



ANNUAL REPORT 2024

The Supreme Audit Office

Ref. No: 31/25-NKU45/70/25

Prague, 28 March 2025

ANNUAL REPORT 2024

(submitted in accordance with Section 18 of Act No 166/1993 Coll.,
on the Supreme Audit Office)

Submitted by: Miloslav Kala,
President of the Supreme Audit Office

CONTENTS

OPENING MESSAGE FROM THE SAO PRESIDENT.....	6
I. SAO STATUS AND POWERS	8
1. BASIC INFORMATION ON THE STATUS AND POWERS OF THE SAO.....	8
2. SAO BOARD	9
3. SAO MANAGEMENT	11
4. MISSION AND BENEFITS OF THE SAO'S WORK	12
5. AUDIT PLAN FOR 2024.....	13
II. ASSESSMENT OF AUDIT AND ANALYSIS WORK IN 2024.....	15
1. OPENING SUMMARY	15
2. PUBLIC FINANCES	26
3. GOVERNMENT REVENUES.....	36
4. GOVERNMENT EXPENDITURE AREAS.....	42
4.1 DIGITALISATION OF PUBLIC ADMINISTRATION.....	43
4.2 INTERNAL SECURITY AND DEFENCE	50
4.3 TRANSPORT	57
4.4 SOCIAL POLICY AND EMPLOYMENT	63
4.5 HEALTHCARE.....	68
4.6 ENVIRONMENT	72
4.7 REGIONAL DEVELOPMENT	76
4.8 AGRICULTURE.....	80
4.9 CULTURE.....	85
5. INSTITUTIONS' FINANCIAL MANAGEMENT	89
6. MANAGEMENT OF RESOURCES PROVIDED TO THE CZECH REPUBLIC FROM ABROAD	92
7. SAO OPINIONS ON THE STATE'S FINANCIAL REPORTING	97
7.1 OPINION ON THE DRAFT STATE CLOSING ACCOUNT.....	97
7.2 AUDIT OF FINANCIAL INFORMATION PUBLISHED BY CERTAIN SELECTED ADMINISTRATORS OF STATE BUDGET CHAPTERS AND THEIR SUBORDINATE ORGANISATIONS.....	97
7.3 PROMOTING GOOD ACCOUNTING AND AUDIT PRACTICE	102
III. FINANCIAL EVALUATION OF AUDIT WORK.....	106
1. OVERALL FINANCIAL EVALUATION OF AUDITS.....	106
2. DISCHARGE OF THE NOTIFICATION DUTY PURSUANT TO ACT NO 280/2009 COLL., THE TAX CODE.....	106

IV. ASSESSMENT OF OTHER ACTIVITIES.....	107
1. COOPERATION WITH THE CRIMINAL JUSTICE AUTHORITIES IN 2024.....	107
2. OPINIONS ON DRAFT LEGISLATION IN 2024.....	132
3. INTERNATIONAL COOPERATION	109
4. THE SAO'S PUBLIC OUTREACH.....	123
4.1 PROVISION OF INFORMATION PURSUANT TO ACT NO. 106/1999 COLL., ON FREE ACCESS TO INFORMATION.....	123
4.2 CITIZENS' SUBMISSIONS	123
5. MANAGEMENT OF FINANCES ALLOCATED TO THE SAO BUDGET CHAPTER IN 2024.....	125
5.1 COMPLIANCE WITH MANDATORY INDICATORS OF THE SAO BUDGET CHAPTER.....	125
5.2 CLAIMS FROM UNUSED EXPENDITURE.....	127
5.3 EXPENDITURE ON ASSET REPLACEMENT PROGRAMME FINANCING.....	127
5.4 INFORMATION ON EXTERNAL AUDITS	128
5.5 COMPULSORY AUDIT	129
6. INTERNAL AUDIT DEPARTMENT	129
7. SECURITY DEPARTMENT	130
8. SAO STAFFING	131
9. ORGANISATIONAL STRUCTURE OF THE SAO	137
ANNEX 1: AUDITS INCLUDED IN THE AUDIT PLAN FOR 2024	138
ANNEX 2: OVERVIEW OF AUDITS WITH AN APPROVED AUDIT REPORT DURING 2024	141
ANNEX 3: OVERVIEW OF AUDITS WHOSE APPROVED AUDIT REPORTS WERE DISCUSSED BY THE COMMITTEE ON BUDGETARY CONTROL OF THE CHAMBER OF DEPUTIES OF THE PARLIAMENT OF THE CZECH REPUBLIC IN 2024	144
ANNEX 4: OVERVIEW OF AUDITS WHOSE APPROVED AUDIT REPORTS WERE DISCUSSED BY THE GOVERNMENT OF THE CZECH REPUBLIC IN 2024	151
ANNEX 5: SOURCES OF INFORMATION FOR ALL INFOGRAPHIC SHEETS	154
LIST OF ABBREVIATIONS	185

OPENING MESSAGE FROM THE SAO PRESIDENT

Dear readers,

Another year has passed, and it is again my privilege to present to you the Supreme Audit Office's Annual Report 2024. The report you have in front of you summarises our findings from the 29 audits we completed last year.

For regular readers, it can be summarised simply: nothing much has changed. Public spending carries on down the usual path, regardless of the stated objectives. These objectives are – at government level alone – described and approved in more than 270 strategic documents, and their implementation is formally discussed on a regular basis.

The degree to which the government's objectives are achieved is illustrated, for example, by our finding that, even after 16 years, the Ministry of Labour and Social Affairs and the cooperating education and health ministries have not completed the transformation and unification of the system of care for children at risk. The Ministry of Labour and Social Affairs' transformation projects, whose value exceeded CZK 498 million, have not delivered the objectives.

European subsidies are a world unto themselves. A world I described a few years ago as a “subsidies economy”. In the 20 years that we have been a member of the EU, the Czech Republic has received over a trillion Czech crowns in subsidies, which have been paid out for more than 170,000 projects administered by 221 entities. No wonder this burgeoning ecosystem provides sustenance to those it suits best. The intermediary firms that are paid by subsidy beneficiaries to cut a path through the bureaucratic jungle on their behalf promise that they will keep pushing projects until the bureaucrats' “no” becomes a “yes”. The fact that the aim of the subsidy, i.e. the intervention of public funds, should be the effective elimination of a social problem somehow gets lost along the way.

Would you like an example? Between 2014 and 2023, state and EU funding totalling CZK 9.5 billion was provided to municipalities for building and renovating pavements. The goal was to improve safety and barrier-free accessibility. Almost three quarters of the 23 projects audited displayed serious deficiencies.

This finding also illustrates another aspect of the issue as a whole. Some programmes offer investments in municipal or private property, but nobody cares about the costs. A metre of pavement can cost as much as 25,000 Czech crowns, a square metre of a dirt road almost 5,000 crowns, and the land consolidation will still not be finished in 50 years' time. This is because subsidies for supported projects normally cover 90% of the costs, which hardly induces the beneficiary to try to push the price down.

Which audit the previous findings come from is not so important. What is important is the impression they leave on the reader. Anyone with private sector experience cannot help but ask: how is this possible? Many might be relieved if I answered: “It's Europe that's paying for it.”

“Europe is spoiled by its wealth,” economist Milena Horská said recently. Most people have the feeling – and I stress the word “feeling” – that there is enough money in Brussels for everything. Add to this the ubiquitous signs saying, “This project was part-funded by the EU...”, and few people have reason to wonder where the subsidies go, how this happens and, most importantly, WHY. I have spoken many times, including in these Annual Reports, about the fact that the benefits delivered by money from European funds have fallen far short of their potential. In addition to me, many others who care about the future of this country have said the same.

In the past few months we have all seen how the geopolitical and economic balance of power in the world is changing drastically. And we feel that we need to change our priorities, our actions and our results. Security challenges aside, the following numbers should be enough to spark a radical change in our behaviour. In 1990, the GDP of the countries of the current EU was slightly higher than that of the United



States. China's GDP was more than 90% lower. Today, Europe finds itself in the wake of those two rival global economies. To illustrate: over the past three decades, China's gross fixed capital formation has grown 85-fold and US gross fixed capital formation 4.7-fold. The EU's capital is only 2.6 times larger. We can all see that Europe is struggling to keep up.

I wrote here that the Czech Republic has received over a trillion Czech crowns from the EU in the last 20 years. This year we will have a big opportunity – the European Commission will present its intentions and we will start negotiating the terms of the 2028+ programming period.

The main challenge will be to channel resources into areas where they will make a real difference. It is an unenviable task, and one that is unlikely to be rewarded with applause.

Needless to say, the Annual Report also maps other areas where our state has failed to make good on its own promises. Government offices are postponing the full digitalisation by two years, to 2027. That this costs the state a lot of money was demonstrated, for example, by an audit of the Czech Statistical Office showing that its use of an online census form cut population and housing census costs significantly. Conversely, some investments in infrastructure have been of dubious benefit – for example, almost CZK 650 million to support combined goods transport. Objectives in psychiatric care or foster care were not achieved either. You will find all the details and other data from our audits on the following pages.

I trust that the findings summarised in this report will both inspire and underpin efforts to improve things. We are ready to do everything in our power to help achieve this goal.

I hope you can find inspiration in this report.

Miloslav Kala
SAO President

I. SAO STATUS AND POWERS

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

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

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

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

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

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

Under its defined powers the SAO performs audits in line with its audit standards, which are based on the international standards of Supreme Audit Institutions. The SAO carries out compliance audits, which include legality and financial audits, as well as performance audits.

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

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

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

2. SAO BOARD

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



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

¹ The individual audits are identified in the Annual Report by the numbers set out in the audit plan for the given year. The texts of the audit reports published in 2024 can be found in the individual volumes of the *SAO Bulletin* or in the electronic version of the Annual Report – click on the relevant audit number marked in blue.

Table 1: Overview of audits conducted in 2024

Name of the SAO Member	Member since	Number of audits managed up to the end of 2024	Overview of audits managed by SAO Members in 2024	
			Completed	Not Completed
Ing. Adolf Beznoska	14 March 2017	19	23/14* 23/16 24/03*	24/13 24/33
Ing. Pavel Hrnčír	11 Dec 2009	35	23/13 23/26	24/16 24/21
JUDr. Ing. Jiří Kalivoda	17 Sept 1993	81	23/15	24/05 24/31
Ing. Jan Kinšt	25 Jan 2018	18	23/06 23/30 24/01*	24/10 24/11
RNDr. Vladimír Koniček	4 Dec 2018	11	23/23	24/09 24/30
Ing. Stanislav Koucký	8 Oct 2020	8	23/21 23/25	24/04 24/28
Ing. Josef Kubíček	10 June 2014	27	23/05 23/09 23/31*	24/07 24/14 24/26 24/29
RNDr. Petr Neuvirt	21 Dec 2010	48	23/07	24/06 24/12 24/17 24/24
Ing. Roman Procházka***	25 Jan 2018	11	–	–
Ing. Daniel Reisiegel, MPA	30 Apr 2010	37	23/17 23/19	24/19 24/23
Ing. Radek Rychnovský	20 Sept 2023	2	23/27	24/27
Mgr. Roman Sklenák	17 Sept 2021	5	23/11 23/22	24/18 24/32
Ing. Ladislava Slancová, MPA, LL.M.	26 Sept 2024	–	–	–
Ing. Jan Stárek	4 June 2015	22	23/12 23/29	24/08 24/25
Ing. Jaromíra Steidllová	16 Nov 2006	40	23/18 23/20	24/20 24/22
Ing. Michal Šmucr	10 June 2020	10	23/08 23/10* 23/28** 24/02	24/15

* The audit report was approved in 2024 but published in 2025.

** The audit report was approved in 2024 but has not yet been published (we are waiting for the approval of the law enforcement authorities).

*** Ing. Roman Procházka died on 17 February 2024.

3. SAO MANAGEMENT

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



4. MISSION AND BENEFITS OF THE SAO'S WORK

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

The SAO has a solid footing for its work as a result of its independence from the legislative, executive and judicial authorities and, above all, because of its long-standing status as a reliable, professional and trustworthy partner and information provider. It is the SAO's ambition that its objective, targeted and comprehensible conclusions and recommendations should not remain merely a statement of the observed state of affairs but should lead to the correction of shortcomings and to a positive shift in the management of public funds and assets and the promotion of good management practice.



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

The key data on the SAO's activities in 2024, which are set out in the following section of this Annual Report, as well as the numerous findings presented in its other sections, are clear and comprehensible evidence of the SAO's results and contribution.

5. AUDIT PLAN FOR 2024

The SAO audit plan for 2024 was the fundamental document defining the focus and timing of audits last year. When compiling the plan, the SAO, in accordance with its strategy, focused mainly on those areas and issues that are important in terms of the functioning of government policies in various areas of citizens' lives, the efficiency of state administration, and the CR's competitiveness by international comparison.

In order to improve the efficiency of its audit activities, the SAO took an analytical and risk-oriented approach with the aim of identifying risks in the areas of state management in terms of failure to respect effectiveness, economy and efficiency or to comply with the law. The goal is for audit results to help promote good practice in the state's financial management and bring about improvements in areas where the SAO sees shortcomings.

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

- administration of court fees and collection of judicial claims;
- publicity and promotion funds for operational programmes and projects in the 2014–2020 programming period;
- funds to support renewable energy sources and improve energy efficiency;
- financial support for regional social services infrastructure;
- funds for the construction and renovation of pavements and footpaths, for vehicle weight tests and for the operation and development of motorway rest areas;
- financial support for the Ministry of the Interior (Mol) and Ministry of Defence (MoD) sports centres;
- funds for the creation and development of digital technical maps, eCollection and eLegislation projects;
- funds collected in the field of illegal employment;
- funds for the professionalisation and improvement of the quality of the civil service and of the performance of public administration, for information support for visa services and other consular activities;
- funds for soft target protection, air defence and training facilities of the Czech armed forces;
- financial support and development of the material and technical resources of public universities and of teaching hospitals, financial support for research, development and innovation;
- funds for providing access to digital documents and electronic information resources in the Czech libraries network;
- funds to support forestry;
- management of selected state organisations;
- reliability of the financial management data underpinning institutions' accounts relating to the management of state budget finances.

The audits included in the 2024 audit plan were based on suggestions arising from the SAO's own monitoring and analytical activities.

The Audit Plan for 2024 was adopted by the SAO Board at its meeting on 16 October 2023. A total of 31 audits were approved. Two more audits were added during 2024, making a total of 33 audits.

An overview of the audits included in the 2024 plan and their subject matter and timing is provided in Annex 1 to this Annual Report. The audits were begun over the course of 2024 in accordance with the timetable. Depending on the start date and duration of the audit, the completion dates, i.e. the day on which audit reports are approved, were planned for 2024 and 2025.

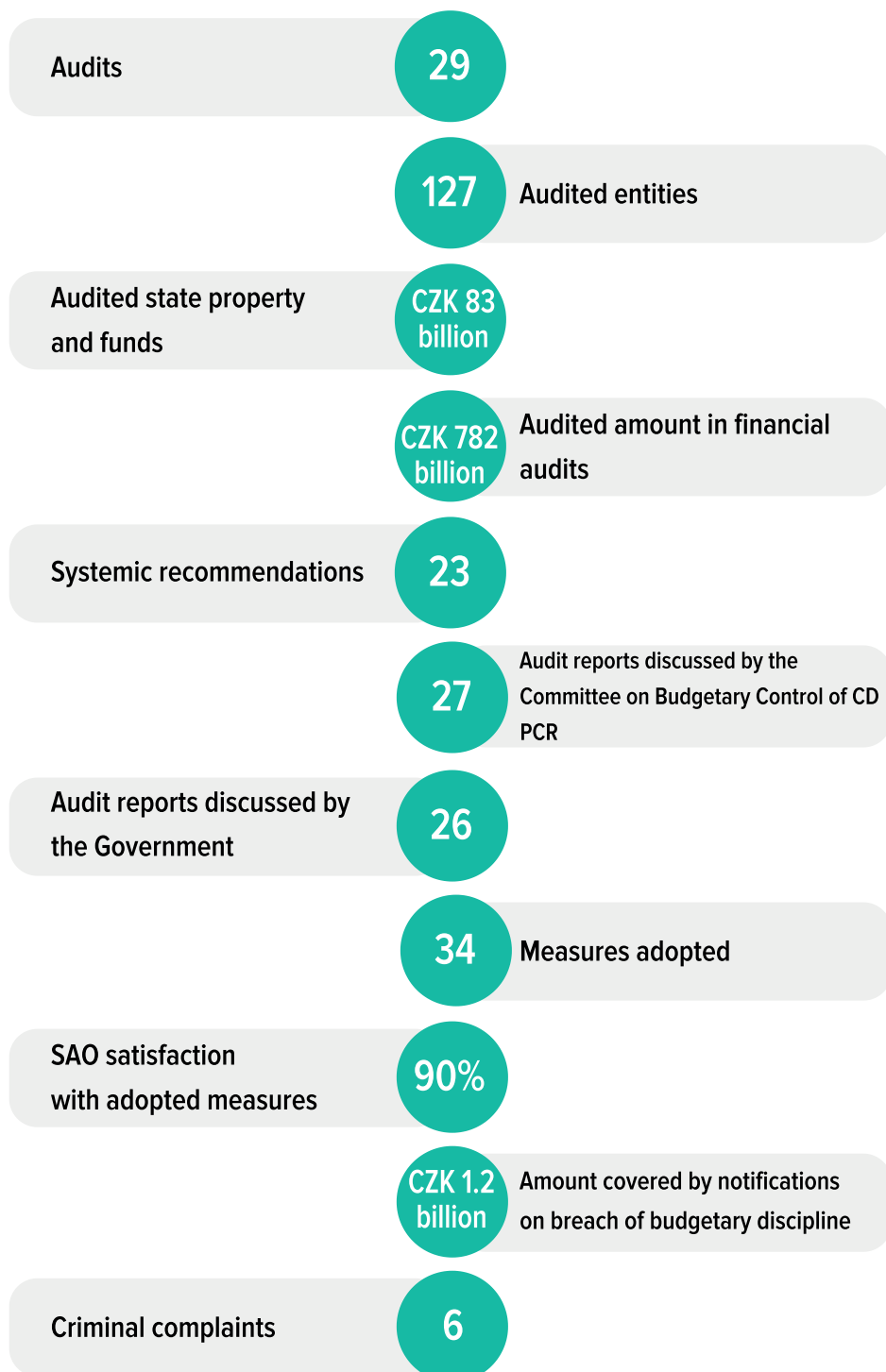
II. ASSESSMENT OF AUDIT AND ANALYSIS WORK IN 2024

1. OPENING SUMMARY

The assessment of the SAO's activities is based on the results of the audits that were completed in 2024 when the audit report was approved by the SAO Board. Findings from the SAO's opinions on the Draft State Closing Account for 2023 and on the report on economic development and the implementation of the state budget of the Czech Republic for the first half of 2024, information from other SAO reports, as well as other findings from the SAO's analysis work were also used.

The assessment is based on the results of a total of 29 audits, of which 26 audits were initiated according to the audit plan in 2023 and three audits in 2024. Their overview is shown in Annex 2 of this Annual Report. The SAO fulfilled its mandate in the areas of its competence according to the provisions of Section 3, paragraphs 1 and 3 of the SAO Act. The audits were focused mainly on the period of 2018-2022.

The SAO in 2024



IS THE MANAGEMENT OF THE STATE BUDGET IMPROVING SUFFICIENTLY?

AGAIN IN 2024, THE STATE FAILED TO ACHIEVE SIGNIFICANT IMPROVEMENTS IN THE MANAGEMENT OF THE STATE BUDGET. THIS WAS REFLECTED IN THE SIZE OF THE DEFICIT, WHICH REMAINED HIGH AT CZK 271 BILLION. THE GOVERNMENT DEBT CONTINUED TO GROW AT A RAPID PACE, WITH ANOTHER CZK 254 BILLION ADDED. THIS TREND CONTINUES TO POSE A SIGNIFICANT THREAT TO THE STABILITY OF PUBLIC FINANCES.

While the Czech economy had to contend with a slight recession in 2023, in 2024 there was a mild improvement in the economic situation, although the economy remained below its potential. The year-on-year GDP growth was mainly driven by a renewed increase in household consumption as the high inflation period came to an end. Gross domestic product grew by **1%** year-on-year, a growth rate similar to that of the EU, where GDP grew by **0.9%**.

The rate of inflation, which had reached double-digit levels in 2022 and 2023, fell significantly in 2024 and averaged **2.7%**, which is close to the Czech National Bank's inflation target. Even so, the Czech Republic was still one of the countries with inflation slightly higher than the EU average of **2.6%**. The combination of slowing inflation and nominal wage growth contributed to a recovery in real household income growth, which had a positive impact on the purchasing power of the population. According to the Czech Statistical Office, the average gross monthly nominal wage rose by **7.2%** year-on-year to **CZK 49,229** in Q4 2024, with a real increase of **4.2%**. Real incomes, however, have remained below the level they were at before the high inflation, with significant social and economic consequences. There were no significant changes in the labour market in 2024, and the Czech Republic again had one of the lowest unemployment rates of all EU countries. Unemployment in the Czech Republic at the end of December 2024 was **2.6%**, while the EU average was **5.9%**. From the labour market perspective, however, this situation poses a problem for the further development and growth of the economy.

According to the OECD, real wages in the Czech Republic fell by **7.5%** between Q4 2019 and Q1 2024. By contrast, they grew by **16.5%** in Lithuania, **13.5%** in Hungary and **9.3%** in Poland.

Total state budget revenue in 2024 was **CZK 1,965.4 billion**, up **2.7%** year-on-year, i.e. **CZK 51.3 billion higher**. The main contributing factor was the **CZK 90.2 billion** increase in total tax revenues, which was mainly driven by the new rules on the budgetary distribution of taxes in favour of the state budget and changes as part of the consolidation package. Total state budget expenditure for 2024 amounted to almost **CZK 2,237 billion**, which represents a year-on-year increase of more than **CZK 34 billion**. This increase was mainly due to current expenditures, which rose by **CZK 32.1 billion** year-on-year, largely as a result of higher expenditures on social benefits. In capital expenditures, the largest year-on-year increases were recorded in defence expenditures, which rose by **CZK 38.9 billion**. Investment in most other areas fell year-on-year.

According to the medium-term outlook, the government debt is expected to reach **CZK 4 trillion** as early as 2027.

Although the Czech Republic was the ninth least indebted country in the EU in 2024, its government debt has risen significantly in recent years, though its rate of growth has gradually slowed. At the end of 2024, government debt amounted to **CZK 3,365 billion** and increased by another **CZK 254 billion (i.e. by 8.2%)** year-on-year. This year-on-year increase was **CZK 38 billion greater** than in the previous year. The government debt-to-GDP ratio increased by **1.3 percentage points** year-on-year in 2024, resulting in a ratio of **42.1%**. The high volume of government debt pushes up the cost of servicing it, which in 2024 reached **CZK 88.5 billion**, i.e. **CZK 20.2 billion** more than in the previous year. This expenditure is expected to increase further in the coming years. This expenditure accounted for **32.6%** of the total state budget deficit in 2024.

The amount of expenditure required to service the government debt has **more than doubled** in the last five years, rising from **CZK 40.1 billion** to **CZK 88.5 billion**.

IN DIGITALISATION, HAS THE STATE MADE SIGNIFICANT PROGRESS IN IMPROVING SERVICES FOR CITIZENS AND STREAMLINING PUBLIC ADMINISTRATION?

ALTHOUGH CLIENT PORTALS WERE INTRODUCED IN THE PAST YEAR, FOR EXAMPLE, THERE HAS NOT BEEN ANY SIGNIFICANT STREAMLINING OF PUBLIC ADMINISTRATION AND IN MANY CASES NO SERVICES DESIGNED TO ENABLE CITIZENS TO EASILY FULFIL THEIR NEEDS WERE INTRODUCED. THE STATE HAS CONTINUED TO TRY TO DIGITISE SERVICES WITHOUT FIRST MODERNISING AND STREAMLINING THE INTERNAL WORKINGS OF THE VARIOUS INSTITUTIONS AND REVIEWING THEIR AGENDAS. THIS UNPREPAREDNESS IS ONE OF THE MAIN REASONS WHY THE DIGITALISATION OF PUBLIC ADMINISTRATION IS STILL LAGGING BEHIND, WHICH IS REFLECTED IN THE POSTPONEMENT OF DEADLINES. GOVERNMENT OFFICES WERE SUPPOSED TO HAVE THEIR AGENDAS DIGITISED BY 2025 – NOW THE TARGET IS 2027. MOREOVER, THE FAILURE TO MODERNISE AUTHORITIES AND REVIEW THEIR AGENDAS OFTEN LED TO THE CREATION OF TEMPORARY SOLUTIONS THAT WERE NOT ONLY INEFFICIENT, BUT ALSO UNNECESSARILY COSTLY.

The year 2024 was supposed to be a crucial year in terms of progress in digitalisation, but according to the DESI index, the Czech Republic is below the EU average in 7 out of 8 monitored indicators in areas focused on public services². Digitalisation was supposed to cut bureaucracy. The SAO's audits, however, flagged up cases where this did not happen. Citizens still had to submit documents that the state administration already possessed. Officials had to print or manually transcribe or copy data from information systems. The systems were not connected, and outdated applications complicated the work and slowed down the processing of applications. That notwithstanding, there are examples of successful digitalisation that show its potential, such as the 2021 census.

An example of how digitalisation pays off was shown by the 2021 census. A total of **83.8%** of the census forms were online. By contrast, **16.2%** of the forms were handled by staff of Česká pošta, s.p. (*Czech Post*) going from house to house. The total cost of the census was **CZK 1.8 billion**, with the contractual remuneration for Czech Post accounting for approximately **CZK 1 billion**³.

The Ministry of Labour and Social Affairs (MoLSA) and the Czech Social Security Administration (CSSA) spent **CZK 310 million** on the unsuccessful replacement of information systems handling the benefits and pensions agenda. They failed to complete key IT projects, however, and after **10** years still had not switched to the newly developed information systems. In other words, they continued to use outdated and operationally expensive systems that have reached their limits and did not allow effective digitalisation. Although the applications of the MoLSA and the CSSA supporting the audited agendas (pensions, social security, state social support and aid in material need) enabled citizens to communicate electronically, citizens still had to provide documents with information already available to the state administration. Officials then had to continue to print out data from the IS, or manually transcribe or copy data into the IS.⁴

The MoLSA's costs of operating information systems were high. The costs were supposed to fall from **CZK 33 million** to **CZK 3 million** per month thanks to the introduction of new systems, but the ministry still had not completed them ten years later. As a result, the MoLSA paid as much as **CZK 650 million** more for the operation of existing systems than originally expected.

SAO audits confirmed that the absence of functional information systems in public administration led to an unnecessarily high administrative burden and excessive waste of public funds. Since 2013, the MoLSA has failed to put in place an information system for the social and legal protection of children, so Bodies of Social and Legal Protection of Children (BSLPC) staff have had to continue to submit files by post and verify vacancies in institutional facilities by telephone. From 2018 to 2022, the MoLSA spent **CZK 2.1 million** unnecessarily on analyses and proposals for solutions which it did not use, and a further **CZK 6.4 million** on provisional work with shared MS Excel spreadsheets. In addition, missing and unverifiable data complicated the actual placement of children in foster care.⁵ A similar problem also occurred at the Ministry of Culture (MoC), which has invested almost **CZK 4.6 million** since 2015 in the development of a unified system for supporting cultural activities, but without any functional results. Due to the lack of digitalisation, applicants for subsidies had to repeatedly submit

² The DESI methodology changed in 2024 compared to the 2014 to 2022 period. DESI indicators have become part of the “digital decade”.

³ SAO Audit No 23/05 (see Chapter 4.1 of this Annual Report). This remuneration had not been finalised by the end of the SAO audit in December 2023.

⁴ SAO Audit No 23/25 (see Chapter 4.1 of this Annual Report).

⁵ SAO Audit No 23/11 (see Chapter 4.4 of this Annual Report).

identical documents and officials performed many tasks twice, which resulted in extra staff being taken on.⁶

The system of basic national registers did not meet the increasing requirements for the level of digitalisation of public administration. Neither the MoI nor the National Registers Authority (NRA) upgraded the ageing infrastructure of the national registers, whose operational parameters still corresponded to the time of their creation, i.e. 2012. They also failed to ensure its continuous 24/7 operation without downtime. This resulted in repeated downtime, and the administrators of the relevant information systems had to generate local copies of reference data from the system in order to provide public administration services to clients.⁷

Although the number of projects supported each year has long remained largely unchanged, the number of MoC staff administering the financial support in 2022 increased by two-thirds compared to 2018.

