



ANNUAL REPORT 2023

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OPENING MESSAGE FROM THE SAO PRESIDENT

Dear readers,

It is once again my privilege to present to you an overview of the Supreme Audit Office's work over the past year. In the pages of this 2023 Annual Report, you will find a collection of highlights from our audits. Each piece contributes to a mosaic that paints a comprehensive picture of how our country works. I encourage each of you to critically examine the main issues, weaknesses within the system, and areas in need of improvement. I suggest we start by addressing the following fundamental questions: What is the role of the state? In what areas should it actually be involved? What should be the results of its involvement?

Let me illustrate this with a recent example. Our audit focusing on civil protection examined our state's preparedness for potential crises and wars. The audit report highlighted a worrying trend in the declining capacity of permanent shelters, which at the time of completion of the audit catered to only 3.2% of the population. There is also a notable deficit in protective gear and other personal protective equipment required by existing legislation. Furthermore, despite the promises made in the policy documents, a dedicated website to inform citizens on how to act in emergency situations and where to seek help has yet to be created.

During the audited period, the Ministry of the Interior (MoI) allocated over CZK 720 million towards civil protection. It begs the question: did those who approved this expenditure carefully assess what they were getting for the money? Perhaps a more pragmatic approach would be to draw inspiration from countries like Sweden, where information brochures are regularly distributed, for example, alongside ballot papers, into people's mailboxes. Why not adopt the Finnish approach and make it mandatory for all buildings of a certain size to have a shelter? I hardly dare to think about developing a mobile application with comprehensive emergency information like the one they have in Switzerland.

Let's have a look at other examples. Between 2018 and 2022, the Ministry of Industry and Trade (MoIT) allocated CZK 2.3 billion to fourteen research organisations. These funds were intended as subsidies for the long-term conceptual development of these organisations, including endeavours such as basic or applied research, publication of research findings and transfer of knowledge. However, we found a lack of defined limits or rules on how and for what specific purposes research organisations can use this money. Consequently, some of these research organisations used the funds, for example, to increase the salaries of their staff and to cover their running costs. Five of the organisations audited reported zero income from knowledge transfer, yet faced no barriers to accessing support.

Is it really necessary for the state to support such institutions? What benefits do citizens derive from them? Are all these research institutes, such as the State Research Institute for Materials Protection or the Research Institute of Textile Machines, truly playing a pivotal and irreplaceable role? Do they not operate in an environment where funding is primarily in the interest of the private sector? I wonder what John Maynard Keynes would say, as he believed that the state's crucial role lies not in duplicating activities already undertaken by private individuals, but in addressing functions that lie beyond the capacity of individuals – in decisions no one would make but the state. "The important thing for government is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do those things which at present are not done at all," he wrote.

It is important to point out that neither the SAO nor myself question the need for applied research and civil protection. The questions I pose in the paragraphs above argue for a fundamental change, a more prudent allocation of support to indispensable areas, rather than drawing on public resources and subsidies just for the sake of spending them. They draw attention to the need to scrutinise the costs associated with the measures being implemented, including the proportion of funds allocated to administration and financial audits. Addressing these issues could help to shake up a government apparatus characterised by extreme inertia and resistance to change.



What is needed is a fresh perspective, free from the constraints of outdated strategies and patterns. We should move from chasing formal compliance with policy documents to delivering tangible changes that improve the lives of citizens. The government could draw inspiration from the private sector, where initiatives such as mobile banking have been driven not only by achieving lower costs and higher efficiency in processes, but also by the imperative of enhancing customer experience – changes perceived positively by the clients, making their lives easier and preventing them from seeking alternatives elsewhere. Unfortunately, citizens cannot change governments as easily as they can change banks, which perhaps explains many of the challenges we face today.

Let me clarify that I remain optimistic about the state of our country, although it is not flourishing, as Václav Havel would say. In fact, I firmly believe that we have the capability to fix the things that do not work. However, we must first recognise that our goal cannot be defined in terms of simply improving the efficiency of public administration, but rather in terms of improving the quality of life of our citizens.

The aim should be to streamline public administration to deliver the same or better quality of services to citizens with a reduced budget. Drawing inspiration from abroad, such as in the Netherlands, where a thorough monitoring of administrative burdens across twelve demographic profiles (representing individual population groups, such as pensioners, students, single mothers, etc.) identified the specific obstacles and difficulties faced by each population group. Subsequent simplification of regulations and procedures in these identified areas resulted in cost savings of approximately 20%.

This approach represented a targeted solution to specific vulnerabilities within the system, rather than an attempt to transform its entire architecture. Similarly, in the Czech Republic, a good starting point would be to select one problem in each government department and subject it to a review. This review should prioritise the needs of the clients passing through the system, rather than solely focusing on the actions of the authorities involved.

The SAO stands ready to support any such initiative. I hope you will find the following pages inspiring.

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 carries out compliance audits, which include legality and financial audits, as well as performance audits.

The SAO's compliance audits examine 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 examine whether the audited entities' financial statements give a true and fair view of the subject of the accounting in accordance with legal regulations and whether the financial statements on the implementation of the budget are free from significant errors. 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, budget amendments and budget measures, 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.



SAO Board Members, the first row from the left:

Mr Jan Kinšt, Mr Vladimír Koniček, Mr Radek Rychnovský, Mr Jan Málek, Mr Miloslav Kala, Ms Jaromíra Steidlová, Mr Roman Sklenák, Mr Michal Šmucr.

The second row from the left:

Mr Stanislav Koucký, Mr Jan Stárek, Mr Daniel Reisiegel, Mr Petr Neuvirt, Mr Pavel Hrnčíř, Mr Adolf Beznoska, Mr Josef Kubíček, Mr Jiří Kalivoda.

Missing from the photo is SAO Board Member Ing. Roman Procházka, who left us suddenly in February 2024. He will always be remembered.

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 volumes of the *SAO Bulletin* or in the electronic version of the Annual Report – click on the relevant audit number marked in blue.

Table 1: Overview of audits conducted in 2023

Name of the SAO Member	Member since	Number of audits managed up to the end of 2023	Overview of audits managed by SAO Members in 2023	
			Completed	Not Completed
Ing. Adolf Beznoska	14 March 2017	16	22/21 22/32*	23/14 23/16
Ing. Pavel Hrnčíř	11 Dec 2009	32	22/22 23/01	23/26
JUDr. Ing. Jiří Kalivoda	17 Sept 1993	79	22/07 22/15 22/27 23/04*	23/15
Ing. Jan Kinšt	25 Jan 2018	15	22/26	23/06 23/30
RNDr. Vladimír Koniček	4 Dec 2018	9	22/05 22/24 23/02*	23/23
Ing. Stanislav Koucký	8 Oct 2020	6	22/10 22/20	23/21 23/25
Ing. Josef Kubiček	10 June 2014	23	22/23	23/05 23/09 23/31
Ing. Jan Málek***	21 June 2016	15	21/37	–
RNDr. Petr Neuvirt	21 Dec 2010	44	22/06 22/09 22/11 23/03**	23/07
Ing. Roman Procházka	25 Jan 2018	14	22/01 22/14 22/29	23/10 23/13 23/27
Ing. Daniel Reisiel, MPA	30 Apr 2010	35	22/17 22/19	23/17 23/19
Ing. Radek Rychnovský	20 Sept 2023	–	–	–
Mgr. Roman Sklenák	17 Sept 2021	3	22/31	23/11 23/22
Ing. Jan Stárek	4 June 2015	20	22/13 22/28	23/12 23/29
Ing. Jaromíra Steidlová	16 Nov 2006	38	22/16 22/18	23/18 23/20
Ing. Michal Šmucr	10 June 2020	7	22/08 22/12 22/30	23/08 23/28

* The audit report was approved in 2023 but has not yet been published (we are waiting for the approval of the law enforcement authorities).

** The audit report was approved in 2023 but published in 2024.

*** Ing. Jan Málek – term of office until 19 June 2023 (he has been Vice-President of the SAO since 20 June 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.

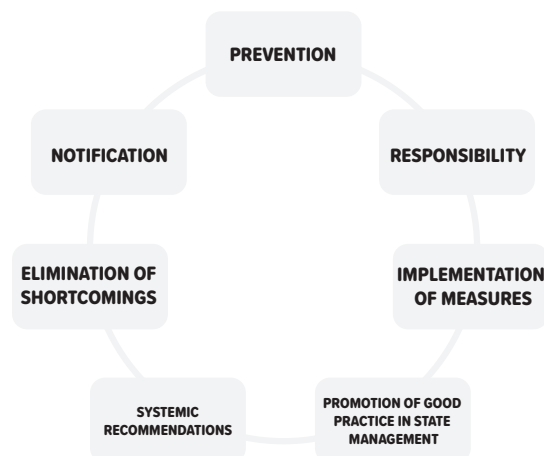


SAO Management, from the left: Mr Jiří Ploc, Director of the Security Department; Mr Radek Haubert, Senior Director of the Administrative Section; Ms Ladislava Slancová, Director of the Internal Audit Department; Mr Jan Málek, SAO Vice-President; Mr Miloslav Kala, SAO President; Ms Alena Fidlerová, Secretary of the SAO Board; Ms Zuzana Čandová, Director of the Office of the SAO President; Mr Pavel Skalník, Senior Director of the Audit Section.

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, effectiveness, economy and efficiency 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.

The SAO has a solid footing for its work as a result of its independence from the legislative, executive and judicial authorities and, above all, because of its long-standing status as a reliable, professional and trustworthy partner and information provider. It is the SAO's ambition that its objective, targeted and comprehensible conclusions and recommendations should not remain merely a statement of the observed state of affairs, but should lead to the correction of shortcomings and to a positive shift in the management of public funds and assets and the promotion of good management 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. If, during an audit, the SAO finds facts suggesting that a criminal offence has been committed or facts suggesting a breach of budgetary discipline, it reports to the criminal prosecution authorities or submits a complaint to the financial administration authorities.

The key data on the SAO's activities in 2023, 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 2023

The SAO audit plan for 2023 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 efficiency 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 efficient. The guiding principle was to identify risks in the state's financial management arising from the failure to proceed effectively, economically and efficiently and 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:

- administration of corporate income tax
- funds for selected measures against tax evasion
- funds for the removal of old environmental burdens created before privatisation, for the regeneration of brownfields, for improving air quality
- funds for the repair and maintenance of A-class roads, for the development of combined freight transport
- support of sport and sports representation
- funds for the system of basic registers and selected information systems; funds for the digitisation of selected agendas of the Ministry of Labour and Social Affairs
- acquisition, storage and disposal of Police of the Czech Republic equipment
- funds collected by law for the benefit of the Health Insurance Fund of the Ministry of the Interior of the Czech Republic
- funds for radiation, chemical and biological protection and for the engineer troops of the Czech Armed Forces (CAF)
- support of employment and adaptability of the workforce and fostering social inclusion
- support of tourism, rural development and cultural activities
- funds for the system of care for children at risk and for psychiatric care in the community
- funds for land improvements
- management of selected state organisations, including in areas where deficiencies were identified by previous SAO audits
- reliability of data for financial management through which institutions compile the accounts of the management of state budget funds

The audits included in the 2023 audit plan were based on suggestions arising from the SAO's own monitoring and analytical activities.

The audit plan for 2023 was adopted by the SAO Board at its session on 17 October 2022. A total of 32 audits were approved. During 2023, two audits were cancelled and these amendments resulted in the audit plan containing 30 audits.

An overview of the audits included in the 2023 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 2023. Depending on the starting date and audit duration, the planned completion times, i.e. when audit reports are approved, are in 2023 and 2024.

II. ASSESSMENT OF AUDIT AND ANALYSIS WORK IN 2023

The assessment of the SAO's activities is based on the results of the audits that were completed in 2023 when the audit report was approved by the SAO Board. Findings from the SAO's opinions on the Draft State Closing Account for 2022 and on the report on economic development and the implementation of the state budget of the Czech Republic for the first half of 2023, 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 2021, 28 audits in 2022 and four in 2023. Their overview is shown in Annex 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 SAO Act. The audits were focused mainly on the period of 2018-2022.

1. OPENING SUMMARY

The year 2023 presented the Czech Republic with several key challenges. High inflation and the worsening security situation in the world were among the primary concerns. In addition, persistent challenges from previous years, such as rising government debt and a high structural deficit, remained. The SAO focused on a number of these areas in 2023 and completed 33 audits.

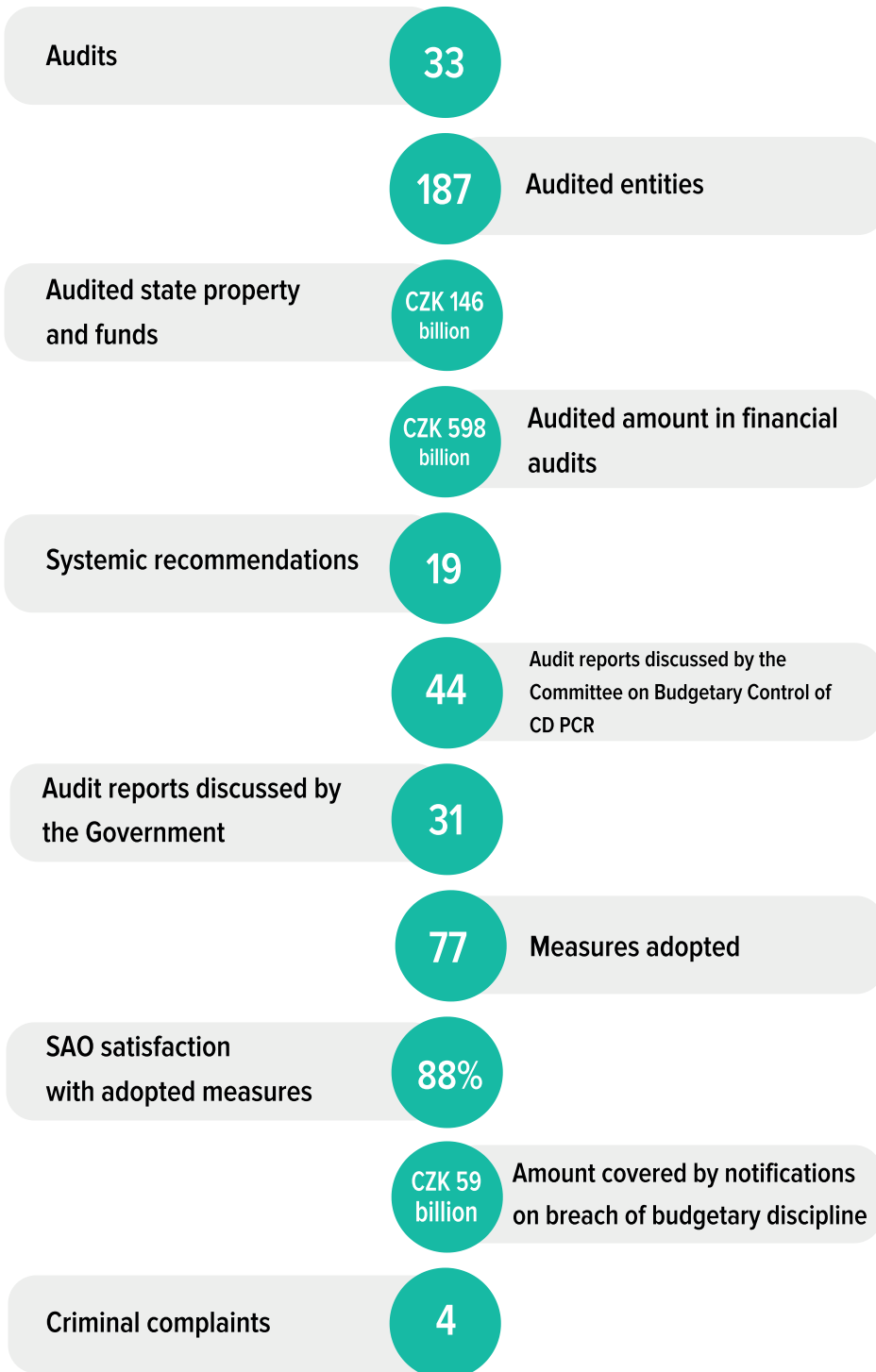
In the light of the current circumstances, the SAO attempted to address several pertinent questions. The crucial question was whether the Czech Republic was able to reflect effectively the crises and emergency situations to date, learn from them and prepare itself for potential future scenarios. The SAO's audits revealed several cases where the state underestimated the severity of the situation, but actual remedy was not ensured. Our findings show that steps and adjustments were often made only on paper – actual changes that would improve the state's readiness for crises were minimal. There is, therefore, a concern that similar mistakes could be repeated, with possible negative consequences for public finances and, for example, public health.

The condition of public finances remained a major issue in 2023: Are the efforts to reduce public debt successful? The SAO's audits showed that the rate of debt reduction is not sufficient despite an increase in the state budget revenues. The debt increased by **CZK 216 billion** year-on-year and thus amounted to more than **CZK 3.1 trillion** at the end of last year. This is also related to the high expenditure associated with the servicing of the government debt, which has increased by almost **CZK 29 billion** to a total of **CZK 68.3 billion** since 2019.

Modernising public administration is one of the ways to reduce administrative expenditure and generate savings. However, the SAO's audits show that the Czech Republic's modernisation efforts in this area have had only limited results. Although there is a promising expansion of services provided to citizens digitally, processing submissions to authorities and governmental institutions often remains outdated, or the digitalisation introduced within the institution fails to effectively reduce administrative burden. As a result, the scope of the modernisation of public administration is limited and significant savings are not realised.

The SAO also continued auditing subsidies in the past year. The results show that despite some efforts, the subsidy system has not changed substantially. It is still burdened with formalism and lacks emphasis on directing subsidies to areas where they can make a real difference. As a result, the system remains administratively demanding, confusing and unwieldy, making it too complicated not only for the state itself, but also for the recipients of subsidies.

The SAO in 2023



DOES THE CZECH REPUBLIC MANAGE TO SUFFICIENTLY REDUCE THE PACE OF DEBT ACCUMULATION?

THE PACE OF DEBT ACCUMULATION WAS NOT SIGNIFICANTLY REDUCED IN 2023. THE INCREASE IN REVENUES, EVEN INCLUDING THE EXTRAORDINARY WINDFALL TAX, HAS NOT BEEN ABLE TO SIGNIFICANTLY REDUCE THE STATE BUDGET DEFICIT. AS IN PREVIOUS YEARS, THERE WAS AN INCREASE IN MANDATORY AND QUASI-MANDATORY EXPENDITURE. THE STATE BUDGET THUS AGAIN ENDED UP WITH A VERY HIGH DEFICIT OF CZK 289 BILLION. ANOTHER MAJOR COST IS THE INCREASING AMOUNT OF MONEY NEEDED TO SERVICE THE PUBLIC DEBT. IN 2023, THIS ALREADY AMOUNTED TO CZK 68.3 BILLION.

The Czech Republic has seen no economic growth in the last four quarters, with high inflation leading to a decrease in real household income and an increase in savings. This has weakened private consumption. A negative factor that continued to affect 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. In contrast to the 0.5% year-on-year GDP growth in the EU, the Czech Republic reported a year-on-year decrease in GDP of 0.5%.

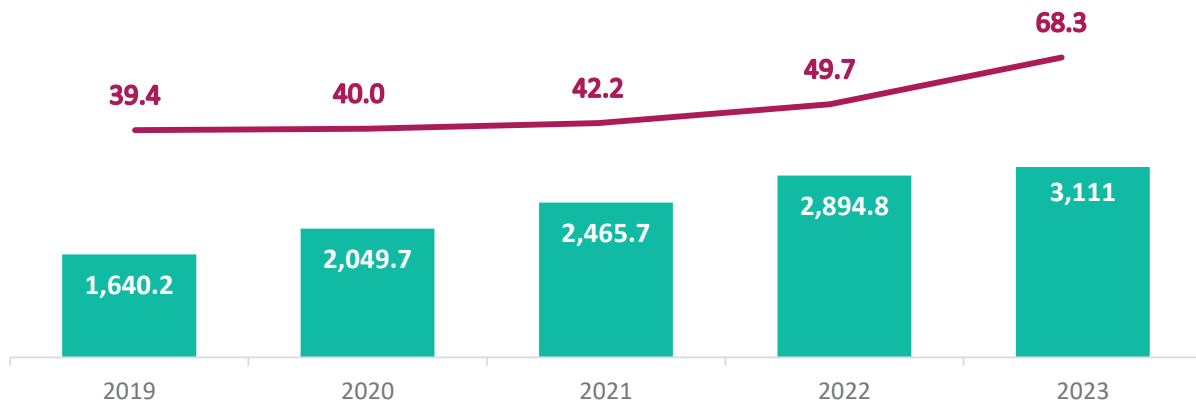
The living standards of the population were significantly affected by the sharp rise in the average annual inflation rate, which, according to Eurostat, reached 12% and was thus second highest in the EU. The Czech Statistical Office (CSO) reported the average annual inflation rate at 10.7% in 2023. The inflation rate in the Czech Republic was also significantly higher than the growth of average gross monthly wages, causing real wages to slump by 2.4%. According to the OECD, this was one of the highest year-on-year declines in the first quarter of 2023. The Czech Republic continued to have one of the lowest unemployment rates in the EU in 2023 at 2.6%. This was less than the EU average of 5.9%.

The Czech Republic's government debt continued to increase, primarily due to substantial state budget deficit. At the end of 2023, it stood at CZK 3.111 billion, a year-on-year increase of CZK 216 billion. The government debt relative to the GDP decreased by 0.4 percentage points (p.p.) year-on-year, resulting in a ratio of 42.3%. The growth of debt was also accompanied by an increase in debt servicing costs. Since 2019, these costs have risen by almost CZK 29 billion to a total of CZK 68.3 billion. Although the Czech Republic is still one of the less indebted countries by European comparison, the government debt growth rate is one of the highest.

The government debt has **more than doubled** over the past five years.

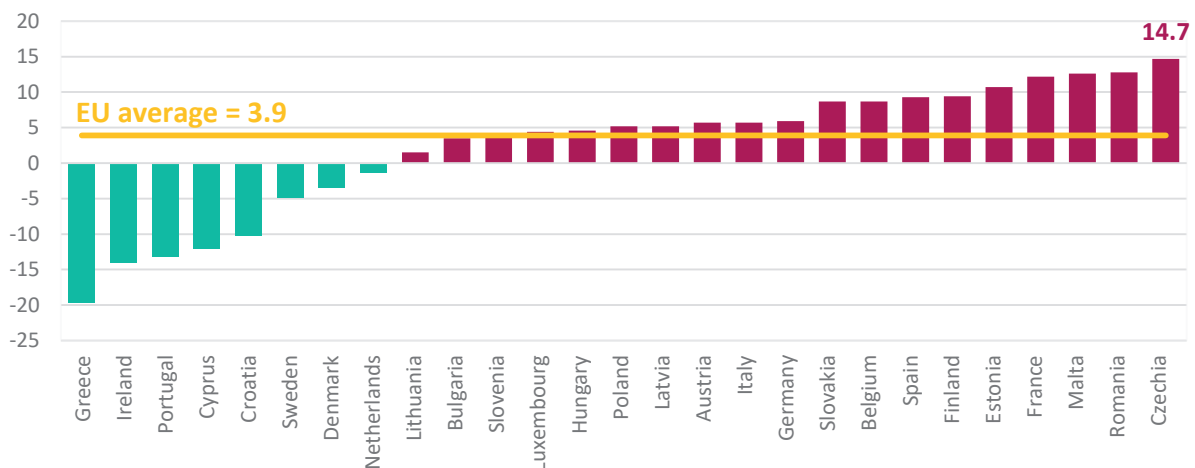
In 2023, the government debt servicing costs increased to an amount that corresponded to **one third** of the total capital expenditures of the state budget.

INCREASE IN GOVERNMENT DEBT AND DEBT SERVICING EXPENDITURE (CZK BILLION)



Source: Integrated Information System of the State Treasury, MoF.

Change in government debt to GDP between 2019 and 2023 (%)



Source: Eurostat, *Statistical Annex – European Economic Forecast – Autumn 2023*.

Note: For 2023, this is the European Commission's November 2023 estimate.

Total state budget revenue amounted to over **CZK 1,914 billion** in 2023, a year-on-year increase of almost **CZK 290 billion**. The year-on-year growth in revenue was mainly due to an increase in tax income, which rose by **CZK 200 billion** year-on-year. State budget expenditure in 2023 amounted to almost **CZK 2,203 billion** and was nearly **CZK 218 billion** higher year-on-year. The increase in state budget expenditure over the last five years equalled almost **CZK 651 billion**, while revenue grew only by about **CZK 391 billion**.

The above problems pose a serious threat to the economic stability of the Czech Republic and to the quality of life of its citizens. High inflation reduces the purchasing power of the population and makes it more challenging for them to afford essential goods and services. The rising government debt is placing a heavier burden on future generations. The fall in real wages leads to a poorer population and a reduced standard of living. Continued expenditure growth, without significant improvement in the structural imbalance between total revenues and expenses, puts more pressure on the state budget and increases the risk of further debt accumulation.

DOES DIGITALISATION LEAD TO MODERNISED PUBLIC ADMINISTRATION ALONG WITH ITS BETTER ACCESSIBILITY TO CITIZENS?

DIGITALISATION IS ONE OF THE MAIN TOOLS FOR MODERNISING PUBLIC ADMINISTRATION. PUBLIC ADMINISTRATION SHOULD BE EFFICIENT AND EASILY ACCESSIBLE TO CITIZENS. THE SAO AUDITS SHOW THAT DIGITALISATION IN THE CZECH REPUBLIC FOCUSES ONLY ON THE COMPUTERISATION OF LONG-EXISTING AND OFTEN OBSOLETE PROCESSES. A FUNDAMENTAL REVISION OF THE ESTABLISHED PROCEDURES IS, HOWEVER, AN ESSENTIAL STEP TOWARDS MODERNISATION OF PUBLIC ADMINISTRATION. IN PRACTICE, WHEN A CITIZEN NEEDS TO ADDRESS AN OFFICIAL MATTER, THEY ENCOUNTER PARTIALLY DIGITALISED, YET INEFFICIENT PROCESS, WHICH FREQUENTLY IMPOSES ADMINISTRATIVE BURDENS ON BOTH THE CITIZEN AND THE RELEVANT AUTHORITY.

A somewhat positive development is the gradually expanding offer of digitalised services, allowing clients to make submissions to public administration electronically to resolve their problems. However, many public administration offices lack the means enabling effective digitalisation and the citizens' submissions are often handled using outdated, non-automated methods. Consequently, neither the administrative burden nor the public administration costs are reduced. Another obstacle is the low level of data sharing among authorities due to low interoperability of public administration information systems. This often has a negative impact on citizens, who are forced to submit the same information to the government repeatedly.

The state of digitalisation of public administration can also be seen in an international comparison. Most EU countries have a higher level of digitalisation (eGovernment) than the Czech Republic, with a greater positive impact and better services provided to citizens. This is evidenced by the Digital Economy and Society Index (DESI) ranking. The Czech Republic ranked significantly below the EU average in most of the indicators, such as the indicator of access to electronic health records, user-friendliness for mobile devices or user support.

The MoI spent almost **CZK 122 million** on a critical project aimed at modernisation of public administration (acceleration, simplification, clarification of better performance of task management). The intended reduction of administrative burdens placed on citizens dealing with authorities and reduction in the costs of the task management did not materialise. The SAO assessed the funds spent on this project as ineffective.³

The Ministry of Health (MoH) and the Institute of Health Information and Statistics (IHIS) allocated **CZK 159 million** to meet the objectives of the *National eHealth Strategy*; this, however, did not lead to a uniform and safe communication environment for sharing health data, basic health data registers and other services. Healthcare services providers are unable to communicate with each other and share medical data, and currently physicians still cannot effectively obtain all the necessary and pre-existing data on their patients in critical situations. This means that one of the basic goals of computerisation leading to patient-oriented healthcare has not been attained.⁴

Administration of the compensation bonus was bureaucratically demanding as the bonus administrators had to enter data from online requests manually into the information system, and cost almost **CZK 457 million**.

The Ministry of Culture (MoC) failed to introduce an electronic system for the management of cases and provision of support for the preservation and renewal of monuments, so their administration is still kept in paper form. The process takes up to **1.5 years from the submission of the application to the payment of the funds**.²

The Czech Republic ranked below **the EU average in 6 out of 8** public service indicators in the DESI assessment. In four indicators, the Czech Republic was even among the last three.

In some cases, citizens must inform the authorities of the deaths of their relatives, with the risk of facing a fine of up to **CZK 20,000**, even though the state already has this information.

2 SAO audit No 22/22 (see Chapter 4.10 of this Annual Report).

3 SAO audit No 22/06 (see Chapter 4.1 of this Annual Report).

4 SAO audit No 22/20 (see Chapter 4.1 of this Annual Report).

DID WE LEARN FROM PAST CRISES? AND ARE WE READY FOR POSSIBLE FUTURE CRISES?

THE COVID-19 PANDEMIC EXPOSED THE CZECH REPUBLIC'S UNPREPAREDNESS FOR CRISES AND EMERGENCIES. WHILE IT MAY NOT ALWAYS BE POSSIBLE TO PREDICT OR ENTIRELY ELIMINATE ALL THREATS, IT IS IMPORTANT FOR THE STATE TO ACTIVELY MITIGATE RISKS AND RESPOND EFFECTIVELY TO THEIR MANIFESTATIONS. THIS MEANS THAT UP-TO-DATE AND EFFECTIVE PLANS AND PROCEDURES MUST BE IN PLACE THAT THE STATE IMPLEMENTS WHEN NEEDED. THE SAO'S AUDITS SHOWED THAT THE RESPONSIBLE INSTITUTIONS UNDERESTIMATED MANY EVENTS AND DID NOT LEARN FROM THEM. THE STATE IS THUS LIKELY TO REPEAT SIMILAR ERRORS AT CRITICAL MOMENTS. THIS COULD CAUSE MAJOR DAMAGE, A POTENTIAL WASTE OF PUBLIC FUNDS, AND, ABOVE ALL, A THREAT TO PUBLIC HEALTH.

During a number of our inspections, not just in the past year, we have found that the prevailing practice is to complete formal steps without achieving any substantive results. It turns out that actual changes that would improve preparedness for crises are rare. This means, for example, that the pandemic plan and the related measures have yet to be updated. The SAO also warned in the past that the system of protection of soft targets remains incomplete and the long-neglected state of civil protection is also a vulnerability.

The Information Technology Activities sector received support totalling CZK 278 million, although the economic output of this sector increased by 17.5%, the number of hours worked increased by 10% and the number of employees increased by 9.5% between 2019 and 2021.

Inspections aimed at addressing the impacts of the COVID-19 pandemic found that the total funds spent, i.e. almost **CZK 100 billion**, contributed to the stated purpose, i.e. to mitigate the impacts of the pandemic on employment and the business sector. In the case of the *Antivirus* programme, the general contributions also supported companies that achieved profits and increased the number of employees. Contrary to the established principle of partial compensation, the Ministry of Labour and Social Affairs (MoLSA) did not contribute to covering the employers' expenses for maintaining jobs, which resulted in **approx. CZK 4.4 billion** in state support costs. The provision of the compensation bonus lacked control mechanisms to prevent the misuse of support by purpose-built companies. The entire process was considerably more expensive due to high administrative burden⁵. If the responsible authorities do not learn their lesson, the potential provision of general support will result in further waste of funds.

The SAO found a steady decline in the capacity of permanent shelters; it covered approximately 3.2% of the Czech population in 2021. The same applies to the number of shelters in university hospitals; only four hospitals, in Prague and Plzeň, had shelters in 2021.

The audit⁶ of the civil protection system showed that the MoI had not completed a number of tasks in the area of amending legislation, education and training, warnings and informing citizens, ensuring sufficient individual protection equipment, including the use of the results of the related research. The MoI and the MoH spent at least **CZK 721 million** on this area in the audited period. Insufficient population awareness is also documented by the SAO's questionnaire survey. Almost 47 thousand participants in this survey show an extraordinary public interest in this issue. Approximately **80%** of respondents did not know where to find a permanent shelter and almost half of the respondents did not know how to proceed in the event of a chemical spill.

5 SAO audit No 22/07 (see Chapter 3 of this Annual Report) and No 22/28 (see Chapter 4.5 of this Annual Report).

6 SAO audit No 22/12 (see Chapter 4.3 of this Annual Report).

ARE THE CZECH REPUBLIC'S DEFENCE CAPABILITIES BEING MAINTAINED OR STRENGTHENED?

IN THE LIGHT OF THE CURRENT SECURITY ENVIRONMENT, EMPHASIS MUST BE PLACED ON STRENGTHENING THE CZECH REPUBLIC'S DEFENCE CAPABILITIES. HOWEVER, THIS MUST BE CONDITIONAL ON MEANINGFUL AND EFFECTIVE USE OF THE LIMITED RESOURCES AVAILABLE TO THE STATE. THIS MEANS THAT IN ORDER TO STRENGTHEN THE CZECH ARMED FORCES (CAF) AS MUCH AS POSSIBLE, IT IS NECESSARY TO ENSURE THE BEST POSSIBLE USE OF THE FUNDS AVAILABLE. DESPITE REPEATED INCREASES IN EXPENDITURE WITHIN THE MINISTRY OF DEFENCE (MOD), THE SAO HAS DOCUMENTED A NUMBER OF EXAMPLES WHERE THE MOD FAILED TO UTILISE THE FUNDS EFFICIENTLY.

The expenditures from the MoD's budget have almost doubled over the past five years. The SAO pointed out already in its 2022 Annual Report, that the increase in expenditure must correspond to the economic possibilities of the state and the MoD's ability to use the allocated funds effectively, efficiently and economically (the 3E principle). The SAO's previous audits demonstrated that the MoD had failed to do so, e.g. in the acquisition of armaments and armoured vehicles. In 2023, the SAO found that the MoD had failed to provide for the planned renewal of the CAF's vehicle fleet or the material needs of the military in the field of radiation, chemical and biological protection.

The MoD has recently been more actively engaging in financially significant acquisitions, often entering into contracts directly with selected foreign governments or specific manufacturers without a tender procedure. The SAO sees these actions as posing a risk of inefficient and uneconomical use of funds.

Despite the multi-billion increase in its budget, the MoD failed to implement the restoration plans for the CAF's vehicle fleet, although some of the vehicles were severely outdated and their operation unsustainable. The MoD operates the CAF's vehicle fleet with a book value of **CZK 9.4 billion**. The average age of the vehicles was almost **21 years**, with some having been in operation for **39 years**. The MoD inefficiently and ineffectively spent funds to repair vehicles that had exceeded their operational lifetime, often paying more for the repairs than the cost of a new vehicle. The MoD also did not cooperate with the state enterprise VOP CZ (which is to carry out military equipment repairs) in line with its intended goals and objectives. Moreover, VOP CZ has been operating at a loss for an extended period of time.⁷

The MoD did not manage to complete the Biological Protection Centre (BPC) in Těchonín⁸ in 22 years since its establishment and ensure its full operation, i.e. the fulfilment of all its statutory functions. The SAO therefore assessed the funds spent for this purpose as having limited effectiveness. The MoD did not even manage to increase some of the capabilities of the Czech chemical protection units, as it did not purchase special chemical reconnaissance vehicles, decontamination agents and chemical protection suits. The funds earmarked for this purpose exceeding **CZK 1.5 billion** thus remained unused. Consequently, the MoD failed to meet the requirements of the CAF concerning radiation, chemical and biological protection and only partially achieved some of the objectives for the strengthening of NATO forces. It did not justify the change in the requirements for the number and capabilities of light armoured vehicles acquired, resulting in an increase in the price by almost **CZK 4.5 billion**, i.e. by **522%**.

The expenditure from the MoD's budget surged by over **CZK 32 billion** from 2019 to 2023. According to the 2024 budget, expenditure is projected to increase by additional **CZK 50 billion** year-on-year.

Expenditure on the construction of BPC Těchonín reached **CZK 3.7 billion** in the period 2001–2022 and yet it is still not fully operational.

7 SAO audit No 22/11 (see Chapter 4.3 of this Annual Report).

8 SAO audit No 23/03 (see Chapter 4.3 of this Annual Report).

HAS THE CONDITION AND PACE OF BUILDING KEY INFRASTRUCTURE IN THE CZECH REPUBLIC IMPROVED?

IN 2023, THE ADMINISTRATIVELY COMPLEX SPATIAL-PLANNING AND CONSTRUCTION PROCEDURES, COUPLED WITH ERRORS IN THE PREPARATION OF PROJECTS, HINDERED A MORE RAPID DEVELOPMENT OF KEY INFRASTRUCTURE. THESE PROBLEMS HAVE LONG LED TO DELAYS AND COSTLY CONSTRUCTION OF ROADS, MOTORWAYS AND OTHER TRANSPORTATION ENGINEERING PROJECTS. REMOVING THESE OBSTACLES IS ESSENTIAL FOR COMPLETING THE KEY INFRASTRUCTURE PROJECTS AND RESOLUTION OF ISSUES SUCH AS THE PROLONGED, SOMETIME DECADES-LONG, CONSTRUCTION PREPARATIONS. MAJOR TRANSPORTATION ENGINEERING AND CONNECTIONS TO IMPORTANT EUROPEAN NETWORKS HAVE NOT BEEN COMPLETED EITHER.

*In 2002, the size of the Czech motorway network was comparable to Poland's. However, by 2023, Poland had added over **4,500 km** of motorways and express roads, whereas the Czech Republic only added less than **868 km**. The construction rate in Poland was more than five times faster.*

The state and the European Union invest billions in the construction of transportation infrastructure. The SAO's audits have long pointed out shortcomings in the construction works, from the preparatory phase to completion. These include errors in the submitted documentation, incomplete underlying documents, non-compliance with schedules, number of defects in already completed construction works, insufficiently documented underlying materials or sluggishness in resolving complaints. The project preparation phase needs to be shortened and focus should be placed on priority constructions and on ensuring that their implementation aligns with the project. This is crucial in order to ensure that the transportation infrastructure in the Czech Republic adequately serves the needs of the society.

9 bridges and 3 overpasses on the renovated sections of the D1 motorway remain in a state endangering safe and fluent traffic. The MoT, however, does not monitor the actual progress of repairs of bridges and overpasses and does not keep track of their current condition.

The modernisation of the D1 motorway has not been completed and no comprehensive time and financial plan was introduced for its completion in 2023. During the first half of 2022, the Road and Motorway Directorate (RMD) spent a total of **CZK 28.1 billion** on modernisation of the D1 motorway. Nonetheless, the bridges and overpasses on the renovated sections still pose a risk to traffic safety. The modernisation of some rest areas remains unfinished and there is a lack of parking spaces for lorries. The SAO also pointed out the insufficient quality in troubleshooting on the renovated sections, which impacts driving comfort. Moreover, the renovated roadway continues to be damaged by overloaded lorries, but the Ministry of Transport (MoT) has not adopted any effective measures to address this situation.⁹

*In the case of two structures (sections D35 Opatovice – Časy and D35 Časy – Ostrov), the SAO found that the construction costs increased due to errors in the design documents by at least **CZK 220 million** excl. VAT. The RMD did not complain about the design documents with an explanation that RMD's contractor had been continuously working on correcting the errors and inaccuracies.*

In the area of preparation and construction of the D35 motorway, the MoT/RMD failed to fulfil the conceptual construction plans; the deadlines set out in the schedule of implementation of the TSS2 for 2014–2020 were not met; the delays in construction occurred especially due to long property settlement proceedings and also due to incomplete underlying documents prepared by the RMD for the planning permit proceedings. The increase in the costs of construction was also caused by errors in the design documents.¹⁰

9 SAO audit No 21/37 (see Chapter 4.4 of this Annual Report).

10 SAO audit No 22/08 (see Chapter 4.4 of this Annual Report).

ARE SUBSIDIES PAID ONLY FOR MEANINGFUL NEEDS?

THE SUBSIDY SYSTEM IN THE CZECH REPUBLIC HAS TWO MAJOR PROBLEMS. FIRSTLY, IT PRIORITISES FORMAL REQUIREMENTS OVER THE ACTUAL OBJECTIVES AND BENEFITS OF SUBSIDIES – I.E. WHAT PUBLIC SERVICE WAS PROVIDED AS A RESULT OF THE ALLOCATED FUNDS. CONSEQUENTLY, SUBSIDIES ARE OFTEN PROVIDED FOR PROJECTS THAT HAVE NO TANGIBLE SOCIAL BENEFIT. SECONDLY, THE SUBSIDY SYSTEM HAS BECOME OVERLY EXPANSIVE, OPAQUE, UNWIELDY AND, ULTIMATELY, ADMINISTRATIVELY BURDENING ON BOTH THE STATE AND THE BENEFICIARIES. THE COMPLEXITY OF THE SYSTEM IS ALSO REFLECTED IN THE EMERGENCE OF COMPANIES THAT TAKE OVER THE BUREAUCRATIC TASKS AS THE MAIN OBJECTS OF THEIR BUSINESS. THE MUCH NEEDED STRUCTURAL CHANGE OF THE SUBSIDY SYSTEM IS YET TO BE IMPLEMENTED.

In order to effectively address its major problems, the entire subsidy system must be approached differently. A necessary precondition for reforming the subsidy system is to allocate subsidies primarily for public services that are most efficiently provided by the state and are likely to have tangible impacts. It is essential to reassess the complex structure of the system and employ the subsidy limits more frequently to incentivise the beneficiaries to prioritise cost efficiency. This should help reduce the administrative burden and the overall costs of the subsidy system.

Over the past seven years, the SAO has carried out five audits focusing on funds earmarked for housing support. The main challenges of the housing policy, especially the availability and quality of housing, have persisted for a long time and the implementation of housing strategies to date have not led to their elimination. Although the state invests nearly **CZK 3 billion** annually in addressing housing issues, the impact on the housing market remains marginal. Moreover, the State Investment Support Fund (SISF) did not limit the amount of rent in the conditions of the *Rental Flats* programme. This allowed the beneficiaries to set their rent higher than what was customary at the given place and time. The Ministry of Regional Development (MoRD) still lacks reliable data on the size and quality of the housing stock or the size of the target groups. Without these data, the housing policy cannot be managed adequately.¹¹

According to Eurostat, the gender pay gap in the Czech Republic reached **15%**.¹² Nevertheless, the MoLSA failed to set the conditions for drawing subsidies in a way that would guarantee the achievement of the objective to reduce the differences in the status of women and men and thereby fulfil not only the government strategy but also the EU goals. The support of gender audits contributed only insignificantly to reducing pay gaps, reducing vertical and horizontal segregation of men and women on the labour market, facilitating the compatibility of work and private life and reducing the risk of harassment in the workplace. Only **8%** of the public funds audited fulfilled the purpose of the support in all key areas of gender equality and only **14%** of audited organisations continued to implement the measures after the audit. The audit found that the implementation time of IGAR projects was disproportionately long. For nine projects, the project duration was **between 24 and 36 months**. The longest project duration was recorded for the smallest enterprise with 14 employees. At the same time, the same company drew the largest subsidy of **CZK 4.7 million**.¹³

In the period from 2018 to 2022, the MoIT provided institutional support to 14 research organisations in the amount of **CZK 2.3 billion** without specifying objectives and benefits that should be achieved. The Ministry's rules for

*In a project financed by the SISF, the first loan agreement with the beneficiary stipulated the amount of the rent of **CZK 135 per square metre**. In subsequent agreements, the beneficiary increased the rent significantly, up to **CZK 569 per square metre**.*

*The gender audit implementer demonstrably did not assess the remuneration in **27%** of the audited persons, despite being obliged to do so.*

*The MoIT repeatedly provided institutional support in the total amount of **CZK 39.3 million** in 2018–2021 to a research organisation which the Ministry itself evaluated as below average.*

11 SAO audit No 22/27 (see Chapter 4.8 of this Annual Report).

12 The European average gender pay gap over the same period was 12.7% [cited 2024-02-01]. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender_pay_gap_statistics.

13 SAO audit No 22/10 (see Chapter 4.5 of this Annual Report).

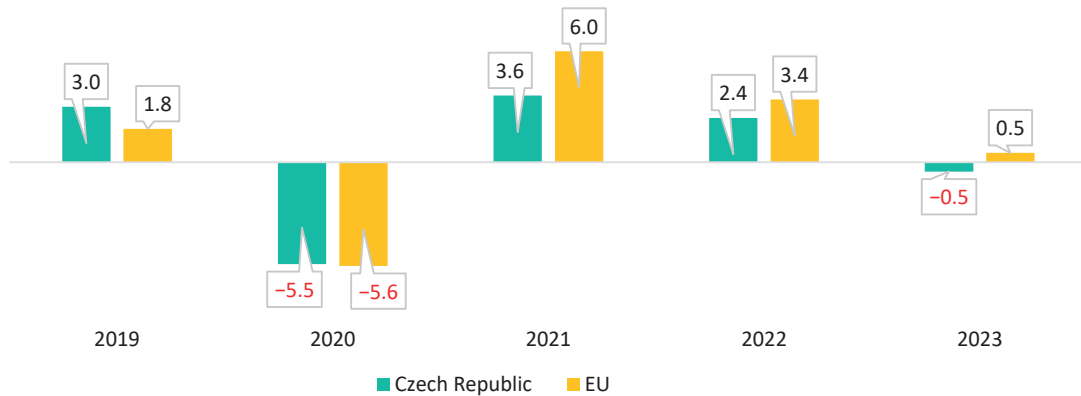
using subsidies did not set any limits or detailed conditions for the research organisations on the manner and purpose of drawing the support. This allowed the support to be used, for example, for remuneration of employees; the proportion of the subsidy money in salaries varied from **1.2% to 36.8%**. The MoIT also failed to take into account revenues generated from the transfer of knowledge in the interim and final evaluations. The SAO considers these revenues an important indicator of commercial use and practical application of the results of research and development. **Five out of 14** research organisations supported did not report any revenues from the transfer of knowledge.¹⁴

14 SAO audit No 22/21 (see Chapter 4.2 of this Annual Report).

2. PUBLIC FINANCE

For the second year in a row, the economic development of the Czech Republic was significantly affected by the high inflation rate and challenges in supply of important commodities. In contrast to the **0.5%** year-on-year GDP growth in the EU, the Czech Republic reported a year-on-year decrease in GDP of **0.5%**.

Chart 1: Development of year-on-year change in GDP 2019–2023 (%)



Source: Eurostat, *Macroeconomic Forecast - January 2024*.

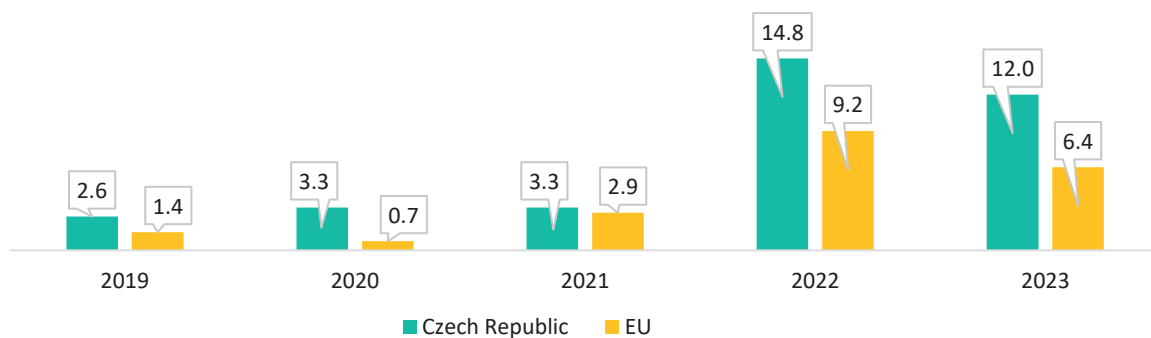
Note: In the case of 2023, this is the MoF's January 2024 forecast (seasonally adjusted values).

The slight downturn in the economy was primarily attributed to reduced household consumption driven by a decline in real wages due to high inflation, which led consumers to more cautious spending in their daily purchases and investment activities.

The double-digit inflation that the Czech Republic has been experiencing since the beginning of 2022 began to gradually decrease in 2023. Its average level for 2023 was **12.0%**, which is still **5.6 p.p.** higher than the EU average.

Within the EU, the Czech Republic had **the second highest** inflation rate in 2023 after Hungary.

Chart 2: Inflation in 2019-2023 (%)

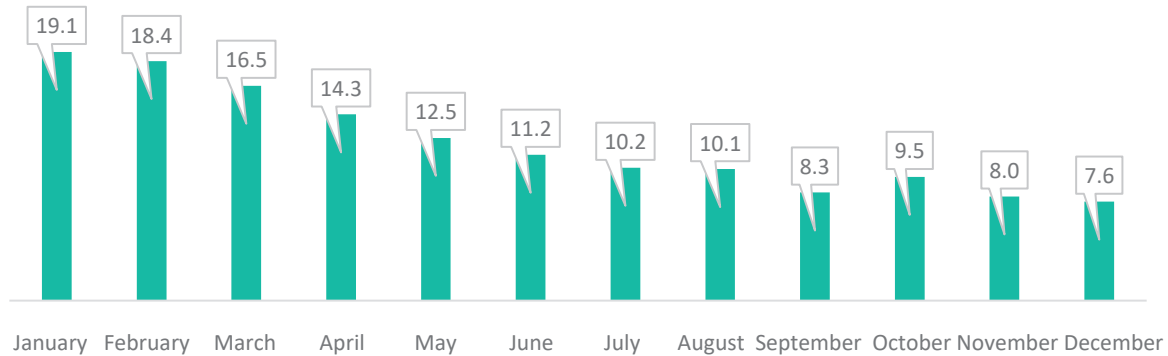


Source: Eurostat.

Legenda: Czech Republic, EU

In January 2023, year-by-year inflation was **19.1%**. It gradually declined during the year, finally reaching **7.6%** in December 2023. This was due, among other things, to a gradual slowdown in the rise of food and fuel prices.

Chart 3: Annual inflation in the Czech Republic in individual months of 2023 (%)

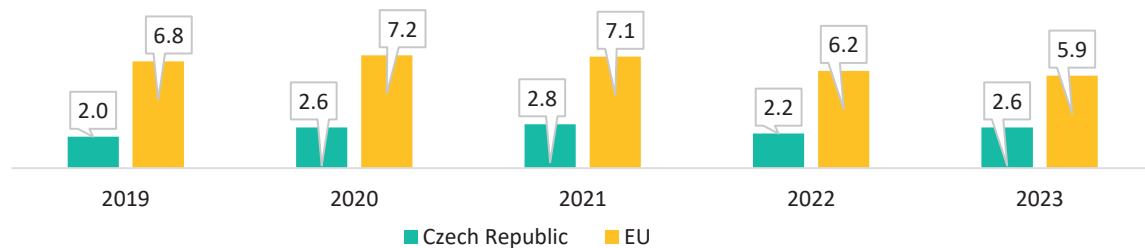


Source: Eurostat.

According to the *Macroeconomic Prediction – January 2024*, the average gross monthly wage decreased by **2.4%** in 2023.

The economic problems affecting the decline in GDP in 2023 did not have a significant impact on the unemployment rate, which was one of the lowest among EU countries. The labour market continues to face labour shortages in certain sectors, leading to an imbalance between job supply and demand. This situation creates upward pressure on wages, but they have not kept pace with the inflation rate. This results in a notable decline in real wages. According to the OECD, this was one of the highest year-on-year declines in the first quarter of 2023. The decline in OECD countries reached **3.8%** and **10.4%** in the Czech Republic. A greater decline was observed only in Latvia and Hungary.¹⁵ This unfavourable situation improved during the year, also as a consequence of decreasing inflation. The total unemployment rate was **2.6%** in 2023 and remained one of the lowest in the EU, with EU average reaching **5.9%**.

Chart 4: Development of unemployment 2019–2023 (%)



Source: Eurostat, *Macroeconomic Forecast - January 2024*.

Note: In the case of 2023, this is the Ministry of Finance's January 2024 forecast.

15 OECD [cited 2024-02-09]. Available at: <https://www.oecd.org/newsroom/oecd-job-markets-remain-tight-though-inflation-is-hitting-real-wages.htm>.

AFTER 2 YEARS OF GROWTH, THE CZECH ECONOMY ENTERED A MILD RECESSION IN 2023. THE PRIMARILY CHALLENGE IS STILL HIGH INFLATION, WHICH SUBSTANTIALLY WEAKENS THE CONSUMERS' PURCHASING POWER. THE GRADUAL DECLINE AT THE END OF 2023 SIGNALS THAT THE INFLATION RATE SHOULD APPROACH THE CZECH NATIONAL BANK'S INFLATION TARGET OF 2% IN THE PERIOD AHEAD, WHICH INDICATES A RETURN TO THE YEAR-ON-YEAR GROWTH OF REAL WAGES. THIS SHOULD CONTRIBUTE TO INCREASED HOUSEHOLD CONSUMPTION AND HIGHER PRIVATE INVESTMENTS.

