

Czech Republic  
Supreme Audit Office

# Annual Report 2010

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February 2011

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**The printed version contains also a CD with the SAO's *Annual Report* for the year 2010.**

## Foreword by the President of the SAO

Dear reader,

In your hands you hold the Annual Report of the Supreme Audit Office containing a summary of information about this institution and an evaluation of its work in 2010.

The purpose of this Report is not to repeat all findings from all audits performed last year. All the audit reports have already been published in *SAO Bulletins* that are issued regularly four times a year, and are, needless to say, available on the Supreme Audit Office's web site [www.nku.cz](http://www.nku.cz). By its form and content, this Report is designed to be a further step towards raising awareness about scrutiny of public expenditures in the Czech Republic, not only for experts in this area, but also for everyone who is interested in how state property is used.

The Annual Report refers to and describes the most important and serious problems related to the management of the Czech Republic's movable and real property, state budget funds, and funds that are provided to our country from abroad. It also introduces the bodies and organisational structure of the Czech Republic's supreme audit institution to readers.

Although the Supreme Audit Office has no executive powers, its work can and should provide feedback. Feedback that serves the Parliament of the Czech Republic, the Government, and all citizens as a source of information as to whether the management of the State property conforms to the law, whether the accounts kept by the State and its organisations are clear and correct, and whether public money is spent efficiently and economically.

It is not the Supreme Audit Office's aim to check everywhere and everything – that would be inefficient and probably also technically impossible. Nor is it the aim of audit to find shortcomings at all costs. The principal purpose of an audit is to verify, at a reasonable cost and in a statistically significant manner, whether the State's financial management is correct and, if appropriate, to provide materials on which decisions on necessary changes can be based.

An audit institution itself must be subject to scrutiny, thus, the Annual Report also contains information about the Supreme Audit Office's financial management and an auditor's opinion.

**František Dohnal**  
**President of the SAO**



# I. Status and powers of the SAO

## 1. Basic information on SAO's status and powers

The existence of the Supreme Audit Office (SAO) follows from the Constitution of the Czech Republic<sup>1</sup> where its independence from legislative, executive, and judicial powers is enshrined. Thus, the SAO represents one of the indispensable components of parliamentary democracy.

More detailed rules on the SAO's status, competencies, organisational structure and work are set out in Act No. 166/1993 Coll., on the Supreme Audit Office. Pursuant to this Act, the SAO in particular scrutinises the management of state assets and funds collected under law and the management of funds provided to the Czech Republic from abroad.

SAO's bodies are the President, Vice-President, the Board, the Senates, and the Disciplinary Chamber. The SAO is also financially independent in a reasonable way. The decisive body in this regard is the Chamber of Deputies of the Parliament of the Czech Republic ("Chamber of Deputies"), which approves the State budget whose part also forms a separate budget heading on *Supreme Audit Office*.

The SAO performs audits on the basis of its Audit Plan. After being approved by the SAO Board, the SAO President submits the Audit Plan to the Czech Parliament and Government and then it is published in the SAO Bulletin. Results of audits are audit conclusions that summarise and appraise facts ascertained by audits. Audit conclusions are approved by the SAO Board or Senates.

The SAO performs audits within the defined area of competence and makes appropriate use of the International Standards of Supreme Audit Institutions of INTOSAI<sup>2</sup>. The methods used in its audit work are audit of compliance with the legal regulations (legality audit), performance audit, and financial audit.

The SAO carries out legality audits to scrutinise whether the audited activities comply with the law and to review the factual and formal correctness of the audited activities to the extent necessary for achieving the audit goals.

In performance audit, the SAO assesses the economy, efficiency, and effectiveness with which auditees use State budget funds and State assets or other finances falling under the SAO's competence.

In financial audit, the SAO reviews whether the auditees' financial statements give a true and fair view of the accounts in accordance with the law. This type of audit is a way of verifying information contained in the closing accounts of State budget headings that the SAO uses to formulate its opinion on the State closing account.

<sup>1</sup> Constitutional Act No. 1/1993 Coll., the Constitution of the Czech Republic, Chapter Five, Article 97.

<sup>2</sup> International Organisation of Supreme Audit Institutions

## 2. Board of the SAO

The Board of the SAO consists of the President of the SAO, the Vice-President of the SAO and Members of the SAO. The Board of the SAO approves the Audit Plan, the draft budget of the SAO that is submitted to the Chamber of Deputies, and the closing account of the SAO's budget heading. The Board also approves the Annual Report, rules of procedure of the Board and Senates, disciplinary rules, and audit conclusions. The Board decides on appeals contesting rulings on objections filed against audit protocols and on objections claiming bias.

Members of the SAO carry out audits and draw up audit conclusions. They manage audit activities from issuing a warrant to perform an audit to approving a resolution on an audit conclusion. In the following part, there are presented completed audits (in blue) whose audit conclusions were approved in 2010; incomplete audits are marked in green<sup>3</sup>. Also, there are pointed out changes in the SAO Board that occurred in 2010.



Mr František Dohnal,  
President of the SAO



Mr Miloslav Kala,  
Vice-President of the SAO



Mr Jiří Adámek,  
Member of the SAO

*SAO Member since 25. 4. 2001; he managed 26 audits till the end of 2010, five of which were performed in 2010.*

Completed audits: **09/19; 09/23**  
Incomplete audits: **10/15; 10/24; 10/27**



Mr Zdeněk Brandt,  
Member of the SAO

*SAO Member since 3. 5. 2002; he managed 26 audits till the end of 2010, four of which were performed in 2010.*

Completed audits: **09/28**  
Incomplete audits: **09/26; 10/12; 10/14**



Mrs Marie Hošková,  
Member of the SAO

*SAO Member since 17. 9. 1993; she managed 51 audits till the end 2010, five of which were performed in 2010.*

Completed audits: **09/09; 09/25; 10/04**  
Incomplete audits: **10/23; 10/25**



Mr Pavel Hrnčíř,  
Member of the SAO

*SAO Member since 11. 12. 2010; he managed one audit still the end of 2010, one of which was performed in 2010.*

Completed audits: –  
Incomplete audits: **10/30**

<sup>3</sup> Individual audits are marked by numbers in the Annual Report. These numbers are the same as in the SAO's Audit Plan for the respective year. Audit conclusions and detailed information on finished audits are available in *SAO Bulletins* (in the Czech language only).



*SAO Member since 4. 6. 1998; she managed 30 audits till the end 2010, four of which were performed in 2010.*

Completed audits: **09/15; 10/03**  
 Incomplete audits: **09/29; 10/11**

Mrs Eliška Kadaňová,  
 Member of the SAO



*SAO Member since 17. 9. 1993; he managed 48 audits till the end 2010, five of which were performed in 2010.*

Completed audits: **09/11; 09/18; 10/01**  
 Incomplete audits: **10/26; 10/28**

Mr Jiří Kalivoda,  
 Member of the SAO



*SAO Member since 15. 9. 2009; he managed one audit till the end 2010, one of which was performed in 2010.*

Completed audits: –  
 Incomplete audits: **10/13**

Mr Rudolf Kufa  
 Member of the SAO



*SAO Member since 9. 12. 2005; he managed 12 audits till the end 2010, five of which were performed in 2010.*

Completed audits: **09/14; 09/27; 10/02**  
 Incomplete audits: **10/09; 10/22**

Mr Antonín Macháček,  
 Member of the SAO



*Mr Petr Neuvirt was appointed as Member of the SAO on 21 December 2010.*

Mr Petr Neuvirt,  
 Member of the SAO



*SAO Member since 17. 9. 1993; he managed 40 audits till the end 2010, five of which were performed in 2010.*

Completed audits: **09/17; 09/24**  
 Incomplete audits: **10/10; 10/17; 10/18**

Mr Rudolf Němeček,  
 Member of the SAO



*SAO Member since 18. 4. 2002; she managed 26 audits till the end 2010, four of which were performed in 2010.*

Completed audits: **09/21**  
Incomplete audits: **10/08; 10/16; 10/21**

Mrs Zdeňka Profeldová,  
Member of the SAO



*SAO Member since 30. 4. 2010; he managed one audit till the end 2010, one of which was performed in 2010.*

Completed audits: –  
Incomplete audits: **10/32**

Mr Daniel Reisiel,  
Member of the SAO



*SAO Member since 15. 9. 2010; he managed two audits till the end 2010, two of which were performed in 2010.*

Completed audits: **10/05**  
Incomplete audits: **10/31**

Mr Karel Sehoř,  
Member of the SAO



*Mr Petr Skála's office was terminated on 3 June 2010 when he attained the age stipulated by law.*

*SAO Member since 17. 9. 1993; he managed 44 audits till 3. 6. 2010, two of which were performed in 2010.*

Completed audits: **09/16; 09/20**

Mr Petr Skála,  
Member of the SAO



*SAO Member since 16. 11. 2006; she managed 11 audits till the end 2010, four of which were performed in 2010.*

Completed audits: **09/13; 09/22; 10/07**  
Incomplete audits: **10/20**

Mrs Jaromíra Steidlová,  
Member of the SAO



*SAO Member since 25. 4. 2001; he managed 28 audits till the end 2010, five of which were performed in 2010.*

Completed audits: **09/12; 09/30; 10/06**  
Incomplete audits: **10/19; 10/29**

Mr Jan Vedral,  
Member of the SAO

## II. Assessment of audit work undertaken in 2010

### 1. Audit Plan for 2010

The SAO Board approved the Audit Plan for 2010 at its meeting on 19 October 2009. The Audit Plan contained a total of 28 audits. In the course of 2010, four more audits were added to the Audit Plan, making 32 audits in total.

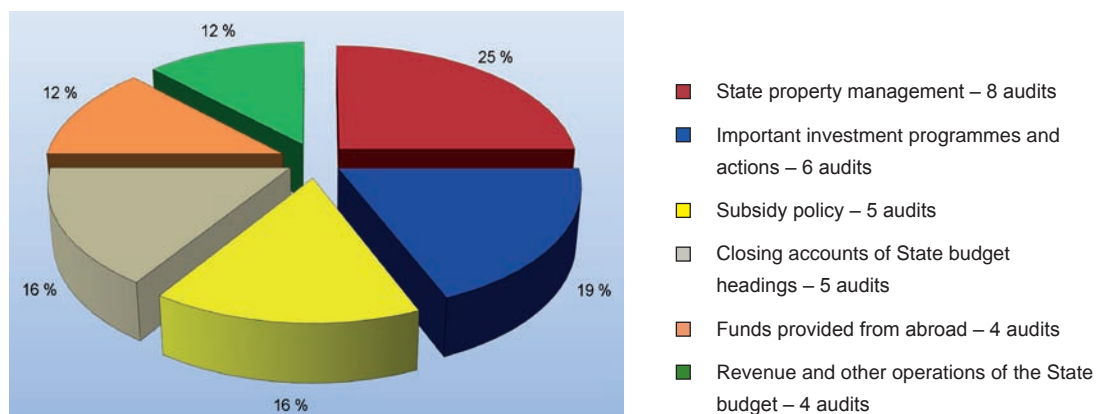
In line with the SAO's statutory competence, the Audit Plan for 2010 focused on scrutinising important areas of State revenue and expenditure, the management of State assets, and reporting in respect of these funds and assets. The Audit Plan also met *The Audit Strategy of the Supreme Audit Office*<sup>4</sup>.

The Audit Plan for 2010 covered the following significant areas of scrutiny:

- State budget revenues and other financial operations (e.g., funds provided to the *Securities Traders Guarantee Fund*; receivables under the management of the Prison Service of the Czech Republic);
- the State subsidy policy (e.g., State funds allotted for the support and integration of handicapped citizens; sale of surplus Assigned Amount Units and utilisation of funds within the scope of the *Green Savings* programme);
- the management of State assets (e.g., State assets under the management of State enterprises DIAMO and Lesy České republiky (Czech Forests); State assets under the management of selected museums);
- the management of funds provided to the Czech Republic from abroad (e.g., funds from the *Rural Development Programme of the Czech Republic* earmarked for the improvement of the competitive strength of agriculture and for the improvement of the environment);
- important investment programmes and operations (e.g., construction of the D3 motorway; construction of the new National Technical Library in Prague 6 - Dejvice); and
- closing accounts of the State budget headings (e.g., the closing account of the *Ministry of Labour and Social Affairs* heading and the *Ministry of Agriculture* heading in 2009).

In accordance with the Audit Plan, the audits were commenced progressively over the course of 2010. Their conclusion dates were, dependent on the start date and duration of audits, planned for 2010-2011. Appendix No. 1 gives a more detailed overview of the individual audits, including a timetable. Graph 1 shows the structure of the focus of audits included in the Audit Plan.

**Graph 1: Focus of audits in the Audit Plan for 2010**



The SAO Board approved a total of 24 changes to the Audit Plan in 2010. These changes concerned the addition of new auditees (12 changes), the addition of new audits (four changes), the timetable (six changes) and the objectives of audits (two changes).

<sup>4</sup> *The Audit Strategy of the Supreme Audit Office* was approved by the SAO President on 2 November 2007. This document defines the main goals of audit work for 2008–2012.

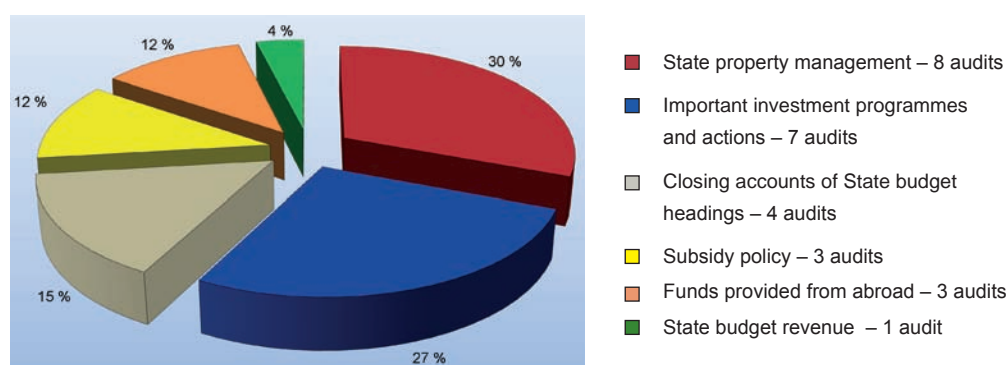
## 2. Results of audits in 2010

The following assessment of the SAO's audit work undertaken in 2010 is drawn from the results of a total of 26 audits whose audit conclusions were approved by the SAO Board in 2010. It comprises 19 audits that started in line with the Audit Plan in 2009 and seven audits that started in line with the Audit Plan in 2010. In accordance with the subject and objective of the audits, the assets and funds of 173 auditees and their property were examined within the scope of these audits. These included not only the ministries and their organisations co-funded from the State budget, State enterprises and State funds, but also a significant number of fund beneficiaries in respect of which the use and impact of financial interventions by State authorities were examined. Audit protocols for all auditees were drawn up and the audit conclusions elaborated based on these protocols.