6 SAO Audit No 23/15 (see Chapter 4.9 of this Annual Report).

7 SAO Audit No 23/05 (see Chapter 4.1 of this Annual Report).

HAS STATE SUPPORT IMPROVED THE LIVING SITUATION OF DISADVANTAGED AND VULNERABLE GROUPS?

DESPITE THE FACT THAT THE STATE SPENDS BILLIONS EVERY YEAR ON SUPPORTING DISADVANTAGED AND VULNERABLE GROUPS, CONCRETE CHANGES THAT WOULD ACTUALLY IMPROVE THEIR LIVES ARE STILL LACKING. THAT APPLIES BOTH TO SHIFTING CARE FOR CHILDREN AT RISK FROM INSTITUTIONS TO FOSTER FAMILIES AND TO COMPLETING THE TRANSFORMATION OF PSYCHIATRIC CARE TO COMMUNITY CARE. SIMILARLY, MONEY IS NOT BEING USED IN A WORTHWHILE WAY TO ADDRESS THE CAUSES OF SOCIAL EXCLUSION. IN SOME CASES, THE PROBLEM IS THAT THE RESPONSIBLE AUTHORITIES HAVE FOCUSED MORE ON THE MERE UTILISATION OF THE MONEY AVAILABLE THAN ON WHETHER THE FINANCIAL SUPPORT PROVIDED HAS ACTUALLY HELPED THESE GROUPS.

The SAO has repeatedly drawn attention to the lack of results in the social area. The MoLSA began its efforts to transform the system of care for children at risk 12 years ago, but so far without any fundamental changes having been made. Even in other cases, the funds spent did not have a sufficient effect: for example, employment of variously disadvantaged people increased only in the short term, largely during the period when the state was distributing financial support. At the same time, the same long-standing problem persists, where more and more money channelled into supporting social inclusion does not result in the main causes of social exclusion, such as long-term unemployment, lack of qualifications or problems related to material and housing need, being fundamentally addressed.

According to the Act on Social and Legal Protection of Children⁹, children should not stay in facilities for children requiring immediate assistance for more than **6 months**. The MoLSA does not monitor this period of time, however, so it does not know whether children are placed in these facilities for longer periods and whether the facilities are actually fulfilling their function.

Beneficiaries drew down **CZK 656.1 million** for **9 projects** to support social inclusion of people living in socially excluded localities. The majority of this money, **57%**, went on staff costs, i.e. salaries of coordinators, trainers, methodologists, counsellors and social workers.

The MoLSA, the Ministry of Education, Youth and Sports (MoEYS) and the Ministry of Health (MoH) spent **CZK 86.8 billion** on the system of **care for children at risk** during the years 2015–2022, but even so the state has not succeeded in sufficiently shifting care for children at risk from institutional care to foster families. Even after **16 years**, the MoLSA and the cooperating departments of the MoEYS and MoH still have not completed the transformation and unification of the system of care for children at risk. Transformation projects implemented by the MoLSA, which cost **CZK 498.4 million**, did not result in the objectives being achieved. The number of children in institutional care has not significantly decreased, there has been no unification of the care system under one ministry and the legislation in this area is fragmented. As a result of this situation, the annual expenditure on the system as a whole continued to rise.⁸

Services in a natural environment are still available in the Czech Republic for only a segment of people with mental illness, while the number of people suffering from one of the various mental diagnoses is constantly increasing. Although the SAO judged the spending of **CZK 407 million** on the establishment and pilot operation of **29 mental health centres (MHCs)**¹⁰ to have been effective, the goal of building **100 such centres** was not achieved. Cooperation between the MoH and the MoLSA was inadequate, with the consequence that they have not taken all the necessary steps to ensure the stable establishment and development of the MHC network. There is still a lack of specialist staff and clear legislation, and sustainable funding for MHCs has not been guaranteed. These problems jeopardise the continued shift of psychiatric care into the community, even though the demand for this is evidenced by the occupancy of existing MHC capacity.¹¹

The audit focusing on financial support for social inclusion of people living in socially excluded localities showed that **CZK 2.8 billion** spent by the MoLSA under OPEm projects failed to help eliminate the main causes of social exclusion. These include long-term unemployment,

8 SAO Audit No 23/11 (see Chapter 4.4 of this Annual Report).

9 Act No 359/1999 Coll., on social and legal protection of children.

10 Between 2017 and 2022, the MoH implemented three key projects co-financed by the EU under OPEm.

11 SAO Audit No 23/22 (see Chapter 4.5 of this Annual Report).

insufficient qualifications, material and housing need, and the burden of debt collection procedures. Only **24%** of the participants in OPEm projects found a job. The figure in the case of projects intended to provide a coordinated approach to socially excluded localities was just **18%**; moreover, these projects' contribution to social entrepreneurship was minimal, with only two social enterprises created in the entire programming period. According to the Social Exclusion Index, the highest level of social exclusion persisted in a total of **58 out of 104 municipalities** in 2023.

Between 2016 and 2022, the MoLSA spent CZK 1.2 billion on supporting increased employment of variously disadvantaged groups of people, most of it going on counselling services and retraining courses, without specifying what changes it wanted to achieve. The SAO audit showed that in one project 78% of all retrained people either did not find a job at all or found a job that had nothing to do with their new qualifications. Employment increased only in the short term, mainly for the duration of the projects – in other words, the jobs created were to all intents and purposes subsidised. Those who benefitted most from these subsidies were course providers, which points to fundamental flaws in the support system as a whole.¹²

The sole objective of the financial support for disadvantaged people was to achieve a **75%** employment rate for people aged 20 to 64. The target was already exceeded, however, in the first year of financial support provision¹³, i.e. at the end of 2016.

¹² SAO Audit No 23/29 (see Chapter 4.4 of this Annual Report).

¹³ SAO Audit No 23/21 (see Chapter 4.4 of this Annual Report).

ARE INVESTMENTS IN TRANSPORT INFRASTRUCTURE DEVELOPMENT DELIVERING THE EXPECTED RESULTS?

DESPITE SIGNIFICANT INVESTMENT, REFLECTED IN THE HIGH NUMBER OF NEW MOTORWAY KILOMETRES OPENED IN 2024, A NUMBER OF CHALLENGES CONTINUE TO DOG TRANSPORT INFRASTRUCTURE SPENDING – FROM INEFFICIENT TARGETING OF FUNDS TO POOR PLANNING AND A LACK OF PRESSURE FOR RESULTS. THIS PROVED TO BE THE CASE IN CERTAIN SPECIFIC AREAS, INCLUDING THE DEVELOPMENT OF COMBINED GOODS TRANSPORT, MAINTENANCE OF CLASS I ROADS AND THE CONSTRUCTION AND RENOVATION OF PAVEMENTS AND FOOTPATHS. INVESTMENTS IN THESE AREAS HAVE NOT YIELDED THE DESIRED RESULTS.

The SAO found that the financial support provided did not result in increased use of combined goods transport. Rail freight traffic stagnated, water freight traffic was practically non-existent but road freight traffic increased. In the case of maintenance and repairs of Class I roads, one third of them remained in an unsatisfactory or critical condition, despite expenditure increasing by almost CZK 7 billion to a total of CZK 62.5 billion. In many cases, the financial support provided to municipalities for the construction and reconstruction of pavements and footpaths did not lead to increased safety and barrier-free accessibility, which was the principal objective of the support provided. Moreover, the management of this area is the responsibility of municipalities.

Road freight transport in the Czech Republic continues to increase. According to the SAO's calculations, the number of kilometres travelled by lorries weighing over 12 tonnes in 2023 was almost a third more than in 2015.

The financial support provided in 2015–2024¹⁴ for the development of combined goods transport has not contributed to its increased use. The SAO detected a risk that the target of shifting **30%** of road freight transport over 300 km to rail or inland waterway transport by 2030 will not be met. The Ministry of Transport (MoT) planned to support projects for the development of combined freight transport through the provision of **CZK 4.7 billion**, but in reality it provided financial support for only **14 projects** worth a total of **CZK 648.4 million**. The benefits to date of the supported projects in relation to the total volume of combined transport in the Czech Republic have been minimal: the total volume of combined freight transport is actually decreasing. The MoT so far failed to remove the obstacles hindering the growth of combined freight transport. The consequence is the stagnation of rail freight transport, negligible water freight transport and an increase in road freight transport¹⁵.

The MoT did not maintain a Central Register of Roads, which has been a legal obligation for **17 years** now.

One third of Class I roads, which are primarily intended for long-distance and interstate transport, were in substandard or critical condition between 2021 and 2023¹⁶. This is despite the fact that the Road and Motorway Directorate (RMD) spent **CZK 6.9 billion** more on repairs and maintenance of these roads in the years 2018–2023 than originally planned, pushing up total expenditure to **CZK 62.5 billion**. In addition, the RMD carried out main inspections of the structural and technical condition of Class I roads in a manner contravening the law. Their structural and technical condition was therefore not properly mapped. For ten years, the MoT/RMD has been introducing a roadway management system to optimise road repair and maintenance planning, but this was still not fully operational at the time of completion of the SAO audit. The system is not expected to be fully operational until 2027 at the earliest. In some cases, the RMD also proceeded uneconomically when repairing defects. It did not make use of the more economical technology that is standard for the summer period, for example.¹⁷

¹⁴ The audited period ran from 2015 to the time of completion of the audit and also, where relevant, the preceding period, i.e. March 2024.

¹⁵ SAO Audit No 23/13 (see Chapter 4.3 of this Annual Report).

¹⁶ This applied to an average of 30% of the roadway-kilometres of Class I roads. A roadway-kilometre is the unit of the length of the lanes of a given road, i.e. a road without a central dividing structure is one roadway, while roads with a dividing structure have two roadways.

¹⁷ SAO Audit No 23/26 (see Chapter 4.3 of this Annual Report).

Pavements and footpaths in the Czech Republic are usually owned by municipalities, and maintaining and developing them falls under their autonomous competence. Between 2014 and 2023, the state and EU financial support provided to municipalities for the construction and reconstruction of pedestrian walkways amounted to **CZK 9.5 billion**. The principal aim was to improve their safety and barrier-free accessibility. The SAO audit showed that the spending of these funds was to a large extent ineffective. Neither the MoT nor the MoRD know what overall results they wanted to get from the support in this area nor what progress has been made. Almost **three quarters** of the **23 audited projects** displayed serious deficiencies. In some cases, the declared rebuilding of pavements and footpaths was more in the nature of repairs, which the financial support was not intended for. The supported projects did not lead to the elimination of a number of problem areas in the affected sections, often failing to ensure safe crossing for people with disabilities or reduced mobility. In the light of the audit results, the SAO recommended that the system of financial support for building and rebuilding pavements and footpaths and pedestrian crossings be reassessed and changed. Financial support from the state should only supplement, not replace, municipal funding.¹⁸

The conditions of the financial support did not sufficiently motivate municipalities to use it effectively and economically. The amount of the contribution from the state and the EU ranged from **85% to 95%**, and municipalities with such a high level of subsidy support also financed the reconstruction of pavements and footpaths that did not particularly need it.

18 SAO Audit No 24/01 (see Chapter 4.3 of this Annual Report).

HOW DID THE SUBSIDIES ALLOCATION SYSTEM FAIL?

THE SUBSIDY SYSTEM IN THE CZECH REPUBLIC STILL CONTENDS WITH MAJOR PROBLEMS. WE CONTINUE TO SEE A LARGE NUMBER OF SUBSIDY PROGRAMMES THAT LACK A FOCUS ON RESULTS. FINANCIAL SUPPORT IS FRAGMENTED, PARTLY DUE TO THE FACT THAT THE STATE PRODUCES A HUGE NUMBER OF STRATEGIC DOCUMENTS INSTEAD OF SETTING FUNDAMENTAL PRIORITIES ON WHICH TO FOCUS AVAILABLE RESOURCES. IN PRACTICE, THE FOCUS IS OFTEN ON MAXIMISING THE DRAWDOWN OF MONEY AND MEETING FORMAL REQUIREMENTS RATHER THAN SUPPORTING PROJECTS THAT CAN MAKE A REAL DIFFERENCE TO SOCIETY. A SYSTEM LIKE THAT IS FLAWED AND DOES NOT HELP THE REAL DEVELOPMENT OF REGIONS OR THE LONG-TERM STRENGTHENING OF THE CZECH REPUBLIC'S COMPETITIVENESS.

The SAO's audits again confirmed major problems in the allocation of subsidies in 2024. For example, the system for supporting sport was non-transparent and the provider did not check what the funds were spent on. In the *Rural Development Programme* the excessive formalism of the subsidy system was reflected in the fact that the provider required monitoring reports, but no one evaluated them. Tourism subsidies often did not reflect the regions' real needs; instead, the subsidies in some cases went towards the personal benefit of the beneficiaries. Those who were able to navigate the complex administrative process were successful in obtaining subsidies. Another problem in a number of areas was the low beneficiary co-funding rate, which does not motivate them to use public funds responsibly.

European subsidies in both the 2007+ and 2014+ programming periods often covered more than **70%** of the estimated eligible costs.

The MoEYS and the National Sports Agency (NSA) spent **CZK 26.5 billion** between 2019 and 2022 without defining the objectives of supporting sport for children and young people, their coaches and sports representatives in a way that would permit a realistic assessment of the impact of the spending. In addition, in some cases they did not proceed transparently and in accordance with the legal provisions when providing subsidies. The applications administration process itself was very protracted in the case of one fifth of the audited calls. The length of time it took the NSA to issue subsidy decisions in 2021 and 2022 ranged from **172 to 335 days**. After subsidies were awarded, the NSA did not monitor or check how the beneficiaries used the financial support and whether they complied with the conditions set. That is despite the fact that boosting transparency and introducing a functional system for evaluating the use of the provided support were the main reasons for the creation of the NSA.¹⁹

75% of the audited projects intended to support investments in agricultural holdings and non-farming activities and agro-tourism displayed shortcomings in terms of spending effectiveness and **50%** had incorrect data in the monitoring reports.

In the context of the audited RDP measures²⁰, in 2017–2022 the Ministry of Agriculture (MoA) allocated a total of **CZK 15.7 billion**. Despite that, it did not define the programme's objectives in a specific and measurable way, nor did it set monitoring indicators that would enable the results and impacts of the financial support provided for rural development to be monitored. In addition, neither the MoA nor the State Agricultural Intervention Fund (SAIF) even required beneficiaries to set measurable objectives for their projects in their applications for financial support, nor to subsequently link them to data in monitoring reports. It is therefore not possible to verify from the monitoring reports whether the projects achieved their intended objectives. Moreover, the SAIF paid no attention to these reports beyond checking whether they were submitted on time. And while beneficiaries risked a penalty for failing to submit the report, there was no penalty for incorrect information. Yet the SAO found that beneficiaries often provided incorrect data in monitoring reports. According to the SAO, monitoring approached in this way does not fulfil its purpose and ends up being merely an unnecessary administrative burden on the beneficiaries. **None** of the **13 projects** aimed at expanding beneficiaries' non-farming activities and agro-tourism was rated fully effective.²¹

19 Audit No 23/04 was approved in 2023 but could not be published in the 2023 SAO Annual Report due to the filing of a criminal complaint.
20 *Rural Development Programme 2014–2020*.
21 SAO Audit No 23/06 (see Chapter 4.8 of this Annual Report).

In the context of the *National Programme for Supporting Tourism in Regions*, the MoRD spent more than **CZK 431 million** in the years 2016–2023. Subsidies distributed between **375 projects** were aimed at increasing the potential and competitiveness of the regions of the Czech Republic, facilitating the movement of visitors in specific destinations and developing the quality of services. The MoRD set only general and unmeasurable targets for the use of funds from this programme. It is therefore not possible to assess and measure the overall benefits of the distributed tourism subsidies. In most cases, the MoRD did not even check and verify whether the supported projects had achieved their objectives. It consequently did not have up-to-date, correct and complete information on the real impact of the money distributed. In addition, flaws in the system have made it possible to support ineffective and uneconomical projects. Overall, the SAO found that the programme did not contribute to reducing regional disparities. At the same time, the SAO pointed out that the provision of subsidies according to previous levels of financial support for tourism in a given region cannot be an effective instrument for reducing disparities between regions.²²

The MoRD ineffectively spent **CZK 1.2 million** on the construction of a river sauna on the bank of the Svratka river. An on-site inspection by the SAO found that the building was being used by the beneficiary as a bistro/café, which was in direct contravention of the conditions for obtaining the subsidy.

The state spent a total of **CZK 36.2 billion** on land consolidation from 1991 to 2023. By the end of 2023, comprehensive land consolidation had been completed in just **a quarter** of the total **12,232** land-registry territories. In **9,186** land-registry territories they have not been done yet. The MoA does not have all the information necessary to determine how much money will be needed to complete the land consolidation. The SAO roughly estimated this amount at almost **CZK 150 billion** (in today's prices). If the current method of financing and the average amount of annual expenditure (about CZK 1.9 billion per year over the last 10 years) remain unchanged, the land consolidation process will take at least **50 years**. That is despite the fact that the demands of municipalities, private landowners and other participants in land consolidation are fully paid for by the state, even though the law²³ allows for their financial involvement.²⁴

The audit²⁵ focusing on brownfield regeneration projects for business use showed that there was less interest in subsidies from the state budget than the Ministry of Industry and Trade (MoIT) had anticipated. Of the three national subsidy programmes audited, only one was used to reduce the number of brownfields. There was markedly more interest in financial support in the case of EU-funded programmes, where the interest centred on support in the form of subsidies. In the case of financial support in the form of a financial instrument²⁶ (soft loans), only four projects were supported with an amount of **CZK 118 million**. The remuneration for services related to the provision of this financial support for the two entities involved (known as the administrator and the financial intermediary) up to the end of 2023 amounted to **CZK 31.4 million**, i.e. **27%** of the support provided. The SAO highlighted a risk of uneconomical conduct in the expenditure linked to the remuneration of the financial intermediary, as up to the end of 2023 this remuneration was calculated on the basis of an amount higher than the amount actually administered.

22 Audit No 23/02 was approved in 2023 but could not be published in the 2023 SAO Annual Report due to the filing of a criminal complaint.

23 Act No 139/2002 Coll., on land consolidation and the land authorities, and amending Act No 229/1991 Coll., on ownership of land and other agricultural property, as amended.

24 SAO Audit No 23/31 (see Chapter 4.8 of this Annual Report).

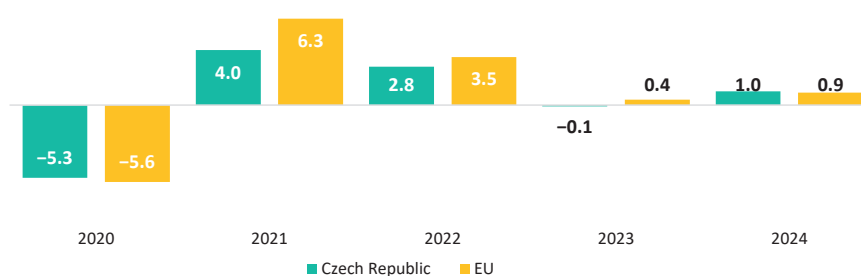
25 SAO Audit No 23/16 (see Chapter 4.7 of this Annual Report).

26 Financial products such as loans, guarantees or capital investments are created from public funds through financial instruments. Unlike subsidy aid, this form of financial support is repayable.

2. PUBLIC FINANCES

While the Czech economy had to contend with a slight recession in 2023, in 2024 there was a mild improvement in the economic situation, although the economy remained below its potential. Gross domestic product²⁷ in the Czech Republic grew by **1.0%** year-on-year, slightly faster than in the EU, where GDP grew by **0.9%**. According to the January forecast of the Ministry of Finance (MoF), nominal GDP exceeded CZK 8 trillion. This positive development is indicative of a gradual recovery in the Czech economy.

Chart 1: Development of year-on-year change in GDP 2020–2024 (%)



Source: Eurostat, Macroeconomic Forecast - January 2025.

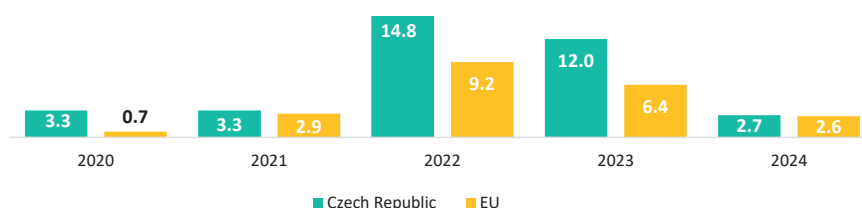
Note: In the case of 2024, this is the MoF's January 2025 forecast (seasonally adjusted values).

Renewed growth of household consumption was a significant driver of economic growth in the Czech Republic in 2024.

The Czech Republic drew close to the average inflation rate of the European Union in 2024.

The inflation rate, which had reached double-digit levels in the Czech Republic in 2022 and 2023, fell markedly in 2024 to an average of **2.7%**, which brought it closer to the Czech National Bank's inflation target. The fall in food and non-alcoholic beverage prices contributed to a slowdown in the overall growth of price levels. Rising prices persisted, however, in housing, energy, fuels and services, especially in restaurants and hotels.

Chart 2: Inflation in 2020-2024 (%)



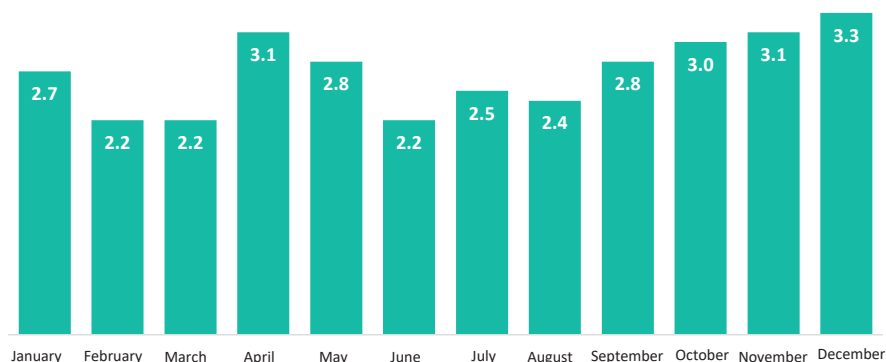
Source: Eurostat.

Note: This is the Harmonised Index of Consumer Prices (HICP), which is used for international price comparisons in the European Union.

The annual inflation rate was below **3%** for most of 2024, with inflation only rising slightly in April and at the end of 2024. Among the reasons for the December rise was the effect of the low baseline from the same period last year, when retailers had anticipated the VAT cut on April and at the end of 2024. Among the reasons for the December rise was the effect of the low baseline from the same period last year, when retailers had anticipated the VAT cut on food and the increase in price levels in the housing segment.

²⁷ This refers to the Ministry of Finance's January 2025 forecast (seasonally adjusted).

Chart 3: Annual inflation in the Czech Republic in individual months of 2024 (%)

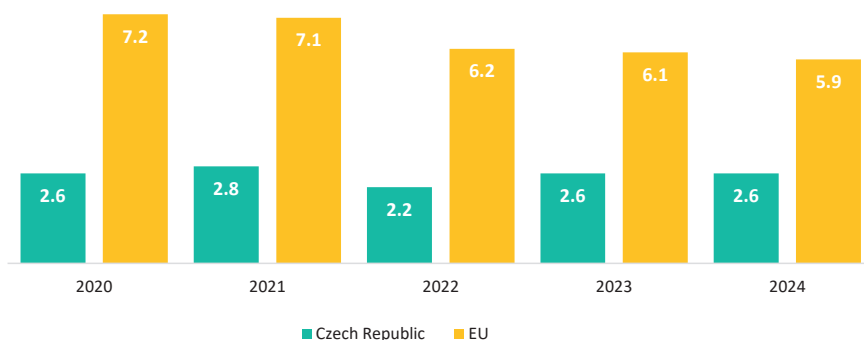


Source: Eurostat.

Note: This is the Harmonised Index of Consumer Prices (HICP), which is used for international price comparisons in the European Union

There were no significant changes in the labour market in 2024. The Czech Republic again registered low unemployment, which stood at **2.6%** at the end of December 2024 and remained the lowest in the EU, where the average was **5.9%**. The Czech Republic continues to have the lowest unemployment rate in the EU, but labour market rigidity and labour shortages in certain sectors are holding back economic growth.

Chart 4: Development of unemployment 2020–2024 (%)



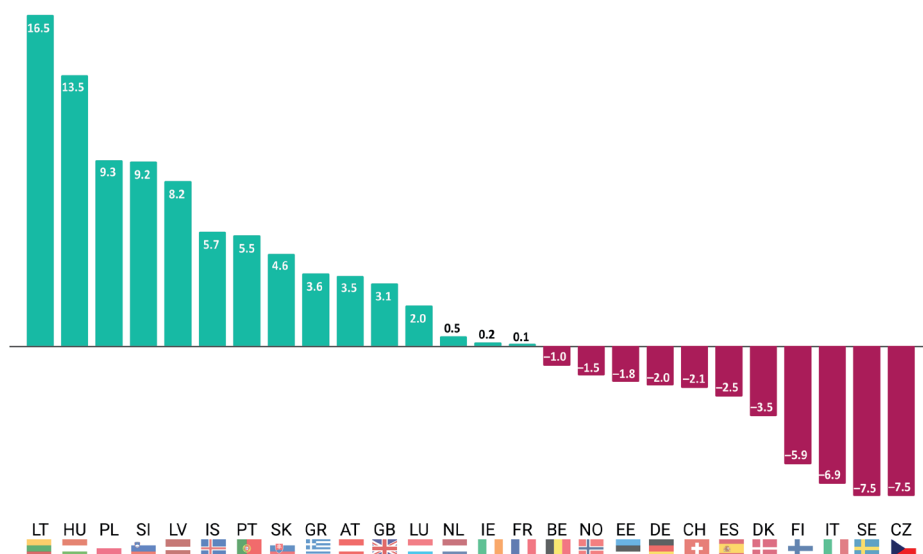
Source: Eurostat.

Note: For 2024, this is as of the end of December.

According to the Czech Statistical Office, the average gross monthly nominal wage rose by **7.2%** year-on-year to **CZK 49,229** in Q4 2024, with a real increase of **4.2%**.

According to the OECD, real wages in the Czech Republic and in Sweden fell by 7.5% between Q4 2019 and Q1 2024, the largest falls registered by any OECD country. In the period under review, the Czech Republic was the only country in the V4 group to register a decline in real wages. Lithuania recorded the highest real wage growth of 16.5%, followed by Hungary and Poland.

Chart 5: Cumulative change in real hourly wages in selected OECD countries between Q4 2019 and Q1 2024 (%)



Source: OECD - *Employment Outlook* of 9 July 2024.

THE CZECH ECONOMY BEGAN TO STABILISE IN 2024. GROSS DOMESTIC PRODUCT SHOWED MODERATE GROWTH AND INFLATION DREW CLOSE TO THE CZECH NATIONAL BANK'S INFLATION TARGET DURING THE YEAR. THE COMBINATION OF SLOWING INFLATION AND NOMINAL WAGE GROWTH LED TO A RESUMPTION OF REAL HOUSEHOLD INCOME GROWTH, WHICH BOOSTED THE POPULATION'S PURCHASING POWER. REAL WAGES, HOWEVER, HAVE EXPERIENCED THE LARGEST FALL OF ANY OECD COUNTRY OVER THE PAST FIVE YEARS, FALLING SHORT OF THEIR LEVEL PRIOR TO THE HIGH INFLATION. PARADOXICALLY, ANOTHER PROBLEM MAY BE THE LOWEST UNEMPLOYMENT IN THE EU, WHICH IS AN OBSTACLE TO LABOUR PRODUCTIVITY AND ECONOMIC DEVELOPMENT.

The state budget approved for 2024 by Act No. 433/2023 Coll.²⁸ originally envisaged total revenues of **CZK 1,940 billion** and expenditures of **CZK 2,192 billion**. It was amended in October 2024 in response to the September floods and the urgent need for the state to provide assistance to afflicted areas. Specifically, state budget expenditures were increased by **CZK 30 billion** to a total of **CZK 2,222 billion** and the total deficit for 2024 was planned at **CZK 282 billion**.

Table 2: Overall state budget performance 2020-2024

(CZK billion)

Indicator	2020	2021	2022	2023	2024
Revenue	1,475.5	1,487.2	1,624.4	1,914.1	1,965.4
Expenditure	1,842.9	1,906.9	1,984.8	2,202.6	2,236.8
Balance	-367.4	-419.7	-360.4	-288.5	-271.4
Balance without EU/FM	-364.9	-408.6	-316.8	-300.6	-287.4
Balance approved by law	-500.0	-500.0	-375.0	-295.0	-282.0

Source: Integrated Information System of the State Treasury.