The Act on the State Budget of the Czech Republic for 2023¹⁶ set revenues of **CZK 1,927.95 billion**, expenditures of **CZK 2,222.95 billion** and a deficit of **CZK 295.00 billion**. The state budget deficit for 2023 was thus planned to be **CZK 80 billion** lower than in 2022.

Table 2: State budget performance (CZK billion)

Indicator	2019	2020	2021	2022	2023
Revenue	1,523.22	1,475.48	1,487.24	1,624.41	1,914.12
Expenditure	1,551.74	1,842.93	1,906.93	1,984.81	2,202.64
Balance	-28.52	-367.45	-419.69	-360.40	-288.52
Balance approved by law	-40.00	-500.00	-500.00	-375.00	-295.00

Source: Integrated Information System of the State Treasury.

The state budget ended 2023 with a deficit of **CZK 288.5 billion**. The deficit was thus **CZK 6.5 billion** lower than budgeted and **CZK 71.9 billion** lower than in 2022. State budget revenues increased by **CZK 289.7 billion** year-on-year to **CZK 1,914.1 billion** in 2023. This corresponds to 99.3% of the approved revenue budget. The highest year-on-year increase was recorded in the revenue from social security contributions (by CZK 51.6 billion). Revenue from the EU/FM budget also increased significantly (by CZK 56.8 billion). While high inflation throughout 2023 contributed to a year-on-year increase in the value added tax (VAT) collection (by CZK 19.9 billion), the VAT collection fell short of the approved budget by **CZK 16.7 billion**.

State budget expenditure in 2023 increased year-on-year by **CZK 217.8 billion** to a total of **CZK 2,202.6 billion**. This corresponds to 99.1% of the approved expenditure budget. Current expenditures amounted to **CZK 1,992.2 billion** and increased by **CZK 193.4 billion** year-on-year. Capital expenditures amounted to **CZK 210.5 billion** and increased by **CZK 24.5 billion** year-on-year. Under current expenditures, social benefit expenditures increased the most year-on-year, by CZK 100.1 billion. Expenditures related to the war in Ukraine for the 1st to 3rd quarters of 2023 amounted to **CZK 19.8 billion**.

Table 3: Development of current and capital expenditure 2019–2023 (CZK billion)

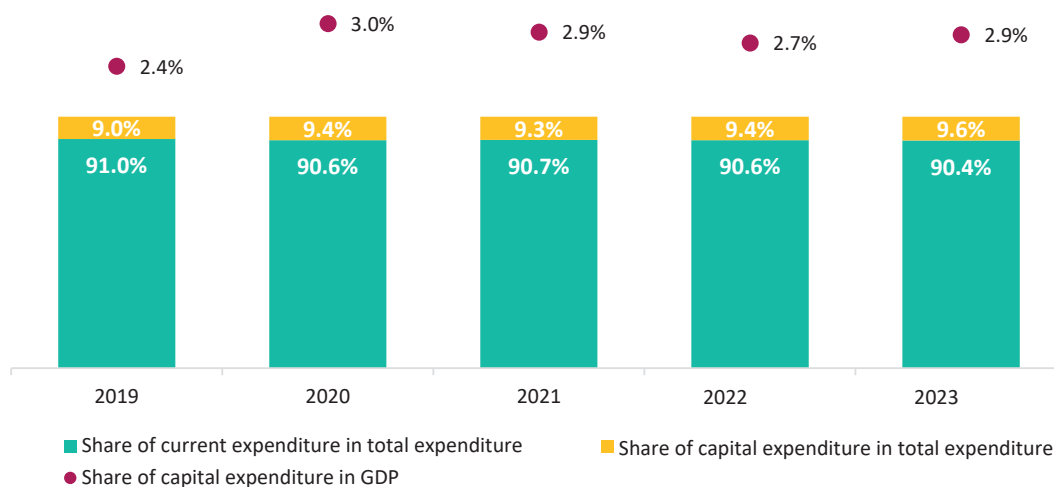
Indicator	2019	2020	2021	2022	2023
Current expenditure	1,412.60	1,670.31	1,729.79	1,798.81	1,992.18
Capital expenditure	139.14	172.62	177.14	186.00	210.46
Total expenditure	1,551.74	1,842.93	1,906.93	1,984.81	2,202.64

Source: Integrated Information System of the State Treasury.

In 2023, the share of capital expenditures in GDP reached **2.9%**. Compared to the previous years, this represented an increase **by 0.2 p.p.** The share of capital expenditures is significantly influenced by projects and programmes co-financed from the EU, especially in the years when the multiannual financial framework ends or when the n+3 rule must be met.

16 Act No. 449/2022 Coll., on the State Budget of the Czech Republic for 2023.

Chart 5: Current and capital expenditure as a share of total expenditure and capital expenditure as a share of GDP (%)



Source: CSO, *Integrated Information System of the State Treasury, Macroeconomic Forecast - January 2024*.

Note: In the case of capital expenditure as a share of GDP in 2023, this is the Ministry of Finance's January 2024 forecast.

The main contributors to the year-on-year increase in capital expenditures were investment transfers to businesses in connection with the energy crisis and investments in contributory organisations in the health sector for special healthcare programmes.

Expenditure in the areas of industry, construction, trade and services and healthcare contributed the most to the year-on-year increase in capital expenditures by **CZK 24.5 billion** in 2023.

Chart 6: Year-on-year change in selected capital expenditure by sectoral classification of the budget composition in 2023 (CZK billion)

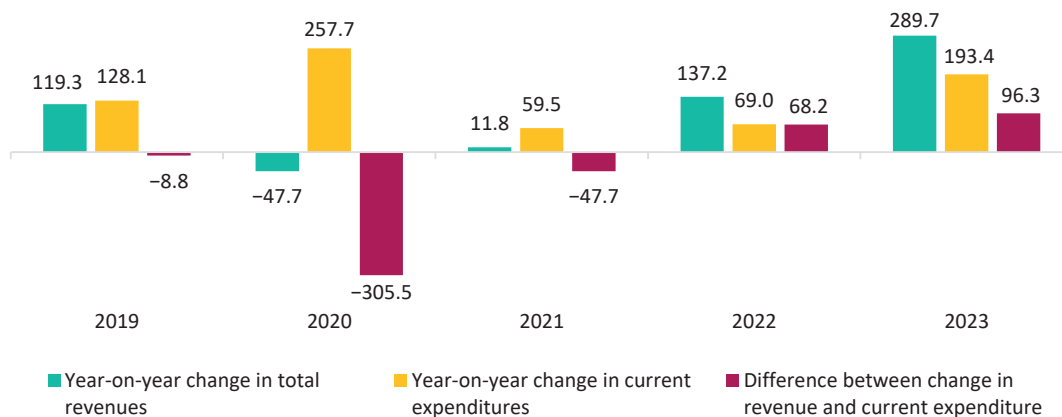


Source: *Integrated Information System of the State Treasury*.

In 2023, the positive trend observed in 2022 continued, where total state budget revenues exceeded current expenditures on a year-on-year basis. Compared to 2022, this difference amounted to an additional **CZK 28.1 billion**.

Chart 7: Year-on-year change in total revenues and current expenditures 2019-2023

(CZK billion)

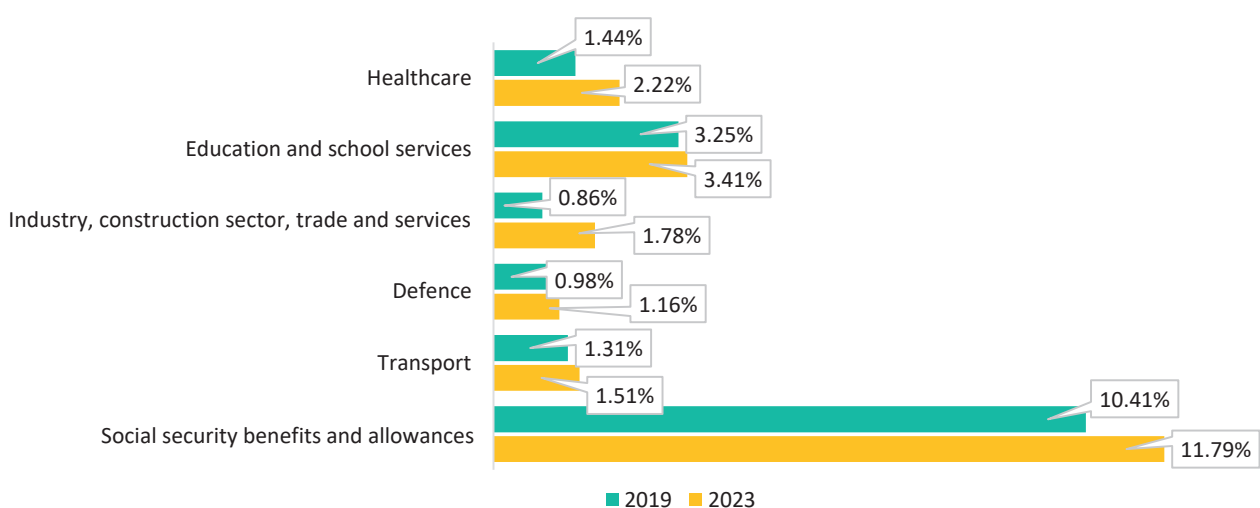


Source: Integrated Information System of the State Treasury.

IN 2023, STATE BUDGET REVENUES INCREASED BY CZK 289.7 BILLION YEAR-ON-YEAR, WHICH IS THE HIGHEST YEAR-ON-YEAR REVENUE GROWTH IN HISTORY. EVEN WITH THE EXTRAORDINARY WINDFALL TAX IN THE AMOUNT OF CZK 39.1 BILLION, THIS GROWTH DID NOT ENSURE CLOSING OF THE STATE BUDGET GAP, AS CURRENT EXPENDITURES ALSO INCREASED SIGNIFICANTLY YEAR-ON-YEAR IN 2023 (BY CZK 193.4 BILLION). TO BETTER IMPLEMENT EFFORTS AIMED AT ACHIEVING A BALANCED BUDGET, IT IS NECESSARY TO SLOW DOWN THE ANNUAL GROWTH IN CURRENT EXPENDITURES.

Expenditures from the state budget ensure the execution of fundamental functions of the state in key areas of public life. The most financially demanding component of the state budget are expenditures on social security contributions and benefits, primarily pensions. These expenditures amounted to **CZK 866.7 billion** in 2023 and increased by **CZK 263.8 billion** compared to 2019. Their proportion of the GDP was 11.8% in 2023 and saw the most significant increase by **1.4 p.p.** since 2019. The share of expenditures in GDP in industry, construction, trade and services and healthcare also grew rapidly. The expenditure growth in these areas corresponds to recent events (COVID-19 epidemic, high inflation, energy crisis, etc.).

Chart 8: Expenditure in selected areas of the national economy as a share of GDP in 2019 and 2023 (%)

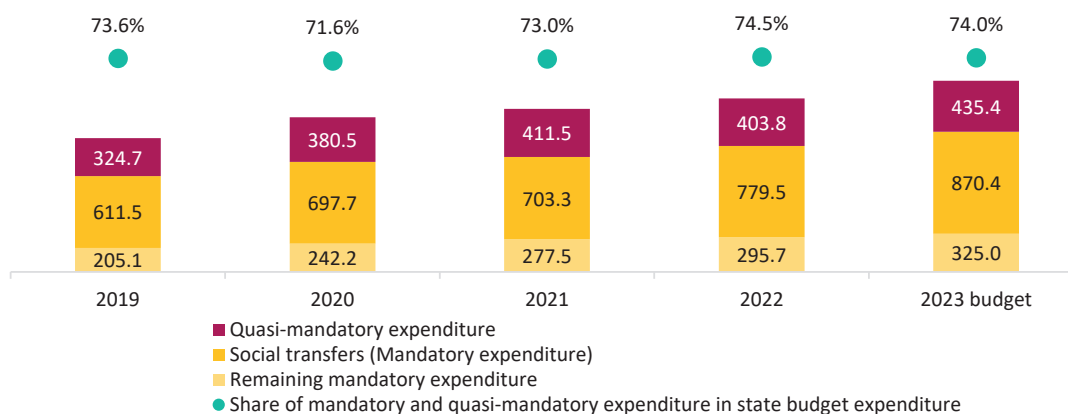


Source: CSO, Integrated information system of the State Treasury, Macroeconomic Forecast - January 2024.

Note: In the case of 2023, this is the Ministry of Finance's January 2024 forecast.

The effort to reduce budget deficits is hindered by the amount of mandatory and quasi-mandatory expenditure. The budgeted mandatory expenditure amounted to **CZK 1,195.35 billion** and quasi-mandatory expenditure to **CZK 435.43 billion** in 2023. Their total share in the state budget expenditure would be **74%** if the budgeted amount were respected.

Chart 9: Mandatory and quasi-mandatory expenditure and its share in total expenditure of the state budget 2019-2023 (CZK billion, %)

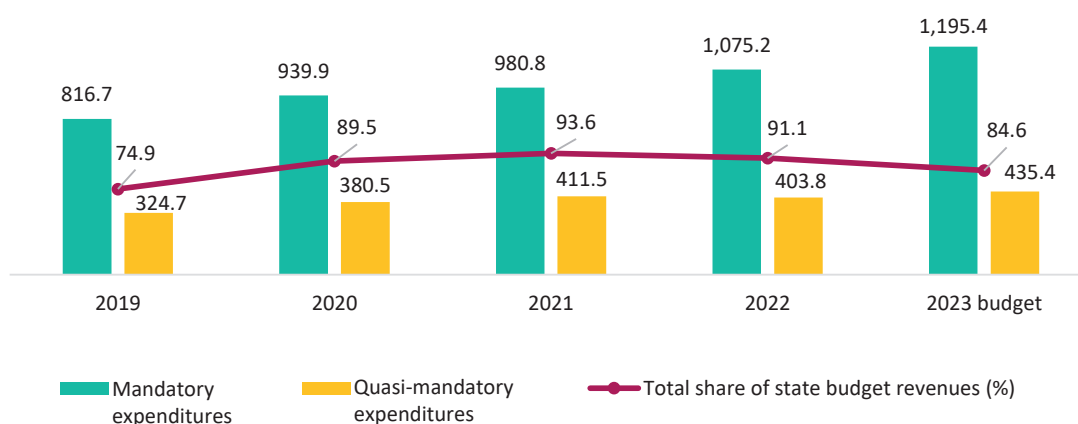


Source: State Final Accounts 2019-2022, documentation for the draft law on the state budget for 2024.

Note: Remaining mandatory expenditures include e.g. government payments for health insurance, debt service expenditures and renewable energy subsidies.

In 2020 and 2021, the share of mandatory and quasi-mandatory expenditure in the state budget revenues increases due to the economic downturn related to the COVID-19 pandemic. Although this share was reduced year-on-year in 2022, revenues in excess of these mandatory expenditure amounted to only **CZK 145.3 billion**. This means that even if the budget was balanced, only less than **9%** of revenues could be used to cover expenses other than mandatory. In 2023, mandatory and quasi-mandatory expenditure was budgeted in the total amount of **CZK 1,630.4 billion** and accounted for **84.6%** of the total budgeted revenue. As a result of the record increase in revenues, further year-on-year decrease in the share in revenues should occur, but only **15.4%** of the state budget revenues will remain after deduction of mandatory expenditures.

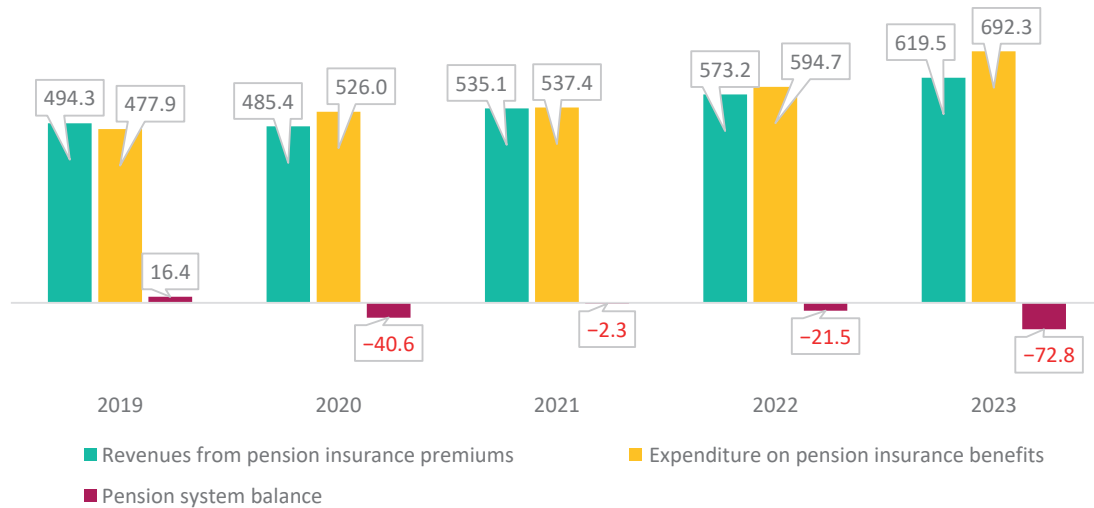
Chart 10: Mandatory and quasi-mandatory expenditures and their total share in state budget revenue 2019-2023 (CZK billion, %)



Source: State Final Accounts 2019-2022, documentation for the draft law on the state budget for 2024.

The financially most significant group within mandatory expenditures includes social transfers, the main component of which are pension insurance benefits. The management of the pension system affects the overall balance of the state budget. The pension system ended 2023 with a deficit of **CZK 73 billion**, which meant a year-on-year decline by more than **CZK 50 billion**.

Chart 11: Pension system management in 2019-2023 (CZK billion)

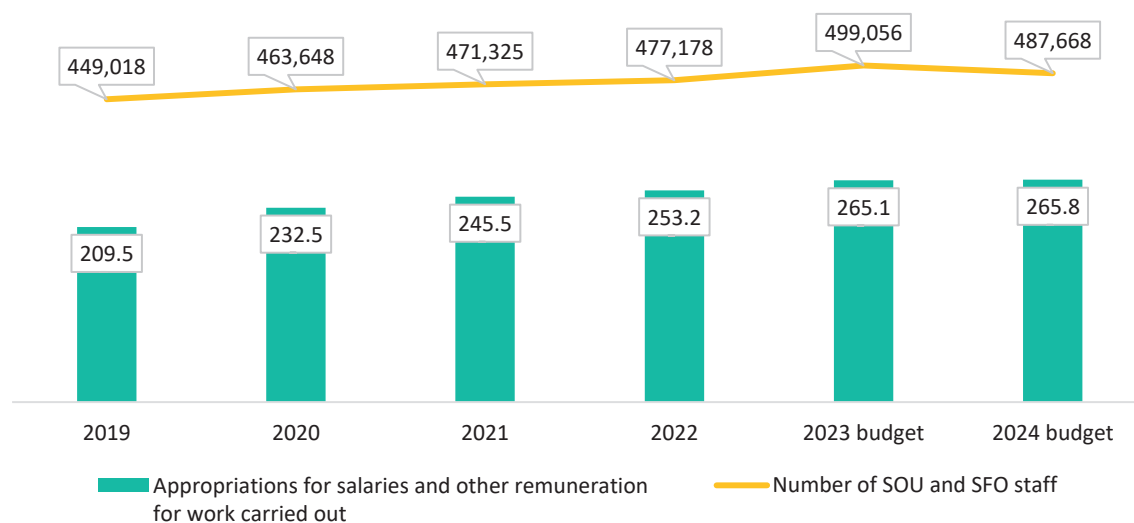


Source: State Final Accounts 2019-2022, Ministry of Finance.

IN THE PERIOD FROM 2020 TO 2023, THE PENSION SYSTEM ENDED WITH A DEFICIT BECAUSE THE REVENUE COLLECTED WAS NOT SUFFICIENT TO COVER THE NECESSARY EXPENSES. THE PENSION SYSTEM DEFICIT THUS DEEPENED THE OVERALL STATE BUDGET DEFICIT. IN 2023, THE PENSION SYSTEM DEFICIT ACCOUNTED FOR MORE THAN A QUARTER OF THE TOTAL STATE BUDGET DEFICIT.

In the case of quasi-mandatory expenditure, its largest part consists of salaries of employees of the state's organisational components and contributory organisations. Between 2019 and 2022, these expenditures increased by almost **CZK 44 billion** and the number of employees increased by more than **28,000**. The highest increase was in the regional education sector. A significant increase in the number of employees in the state's organisational components and contributory organisations by another 22,000 was also planned for 2023. As per the budget, the number of employees is expected to decline in 2024 for the first time after many years.

Chart 12: Number of employees of state organisational units and state-funded organisations and funds for their salaries in 2019-2024 (CZK billion, persons)



Source: State Final Accounts 2019-2022, documentation for the draft law on the state budget for 2024.

THE MANDATORY AND QUASI-MANDATORY EXPENDITURE PLANNED BY THE 2024 BUDGET AMOUNT TO CZK 1,721.2 BILLION, ACCOUNTING FOR 78.5% OF TOTAL EXPENDITURE AND 88.7% OF TOTAL REVENUE. SUBJECT TO COMPLIANCE WITH THE PLANNED BUDGET, THIS WOULD MEAN THAT ONLY 11% OF THE STATE BUDGET REVENUE COULD BE USED FOR OTHER THAN MANDATORY EXPENDITURES; OTHER EXPENDITURES WOULD HAVE TO BE COVERED THROUGH A DEFICIT.

The total expenditure in 2023 did not differ much from the budgeted amount. There was thus no significant increase in the amount of claims on unused expenditure. After 2023 closed, they equalled almost **CZK 212 billion** as of 1 January 2024, which was almost **CZK 2 billion** more than as of 1 January 2023.

Table 4: Development of profiling and non-profiling claims on unspent expenditure as of 1 January 2019-2024 (CZK billion)

Indicator	2019	2020	2021	2022	2023	2024
Claims for unspent expenditure as of 1 January	131.11	130.14	174.68	162.80	210.09	211.95
of which: profiling	109.99	110.06	142.93	130.18	161.50	189.87
non-profiling	21.13	20.09	31.75	32.62	48.59	22.09

Source: Integrated Information System of the State Treasury.

ALTHOUGH THE CLAIMS ON UNUSED EXPENDITURE INCREASED ONLY SLIGHTLY AS OF 1 JANUARY 2024, THEIR LONG-TERM HIGH LEVEL POSES A RISK FOR THE PLANNED REDUCTION OF STATE BUDGET DEFICIT IN CASE THEY BECOME EXTENSIVELY UTILISED IN THE COMING YEARS.

State budget deficits reaching hundreds of billions between 2020 and 2023 are the main reason for the significant increase in the government debt. In 1993, the year when the Czech Republic was established, the government debt equalled CZK 158.8 billion. Sixteen years later, in 2009, it exceeded a trillion, when it amounted to CZK 1,178.2 billion. The second trillion was exceeded already 12 years after, in 2021, when it reached CZK 2,465.7 billion. In the years that followed, however, the rate of debt accumulation grew rapidly, reaching another trillion in just 3 years. The government debt was CZK 3,111 billion in 2023.

Such high debt places a burden in the form of rising costs of debt servicing. The government debt servicing costs amounted to **CZK 68.3 billion** in 2023. Their further growth is expected in the coming years. This has led to a situation where the costs of debt servicing make it difficult to reduce the annual state budget deficit. These costs are expected to account for almost **38%** of the planned state budget deficit in 2024 and almost **47%** in 2025.

Table 5: Government debt servicing expenditure in 2020-2025 (CZK billion, %)

Indicator	2020	2021	2022	2023	Budget 2024	Budget 2025
Government debt servicing expenditure	40.0	42.2	49.7	68.3	95.0	110.0
Its share in the general government deficit	10.9%	10.1%	13.8%	23.7%	37.7%	46.8%

Source: State final accounts for 2019-2022, documentation for the draft law on the state budget for 2024, medium-term outlook of the state budget of the Czech Republic for 2025 and 2026.

The evolution of nominal government debt and nominal GDP affects the government debt to GDP ratio, which reached **42.3%** in 2023 and decreased by **0.4 p.p.** year-on-year.

In relation to GDP, the Czech Republic is the ninth least indebted country in the EU. The table below shows the ranking of EU countries by debt-to-GDP in 2023. The Czech Republic's indebtedness is **38.4 p.p.** lower than the EU average.

Table 6: Government debt to GDP in 2020-2025* in EU countries (% , p.p.)

Country	2020	2021	2022	2023*	2024*	2025*	2023–2020
Estonia	18.6	17.8	18.5	19.2	20.5	23.2	+0.6
Bulgaria	24.6	23.9	22.6	23.5	24.3	26.1	-1.1
Luxembourg	24.6	24.5	24.7	26.8	28.7	29.3	+2.2
Denmark	42.3	36.0	29.8	30.3	28.4	27.2	-12.0
Sweden	39.9	36.5	32.9	30.4	30.1	29.6	-9.5
Lithuania	46.2	43.4	38.1	37.3	38.3	39.0	-8.9
Latvia	42.2	44.0	41.0	41.7	42.3	43.2	-0.5
Ireland	58.1	54.4	44.4	43.0	41.4	40.2	-15.1
Czech Republic	37.7	42.0	44.2	44.7	45.5	45.5	+7.0
Netherlands	54.7	51.7	50.1	47.1	46.6	46.8	-7.6
Romania	46.8	48.5	47.2	47.9	48.9	50.5	+1.1
Poland	57.2	53.6	49.3	50.9	54.4	56.2	-6.3
Malta	52.2	54.0	52.3	53.3	55.8	57.2	+1.1
Slovakia	58.9	61.1	57.8	56.7	59.9	62.9	-2.2
Croatia	86.8	78.1	68.2	60.8	58.8	58.2	-26.0
Germany	68.8	69.0	66.1	64.8	63.6	62.7	-4.0
Slovenia	79.6	74.4	72.3	69.3	68.4	67.9	-10.3
Hungary	79.3	76.7	73.9	69.9	71.7	70.3	-9.4
Finland	74.7	72.5	73.3	74.3	76.9	79.1	-0.4
Austria	83.0	82.5	78.4	76.3	75.6	74.8	-6.7
Cyprus	114.9	99.3	85.6	78.4	71.5	66.3	-36.5
EU	90.0	87.4	83.5	83.1	82.7	82.5	-6.9
Portugal	134.9	124.5	112.4	103.4	100.3	97.2	-31.5
Belgium	111.8	108.0	104.3	106.3	106.4	107.3	-5.5
Spain	120.3	116.8	111.6	107.5	106.5	106.5	-12.8
France	114.6	112.9	111.8	109.6	109.5	110.0	-5.0
Italy	154.9	147.1	141.7	139.8	140.6	140.9	-15.1
Greece	207.0	195.0	172.6	160.9	151.9	147.9	-46.1

Source: Eurostat, *Statistical Annex – European Economic Forecast – Autumn 2023*.

* For 2023, 2024 and 2025, this is the European Commission's November 2023 estimate.

THE TREND IN RECENT YEARS SUGGESTS AN UNPROMISING OUTLOOK FOR THE FUTURE. BETWEEN 2020 AND 2023, THE CZECH REPUBLIC'S DEBT GREW BY 7 P.P., WHICH WAS BY FAR THE HIGHEST OF ALL EU COUNTRIES. LUXEMBOURG PLACED SECOND WITH A DEBT GROWTH OF ONLY 2.2 P.P. BESIDES THE CZECH REPUBLIC AND LUXEMBOURG, ONLY 3 OTHER COUNTRIES (ROMANIA, MALTA, ESTONIA) REPORTED AN INCREASE IN DEBT OVER THIS PERIOD, AND THE OTHER 22 EU COUNTRIES WERE ABLE TO REDUCE THEIR DEBTS BETWEEN 2020 AND 2023.



The pace of government debt accumulation **has not been significantly reduced**

THE INCREASE IN REVENUE, EVEN WITH THE CONTRIBUTION OF REVENUE FROM THE WINDFALL PROFITS TAX, HAS NOT BEEN ABLE TO BRING THE STATE BUDGET CLOSER TO BALANCE

Gross domestic product
-0.5% ↓
 (2022–2023)

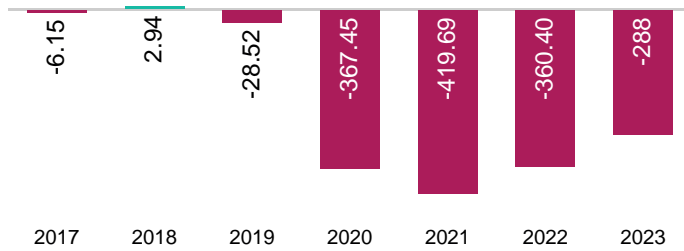
Inflation
10.7% ↓
 (2023)
 by 4.4 p.p. year-on-year

Unemployment
2.6% ↑
 (2023)
 by 0.4 p.p. year-on-year

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

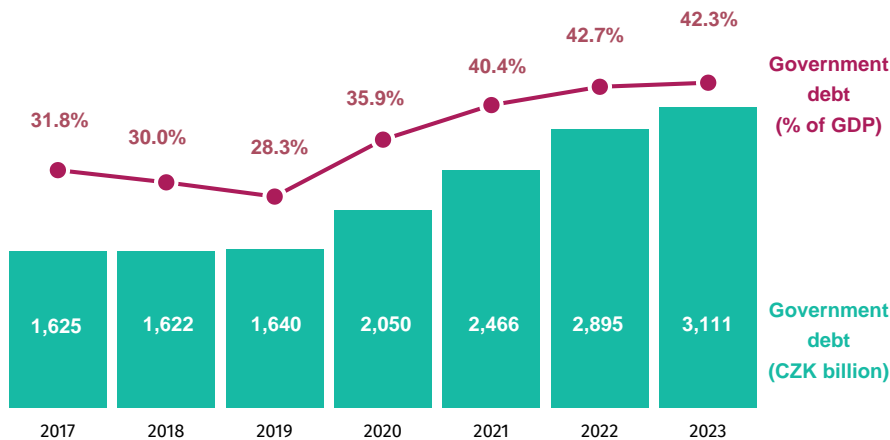
	2022	2023	change
Revenue	1,624.4	1,914.1	+17.8% ↑
Expenditure	1,984.8	2,202.6	+11.0% ↑

Balance of the state budget in 2017–2023 (in CZK billion)



AT THE END OF 2023, THE GOVERNMENT DEBT AMOUNTED TO CZK 3,111 BILLION AND INCREASED BY CZK 216 BILLION YEAR-ON-YEAR. THE RATIO OF GOVERNMENT DEBT TO GDP THUS REACHED ALMOST 42.3%

Development of the government debt between 2017 and 2023



” The increase in debt was also accompanied by an increase in debt servicing costs. These amounted to the total of CZK 68.3 billion in 2023.

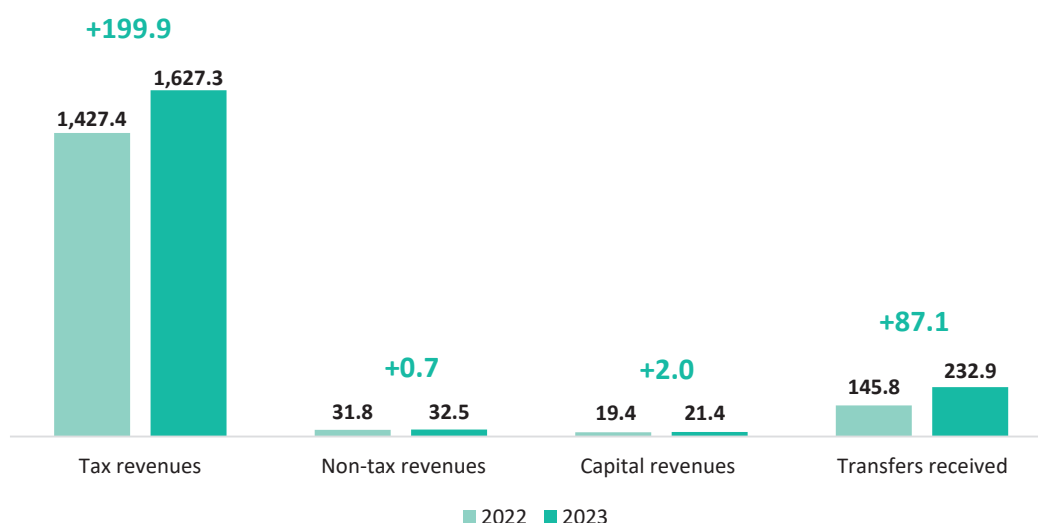
3. GOVERNMENT REVENUES

Creating sufficient sources of public finances is an essential condition for fulfilling the needs and goals of the state's expenditure policies. The revenue side of the state budget thus remains a priority for the SAO. The SAO assesses the effectiveness of the collection and administration of individual taxes, measures taken to fight tax evasion and, more generally, any legislative changes and measures adopted in this area. The largest part of the state budget revenue is tax collection. Similar to the previous year, the high inflation rate significantly influenced its implementation.

Total state budget revenue in 2023 amounted to **CZK 1,914.1 billion**, representing an increase by **17.8%** year-on-year, i.e. by CZK 289.7 billion. The year-on-year change in the individual classes of state budget revenue in 2023 is shown in Chart 13. The chart shows that tax revenues grew by **14%** year-on-year and the sum including income non-tax, capital and received transfers increased **by more than 45%** year-on-year. This result was mainly due to the high inflation rate, low unemployment and funds from *the National Recovery Plan (NRP)*.

Overall, the largest absolute increase in the state budget revenues was due to tax revenues (including social security contributions), which increased by **CZK 199.9 billion** year-on-year, and transfers received, which increased by **CZK 87.1 billion** year-on-year. The increase in tax revenues for the entire year 2023 was significantly driven by the collection of extraordinary temporary taxes in the form of a windfall tax and excess revenue levy targeted at electricity producers. The total corporate income tax increased year-on-year by **CZK 89.3 billion** and personal income tax by **CZK 25.3 billion**. On the other hand, revenues from excise duty, including energy taxes, decreased by **CZK 5.3 billion** year-on-year. The significant increase in other revenues stemmed primarily from the increased receipt of EU funds, especially attributed to the involvement of the aforementioned NRP funds (**CZK 45.2 billion**).

Chart 13: State budget revenue execution by class for 2022 and 2023 (CZK billion)



Source: Integrated Information System of the State Treasury.

Significant facts affecting the collection of tax revenues of the state budget in 2023:

- the collection of personal income tax was adversely affected by previously adopted changes in taxes, e.g. an increase in the taxpayer discount and child tax credit;
- the collection of social security contributions was reduced by introducing a discount on contributions for part-time jobs by **CZK 3 billion**;
- the collection of VAT was adversely affected by the decrease in real household consumption and the increase in the limit for tax registration from **CZK 1 to 2 million** from January 2023;
- the collection of excise duty on tobacco products decreased (**by CZK 6.2 billion**) due to a change in consumer purchasing preferences;
- the collection of excise duty on beer and wine decreased as a result of the reduction of household spending on consumable commodities and a decrease in real incomes; the decrease in energy tax collection was driven by efforts to save due to high energy prices;
- + the growth of salaries and employment was positively reflected in the year-on-year increase in the collection of personal income tax from taxpayers (**+ CZK 17 billion**) and social security contributions; moreover, the collection of personal income tax in 2023 was no longer reduced by the payment of the compensation bonus;
- + the higher rates of social security contributions in high-risk professions were also reflected in higher collection of these contributions;
- + the collection of corporate income tax increased mainly due to companies operating in the energy and financial intermediation sectors;
- + the collection of windfall tax reached **CZK 39.1 billion**;
- + the state budget revenues were also increased by the excess revenue levy, which amounted to **CZK 18.5 billion**;
- + the year-on-year increase in consumer prices of **10.7%** significantly increased the collection of VAT (**by CZK 19.9 billion**).

In 2023, the SAO completed three audits in the area of state budget revenues, focusing on:

- administration of VAT, including excessive deductions (Audit No [22/23](#));
- administration of the gambling tax (Audit No [22/31](#));
- compensation bonus (Audit No [22/07](#)).

VAT revenues represent the second most important revenue of the state budget. In its Audit No [22/23](#), the SAO examined whether the Ministry of Finance (MoF), the General Directorate of Finance (GDF) and the individual tax authorities proceeded in the administration of VAT focusing on excessive tax deductions in accordance with the legal regulations while also respecting relevant case law. The excessive VAT deduction, i.e. the entitlement to a refund from the state, arises when a tax entity's tax deductions on purchases exceeds the tax on sales. The excessive VAT deductions in the total amount of **CZK 1,415 billion** amounted to more than **43%** of VAT collections in 2019–2022. The balance of withheld excessive VAT deductions at the end of each year in the period 2019–2022 amounted to **CZK 1 billion** on average.

The tax administrator withheld the entire excessive VAT deduction claimed by a tax entity in the amount of almost **CZK 11 million** for the entire duration of the tax inspection, despite finding no errors in this area. As a result, the tax administrator spent more than **CZK 730,000** from the state budget for the interest payments for withholding the excessive VAT deduction for **157 days**.

The audit results revealed that the MoF, the GDF and the tax authorities failed to adhere to the Constitutional Court's¹⁷ judgment, when for nearly two years after the judgment was rendered they continued the practice of withholding entire amounts of excessive VAT deductions applied by some tax entities, despite only a portion of these deductions being examined by the tax administrators. The SAO found, on an audit sample¹⁸, that in 10 cases, the tax administrators unjustifiably withheld tax entities' funds from parts of excessive VAT deductions that were not subject to their examination in the amount of CZK 15 million. As a result, the GDF expended CZK 909,000 on interest on the tax deduction from the non-examined parts of excessive VAT deductions and thus did not proceed in the most economical manner.

- The MoF did not conduct management control over the payment of interest made by the tax administrator under the *General Treasury Administration* budget chapter. The SAO also found that the interest paid by the tax administrator had been paid from the state budget tax revenues. In the years 2019–2021, the GDF lacked an overview of the reasons for the interest paid by the tax administrator in the amount of **CZK 1.3 billion**, i.e. whether they arose as a result of (in)culpable conduct of the tax administrator's officer, and also lacked information on the compensation claimed for damage caused to the service office (employer) on the grounds of the payment of interest.

THE TAX ADMINISTRATORS' FAILURE TO ADHERE TO THE CONSTITUTIONAL COURT'S JUDGMENT RESULTED IN SOME CASES IN THE STATE BUDGET FUNDS BEING SPENT NOT IN THE MOST ECONOMICAL MANNER, WHICH REDUCED THE EFFECTIVENESS OF VAT ADMINISTRATION IN THE AREA OF EXCESSIVE DEDUCTIONS.

Collection of the gambling tax represents another revenue of the state budget. The SAO focused on the effectiveness of administration of the tax, including the state funds related to the competence of governmental authorities in the area of games of chance, in its Audit No 22/31. In 2017–2021, the difference between deposits received (**CZK 1,800 billion**) and the winnings paid (**CZK 1,620 billion**) equalled **CZK 180 billion**, while the total gambling tax collected in this period was **CZK 50.5 billion**.

The audit results revealed that despite the new legislation and commissioning of a part of the new information system (AISG), problems persist in the gambling sector, which the SAO already pointed out in its Audit No 13/35¹⁹. Even after nine years, the MoF has not provided information support for effective administration of the gambling tax, inspection of gambling operators' tax returns and supervision. The MoF did not revoke the basic permit for the gambling operators who repeatedly violated the law and, in some cases, the MoF did not use the deposits to pay the outstanding taxes. The SAO also considers insufficient the state supervision, especially in respect of online games. It can take over a year for illegal online games of chance to be added to the list of illegal games. In the audited period, the Specialised Tax Authority (STA) detected a total of 794 illegal gambling operators. That is 15 times more than the number of operators with a valid permit.

The insufficient administration of deposits is illustrated by a case in which the MoF approved the release of deposits in the total amount of **CZK 60 million**, although the STA recorded **CZK 18.6 million** of the operator's gambling taxes in arrears. Consequently, this state receivable became unsecured.

- Although the MoF spent more than **CZK 174 million** on building and operating information systems²⁰ (of which the costs of the AISG system amounted to almost **CZK 158 million**), these systems are not fully functional and do not provide the governmental authorities with complete, fully utilisable and reliable data on the gambling operators. The MoF terminated the development of the new AISG system prematurely and continues to operate the original, unsatisfactory information system. According to the SAO, some of the funds were thus spent uneconomically and inefficiently. The STA did not have a reliable data base for checking the gambling operators' tax returns. The objectives in the area of tax administration were thus attained with reduced efficiency. Due to the limited functionality of the information system, the MoF lacked a correct and complete overview of the deposits

17 The GDF did not ensure that tax administrators proceeded in accordance with Act No. 280/2009 Coll., the Tax Code, and the Constitutional Court's judgment No. II. ÚS 819/18 of 22 February 2019 in the area of withholding the unverified part of excessive VAT deductions.

18 A total of 80 cases audited.

19 Audit No 13/35 – *State budget revenue related to the operation of lotteries and other similar games. The SAO stated that "the Ministry of Finance did not create a functional system of state supervision and did not provide the necessary conditions for the financial administration authorities to correctly, fully and timely identify and assess the levies. Fundamental deficiencies in the information system affect the administration and inspection of this entire market segment."*

20 IS SSBL (Information System of the State Supervision of Betting and Lotteries) is AISG (Information System for Gambling Operations).

received, which are mandatory for all gambling operators. The MoF repeatedly failed to proceed in accordance with the Games of Chance Act in the administration of the deposits. In one case, it did not respond to the appeal filed against the decision to revoke the basic permit issued of a bankrupt gambling operator. During the period of the MoF's inactivity, a **CZK 50 million** deposit expired, as a result of which the state's receivables from the operator's tax arrears and fines in the amount of **CZK 45 million** were not recovered.

- The SAO also pointed out that the MoF did not make sufficient use of the statutory option to revoke the gambling operator's basic permit in cases of repeated violations of legal regulations. The MoF did not even revoke the permit of an operator who received **76 fines** in the total amount of **CZK 4.62 million** from the Customs Administration for repeated violations of the Games of Chance Act in the period from 2017 to 2021. The SAO also noted that the fines were imposed at the lowest end of the statutory limit.
- The effectiveness of supervision in the area of unauthorised online games was reduced by the ambiguous wording of the law, which defined "targeting persons residing in the Czech Republic" as an element of illegality. Assessing the legality of online games was therefore time-consuming. For the sample of complaints audited, the period from their receipt by the MoF or the Customs Administration until the publication of the game of chance on the list of unauthorised games ranged from **119 to 368 days**. During this entire period, it was allowed to continue operating the unauthorised game of chance in the territory of the Czech Republic.

THE MOF FAILED TO PROVIDE INFORMATION SUPPORT FOR THE EFFECTIVE PERFORMANCE OF THE ACTIVITIES ENTRUSTED TO THE MOF IN THE AREA OF GAMES OF CHANCE AND ADMINISTRATION OF THE GAMBLING TAX. THE STA DID NOT HAVE RELIABLE DATA FOR CHECKING THE GAMBLING OPERATORS' TAX RETURNS. THE OBJECTIVES IN THE AREA OF TAX ADMINISTRATION WERE THUS ATTAINED WITH REDUCED EFFICIENCY.

SAO recommendations

On the basis of the deficiencies identified and assessed in Audit No **22/31**, the SAO recommended legislative changes to clarify the criteria for evaluating unauthorised online games of chance and make the process of blocking the relevant websites more effective.

The new regulation²¹ should aim to increase the effectiveness of the procedures for shutting down illegal gambling houses or making them inaccessible to Czech citizens and speed up the process of blacklisting illegal websites. It should enable blocking of applications or websites that support illegal gambling houses or directly promote them.

Some previously approved measures to support businesses during the COVID-19 pandemic had adverse effects on the state budget revenues and tax revenues, e.g. the compensation bonus (tax bonus for compensation of certain economic consequences in connection with the measures introduced due to the COVID-19 pandemic). The compensation bonus was administered as a tax within the meaning of Act No 280/2009 Coll., the Tax Rules, where it was considered to be a refund of personal income tax on dependent activities. In its Audit No 22/07, the SAO examined how the MoF, the GDF and three selected tax authorities handled state funds earmarked for the payment of the compensation bonus in 2020–2022. More than **2.9 million** applications were submitted and a bonus worth **CZK 48.3 billion** was paid out.

The SAO found that the compensation had met the intended objective and mitigated the impacts of government measures, affecting mainly entrepreneurs. However, the SAO pointed out a risk that some entities had initiated their business activities only with the intention to draw the compensation bonus. Administration of the compensation bonus cost nearly 1% of the total amount paid (i.e. approx. CZK 457 million) and was bureaucratically demanding as the bonus administrators²² had to enter data from the applications manually into the information system.

*Due to the multiple options for filing an application permitted by the regulations on the compensation bonus, more than **208,000 duplicate applications** for compensation bonus were filed. The SAO estimated the costs of their processing on the basis of the GDF's data at about **CZK 23 million**. This amounted to approximately **5%** of the total expenditure on the compensation bonus administration.*

- The conditions for payment of bonuses became stricter during the audited period, which led to a gradual decrease in the number of entities receiving the support. Nonetheless, the SAO found that **1,490** entities were likely established with the purpose to utilise the bonus; these entities received a bonus in the amount of **CZK 39.2 million** in 2020, despite probably not being entitled to it.
- The legitimacy and correctness of the bonuses paid were reviewed retroactively by the bonus administrators, who used the exchange of information between the Tax Administration of the Czech Republic, MoLSA and MoIT. On the basis of the Tax Administration's inspection of the allocated funds amounting to **CZK 1.2 billion (i.e. 2.5%** of the bonuses paid), the Tax Administration then requested that more than **CZK 133 million** be refunded, of which **CZK 114 million** was actually returned.

THE PAYMENT OF THE COMPENSATION BONUS FULFILLED THE AIM TO SUPPORT ENTITIES AFFECTED BY THE COVID-19 PANDEMIC. IN SOME CASES, HOWEVER, THE SUPPORT HAS BEEN MISUSED. THE EXPENDITURE ON THE ADMINISTRATION OF THE BONUS WAS ADVERSELY AFFECTED BY THE LOW LEVEL OF DIGITALISATION.

Impact of previous SAO audits

In previous years, the SAO identified a number of shortcomings that had a negative impact on the efficiency of administration of social security contributions and the state employment policy contributions (Audit No **20/01**). For example, the Czech Social Security Administration (CSSA) planned inspections at employers strictly in three-year intervals, not according to the potential risks. Furthermore, there was no regular exchange of information on the assessment bases for self-employed persons between the CSSA, the Tax Administration bodies and the individual district administrations. The transfers of data required for determining the social security contributions and the performance of audit activities for self-employed persons were carried out only by means of individual inquiries, not in an automated manner.

²¹ Act No 349/2023 Coll. amending certain acts in connection with the consolidation of public budgets.

²² The administrator of the compensation bonus was the tax office locally competent to administer the income tax of the tax subject who submitted the application for compensation bonus.

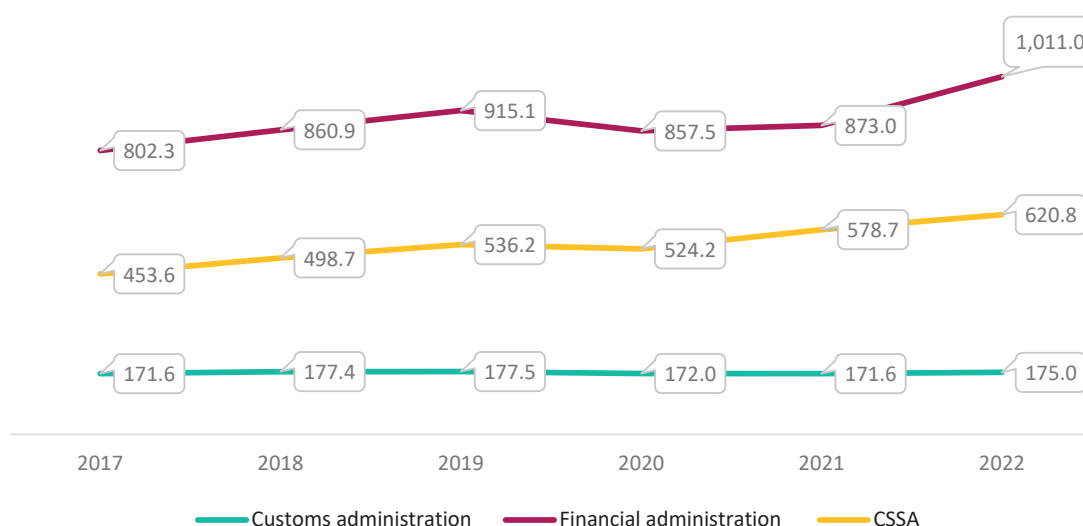
In connection with the audit, the SAO welcomes the following changes:

- The CSSA has set up a completely new methodological procedures for the planning of inspections at employers. As from 1 January 2023, the CSSA has been drawing up inspection plans as operational quarterly plans, guided by pre-determined criteria targeting primarily high-risk employers, i.e. employers demonstrating fundamental or persistent failure to fulfil their obligations *vis-à-vis* the relevant district social security administration.
- The CSSA and the GDF set the rules for mutual exchange of information concerning both self-employed persons and audit activities at employers and also set up the manner of information transfer through the shared eGSB service information system, which is a unified interface for data sharing among the individual public administration information systems.

Tax collection and expenditure on tax collection

It follows from the data on the development of the tax revenues of the state budget that the Tax Administration of the Czech Republic recorded the highest year-on-year growth in tax revenue collection. However, this significant year-on-year growth was largely influenced by the high inflation rate. The SAO therefore points out that the year-on-year increase in tax collections was not primarily achieved through more efficient tax collection, which would be desirable.

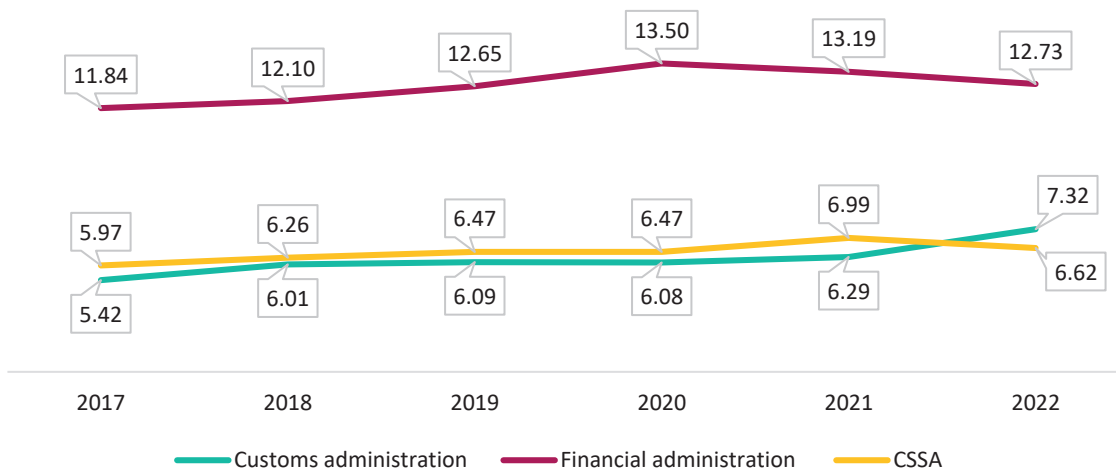
Chart 14: Development of total tax revenue collection in 2017-2022 (CZK billion)



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; SAO's own processing.

In 2022, expenditure incurred by bodies of the Tax Administration in relation to tax collection dropped by **CZK 0.46 billion**. This decrease was caused by the abolishment of 520 systematised positions within the tax administration in 2022, e.g. due to elimination of the real estate acquisition tax, suspension of the ERS system, etc. The CSSA's expenditure on the administration of social security contributions and the state employment policy contributions decreased by **CZK 0.37 billion**. This decrease was attributed mainly to year-on-year decrease in the amount spent on financing the reproduction of assets and partly also lower material expenditures. In contrast, expenditure on tax administration under the competence of the Customs Administration significantly increased by **CZK 1.03 billion**. The difference was mainly influenced by the **CZK 1.17 billion** expended to cover the loss of traditional own resources (TOR) from underestimated imports of textiles and footwear from China in 2012–2019²³. This was thus a specific item in connection with the collection of customs duties rather than an increase in the current customs administration expenditure.