The findings of the audits confirm that despite certain positive facts there have been a great number of repeated serious shortcomings with respect to performance of the auditees' activities. Considering the financial significance or risks identified, these shortcomings negatively impact the reporting of assets and State funds, or even the economy, efficiency, and effectiveness of their utilisation, and in some cases these dangers may have future negative impacts.

An overview of audits whose audit conclusions were approved in 2010 is given in Appendix No. 2. The texts of approved audit conclusions were published in the four issues of the *SAO Bulletin*. Graph 2 shows the structure of completed audits by their focus on areas of scrutiny.

**Graph 2: Focus of audits whose audit conclusions were approved in 2010**



The overview of audits concluded in 2010 implies that the SAO focussed primarily on auditing the management of State assets and financially significant investment programmes and operations. The SAO also provided for equal coverage of the other areas of scrutiny falling under its competence that were of no less importance.

### 2.1 State budget revenues

In terms of State budget revenues, the SAO in collaboration with the BRH<sup>5</sup> carried out audit No. **09/11** scrutinising the financial authorities' value added tax (VAT) administration procedures, especially the procedures when resolving selected business transactions between the Czech Republic and the Federal Republic of Germany and the tax administration procedures in both countries within the framework of international cooperation. This was an ex-post audit of VAT administration in the area of the supply and acquisition of goods from other EU Member States (audit No. 06/27; the audit conclusion was published in Issue 2/2007 of the *SAO Bulletin*).

The SAO was able to establish from the audit results that Czech VAT administration activities had improved in the area of intra-Community transactions within the EU. Based on the SAO's recommendations made in respect of the results of the previous audit, certain positive changes to the VAT Act<sup>6</sup> were made. For example, the deadline for submission of the recapitulative statement was shortened. However, the SAO's recommended change to the provisions (comprising introduction of the tax administrators'

<sup>5</sup> Abbreviation taken from the German Bundesrechnungshof – the Supreme Audit Institution of the Federal Republic of Germany.

<sup>6</sup> Act No. 235/2004, Coll., on Value Added Tax.

obligation to cancel taxpayers' VAT registration in the case of repeated failure to submit tax returns) was not proposed by the Ministry of Finance (MoF).

Notwithstanding, within the framework of audit No. **09/11** the SAO found continued VAT administration issues, e.g., in respect of ensuring the update, accuracy, and completeness of the data sent to the VIES<sup>7</sup>. The result of receivable collection was negatively affected by the fact that in 2006 and 2007 the MoF sent *requests for international assistance in the collection of VAT receivables* that it had received for handling to the responsible financial offices with excessively long time delays following receipt of the requests from the EU. By virtue of international assistance with collection of receivables, only about 2% of the volume of receivables audited was collected. The estimated global receivable collection rate at EU level is 5%. The SAO recommended closer collaboration between the customs and tax authorities with respect to the identification and physical movement of goods within the EU. It also recommended that the conditions for registration of VAT payers be tightened and that the procedure for cancelling registration be relaxed.

## 2.2 The State's subsidy policy and management of State assets

### 2.2.1 The State's subsidy policy

In 2010, the SAO completed three audits in the field of subsidies. These audits examined the provision of State budget funds to settle the loss emerging from the public service commitment concerning the public passenger rail transport service (audit No. **09/23**), State budget and EU funds provided for programmes co-funding projects for building and expansion of winter sports resorts (audit No. **09/28**), and State budget funds to support the integration of handicapped citizens (audit No. **10/03**).

In its audit conclusions, the SAO often points out that the ministries do not provide sufficient administration of the headings concerning provision of subsidies. In certain cases, the ministry does not consider it important to assess the impact of spending finances. This fact is also illustrated both by their formal approach to determination of criteria for the assessment of expenditure financed from the State budget and by their lax attitude to such an assessment. The ministries' ever persistent fundamental shortcomings when carrying out audit work are alarming. These shortcomings affect the economy, efficiency, and effectiveness of the funds spent. The following examples illustrate the state of affairs in this field:

- Despite certain improvements compared to previous audits in this field, in the audit No. **09/23** the SAO found that when settling the loss emerging from the public service commitment concerning the public passenger rail transport service, the Ministry of Transport (MoT) annually commissioned higher transport output but that the corresponding growth in passenger numbers and fare revenues was lacking. Although the demonstrable loss in the period under scrutiny grew by 15%, the MoT failed to take efficient steps vis-a-vis the Czech Railways to reduce this loss. The contract that the MoT concluded with the Czech Railways in December 2009, which remains in force until 2019, did not even set out an obligation to reduce the demonstrable loss. In this contract, which was concluded without any contract award procedure, the MoT fixed the current system, which provides no efficient motivation to improve the economic result or the quality of service provided to travellers. Instead, the MoT resolved Czech Railways' economic issues (e.g., the 25% increase in the passenger transport operating loss in 2007 - 2009) primarily by increasing the subsidy from the State budget. Moreover, in 2009 it also provided a subsidy for the provision of the regional transport, which is commissioned and, by law,<sup>8</sup> should be paid by the regions. Subsidies from the State budget thus grew in 2009 compared to 2006 **by CZK 4,400 million, i.e., by 175%**. Nevertheless, the MoT did not perform an audit focussing on the accuracy of reporting of demonstrable losses.
- The SAO also found that the Ministry for Regional Development (MfRD) had insufficiently set the criteria for the assessment of projects supporting building and expansion of ski resorts financed from the State budget (SB) sub-programmes, and that it had not monitored the sustainability of these projects (audit No. **09/28**). In a number of cases, the MfRD's approach towards the assessment of individual projects was purely formal in nature. For example, in one case the subsidy beneficiary had still not put the ski resort into operation by the end of the audit, thus breaching the condition for provision of the subsidy. Despite this, the MfRD concluded this project (action), stating in the project's (action's) final evaluation that the beneficiary had fulfilled the binding project parameters, i.e., that it had observed the project deadline and purpose and had not breached the binding conditions for provision of the subsidy.

<sup>7</sup> Value Added Tax Information Exchange System.

<sup>8</sup> Act No. 266/1994, Coll., on Railways.

- In the audit No. **10/03**, the SAO found that, in respect of statutory instruments for the support and integration of handicapped citizens, the Ministry of Labour and Social Affairs (MoLSA) had not set any specific, measurable objectives to be reached in the area of employment of handicapped persons. For example, neither it had available data on the actual number of employed handicapped persons, nor it even monitored the extent to which individual employer groups participated in the employment of such handicapped persons. Nevertheless, the MoLSA budget heading expenditure in respect of supporting employment of handicapped persons grew and, in 2009, was almost **CZK 2,581 million**, while the economic inactivity level of handicapped persons aged between 15 and 59 rose from 64.8% in 2006 to 66.8% in 2009. In the audit it was also found that there were no legal regulations providing for employers' co-participation in contributions towards support of the handicapped persons employment, because in certain cases this contribution covered up to 100% of the labour costs reported by the employer. The data available to the SAO from the MoLSA and the Labour Office implied that the contribution had been misused by some employers.

## 2.2.2 Management of State assets

Eight audits scrutinising the management of State assets were completed in 2010. These – specifically audits Nos. **09/13**, **09/14**, **09/15**, **09/21**, **09/25**, **10/02**, and **10/05** – focused on the management of assets by organisational units of the State (OUS), organisations part-financed by the State budget (PFOs) and State-owned enterprises. In the audit No. **10/04**, State assets and State budget funds allotted for the tasks of the Administration of State Material Reserves (ASMR) were scrutinised in the “reserved” regime.

The audits repeatedly documented a number of shortcomings in the management of State assets, in the valuation of assets, and in the relevant record-keeping. These shortcomings were caused by the fact that the auditees had failed to proceed in line with the relevant regulations, especially the State Property Act<sup>9</sup>:

- The audit No. **09/13**, scrutinising the MoF's management of immovable assets, found that the Ministry had concluded several contracts on lease of immovable assets that were in contravention of the law. In addition, the MoF failed to utilise all legal remedies when exercising and defending the rights of the State, because in certain cases it allowed leaseholders to use the immovable assets without any legal grounds. Another serious shortcoming was the fact that the MoF did not have a full overview of rights of lien in its favour, with the result that there was a risk of non-assertion of the State's rights in the case the debtor failed to meet its obligations. Furthermore, the SAO found that the MoF breached budgetary discipline by not paying revenues from the sale of land into the SB by the deadline for crediting the amount to its account.
- In the audit No. **09/21** it was found that the Office of the Government Representation in Property Affairs (OGRPA) failed to utilise all legal remedies to increase revenues from management of State assets. For example, it failed to utilise all legal means to adjust rent so that it would correspond to usual rent for the location and time; also it failed to negotiate rent in the highest amount determined by the legal regulations. The OGRPA also lowered revenues from property by failing to exercise the right to recovery of undue payments that occurred through use of State-owned property without legal grounds in good time. As a result of the OGRPA's failure to act, receivables totalling **CZK 11 million were statute-barred**. It was also found that in four cases, the OGRPA did not file a proposal for enforcement of a decision for payment of owing amounts totalling approximately **CZK 3 million** for a period of at least two years from the effective date of the court's decision. Moreover, the SAO found that when valuing property the OGRPA did not always proceed in line with the legal regulations.
- The SAO also found shortcomings in several organisations part-financed by the State budget that were established by the Ministry of Health (audit No. **09/25**). When leasing assets, these PFOs did not proceed in line with the State Property Act. In cases of gratuitous transfer or lease of assets, the redundancy of these assets was not demonstrated, or else lease contracts for an indefinite period were concluded.
- In the audit No. **10/05**, when scrutinising the Ministry of Justice's (MoJ) management of assets, it was found that, in contravention of the State Property Act, the MoJ relinquished immovable assets to private companies, without payment, for use for an indefinite period, thereby groundlessly reducing revenue from these assets.

<sup>9</sup> Act No. 219/2000, Coll., on the property of the Czech Republic and the representation of the Czech Republic in legal relations.

The SAO points out serious shortcomings with respect to book-keeping and the stock-taking of assets and liabilities every year. These shortcomings (primarily involving auditees' breach of the Act on Accounting<sup>10</sup>, incorrect and incomplete book-keeping, and failure to ascertain the actual asset balance by stock-taking) affected the accuracy of data in the closing accounts of certain State budget headings. For example, in 2010 the following findings were made:

- When performing stock-taking, the MoF failed to discover a surplus of immovable assets amounting to nearly **CZK 7 million** and a deficit of immovable assets amounting to **CZK 17 million** (audit No. **09/13**). Furthermore, it failed to perform any stock-taking of assets transferred from the National Property Fund,
- one PFO of the Ministry of Health (MoH) failed to document any stock-taking of assets with a book value of **more than CZK 66 million** in 2007 and **more than CZK 119 million** in 2008. What is more, the asset book-keeping of four of the five audited PFOs of the MoH was neither correct nor complete (audit No. **09/25**), and
- in respect of the stock-taking of immovable assets, the MoJ failed to ascertain the actual asset balance in the full extent, nor was this reported in the balance sheet; it also accounted for acquired assets in the wrong accounting period: for example, for almost two years it failed to record a building worth **CZK 4 million** (audit No. **10/05**) in either the accounts or the property records.

Inadequate performance of the function of a State enterprise founder was a recurrent finding. In the audit No. **10/02**, shortcomings were found in the memoranda of association (specifically, the designated assets were insufficiently defined) in the case of six State test institutes for which the Ministry of Industry and Trade (MoIT) acts as founder. The MoIT did not update the data in the memoranda of association: it failed to deal with the requests for modification of the memoranda of association submitted by the State test institutes, and did not make any changes. In some cases, the data on State enterprises kept in the Commercial Register were incorrect.

The activity of the Ministry of Foreign Affairs (MoFA), as the administrator of the Asset Replacement Programme, was also inadequate. In the audit No. **09/14** the SAO found that the MoFA had not observed the procedure set by the legal regulations<sup>11</sup> in respect of the majority of the investment operations under scrutiny. For example, in the case of the *MoFA – New York – purchase and reconstruction of the Bohemian National Hall* operation the investment project was not elaborated in line with the valid decree, and the MoFA issued the documents stipulated for commencement and financing of the activity without the consent of the MoF. Throughout the duration of reconstruction of the building, the MoFA requested modifications and adaptations to the project as well as alterations to the work done, which had often already reached the development phase. The total estimated projected expenditure for this project increased from the original amount of **CZK 235 million** to an anticipated amount of **CZK 813 million (i.e., a 246% increase)**, and the completion date was shifted from December 2004 to October 2010.

A number of shortcomings in respect of the management of State assets were caused by the fact that certain OUSs and PFOs had not set up an efficient, functioning internal audit system. Continuous and ex-post auditing of a number of operations were either performed purely formally, or were not performed at all. Although the SAO repeatedly mentions these facts in its audit conclusions, the unsatisfactory state of affairs in this field persists:

- In the audit No. **09/15**, the SAO checked the funds and assets managed by the Radioactive Waste Repository Authority (RWRA). Neither the RWRA nor the MoIT (as its founder) had documented any audits of the accuracy of levies from major generators of radioactive waste, whose levies in 2007 and 2008 amounted to **CZK 2,637 million**. The MoIT did not perform any review of the funds that the RWRA received from the nuclear account or of the funds transferred to that account by the RWRA. The SAO also found that the RWRA's action plan did not contain specific data or the cost of research and development projects, which amounted to **CZK 266 million** as of 31.12.2008, some of which were realised for the needs of the contractors. Another significant finding was that the current legal regulations concerning the period for creation of reserves is inconsistent with European Commission's recommendations. An insufficient reserve amount could have serious risk implications for the State budget, because if there are insufficient funds for the decommissioning of nuclear installations then the related expenses must be borne by the State. From the SAO's perspective, the inadequate legal

<sup>10</sup> Act No. 563/1991, Coll., on Accounting.

<sup>11</sup> Decree No. 40/2001, Coll., on the Participation of the State Budget in the Financing of the Asset Replacement Programme, or Decree No. 560/2006, Coll., on Participation of the State Budget in Financing Programmes of Asset Replacement.

regulation of the administration of levies accumulated on the nuclear account and the absence of any regulation of the rules for management of the funds on this account is also a serious irregularity.

- The SAO also found shortcomings in the functioning of the internal audit system, for example, in the audit No. **09/13** in relation to performance of continuous and ex-post audits, as well as in the audit No. **09/25**.