The state budget deficit remains high mainly due to long-term structural problems in public finances. It has not yet been significantly affected by the economic recovery.

The state budget ended 2024 with a deficit of **CZK 271.4 billion**. This deficit was **CZK 10.6 billion** lower than the amended state budget deficit for 2024. Consequently, the state budget deficit was reduced by **CZK 17.1 billion** year-on-year in 2024, i.e. by just under **6%**. Without EU/FM funds, the state budget deficit would have ended up at **CZK 287.4 billion**, which would have been higher than the planned deficit.

State budget revenue in 2024 increased by **CZK 51.3 billion** year-on-year, mainly due to tax adjustments in favour of the state budget. Actual revenues stood at **101.3%** of the approved revenue budget. Tax revenues (including social security contributions and contributions to state labour market policy) registered the greatest year-on-year growth: **CZK 90.2 billion**. By contrast, received transfers fell significantly by **CZK 40.7 billion**, mainly due to lower reimbursements under the National Recovery Plan, lower transfers of dividend yields and other state holdings.

State budget expenditure in 2024 increased year-on-year by **CZK 34.2 billion** to reach a total of **CZK 2,236.8 billion**. Fulfilment of planned expenditures stood at **100.7%** as a result of higher utilisation of budgeted capital expenditure. Current expenditures amounted to **CZK 2,024.3 billion**, up by CZK 32.1 billion year-on-year. Capital expenditures amounted to CZK 212.5 billion, up by **CZK 2.0 billion** year-on-year. Under current expenditures, social benefit expenditures registered the greatest year-on-year growth: **CZK 36.5 billion**. The state budget is increasingly burdened by spending on servicing the state debt, which increased by **CZK 20.2 billion** year-on-year to reach **CZK 88.5 billion**. On the other hand, the gradual calming of the energy market situation reduced total spending on energy support by **CZK 82.0 billion**.

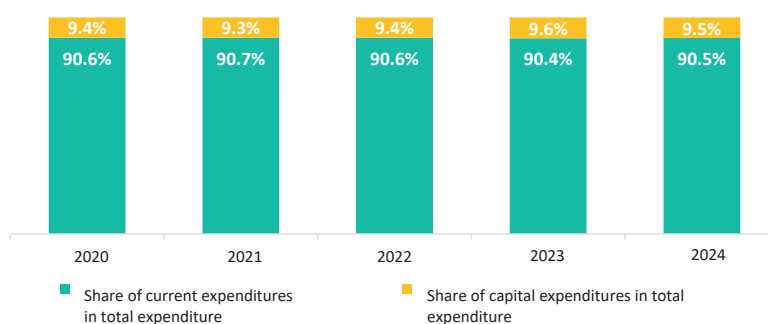
Table 3: Development of current and capital expenditures 2020–2024 (CZK billion)

Indicator	2020	2021	2022	2023	2024
Current expenditures	1,670.31	1,729.79	1,798.81	1,992.17	2,024.30
Capital expenditures	172.62	177.14	186.00	210.47	212.49
Total expenditure	1,842.93	1,906.93	1,984.81	2,202.64	2,236.79

Source: Integrated Information System of the State Treasury.

The proportion of capital expenditures, which has long accounted for less than **10%** of total state budget expenditure, has not increased. Between 2023 and 2024, capital expenditures increased by just **CZK 2 billion**, which means that its relative share of the budget fell slightly.

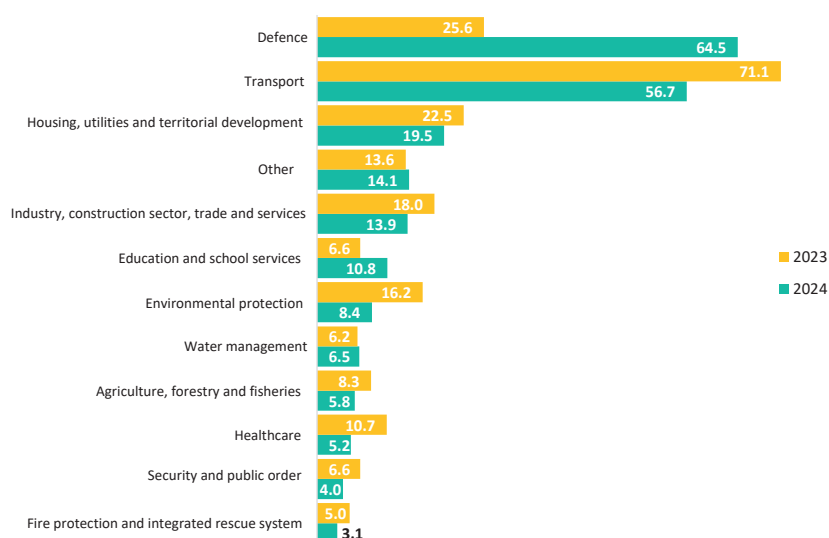
Chart 6: Current and capital expenditures as a share of total state budget expenditure 2020–2024 (%)



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

The lion's share of capital expenditures in 2024 was taken by defence investment expenditures, which grew by **CZK 38.9 billion** year-on-year. Conversely, the biggest year-on-year fall in investment spending out of the state budget was in transport, with a decline of **CZK 14.4 billion**, and environmental protection, which decreased by **CZK 7.8 billion**.

Chart 7: Amount of capital expenditures by sectoral classification of the budget composition in 2023 and 2024 (CZK billion)



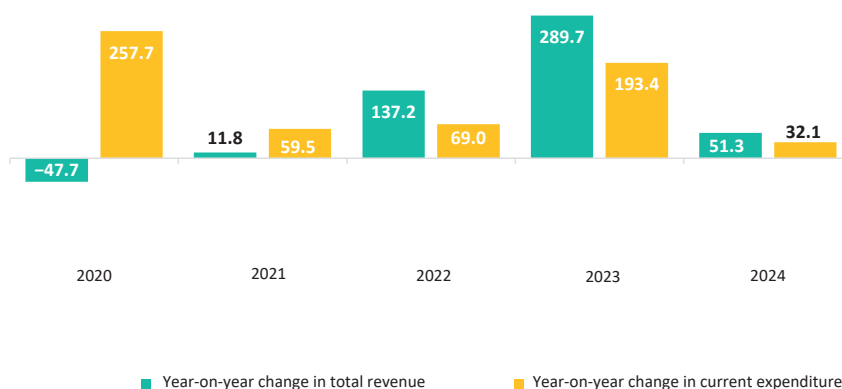
Source: Integrated Information System of the State Treasury.

Capital expenditures in 2024 remained at a similar level as in the previous year, largely due to an increase in defence spending in line with the commitment to NATO to allocate 2% of GDP to this area.

The trend of total state budget revenue growing faster than current expenditures since 2022 continued in 2024, but the difference between them is only **CZK 19.2 billion**.

Chart 8: Year-on-year change in total revenue and current expenditures 2020–2024

(CZK billion)

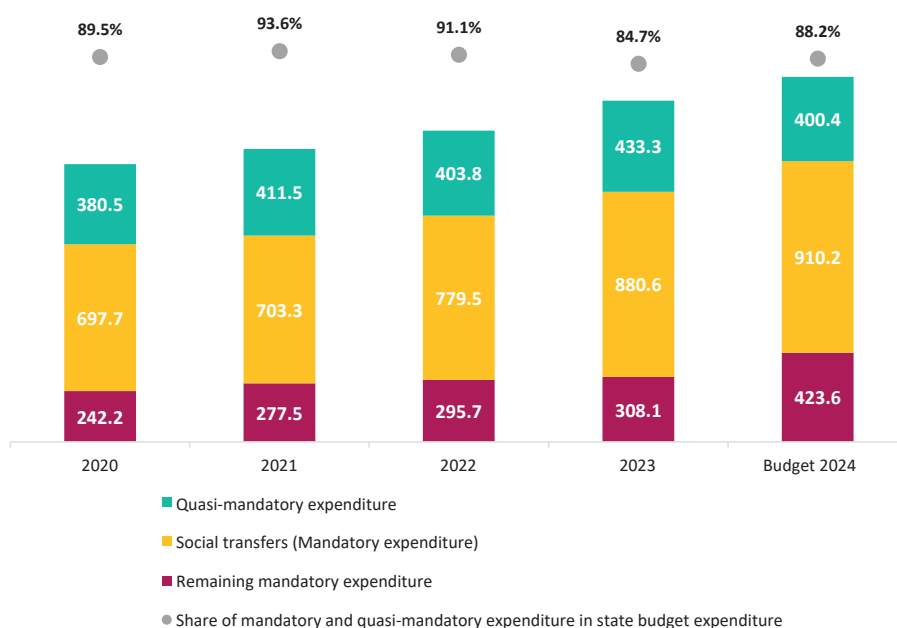


Source: Integrated Information System of the State Treasury.

REVENUE AND EXPENDITURE GROWTH IN 2024 WAS THE SLOWEST SINCE 2021, REFLECTING THE GRADUAL ENDING OF A PERIOD OF HIGH INFLATION THAT HAD PREVIOUSLY DRIVEN UP STATE BUDGET REVENUES. GOING FORWARD, STRUCTURAL ADJUSTMENTS WILL BE NECESSARY ON BOTH THE REVENUE AND EXPENDITURE SIDES TO FURTHER REDUCE THE DEFICIT WHILE ENSURING SUFFICIENT FUNDS FOR INVESTMENT AND EMERGENCY RESPONSE MANAGEMENT.

The high share of mandatory and quasi-mandatory expenditure is a major constraint on the government's ability to reduce the deficit or finance investment in key areas. Total mandatory expenditure of **CZK 1,734.2 billion** was budgeted for 2024. Its share of state budget revenue amounted to **88.2%**, an increase of **3.5 p.p.** year-on-year. The share of total state budget revenue corresponding to mandatory expenditure grew again in 2024, limiting the scope for financing investments in key areas.

Chart 9: Mandatory and quasi-mandatory expenditure and its share in total revenue of the state budget 2020–2024 (CZK billion, %)



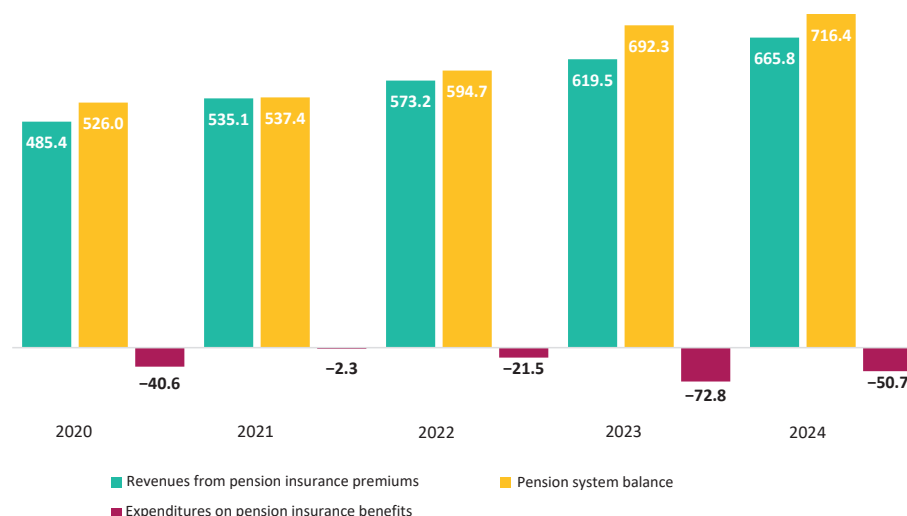
Source: State Final Accounts 2020-2023, documentation for the draft Act on the state budget for 2025.

Note: Remaining mandatory expenditures include e.g. government payments to health insurance, debt service expenditures and renewable energy subsidies. The significant increase in remaining mandatory expenditures between the year 2023 and the 2024 budget was due to a shift in reporting of defence expenditures.

MANDATORY AND QUASI-MANDATORY EXPENDITURE WAS SET AT CZK 1,734.2 BILLION IN THE 2024 BUDGET, WHICH CORRESPONDS TO 88.2% OF TOTAL REVENUE. THE REMAINING PART OF THE REVENUES, I.E. JUST 11.8%, CAN BE USED TO IMPLEMENT THE FISCAL PRIORITIES OF THE STATE.

The lion's share of mandatory expenditure goes on social transfers, which mainly comprise expenditures on pension benefits. The financial management of the pension system affects the overall balance of the state budget. The pension system ended the year 2024 **CZK 50.7 billion in the red**, which represents a year-on-year improvement of **CZK 22.1 billion**.

Chart 10: Pension system management in 2020-2024 (CZK billion)

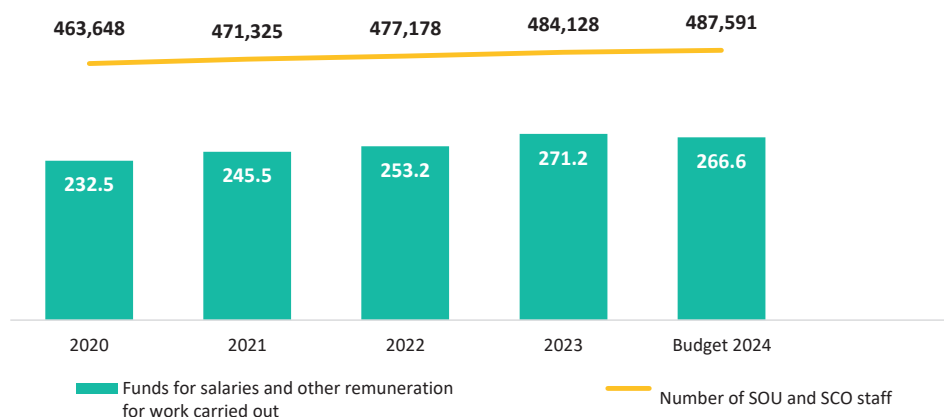


Source: Ministry of Finance.

THE PENSION SYSTEM HAS BEEN IN DEFICIT SINCE 2020. IN 2024, THIS DEFICIT REPRESENTED 18.7% OF THE TOTAL STATE BUDGET DEFICIT. DURING THE HIGH INFLATION PERIOD PENSIONS GREW FASTER THAN WAGES, WHICH LED TO A WIDENING OF THE DEFICIT. THE GOVERNMENT ADJUSTED THE PENSION INDEXATION SYSTEM AND PENSION GROWTH IN 2023, WHICH, COMBINED WITH WAGE GROWTH IN 2024, LED TO A REDUCTION IN THE PENSION SYSTEM'S NEGATIVE BALANCE. IF WAGES CONTINUE TO GROW FASTER THAN PENSIONS, THIS MAY CONTRIBUTE TO A MORE BALANCED PENSION SYSTEM IN THE SHORT TERM, BUT IN THE LONG TERM THIS EFFECT WILL NOT BE SUFFICIENT TO ENSURE ITS SUSTAINABILITY IN THE FACE OF ADVERSE DEMOGRAPHIC DEVELOPMENTS.

The most significant item of quasi-mandatory expenditure is expenditure on **salaries of employees** of state organisational units and organisations part-funded out of the state budget ("contributory organisations"). The most significant growth came in regional education. Moreover, a further increase of **3,500 employees** in these institutions was planned for 2024. Despite the growth in the number of employees, expenditure on salaries was supposed to decrease by **CZK 4.6 billion**, according to the budget for 2024.

Chart 11: Number of employees of state organisational units and state contributory organisations and funds for their salaries in 2020–2024 (CZK billion, persons)



Source: State Final Accounts 2020–2023, documentation for the draft Act on the state budget for 2025.

Claims on unused expenditures play an important role in the utilisation of state budget expenditure. After the end of 2024, their balance as at 1 January 2025 amounted to **CZK 201.7 billion**, which was **CZK 10.3 billion** less than as at 1 January 2024.

Table 4: Profiling and non-profiling claims on unspent expenditures 2020–2025 (CZK billion)

Indicator	2020	2021	2022	2023	2024	2025
Claims for unspent expenditures as of 1 January	130.14	174.68	162.80	210.09	211.95	201.67
of which: profiling	110.06	142.93	130.18	161.50	189.87	179.12
non-profiling	20.09	31.75	32.62	48.59	22.09	22.54

Source: Integrated Information System of the State Treasury.

THE LONG-TERM HIGH LEVEL OF UNUSED EXPENDITURES POSES A POTENTIAL RISK TO THE STABILITY OF THE STATE BUDGET. ALTHOUGH THE LEVEL AS AT 1 JANUARY 2025 IS SLIGHTLY DOWN ON THE PREVIOUS PERIOD, GREATER UTILISATION OF THESE FUNDS IN SUBSEQUENT YEARS COULD UNDERMINE THE PLANNED BUDGETARY TARGETS.

One of the main reasons for the significant increase in government debt between 2020 and 2024 was budget deficits running to hundreds of billions of Czech crowns. **At the end of 2024, government debt amounted to CZK 3,365 billion, a year-on-year increase of a further CZK 254 billion (i.e. 8.2%).** According to the medium-term outlook, government debt should reach **CZK 4 trillion** in 2027.

The large magnitude of government debt increases the cost of servicing it, which in 2024 will reach **CZK 88.5 billion**, i.e. CZK 20.2 billion more than in the previous year. This expenditure is expected to increase further in the coming years. In 2024 it accounted for 32.6% of the total state budget deficit, a year-on-year increase of **8.9 p.p.** year-on-year.

Table 5: Government debt servicing expenditure in 2020-2024 (CZK billion, %)

Indicator	2020	2021	2022	2023	2024
Government debt servicing expenditure	40.1	42.2	49.7	68.3	88.5
Its share in the general government deficit	10.9%	10.1%	13.8%	23.7%	32.6%

Source: State Final Accounts 2020-2023, Ministry of Finance.

The Czech Republic's government debt is one of the main components of the public debt and its size significantly influences the public debt. Eurostat estimates that the public-debt-to-GDP ratio will reach 43.4% in 2024, an increase of 1.0 pp year-on-year. The public-debt-to-GDP ratio has thus increased again. International comparison shows that the Czech Republic was the ninth least indebted country in the European Union, nevertheless the pace of debt growth poses a risk to public finances.

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

Country	2020	2021	2022	2023	2024*	2025*	2024-2020
Estonia	19.1	18.4	19.1	20.2	23.2	24.2	4.1
Bulgaria	24.4	23.8	22.5	22.9	24.5	23.1	0.1
Luxembourg	24.5	24.4	24.6	25.5	27.5	27.6	3.0
Denmark	46.3	40.5	34.1	33.6	31.0	29.3	-15.3
Sweden	40.1	36.7	33.6	31.5	32.8	32.7	-7.3
Lithuania	45.9	43.3	38.1	37.3	38.3	41.0	-7.6
Ireland	57.0	52.6	43.1	43.3	41.6	38.3	-15.4
Netherlands	53.3	50.4	48.3	45.1	43.3	44.3	-10.0
Czech Republic	36.9	40.7	42.5	42.4	43.4	44.4	6.5
Latvia	44.0	45.9	44.4	45.0	48.1	50.3	4.1
Malta	48.7	49.6	49.4	47.4	49.8	50.4	1.1
Romania	46.6	48.3	47.9	48.9	52.2	56.1	5.6
Poland	56.6	53.0	48.8	49.7	54.7	58.9	-1.9
Croatia	86.5	78.2	68.5	61.8	57.3	56.0	-29.2
Slovakia	58.4	60.2	57.7	56.1	58.9	59.8	0.5
Germany	68.0	68.1	65.0	62.9	63.0	63.2	-5.0
Cyprus	113.6	96.5	81.0	73.6	66.4	61.4	-47.2
Slovenia	80.2	74.8	72.7	68.4	67.1	64.4	-13.1
Hungary	78.7	76.2	73.8	73.4	74.5	74.5	-4.2
Austria	83.2	82.4	78.4	78.6	79.5	80.8	-3.7
EU	89.5	86.7	82.5	80.8	82.4	83.0	-7.1
Finland	75.4	73.2	74.0	77.1	82.6	84.7	7.2
Portugal	134.1	123.9	111.2	97.9	95.7	92.9	-38.4
Spain	119.3	115.7	109.5	105.1	102.3	101.3	-17.0
Belgium	111.2	108.4	102.6	103.1	103.4	105.1	-7.8
France	114.8	112.7	111.2	109.9	112.7	115.3	-2.1
Italy	154.3	145.7	138.3	134.8	136.6	138.2	-17.7
Greece	209.4	197.3	177.0	163.9	153.1	146.8	-56.3

Source: Eurostat, *Statistical Annex – European Economic Forecast – Autumn 2024*.

Note: The table is sorted by 2024 values.

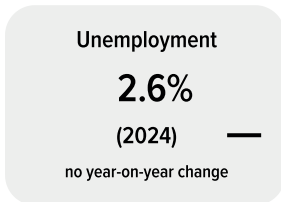
* For 2024 and 2025, this is the European Commission's November 2024 estimate.



Despite the improvement of the Czech economy, the state budget deficit **is still high**

Public finance

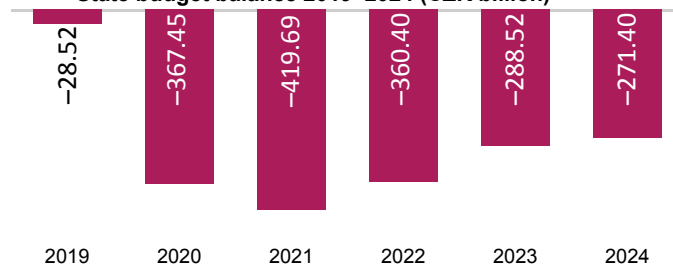
THE INCREASE IN STATE BUDGET REVENUES WAS MAINLY DUE TO HIGHER COLLECTIONS OF SOCIAL SECURITY CONTRIBUTIONS AND TAX REVENUES, WHILE THE BALANCE WAS NEGATIVELY AFFECTED BY LOWER REVENUES FROM DIVIDENDS AND EUROPEAN FUNDS



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

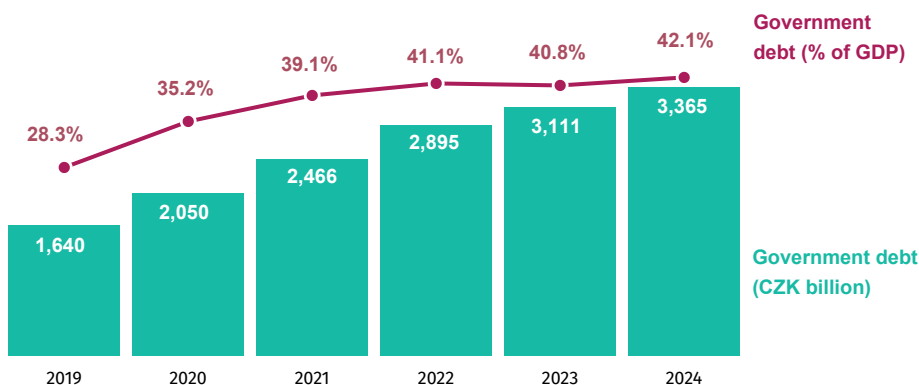
	2023	2024	change
REVENUE	1,914.1	1,965.4	+2.7% ↑
EXPENDITURE	2,202.6	2,236.8	+1.6% ↑

State budget balance 2019–2024 (CZK billion)



AT THE END OF 2024, THE GOVERNMENT DEBT AMOUNTED TO EUR 3,365 BILLION AND INCREASED BY CZK 254 BILLION YEAR-ON-YEAR. THE RATIO OF GOVERNMENT DEBT TO GDP THUS REACHED 42.1%

Government debt between 2019 and 2024



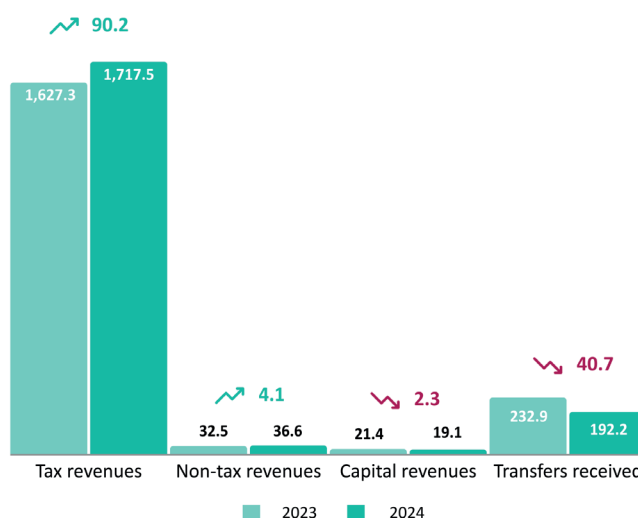
” The increase in debt was also accompanied by an increase in debt servicing costs. These were of total CZK 88.5 billion in 2024, which is CZK 20.2 billion more than last year.

3. GOVERNMENT REVENUES

The generation of sufficient public finance resources is key to meeting the needs and objectives of government spending policies. As part of its audit work, the SAO assesses the efficiency of the collection and administration of taxes, measures taken to combat tax evasion and, more generally, the impact of legislative changes and measures adopted in this area. Collected taxes form the largest part of the state budget revenues. Tax collection in 2024 was profoundly affected by the changes adopted as part of the consolidation of public budgets²⁹.

Total state budget revenue in 2024 reached **CZK 1,965.4 billion, up 2.7% or CZK 51.3 billion year-on-year**. The year-on-year change in the various state budget revenue classes is shown in Chart 12. Total tax revenue increased by **5.5%**, while financially less significant non-tax revenue increased by **12.6%**. By contrast, the increase in state budget revenue compared to 2023 was held back by a **17.5%** decrease in transfers received and a **10.7%** decrease in capital revenue. Consequently, there was a year-on-year decrease in the funds received from the EU and financial mechanisms, repayments from the *National Recovery Plan* and transfers of proceeds from the state's capital holdings.

Chart 12: State budget revenue execution by class for 2023 and 2024 (CZK billion)³⁰



Source: Státní správa - druhový rozklikávací rozpočet pro příjmy | Monitor (statnipokladna.cz).

The most significant contribution to the increase in total state budget revenue came from tax revenues increasing by **CZK 90.2 billion**. The change in the budgetary allocation of taxes led to these revenues increasing by **CZK 10.7 billion**. The largest relative year-on-year increase was registered in collected personal income tax, which grew by **CZK 20 billion, i.e. 13.4%**. The collection of social security contributions, including contributions to state labour market policy, which rose by **CZK 63.4 billion** year-on-year, also pushed up total revenue. On the other hand, the most significant decline was recorded in the windfall tax and the excess profits levy, with collection down by **CZK 21 billion, i.e. by more than 36%**. This decline was due to the fact that the excess profits levy was not implemented in 2024; the windfall tax itself registered a year-on-year decline of **CZK 2.5 billion**. Corporate income tax also recorded a significant fall of **approximately CZK 10.7 billion** (not including the windfall tax).³¹

In 2024, the SAO completed two audits dealing with state budget revenues. These focused on:

- selected measures against tax evasion (Audit No [23/09](#));
- corporate income tax administration (Audit No [23/23](#)).

29 Act No 349/2023 Coll., amending certain laws in connection with the consolidation of public budgets.

30 Tax revenues include revenues related to social security contributions and revenues from social security contributions and state employment policy contributions.

31 Source: Ministry of Finance of the Czech Republic: <https://mfcr.cz/cs/ministerstvo/media/tiskove-zpravy/2025/pokladni-plneni-sr-58324>.

In the fight against tax evasion, two new tools were introduced in the Czech Republic in 2016: VAT control statements³² and electronic registration of sales (ERS)³³, which formed part of the focus of Audit No [23/09](#). In this audit, the SAO examined how the MoF, the General Financial Directorate (GFD) and the General Directorate of Customs (GDC) spent funds on the measures taken against VAT evasion between 2018 and 2022, with the audited amount totalling almost **CZK 2.5 billion**.

The SAO assessed that the GFD's spending on control statements was effective. As a result, the FA CR³⁴ gained an effective tool for detecting high-risk transactions (declared VAT). On average, the assessed tax was twice as high when using control statements data than when not. Thanks to the use of ERS data, the FA CR could more easily detect taxpayers who exceeded the limit for mandatory VAT registration. Following the subsequent abolition of ERS³⁵, the FA CR lost the possibility of checking sales and attempts to report lower figures, as well as a tool for easier control of entities registered for VAT.

An increase in the number of reported taxable transactions in low amounts has emerged as a problem in the fight against tax evasion in connection with control statements. The value of potential VAT evasion identified for checking by the GFD on the basis of the analysis of the control statements data was at least **CZK 4.4 billion** in 2017–2022.