Chart 15: Development of total expenditure on tax revenue collection in 2017-2022 (CZK billion)



Source: Final accounts of the state budget chapters 312 and 313; prepared by SAO.

IN THE 2021–2022 PERIOD, THE TOTAL TAX COLLECTION GREW BY CZK 183.5 BILLION, I.E. BY ABOUT 11.3% YEAR-ON-YEAR. TOTAL EXPENDITURES ON TAX COLLECTION INCREASED BY CZK 0.2 BILLION, AMOUNTING TO APPROX. 0.8%. THE OVERALL COST-EFFECTIVENESS OF TAX ADMINISTRATION INCREASED COMPARED TO THE PREVIOUS YEAR, ALTHOUGH NOT THROUGH HIGHER EFFICIENCY OF TAX COLLECTION, BUT MAINLY DUE TO HIGH INFLATION RATE, WHICH HAD A SIGNIFICANT IMPACT ON THE GROWTH OF TAX COLLECTIONS.



The administration of some taxes is burdened by **complex administration** and **reduced efficiency** in their collection

THE MAIN CONTRIBUTOR TO THE OVERALL TAX REVENUE GROWTH OF MORE THAN CZK 200 BILLION WAS THE INCREASE IN CORPORATE INCOME TAX REVENUE

Year-on-year comparison of state budget tax revenue collection in 2022 and 2023 (CZK billion)

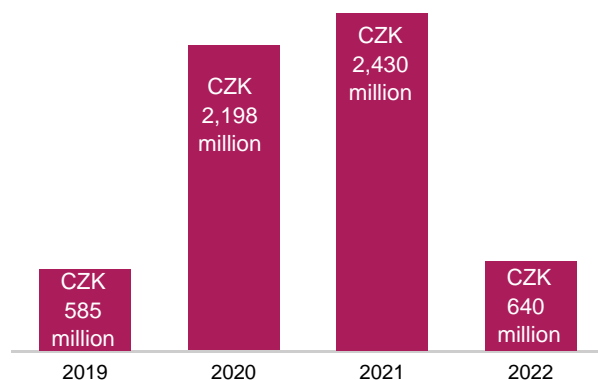
Taxes	2022	2023	Year-on-year change
VAT	345.2	365.1	19.9
Social security and State employment policy contributions	637.7	689.2	51.5
Corporate income tax	151.5	240.8	89.3
Personal income tax	123.6	148.9	25.3
Excise duties including energy taxes	153.5	166.7	13.2
Gambling tax	8.0	8.8	0.8
Other taxes and fees	7.8	7.8	=



Corporate income tax collections increased mainly for companies operating in the energy and financial intermediation sectors.

THE EFFECTIVENESS OF VAT ADMINISTRATION WAS DECREASED BY THE UNJUSTIFIED WITHHOLDING OF ENTIRE AMOUNTS OF CLAIMED EXCESSIVE VAT DEDUCTIONS

Overview of interest paid by tax offices between 2019 and 2022 for withholding excessive VAT deductions



In a sample of 80 cases, the SAO found that in 10 cases the tax office had unjustifiably withheld a total of CZK 15 million on unexamined excessive VAT deductions

4. GOVERNMENT EXPENDITURE AREAS

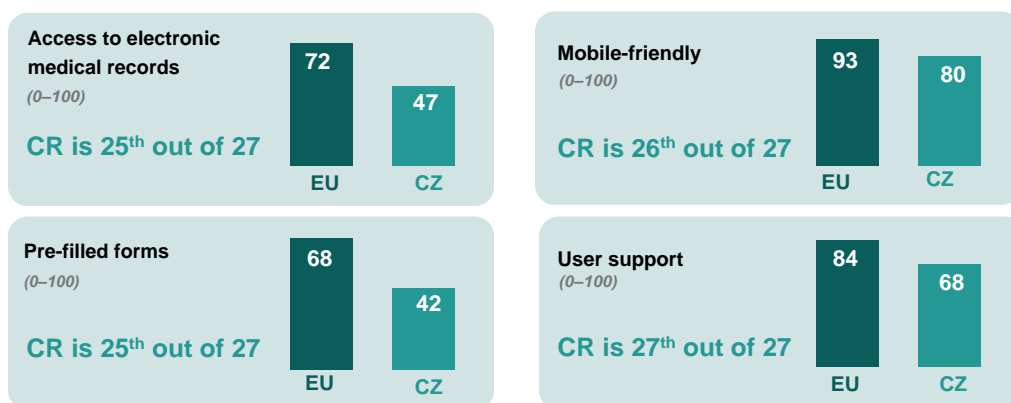
The following parts of the Annual Report are devoted to the results of the SAO's audit and analysis work in the expenditure areas of government policies covered by the SAO last year. These expenditure areas were the focus of more than two-thirds of all audits undertaken in 2023. The audits' main objective 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 MODERNISATION OF PUBLIC ADMINISTRATION

Similarly to the economic recovery and support of its growth, challenges persist in the area of comprehensive modernisation of the Czech public administration. Digitalisation should help increase the productivity of public services and facilitate their accessibility.²⁴ It should aim to facilitate the provision of services, whether from the perspective of a public administration client (citizen) or that of a public official. Nonetheless, digitalisation alone cannot guarantee better services to public administration clients unless these services and related processes are optimised; this includes mapping, simplifying and clarifying processes, as well as reducing administrative burden on both citizens and authorities responsible for public administration matters. However, these process analyses and subsequent optimisation of processes are often absent in the digitalisation of public administration in the Czech Republic.

Most EU countries have a higher level of digitalisation in public sector than the Czech Republic, with a greater positive impact and better services provided to citizens. This is evidenced by the Digital Economy and Society Index (DESI) ranking²⁵. The Czech Republic ranked below the EU average in **6 out of 8** indicators focused on public services. In four indicators, where the state plays a key role, the Czech Republic was even among the last three.

Figure 1: Selected DESI 2023 indicators



Source: DESI.

THE CZECH REPUBLIC'S RANKING WITHIN THE DESI INDICATORS IN DIGITALISATION OF PUBLIC ADMINISTRATION HAS NOT IMPROVED OVER THE PAST FOUR YEARS. THIS IS DUE TO THE FAILURE TO MEET THE SET OBJECTIVES OF PUBLIC ADMINISTRATION MODERNISATION, WHICH PREVENTS IMPROVEMENT OF THE QUALITY OF SERVICES FOR THE CLIENTS. THIS NEGATIVELY AFFECTS COMPETITIVENESS OF THE CZECH REPUBLIC.

²⁴ The responsibilities ("agendas") are defined by a specific law, which regulates the manner of performance of a specific section of public administration and must be specified in the register of rights and obligations. The summary of defined official activities is linked to specific administrative activities, e.g. agendas A-117 identity cards, A121 business in trade, A531 employment, etc.

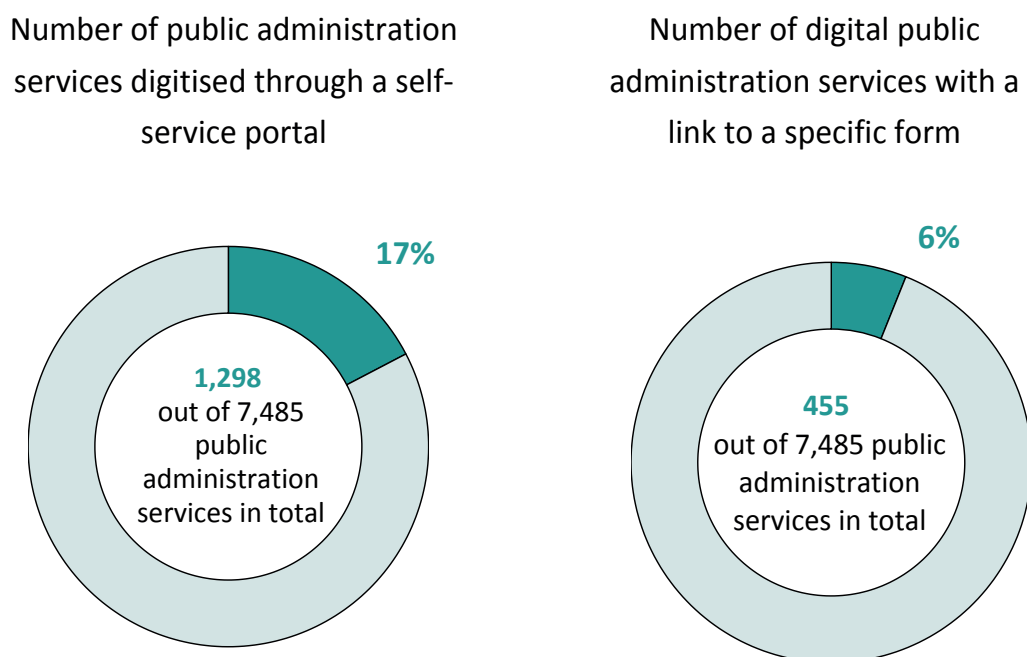
²⁵ DESI evaluation methodology changed in 2023 compared to 2014–2022. The DESI Index became part of the Digital Decade tool. The stagnating progression of digitalisation in the Czech Republic is apparent even after this change in the evaluation methodology. The current data base corresponds to 2022 and is presented within DESI 2023 dashboard for the Digital Decade. For more details see the European Commission website: <https://digital-decade-desi.digital-strategy.ec.europa.eu/>.

The Government of the Czech Republic has adopted and twice updated the schedule of digitalisation of tasks in the *Catalogue of Public Administration Services*²⁶. Pursuant to the Act on the Right to Digital Services, the catalogue was to provide for a systematic procedure in overcoming the low level of digital public administration services²⁷. However, the current state of digitalisation indicated that the milestone for the commissioning of all the planned digital services is unlikely to be achieved in the target year 2025. It can be assumed that at least data boxes will allow the performance of digital tasks in respect of all services intended for digitalisation.

Although digitalisation of responsibilities under the DigiSA allows for utilisation of a data box or email bearing a recognised electronic signature in communication between citizens and the state, the SAO finds these channels offer only limited benefits in terms of the efficiency of digitalisation in public administration. This is because the clients usually do not use the pre-filled forms requiring a proof of identity and electronic identification when engaging in this form of digital transactions.

The SAO analysed the status of digitalisation in 2023 using the data from the *Catalogue of Public Administration Services*. Out of the total of 7,683 services provided by public administration, the responsible bodies identified 7,485 services intended for digitalisation, as shown in Chart 16. Some activities included under these services are not suitable for digitalisation. This includes, for example, services where personal presence at the counter is required, sending a public instrument or some other printed original counterpart by post, or cases where physical inspection of the file is allowed.²⁸

Chart 16: Evaluation of the state of digitisation of public administration services



Source: SAO's own processing; *Public Administration Services* dataset of 8 January 2024 and *Detailed descriptions of public administration services* dataset of 12 January 2024 published by DIA in the *National Open Data Catalogue*.

²⁶ Section 2 of Act No 12/2020 Coll., on the right to digital services (DigiSA), which defines a digital service as an act performed by a public authority *vis-à-vis* the service user within the authority's responsibility listed in the *Catalogue of Public Administration Services* as an act in electronic form. The catalogue of services means the data kept in the basic register of rights and obligations concerning acts of public authorities performed within their responsibilities *vis-à-vis* entities that do not have the status of public authorities and concerning acts of entities that do not have the position of public authorities in the performance of the act *vis-à-vis* public authorities. The milestone follows from the requirement of Section 14 (4) of the DigiSA and from Czech Government Resolution No 84 of 1 February 2021, whereby the government approved the schedule and technical methods of digitalisation of public administration services for 2021–2025.

²⁷ The public administration service represents a function (activity) of an authority that is knowingly provided by a specific public authority to a specific recipient of the service pursuant to the applicable legal regulation and provides the recipient with a perceived value, whether in the form of a benefit or fulfilment of a statutory duty. Only public administration services involving interaction between the public authority and the client are recorded, unlike interactions among public authorities. Each service consists of at least one action.

²⁸ Digitalisation of public administration services need not always take place through the Self-service portal (AIS). The responsible body or the administrator of the relevant public administration information system may refrain from planning the task in digital interactive channels on the grounds of poor cost-benefit outlook, specifically if the return on the expended funds exceeds five years.

Self-service portals are key in terms of simplification of resolving life events both on the part of the client and the authority. These public administration communication channels have the highest added value in terms of efficient digitalisation of public administration. The use of pre-filled forms is inherently connected to the use of these channels but is dependent on the data sharing through the *Interconnected Data Pool (IDP)*²⁹.

Self-service portals are the only tools that allow public administration clients to access public administration services, especially through the use of pre-filled forms requiring proof of identity and electronic identification with subsequent authorisation of a digital act.

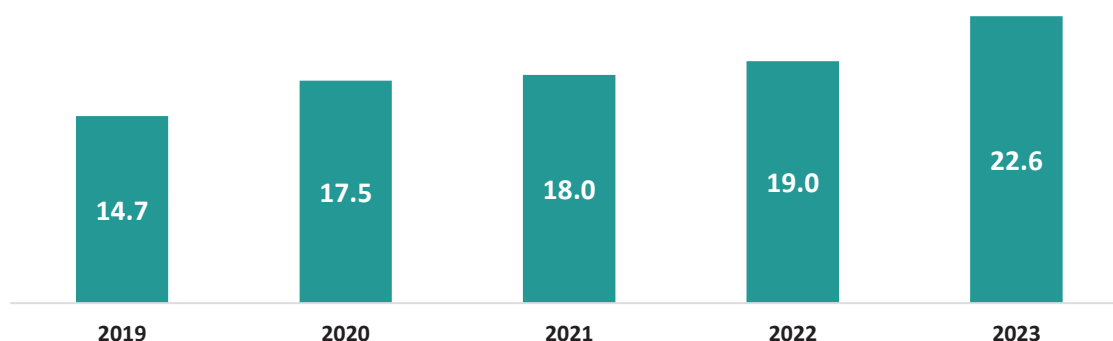
However, available data (see Chart 16) indicate that the number of links to portals with the possibility of using online pre-filled forms, reflecting the current state of digitalisation of public administration services, is still unfavourable. There were **455** public administration digital services that provided a link to the relevant form in 2023. This is only **6%** of the total planned number of services suitable for digitalisation. The problem is underlined by a very slow or almost non-existent publication of data in the IDP that could be used later in other domains, including pre-filled forms. The basic functions of the IDP that adhere to the well-established “once-only” principle (“data move, not people”) are thus very limited.

ACCORDING TO THE SAO, THIS SITUATION IS ONE OF THE CAUSES OF THE PROLONGED UNFAVOURABLE DESI RATING IN THE “PRE-FILLED FORMS” INDICATOR AND IS ONE OF THE BIGGEST BARRIERS TO ACHIEVING EFFECTIVE DIGITALISATION OF PUBLIC ADMINISTRATION AT THE LEVEL OF ITS INDIVIDUAL AGENDAS.

In the effort to respond to the unfortunate state of digitalisation of public administration services, the Digital Information Agency (DIA) was established in 2023 to play a key role in moving the Czech public administration forward into the digital era. One of the objectives of this newly created organisational component was: “*cross-departmental, central and uniform management (coordination) of the digital transformation and digital services*”. Pursuant to Act No 471/2022 Coll., as from 1 April 2023, the DIA has taken over³⁰ the competence in the area of electronic identification from the Basic Registers Administration. The DIA took over, among other things, the Department of the eGovernment Chief Architect which previously operated under the organisational structure of the Mol. In 2023, a total of 324 submitted project applications worth **CZK 24 billion** were sent to the Chief Architect for assessment. The Chief Architect issued a positive opinion on 217 projects in the expected financial volume of **CZK 14.6 billion** in 2023.

The total volume of expenditure on information and communications technologies (ICT) in 2023 amounted to **CZK 22.6 billion** for organisational components of the state and state funds. The volume of ICT spending is still high with an increasing trend.

Chart 17: ICT expenditures of state organisational units and state funds in 2019-2023 (CZK billion)



Source: *Integrated information system of the State Treasury*; selected budget items of the state budget.

²⁹ In addition to reference data, the IDP is slowly expanding to include further data kept by the individual entities and objects in other information systems. The authority responsible for the performance of other tasks by other authorities describes the data pertaining to its tasks and publishes the information in the relevant catalogue of the shared service information system (egsbkatalog.cms2.cz). This creates the conditions for data transfers between the individual public administration information systems.

³⁰ The Basic Registers Administration ceased to exist as of 31 December 2023, but it had been inactive already since the date of assumption of competences by the DIA, i.e. since 1 April 2023.

In 2023, the SAO completed four audits that fully or largely focused on streamlining the performance of a number of public administration agendas and services, including their digitalisation in the following areas:

- projects to modernise public administration, including the system of financing the performance of state administration within delegated competence (Audit No 22/06);
- implementation of the *National eHealth Strategy* (Audit No 22/20);
- time-based charging scheme for the use of roads by introducing an electronic motorway vignette (Audit No 22/01)³¹;
- state supervision over games of chance and administration of the gambling tax (Audit No 22/31)³².

Since 2006, the MoI has taken on a coordination role in the organisation and performance of public administration³³. As the central authority, the MoI participates in the reform of the public administration, which commenced in the late 1990's with the goal of completing its modernisation. The MoI also aimed to contribute to reducing the regulatory burden for citizens, entrepreneurs and the public administration itself. The MoI wanted to achieve this by eliminating systemic and partial deficiencies that slow down or even prevent the modernisation of public administration, mainly by meeting strategic objective No 1 *Modernisation of Public Administration*³⁴ in the 2014–2020 programming period.

In Audit No 22/06, the SAO examined the funds spent on the project titled “*Use of procedural management elements and the introduction of standards for the performance of priority public administration agendas*” (the PMA 3 project), in which the MoI invested a total of **CZK 121.7 million** (the project was handed over to the newly created DIA in March 2023).

The MoI uneconomically spent funds up to the amount of CZK 7 million to create the competency models of officials. According to the SAO's findings, almost identical models were publicly available before the commencement of the project and the MoI merely copied them from the data already available online.

The SAO found that during the implementation of the project, which lasted from March 2017 to mid-2023, the MoI had foregone the optimisation of entire areas of administrative work (“agendas”). Instead of simplifying the agendas, the MoI focused on dealing with the life events of citizens in their contact with authorities. For example, the MoI produced instructions on how a citizen should proceed in dealing with a life event, but these merely describe the current state of affairs. The MoI then pushed only 4 of the 56 submitted proposals for optimisation measures for dealing with the life events of citizens, which the SAO assessed as inefficient spending of funds up to the amount of CZK 35 million.

- The MoI failed to implement most of the proposed measures that were supposed to simplify the citizens' resolution of life events. The MoI was unable to actively involve representatives of the central administrative authorities,³⁵ whose agendas were slated for modernisation, in the project teams. The MoI was also unable to enforce optimisation measures even in its own departments, e.g. in the payment of administrative fees. Before the audit's completion, a central payment gateway, which would simplify and standardise cashless payments for Czech citizens, had not been introduced.
- The SAO pointed out the unsatisfactory progress in reducing administrative burden due to the non-implemented optimisation measures. This fact is also documented by the external evaluator's report³⁶, which contains, inter alia, the MoI's opinion that “*reducing administrative burden for citizens may lead to an increase in burden for the authority*”.
- The failure to modernise the public administration under the PMA 3 project is also confirmed by the MoI itself in the document *Revision of agendas at the MoI*³⁷. The material was prepared by the MoI during the last year of implementation of the project.

31 The audit is evaluated in the thematic section on transport (Chapter 4.4 Transport).

32 The audit is evaluated in the thematic section on state budget revenue (Chapter 3 State revenues).

33 Section 12 of Czech National Council Act No. 2/1969 Coll., on the Establishment of Ministries and other central bodies of State Administration of the Czech Republic.

34 Strategic Objective No 1 was set out in the Strategic Framework for the Development of Public Administration of the Czech Republic for the period 2014-2020 /Strategic Framework/.

35 Central administrative authorities are the notifiers of agencies to the register of rights and obligations.

36 Interim evaluation report on TC 11 of March 2023: *Outcome thematic evaluation of the Partnership Agreement 2014-2020*.

37 The document was published by the MoI in September 2023. The aim of the review was, among other things, to map all professional agendas within the ministry and assess their efficiency, computerisation or possible abolition.

THE EXCESSIVE AND IN SOME RESPECTS UNNECESSARY ADMINISTRATIVE BURDEN PLACED NOT ONLY ON CITIZENS, BUT ALSO OFFICIALS, PERSISTS DESPITE PARTIAL PROGRESS. THIS WAS CONFIRMED BY THE UPDATED PROGRAMME DECLARATION OF THE GOVERNMENT OF MARCH 2023, IN WHICH THE COMMITMENT TO PERFORM INVENTORY OF ALL THE STATE'S AGENDAS BY THE END OF 2023 AND TO PRESENT CONCRETE PLANS TO REDUCE THE NUMBER OF CLERICAL POSITIONS WAS DECLARED. UNNECESSARY BUREAUCRATIC TASKS WERE EXPECTED TO BE ELIMINATED, AND NECESSARY SERVICES WERE TO BE STREAMLINED.

Public administration in some areas is carried out only at the level of governmental authorities, especially central administrative authorities. Nonetheless, a large part of responsibilities aimed at dealing with the life events of citizens are implemented in the mixed model, i.e. public administration within delegated competence is carried out through territorial self-governing units – municipalities and regions. This complex system of exercising public administration within delegated competence causes a certain degree of overlapping of responsibilities and requires intensive coordination among the individual levels of public administration. This underscores the importance of high-quality legislation, as effective public administration cannot be achieved without it.

*In the past five years (2019–2023), almost **CZK 65 billion** was spent from the state budget as a contribution towards the exercise of state administration within delegated competence. A more detailed look at these expenditures is provided in the interactive annex.³⁸*

The SAO also found that the planned reduction in the costs of the agendas' activities was not achieved unless the agendas were optimised. The MoI also failed to create cost models, which were to serve as a basis for a change in the system of financing the performance of state administration within delegated competence in order to take into account the performance of the individual authorities. The state thus still lacks an overview of the actual costs of public administration's tasks within delegated competence and whether their performance is effective.

- For example, in 2023, the state allocated **CZK 10.8 billion** in these contributions to municipalities. Performance payments (contribution for tasks performed) represent **13.7%** of the total volume of contributions paid from the state budget. The remaining part of the contributions is distributed in a manner that does not take into account the actual performance. Hence, the MoI still needs to focus on prioritising the targeted allocation of contributions on the basis of measurable performance in areas falling within delegated competence. In this respect, the MoI should create conditions consisting primarily in effective collection and evaluation of relevant data on the use of the contribution towards the exercise of state administration in the territory.

THE SAO ASSESSED THE FUNDS SPENT ON THE FUNDAMENTAL PROJECT OF MODERNISATION OF PUBLIC ADMINISTRATION (PMA 3 PROJECT) AS INEFFECTIVE. THE MOI DID NOT MODERNISE THE PUBLIC ADMINISTRATION AS SET OUT IN THE STRATEGIC FRAMEWORK.

Independently of the unsuccessful introduction of a central payment gateway within the MoI's project, an amendment to the Administrative Fees Act was adopted as part of the package of measures for consolidation of public budgets³⁹, which cancelled payments by duty stamps as of 31 December 2024⁴⁰. The MoF substantiated this amendment, *inter alia*, by a number of frauds and unfair practices associated with duty stamps. The fiscal benefit is also significant, as the state paid to Czech Post a total of **CZK 531 million** for the distribution of duty stamps alone in 2014–2020. It is not clear whether the state will guarantee other forms of payment of administrative fees (e.g. online card payment or payment at the counter) in 2025 besides bank transfers and cash payments.

In Audit No 22/20, the SAO focused on compliance with the key requirements of Act No 325/2021, on digitalisation of healthcare, and also verified the fulfilment of two selected strategic objectives of the *National eHealth Strategy* (NES). In 2017–2022, the audited entities at the MoH, the Institute of Health Information and Statistics (IHIS) and Na Homolce Hospital spent a total of **CZK 413 million** on projects and activities aimed at meeting these objectives.

38 Interactive data visualisation in audit No 22/06 [cited 2024-02-09]. Available at: <https://www.nku.cz/scripts/detail.php?id=13562>.

39 Act No 349/2023 Coll., amending certain acts in connection with the consolidation of public budgets, amends the payment of administrative fees from 1 January 2024 by deleting the possibility of payment by stamps from Section 6(8) of Act No 634/2004 Coll., on administrative fees, and at the same time provides in Article LXVII for a transitional period for their use until the end of 2024.

40 As of the date of termination of the option to pay by duty stamps, it will have been approximately 10 years since Slovakia transitioned from paper stamps to electronic stamps (eKolok). From April 2014, clients of public administration can buy electronic stamps at shopping kiosks, through mobile and web applications or personally at post offices.

The SAO found that the funds spent by the MoH and the IHIS in the amount of CZK 159 million did not lead to fulfilment of the strategic objectives of the NES and the requirements of Act No 325/2021 Coll., as the MoH and the IHIS failed to ensure uniform, secure communication environment for sharing health data, basic health data registers, activity logs and other central eHealth services. The project⁴¹, which was to provide the infrastructure in question, was amended by the IHIS in November 2021, and the managing authority of the Integrated Regional Operational Programme (IROP; i.e. the MoRD) accepted this substantial change despite the fact that the new solution could not lead to fulfilment of the objectives concerning digitalisation of health care set out in the NES.

The Na Homolce Hospital modernised its information system for CZK 91.3 million, but given the absence of a uniform environment for safe sharing of medical records, the hospital cannot share the data as envisaged by Act No 325/2021 Coll.

- In 2017, the MoH formally established the National Electronic Healthcare Centre, which was supposed to coordinate, maintain and develop the concept of healthcare digitalisation, but failed to provide personnel capacities for its activities and had to use external services. Moreover, a number of activities of the Centre did not represent tasks following from the NES, which contributed to delays in digitalisation. The MoH paid more than **CZK 22.6 million** for the work of external contractors.

- It has been more than three years since the expiry of the NES (at the end of 2020) and the physicians still cannot effectively obtain all the necessary (and already existing) information on the patient in critical situations. The designated ICT project was changed at request of the IHIS and on the basis of the subsequent acceptance by the managing authority of the operational programme; as a result, the project still met the conditions of the support provided from IROP but failed to meet the original objective in the area of centrally shared electronic healthcare services. Selected objectives of the NES, which were not met by the MoH, were moved to the follow-up strategy titled *Strategic Framework for the Development of Healthcare in the Czech Republic up to 2030*. Moreover, in the preparation of draft Act No 325/2021 Coll., the MoH failed to respect the objectives set out in the NES and omitted, among other things, the parts providing for emergency records, personal health records and medical records index.

THE MOH FAILED TO OVERSEE THE DIGITALISATION OF HEALTHCARE IN A MANNER THAT WOULD ALIGN WITH THE STRATEGIC OBJECTIVES OF THE NES, PARTICULARLY IN TERMS OF INCREASING THE EFFICIENCY OF THE HEALTHCARE SYSTEM AND ENSURING THE PORTABILITY OF HEALTH RECORDS AND INFORMATION. CONSEQUENTLY, ONE OF THE FUNDAMENTAL VISIONS OF HEALTHCARE DIGITALISATION OUTLINED IN THE NES, NAMELY PATIENT-ORIENTED HEALTHCARE, WAS NOT REALISED.

Following from the results of this audit, the SAO sees a significant risk in the continuous delays in the Czech healthcare system digitalisation at the level of central services, especially in relation to the Czech Republic's readiness for the establishment of the *European Health Data Space*.⁴² This cross-border infrastructure solution is designed to enable the exchange of health data collected at the national level in the following years. This includes primarily data⁴³ used for the purposes of provision of healthcare services, for assessing, maintaining or restoring the medical condition of a natural person – patient (“primary use of electronic health data”).

Similar shortcomings and weaknesses can be observed in both the modernisation of public administration and the related digitalisation, including the following problems:

- The digitalisation of selected agendas consists only in the computerisation of existing processes without their necessary optimisation. In practice, when a public administration client needs to address an official matter, they encounter partially digitalised, yet inefficient process, which frequently impose administrative burdens on both the client and the relevant authority.
- Despite the gradual expansion in the digital channels offered within public administration services, through which the clients can make their submissions and resolve problems without the need for personal visit to the authority, the low degree of internal digitalisation in authorities is a key problem related to unsuccessful procedural optimisation of their performance.

⁴¹ Project *Establishment of basic departmental eHealth infrastructure - Information and data departmental interface*.

⁴² The proposal for a regulation – The European Health Data Space was published by the European Commission in May 2022. The entire proposal is available at the European Commission website [retrieved on: 2024-02-09]. Available at: https://health.ec.europa.eu/publications/proposal-regulation-european-health-data-space_en.

⁴³ These include patient summaries, electronic prescriptions and dispensations, medical images and reports, laboratory results and reports, hospital discharge reports.

- The authorities responsible for a certain area and for the administration of the relevant information systems do not provide each other with data through the IDP. There is also a persistent problem in the interoperability of public administration information systems at both national level and in data exchange at the EU level.
- During the implementation of projects aimed at streamlining and digitising public administration agendas, responsible entities (governmental authorities as recipients of European funds) frequently adopt changes in the scope defined in the project objectives or make amendments to the technical solution. These changes are generally accepted by the managing authorities responsible for the relevant operational programme, although the projects ultimately involve a smaller scope of the set objectives or only a partial implementation of a previously approved technical solution. The project results thus do not lead to the desired improvement, but the purpose of the project is formally fulfilled by the recipients of support.

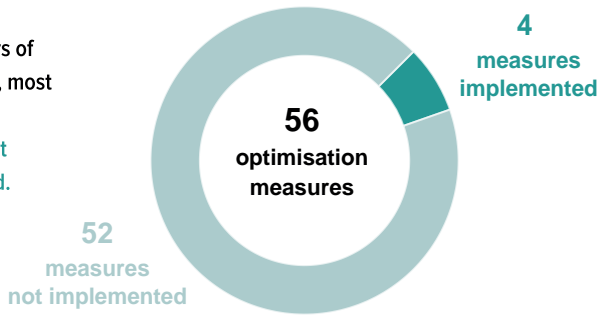


Modernisation projects have brought the necessary decrease in administrative burden neither to citizens nor to the public administration

THE OUTPUTS OF THE PUBLIC ADMINISTRATION MODERNISATION PROJECT HAVE NOT LED TO A FASTER, SIMPLER AND MORE TRANSPARENT PERFORMANCE OF AGENDAS, NOR TO A SIGNIFICANT REDUCTION IN THE ADMINISTRATIVE BURDEN OF CITIZENS IN CONTACT WITH THE AUTHORITIES



Even after six years of the PMA 3 Project, most of the proposed measures have not been implemented.



SPECIFIC EXAMPLES OF PERSISTENT ADMINISTRATIVE BURDENS FOR CITIZENS



Birth of a child

The citizen must report the birth of his/her child to the health insurance company himself/herself. The registry office enters the data into the information system, from where it is transmitted to the central register of insured persons.

Change of address

Citizens are obliged to change their ID card whenever they change their permanent residence. The Mol failed to introduce a proposal to remove the place of permanent residence from the ID card.



Theft or loss

A citizen cannot invalidate his/her ID card, travel document or driver's licence online, although the Citizen Portal could be used for the necessary actions related to these situations.

Death of a close person

Citizens must inform the LO CR under threat of fines. The registry office receives this information from the health service provider, but is unable to process and share it in a reasonable time.

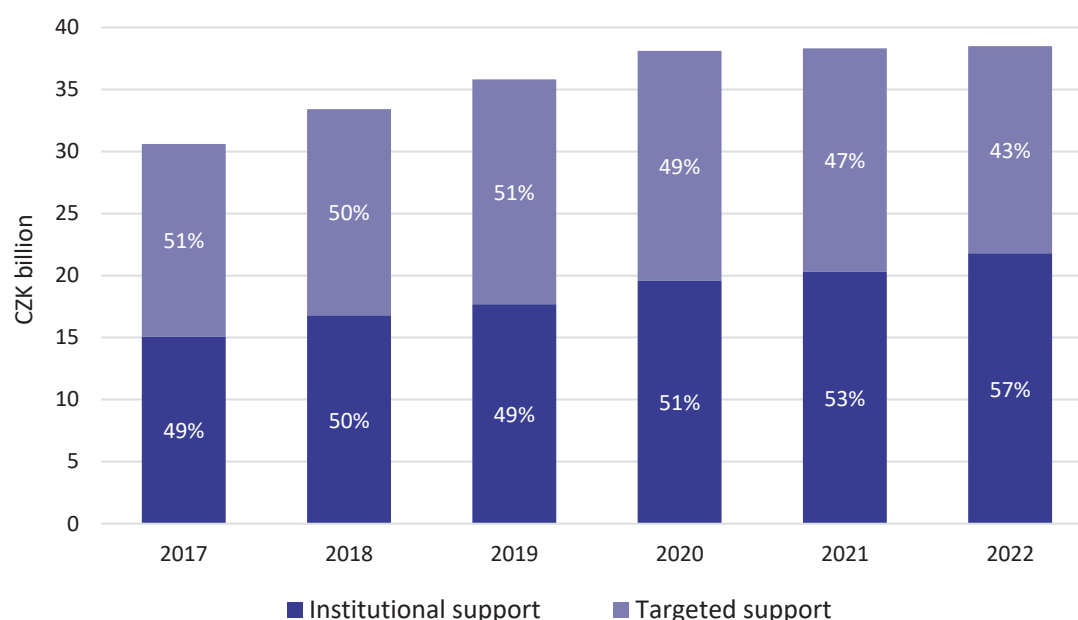


4.2 RESEARCH, DEVELOPMENT AND INNOVATION

Institutional support for research is one of the major components of the research and innovation policy of the Czech Republic. It serves to ensure long-term and stable development of research organisations, which are key actors of the Czech scientific system. Institutional support should enable research organisations to work towards their long-term conceptual development, i.e. ensure basic infrastructure and support the development of human resources.

The amount of institutional support is determined on the basis of evaluation of research organisations that takes place every five years. The evaluation is based on several indicators, including the quality of research outputs, international response and cooperation with the industry. The amount of institutional support for research in the Czech Republic has been growing continuously in recent years. While it amounted to **CZK 15.1 billion** in 2017, in 2022 it reached **CZK 21.8 billion**.

Chart 18: State budget expenditure on R&D in the Czech Republic by form of financing between 2017 and 2022 (CZK billion)



Source: prepared by SAO according to data provided by CSO

The SAO focused on institutional support in its Audit No 22/21. The SAO audited the procedure of the MoIT in the provision of institutional support for long-term conceptual development of research organisations between 2018 and 2022. During this period, the MoIT provided support from its budget chapter to 14 research organisations in the total amount of almost **CZK 2.3 billion**.

In the period from 2018 to 2022, the MoIT provided institutional support to research organisations without specifying the objectives and expected benefits of this support. The SAO already pointed out the same shortcoming in Audit No 21/30⁴⁴. The MoIT included in the rules for the use of the subsidy only the basic definition of eligible costs according to the law and did not lay down any limits or detailed rules on how and for what purpose research organisations can spend the support. The SAO also pointed out

*The MoIT provided institutional support in the total amount of **CZK 39.3 million** in 2018–2021 to a research organisation which the Ministry itself repeatedly evaluated as below average.*

44 Audit No 21/30 – State budget funds earmarked for special-purpose support of industrial research, development and innovation under national programmes under the responsibility of the Ministry of Industry and Trade (published in Vol. 6/2022 of the SAO Bulletin).

that the MoIT also failed to take into account revenues generated from the transfer of knowledge in the interim and final evaluations. The SAO found that the MoIT supported an organisation that the Ministry itself had long evaluated as below average; while this does not violate established principles, the SAO contends that it diminishes the efficiency of the support provided.

- In the absence of more detailed rules and limits, the funds could, for example, be used to remunerate employees (with benefits as a percentage of salary ranging from **1.2%** to **36.8%** among research organisations) or to pay the rent of the research organisation's parent company, without specifying which premises were rented.
- Transfer of knowledge requires cooperation between the research and commercial spheres and the SAO considers the related revenues an important indicator of commercial use and practical application of the results of research and development. **Five out of 14** research organisations supported did not report any revenues from the transfer of knowledge.

AT THE TIME OF THE AUDIT, THE MOIT LACKED A CLEAR CONCEPTION OF RESEARCH, DEVELOPMENT AND INNOVATION WITHIN ITS SCOPE OF COMPETENCE, ALTHOUGH THIS IS REQUIRED BY LAW⁴⁵. THE OBJECTIVES AND EXPECTED BENEFITS OF INSTITUTIONAL SUPPORT WERE NOT SET BY THE MOIT IN ANY OTHER DOCUMENT. THEREFORE, THE SHORTCOMING HIGHLIGHTED BY THE SAO IN 2018 STILL REMAINS⁴⁶.

Following the SAO's recommendation and the results of the audit, the MoIT adopted the following measures to remedy the shortcomings. In particular, the MoA declared that:

- **it will incorporate in the national strategy, as its integral part, the concept of research, development and innovation in the competence of the MoIT;**
- **it will perform increased checks of data submitted by research organisations within the initial, interim and final evaluations;**
- **it will penalise zero or negligible income from the transfer of knowledge in the interim and final evaluation.**

⁴⁵ Act No. 130/2002 Coll., on the Support of Research, Experimental Development and Innovation from Public Funds and on Amendments to Certain Related Acts (Act on the Support of Research, Experimental Development and Innovation).

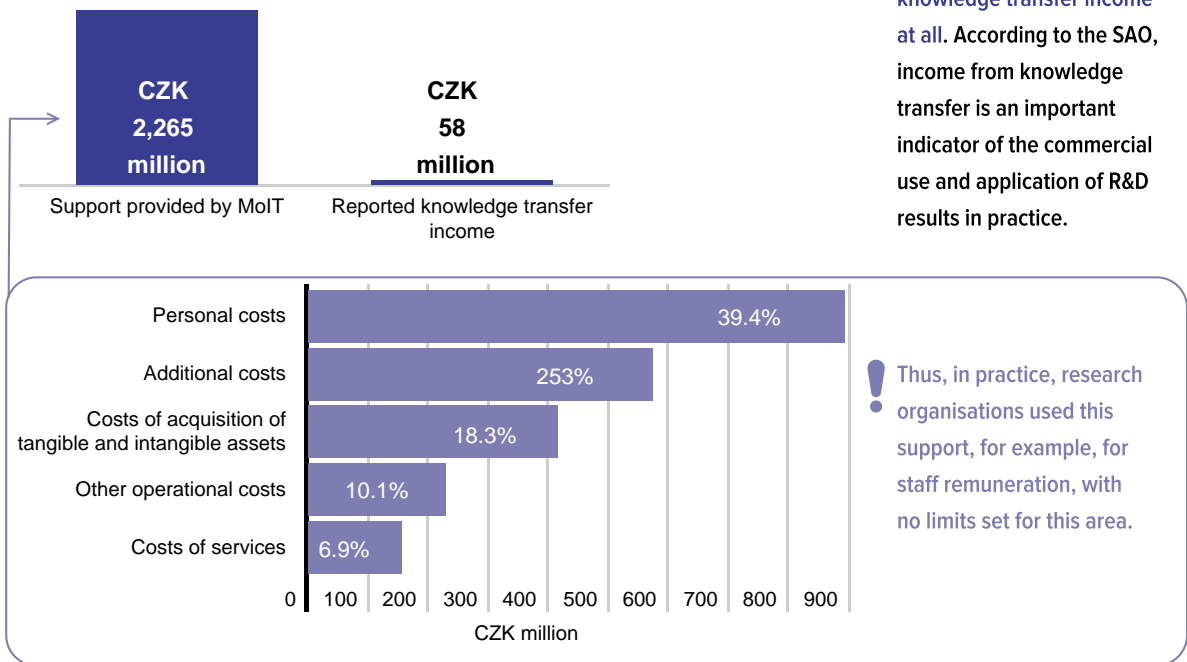
⁴⁶ Audit No 17/15 – *State funds for research, development and innovation* (published in Vol. 4/2018 of the SAO Bulletin).



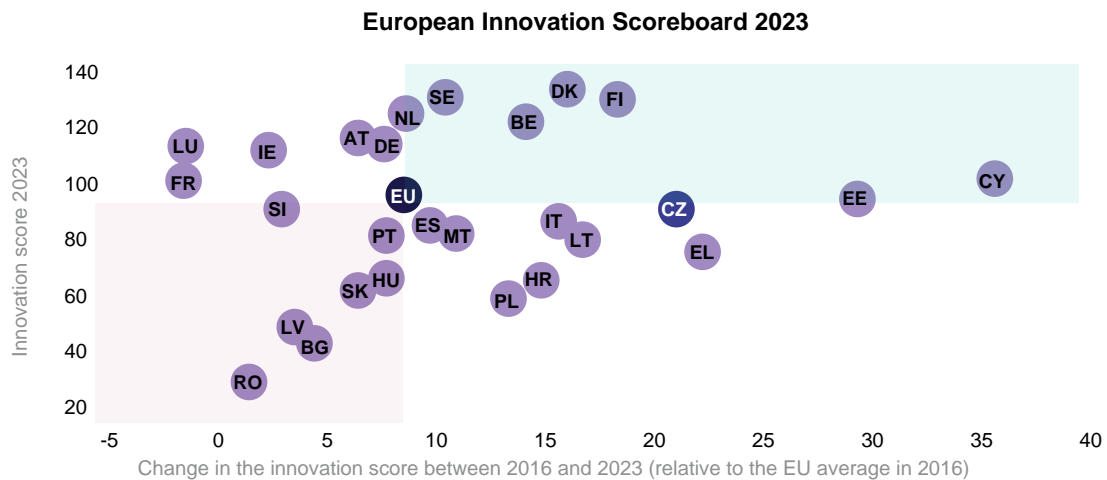
MoIT supported the development of research organisations **without setting specific objectives and without evaluating the benefits for the state**

THE MoIT SPENT ALMOST CZK 2.3 BILLION ON INSTITUTIONAL SUPPORT WITHOUT SETTING SPECIFIC RULES FOR EACH GROUP OF ELIGIBLE COSTS

MoIT's institutional support to research organisations and the amount of reported knowledge transfer income for 2018-2021



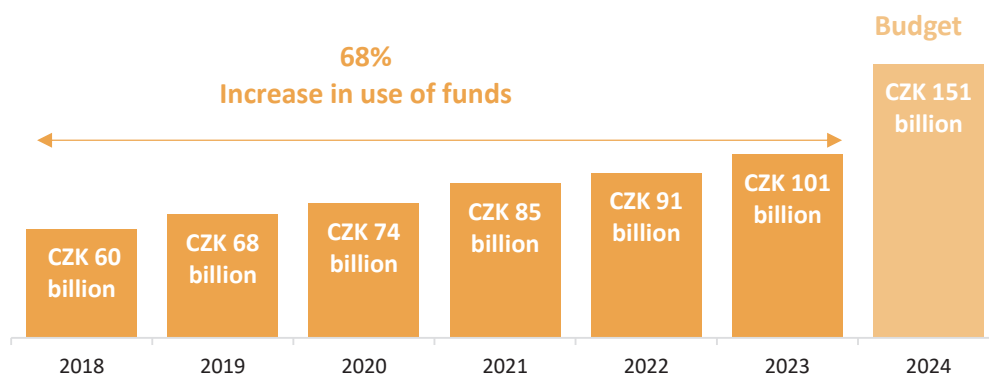
THE INNOVATION PERFORMANCE OF THE CZECH REPUBLIC HAS BEEN IMPROVING BUT STILL FALLS SHORT OF THE EUROPEAN AVERAGE



4.3 INTERNAL SECURITY AND DEFENCE

Changes in the security environment occurring outside the EU have altered the requirements for ensuring the defence and security of the Czech Republic; these requirements now need to be reassessed and addressed in a more integrated manner. It is not possible, for example, to separate internal security and defence, security in real world and online spaces, or security of the state, society and the individual. Also for these reasons, the government has approved new concepts of national security policy (*Security Strategy of the Czech Republic 2023*⁴⁷, *Defence Strategy of the Czech Republic*⁴⁸) and the Act on the financing of the defence was adopted⁴⁹. In 2024, the MoD's budget has rapidly increased by tens of billions of crowns. Expenditures increased by **68%** between 2018 and 2023.

Chart 19: Budget and spending of Chapter 307 - Ministry of Defence



Source: *Integrated Information System of the State Treasury*, Act No. 433/2023 Coll., on the State Budget of the Czech Republic for 2024.

The SAO pointed out already in its *Annual Report 2022*, that the increase in expenditure must correspond to the economic possibilities of the state and the MoD's ability to use the funds effectively, efficiently and economically. These criteria also apply to the now frequently used method of strategic acquisitions where the MoD concludes contracts worth tens of billions of crowns with selected foreign governments or specific manufacturers on an unusual scale without a selection procedure.

Well-functioning state institutions and public administration are another prerequisite for ensuring defence and security of the Czech Republic. Their task includes building of the adequately armed and equipped CAF, supporting the development of the integrated rescue system (IRS) and ensuring the implementation of measures in the system for protection of civilians.

In 2023 the SAO completed four audits in the area of defence and security, which targeted:

- funds earmarked for the vehicle fleet of the CAF (Audit No 22/11);
- funds spent by the MoD for radiation, chemical and biological protection (Audit No 23/03);
- funds earmarked for preparation and provision of the system for protection of civilians (Audit No 22/12);
- funds earmarked for increasing preparedness for risk and disaster management (Audit No 22/14).

According to the MoD's concepts, the CAF were to be built up as balanced, which means equal attention to the capabilities of all army components. The MoD was thus supposed, among other things, to acquire and modernise military equipment, which is crucial for the performance of tasks and ensuring combat capability. As shown in Chart 19, the MoD's year-on-year expenditures have increased recently in the order of billions of crowns. In Audit No 22/11, the SAO examined how the MoD had managed funds earmarked

⁴⁷ Czech Government Resolution No 478 of 28 June 2023, on the Security Strategy of the Czech Republic 2023.

⁴⁸ Czech Government Resolution No 737 of 4 October 2023, on the Defence Strategy of the Czech Republic.

⁴⁹ Act No 177/2023 Coll., on the financing of defence of the Czech Republic and amending Act No 218/2000 Coll., on budgetary rules and amending certain related laws (budgetary rules), as amended (the Defence Financing Act).

for the vehicle fleet in 2018–2022⁵⁰ and examined the MoD's expenditures in the amount of **CZK 1.6 billion**. The audit also focused on the activities of the state military repair company VOP CZ, especially in relation to the supplies and servicing of military vehicles and the objectives set for its activities.

As part of the audit, the SAO concluded that the Ministry had not procured vehicles according to the needs of the CAF, as it had not carried out planned actions (e.g. purchase of car cranes or container hook lifts). This contributed to the fact that almost two thirds of the vehicles were beyond their service lifetime at the end of 2021. The Ministry thus failed to fulfil the priority of Czech Armed Forces Development Concept 2025⁵¹ consisting in the replacement of military equipment at the end its life cycle.

- At the end of 2021, the CAF operated almost **1,300** passenger off-road vehicles with an average age of 19 years. The MoD proceeded to their complete replacement. Although the CAF originally required **1,344** vehicles, the MoD **increased the plan by 884** to a total of **2,228** vehicles to be purchased (i.e. by 65.8%). The acquisition of these additional vehicles amounted to **CZK 796 million**. According to the SAO, this purchase constituted a risk of future inefficient and uneconomical spending.
- Moreover, the MoD continued with inefficient and ineffective spending on repairs of obsolete vehicles. For example, **CZK 20.2 million** was inefficiently spent on repairs of passenger cars and crane equipment. Indeed, the Ministry agreed to repairs even if the cost of repairs (from CZK 0.5 to CZK 1.4 million) was close or even exceeded the purchasing price of new vehicles (CZK 0.9 million). The MoD also spent **CZK 1.1 million** for purposeless repairs, as they did not ensure the operational condition of the vehicles in question which could not be used to carry out the tasks of the CAF.

VOP CZ has failed to meet the set goals for a long term and even achieved a loss amounting to almost CZK 392 million in the 2018–2021 period. Although the enterprise planned, for example, to increase the share of military production revenues to 80% by 2023, the actual figure found by the SAO was only 16.2% in those years.

- Only a small part of VOP CZ's activities focused on work carried out for the MoD and, consequently, there was no risk that the MoD could award contracts to the enterprise in the form of "vertical co-operation" within the meaning of the Public Procurement Act⁵². The purpose of the VOP CZ's existence is also to generate profits⁵³ from its activities, while the loss-making management increased its debts and reduced competitiveness. In the audited public contract concerning the repair of cranes, the enterprise even reported a loss amounting to **49%** of the contract's value.

Only 2 out of 34 repairs carried out under a contract with the MoD brought profit to VOP CZ in the amount of CZK 3,000 and CZK 8,000. The remaining repairs did not generate profit for the enterprise and the total loss from the contract equalled CZK 4.6 million.

DESPITE THE GRADUAL INCREASE IN ITS BUDGET, THE MINISTRY FAILED TO IMPLEMENT THE PLANS FOR RENEWAL OF THE CAF'S VEHICLE FLEET, WHICH IS STILL VERY OUTDATED. THE MINISTRY DID NOT USE VOP CZ IN ACCORDANCE WITH THE OBJECTIVES AND PLANS SET FOR THE ACTIVITIES OF STATE ENTERPRISES ESTABLISHED BY THE MOD.

On the basis of the audit results, the MoD agreed to:

- acquire automotive cranes and introduce a system for assessing and monitoring the efficiency of repairs of vehicles;
- change the number of passenger off-road vehicles to be purchased (purchasing just 1,594 vehicles instead of 2,228), so the above SAO's finding resulted in savings of more than **CZK 0.5 billion**;
- improve the VOP CZ's unsatisfactory economic management, which may be supported by an amendment to the Public Procurement Act effective from July 2023; on the basis of this amendment, it is possible to increase the number of contracts awarded for the benefit of the enterprise and thus improve its economic situation and ensure that the purpose for which the enterprise was founded is fulfilled.

50 This technical equipment includes road and military wheeled vehicles intended for the transport of personnel and material and used by all army components.

51 Czech Government Resolution No 1094 of 21 December 2015 on the Czech Armed Forces *Development Concept 2025*.

52 Sections 11 and 189 of Act No 134/2016 Coll., on public procurement.

53 E.g. Czech Government Resolution No 115 of 17 February 2020 on the State Ownership Policy Strategy.

According to Czech Armed Forces Development Concept 2025, the development of the CAF after 2016 was to meet two milestones. By the first milestone in 2020, shortcomings should have been eliminated which would enable stabilisation of the capabilities, where the second milestone in 2025 concerned further development of those capabilities, including the CAF's chemical protection units. Their capabilities were limited due to the use of outdated technology and material, and insufficient equipment, e.g. in the area of detection and identification of CBRN⁵⁴ substances or the protective equipment of individual soldiers. Hence, in Audit No 23/03, the SAO focused on whether the MoD had spent funds on radiation, chemical and biological protection efficiently, economically and in accordance with the legal regulations. The SAO audited the Ministry's expenditure in 2016–2023 for 12 projects and two defence research, experimental development, and innovation projects in the total amount of **CZK 5.4 billion**, and also verified compliance with the measures to remedy the deficiencies identified in Audit No **14/41**⁵⁵.

In 2018–2022, the MoD failed to carry out 9 of the 12 planned projects under the 107V08 programme for the CAF's chemical units.

As part of the Audit, the SAO concluded that in terms of the effectiveness of the funds spent on planning and acquisition activities, the MoD had not achieved the intended impacts of the purchases, i.e. the CAF's chemical protection units had not achieved the required capabilities. The MoD did not carry out the planned projects (e.g. purchase of special chemical reconnaissance vehicles, decontamination agents or anti-chemical protective clothing) and thus failed to meet the objectives of the concepts or investment programmes approved by the government; the Ministry thus did not proceed in accordance with Act No 2/1969 Coll.⁵⁶ The failure to implement those actions also results in limited fulfilment of some of the objectives of the development of NATO forces (e.g. basic and advanced protection against weapons of mass destruction).