### 2.3 Important investment programmes and actions

Investment programmes and actions are one of the audit areas most closely monitored by the SAO. This is an important area both in terms of the scope of State and EU fund expenditure and in terms of possible risks that could affect the economy, efficiency, and effectiveness of such expenditure. Seven audits were completed in 2010, focusing on the most significant expenditure in the following fields:

- transport infrastructure (audit No. **09/16** – construction of the D47 motorway; audit No. **09/19** – railway infrastructure development; audit No. **09/27** – road construction);
- environmental infrastructure (audit No. **09/18** – rehabilitation of old environmental burdens; audit No. **09/20** – anti-flood measures and prevention in areas endangered by adverse climate change);
- financially significant ISPROFIN programmes and projects (audit No. **09/17** – building and reconstruction of administrative facilities of the Ministry of Defence; audit No. **09/24** – housing support).

In this area of scrutiny, the SAO, on a long-term basis, places great emphasis on the detection and publication of causes of inappropriate and uneconomical fund utilisation. Despite this, serious shortcomings were repeatedly found in respect of certain auditees. For example, although the SAO has already brought these facts to the attention of the Ministry of Defence (MoD) and the MoT several times, the state of affairs has remained essentially unchanged. Serious doubt thus remains as to the ability to adopt efficient system measures that would improve the situation. The ministries continue to underestimate the preparation of conceptual and strategic documents defining, by way of measurable objectives, the requisite situation and priorities and determining realistic resources for achieving these objectives. Another fundamental issue is the fact that no binding rules exist in the Czech Republic on the allocation of State funds for investment based on an evaluation of the investment's socio-economic effectiveness. The following examples also illustrate this:

- The SAO examined the SB programmes intended for building and reconstruction of administrative facilities of the MoD in the audit No. **09/17**. One of the programmes was markedly incongruous with respect to the declared objective, comprising sub-programmes not only for the development and reconstruction, but also for purchase of military equipment. During the course of realisation, the programme documentation, goals and objectives were modified eight times. At the same time, the State budget participation was almost doubled to **CZK 3,571 million** and the completion date was extended by four years.

The shortcomings are clearly documented by certain investment operations that were realised. For example, in the field of military equipment, the MoD acquired a mobile observation and identification system for use in tropical regions. The original price was increased **by 143%, which amounted to approximately CZK 66 million**, the supply was made 14 months late and, what is more, it did not even meet the originally specified parameters for use in foreign missions. Within the scope of another investment operation involving purchase of special Land Rover MO vehicles, the necessary purchase stated in the acquisition requirements study was “*about eight vehicles*”; in the invitation to participate in the negotiated procedure without prior notification, the contract subject stated purchase of 20 vehicles; and the contract documents ultimately stated 45 vehicles. At the same time, the financial need increased from **CZK 16 million to CZK 176 million, i.e., a 1,000% increase**. A third example involves construction work where the MoD and its PFO invested **CZK 116 million** in reparation of spa bath houses which the MoD subsequently declared redundant, offering them for sale for a price of **CZK 86 million**. They were sold for a purchase price of **CZK 105 million**, which did not even cover the funds invested; notwithstanding, the MoD's participation in the purchase price was **CZK 92 million**, the remainder being borne by the city, to which a part of the property was transferred as its historic property.

- In the audit No. **09/18**, which scrutinised the issue of rehabilitation of old environmental burdens, the SAO found that the amount of the State guarantee contractually binding on the assignees of the privatised State assets did not reflect the funds actually necessary for rehabilitation of old environmental burdens. For example, in the case of one assignee, the risk analyses indicated a need for decontamination intervention only in respect of certain locations, with anticipated expenditure of **CZK 2,575 million** in total. Its unused

guarantee, however, is still recorded in the amount of **CZK 25,335 million**. This is a time-consuming process, taking in excess of 10 years in some locations. Of the original 321 ecological contracts in 1991 with guarantees of **CZK 175,067 million**, only 124 of these contracts with guarantees of **CZK 13,764 million** had been concluded by the end of 2009. The amount of available funds from the privatisations, which are used to pay for the process, was only **CZK 14,911 million as at the end of 2009**.

- In the field of housing support, in the audit No. **09/24**, the SAO found that the MfRD had not fulfilled its conception and coordination function. The MfRD's housing policy conception did not define the requisite situation that should be achieved; neither it set nor analysed the anticipated effect of housing support provided by other ministries; and did not even have sufficient information as to the amount of these forms of support from other ministries and from the State Housing Development Fund (SHDF). The SHDF does not create long-term financial resources to finance the housing policy, and thus it fails to fulfil one of the fundamental functions for which it was established. Funds amounting to **CZK 33,193 million**, which the SHDF obtained from privatisation, were in practice spent primarily on subsidies, which were given preference over repayable financial assistance. Moreover, the system for support of mortgage loans was set up in such a way that the MfRD's funds totalling **CZK 424 million** that were earmarked for support, the proportion of administrative expenses compensated to banks grew steadily from **25%** in 2006 to **65%** in 2009. Based on the results of the audit, the Government instructed the Minister for Regional Development to prepare and present a draft update of the housing policy instruments.

Serious shortcomings were also found as regards realisation of certain important transport infrastructure investment operations. These were mostly caused by inadequate preparation of operations, underestimation of investment costs and failure to ensure continuous financing. These shortcomings also stem from inadequate conceptual objectives and an incorrectly set financing system. This results in a protracted construction time and additional cost, and further risks arise with the corresponding drop in construction efficiency. The limited influence of the competitive environment, where the small number of suppliers fails to create sufficient pressure to achieve low prices, is also significant. The following findings from audits concluded in 2010 are typical examples:

- In the audit No. **09/16**, the SAO found that the construction of the "Lipník nad Bečvou – state border with Poland" D47 motorway was experiencing problems primarily concerning regional preparation and continuous funding of the construction. The Road and Motorway Directorate (RMD) took a substandard approach when realising the construction, for example, by: announcing the contract award procedure for realisation of the construction and commenced works without having the necessary building permits; and by reimbursing the municipal sector for local infrastructure investments that had no material connection with construction of the motorway. The anticipated cost of construction of the motorway grew by **CZK 8,808 million**. This situation arose inter alia because the MoT did not have comprehensive and generally valid conceptual documentation stipulating the priorities for selection of operations for financing. Debenture programme revenues amounting to **CZK 3,321 million** were, in contravention of the law,<sup>12</sup> used for operations other than construction of the D47 motorway. At the time of the audit, the budget of the State Fund of Transport Infrastructure (SFTI) still needed another **CZK 2,917 million** for construction of this motorway.
- Within the scope of the audit No. **09/19**, the SAO found that in respect of construction of the railway corridors III and IV, the requisite funding of **CZK 97,077 million** put forward by the MoT in 2001 and 2002 for the Government approval was undervalued. As early as 2005, the updated requisite funding rose to **CZK 117,556 million**, the completion date was moved by six years to 2016, and the construction efficiency dropped by more than one-third. However, the MoT adopted no measures to ensure realisation in line with the updated financing models. At the time of the audit conclusion, it was highly likely that the cost would be as high as **CZK 135,486 million** and that the completion date would be as late as 2018, markedly worsening construction efficiency. Nevertheless, the recalculated efficiency indicators showed as early as 2008 that the calculated efficiency of the sections was close to the efficiency threshold of 5.5%. The delay in realisation and increased costs occurred primarily during the preliminary documentation and building plans. The audit confirmed that there was a significant discrepancy in the financial coverage of the transport infrastructure renewal and development action. The MoT permitted this discrepancy through its non-conceptual approval of a great many operations for realisation, regardless of the financial situation. At the time of the audit, it was discovered that the MoT

<sup>12</sup> Act No. 220/2003, Coll., on the State Bond Programme of settlement of expenditures connected with construction of the D47 motorway.

and the SFTI had secured only 18% of the financial resources needed to construct both corridors. As a consequence, the risk of further construction delays and efficiency decreases continues to rise.

- When auditing transport structure construction within the scope of the audit No. **09/27**, the SAO found that the MoT had no binding documentation setting priorities or the order of construction of transport structures according to their social desirability and in connection with the actual feasibility of financing. However, when preparing operations, the MoT left a great deal of power to the RMD without setting any fundamental financial, temporal, or material rules for their preparation. The MoT failed to document the criteria according to which operations were included in the transport structure construction schedule and consequently also approved for realisation. Operations pertaining to practically all motorways and expressways were selected for realisation without any guarantee that they would be completed in the foreseeable future. Thus, the system as it is set up provides no guarantee of economical, efficient, and effective expenditure of State funds. The realisation of certain related arterial roads has been delayed significantly and the sections under construction will tie up funds even in the years to come. The SAO also found that in 2008–2009 almost two thirds of the financial volume of contracts (totalling **CZK 62,751 million**) were won by a small group of firms either single-handedly or as part of an association. Forty-six contracts, worth a total of **CZK 13,268 million**, had only two tenderers (sometimes only one). The results of the audit also confirm in this respect that the shortcomings found in previous audits (primarily audit Nos. 06/36 and 07/04, the audit conclusions of which were published in Issues 3/2007 and 4/2007 of the *SAO Bulletin*) had not been eliminated.

In its audit conclusions, the SAO also repeatedly points out the systemic failure of the institute of programme financing, which occurs mainly because the auditees' approach is often inconsistent with the principles set by the Act on Budgetary Rules for the financing of programmes<sup>13</sup>. The absence of measurable programme objectives and parameters results in serious shortcomings with respect to programme assessment. Thus, the final programme assessments are often merely formal in nature. For example, in the audit No. **09/20** the SAO found that in flood prevention programmes the Ministry of the Environment (MoE) was incapable of proposing measurable objectives materially in line with the existing principles, objectives, or priorities determined by the *Flood Protection Strategy for the Czech Republic*. The final assessments of the programmes under scrutiny did not contain any assessment or analysis of the level of programme objective implementation, nor did they analyse the efficiency of SB fund expenditure. For example, the set-up of the general objectives made it possible for the Czech Hydrometeorological Institute to supply the operation contribution by drawing State budget funds from the programme, which does not correspond to the programme financing principles. When auditing the realisation of programmes, numerous public procurement shortcomings were also found in respect of fund beneficiaries.

In relation to potential corruption, the public procurement field is generally considered a risk area with all the possible negative implications. The risk of opportunities for corruption occurring rises in those cases, the higher the value of the public contract is, and may be founded in inconclusive definition of the needs, objectives, and conditions for performance of the contract. If contract award procedures do not adhere to the principles of transparency and equal treatment, the effect of the competitive environment is limited. Other risks are the absence of rules or set-up of a non-transparent system for project selection and alteration of the subject matter of the contract.

On a long-term basis, the SAO has been pointing out the shortcomings found with respect to public procurement and uneconomical expenditure of State funds. Apart from the most serious findings, which are set out in other sections of the Annual Report, the following findings were made in 2010:

- In the audit No. **09/16** the SAO found that the MoT's statutory obligation to ensure the most optimal designation of State budget investment funds earmarked for transport infrastructure development is compromised by the existence of various commissions advocating regional, local, or other interests to the detriment of the strategic priorities and by the current system for financing of operations via the SFTI.
- The MoF proposed a strategy to accelerate the process of rehabilitation of old environmental burdens. In line with that strategy, it prepared an environmental contract with an anticipated value of **CZK 101,163 million** with a view to concluding an agreement with only one contractor (audit No. **09/18**). The SAO would like to point out that this contract brings significant risks, mainly with respect to the unknown scope of decontamination work, the failure to perform an objective cost analysis and an inadequate competitive environment. There is a danger that a much higher volume of funds will be spent than actually necessary.

<sup>13</sup> Act No. 218/2000, Coll., on Budgetary Rules and on amendment of certain related acts (Budgetary Rules).

## 2.4 Funds from abroad

The SAO systematically audits the management of funds provided to the Czech Republic from abroad and in particular funds provided from the EU budget, which with respect to quantity represent the most significant source of finance in this area of scrutiny.

The SAO completed three audits in 2010 that focussed on both the set-up and functioning of the systems for implementing measures financed from EU funds, as well as on the individual projects within the scope of these measures:

- Audit No. **09/09** – cohesion policy expenditure earmarked for support of the *Single Programming Document for Objective 2 for the Prague Cohesion Region (SPD 2)*,
- Audit No. **09/12** – support of Czech fisheries co-funded from EU funds via the *Rural Development and Multifunctional Agriculture (RDMA)* and *Fisheries Operational Programmes (OP)*,
- Audit No. **10/01** – compensation of the costs of market intervention and export subsidies within the scope of common market organisation.

Three more audits, which inter alia scrutinised SB programmes co-funded from EU funds, focussed mainly on realisation of the financed programmes' objectives and verification of the set-up and accomplishment of their parameters (audits Nos. **09/19**, **09/27**, and **09/28**). Considering the prevailing focus of these audits and the most significant findings, the audit results are set out in the previous sections of this Annual Report (parts 2.2.1 and 2.3).

In the field of EU fund expenditure, the SAO repeatedly points out shortcomings with respect to public administration control as well as the need for the Act on Financial Control to be updated<sup>14</sup> so that it better corresponds to the requirements of the European legal regulations and common practice. This Act does not anticipate the multi-level management and control process that is currently in place in this field, nor does it contain any specific regulations on the delegation of authority with respect to control of these funds. Nonetheless, the MfRD, for example, delegated performance of preliminary public administration control, which precedes approval of the use of public funds, to other entities (audit No. **09/09**).

Another serious issue identified by the SAO was insufficient set-up of the management and control system. The public administration control neither scrutinised achievement of the project objectives, nor even examined the level of fulfilment of the monitoring indicators, with the exception of the projects' technical parameters. Furthermore, there was no methodology regulating the procedure for reporting suspected irregularities to the managing authority. Audits performed by the Ministry of Agriculture (MoA) prior to project approval failed to focus on evaluation of economy, efficiency, and effectiveness, and thus the principle of proper financial management was not observed (audit No. **09/12**). In addition, the following findings were made:

- In the audit No. **09/09**, the SAO found that within the framework of project sustainability the MfRD failed to set up control mechanisms making it possible to verify the implementation of the activities defined in the project, i.e., in this particular case, implementation of a joint research project.

The project-level monitoring indicators were not defined in detail for most of the duration of SPD 2 implementation. Due to its tardy preparation of the defining content, the MfRD as the managing authority failed to preclude the risk of the relevant monitoring indicators not being set up for approved projects by the final beneficiaries.

The conditions contained in the subsidy allocation decisions were not always formulated unambiguously and did not provide legal certainty of the binding nature of the documents for both the subsidy beneficiaries and the authorities.