- The GFD spent almost **CZK 258 million** on control statements from 2015 to 2022. The SAO found that analysing data from control statements enabled the FA CR to detect more than **10 million high-risk transactions** and assessed additional VAT of almost **CZK 11 billion** for the years 2016–2022; that was **16%** of the total amount of additionally assessed tax in those years. Among the FA CR's most frequent findings were, for example, the wrongful application of VAT deductions from fictitious invoices or the fact that businesses failed to prove that they actually used purchased services, goods or materials specified in received invoices for their economic activity.
- The MoF, GFD and DGC spent over **CZK 2.2 billion** on the introduction and operation of ERS in 2016–2023. Based on the use of ERS data, the FA CR collected a total of **CZK 652 million** in follow-up control work in 2017–2019, of which **CZK 185 million** was for VAT. Using ERS data, it also registered a total of **7,167 taxpayers** for VAT due to exceeding the legal threshold. From 2017 to 2019 the FA CR thus registered an average of **2,076 VAT payers** ex officio each year. The annual number of such registered entities had previously been below **70**. After the suspension of ERS, new VAT registrations identified by the tax authorities will fall to only around **20 entities per year** in 2021 and 2022.

CONTROL STATEMENTS AND ELECTRONIC SALES REGISTRATION MADE A SIGNIFICANT CONTRIBUTION TO THE FIGHT AGAINST TAX EVASION, BUT AFTER THE ABOLITION OF THE ERS, THE FA CR LOST AN IMPORTANT TOOL FOR CHECKING SALES, INCLUDING DETECTING TAX EVASION, AND FOR CHECKING VAT REGISTRATION.

In the light of the findings of Audit No [23/09](#), the SAO drew attention to the risk of tax evasion associated with an increase in the number of taxable transactions in low amounts reported in control statements. Some entities started to artificially increase their costs through items up to **CZK 10,000** in value, which are not subject to automated checking in the context of control statements. Taxpayers procured tax documents on the black market. The FA CR audited selected entities and found misuse of these documents in **57%** of cases. To check the multiple use of the same documents by several entities, the FA CR started to use new automated document readers.³⁶ It used these to identify **122 million** duplicate costs from receipts wrongfully included in the taxpayers' accounts.

VAT EVASION HAS COME TO TAKE INCREASINGLY SOPHISTICATED FORM, AND THE DIFFICULTY OF PROVING IT IN TAX PROCEEDINGS HAS INCREASED. THE SAO REGARDS THE DIGITALISATION OF TAX ADMINISTRATION AND THE SHARING OF RELEVANT DATA AS IMPORTANT MEASURES IN THE FIGHT AGAINST TAX EVASION AND TAX AVOIDANCE.

32 Introduced on 1 January 2016 by Act No 360/2014 Coll., amending Act No 235/2004 Coll., on value added tax, as amended, and other related acts.
 33 Introduced on 1 December 2016 by Act No 112/2016 Coll., on the registration of sales.
 34 Financial Administration of the Czech Republic.
 35 Act No 458/2022 repealing Act No 112/2016 Coll., on registration of sales, as amended, and amending and repealing other related regulations.
 36 Source: [Every other suspect was cheating. Tax authorities will launch more checks on receipts – Seznam Zprávy](#), Seznamzpravy.cz.

The revenue from legal persons' income tax is the fourth most important revenue of the state budget. **CZK 953.4 billion** of this tax was collected in the years 2018–2022.

Other tools in the fight against tax evasion were addressed in the following SAO audit. In 2019 and 2020, two European directives, ATAD³⁷ and DAC6³⁸, were transposed into the Czech legal system with the aim of preventing corporate income tax evasion. The SAO conducted Audit No [23/23](#) to examine whether the transposition of these directives into Czech law³⁹ had reduced tax evasion and made the administration of the corporate income tax more efficient. Spending on the implementation of the two directives amounted to almost **CZK 37 million** by the end of 2022. This mainly involved salary expenses and the cost of modifying information systems.

The SAO audit showed that the implementation of the ATAD and DAC6 directives did not have a significant impact on the efficiency of corporate income tax administration. A lack of source data makes it impossible to quantify the impact of the new DAC6 measures in relation to tax evasion. The GFD did not put in place a procedure for transmitting the information from DAC6 notifications to the local tax authorities in a way that made all the information available to the tax authorities, e.g. for use in search activities, risk analyses and subsequent audits. The processing of information from DAC6 notifications was in most cases carried out manually by the GFD. The SAO therefore assessed the computerisation of corporate income tax administration in the area of notifications under DAC6 as insufficient.

The GFD spent **CZK 6.8 million** between 2018 and 2022 on salaries for employees who carried out activities related to moving paper file documentation and **CZK 1.2 million** for the transfer of paper files to the Appellate Financial Directorate.

- By the time of the audit's completion, the ATIS⁴⁰ had not been replaced with a new information system that would, inter alia, allow for the automated transfer of information from DAC6 notifications to the local tax administrations. The GFD did not meet the strategic objective of developing a fully electronic FA CR file by having staff perform activities related to the transfer of paper-based files. The GFD also failed to set rules governing the procedure to be followed by tax administrators when passing on files to the Appellate Financial Directorate to ensure tax files were not transferred in paper form even though **87%** of these files were available in electronic form / were entirely in electronic form.

REVENUE FROM CORPORATE INCOME TAX IS THE FOURTH MOST IMPORTANT REVENUE IN THE STATE BUDGET. THE IMPLEMENTATION OF EUROPEAN DIRECTIVES HAS HAD NO EFFECT ON THE EFFICIENCY OF CORPORATE INCOME TAX ADMINISTRATION. A LACK OF RELEVANT EVIDENCE MAKES IT IMPOSSIBLE TO QUANTIFY THE PREVENTIVE OR DETERRENT IMPACT OF THE INTRODUCED MEASURES ON TAX REVENUES. ACCORDING TO THE SAO, THE IMPLEMENTATION OF THE DAC6 DIRECTIVE HAS STRENGTHENED THE INTERNATIONAL EXCHANGE OF INFORMATION, BUT THE USABILITY OF THIS INFORMATION IN THE CZECH REPUBLIC HAS BEEN MINIMAL.

Impact of previous audits on the state budget revenue

In Audit No **21/23**⁴¹, which focused on the administration of property secured, pledged, seized, forfeited and sold in criminal and tax proceedings, the SAO found that some Czech courts failed to keep records of property not physically received and managed by the trustees they had assigned. It also found that neither the Office for Government Representation in Property Affairs (OGRPA) nor the Customs Administration carried out regular maintenance of the seized property. In the sale of the seized property, the time limit of one year for monetising the property was a problem.

In response to the SAO audit, the responsible authorities took measures to remedy the deficiencies:

- **In cooperation with the Ministry of Interior (Mol), the Ministry of Justice has created a specimen register of seized property;**
- **The OGRPA and the DGC have drawn up rules for the active management of the seized property in its entirety;**

37 Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market, as amended in 2017 by Council Directive (EU) 2017/952 of 29 May 2017 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries (ATAD).

38 Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (DAC6).

39 Act No 586/1992 Coll., on income taxes.

40 Automated tax information system.

41 Audit No 21/23 – Administration of property secured, pledged, seized, forfeited and sold in criminal and tax proceedings (published in the SAO Bulletin Vol. 1/2023).

- on the initiative of the OGRPA, an act was passed⁴² which extended the time limit for monetisation to two years and suspends the time limit while court proceedings are ongoing.

In Audit No **22/31**⁴³ targeting audit of public funds in the area of games of chance and the administration of gambling tax, the SAO found that the MoF did not provide the authorities concerned with the necessary information support for efficient supervision and tax administration in this area. The SAO also pointed out that the illegality of online games was not clearly defined in law and that the supervision of online gambling was out of step with its growth.

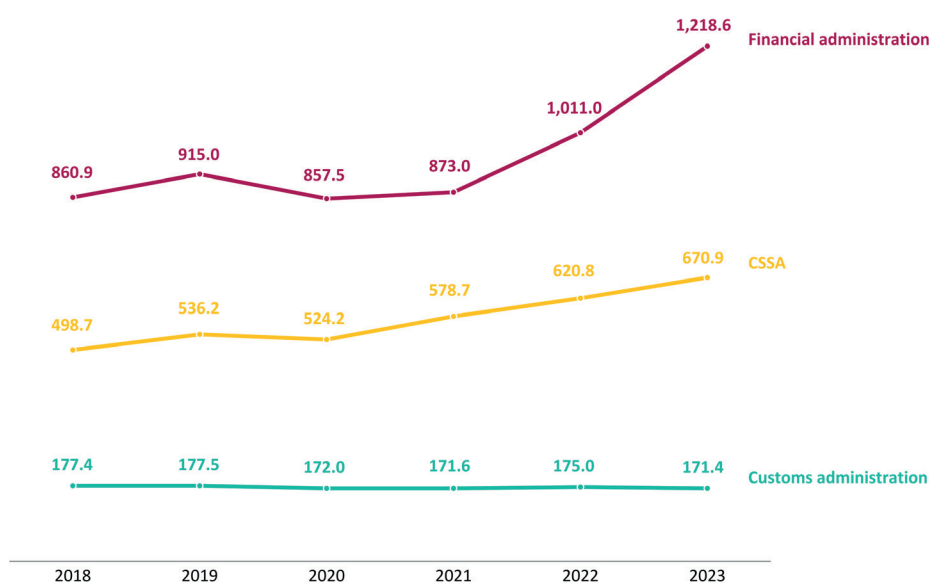
The following changes have been made in response to the audit results:

- an amendment to the Gambling Act was adopted with effect from 1 January 2024, which, among other things, redefines the operation of online gambling and simplifies the fight against illegal gambling;
- the Specialised Tax Authority promptly provides the MoF with information on any gambling tax arrears;
- control work in the field of online gambling targeting operators with the basic authorisation has been strengthened.

Development of tax and insurance collection and expenditure on the collection thereof from 2018 to 2023

The data on the development of collected state budget tax revenues show that in 2023 the largest, i.e. **20%**, year-on-year growth came in the collection of tax revenues by the FA CR. This was mainly due to persistently higher inflation and the temporary introduction of a windfall tax. The collection of tax revenues by the Customs Administration of the Czech Republic fell by **2%** year-on-year due to a **CZK 6.2 billion** decrease in the collection of excise duty on tobacco products. The reason for the decrease was a change in consumer preferences for nicotine products or cross-border purchases in neighbouring countries. The CSSA collected 8% more in tax revenues, but spending on social security benefits increased by almost 15% in 2023, making the deficit three times larger than in 2022.

Chart 13: Total tax revenue collection between 2018 and 2023 (CZK billion)



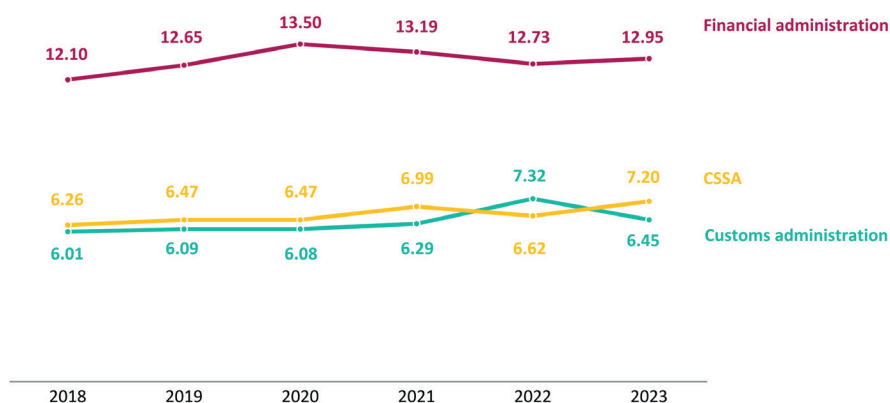
Source: Annual reports on the activities of the Financial Administration of the Czech Republic; reports on the activities of the Financial Administration of the Czech Republic and the Customs Administration of the Czech Republic; reports on the activities of the Czech Social Security Administration

⁴² Act No 422/2022 Coll., amending Act No 104/2013 Coll., on international judicial cooperation in criminal matters, as amended, and certain other acts.

⁴³ Audit No 22/31 – State funds related to the activities of state administration bodies in the field of games of chance and gambling tax administration (published in the SAO Bulletin Vol. 3/2023).

- The FA CR's total expenditure in 2023 increased by **2%** year-on-year due to rising input prices as a result of inflation (e.g. energy price hikes).
- The Customs Administration's total fell by **12%** year-on-year. This was due to the adoption of money-saving measures in capital expenditure spending, but also, and more importantly, due to lower current expenditure, which had been significantly increased in 2022 by specific expenditures to cover the loss of traditional own resources from undervalued textile and footwear imports from the People's Republic of China in the years 2012–2019.
- Total CSSA expenditure (excluding spending on social security benefits) increased by **9%** year-on-year due to higher staff costs. Staff received extraordinary remuneration for work going beyond the normal course of their duties, mainly due to the implementation of several extraordinary pension indexations, the extreme increase in the number of pension applications done in the last quarter of 2022 and the need to handle the completely new agenda of the benefit for raising a child.

Chart 14: Total expenditure between 2018 and 2023 (CZK billion)



Source: Annual reports on the activities of the Financial Administration of the Czech Republic; reports on the activities of the Financial Administration of the Czech Republic and the Customs Administration of the Czech Republic; reports on the activities of the Czech Social Security Administration

TOTAL TAX REVENUE COLLECTION GREW BY MORE THAN CZK 254 BILLION, I.E. ABOUT 14%, BETWEEN 2022 AND 2023. TOTAL EXPENDITURE ON TAX COLLECTION FELL BY CZK 0.1 BILLION, OR ABOUT 0.3%. THE OVERALL COST-EFFECTIVENESS OF TAX ADMINISTRATION INCREASED BY 13% COMPARED TO THE PREVIOUS YEAR, MAINLY DUE TO PERSISTENTLY HIGHER INFLATION.



Despite VAT being one of the highest tax revenues, tax authorities have lost one of the tools for targeted tax evasion investigations

State income

SOCIAL SECURITY AND PERSONAL INCOME TAXES CONTRIBUTED THE MOST TO AN OVERALL INCREASE IN TAX REVENUES OF MORE THAN CZK 90 BILLION

Year-on-year comparison of the collection of selected tax revenues of the state budget for 2023 and 2024 (in CZK billion)

Taxes	2023	2024	Year-on-year change
VAT	365.1	381.5	16.5
Social security contributions and contributions to state employment policy	689.2	752.6	63.4
Corporate income tax	240.8	227.7	-13.1
Personal income tax	148.8	168.8	20.0
Excise duties including energy taxes	166.7	162.8	-3.9
Windfall profits tax and excess earnings levy	57.7	36.7	-21.0

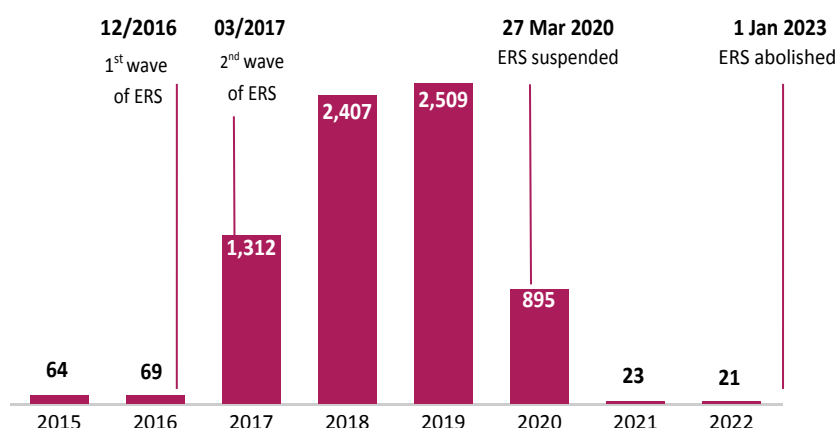
”

The largest relative year-on-year increase was recorded in personal income tax collections, by CZK 20.0 billion, i.e. about 13.4%. This increase was caused by wage growth and changes adopted under the so-called consolidation package, e.g. reduction of the threshold for the second tax rate.



BY INTRODUCING THE CONTROL STATEMENT, THE TAX ADMINISTRATION GAINED AN EFFECTIVE TOOL IN THE FIGHT AGAINST TAX EVASION; BY ABOLISHING THE ERS, ON THE OTHER HAND, IT LOST A TOOL FOR CONTROLLING SALES AND DETECTING TAX EVASION

Number of newly registered entities by the tax administrator for VAT due to exceeding the statutory limit



”

Based on the data from the control statement for the years 2016-2022, the FA CR assessed value added tax in the amount of almost CZK 11 billion, which is 16% of the total tax assessed in these years.

4. GOVERNMENT EXPENDITURE AREAS

The following sections of the Annual Report are devoted to the results of the SAO's audit and analysis work in the areas of government expenditure policy that the SAO covered in the past year. These expenditure areas were the focus of more than two-thirds of all audits undertaken in 2024. The aim of the audits was mainly to check whether the state's funds were spent in accordance with the principles of effectiveness, economy and efficiency, i.e. whether the state was able to deliver the necessary value to its citizens in accordance with the legitimate needs and thus fulfilled its irreplaceable role. In this way, the SAO provides important feedback to policy makers on good practice and better management of public expenditure. At the same time, this feedback should serve legislators, experts and the general public as objective information on the reality of the state's financial management.

4.1 DIGITALISATION OF PUBLIC ADMINISTRATION

Public administration and the services it provides are, like other service sectors outside the public sector, significantly affected by digitalisation. In most cases, digital banking could serve as an example of the efficient use of technology to improve customer service. Like the banking sector, public administration faces challenges linked to transforming its services into digital form. Data from the Czech Statistical Office (CSO) make it possible to conclude that the clients of public administration are ready for digitalisation – **87%** of households use the Internet and **73%** of people aged 16 and over use Internet banking.⁴⁴

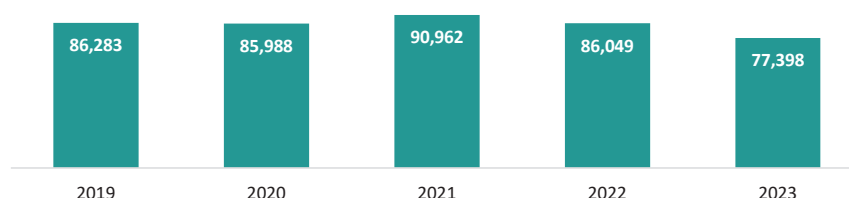
A key factor for expanding digitalisation in public administration is the development of state-recognised electronic identities, with banking identities playing a lead role here. Since the introduction of electronic identification tools issued by banks, more than **4.65 million unique users**⁴⁵ have used this service, confirming that linking government with proven tools from the commercial sector can significantly accelerate and streamline the digitalisation process and make convenient modern services available to citizens. The expansion of the range of such services on offer in 2024 by selected banks in the supported BankID product portfolio to include digital document signing for businesses and the public undoubtedly has a potential benefit for the agendas handled by the public authorities. One obstacle to wider use by public administration clients, however, is the enduring requirement to use a qualified electronic signature.⁴⁶

With the adoption of the Act on the Right to Digital Services⁴⁷ and the associated government-approved timetable for the roll-out of digital services, a major breakthrough in the digitalisation of public administration was expected in 2024. This consisted in the expansion of digital services for public administration clients, which allow users to perform official actions independently online. A number of new digital services had been launched by the end of 2024, especially in labour and social affairs, transport and health departments, where citizens can already use new self-service digital channels. A new service, which was completed in the second half of 2024, is the *Representation Register*⁴⁸, which registers digital representation authorisations and so they can be proven. On the part of citizens, state authorities, and entrepreneurs, this has simplified the performance of official actions in digital form and the verification of documentary powers of attorney.

In 2024, approximately **121,000** electronic applications to secondary schools were submitted, while only **25,000** applicants opted for the paper form and **14,000** submitted a “hybrid” application.

A number of key agendas, such as construction management, are still awaiting full digitalisation, however. The unsatisfactory results of the existing procedures within the framework of the digitalisation of the building permit process induced the Czech government to decide to reconsider the digitalisation of building permits, postponing the achievement of the original objectives from 2024 to 2028.

Chart 15: Number of building permits issued



Source: CSO.

⁴⁴ Source: [ICT in households and ICT users | Statistics](#).

⁴⁵ As at January 2025.

⁴⁶ Section 6 of Act No 297/2016 Coll., on trust services for electronic transactions, permits guaranteed electronic signatures based on qualified certificates.

⁴⁷ Act No 12/2020 Coll. on the right to digital services and amending certain acts.

⁴⁸ From 1 July 2024, Act No 125/2024 Coll. establishes a new digital service – *authorisation to represent* available in the *Representation Register*, which is part of the Register of Rights and Obligations.

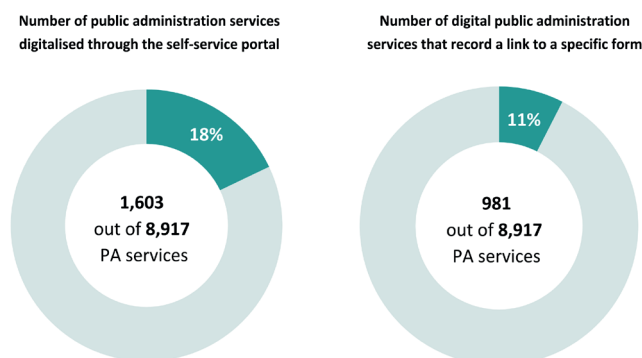
There is more to the modernisation of public administration than just digitalisation of processes, however – optimising these processes is also crucial to making **public administration activities more efficient, faster and more transparent** with a view to more efficient use of public funds. This approach has the potential to reduce the bureaucratic burden on citizens and the workload of public administration staff. Nevertheless, individual success stories to date, such as the introduction of client portals, have not yet led to a significant reduction in the number of state administration employees or in the cost of state administration.

PROGRESS IN THE AREA REFERRED TO AS “INTERNAL DIGITALISATION OF GOVERNMENT OFFICES” REMAINS UNSATISFACTORY, WHICH IS NEGATIVELY REFLECTED IN THE NUMBER OF SYSTEMATISED STATE ADMINISTRATION SERVICE POSTS AND JOBS. BETWEEN 2020 AND 2023 THERE WAS A DECREASE OF 0.75% (565 POSTS) IN THE ORGANISATIONAL UNITS OF THE STATE⁴⁹. THIS TREND SHOWS THE LIMITED EFFECT OF DIGITALISATION ON MANAGEMENT EFFICIENCY AND REDUCING THE ADMINISTRATIVE BURDEN.

The SAO analysed the state of digitalisation in 2024 using data from the *Catalogue of Public Administration Services*. Compared to 2023, the number of defined services that are suitable for digitalisation has increased: from **7,485** services to **8,917** digitalised services in 2024. This means that over the last year, a further **1,432** services have been identified that could in the future be used in digital form by users⁵⁰ of public administration information systems.

The number of services available to citizens through the self-service portal when starting to use the service, during the course of the service and when the service is being processed remains limited. Currently, 1,782 services in 165 agendas can be used; these allow 4,476 remote actions to be performed. Although the number of links to online pre-filled forms increased from 455 to 981, this represents an increase of 5.5 percentage points in relation to the total number of digital services.

Chart 16: Assessment of the state of digitalisation of public administration services



Source: chart prepared by the SAO; *Public Administration Services* dataset from 2 January 2025 and dataset in the *National Catalogue of Open Data*.

The use of pre-filled forms, reference data, information sharing via the *linked data pool* (LDP)⁵¹ and fully digitalised and optimised processes on the part of the public administration leads to fast, flexible and secure processing of the required activities. Unfortunately, the linked data pool is only slowly being filled, which prevents other agendas from using the shared data for pre-filled forms, for example, as a result of which the “once-only” principle is not fulfilled. This is confirmed in international comparisons, where the Czech Republic ranks third worst in the EU for pre-filled forms in the context of the *Digital Decade*⁵².

Self-service portals have become a key element of the modern digital era, providing users with convenient and efficient access to services. These platforms do not only enable personal matters to be handled without the person’s physical presence, they also simplify public administration processes through pre-filled forms that use electronic identification and authorisation of digital actions.

⁴⁹ Annual reports of the Ministry of the Interior of the Czech Republic for the years 2020 to 2023.

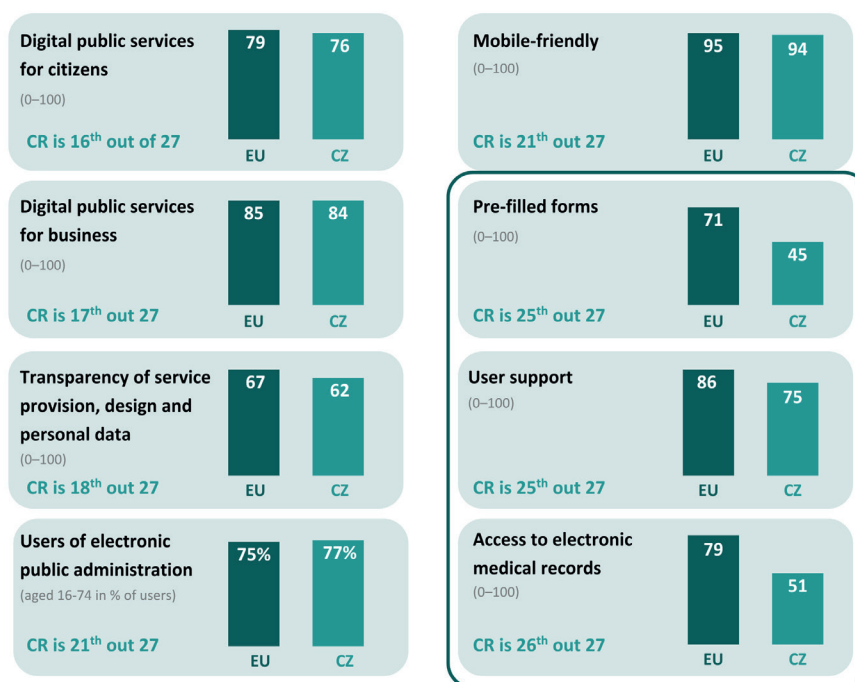
⁵⁰ These are both internal users within public administration, who use information systems for the performance of their daily activities, and external users, meaning citizens, legal persons or entrepreneurs who use remote access to public administration information systems.

⁵¹ In addition to reference data, the LDP is slowly expanding to include further data kept on the individual entities and objects in other information systems. The authority responsible for the performance of other tasks by other authorities describes the data in the context of its own tasks and publishes the information in the relevant catalogue of the Shared Service Information System (egsbkatalog.cms2.cz).

⁵² The methodology for evaluating DESI changed in 2024 compared to the 2014 to 2022 period. DESI indicators have become part of the “digital decade”.

It is clear from the DESI results that the Czech Republic has significant gaps in some areas of digitalisation of public services. The Czech Republic ranked below the EU average in **seven** out of **eight** indicators focused on public services, and in three indicators the Czech Republic was in the bottom three.

Infographics 1: Digital Decade Indicators for 2024



Source: DESI.

From 2021 onwards, digitalisation of the agendas of government offices⁵³ was supposed to be carried out systematically according to a government-approved timetable. In its Annual Reports since 2022, the SAO has repeatedly pointed to the uneven distribution of digitalisation milestones over the statutory five-year period. The largest number of ministries' agendas were not scheduled until 2025, the last possible year, which gave rise to risks, and the relevant ministries were not able to achieve the necessary digitalisation by the set deadline. Due to the lack of progress, the digital transformation of public administration has been postponed by an amendment to the Electronic Communications Act to February 2027⁵⁴.

Total expenditure on ICT in 2024 amounted to **CZK 25.0 billion** for organisational components of the state and state funds.

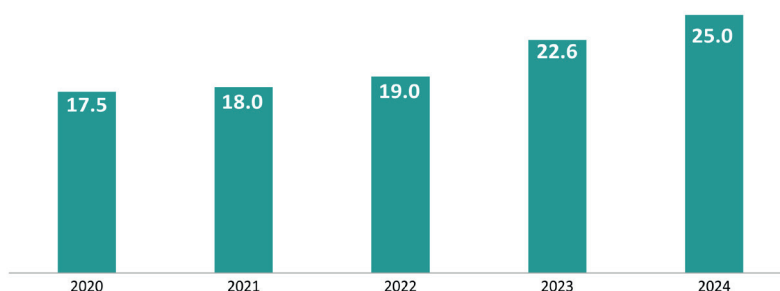
Despite the work of the Digital and Information Agency (DIA), whose role is to coordinate the digitalisation of public administration, efforts to reduce ICT costs and promote cloud computing remain unsuccessful. Since 1 July 2024, an assessment of the advantageousness of the chosen solution has to be submitted alongside every ICT project. The cloud computing service catalogue contains a total of **8,678** services from **133** providers as at 2024, but only **three** services are actually used and reported⁵⁵. This situation shows how cumbersome and slow the implementation of new approaches in both state and public administration is.