- In 2015, the MoD planned to acquire 14 light armoured vehicles between 2017 and 2020. A year later, it fundamentally changed the requirements on vehicle capabilities. At the same time, the number of vehicles increased to 80 vehicles (or 40 pairs) and the amount of expenditures increased from **CZK 860 million** to **CZK 5,352 million** (by **522%**). The MoD did not explain the reason for the increase in the number of vehicles. When purchasing the vehicles, the MoD failed to proceed in accordance with Act No 218/2000 Coll.⁵⁷ with regard to the provision of advances, and in accordance with Act No 320/2001 Coll.⁵⁸ with regard to preliminary management check.
- In the area of biological protection, the MoD was to build BPC in Těchonín⁵⁹ by 2005. The deadline was not met. This fact was already pointed out by the SAO in Audit No **14/41** and the MoD undertook to remedy the shortcomings. In 2015–2016 it declared that the centre would be completed not later than by the end of 2022. However, the MoD failed to meet this deadline too and thus did not proceed in accordance with Act No 2/1969 Coll., as it did not comply with government resolutions⁶⁰. BPC Těchonín has long failed to perform its two statutory functions (laboratory diagnostics of biological agents⁶¹ and biological defence research), the MoD has not achieved the intended objective of the construction in creating a functional unit at the highest biosafety level and full use of this facility. The SAO therefore evaluated the expenditure of **CZK 3.7 billion** spent on the construction of BPC Těchonín by the end of 2022 as only partially effective. In the meantime, the planned costs of construction of the missing building for scientific research increased from **CZK 104 million** (2005) to **CZK 587 million** (2022), i.e. by **463%**.

THE MOD FAILED TO PROVIDE FOR THE NEEDS OF THE CAF IN THE AREA OF RADIATION, CHEMICAL, AND BIOLOGICAL PROTECTION.

54 Chemical, biological, radiological and nuclear substances.

55 Audit No 14/41 – *Funds spent by the Ministry of Defence to provide for biological protection* (the audit was published in the Vol. 3/2015 of the *SAO Bulletin*).

56 Act of the Czech National Council No 2/1969 Coll., on the establishment of Ministries and other central authorities of state administration of the Czech Republic.

57 Act No 218/2000 Coll., on budgetary rules and amending certain related laws (Budgetary Rules).

58 Act No 320/2001 Coll., on financial audits in the public administration and amending some related laws (the Act on Financial Audits).

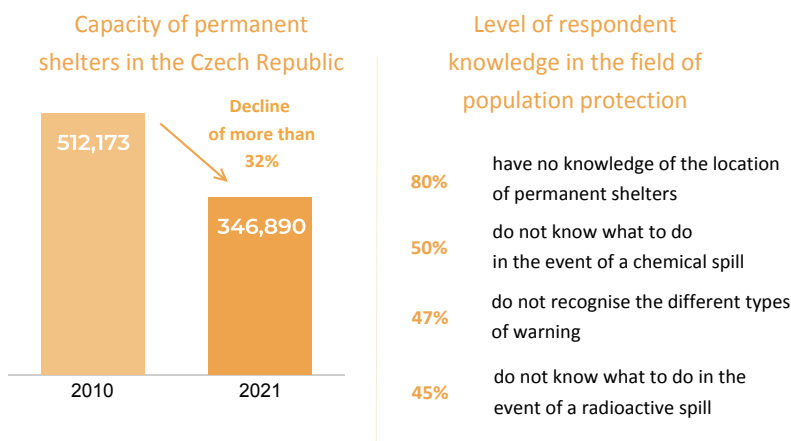
59 The Biological Protection Centre in Těchonín is a name for the entire complex of technical and operational buildings, medical facilities and other buildings serving for the performance of the ACR's tasks.

60 Czech Government Resolution No 665 of 20 August 2015, concerning *the further use of the Biological Protection Centre Těchonín*, and Czech Government Resolution No 299 of 7 April 2016 concerning *the audit report of the Supreme Audit Office from Audit No 14/41 Funds spent by the Ministry of Defence to perform tasks ensuring biological protection*.

61 The term biological agents means bacteria, viruses or fungi, in natural or modified condition, in the form of isolated living microbial culture or substrate containing living material that has been intentionally inoculated or contaminated with this microbial culture.

Protection of civilians (POC) is one of the elementary functions of a country, the enormous importance of which has been confirmed by the current conflicts in Ukraine and Israel. The POC system includes civil protection tasks, in particular warning, evacuation, sheltering and emergency survival of the population. In Audit No 22/12, the SAO examined whether the MoI and the MoH spent funds earmarked for the preparation and implementation of a system for protection of civilians efficiently and in accordance with legal regulations. In the period from 2015 to 2021, the two Ministries spent at least CZK 721 million in the area of POC. The basic element of the POC system should be an informed and educated citizen, which is why the SAO carried out a voluntary questionnaire survey of the POC awareness and obtained **more than 46 thousand** answers⁶².

Figure 2: Capacity of permanent shelters in the Czech Republic and selected results of the SAO survey



Source: MoI – General Directorate of the Fire Rescue Service of the Czech Republic and SAO's survey.

The MoI did not proceed in accordance with Act No 2/1969 Coll., Act No 218/2000 Coll. and Act No 239/2000 Coll.⁶³ with regard to its performance of some of the POC tasks. Although the Ministry was continuously performing a number of tasks, at the time of the audit, shortcomings negatively affecting the functioning of the POC system still persisted. These included, in particular, unfinished tasks concerning amendments to the relevant legislation, education and training, provision of individual protection equipment, including the use of the results of the related research, and the failure to finish the replacement of rotating sirens.

The SAO found a steady decline in the capacity of permanent shelters; it covered approximately 3.2% of the Czech population in 2021. There was also a decrease in the number of shelters in university hospitals; only four hospitals, in Prague and Plzeň, had shelters in 2021.

- The MoI failed to provide the number of individual protection equipment items, such as masks, protective suits, children's bags and other material used to protect selected categories of persons in a state of emergency or war, as stipulated by law⁶⁴. The Ministry also failed to finish some tasks in the area of information and warning of civilians, e.g. replacement of rotating sirens. It also failed to launch the POC web portal by the planned deadline in 2022 and to develop a system for sending warning SMS by 2017.
- In practice, the Ministry failed to use some of the results of the POC research, although they included functional samples of protective hoods, clothing or respiratory protective equipment. At the same time, it spent **CZK 132.5 million** on the implementation of these projects. Hence, the purpose and benefit of the research were not attained, although, according to the Ministry itself, this protective equipment has higher utility properties and low production requirements.

62 The respondents were students of the 3rd and 4th grades of secondary schools and of the 7th and 8th grades of multi-year academic secondary schools. An interactive view of some of the survey results is available here: <https://bit.ly/48rgSHa>.

63 Act No 239/2000, on the Integrated Rescue System and on amendment to certain laws.

64 Section 7 (8)(g) of Act No 239/2000, on the Integrated Rescue System and amending certain laws; Decree of the Ministry of the Interior No 380/2002 Coll., on the preparation and implementation of tasks concerning protection of civilians.

THE IRS ACT AND THE DECREE ON THE PREPARATION AND IMPLEMENTATION OF TASKS FOR PROTECTION OF CIVILIANS CURRENTLY DO NOT REFLECT THE DEVELOPMENT AND CURRENT STATE OF THE SYSTEM FOR THE PROTECTION OF CIVILIANS.

The publication of the Audit results lead to the following:

- The new *Security Strategy of the Czech Republic 2023* has been approved. The POC system is newly addressed in the chapter *Civil Protection and Crisis Management*, which mentions both the development of this system and the development of the system for preparation of civil population, which is a precondition for reducing the impact of emergencies and crisis situations.
- The MoI agreed⁶⁵ to submit amendments to the legal regulations governing protection of civilians, where, for example, the IRS Act will newly define the POC and will regulate the POC requirements with regard to improvised shelters.
- In the area of education and training, the MoI will develop an independent area of “*security and safety education*” as part of primary and secondary education, the POC web portal will be launched and a mobile application for informing the population and bulk sending of SMS messages will be launched by 2024.
- The MoI will ensure that the number of the items of individual protective equipment does not fall **below 300,000** for the most vulnerable groups. On the basis of usable examples of foreign practice ascertained by the SAO, a map of the location of permanent shelters is newly available on the website of the Fire Rescue Service of the Czech Republic (FRS CR)⁶⁶.
- The MoI will continue building a new network for the operation of a uniform system of warning and notification and replace rotating sirens with electronic ones.

Disasters of natural and anthropogenic origin are a security threat. The frequency and intensity of the natural disasters increases especially in the context of climate change. Ensuring the efficiency of the individual IRS units is a basic precondition for effective resolution of disasters that endanger lives and property and can threaten the functioning of the state. At the same time, the IRS units are still struggling with a lack of equipment and insufficient resilience in territories with an increased occurrence of natural disasters. In Audit No 22/14, the SAO examined whether the MoRD, the MoI and eight beneficiaries of aid under the *Integrated Regional Operational Programme (IROP) 2014–2020* spent funds earmarked for increasing preparedness to address and manage risks and disasters effectively, economically and efficiently and in accordance with the law. A total of CZK 5.1 billion was spent on 293 projects.

*The monitored indicator of the number of supported persons was already attained at **200%***

two years before the end of the IROP programming period.

This was due to the fact that beneficiaries were duplicating the number of people who had received training or education. The indicator did not say anything about whether there was an increase in the preparedness of the IRS units.

During the audit, the SAO assessed that the objective of the IROP 2014–2020 to achieve full preparedness in exposed areas was not met, as the MoRD allocated funds without reference to the needs of the IRS units⁶⁷. In particular, the Police of the Czech Republic, due to the insufficient preparedness of the projects, did not acquire the necessary equipment and material resources (e.g. vehicles and minibuses) and used only 8% of the allocation. The MoRD did not set the support indicator in a way that would enable it to assess the benefit of the funds spent. The SAO found no serious shortcomings in the audit of the implementation of selected projects.

- The MoRD has set the target values of aid for the follow-up IROP 2021–2027 programme again without specification of the link to the needs of the supported IRS units.

65 Czech Government Resolution No 881 of 22 November 2023 concerning the *Supreme Audit Office' audit report from Audit No 22/12 – State funds earmarked for the preparation and provision of a civil protection system.*

66 *Ochrana obyvatelstva (Civil protection)* [retrieved on: 2024-02-01]. Available at: <https://www.hzscr.cz/clanek/ochrana-obyvatelstva-uvodem.aspx>.

67 The IRS units include: Fire Rescue Service of the Czech Republic, fire-protection units included in the regional general coverage by fire-fighting units, providers of medical rescue services, and the Police of the Czech Republic.

THE MOI FAILED TO SPECIFY IN TIME THE NEEDS OF THE POLICE OF THE CZECH REPUBLIC AND FAILED TO PREPARE AID APPLICATIONS. IN THE MEANTIME, THE ALLOCATED FUNDS HAD BEEN UTILISED BY OTHER IRS UNITS, SO THE POLICE DID NOT ACQUIRE THE NECESSARY EQUIPMENT OR MATERIAL RESOURCES. THE SAO ALREADY POINTED OUT THE INSUFFICIENT PREPAREDNESS OF SOME PROJECTS BY THE MOI, E.G. IN THE AREA OF CYBERSECURITY, AS PART OF AUDIT NO 19/26⁶⁸.

On the basis of the audit results, the MoRD and Mol agreed to:

- the MoRD will evaluate the objectives and benefits of the aid provided under IROP 2014–2020 and will not use the aid indicator in the 2021–2027 programming period, which was criticised by the SAO as to its setting and ability to show the benefits of the aid;
- the Mol will take measures to streamline the preparation of projects for the Police of the Czech Republic by implementing a monitoring system for compliance with project deadlines and it set a rule for the allocation of funds from the new IROP 2021–2027 for the benefit of the Police of the Czech Republic, in a ratio of **60%** to **40%** (Fire Rescue Service).⁶⁹

Impact of previous SAO audits in relation to internal security

In its 2022 Annual Report, the SAO already pointed out that the system of soft targets protection has not yet been completed in the Czech Republic. The Mol 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. In Audit No 21/21⁷⁰, the SAO found shortcomings in providers of subsidies from non-investment soft targets protection programmes, namely the Mol, MoC and the MoH. The shortcomings included the impossibility of evaluating the benefits of support, the implementation of programmes without a link to the needs of the relevant soft targets, or the lack of information on the use of project results. Together with the failure to initiate the planned implementation of the follow-up investment programmes, these shortcomings resulted in the failure to create a comprehensive national system for soft targets protection. If the state support is renewed, the measures⁷¹ declared by the Mol, MoC and MoH will lead to setting measurable aid indicators, defining the needs of the soft targets protection system, increasing the transparency of project evaluation and assessing the quality of project outputs. On the basis of the SAO's request, in October 2023, the Mol submitted to the government an evaluation⁷² of non-investment programmes which confirmed the SAO's findings. On 7 December 2023⁷³, the Committee on Budgetary Control of the Chamber of Deputies of the Czech Republic submitted an instigation to the SAO to carry out a follow-up audit.

68 Audit No 19/26 – *Development of Cyber Security in the Czech Republic* (audit report was published in Vol. 6/2020 of the *SAO Bulletin*).

69 Czech Government Resolution No 878 of 22 November 2023 concerning the Supreme Audit Office' audit report from Audit No 22/14 – *State funds earmarked for increasing the preparedness to address and manage risks and disasters*.

70 Audit No 21/21 – *State funds spent on the soft targets protection system* (audit report was published in Vol. 4/2022 of the *SAO Bulletin*).

71 Czech Government Resolution No 243 of 12 April 2023 on the audit report of the Supreme Audit Office from Audit No 21/21 State Funds spent on the soft targets protection system.

72 *The evaluation of subsidy programmes of the Mol, MoC and MoH to increase the protection of soft targets* (Ref. No. 856/23) was submitted by the Minister of the Interior to the government on 11 October 2023.

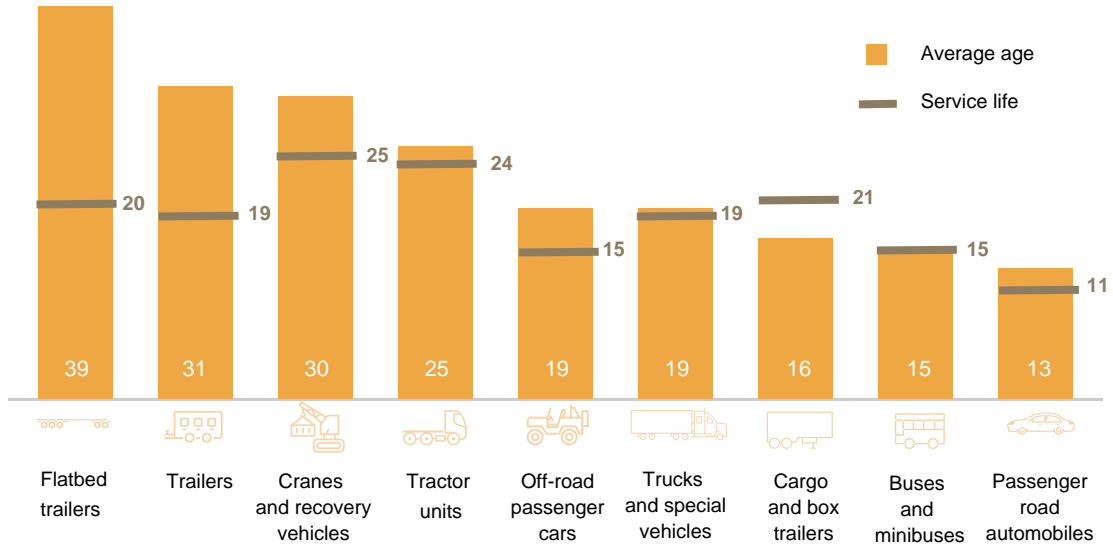
73 Resolution of the Committee on Budgetary Control of the Chamber of Deputies of the 28th meeting of 7 December 2023 on the audit report of the Supreme Audit Office from Audit No 21/21 State Funds spent on the soft targets protection system.



Despite repeated budget increases, the MoD has not ensured the building of the capabilities of the Czech Armed Forces according to the concepts of the Ministry and programmes approved by the Government of the Czech Republic

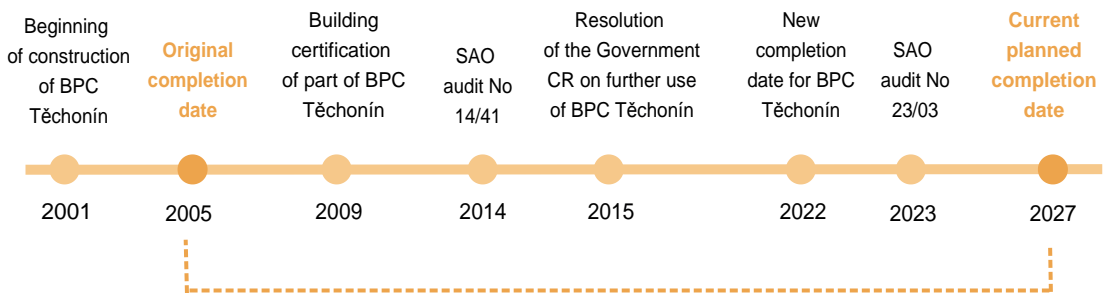
THE MoD DID NOT ENSURE THE RENEWAL OF AUTOMOTIVE TECHNOLOGY AND SPENT ON INEFFICIENT REPAIRS OF OBSOLETE VEHICLES

Data on automotive equipment of the Czech Armed Forces by the end of 2021



ALTHOUGH THE MoD SPENT CZK 3.7 BILLION ON THE CONSTRUCTION OF THE TĚCHONÍN BIOLOGICAL PROTECTION CENTRE, IT DID NOT COMPLETE ITS CONSTRUCTION EVEN AFTER 22 YEARS

Timeline for the construction of the Biological Protection Centre Těchonín (BPC Těchonín)



22 years

Difference between the original completion date and the completion date planned at the time of the SAO audit

4.4 TRANSPORT

High-quality transport infrastructure is a prerequisite for economic, regional and social development. An important part of this infrastructure is the motorway network, which remains unfinished in the Czech Republic. The total length of the motorway network should reach approx. 2,073 km at completion; according to the RMD's records, 1,386 km of motorways are currently in operation. This was one of the reasons why the SAO focused in 2023 on identifying/verifying the causes and consequences of the protracted construction of selected motorways in the Czech Republic as well as on the quality of the modernisation of the D1 motorway. It also audited the electronic vignette system and road safety.

In 2023, the SAO completed five audits where it examined:

- modernisation of the D1 motorway (Audit No 21/37);
- construction of the D35 motorway (Audit No 22/08);
- construction of the D4 motorway carried out in the form of public-private partnerships (Audit No 22/29);
- preparation, implementation and operation of the electronic motorway vignette system (Audit No 22/01);
- increased road traffic safety (Audit No 22/26).

In Audit No 21/37, the SAO examined how the MoT, the RMD and the State Fund for Transport Infrastructure (STFI) had spent state and EU funds on the modernisation of approx. 161 km of the D1 motorway in the section between Mirošovice and Kývalka in the period from 2016 to November 2022⁷⁴ and whether the investment of **CZK 28.1 billion**⁷⁵ led to increased safety and comfort for users of the D1 motorway. The SAO audited the preparation and implementation of the modernisation **of five sections** with a total cost of more than **CZK 6.79 billion**. Furthermore, the SAO audited a sample of 12 claimed defects on eight sections of the D1 motorway to analyse the RMD's procedure in identifying and remedying defects.

The SAO's audit showed that the modernisation of the D1 motorway has not been completed. There is also no comprehensive timeline and financial plan for the projects needed to complete it. The bridges and overpasses on the renovated sections still pose a risk to traffic safety. The modernisation of some rest areas remains unfinished and there is also a persisting lack of parking spaces for lorries. The SAO also pointed out the insufficient quality in troubleshooting on the renovated sections, which impacts driving comfort. Moreover, the renovated roadway continues to be damaged by overloaded lorries, but the MoT has not adopted any effective measures to address this situation. The audit also showed that the MoT had not dealt with the quality of modernisation, the number of defects on the modernised sections of the motorway and their causes.

- Eight modernised sections of the D1 motorway have not yet been approved for use at the time of completion of the audit. Moreover, the modernisation is hindered by poorly executed construction works (e.g. broken edges of concrete pavement slabs, potholes, etc.) and problematic troubleshooting (e.g. non-compliance with technological procedures, use of unsuitable materials). The RMD claimed **605** defects in **13** sections with its suppliers and further complaints were being prepared. However, on a sample of **12** cases, the SAO found shortcomings in the RMD's specification of the defects (their descriptions, specification of their location, etc.), insufficient documentation and verification of the suppliers' procedure for the removal of the defects, which could hinder the complaints procedure. The occurrence of defects and their poor-quality repairs are indicative of shortcomings in the construction supervision on the part of the RMD.

Although the condition of the Šmejalka motorway bridge has been listed as poor since 2007, the RMD excluded its reconstruction⁷⁶ from the D1 modernisation project and addresses it in a separate project. In July 2018, the condition was reclassified as very poor and in June 2022, the RMD provided temporary support for the bridge structure to ensure its serviceability until the reconstruction.

*In March and April 2022, the only high-speed weighing system on the D1 motorway found **17,216** violations of weight limits; however, by the end of the SAO's audit, the RMD filed only **448** complaints to initiate infraction proceedings.*

74 The course of the audit was negatively affected by a cyber-attack on the RMD's information systems, which resulted in the inaccessibility of some documents and information.

75 Price incl. VAT (as at 31 May 2022).

76 Originally, the reconstruction of the Šmejalka Bridge was to be carried out between March 2014 and December 2015.

- Poorly executed works have a negative impact on the roadway durability, and this problem is compounded by the number of overloaded lorries and the frequency of their trips. In section 16 of the D1 motorway, there is a high-speed weighing system in both directions which found a significant number of cases of violation of weight limits in just two months of operation. However, the MoT did not address the results of this weighing on the D1 motorway and the number of overloaded vehicles.

THE MODERNISATION OF THE D1 MOTORWAY HAS NOT BEEN COMPLETED AND THE RMD, MOT AND SFTI HAVE NO COMPREHENSIVE TIME OR FINANCIAL PLAN FOR THE PROJECTS NECESSARY FOR ITS COMPLETION. FURTHERMORE, IT IS ACCOMPANIED BY A NUMBER OF POORLY EXECUTED CONSTRUCTION WORKS AND THEIR REPAIRS. SOME BRIDGES AND OVERPASSES WERE EXCLUDED FROM THE RECONSTRUCTION, WHERE THE CONDITION OF SOME OF THEM POSES RISK TO THE SAFETY AND CONTINUITY OF TRAFFIC.

Measures adopted by the MoT on the basis of the audit:

Following the audit, the MoT adopted a measure that requires the RMD to prepare an up-to-date overview of the condition of bridges and overpasses on the D1 motorway by May 2024 and a schedule for completion of their repairs and reconstructions. The MoT will continuously monitor this schedule and evaluate the completion of repairs and reconstructions of bridges and overpasses on the D1 motorway. Another measure was to set up a quality audit system for the management, maintenance and repair of motorways and class I roads from 1 January 2024. The RMD also planned to introduce by the end of 2023 a systemic measure consisting in a comprehensive inspection just before the end of the warranty period in order to claim all defects that are covered by the contractor's warranty.

After its completion, the D35 motorway should bring relief to the frequently congested D1 motorway as another important link between Bohemia and Moravia. The SAO focused on this motorway in its Audit No 22/08 and examined in detail the preparation of 14 sections with a total estimated cost of approximately **CZK 96.6 billion**.

*For the construction of D35 Úlibice – bypass, the RMD prepared an update of the project, in which it increased the estimated construction costs from the original **CZK 310 million**, excluding VAT, to **CZK 1.19 billion**, excluding VAT, which represented an increase of **184%** at a comparable price level.*

The SAO concluded that the MoT/RMD had failed to comply with the conceptual plans and schedules of the D35 motorway construction. The preparation of construction in 14 audited sections lasted on average 12 years, the main reason for such a long time was the RMD's problems related to obtaining zoning permits and dealing with property settlement with landowners. Costs were rising as a result of the delays in the preparation and construction.

- The construction of the D35 motorway started in the 1970s, but the MoT has not been able to meet even the current schedules set out in the conceptual and strategic documents. For example, construction preparation for the 14 sections audited took on average **12 years**, the most time-consuming was the preparation of a 3.3 km-long section between *Křelov and Slavonín*, which took **27 years**. The completion of the D35 motorway faces continuous delays. At the time of the completion of the audit (May 2023), construction of 11 sections had not yet even started, and the continuous delays, together with inflation, is making the construction more expensive and the construction of the D35 motorway will take more than **50 years** to complete.
- Pursuant to a government decision from 2022, two sections of the D35 motorway are to be built as a Public-Private Partnership project (PPP project⁷⁷), which should be **4.1%** more cost-effective than traditional public sector contracting. However, at the time of the SAO audit, the preparation of the PPP project was already behind schedule because the MoT had launched the tender procedure for the selection of a consultant with a six-month delay.

77

Public-Private Partnership (PPP) is a long-term contractual relationship between the private and public sectors on the basis of which the private sector provides public infrastructure or a public service.

ALTHOUGH THE FIRST SECTION OF THE D35 MOTORWAY WAS ALREADY PUT INTO OPERATION IN 1978 AND ITS CONSTRUCTION WAS IDENTIFIED AS A GOVERNMENT PRIORITY IN 2001, IT STILL REMAINS UNFINISHED. OUT OF 21 SECTIONS OF THE MOTORWAY, CONSTRUCTION OF 11 SECTIONS HAS NOT EVEN STARTED 22 YEARS AFTER THE GOVERNMENT RESOLUTION AND THE RMD DOES NOT EXPECT THE MOTORWAY IN ITS ENTIRE LENGTH OF 210 KM TO BE OPERATIONAL BEFORE 2030.

The state also decided to use a PPP project in the case of completion of the D4 motorway. Hence, in Audit No 22/29, the SAO focused on the process of selecting the concessionaire for the D4 motorway PPP project, setting the contractual relationships between the MoT and the concessionaire and the profitability of this project. At the time of the SAO's audit, the D4 motorway was being constructed under the PPP project; the construction was fully financed by the concessionaire. Subsequent operation and maintenance will also be provided by the concessionaire, who will be paid a monthly remuneration in the form of an "availability payment". When the contract expires in 2049, the responsibility for the operation and maintenance will be transferred to the state. The audited volume for the MoT was determined as the net present value⁷⁸ of the availability payments under the concession contract in the amount of **CZK 17.8 billion**.

The SAO's audit found that the start of the PPP project for the construction of selected sections of the D4 motorway was delayed by almost four years, mainly due to errors in the tender procedure for the selection of a consultant⁷⁹ and the time-consuming process of selecting the concessionaire. The MoT, or rather the RMD, failed to provide the consultant with sufficient supporting documents, resulting in the risk of incorrect evaluation of the PPP project's profitability. The MoT also failed to comply with the deadlines following from the concession contract for the handover of individual construction permits for two sections. Consequently, there is a risk of construction delays as well as the risk of financial penalties that the concessionaire can claim from the state under the concession contract.

- For the purpose of evaluating the PPP project's profitability, the RMD was not able to determine the costs of operation, reconstruction and maintenance of motorways, although at that time it operated and maintained **1,276 km** of motorways. The consultant therefore had to estimate these costs on the basis of his experience from abroad, which could have negatively affected the evaluation of the project's profitability.
- The entire PPP project commitment represents a quasi-mandatory expenditure that the state will have to finance until 2049. The Czech Parliament approved the "availability payment" of **CZK 29.5 billion**.⁸⁰ However, taking into account inflation between 2020 and 2022 and the Czech National Bank and European Central Bank's forecasts until 2049, the state's availability payment will be **CZK 4.2 billion** higher and will amount to approximately **CZK 33.7 billion**.

THE SAO'S AUDIT REVEALED SEVERAL RISKS IN THE ONGOING D4 MOTORWAY PPP PROJECT. GIVEN THAT THE MOT FAILED TO PROVIDE SUFFICIENT EVIDENCE REGARDING THE COSTS OF OPERATION, RECONSTRUCTION AND MAINTENANCE OF CZECH MOTORWAYS, THE CONSTRUCTION OF THE D4 MOTORWAY IN THE FORM OF THIS PROJECT MAY NOT BE AS PROFITABLE AS THE CONSULTANT CONCLUDED. MOREOVER, FAILURE BY THE MOT TO MEET THE DEADLINES UNDER THE CONCESSION CONTRACT MAY FURTHER INCREASE TO PROJECT'S COSTS. INFLATION CAN ALSO MAKE THE PROJECT MORE EXPENSIVE. SINCE THE GOVERNMENT⁸¹ HAS DECIDED TO SUPPORT THE FURTHER USE OF PPP PROJECTS, THE SAO CONSIDERS IT NECESSARY TO AVOID THE MISTAKES MADE DURING THE IMPLEMENTATION OF THE D4 MOTORWAY PPP PROJECT.

In Audit No 22/01, the SAO audited the use of the MoT's funds on a time-based charging system using electronic motorway vignettes (EDAZ)⁸² in 2018 to 2022. The services and supplies selected for the audit were related to the construction, operation and development of the e-vignette system, which was financed by the SFTI and the MoT, in cooperation with CENDIS s.p., by the total amount of **EUR 329 million** by April 2022.

78 This value represents the state's liabilities discounted to the price level on 1 January 2020, excluding inflation.

79 The PPP project consultant was selected on the basis of a tender procedure. The consultant and the MoT participated in the preparation of the entire D4 motorway PPP project, including drafting complete contractual documents.

80 The Chamber of Deputies of the Parliament of the Czech Republic has granted its consent on the basis of Section 18c of Act No 13/1997 Coll., on roads. The exchange rate of 24 CZK/EUR has been used for conversion into EUR.

81 Czech Government Resolution No 577 of 16 August 2023, on evaluation of the methods of co-operation between the public and private sectors in railway and motorway infrastructure projects.

82 "EDAZ" means a system comprising all services and components related to the introduction of e-vignettes as the manner of payment of the time-based charge pursuant to Act No 13/1997 Coll. The EDAS system includes, among other things, the "EDAS IS" public administration information system.

The results of the audit showed that despite initial operational difficulties and errors in the system, the implemented variant of time-based charge (the e-vignette) was more efficient and economical than the original system, which was confirmed by an annual cost reduction of an average of CZK 120 million. However, problems in operation and errors of the EDАЗ information system⁸³ meant that the SFTI only accepted it with 226 reservations 19 months after it became operational. Although the EDАЗ IS fulfils its set objectives, the MoT has not reached an optimal state, because, among other things, there is no automated data exchange with the Road Vehicle Register (RVR) and no legal regulation enabling automated evaluation of traffic infractions.⁸⁴

The SAO estimated the potential lost income of the SFTI from the failure to implement a system of automatic imposition of fines for unauthorised use of toll roads at approximately CZK 1.5 million per model day⁸⁴.

- The SFTI failed to implement three of the planned six interconnections of the EDАЗ IS to other information systems, specifically: the RVR, *Common Services Information System* and the *National Identity Authority*. Hence, it is not possible to verify, for example, whether a vehicle is exempt from the charge or whether it is entitled to a reduced “eco-price”, which may reduce the revenues of the SFTI/state from the sale of e-vignettes. To this date, the EDАЗ IS call centre staff have to manually check in the RVR database whether a vehicle is exempt from the charge. This leads to mistakes and refund requests. The SAO also found that when purchasing e-vignettes at the reduced “eco-price” (for vehicles powered by natural gas or biomethane), there was no verification of compliance with the eligibility criteria in the RVR, which could have been used to the advantage of the buyers, either by mistake or intentionally. Linking the information systems could eliminate these shortcomings.
- Although the camera system at toll gates collects data on the passing vehicles, since under the current legislation the liability for the violation of the obligation to purchase the e-vignette lies with the driver, not the owner of the vehicle, the fine for this infraction can only be issued by the Police of the Czech Republic or the Czech Customs Administration after the vehicle has been stopped. In 2021 alone, almost **38.6 thousand** infractions were recorded by the Police of the Czech Republic and Czech Customs Administration.

THE SAO STATED THAT COMPARED TO THE LEGACY SYSTEM, THE E-VIGNETTE IS MORE USER-FRIENDLY FOR CITIZENS AND, IN PARTICULAR, MORE ECONOMICAL FOR THE STATE. THE STATE COULD INCREASE REVENUES FROM THE SALE OF E-VIGNETTES BY AUTOMATING THE DATA EXCHANGE PROCESS AND INTRODUCING AUTOMATED ASSESSMENT OF INFRACTIONS.

In connection with the findings, the SAO recommended:

- connecting the EDАЗ IS to the specific information systems to ensure automated data exchange in accordance with the interoperability principle defined in the *National Architecture Plan*;
- introducing a system of automated assessment of infractions and submitting the related amendment to Act No 13/1997 Coll., on roads, stipulating the conditions for determining infractions and enforcing fines;
- preparing a business analysis including a description and a proposal of solutions to risk situations before signing binding contractual arrangements with regard to the implementation of major ICT projects of the MoT.

Road safety is an element connected not only to the construction of motorways but to the entire road network. Apart from the impact on human lives and health, traffic accidents and their consequences also have a negative impact on the Czech economy. Therefore, in Audit No 22/26, the SAO examined how the MoT managed and, together with the RMD and the Road Transport Services Centre (RTSC), carried out activities with an impact on increasing road safety and whether the funds in the amount of more than CZK 425 million were spent efficiently and economically in this area in 2017–2022.

While it follows from the statistical data on road accidents that the number of persons killed or severely injured in consequence of traffic accidents has decreased in the Czech Republic since 2011, one of the main strategic goals, namely to reduce the number of fatalities under the level set for 2020, which was the target year of the first strategic period, has not been achieved.⁸⁵ The audited preventive information activities and campaigns had the potential to contribute to achieving the road safety strategic

83 For example, the EDАЗ IS allowed the purchase of e-vignettes for non-existent licence plates or for the same licence plate in the same period, or purchase of e-vignettes for vehicles exempt from this charge. As a result, the SFTI changed the terms and conditions five times.

84 The calculation is based on the total number of infractions detected and the amount of fines issued by police and customs officers in 2021 for non-payment of e-vignettes, as well as on the assumption that non-paying drivers of all vehicles (including foreign vehicles) would buy an e-vignette for at least the minimum value of CZK 310 valid for 10 days. (For more detailed information, see Annex 3 to audit report No 22/01.)

85 In 2020, 460 people died on the roads in the Czech Republic, which is 127 more (i.e. about 38.1%) than the strategic target of 333 people.

goals, nevertheless, the SAO found shortcomings negatively impacting the effectiveness and economy of the funds spent. The SAO assessed that the RTSC's management and audit activities were inadequate and formalistic, leading to significantly reduced efficiency and to lack of economy. For example, it reimbursed regional road safety coordinators for activities that had no impact on road safety. In its own turn, the RMD failed to sufficiently address the risks identified by road safety audits and safety inspections. For example, the fatality rate on first class roads is about six times higher than on motorways, yet the RMD has carried out safety audits on first class roads to a much lesser extent.

- The MoT has decided not to implement two activities included in the action plans aimed at legislative changes, namely the mandatory use of helmets for cyclists regardless of age and the introduction of the “alcolock” as an effective technical solution to prevent drink-driving, especially for professional and recidivist drivers. However, the MoT did not provide a sufficiently convincing justification for this step.
- In a sample of 30 constructions, in a total of 11 cases, the RMD failed to act in accordance with Act No 13/1997 Coll.⁸⁶ and respond adequately to the risks and recommendations resulting from safety audits. Furthermore, for example, on the TEN-T roads⁸⁷, between 2015 and 2020, only **29%** of the traffic safety shortcomings identified by inspections in 2015 were eliminated. The RMD did not give priority to those shortcomings classified as “primary remediation measures”, i.e. shortcomings the remediation of which cannot be delayed and mostly requires low costs. Of the **685** records containing these shortcomings, only **183** (i.e. 27%) had been eliminated by the time of the 2020 safety inspections.
- The RTSC paid for activities performed by regional coordinators at variance with the concluded contracts and paid for hundreds of hours per month for activities that did not affect road safety (e.g. administrative activities, warehouse work or participation in social events). For example, one coordinator was paid for **109** hours of administrative work, i.e. a full **82%** of the hours worked that month. Five of the coordinators audited were reimbursed by the Centre – contrary to their contracts – for media training or a workshop with a psychologist.

In 2017–2022, a total of **184** cyclists not wearing helmets died in traffic accidents. According to MoT's calculations, up to **37%** (i.e. **68 persons**) could have survived the traffic accident had they been wearing a helmet. The use of bicycle helmets can bring up to a 65% reduction in fatal injuries, the MoT believes.

While an average of **29 people per year** were killed on motorways between 2017 and 2021, **183 people** per year were killed on Class I roads. The average number of seriously injured persons per year was **78** on motorways and **496** on Class I roads.

SOME OF THE MOT'S PREVENTION ACTIVITIES AND CAMPAIGNS HAVE DEMONSTRABLY CONTRIBUTED TO A REDUCTION IN ROAD FATALITIES AND ACCIDENTS. NONETHELESS, THE STILL HIGH NUMBER OF PEOPLE KILLED OR SERIOUSLY INJURED HAS A NEGATIVE IMPACT ON THE CZECH ECONOMY. THE ESTIMATED TOTAL ECONOMIC LOSSES FROM ROAD TRAFFIC ACCIDENTS IN 2022 AMOUNTED TO ALMOST CZK 135 BILLION⁸⁸, CORRESPONDING TO APPROXIMATELY 2.2% OF GDP.

86 Section 18g(1) and (2) of Act No. 13/1997 Coll., on Roads.

87 This is a trans-European transport network within the EU.

88 This is an estimate by the Transport Research Centre and includes both direct costs (material damage, health and administrative costs) and indirect costs (lost production, social costs, etc.).

Impact of previous audits in the field of transport

In Audit No **21/03**⁸⁹, which focused on funds spent on the recreational boating support, the SAO found unreliable data in the MoT's conceptual documents, shortcomings in the setting and evaluation of the support objectives, lack of effective investment management, including the absence of comprehensive transport solutions, shortcomings in public contracts, and the SAO pointed out insufficient co-operation among the entities involved in the investment process. The MoT informed the Czech Government about the measures to correct most of the identified shortcomings. However, it did not respond specifically to shortcomings in the preparation and approval of projects for integrated transport solutions and did not provide clear measures to address shortcomings in the setting and evaluation of the objectives and benefits of the support.

In Audit No **21/36**⁹⁰, concerning funds spent on the reconstruction of off-corridor railway lines, the SAO pointed out delays in the preparation and implementation of priority projects and the increase in their costs. The SAO also found shortcomings in tender procedures, including the risk of a lack of competition. The MoT informed the Czech Government that all measures to address the identified shortcomings have been completed or are being continuously implemented.

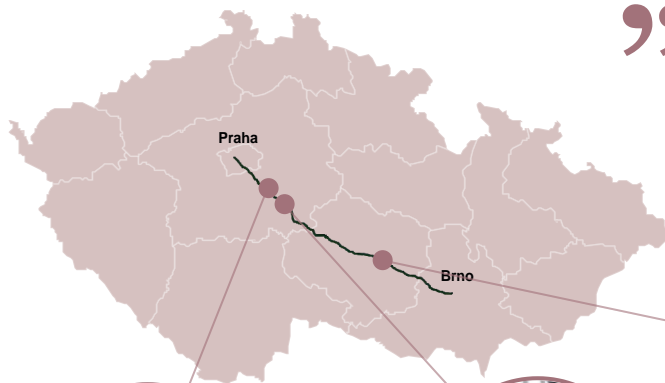
89 *Audit No 21/03 – State and EU funds earmarked for the support of recreational boating (published in Vol. 1/2022 of the SAO Bulletin).*

90 *Audit No 21/36 – State and EU funds earmarked for the reconstruction of selected non-corridor railway lines (published in Vol. 4/2022 of the SAO Bulletin).*



MoT and RMD failed to meet the construction schedule and ensure the quality of the D1 motorway modernisation

THE MODERNISATION OF THE D1 MOTORWAY IS STILL NOT COMPLETED



” On the modernised D1 motorway, 9 bridges and 3 overpasses have remained in a condition threatening the safety and traffic flow. However, the MoT did not monitor the actual progress of the repairs of bridges and overpasses and did not have an overview of their current condition.



Modernised section 02, motorway overpass EXIT 21 Mirošovice, registration No DN1-029

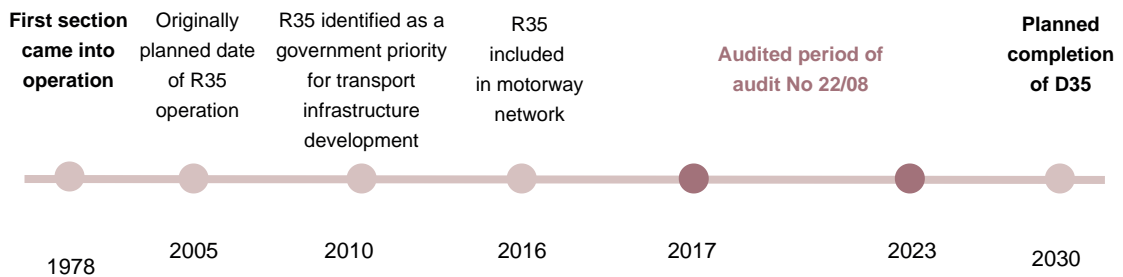


Modernised section 02, motorway bridge EXIT 21 Mirošovice, registration No D1-30.1

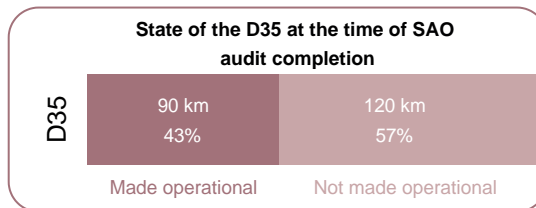


Modernised section 16, motorway overpass EXIT 119 Velký Beranov, registration No DN1-161.1

THE D35 MOTORWAY IS NOT COMPLETED EVEN AFTER 50 YEARS, THE MoT HAS LONG FAILED TO IMPLEMENT THE CONCEPTUAL PLANS FOR THE CONSTRUCTION OF THE MOTORWAY APPROVED BY THE GOVERNMENT CR



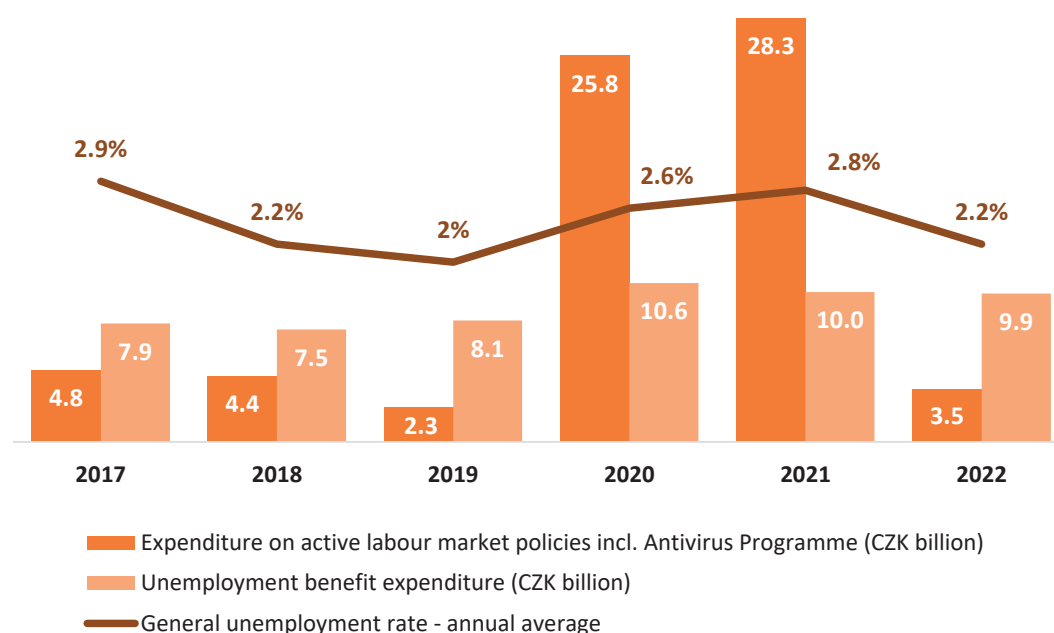
” The average preparation time for the 14 audited sections of the D35 motorway was 12 years.



4.5 SOCIAL POLICY AND EMPLOYMENT

In the past years, social policy and employment policy in the Czech Republic has been shaped primarily by the acute need to respond to the consequences of crisis situations associated with the COVID-19 pandemic, the war in Ukraine and the related migration wave, alongside long-term demographic and socioeconomic trends and challenges. The measures adopted in the area of social policy and employment aiming to mitigate the impact of crises on social stability and the labour market made a significant impact on state budget expenditures. At the same time, the Czech Republic is still dealing with certain problematic areas, e.g. increasing the ability to socially reintegrate long-term unemployed⁹¹ and socially excluded persons and bringing them back to the labour market, developing flexible and dignified forms of work and reducing income inequality between men and women. In view of the economic developments in the Czech Republic and the government's efforts to reduce government spending, properly targeted and effective support is particularly important.

Chart 20: State budget expenditure on employment policy in the Czech Republic (2017–2022)



Source: CSO; employment policy expenditure according to the State Final Accounts 2017-2022.

In 2023, the SAO completed two audits in the field of social policy and employment, targeting:

- employment support (Audit No 22/28);
- support for the implementation of gender audits (Audit No 22/10).

In Audit No 22/28, the SAO focused mainly on the provision of support to employers under the Antivirus targeted employment support programme (“Antivirus programme”), from which **CZK 51.2 billion** was spent on job retention between 2020 and 2022. Furthermore, three national projects⁹² implemented by the Labour Office of the Czech Republic (LO CR) under Operational Programme Employment 2014–2020 (OPEm) were examined. A total of **CZK 2.2 billion** provided for these projects was intended to support the development of flexible forms of employment, higher employment or employability of long-term registered job seekers and, last but not least, to help mitigate the negative impacts of the COVID-19 pandemic on the labour market.

91 Although the unemployment rate has been very low in the Czech Republic over many years, efforts to reintroduce long-term unemployed people in the labour market have been largely unsuccessful. The European Court of Auditors also refers to this fact in its Special Report 25/2021: *ESF support to combat long-term unemployment: Measures need to be better targeted, tailored and monitored*.

92 Support for flexible forms of employment (the “FLEXI project”), Support for employment of long-term registered job seekers (the “PDU project”), Outplacement (the “OUT project”).

The SAO found that the MoLSA had specified the conditions of the *Antivirus* programme in a manner that led to broad provision of support also to employers who did not experience a decrease in their production, who were making profits and expanding their workforce during the pandemic. Moreover, within the same programme, one of the three aid schemes (A Plus) was set up at variance with the principle of partial compensation⁹³, i.e. the state bore almost all the job retention costs, resulting in the costs being higher by up to CZK 4.4 billion. The MoLSA also failed to comply with the EU rules for the provision of state aid.⁹⁴ The Ministry and the LO CR also did not monitor and evaluate the impact of the *Antivirus* programme or ensure checks of compliance with its certain basic conditions.

- The SAO found that **29 out of 88** sectors (according to CZ NACE classification) did not see a decline during the pandemic; nonetheless, employers whose main economic activities fell under these sectors (e.g. IT services) received support in the amount of **CZK 9.8 billion**.
- The *Antivirus* programme also provided job retention support to employers who saw an increase in their net turnover and profit and expanded their workforce. For example, no condition of incompatibility⁹⁵ of the provision of support and the distribution of shares of profits was introduced, so **10 out of 31** audited employers distributed shares of profits while receiving aid in the total amount of **CZK 1.9 billion**.

*Within the Antivirus programme, support in the amount of **CZK 48.1 million** was provided to a retail chain that was growing economically during the COVID-19 pandemic. Compared to 2019, its net turnover increased by **CZK 10.5 billion**, profit by more than **CZK 336 million** and the number of employees increased by **11.1%** in 2020.*

Within the "A Plus" regime of the Antivirus programme, a total of 48 employers from the "gambling and betting activities" category were granted contributions in the amount of almost CZK 547 million. Four employers who were among the 10 largest beneficiaries in the industry were jointly provided with contributions in the amount of almost CZK 149 million, although none of them experienced a deterioration in their economic situation during the pandemic.

Furthermore, the SAO found that part of the funds from OPEm intended to support job sharing under the FLEXI project, to assist long-term registered job seekers under the PDU project, and for training courses under the OUT project were used by the LO CR in an ineffective manner, as it did not contribute to the implementation of key activities or to achieving the project objectives within the anticipated scope. With the MoLSA, shortcomings were found in the setting up of the system for evaluation of support applications and in the selection of projects to be supported, as well as in the monitoring of benefits of the projects.

- In the FLEXI project, the support did not contribute to addressing the insufficient offer of flexible forms of employment, i.e. to improving the situation of people who cannot work full-time for various reasons, as only **252 (i.e. 8.4%)** of the originally planned **3,000** participants were supported.
- The PDU project was intended to help people find work, especially long-term unemployed people. However, out of the total number of **12,490** participants, only **1,508** long-term unemployed people (i.e. **12.1%**) were supported in the project. Moreover, the participants' employment status after the end of their participation in the project was not monitored.
- In the OUT project, only **50 (i.e. 1.2%)** of the **4,277** participants received a certificate attesting to having completed a course. The low interest of participants was influenced not only by COVID-19, but also by the fact that the offer of training courses was not sufficiently interesting/attractive for people who completed secondary or higher education.

*In a sample of **30** supported persons, the SAO found that **9 persons** were registered as unemployed immediately after the end of the PDU project and **10 persons** were registered as unemployed after a certain period of time.*

93 The principle of partial compensation set out in Part I (5) of the Antivirus programming document stipulates that the costs of job retention are to be borne by the State, the employer and the employee. While other EU countries have complied with this principle, the Czech Republic, quite uniquely in the EU, has provided employers with 100% wage replacement contributions under the "A Plus" scheme, paying out CZK 21.1 billion. If the above principle were respected, the volume of State contributions would decrease to CZK 16.7 billion.

94 Support under the *Antivirus* programme was repeatedly provided without the European Commission's prior approval, whereby the Czech Republic violated the basic rules for the provision of State aid set out in the *Treaty on the Functioning of the European Union*. In this context, MoLSA did not act in conformity with Act No 215/2004 Coll., on regulation of certain relationships in the area of State aid and on amendment to the Support for Research and Development Act.

95 The condition of incompatibility was incorporated by the MoLSA in Act No 435/2004 Coll., on employment, with effect from 1 July 2021.

THE MOLSA DID NOT HAVE APPROPRIATE TOOLS IN PLACE TO SUSTAIN EMPLOYMENT IN PANDEMIC-RELATED CRISIS SITUATIONS. THEREFORE, IN 2020, IT HAD TO PREPARE THE ANTIVIRUS PROGRAMME AD-HOC AND SUBSEQUENTLY AN AMENDMENT TO THE LAW⁹⁶ WHICH INTRODUCED A SYSTEMIC SOLUTION IN THE FORM OF A PART-TIME ALLOWANCE. HOWEVER, THIS INSTRUMENT COULD NOT BE USED DURING THE COVID-19 PANDEMIC, AS THE CZECH REPUBLIC DID NOT SUBMIT A GOVERNMENT REGULATION WHICH WOULD HAVE LAID DOWN SPECIFIC CONDITIONS FOR THE PROVISION OF PUBLIC AID TO MAINTAIN JOBS TO THE EUROPEAN COMMISSION FOR CONSIDERATION.

In Audit No 22/10, the SAO examined whether and how subsidies intended to support gender audits (GA) and the implementation of their recommendations (IGAR) helped in the 2014–2021 period. Specifically, these were subsidies from the state budget and the Operational Programme *Employment 2014–2020*. The audit was carried out at the MoLSA as the managing authority and also at **14** selected beneficiaries, where **14** approved projects concerning GA and IGAR were audited. In the 2014–2020 programming period, the MoLSA spent **approx. CZK 120 million** to support the implementation of gender audits.

The SAO found that the audited funds contributed only insignificantly to the fulfilment of the purpose of the support, i.e. reducing pay gaps, reducing vertical and horizontal segregation⁹⁷ of men and women on the labour market, facilitating the compatibility of work and private life and reducing the risk of harassment in the workplace. Only 8% of the public funds audited fulfilled the purpose of the support in all key areas of gender equality and only 14% of audited organisations continued to implement the measures after the audit. The projects were mainly aimed only at spreading awareness of gender equality issues and, in some cases, at creating employers' internal regulations.