Expenditure totalling **CZK 0.74 million** was wrongly paid out in three cases. In these cases, the intermediate body did not check the expenditure eligibility adequately. For example, in the case of the *Petřín Funicular – retaining wall decontamination* project, the final beneficiary also included into eligible expenditure the cost of planting trees that were not planted in the area where the project was carried out.

- In the audit No. **09/12**, which scrutinised the support of Czech fisheries co-funded from EU funds via the RDMA OP and the *Fisheries OP*, the SAO found shortcomings primarily in the areas of programme efficiency monitoring, project approval and control activities. The values achieved with respect to the set indicators also failed to reflect successful implementation of the objectives for the support of fisheries implemented via the RDMA OP. In the area of support administration, the MoA issued a decision on the provision of financial assistance, but it did not contain all the essential information required by the Act on

<sup>14</sup> Act No. 320/2001, Coll., on Financial Control in the Public Sphere and Changes to Certain Acts (Act on Financial Control).

Budgetary Rules. In the case of the *Fisheries* OP, a risk was detected consisting in a lack of projects suitable for drawing EU funds and implementing the programme objectives.

When examining a sample of RDMA OP programmes, the SAO discovered that expenses had been paid out that had not met the EU regulation requirements. This was the case in almost one quarter of the volume of funds under scrutiny.

- Within the scope of audit No. **10/01**, focussing on EU and State budget funds allotted for compensation of the costs of market intervention and export subsidies within the common market organisation, the SAO found that the system for the financing of selected common market organisation measures was functional; despite this, however, it was found that the auditees had breached the legal regulations. For example, in several cases the MoA did not proceed in line with the Act on Financial Control because it failed to perform systematic assessments of the state of affairs with regard to implementation of the measures adopted based on the findings of foreign audit missions, and did not adopt measures in respect of certain significant internal audit findings. The State Agricultural Intervention Fund, for instance, failed to refuse sub-standard deliveries of dried skimmed milk that did not meet the EC regulation requirements. It failed to require that warehouse keepers always provided it with monthly stock reports within the set deadline in accordance with this regulation, and failed to impose sanctions for breach of that obligation. The SAO also found that the food aid programme for the most deprived is not regulated in the Czech Republic in a way enabling broad utilisation of this aid.

In the area of public procurement, substantial shortcomings were again found with respect to breach of the legal regulations: failure to eliminate tenderers that did not meet the specifications; breach of the equal treatment principle as a consequence of varying evaluation of identical tenderers; conclusion of contracts containing different parameters from the winning bid; etc. For example, during public procurement for a project supporting the consumption of freshwater fish with a total approximate volume of **CZK 150 million**, the MoA did not clearly define the conditions of competition, did not carry out evaluations properly in line with the evaluation criteria or did not disqualify the offers of suppliers not meeting the specifications. On this project, shortcomings were likewise discovered in relation to the acceptance of supplies totalling approximately **CZK 18 million**, which had not been carried out at the time of invoicing (audit No. **09/12**). Shortcomings pertaining to public procurement were also found in the audit No. **09/09**.

## 2.5 Audit of the closing accounts of State budget headings

The SAO financial audits seek to verify the reliability of data in the financial statements or those parts presented as supporting documentation to the closing accounts of the most significant State budget headings every year. It also verifies whether, when compiling the closing accounts for the headings, the auditees proceeded in line with the relevant legal regulations.

In these audits, the shortcomings found are enumerated (i.e., the identifiable deviations resulting from failure to observe the legal regulations and other identifiable shortcomings in the compilation of financial statements), and an overview of these is compared with the set threshold for the volume of shortcomings, known as the significance threshold<sup>15</sup>. If the total volume of identifiable shortcomings is higher than the significance threshold that has been set, the SAO considers that the financial statements do not give a true and fair view of the subject of accounting and thus do not constitute a reliable basis for preparation of the closing account of the State budget heading.

In 2010 audit conclusions were approved in respect of four audits that examined the closing accounts for the *Ministry of Transport* sState budget heading for the year 2008 (audit No. **09/22**), the *Ministry of Labour and Social Affairs* for the year 2009 (audit No. **10/06**), the *Ministry of Agriculture* for the year 2009 (audit No. **10/07**) and the data in the financial statements of the Czech Social Security Administration (CSSA) for the year 2009 serving as a supporting documentation to the closing account for the *Ministry of labour and Social Affairs* heading with respect to the section on pension insurance benefit expenditure (audit No. **09/30**).

These audits included an examination of the data in the auditees' financial statements for that period. According to the data in the financial statements, total assets amounted to **CZK 44,996 million**, revenues totalled **CZK 43,005 million** and expenses totalled **CZK 488,430 million**.

<sup>15</sup> In line with the INTOSAI recommendations, the maximum permissible ratio of bad evidence that the users of reports can treat as still acceptable tends to be defined as 0.5-2% of the value that best represents the scope of the given accounting unit's financial activity; in the conditions of the SB heading administrators under review, their entire expenditure value was viewed as being the best scope of financing activity.

Taking the volume of shortcomings into consideration, the SAO found that only the MoT's financial statements for the year 2008 failed to give a true and fair view of the subject of accounting in accordance with the Act on Accounting and relevant legislation, and thus did not constitute a reliable basis for preparation of the closing account of that heading. By contrast, the financial statements of the MoLSA and the MoA for the year 2009 and the CSSA's data on pension insurance benefit expenditure did constitute reliable bases for preparation of the closing accounts of the relevant headings. In the case of the MoLSA, therefore, it can be stated that the situation improved because the financial statements in 2006 to 2008 did not give a true and fair view. There was also an improvement in respect of the MoA compared with the final statements for the year 2008.

When carrying out the audits, however, several serious shortcomings were found in the supporting documents to be used for preparation of the closing accounts of the State budget heading. The SAO had repeatedly pointed out these shortcomings in previous years. The auditees failed to keep correct, complete, and conclusive book-keeping in terms of the Act on Accounting and other legislation. For example:

- The MoT incorrectly estimated the State's ownership interest (Czech Railways shares) at the nominal value, as a consequence of which the closing balance of the relevant asset account reported in the balance sheet was significantly undervalued by **CZK 19,454 million** (audit No. **09/22**).
- In 2009, the MoLSA failed to account for assets totalling **CZK 179 million** and the MoA failed to account for assets totalling **CZK 25 million** on the relevant asset accounts (audits Nos. **10/06** and **10/07**).
- In several cases, the MoT duplicated account entries for invoices received, thus overvaluing the liabilities balance reported in the balance sheet by **CZK 31 million** (audit No. **09/22**).
- In the budget implementation statement, the MoA classified investment expenses in the amount of **CZK 29 million** as non-investment expenses (audit No. **10/07**).
- The MoT accounted for assets in the amount of **CZK 20 million**, although it was not competent to manage some of those assets (audit No. **09/22**).
- When performing asset stock-taking, the MoA failed to ascertain the actual asset balance, or more precisely, it reported technical appreciation in the amount of **CZK 128 million** as a service even though intangible fixed assets were concerned. Shortcomings pertaining to the stock-taking of assets and liabilities were found in the case of most of the auditees (audits Nos. **09/22**, **10/06**, and **10/07**).

The audit results also indicated breach of the legal rules regulating the auditees' economy. The Labour Office of the City of Prague wrongly utilised funds totalling **CZK 293 million** when it incurred expenses exceeding the amount budgeted for in line with the paragraphs and items of the budget structure prior to adopting budgetary measures (audit No. **10/06**). It was also discovered that the MoT wrongly utilised funds amounting to **CZK 4 million** (audit No. **09/22**).

One of the causes of the shortcomings found by financial audits is the fact that the auditees did not have effective internal audit systems in place capable of determining, assessing and minimising accounting-related risks in good time (audits Nos. **09/22**, **10/06**, and **10/07**).

In addition, every financial audit always comprises an assessment of the measures adopted to remedy the shortcomings found in previous audits. The above implies that certain shortcomings and irregularities are continuously repeated, primarily due to inconsistent implementation of the remedial measures adopted. The recurrent shortcomings with respect to stock-taking are the most frequent.

The financial audits also bring other benefits besides the aforementioned audit results. This concerns mainly findings from audits that can be utilised in legislative activities. Another benefit is the support of good accounting practice, which contributes towards preparation and presentation of high-quality accounting and financial information, as well as the preventive effect of audit results on other potential auditees considering the fact that the audit conclusions are available to the public. Thus, the following emerged from the audits in 2010:

- The current provisions regulating the book-keeping of OUS deal inadequately and ambiguously with the issue of merging ownership interests according to the level of influence exercised on the entity representing the ownership interest, i.e., according to the decisive and material influence and on other ownership interests. The SAO has been repeatedly pointing this out over the last few years, but the state of affairs continues to prevail (audits Nos. **10/06** and **10/07**).
- Selected State institutions, as specific wage payers, administer tens of thousands of enforcement cases every month, and the enforcement deductions agenda is frequently very extensive and linked to significant expenditure that is covered using State budget funds. A potential amendment to the legislation

making it possible for wage payers to claim compensation of expenses connected with enforcement would lead to far more economical utilisation of State funds (audit No. **09/30**).

The audits in this field in 2011 will also aim to assess the cohesion and preparedness of the legal regulations on accounting that were newly implemented from 2010, including the provisions of these regulations that are in effect from 2011.

## 2.6 Opinions on the draft State closing account and the interim report on implementation of the State budget

The SAO submitted to the Chamber of Deputies its opinion on the draft *State Closing account of the Czech Republic for 2009* and its opinion on the *Report on Implementation of the State Budget Process for the 1st Half of 2010*<sup>16</sup>.

The opinion on the draft of the State closing account summarised the most serious shortcomings found during the SAO's audits and contained an assessment of the closing accounts of budget headings. The SAO's general findings from financial audits and audits focussing on the drawing of EU budget funds were set out separately.

In its opinion on the draft of the State closing account, the SAO pointed out several fundamental problems that affect the State budget structure and implementation and relate in the long term to the budget system, reporting and public finance legislation. In particular, these include a failure to implement budget revenues, a high proportion of mandatory expenditure, the potential to claim undrawn expenditure in subsequent years, risks arising from the performance of State guarantees and unclear methodology for reporting data in the area of State budget deficit financing. In assessing the closing accounts of the individual budget headings, the SAO mentioned shortcomings in the scope and quality of the preparation of the closing accounts, and found that the majority of State budget heading administrators fail to publish the closing accounts in the required way.

In its opinion on the *Report on Implementation of the State Budget Process for the 1st Half of 2010*, the SAO commented with respect to the declared implementation of the main State budget indicators, and drew attention to several persisting problems that could negatively affect subsequent state budget implementation. The deficit increase trend in the pension insurance sector is a serious problem. Every year, capital expenditure is drawn unevenly, whereby the majority accumulates in the last quarter of the year. Once again, the SAO mentioned the absence of numerical data in the section on outlook for the implementation of the State budget up to the end of 2010 as one of the shortcomings of the *Report on Implementation of the State Budget Process for the 1st Half of 2010*.

## 2.7 Discussion of audit conclusions in bodies of the Czech Parliament and Government

Every audit conclusion is sent to the Chairpersons of both Chambers of the Czech Parliament and to the Czech Prime Minister immediately after being approved. The SAO also sends these institutions its Annual Report, its opinion on the State closing account, and its opinion on implementation of the State budget.

The discussion on audit conclusions is the most fundamental aspect of cooperation between the Czech Parliament and the Czech Government on the one hand and the SAO on the other hand. The SAO's key partner in the Parliament is the Committee on Budgetary Control of the Chamber of Deputies (CBC). This Committee discusses the SAO's audit conclusions, its Annual Report, the draft budget chapter of the SAO, its closing account, the SAO's opinion on the State closing account, and other materials.

In 2010, the CBC discussed a total of five of the SAO's audit conclusions. Audit conclusions are usually discussed by the CBC in the presence of the SAO President or Vice-President, the SAO Member who managed the audit in question, and representatives of the auditees. For every audit conclusion, the CBC adopts a resolution acknowledging the audit conclusion in question. If an audit conclusion has already been discussed by the Czech Government, the CBC acknowledges both the audit conclusion in question and the opinion of the concerned Government department on the audit conclusion. Resolutions often state the identified shortcomings and at the same time instruct the Government, or the Ministry or Minister in question, to remedy the state of affairs or (if appropriate) to submit additional materials (concepts, reports,

<sup>16</sup> The SAO presents these opinions based on the provisions of Section 5 of Act No. 166/1993, Coll., on the Supreme Audit Office.

a list of remedial measures, etc.). An overview of audit conclusions discussed by the CBC in 2010 and a summary of the resolutions adopted is given in Appendix 3 to this Annual Report.

The Czech Government discusses all audit conclusions. Audit conclusions are sent to the Prime Minister, who passes them on to the relevant Ministry for an opinion. The audit conclusion and the Ministry's opinion are then discussed at a session of the Government in the presence of the SAO President. In 2010, the Government discussed 27 of the SAO's audit conclusions. It adopted a resolution acknowledging each audit conclusion as well as the opinion or information provided by the Ministry concerned. In most cases, these resolutions had a section issuing instructions; there was often also a deadline by which the Minister concerned had to inform the Government about the implementation of remedial measures. An overview of audit conclusions discussed by the Government in 2010 and a summary of the measures imposed is given in Appendix 4 to this Annual Report.

## 2.8 Cooperation with law enforcement authorities

The SAO did not lodge any criminal complaints in 2010. According to the Police of the Czech Republic, the file documents on the criminal complaint that was lodged in 2009 in respect of audit No. 07/27, dealing with State budget funds provided in connection with the staging of the Nordic World Ski Championship in the Czech Republic in 2009, were used in the actual hearing of the facts of the case. Some of the facts indicated that a crime had been committed. In five cases, criminal prosecution was instituted in accordance with Section 160.1 of the Criminal Code<sup>17</sup>. Other complaints lodged were investigated further by the Czech Police.

The law enforcement authorities requested the SAO's cooperation in a total of ten cases in 2010. In response to their requests, the SAO provided them with audit materials in all cases and the SAO President, acting pursuant to Section 23 of the Act on the SAO, lifted the ban on disclosure in respect of seven employees on the grounds of important State interest.

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<sup>17</sup> Act No. 141/1961, Coll., on criminal judicial proceedings (the Criminal Code).



