (extension of exhibitions, opening hours at the cultural monument, etc.)

5 INSTITUTIONAL MANAGEMENT

The SAO's audit and analytical work does not neglect the area of institutional management, which comprises a wide range of activities related to institutions' management, governance and control. The management of State property and State funds spent by governmental institutions to cover their operations and the performance of their tasks is an important focus of the SAO's audit work in this area. Another very important area the SAO focuses its audit work on every year is the management of funds provided to the Czech Republic from foreign sources, primarily the EU budget.

5.1 INSTITUTIONS' FINANCIAL MANAGEMENT

Governmental institutions' management of State property and funds is one of the areas regularly scrutinised by the SAO. The SAO has long been systematically trying to draw the audited persons' attention to those areas of their management where it sees significant potential for savings in budget spending, for improving the efficiency of spending and for increasing the State's revenues. In 2022, the SAO completed a total of five audits focusing on:

- the management of selected organisational units of the State and contributory organisations (audit No **21/07** concerned organisations falling under the Ministry of Regional Development; audit No **21/10** focused on contributory organisations of the Ministry of Culture; audit No **21/12** dealt with organisations of the Ministry of Finance; and audit No **22/03** concerned organisations of the CTO);
- economic management of the General Health Insurance Company in audit No **20/24**.

The fact that expenditure on acquiring property and services continues to show room for more efficient use of money is again documented by the results of audits completed in 2022. In the performance of their tasks, the audited persons sometimes managed the State funds inefficiently and in violation of legal regulations. They paid for services that were unnecessary or were not actually provided to the full extent. This included, for example, expenditure on the acquisition of legal and related services that could have been provided by their own staff, or payment for the operation of a receipt lottery at a time when it no longer existed. The SAO also sees room for savings in State expenditure, which could be accomplished by a change in the Government regulation on the provision of basic postal services.

- In audit No **21/10**, the SAO found that although the National Gallery in Prague (NG) had its own legal department, it hired three external companies to handle its responsibilities. Without a tender procedure, it thus concluded seven contracts worth a total of **CZK 6.7 million**. Moreover, three of them were invalid because the National Gallery had violated the Contracts Register Act (failed to provide mandatory data and changed the effective date of the contract); nevertheless, it still paid out **CZK 4.5 million** on the basis of these contracts. It even paid a flat fee to one of its legal service providers in months when the lawyers provided no services. Furthermore, the National Gallery wastefully spent approx. **CZK 1.3 million** on the design of its new logo. Since the new logo comprises a different name than the one specified by the law, the National Gallery was unable to use it in official documents.
- In audit No **21/12**, the SAO found that the Ministry of Finance had spent a total of **CZK 231 million** on the operation of a receipt lottery, where the largest part of this amount, almost **CZK 160 million**, was spent on cash or in-kind prizes for lottery participants. The number of active lottery players averaged **372 thousand** per month, with the number decreasing each year. The Ministry of Finance ultimately did not evaluate whether the lottery had indeed contributed to higher tax collection. Moreover, on the basis of an improperly drafted contract, the Ministry had to pay the full price to the contractor, i.e. **CZK 14 million**, even though the lottery was no longer running and the system was only being maintained.

- In audit No **22/03**, the SAO found that the volume of basic postal services halved between 2013 and 2020, yet the total costs nearly doubled over the same period. The Czech Telecommunication Office (CTO), as the administrative and regulatory authority in the field of postal services, reimbursed the holder of the postal licence from the State budget for the costs of providing “basic postal services” in the years 2013 to 2017, in the total amount of **CZK 2.6 billion**. A significant part of the costs of the basic postal services (in 2020, approximately **75%**), which are being reimbursed by the CTO to the postal licence holder, is made up of the costs of individual branches (post offices). The compulsory number of these branches is set by the relevant Government regulation at 3,200¹²¹. However, 2,100 would suffice according to the CTO’s calculation of 2015, which also reflected the availability and density of post offices and the quality of services¹²². The high number of compulsory post offices is one of the reasons for the low interest in obtaining a postal licence. Cost savings could be achieved by amending the Government regulation.

The SAO also sees unexploited potential for maximising State revenues in the area of State property management. The audit results pointed to deficiencies in the way certain governmental institutions cared for the property entrusted to them. Their malpractice related, in particular, to the reduction of revenues from leases and gratuitous use of State property by third parties, and also, for example, to an auction of frequencies.

- In audit No **21/10**, the Museum of Decorative Arts in Prague was found to have concluded two lease agreements in which it had left to the tenant premises used for business purposes and also gratuitously their furnishing. In one of these cases, the property in question was worth **CZK 1 million**. Moreover, the contracts did not contain a rental increase scheme, known as the inflation clause.
- Audit No **21/12** revealed that the Ministry of Finance had failed to apply an inflation clause in a land lease contract and thus reduced the revenue from State property. The SAO found that for thirteen years, the Ministry of Finance had leased a large piece of land at the Letňany exhibition centre in Prague, covering an area of almost 30,000 m², for an unchanged rental price. The price was only adjusted when a new contract was signed with the same tenant in 2021, but subject to a fixed indexation of **2.6%**, without an inflation clause. According to the Czech Statistical Office, inflation reached **3.2%** in 2020. In addition, the tenant itself quoted inflation in the contract offers at the rate of **4.5%**. The Ministry’s approach did not ensure that the yield from the State property would not be reduced.
- In audit No **22/03**, the SAO noted that the CTO as the radio spectrum administrator had held an auction of radio spectrum frequencies in 2020. These were distributed among the three established operators without any significant competition. The proceeds of the auction, at **CZK 5.6 billion**, were thus significantly lower than the original estimate of **CZK 7 billion**. The auction was intended, among other things, to reduce the price of mobile data and increase competition in the market. Nonetheless, the prices of calls and mobile data in the Czech Republic remained among the highest in the European Union in 2021. The high prices of telephone calls and mobile data have also been confirmed by a study prepared for the European Commission¹²³.

Many of the identified shortcomings are caused by State organisations’ inoperative internal control mechanisms. As the results of audits showed, some audited institutions did not have an effective internal control system capable of the timely detection, assessment and minimisation of risks linked to activities in the field of purchasing and economic operations. If the audited entities’ internal control system had worked, it is apparent that the following significant shortcomings in their financial management that had resulted in ineffective and wasteful spending could have been avoided.

121 Government Regulation No 178/2015 Coll., on determining the minimum number of establishments for the provision of basic services.

122 Decree No 464/2012 Coll., on determining the specification of individual basic services and the basic quality requirements for their provision.

123 Mobile and Fixed Broadband Prices in Europe in 2021. In: *Shaping Europe’s digital future* (europa.eu), available at: <https://digital-strategy.ec.europa.eu/en/library/mobile-and-fixed-broadband-prices-europe-2021>.

- In audit No **21/07**, the SAO ascertained that the Ministry of Regional Development had failed in the management of subordinate organisations as it had not supervised compliance with the conditions for procurement procedures and, in some cases, had violated the Financial Control Act¹²⁴. For example, in violation of the Act, the CzechTourism agency had abolished its internal audit unit. The function of the abolished department was to be replaced by public administration control ensured by the Ministry of Regional Development, but the Ministry had started no such control by the end of the SAO audit. The SAO found deficiencies in **19 of the 60** public contracts audited. Regular public administration audits were also missing in the case of the Mountain Rescue Service of the Czech Republic, which e.g. made errors in **nine out of ten** audited contracts. In three of these cases, the agency failed to cancel tender procedures where only a single bid had been submitted, and by concluding a purchase contract with the selected tenderer before expiry of the 10-day period for submitting objections. The SAO found these shortcomings to be in violation of the budgetary discipline, corresponding to more than **CZK 96 million**. In 2016, the agency also used the operating subsidy in contravention of the grant decision to pay for salary costs totalling almost **CZK 2.5 million** after it had lost a court case against a former employee. The SAO found this, too, to be in violation of the budgetary discipline.
- In audit No **21/10**, the SAO pointed out that neither the National Gallery nor the Museum of Decorative Arts had a functional internal control system in place. Major shortcomings were found at the National Gallery with regard to its public procurement and in its management as such. The National Gallery had ignored the requirement for selecting contractors for legal, real estate or cleaning services by means of tender procedures, had circumvented the Contracts Register Act and had acted in a non-transparent manner. For example, it had failed to publish the value of its security services contract in the Contracts Register, and the contract had therefore been cancelled under the Contracts Register Act. Nevertheless, the National Gallery had paid **CZK 154 million** to the contractor on the basis of the invalid contract. In addition, the National Gallery concluded a contract with its Director General for the creation of a copyrighted work worth more than **CZK 1.1 million** without any selection procedure; on top of that, the contract was signed by an unauthorised person. The non-functioning internal control system of the National Gallery is also connected to the fact that the gallery has yet to establish an electronic filing system **17 years** after becoming legally obliged to do so¹²⁵.

In 2022, the SAO also drew attention to State organisations' failure to fulfil their legal obligations in the reporting of assets, and in record-keeping and accounting for assets, including inventories of property and liabilities. The most serious deficiencies found by the SAO included late or unauthorised accounting for property and failure to report real estate to the Land Registry Office. Correct and proper bookkeeping and inventory management form the basis for economical and efficient use of the State's funds and the flawless management of entrusted assets.

- During audit No **21/10**, the SAO found that the National Gallery had recognised a contract worth almost **CZK 2.6 million**, which it had accepted in December 2019, in its accounts only in October 2020. Similarly, in the case of a work of art worth **CZK 8 million**, which the gallery had purchased in January 2020, the acquisition was recorded in accounting books only **6 months** later. The National Gallery also undertook technical improvement of the Zbraslav castle, which it rents as a tenant. Although the lease was terminated in 2009, the National Gallery kept the technical improvement of the Zbraslav Castle in its books for the next **10 years** as an asset with the acquisition value of almost **CZK 13 million**. The Museum of Decorative Arts, on its part, failed to report newly acquired property in Prague to the competent Land Registry Office. In fact, the museum had listed the property in its assets since 1972 and had not ascertained this fact even through numerous inventories. This situation was remedied only after the SAO's audit in 2021, when the building was surveyed and the Museum filed an application for its inclusion in land registry maps.

IN VIEW OF THE DEFICIENCIES IDENTIFIED AND EVALUATED IN THE SAO'S AUDITS OF GOVERNMENTAL INSTITUTIONS' MANAGEMENT, IT IS CLEAR THAT THERE EXIST LONG-TERM AND RECURRENT SHORTCOMINGS IN THE CARE FOR PROPERTY AND IN THE MANAGEMENT OF STATE FUNDS. IN THE SAO'S OPINION, IN ORDER TO ELIMINATE THESE PROBLEMS, IT IS ESSENTIAL THAT THE RELEVANT GOVERNMENTAL INSTITUTIONS CONSISTENTLY FULFIL THEIR LEGAL OBLIGATION TO HAVE IN PLACE AND MAINTAIN A FUNCTIONAL AND EFFECTIVE INTERNAL CONTROL SYSTEM TO ENSURE CONSISTENT COMPLIANCE WITH LEGAL REGULATIONS AND TO ENSURE THAT STATE FUNDS ARE SPENT ONLY TO COVER THE NECESSARY NEEDS IN ACCORDANCE WITH THE PRINCIPLES OF EFFECTIVENESS, ECONOMY AND EFFICIENCY.

124 Act No 320/2001 Coll., on financial control in public administration and on the amendment of certain laws (Financial Control Act).
125 Provisions of § 63 of Act No 499/2004 Coll., on archiving and file service and on the amendment of certain laws.

5.2 MANAGEMENT OF RESOURCES PROVIDED TO THE CZECH REPUBLIC FROM ABROAD

During 2022, the SAO completed a total of **16** audits focusing on expenditure covered from both national and foreign funds. All these audits concerned money provided for co-financing of joint programmes and projects carried out with the EU (see Table 9).

The findings of the above audits are evaluated – with regard to their priority focus on the relevant expenditure areas – in the previous sections of this annual report. Within the audits, the SAO pointed out, among other things, a number of errors in the use of EU support caused by individual links in the implementation chain, i.e. the relevant managing authorities, intermediate bodies or the beneficiaries themselves. A number of common systemic and procedural weaknesses can be described based on an analysis of the approved audit reports; these are summarised in the following four categories:

- **The absence of a strategy or specific and relevant support objectives setting out what is to be achieved had caused that the responsible authorities did not have a clear idea what projects should be implemented and what these projects were intended to achieve.**

For example, *the Waterway Transport Strategy for 2016–2023* has not been approved by the Government, and there is thus still no binding basis for waterway development planning. The objectives and expected results of the individual projects were then set only in general terms and without measurable indicators (audit No 21/03). Similarly, as no sectoral information strategy had been in place for several years, the Ministry of Justice did not have a clear idea of what projects it would implement within *eJustice* with the use of IROP funds, to what extent and at what time (audit No 21/28). The Ministry of Health failed to develop an *Information Strategy for 2019–2024*, and this caused a lack of information support for dealing with epidemic situations (audit No 21/35).

- **Evaluations done during project selection were not based on the principles of effectiveness, economy and efficiency. At the same time, limits for the maximum amount of support were often lacking or unrealistic.**

For example, with regard to visitor infrastructure projects relating to nature conservation, financed from the Operational Programme “Environment”, the Ministry of the Environment failed to set clear evaluation criteria to ensure effective spending for project implementation. At the same time, the set limit of indicative investment costs was excessively high, resulting in the implementation of overpriced projects (audit No 21/09). In the support for social enterprises, no limit was set for the maximum amount of subsidy per project participant or job created. For example, the support for one person in a project within the Operational Programme “Employment” exceeded the annual average of **CZK 170 thousand** up to six times, as it topped **CZK 1 million** per year (audit No 21/22).

- **The management and control systems for some operational programmes were flawed in their design and functioning.**

This was the case of the provision of support from the RDP 2014–2020 for the processing of agricultural products; the support was intended for micro, small and medium-sized enterprises, but the Ministry of Agriculture had set such conditions for drawing the support that these enterprises showed interest in only one of the four investment operations. The support was then drawn each year mainly by large companies with multimillion profits. Furthermore, the Ministry failed to verify whether the supported projects had brought the required innovations or whether the projects had involved merely a replacement of machinery, equipment and technology (audit No 21/33).

- **There were deficiencies in the procurement process that were contrary to the conditions set out in the legal framework.**

The selection of the contractor contravened the applicable regulations, e.g. the beneficiary awarded a public contract for the implementation of a promotion programme for domestic food products worth **CZK 11 million** to a service supplier outside the Public Procurement Act, without complying with the legal conditions enabling this approach. The SAIF, as the authorised body, approved the beneficiary’s procedure and confirmed compliance with the legislation to the European Commission. The latter subsequently reimbursed the beneficiary for the requested funds (audit No 21/15).

Table 9: Representation of characteristic deficiencies in the mentioned audits

Audit No	Source of financing	Lack of strategic documents, program objectives are not SMART, failure to define impact indicators	Non-transparent assessment of applications, absence of spending limits	Errors in setup and functioning	Errors in the procurement process
21/03	OPT	●			●
21/06	OPEn				●
21/08	IROP	●	●		
21/09	OPEn	●	●		
21/14	IROP	●	●	●	
21/15	EU promotional programmes		●		●
21/17	IROP	●		●	
21/20	OP HR, OPTA				●
21/22	OPEm, IROP	●	●		
21/28	IROP	●			
21/29	OPEm	●			
21/33	RDP			●	
21/35	IROP	●			
21/36	OPT	●			
22/02	OP RDE	●			
22/04	IROP	●	●		
		75%	38%	19%	25%

Source: Data from the SAO audits.

Status of implementation of the ESI funds in the Czech Republic in the 2014–2020 programming period

THE CZECH REPUBLIC'S POSITIVE TREND IN DRAWING THE ESI FUNDS ALLOCATION CONTINUED IN 2022. THIS TEND IS ILLUSTRATED BY THE FACT THAT THE N+3 RULE¹²⁶ WAS ALREADY MET IN ALL PROGRAMMES FOR 2022 AT THE END OF Q3 2022.

In 2022, the allocations were increased for the IROP and RDP programmes¹²⁷, which in turn increased the total allocation under the *Partnership Agreement for the 2014-2020 Programming Period* to approximately **CZK 660 billion**.

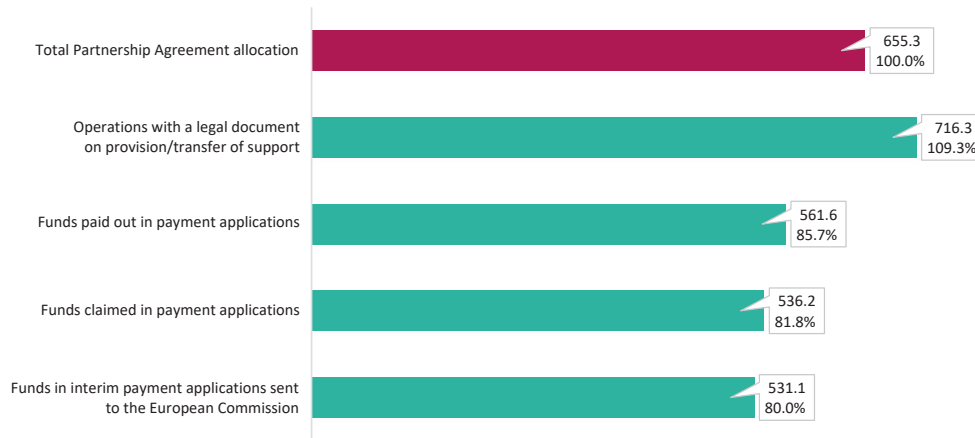
Chart 21 shows the status of utilisation of the funds. As at 31 December 2022, a total of **1,192 calls**, with an allocation of **CZK 914.8 billion**, had been announced for all programmes since the beginning of the programming period, corresponding to **139.6%** of the total allocation under the Partnership Agreement¹²⁸. Relative to the total allocation, the volume of funds in legal acts on the provision/transfer of support amounted to **109.3%**; a total of **85.7%** of the funding had been paid out and interim payment requests sent to the European Commission reached **80%**.

¹²⁶ Under this rule, the allocation for year “n” must be fully utilised by the end of year n+3. If this condition is not met, there is a risk of losing the unspent funds, known as automatic decommitment by the European Commission.

¹²⁷ According to the *Quarterly Report on the Implementation of the ESI Funds in the Czech Republic in the 2014-2020 Programming Period for the 3rd Quarter of 2022*, showing the situation as at 30 September 2022, the allocation of the ESI Funds for the Czech Republic was additionally adjusted for 2022. The IROP allocation was increased through the second REACT-EU tranche in the amount of EUR 313,203,897. As from August 2022, the RDP allocation was also increased, by EUR 7,840,000.

¹²⁸ *Quarterly Report on the Implementation of the ESI Funds in the Czech Republic in the 2014–2020 Programming Period for the 4th Quarter of 2022*, published by the Ministry of Regional Development (the national co-ordination authority) on 21 February 2023.

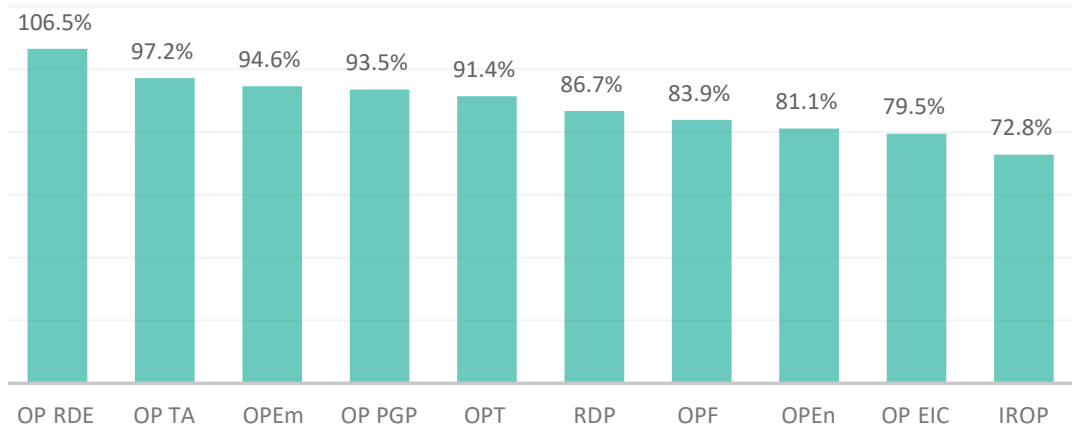
Chart 21: Drawdown of ESI funds in CZK billion relative to the total allocation as of 31 December 2022



Source: Information from the Ministry of Regional Development, as at 31 December 2022.