*The audit found that the implementation time of IGAR projects was disproportionately long. For 9 projects, the project duration was **between 24 and 36 months**. The longest duration, specifically **36 months**, was found with the smallest company with **14 employees**. At the same time, the same company drew the largest subsidy of **CZK 4.7 million**.*

- In **54%** of the cases, the MoLSA did not know the identity of the auditees when assessing the applications for support and in **11%** of the cases the audited organisation was different from the one mentioned in the application. The most problematic was the area of remuneration, where **27%** of the audited persons had not been demonstrably assessed by the GA implementer despite the implementer being obliged to do so. There were also some paradoxical situations where audited organisations that voluntarily underwent audits refused to provide the auditors with information on the remuneration at individual positions.
- A prerequisite for a proper GA is that the audit is carried out by an independent organisation with personnel specially trained on the subject. However, in **56%** of projects, the same person was involved in the formulation of measures to eliminate gender inequality, their implementation and, finally, also the audit attesting to their successful implementation.

THE CONDITIONS FOR DRAWING SUBSIDIES FROM OPEM WERE SET BY THE MOLSA IN SUCH A WAY THAT THEY DID NOT ENSURE THE FULFILMENT OF THE OBJECTIVE, I.E. REDUCING THE DIFFERENCES IN THE STATUS OF WOMEN AND MEN, AND THUS FULFILLING NOT ONLY THE GOVERNMENT STRATEGY BUT ALSO THE EU VISION.

Based on the results of this audit, the MoLSA adopted the following measures, in particular:

- for employers, the focus will be narrowed to selected topics on flexibility and diversity and on equal pay;
- supported beneficiaries will be required to revise their pay systems so that they can measure pay gaps and are able to explain any inequalities identified on the basis of gender-neutral criteria;
- for the purposes of dealing with challenges regarding flexibility and diversity, a mandatory questionnaire for applicants is introduced to map the organisation's initial situation and needs and to serve as a basis for the preparation of the project application and subsequently for the evaluation of the change achieved following the implementation of the project.

96 Act No 435/2004 Coll., on employment.

97 Vertical occupational segregation: concentration of women and men at different levels of employment in terms of level of responsibility and position. Unequal access to career advancement and decision-making positions, both in employment and in public life. The "glass ceiling" metaphor is used in reference to this type of occupational segregation.

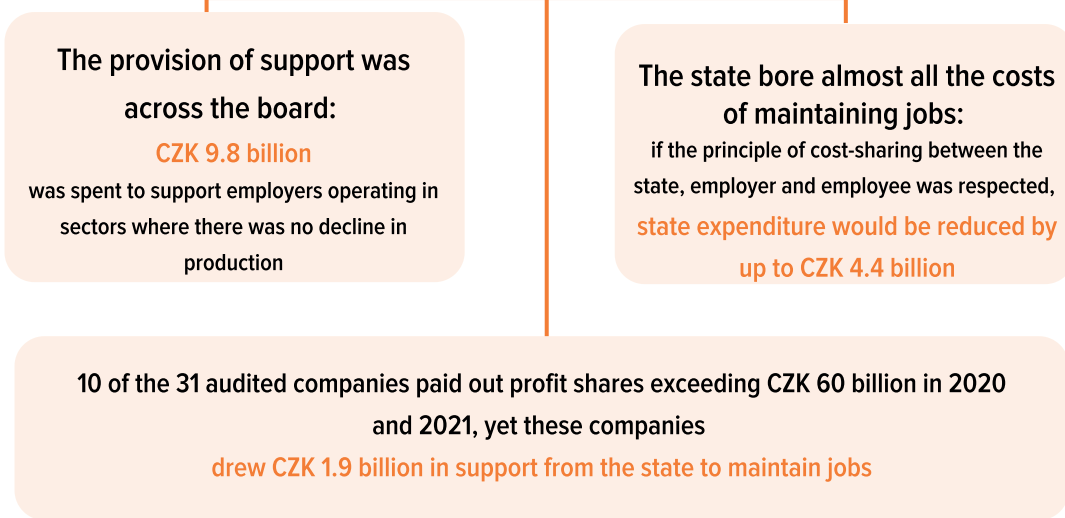
Horizontal occupational segregation: division of the labour market into sectors/types of jobs where men or women concentrate in higher numbers. This segregation is often accompanied by different remuneration in the individual jobs and sectors. The "glass wall" metaphor is used in reference to this type of occupational segregation.



Funds earmarked for the social sector **were largely spent uneconomically**

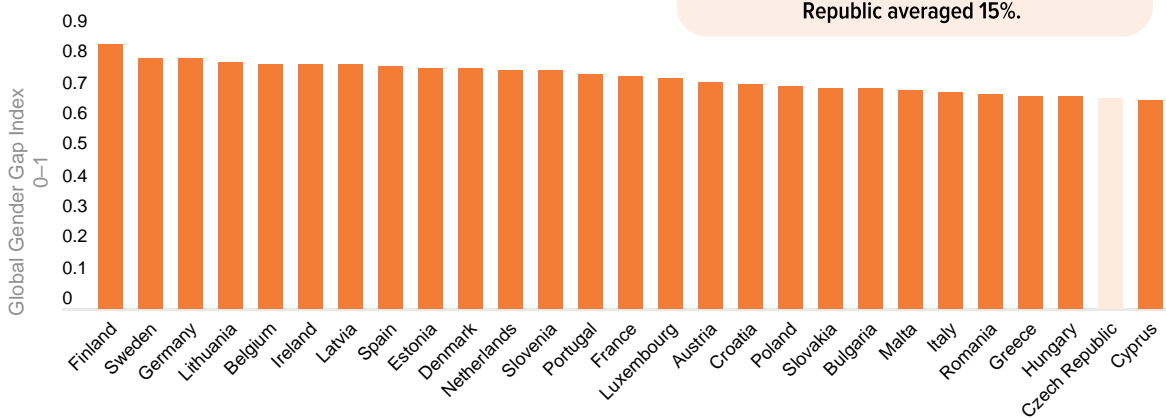
THE MoLSA PREPARED THE TERMS OF THE ANTIVIRUS PROGRAMME IN A WAY THAT LED TO THE BLANKET PROVISION OF SUPPORT EVEN TO THOSE EMPLOYERS WHO WERE MAKING PROFITS AND INCREASING THE NUMBER OF EMPLOYEES

Antivirus Programme



FUNDS HAVE MADE ONLY A MINIMAL CONTRIBUTION TO REDUCING THE GENDER PAY GAP AND RECONCILING WORK AND PRIVATE LIFE

Global Gender Gap Report 2023



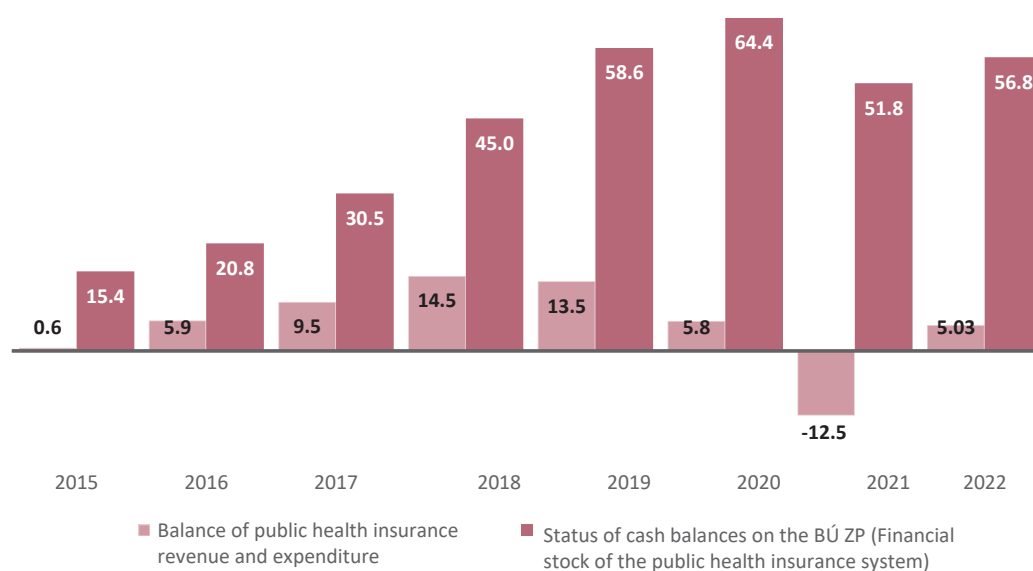
The Czech Republic is one of the EU countries with the highest gender inequality. According to Eurostat, the gender pay gap in the Czech Republic averaged 15%.

4.6 HEALTHCARE

High-quality and accessible healthcare for all citizens is considered one of the pillars of a modern and successful state. The Czech healthcare system is mostly financed through the public health insurance system, which is significantly influenced by the current development of the economic situation. In its opinions on the state closing account, the SAO has long pointed out that health insurance plans on the basis of which health insurance companies operate in the given year and are analogous to the draft state budget are not approved by the Chamber of Deputies of the Czech Republic in due time or at all. Health insurance companies are thus constantly operating in a provisional regime, as was the case in 2022.

Following a negative balance of revenues and expenditure in 2021 in the amount of **CZK 12.5 billion**, the public health insurance system ended **CZK 5.3 billion** in the black in 2022. At the same time, the balances on health insurance companies' bank accounts increased to reach **CZK 56.8 billion**. Health insurance companies' profit was higher by **CZK 14.5 billion** in 2022 than planned in health insurance plans (a loss of **CZK 9.5 billion** was expected).

Chart 21: Development of indicators of the public health insurance system in 2015-2022 (CZK billion)



Source: evaluation of the development of the public health insurance system, submitted annually by the Ministry of Health to the Government of the Czech Republic.

In 2022, the revenues of the public health insurance system amounted to **CZK 432.7 billion** and increased by **CZK 25.6 billion** year-on-year. The increase in income was mainly due to an increase in contributions paid by employers for their employees, by self-employed persons and persons without taxable income, as well as an increase in contributions for persons insured by the state. Expenditures reached almost **CZK 427.7 billion**, with an increase of **CZK 8.1 billion** year-on-year. The amount of expenditures was influenced especially by the reimbursement decree for 2022 and also by an additional increase in payments, which, beyond the scope of the concluded agreements, compensated for an increase in salaries in healthcare by **6%**. The year-on-year increase in spending on healthcare services was also driven by high inflation.

In 2023, the SAO completed two audits in the area of healthcare, specifically:

- economic management of selected university hospitals (Audit No 22/13);
- support for the development and provision of palliative care in the Czech Republic (Audit No 22/30).

As part of Audit No 22/13, the SAO reviewed the economic management of three selected university hospitals. The audits concerned Bulovka University Hospital (BUH) and Královské Vinohrady University Hospital (KVUH) in Prague and St. Anne's University Hospital in Brno (SAUH). The audit focused on the area of debt settlement of university hospitals, remuneration of workers exposed to the risk of contracting COVID-19, the establishment and operation of the field hospital in Letňany⁹⁸ and the procurement of medicinal products⁹⁹ and medical devices. The SAO also examined whether and how the MoH fulfilled its role as the founder of the university hospitals. The SAO audited funds provided in the period from 2019 to 2021 in the total amount of **CZK 7.2 billion**.

The results of the audit showed that the MoH provided these university hospitals with extraordinary contributions in the amount of CZK 4.8 billion for debt relief, remuneration for workers exposed to the risk of contracting COVID-19 and for the operation of the backup field hospital without checking the use of funds or increasing supervision over the hospitals' economic management. At the same time, some of the university hospitals have used the debt relief contributions uneconomically and in violation of the stipulated conditions. The SAO also pointed out fundamental long-term shortcomings in the area of purchasing medicinal products and medical devices. In the audited sample, it was found that the majority of medicinal products and medical devices were purchased outside open tendering procedures or at significantly different prices. This practice was already pointed out in Audit No 17/19¹⁰⁰. Based on its results, the MoH took a number of measures, but failed to ensure their implementation, and the unsatisfactory situation has not changed.

*On an audited sample of medicinal products and medical devices, the SAO found that the audited university hospitals proceeded at variance with the Public Procurement Act in relation to purchases in the total amount of almost **CZK 42 million**.*

- In 2020, the MoH addressed the repeatedly reported accumulated losses in the economic management of the audited university hospitals with a one-off debt relief contribution in the total amount of **CZK 3.4 billion**. The SAO found that of these funds, BUH used **CZK 9.3 million** and SAUH even **CZK 646 million** in violation of the stipulated conditions. BUH and SAUH did not perform their designated tasks in the most economical manner, as they incurred extra costs of interest and fees in the total amount of almost **CZK 106 million** through debt service in the period from 2016 to 2022. At the same time, as regards debt relief, BUH was paying off long-term liabilities before their due date¹⁰¹ with the related interest in the full amount, or accumulating funds in bank accounts, instead of giving priority to payment of its long-term liabilities, the immediate payment of which would have saved it **CZK 21.3 million**.

*The SAO ascertained facts indicating a breach of budgetary discipline pertaining to the amount of almost **CZK 2 million, CZK 16.8 million and CZK 23.4 million** at BUH, KVUH and SAUH, respectively.*

- In 2019–2021, the audited university hospitals purchased medicinal products and medical devices in a total value exceeding **CZK 15 billion**. In the audited sample, the SAO found that the share of purchases based on a tender procedure ranged from **0%** to **1.7%** at KVUH, from **5.6%** to **36.5%** at SAUH and from **22%** to **49.3%** at BUH (see infographic). Although the MoH adopted a number of measures in the area of procurement, it did not ensure their full implementation. In the audited period, i.e. from 2019 to 2021, it did not possess, for instance, relevant information on the unit prices of the medicinal products or medical materials purchased by its directly controlled hospitals, and thus could not manage them to ensure their expenditures were as economical, efficient and effective as possible.

98 This backup medical facility was established due to the COVID-19 pandemic.

99 Medicinal products mean ATC code J products and "centre drugs" (i.e. medicinal products that may only be provided in specialised centres). ATC code J products are Antiinfectives for systemic use under the Anatomical Therapeutic Chemical Classification System.

100 Audit No 17/19 – *Funds spent by selected university hospitals on settlement of their operational costs* (the audit report was published on 30 July 2018 in Vol. 4/2018 of the SAO Bulletin).

101 Interest expense is incurred on long-term liabilities before their due date because of the repayment schedule that includes such interest. BUH paid the instalments including interest approximately one year before their due date.

ACCORDING TO THE SAO, DEBT RELIEF FOR UNIVERSITY HOSPITALS IN 2020 WAS A NON-SYSTEMIC MEASURE THAT WAS ONLY DEALING WITH THE CONSEQUENCES RATHER THAN THE CAUSE OF THE HOSPITALS' INDEBTEDNESS. MOREOVER, EVEN UNDER THESE CIRCUMSTANCES, THE MOH DID NOT INCREASE ITS SUPERVISION OVER THE ECONOMIC MANAGEMENT OF THE HOSPITALS PROVIDED WITH DEBT RELIEF. THE SAO SEES SIGNIFICANT ROOM FOR COST REDUCTION THROUGH INCREASED USE OF TENDER PROCEDURES IN THE PROCUREMENT OF MEDICINAL PRODUCTS AND MEDICAL DEVICES.

The costs of palliative care paid from the public health insurance system are increasing: In 2018, insurance companies paid CZK 22.8 million for home care, growing to more than CZK 218 million in 2022; the amount for hospice beds equalled almost CZK 199 million in 2017 and CZK 362 million in 2022. Nevertheless, the operation of hospices is still largely covered by donations, collections, etc.

In its Audit No 22/30, the SAO examined how the MoH and thirteen beneficiaries of subsidies used funds from the EU¹⁰² and the state budget earmarked for support of palliative care in the 2017–2021 period. Two projects¹⁰³ co-financed from the EU budget focused on mobile specialised palliative care and the activities of palliative teams in acute and aftercare hospitals, as well as investment and non-investment subsidy programmes of the MoH were selected for audit¹⁰⁴. The audited funds in projects co-financed from the EU equalled almost **CZK 99 million** and covered almost **CZK 83 million** in relation to subsidy programmes from the state budget.

The SAO found that the audited projects had met the set objectives, and their implementation improved the availability and quality of palliative care. However, the MoH did not always proceed transparently in the provision of subsidies from the state budget, and moreover, it made errors in their administration. In respect of the audited investment subsidy programme, it did not carry out a proper analysis of the expected costs. The MoH's planning was unrealistic, the goal of increasing the capacity of hospice beds was not met at the time of completion of the SAO audit and, similarly, a large part of the funds remained unused. The MoH also performed almost no checks of the use of state budget subsidies, whereas it audited all beneficiaries for projects co-financed by the EU.

- The MoH failed to meet the objectives and parameters of the investment grant programme as originally planned, in terms of time, material and financial aspects. For example, the MoH planned to support the creation of **40** new hospice beds with approximately **CZK 68 million**. During the implementation of the programme, their number was reduced to one half, as one of the two planned hospices was created without MoH support. However, as a result of underestimating costs in the preparation of the programme, the MoH left the required financial resources at the original level despite the reduction in the number of beds. In addition, the programme has been extended by **1.5 years**. The key project, which was supposed to meet the main objectives of the programme in terms of achieving a certain number of hospice beds per 100,000 inhabitants and with a maximum travel distance, had not been implemented by the time the audit was completed. Due to this fact, almost **94%** (of almost **CZK 81 million**) of funds from the state budget earmarked for support of the development of palliative care remained unutilised at that time.
- The MoH's manner of decision-making on the allocation of subsidies from the state budget was not entirely transparent. Moreover, the MoH made errors in their administration. It failed to set clear criteria for the subsidy procedure based on which the applications for subsidies were to be evaluated. At most, the MoH defined the areas to be considered when assessing applications. However, the documentation of decision-making on the allocation of the individual subsidies did not indicate whether and how the set areas were considered in the evaluation.

THE MOH HAS YET TO CLEARLY DEFINE A COMPREHENSIVE CONCEPT OF PALLIATIVE CARE AND ITS DEVELOPMENT, INCLUDING A FINANCIAL AND TIME FRAME. ACCORDING TO THE AVAILABLE INFORMATION, MORE THAN 70 THOUSAND PATIENTS IN THE CZECH REPUBLIC NEED PALLIATIVE CARE EVERY YEAR. GIVEN THE AGEING OF THE POPULATION, IT CAN BE ASSUMED THAT ITS IMPORTANCE AND FINANCIAL DEMANDS WILL INCREASE.

¹⁰² Financing through Operational Programme Employment (OPeM).

¹⁰³ Project CZ.03.2.63/0.0/0.0/15_039/0007277 Support for palliative care – increasing availability of health services in the area of palliative care in acute and aftercare care hospitals, and project CZ.03.2.63/0.0/0.0/15_039/0008214 Support for palliative care – increasing availability of specialised palliative care at home.

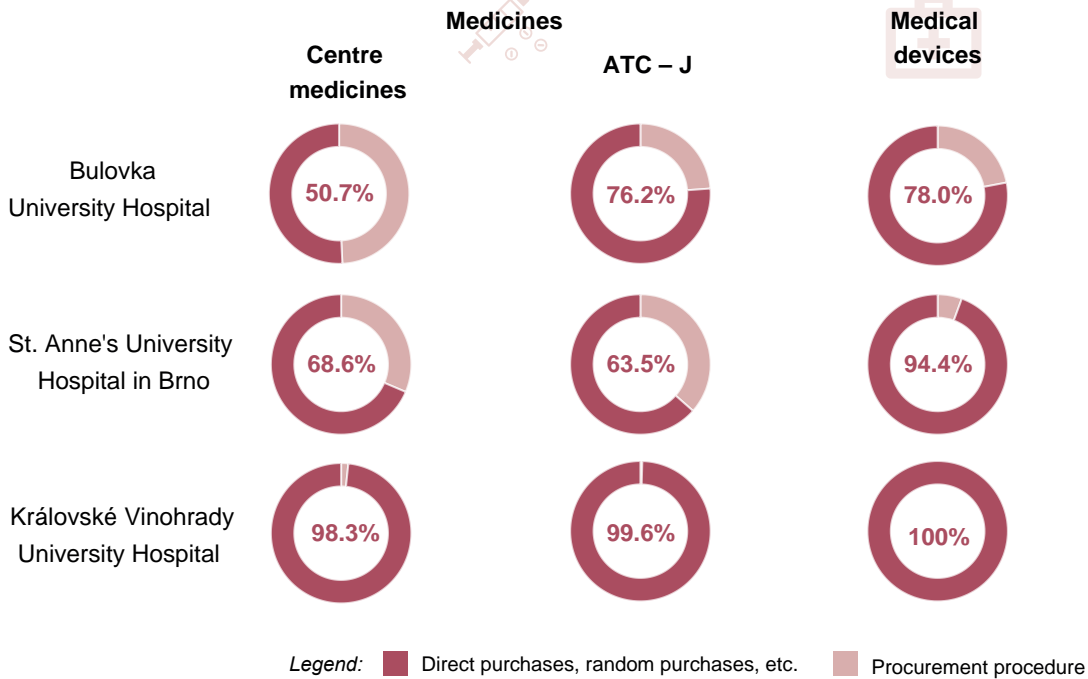
¹⁰⁴ Non-investment subsidies were provided under the Programme for support of activities of non-governmental non-profit organisations active in the area of healthcare, including palliative hospice care in 2017 and 2018, and the follow-up Programme for support of non-governmental non-profit organisations providing care for patients in the terminal stage published from 2019 (hereinafter jointly also referred to as “PPNNO”); PPNNO also included investment subsidies – this support was, however, actually provided through programme No 135 100 – *Support for hospice palliative care in the Czech Republic*.



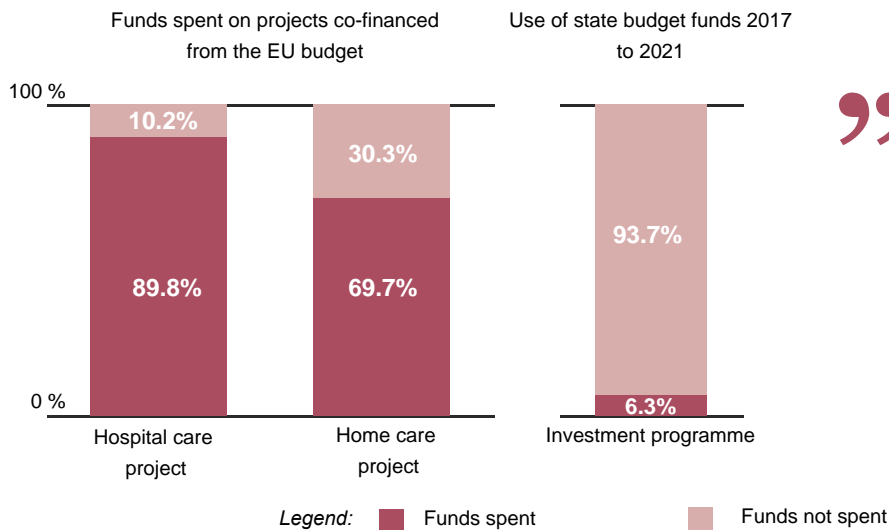
The MoH did not improve its supervision over the economic management of the university hospitals provided with debt relief

THE SAO SEES SIGNIFICANT SCOPE FOR REDUCING UNIVERSITY HOSPITALS' COSTS THROUGH INCREASED USE OF PROCUREMENT PROCEDURES IN THE ACQUISITION OF MEDICINES AND MEDICAL DEVICES

Overview of public contracts in the audit sample amounting to CZK 133.4 million



AS A RESULT OF THE UNREALISTIC PLANNING OF THE INVESTMENT PROGRAMME OF THE MoH, NO NEW HOSPICE BEDS WERE CREATED AND MOST OF THE FUNDS PREPARED FOR THEM REMAINED UNUSED

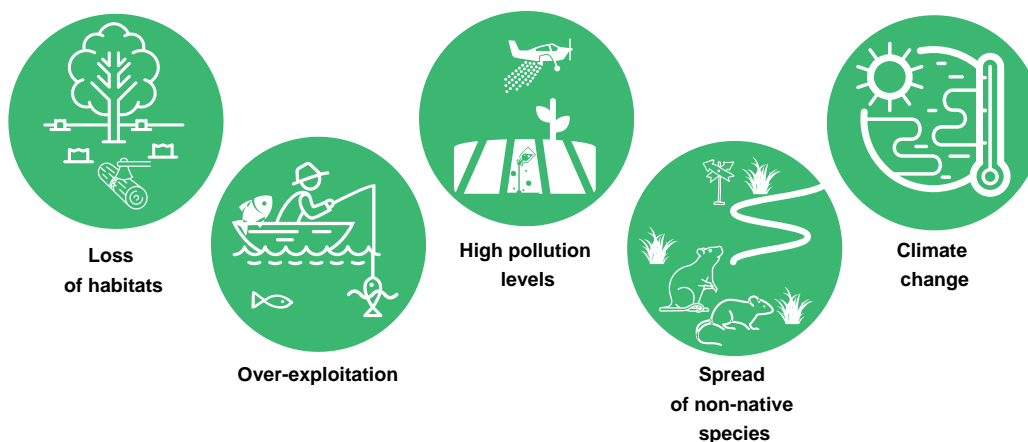


” In contrast to projects supported from the EU budget, in case of projects supported from the state budget, the MoH almost did not check the beneficiaries and thus had no possibility to identify possible shortcomings

4.7 ENVIRONMENT

A number of factors influence the environment, not only various sectors of the national economy, but also households and the effects of climate change. In particular, intensive exploitation of natural resources puts pressure on ecosystems and biodiversity. Although the Czech Republic has been successful in gradually improving its approach to environmental protection since gaining its independence, including protection of landscape and biodiversity, conservation of ecosystems and management of wastewater, it has still not been able to eliminate the unfortunate heritage of old environmental burdens, for instance. Since the right to a favourable environment is enshrined in the Constitution of the Czech Republic, the SAO has repeatedly focused on this issue in its audits.

Main factors of biodiversity loss



Source: prepared by SAO using data from www.faktaoklimatu.cz, as of 1 February 2024.

In 2023, the SAO completed three audits in the environmental area, focused on utilisation of funds in connection with:

- support measures for the protection of and care for nature and the landscape (Audit No 22/09);
- construction of sewer systems (Audit No 22/24);
- removing of environmental burdens pre-dating privatisation (KA No 23/01).

Despite partial successes, neither the EU nor the Czech Republic have been successful in halting the decline of protected species and habitats¹⁰⁵. This is associated with a deterioration in the functioning of ecosystems, increasing their vulnerability to climate change and the risk of introducing non-native plant and animal species. For this reason, SAO's Audit No 22/09 examined whether and how the subsidies in 2019–2021 contributed to the protection of and care for nature and the landscape and whether they led to the stated objectives. EU funds in the amount of **CZK 5.15 billion**¹⁰⁶ were drawn and funds in the amount of **CZK 0.93 billion**¹⁰⁷ were provided from the main national subsidies in the audited period. The audit took place at the MoE, Nature Conservation Agency of the Czech Republic (NCA CR), the State Environmental Fund (SEF) and selected beneficiaries.

¹⁰⁵ The European Commission estimates that failure to meet the main objective of the EU's *2020 Biodiversity Strategy* is causing annual losses to the EU economy in the amount of EUR 50 billion. For the Czech Republic, this follows from *the Report on the Quality of Life and its Sustainability (Evaluation of the Implementation of Strategic Framework Czech Republic 2030)* from 2021.

¹⁰⁶ Within the Operational Programme Environment 2014–2020 (OPEn), priority axis 4 – Protection and care for nature and the landscape.

¹⁰⁷ *National Environment Programme (NEP), the Landscape Programme (LP); programme 115 170 – Support for Renewal of Natural Features – since 2019 (SRNF); sub-programme 115V032 – Administration of inalienable State property in specially protected territories (MaS).*

The SAO found a number of deficiencies. The objectives of the national programmes and Operational Programme *Environment 2014–2020 (OPeN)*¹⁰⁸ were not met to the full extent, also because the target values of the indicators and parameters set by the MoE were not based on analyses of real needs. In the national *Landscape Programme (LP)* subsidy programme, the MoE again failed to set any criteria for its evaluation and, therefore, could not have monitored the benefits of the funds spent. As regards programme financing, the MoE provided almost CZK 180 million (i.e. approx. 95% of the utilised funds) for regular expenses instead of acquisition and valuation of assets, at variance with legal regulations.¹⁰⁹ The MoE also failed to perform its legal obligation¹¹⁰ as it did not file any application for registration of the state's pre-emptive right in the Land Registry, although it had information that a number of plots of land in naturally valuable locations were being transferred without the state being given an offer for their purchase.

- Output and result indicators¹¹¹ determined by the MoE itself are used to assess the level of fulfilment of the objectives of OPeN. At the end of 2021, **four out of seven** output indicators and **one out of four** result indicators were not met. **Six out of eight** target values were not met for the national SRNF programme, i.e. **75%** of the indicators monitored.
- Plots of land important for nature conservation and landscape protection are purchased by the NCA CR and the administration of national parks. Under the state's pre-emptive right, the MoE received seven offers for the purchase of land in naturally valuable locations during the period under scrutiny. However, it failed to meet the 60-day statutory time limit for expressing interest in three offers.

In the period under scrutiny, the MoE provided support worth CZK 759 million under the LP. However, it did not set any criteria, parameters or indicators that could be used to evaluate how and whether the state of nature and landscape improved at all.

THE MOE LACKS AN OVERVIEW OF PLOTS OF LAND LOCATED OUTSIDE THE BUILT-UP AREAS OF MUNICIPALITIES IN THE TERRITORY OF NATIONAL PARKS, NATIONAL NATURAL RESERVES, NATIONAL NATURAL MONUMENTS AND LAND RELATED TO CAVES, WHICH ARE SUBJECT TO THE STATE'S STATUTORY PRE-EMPTIVE RIGHT. AS A RESULT, NATURALLY VALUABLE LOCATIONS ARE BEING TRANSFERRED WITHOUT A PRIORITY OFFER TO THE STATE BEING APPLIED.

In response to the SAO's audit findings, the MoE adopted in particular the following measures:

- For the 2021–2027 programming period and for the national SRNF 2024–2028 and MaS programmes, the MoE placed emphasis on setting more realistic indicators;
- The MoE will contribute to the improvement of the efficiency of the LP, i.e. the existing system of evaluation, planning and implementation of care, by modernising it (rebuilding the Nature Conservation Information System - NCIS). The implementation of the new NCIS 2 is expected during 2024.

The fact that wastewater management is improving, especially in smaller municipalities, is also evident from Audit No 22/24, where the SAO audited whether and how subsidies contributed to the construction and technical improvement of the infrastructure of sewerage networks in the Czech Republic in 2014–2021. Specifically, it audited funds from the state budget and the EU spent from the MoA programme *Support for Construction and Technical Improvements of Water and Sewerage Infrastructure* under OPeN and the *National Programme "Environment"* for the construction of sewer systems¹¹². The audit was carried out at the MoE, MoA, SEF and 10 projects at specific beneficiaries (cities, municipalities and

108 This includes, e.g., ensuring the necessary care for objects of protection in nationally important protected areas, stopping the loss of biodiversity, preservation of natural and landscape values, increasing the ecological stability of the landscape and restoration of the landscape's water regime.

109 Act No 218/2000 Coll., on budgetary rules and amending certain related laws (the budgetary rules), and Decree No 560/2006 Coll., on State budget participation in funding asset replacement programmes.

110 Pursuant to Section 61 (1) of Act No 114/1992 Coll., on nature conservation and landscape protection, as amended (the Nature Conservation and Landscape Protection Act), the Czech Republic has a pre-emptive right to non-built-up land located outside the built-up areas of municipalities in the territory of national parks, national natural reserves, national natural monuments and land related to caves.

111 Output indicators express the total number of measures: to support species and habitats, to support specially protected areas and the Natura 2000 network, to reduce non-native species, to prevent, minimise and remedy damage caused by specially protected species; or a total land area: the creation of visitor infrastructures; habitats that are supported to improve their conservation status; number of barriers to animal migration removed. Result indicators express the number of: settlement green areas and elements with enhanced capacity to sustain environmental stability; sites where the landscape ecosystem functions have been strengthened; locations with increased biodiversity and ensuring migration permeability of the river network.

112 Subsidy sub-programmes Nos 129 253, 129 303 and 129 413 were audited at the MoA. Supported activities 1.1.1 were audited at the MoE and the SEF within OPeN (SC 1.1) and calls Nos 8/2018 and 4/2019 were audited within the NEP.

associations of municipalities). By the end of 2022, the total amount of subsidies paid for the construction of sewers exceeded **CZK 24 billion**.

The plan to build a total of 536 km of sewers in the period 2012–2018 was exceeded by 220 km and connections to improved wastewater treatment were built for 78,550 people, i.e. 154% of the original plan.

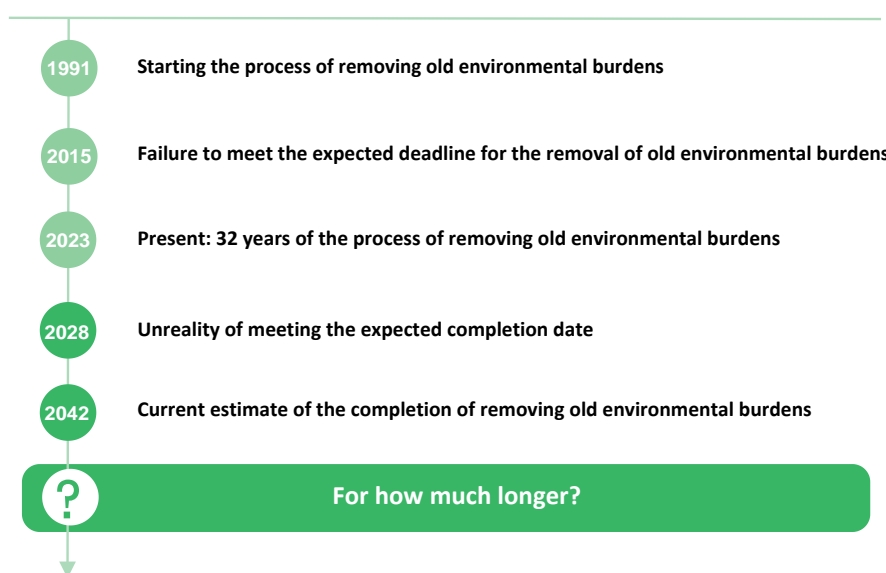
The SAO found that the sewer system of the Czech Republic had been extended according to the strategic plan of the MoA and the MoE¹¹³ and, at the same time, that these ministries, including the SEF, set the rules for utilisation of subsidies for the construction of sewer systems in such a way that they created preconditions for their efficient, economical and efficient use. The SAO only found minor shortcomings with two beneficiaries of the subsidy in their non-compliance with the deadlines for amendment publication and the price actually paid in the respective contracts for work.

- Although the implementation of the strategies and concepts of the MoA and the MoE is evaluated regularly, a summary report on the implementation of the *Strategy of the Ministry of Agriculture with an outlook to 2030* for the 2016–2020 period was still not drawn up at the time of the SAO's audit. The MoA was supposed to submit it to the government in 2021, based on the *Implementation Plan of the Strategy of the Ministry of Agriculture for the period 2017–2020* approved by Government Resolution No 838 of 29 November 2017¹¹⁴.

THE SAO WELCOMES THE FACT THAT THE SUBSIDIES PAID IN 2014–2022 CONTRIBUTED TO THE EXPANSION OF THE SEWERAGE NETWORK IN THE CZECH REPUBLIC.

Old environmental burdens caused by the activities of former state-owned enterprises in the period before privatisation, the remediation of which began in the early 1990s, are a long-standing problem with a significant impact on state expenditure. These burdens still pose major risks to nature and the health of the population. In Audit No 23/01, the SAO focused on the procedure of the MoF and the MoE in the provision of funds for the removal of environmental burdens pre-dating privatisation (EB) in the period 2018–2022¹¹⁵ and on whether the removal of EBs had accelerated. Funds from special privatisation accounts¹¹⁶ in the amount of approx. **CZK 4.6 billion** were audited. In more detail, the SAO verified a sample of expenditures spent on the removal of EBs at the Jan Šverma coke plant and Ostramo lagoons, totalling almost **CZK 1 billion**.

Figure 3: Removing of old environmental burdens prior to privatisation over time



113 Documents: Strategy of the Ministry of Agriculture with an outlook to 2030 and the state Environmental Policy of the Czech Republic 2030 with an outlook to 2050.

114 Czech Government Resolution No 838 of 29 November 2017 on the *Implementation Plan of the Strategy of the Ministry of Agriculture for the period 2017–2020*.

115 In privatisation of the thus-encumbered property, the state did not provide the acquirors with any discounts on the purchase price in view of the unclear scope of the EBs but assumed responsibility for removing of the EBs on the privatised property, up to the amount approved by the government, i.e. a guarantee.

116 Special accounts kept by the MoF pursuant to Section 4 of Act No 178/2005 Coll., on the abolition of the National Property Fund of the Czech Republic and on the competence of the MoF in privatisation of the property of the Czech Republic (the Cancellation of the National Property Fund Act).

The removal of EBs pre-dating privatisation has been going on for 32 years, with the state having spent CZK 66.2 billion. No acceleration was ascertained in the period under scrutiny; 37% of the environmental contracts were still not completed at the time of the audit. The deadline for the completion of the EB removal process has been extended and was not known at the time of the SAO audit. The slow pace of removing of EBs also results in an increase in the state expenditures required for their removal¹¹⁷.

The SAO found that, by the time of the SAO's audit, the MoF had not adopted effective measures to accelerate the removal of EBs and that the MoF's assumption to complete the removal of EBs by 2028¹¹⁸ was unrealistic. If the process is not accelerated, the removal will take at least another 20 years¹¹⁹, i.e. until 2042 at least. The SAO also pointed out that the length of the EB removal process increases the costs for mandatory protective remediation pumping, which is a temporary solution that does not lead to the actual elimination of the environmental burden. There is a risk of spreading contamination in sites that have not yet been remediated, which would lead to a more extensive and costly intervention.

- At the time of the inspection at 16 locations, the amount of the state's guarantee to cover expenditures required for removing of the EB was not sufficient. For this reason, remediation works were stopped, limited or not commenced at all in 15 locations. However, the state cannot claim the completion of remediation works from the acquiror under the applicable legislation in respect of environmental contracts terminated due to an insufficient guarantee.

In the audited period, the MoF paid for protective remediation pumping in nine locations, which lasted for more than 10 years, and even 25 years in one case. The MoF has spent almost CZK 131 million on protective remediation pumping in the period from January 2018 to April 2023.

SUFFICIENT AVAILABLE FUNDS HAVE BEEN SET ASIDE IN SPECIAL PRIVATISATION ACCOUNTS TO ACCELERATE THE REMOVING OF EBS. HOWEVER, AT THE TIME OF THE AUDIT, THE MOF WAS SPENDING ONLY 35% OF THE INTENDED CZK 2.5 BILLION PER YEAR ON AVERAGE, WHICH IT ESTIMATED WOULD LEAD TO THE ACCELERATION OF THE PROCESS. THERE IS A RISK OF A SHORTAGE OF AVAILABLE FUNDS IN THE SPECIAL ACCOUNTS IN THE FUTURE, AS THE INCOME OF THESE ACCOUNTS IS VOLATILE AND FLUCTUATING AND SIGNIFICANT AMOUNTS ARE TRANSFERRED FROM THEM TO THE STATE BUDGET EACH YEAR. IN SOME LOCATIONS, THERE IS A RISK OF NON-COMPLETION OF REMEDIATION WORKS DUE TO FULL UTILIZATION OF STATE GUARANTEES. IF THE REMEDIATION WORKS WERE TO BE DISCONTINUED, THE REMEDIATED AREAS COULD BE RE-CONTAMINATED, AND THE FUNDS ALREADY EXPENDED BY THE STATE FOR REMEDIATION WOULD THUS BE SPENT IN A NON-ECONOMICAL MANNER.

¹¹⁷ At the beginning of 2023, the MoF estimated that it would be necessary to expend additional CZK 25 to 30 billion to clear up the remaining EBs but did not include VAT in the estimate. The MoF based its considerations on more than 10 years old estimates; however, according to data from the CSO at the end of 2022, the prices of construction work increased by 40.7% compared to 2015 and, in mid-2023, they were higher by 43.7% compared to 2015.

¹¹⁸ Czech Government Resolution No 610 of 4 September 2017 on the Concept of Stabilisation of the Financial Condition of Special Privatisation Accounts; in this document, the MoF reviewed its estimate for the period required to complete the process of removing of EBs to 10 years from 2018, provided that the process accelerated depending on the expected amount of funds invested in the following years (CZK 2.5 billion, later CZK 4.5 billion per year).

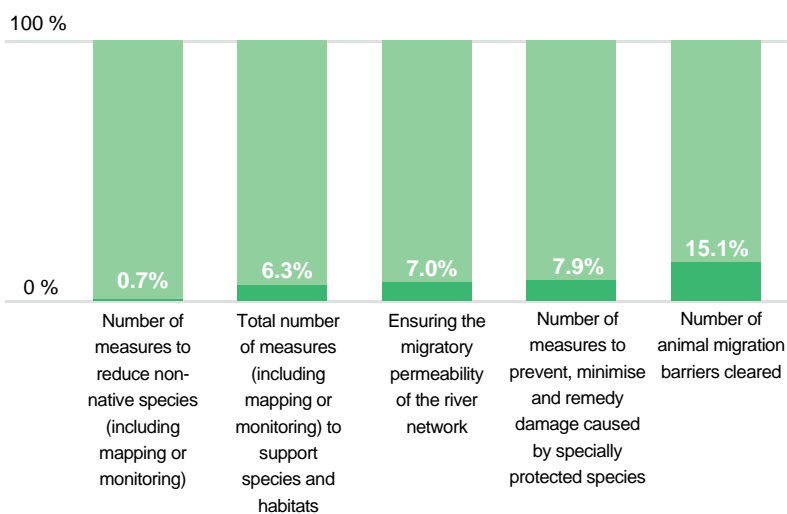
¹¹⁹ The SAO relied on a written communication from the MoF, in which the MoF estimated the time needed to complete the procurement process and the time required for the remediation.



Improving the quality of the environment is negatively affected by the slow removal of old environmental burdens and the long-term failure to meet nature and landscape protection objectives

THE OBJECTIVES OF NATURE AND LANDSCAPE PROTECTION AND CARE WILL NOT BE FULLY MET

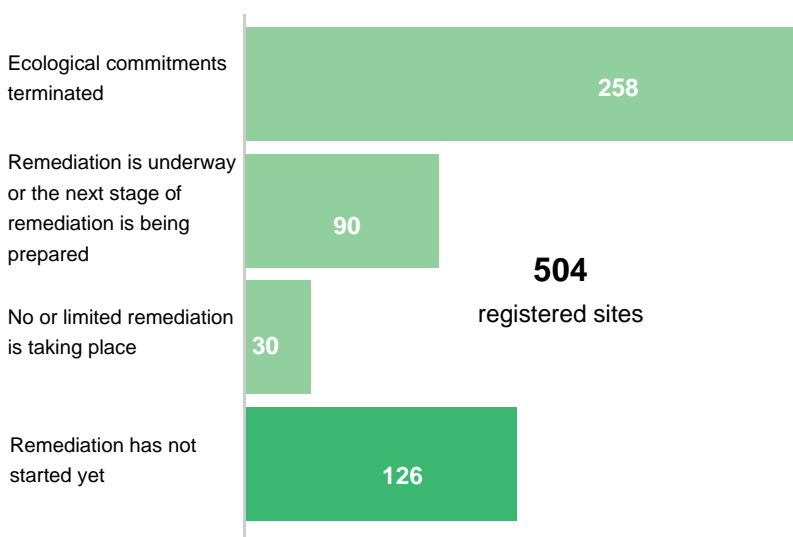
Priority Axis 4 OPEn indicators that will not be fulfilled at the end of the programming period (as of 31 December 2021)



” 5 out of 11 indicators were below the 16% target as of 31 December 2021.

THE LONG PROCESS OF REMOVING OLD ENVIRONMENTAL BURDENS CARRIES THE RISK OF SPREADING CONTAMINATION AND HAS AN IMPACT ON THE GROWTH OF PUBLIC SPENDING

State of removal of old environmental burdens registered under 120 outstanding environmental contracts as of April 2023



” Removing of old environmental burdens created before privatisation has been going on for 32 years and the state has spent more than CZK 66 billion on it. At the time of the audit, 25% of the registered sites had still not even started remediation.

4.8 REGIONAL DEVELOPMENT

The territory of the Czech Republic is divided into 14 higher territorial self-governing units – administrative regions. Each region has its own specific features and faces different challenges and problems. However, some issues are common to all regions of the country. An example of such a problem is the availability and quality of housing. The MoRD and the State Investment Support Fund (SISF) therefore support the construction of social and affordable housing from the state budget. Data from the CSO, MoRD and SISF indicate that the number of completed supported social and affordable flats in the 2016–2021 period accounted for approximately **1%** of the total number of completed flats in the Czech Republic. The construction of supported flats is thus unable to significantly influence the housing market.

In Audit No 22/27, the SAO focused on housing support provided through the MoRD and SISF. In the 2016–2021 period, the MoRD provided subsidies to 1,199 projects in the total amount of **CZK 2.8 billion** and SISF provided support in the form of subsidies and loans to 3,338 projects in the total amount of **CZK 11.1 billion**.

The main challenges of the housing policy, especially the insufficient availability and low quality of housing, have persisted for a long time and the implementation of strategic materials to date have not led to their elimination. Although the state invests nearly CZK 3 billion annually in addressing housing issues, the impact on the housing market remains marginal. However, the SAO has been repeatedly pointing out since 2016¹²⁰ that no systemic solution to the issue of housing support has been established, including its legal regulation. Without a greater concerted and well-coordinated effort by both the state and the local authorities actively involved, no significant change can occur in the housing sector.

- Neither the MoRD providing subsidies nor the SISF providing subsidies and loans to support housing had an overview of the actual occupancy of social housing and rental flats. The SAO considers the lack of continuous monitoring and evaluation of the occupancy of flats by persons/households from the target groups to constitute a fundamental deficiency. There is also the persistent issue of interdepartmental fragmentation of competences accompanied by insufficient enforcement of the MoRD's co-ordination role. As an example, we can mention the similar focus of various providers' subsidy titles¹²¹ on the same target group, which ultimately leads to increased expenditure on the administration of funds earmarked for housing support.
- The conditions set out for the *Rental flats* programme administered by SISF did not limit the amount of rent. This enabled the landlords (beneficiaries of support) to set rent at levels higher than usual at the given place and time in the lease agreements for supported flats. These conditions result in additional financial demands on the state budget through entitlements to a housing allowance or contribution towards housing¹²². Under the conditions of the programme, the priority is not to protect people from the target group, but rather to achieve a return on money. The increase in the profitability of the project for the beneficiary of the support comes at the cost of additional state funds spending.

*On a website offering accommodation in a facility purchased from the provided loan, the beneficiary states that tenants may draw a housing allowance following an assessment of their situation and that some of the current tenants receive a housing allowance up to **CZK 10,000 per month**. The amount of rent for individuals starts at **CZK 19,000 per month** and does not include, e.g., the costs of utilities, waste or any assistance services.*

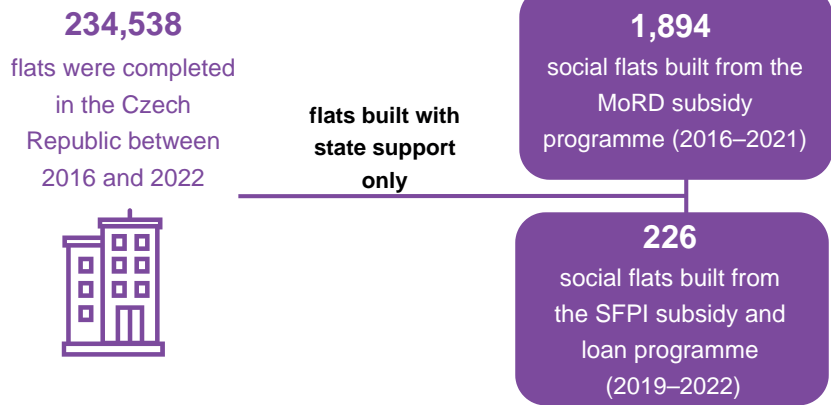
THE MORL LACKS RELIABLE DATA ON THE NUMBER, SIZE AND QUALITY OF HOUSING, ESPECIALLY HOUSING USED FOR SOCIAL HOUSING, OR THE SIZE OF THE TARGET GROUPS. WITHOUT THESE DATA, THE HOUSING POLICY CANNOT BE MANAGED ADEQUATELY. FOR THIS REASON, THE SAO CONSIDERS IT IMPORTANT THAT THE MORL ANALYSE THE NEED FOR SUPPORT IN THE FORM OF SUBSIDIES AND LOANS WITHIN ITS COMPETENCE, WHERE THE SUPPORT SHOULD FOCUS ON SPECIFIC TARGET GROUPS.

- 120 Audit No 15/18 – *Funds earmarked for housing support* (audit report published in Vol. 3/2016 of the *SAO Bulletin*).
 Audit No 17/02 – *Support for social housing as part of the social inclusion policy* (audit report published in Vol. 3/2018 of the *SAO Bulletin*).
 Audit No 20/19 – *Measures to reduce the energy consumption of residential buildings supported by the Integrated Regional Operational Programme and the New Green for Savings Programme* (audit report published in Vol. 4/2021 of the *SAO Bulletin*).
 Audit No 21/08 – *Funds spent to support social housing from the Integrated Regional Operational Programme* (audit report published in Vol. 1/2022 of the *SAO Bulletin*).
- 121 *New Green for Savings* – this programme is administered by the MoE; *Thermal Insulation* – this programme is financed from the *Integrated Regional Operational Programme* ("IROP") and is administered by the MoRD; *Panel 2013+* is a programme administered by the State Investment Support Fund
- 122 Housing allowance is a State income support regulated by Act No 117/1995 Coll., on State income support. Housing benefits are an assistance in material need pursuant to Act No 111/2006 Coll., on assistance in material need.



The implementation of the objectives of the housing concepts to date has not led to the elimination of the main problems of housing policy

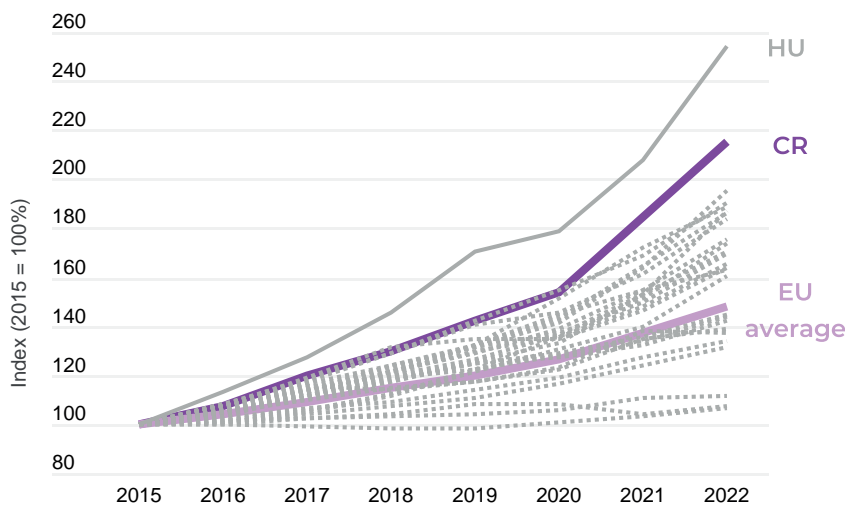
THE VOLUME OF FUNDS INVESTED BY THE STATE IN SOLVING HOUSING PROBLEMS REACHED ALMOST CZK 3 BILLION/YEAR, BUT THE IMPACT ON THE HOUSING MARKET IS MARGINAL



MoRD does not have an overview of the total number of available and social housing. The following table shows the share of social housing in the total housing stock in some EU countries:

	Czech Republic	Italy	Germany	Slovenia	Belgium	France	Austria	Netherlands
Housing stock (thousands of units)	5,340	25,690	43,100	699	5,382	37,400	3,988	8,046
Proportion of social housing	???	3.5%	4%	5%	6%	17%	24%	29%

EU House Price Index



” According to Eurostat, the Czech Republic had the second largest increase in prices of residential property in the whole EU. Only Hungary saw a bigger increase.

4.9 AGRICULTURE

In the Czech Republic, the Ministry of Agriculture (MoA) also deals with fisheries and aquaculture (i.e. fish production), which have a long tradition in the Czech Republic. Thanks to the developed strategy¹²³ to support this sector, the Czech Republic as an EU Member State can also use funds from the European Maritime and Fisheries Fund through OP *Fisheries*, which aims not only to support fish production, but also to maintain traditional Czech aquaculture, among other things. Although fishing only contributes **0.02%** to the Czech GDP, its importance lies mainly in the non-productive function of ponds (e.g. water retention in the landscape, flood protection, habitats for many species of plants and animals, and recreational use). On the other hand, despite the sector's small economic importance, the Czech Republic is one of the most important carp farming locations in Europe and about half of its total fish production is exported. Nonetheless, it is among the countries with the lowest annual consumption of freshwater fish per capita, and efforts to increase it have been unsuccessful in the long term (see the infographic).