### III. Financial evaluation of audit work

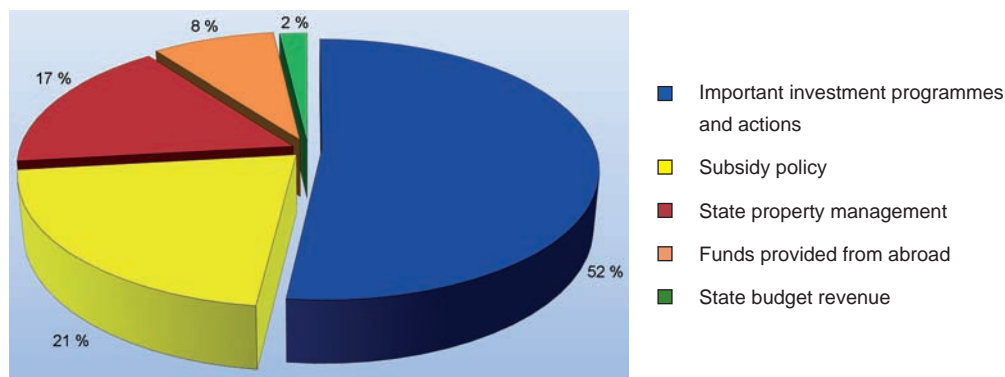
#### 1. Summary financial evaluation of audits

As part of audit evaluation for the previous year, the SAO also monitors the summary financial evaluation of audits by means of an indicator of the volume of audit State funds and assets. This mainly provides information about the total extent of audited items of State budget revenue and expenditure, EU funds provided to the Czech Republic, State assets and other funds (e.g., extra-budgetary finances of State funds). The total volume of funds and assets under scrutiny is affected primarily by the number of audits as well as the subject and objective of the audits performed.

The audits whose audit conclusions were approved in 2010 scrutinised funds and assets in a total volume of **CZK 124,608 million**<sup>18</sup>.

The structure of the total volume of finances and assets scrutinised in 2010 is shown in Graph 3. The funds and assets examined in individual audits were expressed according to the different areas of focus of the SAO's audits, which have been set out in the previous sections of this Annual Report.

**Graph 3: Structure of the audited volume of funds and assets by areas of SAO scrutiny**



It can be seen from the graph that audits focussing on important State investment programmes and operations represented the largest volume of audited funds from the areas shown. The biggest share of audited funds and assets comprised audits focussing on transport infrastructure projects.

#### 2. Performance of notification duty pursuant to Act No. 337/1992 Coll., on the administration of taxes and charges

Based on its audit findings, the SAO, where justified, discharged its notification duty in respect of territorial financial authorities pursuant to Act No. 337/1992, Coll. Particular audit findings that relate to the auditees' tax obligations and in respect of which a loss can demonstrably be expressed may be used by the relevant financial authorities in collection of funds or when adopting measures to prevent unauthorised management of State assets.

Under its duty to notify the relevant financial authorities or regional councils of cohesion regions,<sup>19</sup> a total of 17 notifications concerning State budget expenditure were sent in 2010. These notifications (including financial audits) related to funds totalling **CZK 407 million**.

<sup>18</sup> The total volume does not include data from audits scrutinising the closing accounts of the State budget headings (see part 2.5 of this Annual Report). It also does not include the funds scrutinised in audits of the strategic and conceptual materials or the total fund volumes of programmes in respect of which the activities of administrators or intermediate bodies was scrutinised. With respect to State budget revenues, the volume of funds under scrutiny does not include the value (VAT base) of examined intra-Community transactions within the EU.

<sup>19</sup> The duty to notify the regional councils of cohesion regions arises from Act No. 337/1992, Coll., on the Administration of Taxes and Fees, and Act No. 250/2000, Coll., on Municipal Budgetary Rules.



## IV. Evaluation of other activities

### 1. Other SAO's activities related to audit work

In an inter-departmental comment process conducted pursuant to the *Government's Legislative Rules*, the SAO gave its opinion on draft legislation that concerned it as an organisational unit of the State or fell within its competence. In 2010, the SAO received a total of 141 legislative drafts for appraisal. The SAO presented specific comments, stemming primarily from audit findings, on 37 drafts.

Increased attention was given to the formulation of comments on the draft amendment to the Constitution of the Czech Republic, which aims to broaden the SAO's scope of power, particularly with respect to the possibility of auditing the local government authorities' management of assets, and the related draft amendment to Act No. 166/1993, Coll., on the Supreme Audit Office.

### 2. International cooperation

International cooperation in 2010 concentrated mainly on activities within the EU and on events organised by the INTOSAI and the EUROSAI, coordinated audit meetings, and bilateral cooperation. The SAO's bilateral cooperation was primarily with the Supreme Audit Institutions of the Slovak Republic and the Federal Republic of Germany, and the European Court of Auditors (ECA).

SAO representatives attended a total of 52 events abroad. These events related mainly to EU membership, INTOSAI working group meetings and conferences, bilateral cooperation, and various seminars and workshops on audit issues. The event content mostly involved themes related to performance audits, IT investment audits, VAT, and environment auditing. The structure of foreign business trips made by SAO representatives is shown in Graph 4.

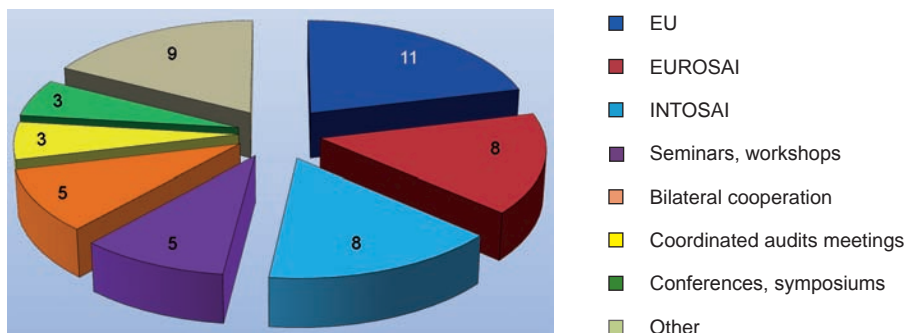
A pivotal international cooperation event was the XX INTOSAI Congress held in Johannesburg, South Africa. The main themes of the congress were the importance and benefits of the Supreme Audit Institutions (SAI), and environmental and sustainable development audits. Papers by the Heads of the regional groups active within INTOSAI on these groups' activities and presentations by the chairpersons of INTOSAI working groups on implementation of objectives and tasks in 2007–2010 and on plans for 2010–2013 were also presented at the Congress. A number of International Standards of Supreme Audit Institutions (known as ISSAI) pertaining to financial audits, performance audits, legality audits and others, as well as several audit guides elaborated by the working groups, were also approved at the Congress. The Congress also officially approved the guidance entitled *Auditing Sustainable Energy*, which was elaborated under the SAO's management.

Other important events were the meeting of the Presidents of the Supreme Audit Institutions of Visegrad 4 Countries, Austria, and Slovenia (V4+2), which was held in the Slovakian town of Sielnica in the autumn, and the meeting of the Contact Committee of the Heads of the SAIs of the EU Member States and of the ECA, which was held in Luxembourg in October. This meeting focussed, for example, on the role of the national parliaments following adoption of the *Lisbon Treaty*, issues connected with the prepared revision of the EU's Financial Regulation and SAI independence.



*The meeting of the XX INTOSAI Congress and the V4+2 meeting*

**Graph 4: Number and focus of foreign business trips by SAO representatives in 2010**



The SAO organised a total of 31 international events in the Czech Republic in 2010. The structure of international events organised by the SAO is shown in Graph 5.

An event of particular significance was the EUROSAI and Contact Committee seminar, which focussed on audits of the common agricultural policy (CAP) and which was co-organised by the SAO and the ECA. Almost 70 national SAI representatives attended the seminar, and representatives from the European Commission, the MoA and the State Agricultural Intervention Fund were also invited. Those present were able to share their experience in respect of CAP audit coordination, familiarise themselves with the methodology for carrying out these audits, compare approaches when assessing shortcomings found in audits and discuss options when carrying out performance audits.

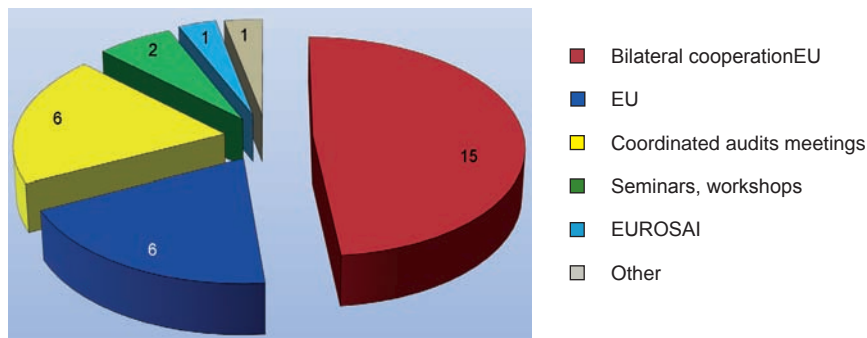


*Participants of the seminar on Common Agriculture Policy*

A further significant event organised by the SAO was the meeting of Liaison Officers of EU SAIs, the ECA, and SAIs of candidate countries, which focussed on EU financial management issues, the activity and direction of the working groups and the Contact Committee's activity in the future.

A seminar on public sector auditing and international organisation auditing was held in collaboration with EUROCONTROL.

**Graph 5: Number and focus of international events organised by the SAO in 2010**

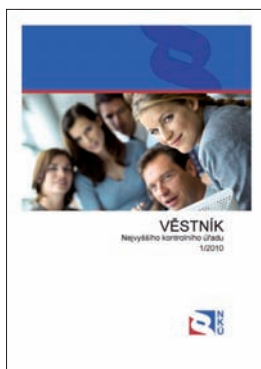


As it does every year, in 2010 the SAO prepared a presentation of its work for the ambassadors of the EU countries in the Czech Republic. As part of bilateral cooperation, the SAO was visited by the Auditor General of the SAI of Cyprus and the President and Vice-President of the SAI of Slovakia. Meetings also took place with experts from the ECA and the SAIs of Germany, Slovakia, Georgia, and Indonesia.

A coordinated audit of VAT administration was carried out in cooperation with the German SAI in 2010. In cooperation with the Polish SAI and a further 12 SAIs, an audit of the integration of handicapped citizens was performed. The final audit report is to be completed and published in the first half of 2011. A Memorandum of Understanding was signed, signalling the start of a new form of cooperation between the SAO and the ECA, and a pilot project in respect of coordinated rural development auditing was commenced. In the same year, four audit missions undertaken by the ECA were also held in the Czech Republic; SAO representatives took part in these as observers. In three further cases, ECA auditors did not visit the Czech Republic in person but requested the SAO to act as intermediary and to forward supporting documentation.

### 3. SAO activities in respect of the public

#### 3.1 Publishing activities



The **SAO Bulletin** (Volume XVIII) was published in four issues appearing at the end of each calendar quarter. A total of 25 audit conclusions, the Annual Report for 2009, amendments and changes to the Audit Plan, and the Audit Plan for 2011 were published in these issues. The outputs of individual audits were also regularly published on the SAO web site.

For the third consecutive year, the SAO issued a publication entitled **EU report 2010 – Report on the EU Financial Management in the Czech Republic** in May 2010. This publication reflects the SAO's efforts to provide comprehensive information on the issue of financial relations within the framework of the

EU budget management from the perspective of the external audit authorities. It is based on underlying data pertaining mainly to the year 2009, and also provides summary information on the 2004–2006 programming period and findings from the current 2007–2013 programming period.



The *EU Report 2010* is intended for institutions responsible for the financial management of EU funds, and is also intended for other interested persons from the professional public in the Czech Republic and abroad.

### 3.2 Providing information pursuant to Act No. 106/1999 Coll., on free access to information

In 2010, the SAO received a total of 11 requests for information under the terms of Act No. 106/1999, Coll. These requests were handled within the statutory deadlines. In four cases, the SAO provided the requested information in full; it laid down four of the requests on legal grounds (failure to complete the request as per statutory requirements, failure to cover expenses, a matter outside the SAO's competence, a requirement to create new information). In the case of one request, information pertaining to the SAO's scope of activity was provided and a part of the request was laid down on grounds of being outside the SAO's competence.

In two cases, the SAO issued decisions on partial refusal of the requests (or, more precisely, it did not fully accord these requests) because the requesting parties had asked for information that (in the first case) related exclusively to the SAO's internal instructions, and (in the second case) related to the personal data of an individual. The SAO did accord the remaining parts of these requests, and provided the requested information.

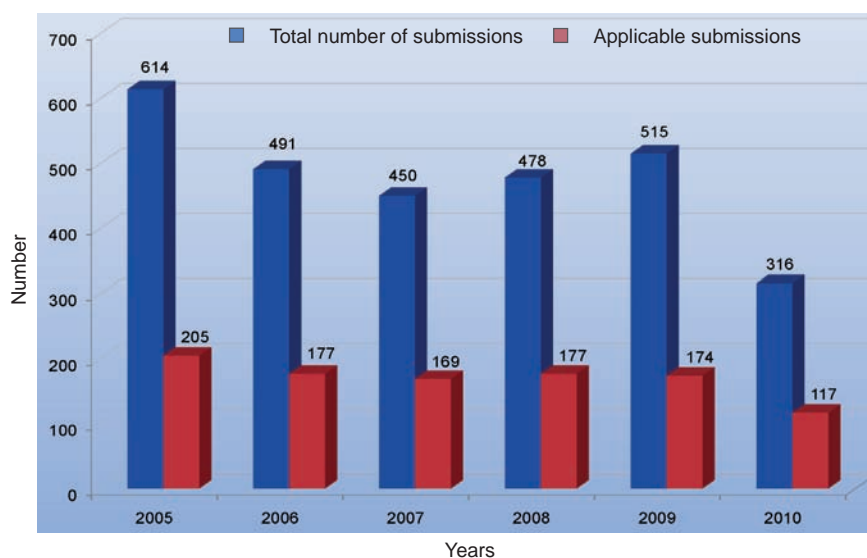
No appeals were filed against the issued decisions on partial refusal of the requests. No complaints were filed as per Act No. 106/1999, Coll. in respect of the SAO's approach when handling requests for information in 2010.

### 3.3 Submissions from citizens

In 2010, the SAO registered 316 written submissions (requests, complaints, enquiries, etc.) from citizens and institutions. The number of written submissions dropped compared to the year 2009, but this drop was compensated by the higher number of submissions made in person and by telephone.

All the submissions were assessed from the point of view of whether they could be used in the SAO's audit work. Those that can be used are made available to the audit departments as a supplementary source of information within ongoing audits. Apart from this, they are also used when preparing suggestions for the Audit Plan. In 2010, the SAO received 117 submissions that could be used, i.e., 37.1% of the total number of submissions. Submissions that could be used mainly concerned road construction, agriculture, and environmental protection investments.