According to the monthly information provided by the national co-ordinating authority (Ministry of Regional Development) for December 2022, the increase in the ratio of the funds paid out on the basis of payment requests (including old commitments) to the total allocation was driven primarily by the Operational Programme “*Research, Development and Education*” (OP RDE) with **106.5%**, followed by the Operational Programme “*Technical Assistance*” with **97.2%**. In contrast, the lowest share of funds disbursed was achieved by the IROP with **72.8%**, as shown in Chart 22 below.

Chart 22: Funds in reimbursed payment claims relative to total allocation for individual operational programmes of the Czech Republic as of 31 December 2022 (%)

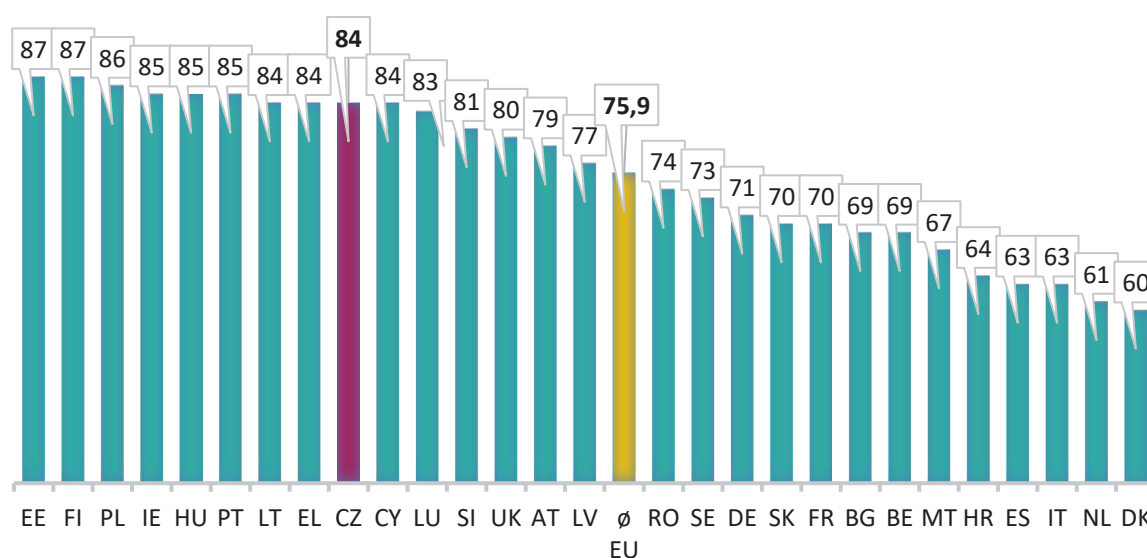


Source: MoRD.

A COMPARISON OF THE COURSE OF DRAWING THE FUNDS ALLOCATED TO THE CZECH REPUBLIC IN THE 2014–2020 PROGRAMMING PERIOD WITH THE 2007–2013 PROGRAMMING PERIOD SHOWS A GREATER PROPORTIONALITY IN THE DISTRIBUTION OF THE AMOUNTS FINANCED AMONG THE INDIVIDUAL YEARS AND THE CONTINUITY IN DRAWING FUNDS IN THE INDIVIDUAL 2014–2020 OPERATIONAL PROGRAMMES. THE N+3 RULE AND THE SET MILESTONES WERE MET AND THERE IS THEREFORE NO RISK OF THE EUROPEAN COMMISSION’S DECOMMITMENT. THE OPERATIONAL PROGRAMMES’ MANAGEMENT AND CONTROL SYSTEMS IMPROVED THEIR SET-UP AND FUNCTIONING, AND THE FREQUENCY AND SEVERITY OF ERRORS DETECTED BY THE SAO AND OTHER EXTERNAL AUDIT AUTHORITIES DECREASED. HOWEVER, THE SAO’S AUDITS CONTINUED TO DRAW ATTENTION TO A NUMBER OF ERRORS IN THE USE OF EU FUNDS, CONSISTING MOST OFTEN IN THE ABSENCE OF A STRATEGY OR SPECIFIC AND RELEVANT OBJECTIVES, OR IN THE ABSENCE OF INDICATORS FOR EVALUATING THE EFFECTIVENESS OF THE SUPPORT PROVIDED. AS A RESULT, THE RELEVANT MANAGING AUTHORITIES OR INTERMEDIATE BODIES WERE OFTEN UNABLE TO MONITOR AND EVALUATE THE ACTUAL BENEFITS OF THE SUPPORT, WHICH THEY ARE LEGALLY OBLIGED TO DO.

The higher intensity in the utilisation of support from ESI funds, especially in the last three years, was also reflected in the Czech Republic’s ranking among the EU Member States in terms of the success rates in drawing down the overall national allocation. For the second year in a row, the Czech Republic holds 9th place¹²⁹ as it exceeded the EU average in relation to the total EU allocation by **8 percentage points**.

Chart 23: Share of funds paid from ESI funds for the 2014 – 2020 programming period until the end of 2022 to EU member states in proportion to the total allocation of these states (%)



Source: Cohesion Open Data Platform (as at 25 January 2023).

SIMILAR TO BOTH PREVIOUS PROGRAMMING PERIODS, THE 2021–2027 PERIOD HAS BEEN CHARACTERISED BY A “SLOW START”. NONETHELESS, THE KEY DOCUMENTS, I.E. THE *PARTNERSHIP AGREEMENT FOR THE 2021–2027 PROGRAMMING PERIOD* AND THE INDIVIDUAL PROGRAMMES’ PROGRAMMING DOCUMENTS, HAVE BEEN APPROVED BY THE EUROPEAN COMMISSION¹³⁰ AND CALLS ARE BEING LAUNCHED SINCE THE SECOND HALF OF 2022. THE CZECH REPUBLIC DOES NOT LAG BEHIND OTHER MEMBER STATES.

129 Summary of funds reimbursed by the European Commission, including initial pre-financing and annual pre-financing.

130 The Partnership Agreement was approved by the European Commission on 13 May 2022 and the individual operational programs were subsequently approved between 19 May and 26 September 2022.

6. SAO OPINIONS ON THE STATE'S FINANCIAL REPORTING

6.1 OPINION ON THE DRAFT STATE CLOSING ACCOUNT

In 2022, the SAO gave its opinion on the accuracy of reported data¹³¹ in its *Opinion on the Draft State Closing Account of the Czech Republic for 2021*, i.e. its opinion on the completeness and accuracy of the State budget revenue and expenditure reported in the draft State closing account.

THE SAO EXPRESSED THE OPINION THAT THE FIGURES¹³¹ CONTAINED IN THE 2021 DRAFT STATE CLOSING ACCOUNT COULD BE CONSIDERED CORRECT¹³². HOWEVER, THE SAO HAS LONG DRAWN ATTENTION TO THE FACT THAT CLOSING ACCOUNTS MAKE MINIMAL USE OF ACCRUAL-BASED DATA FROM FINANCIAL STATEMENTS. GIVEN THAT ACCRUAL-BASED DATA PROVIDE HIGHLY CONCLUSIVE INFORMATION ABOUT STATE BUDGET CHAPTERS, THE SAO CONSIDERS IT APPROPRIATE THAT THE RELEVANT LEGAL REGULATIONS PLACE GREATER EMPHASIS ON THE USE OF THESE DATA IN COMPILING MANAGEMENT ACCOUNTS.

6.2 AUDIT OF FINANCIAL INFORMATION PUBLISHED BY CERTAIN SELECTED ADMINISTRATORS OF STATE BUDGET CHAPTERS AND THEIR SUBORDINATE ORGANISATIONS

The purpose of regularly scrutinising the State's financial reporting is to obtain and present information about its reliability and conclusiveness, which makes it possible to boost users' confidence in this information and also help ensure that the information is accurate. Accounting entities use the financial information to draw up accounts on their financial management, and the data are supposed to be used for monitoring and managing public finances. However, the utility of this information depends on its reliability. For that reason, the SAO devotes part of its capacity to financial audit so that it can check the reliability of financial statements, check the data given in the financial statements for assessing implementation of the budget, and review closing accounts.

In 2022, the SAO completed four financial audits, as part of which it issued an opinion on the financial reporting (see Tables 10 and 11 for details). Audits No 21/24 (the Ministry of Health) and No 21/27 (the Ministry of the Interior) were interim audits taking place partly with regard to an unclosed accounting period, and the inspected entities thus had the opportunity to remedy any deficiencies found.

THE RESULTS OF THE FINANCIAL AUDITS SHOWED THAT INTERIM AUDITS, WHERE THE AUDITED ENTITIES HAD THE OPPORTUNITY TO CORRECT DEFICIENCIES IDENTIFIED DURING THE AUDITS, CONTRIBUTED SIGNIFICANTLY TO THE RELIABILITY OF THE REPORTED DATA. ON THE BASIS OF THE INTERIM AUDITS CARRIED OUT WITHIN THE AUDITED PERIOD OF 2021, IRREGULARITIES AMOUNTING TO ALMOST CZK 12 BILLION IN FINANCIAL STATEMENTS AND IRREGULARITIES WORTH ALMOST CZK 4 BILLION IN FINANCIAL REPORTS WERE CORRECTED (SEE TABLE 11 FOR DETAILS). EX POST FINANCIAL AUDITS REVEALED SIGNIFICANT IRREGULARITIES IN CERTAIN PARTS OF FINANCIAL STATEMENTS, AMOUNTING TO ALMOST CZK 838 MILLION. IRREGULARITIES IN THE TOTAL AMOUNT OF CZK 129 MILLION WERE FOUND IN FINANCIAL REPORTS, WHERE THE IRREGULARITIES FOUND IN AUDIT NO 21/25 WERE SIGNIFICANT. ACCOUNTING ENTITIES WILL BE ABLE TO RESPOND TO THESE IRREGULARITIES IN SUBSEQUENT PERIODS. ONLY ISOLATED DEFICIENCIES WERE FOUND IN CLOSING ACCOUNTS, NOT AFFECTING THEIR CONCLUSIVENESS.

¹³¹ These are the data listed in notebooks G – Tabular part of the draft state closing account of the Czech Republic and H – Results of budget management of the chapters of the SCA draft for the year 2021.

¹³² Closer to the opinion on the correctness of SCA data: Opinion of the SAO on the draft of the closing state accounts of the Czech Republic for the year 2021 | SAO (nku.cz).

Table 10: Results of ex post financial audits in relation to reported financial information of the State (CZK millions)

			Results of financial audits in relation to financial statements					Results of financial audits in relation to SB statements				Results of financial audits in relation to the State Closing Account
Audit No	Auditee	FA	Audited volume ¹³³	Materiality	Corrections during the audit	Errors	Reliability of financial statements	Audited volume ¹³⁴	Materiality	Errors	Reliability of financial statements	Reliability of data in the closing accounts
21/18 ¹³⁵	MoFA	Ex post	73,937.0	275.0	0.0	775.3 ¹³⁶	The balance sheet is not reliable	8,493.5	160.0	88.3	No unreliable data was found with respect to the total reported data	Misstatements without a significant impact on the overall reporting ability of the closing account
21/25 ¹³⁷	CRA	Ex post	1,116.3	9.0	0.0	62.5 ¹³⁸	The balance sheet, profit and loss and notes are not reliable	4,683	9.0	40.7 ¹³⁹	Unreliable data was found with respect to the total reported data	Closing account was not subject to audit
Total			75,053.3		0.0	837.9		8,961.8		129.0		

Source: audit reports.

133 Audit volume of FSs = net assets + liabilities + expenses + revenues + off-balance sheet.

134 Audit volume of FSs of the state budget = revenues + expenditures.

135 Audit No 21/18 – Closing account of state budget chapter "Ministry of Foreign Affairs" for the year 2020, the Ministry of Foreign Affairs' accounts for 2020, and data submitted by the Ministry of Foreign Affairs for the evaluation of the implementation of the state budget for 2020 (the AR was published in volume 3/2022 of the SAO Bulletin).

136 The most significant error: failure to report a corrective item due to a significant reduction in the value of the share of the deposit in the endowment fund (CZK 724 million).

137 Audit No 21/25 – Financial statements of the Czech Development Agency for 2020 and data submitted by the Czech Development Agency for the evaluation of the implementation of the state budget for 2020 (the AR was published in volume 3/2022 of the SAO Bulletin).

138 The most significant error: incorrect reporting of contingent liabilities due to subsidies from the state budget of the Czech Republic for 2021 (CZK 51.7 million).

139 The most significant error: incorrect classification of subsidies according to the sectoral breakdown of the budget composition (CZK 34.7 million).

Table 11: Results of ongoing financial audits in relation to reported state financial information (CZK millions)

			Results of financial audits in relation to financial statements					Results of financial audits in relation to SB statements					Results of financial audits in relation to the State Closing Account
Audit No	Auditee	Typ kontroly typu FA	Audited volume ¹⁴⁰	Materiality	Corrections during the audit	Errors	Reliability of financial statements	Audited volume ¹⁴¹	Materiality	Corrections during the audit	Errors	Reliability of SB financial statements	Reliability of data in the closing accounts
21/24 ¹⁴²	MoH	ongoing	128,254.5	569.0	10,973.1 ¹⁴³	0.0	FSs are reliable	35,145.0	572.0	3,985.3 ¹⁴⁴	0.0	No unreliable data was found with respect to the total reported data	Errors without a significant impact on the overall reporting ability of the closing account
21/27 ¹⁴⁵	Mol	ongoing	108,874.8	656.0	915.3 ¹⁴⁶	13.9	FSs are reliable	38,732.6	725.0	0.0	0.0	No unreliable data was found with respect to the total reported data	Errors without a significant impact on the overall reporting ability of the closing account
Total			237,129.3		11,888.4	13.9		73,877.6		3,985.3	0.0		

Source: audit reports.

140 Audit volume of FSs = net assets + liabilities + expenses + revenues + off-balance sheet.

141 Audit volume of FSs of the state budget = revenues + expenditures.

142 Audit No 21/24 – Closing account of the state budget chapter "Ministry of Health" for the year 2021, the financial statements of the Ministry of Health for 2021 and data submitted by the Ministry of Health for the evaluation of state budget fulfilment for the year 2021 (the AR was published in volume 4/2022 of the SAO Bulletin).

143 The most significant corrections: incorrectly reported contingent liabilities from transfers for ASS/SPM projects (CZK 3.6 billion). The value of corrections made during the audit exceeded materiality by more than 19 times.

144 The most significant corrections: incorrect classification of expenses for transfers provided to municipal and regional hospitals (CZK 4 billion). The value of corrections made during the audit exceeded the significance by 7 times.

145 Audit No 21/27 – Closing account of state budget chapter "Ministry of the Interior" for 2021, accounting of the Ministry of the Interior for 2021, and data submitted by the Ministry of the Interior for evaluation of state budget implementation for the year 2021 (the AR was published in volume 4/2022 of the SAO Bulletin).

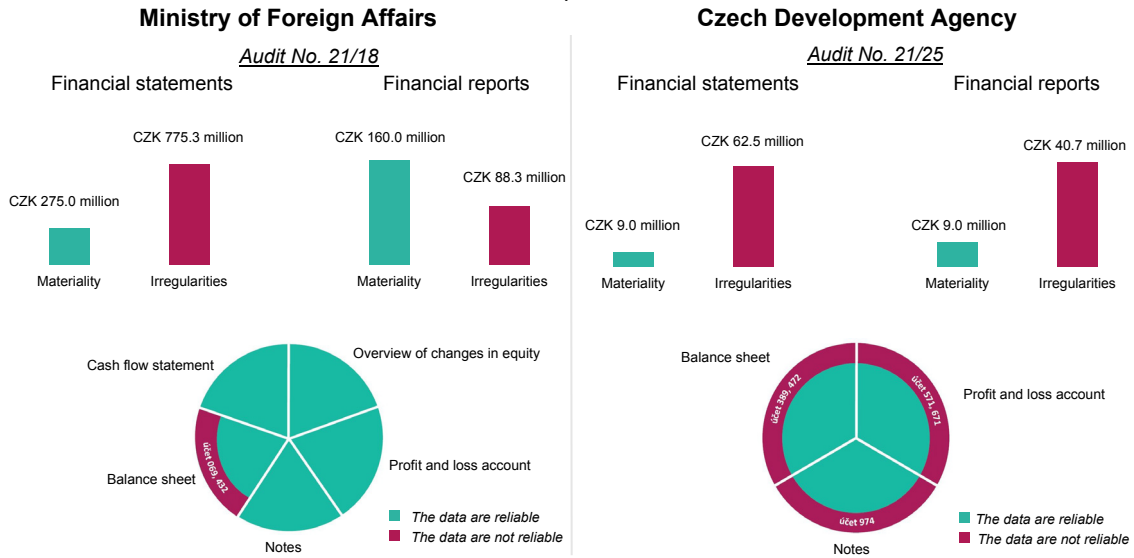
146 The most significant corrections: incorrect accounting for long-term assets that carried classified information (CZK 748.4 million). The value of the corrections made during the audit exceeded the materiality by 1.4 times.



Financial audits contribute to greater reliability of financial information

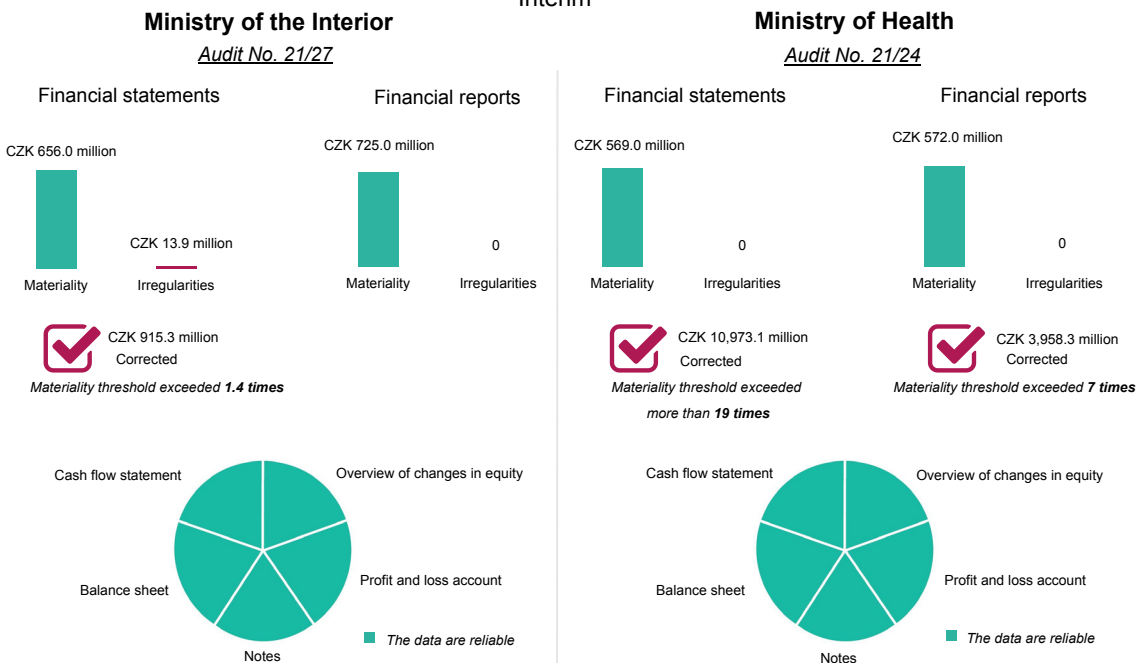
THE MINISTRY OF FOREIGN AFFAIRS FAILED TO REPORT A MATERIAL IMPAIRMENT OF THE CONTRIBUTION TO THE ENDOWMENT FUND; THIS ERROR AMOUNTED TO CZK 724 MILLION

Ex post



IRREGULARITIES WORTH OVER CZK 16 BILLION WERE CORRECTED DURING AUDITS OF FINANCIAL INFORMATION

Interim



Measures to correct identified shortcomings

Another component of financial audits is the systematic verification of the implementation of corrective measures from previous audits.