⁵³ According to Act No 12/2020 Coll., on the right to digital services.

⁵⁴ Act No 23/2025 Coll., on electronic communications.

⁵⁵ As at 31 December 2024, based on the DIA cloud computing catalogue.

Chart 17: ICT expenditures of state organisational units and state funds between 2020 and 2024 (CZK billion)



Source: Integrated Information System of the State Treasury; selected budget items of the state budget.

Audits carried out in the past period focused on whether the services provided to citizens are actually improving and whether officials have better and efficient ICT support. In 2024, the SAO completed four audits that focused in whole or in part on the streamlining of the performance of a number of public administration tasks and services, including their digitalisation, in the following areas:

- system of basic registers (Audit No [23/05](#));
- digitalisation of selected agendas in the MoLSA (Audit No [23/25](#));
- the system of care for children at risk and the transformation thereof (Audit No [23/11](#))⁵⁶;
- cultural activities (Audit No [23/15](#))⁵⁷;

In Audit No [23/05](#), the SAO examined how selected organisational units of the state⁵⁸ in the years 2015–2022 managed state funds earmarked for the system of basic registers and selected information systems. Supplies and services related to the construction, operation, development and use of information systems in the field of basic registers were selected for the audit. The total audited volume of funds spent by the MoI, CSO, COSMC, NRA and Digital Information Agency on the operation, renewal and development of basic registers for the years 2015–2022 was approximately **CZK 2.46 billion**.

The SAO found that although the MoI had already prepared the concept for the transformation of basic registers in 2018 (“Basic Registers Concept 2.0”)⁵⁹, neither the MoI nor the NRA had implemented it. In particular, they failed to upgrade the basic registers infrastructure and to ensure the non-stop operation of the basic registers system on a 24/7 basis⁶⁰ with no downtime, which was expected to happen by the end of 2019. Downtimes thus continue to occur and the administrators of agenda-based information systems have to generate local copies of reference data from the system to ensure the provision of public administration services to clients. This means that the parameters of the basic registers system correspond to the time of its creation, i.e. 2012. Despite the above shortcomings, in the years 2015–2023 the basic registers system played the role of a fundamental data source for public administration and mediated a total of approximately eight billion transactions.

- The MoI and the NRA failed to upgrade the ageing infrastructure of the parts of the basic registers system under their management and consequently missed the implementation deadlines set in the Basic Registers Concept 2.0. This is despite the fact that costs of **CZK 322 million** were originally reckoned with for 2018–2020 and the budget was subsequently increased by **CZK 140 million**. The MoI and the NRA utilised about **CZK 67.9 million** of those funds.
- The MoI did not follow the principle of economy, having spent around **CZK 4.4 million** out of a total of **CZK 9.1 million** on components for upgrading the basic registers system: suppliers received lump sums for providing extended warranty support services applicable from the date of receipt of the components. That was despite the fact that the contracts for the actual implementation of the components were concluded by the MoI much later. The MoI did not and could not use the extended warranty support services in the period from the receipt of the components until the

⁵⁶ The audit is assessed in the thematic section on social policy and employment (see Chapter 4.4 of this Annual Report).

⁵⁷ The audit is assessed in the thematic section on culture (see Chapter 4.9 of this Annual Report).

⁵⁸ Ministry of the Interior of the Czech Republic, Czech Statistical Office, Czech Office for Surveying, Mapping and Cadastre, National Registers Authority and Digital Information Agency.

⁵⁹ In the document entitled Basic Registers 2.0 – Target Concept, the MoI set out the transformation of the registers into a new form, defined the main implementation steps for individual basic register administrators and set fixed deadlines for implementation.

⁶⁰ System availability 24 hours a day, seven days a week, 365 days a year.

start of implementation of the components in the population register, register of rights and obligations, and basic registers information system environments.

- In the audited period, the CSO and the COSMC spent funds in the order of **tens of millions of Czech crowns** on modifying the register of persons and the register of territorial identification, addresses and real estate with a view to ensuring their zero-downtime 24/7 operation. The MoI and NRA did not make the necessary adjustments to the parts of the basic registers under their management, most notably the *Basic Registers Information System*, so zero-downtime 24/7 operation of the basic registers system as a whole was not achieved. The SAO judged that, as a result of the procedure followed by the MoI and NRA, the funds spent by the CSA and COSMC on modifying the register of persons and register of territorial information, addresses and real estate had been spent ineffectively at the time of the completion of the audit.

One of the consequences of failing to achieve downtime-free operation of the basic registers system is that **2,923** out of **5,118** agenda-based information systems created local copies of reference data from the basic registers system in 2023, so these data might not have corresponded to the current state of affairs, thus limiting the functionality of other public administration information systems.

THE SAO FOUND THAT THE BASIC REGISTERS SYSTEM DID NOT MEET THE GROWING DEMANDS FOR THE STANDARD OF DIGITALISATION OF PUBLIC ADMINISTRATION.

In Audit No [23/25](#), the SAO examined how the MoLSA and the CSSA managed state budget funds earmarked for the digitalisation of selected agendas in the years in 2018–2023. This involved information systems handling the agendas of pensions, social security, state social support and aid in material need. The total audited volume of the department's spending related to the digitalisation of these agendas in the audited period amounted to **CZK 3.2 billion** (MoLSA **CZK 2.5 billion** and CSSA **CZK 0.7 billion**).

The SAO found that the digitalisation of the labour and social affairs department did not fulfil the principles and objectives defined in the *Information Concept of the Czech Republic*⁶¹. The MoLSA failed to complete key IT projects in the area of employment policy and pensions, and still, even after 10 years, it has not switched to the newly built IS. It was therefore using outdated and operationally costly systems that were running up against their limits and prevent effective digitalisation. Even though the MoLSA and CSSA applications supporting the audited agendas allowed citizens to communicate electronically, citizens still had to provide documents containing information the state administration already has. Officials still had to print out data from the IS or manually transcribe or copy it into the IS. The labour and social affairs department spent CZK 60.3 million on the digitalisation of audited agendas with less than optimal efficiency.

- The MoLSA uses information systems with high operating costs. The projects intended to reduce the monthly costs from **CZK 33 million** to **CZK 3 million** were not completed even after ten years. The MoLSA thus failed to ensure the functionality of the newly acquired systems or to put them into operation. As a result, instead of the expected lower operating costs of the newly acquired information systems, it has spent as much as **CZK 650 million** more on the operation of these systems.
- When procuring an IS in the field of state employment policy and the *Jenda* application⁶², the MoLSA violated the legal regulations on public procurement⁶³, as it built the IS without conducting a tender and thus failed to comply with the principle of equal treatment and non-discrimination. The SAO assessed this situation as indicative of a breach of budgetary discipline to the value of **CZK 93.5 million**. Despite the SAO's findings from 2017⁶⁴, in the case of the implementation of the employment policy IS, the MoLSA continued until 2021 to act in a way that influenced the selection of the best bid in the procurement procedure and thus failed to comply with the principle of non-discrimination.

Since 2014, the MoLSA has spent **CZK 297 million** on building a new IS in the area of employment, but has never put it into operation. Similarly, the CSSA spent **CZK 12.7 million** on the preparation of projects supposed to lead to the replacement of the IS for the pensions agenda, but ten years later the replacement still has not started.

61 *The Information Concept of the Czech Republic* is a fundamental document which, pursuant to Act 365/2000 Coll., on public administration information systems, sets out the Czech Republic's objectives in the field of public administration information systems. The concept is approved by the government and is binding on all state authorities, bodies of territorial self-governing units and state-owned legal persons, with the exception of the intelligence services.

62 The Jenda application makes it possible to apply for and manage applications for parental allowance, child allowance and housing allowance online.

63 Act No 137/2006 Coll., on public procurement, was in force until 30 September 2016; Act No 134/2016 Coll., on public procurement, has been in force since 1 October 2016.

64 Audit No 17/22 - *Implementation of ICT projects at the Ministry of Labour and Social Affairs* (published in the SAO Bulletin Vol. 1/2019).

PERSISTING WITH OUTDATED APPLICATIONS HANDLING THE PENSIONS AGENDA AND STATE SOCIAL SUPPORT SYSTEMS WITHOUT OPTIMISING PROCESSES PREVENTED THE EFFICIENT DIGITALISATION OF THESE SERVICES. THE VARIOUS APPLICATIONS WERE NOT INTERLINKED, SO OFFICIALS HAD TO MANUALLY TRANSCRIBE MUCH OF THE DATA. FROM Q1 TO Q3 2023, THE CSSA EXCEEDED THE STATUTORY DEADLINE FOR PROCESSING APPLICATIONS FOR OLD-AGE PENSIONS IN 79% OF APPLICATIONS.

Audit findings relating to digitalisation assessed in other thematic sections of the Annual Report

- In Audit No [23/15](#), the SAO focused on state funds earmarked for cultural activities from the budget chapter of the MoC. The SAO also identified the slow pace of the digitalisation process at the MoC. Despite the MoC spending more than **CZK 4.5 million** on a still non-existent information system for administering subsidies, a process which has still not been digitalised, between 2019 and 2022 the MoC had to manually process more than 3,000 applications for subsidies for cultural activities each year. MoC staff had to manually transcribe and enter information in MS Word and MS Excel. In 2015, the MoC started preparatory work for the introduction of a single registration and grant information system (SRGIS). However, this project was terminated by the MoC at the end of 2020 without delivering a functional IS or even part of one. Since 2022, the MoC has gradually been implementing the MoC subsidy portal, which is based on the IS operated by the State Environmental Fund (SEF) and has no link to the single registration and grant information system.
- In Audit No 23/11, the SAO found that since 2013 the MoLSA has failed to put in place an information system for the social and legal protection of children as it is required to do by law⁶⁵. This has a negative impact on the work of the authorities in the system of care for children at risk. These authorities do not have reliable and up-to-date data on children at risk or the available capacities of foster parents or institutions. From 2018 to 2022 the MoLSA ineffectively spent **CZK 2.1 million** on analyses and proposals for solutions that were not used, and it plans to spend as much as **CZK 6.4 million**⁶⁶ more up to the end of 2025 on an interim solution based on shared MS Excel spreadsheets. The lack of a unified environment increases the administrative burden on BSLPC staff, who are still sending files by post and checking the available capacity of institutional facilities by telephone. On top of that, the lack of up-to-date and verifiable data complicates the placement process and generally impedes the functioning of the system of care for children at risk.

Impacts of previous SAO audits in the area of the modernisation of public administration

A number of audits have triggered increased efforts by central administrative authorities and other state organisations to take corrective measures; many of them were also discussed at meetings of the Committee on Budgetary Control of the CDP CR and the Czech government.

- In connection with Audit No **21/28**⁶⁷ targeting the digitalisation of the justice sector, for example, the re-launch of electronic monitoring of persons sentenced to house arrest can be rated positively. Trial operation based on the tendered contract started in mid-2024. However, the ministry failed to complete the eSIR project, which was supposed to unify the justice sector's file service system, among other things. The MoJ has had to cover all expenses incurred after 31 December 2023 out of its own funds. Ineligible expenditure of CZK 46.8 million was planned for 2024, which had originally been zero.
- In connection with work towards the objectives of the *National eHealth Strategy*, where the SAO scrutinised selected eHealth projects in Audit No **22/20**⁶⁸, it can be said that the MoH, in cooperation with the Institute of Health Information and Statistics, has ten projects in the implementation phase. These projects draw on financial support from the *National Recovery Plan* and are supposed to make a substantial contribution to eHealth services in terms of the implementation of Act No. 325/2021 Coll., on the digitalisation of health care. Most of the projects are scheduled for completion by the end of 2025.
- The long-term unresolved renewal of fundamental eGovernment infrastructure at the level of selected basic registers and central services was one of the areas covered by Audit No [23/05](#). The audit took place at a time when the management of the shared services infrastructure was being transferred to the newly established DIA which, along with the MoI, was an audited entity. At the end of 2023 the DIA successfully awarded a public tender for the upgrading of part of the core infrastructure, which was completed in 2024. Specifically, the upgrade comprised the *Basic Registers Information System*, the Register of Rights and Obligations and the Register of Persons.

⁶⁵ Section 53a (1)(b) and (c) of Act No 359/1999 Coll., on social and legal protection of children.

⁶⁶ That sum includes the cost of creating the shared tables, analysis of record-keeping methods, a records standard, a user manual and assistance provided by the project team members to the various authorities when data are initially being entered.

⁶⁷ Audit No 21/28 - *Digitalisation in the Ministry of Justice* (published in Vol. 6/2022 of the *SAO Bulletin*).

⁶⁸ Audit No 22/20 – *Funds spent on the implementation of selected objectives of the National e-Health Strategy* (published in Vol. 4/2023 of the *SAO Bulletin*).

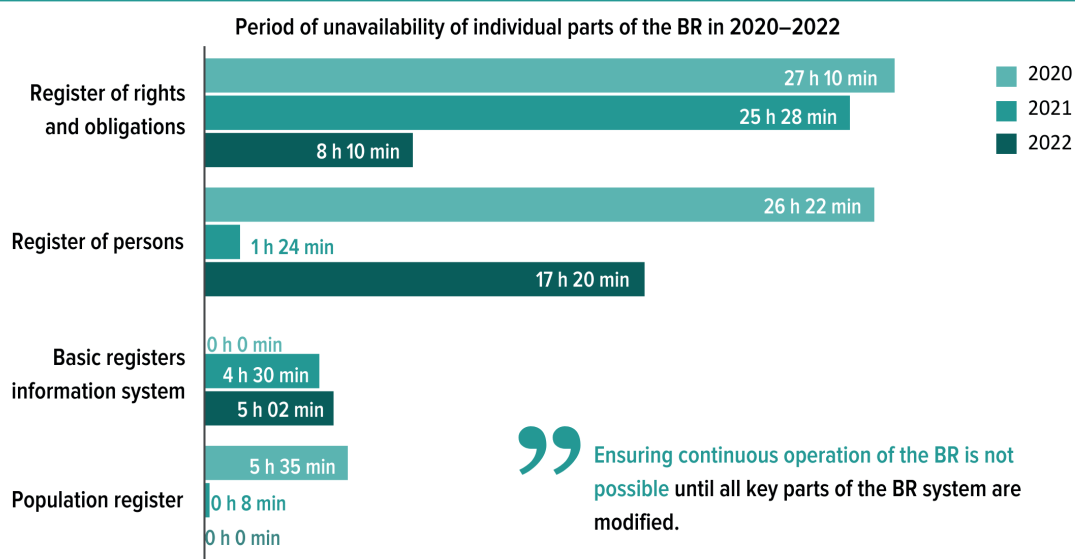


Shortcomings in digitalisation have had a negative impact on citizens and authorities

Modernisation
of public
administration



THE MINISTRY OF THE INTERIOR AND THE BASIC REGISTERS ADMINISTRATION DID NOT ENSURE THE PLANNED RENEWAL OF THE INFRASTRUCTURE AND CONTINUOUS OPERATION OF THE BASIC REGISTERS IN 7X24 MODE DURING THE AUDITED PERIOD, WHICH LED TO PERSISTENT SYSTEM DOWNTIMES AND THE AUTHORITIES HAD TO CREATE LOCAL COPIES OF REFERENCE DATA



EVEN THOUGH ELECTRONIC COMMUNICATION WITH THE CSSA AND THE LO CR WAS POSSIBLE, OFFICIALS HANDLED MANY OPERATIONS MANUALLY AND CITIZENS HAD TO PROVIDE DATA ALREADY RECORDED BY THE STATE

Old-age and widow's/widower's pensions



Before the first payment of each old-age pension and widow's and widower's pension, the official first had to print out a number of data from the Information System - CSSA, including the applicant's birth number and the amount of the pension granted, and then manually copy these data into the system again.

Parental allowance



When processing applications for parental allowance, the LO employees had to switch to another information system and manually search, check and, if necessary, correct the personal data of applicants for parental allowance.

Housing allowance



When applying for housing allowance online, the citizen attached all the necessary documents digitally. However, the clerk had to manually copy them from one application in which the citizen applied for the allowance to another application in which the application was processed.

Entitlement to a widow's/widower's pension ceases when the applicant remarries



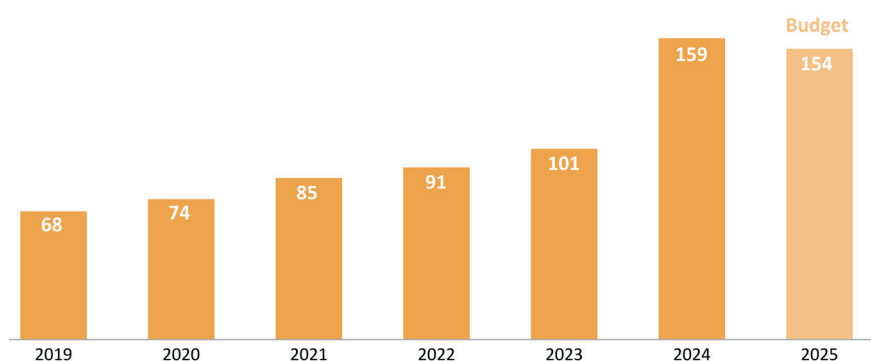
Upon remarriage, the entitlement to a widow's or widower's pension ceases, which is not automatically verified by the CSSA from the IS of the public administration. It relies on the beneficiary's obligation to notify the marriage within eight days, which beneficiaries undertake when applying for a pension.

4.2 INTERNAL SECURITY AND DEFENCE

From a defence and security perspective, 2024 was a year full of challenges and lessons to be learnt. The ongoing conflict in Ukraine continued to affect the security situation in Europe and demonstrated the importance of supporting defence capabilities. In addition to military threats, the Czech Republic also had to contend with the consequences of devastating floods, which demonstrated the need for effective crisis management, emergency preparedness and a functional population protection system. The events of 2024 confirmed that effective defence and security is about more than just responding to military threats and encompasses the management of other crises as well.

The approved MoD budget for 2024 was a record **CZK 159 billion**, more than double the 2018 figure. The MoD has recently focused mainly on projects involving high-value purchases, such as the acquisition of F-35 fighter jets, infantry fighting vehicles and tanks. Due to these costly acquisitions, the MoD reallocated budgeted funds, which contributed to the uneven development of the army, where some components, although essential to its overall functionality, lag behind in terms of technology and capacity and are unable to provide effective support to the army's activities (e.g. engineering or chemical forces). The pressure to fully utilise the approved budget moreover results in advances being paid to suppliers before the equipment is even delivered. This also happened in 2024, when the MoD paid advances in the **tens of billions of Czech crowns**. The fact that the budget was fully utilised in accounting terms is no guarantee that the Czech Republic's defence capabilities were improved.

Chart 18: Budget and spending of Chapter 307 - Ministry of Defence (CZK billion)



Source: Closing accounts of chapter 307 - MoD for 2018-2024, Act No.434/2024 Coll., on the State Budget of the Czech Republic for 2025.

The SAO has repeatedly pointed out, both in its previous Annual Reports as well as in its opinion on the state closing account, that budget increases must not only be in line with the state's economic possibilities, they must also correspond to the MoD's ability to use the funds effectively, economically and efficiently. According to the SAO, heightened attention should be paid to transparency and demonstrating the efficiency of spending when intergovernmental agreements are being concluded on purchases of equipment, the method which the MoD has recently given precedence to when carrying out strategic acquisitions.

In 2024, the SAO completed four audits in the area of defence and security. These covered:

- funds spent by the MoD on the engineer troops of the Czech Armed Forces (Audit No [23/08](#));
- management of state property and spending of state budget funds from the MoD chapter in the areas where deficiencies were identified in audits Nos 18/02, 18/17, 19/13 and 19/20 (Audit No [23/30](#));
- funds spent by the Mol on the acquisition, storage and disposal of equipment of the Police of the CR (Audit No [23/10](#));
- state property and funds earmarked for the activities of the Office for Foreign Relations and Information (Audit No [24/02](#))⁶⁹.

While financially significant investments in prestigious projects make it possible to use up newly allocated funds (see Chart 18), their effectiveness and efficiency are severely limited if key conditions, such as sufficient infrastructure, qualified staff or logistical facilities, are not in place. If these preconditions are not met, there is a risk that new equipment and technologies will not be fully exploited, which significantly reduces the benefits of these investments.

This was confirmed by Audit No [23/08](#) focusing on the engineering troops, which is a key components of the Czech Armed Forces (CAF) providing support for both military and civilian operations⁷⁰. The SAO examined how in 2018–2022 the MoD managed funds earmarked for the CAF's engineering troops, and in particular for the acquisition of equipment, spare parts purchases and the restoration of immovable property under selected property replacement programmes⁷¹.

The SAO concluded that the MoD did not secure some of the required capabilities of the engineer troops that are important not only for combat support but also for rescue or clear-up work. Despite the fact that some of the equipment of the engineer troops has exceeded its service life, is prone to faults and lacks the required technical parameters, the MoD postponed or cancelled most of the planned investment projects in 2010–2022, thus using just 9% of the budgeted funds (i.e. approximately CZK 314 million out of CZK 3.5 billion). As a consequence, the engineer troops have limited operational capability, both in the context of the Integrated Rescue System (IRS) and within NATO. The MoD did not hit the 2020 milestone set in the *Concept for the Development of the Czech Armed Forces 2025* for the acquisition and modernisation of bridge equipment, and thus does not possess the key capability to move newly acquired tanks.

- Although the MoD budget has been increased by up to billions of Czech crowns every year since 2015, the MoD did not execute **47** out of **69** planned investment projects between 2010 and 2022. One of the postponed investment projects was the modernisation of outdated pontoon bridge rigs, which are crucial for ensuring troop mobility.
- The postponement and cancellation of investments also had a negative impact on the engineer troops' ability to perform IRS tasks. More than 69% of the equipment set aside to rescue and clear-up work was **20 to 25** years past the end of its service life, with more than 22% of this equipment inoperable and in need of repair⁷². This limits the CAF's ability to provide assistance during emergency situations.

The CAF does not possess the equipment necessary to move its new tanks over water obstacles. The tanks weigh from 63 to 67 tonnes, but pontoon rigs can only carry 60 tonnes and bridging vehicles 50 tons.

THE MOD DID NOT CARRY OUT PLANNED INVESTMENTS. THE UPSHOT IS OUTDATED AND FAULT-PRONE TECHNOLOGY WITH INADEQUATE SPECIFICATIONS.

⁶⁹ It is not possible to disclose detailed information on the results of this audit, as the audit report contains information covered by the Act on the Protection of Classified Information and on Security Clearance.

⁷⁰ The engineer troops' main tasks include building and repairing infrastructure, clearing obstacles and mines, ensuring mobility and protection of army units, and assisting in emergency responses.

⁷¹ The programmes involved were Nos: 107 210, 107 600, 107 680 and 107 080.

⁷² According to the records of the CAF, as at 29 July 2023, 186 of the total 268 units of this equipment were past the end of their service life and 59 units were designated temporarily out of order.

In response to the SAO audit, the MoD adopted measures⁷³ aimed at strengthening the capabilities of engineer troops, e.g.:

- As a priority, it will purchase the necessary equipment that it has so far lacked, such as mobile and pontoon bridges and wheel loaders. The acquisition of bridges is necessary not only to support new tanks and infantry fighting vehicles, but also for the needs of the IRS. This need became evident during the catastrophic floods in September 2024, when a number of bridges were demolished and the CAF received over twenty requests for temporary bridges.
- The MoD has also improved project coordination, introduced efficiency indicators and established an equipment lifecycle management system.

Follow-up audits examine whether the measures taken to remedy deficiencies identified in previous SAO audits have been executed and whether these measures have actually contributed to the elimination of the identified deficiencies. The SAO applied this approach in Audit No [23/30](#), in which it examined how in 2019–2023 the MoD managed state budget funds and state property in areas where deficiencies had been identified by previous SAO audits⁷⁴. The SAO selected a total of **11** measures for verification of their implementation and effectiveness.

The SAO found that the MoD had not fulfilled some of the measures imposed by the government to remedy the deficiencies identified in previous SAO audits. Of the 11 measures that were supposed to improve the management of state property and the use of funds in the MoD budget chapter, four were not implemented at all and two were only partially implemented. The MoD therefore failed to act in accordance with the law in these cases⁷⁵, as it did not comply with the relevant government resolutions. In addition, the SAO detected shortcomings and risks in areas where the measures had been implemented.

Newly purchased guns are due to be delivered in 2026, but the MoD is unlikely to complete the construction of garages and the associated technology by then. No modernisation or construction work was underway in their designated location at the time the audit was completed.

- One such example was the measure imposed in response to Audit No **18/02**, which included carrying out an analysis of the necessity of immovable assets and continuing the revitalisation of immovable infrastructure. Although the MoD fulfilled this measure and drew up the *Concept for the Development and Maintenance of the MoD's Immovable Infrastructure for 2020–2035*, it subsequently failed to achieve some of this concept's objectives, including, for example, failing to comply with the timetable of investments to renovate and modernise 11 prioritised military sites. The SAO therefore drew attention to the risk that the necessary infrastructure for new equipment may not be put in place on time⁷⁶. In addition, postponing the implementation of investment projects leads to further deterioration of the condition of the real estate and to additional expenditure on its renovation, i.e. uneconomical spending.

In the years 2019–2023, CZK **6.3 billion** was approved for the purchase of kit. The MoD used only **78%** of this amount (**CZK 4.9 billion**), however, and did not purchase the required amount of kit.

- Measures imposed to remedy the deficiencies identified by Audit No **18/17** reckoned with the launch of an electronic ordering system for equipment in 2022, which was to be followed by a consignments delivery service project. The MoD did not execute the measure. The SAO found that although the MoD has created the ordering system, its operation will be only in trial mode until March 2025. The goal of having the ordering system used by all soldiers⁷⁷ and making the issuance of equipment easier and faster had not been achieved at the time of the audit. As the MoD postponed the follow-up project for the consignments delivery service, the SAO concluded that the funds used for developing the electronic ordering system had been spent ineffectively.

⁷³ Measure of 6 November 2024, No 878/24, Resolution No 781.

⁷⁴ These audits were: 18/02 – *Immovable property and state funds related to this property intended to ensure the tasks of the Czech Armed Forces* (audit report published in the *SAO Bulletin* Vol. 6/2018); 18/17 – *State property and funds spent on the acquisition and distribution of equipment for servicemen of the Czech Armed Forces* (audit report published in the *SAO Bulletin* Vol. 3/2019); 19/13 – *Armoured vehicles of the Czech Armed Forces* (audit report published in the *SAO Bulletin* Vol. 3/2020); 19/20 – *University education of members of the security forces and soldiers of the armed forces* (audit report published in the *SAO Bulletin* Vol. 6/2020).

⁷⁵ Czech National Council Act No 2/1969 Coll., on the establishment of ministries and other central authorities of state administration of the Czech Republic.

⁷⁶ The SAO found that the MoD carried out investment projects worth about CZK 2 billion in 2019–2023, which is just 14.5% of the planned amount for the first stage of the renovation and modernisation of military premises up to 2025 (out of the planned CZK 14 billion).

⁷⁷ In April 2024, only 58% of the members of the CAF had login access data.

- As part of the measures adopted in response to Audit No **19/13**, the MoD was supposed to improve the operability of the upgraded tanks⁷⁸ and build new repair facilities. The SAO found, however, that the MoD had not carried out any fundamental projects to improve the economy of spending on maintenance and repair of equipment. Completion of the repair facility in Jaroměř was postponed until 2032 and the total numbers of repair personnel were not put in place. As a result, **57%** of repairs in the 2019–2023 period were carried out by external contractors, making repairs more expensive. The MoD also failed to conclude a separate contract for supplies of spare parts for tank repairs in the context of the repair capacities of the CAF.

NON-FULFILMENT OR INSUFFICIENT FULFILMENT OF THE MEASURES IMPOSED BY THE GOVERNMENT TO REMEDY THE DEFICIENCIES IDENTIFIED IN PREVIOUS SAO AUDITS HAD A NEGATIVE IMPACT ON THE BUILDING-UP OF THE CAF'S CAPABILITIES IN THE REQUIRED TIME AND SCOPE.