**Graph 6: Overview of the total number of submissions and their practical use for audits in the years 2005 to 2010**



## 4. Management of finances allocated to the SAO budget heading in 2010

### 4.1 Implementation of the mandatory indicators of the SAO budget heading

The budget of the heading 381 "Supreme Audit Office" was approved by Act No. 487/2009, Coll., on the State budget of the Czech Republic for 2010. Two fund expenditure commitments were carried out based on Resolution of the Budgetary Committee of the Chamber of Deputies No. 820 dated 9.3.2010 and No. 19 dated 11.8.2010 in a total amount of CZK 29,710 thousand.

**Table 1: Implementation of mandatory indicators of the budget (incomes and expenditures) in 2010<sup>20</sup>**

(CZK thousand)

Indicator	Approved budget	Final budget <sup>20</sup>	Implementation	Implementation in %
<b>Aggregate Indicators:</b>				
Total income	564	564	828,73	146,94
Total expenditure	592 875	563 165	542 595,89	96,35
<b>Specific indicators:</b>				
Incomes	564	564	828,73	146,94
Expenditure covering performance of the SAO tasks	592 875	563 165	542 595,89	96,35
of which:				
– Reimbursement for expenses associated with the function	4 262	4 262	3 116,49	73,12
– Non-investment transfers to international organisations	150	102	101,44	99,45
– Other expenditures of the SAO	588 463	558 801	539 377,96	96,52
<b>Cross-sectional indicators:</b>				
Employees' pay and other payments for work done	264 549	261 904	256 916,59	98,09
Mandatory insurance premiums paid by the employer	89 947	89 047	86 974,64	97,67
Transfer of the Cultural and Societal Needs Fund	4 860	4 811	4 779,08	99,34
Pay of employees with a fixed-duration or temporary employment contract	243 000	241 758	238 972,59	98,85
Expenditures on financing of the Programme 281 010	55 270	39 990	39 450,85	98,65

#### Income

The SAO's own income amounted to CZK 828,73 thousand, i.e., 146.94% of the approved and final budget.

#### Expenditure

Total expenditure amounted to CZK 542,595.89 thousand, i.e., 96.35% of the final budget. Wages and related expenditure (63.38%) accounted for the largest proportion.

All the mandatory indicators of the SAO budget heading were complied with in 2010.

### 4.2 Claims from unused expenditure

As a result of Resolution of the Budgetary Committee of the Chamber of Deputies No. 19 dated 11.8.2010, claims from unused expenditure were reduced by half, i.e., by CZK 74,077 thousand. As of 31.12.2010, the balance of claims from unused expenditure totalled CZK 66,685.61 thousand. Owing to completion of

<sup>20</sup> The final budget means the budget after all the changes (budget expenditure commitments included).

the Asset Replacement Programme, claims from unused expenditure as of 31.12.2010 were reduced by CZK 7,391.69 thousand.

### 4.3 Expenditures on asset replacement programmes

Budget funds were allocated to the implementation of Programme 281 010 – *Development and Renewal of the Material and Technological Resources of the Supreme Audit Office*, specifically on information and communication technology and replacement of assets. A total of CZK 39,450.85 thousand was spent. In accordance with its documentation, the programme was completed as of 31.12.2010.

### 4.4 Mandatory audit

The annual financial statements of the SAO as of 31.12.2010 were audited by an auditor in compliance with Section 33.3 of Act No. 166/1993, Coll., on the Supreme Audit Office, as amended. The report assessing the heading administrator's implementation of the budget (financial report), which was drawn up as of the same date, was also examined. In the auditor's opinion, *"the financial statements and financial reports give a true and fair view of the assets and liabilities of the Supreme Audit Office as of 31.12.2010, the costs and revenues and its economic result, and the income and expenditure for the year ending 31.12.2010, in accordance with the Czech accounting regulations"*.

## 5. Internal audit

The work of the Internal Audit Department was based on Act No. 320/2001, Coll., on financial audit in public administration and on amendments to some acts (Financial Audit Act), and Decree No. 416/2004, Coll., which implements Act No 320/2001, Coll.

The Internal Audit Department's activities were carried out based on the Internal Audit Plan for 2010, which was approved by the SAO President and included a total of five internal audits. The internal audits focussed on the stock-taking of assets and liabilities, operating expenses, operation of company cars, personal data protection, and the administration of receivables and damages. The results of the audits completed in 2010 were discussed with the heads of the departments audited. Direct, specific, and deadline-linked measures were adopted in respect of all the shortcomings found in those audits. The auditors will check the implementation of these measures in 2011.

The internal audits did not raise any serious findings within the meaning of the provisions of Section 22.6 of the Financial Audit Act.

## 6. Staffing of the SAO

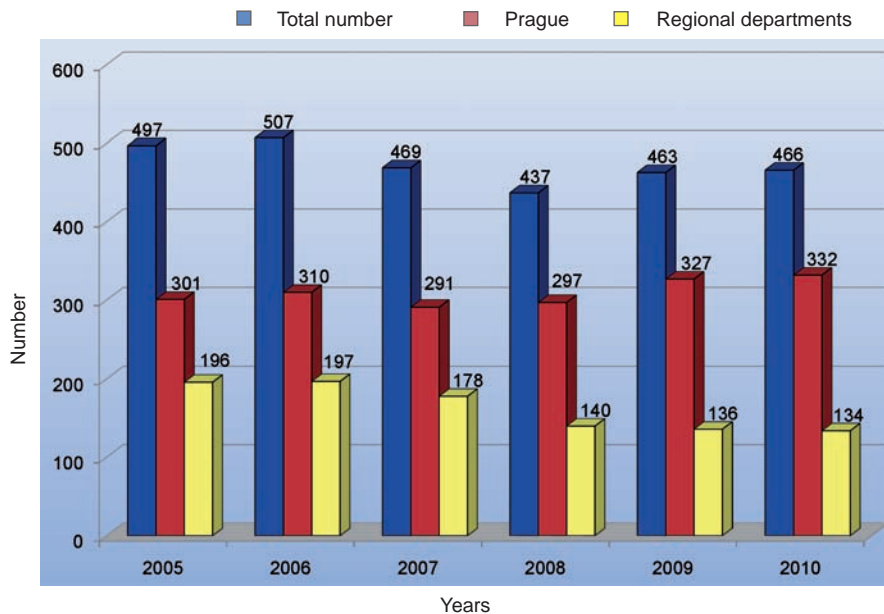
In 2010, the total SAO workforce was 466<sup>21</sup>, including 331 staff who were employed in the Audit Section (71%). The average number of SAO employees and employees of the Prague and regional departments in 2005–2010 is shown in Graph 7. From the graph it can be seen that the total number of employees in 2010 was almost identical to that in 2009.

During 2010, 28 new employees were taken on and 30 ended their employment (the number of employees also fluctuated because of maternity and parental leave). Of the total number of employees who ended their employment, eight of them (27%) went into retirement and one employee (3%) left due to organisational changes that took place in 2010.

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21 Average number of employees in 2010.

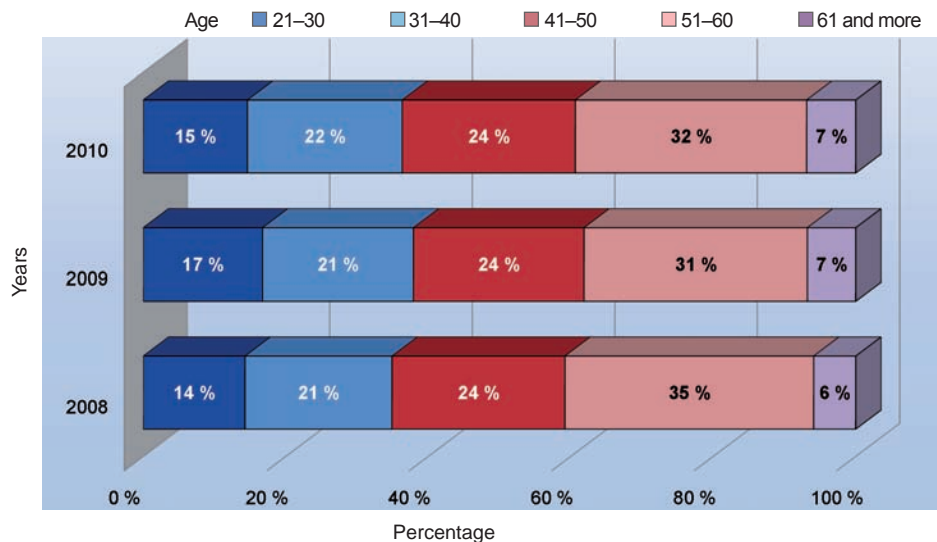
**Graph 7: Overview of the number of SAO employees in the 2005–2010**  
(average recounted number for the respective year)



The age structure of SAO employees as of 31.12.2010, including a comparison to the years 2008 and 2009, is shown in Graph 8.

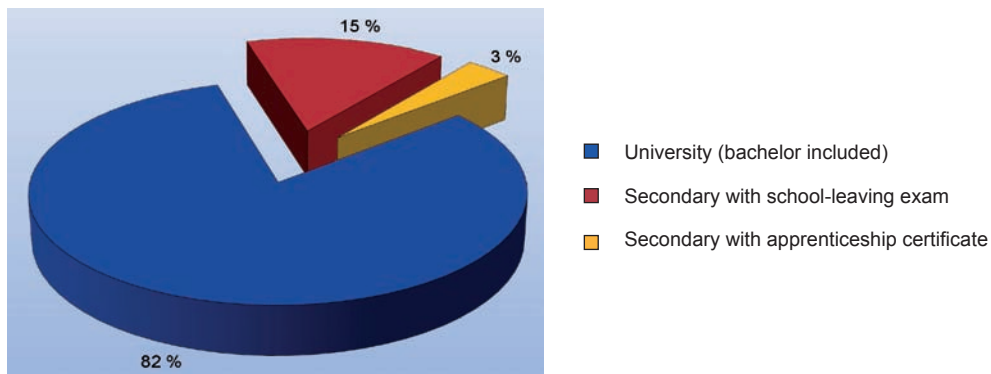
The average age of SAO employees in 2010 was 45.5; this represented a slight rise in the average age compared to 2009 (44.9). In 2008 this figure was 45.8.

**Graph 8: Overview of the age structure of SAO employees in the 2008–2010**  
(total number of employees as of 31 December of the given year)



There was little change in the structure of SAO staff in terms of qualifications compared with 2009. **A total of 379 employees, i.e., 81.5%, were university-educated as of 31.12.2010.**

**Graph 9: Overview of the structure of SAO employees by educational attainment as of 31. 12. 2010**



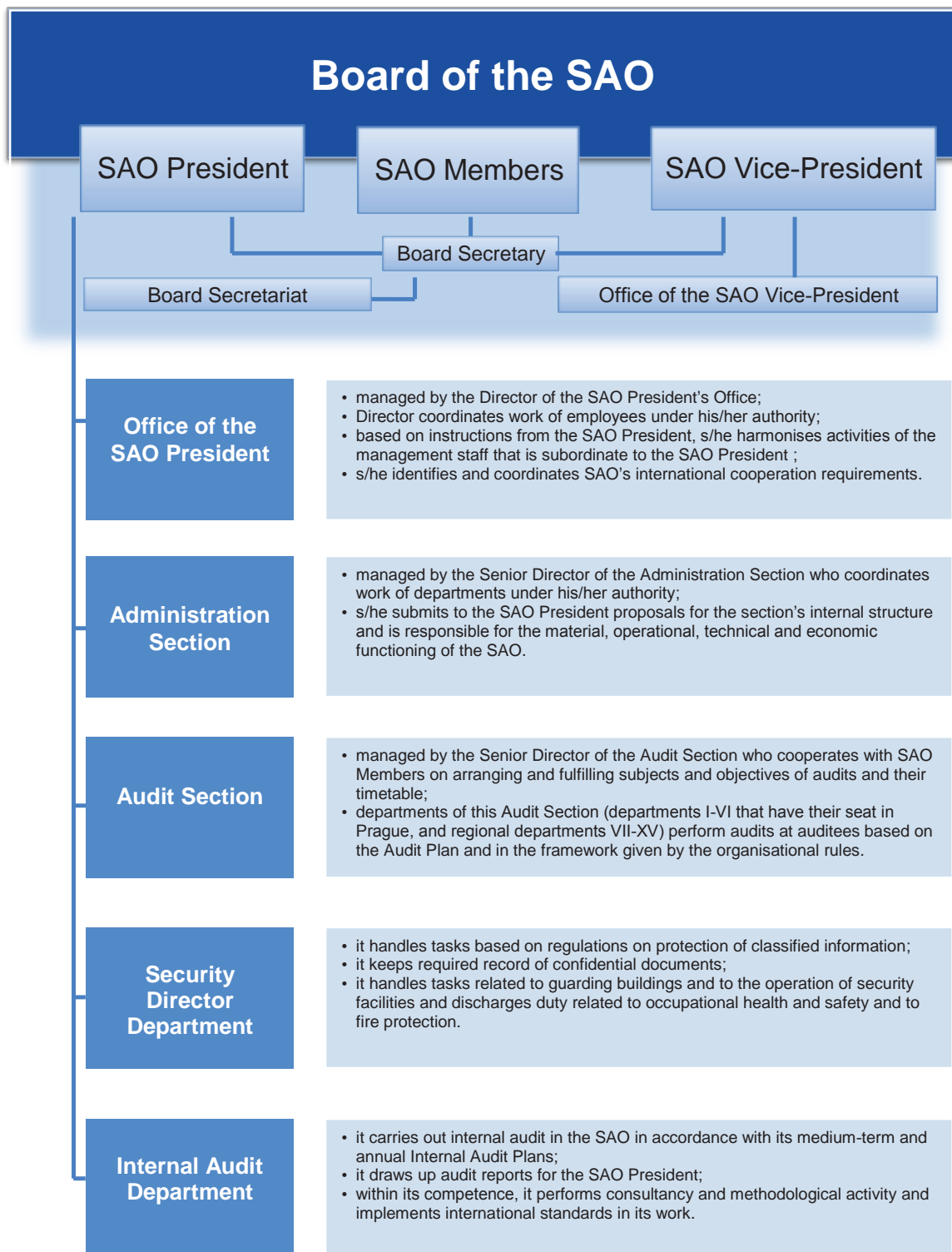
As in previous years, the SAO's professional training focused mainly on deepening and improving the professional skills of the Audit Section staff in 2010.

As in previous years, attention was paid to the initial training of new employees. 64 employees were included in the initial training programme in 2010. Initial training is divided into three separate levels and adapted to the needs of different areas of work. The first and second levels of this initial training end with a test; the third ends with a commission final examination.

Employees wishing to improve their language skills could, once again, make use of a motivational system for independent language study in 2010. To qualify for inclusion in this motivational system, employees had to present language certification under the European Framework of Reference. As of 31 December 2010, 134 SAO employees had successfully taken one of the standardised language tests in English, German, or French. That meant that almost 29% of all employees had attained a language skills level of at least B1 of the European Framework of Reference.