Table 12: Overview of the implementation of corrective measures from previous audits

Audit No	Auditee	Number of previous audits	The number of measures taken to correct the deficiencies	Number of measures implemented completely and correctly	Number of partially implemented measures	Number of measures not implemented	Number of measures no longer relevant (e.g. due to a change in the regulation)
21/18	MoFA	16/17	20	15	5	x	1
21/24	MoH	16/25	21	21	x	x	x
21/27	Mol	15/32	21	20	x	x	1

Source: audit reports.

*In audit No 21/24, it was found that the Ministry of Health had provided a pecuniary donation to the WHO without prior approval from the Government. The Ministry of Health also disregarded final court decisions by failing to comply with the duties following from Act No 106/1999 Coll., on free access to information, and imposed in these decisions, and subsequently even failed to respond to enforcement officers' requests for the performance of the relevant duty. On the basis of this fact, the Ministry of Health was ordered to pay **almost CZK 3.6 million**.*

The above overview shows that in the majority of cases the audited entities responded to the measures imposed. Audit No 21/25 is not included in the overview as it was the first financial audit at the Czech Development Agency.

Results of audit work in the field of reporting with regard to the internal control system

Financial audits revealed shortcomings and risks related to bookkeeping and the budgetary system which had not been identified by the internal control system; they were, however, properly corrected by the audited person during the audit (audits No 21/24 and No 21/27). Significant shortcomings that had been neither prevented nor identified by the internal control system were found with regard to State property management and financial management, and these shortcomings were not remedied during the audit (audit No **21/24**).

6.3 PROMOTING GOOD ACCOUNTING AND AUDIT PRACTICE

THE MAIN PURPOSE OF FINANCIAL AUDIT IS TO CONTRIBUTE TO IMPROVING THE RELIABILITY OF FINANCIAL INFORMATION CONTAINED IN CLOSING ACCOUNTS, FINANCIAL STATEMENTS AND FINANCIAL REPORTING FOR THEIR USERS.

The following made a significant **contribution** to achieving this objective:

- **interim audits**, during which the audited persons were able to correct the shortcomings identified (see Table 11);
- **repeated financial audits**, where the audited person's response to shortcomings identified, in the form of corrective actions, was monitored (see above under Measures to correct identified shortcomings);
- **discussion of financial audit results** by the Government and the Committee on Budgetary Control of the Czech Chamber of Deputies; audit reports are also available to both the professional and general public.

THE SAO IS, BY ITS VERY NATURE, AN EXPERT AND PROFESSIONAL AS WELL AS AN AUDIT INSTITUTION.

The SAO has long devoted attention to international standardisation for accounting and the possible use of internationally recognised good public sector reporting practices in the Czech Republic. Through its audit and analytical work, the SAO helps to identify systemic risks and problems in the reporting of accounting and budget data, looks for possible solutions and promotes greater use of accrual-based accounting data.

In doing so, it contributes to the spread of good accounting and auditing practice, and strives to ensure that usable and reliable data are provided for reporting and decision-making purposes.

THE SAO PROMOTES THE USE OF ACCRUAL-BASED ACCOUNTING INFORMATION, AND THUS IMPROVED REPORTING.

The SAO has repeatedly noted the desirability of making greater use of accrual-based data and comparing it with cash flow-based information, including commenting on the differences.

As part of the promotion of good practice, the SAO also provides examples of such comparisons in its audit reports (e.g. audits No 21/24¹⁴⁷ and No 21/27¹⁴⁸).

THE SAO DRAWS ATTENTION TO METHODOLOGICAL PROBLEMS IN ACCOUNTING AND REPORTING.

As part of its audit work, the SAO monitors the application of binding legal regulations in relation to reporting and draws attention to inconsistencies in the legal regulations in the area of accounting, shortcomings in terms of loopholes or interpretative ambiguities, and the related methodological and application problems.

The SAO presents the identified methodological problems in its audit reports and then discusses them with the expert public.

¹⁴⁷ In audit No **21/24**, a comparison of the Ministry of Health's budget management results for 2021 evaluated on a cash flow basis with the result on an accrual basis revealed a difference of CZK 1.9 billion (a higher deficit on a cash flow basis than the loss according to the accounting statements). This difference arose mainly as a result of the creation of an estimated receivable in the amount of CZK 6.6 billion with regard to an expected revenue from health insurance companies relating to Covid-19 vaccines, and also of the recognition of advances received from health insurance companies in the amount of CZK 5.7 billion on the same grounds. As at 31 December 2021, the Ministry of Health also recorded unpaid invoices for Covid-19 vaccines in the amount of CZK 1.2 billion, which then increased the State budget expenditures in 2022. The difference between the two performance results was also influenced by the provision of funds in the amount of CZK 1.37 billion to contributory organisations established by the Ministry for the acquisition of fixed assets, where the selected accounting entities recognise these funds as a reduction in their assets rather than as an expense.

¹⁴⁸ In audit No **21/27**, a comparison of the Ministry of the Interior's budget management results for 2021 on a cash flow basis with the result on an accrual basis revealed a difference of CZK 1.2 billion (a higher deficit on a cash flow basis than the loss according to the accounting statements). This difference was mainly due to the recognition of depreciation expenses on fixed assets, which are implemented without the related expense (CZK 1.7 billion), and the change in short-term liabilities of CZK 0.6 billion.

The SAO has repeatedly encountered significant methodological issues in the following areas:

Table 13: Problem areas and methodological issues

Problem area	Description of the methodological issue	SAO opinion
Determining materiality for accounting and reporting	Some accounting entities do not account for certain facts with reference to their alleged immateriality. This included, for instance, failure to account for advance payments for transfers (subsidies) (see e.g. audit No 20/34). According to the SAO, however, the duty to account for these facts cannot be negated or circumvented by defining materiality in an internal regulation.	The SAO supports the recognition of important facts in accounts.
Financial instruments co-funded by the EU budget	Financial instruments represent a form of funding, mainly from the EU budget, whereby support is provided to beneficiaries in a REPAYABLE FORM (e.g. loans, guarantees and capital investments), as opposed to subsidies (transfers) provided in a NON-REPAYABLE FORM. Nor is there a Czech accounting standard that would specifically regulate accounting procedures for financial instruments. In general, other approaches to reporting cannot be ruled out in such cases; this will always depend on the specific circumstances. The SAO found in its audits that it was possible to recognise the above in account 069 – Other fixed financial assets , e.g. when the manager of a financial instrument provides funds on his own behalf but on the managing authority's account (see audit No 20/34).	The SAO facilitates the utilisation of accounting data by highlighting exceptional accounting facts and their recognition in the financial statements.
Information reported in off-balance accounts	Information reported in off-balance accounts is not reliable (see e.g. the audit reports from audit No 21/24 and audit No 21/25), comparable (the individual accounting entities are free to decide on valuation and materiality) and comprehensible (impossibility of providing comments in the notes to financial statements). This impairs the utility value of this information.	In the SAO's opinion, there is a risk of reduced utility value of off-balance information.

Source: audit reports from individual audits.

THE SAO CO-OPERATES WITH PROFESSIONAL INSTITUTIONS IN THE FIELD OF STATE REPORTING.

During 2022, the SAO continued its co-operation with professional institutions. This involved various forms of collaboration with the following institutions:

- a workshop with representatives of the **Ministry of Finance** which took place in January 2022; the workshop focused on the resolution of ambiguities relating to accounting for and reporting transfers. Subsequently, the Ministry of Finance published the *Methodological Guideline on Transfers*¹⁴⁹ on its website;
- co-operation with the **University of Economics** on mapping the use of the State's accrual-based accounting information – in particular in the preparation of questionnaire surveys for various categories of respondents;
- participation in a meeting of the working group of the **Ministry of Finance** and the **Czech Statistical Office** for government statistics;
- participation in methodological days of the **Ministry of Finance** focusing on the preparation of the new Accounting Act and implementing regulations for public sector accounting entities.

The SAO's co-operation with professional institutions contributes to the promotion of internationally recognised good practice in public sector reporting in the Czech Republic.

149 *Manual for transfers [online]. MoF, Dept. 75 – Reporting of the State, 2022 [see 2023-02-10]. Available at: <https://www.mfcr.cz/cs/verejny-sektor/ucetnictvi-a-ucetnictvi-statu/ucetni-reforma-verejnych-financi-ucetnic/metodicka-podpora/metodicke-pomucky/2022/metodicka-pomucka-k-transferum-46457>.*

THE SAO'S OPINIONS CONTRIBUTE TO MODIFICATIONS OF THE LEGAL REGULATIONS CONCERNING THE STATE'S ACCOUNTING AND REPORTING.

In 2022, the SAO used the audit findings in commenting on draft amendments to legislation. This concerned mainly the draft new **Accounting Act**. The draft new Accounting Act itself contains provisions for public sector accounting entities that respond to the recommendations and findings of the SAO published in the audit report of audit No 17/36 (e.g. definition of the **objective of financial reporting**, definition of **certain elements of financial reporting**, and an exemption from the use of the **cash flow statement and statement of changes in equity** for public sector accounting entities).

Other examples include the SAO's comments on draft amendments to the following ministerial decrees:

- **amendment to Decree No 5/2014 Coll.**, on the manner, deadlines and scope of data submitted for evaluating the implementation of the State budget, budgets of State funds, budgets of territorial self-governing units, and budgets of voluntary associations of municipalities;
- **amendment to Decree No 419/2001 Coll.**, on the submission of data for the compilation of the draft State final account.

THE SAO PARTICIPATES IN INTERNATIONAL CO-OPERATION IN FINANCIAL AUDITING AND REPORTING.

The SAO is regularly involved in financial audits of international organisations. In 2022, the SAO was represented in the Audit Board of the European Defence Agency and in the Audit Board of Eurocontrol.

The SAO also translates the *International Public Sector Accounting Standards* from English into Czech and publishes them on the SAO website with the consent of the International Federation of Accountants.

III. FINANCIAL EVALUATION OF AUDIT WORK

1. OVERALL FINANCIAL EVALUATION OF AUDITS

Summary financial evaluation of the SAO's audit work is performed every year via the indicator of the total volume of audited finances, assets and liabilities. This indicator informs about the total audited volume of State budget revenue and expenditure, State assets and liabilities, funds provided to the Czech Republic from abroad and other finances (e.g. from State funds). This indicator is influenced by the number of audits, their objectives and subjects of focus, and also the length of the audited period.

The total value of audited finances and property was **CZK 166.8 billion**. This volume is based on audits whose audit report was approved in 2022. The amount does not include data from audits aimed at auditing the closing accounts of State budget chapters and data on finances assessed only at system level (e.g. in audits of strategic and policy materials, and in audits of programme funds as part of the scrutiny of their administrators' or intermediate bodies' work). In financial audit, the audited entities' data reported in their financial statements and reports were examined in the total value of **CZK 395 billion**. The value of finances assessed at system level in audits completed last year was **CZK 570.2 billion**.

2. DISCHARGE OF THE NOTIFICATION DUTY PURSUANT TO ACT NO 280/2009 COLL., THE TAX CODE

Based on the facts set out in audit protocols, the SAO informs the relevant tax administrators of the shortcomings identified which are linked to the audited entities' tax liabilities. Specific audit findings can be used by the relevant tax administrators to launch proceedings that could lead to a decision to impose a penalty for a breach of budgetary discipline.

In 2022, **23** notifications related to the administration of taxes from **15** audits were sent to tax administrators within the notification duty. The total amount of funds quantified in these notifications was over **CZK 110 million**. The notifications mainly concerned breaches of obligations by subsidy beneficiaries (13) and breaches of obligations by organisational components of the State and contributory organisations (10).

IV. ASSESSMENT OF OTHER ACTIVITIES

1. CO-OPERATION WITH THE CRIMINAL JUSTICE AUTHORITIES

In 2022, the SAO filed **two** notifications of suspicion of a crime under Section 8 (1) of Act No 141/1961 Coll., on criminal court proceedings (the Code of Criminal Procedure), based on the findings from **two** audits.

These notifications concerned suspected offences of breach of duty in the management of third-party property and the offence of obtaining an advantage in the award of a public contract, a public tender and a public auction.

The criminal justice authorities requested the SAO's assistance in a total of **thirteen** cases in 2022. On the basis of these requests, the SAO provided audit materials from **four** audits.

2. OPINIONS ON DRAFT LEGISLATION

According to Section 6 of the SAO Act, both chambers of the Czech Parliament and their bodies may ask the SAO to provide an opinion on draft legislation concerning budgetary management, accounting, State statistics and the performance of audit, supervision and inspection activities. The above entities did not make use of this power in 2022 in terms of submitting a formal request for an opinion.

In inter-ministerial consultation under the *Government Legislative Rules*, the SAO gave its opinion on draft legislation touching on its competences or concerning it as a State organisation. In 2022, the SAO received for assessment a total of **161** legislative proposals and non-legislative materials. The SAO issued specific comments on a total of **31** of these proposals, mainly based on findings from its audit work.

Among major legislative proposals, the SAO commented on the draft Whistleblowers Protection Act and on the draft Act on the financing of the defence of the Czech Republic and on amendment to Act No. 218/2000 Coll., on the budgetary rules and amending certain related laws (the Budgetary Rules), as amended (the Defence Financing Act), although the Ministry of Defence did not submit the latter draft for consideration to the SAO as a consultation point.

From among the legislative materials submitted by the Ministry of Finance, the SAO provided extensive comments on the draft Accounting Act. Further, the SAO commented on the draft Act repealing Act No. 112/2016 Coll., on the records of sales, on the draft Act amending certain tax laws and other related laws, on the draft State final account of the Czech Republic for 2021, and on two draft amendments to decrees implementing the Budgetary Rules.

The SAO also commented on draft amendments to social security regulations and social and pension insurance regulations, an amendment to the Employment Act and an amendment to the Labour Code, all submitted by the Ministry of Labour and Social Affairs. As regards regulations submitted to the consultation procedure by the National Security Authority, the SAO commented on the draft Decree on administrative security and registers of classified information, and on the draft amendment to the Protection of Classified Information and Security Clearance Act.

From among regulations on which the SAO had already commented in previous years, the SAO provided comments on the draft Lobbying Act and the draft Act amending certain laws in connection with the adoption of the Lobbying Act, submitted by the Ministry of Justice. In 2018, the SAO already provided a fundamental comment on the draft Lobbying Act, where it expressed its disagreement with the inclusion of the SAO President, the SAO Vice-President and SAO members among lobbied persons. This comment was eventually accepted by the submitter and the relevant passage was omitted from the latest draft of the Lobbying Act.

Among the non-legislative materials submitted to the consultation procedure, the SAO commented on an update of the financing strategy for the implementation of the Nitrates Directive, the *Annual Report on the State of Public Procurement in the Czech Republic for 2021* and the Government's *Strategy of Combating Corruption for 2023–2026*.

3. INTERNATIONAL CO-OPERATION

The year 2022 was marked by the SAO's ongoing three-year presidency of the European Organisation of Supreme Audit Institutions (EUROSAI)¹⁵⁰, which aims to provide European audit institutions with platforms and areas of interest that will support further development of mutual co-operation in audit activities.

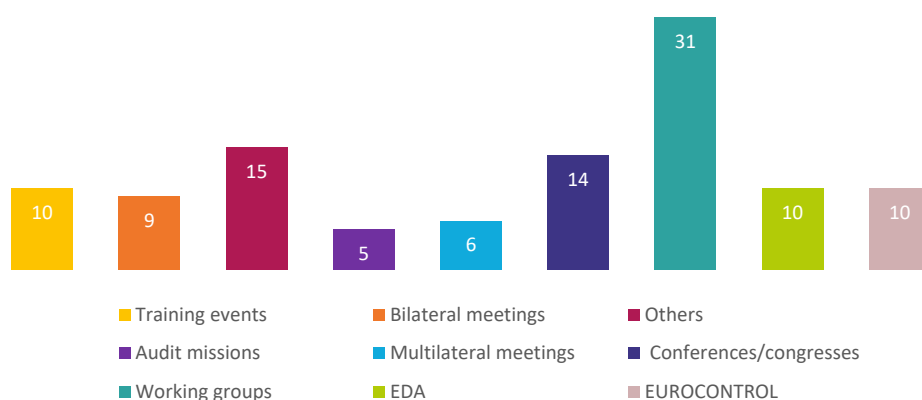
As part of its presidency, the SAO organised the EUROSAI *Prague Post-Congress Get-Together* international conference in May, which brought together more than 200 auditors from 37 countries, mainly from Europe. The SAO also supported the creation of seven new EUROSAI international project groups and established closer co-operation with the INTOSAI Development Initiative (IDI),¹⁵¹ and the SAO President represented EUROSAI at INCOSAI 2022, an International Congress of Supreme Audit Institutions¹⁵².

Audits focusing mainly on the Government's measures to combat the Covid-19 pandemic continued in 2022. SAO representatives provided their foreign counterparts with expert advice concerning good governance, legal reforms, transparency and accountability, the organisation of major international events, control and information systems, and comparative analyses, and also semantic search.

Co-operation with the audit authorities of Russia and Belarus was interrupted because of the war in Ukraine. In this context, the SAO offered help and assistance to Ukrainian auditors and their families.

The state of the SAO's international co-operation is slowly returning to its pre-Covid-19 levels. The number of personal meetings and official visits has increased. In 2022, SAO representatives attended a total of 110 international events, of which 71 were held online and 39 face-to-face.

Chart 24: Overview of international events with the participation of the SAO



150 See <https://www.euroesai2021.cz/>.

151 See <https://www.idi.no/>.

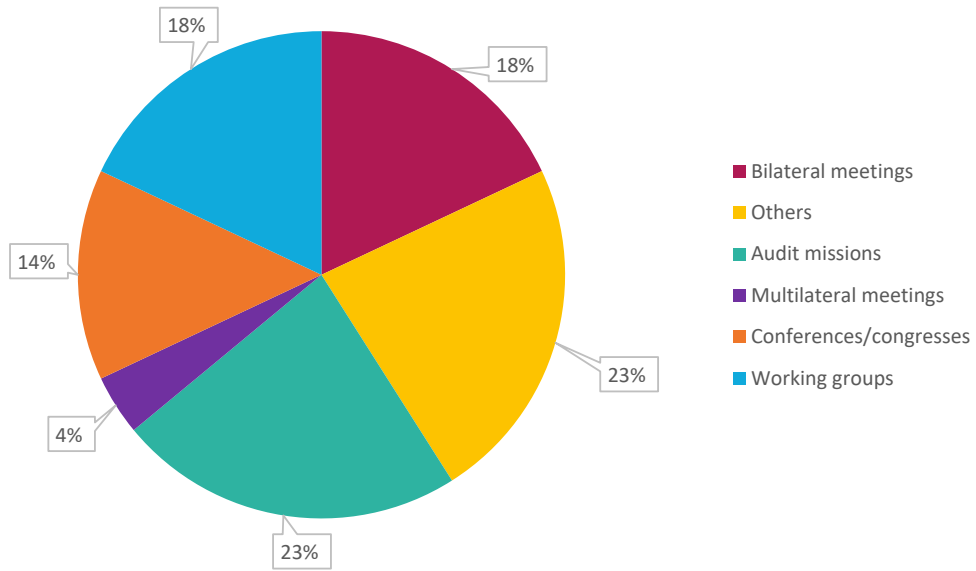
152 See <https://incosai2022.rio.br/>.