Impacts of previous SAO audits in the field of defence

In Audit No **22/11**⁷⁹ the SAO found that the MoD did not procure automotive equipment according to the needs of the CAF in 2018–2021, as some planned purchases were not realised and the acquisition of equipment was often delayed. One result of this has been inefficient repairs of outdated vehicles. Almost two-thirds of automotive equipment had exceeded its service life by the end of 2021. The MoD responded to the SAO's findings by purchasing some of the necessary equipment for approximately **CZK 1 billion** in the years 2023 and 2024. In order to use funds more efficiently, the ministry has introduced a system for assessing the profitability of equipment repairs. Limiting purchases of off-road vehicles to numbers corresponding to actual needs has saved several hundred million crowns. The SAO also flagged up problems with the state enterprise VOP CZ, which was making losses, incurring debt and failing to meet its financial plans. The MoD responded to these shortcomings with organisational measures, including a change of management. In addition, the company improved its economic situation through greater use of the amendment to the Public Procurement Act that is effective from July 2023. The share of orders from the MoD for VOP CZ thus increased sevenfold: from **5.4%** in 2018⁸⁰ to almost **37%** in 2024.

In Audit No **23/03**⁸¹, the SAO found that the MoD had not covered the CAF's material requirements in the field of radiation, chemical and biological protection. The MoD thus failed to achieve the required capabilities of the Czech army and the objectives of NATO capability development. In response⁸² to the SAO's findings, the ministry updated the relevant investment programme and included the missing projects for chemical warfare. The SAO also judged **CZK 3.7 billion** spent on the construction of the Těchonín Biological Protection Centre up to the end of 2022 as having limited effectiveness. That is because the MoD had failed to create a fully functional centre with the highest level of biosecurity, even though the original completion deadline was 2005. In July 2024, the MoD therefore signed a contract for the construction of the missing science and research building, and the centre should now be finally completed in 2026. Through the University of Defence, the MoD will also ensure that scientific and laboratory positions are filled.

THE RESULTS OF THE FOLLOW-UP AUDIT REVEALED NON-COMPLIANCE WITH SOME OF THE MEASURES. IN THE CONTEXT OF FURTHER AUDITS, HOWEVER, THE SAO WELCOMES THE FACT THAT THE MINISTRY, IN RESPONSE TO THE FINDINGS OF PREVIOUS AUDITS, TOOK SOME MEASURES OR STEPS THAT OUGHT TO CONTRIBUTE TO IMPROVING THE ARMY'S OPERATIONAL CAPABILITY AND TO MEETING NATO OBJECTIVES.

The Police of the Czech Republic is tasked with ensuring the safety of citizens. To do this, it needs the modern technology and high-quality equipment every police officer is entitled to. The purchase and replacement of the equipment is provided by the MoI, which has included it among the priorities of the development of the Czech Police. In Audit No **23/10**, the SAO examined how the MoI spent state budget funds between 2018 and 2022 on the acquisition, storage and disposal of police equipment. The SAO also scrutinised the implementation of measures taken by the MoI to remedy the shortcomings identified in Audit No **17/07**⁸³, which concerned the intention to approve the systematisation and standardisation of equipment. The ministry spent over **CZK 2.4 billion** on acquiring equipment for the Police of the Czech Republic under **191** public contracts.

78 The T-72 tank was upgraded to the T-72 M version in 1985 and then to the T-72 M4CZ version in 1995.

79 Audit No 22/11 – *State funds earmarked for cars of the Czech Armed Forces* (audit report published in the *SAO Bulletin* Vol. 3/2023).

80 The SAO audited the period from 2018 to 2022.

81 Audit No 23/03 – *State budget funds spent by the Ministry of Defence on radiation, chemical and biological protection* (audit report published in the *SAO Bulletin* Vol. 1/2024).

82 Measure of 6 November 2024, No 586/24, Resolution No 780.

83 Audit No 17/07 – *Development and renewal of the material and technical resources of the Police of the Czech Republic* (audit report published in the *SAO Bulletin* Vol. 6/2017).

The MoI failed to enforce contractual penalties in the case of 8 of the 12 equipment contracts audited, which led to penalties totalling CZK 2.3 million becoming time-barred.

The SAO found deficiencies in all phases of the equipping process, i.e. from planning and acquiring purchases to storage and decommissioning. The key problem was that the MoI had not completed the systemisation and standardisation of the police equipment by the time the audit was completed, even though the SAO had already pointed this out in 2017⁸⁴ and the ministry undertook to implement corrective measures. Due to the lack of systematisation and standardisation, the acquisition of equipment was not linked to the actual needs of police officers. As a result, some equipment that was surplus to requirements sat in warehouses for decades, while other equipment was missing or in short supply. The MoI repeatedly purchased equipment even though stocks of this equipment were often several times greater than the optimal value defined by the ministry, which the SAO assessed as an inefficient use of funds.

- During an inspection of the storage and decommissioning of equipment, the SAO found that the MoI had failed to reduce expenditure on the distribution of equipment despite the launch of an apparel e-shop and the closure of four apparel outfitting facilities. The information system for ordering equipment was set up by the MoI in a way that enabled the issuance of equipment police officers were not entitled to under the personal account rules. In addition, the ministry failed to take sufficiently effective steps to restrict the sale of police gear on the Internet.

THE MOI HAD NOT CREATED A MODERN SYSTEM FOR EQUIPPING POLICE OFFICERS BY THE TIME OF THE AUDIT'S COMPLETION, EVEN THOUGH THIS WAS ONE OF THE MAIN OBJECTIVES OF THE *CONCEPT OF THE DEVELOPMENT OF THE POLICE OF THE CZECH REPUBLIC*. THE SYSTEM WAS SUPPOSED TO ENSURE THAT, FROM 2022 ONWARDS, THE POLICE WOULD ALWAYS HAVE ENOUGH OF THE NECESSARY EQUIPMENT, WITHOUT ACCUMULATING SURPLUS STOCKS OR, CONVERSELY, LACKING ANYTHING.

Impacts of previous SAO audits in relation to internal security

In Audit No 22/12⁸⁵, the SAO found that the MoI had acted in violation of legal regulations, such as the Act on the IRS, when performing certain population protection tasks. The SAO went on to state that, at the time of the audit's completion, significant deficiencies affecting the operation of the population protection system remained. In response⁸⁶ to the SAO's findings, citizens can now access a map of shelters⁸⁷, for example, or the updated website⁸⁸ of the Czech Fire Rescue Service, which provides practical advice on how to take shelter properly. The *Cell Broadcast* system is due to be launched in 2025 – this will make it possible to warn citizens within minutes and to pinpoint the exact area the warning will be delivered to. The MoI also undertook to:

- prepare amendments to the Crisis Act and the Act on the IRS and submit a draft act on the resilience of critical infrastructure entities;
- prepare, under the leadership of the MoEYS, the introduction of lessons on human protection in emergencies in primary schools from 2027;
- review personal protection gear and ensure adequate stockpiles;
- launch a new website on population protection issues.

84 Resolution of the Government of the Czech Republic of 19 June 2018 No 385, on the Audit Conclusion of the Supreme Audit Office from Audit No 17/07 – *Development and Renewal of the Material and Technical Resources of the Police of the Czech Republic*.

85 Audit No 22/12 – *State funds earmarked for the preparation and provision of the system of population protection* (audit report published in the SAO Bulletin Vol. 1/2023).

86 Measure of 3 July 2024, No 473/24, without a resolution.

87 See <https://terinos.izscr.cz/client/>.

88 See <https://www.hzscr.cz/clanek/ukryti-obyvatelstva-v-ceske-republice.aspx>.

The validity of the SAO's criticism and the urgency of addressing the issue of population protection were confirmed by other MoI documents from 2024, such as *Proposed Measures to Strengthen the Internal Security of the Czech Republic within the Competence of the Ministry of the Interior and Ministry of Justice*. This document, drawn up in response to the shooting at the Faculty of Arts of Charles University in Prague in December 2023, includes long-deferred measures that had previously been neglected by the MoI despite the SAO's findings from Audit No **21/21**⁸⁹ (e.g. the failure to create a comprehensive national system for the protection of soft targets).

In Audit No **22/14**⁹⁰, the SAO uncovered deficiencies that led to the failure to meet the objective of full preparedness for emergencies caused by climate change, anthropogenic and technological factors. In response to the SAO's findings⁹¹, the MoRD carried out a separate evaluation of the benefits of IROP 2014–2020. The MoI reassessed the distribution of subsidy funds between the various components of the IRS and has defined a new funding ratio between the Police of the Czech Republic (60%) and the Fire Rescue Service of the Czech Republic (40%). During the audit, the SAO also found that the ministry defined the needs of the Czech Police late, with the consequence that, by the time the needs were specified, the funds had already been used by other IRS components. The police were therefore unable to acquire the necessary equipment. In response to the SAO's findings, the MoI took a number of measures, thanks to which the police implemented **20 projects** worth **CZK 750 million** in April 2024, including **13** originally planned for IROP 2014–2020. The police thus purchased or is currently purchasing the gear and equipment necessary to increase the operational capacity of its units in the regions.

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

90 Audit No 22/14 – *State funds earmarked for improving preparedness for risk and disaster management* (audit report published in the *SAO Bulletin* Vol. 3/2023).

91 Measure of 3 July 2024, No 270/24, without a resolution.



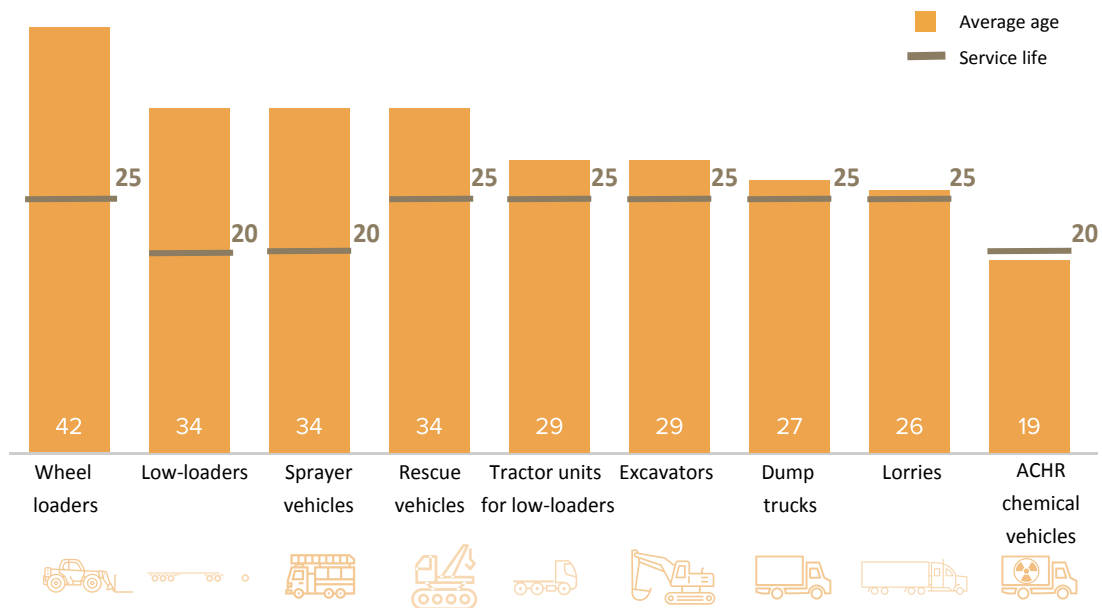
The Ministry of Defence **failed** to implement part of the measures to correct the shortcomings identified by the SAO and **repeatedly made mistakes** in both the preparation and implementation of investments in the Czech Armed Forces' engineer troops

Internal safety
and defence

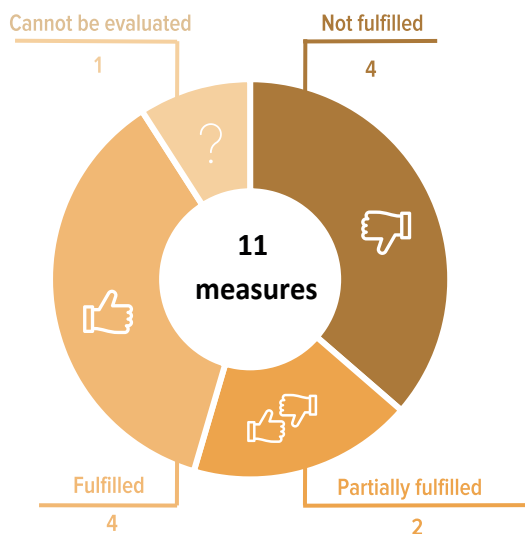


THE MoD FAILED TO PROVIDE PART OF THE REQUIRED CAPABILITIES OF THE ENGINEER TROOPS BY IMPLEMENTING ONLY 22 OF THE PLANNED 69 INVESTMENT PROJECTS IN 2010–2022, THUS FAILING TO USE MORE THAN 90% OF THE BUDGETED FUNDS

Comparison of the average age, e.g. of selected equipment earmarked for the IRS with a specified service life



MoD HAS FAILED TO COMPLY WITH FOUR GOVERNMENT-IMPOSED CORRECTIVE MEASURES FROM PREVIOUS AUDITS



- The MoD did not ensure that investment plans for actions included the required expression of the efficiency of the invested funds
- The MoD did not implement its own plan to reduce the deficit of funds for the acquisition of equipment for members of the Czech Armed Forces
- The MoD has not yet introduced an electronic ordering system that would simplify and speed up the issue of equipment for all members of the Czech Armed Forces
- The MoD does not fulfil the specified serviceability of tanks and has not ensured a sufficient supply of spare parts needed for their repair

4.3 TRANSPORT

Well-developed and safe transport infrastructure is an essential prerequisite for economic, regional and social development. It is simultaneously essential for boosting competitiveness, as a quality transport network enables the efficient movement of people, goods and services. The SAO has long drawn attention to persistent problems in the area of transport, including their underlying causes, such as the poor condition of roads and the long preparation time for projects.

In 2024, the SAO focused on transport areas that are crucial not only in terms of infrastructure quality, competitiveness, but also sustainable development and improving the quality of life. These include supporting the switch of goods transport from road to rail and water, assessing the standard of Class I road repair and maintenance, and reviewing the effectiveness of the construction and reconstruction of pavements and footpaths

The SAO completed three audits in 2024, examining:

- financial support for the development of combined freight transport (Audit No [23/13](#));
- repair and maintenance of Class I roads (Audit No [23/26](#));
- financial support for the construction and reconstruction of pavements and footpaths (Audit No [24/01](#)).

In Audit No 23/13, the SAO audited state and EU funds spent on the development of combined goods transport. The audit was carried out at the financial support provider, i.e. the MoT, and seven support beneficiaries, where all 14 supported projects were audited. The total financial support provided by the MoT was **CZK 648.4 million**. The support was aimed at the modernisation and construction of combined transport transshipment points including the accompanying infrastructure; the introduction of new transshipment technologies; and the acquisition of transport units for combined transport. This financial support is motivated by an endeavour to achieve greener goods transport over longer distances through greater use of rail or water transport and less use of road freight transport.

Despite financial support worth **CZK 648 million**, the volume transported in combined transport fell by **12.7%** between 2018 and 2022.

Financial support for the development of combined freight transport is intended to contribute to the objective of shifting 30% of road freight transport over 300 km to other modes of transport, such as rail or inland waterways, by 2030. The MoT planned to provide CZK 4.7 billion to support the development of combined freight transport. In reality, however, the MoT only provided CZK 648.4 million to beneficiaries. The main reason for the low uptake of the support was the MoT's failure to resolve obstacles to the expansion of combined transport and the unpreparedness of projects. The supported projects' impact on the expansion of combined freight transport was minimal. The achieved values for the volume of goods transported in combined transport reported by the beneficiaries in the years 2019 to 2022 amounted to just 3.47% to 6.80% of the total transported volume in combined transport in the Czech Republic. Since the completion of the first supported project in 2018, the volume transported in combined transport for the whole country has been decreasing.

- As part of the conditions for financial support, the MoT required beneficiaries to fulfil the annual expected transported volumes in combined freight transport at least once during the five-year sustainability period. After the expiry of this period, the beneficiaries are no longer obliged to sustain or increase the capacity and volume of the combined transport or to ensure public, non-discriminatory access to the transshipment point of this transport. The SAO therefore flagged up the risk that the support's benefits for the development of combined freight transport would not be realised during the sustainability period.

- In six projects audited, the SAO detected a significant risk that the expected results would not be achieved: two of these did not achieve the expected transport volumes and four had low utilisation of the acquired transport units, ranging from **0.5%** to **32%** of the planned number of journeys during the sustainability period. The SAO identified unauthorised use of funds in two audited projects and assessed both cases as indicative of a breach of budgetary discipline with a total value of **CZK 11.1 million**.
- There were several factors constraining increased use of rail freight in combined freight transport that were not addressed by the MoT. These included the insufficient capacity of the railway transport infrastructure, which was largely exhausted by passenger trains; insufficient reliability of rail transport; insufficient parameters of the railway infrastructure; and high charges for the use of railways compared to the charge for road infrastructure. The use of waterborne freight transport in combined freight transport was practically non-existent; its use was hindered by the long-term unreliability of the Elbe waterway. During the audited period the MoT did not carry out effective measures to ensure the navigability of the Elbe waterway with a view to contributing to the development of combined freight transport.

THE IMPACT OF THE FINANCIAL SUPPORT ON THE DEVELOPMENT OF COMBINED FREIGHT TRANSPORT HAS SO FAR BEEN MINIMAL. THE TOTAL TRANSPORTED VOLUME IN COMBINED TRANSPORT IN THE CZECH REPUBLIC WAS DECREASING: RAIL FREIGHT TRANSPORT WAS STAGNATING, CARGO SHIP TRANSPORT WAS PRACTICALLY NON-EXISTENT: AND ROAD FREIGHT TRANSPORT WAS GROWING.

In Audit No [23/26](#), the SAO examined how MoT funds were spent on the repair and maintenance of Class I roads. In the years 2018–2023, the State Fund for Transport Infrastructure (SFTI) provided **CZK 6.9 billion** more for the repair and maintenance of Class I roads than originally planned, resulting in total expenditures of **CZK 62.5 billion**.

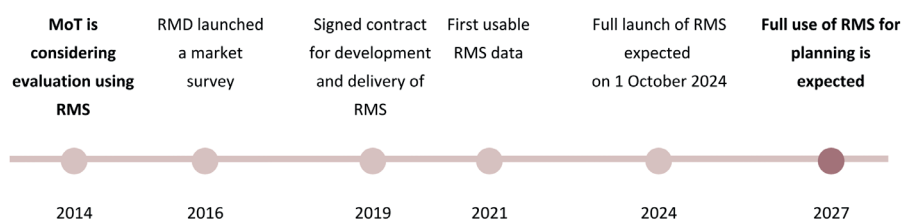
The results of the audit showed that between 2021 and 2023, an average of 30% of the roadway-kilometres⁹² of Class I roads, which are mainly intended for long-distance and interstate transport, were in poor or critical condition. The RMD carried out main inspections of the structural and technical condition of Class I roads in a manner contravening the legal regulations, which meant that their condition was not properly mapped. The MoT and RMD have been implementing a roadway management system for ten years to optimise the planning of road repairs and maintenance, but even at the time of the SAO audit, the system was not fully functional. Full use of the system is estimated by the RMD to start in 2027 at the earliest. In two cases, the SAO found that the RMD had not proceeded economically in repairing defects.

- When carrying out inspections in 2018 and in 2023, the RMD did not proceed in accordance with Decree No 104/1997 Coll.⁹³, because it did not examine the entire road structure: it did not make a record of and monitor all drainage facilities and other objects other than bridge structures. In this way it failed to properly ascertain the road's structural and technical condition, including its components and accessories. The SAO's finding of improper and non-objective inspections is illustrated by the fact that a total of **25 km** of Class I roads was registered as being in "unsatisfactory and critical" condition in 2018 in the case of selected road sections. Three years later, the figure was **1,298 km** of Class I roads, an increase of more than **5,000%** between 2018 and 2021. It follows that the 2018 main inspections were not conducted properly and objectively by the RMD, because an increase of **5,073%** between 2018 and 2021 is not plausible.
- In order to optimise costs and monitor the standard of maintenance and repairs planning for Class I roads, the RMD began to implement a *roadway management system* to provide up-to-date and objective information on the condition of roads, among other things. Although the RMD acquired the system for **CZK 179 million** excluding VAT in 2019, its full use is expected in 2027 at the earliest. This is despite the fact that one of the corrective measures arising from Audit No **19/10**⁹⁴ was the introduction of the roadway management system, with a December 2021 deadline for the start of full operation.

92 A roadway-kilometre is the unit of the length of the lanes of a given road, i.e. a road without a central dividing structure is one roadway, while roads with a dividing structure have two roadways.

93 Decree No 104/1997 Coll., implementing the Roads Act.

94 Audit No 19/10 – *Repair and maintenance of road bridges* (audit report published in the *SAO Bulletin* Vol. 4/2020).



- For 17 years, i.e. since 2007, the MoT has failed to fulfil its legal obligation⁹⁵ to keep central records of roads. Road owners and users and the relevant administrative authorities cannot make full use of information on closures, detours, traffic restrictions etc. on all categories of roads. The SAO already drew attention to the absence of central records of roads in Audit No 19/10.

The RMD had a pothole on a road in Bilina provisionally repaired seven times in a row, always in winter. It wasn't until 2023 that the eighth, permanent repair took place. The RMD dealt with a repair job in Pardubice similarly: the roadway was repaired in the same place four times, always in winter, and therefore always provisionally. Moreover, it turned out in January 2023 that the provisional repair lasted for less than one month.



In Audit No [24/01](#), the SAO focused on financial support provided from state and EU funds for the construction and reconstruction of pavements and footpaths to ensure their safety and barrier-free accessibility. These projects were supposed to contribute to meeting European and national objectives in the field of traffic safety, greening of transport and making public space accessible to people with disabilities and reduced mobility. Pavements and footpaths are usually owned by municipalities and tending to and developing them is in their autonomous competence and responsibility. In the audited period of 2014–2023, municipalities received financial support for this purpose from state and EU funds totalling **CZK 9.5 billion**. The SAO also assessed the work of the MoT, the MoRD, the Centre for Regional Development of the Czech Republic and the SFTI in the provision of this financial support and examined the effectiveness and economy of the provision and use of funds on a sample **23** projects with support totalling **CZK 138 million**.

The SAO found that the state and EU funds earmarked for supporting projects for the construction and reconstruction of pavements and footpaths that were primarily supposed to ensure increased safety and barrier-free accessibility were to a significant extent not spent effectively. Although the condition of pavements and footpaths has improved, many projects did not deliver significant safety improvements or eliminate barriers for people with disabilities or reduced mobility. The audited ministries do not have clearly defined objectives for the financial support, or an overview of the results and progress achieved, despite being required to do so by law⁹⁶. The MoT, SFTI and MoRD

⁹⁵ Act No 13/1997 Coll., on roads.

⁹⁶ Section 22 of Czech National Council Act No 2/1969 Coll., on the establishment of ministries and other central bodies of state administration of the Czech Republic.

did not ensure that financial support was always directed where it would have the greatest benefit. When auditing the projects, the SAO found a number of serious deficiencies significantly reducing the effectiveness of spending and, in 10 out of 23 cases, the economy of spending.

- The SFTI and MoRD do not possess any analysis of the starting-point in the area, its shortcomings and possible solutions, and they did not set specific measurable objectives or indicators to evaluate the results of the financial support. The effectiveness of the provision and use of the support cannot be ensured if its objective remains only a general and unmeasurable “improvement of the situation” without defining a baseline and target level or monitoring progress in eliminating deficiencies⁹⁷. The MoT, SFTI and MoRD did not evaluate the overall results of the support and have no information on its benefits or the extent to which the identified deficiencies were eliminated, even though over **CZK 5 billion** was spent on the construction and reconstruction of pavements and footpaths- in 2014–2023 from the SFTI budget and almost **CZK 4.5 billion**⁹⁸ was provided by the MoRD out of the state budget and EU funds under IROP.

One of the audited projects, completed in 2015 and with total and eligible costs of **CZK 7.20 million**, remained unevaluated even nine years after its implementation because of repeated extensions of the deadline. The SAO described this as ineffective, as the benefits of the project were inconclusive: pedestrian safety and problem areas, especially for people with reduced mobility, remained unresolved.

- Of the **23 projects** audited, the SAO concluded that in **17** cases, the state financial support was ineffective or only effective to a limited degree, while in 10 cases, the use of state financial support was found to be uneconomical or only partially economical. The criteria for selecting projects for support were in some cases unclear and the assessment of fulfilment of the criteria was over-formal, without sufficient emphasis on the substantive content. Applicants often overstated the baseline state of affairs and overstated the benefits of projects in their applications for financial support; some of the information in the subsidy applications was inaccurate. In some cases, the “reconstruction” declared in the applications was in fact routine repair work, which the support was not intended for. In addition, the projects often failed to address key problems on the pavements and footpaths or ensure safe crossing for people with disabilities or reduced mobility.

In connection with the findings, the SAO recommended the following:

- state and EU financial support should be provided in a way that complements and reinforces municipal funds, not replace them;
- the current form of financial support in the form of a subsidy instrument with a high support intensity (current level of **85-95%**) should be reassessed.

ALTHOUGH CZK 9.5 BILLION WAS SPENT BETWEEN 2014 AND 2023 TO SUPPORT THE CONSTRUCTION AND RECONSTRUCTION OF PAVEMENTS AND FOOTPATHS THAT ARE USUALLY OWNED AND MAINTAINED BY MUNICIPALITIES, SO THEIR DEVELOPMENT FALLS UNDER MUNICIPALITIES' AUTONOMOUS COMPETENCE, THE STATE DOES NOT KNOW WHAT OVERALL RESULTS IT WANTS TO ACHIEVE THROUGH THE FINANCIAL SUPPORT OR WHAT HAS ALREADY BEEN ACHIEVED.

⁹⁷ The setting of specific, measurable, achievable, relevant and time-bound objectives and performance indicators to monitor achievement of the objectives are among the fundamental prerequisites for sound financial management.

⁹⁸ The obligation of the MoT and the MoRD to analyse achieved results stems, *inter alia*, from the provisions of Section 22 of Czech National Council Act No 2/1969 Coll. The responsibility of the MoT and the MoRD for the management of the state budget funds and other state funds in their budget chapters stems from Section 39 (1) of Act No 218/2000 Coll., on budgetary rules and amending certain related laws (Budgetary Rules). The obligation of the SFTI to ensure efficient use of the funds provided according to the approved budget stems from Section 3 (1) of Act No 104/2000 Coll., on the State Fund for Transport Infrastructure.

Impacts of previous audits in the field of transport

In Audit No **22/29**⁹⁹, which focused on the process of selecting the concessionaire for the D4 motorway PPP project, contractual relations between the MoT and the concessionaire and the profitability of the project, the SAO found that the start of construction of selected sections of the D4 motorway under the PPP project was delayed by almost four years. This was mainly due to errors in the public procurement procedure to select a consultant and the long time it took to select the concessionaire. The SAO also pointed out that the deadline for the handing over of partial construction permits for two sections of the line had not been met. The MoT informed the Czech government that all measures to remedy the identified shortcomings had been completed or were being continuously implemented. The SAO regards the measures as sufficient and agrees with their implementation. Their effectiveness will be verifiable by a follow-up audit.

In Audit No **21/37**¹⁰⁰, which focused on the modernisation of approximately 161 km of the D1 motorway, the SAO found that there was no overall timetable or financial plan for the projects needed to complete the work. The SAO also drew attention to the failure to complete the modernisation of some rest areas and the lack of parking spaces for lorries. The MoT informed the Czech government that the measures to eliminate the identified deficiencies, such as the lack of a D1 modernisation plan, the poor condition of bridges and overpasses, incomplete documentation of defects and the lack of parking spaces for heavy goods vehicles, had been completed or were being implemented. The SAO will look at the effectiveness of the measures.

99 Audit No 22/29 – *State funds earmarked for the preparation, construction and operation of the D4 motorway in the form of a public-private partnership (PPP)* (audit report published in the *SAO Bulletin* Vol. 6/2023).

100 Audit No 21/37 – *State and EU funds earmarked for the modernisation of the D1 motorway* (audit report published in the *SAO Bulletin* Vol. 3/2023).