During its audit (Audit No 22/15), the SAO focused not only on support for fishery in the Czech Republic from state budget and EU funds within OP *Fisheries 2014–2020* for the period from 2014 to 2020, but also inspected the implementation of measures adopted to remedy the deficiencies identified in the previous audit¹²⁴. The audit focused on the MoA, the State Agricultural Intervention Fund (SAIF) and 11 selected beneficiaries of subsidies. The SAO audited support funds totalling more than **CZK 843 million** paid between 2014 and 2022.

The results of SAO's audit revealed that the MoA provided support efficiently, economically and in accordance with the legal regulations. Despite this, the SAO pointed out deficiencies reducing this overall rating. The aim of OP Fisheries to create a producer organisation and one of the individual objectives of the Ministry's strategy¹²⁵ – to increase consumption of domestic freshwater fish – were not met, although the MoA established the MoA Service Facility contributory organisation, which was meant to promote an increase in the consumption of these fish, among other things. The MoA also failed to set financial limits for eligible expenditures related to the implementation of promotional campaigns and failed to set suitable indicators to assess the benefits of innovations introduced in fishery.

- The specific objectives of OP *Fisheries* were gradually being met, only specific objective 5.A *Improving the fishery and aquaculture products market organisation* was performed only partially compared to the planned values. Despite the simplification of the subsidy conditions, the amendment to the Act on Agriculture¹²⁶ and implementation of awareness-raising activities on the benefits of a producer organisation, no such organisation (of fish producers and processors) – which was supposed to give the participants an advantage in dealing with strong retail chains – was established. The measure was thus abolished and the unused allocation (in the amount of **CZK 18.2 million**) was transferred towards other measures.
- The *MoA Service Facility*, which was tasked (among other things) with promoting higher consumption of freshwater fish, e.g. through the *Fish as a Dish (Ryba na talíři)* campaign, submitted a total of **27** promotional projects to the SAIF. Due to administrative errors or other shortcomings in the submitted grant applications, the MoA finally approved and reimbursed only **five** projects in the total amount of **CZK 14.8 million**, i.e. only **18.5%** of the submitted projects.

The consumption of domestic freshwater fish is stagnating: in 2017 it equalled 1.29 kg per capita per year and only 1.23 kg in 2021.

¹²³ Multi-annual National Strategic Plan for Aquaculture ("strategy") for 2014–2024 with updates for 2021–2030.

¹²⁴ Audit No 13/28 – *Support for Fisheries in the Czech Republic under Operational Programme Fisheries 2007–2013* (audit report published in Vol. 2/2014 of the SAO Bulletin).

¹²⁵ The SAO is aware that the objective of "increasing the consumption of freshwater fish" was not specified in OP *Fisheries* especially due to external factors affecting its implementation. At the same time, the SAO admits that the strategy is valid for the whole sector, not only for the implementation of the European Maritime and Fisheries Fund.

¹²⁶ The MoA had no legally defined competences in the area of recognition of producers and eligible applicants, and the situation was only resolved on 1 January 2023 with the amendment introduced by Act No 382/2022 Coll., amending Act No 252/1997, on agriculture, as amended, and Act No 256/2000 Coll., on the State Agricultural Intervention Fund and amending certain other laws (Act on the State Agricultural Intervention Fund).

AS PART OF THE AUDIT, THE SAO POINTED OUT THE RISKS ASSOCIATED WITH A HIGH SEDIMENT CONTENT IN PONDS, WHICH REDUCED THEIR PRODUCTION CAPACITY. PONDS SOILED WITH SEDIMENTS HAVE A VERY LIMITED OPPORTUNITY TO IMPROVE THE WATER REGIME IN THE LANDSCAPE IN THE EVENT OF EXTREME SITUATIONS.

The SAO made the following recommendations for the MoA for the 2021–2027 programming period:

Greater support for environmentally sustainable aquaculture, priority for projects dealing with the removal of sediments from the pond floor, and enforcement of good agricultural practice in the management of fields (minimising erosion and flushing from fields, compliance with fertilisation and spraying distances from ponds and watercourses). It further recommended that, if support is provided for promotional campaigns, the MoA set limits for eligible expenditure (as is the case with the *Rural Development Programme*) so as to also monitor and ensure that the objectives and purpose of promotion of freshwater fish aquaculture are achieved.

It recommends that the MoA take the following measures against the deficiencies ascertained in the audit:

- declare its efforts to ensure a greater interest in creating a producer organisation under the *OP Fisheries 2021–2027*, in particular by setting easier conditions for applicants, acquainting potential applicants with the benefits of producer organisations and providing sufficient methodology for submitting applications;
- analyse the possibility of setting limits for eligible expenditure in promotional campaigns and based on the results of the analysis, supplement the financial limits for certain eligible expenditure;
- introduce new processes and adopt an internal guideline for checking promotional projects with a view to eliminating errors in projects and defining the responsibilities of individual persons;
- monitor more closely and evaluate the benefits/impacts of the support provided; evaluate the qualitative results of innovative projects and their contribution to the objectives of the programme within the continuous evaluation of *OP Fisheries 2021–2027* in 2025/2026.

Impacts of the previous audit in the area of fishery

The SAO verified that the measures taken by the MoA and the SAIF to remedy the deficiencies identified in its previous Audit No **13/28**¹²⁷ had been gradually implemented and that there had been an improvement in the setup and implementation of *OP Fisheries*. The evaluation criteria are now in accordance with the methodology¹²⁸, were discussed with the MoRD and approved by the *OP Fisheries* Monitoring Committee and are elaborated in detail in the rules for applicants and beneficiaries. However, as follows from Audit No 22/15, the MoA has yet to specify suitable indicators for monitoring the qualitative results of innovative projects and their contribution towards the objectives of the programme and/or measures, and also did not set financial limits for eligible expenditures related to promotional campaigns. It has repeatedly committed to addressing these deficiencies.

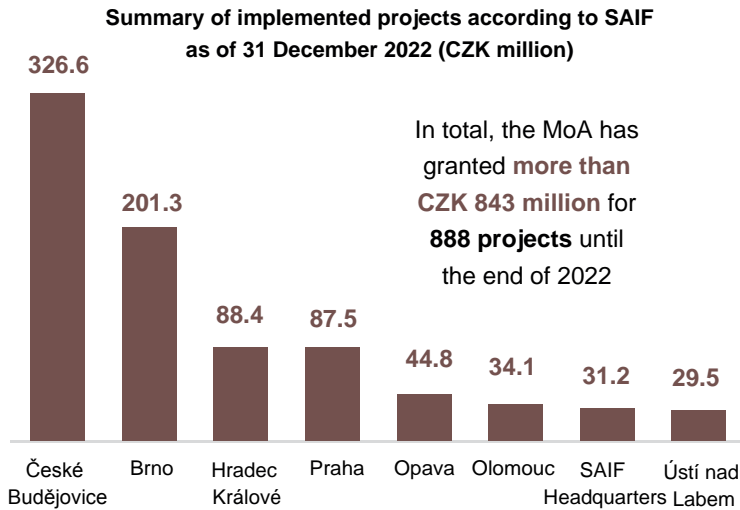
¹²⁷ Audit No 13/28 – *Support for Fisheries in the Czech Republic under Operational Programme Fisheries 2007–2013* (audit report published in Vol. 2/2014 of the *SAO Bulletin*).

¹²⁸ The methodological guideline for the management of calls, evaluation and selection of projects is binding on all programmes within the European Structural and Investment Funds covered by the *Partnership Agreement* and whose managing authority is within the competence of the Czech Republic.



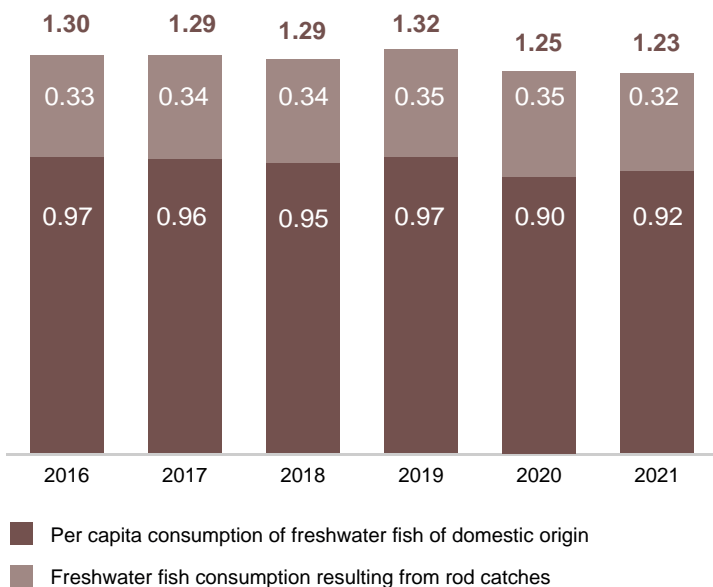
Promotion has not increased consumption of freshwater fish

PROMOTION CAMPAIGNS DID NOT CONTRIBUTE TO THE INCREASE OF FRESHWATER FISH CONSUMPTION AND THE MoA DID NOT HAVE AN OVERVIEW TO WHAT EXTENT THE SUPPORTED INNOVATIONS WERE IMPLEMENTED IN FISHING PRACTICE



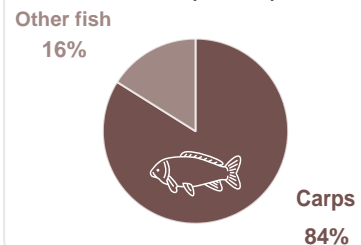
“ The funds provided by the MoA to support fisheries were spent effectively, economically and in accordance with the legislation. However, the MoA has failed to establish producer organisations.

Per capita consumption of freshwater fish of domestic origin 2016-2021 (kg)



“ In long-term, the consumption of freshwater fish in the Czech Republic has not been increasing.

Market production of farmed fish in the Czech Republic in 2021 (tonnes)



4.10 CULTURE

The monument fund is a key part of the cultural wealth and identity of each state and nation given its irreplaceable historical, artistic, craft, aesthetic, scientific and spiritual values. The general interest in the protection and preservation of cultural property is also declared in the Charter of Fundamental Rights and Freedoms. In the Czech Republic, protection and expert supervision over a significant part of the cultural heritage is ensured by the state heritage care system, whose permanent goals include the preservation, sensitive maintenance and renewal of the monument fund.

In 2023, the SAO completed one audit (Audit No 22/22) in the field of culture, examining how the MoC spent funds for the preservation and renewal of cultural property in 2019–2022 and whether it adopted effective measures to remedy the deficiencies identified in the previous SAO audit¹²⁹. In the audited period, the MoC provided a total of **CZK 2.6 billion** within six programmes for preservation and renewal of cultural property.

In the audited years, the MoC spent funds without setting specific objectives and plans for renewal of monuments. It did not evaluate the benefits and impacts of the expended funds. In half of the programmes, the process of evaluation and selection of projects was non-transparent and lasted a disproportionately long time. Although the MoC identified the need to set clear priorities due to the limited funds for the preservation and renewal of cultural property, it did not specify any major projects¹³⁰; on the contrary, it allocated smaller amounts of funds to as many beneficiaries as possible. The SAO found deficiencies especially in the area of design and evaluation of the most important programme for the preservation and renewal of cultural property already in 2017. However, the MoC did not adopt effective measures that would lead to elimination of these deficiencies.

In the case of restoration of the Baroque library in the Discalced Augustinians Monastery in Lnáře, the entire process took more than 17 months from the application to the provision of the contribution.

- The MoC did not even perform the tasks and measures set by itself¹³¹, e.g. the introduction of an electronic system for management of cases and provision of support. Every year, the MoC received over **3,000 applications** for a contribution towards preservation and renewal of cultural property, of which it provided support to almost **2,000 each year**. Their administration was not digitised and MoC thus had to process requests in hard copy without using an information system, which would have significantly simplified the entire administration process. Due to this, among other things, the process was very complicated and time-consuming.
- The evaluation and selection of projects was non-transparent in three programmes, as the MoC did not set the evaluation criteria for obtaining support in a way that they would be known to the beneficiaries in advance. It also did not publish the manner of decision-making on the prohibition of drawing the contribution in case of breach of the conditions. The MoC set up the system in a confusing and non-transparent manner and created unequal conditions for the individual applicants.

THE MOC ALSO FAILED TO DRAW UP A HERITAGE CARE DEVELOPMENT POLICY AND THUS FAILED TO PROPERLY ENSURE THAT STATE HERITAGE CARE IS STRUCTURED, COMPREHENSIVE AND IN ACCORDANCE WITH THE LONG-TERM DEVELOPMENT CONCEPT, AS REQUIRED BY THE ACT ON STATE HERITAGE CARE.

129 Audit No 17/01 – *Funds from the State budget provided under the Architectural Heritage Conservation Programme for preservation and renewal of cultural property* (audit report published in Vol. 6/2017 of the *SAO Bulletin*).

130 For example, the *Heritage Catalogue* contains information on all cultural property. However, the MoC does not use this information for determining priorities, setting, monitoring and evaluating programmes, but only for verification of the data and requisites in contribution applications.

131 It did not, for example, comply with Czech Government Resolution No 81 of 3 February 2016, in which the government instructed the Minister of Culture to implement the 2015 *State Cultural Policy*.

In response to the SAO's audit findings, the MoC adopted the following measures and committed to:

- take the *State Cultural Policy 2021–2025* into account, to implement it in the concept and design of long-term outlooks of State Heritage Care (SHC), define the priorities of SHC and the types of property to which attention will be paid;
- introduce evaluation of the state of cultural property throughout the Czech Republic;
- introduce digitalisation also in the heritage care subsidy system by incorporating it in the MoC subsidy portal implementation plan;
- measure and evaluate subsidy programmes.

Impacts of previous audits

At the end of 2018, the MoC submitted to the government information¹³² on the progress of implementation of the measures adopted to remedy the deficiencies ascertained in Audit No **17/01**, where it stated that all the measures were being implemented or their implementation had been completed. However, the SAO's current audit showed that this was not true. Audit No 22/22 revealed deficiencies similar to those ascertained in Audit No **17/01** also in respect of other programmes for preservation and renewal of cultural property. As regards setting objectives, measurable indicators and evaluation, the MoC did not adopt sufficiently effective measures – it merely unified the conditions in the adopted decisions on granting contributions.

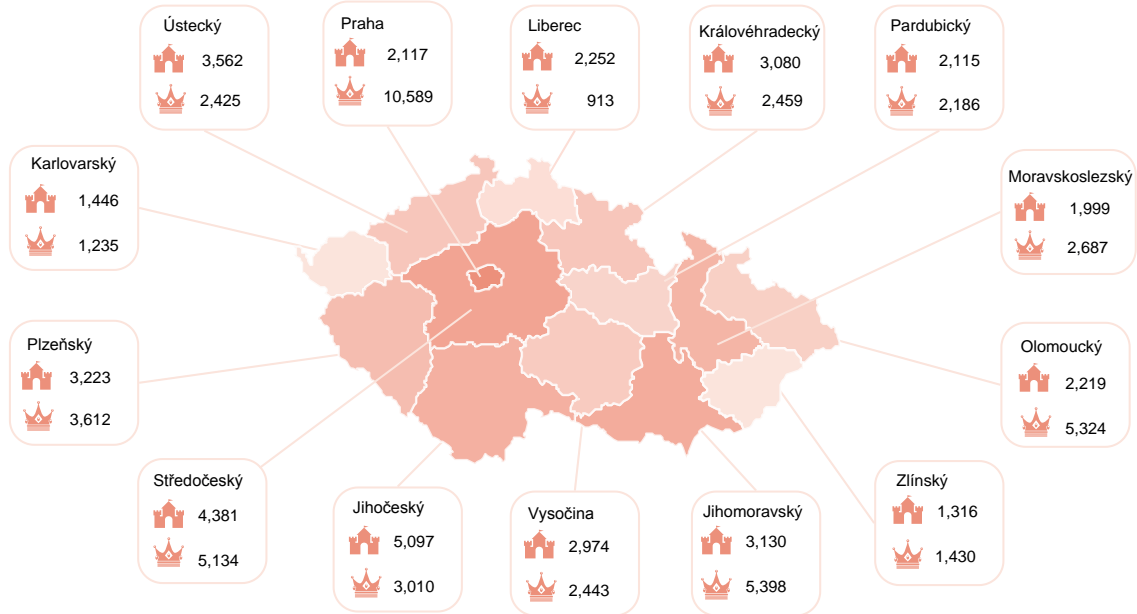
¹³² On 17 December 2018, the MoC submitted to the government information on the progress of implementation of the measures adopted to remedy the deficiencies ascertained in Audit No 17/01 where it stated that all the measures were being implemented or their implementation had been completed.



The MoC has not set clear priorities for the restoration and preservation of cultural monuments

FOR HALF OF THE PROGRAMMES, THE PROCESS OF EVALUATION AND SELECTION OF PROJECTS FOR THE RESTORATION OF CULTURAL MONUMENTS WAS NON-TRANSPARENT AND TOOK A DISPROPORTIONATELY LONG TIME

Number of immovable and movable cultural monuments in individual regions of the Czech Republic as of 31 December 2022



Legenda:

- Immovable cultural monuments
- Movable cultural monuments

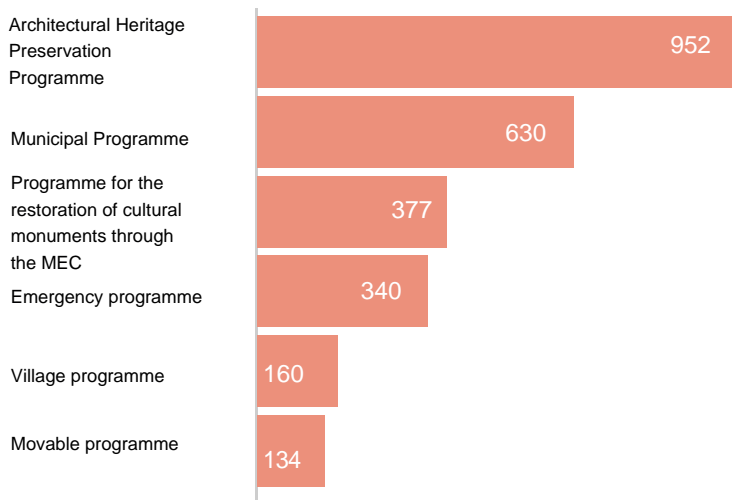
Number of immovable and movable monuments

2,681 12,706

Note: In some cases, the records are included as one master record:

- for immovable cultural monuments, large complexes and ensembles
- for movable cultural monuments, large collections of objects.

Total expenditure on individual programmes between 2019 and 2022 (CZK million)



” The evaluation of all six programmes was only formal, as the results monitored were not linked to the objectives set out in each programme. The MoC set up the system in an unclear and non-transparent way and created uneven conditions for individual applicants.

5. INSTITUTIONS' FINANCIAL MANAGEMENT

One of the consistently scrutinised areas is audited entities' management of state property and funds. The SAO tries to draw state institutions' attention to those areas of their management where it sees significant scope for savings. In 2023, two audits were completed in this area, focusing on:

- funds from the state budget provided to governmental contributory organisations (Audit No 22/05);
- economic management of selected university hospitals (Audit No 22/13)¹³³.

The performance of governmental institutions' main activities was accompanied by deficiencies related to incorrect management or non-compliance with their purpose. For example, the SAO pointed out the absence of control mechanisms, i.e. a functional and effective internal control system, which would ensure that state funds are only expended towards covering the necessary needs in accordance with the 3E principles. The audit results revealed that in some cases, the audited institutions failed to respect these principles in the performance of their activities. Specifically, this pertained to purchases of outsourced services without evaluating their economy in advance. The SAO also found deficiencies in the purchase of medicinal products and medical devices, which the audited hospitals purchased mostly outside of open procurement procedures and at significantly varying prices. The SAO sees significant room for savings in the audited institutions' expenditures by remedying the above-mentioned deficiencies.

In Audit No 22/05, the SAO reviewed the system of financial relations set up by the MoE, the MoA, the MoIT and the Czech Office for Standards, Metrology and Testing (COSMT)¹³⁴ as the respective founders of four state contributory organisations (SCO)¹³⁵. Specifically, it focused on how these SCOs managed the funds provided from the state budget as a contribution towards their operation in the 2019–2021 period. In the period under scrutiny, the four above-mentioned founders provided a total of more than **CZK 8.5 billion** to all their **25** contributory organisations, of which the four audited SCOs had drawn almost **CZK 792 million**.

The SAO found that the MoE, MoA, MoIT and the COSMT as the founders increased the originally approved contribution towards operation of all the four SCOs audited each year between 2019 and 2021. At the same time, the MoE did not even have any information on the amount and purpose of the financial resources required by the SCOs managed by it. Some SCOs outsourced services for which they were established themselves without evaluating the economy of such expenditures. Another SCO failed to meet one of the planned research goals. The founders and the audited SCOs also acted at variance with the legal regulations, where in the case of the Czech Standardization Agency (CSA), the SAO assessed these facts as an indication of a breach of budgetary discipline in the amount of CZK 2.1 million.

Between 2019 and 2021, the Institute of Agricultural Economics and Information (IAEI) spent almost CZK 30 million in a partially ineffective manner on the implementation of research plans, as each year it failed to meet one of its three research goals in the performance of its set tasks.

- In 2019–2021, the Czech Environmental Information Agency (CENIA) paid almost **CZK 117 million** to an external contractor for the *National Inventory of Contaminated Sites, phase II* project, without having previously assessed other options, e.g. the option of using its own capacities. This agency's share of services supplied externally reached **44%** of its total costs in 2021. Similarly, for CSA, this share equalled more than **45%** in the same year, i.e. **over CZK 101 million**. For example, CSA procured legal services even though it had its own legal department enshrined in its rules of organisation. In the audited period, IAEI paid almost **CZK 63 million** to external companies for data collection without having prepared an economic analysis of the benefits of purchasing questionnaire surveys from third parties.
- In 2021, sponsors (mostly Ministries) paid a fee exceeding **CZK 113 million** for public access to Czech Technical Standards (CTS). The fee was paid from the state budget on the basis of an estimated number of users rather than their actual number. The CSA, as the recipient of the fee, lacked information on the actual number of CTS users within

133 Results of audit No 22/13 are described in more detail in Chapter 4.6 of this Annual Report

134 The Czech Office for Standards, Metrology and Testing, Prague.

135 Audited institutions: Czech Environmental Information Agency /CENIA/, Institute of Agricultural Economics and Information /IAEI/, Administration of Services of the Ministry of Industry and Trade /AS MoIT/ and Czech Standardization Agency /CAS/.

the framework of the concluded sponsored access agreements and did not know the degree of use of this service for the individual sponsors¹³⁶. The number of users of the sponsored access was estimated at **65,011**; in reality, there were only **8,512** users, **almost eight times less**. Therefore, sponsors paid **CZK 13,283** per each annual access to this database, while the annual fee for unsponsored users' access to the database is set at **CZK 2,000** by a decree.

ALTHOUGH THE STATE CONTRIBUTION FOR THE OPERATION OF THE AUDITED SCOS KEPT INCREASING DURING THE AUDITED YEARS, THE SCOS OFTEN PROCURED OUTSOURCED SERVICES WITHOUT ASSESSING ANY OTHER POSSIBILITIES OF PROVISION OF THESE SERVICES. THE SCOS WERE OBLIGED TO ENSURE THAT THEY FULFIL THEIR TASKS IN THE MOST ECONOMICAL WAY POSSIBLE, BUT THEY DID NOT ASSESS THE ECONOMY OF THEIR CHOSEN PROCEDURES.

Based on the deficiencies identified and evaluated in Audit No 22/05, the audited entities adopted the following measures affecting the economic management of SCOs:

- change in the management of contributory organisations under the MoE;
- limiting the purchase of services from external suppliers to the minimum necessary by organisations under the MoIT;
- proposed modification of the fee for sponsored access to technical standards.

¹³⁶ These include Ministries and other central administrative authorities which, on the basis of Act No 526/2020 Coll., amending Act No 22/1997 Coll., on technical requirements for products, provide sponsored access to Czech technical standards and other technical documents and pay fees for it.

6. MANAGEMENT OF RESOURCES PROVIDED TO THE CZECH REPUBLIC FROM ABROAD

During 2023, the SAO completed a total of 11 audits concerned with expenditures that were simultaneously covered by funds from the state budget and financial support from the EU budget (see Table 7).¹³⁷

In its audits, the SAO pointed out a number of errors related to the drawing of support from EU funds. The ascertained deficiencies were both systemic and procedural. Systemic deficiencies were related primarily to the actual set-up and management of the process of implementation of support by the competent managing authorities or intermediate bodies. The procedural deficiencies concerned, in particular, beneficiaries' non-compliance with the set rules for the use of the support. Based on an analysis of the findings, they can be divided into the following four groups:

- National strategic documents often contained a number of ambiguities and their goals reflected at the programme and project levels were not specific and measurable and were not based on the beneficiaries' actual needs.

For example, the MoRD as the managing authority divided the allocated funds without considering the needs of the basic units of the Integrated Rescue Service (IRS). In its document *Ensuring the Resilience and Equipment of Basic Units of the Integrated Rescue System – Police of the Czech Republic and the Fire Rescue Service of the Czech Republic*, the MoI failed to specify in due time all the current needs of the Police of the Czech Republic (Audit No 22/14). Similarly, the MoLSA as the managing authority provided subsidies in the area of gender equality without having knowledge of the actual needs of specific audited organisations (Audit No 22/10).

- Assessments done during project selection were not based on the 3E principles. At the same time, the limits for eligible expenditure were often lacking or unrealistic.

The conditions set by the MoLSA for disposal of subsidies to support gender audits allowed the scope of measures towards closing the gender gap to be determined by the person implementing them. Only **8%** of public funds audited fulfilled the purpose of support in all key areas of gender inequality. The MoLSA also failed to set clear conditions for eligibility of expenditures. For example, the MoLSA accepted trainings that were not necessary or useful for the target group of employees as eligible project activities. In the SAO's opinion, the funds used for their payment cannot be considered effectively expended. In four projects, the SAO found ineligible expenditure in the total amount of **CZK 1.6 million** (Audit No 22/10).

- The management and control systems for some operational programmes were flawed in their design and functioning. The system of impact indicators was defined insufficiently or in such a way that it was not possible to systematically monitor and evaluate the benefits from the implementation of the individual projects.

For example, the MoE assumed a different distribution of projects within the *Protection and Care for Nature and the Landscape* priority axis under OPEN and overestimated the target values of output indicators. Four of the seven indicators were thus not met and three of these indicators even showed performance below **10%** of the target value at the end of 2021 (Audit No 22/09). As part of its disaster preparedness, the MoRD set up the manner of monitoring the objectives and impacts in a way that does not allow for the evaluation of the actual benefits of the IROP subsidies for which **CZK 5.1 billion** was utilised in 2015–2022. For example, in the calculation methodology for the “*preparedness of the IRS units*” indicator, the persons undergoing training are counted as many times as they complete the training. For this reason, this indicator was fulfilled by 200% as early as two years before the end of the programming period, although it says very little about the actual readiness of the IRS (Audit No 22/14).

- The beneficiaries managed the funds in an ineffective and uneconomical manner, and the benefits of the projects thus did not attain the expected values in a number of cases. This outcome was also influenced by deficiencies in the procurement process that were contrary to the conditions set out in the legal framework.

¹³⁷ The findings of the audits in the table are evaluated – with regard to their priority focus on the relevant expenditure areas – in the previous sections of this Annual Report.

As part of a project aimed at modernising public administration, the Mol was supposed to implement **56 optimisation measures** aimed at simplifying matters related to citizens' life events. However, the Mol only implemented **four measures** and thus spent up to **CZK 35.3 million** inefficiently (Audit No 22/06). In another case, the NCA CR directly entered into a contract on the basis of which it paid **CZK 2.3 million** to a specific contractor without a tender procedure. By doing so, it violated the principle of transparency and non-discrimination under the Public Procurement Act¹³⁸ (Audit No 22/09).

Table 7: Representation of characteristic deficiencies in the mentioned audits

Audit No	Source of financing	Shortcomings of strategic and management documents, programme documents were not based on real needs	Non-transparent assessment of application system, absence of limits on eligible expenditure	Deficiencies in the set-up and functioning of the Management and control system, incorrectly set monitoring indicators for monitoring and evaluating the achievement of objectives	Handling of subsidies in violation of the 3Es, errors in the procurement process
21/37	OPT	●		●	
22/06	OPEm	●			●
22/08	OPT	●			●
22/09	OPEn			●	●
22/10	OPEm	●	●	●	
22/14	IROP	●		●	
22/15	OPF	●	●	●	
22/20	IROP	●		●	
22/24	OPEn				
22/28	OPEm		●	●	
22/30	OPEm	●	●		
Occurrence of deficiencies in audits		73%	36%	64%	27%

Source: SAO website, status as of end of January 2024.

138 Section 6 of Act No 134/2016 Coll., on public procurement.

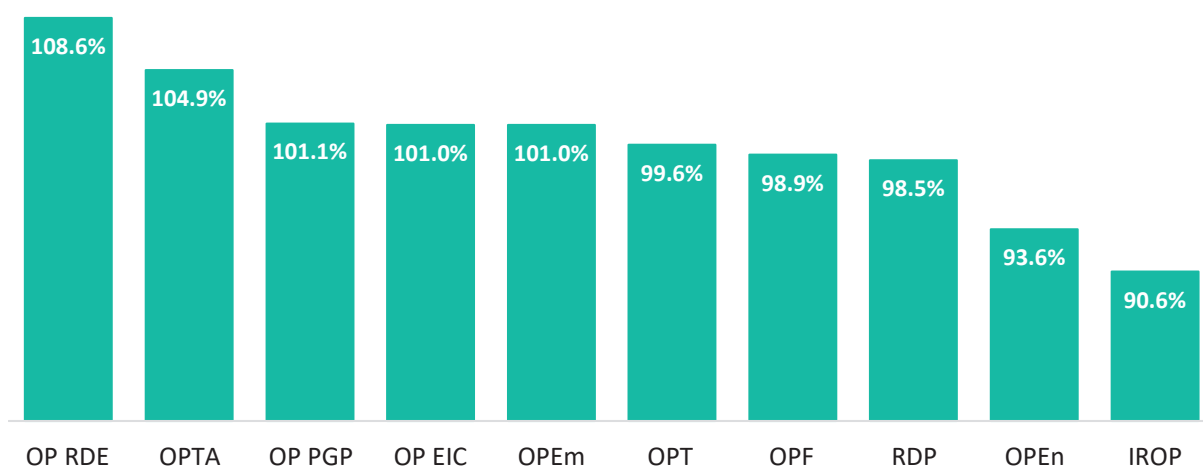
STATUS OF IMPLEMENTATION OF THE ESI FUNDS IN THE CZECH REPUBLIC IN THE 2014–2020 PROGRAMMING PERIOD

THE CZECH REPUBLIC'S POSITIVE TREND IN DRAWING THE EUROPEAN STRUCTURAL AND INVESTMENTS (ESI) FUNDS ALLOCATION CONTINUED IN 2023. THE ALLOCATED FUNDS WERE UTILISED EVENLY, THE SET MILESTONES AND UTILISATION LIMITS FOR COMPLIANCE WITH THE N+3 RULE WERE MET IN THE PREVIOUS YEARS AND, THE ALLOCATION FOR THE CZECH REPUBLIC WILL THUS NOT BE REDUCED¹³⁹.

In 2023, the total allocation of ESI funds under the Partnership Agreement (PA) equalled **CZK 652.2 billion** at the current exchange rate¹⁴⁰.

Relative to the total allocation, the volume of funds in legal acts on the provision/transfer of support amounted to **110.5%**; a total of **98.1%** of the funding had been paid out and interim payment requests sent to the European Commission reached **94.1%**.

Chart 22: Proportion of funds in paid payment requests to the total allocation for individual programmes of the Czech Republic as of 31 December 2023 (%)



Source: Monthly information on the implementation of ESI funds in the Czech Republic in the 2014-2020 programming period, data generated on 4 January 2024, published by NCA-MoRD.

According to the monthly information provided by the NCA for December 2023, the increase in the ratio of the funds paid out on the basis of payment requests to the total allocation was driven primarily by Operational Programme *Research, Development and Education* with **108.6%**, followed by Operational Programme *Technical Assistance* with **104.9%**. The third position was occupied by Operational Programme *Prague – Growth Pole of the Czech Republic* with **101.1%**. In contrast, the lowest share of funds disbursed was achieved by the IROP with **90.6%**.

THE SMOOTH AND PRACTICALLY PROBLEM-FREE DRAWDOWN OF SUPPORT FROM ESI FUNDS OVER THE PAST FOUR YEARS HAS ALSO BEEN REFLECTED IN THE CZECH REPUBLIC'S POSITION AMONG THE EU MEMBER STATES. AS REGARDS THE SUCCESS IN DRAWING THE SUPPORT RELATED TO THE OVERALL NATIONAL ALLOCATION, THE CZECH REPUBLIC HAS BEEN RANKED BETWEEN 7TH AND 9TH FOR THE THIRD YEAR IN A ROW¹⁴¹.

According to the summary data available on the Commission's website <https://cohesiondata.ec.europa.eu/overview>, which are updated daily, the Czech Republic is currently seventh by drawdown of the national allocation at **98%** (including pre-financing).

139 Since the 1st quarter of 2023, compliance with the n+3 rule is no longer monitored, but instead only the final utilisation of the overall allocation of programmes.

140 According to the Monthly Information on the Implementation of the ESI Funds in the Czech Republic in the 2014–2020 programming period showing the state of affairs as at 31 December 2023, published by the National Coordination Authority (NCA) at the beginning of January 2024, organisational unit of the MoRD.

141 Sum of funds paid by the European Commission, including initial and annual pre-financing.

Chart 23: Proportion of ESI funds paid to EU Member States (including pre-financing) for the 2014-2020 programming period to the end of 2023 as a proportion of their total allocation (%)



Source: <https://cohesiondata.ec.europa.eu/overview>, data as of 17 January 2024.

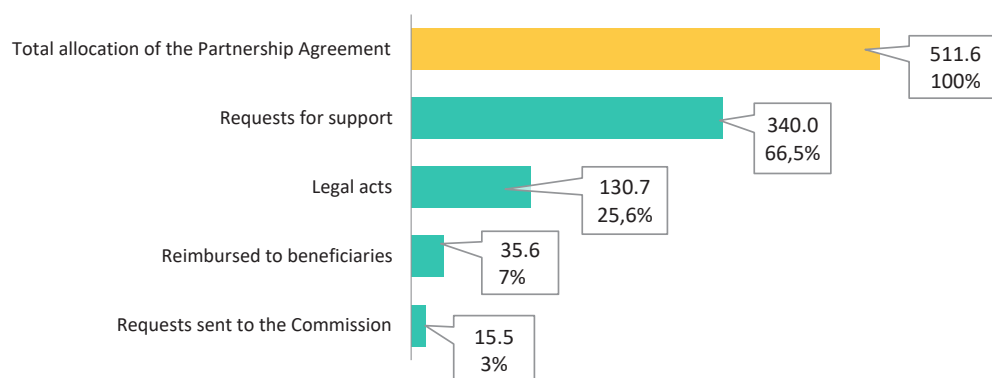
STATUS OF IMPLEMENTATION OF THE ESI FUNDS IN THE CZECH REPUBLIC IN THE 2021–2027 PROGRAMMING PERIOD

In accordance with the concluded PA, the allocation of EU funds for the Czech Republic equals **EUR 21.084 billion**, which is almost **CZK 511,556 billion** at the current exchange rate¹⁴². A decisive part of the EU contribution will be financed through the *European Regional Development Fund* (CZK 251.006 billion, i.e. 49%) and the Cohesion Fund (CZK 161,076 billion, i.e. 31%). Similar to both previous programming periods, the 2021–2027 period has been characterised by a significant delay in the adoption of key documents. Calls for projects were announced only since the second half of 2022.

The state of absorption can be seen in Chart 24. Relative to the total allocation, the volume of funds in legal acts (on the provision of support) amounted to **25.6%**; a total of **7%** of the funding had been paid out and interim payment requests sent to the European Commission reached **3%**.

¹⁴² Monthly Information on the Implementation of the ESI Funds in the Czech Republic in the 2014–2020 programming period showing the state of affairs as at 31 December 2023, published by the NCA MoRD at the beginning of January 2024, available at: https://www.dotaceu.cz/getmedia/15caee80-fc13-41bf-b545-b22e4e0afee0/Mesicni_informace_2023_2.pdf.aspx?ext=.pdf.

Chart 24: Current drawdown of the allocation under the Partnership Agreement 2021-2027 (CZK billion)



Source: MoRD, state as of 31 December 2023

THE CZECH REPUBLIC'S DELAY IN THE COMMENCEMENT OF DRAWDOWN OF THE ALLOCATED FUNDS WAS QUITE COMPARABLE TO OTHER EU MEMBER STATES. ACCORDING TO THE DATA FOR THE 2021–2027 PROGRAMMING PERIOD PUBLISHED ON THE COMMISSION'S WEBSITE AND UPDATED DAILY¹⁴³, THE CZECH REPUBLIC IS SECOND IN TERMS OF SUCCESSFUL ABSORPTION OF THE NATIONAL ALLOCATION.

In addition to ESI funds, the Czech Republic can also draw funds from the EU budget through other special-purpose financial instruments. First, there are EU programmes directly managed by the Commission for the 2021–2027 programming period, such as *Horizon Europe*, *Connecting Europe Facility (CEF 2)* and *Erasmus+*. Applicants for a grant must succeed in a tender procedure with projects showing the highest European added value in deepening co-operation and resolving common problems of the Member States.

Another financial source is the *Recovery and Resilience Facility*, from which the Czech Republic can draw funds through the *National Recovery Plan*, a strategic document approved by the Commission in July 2021. The contribution should reach **EUR 9.2 billion** (CZK 227 billion)¹⁴⁴. By the end of 2023, the first application in the amount of almost **EUR 1.1 billion** was disbursed and two other applications were submitted to the Commission for assessment.

In order to achieve the objectives of the *European Green Deal*, the *Modernisation Fund (MF)* was established, which is financed from EU and national funds. Within the EU, auctioning emission allowances account for **2%** of revenues in the 2021–2030 period, of which the Czech Republic will receive **15.6%** (the second highest share). The support for Czech entities approved to date includes projects with a total cost of **CZK 17.5 billion**.

¹⁴³ Cohesion Policy overview [cited 2024-02-01], available at: https://cohesiondata.ec.europa.eu/cohesion_overview/21-27

¹⁴⁴ At its October meeting, the ECOFIN Council approved an update of the National Recovery Plan (NRP) for the Czech Republic to a total value of EUR 9.2 billion (approx. CZK 227 billion).

7. SAO OPINIONS ON THE STATE'S FINANCIAL REPORTING

7.1 OPINION ON THE DRAFT STATE CLOSING ACCOUNT

In 2023, the SAO gave its opinion on the accuracy of reported data¹⁴⁵ in its Opinion on the *Draft State Closing Account of the Czech Republic for 2022*, i.e. its opinion on the completeness and accuracy of the state budget revenue and expenditure reported in the draft state closing account.

The main tool used by the SAO for checking the figures is financial audit, which systematically scrutinises the closing accounts of state budget headings, data submitted for assessing the implementation of the state budget in terms of classification by budgetary composition and data in financial statements.

From 2022 onwards, the structure of data in chapters' budget management in book H has changed. Book H no longer contains accompanying texts providing commentary on the individual state budget chapters' budget management, which have repeatedly been incorrect in the past, but only includes summaries of the data on the fulfilment of the binding indicators for individual chapters.

The data on the chapters' budget management for 2022 in books G and H were analytically verified on the basis of the State Treasury Integrated Information System sources, where no significant discrepancies were found.

THE SAO EXPRESSED THE OPINION THAT THE DATA CONTAINED IN THE DRAFT SCA FOR 2022 CAN BE CONSIDERED ACCURATE¹⁴⁶.

7.2 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 meaningfulness, which makes it possible to boost users' confidence in this information. Accounting entities use the financial information to draw up accounts on their financial management, and the data are also 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 and the data given in the financial statements for assessing implementation of the budget, and review closing accounts.

In 2023, the SAO completed four financial audits, as part of which it issued an opinion on the financial reporting (see Table 8 for details). All these audits were interim audits, which partly covered the ongoing accounting period, and the audited entity had the opportunity to make corrections during the audit.

145 These are the data presented in workbooks G - Tabular part of the draft State Final Accounts of the Czech Republic and H - Results of the budgetary management of the chapters of the draft State Final Accounts for the year 2022.

146 More details on the accuracy of the State Final Accounts data: [Stanovisko NKÚ k návrhu státního závěrečného účtu ČR za rok 2022 | NKÚ \(nku.cz\)](#).

Table 8: Results of financial-audit-type audits (FA-type audits) in relation to reported government financial information (CZK billion)

			Results of FA-type audits in relation to the financial statements					Results of FA-type audits in relation to the financial statements and the final accounts					Results of FA-type audits in relation to internal control system	
Audit No	Audited entity	FA-type audit	Audited amount ¹⁴⁷	Significance	Corrections during audit	Quantified errors	Opinion on financial statements ¹⁴⁸	Audited amount	Significance	Corrections during audit	Quantified errors	Reliability of financial reports	Reliability of data in final accounts	Evaluation of ICS efficiency
22/16 ¹⁴⁹	MC Prague	Ongoing	10,868.7	72.0	15.2	0.0	Financial statement is reliable	1,670.7	30.0	0.0	0.0	Financial reports are reliable	Not audited	ICS can be considered efficient
22/17 ¹⁵⁰	MoA	Ongoing	157,768.5	1,251.5	3.9	0.0	Financial statement is reliable	97,177.4	1,249.9	13.3	0.0	Financial reports are reliable	Inaccuracies without significant impact on the overall explanatory power of final accounts	ICS can be considered efficient
22/18 ¹⁵¹	MoE	Ongoing	280,164.4	1,350.0	40,200.0 ¹⁵²	4.7	Financial statement is reliable	48,797.9	489.0	2.0	42.2	Financial reports are reliable	Inaccuracies without significant impact on the overall explanatory power of final accounts	ICS can be considered efficient
22/19 ¹⁵³	SONS	Ongoing	1,327.3	9.5	53.6 ¹⁵⁴	1.4	Financial statement is reliable	712.7	9.5	0.0	0.0	Financial reports are reliable	Inaccuracies without significant impact on the overall explanatory power of final accounts	ICS can be considered efficient
Total			450,128.9		40,272.7	6.1		148,358.7		15.3	42.2			

Source: Audit reports of individual audits.

147 Audited amount of financial statements = net assets + liabilities + expenses + income + off-balance sheet.

148 Audited amount of financial reports = revenues + expenditures.

149 Audit No 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 (audit report was published in Vol. 4/2023 of the SAO Bulletin).

150 Audit No 22/17 – Closing account of state budget chapter "Ministry of Agriculture" for 2022, accounting of the Ministry of Agriculture for 2022, and data submitted by the Ministry of Agriculture for evaluation of state budget implementation for the year 2022 (audit report was published in Vol. 4/2023 of the SAO Bulletin).

151 Audit No 22/18 – Closing account of state budget chapter "Ministry of the Environment" for 2022, accounting of the Ministry of the Environment for 2022, and data submitted by the Ministry of the Environment for evaluation of state budget implementation for the year 2022 (audit report was published in Vol. 6/2023 of the SAO Bulletin).

152 The most significant corrections: recharging the balance of funds representing the Czech Republic's share of the Modernisation Fund (CZK 24,518 million), removing units of the annual emission allocation for the period 2013-2020 from assets (CZK 8,239 million) and transferring emission allowances to the market stability reserve (CZK 4,029 million) - the value of corrections made during the audit exceeded significance by almost 30 times.

153 Audit No 22/19 – Closing account of state budget chapter "State Office for Nuclear Safety" for 2022, accounting of the State Office for Nuclear Safety for 2022, and data submitted by the State Office for Nuclear Safety for evaluation of state budget implementation for the year 2022 (audit report was published in Vol. 3/2023 of the SAO Bulletin).

154 Most significant errors: incorrect recording of contingent receivables and payables in the off-balance sheet ledger (CZK 44.7 million) - the value of corrections made during the audit exceeded significance by almost 6 times.

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 2022 AUDIT PERIOD, ERRORS THAT WOULD HAVE HAD AN IMPACT ON THE FINANCIAL STATEMENTS IN THE AMOUNT OF MORE THAN CZK 40 BILLION AND ON FINANCIAL STATEMENTS IN THE AMOUNT OF MORE THAN CZK 15 MILLION WERE CORRECTED. ONLY ISOLATED DEFICIENCIES WERE FOUND IN CLOSING ACCOUNTS, NOT AFFECTING THEIR CONCLUSIVENESS.

Measures to correct identified shortcomings

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

Table 9: Overview of implementation of corrective measures from previous audits

Audit report No	Audited entity	Previous Audit report No	Number of measures taken to correct shortcomings	Number of measures fully and correctly implemented	Number of measures partially implemented	Number of measures not implemented	Number of measures no longer relevant (e.g. due to a change in regulation)
22/16	Municipal Court in Prague	18/25	20	18	2	x	x
22/17	Ministry of Agriculture	17/31	7	7	x	x	x
22/18	Ministry of Environment	17/18	18	18	x	x	x
22/19	State Office for Nuclear Safety	x ¹⁵⁵	x	x	x	x	x

Source: Audit reports of individual audits.

The above overview shows that in the majority of cases the audited entities responded to the measures imposed.

Results of audit work with regard to the internal control system

One aspect of financial audit is scrutiny of the internal control system. The SAO verifies whether for tested operations the internal control system is designed in line with the relevant legislation¹⁵⁶ and tests selected control mechanisms in the accounting system. The effective and reliable functioning of the internal control system has a fundamental impact on the completeness, conclusiveness and correctness of information presented in financial statements and other reports.

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 22/18 and No 22/19).

In two cases (Audit No 22/16 and Audit No 22/18), facts indicating a breach of budgetary discipline in the total amount of **CZK 2.5 million** were ascertained which the internal control system could not prevent.

¹⁵⁵ It was the first FA-type audit.

¹⁵⁶ In particular, Section 3 of Act No 320/2001 Coll., on financial control in public administration and amending certain acts (Act on Financial Control).

Table 10: Facts suggesting a breach of budgetary discipline (CZK million)

Audit report No	Audited entity	Facts suggesting a breach of budgetary discipline
22/16	Municipal Court in Prague	0.22 ¹⁵⁷
22/17	Ministry of Agriculture	x
22/18	Ministry of Environment	2.28 ¹⁵⁸
22/19	State Office for Nuclear Safety	x

Note: In the case of the value x, no evidence of a breach of budgetary discipline was found in the audit.

157 Failure to publish the contract in the Register of Contracts, late payment of advances for bankruptcy proceedings to the state budget, unjustified payments from the cultural and social needs fund.

158 Unauthorised use of EU funds (Cohesion Fund) to finance the personnel costs of staff working on the *Modernisation Fund* agenda.



Financial audits contribute to greater reliability of financial information

MORE THAN CZK 40 BILLION WORTH OF IRREGULARITIES WERE CORRECTED IN AUDITS OF FINANCIAL INFORMATION



Legend:

- No significant irregularities /shortcomings identified
- Significant irregularities/shortcomings identified
- Significant irregularities/shortcomings identified with wide-ranging impact on the audited area

7.3 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 8);
- **repeated financial audits**, where the audited person's response to the 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 Control Committee of the Chamber of Deputies of the Parliament of the Czech Republic; 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 analysis 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 accounting 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 best practices, the SAO also carries out an analysis of the financial results from an accrual and cash perspective, including examples of the use of accrual accounting information (for more details, see the annexes to reports to Audit No 22/16, Audit No 22/17, Audit No 22/18 and Audit No 22/19).

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 communicates them to the expert public.

The SAO regards the following as significant persistent problems:

Problem area	Description of the methodological problem	SAO opinion
Reporting of significant information related to environmental protection	<p>Some specific areas related to the fight against climate change are not covered by the accounting regulations. This includes the following very specific and important information that is the subject of accounting of the MoE (see the report to Audit No 22/18):</p> <ul style="list-style-type: none"> greenhouse gas emission allowances; annual emission allocations; financial assets related to the Modernisation Fund. <p>The SAO considers it important that the notes to the financial statements contain a description of the accounting methods applied and an analysis of the significant balances of items in the financial statements. These descriptions help users to better understand the data reported.</p>	Where unusual important facts are reported, the importance of the notes statement where these facts should be described and explained increases.
Determining materiality for accounting and reporting	<p>Some accounting entities choose not to 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.</p> <p>According to the SAO, however, the obligation to account for these cases cannot be negated or circumvented in this way by adjusting materiality in an internal regulation.</p>	The SAO supports accounting for important facts in order to ensure comparability of the reported information among accounting entities.
Financial instruments co-funded by the EU budget	<p>Financial instruments represent a form of funding provision, mainly from the EU budget, whereby support is provided to beneficiaries in a REPAYABLE FORM (e.g. loans, guarantees, capital investments), as opposed to subsidies (transfers) provided in NON-REPAYABLE FORM. It is reasonable to expect the proportion of financial instruments to increase to the detriment of subsidies.</p> <p>These are accounting cases on the borderline between transfers, receivables and financial assets for which no separate account or item is defined in the selected entities' financial statements. Nor is there a Czech accounting standard that would specifically regulate accounting procedures for financial instruments.</p> <p>In the SAO's opinion, these financial instruments can be reported on the basis of the accounting practice to date in the following ways:</p> <ul style="list-style-type: none"> – through account 069 – Other long-term investments (procedure of the MoI published in Audit No 20/34); – through account 471 – Long-term advance payments for transfers (procedure of the MoE published in Audit No 22/18). <p>Both approaches should be appropriately commented on in the notes to the financial statements.</p> <p>In general, however, other approaches to reporting cannot be ruled out in such cases, as it will always depend on the specific circumstances.</p>	The SAO assists the comparability of financial statement information by describing certain significant and particularly challenging types of accounting cases and the methods of recording them in its reports.
Information reported in off-balance accounts	<p>Information reported in off-balance accounts is not reliable (see, e.g., Audit No 20/33 and Audit No 20/34).</p> <p>It follows from the findings from the audits that, in certain cases (see, e.g., the report to Audit No 16/03), accounting regulations provide the accounting units with the opportunity to choose various approaches, especially to valuation and determination of significance, in reporting information in off-balance accounts.</p> <p>Moreover, accounting regulations do not require information on off-balance facts to be commented on in the notes to the financial statements. This obligation (to specify additional and explanatory information) explicitly applies only to assets, receivables and liabilities of the balance-sheet type, which reduces the usability of the information reported in off-balance accounts.</p>	In the SAO's opinion, there is a risk that the current rules for monitoring off-balance sheet accounts do not provide reliable, comparable and usable information.

Source: audit reports from individual audits.

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

During 2023, the SAO continued its co-operation with professional institutions. This involved various forms of collaboration with the following institutions:

- an annual meeting with representatives of the **Czech Statistical Office**, held in November 2023, on selected issues related to the reliability of accounting and budgetary reporting and national accounts;
- 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.

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.

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

In 2023, the SAO used the audit findings in commenting on draft amendments to legislation. These included:

- personal discussions of the resolution of the SAO's comments on the draft of a new Accounting Act at the MoF;
- **Act** amending certain laws in connection with consolidation of public budgets;
- **amendment to Decree No 383/2009 Coll.**, on accounting records in technical form of selected accounting units and their transfer to the central accounting information system of the state and on requirements for technical and mixed forms of accounting records (technical accounting records decree);
- **amendment to Decree No 412/2021 Coll.**, on budget structure.

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

The SAO is regularly involved in financial audits of international organisations. In 2023, it was represented in the Audit Board of EUROCONTROL.

The SAO also translates the *International Public Sector Accounting Standards* (IPSAS) manual from English into Czech and publishes the text of the IPSAS manual 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

The overall financial value of audit activity is monitored annually in terms of the total volume of funds, assets and liabilities audited. 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 audit operations, their objectives and subjects of focus and the length of the audited period.

The total value of audited finances and property was **CZK 146.3 billion**. This volume is based on audits whose audit report was approved in 2023. 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 conceptual materials and in audits of programme funds as part of the scrutiny of their administrators' work 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 598.5 billion**. The value of finances assessed at system level in audits completed last year was **CZK 485.5 billion**.