The traditional meeting of the SAO President with ambassadors of EU countries at the SAO headquarters in Prague resumed after a two-year hiatus caused by the Covid-19 pandemic. At the beginning of the Czech Presidency of the EU Council, delegates of the European Court of Auditors (ECA), headed by President Klaus-Heiner Lehne, paid an official visit to Prague.

International activities also included ECA audit missions, co-operation with the European Anti-Fraud Office (OLAF), and the SAO's involvement in the activities of the European Defence Agency (EDA) and the European Union Aviation Safety Agency (EUROCONTROL).

Overview of international events with SAO participation

Chart 25: International visits to the Czech Republic and meetings organized by the SAO



The year 2022 was marked by dramatic events in Ukraine. On 3 March 2022, the President of the SAO, in his capacity as EUROSAI chair, convened an extraordinary, 56th online meeting of the EUROSAI Governing Board, where members decided to discontinue co-operation with the audit authorities of Russia and Belarus¹⁵³.

The largest international event of 2022 in the Czech Republic in terms of the number of participants was the *EUROSAI Prague Post-Congress Get-Together* conference, comprising nine expert workshops on tax, anti-corruption, environmental and other topics. Five of the workshops were led by SAO auditors and four were chaired by SAs from Belgium, Sweden, Turkey and the United Kingdom. Work also progressed on the new EUROSAI strategic plan for 2024–2030 and a “marketplace”, where experts from individual audit institutions presented their audit work and professional projects.



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See <https://www.nku.cz/en/for-media/press-releases/situation-in-ukraine-czech-sao-and-eurosai-president-miloslav-kala-has-summoned-an-extraordinary-meeting-of-the-eurosai-governing-board-id12402/>.

During the conference, 30 top representatives of European audit institutions visited the President of the Czech Republic at Prague Castle.



On 18 July 2022, the SAO was visited by a six-member delegation from the European Court of Auditors, headed by its President, Klaus-Heiner Lehne, also including the Czech ECA member, Jan Gregor. This was a visit which is traditionally paid by ECA representatives to the audit institution of the country holding the EU Council Presidency. The main topics of the meeting were, in particular, audit methodology and the ECA's rotation employment policy.



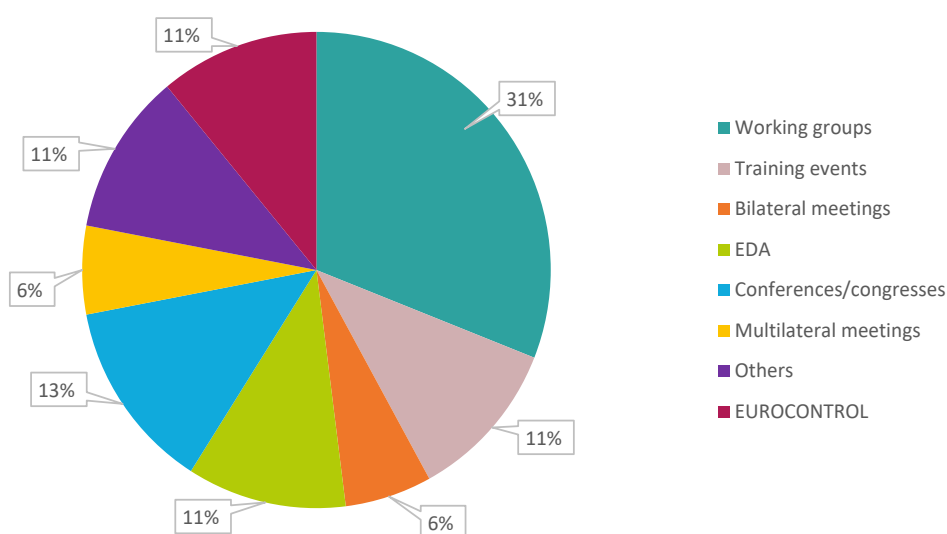
On 20 September 2022, a meeting was held within the OLAF mission to the Czech Republic, focusing on the *Recovery and Resilience Facility* and the setup of the system for the implementation of the *National Recovery Plan* in the Czech Republic.



The regular annual meeting between the SAO President and ambassadors of European Union Member States, and also representatives of the Ministry of Foreign Affairs and the Representation of the European Commission in the Czech Republic took place on 22 November 2022, after a two-year break caused by the pandemic. The guests were informed about the SAO's auditing and international activities, with the construction of the SAO's new headquarters, and with current topics that reverberate in society, i.e. the government debt, the Covid-19 pandemic and its impact, and the ongoing war in Ukraine.

On 24 and 25 November 2022, the SAO hosted a seminar on the method of data wrapper analysis. The seminar was led by auditors from the Swedish and Norwegian SAIs and was attended by 25 persons from 11 countries.

Chart 26: Participation of SAO representatives at international events and negotiations abroad



Involvement of the SAO in international working groups, task forces and project groups

The largest share (31%) of international activities consisted in the SAO representatives' involvement in working groups. During 2022, the SAO actively continued with its participation in international working groups or joined new working and project groups, most notably under the auspices of EUROSAI, the ECA, the Contact Committee and INTOSAI.

There are currently four working groups and task forces in EUROSAI: one on IT, one on environmental auditing, one on the audit of funds allocated to disasters and catastrophes, and one on municipality audit¹⁵⁴; along with the Network for Ethics¹⁵⁵. The SAO is a member of the first three groups mentioned above and also of the Network for Ethics.

Members of the working groups for EUROSAI's two strategic goals (Strategic Goal 1 on professional co-operation, and Strategic Goal 2 on institutional capacity development) also meet every year with a view to sharing information about the implementation of the EUROSAI strategic plan, and about the ongoing projects and audits. The role of the SAO as the chair of EUROSAI is primarily to co-ordinate all the activities, to oversee compliance with the official rules of procedure, and to promote the organisation's activities.

The EUROSAI Working Group on Information Technologies (WGIT)¹⁵⁶ led by the Estonian SAI held a total of four meetings in 2022, three of which were expert webinars. The WGIT has 42 members and supports European supreme audit institutions in IT audits through projects such as the eGovernment audit reports database, online training modules and an active IT audit manual.

154 See <https://www.tfma.eu/>.

155 See <https://euosai.revizija.hr/en>.

156 See <https://euosai-it.org/>.

Meetings of the EUROSAI Working Group on Environmental Auditing,¹⁵⁷ led by the SAI of Poland, were held in May and November 2022. In 2022, the 43 members of this group focused on topics such as climate change, the energy crisis, waste management in the context of the Covid-19 pandemic, and environmental finance.

The activity of the EUROSAI Working Group on Audit of Funds Allocated to Disasters and Catastrophes, led by the Ukraine Accounting Chamber, was scaled down because of the war.

In addition to the working groups, there are a further 16 expert project groups operating under the auspices of EUROSAI¹⁵⁸. In 2022, the SAO was involved in project groups working in the following areas:

- modernisation of the EUROSAI website (led by Spain's SAI);
- data wrapping analysis method and other methods in audit activities (led by Sweden's SAI);
- English for auditors (led by Poland's SAI);
- preparation for future risks and the climate crisis (led by United Kingdom's SAI);
- EUROSAI's new strategic plan for 2024–2030 (led by Israel's SAI);
- audit of the response to the Covid-19 pandemic (led United Kingdom's SAI);
- experts'/auditors' club (led by Lithuania's SAI).

SAO representatives are also involved in several working groups established at the ECA and the Contact Committee.

The informal working group of performance audit experts in the transport sector, bringing together 12 audit institutions, met three times. The members of the group inform each other about upcoming audits and transport infrastructure-related publications.

Members of the Network of INTOSAI standards liaison officers, managed by the ECA, met online on 5 May 2022 to discuss the future of the *INTOSAI Framework of Professional Pronouncements*.

The SAO auditors are actively involved in the EU Contact Committee's working groups listed below:

- Initiative for NextGenerationEU and for the *Recovery and Resilience Facility*. Representatives from more than twenty EU audit institutions met three times during 2022 to discuss ongoing and planned audits of *national recovery plans*.
- In 2019, the Network on Fiscal Policy Audit launched a parallel audit focusing on the medium-term budgetary framework; the results of the audit were presented in Bratislava on 6 and 7 September 2022.
- An online meeting of the Contact Committee's Working Group on Value Added Tax was also held after a two-year pandemic hiatus, focusing on the identification of VAT issues from the supreme audit institutions' perspective.

157 See <http://www.eurosaiwgea.org/>.

158 See <https://www.eurosai.org/en/ESP-2017-2024/ProjectGroups/>.

Several meetings of the following working groups were also held under the auspices of INTOSAI with participation of the SAO's representatives:

- After a one-year pandemic break, the Egyptian SAI organised the 15th meeting of the INTOSAI Working Group on the Fight Against Corruption and Money Laundering. The main topics covered were the experience and role of supreme audit institutions in preventing and combating corruption.
- The INTOSAI Working Group on Impact of Science and Technology on Auditing, led by the United Arab Emirates, held a webinar in June 2022 with a focus on the strategic direction and impact of advanced technologies in their implementation by governments, and the subsequent impact on the work of supreme audit institutions.
- In July 2022, the INTOSAI Working Group on Environmental Auditing (INTOSAI WGEA), whose secretariat is based in Helsinki, held the 21st meeting of its members, which focused on the issue of adaptation to climate change.
- Innovative methods and data analysis were the subject of a forum organised by the INTOSAI Working Group on Evaluation of Public Policies and Programs during its September meeting in Bern.

Bilateral and multilateral meetings and conferences with the participation of SAO representatives

At the bilateral level, SAO auditors have traditionally been in close contact with their Slovak colleagues. On 11 July 2022, the President of the SAO met with his newly appointed Slovak counterpart, Ľubomír Andrassy, at a meeting in Brno to discuss experience with the EUROSAI Presidency and the challenges faced by the audit institutions.

A meeting of Czech and Slovak auditors took place on 19–22 September 2022 in Bojnice, Slovakia, focusing on risk analysis, strategic and priority areas of audit activities, quality management systems for auditing, data processing and visualisation of audit outputs.

At the April meeting of the top representatives of audit authorities of the V4 countries, Austria and Slovenia in Rajecké Teplice, Slovakia, the presidents informed each other about how the audit institutions had adapted their *modus operandi* to the emergency situation. They also shared experience with audits related to public health measures adopted to fight the pandemic.



At the beginning of May 2022, 22 top representatives of EU Member States' audit institutions met in a Contact Committee meeting held at the ECA headquarters in Luxembourg to present their experience with *Recovery and Resilience Facility* audits. They also discussed the challenges and demands that awaited EU Member States in the context of the Covid-19 pandemic and the invasion of Ukraine.



On 27–29 June 2022, a technical level meeting of the EUROSAI Governing Board was held in Warsaw with the participation of 30 delegates from 13 audit institutions. One of the focal points was the preparation of the new *EUROSAI Strategic Plan for 2024–2030*.



The President of the SAO was invited by the supreme audit institutions of Montenegro and Israel to bilateral meetings in 2022. The meetings focused on areas related to international co-operation and EUROSAI presidency. The President of Israel's SAI, as the successor EUROSAI chair, was particularly interested in good practice and experience in the preparation of EUROSAI congresses.

The 57th meeting of the EUROSAI Governing Board was held on 21–22 September 2022 at the Portuguese Court of Auditors in Lisbon. At the meeting, chaired by the SAO President, the Governing Board members discussed the implementation of the *EUROSAI Strategic Plan 2017–2024*, the activities of the various EUROSAI working and project groups, the organisation's financial affairs, and the situation in Ukraine.



SAO auditors also regularly share their professional experience with their foreign colleagues at various international conferences. Topics such as debt management, the implementation of the *2030 Agenda for Sustainable Development*, the future of the EU, the independence of supreme audit institutions, the UN Sustainable Development Goals, etc. reverberated in 2022. Together with 90 other participants, SAO auditors under the age of 35 attended the 5th Young EUROSAI Conference (YES) in Stockholm¹⁵⁹.

Participation in international training activities

The SAO staff and representatives attended several international expert seminars/webinars on areas such as data analysis, risk management, climate change control, information control systems, cyber security risks, etc. The training was provided, for example, by the Hungarian Institute of Internal Auditors, the Ljubljana Centre of Excellence in Finance, the INTOSAI IDI, the ECA and the European Confederation of Institutes of Internal Auditing.

159 See <https://www.yes-2022.com/>.

4. THE SAO'S PUBLIC OUTREACH

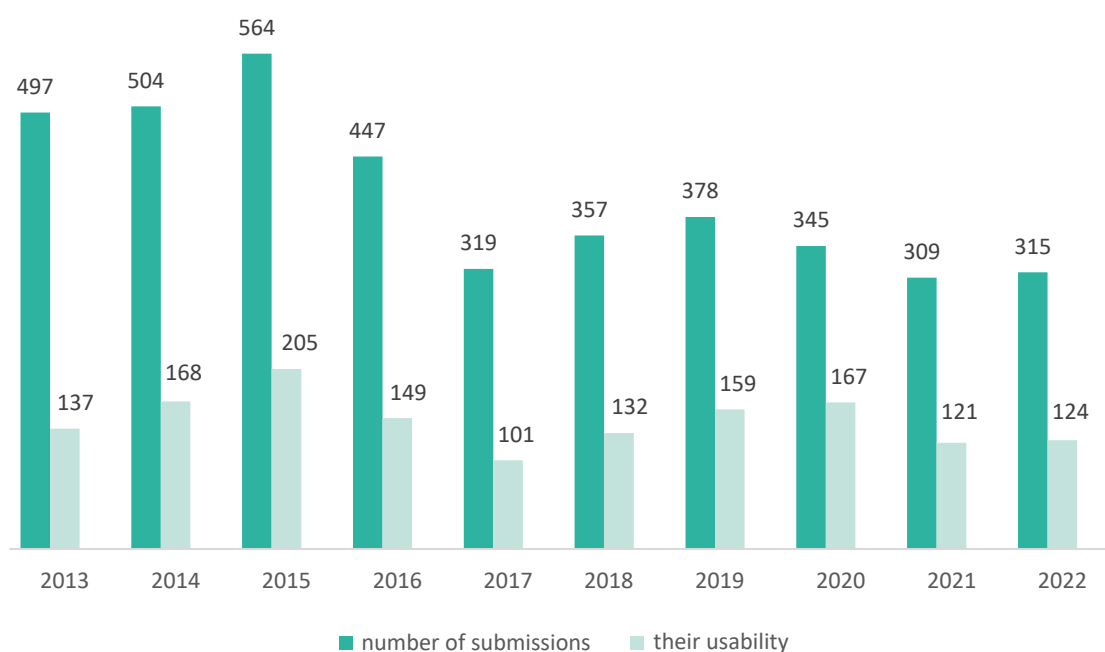
4.1 PROVISION OF INFORMATION PURSUANT TO ACT NO 106/1999 COLL., ON FREE ACCESS TO INFORMATION

In 2022, the SAO received seventeen written requests for information under Act No. 106/1999 Coll., on free access to information, as amended (the "Information Act"). Further to eight requests, the SAO provided the requested information in full, including information on the results of audit activities including audit reports, information on the rent paid by the SAO for office buildings, and the provision of insurance contributions to the SAO staff. The SAO set one request aside pursuant to Section 14 (5)(c) of the Information Act because the information requested did not relate to the SAO's remit. In response to one request for numerous pieces of information from various areas of the SAO's work and for many documents to be sent in printed form, the SAO collated the required information and notified the applicant of the fee for the extraordinarily extensive information search and for copies made of the requested documents. The applicant filed a complaint against the decision on charging the fee; the SAO referred the complaint to the Office for Personal Data Protection, which had not issued a decision by 31 December 2022. The SAO issued three decisions rejecting the request, one decision on setting part of the request aside, and one decision rejecting part of a request. In these requests, the applicants sought an opinion, new information or information subject to an exemption from the duty to provide information. Two appeals were filed against the SAO's decisions, and in both cases the Office for Personal Data Protection issued a decision upholding the SAO's decision to reject the request, and dismissed the applicant's appeal. All the requests for information were dealt with within the statutory time limits.

4.2 CITIZENS' SUBMISSIONS

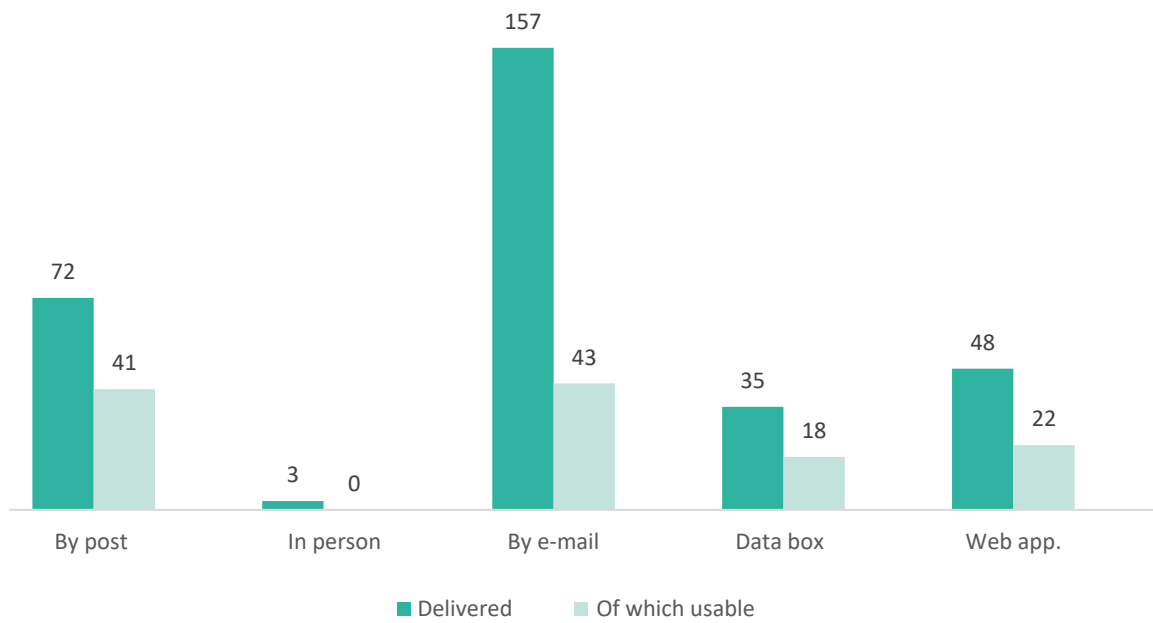
In 2022, the SAO's communication division registered 315 written submissions (suggestions, complaints, requests, enquiries etc.) from citizens and legal entities. The content of all the submissions is evaluated with regard to the SAO's powers and in terms of the potential use of the information in audit work. Submissions concerning areas covered by the SAO's competence are used as a supplementary information source in the context of related planned audits and when preparing ideas for audits in the coming period. In 2022, the SAO received 124 external suggestions that could thus be acted on, i.e. 39% of the total number of submissions received. In its audit work, the SAO used the findings from submissions focusing mainly on the management of State property and State budget funds and on the use of earmarked subsidies provided from national sources and European funds to various beneficiaries; these matters were covered by 86 submissions, i.e. 69% of the actionable external suggestions.

Chart 27: An overview of the total number of submissions and their usability for the SAO's audit activities for the years 2013 to 2022.



The predominant form of communication between citizens and the SAO in 2022 was again electronic, i.e. via e-mail, data box and the "Write to Us" application on the SAO website, with 76% of the submissions received electronically.

Chart 28: An overview of the number of submissions in 2022 according to the method of delivery and their usability



5 MANAGEMENT OF FINANCES ALLOCATED TO THE SAO BUDGET CHAPTER

5.1 COMPLIANCE WITH MANDATORY INDICATORS OF THE SAO BUDGET CHAPTER

The approved budget of chapter 381 – *Supreme Audit Office for 2022* was established by Act No 344/2022 Coll., amending Act No 57/2022 Coll., on the State budget of the Czech Republic for 2022.