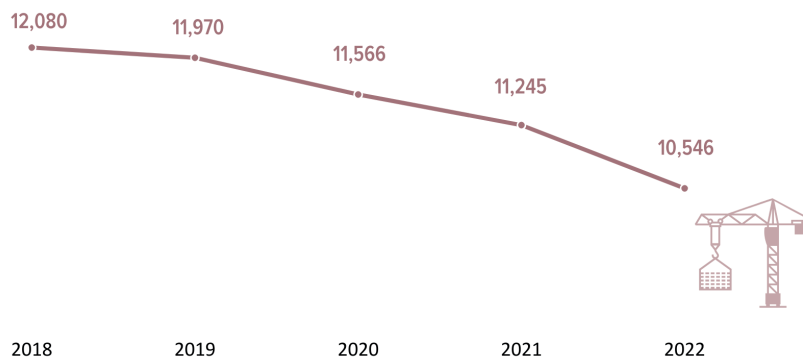
The financial aid provided **has not contributed to a greater use of combined transport**, and in the case of the construction and reconstruction of pavements and footpaths, it has not always been directed to where it would bring the greatest benefit

Transport



THE IMPACT OF THE MoT FINANCIAL AID SPENT ON THE DEVELOPMENT OF COMBINED FREIGHT TRANSPORT, WHICH WAS SUPPOSED TO LEAD TO AN INCREASE IN THE TRANSPORT OF GOODS BY RAIL OR WATER, IS MINIMAL

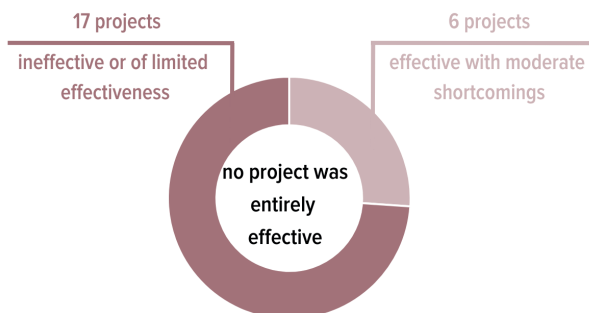
Total volume transported in combined transport in the Czech Republic since the completion of the first supported project (thous. t)



” The MoD has not yet removed the obstacles to the development of combined freight transport. In the case of railways, these were mainly insufficient capacity and reliability of infrastructure, inadequate parameters and high charges compared to roads. The use of waterways was minimal due to the unreliability of the Elbe waterway.



FUNDS OF CZK 9.5 BILLION TO SUPPORT PROJECTS FOR THE CONSTRUCTION AND RECONSTRUCTION OF PAVEMENTS AND FOOTPATHS, WHICH SHOULD HAVE ENSURED, ABOVE ALL, AN INCREASE IN THEIR SAFETY AND BARRIER-FREE ACCESSIBILITY, WERE NOT SPENT EFFECTIVELY TO A SIGNIFICANT EXTENT



” The financial aid was not always directed where it would bring the greatest benefit and the conditions of the aid did not sufficiently motivate the beneficiaries to use it effectively and economically. In the light of the audit results, the **SAO recommended that the system of financial aid for the construction and reconstruction of pavements and footpaths be reassessed and changed.**



Project No. 9: It brought overall improvement in the condition of the addressed pavement sections, but did not significantly improve pedestrian safety.



Project No. 8: The need for pavement renewal and modernisation to ensure pedestrian safety and barrier-free pedestrian movement has not been demonstrated.

4.4 SOCIAL POLICY AND EMPLOYMENT

Social and employment policies are key areas of the working of a modern state. Especially in recent years, these policies have been influenced by a number of factors: the COVID-19 pandemic, the ongoing war in Ukraine and the related migration, the energy crisis, high inflation rates, natural disasters etc. The confluence of subsequent socio-economic impacts currently makes it even more necessary to place particular emphasis on effective financial support for social inclusion, poverty prevention and the provision of protection and care to the most vulnerable groups. Measures taken in the field of social and employment policy have a significant impact on the size of the state budget. For that reason, the SAO in its audits has long sought to detect poorly designed mechanisms in the provision of state aid in order to ensure the responsible authorities pay closer attention to their design and thus efficiently assist those in need.

In 2024, the SAO completed three audits in the field of social policy and employment, targeting:

- the system of care for children at risk and its transformation (Audit No [23/11](#)),
- financial support for employment and adaptability of the workforce (Audit No [23/21](#)),
- promotion of social inclusion (Audit No [23/29](#)).

Many children have a very difficult start in life. When a child's upbringing and development is at risk, the state should take responsibility and make it as easy as possible for them and their families, including foster families, by means of a functional system of care for children at risk. The transformation of the system of care for children at risk was the focus of SAO Audit No 23/11¹⁰¹, which examined how the departments of the MoLSA, the MoEYS and the MoH spent state budget and EU funds on it during the years 2015–2023. The SAO audited **five** transformation projects of the MoLSA and **71** competition projects at the level of their outputs for entities working with children at risk, for which the MoLSA provided a total of **CZK 701 million**. In total, the three aforesaid ministries spent almost **CZK 87 billion** on the system of care for children at risk during the audited period. On this issue, the SAO also conducted a questionnaire survey on the performance of the work of BSLPC.

Out of the total spending of approximately CZK 87 billion, more than CZK 42 billion was spent on disbursement of state contributions to foster parents and organisations dedicated to assisting foster parents; more than CZK 31 billion on payment for the operation of institutional facilities; and more than CZK 13 billion on the performance of the BSLPC agenda.

The SAO found that, although all three ministries had declared their intention to unify procedures, methodologies and legislation within the system of care for children at risk in 2009 and spent more than CZK 498 million on this, the transformation is still not complete. Annual expenditure on the system as a whole is thus still rising, but the reduction in the number of children in institutional care has been minimal. The MoLSA has also failed to provide efficient information support, which is why the BSLPC does not have reliable and up-to-date data available – this places an unnecessary burden on social workers and reduces the amount of time they can devote to their specialised work (in the field, with children).

Annual spending from the state budget on the system of care for children at risk increased by 61% between 2015 and 2023, reaching almost CZK 12 billion in 2023.

Other findings from the SAO audit:

- The MoLSA failed in its role as a managing authority because it did not rigorously assess the real need for projects to transform the system of care for children at risk and improve the quality of care provided by various entities in

101 Interactive data display of Audit No 23/11: <https://www.nku.cz/scripts/detail.php?id=14313>.

the Czech Republic. Since 2015, it approved a total of **71** competition **projects** for almost **CZK 203 million**. These projects' contribution was limited, however, because the MoLSA was implementing its own systemic projects with similar analytical and methodological products and outputs usable throughout the Czech Republic in the same period.

- Since 2013, the MoLSA has failed to put in place an information system on social and legal protection of children (SLPC IS)¹⁰². As a result, it ineffectively spent a total of **CZK 2.1 million** on analyses, proposals and the creation of an IS. The ministry subsequently started to create another (provisional) way of keeping records in the form of shared tables in MS Excel. Although this solution also does not fulfil the Act on Social and Legal Protection of Children, the MoLSA plans to spend up to **CZK 6.4 million** more on it¹⁰³. The lack of a unified environment means that BSLPC staff cannot submit files electronically – they have to send them by post; and when placing children in care, they have to find out about available capacity in institutions by telephone.

ALTHOUGH THE MOLSA HAS BEEN USING EU-FUNDED PROJECTS TO TRANSFORM THE SYSTEM OF CARE FOR CHILDREN AT RISK FOR 12 YEARS, NO SIGNIFICANT CHANGE HAS OCCURRED. THE SHIFT FROM INSTITUTIONAL CARE TO FOSTER FAMILIES IS SLOW. AS THE MANAGING AUTHORITY, THE MOLSA DID NOT RIGOROUSLY ASSESS THE NEED FOR PROJECTS, INSTEAD EMPHASISING THE FORMAL ASPECT OF PROJECT MONITORING.

Significant financial support has also been directed towards disadvantaged groups¹⁰⁴, for example to help them find work. In Audit No [23/21](#), the SAO audited state budget and EU funds earmarked for supporting employment and labour adaptability within the framework of OPEm competition projects¹⁰⁵. The MoLSA and **six** selected subsidy recipients were audited, with the audit examining the implementation of **10** projects¹⁰⁶. The audited volume of funds at the MoLSA and at the beneficiaries amounted to almost **CZK 113 million**. From 2016 to 2022, the MoLSA provided through **five** calls for support for OPEm competition projects a total of approx. **CZK 1.2 billion**.

The SAO found that the MoLSA provided financial support to projects aimed at increasing the employment of various disadvantaged target groups without clearly defining the changes to be achieved in these groups. The audit of **10** projects revealed that the funds were spent effectively in only one case, although even here again efficiency was less the optimal. Conversely, in two cases people who did not belong to the defined target groups were also supported in violation of the OPEm rules¹⁰⁷, so the funds were used ineffectively and inefficiently. In four projects, the SAO found evidence of breaches of budgetary discipline to the value of CZK 9.1 million.

The only quantified longer-term target that related to the desired change in the population was to achieve a general employment rate of 75% for 20–64 year-olds¹⁰⁸, but this was already exceeded in 2016, the year the financial support started.

Other findings from the SAO audit:

For example, of the **32** people who took a retraining course, only **nine** (i.e. **28%**) were employed during the project, and only **seven** of these jobs were related to the retraining. In another case, only one of the **eight** people found employment, and that job had nothing to do with the retraining course.

- The MoLSA only defined a binding obligation to monitor the number of project participants and the number of qualifications obtained, but the monitoring system did not allow for the evaluation of the projects' long-term benefits. The MoLSA also spent funds on ineligible expenditure. For example, the aim was to support people at risk of unemployment, but half of the supported people, i.e. **31** out of **62**, had the opportunity to go back to their original job after parental leave, so they were not at risk of unemployment. Furthermore, in another project the MoLSA supported **31** people out of **49** (i.e. more than **63%**), without the beneficiary proving that they were members of the target group.
- The MoLSA also treated applicants/beneficiaries unequally. As part of the evaluation of three projects, for example, it did not reduce the pay of evaluators or expert guarantors/methodologists, whereas it did for two other projects with the same duties (preparation

¹⁰² Contrary to Section 53a (1)(b) and (c) of Act No 359/1999 Coll., on the social and legal protection of children.

¹⁰³ That sum includes the cost of creating the shared tables, analysis of record-keeping methods, a records standard, a user manual and assistance provided by the project team members to the various authorities when data are initially being entered.

¹⁰⁴ E.g.: people aged 50 and over; people who are long-term unemployed; people who are long-term or repeatedly unemployed; people caring for young children; people with disabilities; people with low qualifications; people caring for other dependants.

¹⁰⁵ Operational Program Employment 2014–2020.

¹⁰⁶ OPEm competition projects under Specific Objective 1.11 "Increase employment of supported persons, in particular older, low-skilled and disadvantaged persons".

¹⁰⁷ General part of the OPEm rules for applicants and beneficiaries.

¹⁰⁸ The target value for competition projects in SO 1.11 was set on the basis of, or taken from, the national objective of the Europe 2020 strategy as defined in the National Reform Programme of the Czech Republic.

of the final report). Or it treated equipment expenditure differently: in one project, the rules for reduction were fulfilled but not applied, but were applied in respect of other beneficiaries in a similar case. In another case, it approved and reimbursed excessive pay costs for the project implementation team.

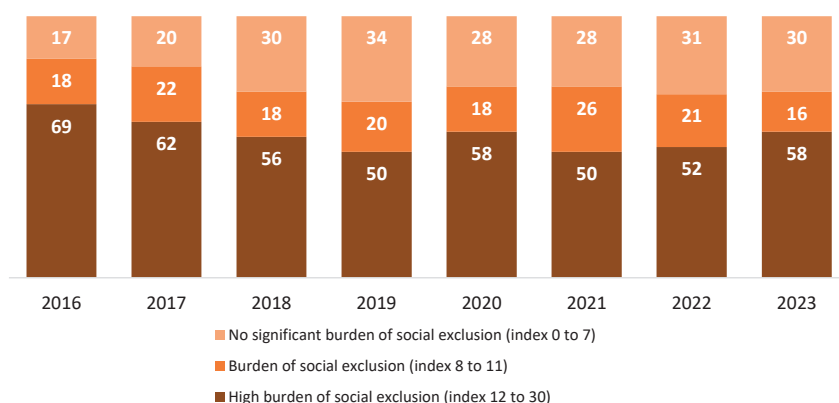
THE MOLSA SPENT FUNDS TO SUPPORT INCREASED EMPLOYMENT OF VARIOUS DISADVANTAGED TARGET GROUPS WITH REDUCED EFFECTIVENESS AND EFFICIENCY. EMPLOYMENT INCREASED ONLY IN THE SHORT TERM, MAINLY FOR THE DURATION OF THE PROJECTS (SUBSIDISED JOBS). THE DESIGN OF THE MONITORING SYSTEM DOES NOT ALLOW THE MOLSA TO EVALUATE THE LONG-TERM BENEFITS OF THE PROJECTS, I.E. WHETHER THE PARTICIPANTS WERE EMPLOYED AS A RESULT OF THE PROJECTS.

Another current problem is socially excluded localities (SELs), which also received financial support from the state budget and the EU. The support was supposed to lead to higher inclusion of socially excluded people on the labour market and in society, to the development of social entrepreneurship, to an increase in the quality and sustainability of social services, or to a wider use of social innovations. The SAO investigated whether this actually happened in Audit No [23/29](#). The audit covered the years 2020 to 2022 at the MoLSA, the MoRD (Agency for Social Inclusion), the Labour Office of the Czech Republic and five other beneficiaries of financial support from OPEm¹⁰⁹. The SAO included a total of nine OPEm projects in the audit sample, on which the beneficiaries spent more than **CZK 656 million**. Overall, in the years 2016–2023, the MoLSA provided funds from the OPEm amounting to approx. **CZK 2.8 billion** for social inclusion in SELs and supported **418**¹¹⁰ projects.

The SAO found that the financial support spent by the MoLSA merely mitigated some of the consequences of social exclusion without addressing the root causes, such as long-term unemployment, insufficient qualifications, material and housing need or the burden of debt collection procedures. Only 24% of participants in the OPEm projects found permanent employment on the labour market¹¹¹; in the case of CASEL projects¹¹² worth CZK 1.8 billion, the figure was just 18%. Moreover, these projects' contribution to social entrepreneurship has been minimal, as only two social enterprises were created during the programming period. Insufficient legislation has also had a negative impact. In the case of the MoRD project worth CZK 278 million, a breach of budgetary discipline for failure to implement key activities within the specified scope was found.

Out of 104 municipalities where a total of 342 projects were implemented under OPEm, 58 municipalities had the highest level of social exclusion index in 2023.¹¹³ This translated to state budget expenditure of CZK 14.2 billion on benefits in material need in 2016–2023¹¹⁴, corresponding to 30% of the total expenditure on these benefits in that period.

Chart 19: Development of the situation in 104 municipalities where OPEm projects were supposed to contribute to social inclusion



Source: chart prepared by the SAO according to the Social Exclusion Index (MoRD).

¹⁰⁹ Operational Programme *Employment* 2014–2020.

¹¹⁰ A total of 418 OPEm projects, specifically 342 projects for a coordinated approach to SELs for CZK 1.8 billion. There were also two MoRD projects worth CZK 277.7 million and CZK 26.2 million, respectively. Last but not least, there were 74 other projects worth CZK 775 million intended to increase employment of socially excluded people.

¹¹¹ The SAO checked the participants' employment six and 12 months after the end of their participation in the project.

¹¹² CASEL – projects for a coordinated approach to socially excluded localities.

¹¹³ The Social Exclusion Index tracks five basic dimensions of social exclusion: long-term unemployment, material need, housing need, indebtedness and early school leaving.

¹¹⁴ This includes living allowances and housing supplements.

Other findings from the SAO audit:

Out of the **CZK 656 million** spent on nine audited projects, the beneficiaries used as much as **CZK 376 million (i.e. 57%)** on staff costs¹¹⁵, with only about **CZK 209 million (32%)** spent on direct financial support to the target groups.

The average cost of support for one participant in the audited projects targeting social inclusion in socially excluded localities was **CZK 110,208**¹¹⁶.

- In all nine projects audited, the beneficiaries used part of the funds inappropriately, so the funds contributed to improving the situation of the supported persons only to a limited extent, and no beneficiary achieved all the defined project objectives in full.

- A total of **15** municipalities where CASEL projects worth almost **CZK 394 million** were implemented ended their cooperation with the *Agency for Social Inclusion* (ASI) of the MoRD, most commonly due to the municipal leadership's loss of interest in the cooperation. That is despite the fact that nearly **CZK 627 million** was paid in housing supplements, almost **CZK 1.7 billion** for living allowances and approx. **CZK 2.7 billion** on housing allowances in these 15 municipalities between 2016 and 2023. Efficiency and effectiveness were reduced not only by the low motivation and low qualifications of some people living in the SELs, but also by the project-based method of financing the ASI, which does not allow it to respond flexibly.

THE MINISTRY OF LABOUR AND SOCIAL AFFAIRS ONCE AGAIN REPEATED ERRORS FOUND BY THE SAO IN PREVIOUS AUDITS¹¹⁷. IT MAINLY EMPHASISED THE UTILISATION OF FUNDS AND IT FINANCED PROJECTS WITHOUT CLEAR AND BINDING OBJECTIVES. THE MOLSA ALSO FAILED TO SYSTEMATICALLY MONITOR THE SUPPORT'S IMPACT, PARTLY BECAUSE OF A LONG-STANDING LACK OF CONSENSUS AMONG THE CENTRAL AUTHORITIES AND THE CONCERNED PROFESSIONALS ON WHAT DATA SHOULD BE MONITORED IN THE AREA OF SOCIAL INCLUSION. FURTHERMORE, IT FAILED TO ASSESS THE IMPACT OF THE IMPLEMENTATION OF STRATEGIC MEASURES¹¹⁸ ON THE STATE BUDGET.

Impacts of previous audits on social policy and employment:

In response to the findings of Audit No **21/29**¹¹⁹, the MoLSA adopted the *Family Policy Strategy 2024–2030*, which defined basic objectives and measures in the area of family policy. In response to the identified shortcomings, the MoLSA also introduced a system of continuous monitoring of the impact of the financial support for the national subsidy title Family. The MoLSA also negotiated with the MoF a change to the decree on financial settlement with effect from 1 January 2025¹²⁰ that will result in a reduction of the administrative burden on subsidy recipients. In response to the findings of Audit No **22/28**,¹²¹ the MoLSA, in cooperation with the MoF and other entities, is currently preparing “single monthly reporting of employers”, which should contribute to a significant reduction in bureaucracy for companies and to their more efficient communication with the state. In response to the SAO's findings from audits Nos **21/29** and **22/28** relating to the management of Operational Programme *Employment*, the MoLSA adopted measures for the follow-up OPEm+ individual measures¹²² which are intended to improve the targeting of the support provided. This includes, for example, more rigorous verification of the “intervention logic” at the level of individual subsidy calls. Furthermore, the instruction to beneficiaries to define the objectives of their projects in a concrete and measurable way should be clarified and emphasised. Last but not least, beneficiaries of financial support from OPEm+ will be required to achieve a certain minimum result in the case of direct allocation projects.

115 Staff costs include e.g. pay for coordinators, instructors, methodologists and social workers. Beneficiaries used CZK 53.4 (8%) million on indirect costs or overheads. The remaining funds were used by the beneficiaries to purchase services and equipment.

116 That figure does not include the MoRD projects where there was no direct support for socially excluded people.

117 See the findings of Audit No 21/29 – *State budget and EU funds earmarked to support family policy* (audit report published in the *SAO Bulletin* Vol. 6/2022) and Audit No 22/28 – *State budget and EU funds earmarked to support employment* (audit report published in the *SAO Bulletin* Vol. 6/2023).

118 In its Social Inclusion Strategy 2014–2020, the MoLSA did not set any specific indicators for monitoring the fulfilment of the set objectives in accordance with the recommendation of the Methodology for the Preparation of Public Strategies.

119 Audit No 21/29 – *State budget and EU funds earmarked for family policy support* (audit report published in the *SAO Bulletin* Vol. 6/2022).

120 Decree No 367/2015 Coll., on the principles and deadlines for financial settlement of relations with the state budget, state financial assets and the National Fund (Financial Settlement Decree).

121 Audit No 22/28 – *State budget and EU funds earmarked for employment support* (audit report published in the *SAO Bulletin* Vol. 6/2023).

122 Operational Programme *Employment Plus 2021–2027*.



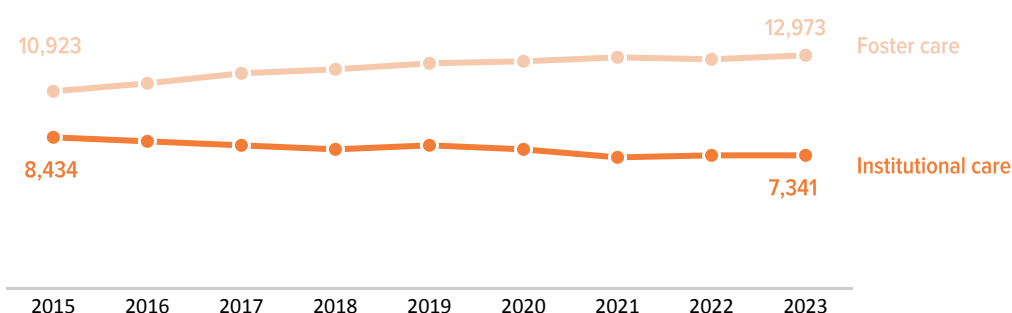
The way in which the state supported the care of children at risk and the social inclusion of disadvantaged people **had a number of serious shortcomings**

Social services
and employment



GIVEN THE MONEY SPENT, THE TRANSFER OF CHILDREN FROM INSTITUTIONAL CARE TO FOSTER FAMILIES HAS BEEN SLOW

The number of children in institutions has not decreased substantially, foster care is growing slowly



Since 2012, the MoLSA has provided CZK 701 million for the transformation of care for children at risk but the main objectives of the transformation have not been met, namely:

- increasing the quality of care, introducing standards
- reducing the number of children in institutional care
- unification of staff practices



THE FINANCIAL AID PROVIDED BY THE MoLSA HAS ONLY LED TO MITIGATING SOME OF THE CONSEQUENCES OF SOCIAL EXCLUSION, NOT ADDRESSING THE ROOT CAUSES, SUCH AS LONG-TERM UNEMPLOYMENT OR MATERIAL DEPRIVATION

The MoLSA provided a total of CZK 2.8 billion within OPEM projects intended to support people from socially excluded localities, and CZK 1.8 billion in the case of CASEL projects for the development of social entrepreneurship.



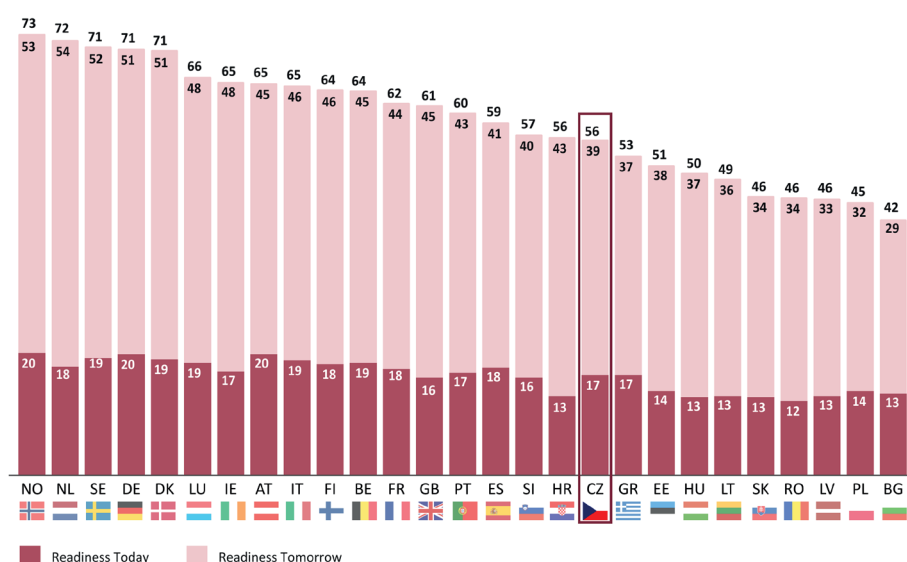
participants in OPEM projects for the inclusion of people living in socially excluded localities **found more permanent employment on the labour market**

participants in the coordinated approach to socially excluded localities projects **found more permanent employment**

4.5 HEALTHCARE

In addition to public health insurance premiums, the Czech health system increasingly relies on the state budget, which poses a risk of increased claims on the state budget. This also has a direct impact on the increase in the government debt. For that reason, it is essential that the responsible authorities focus on improving the efficiency of the expenditure side of health service provision. This step is crucial not only for ensuring affordable and quality healthcare for all citizens, but also for the sustainability of the entire healthcare system in the years to come. The Czech health system's preparedness and stability was significantly tested during the period of the COVID-19 pandemic. How the Czech Republic fared in the international comparison of health systems' preparedness in Europe – *Healthcare Readiness Index* – can be seen in the following chart. The Czech Republic came **18th** out of **27** European countries compared in the Healthcare Readiness Index 2023¹²³, which ranks countries in terms of 38 indicators. The Czech Republic is not doing badly in comparison with other countries of Central and Eastern Europe¹²⁴.

Chart 20: Healthcare Preparedness Index



Source: *Healthcare Readiness Index*.

The Czech Republic has hovered around the same position in the readiness index for the last 3 years. It even dropped one place in 2023 (scoring 55.7, compared to the EU average of 58 points) and was overtaken by Croatia.

In 2024, the SAO completed two audits in which it examined:

- the financial management of the Health Insurance Fund of the Ministry of the Interior of the Czech Republic (Audit No [23/12](#)),
- the shift of the core of psychiatric care to the community (Audit No [23/22](#)).

¹²³ *Healthcare Readiness Index*: combining preparedness today and preparedness tomorrow. This is a composite index that sheds light on differences in the preparedness and efficiency of healthcare across European countries. Among the CEE countries, Slovenia, Croatia and the Czech Republic performed best, although they were all below the EU average of 58 points.

¹²⁴ *Readiness today* assesses the current state of affairs, focusing on indicators such as system financing, availability of health personnel, diagnostic infrastructure etc. *Readiness tomorrow* – in addition to future demand covered by the above indicators, this also seeks to take into account countries' ability to adapt to change, e.g. access to innovation, but also the stability of political leadership.

The Ministry of the Interior Public Health Insurance Fund (MoI PHIF) is a financially significant institution in terms of revenues and expenditures in the public health insurance system. In the years 2020–2022, it had stewardship of more than **CZK 140 billion**. Audit No [23/12](#) examined whether the MoI PHIF used funds effectively, economically and in accordance with legal regulations in the audited period. The SAO focused primarily on the use of funds from the basic fund, operating fund and prevention fund.

At the end of 2022, the MoI PHIF held receivables worth **CZK 2.7 million** due from defunct payers. On the other hand, it did not enforce payment of outstanding insurance premiums and penalties totalling **CZK 5.1 million** and did not declare at least **CZK 2 million** worth of claims from public health insurance in insolvency proceedings.

The SAO did not find any ineffective or uneconomical use of funds, but it did find deficiencies in individual funds concerning, for example, public procurement or receivables management. In the case of one prevention fund programme, the MoI PHIF set restrictive conditions for employers, resulting in the disadvantaging of insured persons whose employer could not be included in the programme. It then delegated the responsibility for selecting insured persons who benefited from the scheme to the employer and did not verify whether the contribution was used in accordance with the rules. In addition, it did not proceed transparently in this programme when it included an organisation that did not fulfil the conditions at all.

- The MoI PHIF acted in a non-transparent manner when it allowed contributions of **CZK 2.5 million** to be drawn from the prevention fund even by members of an association that did not meet the conditions for inclusion in the prevention programme. It paid out almost **CZK 39.5 million** from “Programme 6”¹²⁵ on rehabilitation and medical preventive stays in health facilities in the audited years without verifying eligibility for their disbursement.
- When examining the utilisation of the operating fund, the SAO found that in four cases out of an audit sample of **13** public contracts the MoI PHIF did not use the correct procurement procedure when awarding public contracts with a total value of **CZK 10.4 million**.

THE MOI PHIF DID NOT ALWAYS PROCEED ACCORDING TO THE LAW WHEN MANAGING ITS FUNDS. FOR EXAMPLE, IT VIOLATED THE PUBLIC PROCUREMENT ACT WHEN PURCHASING SERVICES AND THE ACCOUNTING ACT WHEN MANAGING PUBLIC HEALTH INSURANCE CLAIMS. THE SAO DID NOT FIND THAT THE INSURANCE COMPANY SPENT FUNDS WASTEFULLY OR INEFFECTIVELY, HOWEVER.

One of the government’s enduring priorities is to enable people with mental illness to be treated in their natural environment and thus reduce the number of patients in psychiatric hospitals. Mental Health Centres (MHCs)¹²⁶ are supposed to contribute to the shift of the core of mental health care to the community. For that reason, in Audit No [23/22](#), the SAO focused on the use of state budget and EU funds intended for shifting the core of psychiatric care to the community and on whether the procedures followed the MoH and the MoLSA resulted in such a shift in the years 2019–2022. Specifically, the SAO focused on three projects that were supposed to establish and trial MHCs, for which the MoH utilised more than **CZK 442 million** from OPEm¹²⁷ to support the establishment of a total of **29** MHCs.