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

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

Under the notification duty in 2023, a total of **30** notifications were sent to the relevant tax administrations from **13** audits linked to tax administration. The total amount of funds quantified in these notifications was over **CZK 58 million**. The notifications mainly concerned breaches of obligations identified at subsidy beneficiaries (21) and breaches of obligations by organisational components of the state and contributory organisations (9).

IV. ASSESSMENT OF OTHER ACTIVITIES

1. COOPERATION WITH THE CRIMINAL JUSTICE AUTHORITIES IN 2023

In 2023, the SAO filed **four** notifications based on findings from **two** audits indicating that a crime pursuant to Section 8 (1) of the Criminal Code had been committed.

These notifications concerned a suspected criminal offence of fraud, subsidy fraud and breach of trust.

The criminal justice authorities requested the SAO's cooperation in **nine** cases in 2023. Further to these requests, the SAO provided audit materials from **five** audits.

2. OPINIONS ON DRAFT LEGISLATION IN 2023

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 2023 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 2023, the SAO assessed a total of **147** legislative proposals and non-legislative materials. The SAO issued specific comments on a total of **26** of these proposals, mainly based on findings from its audit work.

The SAO issued a principal comment on the draft substantive intent of the Act on the Management and Control of Public Finances submitted by the MoF. The SAO's comment was aimed at exempting the SAO from the obligation to make its audit plan available to other audit authorities through the planning co-ordination module in the *Financial Control in Public Administration Information System*. The submitter accepted the SAO's comment. Within the legislative process, the draft is in the completed commentary procedure stage and was included in the meetings of selected working committees of the Legislative Council of the Government.

The SAO made another principal comment on the draft amendment to Act No 219/2000 Coll., on the property of the Czech Republic and acts thereof in legal relations, submitted by the MoF. The SAO requested an exemption from the duty to allow the Office of the Government Representation in Property Affairs (OGRPA) to perform inspections of buildings and other related real estate or parts thereof which it manages, uses or benefits from, and to provide the OGRPA with the necessary documents. These comments were discussed in person between representatives of the SAO and the MoF. The submitter accepted the SAO's opinion and provided for an exemption for the SAO from the above-mentioned obligations in the draft document. Within the legislative process, the draft is in the completed commentary procedure stage and was included in the meetings of selected working committees of the Legislative Council of the Government.

Furthermore, within the interdepartmental commentary procedure, the SAO commented especially on the draft Act amending Act No 186/2016 Coll., on games of chance; draft Act amending Act No 211/2000 Coll., on the State Investment Support Fund; draft Act on consolidation of public budgets; draft Act on cybersecurity; draft Act amending Act No 111/2009, on basic registries; draft Act amending Act No 435/2004 Coll., on employment; draft Act on top-up taxes for ensuring a minimum level of taxation for large-scale multinational and large-scale national enterprise groups; draft Act on housing support; and draft decree amending Decree No 412/2021 Coll., on budget structure. The SAO made recommendations pertaining to these materials.

From among the legislative materials submitted by the MoF, the SAO provided extensive comments on the draft Accounting Act in 2022. At the end of 2023, these comments were discussed in person among representatives of the SAO and the MoF, and some of them were accepted by the submitter. Within the legislative process, the draft Act is in the completed commentary procedure stage and was included in the meetings of selected working committees of the Legislative Council of the Government.

From among the non-legislative materials submitted for the commentary procedure, the SAO commented on the *Draft State Closing Account of the Czech Republic for 2023, on the Annual Report on the State of Public Procurement in the Czech Republic for 2022*, on the implementation plans of the *Digital Czechia for 2024* programme, the *Mandate for the Revision of ICT Expenditures and the Updated Strategic Framework Czech Republic 2030 with an outlook to 2050*.

3. INTERNATIONAL COOPERATION

The year 2023 was marked by the SAO's ongoing three-year presidency of the European Organisation of Supreme Audit Institutions (EUROSAI)¹⁵⁹, which aims to provide European audit institutions with platforms and initiatives that will support further development of mutual co-operation in audit activities.

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.

In 2023, SAO representatives attended a total of 109 international events, of which 38 were held online and 71 face-to-face. The situation is fundamentally different from 2022 in this respect, when the total number of international events was the same, but the ratio of face-to-face to online meetings was almost exactly the opposite.

On the occasion of the 30th anniversary of the SAO in September, the SAO organised an international conference "Greening SAIs". This was the largest international event in 2023 in terms of the number of participants.

At the bilateral level, the SAO President held talks with seven of his counterparts at the highest level. He met with some of them several times, whether in person or online.

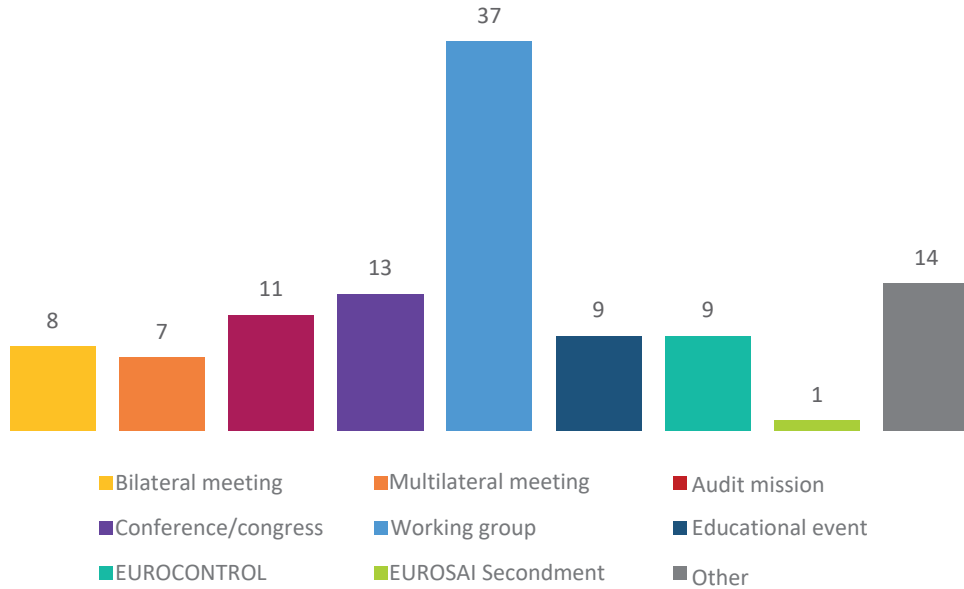
Hamas' bloody attacks in Israel in October have affected the plans to hand over the EUROSAI Presidency to colleagues from the Supreme Audit Institution (SAI) of Israel in person in May 2024 during the XII EUROSAI Congress in Jerusalem. By decision of the 59th EUROSAI Governing Board, the XII EUROSAI Congress will be held online, like the one in the Czech Republic in 2021.

Co-operation with the audit authorities of Russia and Belarus remains suspended because of the ongoing war in Ukraine.

Through international research investigations and expert lectures and consultations, SAO representatives passed on valuable experience to their foreign colleagues, for example, in the field of audit methodology, certification of auditors, data visualisation and audits related to energy, highways and migration.

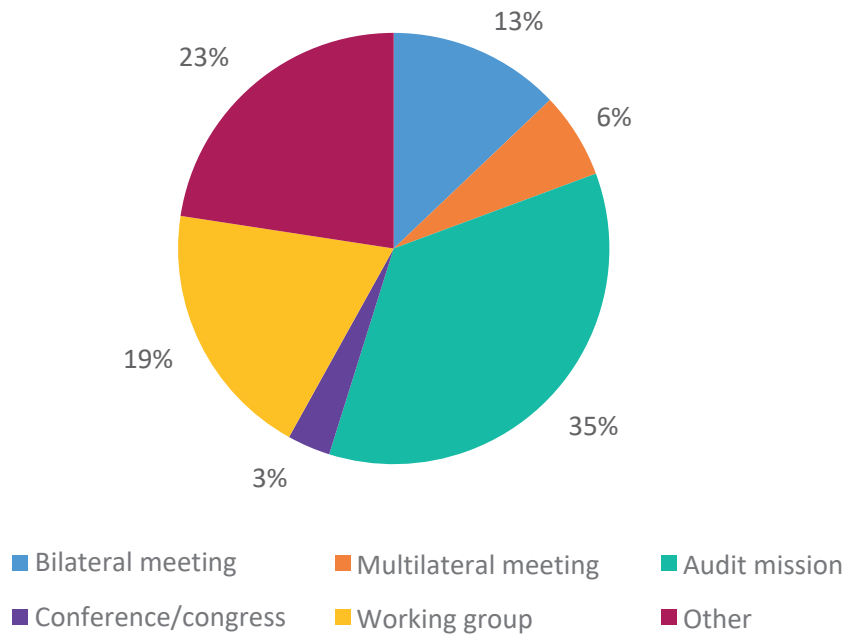
159 See <https://www.euroesai2021.cz/>

Chart 25: Overview of international events with SAO participation



International activities also included EUROSAI’s meetings, audit missions and other activities of the European Court of Auditors (ECA), cooperation of EU audit institutions in the Contact Committee, SAO involvement in the activities of the European Organisation for the Safety of Air Navigation (EUROCONTROL), a professional internship of SAO staff at the Netherlands Court of Audit, cooperation with the INTOSAI Development Initiative (INTOSAI IDI) and international educational events.

Chart 26: International visits to the Czech Republic and meetings organised by SAO



The first part of 2023 was marked mainly by bilateral negotiations at the highest level held in Prague. On 25 January 2023, the SAO President met with his Slovak counterpart, President of the Slovak SAO Ľubomír Andrassy, from 21 to 22 February 2023 with the President of the Italian SAI Guido Carlino, and from 27 February to 1 March 2023 with the President of the Slovenian SAI Jana Ahčin. The above meetings focused mainly on the course of the SAO's presidency in EUROSAI, increasing the impact of audits, construction of a new SAO headquarters and the challenges currently faced by the audit institutions.



Ten employees of the Romanian SAI completed a one-week educational stay at the SAO in February, focusing on the course of the audit process, implementation of the standards of the International Organization of Supreme Audit Institutions (INTOSAI), quality management system for audits and audit digitalisation.

The second meeting of the Reference Group on the Implementation of a proactive approach to SAI independence focused on the independence of SAIs. This event gathering a total of 25 representatives of European audit institutions took place from 24 to 28 April 2023. Participants from Cyprus, Poland, Montenegro and North Macedonia presented their experience with the SIRAM mechanism. The meeting was officially opened by the SAO President and SAO representatives presented a paper entitled "Independence as a value in EUROSAI".



A total of 26 participants, including the highest representatives of the SAIs of Poland, Hungary, Slovakia, Austria and Slovenia, met with the SAO President and other representatives of the audit section between 3 and 5 May 2023 in Brno at the regular annual V4+2 meeting. The meetings focused especially on the issue of increasing the impact of audits.



On 26 September 2023, on the occasion of the 30th anniversary of its establishment, the SAO organised an international conference titled “Greening SAIs” at the conference hall of its new Prague headquarters, where 136 guests, including 11 top representatives of European audit institutions, met to discuss environmental audits. At the conference, the SAO President Miloslav Kala launched a new tradition: the awarding of the SAO President’s Prize, honouring Kay Scheller, President of the German SAI, for his outstanding contribution to the promotion of external audits.

During the conference, the current Chairpersons and representatives of the INTOSAI and EUROSAI Secretariats also discussed joint international projects in the field of auditing and strengthening future co-operation. They also committed themselves to uploading relevant audit information into the Benchmarking Information Exchange Project (BIEP) platform created by the SAO for international benchmarking purposes.



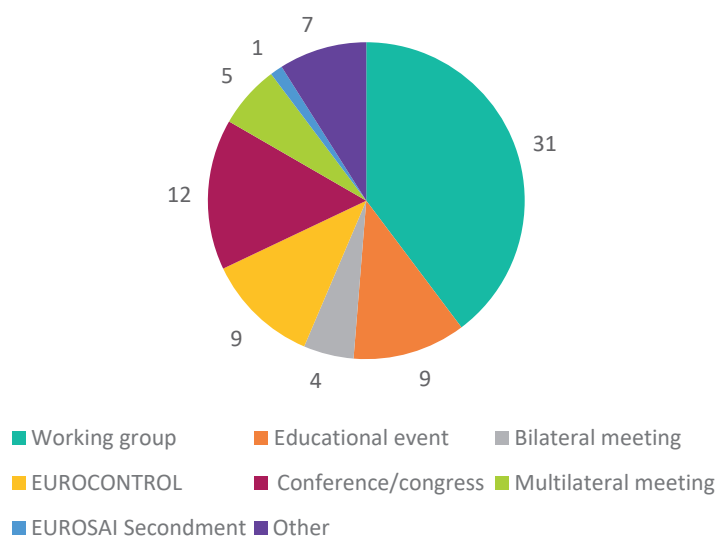
A total of 70 participants from 26 countries gathered at the INTOSAI Working Group on Environmental Auditing held in Prague on 25 and 26 September 2023. The meeting included four expert workshops on energy security, energy efficiency, renewable energy and green fiscal policy tools. Representatives of the SAO and the SAIs of Cyprus, Germany, Latvia, Poland, Spain and Sweden, among others, discussed the results of audits in the field of sustainable energy.



In the autumn, two more bilateral meetings at the highest level took place at the SAO's new headquarters. The SAO President was visited by the General State Auditor of SAI Northern Macedonia, Maksim Acevski, on 23 October 2023 and the President of SAI Moldova, Marian Lupu, on 28 November 2023. The meetings focused on sharing experience with the impact of audits in the above countries and in the Czech Republic.



Chart 27: Participation of SAO representatives in international events and meetings abroad



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

The largest share of international activities, i.e. 34%, consisted in SAO representatives' and auditors' involvement in working groups. For many years, the SAO has been actively participating in the activities of international working groups and projects, 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 information technology, one on environmental auditing, one on the audit of funds allocated to disasters and catastrophes, and one on municipality audit¹⁶⁰, along with the Network for Ethics¹⁶¹. 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 current EUROSAI strategic plan, and about the ongoing projects and audits.

The EUROSAI Working Group on Information Technologies (WGIT)¹⁶² consisting of 42 members and led by the Estonian SAI held a webinar titled "Identify yourself: the devious road to eID" about the role of SAIs in the development of the environment and services for electronic identification. The 16th WGIT meeting took place on 10–11 October 2023 in Warsaw and focused on the challenges national governments face as they seek to maintain control over their data while taking advantage of digital technologies.

Two meetings of the EUROSAI Working Group on Environmental Auditing (WGEA)¹⁶³, led by the SAI of Poland, were held, the first in Poland in May, and the second in September in the Czech Republic. The working group's topics in 2023 were energy security and efficiency, renewable energy and green fiscal policy tools.

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

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

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

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

163 See <https://www.euosaiwgea.org/>.

Furthermore, there are 18 expert project groups operating under the auspices of EUROSAI¹⁶⁴. In 2023, the SAO was involved in the following project groups:

- English for auditors (led by SAI Poland);
- ECIIA/EUROSAI collaboration (led by SAI Latvia);
- experts'/auditors' club (led by SAI Lithuania);
- data wrapping analysis method and other methods in audit activities (led by SAI Sweden);
- updating the EUROSAI website (led by SAI Spain);
- audit of the response to the COVID-19 pandemic (led by SAI United Kingdom);
- secondment programme (led by the SAO);
- preparation for future risks and the climate crisis (led by SAI United Kingdom);
- review of EUROSAI rules (led by SAI Spain);
- EUROSAI's Strategic Plan for 2024–2030 (led by SAI Israel);
- technical support for SAI Ukraine (led by United SAI Kingdom).
- advantages and methodology of real-time audits (led by SAI Italy).

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

The informal ECA working group of performance audit experts in the transport sector, bringing together 12 audit institutions from the EU, met online three times. The members of the group inform each other about the ongoing and upcoming audits related to transport infrastructure.

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

- Representatives of the NextGenerationEU recovery instrument (NGEU) and the *Recovery and Resilience Facility* came together five times in 2023 (only once in person, specifically on 4 to 5 October 2023 at the ECA's headquarters) and discussed the ongoing and planned audits of national recovery plans.
- The Fiscal Policy Audit Network Meeting, which took place from 13 to 15 September 2023, was concerned with the reform of the EU's fiscal rules, the response of fiscal policy to recent crises such as the pandemic, high inflation, war in Ukraine and energy.
- The members of the Contact Committee Working Group on Value Added Tax discussed the development of VAT in the EU and the issue of IT-related challenges in the area of VAT in Bucharest on 20 and 21 September 2023.
- On 30 November 2023, the start-up meeting of a new Contact Committee initiative focusing on energy sector audits was held in The Hague.

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

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

- The INTOSAI Working Group on Environmental Auditing (INTOSAI WGEA), based in Helsinki, organised the 19th meeting of the Steering Committee in Rabat, Morocco on 13 to 16 March 2023, launching new projects within the group's work plan for 2023–2025 focusing on climate change, biodiversity and green economy. On 1 December 2023, the INTOSAI WGEA organised an online panel discussion at the *COP28 UN Climate Change Conference: Impact for Climate Action – Supreme Audit Institutions Call for Effective Implementation of Climate Policies*.
- The subject of the expert webinar of the INTOSAI Working Group on Evaluation of Public Policies and Programs (INTOSAI WGEPPP) held on 15 March 2023 was the sharing of experiences in the field of evaluation of economic measures during the COVID-19 disease pandemic.
- The meeting of the INTOSAI Professional Standards Committee took place from 27 to 28 September 2023 at the ECA headquarters in Luxembourg. Members continued to work on completing the strategic plan and discussed the committee's activities over the past year.

Bilateral and multilateral meetings outside the Czech Republic

A symposium of European SAIs was held in London from 30 to 31 January 2023 with 39 SAIs in attendance. Issues related to crises and emergencies were discussed. The main topics were preparedness and resilience, as well as digitalisation and the use of new technologies.

On 27–28 March 2023, a technical level meeting of the EUROSAI Governing Board was held in Jerusalem with the participation of 26 delegates from 12 audit institutions. In addition to the traditional evaluation of the work of the individual EUROSAI working groups, one of the key points was the preparation of the new *EUROSAI Strategic Plan 2024–2030* and the XII EUROSAI Congress.



On 29 March 2023, a conference on “30 Years of Audit” was held in Bratislava as part of the celebration of the 30th anniversary of the Slovak SAO. The SAO President made a speech on the value and mission of SAIs.



The purpose of the bilateral visit of the SAO President at the Spanish Court of Auditors in April was to deepen co-operation between the two SAIs and to exchange experience and knowledge in planning and conducting audits. Another objective was to discuss the agenda of the 58th EUROSAI Governing Board meeting and the progress in preparation of the XII EUROSAI Congress with Enriqueta Chicano Jávega, President of the Spanish SAI's and EUROSAI's Secretary General.

The SAO President as the President of EUROSAI officially unveiled a plaque indicating the seat of the EUROSAI Secretariat in the Spanish SAI's building in Madrid.

The 58th EUROSAI Governing Board meeting was held in Vilnius from 14 to 15 June 2023. The meeting, chaired by the SAO, was also attended by other members of the EUROSAI Governing Board, several observers on account of their work in INTOSAI, co-chairs of strategic goals and rapporteurs on other items on the meeting's agenda. The meeting covered the activities of EUROSAI working groups, the preparation of the EUROSAI budget for the period 2025–2027, information on the INTOSAI Governing Board meeting, etc.



On 21 and 22 June 2023, 22 top representatives of EU Member States' audit institutions met in a Contact Committee meeting held in Lisbon, Portugal to present their experience with audits of national recovery plans and the energy sector. The agenda included the challenges and demands placed on EU Member States especially by Russia's invasion of Ukraine. The part concerned with the *Recovery and Resilience Facility* and the national recovery plans was hosted by the SAO President together with the President of SAI Portugal.



On 28 June 2023, at the request of Marian Banaś, President of the Polish SAI, the SAO President presented as EUROSAI's President at the Senate of the Republic of Poland before the Senators of the Committee on Legal Affairs on the subject of defence of the independence of supreme audit authorities.

On 27–29 June 2023, a working meeting focused on visualisation and elements of data storytelling took place in Bratislava. This full-day workshop for Slovak colleagues was led by an expert from the SAO.



On the occasion of the 100th anniversary of the Latvian Audit Office, a one-day conference titled “Audit Strength” was held at the National Library in Riga in August 2023. The SAO President officially opened the conference. The conference included a joint discussion between the top representatives of the audit institutions of the EUROSAI Governing Board and the Eastern Partnership countries.



Since 2022, the SAO has been running the EUROSAI Secondment Programme aimed at exchanging professional experience through placement in a foreign audit institution. In September, two employees of the SAO spent three days in the Design Audit Studio of the Netherlands Court of Audit, discussing ways of maximising the impact of audits using design and data visualisation.

Under the auspices of the European Confederation of Institutes of Internal Auditing (ECIIA), the SAO President opened on 6 October in Brussels the ECIIA/EUROSAI Forum, which focused on strengthening the co-operation of internal auditors from the public sector and from audit institutions. The forum was attended by about 50 internal auditors from the public sector and audit institutions of European countries.



The international thematic conference on the *Role of Supreme Audit Institutions for the Benefit of Citizens* was held under the auspices of the National Audit Office of Kosovo from 11 to 13 October 2023 in Prishtina. A member of the Board of the SAO gave a presentation on the financial and systemic impact of audits on the lives of citizens and on changing the behaviour of audited entities.

In October and November 2023, the SAO President was invited to a reciprocal bilateral meeting with the presidents of Italian and Romanian audit authorities. The subject of the meeting were the current inspections of these authorities, international relations and the leadership of EUROSAI. The visit to Romania also included meetings with the country's top political representatives – the Vice-President of the Romanian Chamber of Deputies, the President of the Romanian Senate, and the Prime Minister of Romania. The SAO President also held discussions with students of the Academy of Economic Studies.

Between 20 and 21 November 2023, the President and Vice-President of the SAO participated in two ceremonial events in Vienna. On the occasion of the celebration of the 60th anniversary of the INTOSAI Secretariat, the Austrian Court of Audit held a reception at its headquarters as part of the 77th INTOSAI Steering Committee meeting. The second event was the celebration of INTOSAI's 70th anniversary held in the newly renovated Austrian Parliament building.

The Polish SAI held an opening meeting of the Three Seas Initiative in Warsaw on 5 and 6 December 2023. During the meetings, representatives of the Supreme Audit Institutions of countries officially involved in the Three Seas Initiative presented areas that might be subject to audits. The aim of the meeting was also to strengthen co-operation in this area and, where appropriate, to co-operate on joint audits relating to cross-border projects.

SAO auditors also regularly share their professional experience with their foreign colleagues at various international conferences. Topics such as the environment and climate change, information design and data visualisation, EU cohesion policy, methods of monitoring information systems, etc. reverberated in 2023.

Participation in international training activities

The SAO's employees and representatives regularly participate in international professional seminars, workshops and online webinars. In 2023, trainings concerned areas such as fraud investigations in the area of EU spending, machine learning, communication, corruption, artificial intelligence, etc. These trainings were provided, e.g., by the Hungarian Institute of Internal Auditors, ECIIA, the European Commission, the ECA and the European Anti-Fraud Office.

4. THE SAO'S PUBLIC OUTREACH

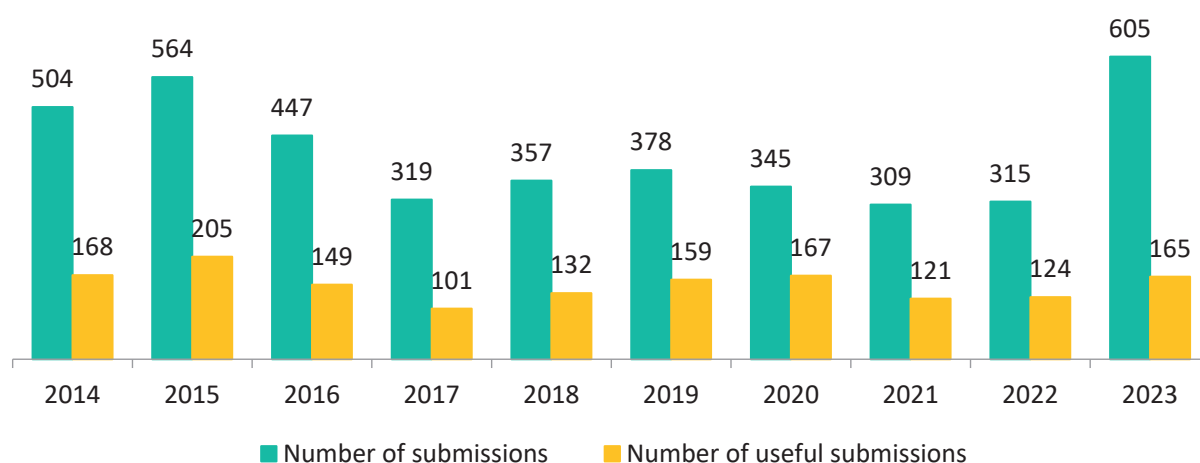
4.1 PROVISION OF INFORMATION PURSUANT TO ACT NO 106/1999 COLL., ON FREE ACCESS TO INFORMATION

In 2023, the SAO received fifteen written requests for information pursuant to Act No 106/1999 Coll., on free access to information, as amended (hereinafter the "Information Act"). In response to thirteen requests, the SAO provided the required information in their entirety, such as information on the results of audit activities and the provision of audit reports (including declassified reports), information on the overviews of audits and documents for diploma theses. The SAO issued two decisions rejecting parts of requests. This related to information regarding forming an opinion, new information, or information covered by an exemption from the obligation to provide information, as well as questions about the economic management of municipalities that were not audited entities in the SAO's audits. No appeals were filed against the SAO's decisions. All the requests for information were dealt with within the statutory time limits.

4.2 CITIZENS' SUBMISSIONS

In 2023, the SAO's Communication Department registered 605 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 2023, the SAO received 165 external suggestions that could thus be acted on, i.e. 27% 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.

Chart 28: Overview of the total number of submissions and their usefulness for the SAO's audit activities from 2014 to 2023



Most communication from citizens to the SAO in 2023 was again in electronic form, primarily email, data box and the *Write to us* application on the SAO website.

5. MANAGEMENT OF FINANCES ALLOCATED TO THE SAO BUDGET CHAPTER IN 2023

5.1 COMPLIANCE WITH MANDATORY INDICATORS OF THE SAO BUDGET CHAPTER

The approved budget of chapter 381 – *Supreme Audit Office* for 2023 was established by Act No 449/2022 Coll., on the state budget of the Czech Republic for 2023.

An overview of compliance with the defined mandatory indicators in 2023 is given in the following table:

Table 11: Overview of the fulfilment of the set mandatory indicators in 2023 (CZK)

	Approved budget	Budget after changes (BaC)	Final budget (R3)	Real budget	% fulfillment to BaC	% fulfillment to R3
Overall indicators						
Total revenues	625,517.00	625,517.00	-	907,868.28	145.14	-
Total expenditures	630,992,091.00	636,139,267.00	917,384,892.88	776,531,461.04	122.07	84.65
Specific indicators - revenues						
Total non-tax revenue, capital revenue and transfers received	625,517.00	625,517.00	-	907,868.28	145.14	-
In which: Total revenue from the EU budget excluding Common Agricultural Policy	0.00	0.00	-	0.00	0.00	-
Total miscellaneous non-tax revenue, capital revenue and transfers received	625,517.00	625,517.00	-	907,868.28	145.14	-
Specific indicators - expenditures						
Expenditure on performance of SAO's duties	630,992,091.00	636,139,267.00	917,384,892.88	776,531,461.04	122.07	84.65
Cross-cutting indicators						
Staff salaries and other payments for work performed	373,687,829.00	373,687,829.00	374,323,049.00	361,001,628.00	96.61	96.44
Obligatory insurance premiums paid by the employer	126,306,486.00	126,306,486.00	121,958,189.00	120,150,886.00	95.13	98.52
Basic allocation of the cultural and social needs fund	6,814,004.00	6,814,004.00	6,556,706.00	6,549,916.00	96.12	99.90
Salaries of staff in active employment, excluding staff in official positions	340,700,235.00	340,700,235.00	327,835,455.00	327,416,438.00	96.10	99.87
Salaries of staff in official positions under the Civil Service Act	-	-	-	-	-	-
Salaries of staff in official positions according to Act No. 240/2000 Coll.	-	-	-	-	-	-
Total expenditure co-financed in full or in part by the EU budget (excluding Common Agricultural Policy)	-	-	-	-	-	-
In which: from the state budget	-	-	-	-	-	-
EU budget share	-	-	-	-	-	-
Total expenditure registered in EDS/SMVS programme financing information system	16,600,000.00	21,747,176.00	206,144,644.88	130,944,730.14	602.12	63.52

Revenue

Actual revenues in the SAO budget chapter were CZK 907.87 thousand, i.e. 145.14% of the approved budget revenue of **CZK 625.52** thousand. The reason for the increase in revenue was the lease of the canteen in the new SAO headquarters.

Expenditure

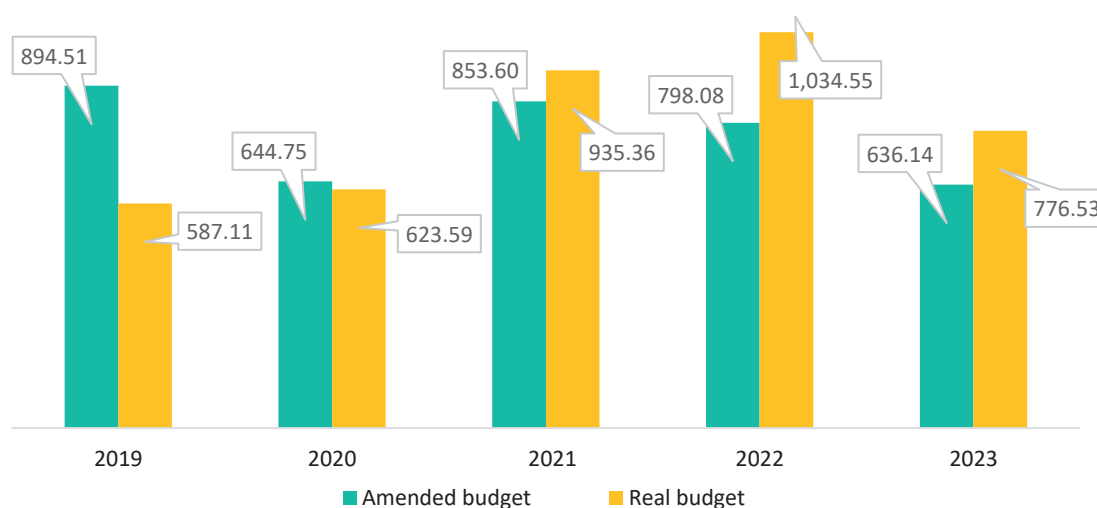
The approved expenditure for the budget chapter amounting to **CZK 630,992.01 thousand** was increased by the budget measure by the amount of CZK 5,147.18 thousand to the adjusted amount of CZK 636,139.27 thousand. Savings of CZK 298,716 thousand from previous periods carried forward and tied funds totalling CZK 17,470.36 thousand were included in the budget. The final budgeted expenditure was CZK 917,384.89 thousand and the amount of CZK 776,531.46 thousand was actually spent, equalling 123.07% of the approved budget, 122.07% of the budget after changes and 84.65% of the final budget.

The biggest expenditure item (CZK 481,261.86 thousand, i.e. 74.03%) 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 2023.

Chart 29 gives an overview of expenditure in budget chapter 381 – *Supreme Audit Office* from 2019 to 2023. After changes, the budget decreased by CZK 258,370 thousand in the period from 2019 to 2023. The main reason for the decrease in the 2023 budget was the difference in funding for the construction of the SAO headquarters. In 2019, funds in the amount of CZK 309,500 thousand were allocated in the budget for the construction and furnishing of the new headquarters, and none in 2023.

Chart 29: Summary of expenditure of Chapter 381 - *Supreme Audit Office* - according to the amended budget and budget implementation for 2019-2023 (CZK million)



5.2 CLAIMS FROM UNUSED EXPENDITURE

Claims from unused expenditure stood at CZK 125,494.96 thousand as at 31 December 2023. Claims amounting to CZK 298,716 thousand were factored into the budget in 2023.

5.3 EXPENDITURE ON ASSET REPLACEMENT PROGRAMME FINANCING

The approved budget for expenditure on asset replacement programme financing was CZK 16,600 thousand. The budget was adjusted through budgetary measures and the A heading due to the requirements for modification of the premises of the SAO's headquarters for the Chamber of Deputies' Office in the amount of CZK 5,147.18 thousand. Claims from unused expenditure amounting to CZK 184,397.47 thousand were factored into budget. The final budget thus amounted to CZK 206,144.64 thousand. The amount of CZK 130,944.73 thousand of the budget was utilised, i.e. 788.82% of the approved budget and 63.52 % 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 completion of modifications and furnishing of the headquarters. No budget was approved; only claims from unused expenditure in the amount of CZK 180,789.46 thousand were factored in. Drawdown reached CZK 122,497.16 thousand.

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 2023, a budget of CZK 16,600 thousand was approved. Unspent expenditure in the amount of CZK 3,608 thousand was factored and funds from the Chamber of Deputies' Office in the amount of CZK 5,147.18 thousand were transferred into the budget. The final budget thus amounted to CZK 25,355.18 thousand. The programme's aim is to put in place the right material and technical conditions for the performance of audit work and employees on the nationwide scale. The amount spent on the programme in 2023 was CZK 8,447.57 thousand.

5.4 INFORMATION ON EXTERNAL AUDITS

The following audits were carried out by external bodies at the SAO in 2023:

- Annual occupational safety and health protection conducted by Pavel Havlík¹⁶⁵ for the period March 2022 – March 2023, with the conclusion that the inspection **did not reveal any shortcomings endangering the health and safety of SAO employees.**
- On 10 August 2023, the Customs Office for the Central Bohemian Region carried out an on-the-spot inspection pursuant to Sections 80 to 84 of Act No 280/2009 Coll., the Tax Code, as amended, focusing on checking compliance with the conditions of the permit for the purchase of liquefied petroleum gases put into free tax circulation.
The result of the inspection showed that no deficiencies were found.
- On 22 September 2023, DW Hygiene s.r.o., represented by MVDr. Dana Walterová, with its registered office at Vrázova 352, 664 61 Rajhrad, carried out a random inspection of the operation and functionality of the Hazard Analysis and Critical Control Points (HACCP)¹⁶⁶ at the training centre of the SAO.
The final evaluation concluded that the operator complies with all hygiene requirements for catering services. All employees conscientiously comply with the criteria following from the established HACCP system.

¹⁶⁵ Professionally Qualified Person in ensuring risk prevention tasks – certificate No ROVS/851/PREV/2021.

¹⁶⁶ The Hazard Analysis and Critical Control Points (HACCP) system in food production is one of the basic tools to effectively prevent food safety risks.

- On 24 October 2023, the Regional Hygiene Centre of the Central Bohemia Region, based in Prague, carried out an inspection of compliance with the law, in particular Regulation (EC) No 852/2004 of the European Parliament and of the Council on food hygiene and Act No 258/2000 Coll., on the protection of public health and amending certain related acts, as amended, at the training centre of the Supreme Audit Office.

The inspection found no inadequacies.

- On 30 November 2023, the General Health Insurance Company (Všeobecná zdravotní pojišťovna) inspected the payments of public health insurance premiums and compliance with other duties of the payer of premiums pursuant to Act No 48/1997 Coll., on public health insurance, as amended, and Act No 592/1992 Coll., on premiums for public health insurance, as amended.

The inspection did not reveal any arrears with any payments to the General Health Insurance Company or any other deficiencies in records as at the inspection date.

In a procedure to issue an administrative order pursuant to Section 150 of the Code of Administrative Procedure, the Ministry of Finance of the Czech Republic decided on 8 December 2023 that the SAO was guilty of an infraction pursuant to Section 8 (4) of Act No 25/2017 Coll., on collection of certain data for the purposes of monitoring and management of public finances, as amended (the Act on Collection of Certain Data), as it failed to properly submit the relevant data as at 31 December 2021 to the Central System of State Accounting Information by 11 March 2022 and thus violated the provisions of Section 6 (1) and (2) and Section 7 (1) of the Act on Collection of Certain Data. Specifically, the SAO failed to submit a report on its public-private sector partnership projects, or its public contracts as defined in Section 6 (3) of the Act on Collection of Certain Data. The SAO was given an administrative penalty in the form of a warning in relation to the above-mentioned offence under the provisions of Section 45 of the Infractions Act.

In its decision, the MoF stated that, in view of the fact that the report would most probably have almost no contents and its value would have been close to zero, the said infraction posed low harmfulness to society and the warning was primarily imposed to prevent the issue in the future. At the same time, the MoF noted that the nature and gravity of the infraction, which is determined especially from the significance of the interest protected by the law, which was violated by the infraction, was absolutely marginal in this case. As a mitigating circumstance, the MoF also took into account the lack of issues in fulfilment of the obligation in 2019, 2020 and 2022. It is clear that this error had no impact on the completeness and veracity of the accounts. This was not a serious error on the part of the SAO, but a formal technical error that did not happen again in the following year, and the SAO adopted the necessary measures to ensure the error would not be repeated.

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 of 31 December 2023 and its expenses and revenues and profit/loss for the year ended 31 December 2023 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 SAO; 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 4.392.

The Internal Audit Department operated on the basis of the approved annual plan and carried out a total of five audits and two consultations in 2023.

Table 12: Number of completed contracts according to the internal audit plan for 2023

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
5	2	1 ¹⁶⁷

Source: reports on internal audit findings and records of consultations.

Based on a request of the SAO President, the internal audit department¹⁶⁸ included internal Audit No 2023/06 in addition to the approved annual plan.

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. Benefits, costs and side effects have been and are being considered in the choice of all measures. It was and is not possible for all measures, including those that are not effective, efficient or economical, to be applied to every single case, state or situation. The internal audit department regularly assesses the implementation of adopted measures and monitors them until they are fully executed.

On 27 February 2024, the President of the Supreme Audit Office, Ing. Miloslav Kala, received and signed the *Annual Report on the Results of Internal Audit for 2023*. 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.”*

¹⁶⁷ Extraordinary audit No 2023/06.

¹⁶⁸ In accordance with Section 30 (6) of Act No 320/2001 Coll., on financial control in public administration and amending certain acts (Act on Financial Control), as amended.

In 2023, the Internal Audit Department did not find deficiencies with a significant risk of adversely affecting the SAO's activities or causing a decrease in the SAO's financial performance.

The internal audits produced no serious findings within the meaning of Section 22 (5) of the Financial Control Act¹⁶⁹. 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 2023.

7. SECURITY DEPARTMENT

The security department is responsible for duties following for the SAO from the legislation on the protection of classified information. The department also takes care of buildings security, operation of security systems, occupational health and safety, fire protection and internal protection of SAO data and information. Crisis management also falls within the competence of the security department. The security department performs tasks in the area of cybersecurity pursuant to Act No 181/2014 Coll., on cybersecurity and amending related laws (the Cybersecurity Act) in co-operation with the administrative section.

The security department actively participated in the completion of the construction of the SAO's headquarters and its relocation, especially in ensuring perimeter security of the building, in coordination with the requirements of the Police of the Czech Republic, the National Security Authority and the National Cyber and Information Security Agency. New secure areas have been activated and classified information has been moved.

The established security strategy and the perimeter security system contributed to the SAO's IS obtaining certification for information classified as "Secret".

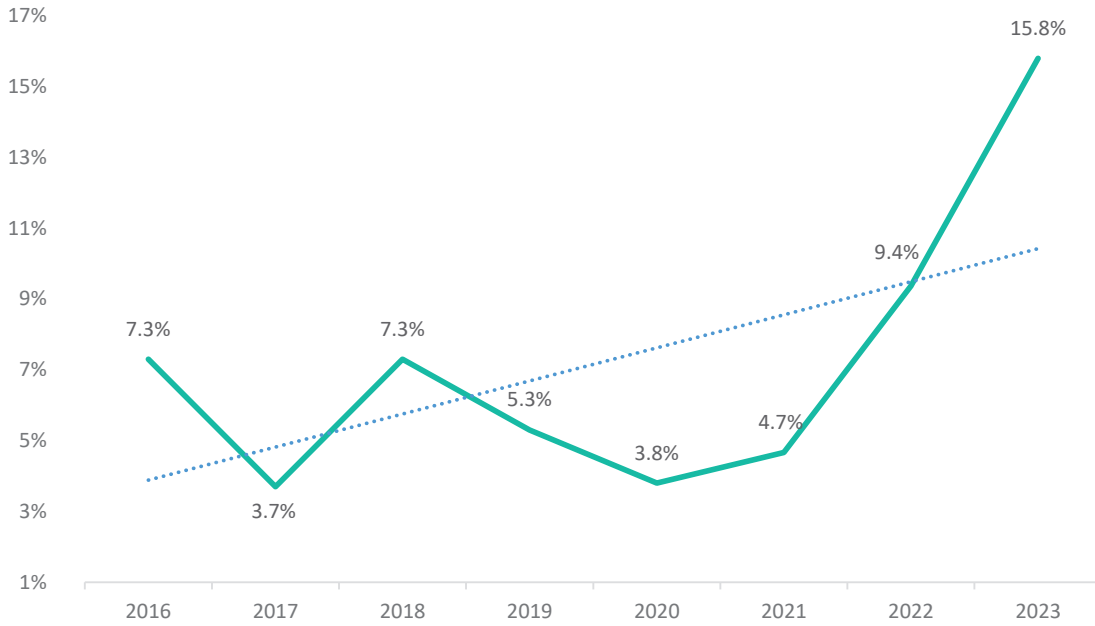
8. SAO STAFFING

In 2023, the SAO had 454 employees¹⁷⁰, 296 of whom worked in the audit section; this equals 65.2% of the total registered average number of SAO employees in 2023. During 2023, 69 new employees were hired and 10 others returned to work after parental leave. A total of 87 employees ended their employment. The fluctuation rate in 2023 was 15.8%. Chart 30 shows how the annual employee fluctuation rate evolved in the SAO from 2016 to 2023.

¹⁶⁹ Act No 320/2001 Coll., on state budgets in the public administration and amending some related laws (the Act on Financial Audits), as amended.

¹⁷⁰ Average registered number of employees for 2023.

Chart 30: Development of the annual turnover rate of SAO staff for the period 2016-2023



The converted average number of SAO employees for 2023 was 438.4; the converted average number of employees in the audit section for 2023 was 287.3. Chart 31 shows the converted average number of SAO employees and employees of the Prague and territorial departments for the 2013 to 2023 period.

Chart 31: Development of the average number of SAO employees for the period 2013-2023

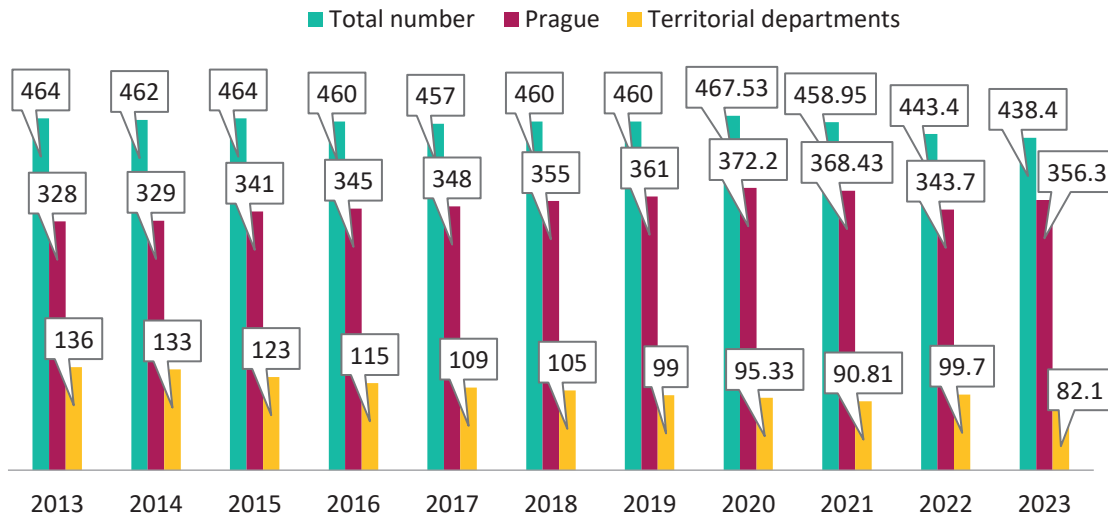
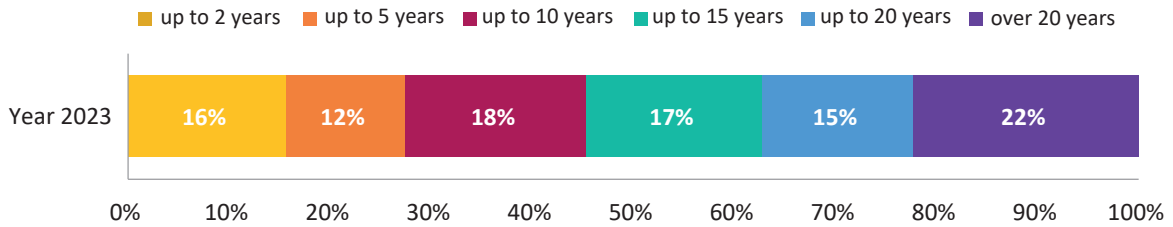


Chart 32 shows the duration of SAO employees' employment as of 31 December 2023. 15.63% of the total number of employees had been employed by the SAO for less than two years as at that date. 22.27% of the total workforce had been employed by the SAO for over 20 years.

Chart 32: Overview of employment duration at SAO as of 31 December 2023 (%)



The SAO offers its employees equal working conditions and opportunities. Chart 33 shows the proportion of men and women employed at the SAO in 2023.

Chart 33: Proportional representation of men and women employed by SAO in 2023 (%)

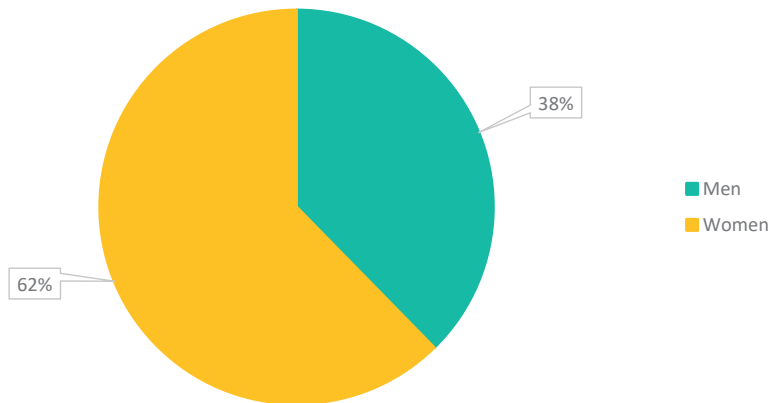
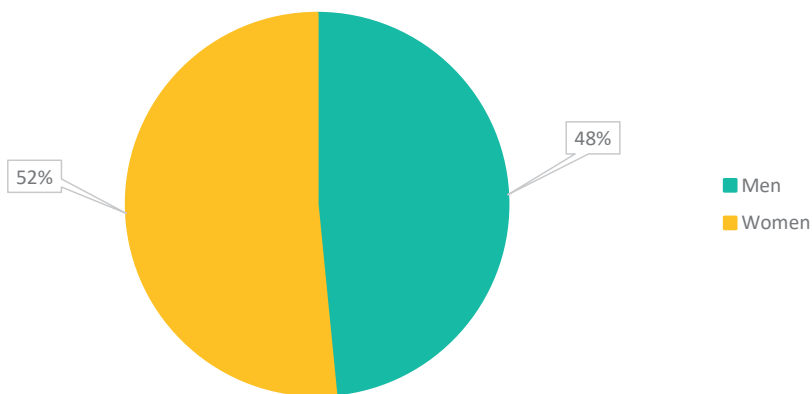


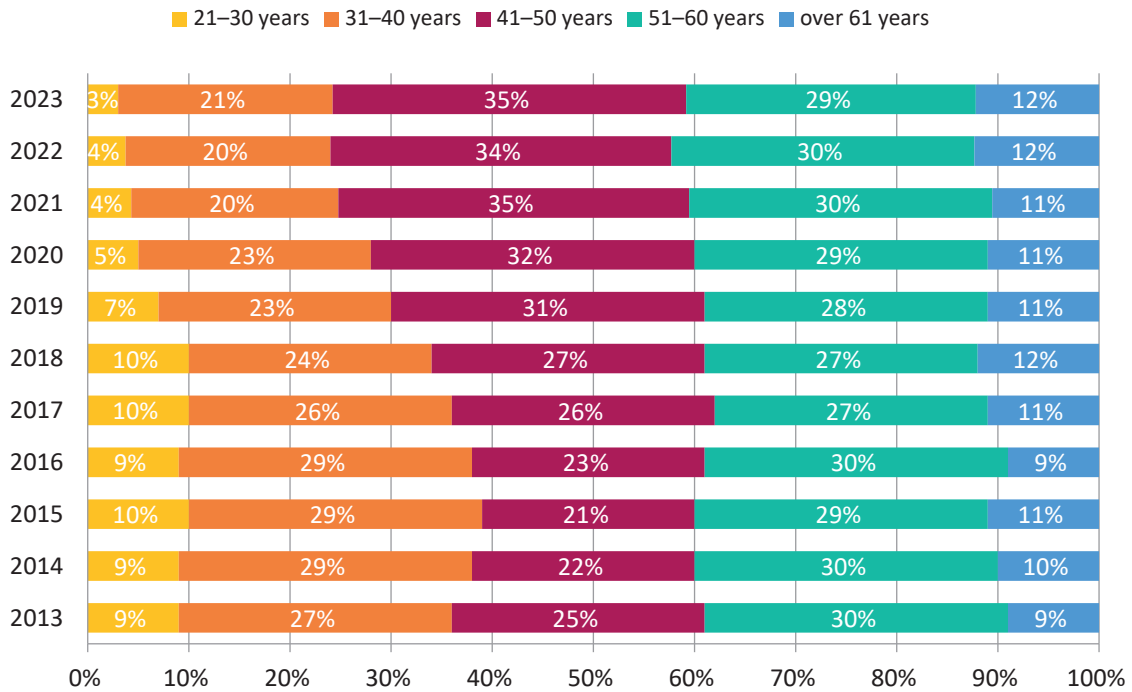
Chart 34 shows the relative representation of men and women in SAO management positions as of 31 December 2023.

Chart 34: Representation of men and women in senior positions at SAO, as of 31 December 2023 (%)



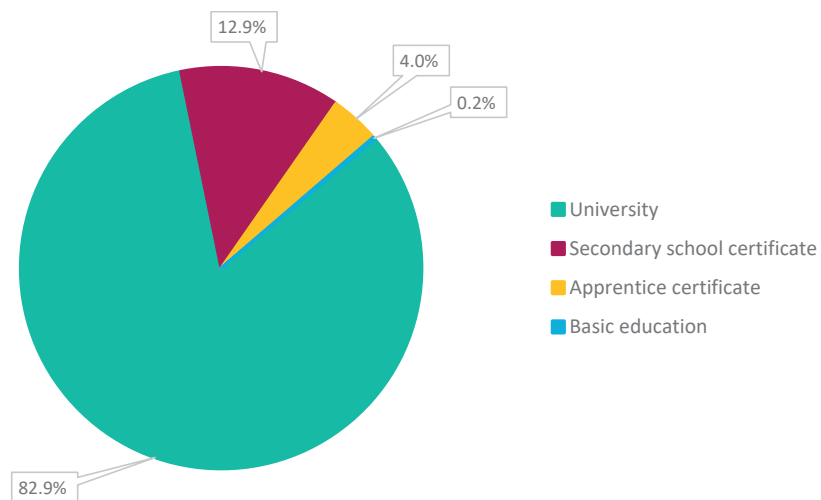
The average age of SAO employees in 2023 was 49 years. The age structure of the SAO staff as of 31 December 2023 and a comparison with the years 2013 to 2023 is shown in Chart 35.

Chart 35: Overview of the age structure of SAO employees for the period 2013-2023 (comparison as of 31 December 2013)



As of 31 December 2023, 82.93% of the SAO's employees were university-educated. An overview of the educational structure of SAO staff as of 31 December 2023 is given in Chart 36.

Chart 36: Qualification structure of SAO employees by education as of 31 December 2023



Labour-law, salary and other demands of SAO employees were satisfied in accordance with the valid collective bargaining agreement.