An overview of compliance with the defined mandatory indicators in 2022 is given in the following table:

Table 14: Overview of the fulfillment of the set mandatory indicators in 2022

CZK thousand	Approved budget	Budget after changes	Final budget	Actual budget	Implementation of the budget after changes in %	Implementation of the final budget
Summary indicators						
Total revenues	626	626	–	1,011.22	161.66	–
Total expenditures	787,908	798,081	1,354,748	1,034,547.96	129.63	76.36
Specific indicators – revenues						
Total non-tax revenues, capital revenues and received transfers	626	626	–	1,011.22	161.66	–
In which: revenues from the EU budget	–	–	–	–	–	–
Total miscellaneous non-tax revenues, capital revenue and received transfers	626	626	–	1,011.22	161.66	–
Specific indicators – expenditure						
Expenditure on performance of the SAO's duties	787,908	798,081	1,354,748	1,034,547.96	129.63	76.36
Cross-cutting indicators						
Staff pay and other payments for work done	358,981	366,472	362,430	351,394.58	95.89	96.96
Obligatory insurance premiums paid by the employer	120,688	123,220	121,786	118,041.88	95.80	96.93
Transfer to the social and cultural needs fund	6,552	6,702	6,617	6,454.91	96.32	97.55
Salaries to employees only	327,596	335,087	330,845	322,745.37	96.32	97.55
Total expenditure cofunded in full or in part from the EU budget	–	–	–	–	–	–
In which: from the state budget	–	–	–	–	–	–
EU budget share	–	–	–	–	–	–
Total expenditure registered in EDS/SMVS programme financing information	173,850	173,850	650,131	435,159.78	250.31	66.93

Revenue

Actual revenues in the SAO budget chapter were CZK 1,011.22 thousand, i.e. 161.66% of the approved budget revenue of CZK 625.52 thousand.

Expenditure

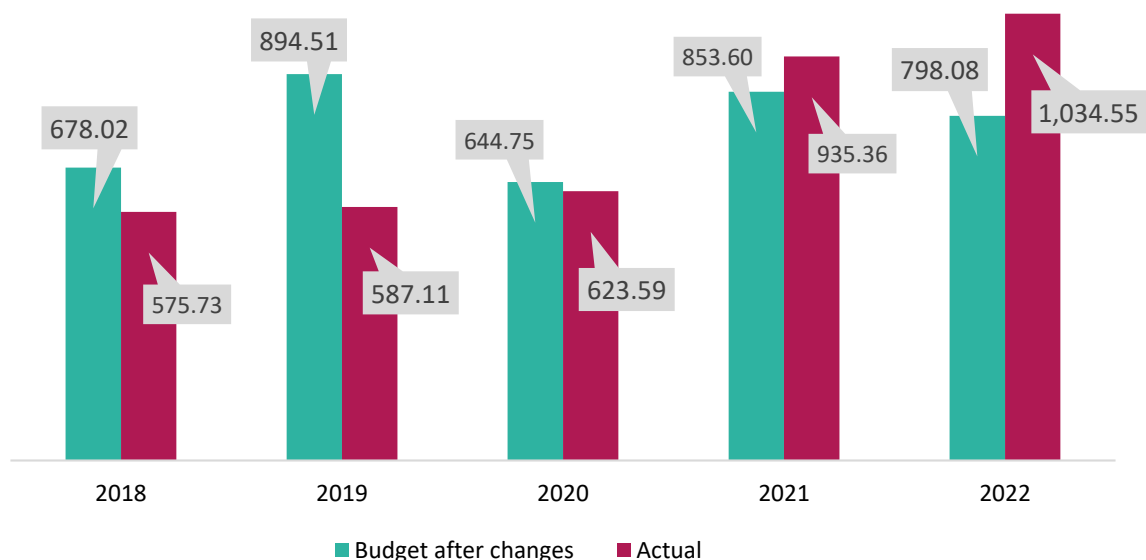
The approved expenditure for the budget chapter, amounting to **CZK 787,908.27 thousand**, was later adjusted. Savings of CZK 573,520.86 thousand from previous periods carried forward and tied funds totalling CZK 16,760.50 thousand were included in the budget. The final budgeted expenditure was CZK 1,354,748 thousand and the amount of CZK 1,034,547.96 thousand was actually spent, equalling 131.30% of the approved budget and 76.36% of the final budget.

The biggest expenditure item (CZK 469,525.68 thousand, i.e. 45.38%) relates to salary expenditure and other payments for work performed (including expenditure on salaries of SAO officials) and related expenses, i.e. statutory insurance contributions.

All the mandatory indicators of the SAO budget chapter were complied with in 2022.

Chart 29 gives an overview of expenditure in budget chapter 381 – *Supreme Audit Office* from 2018 to 2022. After changes, the budget increased by CZK 120,063 thousand in the period from 2018 to 2022. The main reason for the growth in the budget were funds for salaries, including levies, which had grown by CZK 120,063 thousand since 2018, and in 2022, funds amounting to CZK 161,600 thousand for the construction and furnishing of the new headquarters.

Chart 29: Overview of expenditures of chapter 381 - *Supreme Audit Office* according to the budget after changes and implementation of the budget for the years 2018 to 2022 (CZK million)



5.2 CLAIMS FROM UNUSED EXPENDITURE

Claims from unused expenditure stood at CZK 104,010.63 thousand as at 31 December 2022. Claims amounting to CZK 573,520.86 thousand were factored into the budget in 2022.

5.3 EXPENDITURE ON ASSET REPLACEMENT PROGRAMME FINANCING

The approved budget for expenditure on asset replacement programme financing was CZK 173,850 thousand. Claims from unused expenditure amounting to CZK 476,281.36 thousand were subsequently factored into budget. The final budget thus amounted to CZK 650,131.36 thousand. The amount of CZK 435,159.78 thousand of the budget was utilised, i.e. 250.31% of the approved budget (and the budget after changes) and 66.93 % of the final budget.

Since 2020, programme 18101 – *Development and Renewal of the Material and Technical Resources of the SAO from 2011* has been used solely for the construction and furnishing of the headquarters. The approved budget was CZK 167,450 thousand. After claims from unused earmarked (profiling) expenditure totalling CZK 469,178.86 thousand were factored in, the final budget reached CZK 636,628.86 thousand. CZK 427,981.81 thousand of that was utilised. Capital finances were the programme's sole source.

Programme 08101 – *Development and Renewal of the Material and Technical Resources of the SAO from 2020* covers the years 2020–2024. The State budget's contribution to financing the programme is set at a maximum of CZK 105,465 thousand. For 2022, a budget of CZK 6,400 thousand was approved. Unspent expenditure of CZK 7,102.50 thousand was factored into the budget, and the final budget thus amounted to CZK 13,504.50 thousand. The programme's aim is to put in place the right material and technical conditions for the performance of auditing and the SAO staff's work on the nationwide scale. The amount spent on the programme in 2022 was CZK 7,217.97 thousand.

5.4 INFORMATION ON EXTERNAL AUDITS IN THE SAO

The SAO was subject to one audit by external bodies in 2022. The Ministry of the Interior, eGovernment department, carried out an audit of the accessibility of websites and the publication of declarations pursuant to Act No 99/2019 Coll., on the accessibility of websites and mobile applications and on amendment to Act No 365/2000 Coll., on information systems in public administration and amending certain laws, as amended. Partial shortcomings were found and remedied.

5.5 COMPULSORY AUDIT

The annual financial statements of the SAO were audited within the meaning of Section 33 (3) of Act No 166/1993 Coll., on the Supreme Audit Office, as amended. The independent audit report reads: *"In our opinion, the financial statements present a true and fair view of the Supreme Audit Office's assets and liabilities as at 31 December 2022 and its expenses and revenues and profit/loss for the year ended 31 December 2022 in accordance with the Czech accounting regulations."*

6. INTERNAL AUDIT

The internal audit department is divided into governing and executive structures, is functionally independent and answers directly to the SAO President. The purpose, powers and responsibilities of the internal audit department were set out in Guideline No. 77, on ensuring internal audit at the Supreme Audit Office; its quality and effective performance is supported by the department's documentation. The average annual converted number of employees carrying out internal audit in the year under scrutiny was 4.98.

The internal audit department operated on the basis of the approved annual plan and carried out a total of four audits and two consultations in 2022.

Table 15: Number of jobs done in line with the internal audit plan for 2022

Number of completed internal audits included in the annual plan	Number of completed consultations included in the annual plan	Number of completed internal audits and consultations not included in the annual plan
4	2	0

Source: reports on internal audit findings and records of consultations.

The above-mentioned internal audits and consultations verified the functionality and effectiveness of the measures adopted on the basis of recommendations of the internal audit department; the compliance of the procedures of the SAO units concerned with selected legal regulations; the compliance of the activities performed with their description in the internal regulations; the fulfilment of the objectives and tasks of the audited units; the functionality and effectiveness of the internal control system and the effectiveness of the processes set up in the audited area, including the identification and management of risks.

Recommendations were formulated by the internal audit department to address the shortcomings identified by the internal audits and consultations. The reports from the internal audits and consultations were submitted to the SAO President. In response to all the recommendations, the senior staff responsible for the management of the audited activities took appropriate and timely corrective actions to improve the effectiveness of the related internal control system and the efficiency of the audited area.

On 9 February 2023, the President of the Supreme Audit Office, Ing. Miloslav Kala, received and signed the *Annual Report on the Results of Internal Audit for 2022*. This report contains the following declaration on internal audit: *“Based on the results of the audits, we declare that in the selected areas of the internal operation and financial management of the SAO in the audited period the design of management and control mechanisms was proportionate and effective, with the exception of shortcomings of intermediate or low significance. These identified shortcomings, however, were not of such a nature as to materially affect the protection of public finances, the performance of financial management and the functionality of the internal audit system. They are an aid to improving the quality of the control environment, updating and complying with internal regulations, employee training, and the protection of the SAO’s rights and legitimate interests.”*

In 2022, the internal audit department found no shortcomings with a significant risk for the management of public funds.

The internal audits produced no serious findings within the meaning of Section 22 (5) of the Financial Control Act. No risk of corruption or fraud was detected or reported that might indicate impropriety or abuse of office in decision-making and management processes or failings by individual SAO employees. At the same time, no breach of the *SAO Code of Ethics* was reported or detected.

No external quality assessment of the internal audit was carried out in 2022.

7. SECURITY DEPARTMENT

The security department performs tasks following from the regulations in the areas of personnel, administrative, physical and cyber security. It also provides for fire safety and health protection at work. The department is also responsible for tasks related to the preparation of national defence and tasks relating to crisis management.

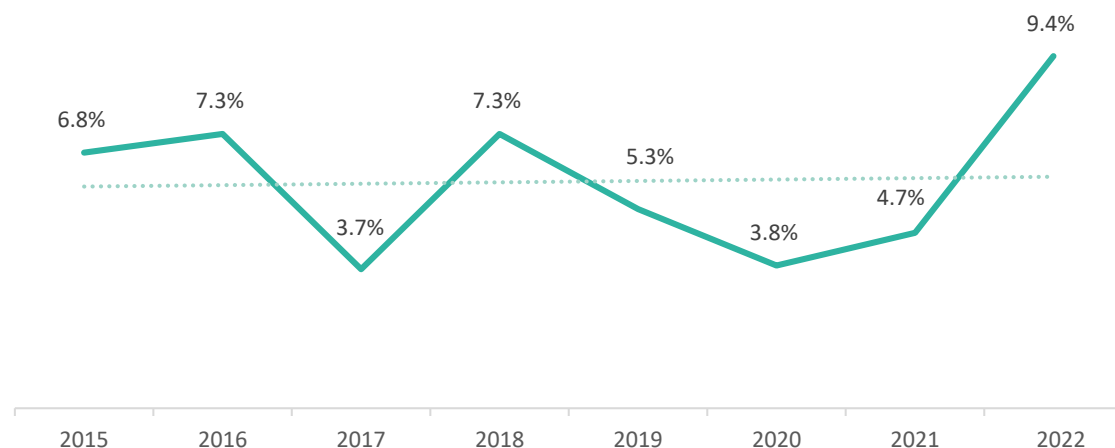
The security department is actively involved in the construction of the new SAO headquarters, especially in addressing the security of the building and co-ordination of the requirements presented by the Police of the Czech Republic, the National Security Authority and other stakeholders.

As regards protection of classified information, the SAO received classified documents with various classification levels in 2022, including both national and NATO documents. Audit No 21/19, where classified information was handled, also took place last year.

8. SAO STAFFING

In 2022, the SAO had 459 employees¹⁶⁰, 303 of whom worked in the audit section; this equals 66.01% of the total registered average number of SAO employees in 2022. A total of 30 employees were newly hired during 2022; a further 7 returned to work after the end of their parental leave, and two staff members returned after long-term release for the discharge of a municipal office. A total of 55 employees ended their employment. The fluctuation rate in 2022 was 9.37%. Chart 30 shows how the annual employee fluctuation rate evolved in the SAO from 2015 to 2022.

Chart 30: Development of the annual turnover rate of SAO employees for the period 2015–2022



The converted average number of SAO employees for 2022 was 443.4; the converted average number of employees in the audit section for 2022 was 294.2. Chart 31 shows the converted average number of SAO employees and employees of the Prague and territorial divisions for the 2012 to 2022 period.

¹⁶⁰ Average registered number of employees for 2022.

Chart 31: Development of the average recalculated number of SAO employees for the period 2012–2022

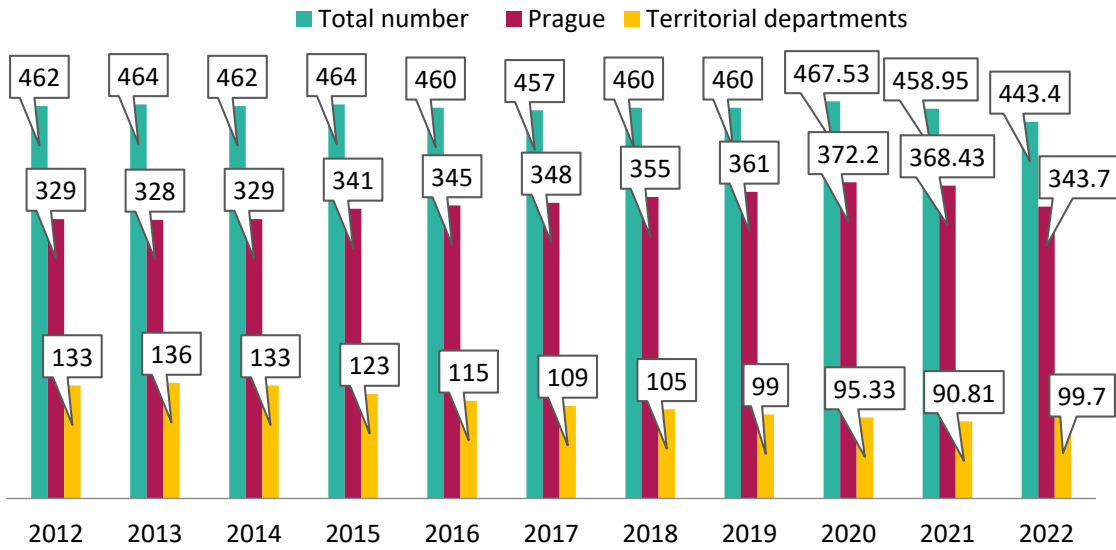
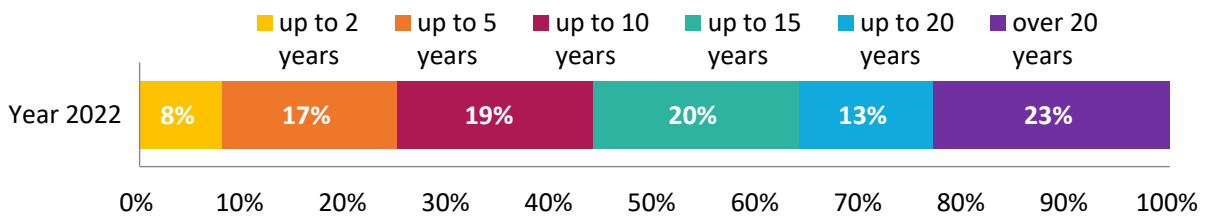


Chart 32 shows the duration of SAO employees’ employment as at 31 December 2022. 7.76% of the total number of employees had been employed by the SAO for less than two years as at that date. 22.84% of the total workforce had been employed by the SAO for over 20 years.

Chart 32: Overview of the duration of SAO employees’ employment as at 31 December 2022 (%)



The SAO offers its employees equal working conditions and opportunities. Chart 33 shows the proportion of men and women employed at the SAO in 2022.

Chart 33: Proportional representation of men and women employed by the SAO in 2022 (%)

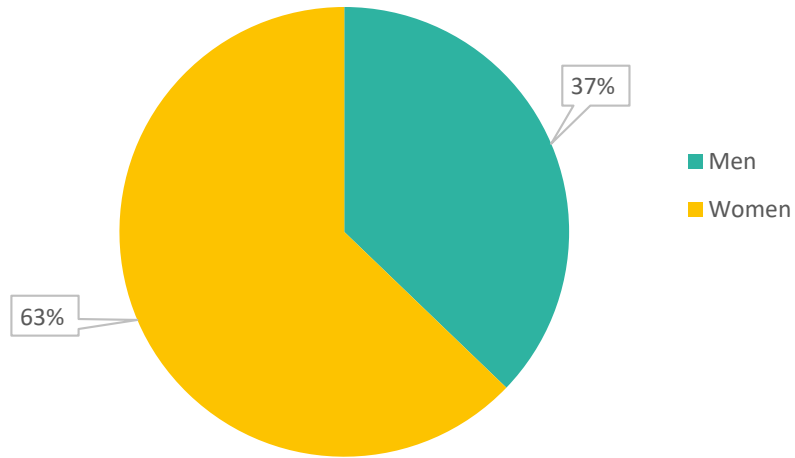
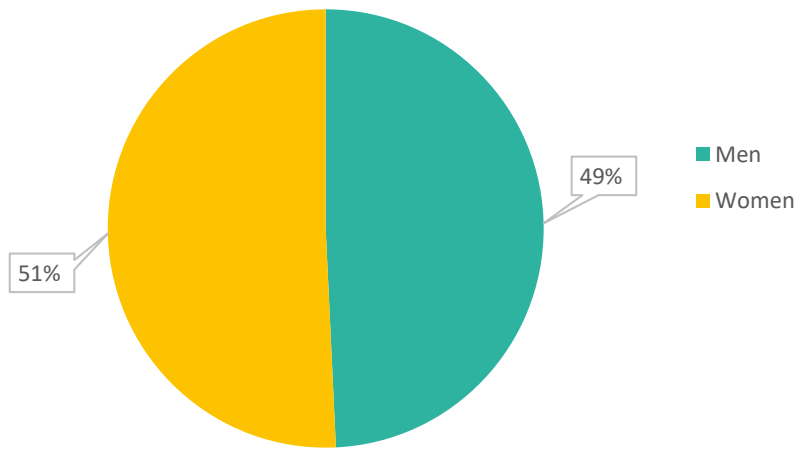
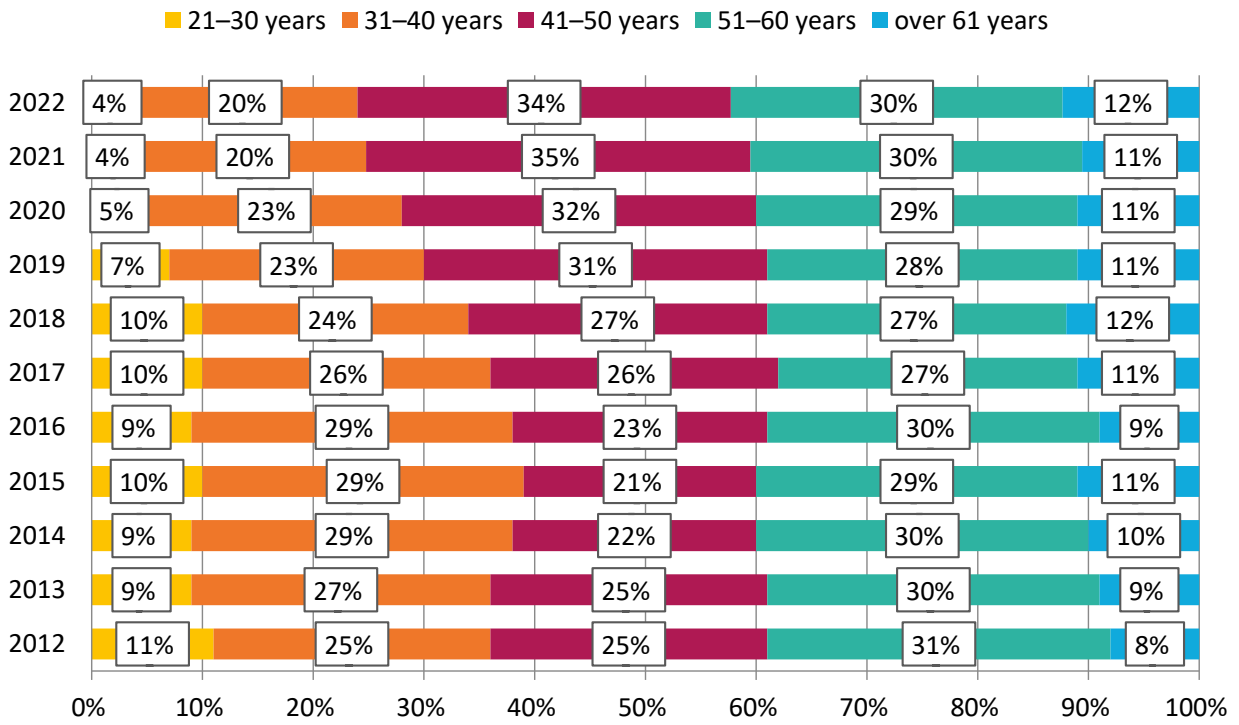