## 7. Organisational structure of the SAO

A detailed chart of the organisational structure can be found on the SAO's web site.



## Conclusion

One of the SAO's fundamental purposes is to provide the Czech Parliament, the Czech Government, and the general public with an independent view of the State's financial management. A continued priority, even in previous years, has been to ensure that the audit results are beneficial in eliminating the shortcomings found and that the management and control systems function better (which would effectively guarantee economical and efficient utilisation of State funds and assets).

Therefore, in comparison to previous audits, the SAO could pronounce a positive trend with respect to certain audit areas. For example, Czech VAT administration work improved in the field of intra-Community transactions within the EU; the VAT Act was amended as per the SAO's recommendations; and the data contained in the financial statements of the MoLSA and the MoA was more reliable.

However, on the other hand, certain systemic shortcomings continue to persist. These shortcomings had a negative effect, for example, on the efficiency of important investment programme and operation financing and the State subsidy policy. The SAO considers the most serious shortcomings in these areas to be the absence, or underestimation, of conceptual and strategic documents; the failure to set priorities and measurable objectives with respect to financial resources; and the non-existence of binding rules for the allocation of State funds based on an evaluation of the investment's socio-economic effectiveness. Investment operations were not adequately prepared, and the limited influence of the competitive environment failed to create sufficient pressure to reduce prices. Likewise, the institute of programme financing was considered to have failed systemically. The shortcomings identified in the public procurement sector were alarming, too.

The SAO also found serious irregularities in the set-up and work of certain auditees' control systems. For example, these systems failed to ensure adequate economy, efficiency, and effectiveness when providing support that was co-funded by the EU budget, or failed to prevent breach of the legal regulations and the set conditions in respect of such support. The failure of the internal audit mechanisms did not preclude either objectionable management of State assets and funds or breach of the legal accounting rules

Audits included in the Audit Plan for 2010							
Audit No. <sup>22</sup>	Subject of audit	Start (month/year)	Audit conclusion submitted for approval (month/year)	Audited area	Heading administrator	Audit conclusion drawn up by a Member	Audit conclusion approved by
10/01	Funds earmarked for costs of market interventions and export subventions in the Common Market Organisation	01/10	10/10	Funds from abroad	MoA	Mr Kalivoda	SAO Board
10/02	State property under the management of state-owned enterprises that are under authority of the Ministry of Industry and Trade	01/10	09/10	State property management	MoIT	Mr Macháček	SAO Board
10/03	State funds earmarked for supporting and integration of disabled persons	01/10	10/10	State subsidy policy	MoLSA	Ms Kadaňová	SAO Board
10/04	State property and state budget funds allotted for accomplishing tasks of the Administration of State Material Reserves	01/10	10/10	State property management	ASMR	Ms Hošková	SAO Board
10/05	State property under the management of the Ministry of Justice	03/10	10/10	State property management	MoJ	Mr Sehoř	SAO Board
10/06	Closing account of the State budget heading "Ministry of Labour and Social Affairs" for the year 2009	03/10	10/10	Closing accounts of SB headings	MoLSA	Mr Vedral	SAO Board
10/07	Closing account of the State budget heading "Ministry of Agriculture" for the year 2009	03/10	12/10	Closing accounts of SB headings	MoA	Ms Steidlová	SAO Board
10/08	Administration of payments for the breach of budgetary discipline	04/10	01/11	Revenues and other financial operations of the SB	MoF	Ms Profeldová	SAO Board

<sup>22</sup> Texts of the audit conclusions and detailed information on audits finished in 2010 are available in *SAO Bulletin* issues (on the Czech language only). Audit No. 10/04 makes an exception, as this audit was carried out under the "restricted" regime and its audit conclusion was not published in accordance with the law.

Audits included in the Audit Plan for 2010							
Audit No. <sup>22</sup>	Subject of audit	Start (month/year)	Audit conclusion submitted for approval (month/year)	Audited area	Heading administrator	Audit conclusion drawn up by a Member	Audit conclusion approved by
10/09	State budget funds provided to the Securities Brokers Guarantee Fund and financial contributions collected from securities brokers	05/10	02/11	Revenues and other financial operations of the SB	MoF	Mr Macháček	SAO Board
10/10	Funds earmarked for acquisition of selected equipment of the Armed Forces of the Czech Republic	05/10	03/11	Important investment programmes and actions	MoD	Mr Němeček	SAO Board
10/11	Financing operations and state budget funds under the budget heading "State debt"	05/10	03/11	Revenues and other financial operations of the SB	MoF	Ms Kadaňová	SAO Board
10/12	Funds provided for the improvement of nature and landscape	05/10	03/11	State subsidy policy	MoE	Mr Brandt	SAO Board
10/13	State property under the management of selected organisational units of the State under the Ministry of Interior that focus on archival science	06/10	03/11	State property management	MoI	Mr Kufa	SAO Board
10/14	Funds earmarked for measures regarding the waste disposal	06/10	04/11	Important investment programmes and actions	MoE	Mr Brandt	SAO Board

**Audits included in the Audit Plan for 2010**

<b>Audit No.<sup>22</sup></b>	<b>Subject of audit</b>	<b>Start (month/year)</b>	<b>Audit conclusion submitted for approval (month/year)</b>	<b>Audited area</b>	<b>Heading administrator</b>	<b>Audit conclusion drawn up by a Member</b>	<b>Audit conclusion approved by</b>
10/15	Funds earmarked for the D3 motorway construction	06/10	05/11	Important investment programmes and actions	MoT	Mr Adámek	SAO Board
10/16	State property under the management of selected museums	06/10	04/11	State property management	MoC	Ms Profeldová	SAO Senate
10/17	Receivables under the administration of the Prison service of the Czech Republic	08/10	05/11	Revenues and other financial operations of the SB	MoJ	Mr Němeček	SAO Board
10/18	Receivables under the administration of the Prison service of the Czech Republic	08/10	06/11	State property management	MoIT	Mr Němeček	SAO Board
10/19	Annual accounts and financial statements of the Czech Social Security Administration for the year 2010	09/10	06/11	Closing accounts of SB headings	MoLSA	Mr Vedral	SAO Board
10/20	Closing account of the State budget heading "Ministry of Education, Youth and Sports" for the year 2010	10/10	06/11	Closing accounts of SB headings	MoEYS	Ms Steidlová	SAO Board
10/21	Financial means provided for support of agricultural activities in compliance with Act No. 252/1997 Coll., on Agriculture, by the Ministry of Agriculture from the national sources	10/10	07/11	State subsidy policy	MoA	Ms Profeldová	SAO Board
10/22	State property under the management of the Ministry for Regional Development	10/10	07/11	State property management	MiRD	Mr Macháček	SAO Board
10/23	Funds provided to the Czech Republic from the European Economic Area and Norway Grants	11/10	09/11	Funds from abroad	MoF	Ms Hošková	SAO Board

Audits included in the Audit Plan for 2010							
Audit No. <sup>22</sup>	Subject of audit	Start (month/year)	Audit conclusion submitted for approval (month/year)	Audited area	Heading administrator	Audit conclusion drawn up by a Member	Audit conclusion approved by
10/24	Funds earmarked for acquisition and restoration of rail track vehicles	11/10	05/11	Important investment programmes and actions	MoT	Mr Adámek	SAO Senate
10/25	<i>Management of the State budget funds allotted for the Programme to support alterations of ex-military premises into municipal areas</i>	11/10	07/11	State subsidy policy	MfRD	Ms Hošková	SAO Senate
10/26	State property and funds provided to the Forests of the Czech Republic, state-owned enterprise	11/10	09/11	State property management	MoA	Mr Kalivoda	SAO Board
10/27	Public Private Partnership project "Lodging-house for CMH staff, a hotel-type lodging-house and a parking lot "	11/10	07/11	Important investment programmes and actions	MoD	Mr Adámek	SAO Board
10/28	Funds earmarked for improved competitiveness of agriculture and forestry under the Rural Development Programme	12/10	10/11	Funds from abroad	MoA	Mr Kalivoda	SAO Board
10/29	Funds earmarked for improving the environment and landscape under the Rural Development Programme	04/10	09/11	Funds from abroad	MoA	Mr Vedral	SAO Board
10/30	Funds earmarked for construction of a new building of the National Technical Library in Prague 6 - Dejvice	06/10	02/11	Important investment programmes and actions	MoEYS	Mr Hrnčír	SAO Board
10/31	Trading of surplus Assigned Amount Units and use of such funds received from the trading	09/10	05/11	State subsidy policy	MoE	Mr Sehoř	SAO Senate
10/32	Closing account of the State budget heading "Czech Statistical Office" for the year 2009	09/10	05/11	Closing accounts of SB headings	CSO	Mr Reiesiegel	SAO Board

Overview of audits whose audit conclusions were approved in 2010							
Audit No. <sup>22</sup>	Subject of audit	Audited area	Heading administrator	Audit conclusion drawn up by a Member	Audit conclusion approved by	Date of approval	Published in SAO Bulletin (Issue/year)
09/09	Funds earmarked for implementation of the Single Programming Document for Objective 2 for the Prague Cohesion Region	Funds from abroad	MfRD	Ms Hošková	SAO Board	1. 2. 2010	1/2010
09/11	Administration of the Value Added Tax	Revenues of the SB	MoF	Mr Kalivoda	SAO Board	27. 4. 2010	2/2010
09/12	Support for fisheries in the Czech Republic in accordance with Operational Programmes in 2004–2008	Funds from abroad	MoA	Mr Vedral	SAO Board	22. 3. 2010	1/2010
09/13	State property under the management of the Ministry of Finance	State property management	MoF	Ms Steidlová	SAO Board	15. 2. 2010	1/2010
09/14	State property under the management of the Ministry of Foreign Affairs	State property management	MoFA	Mr Macháček	SAO Board	22. 3. 2010	2/2010
09/15	Funds and state property under the management of the Radioactive Waste Repository Authority	State property management	MoIT	Ms Kadaňová	SAO Board	15. 2. 2010	1/2010
09/16	Funds earmarked for building the D47 motorway "Lipník nad Bečvou – state border with Poland"	Important investment programmes and actions	MoT	Ing. Skála	SAO Board	27. 4. 2010	2/2010
09/17	Funds earmarked for building and reconstruction of administrative facilities of the Ministry of Defence	Important investment programmes and actions	MoI	Mr Němeček	SAO Board	11. 5. 2010	2/2010

Overview of audits whose audit conclusions were approved in 2010							
Audit No. <sup>22</sup>	Subject of audit	Audited area	Heading administrator	Audit conclusion drawn up by a Member	Audit conclusion approved by	Date of approval	Published in SAO Bulletin (Issue/year)
09/18	Funds earmarked for rehabilitation of old environmental burdens	Important investment programmes and actions	MoF, MoE	Mr Kalivoda	SAO Board	7. 6. 2010	2/2010
09/19	Funds earmarked for railway infrastructure development	Important investment programmes and actions	MoT	Mr Adámek	SAO Board	11. 5. 2010	2/2010
09/20	Funds spent on anti-flood measures and on prevention in areas endangered by adverse climate changes	Important investment programmes and actions	MoE	Ing. Skála	SAO Board	11. 5. 2010	2/2010
09/21	State property under the management of the Office of the Government Representation in Property Affairs	State property management	MoF	Ms Profeldová	SAO Board	7. 6. 2010	2/2010
09/22	Closing account of the State budget heading "Ministry of Transport" for the year 2008	Closing accounts of SB headings	MoT	Ms Steidlová	SAO Board	24. 5. 2010	2/2010
09/23	State budget funds provided to settle the loss emerging from the public service commitment concerning the public passenger transport service by rail	State subsidy policy	MoT	Mr Adámek	SAO Board	22. 6. 2010	3/2010
09/24	Funds earmarked for housing support programmes	Important investment programmes and actions	MfRD	Mr Němeček	SAO Board	24. 8. 2010	3/2010
09/25	State property under the management of selected organisations co-funded from the State budget via the Ministry of Health	State property management	MoH	Ms Hošková	SAO Board	24. 8. 2010	3/2010

Overview of audits whose audit conclusions were approved in 2010

Audit No. <sup>22</sup>	Subject of audit	Audited area	Heading administrator	Audit conclusion drawn up by a Member	Audit conclusion approved by	Date of approval	Published in SAO Bulletin (Issue/year)
09/27	Funds earmarked for building roads	Important investment programmes and actions	MoT	Mr Macháček	SAO Board	22. 11. 2010	4/2010
09/28	Programmes for co-funding projects for building and expansion of winter sports resorts	State subsidy policy	MfRD	Mr Brandt	SAO Board	25. 10. 2010	4/2010
09/30	Expenditure of the Czech Social Security Administration (under the State budget heading "Ministry of Labour and Social Affairs") on pension insurance benefits for 2009	Closing accounts of SB headings	MoLSA	Mr Vedral	SAO Board	7. 6. 2010	2/2010
10/01	Funds earmarked for costs of market interventions and export subventions in the Common Market Organisation	Funds from abroad	MoA	Mr Kalivoda	SAO Board	11. 10. 2010	4/2010
10/02	State property under the management of state-owned enterprises that are under authority of the Ministry of Industry and Trade	State property management	MoIT	Mr Macháček	SAO Board	20. 9. 2010	3/2010
10/03	State funds earmarked for supporting and integration of disabled persons	State subsidy policy	MoLSA	Ms Kadaňová	SAO Board	25. 10. 2010	4/2010
10/04	State property and state budget funds allotted for accomplishing tasks of the Administration of State Material Reserves	State property management	ASMR	Ms Hošková	SAO Board	11. 10. 2010	Dle zákona KZ nepublikován
10/05	State property under the management of the Ministry of Justice	State property management	MoJ	Mr Sehoř	SAO Board	25. 10. 2010	4/2010
10/06	Closing account of the State budget heading "Ministry of Labour and Social Affairs" for the year 2009	Closing accounts of SB headings	MoLSA	Mr Vedral	SAO Board	11. 10. 2010	4/2010
10/07	Closing account of the State budget heading "Ministry of Agriculture" for the year 2009	Closing accounts of SB headings	MoA	Ms Steidlová	SAO Board	22. 11. 2010	4/2010