Training and development

In 2023, the SAO continued to provide an extensive training system aimed at strengthening the knowledge and skills of its staff, with a portfolio including a wide range of courses, programmes, seminars and conferences. These were selected with regard to the departments’ and individuals’ specialisation and current needs.

Educational activities were conducted across the entire organisation and trainings were led not only by external experts, but also by internal specialists, especially from the audit section. In addition to professional training, increased attention was paid in 2023 also to specialised courses focusing, among other things, on performance audits, critical thinking, NIS 2, data processing tools, as well as communication and presentation skills.

New employees were undergoing extensive initial trainings as part of the onboarding process. Selected employees of the audit section then continued with the expert educational programme *Auditor II* or *Auditor III*.

An integral part of the training and development was also language training in English and, for selected employees, in French and German.

Chart 37: Number of participants by type of training

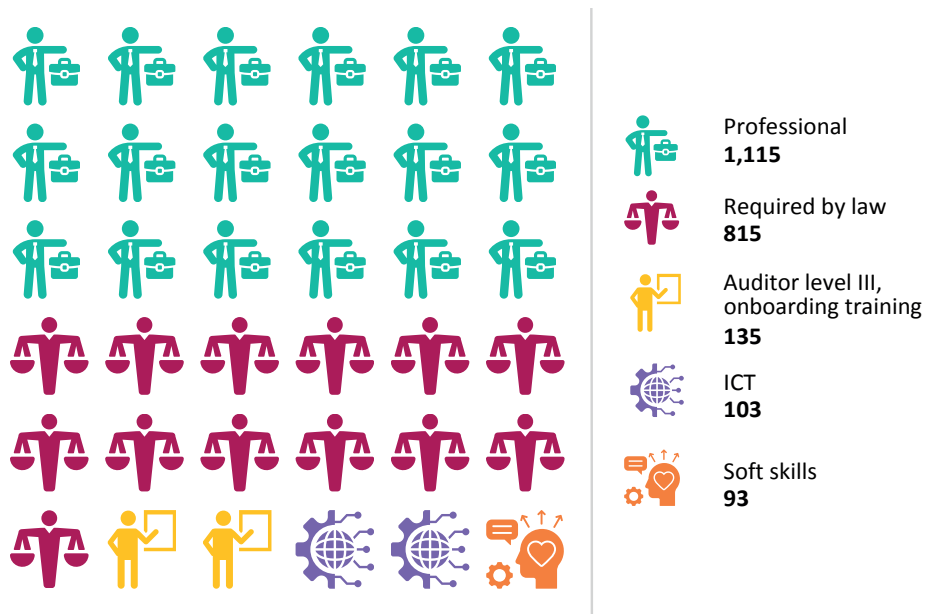


Chart 38: Employee participation in training activities by section (%)

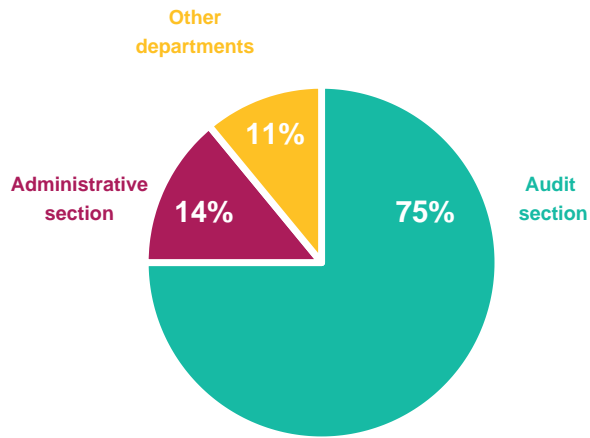
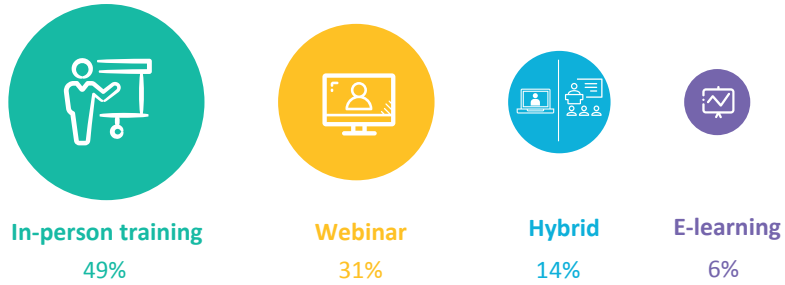
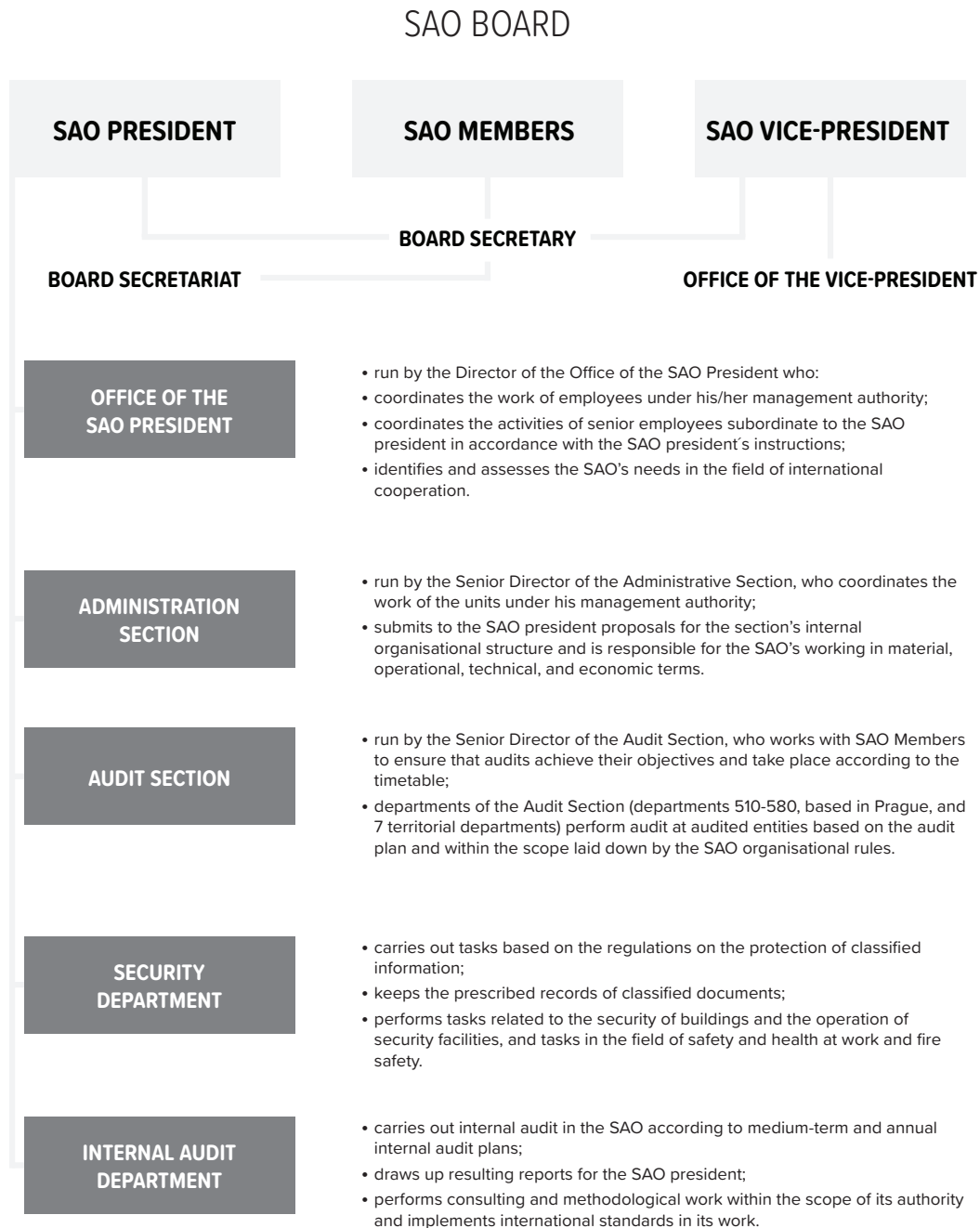


Chart 39: Types of training activities in 2023 (%)



9. ORGANISATIONAL STRUCTURE OF THE SAO



Annex 1: Audits included in the Audit Plan for 2023

Audits included in the Audit Plan for 2023						
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
23/01	State funds earmarked for the removal of old environmental burdens created before privatization	1/2023	10/2023	MoF, MoE	Ing. Hrnčíř	SAO Board
23/02	State budget funds earmarked for measures in the tourism industry	1/2023	10/2023	MoRD	RNDr. Koniček	SAO Board
23/03	State budget funds spent by the Ministry of Defence on radiation, chemical and biological protection	1/2023	10/2023	MoD	RNDr. Neuvirt	SAO Board
23/04	State funds earmarked for the support of sports and sports representation and state property and funds managed by the National Sports Agency	1/2023	11/2023	MoEYS, NSA	JUDr. Ing. Kalivoda	SAO Board
23/05	Funds spent on a system of basic registers and selected information systems that obtain, collect and provide data based on special regulations	2/2023	2/2024	Mol, CSO, COSMC	Ing. Kubiček	SAO Board
23/06	State and EU funds spent on measures of the <i>Rural Development Programme for the period 2014-2020</i>	3/2023	1/2024	MoA	Ing. Kinšt	SAO Board
23/07	State and EU funds earmarked for improving air quality	4/2023	3/2024	MoE	RNDr. Neuvirt	SAO Board
23/08	State funds spent by the Ministry of Defence on the engineering troops of the Czech Armed Forces	4/2023	1/2024	MoD	Ing. Šmucr	SAO Board
23/09	State funds earmarked for selected measures against tax evasion	5/2023	4/2024	MoF	Ing. Kubiček	SAO Board
23/10 – D	State budget funds spent by the Ministry of the Interior on the acquisition, storage and disposal of equipment of the Police of the Czech Republic	5/2023	3/2024	Mol	Ing. Procházka	SAO Board
23/11	State and EU funds earmarked for the care system for children at risk and its transformation	11/2023	9/2024	MoLSA, MoEYS, MoH	Mgr. Sklenák	SAO Board

Audits included in the Audit Plan for 2023						
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
23/12	Funds collected on the basis of law in favour of the Health Insurance Company of the Ministry of the Interior of the Czech Republic	6/2023	3/2024	MoH	Ing. Stárek	SAO Board
23/13	State and EU funds earmarked for the development of combined freight transport	5/2023	5/2024	MoT	Ing. Procházka	SAO Board
23/14	Funds intended for the regeneration of brownfields for non-business use	6/2023	4/2024	MoRD	Ing. Beznoska	SAO Board
23/15	State funds intended for cultural activities from the budget chapter of the Ministry of Culture	7/2023	5/2024	MoC	JUDr. Ing. Kalivoda	SAO Board
23/16	State and EU funds spent by the Ministry of Industry and Trade on brownfield regeneration	8/2023	5/2024	MoIT	Ing. Beznoska	SAO Board
23/17	Closing account of state budget chapter Ministry of Transport for 2023, financial statements of the Ministry of Transport for 2023 and data submitted by the Ministry of Transport for evaluation of state budget	8/2023	6/2024	MoT	Ing. Reisiegl, MPA	SAO Board
23/18	Closing account of state budget chapter Technological Agency of the Czech Republic for 2023, financial statements of the Technological Agency of the Czech Republic for 2023 and data submitted by the Technological Agency of the Czech Republic for evaluation of state budget implementation for the year 2023	8/2023	7/2024	TACR	Ing. Steidlová	SAO Board
23/19	Closing account of state budget chapter Industrial Property Office for 2023, financial statements of the Industrial Property Office for 2023 and data submitted by the Industrial Property Office for evaluation of state budget implementation for the year 2023	8/2023	6/2024	IPO	Ing. Reisiegl, MPA	SAO Board
23/20	Closing account of state budget chapter Ministry of Regional Development for 2023, financial statements of the Ministry of Regional Development for 2023 and data submitted by the Ministry of Regional Development for evaluation of state budget implementation for the year 2023	8/2023	7/2024	MoRD	Ing. Steidlová	SAO Board

Audits included in the Audit Plan for 2023						
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
23/21	State and EU funds earmarked for competitive projects to support employment and adaptability of the workforce from the operational programme Employment 2014–2020	9/2023	6/2024	MoLSA	Ing. Koucký	SAO Board
23/22	State and EU funds spent in connection with shifting the focus of psychiatric care to the community	9/2023	7/2024	MoH, MoLSA	Mgr. Sklenák	SAO Board
23/23	State funds from the corporate income tax and the administration of this tax	10/2023	7/2024	MoF	RNDr. Koniček	SAO Board
23/24	State property and funds managed by selected state enterprises in liquidation within the purview of the Ministry of Industry and Trade and the Ministry of Agriculture	The audit was excluded from the Audit Plan.				
23/25	Funds spent by the Ministry of Labour and Social Affairs on the digitalization of selected agendas	6/2023	4/2024	MoLSA	Ing. Koucký	SAO Board
23/26	State funds earmarked for repairs and maintenance of A-class roads	10/2023	7/2024	MoT	Ing. Hrnčíř	SAO Board
23/27	State budget funds earmarked for the preparation and securing the presidency of the Czech Republic in the EU Council in 2022	11/2023	8/2024	MoFA, OoG CR	Ing. Procházka	SAO Board
23/28	State property and funds managed by selected testing institutes within the purview of the Ministry of Industry and Trade	11/2023	9/2024	MoIT	Ing. Šmucr	SAO Board
23/29	State and EU funds earmarked for the support of social inclusion	11/2023	8/2024	MoLSA, MoRD	Ing. Stárek	SAO Board
23/30	Management of the state property and spending of funds from the Ministry of Defence chapter in the areas in which deficiencies were detected in audits No 18/02, No 18/17, No 19/13 and No 19/20	11/2023	7/2024	MoD	Ing. Kinšt	SAO Board
23/31	State and EU funds earmarked for land improvements	11/2023	9/2024	MoA	Ing. Kubiček	SAO Board
23/32	State and EU funds earmarked for the construction and reconstruction of pedestrian walkways	The audit was excluded from the Audit Plan.				

Annex 2: Overview of audits with an approved audit report in 2023

Overview of audits with an approved audit report in 2023						
Audit No	Subject of audit	Chapter administrator	The audit report is drawn up by SAO member	Audit report approved by	Date of approval	Publication in the SAO Bulletin volume/year
21/37	State and EU funds earmarked for D1 motorway modernisation	MoT	Ing. Málek	SAO Board	3 April 2023	3/2023
22/01	Funds spent on the Time-Related Toll system according to Act No. 13/1997 Coll., On Roads	MoT	Ing. Procházka	SAO Board	13 Feb 2023	1/2023
22/05	State budget funds provided to state contributory organizations	MoF, MoT, MoE, MoA	RNDr. Koniček	SAO Board	31 July 2023	4/2023
22/06	Funds spent on projects and activities to ensure the modernization of public administration	Mol	RNDr. Neuvirt	SAO Board	11 Dec 2023	1/2024
22/07	State funds earmarked for a compensation bonus in connection with measures to mitigate the consequences of the COVID-19 pandemic	MoF	JUDr. Ing. Kalivoda	SAO Board	24 April 2023	3/2023
22/08	State and EU funds earmarked for the construction of the D35 motorway	MoT	Ing. Šmucr	SAO Board	18 Sept 2023	4/2023
22/09	State and EU funds earmarked for measures for the protection and care of nature and landscape	MoE	RNDr. Neuvirt	SAO Board	20 March 2023	3/2023
22/10	State and EU budget funds earmarked for the realization and implementation of gender audits	MoLSA	Ing. Koucký	SAO Board	27 Feb 2023	1/2023
22/11	State funds earmarked for the cars of the Czech Armed Forces	MoD	RNDr. Neuvirt	SAO Board	20 March 2023	3/2023
22/12	State funds earmarked for the preparation and provision of the system of protection of the population	Mol, MoH	Ing. Šmucr	SAO Board	27 Feb 2023	1/2023
22/13	State property and funds under the management of selected university hospitals	MoH	Ing. Stárek	SAO Board	17 July 2023	4/2023
22/14	State funds spent to increase preparedness for managing risks and disasters	MoRD, Mol	Ing. Procházka	SAO Board	24 April 2023	3/2023
22/15	State and EU funds earmarked for the support of fisheries in the Czech Republic from the Fisheries Operational Programme 2014–2020	MoA	JUDr. Ing. Kalivoda	SAO Board	22 May 2023	3/2023

Overview of audits with an approved audit report in 2023						
Audit No	Subject of audit	Chapter administrator	The audit report is drawn up by SAO member	Audit report approved by	Date of approval	Publication in the SAO Bulletin volume/year
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	MoJ	Ing. Steidlová	SAO Board	17 July 2023	4/2023
22/17	Closing account of state budget chapter Ministry of Agriculture for 2022, accounting of the Ministry of Agriculture for 2022, and data submitted by the Ministry of Agriculture for evaluation of state budget	MoA	Ing. Reisiegel, MPA	SAO Board	5 June 2023	4/2023
22/18	Closing account of state budget chapter Ministry of the Environment for 2022, accounting of the Ministry of the Environment for 2022, and data submitted by the Ministry of the Environment for evaluation of state budget implementation for the year 2022	MoE	Ing. Steidlová	SAO Board	16 Oct 2023	6/2023
22/19	Closing account of state budget chapter State Office for Nuclear Safety for 2022, accounting of the State Office for Nuclear Safety for 2022, and data submitted by the State Office for Nuclear Safety for evaluation of state budget implementation for the year 2022	SONS	Ing. Reisiegel, MPA	SAO Board	5 June 2023	3/2023
22/20	Funds spent on the implementation of selected objectives of the National eHealth Strategy	MoH	Ing. Koucký	SAO Board	28 Aug 2023	4/2023
22/21	State budget funds provided by the Ministry of Industry and Trade for institutional support of research organizations	MoIT	Ing. Beznoska	SAO Board	22 May 2023	3/2023
22/22	State funds provided for the preservation and restoration of cultural monuments through the budget chapter of the Ministry of Culture	MoC	Ing. Hrnčíř	SAO Board	17 July 2023	4/2023
22/23	VAT administration with a focus on the area of excessive deductions	MoF	Ing. Kubíček	SAO Board	16 Oct 2023	6/2023
22/24	State and EU funds for the construction of sewers	MoA, MoE	RNDr. Koniček	SAO Board	18 Sept 2023	4/2023
22/26	Funds spent on increasing road safety	MoT	Ing. Kinšt	SAO Board	18 Sept 2023	4/2023
22/27	State funds earmarked for housing support	MoRD	JUDr. Ing. Kalivoda	SAO Board	27 Nov 2023	1/2024

Overview of audits with an approved audit report in 2023						
Audit No	Subject of audit	Chapter administrator	The audit report is drawn up by SAO member	Audit report approved by	Date of approval	Publication in the SAO Bulletin volume/year
22/28	State and EU budget funds earmarked for employment support	MoLSA	Ing. Stárek	SAO Board	16 Oct 2023	6/2023
22/29	State funds earmarked for the preparation, construction, and operation of the D4 motorway in the form of a Public-Private Partnership (PPP)	MoT	Ing. Procházka	SAO Board	16 Oct 2023	6/2023
22/30	Funds spent in connection with palliative care	MoH	Ing. Šmucr	SAO Board	18 Sept 2023	4/2023
22/31	State funds related to the activities of state administration bodies in the area of gambling and gambling tax administration	MoF	Mgr. Sklenák	SAO Board	22 May 2023	3/2023
22/32	State property and funds under the management of the Office of the President of the Republic, of the Prague Castle Administration and of the Lány Forestry Administration	OoP CR	Ing. Beznoska	SAO Board	30 Jan 2023	Not yet published
23/01	State funds earmarked for the removal of old environmental burdens created before privatization	MoF, MoE	Ing. Hrnčíř	SAO Board	13 Nov 2023	1/2024
23/02	State budget funds earmarked for measures in the tourism industry	MoRD	RNDr. Koniček	SAO Board	13 Nov 2023	Not yet published
23/03	State budget funds spent by the Ministry of Defence on radiation, chemical and biological protection	MoD	RNDr. Neuvirt	SAO Board	13 Nov 2023	Not yet published
23/04	State funds earmarked for the support of sports and sports representation and state property and funds managed by the National Sports Agency	MoEYS, NSA	JUDr. Ing. Kalivoda	SAO Board	11 Dec 2023	Not yet published

Annex 3: Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023						
Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
136	7 Dec 2023	28	21/38	10/23 624/23	78/23	The CBC notes: (a) AR No 21/38, (b) the opinion of the MoJ contained in Part IV of Government Material No 10/23, (c) Government Resolution No 78/23, (d) the information from the MoJ on the implementation of the measures taken to remedy the shortcomings referred to in the AR, contained in Part II of Government Material No 694/23.
135	7 Dec 2023	28	21/25	1037/22 149/23	775/22	The CBC notes: (a) AR No 21/25, (b) the opinion of the MoFA contained in Part III of Government Material No 1037/22, (c) Government Resolution No 775/22, (d) the MoFA's information on the implementation of the AR measures contained in Part II of Government Material No 149/23.
134	7 Dec 2023	28	21/21	86/23 856/23	243/23	The CBC I. notes: (a) AR No 21/21, (b) the opinion of the MoI, the MoH and the MoC contained in Part III of Government Material No 86/23, (c) Government Resolution No 243/23, (d) the evaluation of the subsidy programmes of the MoI, MoC and MoH for increasing the protection of soft targets contained in Part II of Government Material No 856/23; II. submits an initiative to the SAO pursuant to Section 17(3) of Act No 166/1993 Coll., on the SAO, to carry out a follow-up audit of the spending of state funds on the soft target protection system.
133	7 Dec 2023	28	21/35	1069/22 157/23	779/22	The CBC notes: (a) AR No 21/35, (b) the report of the MoH contained in Part IV of Government Material No 1069/22, (c) Government Resolution No 779/22, (d) the information of the MoH on the implementation of the measures resulting from the report of the MoH on the AR, contained in Part II of government document No 157/23.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
132	7 Dec 2023	28	21/08	750/22 207/23	771/22	The CBC I. notes: (a) AR No 21/08, (b) the opinion of the MoI contained in Part IV of Government Material No 750/22, (c) Government Resolution No 771/22, (d) the information of the MoI on the implementation of the corrective measures to the AR contained in Part II of Government Document No 207/23; II. asks the Government of the Czech Republic to prioritise the discussion in the Parliament of the Czech Republic of the draft law on housing support, which is under the responsibility of the MoRD, and recommends accelerating the legislative process within the framework of the adoption of the law.
130	2 Nov 2023	27	21/12	1361/22 669/23	76/23	The CBC notes: (a) AR No 21/12, (b) the opinion of the MoF contained in Part III of Government Material No 1361/22, (c) Government Resolution No 76/23, (d) the MoF's information on the state of implementation of the measures taken to remedy the shortcomings referred to in the AR, contained in Part II of Government Material No 669/23.
129	2 Nov 2023	27	21/27	1522/22 671/23	71/23	The CBC notes: (a) AR No 21/27, (b) the opinion of the MoI contained in Part IV of Government Material No 1522/22, (c) Government Resolution No 71/23, (d) the information of the MoI on the state of implementation of the measures taken to remedy the shortcomings referred to in the AR, contained in Part II of Government Material No 671/23.
128	2 Nov 2023	27	21/06	1302/22 543/23	970/22	The CBC notes: (a) AR No 21/06, (b) the opinion of the MoE contained in Part III of Government Material No 1302/22, (c) Government Resolution No 970/22, (d) the information from the MoE on the status of implementation of the measures taken to remedy the shortcomings referred to in the AR, contained in Part II of Government Material No 543/23.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
127	2 Nov 2023	27	21/13	758/22 201/23	772/22	<p>The CBC</p> <p>I. notes:</p> <p>(a) AR No 21/13,</p> <p>(b) the MoIT's opinion contained in Part IV of Government Material No 758/22,</p> <p>(c) Government Resolution No 772/22,</p> <p>(d) the MoIT's information on the implementation of the measures taken on the AR contained in Part II of Government Material No 201/23;</p> <p>II. asks the MoIT to consider the possibility of using ČPP Transgas, s.p., in securing the strategic interests of the state and to inform the Control Committee of the Parliament of the Czech Republic of its conclusions by 30 June 2024 at the latest.</p>
124	19 Oct 2023	26	20/25	163/22 1000/22	173/22	<p>The CBC notes:</p> <p>(a) AR No 20/25,</p> <p>(b) the opinion of the MoJ contained in Part IV of Government Material No 163/22,</p> <p>(c) Government Resolution No 173/22,</p> <p>(d) the information on the implementation of the measures taken to remedy the shortcomings referred to in the AR, contained in Part II of Government Material No 1000/22.</p>
123	19 Oct 2023	26	21/33	276/23 838/23	246/23	<p>The CBC</p> <p>I. notes:</p> <p>(a) AR No 21/33,</p> <p>(b) the opinion of the MoA contained in Part III of Government Material No 276/23,</p> <p>(c) Government Resolution No 246/23,</p> <p>(d) the information from the MoA on the status of implementation of the measures taken to remedy the shortcomings referred to in the AR, contained in Part II of Government Material No 838/23;</p> <p>II. requests the Minister of Agriculture to submit information to the Committee on Budgetary Control of the Chamber of Deputies of Parliament of the Czech Republic on the current status of implementation of the corrective measures by 30 November 2023.</p>

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
122	19 Oct 2023	26	21/15	1180/22 453/23	968/22	The CBC I. notes: (a) AR No 21/15, (b) the opinion of the MoA contained in Part III of Government Material No 1180/22, (c) Government Resolution No 968/22, (d) the information of the MoA on the status of implementation of the measures taken to remedy the shortcomings referred to in the AR, contained in Part II of Government Material No 453/23; II. requests the Minister of Agriculture to submit information to Committee on Budgetary Control of the Chamber of Deputies of Parliament of the Czech Republic on the current status of implementation of the corrective measures by 15 December 2023.
121	19 Oct 2023	26	21/24	1401/22	75/23	The CBC notes: (a) AR No 21/24, (b) the opinion of the MoH contained in Part IV of Government Material No 1401/22, (c) Government Resolution No 75/23.
120	19 Oct 2023	26	21/18	776/22 148/23	774/22	The CBC I. notes: (a) AR No 21/18, (b) the opinion of the MoFA contained in Part III of Government Material No 776/22, (c) Government Resolution No 774/22, (d) the MoFA's information on the implementation of the measures to the AR contained in Part II of Government Material No 148/23; II. requests the Minister for Foreign Affairs to submit to Committee on Budgetary Control of the Chamber of Deputies of Parliament of the Czech Republic: (a) by 1 December 2023, an updated timetable for the preparation and implementation of the introduction of the new economic information system of the MoFA, (b) by 1 December 2023, 1 June 2024, 1 December 2024 and 1 June 2025, information on the preparation and implementation of the new economic information system of the MoFA.
119	19 Oct 2023	26	20/34	689/23	651/23	Discontinued

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
117	19 Oct 2023	26	20/19	105/22 970/22	169/22	The CBC notes: (a) AR No 20/19, (b) the opinion of the MoI contained in Part IV of Government Material No 105/22, (c) the opinion of the MoE contained in Part V of Government Material No 105/22, (d) Government Resolution No 169/22, (e) the information of the MoI and the MoE on the implementation of the corrective measures to the AR contained in Part II of Government Material No 970/22.
116	19 Oct 2023	26	21/36	1441/22 705/23	77/23	The CBC notes: (a) AR No 21/36, (b) the opinion of the MoT and the Railway Administration contained in Part IV of Government Material No 1441/22, (c) Government Resolution No 77/23, (d) the information of the MoT and the Railway Administration on the implementation of the measures taken on the AR contained in Part II of Government Material No 705/23.
113	21 Sept 2023	25	20/10	1045/21 400/22	930/21	The CBC notes: (a) AR No 20/10, (b) the opinion of the MoI contained in Part III of Government Material No 1045/21, (c) Government Resolution No 930/21, (d) the information of the MoI on the implementation of the measures to the AR contained in Part II of Government Material No 400/22.
112	21 Sept 2023	25	21/14	1148/22 408/23	967/22	The CBC notes: (a) AR No 21/14, (b) the opinion of the MoI contained in Part IV of Government Material No 1148/22, (c) Government Resolution No 967/22, (d) the information of the MoI on the implementation of the corrective measures pursuant to the Government Resolution on the AR, contained in Part II of Government Material No 408/23.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
111	21 Sept 2023	25	21/17	1276/22 440/23	964/22	The CBC notes: (a) AR No 21/17, (b) the opinion of the MoH contained in Part IV of Government Material No 1276/22, (c) the opinion of the Mol contained in Part V of Government Material No 1276/22, (d) Government Resolution No 964/22, (e) information on the implementation of the measures resulting from the opinion of the MoH and the Mol on the AR, contained in Parts III and IV of Government Material No 440/23.
110	21 Sept 2023	25	20/24	1095/22 445/23	963/22	The CBC notes: (a) AR No 20/24, (b) the opinion of the MoH contained in Part VII of Government Material No 1095/22, (c) Government Resolution No 963/22, (d) the information of the MoH on the result of the control of the implementation and effectiveness of the measures taken to eliminate or prevent deficiencies resulting from the AR, contained in Part II of Government Material No 445/23.
109	21 Sept 2023	25	20/02	523/21	646/21	The CBC notes: (a) AR No 20/02, (b) the opinion of the MoF contained in Part III of Government Material No 523/21, (c) Government Resolution No 646/21.
107	22 June 2023	23	20/14	1122/22 520/23	965/22	The CBC notes: (a) AR No 20/14, (b) the opinion of the MoT contained in Part IV of Government Material No 1122/22, (c) Government Resolution No 965/22, (d) the MoT's information on the implementation of the measures taken on the AR, contained in Part II of Government Material No 520/23.
106	22 June 2023	23	20/13	899/21	927/21	The CBC notes: (a) AR No 20/13, (b) the MolT's opinion contained in Part IV of Government Material No 899/21, (c) Government Resolution No 927/21.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/ year)	Summary of the Committee's Resolution
105	22 June 2023	23	20/16	1204/21 998/22	175/22	The CBC notes: (a) AR No 20/16, (b) the opinion of the MoC contained in Part IV of Government Material No 1204/21, (c) Government Resolution No 175/22, (d) the information of the MoC on the implementation of the measures of the MoC and the National Heritage Institute on the AR contained in Part II of Government Material No 998/22.
103	22 June 2023	23	21/05	813/22 160/23	776/22	The CBC notes: (a) AR No 21/05, (b) the opinion of the MoF contained in Part III of Government Material No 813/22, (c) Government Resolution No 776/22, (d) the MoF's information on the state of implementation of the measures taken to remedy the shortcomings referred to in the AR, contained in Part II of Government Material No 160/23.
102	22 June 2023	23	21/19		96/D	The CBC notes: (a) AR No 21/19, (b) the MoD's opinion submitted to the Government, (c) Government Resolution No 96/D of 1 February 2023, (d) the MoD's information on the implementation of the measures taken to remedy the shortcomings mentioned in the AR, contained in the Government Material in question.
101	22 June 2023	23	20/29		791/D	The CBC I. notes: (a) AR No 20/29, (b) the MoD's opinion submitted to the Government, (c) Government Resolution No 791/D of 14 September 2022; II. requests the Minister of Defence to ensure that the measures taken to address the shortcomings identified in the AR are consistently implemented.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
94	25 May 2023	21	20/22	1519/21 1352/22	454/22	The CBC notes: (a) AR No 20/22, (b) the opinion of the MoLSA contained in Part IV of Government Material No 1519/21, (c) Government Resolution No 454/22, (d) information on the implementation of the measures contained in the opinion of the MoLSA on the AR, contained in Part II of Government Material No 1352/22.
93	25 May 2023	21	20/32	101/23 1111/23	244/23	Discontinued
88	13 April 2023	18	21/34	814/22 218/23	777/22	The CBC notes: (a) AR No 21/34, (b) the opinion of the MoF and the MoT contained in Part III of Government Material No 814/22, (c) Government Resolution No 777/22, (d) the information of the MoF and MoT on the state of implementation of the measures taken to remedy the shortcomings mentioned in the AR, contained in Part II of Government Material No 218/23.
87	13 April 2023	18	21/02	543/22 1336/22	458/22	The CBC I. notes: (a) AR No 21/02, (b) the MoD's opinion contained in Part IV of Government Material No 543/22, (c) Government Resolution No 458/22, (d) the evaluation of the MoD measures on the AR contained in Part II of Government Material No 1336/22; II. recommends to the Minister of Defence that, in the case of major investment projects, conditions are created for the economical and efficient use of state budget funds so that project documentation, start dates, extensions and other extra work do not substantially increase the original value of the contracts.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
86	13 April 2023	18	20/03	583/21 140/22	647/21	The CBC I. notes: (a) AR No 20/03, (b) the MoD's opinion contained in Part IV of Government Material No 583/21, (c) Government Resolution No 647/21, (d) the evaluation of the MoD measures on the AR contained in Part II of Government Material No 140/22; II. recommends to the Minister of Defence that during the acquisition process the measures for optimisation and implementation of acquisitions, including the military testing of functional samples, are strictly observed.
82	2 Feb 2023	16	20/27	1361/21 1367/22	455/22	The CBC notes: (a) AR No 20/27, (b) the opinion of the GIBS contained in Part IV of Government Material No 1361/21, (c) Government Resolution No 455/22, (d) the material for the information of the members of the Government on the tasks of Government Resolution No 455 of 1 June 2022 on the AR, contained in Part II of Government Material No 1367/22.
81	2 Feb 2023	16	19/28	455/21 1385/21	460/21	The CBC notes: (a) AR No 19/28, (b) the opinion of the MoEYS contained in Part III of Government Material No 455/21, (c) Government Resolution 460/21, (d) the information on the implementation of the corrective measures resulting from the AR contained in Part II of Government Material No 1385/21.
80	2 Feb 2023	16	19/19	1567/20 999/21	254/21	The CBC notes: (a) AR No 19/19, (b) the opinion of the MoEYS contained in Part III of Government Material No 1567/20, (c) Government Resolution No 254/21, (d) information on the implementation of the measures contained in the opinion of the MoEYS and the MoRD on the KZ contained in Part II of Government Material No 999/21; II. asks the MoEYS, the MoRD, the CRD CR, the OoG CR and other providers of funds to ensure that the funds provided to less developed regions and economically and socially threatened areas are indeed provided in a targeted and effective manner so that the disparities between regions are actually compensated.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
79	2 Feb 2023	16	19/31	48/21 880/21	255/21	The CBC notes: (a) AR No 19/31, b) the opinion of the MoEYS contained in Part III of Government Material No 48/21, (c) Government Resolution No 255/21, (d) the information on the implementation of the corrective measures resulting from the CP contained in Part II of Government Material No 880/21.
78	2 Feb 2023	16	20/12	1075/21 527/22	932/21	The CBC notes: (a) AR No 20/12, b) the opinion of the OoG CR, the MoJ, the MoEYS and the MoH contained in Part III of Government Material No 1075/21, (c) Government Resolution No 932/21, d) evaluation of the measures taken to eliminate the shortcomings identified in the opinion of the OoG CR, the MoJ, the MoEYS and the MoH on the AR, contained in Part II of Government Material No 527/22.
75	19 Jan 2023	15	20/01	1221/21 1414/22	453/22	The CBC notes: (a) AR No 20/01, (b) the opinion of the MoLSA and the CSSA contained in Part IV of Government Material No 1221/21, (c) Government Resolution No 453/22, (d) the information of the MoLSA on the implementation of the measures contained in the opinion of the MoLSA and the CSSA on the AR contained in Part II of Government Material No 1414/22.
74	19 Jan 2023	15	20/20	919/21 488/22	928/21	The CBC notes: (a) AR No 20/20, b) the MoIT's opinion contained in Part IV of Government Material No 919/21, (c) Government Resolution No 928/21, (d) the information of the MoIT on the implementation of the measures taken on the AR contained in Part II of Government Material No 488/22.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2023

Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
71	19 Jan 2023	15	19/21	1601/20 884/21	257/21	The CBC notes: (a) AR No 19/21, (b) the opinion of the MoRD contained in Part IV of Government Material No 1601/20, (c) Government Resolution No 257/21, (d) the information of the MoRD on the status of implementation of the measures taken to remedy the shortcomings referred to in the AR, contained in Part II of Government Material No 884/21.
70	19 Jan 2023	15	19/26	142/21 1417/21	457/21	The CBC I. notes: (a) AR No 19/26, (b) the opinion of the NCISA and the Mol contained in Part IV of Government Material No 142/21, (c) Government Resolution No 457/21, (d) the information of the NCISA on the implementation of the measures contained in the opinion of the NCISA and the Mol on the AR, contained in Part II of Government Material No 1417/21; II. requests the Director of the NCISA, in cooperation with the Mol and the MoF, to consider, in the framework of the current preparation of the law on cyber security and related decrees or other appropriate legislation, also measures to introduce the registration of funds spent on cyber security within individual chapters of the state budget and to submit to the CoC by 30 June 2023 information on the implementation of this resolution.
69	19 Jan 2023	15	19/11	580/20 242/21	718/20	The CBC notes: (a) AR No 19/11, (b) the opinion of the Mol contained in Part III of Government Material No 580/20, (c) Government Resolution No 718/20, (d) the information of the Mol on the implementation of the measures included in the opinion on the AR contained in Part II of Government Material No 242/21.
68	19 Jan 2023	15	21/04	782/22	773/22	The CBC notes: (a) AR No 21/04, (b) the ASMR opinion contained in Part IV of Government Material No 782/22, (c) Government Resolution No 773/22.

Annex 4: Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2023

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2023					
Government Resolution No	Date of meeting	Government Material No	Audit No	Government-imposed measures	Date of measure
900	22 Nov 2023	487/23	21/29	The government instructs the Deputy Prime Minister and the Minister of Labour and Social Affairs to implement the measures contained in the opinion referred to in Part IV of material No 487/23 and to inform the government of their implementation within six months of the adoption of this resolution.	22 May 2024 (within six months)
884	22 Nov 2023	958/23	22/11	The government instructs the Minister of Defence to carry out and evaluate the implementation of the measures contained in the opinion referred to in Part IV of material No 958/23 and to inform the government of their implementation within six months of the adoption of this resolution.	22 May 2024 (within six months)
883	22 Nov 2023	900/23	22/17	Without instruction	–
882	22 Nov 2023	893/23	22/22	The government instructs the Minister of Culture to implement the measures contained in the opinion referred to in Part IV of material No 893/23 and to inform the government of their implementation within six months of the adoption of this resolution.	22 May 2024 (within six months)
881	22 Nov 2023	872/23	22/12	The government instructs: 1) the Deputy Prime Minister and the Minister of Health to check the implementation of the measures contained in the opinion referred to in Part IV of material No 872/23 and to submit the results of the inspection to the MoI by 15 March 2024, 2) the 1st Deputy Prime Minister and the Minister of the Interior to inform the government of the implementation of the measures within six months of the adoption of this resolution.	1) 15 March 2024 2) 22 May 2024 (within six months)
880	22 Nov 2023	834/23	22/21	The government instructs the Minister of Industry and Trade to implement the measures contained in the opinion referred to in Part IV of Material No 834/23 and to inform the government of their implementation within six months of the adoption of this resolution.	22 May 2024 (within six months)
879	22 Nov 2023	821/23	22/07	The government instructs the Minister of Finance to implement the measures contained in the opinion referred to in Part III of Material No 821/23 and to inform the government of their implementation within six months of the adoption of this resolution.	22 May 2024 (within six months)
878	22 Nov 2023	792/23	22/14	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 792/23 and to inform the government of their implementation within six months of the adoption of this resolution.	22 May 2024 (within six months)
877	22 Nov 2023	966/23	21/37	The government instructs the Minister of Transport to implement the measures contained in the opinion referred to in Part IV of Material No 966/23 and to inform the government of their implementation within six months of the adoption of this resolution.	22 May 2024 (within six months)
876	22 Nov 2023	774/23	22/01	The government instructs the Minister of Transport to implement the measures contained in the opinion referred to in Part IV of material No 774/23 and to inform the government of their implementation within six months of the adoption of this resolution.	22 May 2024 (within six months)
–	30 Aug 2023	487/23	21/29	Discontinued	–

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2023					
Government Resolution No	Date of meeting	Government Material No	Audit No	Government-imposed measures	Date of measure
657	30 Aug 2023	700/23	22/09	The government instructs the Minister for the Environment to implement the measures contained in the opinion referred to in Part III of material No 700/23 and to inform the government of their implementation within six months of the adoption of this resolution.	1 March 2024 (within six months)
656	30 Aug 2023	674/23	21/03	The government instructs the Minister of Transport to implement the measures contained in the opinion referred to in Part IV of material No 674/23 and to inform the government of their implementation within six months of the adoption of this resolution.	1 March 2024 (within six months)
655	30 Aug 2023	563/23	21/23	The government instructs: 1) the Minister of Finance and the Minister of Justice to carry out an inspection on the implementation of the measures contained in the opinion referred to in Part IV of material No 563/23 and to submit the results of the inspection to the Mol by 31 October 2023, 2) the 1st Deputy Prime Minister and the Minister of the Interior to inform the government on the implementation of the measures taken within six months of the adoption of the resolution.	1) 31 Oct 2023 2) 1 March 2024 (within six months)
654	30 Aug 2023	544/23	22/02	The government instructs the Minister of Education, Youth and Sports to implement the measures contained in the opinion referred to in Part III of material No 544/23 and to inform the government of their implementation within six months of the adoption of this resolution.	1 March 2024 (within six months)
653	30 Aug 2023	636/23	22/10	The government instructs the Deputy Prime Minister and the Minister of Labour and Social Affairs to implement the measures contained in the opinion referred to in Part IV of material No 636/23 and to inform the government of their implementation within six months of the adoption of this resolution.	1 March 2024 (within six months)
652	30 Aug 2023	373/23	22/04	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 373/23 and to inform the government of their implementation within six months of the adoption of this resolution.	1 March 2024 (within six months)
651	30 Aug 2023	689/23	20/34	The government instructs the Minister of Industry and Trade: 1) implement the measures contained in the opinion referred to in Part IV of material No 689/23, 2) inform the government by 30 June 2024 on the progress of the implementation.	30 June 2024
650	30 Aug 2023	407/23	22/03	The government instructs the Chairman of the Council of the Czech Telecommunications Office to implement the measures contained in the opinion set referred to in Part IV of material No 407/23 and to inform the government of their implementation within six months of this resolution.	1 March 2024 (within six months)
649	30 Aug 2023	331/23	21/30	The government instructs the Minister of Industry and Trade to implement the measures contained in the opinion referred to in Part IV of material No 331/23 and to inform the government of their implementation within six months of the adoption of this resolution.	1 March 2024 (within six months)

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2023					
Government Resolution No	Date of meeting	Government Material No	Audit No	Government-imposed measures	Date of measure
246	12 April 2023	276/23	21/33	The government instructs: 1) to implement the measures contained in the opinion referred to in Part III of material No 276/23 by 31 December 2027, 2) to inform the government of the implementation of these corrective measures within six months of the approval of this resolution by the government.	1) 31 Dec 2027 2) 12 Oct 2023 (within six months)
245	12 April 2023	91/23	21/28	The government instructs the Minister of Justice to implement the measures contained in the opinion set out in Part IV of material No 91/23 and to inform the government within six months of the adoption of this resolution on their implementation.	12 Oct 2023 (within six months)
244	12 April 2023	101/23	20/32	The government instructs the 1st Deputy Prime Minister and Minister of the Interior, the Deputy Prime Minister and Minister of Health and the Chairman of the State Material Reserves Administration to ensure the implementation of the measures contained in the report referred to in Part IV of material No 101/23 and to inform the government within six months of the adoption of this resolution on their implementation.	12 Oct 2023 (within six months)
243	12 April 2023	86/23	21/21	The government instructs the 1st Deputy Prime Minister and Minister of the Interior, the Deputy Prime Minister and Minister of Health and the Minister of Culture: 1) to submit to the government, within six months of the adoption of this resolution, an evaluation of the subsidy programmes, 2) to take into account the measures contained in the opinion referred to in Part III of material No 86/23 when implementing the next call for proposals for the soft targets subsidy programme.	12 Oct 2023 (within six months)
78	1 Feb 2023	10/23	21/38	The government instructs the Minister of Justice to implement the measures contained in the opinion referred to in Part IV of material No 10/23 and to inform the government of their implementation within six months of the adoption of this resolution.	1 Aug 2023 (within six months)
77	1 Feb 2023	1441/22	21/36	The government instructs the Minister of Transport to implement the measures contained in the opinion referred to in Part IV of material No 1441/22 and to inform the government within six months of the adoption of this resolution on their implementation.	1 Aug 2023 (within six months)
76	1 Feb 2023	1361/22	21/12	The government instructs the Minister of Finance to implement the measures contained in the opinion referred to in Part III of material No 1361/22 and to inform the government within six months of the adoption of this resolution on their implementation.	1 Aug 2023 (within six months)
75	1 Feb 2023	1401/22	21/24	The government instructs the Deputy Prime Minister and the Minister of Health to ensure the implementation of the measures contained in the opinion referred to in Part IV of material No 1401/22.	–
74	1 Feb 2023	1388/22	21/07	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 1388/22 and to inform the government on the implementation of the measures taken within six months of the adoption of this resolution.	1 Aug 2023 (within six months)

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2023

Government Resolution No	Date of meeting	Government Material No	Audit No	Government-imposed measures	Date of measure
73	1 Feb 2023	1473/22	21/22	The government instructs the Deputy Prime Minister and Minister for Labour and Social Affairs and the Deputy Prime Minister for Digitalisation and Minister for Regional Development to implement the measures contained in the opinion referred to in Part V of material No 1473/22 and to inform the government of their implementation within six months of the adoption of this resolution.	1 Aug 2023 (within six months)
72	1 Feb 2023	1303/22	21/09	The government instructs the Deputy Prime Minister and the Minister for the Environment to report to the government on the implementation of the measures taken with a deadline of six months from the adoption of this resolution.	1 Aug 2023 (within six months)
71	1 Feb 2023	1522/22	21/27	The government instructs the First Deputy Prime Minister and the Minister for the Interior to implement the measures contained in the opinion referred to in Part IV of material No 1522/22 and to report to the government on the implementation of the measures taken with a deadline of six months from the adoption of this resolution.	1 Aug 2023 (within six months)

Annex 5: Sources of information for all infographic sheets

Public finances

Macroeconomic data; source: Eurostat, CSO, Integrated Treasury Information System and Macroeconomic Forecast - January 2024.

State revenues

Year-on-year comparison of state budget tax revenue collection for 2022 and 2023 (CZK billions); source: Eurostat, CSO and Integrated Treasury Information System.

Overview of interest paid by Tax Offices between 2019 and 2022 for withholding excessive VAT deductions; source: AR No [22/23](#).

Digitisation

Specific examples of persistent administrative burdens for citizens; source: AR No. [22/06](#).

Research and development

MoIT's institutional support to research organisations and the amount of reported knowledge transfer income for 2018-2021; source: AR No [22/21](#).

European innovation scoreboard 2023; source: Research and innovation [online]. European Commission, 2023 [cited 2024-02-10].

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Ministry of Environment; source: AR No [22/18](#).

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LIST OF ABBREVIATIONS

3E	economy, effectiveness, efficiency
Act on collection	Act No. 25/2017 Coll., on the collection of selected data for the purpose of monitoring selected data and public finance management
AE	audited entity
AISG	Information System for Gambling Operations
AR	audit report
AS MoIT	Administration Services of the MoIT
BIEP	<i>Benchmarking Information Exchange Project</i>
BPC Těchonín	Biological Protection Centre Těchonín
BUH	Bulovka University Hospital
CAF	Czech Armed Forces
CBC	Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic
CD PCR	Chamber of Deputies of the Parliament of the Czech Republic
CENIA	Czech Environmental Information Agency
COSMT	Czech Office for Standards, Metrology and Testing
CR	Czech Republic
CSA	Czech Standardization Agency
CSO	Czech Statistical Office
CSSA	Czech Social Security Administration
CTS	Czech technical standards
D1	D1 motorway
DESI	Digital Economy and Society Index
DIA	Digital and Information Agency
EB	environmental burden pre-dating privatisation
EC	European Commission
ECA	European Court of Auditors
ECIIA	European Confederation of Institutes of Internal Auditing
EDAZ	a system comprising all services and components related to the introduction of e-vignettes as the manner of payment of the time-based charge pursuant to Act No 13/1997 Coll.
ERS system	Electronic records of sales
ESI funds	European Structural and Investments Funds
EU	European Union
EUROCONTROL	European Organisation for the Safety of Air Navigation
EUROSAI	European Organisation of Supreme Audit Institutions
FA	financial audit
FLEXI project	project <i>Promoting forms of flexible employment</i>
FRS CR	Fire and Rescue Service of the Czech Republic
GA	gender audit
GDF	General Directorate of Finance
GDP	Gross Domestic Product
HACCP	Hazard Analysis and Critical Control Points
IAEI	Institute of Agricultural Economics and Information
ICT	Information and communication technology
IDP	<i>Interconnected Data Pool</i>
IGAR	implementation of gender audit recommendations
IHIS	Institute of Health Information and Statistics of the Czech Republic
INTOSAI IDI	INTOSAI Development Initiative
INTOSAI WGEA	INTOSAI Working Group on Environmental Auditing
INTOSAI WGEPPP	INTOSAI Working Group on Evaluation of Public Policies and Programmes
INTOSAI	International Organization of Supreme Audit Institutions

LIST OF ABBREVIATIONS

IPSAS	<i>International Public Sector Accounting Standards</i>
IROP	<i>Integrovaný regionální operační program 2014–2020</i>
IRS	Integrated Rescue System
IS	Information System
IT	Information Technology
KVUH	Královské Vinohrady University Hospital
LO CR	Labour Office of the Czech Republic
LP	Landscape Programme
MaS	subprogramme 115V032 <i>Management of inalienable state property in specially protected areas</i>
MF	<i>Modernisation Fund</i>
MoC	Ministry of Culture
MoD	Ministry of Defence
MoE	Ministry of 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
NATO	North Atlantic Treaty Organization
NCA CR	Nature Conservation Agency of the Czech Republic
NCA	National Coordination Authority (organisational unit of the MoRD)
NCIS	<i>Nature Conservation Information System</i>
NCISA	National Cyber and Information Security Agency
NEP	<i>National Environment Programme</i>
NES	<i>National eHealth Strategy</i>
NGEU	Initiative for the EU's Next Generation Recovery Fund
NRP	<i>National Recovery Plan</i>
NSA	National Security Authority
OECD	Organisation for Economic Co-operation and Development
OGRPA	Office for Government Representation in Property Affairs
OPEm	Operational Programme <i>Employment 2014-2020</i>
OPEn	Operational Programme <i>Environment 2014–2020</i>
OUT project	project Outplacement
p.p.	percentage points
PA	Partnership Agreement
PDU project	project <i>Support for employment of long-term registered jobseekers</i>
PMA 3	project <i>Use of process management elements and introduction of standards for performance of priority agendas of public administration (Process Modelling of Agendas 3)</i>
POC	protection of civilians
PPNNO	<i>Programme to support the activities of non-governmental non-profit organisations active in the field of health care, including palliative hospice care and its follow-up Programme to support non-governmental non-profit organisations caring for patients in the terminal stage of illness</i>
PPP	Public-Private Partnership
RMD	Road and Motorway Directorate

LIST OF ABBREVIATIONS

RTSC	Road Transport Services Centre
RVR	Road Vehicle Register
SAI	Supreme Audit Institution
SAIF	State Agricultural Intervention Fund
SAO Act	Act No 166/1993 Coll., on the Supreme Audit Office
SAO	Supreme Audit Office of the Czech Republic
SAUH	St. Anne's University Hospital in Brno
SCO	state contributory organisation
SEF	State Environmental Fund
SFTI	State Fund for Transport Infrastructure
SHC	State Heritage Care
SISF	State Investment Support Fund
SONS	State Office for Nuclear Safety
SRNF	Support for Renewal of Natural Features
STA	Specialised Tax Authority
Strategic Framework	<i>Strategic Framework for the Development of Public Administration of the Czech Republic for the period 2014-2020</i>
TSS2	<i>Transport Sector Strategies, Phase 2</i>
V4	Visegrad Group (Czech Republic, Hungary, Poland, Slovakia)
VAT	Value Added Tax
VOP CZ	VOP CZ, s. p. – state enterprise carrying out repairs of military equipment
WGEA	EUROSAI Working Group on Environmental Auditing
WGIT	EUROSAI IT Working Group