Chart 34: Representation of men and women in senior positions of the SAO, status as of 31 December 2022 (%)



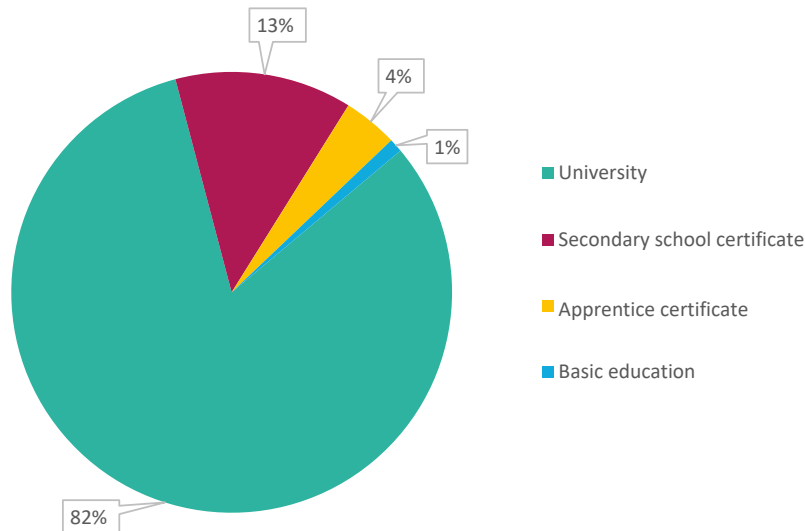
The average age of SAO employees in 2022 was 49. The age structure of the SAO workforce as at 31 December 2022 is given in Chart 35, along with a comparison with the years 2012 to 2021.

Chart 35: Overview of the age structure of SAO employees in the period 2012–2022 (comparison as of December 31 of 2012–2022)



82.25% of the SAO’s workforce were university-educated as at 31 December 2022. Chart 36 breaks down the educational structure of SAO employees as at 31 December 2022.

Chart 36: Qualification structure of SAO employees by their education as at 31 December 2022



Labour-law, salary and other demands of SAO employees were satisfied in accordance with the valid collective bargaining agreement.

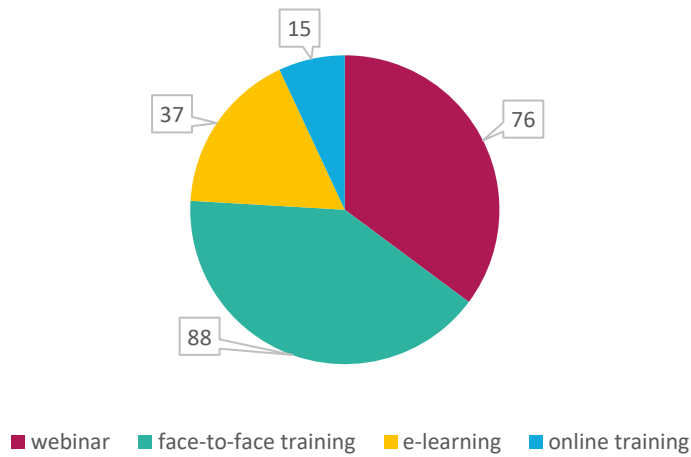
Staff training and professional development

Based on the identified development needs of the SAO’s specialist units, various training activities were again provided in 2022 in order to improve employees’ professional knowledge and skills in the long term within the SAO’s systematic training system, as an important instrument for the development of the SAO’s human resources. The training activities were implemented in several forms in order to make efficient use of the participants’ time.

Forms of training:

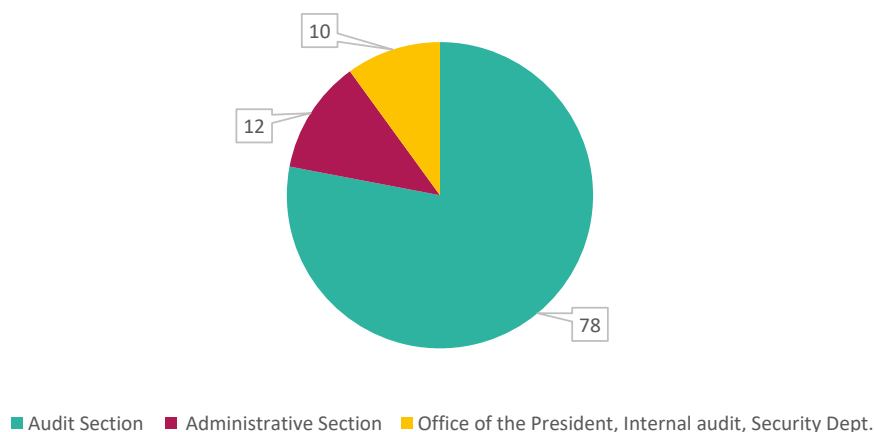
- webinar (76);
- face-to-face training (88);
- e-learning (37);
- online training (15).

Graphic representation of the use of training forms (2022)



SAO employee participation in training events by section (in %)

- audit section (78%);
- administrative section (12%);
- office of the President, internal audit department, security department (10%).

Employee participation in educational events in 2022

There have been significant long-term developments in the training of the audit section in 2022. The professional training system started with the orientation training of new employees during the onboarding process and continued with the *Auditor II* training programme. The newly launched *Auditor III* programme is directed at those auditors who have already acquired knowledge of audit activities and need to develop their competences in key auditing areas in order to discharge a managerial function in audit. For the time being, the Auditor III training programme completes the professional training programme for SAO auditors. All of these professional programmes are provided mainly by inhouse instructors.

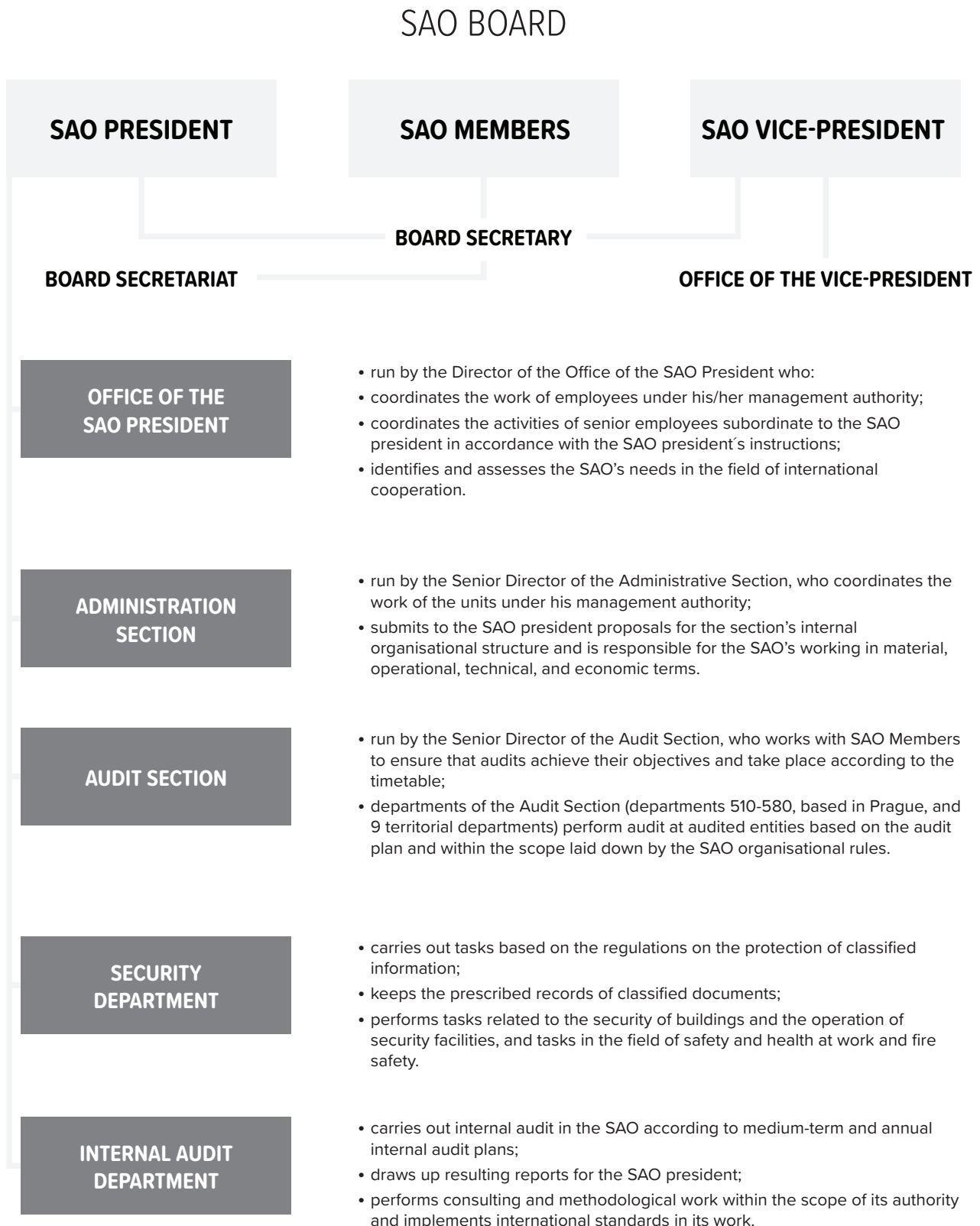
In 2022, the professional development of employees was the focus of training activities not only in the audit section, but also in the administrative section and other SAO units. Existing specialisations were used as the decisive criterion, and these specialisations were further developed. For example, an updated Performance Audit training programme, fully taught by inhouse instructors, has been launched in this regard. The teaching materials for this programme were created in the form of e-learning courses.

Online training has become a common teaching method and has therefore been included among standard forms of training.

Types of training in 2022:

- *Auditor II, Auditor III*;
- *Performance Audit* – multi-module programme;
- training required by the law;
- professional training;
- soft skills;
- ICT.

9. ORGANISATIONAL STRUCTURE OF THE SAO



10. NEW HEADQUARTERS

The SAO started the construction of its headquarters in 2020. The headquarters will be located in a modern office building with low life cycle costs, corresponding to conventional modern office buildings. The new SAO headquarters consists of two buildings providing approximately 5,000 m² of office space. They are connected by underground garages and a covered footbridge on two floors.

The Supreme Audit Office opted for the construction of new headquarters after having considered a number of options. Since 2006, the SAO has been based in the TOKOVO building in Prague-Holešovice, where it pays rent to a private company. Previously, it had sought to acquire a State-owned building that would serve as its headquarters, but no suitable building could be found. The SAO also looked into the possibility of acquiring an energy-efficient category A building. A survey showed that once the necessary building modifications were factored in, the sales prices of buildings with the corresponding capacity were higher than the cost of building the headquarters from scratch on the SAO's own land. This was also confirmed by an assessment prepared by a team of renowned experts from the Department of Economics and Management in Construction Industry at the Faculty of Civil Engineering of the Czech Technical University in Prague. Building the SAO's own headquarters proved to be the most cost-effective and efficient solution.

The financing of the construction project started in 2015, when the overall construction budget was approved by the Chamber of Deputies' Committee on Budgetary Control. At the same time, the Committee asked the SAO President to allocate space in the future headquarters for the Parliamentary Library and for archives of the Chamber of Deputies, and the SAO President complied. The Chamber of Deputies' Office thus has approximately 2,500 m² of space allocated in the new building.

Given the period elapsed between the initial approval of the headquarters construction expenditure in 2015 and the start of actual construction in 2020, much of the funding was reflected in claims from unspent earmarked (profiling) expenditure. The approved budget for the headquarters' construction in 2022 amounted to CZK 144,200,000, and additional CZK 376,085,643 was made up of these claims. A total of CZK 520,285,643 was thus available for the approvable construction project in 2022.

The total amount of CZK 410,609,623.37 was eventually spent on the construction of the new SAO headquarters. Approximately 97% of this amount was spent on the construction itself, which is carried out by the general contractor, PORR a.s. Of this amount, 1.45% was spent on the activities of the construction manager, and 0.66% was paid to the general designer for author's supervision, 0.14% to PREdistribuce, a.s. for the connection to the electricity distribution system, 0.11% for the co-ordination of occupational health and safety at the construction site, and 0.01% for legal and technical assistance during the building's commissioning. The overall utilisation of construction expenditure over the whole period of construction equals 78.92%.

The construction authority of the Prague 7 district issued the occupancy permit on 14 December 2022. The permit serves as a proof of the approved purpose of the building's use. The furnishing of the new headquarters needs to be completed before the staff can be moved. Where possible, the SAO will use equipment and furniture from its current headquarters. The Prison Service of the Czech Republic is involved in the manufacture of new furniture.

The relocation of staff to the new headquarters is expected to take place during the first half of 2023. The move to the new address will culminate with the relocation of the SAO President and the SAO's filing department, with the final phase scheduled for June 2023.

Annex 1: Audits included in the Audit Plan for 2022

Audits included in the Audit Plan for 2022						
Audit No	Subject of audit	Start of audit (month/year)	Submission of the audit report for approval (month/year)	Chapter administrator	The audit report is drawn up by SAO member	Audit report approved by
22/01	Funds spent on the Time-Related Toll system according to Act No. 13/1997 Coll., On Roads	1/2022	2/2023	MoT	Mr Procházka	SAO Board
22/02	State and EU funds earmarked for the support of digital education	1/2022	11/2022	MoEYS	Mr Beznoska	SAO Board
22/03	State property and funds under the management of the Czech Telecommunication Office	1/2022	10/2022	CTO	Mr Hrnčír	SAO Board
22/04	Funds from the Integrated Regional Operational Program intended to support regional health care infrastructure	2/2022	12/2022	MoRD	Mr Kinšt	SAO Board
22/05	State budget funds provided to state contributory organisations	2/2022	2/2023	MoF, MoIT, MoE, MoA	Mr. Koníček	SAO Board
22/06	Funds spent on projects and activities to ensure the modernisation of public administration	10/2022	8/2023	MoI	Mr Neuvirt	SAO Board
22/07	State funds earmarked for a compensation bonus in connection with measures to mitigate the consequences of the COVID-19 pandemic	3/2022	3/2023	MoF	Mr Kalivoda	SAO Board
22/08	State and EU funds earmarked for the construction of the D35 motorway	4/2022	4/2023	MoT	Mr Malek	SAO Board
22/09	State and EU funds earmarked for measures for the protection and care of nature and landscape	4/2022	3/2023	MoE	Mr Neuvirt	SAO Board
22/10	State and EU budget funds earmarked for the realisation and implementation of gender audits	4/2022	2/2023	MoLSA	Mr Koucký	SAO Board
22/11	State funds earmarked for the cars of the Army of the Czech Republic	5/2022	3/2023	MoD	Mr Neuvirt	SAO Board

Audits included in the Audit Plan for 2022						
Audit No	Subject of audit	Start of audit (month/year)	Submission of the audit report for approval (month/year)	Chapter administrator	The audit report is drawn up by SAO member	Audit report approved by
22/12	State funds earmarked for the preparation and provision of the system of protection of the population	5/2022	2/2023	MoI, MoH	Mr Šmucr	SAO Board
22/13	State property and funds under the management of selected university hospitals	5/2022	4/2023	MoH	Mr Stárek	SAO Board
22/14	State funds spent to increase preparedness for managing risks and disasters	6/2022	3/2023	MoRD, MoI	Mr Procházka	SAO Board
22/15	State and EU funds earmarked for the support of fisheries in the Czech Republic from the Fisheries Operational Programme 2014-2020	7/2022	4/2023	MoA	Mr Kalivoda	SAO Board
22/16	Financial statements of the Municipal Court in Prague for the year 2022 and data submitted by the Municipal Court in Prague for the evaluation of the implementation of the state budget for the year 2022	8/2022	7/2023	MoJ	Ms Steidlová	SAO Board
22/17	Closing account of state budget chapter "Ministry of Agriculture" for 2022, accounting of the Ministry of Agriculture for the year 2022, and data submitted by the Ministry of Agriculture for evaluation of state budget implementation for the year 2022	8/2022	6/2023	MoA	Mr Reisiegl	SAO Board
22/18	Closing account of the state budget chapter of the Ministry of the Environment for 2022, the financial statements of the Ministry of the Environment for 2022 and the data submitted by the Ministry of the Environment for the evaluation of the implementation of the state budget for 2022	8/2022	7/2023	MoE	Ms Steidlová	SAO Board
22/19	Closing account of the state budget chapter of the State Office for Nuclear Safety for 2022, the financial statements of the State Office for Nuclear Safety for 2022 and the data submitted by the State Office for Nuclear Safety for the evaluation of the implementation of the state budget for 2022	8/2022	6/2023	SONS	Mr Reisiegl	SAO Board
22/20	Funds spent on the implementation of selected objectives of the National Strategy of ElectronicHealth	10/2022	7/2023	MoH	Mr Koucký	SAO Board

Audits included in the Audit Plan for 2022						
Audit No	Subject of audit	Start of audit (month/year)	Submission of the audit report for approval (month/year)	Chapter administrator	The audit report is drawn up by SAO member	Audit report approved by
22/21	State budget funds provided by the Ministry of Industry and Trade for institutional support of research organisations	9/2022	5/2023	MoIT	Mr Beznoska	SAO Board
22/22	State funds provided for the rescue and restoration of cultural monuments through the budget chapter of the Ministry of Culture	9/2022	6/2023	MoC	Mr Hrnčič	SAO Board
22/23	VAT management with a focus on excessive deductions	9/2022	6/2023	MoF	Mr Kubicek	SAO Board
22/24	Funds of the State budget and of the European Union earmarked for the construction of sewerage systems	10/2022	8/2023	MoA, MoE	Mr. Koniček	SAO Board
22/25	State funds spent in connection with the preparation and implementation of the 2021 Population and Housing Censusproject	The audit was excluded from the Audit Plan				
22/26	Funds spent to improve road safety	11/2022	9/2023	MoT	Mr Kinšt	SAO Board
22/27	State funds earmarked for housing support	11/2022	8/2023	MoRD	Mr Kalivoda	SAO Board
22/28	State budget and European Union funds earmarked for employment promotion	11/2022	9/2023	MoLSA	Mr Stárek	SAO Board
22/29	State funds earmarked for the preparation, construction and operation of the D4 motorway in the form of a public-private partnership (PPP)	11/2022	8/2023	MoT	Mr Malek	SAO Board
22/30	Funds spent in connection with palliative care	11/2022	9/2023	MoH	Mr Šmucr	SAO Board
22/31	State funds related to the competence of state authorities in the field of gambling and gambling tax administration	2/2022	3/2023	MoF	Mr Sklenák	SAO Board
22/32	State property and funds managed by the Office of the President of the Republic and the contributory organisation Administration of the Prague Castle and Forest Administration Lány	2/2022	12/2022	OoP	Mr Beznoska	SAO Board