Overview of audits whose approved audit conclusions were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic					
CBC resolution	Date of session	Audit No. <sup>22</sup>	Government document No.	Government resolution No./Year	Summary of CBC's resolution
34	19. 11. 2010	07/20	1748/08	1523/08	The CBC I. takes cognisance of: a) the audit conclusion, b) the opinion of the MoI and Česká pošta, s.p. (the Czech Post) on the audit conclusion contained in Government Document No. 1748/08, c) the MoC's opinion contained in Government Document No. 1748/08.
33	19. 11. 2010	09/13	325/10	436/10	The CBC I. takes cognisance of: a) the audit conclusion, b) the MoF's opinion on the audit conclusion contained in Government Document No. 325/10.
32	19. 11. 2010	09/14	419/10	437/10	The CBC I. suspends discussion on this item; II. requests the Minister of Foreign Affairs to submit the concept for the utilisation of the Bohemian National Hall in New York to the CBC by 15.12.2010; III. requests the Minister of Finance to submit the deadlines for approval of the documentation of all programme-financing programmes for the years 2006 to 2011 to the CBC by 15.12.2010.
26	18. 11. 2010	08/38	1537/09	1419/09	The CBC I. states that a) the programmes audited contribute only minimally or negligibly towards increasing the volume of electricity generation from renewable energy resources (RERs) or towards energy savings, b) the support conditions were not set up in a way ensuring the highest benefit from the volume of funds provided, c) although in the Czech Republic's conditions electricity generation from biomass has the highest development potential, the support of use of RERs is applied equally; II. states that the current support system is not conducive to meeting the national target with respect to the share of energy from RERs in the gross final energy consumption in 2020 in line with Directive 2009/28/EC of the European Parliament and of the Council dated 23.4.2009 on the promotion of the use of energy from renewable sources; III. states that the Czech Republic lacks a nationwide concept setting the priorities for using the individual types of RER that would lead to targeted aiming of support towards implementation of the conditions stipulated in the Directive while maintaining the price of energy; IV. states that the Government of the Czech Republic is responsible for fulfilling the conditions of Directive 2009/28/EC of the European Parliament

Overview of audits whose approved audit conclusions were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic					
CBC resolution	Date of session	Audit No. <sup>22</sup>	Government document No.	Government resolution No./Year	Summary of CBC's resolution
					and of the Council; V. requests the Minister of Industry and Trade to submit to the CBC the following: a) an analysis of the impact of RER support on the price of energy and the proposed feasible solutions in line with Government Resolution No. 681/10, b) the action plan for RER support, c) a concept for meeting the national target with respect to the share of energy from RERs in the gross final energy consumption in 2020 in line with Directive 2009/28/EC of the European Parliament and of the Council; VI. requests the Government of the Czech Republic to submit to the CBC an analysis of the Energy Regulatory Office's work; VII. requests the Minister of Agriculture to present: a) the balance of the volume of logging waste from forestry work that can be used for energy purposes, b) the balance of the possible volume of fast-growing trees that can be used for energy purposes to the CBC by 15.12.2010; VIII. requests the Chair of the Chamber of Deputies to include a point entitled: "Audit conclusion of the Supreme Audit Office in respect of audit No. 08/38 – Funds allotted for programmes of support for electricity generation from renewable energy resources and for energy savings" on the agenda for the next session of the Chamber of Deputies.
25	18. 11. 2010	09/12	426/10	438/10	The CBC I. suspends discussion of this item ; II. states that the MoA's activities were in contravention of the following laws: a) Act No. 320/2001, Coll., on Financial Control, b) Act No. 218/2000, Coll., on Budgetary Rules, c) Act No. 137/2006, Coll., on Public Procurement, d) Act No. 219/2000, Coll., on the property of the Czech Republic and the representation of the Czech Republic in legal relations; III. states that the MoA's activities were in contravention of the following EU legal regulations: a) Commission Regulation (EC) No. 1981/94 on irregularities and the recovery of sums wrongly paid, b) Council Regulation (EC) No. 1260/1999 on general provisions on the Structural Funds, c) Council Regulation (EC) No. 1605/2002, on the Financial Regulation applicable to the general budget of the European Communities, d) Council Regulation (EC) No. 1198/2006 on the European Fisheries Fund; IV. states that the shortcomings with respect to administration of the <i>Fisheries OP</i> represent a high risk that funds will not be spent economically, efficiently, and effectively, particularly in the case of the <i>Implementation of a long-term communication strategy supporting the consumption of freshwater fish</i> project; V. requests the Minister of Agriculture to present additional information pertaining to the Implementation of a long-term communication strategy supporting the consumption of freshwater fish project to the CBC by 15.12.2010, as specified in the CBC Chairman's letter.

Overview of audits whose approved audit conclusions were discussed by the Government of the Czech Republic in 2009					
Government resolution No.	Date of session	Government document No.	Audit No. <sup>22</sup>	Government took cognisance of measures	Measures imposed by the Government
858/10	1. 12. 2010	1014/10	09/25	NO	The Government instructs the Minister of Health: 1. to implement measures to eliminate the shortcomings mentioned in the audit conclusion and in the MoH's opinion on the audit conclusion, 2. to inform the Government about the implementation of these measures by 31.5.2011.
857/10	1. 12. 2010	1112/10	10/02	NO	The Government instructs the Minister of Industry and Trade to inform the Government about the implementation of measures to eliminate the shortcomings mentioned in the audit conclusion and in the MoIT's opinion on the audit conclusion by 31.1.2011.
856/10	1. 12. 2010	1013/10	09/24	YES	The Government instructs the Minister for Regional Development to prepare and present a draft update of the housing policy instruments to the Government by 30.6.2011.
855/10	1. 12. 2010	1079/10	08/32	NO	Not imposed.
624/10	1. 9. 2010	795/10	09/21	NO	Not imposed.
623/10	1. 9. 2010	786/10	09/23	NO	Not imposed.
622/10	1. 9. 2010	836/10	09/30	NO	The Government instructs the Minister of Labour and Social Affairs to ensure implementation of the measures adopted to remedy and eliminate the shortcomings mentioned in the audit conclusion and to inform the Government about the implementation of these measures by 31.3.2011.
621/10	1. 9. 2010	832/10	09/18	NO	The Government instructs 1. the Minister of the Environment a) to inform the Government about the implementation of the <i>Contaminated Sites Database System</i> programme and database by 31.3.2011, b) to present Czech Environmental Inspectorate's information on the current status of the above-the-threshold public contract on <i>Rehabilitation of certain old environmental burdens that occurred prior to privatisation</i> to the Government by 30.9.2010; 2. the Minister of Finance to present a report on the current status of the above-the-threshold public contract on <i>Rehabilitation of certain old environmental burdens that occurred prior to privatisation</i> to the Government by 30.9.2010.

Overview of audits whose approved audit conclusions were discussed by the Government of the Czech Republic in 2009					
Government resolution No.	Date of session	Government document No.	Audit No. <sup>22</sup>	Government took cognisance of measures	Measures imposed by the Government
531/10	12. 7. 2010	733/10	<b>09/22</b>	NO	The Government instructs the Minister of Transport to implement measures to eliminate the shortcomings mentioned in the audit conclusion and in the opinion on the audit conclusion, and to inform the Government about the implementation of these measures by 31.12.2010.
522/10	12. 7. 2010	674/10	<b>09/11</b>	NO	Not imposed.
521/10	12. 7. 2010	707/10	<b>09/20</b>	NO	The Government instructs the Minister of the Environment to implement measures to eliminate the shortcomings mentioned in the audit conclusion and in the opinion on the audit conclusion, and to inform the Government about the implementation of these measures by 31.12.2011.
520/10	12. 7. 2010	653/10	<b>09/16</b>	NO	Not imposed.
519/10	12. 7. 2010	713/10	<b>09/19</b>	NO	The Government instructs the Minister of Transport: 1. to implement measures to eliminate the shortcomings mentioned in the audit conclusion and in the opinion on the audit conclusion, and to inform the Government about the implementation of these measures by 31.12.2010; 2. to prepare an analysis of the requirements of municipal and other authorities in the approval process that increase the cost of constructing core transport infrastructure and present it to the Government by 31.12.2010.
518/10	12. 7. 2010	721/10	<b>09/17</b>	NO	The Government instructs the Minister of Defence to implement measures to eliminate the shortcomings mentioned in the audit conclusion and in the opinion on the audit conclusion, to assess the implementation of these measures and to inform the Government of the result of this assessment by 31.1.2011.
439/10	7. 6. 2010	341/10	<b>09/15</b>	NO	The Government instructs the Minister of Industry and Trade and the Director of the Radioactive Waste Repository Authority to implement the measures contained in the opinion on the audit conclusion and to inform the Government about the implementation of the adopted measures by 31.12.2010.
438/10	7. 6. 2010	426/10	<b>09/12</b>	NO	The Government instructs the Minister of Agriculture and the Director of the State Agricultural Intervention Fund to implement the measures contained in the opinion on the audit conclusion and to inform the Government about the implementation of the adopted measures by 31.12.2010.

Overview of audits whose approved audit conclusions were discussed by the Government of the Czech Republic in 2009

Government resolution No.	Date of session	Government document No.	Audit No. <sup>22</sup>	Government took cognisance of measures	Measures imposed by the Government
437/10	7. 6. 2010	419/10	09/14	NO	The Government instructs the Minister of Foreign Affairs to implement remedial measures to eliminate the shortcomings mentioned in the audit conclusion and to inform the Government about the results of the adopted remedial measures by 1.3.2011.
436/10	7. 6. 2010	325/10	09/13	YES	The Government instructs the Minister of Finance to present a report on the results of implementation of the adopted measures contained in the opinion on the audit conclusion to the Government by 30.9.2010.
242/10	29. 3. 2010	273/10	09/09	NO	The Government instructs the Minister for Regional Development to utilise the experience gained from implementation of the 2004–2006 programming period to the maximum extent possible in the 2007–2013 programming period and to implement measures preventing a recurrence of the irregularities mentioned in the audit conclusion, and to inform the Government about this implementation by 30.9.2010.
241/10	29. 3. 2010	85/10	09/10	NO	The Government instructs the Minister of Justice to inform the Government about the implementation of the measures mentioned in the opinion on the audit conclusion by 31.12.2010.
240/10	29. 3. 2010	90/10	09/04	NO	The Government instructs the Minister of Agriculture to ensure efficient implementation of the measures mentioned in the opinion on the audit conclusion and to inform the Government about the implementation of the adopted measures by 30.11.2010.
239/10	29. 3. 2010	89/10	09/08	NO	The Government instructs the Minister of Agriculture: 1. to ensure implementation of the measures mentioned in the opinion that stem from the SAO's recommendations mentioned in the audit conclusion; the implementation and effectiveness of these measures shall be assessed by a group of auditors as part of audit No. 10/07 – <i>Closing account of the Ministry of Agriculture State budget heading for the year 2009</i> included in the SAO's Audit Plan for 2010 to be carried out from March 2010; 2. to inform the Government about the implementation of the measures mentioned in the opinion and about their effectiveness as part of discussion of the SAO's audit conclusion from audit No. 10/07 – <i>Closing account of the Ministry of Agriculture State budget heading for the year 2009</i> .

Overview of audits whose approved audit conclusions were discussed by the Government of the Czech Republic in 2009					
Government resolution No.	Date of session	Government document No.	Audit No. <sup>22</sup>	Government took cognisance of measures	Measures imposed by the Government
238/10	29. 3. 2010	107/10	<b>08/37</b>	NO	The Government instructs: 1. the Minister of Finance, the Minister of Defence, the Minister of Labour and Social Affairs, and the Minister of the Interior to inform the Government about the implementation of the measures proposed by the individual Ministers in the opinion on the audit conclusion by 30.6.2010; 2. the Director of the Office of the Government to prepare and present to the Government binding procedures for the utilisation of external advisory services by 31.12.2010; 3. the Minister of the Interior to inform the Government about the result of the tax audit focussing on whether, when managing State budget funds, the Ministry of the Interior was obliged to pay levies for infringement of budgetary discipline in accordance with Section 44 of Act No. 218/2000, Coll., on Budgetary Rules, within 60 days of conclusion of the proceedings in the given case by the locally competent Financial Office.
60/10	18. 1. 2010	1703/09	<b>09/06</b>	NO	The Government instructs the Minister of Foreign Affairs, the Minister of Education, Youth and Sports and the Heads of the Institute for the Study of Totalitarian Regimes and the Security Services Archive to implement measures to remedy the shortcomings mentioned in the audit conclusion, to assess the implementation of these measures and to inform the Government and the SAO President of the result of this assessment by 30.4.2010.
59/10	18. 1. 2010	1688/09	<b>09/07</b>	NO	The Government instructs the Minister of Education, Youth and Sports to implement measures to eliminate the shortcomings mentioned in the audit conclusion and to inform the Government about the implementation of these measures by 28.2.2010.
58/10	18. 1. 2010	1/10	<b>09/02</b>	YES	The Government instructs the Minister of Labour and Social Affairs to inform the Government by 31.1.2011 about the implementation of MoLSA measures adopted to eliminate the shortcomings mentioned in the audit conclusion.
57/10	18. 1. 2010	5/10	<b>09/03</b>	NO	The Government instructs the Minister of Labour and Social Affairs to implement remedial measures to eliminate the shortcomings mentioned in the audit conclusion and to inform the Government about the implementation of these measures by 31.5.2011.

## Appendix No. 5 to the SAO's Annual Report for 2010

### Abbreviations, Acronyms

ASMR	Administration of State Material Reserves
BRH	Bundesrechnungshof – supreme audit institution of Germany
CAP	Common Agriculture Policy
CBC	Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic
CSO	Czech Statistical Office
CSSA	Czech Social Security Administration
ECA	European Court of Auditors
EU	European Union
EUROSAI	European Organisation of Supreme Audit Institutions
INTOSAI	International Organisation of Supreme Audit Institutions
ISPROFIN	Information system of programme financing
ISSAI	International Standards of Supreme Audit Institutions
MfRD	Ministry for the Regional Development
MoA	Ministry of Agriculture
MoC	Ministry of Culture
MoD	Ministry of Defence
MoE	Ministry of the Environment
MoEYS	Ministry of Education, Youth and Sports
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoH	Ministry of Health
MoI	Ministry of the Interior
MoIT	Ministry of Industry and Trade
MoJ	Ministry of Justice
MoLSA	Ministry of Labour and Social Affairs
MoT	Ministry of Transport
OGRPA	Office of the Government Representation in Property Affairs
OP	operational programme
OUS	organisational unit of the State
RER	Renewable Energy Resources
PFO	organisation part-financed by the State budget
RDMA	<i>Rural Development and Multifunctional Agriculture</i>
RMD	Road and Motorway Directorate
RWRA	Radioactive Waste Repository Authority
SAI	Supreme Audit Institution
SAO	Supreme Audit Office
SB	State Budget
SFTI	State Fund of Transport Infrastructure
SHDF	State Housing Development Fund
SPD 2	<i>Single Programming Document for Objective 2 for the Prague Cohesion Region</i>
VAT	value added tax
VIES	Value Added Tax Information Exchange System