Annex 2: Overview of audits with an approved audit report in 2022

Overview of audits with an approved audit report in 2022						
Audit number	Subject of audit	Chapter administrator	The AR prepared by SAO member	The AR approved	Date of the AR's approval	Publication in the SAO Bulletin amount/year
20/24	Funds collected under the Act in favour of the General Health Insurance Company of the Czech Republic	—	Mr Stárek	SAO Board	7 March 2022	3/2022
21/03	State and EU funds earmarked for the promotion of recreational voyages	MoT	Mr Malek	SAO Board	14 Feb. 2022	1/2022
21/05	State funds spent on the Integrated State Treasury Information System	MoF	Mr. Koniček	SAO Board	14 Feb 2022	1/2022
21/06	State and EU funds earmarked for the implementation of waste management measures	MoE	Mr Neuvirt	SAO Board	11 April 2022	3/2022
21/07	State property and funds allotted to selected organisations of the Ministry of Regional Development	MoRD	Mr Kubicek	SAO Board	30 May 2022	4/2022
21/08	Funds spent in support of social housing from the Integrated Regional Operational Programme	MoRD	Mr Kalivoda	SAO Board	17 Jan. 2022	1/2022
21/09	Funds spent on visitor infrastructure projects related to nature conservation	MoE	Mr Šmucr	SAO Board	21 March 2022	3/2022
21/10	State property and funds managed by selected contributory organisations of the Ministry of Culture	MoC	Mr Procházka	SAO Board	30 May 2022	4/2022
21/12	State property and funds under the management of the Ministry of Finance	MoF	Mr. Koniček	SAO Board	30 May 2022	4/2022
21/14	Funds of the Integrated Regional Operational Programme intended to support presentation, protection strengthening, and development of cultural heritage	MoRD	Mr Neuvirt	SAO Board	7 March 2022	3/2022
21/15	State and EU funds spent on the promotion of agricultural products and foodstuffs	MoA	Mr Kubicek	SAO Board	9 May 2022	3/2022
21/16	State funds spent on special-purpose support of research and development in the chapter of the Ministry of Culture	MoA	Mr Procházka	SAO Board	14 Feb. 2022	1/2022

Overview of audits with an approved audit report in 2022						
Audit number	Subject of audit	Chapter administrator	The AR prepared by SAO member	The AR approved	Date of the AR's approval	Publication in the SAO Bulletin amount/year
21/17	State budget and EU funds earmarked for the humanisation of psychiatric care	MoRD, MoH	Mr Beznoska	SAO Board	9 May 2022	3/2022
21/18	Closing account of state budget chapter "Ministry of Foreign Affairs" for the year 2020, the Ministry of Foreign Affairs' accounts for 2020, and data submitted by the Ministry of Foreign Affairs for the evaluation of the implementation of the state budget for 2020	MoFA	Mr Reisiegel	SAO Board	7 March 2022	3/2022
21/19	State funds spent by the Ministry of Defence for the acquisition, storage and elimination of ammunition	MoD	Mr Neuvirt	SAO Board	11 April 2022	The AR was not published in accordance with Section 30(3) of the SAO Act
21/20	State and EU funds spent on the ESF 2014+ information system	MoLSA	Mr Beznoska	SAO Board	11 April 2022	3/2022
21/21	State funds spent on a soft targets protection system	MoC, MoI, MoH	Mr Stárek	SAO Board	30 May 2022	4/2022
21/22	State budget and EU funds granted in support of social enterprises	MoRD, MoLSA	Mr Kinšt	SAO Board	30 May 2022	4/2022
21/23	Management of assets secured, pledged, seized, forfeited, and sold in criminal and tax proceedings	MoF, MoI, MoJ	Mr Kubicek	SAO Board	12 Dec. 2022	1/2023
21/24	Closing account of the state budget chapter "Ministry of Health" for the year 2021, the financial statements of the Ministry of Health for 2021 and data submitted by the Ministry of Health for the evaluation of state budget fulfilment for the year 2021	MoH	Ms Steidlová	SAO Board	27 June 2022	4/2022
21/25	Financial statements of the Czech Development Agency for 2020 and data submitted by the Czech Development Agency for the evaluation of the implementation of the state budget for 2020	MoFA	Mr Reisiegel	SAO Board	9 May 2022	3/2022
21/27	Closing account of state budget chapter "Ministry of the Interior" for 2021, accounting of the Ministry of the Interior for 2021, and data submitted by the Ministry of the Interior for evaluation of state budget implementation for the year 2021	MoI	Ms Steidlová	SAO Board	15 Aug. 2022	4/2022

Overview of audits with an approved audit report in 2022

Audit number	Subject of audit	Chapter administrator	The AR prepared by SAO member	The AR approved	Date of the AR's approval	Publication in the SAO Bulletin amount/year
21/28	Computerization in the Ministry of Justice	MoJ	Mr Procházka	SAO Board	17. 10. 2022	6/2022
21/29	State budget and EU funds earmarked for family policy support	MoLSA	Mr Stárek	SAO Board	17 Sept. 2022	6/2022
21/30	State budget funds earmarked for special-purpose support for industrial research, development and innovation under national programmes under the responsibility of the Ministry of Industry and Trade	MoIT	Mr Kinšt	SAO Board	29 Aug. 2022	6/2022
21/33	State and European Union funds spent in the Ministry of Agriculture to support the processing of agricultural products	MoA	Mr Hrnčíř	SAO Board	21 Nov. 2022	1/2023
21/34	State funds from road tax and administration of this tax	MoT, MoF	Mr Kubicek	SAO Board	31 Jan. 2022	1/2022
21/35	Funds earmarked for information support for anti-epidemic measures	MoH	Mr Koucký	SAO Board	31 Jan. 2022	3/2022
21/36	State and EU funds earmarked for the reconstruction of selected off-corridor railway lines	MoT	Mr Malek	SAO Board	30 May 2022	4/2022
21/38	State funds spent on compensation	MoJ	Mr Koucký	SAO Board	15 Aug. 2022	6/2022
22/02	State and European Union funds to support digital education	MoEYS	Mr Beznoska	SAO Board	21 Nov. 2022	1/2023
22/03	Property and funds of the State with which the Czech Telecommunication Office is competent to manage	CTO	Mr Hrnčíř	SAO Board	21 Nov. 2022	6/2022
22/04	Integrated regional operational programme funds to support regional healthcare infrastructure	MoRD	Mr Kinšt	SAO Board	12 Dec. 2022	1/2023

Annex 3: Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic (CC)

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic						
Committee of Resolution	Date of the session	Session No	AR	Government material No	Government resolution (number/year)	Summary of committee resolutions
66	8 Dec. 2022	14	19/03	187/20 67/21	182/20	The CC notes: a) AR 19/03 b) the opinion of the MoC and the measures to remedy the shortcomings identified and prevent their recurrence contained in Part IV of the government material No 187/20, c) Government Resolution No 182/20, d) information of the MoC on the state of compliance with the measures taken to remedy the deficiencies listed in the AR contained in Part II of the government material No 67/21.
65	8 Dec. 2022	14	20/21	110/22 987/22	172/22	The CC notes: a) AR 20/21, b) opinion of the MoF contained in Part III of the government material No 110/22 c) Government Resolution No 172/22 d) the Ministry of Finance's information on the state of compliance with the measures taken to remedy the deficiencies listed in the CC contained in Part II of Government material No 987/22.
64	8 Dec. 2022	14	19/20	398/21 1215/21 1523/21	458/21	The CC I. notes: a) AR 19/20, b) the opinion of the Mol and MoD contained in Part III of the government material No 398/21 c) Government Resolution No 458/21 d) information of the Mol on the state of compliance with the measures taken to remedy the deficiencies listed in the AR contained in Part II of government material No 1215/21, e) evaluation of the MoD measures on the AR contained in Part II of the government material No 1523/21; II. recommends the Government of the Czech Republic to proceed consistently with the implementation of corrective measures taken on the basis of the AR.
63	8 Dec. 2022	14	19/14	1152/20 648/21 1083/21 414/22	87/21	The CC notes: a) AR 19/14, b) the Mol's opinion contained in Part III of government material No 1152/20, c) Government Resolution No 87/21, d) Mol materials contained in Part II of Government materials No 414/22, No 1083/21 and No 648/21.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic

Committee of Resolution	Date of the session	Session No	AR	Government material No	Government resolution (number/year)	Summary of committee resolutions
62	8 Dec. 2022	14	19/23	1610/20 1041/21	258/21	The CC notes: a) AR 19/23 b) the opinion of the MoLSA contained in Part IV of government material No 1610/20 c) Government Resolution No 258/21 d) report on the implementation of measures regarding the audit findings contained in Part II of Government material No 1041/21.
59	3 Nov. 2022	13	19/15	1003/20 236/21	912/20	The CC notes: a) AR 19/15 b) the opinion of the MoIT contained in Part IV of the government material No 1003/20 c) Government Resolution No 912/20 d) information of the Ministry of Industry and Trade on the fulfilment of the measures taken on the AR contained in Part II of Government material No. 236/21.
56	20 Oct. 2022	12	20/23	920/22	778/22	The CC I. notes: a) AR 20/23, b) the opinion of the MoA and the MoLSA contained in Part III of government material No 920/22, c) Government Resolution No 778/22, II. asks the Minister for Agriculture to provide the CC with information on the ongoing results of the implementation of corrective measures by 31 March 2023; III. asks the Minister for Labour and Social Affairs to provide the CC with information on the ongoing results of the implementation of corrective measures by 31 March 2023.
55	20 Oct. 2022	12	19/02	373/20 1612/20	689/20	The CC notes: a) AR 19/02, b) the opinion of the MoF contained in Part III of the government material No 373/20, c) Government Resolution No 689/20, d) the Ministry of Finance's information on the state of compliance with the measures taken to remedy the deficiencies listed in the AR contained in Part II of government material No 1612/20.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic

Committee of Resolution	Date of the session	Session No	AR	Government material No	Government resolution (number/year)	Summary of committee resolutions
54	20 Oct. 2022	12	19/30	1330/21 780/22	174/22	The CC I. notes: a) AR 19/30, b) the opinion of the MoH contained in Part III of the government material No 1330/21, c) Government Resolution No 174/22, d) information of the MoH on the fulfilment of corrective measures contained in Part II of government material No 780/22; II. recommends the Minister of Health under the budget chapter to increase funds for the activities of health institutes and regional hygiene stations, with an emphasis on the performance of their tasks in the following period.
53	20 Oct. 2022	12	19/10	1474/20 1031/21	256/21	The CC I. notes: a) AR 19/10, b) the opinion of the Ministry of Transport contained in Part IV of the government material No 1474/20, c) Government Resolution No 256/21, d) information of the Ministry of Transport on the fulfilment of corrective measures contained in Part II of government material No 1031/21; II. requests the Minister of Transport to: a) submit to the CC a report on the current road bridge repair and maintenance system by 31. 12. 2022; b) issue the relevant implementing regulation for the Central Register of Roads, which the Ministry of Transport has been obliged to issue since 2007.
52	20 Oct. 2022	12	20/11	1224/22	966/22	The CC notes: a) AR 20/11, b) opinion of the MoT, SFTI and MoRD contained in Part IV of government material No 1224/22.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic

Committee of Resolution	Date of the session	Session No	AR	Government material No	Government resolution (number/year)	Summary of committee resolutions
51	20 Oct. 2022	12	19/25	230/21 1298/21	459/21	<p>The CC</p> <p>I. notes:</p> <p>a) AR 19/25,</p> <p>b) the opinion of the MoIT contained in Part IV of the government material No 230/21,</p> <p>c) Government Resolution No 459/21,</p> <p>d) information of the MoIT on the fulfilment of the measures taken on the AR contained in Part II of government material No 1298/21;</p> <p>II. requests the MoIT to:</p> <p>a) in particular with regard to the documents referred to in point I., to the current energy concept of the Czech Republic, the concept of radioactive waste management and the approved EU taxonomy, prepared an amendment to the Atomic Act (No 263/2016 Coll.) in order to increase the fees incurred on the nuclear account taking into account the current operational expenditure of RWRA, the costs and schedule of preparation and construction of a deep radioactive waste repository,</p> <p>b) assess the current applicability of the upcoming Act on Managements Related to the Deep Radioactive Waste Repository and has prepared legislative instruments to accelerate the construction of a deep-sea repository, which must be operational by 2050 at the latest following the EU Taxonomy;</p> <p>c) with regard to effective spending of expenditure from the state budget and management of state property up to 8 Dec. 2022, the CC delivered an opinion on the conclusions set out in points II.a) and II.b);</p> <p>III. asks the Director of the Radioactive Waste Repository Administration to speed up the selection of one of the four sites selected for the location of the deep-sea repository and to continue the intensive preparation of the construction of the deep-sea repository.</p>

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic

Committee of Resolution	Date of the session	Session No	AR	Government material No	Government resolution (number/year)	Summary of committee resolutions
48	15 Sept. 2022	10	20/06	860/21	931/21	<p>The CC</p> <p>I. notes:</p> <p>a) AR 20/06,</p> <p>b) the opinion of the Ministry of Education, Youth and Sports contained in Part IV of the Government Material No 860/21,</p> <p>c) Government Resolution No 931/21;</p> <p>II. notes that:</p> <p>a) the quality of Czech public universities is not improving. On the contrary, it is decreasing, as evidenced by international quality measurement,</p> <p>b) despite the MoEYS's assertion of a lack of funding, public universities have sufficient funding, as evidenced by the amount of funding available in public higher education funds;</p> <p>c) the method of financing public universities from the state budget is inefficient and inefficient – it does not encourage public universities to improve the quality of their activities,</p> <p>d) in this way the funding of public universities failed to ensure the so-called educational economy;</p> <p>III. asks the Minister of Education, Youth and Sports to submit the CC a report on compliance with the corrective measures taken as set out in the opinion of the Ministry of Education, Youth and Sports contained in Part IV of the Government material ref. 860/21 by 1 Nov. 2023.</p>
47	15 Sept. 2022	10	19/29	1402/20 810/21	93/21	<p>The CC notes:</p> <p>a) AR 19/29,</p> <p>b) the opinion of the CSSA contained in Part IV of the government material No 1402/20,</p> <p>c) Government Resolution No 93/21,</p> <p>d) information of the Ministry of Labour and Social Affairs on compliance with the measures referred to in the CSSA's opinion on the AR contained in Part II of government material No 810/21.</p>
46	15 Sept. 2022	10	21/01	392/22	456/22	<p>The CC</p> <p>I. notes:</p> <p>a) AR 21/01,</p> <p>b) the opinion of the Ministry of Foreign Affairs contained in Part III of the government's material No 392/22,</p> <p>c) Government Resolution No 456/22;</p> <p>II. requests the Minister of Foreign Affairs to inform the CC in accordance with Government Resolution No 456/22, by 1 Dec. 2022 KV on the implementation of the measures contained in paragraph I/2 of government Resolution No 456/22.</p>

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic

Committee of Resolution	Date of the session	Session No	AR	Government material No	Government resolution (number/year)	Summary of committee resolutions
40	23 June 2022	8	19/22	1445/20 893/21	89/21	The CC notes: a) AR 19/22, b) the opinion of the Ministry of Regional Development contained in Part III of the government material No 1445/20, c) Government Resolution No 89/21, d) information on compliance with the measures referred to in the MoRD's opinion on the AR contained in Part II of government material No 893/21.
33	18 May 2022	7	19/16	1193/20	88/21	The CC I. notes: a) AR 19/16, b) the opinion of the Ministry of Labour and Social Affairs contained in Part IV of the government's material No 1193/20, c) Government Resolution No 88/21; II. notes that the funds earmarked for the reconstruction and revitalisation of the railway station have not been exhausted (36 % less used); III. calls on the Minister of Transport to take measures to set the parameters for the evaluation of the reconstruction and revitalisation of the railway station; IV. asks the Minister of Transport and the Director General of the SR to re-evaluate the selection of railway buildings intended for revitalisation or liquidation on the basis of the requirements of the parliamentary clubs of the Parliament of the Czech Republic, the Union of Cities and Municipalities of the Czech Republic and the Association of Regions of the Czech Republic. The CC will include this issue at its meeting in accordance with the agreement with the Ministry of Social Affairs, the SR, the UCM of the Czech Republic and the ARCR.
32	18 May 2022	7	19/18	1588/20 944/21	253/21	The CC notes: a) AR 19/18, b) the opinion of the Ministry of Agriculture contained in Part III of the government's material No 1588/20, c) Government Resolution No 253/21, d) information of the Ministry of Agriculture on the state of compliance with the measures taken to remedy the deficiencies listed in the CC contained in Part II of the government's material no. 944/21; II. asks the Minister for Agriculture to change the methodology for granting financial aid. This is to ensure that the unspent funds (e.g. due to under-execution of the aid) are not returned to the state budget, but are transferred to applicants 'under the line' for which applications have been rejected due to a lack of funds from the Fund.
31	18 May 2022	7	20/07	1235/21	170/22	The CC notes: a) AR 20/07, b) the opinion of the Ministry of Agriculture contained in Part III of the government's material No 1235/21, c) Government Resolution No 170/22.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic

Committee of Resolution	Date of the session	Session No	AR	Government material No	Government resolution (number/year)	Summary of committee resolutions
29	14 April 2022	6	19/17	999/20 824/21	915/20	The CC notes: a) AR 19/17, b) the opinion of the MoH contained in Part III of the government material No 999/20, c) Government Resolution No 915/20, d) information of the Ministry of Health on the fulfilment of corrective measures resulting from the MoH's opinion on the AR contained in Part II of government material No 824/21.
28	14 April 2022	6	19/05	1013/20 176/21	916/20	The CC I. notes: a) AR 19/05, b) the opinion of the Ministry of Foreign Affairs contained in Part III of the government's material No 1013/20 and the opinion of the Ministry of Education, Youth and Sports contained in Part IV of the Government Material No. 1013/20, c) Government Resolution No 916/20, d) information of the Ministry of Foreign Affairs on the fulfilment of corrective measures contained in Part II of government material No 176/21, e) information of the MoEYS on the fulfilment of corrective measures contained in Part of government material No 176/21; II. notes that the intentions of the Government of the Czech Republic have not been fulfilled; III. recommends the Minister of Foreign Affairs, the Minister of Education, Youth and Sports and the Minister of Finance to carry out a detailed audit of the benefits of the financing of individual international organisations.
27	14 April 2022	6	19/06	689/20 690/21	721/20	The CC I. notes: a) AR 19/06, b) the opinions of the MoH and MoEYS contained in Part III of the government's material No 689/20, c) Government Resolution N. 721/20, d) information of the Ministry of Health on the fulfilment of corrective measures contained in Part III of government material No 690/21; II. asks the Minister of Health to present the CC continuous results of the implementation of corrective measures and brief the Committee on changes in postgraduate training of doctors in order to address poor personnel situation in some disciplines by 30 Sept. 2022, III. asks the Minister of Education, Youth and Sports to present the CC interim results of the implementation of corrective measures by 30 Sept. 2022.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic

Committee of Resolution	Date of the session	Session No	AR	Government material No	Government resolution (number/year)	Summary of committee resolutions
26	14 April 2022	6	19/34	1086/20 701/21	85/21	The CC I. notes: a) AR 19/34, b) the opinion of the Ministry of Finance contained in Part III of the government's material No 1086/20, c) Government Resolution No 85/21, d) information of the Ministry of Finance on the state of compliance with corrective measures contained in Part II of government material No 701/21; II. notes that claims have not been handled with due managerial care; III. asks the Minister of Finance to work intensively on the issue of foreign debts and the Ministry of Finance has taken appropriate measures to recover claims.
25	14 April 2022	6	18/32	1153/20 759/21	86/21	The CC notes: a) AR 18/32, b) the opinion of the Ministry of Finance and the Ministry of Labour and Social Affairs contained in Part III of government material No 1153/20, c) Government Resolution No 86/21, d) information of the Ministry of Finance and the Ministry of Labour and Social Affairs on the state of compliance with the measures taken to remedy the deficiencies listed in the AR contained in Part II of government material No 759/21.
22	9 March 2022	5	19/07	716/20 65/21	722/20	The CC notes: a) AR 19/07, b) the opinion of the MoJ contained in Part IV of the government material No 716/20, c) Government Resolution No 722/20, d) information of the MoJ on the implementation and fulfilment of corrective measures contained in Part II of the government material No 65/21.
21	9 March 2022	5	19/08	798/20	913/20	The CC notes: a) AR 19/08, B) the opinion of the Ministry of Transport contained in Part IV of the government material No 798/20, C) Government Resolution No 913/20.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic

Committee of Resolution	Date of the session	Session No	AR	Government material No	Government resolution (number/year)	Summary of committee resolutions
20	9 March 2022	5	19/13	1180/20 983/21	90/21	The CC I. notes: a) AR 19/13, b) the opinion of the MoD contained in Part IV of the Government material No 1180/20, c) Government Resolution No 90/21, d) evaluation of the MoD measures relating to AR 19/13 contained in Part II of government material No. 983/21; II. recommends that the Minister of Defence, on the basis of individual audit findings, strictly implement individual measures in all areas of the acquisition process planning in order to ensure maximum uptime of the armoured equipment of the Czech Army.
18	24 Feb. 2022	4	20/04	1488/21	171/22	The CC notes: a) AR 20/04, b) the opinions of the Ministry of Agriculture, the Ministry of Health and the Ministry of the Environment contained in Part III of the Government's material No 1488/21.
15	24 Feb. 2022	4	20/05	829/21	929/21	The CC notes: a) AR 20/05, b) the opinion of the Ministry of Finance, the Ministry of Industry and Trade, the Ministry of the Environment and the SFEn contained in Part III of the Government material No 829/21, c) Government Resolution No 929/21.
13	24 Feb. 2022	4	20/18	95/22	168/22	The CC notes: a) AR 20/18, b) the opinion of the Ministry of Regional Development and the Office of the Government of the Czech Republic contained in Part III of the government material No 95/22; II. asks the Minister for Regional Development to submit the CC information on the proposed corrective measures by 30 June 2022.

Annex 4: Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2022

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2022					
Government Resolution No.	Date of the meeting	Government material	Audit number	Government-imposed measures	Date of the measure
971	23 Nov. 2022	1227/22	21/10	The Government instructs the Minister of Culture to ensure the implementation of the measures contained in the opinion referred to in Part IV of Material No. 1227/22 and inform the Government of their implementation within six months of the adoption of this resolution.	23 May 2023 (within six months)
970	23 Nov. 2022	1302/22	21/06	The Government instructs the Deputy Prime Minister and the Minister for Labour and Social Affairs and the Minister for the Environment to inform the Government of the implementation of the measures taken within six months of the adoption of this resolution.	23 May 2023 (within six months)
969	23 Nov. 2022	1196/22	21/20	The Government instructs the Deputy Prime Minister and the Minister for Labour and Social Affairs to implement the measures contained in the opinion referred to in Part IV of Material No 1196/22 and inform the Government of their implementation within six months of the adoption of this resolution.	23 May 2023 (within six months)
968	23 Nov. 2022	1180/22	21/15	The Government instructs the Minister of Agriculture: 1) implement the measures contained in the opinion referred to in Part III of Material No 1180/22 by 31 Dec. 2022; b) inform the Government of the implementation of corrective measures within six months of the adoption of this resolution.	1) 31 Dec. 2022 2) 23 May 2023 (within six months)
967	23 Nov. 2022	1148/22	21/14	The Government instructs the Deputy Prime Minister for Digitalisation and the Minister for Regional Development to implement the measures contained in the opinion referred to in Part IV of Material No 1148/22 and inform the Government of their implementation within six months of the adoption of this resolution.	23 May 2023 (within six months)
966	23 Nov. 2022	1224/22	20/11	The Government instructs the Minister of Transport to implement the measures contained in the opinion referred to in Part IV of Material No 1224/22 and inform the Government of their implementation within six months of the adoption of this resolution.	23 May 2023 (within six months)
965	23 Nov. 2022	1122/22	20/14	The Government instructs the Minister of Transport to implement the measures contained in the opinion referred to in Part IV of Material No 1122/22 and inform the Government of their implementation within six months of the adoption of this resolution.	23 May 2023 (within six months)
964	23 Nov. 2022	1276/22	21/17	The Government instructs the Deputy Prime Minister and the Minister for Health and the Deputy Prime Minister for Digitalisation and the Minister of Regional Development to ensure the implementation of the measures contained in the opinion referred to in Parts IV and V of Material No 1276/22 and inform the Government of the implementation of the measures taken within six months of the adoption of this resolution.	23 May 2023 (within six months)
963	23 Nov. 2022	1095/22	20/24	Not saved.	—
779	14 Sept. 2022	1069/22	21/35	The Government instructs the Deputy Prime Minister and the Minister of Health to provide the Government with information on the implementation of the measures resulting from the AR referred to in Part III of Material No 1069/22 by 28 Feb. 2023.	28 Feb. 2023

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2022					
Government Resolution No.	Date of the meeting	Government material	Audit number	Government-imposed measures	Date of the measure
778	14 Sept. 2022	920/22	20/23	The Government instructs the Minister for Agriculture and the Deputy Prime Minister and the Minister for Labour and Social Affairs: a) implement the measures contained in the opinion referred to in Part III of Material No 920/22, b) inform the Government on the implementation of corrective measures within six months of the adoption of this resolution.	14 March 2023 (within six months)
777	14 Sept. 2022	814/22	21/34	The Government instructs the Minister of Finance to implement the measures contained in the opinion referred to in Part III of Material No 814/22 and inform the Government within six months of the adoption of the Government resolution on their implementation.	14 March 2023 (within six months)
776	14 Sept. 2022	813/22	21/05	The Government instructs the Minister of Finance to implement the measures contained in the opinion referred to in Part III of Material No 813/22 and inform the Government within six months of the adoption of this resolution of their implementation.	14 March 2023 (within six months)
775	14 Sept. 2022	1037/22	21/25	The Government instructs the Minister of Foreign Affairs to ensure the implementation of the measures contained in the Opinion referred to in Part III of Material No 1037/22 and inform the Government of their implementation within six months of the adoption of this resolution.	14 March 2023 (within six months)
774	14 Sept. 2022	776/22	21/18	The Government instructs the Minister of Foreign Affairs to ensure the implementation of the measures contained in the Opinion referred to in Part III of Material No. 776/22 and inform the Government of their implementation within six months of the adoption of this resolution.	14 March 2023 (within six months)
773	14 Sept. 2022	782/22	21/04	The Government instructs the Chairman of State Material Reserves Administration to: 1) ensure the implementation of the measures contained in the opinion referred to in Part IV of Material No. 782/22, 2) inform the Government within six months of the adoption of this resolution of the implementation of these measures.	14 March 2023 (within six months)
772	14 Sept. 2022	758/22	21/13	The Government instructs the Minister of Industry and Trade to: 1) implement the measures contained in the opinion referred to in Part IV of Material No 758/22, 2) inform the Government within six months of the adoption of this resolution of the progress of the implementation of these measures.	14 March 2023 (within six months)
771	14 Sept. 2022	750/22	21/08	The Government instructs the Deputy Prime Minister for Digitalisation and the Minister of Regional Development to implement the measures contained in the opinion referred to in Part IV of Material No 750/22 and inform the Government of the implementation of the measures taken within six months of the adoption of this resolution.	14 March 2023 (within six months)
465	1 June 2022	1527/21	20/33	The Government instructs the President of the Grant Agency of the Czech Republic to implement and evaluate the measures contained in the opinion referred to in Part IV of Material No 1527/21 and inform the Government of the implementation of the measures taken within six months of the adoption of this resolution.	1 Dec. 2022 (within six months)

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2022					
Government Resolution No.	Date of the meeting	Government material	Audit number	Government-imposed measures	Date of the measure
458	1 June 2022	543/22	21/02	The Government instructs the Minister of Defence to implement and evaluate the implementation of the measures contained in the opinion referred to in Part IV of Material No 543/22 and inform the Government of the outcome of this evaluation within six months of the adoption of this resolution.	1 Dec. 2022 (within six months)
457	1 June 2022	528/22	21/16	The Government instructs the Minister of Culture to: 1) ensure the implementation of the measures contained in the opinion referred to in Part IV of Material No 528/22, 2) inform the Government within six months of the adoption of this resolution of their implementation.	1 Dec. 2022 (within six months)
456	1 June 2022	392/22	21/01	The Government instructs the Minister of Foreign Affairs to ensure the implementation of the measures contained in the Opinion referred to in Part III of Material No 392/22 and inform the Government of their implementation within six months of the adoption of this resolution.	1 Dec. 2022 (within six months)
455	1 June 2022	1361/21	20/27	The Government instructs the Director of the General Inspectorate of Security Corps to implement and evaluate the measures contained in the opinion referred to in Part IV of Material No 1361/21 and inform the Government of the outcome within six months of the adoption of this resolution.	1 Dec. 2022 (within six months)
454	1 June 2022	1519/21	20/22	The Government instructs the Deputy Prime Minister and the Minister for Labour and Social Affairs to ensure the implementation of the measures contained in the opinion referred to in Part IV of Material No. 1519/21 and inform the Government of their implementation within six months of the adoption of this resolution.	1 Dec. 2022 (within six months)
453	1 June 2022	1221/21	20/01	The Government instructs the Deputy Prime Minister and the Minister for Labour and Social Affairs to ensure the implementation of the measures contained in the opinion referred to in Part IV of Material No 1221/21 and inform the Government of their implementation within six months of the adoption of this resolution.	1 Dec. 2022 (within six months)
175	9 March 2022	1204/21	20/16	The government orders to: 1) ensure the implementation of the measures contained in the opinion referred to in Part IV of Material No 1204/21, 2) inform the Government of the implementation of these measures within six months of the adoption of this resolution.	9 Sept. 2022 (within six months)
174	9 March 2022	1330/21	19/30	The Government instructs the Deputy Prime Minister and the Minister for Health to ensure the implementation of the measures contained in the opinion referred to in Part III of Material No 1330/21 and provide the government with information on the implementation of corrective measures by 30 June 2022.	30 June 2022
173	9 March 2022	163/22	20/25	The Government instructs the Minister of Justice to implement the measures contained in the Opinion referred to in Part IV of Material No 163/22 and inform the Government of their implementation within six months of the adoption of this resolution.	9 Sept. 2022 (within six months)
172	9 March 2022	110/22	20/21	The Government instructs the Minister of Finance to implement the measures contained in the opinion referred to in Part III of Material No. 110/22 and inform the Government of their implementation within six months of the adoption of this resolution.	9 Sept. 2022 (within six months)

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2022

Government Resolution No.	Date of the meeting	Government material	Audit number	Government-imposed measures	Date of the measure
171	9 March 2022	1488/21	20/04	The government orders to: 1) implement the measures contained in the opinion referred to in Part III of Material No. 1488/21 to 31. 12. 2025, 2) to inform the Government of the implementation of the corrective measures within six months of the approval of this resolution.	1) 31 Dec. 2025 2) 9 Sept. 2022 (within six months)
170	9 March 2022	1235/21	20/07	The government orders to: 1) implement the measures contained in the opinion referred to in Part III of Material No 1235/21 to 31 Dec. 2027, 2) to inform the Government of the implementation of corrective measures on 31 January 2024, 2026 and 2028.	31 Dec. 2027
169	9 March 2022	105/22	20/19	The government instructs: 1) the Deputy Prime Minister for Digitalisation and the Minister for Regional Development implement the measures contained in the opinion referred to in Part IV of Material No 105/22 and inform the Government of the implementation of the measures taken within six months of the adoption of this resolution, 2) the Minister for the Environment implements the measures contained in the opinion referred to in Part V of Material No 105/22 and inform the Government of their implementation within six months of the adoption of this resolution.	9 Sept. 2022 (within six months)
168	9 March 2022	95/22	20/18	The government instructs: 1) the Head of the Office of the Government implements the relevant measures contained in the opinion referred to in Part III of Material No 95/22, 2) the Deputy Prime Minister for Digitalisation and the Minister for Regional Development implement the relevant measures and inform the Government of their implementation within six months of the adoption of this resolution.	9 Sept. 2022 (within six months)

Annex 5 – Sources of information for all infographic sheets

Public finances

Macroeconomic data; source: Eurostat, *Integrated Information System of the Treasury*.

State revenues

Year-on-year comparison of state budget tax revenue collections for 2021 and 2022 (CZK billions); source: Integrated information system of the Treasury.

Tax cost indicator – expenditure on CZK 100 of income; source: AR No [21/34](#).

Digitalisation

Total Digital Economy and Society Index (DESI) for 2022; source: The Digital Economy and Society Index (DESI) European Commission, 2022 [cit. 2023-02-10]. Available at: <https://digital-strategy.ec.europa.eu/en/policies/desi>.

Digital Public Services (DESI); source: Digital Public Services in the Digital Economy and Society Index. European Commission, 2022 [cit. 2023-02-10]. Available at: <https://digital-strategy.ec.europa.eu/en/policies/desi-digital-public-services>.

Use of digital technologies by courts and prosecutors (EU Justice Scoreboard 2022); source: EU Justice Scoreboard 2022: ten years of monitoring the effectiveness of justice systems [online]. European Commission, 2022 [cit. 2023-02-10]. Available at: https://ec.europa.eu/commission/presscorner/detail/en/IP_22_3146.

Transport

Initially planned and current costs for 59 priority projects; source: AR No [21/36](#).

The number of small vessels and passenger ships registered in the registers maintained by the State Navigation Administration; source: AR No [21/03](#).

Defence and security

Development of the MoI's key soft target protection activities in 2010-2022; source: AR No [21/21](#).

Drawing on state budget funds for soft-target non-investment programmes; source: AR No [21/21](#).

Social policy

Expenditure on OPEM projects aimed at supporting family policy in the Czech Republic; source: AR No [21/29](#).

The aggregate result of the evaluation of the 16 projects assessed; source: AR No [21/22](#).

Health

Grants from the European Regional Development Fund and the State Budget in 2016-2020 to support 24 projects; source: AR No [21/17](#).

Approved ERDF subsidies prior to the increase of the allocation for follow-up healthcare and in replacement projects after the increase of the allocation in March 2019; source: AR No 22/04.

Education

Overview of the facilities of ICT schools (included kindergarten, primary school, secondary school, universities and conservatories); source: AR No 22/02.

Improving digital skills among educators before and after the pandemic; source: AR No 22/02.

Statement of school directors on supplementary financial support from the Ministry of Education for the acquisition of ICT; source: AR No 20/02.

Environment

The hierarchy of waste management according to the Waste Act; source: AR No 21/06.

Municipal waste management in the Czech Republic in 2020; source: AR No 21/06.

The change in the number of visitors and the total operating costs of the selected visitor centres; source: AR No 21/09.

Culture

Funds to revitalise the collection of selected monuments from the IROP; source: AR No 21/14.

SAO questionnaire survey among beneficiaries of subsidies; source: AR No 21/14.

Research and development

European innovation scoreboard 2022; source: European innovation scoreboard [online]. European Commission, 2022 [cit. 2023-02-10]. Available at: https://research-and-innovation.ec.europa.eu/statistics/performance-indicators/european-innovation-scoreboard_en.

A comparison of the expected and actual economic benefits of the TRIO project; source: AR No 21/30.

The outcome of the evaluation of 19 selected TRIO projects; source: AR No 21/30.

Agriculture

Aid paid for the promotion of agricultural products and foodstuffs; source: AR No 21/15.

An overview of the projects and the subsidies paid for them under the operation Supporting the development of new products from the 2014-2020 PVR; source: AR No 21/33.

Financial audit

Ministry of Foreign Affairs; source: AR No 21/18.

The Czech Development Agency; source: AR No 21/25.

Ministry of Health; source: AR No 21/24.

Ministry of the Interior; source: AR No 21/27.

LIST OF ABBREVIATIONS

AC	Agricultural Chamber of the Czech Republic
AE	audited entity
AR	Audit Report
ARCR	Association of Regions of the Czech Republic
BS	balance sheet
CC	Control Committee of the Chamber of Deputies of the Parliament of the Czech Republic
CFF	Country for the Future Programme
CR	Czech Republic
CSI	Czech School Inspectorate
CSO	Czech Statistical Office
CSSA	Czech Social Security Administration
CTO	Czech Telecommunication Office
DES	Digital Education Strategy for 2020
DESI Index	international comparison of the level of digitalisation of the economy and society
DIA	Digital Information Agency
ECA	European Court of Auditors
EDA	European Defence Agency
ERDF	European Regional Development Fund
ESF 2014+	European Social Fund 2014-2020
ESIF	European Structural and Investment Funds
EU	European Union
EUROSAI	European Organisation of Supreme Audit Institutions
FA	financial audit
FFDI	Federation of the Food and Drink Industries of the Czech Republic
FSs	financial statements
GDC	General Directorate of Customs
GDP	gross domestic product
ICT	information and communication technologies
IDI	INTOSAI Development Initiative
IHIS	Institute of Health Information and Statistics of the Czech Republic
INTOSAI	International Organisation of Supreme Audit Institutions
INTOSAI WGEA	INTOSAI Working Group on Environmental Auditing
IROP	Integrated Regional Operational Programme
ISID	Information System of Infectious Diseases
MoA	Ministry of Agriculture
MoC	Ministry of Culture
MoD	Ministry of Defence
MoE	Ministry of the Environment
MoEYS	Ministry of Education, Youth and Sports
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoH	Ministry of Health
MoI	Ministry of the Interior
MoIT	Ministry of Industry and Trade
MoJ	Ministry of Justice
MoLSA	Ministry of Labour and Social Affairs
MoRD	Ministry of Regional Development
MoT	Ministry of Transport
NACIT	National Agency for Communication and Information Technology
NAPs	National Action Plans
NATO	North Atlantic Treaty Organisation

ABBREVIATIONS

NG	National Gallery in Prague
NGO	non-governmental non-profit organisations
NPI	National Pedagogical Institute
NHI	National Heritage Institute
NST	national subsidy title
OECD	Organisation for Economic Cooperation and Development
OLAF	European Anti-Fraud Office
OoP	Office of the President of the Czech Republic
OP	operational programme
OPEm	Operational Programme Employment
OPEn 2014-2020	Operational Programme Environment 2014-2020
OPT	Operational Programme Transport
OPTA	Operational Programme Technical Assistance
OGRPA	Office of the Government Representation in Property Affairs
P&L	statement of profit and loss
p.p.	percentage points
PMS	Probation and Mediation Service
PPP	plant protection product consumption
RDP	Rural Development Programme
SAI	Supreme Audit Institutions
SAIF	State Agricultural Intervention Fund
SAO	Supreme Audit Office
SB	State budget
SCA	State Closing Account
SEF	State Environmental Fund
SEP 2030	State Environmental Policy 2030
STP	soft targets protection
SFTI	State Fund for Transport Infrastructure
SMART	target setting method – Objectives must be: specific, measurable, achievable, realistic and time-bound (SMART comes from English. Specific, Measurable, Achievable, Realistic, Time-bound)
TEN-T	Trans-European transport network
V4	Visegrad Group (Czech Republic, Hungary, Poland, Slovakia)
VAT	value added tax
VZP CR	General Health Insurance Company
WGIT	EUROSAI Working Group on Information Technology