According to the *Reform Strategy*, the Czech Republic was supposed to have **25** psychiatrists and **30** psychiatric nurses per **100,000** inhabitants by 2023.¹²⁸ Data from the Institute of Healthcare Information and Statistics reveal that the numbers achieved as at 30 September 2023 were not even half of that, with approximately **12** psychiatrists and **14** nurses registered per **100,000** inhabitants.

Although the SAO assessed the spending on the establishment and pilot operation of 29 MHCs as effective, the goal of building 100 MHCs was not achieved, and nor were most of the other goals set out in the *Reform Strategy*.¹²⁹ Neither the MoH nor the MoLSA cooperated sufficiently. They did not take all the necessary steps to stably anchor and develop the MHC network as a new element of mental health care in the existing system. There is still a lack of specialist staff and clear legislation

¹²⁵ Support programme for occupations with increased health risks.

¹²⁶ MHC is a healthcare and social service provided by one multidisciplinary team to help people with serious mental illness. Its main task is to shift the care for clients to their natural environment.

¹²⁷ Operational Programme *Employment*.

¹²⁸ According to the effective Standard of Services provided in MHCs for Persons with Serious Chronic Mental Illness (SMI), there should be at least one full-time psychiatrist and seven full-time nurses (general nurse / mental health nurse) in each MHC.

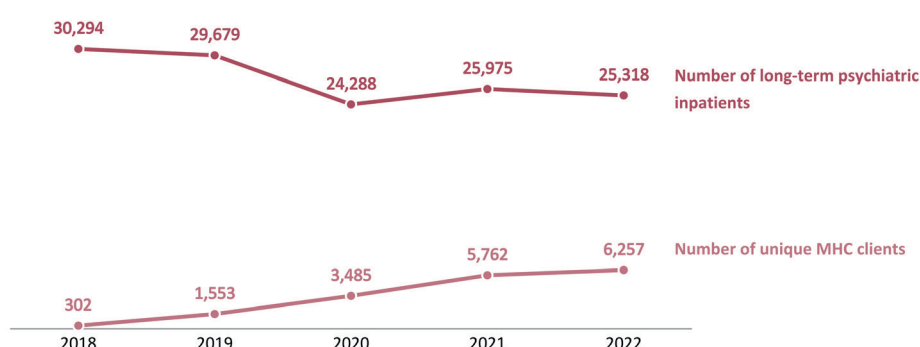
¹²⁹ *Psychiatric Care Reform Strategy for 2014–2023*.

regulating MHCs, and the sustainable financing of the centres is not ensured. Systemic problems were also confirmed by a [questionnaire survey of the SAO](#) targeting MHC operators.

The SAO's other findings were:

- services in the natural environment are only available to a fraction of people with serious mental illness, although their numbers are growing in the Czech Republic¹³⁰. Instead of stepping up their efforts to achieve the reform objectives, the ministries merely postponed the deadlines and have failed to ensure appropriate legal regulation in this area. Even before the rules on MHCs in the relevant legislation came into force¹³¹, the MoH and the MoLSA drew up proposals for further changes with a fundamental impact on this area. The legislation governing MHCs is thus unclear and unpredictable, affecting not only current MHC service providers but also entities planning or considering the creation of new MHCs.

Chart 21: Selected indicators of care for psychiatric patients



Source: chart prepared by the SAO.

At least **100 MHCs** were supposed to be established by 2023, i.e. **one MHC** per approximately **100,000 inhabitants** with a travel time to the nearest MHC of 30 minutes. By the end of 2023, however, just **31 MHCs** were in operation, **28** of which were established thanks to pilot operation subsidies (one MHC closed down).

- In its questionnaire survey, the SAO contacted all **28** going MHCs supported under the audited projects. The SAO received answers from **23** (i.e. **82%**) of the contacted MHCs. The results showed that the majority of respondents perceived obstacles and risks to the long-term sustainability of their activities. They cited the lack of specialist staff for health services, conceptual and legislative barriers and insufficient funding for services as the biggest risks.

THE PACE OF CHANGE IN THE MENTAL HEALTH CARE SYSTEM IN THE CZECH REPUBLIC IS SLOW. THE CONTINUATION OF THE SHIFT OF PSYCHIATRIC CARE TO THE COMMUNITY IS AT RISK. NOT EVEN A THIRD OF THE PLANNED NUMBER OF MENTAL HEALTH CENTRES WERE ESTABLISHED. THERE IS A LACK OF SPECIALIST STAFF, CLEAR LEGISLATION AND SUSTAINABLE FUNDING FOR THE MENTAL HEALTH CENTRES.

¹³⁰ With the gradual establishment of MHCs, the number of clients of these services increased: in total, MHCs had 302 unique clients in the first year of their existence in the Czech Republic, and 6,257 clients in the fifth year. With the increase in the number of unique MHC clients, the number of long-term hospitalised psychiatric patients has fallen from nearly 30,300 (2018) to 25,300 (2022).

¹³¹ Act No 372/2011 Coll., on health services and the conditions of their provision (Health Services Act), and Act No 108/2006 Coll., on social services.



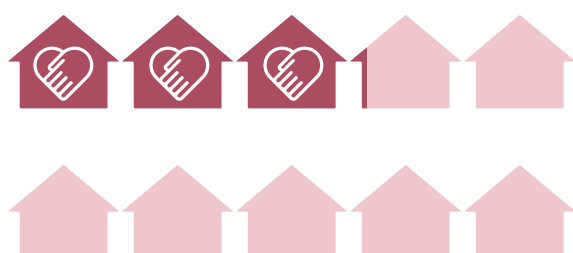
The pace of change in the mental health care system in the Czech Republic is slow

Healthcare



NOT EVEN A THIRD OF THE PLANNED MENTAL HEALTH CENTRES HAVE BEEN BUILT, WHILE THE NUMBER OF MENTALLY ILL IS GROWING

The goal was to build a network of 100 MHCs between 2014 and 2023, but by 2023 **only 31** were operational



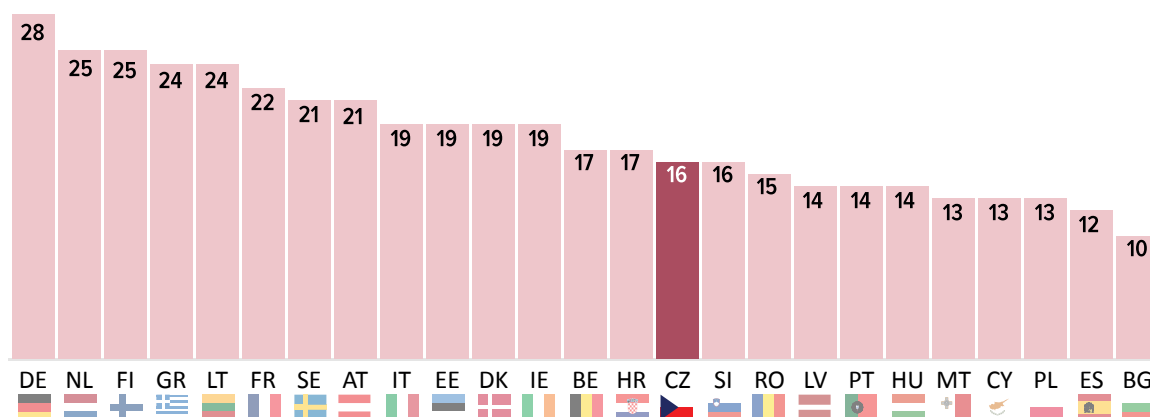
” The establishment of more MHCs is impeded by a lack of professional staff, instability of their funding and changing legislation. The continued **shift** of psychiatric care to the community is at risk.

The number of people with mental illness in the Czech Republic is growing, but there is a shortage of specialists.

➔ Between 2012 and 2021, the number of people with mental illness increased by almost 16%

➔ According to the Strategy for the Reform of Psychiatric Care, the recommended number of psychiatrists is 25 per 100,000 inhabitants; the Czech Republic has failed to reach even half of this number.

Number of psychiatrists per 100,000 inhabitants in selected EU countries



Note: Data for the year 2021. Data for Denmark, Finland and Sweden for the year 2020.

4.6 ENVIRONMENT

One of the most important components of the environment is air, and air quality has a significant impact on human health. Although air quality in Europe has improved significantly in recent decades according to the European Environment Agency (EEA)¹³², it is still the biggest health risk in Europe and worldwide, and in many places, especially cities, pollution levels remain above the WHO recommended safe limits. For example, the EEA compared the measured pollutant levels with the EU standard limits and the WHO recommended levels in 2021. Figure 1 below shows that in 2022, **96%** of the EU urban population was exposed to dangerous concentrations of fine particulate matter (PM_{2.5}), i.e. exceeding the WHO recommended value of 5 µg/m³. In the Czech Republic, documents relating to the environment and air protection have been developed and approved by the government, e.g. the [State Environmental Policy of the Czech Republic 2030, with the outlook to 2050](#)¹³³, *Medium-term Strategy (up to 2020) for Improving Air Quality in the Czech Republic* and *National Programme for Reducing Emissions of the Czech Republic*¹³⁴. The Czech Republic spends considerable sums of money on achieving these objectives. This money has been a repeated focus of the SAO's attention.

Figure 1: Proportion of the EU urban population exposed to air pollutants at concentrations above EU standards and WHO recommendations in 2022



Source: European Environment Agency.

In 2024, the SAO completed Audit No [23/07](#), in which it examined projects aimed at improving air quality on which the Ministry of the Environment (MoE) spent **CZK 16.2 billion** from the state and EU budgets between 2014 and 2022¹³⁵. The SAO focused on the fulfilment of commitments in the area of permissible levels of pollution and air pollution and the evaluation of the implementation of measures set out in the strategic documents¹³⁶. It also verified the use of revenues from emission allowances and air pollution charges. The MoE, the SEF, the Czech Hydrometeorological Institute and seven selected beneficiaries were audited. A total of **12** OPen projects¹³⁷ and **three** projects financed by the *National Environment Programme* (NEP) were selected for audit. The audited volume of funds at project level amounted to more than **CZK 350 million**, of which almost **CZK 264 million** was from OPen and over **CZK 86.4 million** from the SEF.

¹³² See <https://www.eea.europa.eu/publications/europes-air-quality-status-2024>.

¹³³ Approved by Government Resolution No 21 of 11 January 2021.

¹³⁴ See <https://mzp.gov.cz/cz/ministerstvo/politika-a-strategie-mzp/strategicke-dokumenty-v-gesci-mzp>.

¹³⁵ Priority axis 2: *Improving air quality in human settlements* of Operational Programme *Environment 2014–2020* (PA2 of OPen) and the *New Green Savings programme* (NGS), and its sub-programmes *Family Houses* and *Adaptation and Mitigation Measures* (only funds earmarked for the replacement of energy sources in houses).

¹³⁶ National Emission Reduction Programme of the Czech Republic and air quality improvement programmes.

¹³⁷ Projects aimed at improving the air quality assessment system or reducing pollutant emissions funded in PA2 of OPen.

Based on Czech Hydrometeorological Institute data, the SAO concluded that the Czech Republic had missed the target¹³⁸ of achieving all the legal pollution levels by the end of 2020. Although the MoE spent CZK 12.7 billion in the audited period on the replacement of 111,000 non-compliant boilers in households, which resulted in an 18% reduction in the volume of dust particles emitted into the air, the volume of these emissions into the air was only minimally reduced (by less than 1%) in the case of industry, which is the most significant source of sulphur and nitrogen oxide pollution, despite subsidies of CZK 2.9 billion.

- The SAO learnt from a [questionnaire survey](#) that one of the main motivations for beneficiaries to replace heating sources in households was the possibility of obtaining a subsidy, and over **40%** of respondents (specifically, **47.3%** from OPEn and **40.7%** from NGS) would not have acquired a new source without a subsidy. Nevertheless, at the time of completion of the audit, more than **150,000** non-compliant boilers of emission class 1 and 2 were still in operation, even though the ban on their operation has been in force since September 2024. Due to the fact that households are the main source of air pollution by dust particles (PM_{2.5}) and benzo[a]pyrene¹³⁹ and the pollution levels for both of these indicators are still being exceeded according to the measurements of the Czech Hydrometeorological Institute, the negative impact on the health of the population persists (especially in central and northeast Moravia).
- The audit also revealed that when approving financial support for dust control from surface sources in industry¹⁴⁰, the SEF and MoE approved subsidies according to the description of the equipment to be acquired, and not according to the actual use or the objective of the supported activity. If applicants stated that they would purchase a wheel loader or a transshipment excavator with a sprinkler attachment, the projects were not supported due to failure to meet the eligibility conditions. If, however, they stated they would purchase a multifunctional dust suppression unit without a specification of the type of the machine, then the MoE and the SEF supported these projects, even though the beneficiaries purchased a vehicle (loader, tractor or telescopic handler) with a sweeping attachment.

The SAO evaluated the subsidies in the amount of almost **CZK 104 million**, allocated by the MoE and SEF to a total of **32** projects for the purchase of equipment whose main purpose was not reducing dust but mainly handling material, as ineffectively spent funds.¹⁴¹

A beneficiary violated the terms of a subsidy for dust suppression in industry when it spent almost **CZK 6 million** on a wheel loader with a sweeper attachment without the possibility of sprinkling loose materials; moreover, it did not use the equipment solely for activities carried out within the project.

ALTHOUGH THE PROPORTION OF THE CZECH POPULATION LIVING IN AREAS WITH POOR AIR QUALITY IS DECREASING DUE TO GRADUAL REDUCTIONS IN POLLUTION, MORE THAN 1 MILLION PEOPLE WERE STILL AT RISK FROM AIR POLLUTION IN 2022¹⁴². EVEN SO, THE MOE HAS LONG FAILED TO USE AS MUCH MONEY TO ADDRESS THIS PROBLEM AS IT COULD UNDER THE LEGISLATION¹⁴³, E.G. PART OF THE REVENUES FROM AIR POLLUTION CHARGES OR EMISSION ALLOWANCES AUCTIONS.

¹³⁸ Resolution of the Government of the Czech Republic of 2 December 2015 No 979, *on the Medium-term Strategy* (up to 2020) for improving air quality in the Czech Republic.

¹³⁹ Benzo[a]pyrene (B[a]P) is a carcinogenic substance produced by imperfect combustion, often binding to the fine fraction of dust particles (PM_{2.5}).

¹⁴⁰ Suppression of dust from surface sources (depending on the nature of the process, e.g. water screens, sprinkling, dedusting or misting devices).

¹⁴¹ These were projects financed from PA2 of OPEn, so this is an irregularity within the meaning of Regulation (EU) No 1303/2013 of the European Parliament and of the Council.

¹⁴² [The 2023 Report on the State of the Environment Report of the Czech Republic](#) also warned about exceeding the pollution level limits.

¹⁴³ Pursuant to Section 15 (14) of Act No 201/2012 Coll., on air protection, and pursuant to Section 7 (6) of Act No 383/2012 Coll., on the conditions for trading greenhouse gas emission allowances.

SAO notification:

In its audit report from Audit No **20/05**¹⁴⁴, the SAO drew attention to the fact that the amount of expenditure implemented by the MoE within the framework of the NGS 115 280 programme was not complied with in terms of the ring-fenced revenue from emission allowances auctions pursuant to Act No 383/2012 Coll.¹⁴⁵ In Audit No **23/07**, the SAO again found that the MoE did not realise expenditure through the NGS 115 280 programme in the amount corresponding to the statutory portion of the proceeds from emission allowances auctions in the years 2020 to 2022. The MoE spent **CZK 5.4 billion** less than it should have used. The ring-fenced revenues were not intended to serve as general state revenue to finance current expenditures, but to finance measures to reduce greenhouse gas emissions, increase energy efficiency or develop renewable energy sources.

Impacts of previous audits in the environment

In Audit No **19/04**¹⁴⁶, the SAO pointed out systemic shortcomings in the form of delays in the implementation of flood protection measures, small-scale implementation of nature-friendly measures, including revitalisation and renaturation, and systemic shortcomings in the form of construction in active flood zones.

In Audit No **21/06**¹⁴⁷, the SAO pointed out that OPEn 2014–2020 had failed to deliver either the envisaged increase in waste recycling capacity (just **7.4%** of the target value) or the envisaged increase in the capacity of newly built or modernised facilities for energy recovery of miscellaneous waste (just **1.2%** of the target value) by the end of 2020. The SAO found that the procedure followed by the responsible authorities favoured landfilling over more environmentally friendly waste processing options, and the authorities thus failed to fulfil both their own waste management priorities and the European ones.

A number of irregularities were detected by Audit No **22/09**¹⁴⁸: some indicators used to assess progress towards the objectives of the MoE and OPEn programmes will not be achieved. In the case of the national subsidy *Programme for Care for the Countryside*, the MoE did not set any criteria for its evaluation and thus did not monitor the benefits of the funds spent. The MoE did not submit a single proposal for registration of the state's pre-emption right in the Land Registry, which results in naturally valuable land being transferred without the state exercising its right to make a first offer.

In response to these findings, the MoE, or the MoA, as appropriate, adopted the following corrective measures:

- In response to Audit No **19/04**, the MoE updated the flood risk management plans and the MoA updated the list of localities used for flood control.
- In the case of Audit No **21/06**, the MoE proposed an update of the waste management plan, proposed new waste legislation and prepared a new waste management information system ("ISOH 2").
- In response to Audit No **22/09**, the MoE prepared an amendment to the Act on Nature and Landscape Protection, increased the number of annual public administration inspections, prepared a new information system for nature protection ("ISOP 2"), set more realistic indicator values for OPEn 2021–2027, and took measures to ensure that final evaluations of actions/projects were done to the maximum extent possible.

¹⁴⁴ Audit No 20/05 – *Support for energy savings in public buildings* (audit report published in the *SAO Bulletin* Vol. 3/2021).

¹⁴⁵ The MoE did not proceed in accordance with Section 7 (6) of Act No 383/2012 Coll., on the conditions for trading greenhouse gas emission allowances.

¹⁴⁶ Audit No 19/04 – *Support for flood protection measures* (audit report published in the *SAO Bulletin* Vol. 1/2020).

¹⁴⁷ Audit No 21/06 – *State and EU funds earmarked for the implementation of waste management measures* (audit report published in the *SAO Bulletin* Vol. 3/2022).

¹⁴⁸ Audit No 22/09 – *State and EU funds earmarked for the support of measures for the protection and care of nature and landscape* (audit report published in the *SAO Bulletin* Vol. 3/2023).



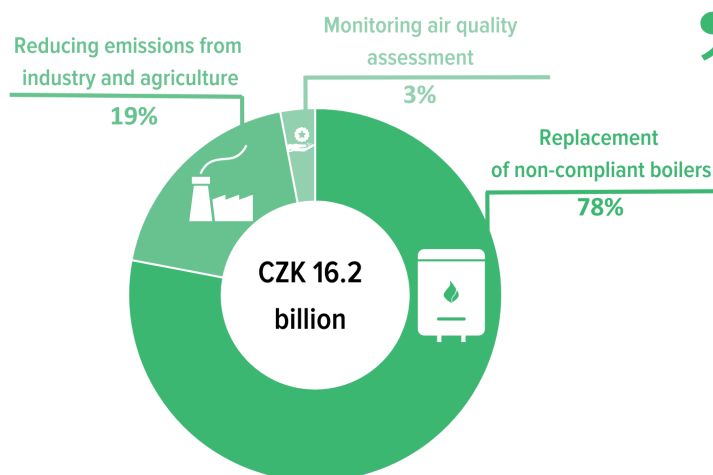
Boiler subsidies have contributed to reducing air pollution from households, while financial aid for reducing emissions from industry has had only a minimal impact

Environment



ALTHOUGH THE FINANCIAL AID FOR THE REPLACEMENT OF NON-COMPLIANT BOILERS AMOUNTING TO CZK 12.7 BILLION HAS CONTRIBUTED TO IMPROVING AIR QUALITY, MORE THAN 150,000 NON-COMPLIANT BOILERS OF EMISSION CLASS I AND II REMAIN IN OPERATION

Funds spent by the MoE in 2014–2022 on air protection from PA 2 of the OPEn and the NGS



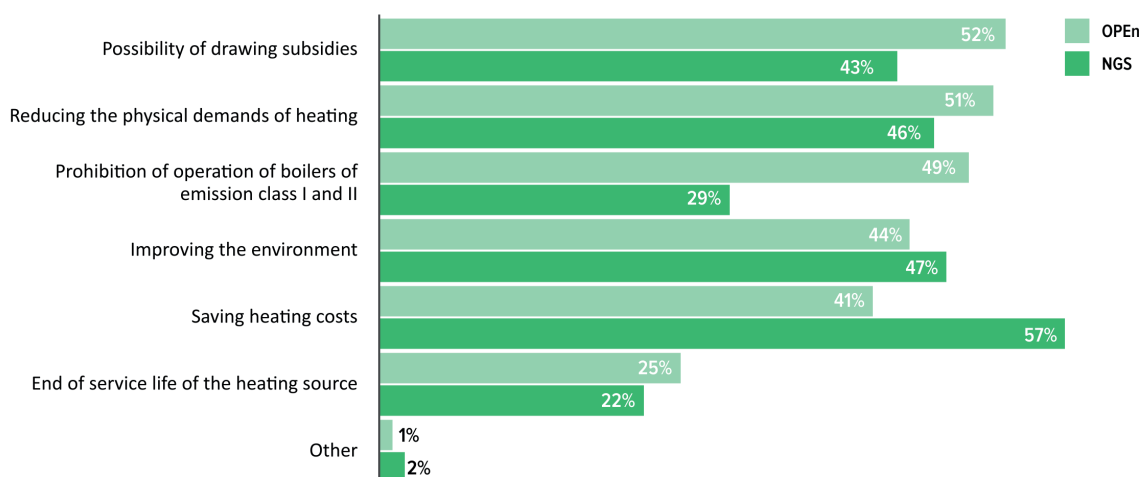
” The SAO assessed that the Czech Republic had not achieved compliance with the ambient concentrations limits set by Czech and EU legislation by the end of 2020. In 2020 and in the following years, some ambient concentrations limits continued to be exceeded, especially in central and north-eastern Moravia, which has a negative impact on the health of the population.



The SAO assessed that the MoE spent CZK 103.62 million from the OPEn ineffectively, as the purchase of power units such as wheel loader, skid steer loader, tractor or telescopic handler exceeded the objectives of the supported activity of dust control from area sources.

Questionnaire survey among applicants for subsidies from the OPEn and NGS

What was the motivation of the applicants for the subsidy to acquire a new heating source?



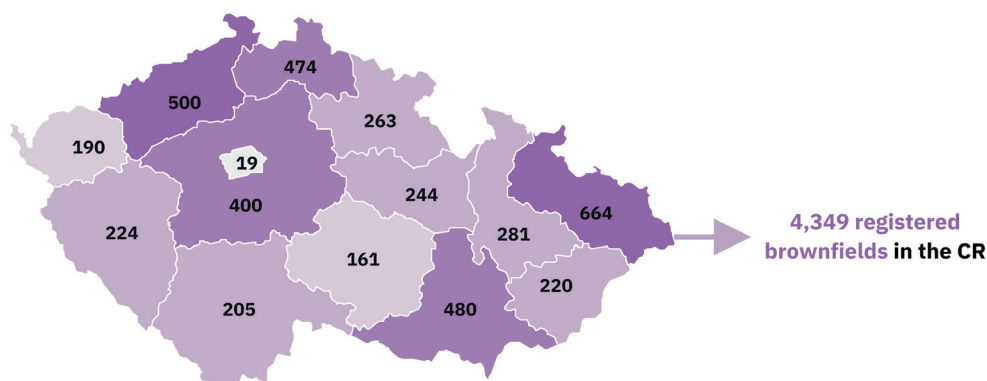
4.7 REGIONAL DEVELOPMENT

One of the pressing problems that various regions of the Czech Republic have long been contending with is the large number of brownfields. These are areas, sites, land or buildings that are now disused, neglected and often also contaminated¹⁴⁹ as a result of previous activities (especially industrial activities). The condition of these areas has a negative impact on their surroundings and threatens not only nature, but also the safety and health of local inhabitants. The regeneration and revitalisation of brownfield sites represents significant potential for regional development and sustainability. The SAO has repeatedly focused on this issue. This is mainly because the Czech Republic and the EU provide considerable financial support for the revitalisation of these areas through various subsidy programmes.

In 2024, the SAO completed two audits in the area of regional development. These focused on:

- regeneration of brownfields for non-business use (Audit No [23/14](#)),
- regeneration of brownfields for business use (Audit No [23/16](#)).

Chart 22: Number of brownfields by region (as of 31 December 2024)



Source: chart prepared by the SAO

A total of **CZK 1.1 billion** was spent on projects under the **MoRD Brownfields I** and **SFIS Brownfields II** programmes in 2019–2023 to regenerate non-business sites.

At the beginning of 2024, a total of **4,349** brownfield sites/objects were registered in the *National Brownfield Database* (NBD)¹⁵⁰. In Audit No [23/14](#), the SAO examined funds spent between 2019 and 2023 on the regeneration of brownfields for non-business use, focusing on the method of evaluating applications and the conditions for granting financial support, as well as the monitoring and evaluation of the support's benefits. The MoRD, the State Fund for Investment Support (SFIS) and 17 selected subsidy beneficiaries were audited. The SAO examined the implementation of 19 projects. The audited expenditure at the MoRD and the SFIS exceeded a total of **CZK 482 million**, while expenditure at beneficiaries (on completed projects) amounted to more than **CZK 255 million**.

¹⁴⁹ What are known as old environmental burdens (OEBs) are also in this category. The elimination of OEBs began in 1991 but is still not completed. The latest estimates speak of completion of the process in 2042. See SAO Annual Report 2023, or Audit No 23/01 – *State funds earmarked for the removal of old environmental burdens created before privatisation* (audit report published in the *SAO Bulletin* Vol. 1/2024).

¹⁵⁰ See <https://www.brownfielddy.cz/o-brownfieldech/#kapitola-02>; NBDs are managed by the Business and Investment Development Agency (CzechInvest). Registered brownfields can have private, public and combined ownership.

The SAO found that, despite the shortcomings identified in the project evaluation and selection process, the MoRD and the SFIS put in place the right conditions for selecting effective projects and the financial support was directed to the areas with the highest number of registered brownfields. At the same time, it is expected that the objectives¹⁵¹ of the *MoRD Brownfields I*¹⁵² and *SFIS Brownfields II* programmes will be achieved.¹⁵³ However, the MoRD and SFIS did not evaluate data on revitalised sites or their actual benefits, only monitoring the “number of contracts concluded” with beneficiaries in accordance with the objectives of the programmes. Significant shortcomings were found by the SAO in the MoRD’s inspection work: beneficiaries often made mistakes in public procurement, claimed ineligible expenses etc.

The SAO’s other findings were:

- the MoRD has not been very successful in implementing some of the measures under its independent responsibility according to the *National Strategy for Brownfield Regeneration 2019–2024* (NSBR), only completing **two** of the **six** measures entrusted to it on time. Neither the MoRD nor the SFIS had appropriate statistics for monitoring the use of revitalised buildings/areas. No one updated the data in the NBD regarding their condition, so they were still listed as “brownfields”;
- In the *Brownfields I* sub-programme, the MoRD provided an ambiguous definition of expenditure eligibility and subsequently approached the assessment of eligibility differently for different beneficiaries (e.g. in the case of the same type of expenditure, the MoRD did not reimburse fire extinguishers in two projects, while in another project it did). Both subsidy providers (the MoRD and the SFIS) failed to carry out rigorous inspection work, thus failing to ensure sufficient protection of public funds (e.g. the MoRD issued a decision providing a subsidy for the reconstruction of a building where a building permit was issued only for the first stage of the project and could not guarantee the fulfilment of its purpose, i.e. the construction of a gymnasium). The SAO also found errors at beneficiaries that claimed ineligible expenses, e.g. invoices for works outside the defined area of the brownfield and invoices confirmed by an unauthorised person, and in the procedure followed when submitting an application for financial support in an area prone to floods.

In more than one third (**37%**) of the audited projects, the SAO found circumstances indicating breaches of budgetary discipline up to a value of **CZK 32.5 million**.

THE MoRD DID NOT EVALUATE THE “SIZE OF THE REVITALISED AREA” PARAMETER IN RELATION TO THE SUPPORT PROVIDED. AT THE TIME OF COMPLETION OF THE AUDIT, THERE WERE NO STATISTICS AVAILABLE FOR MONITORING THE DEGREE OF USE OR SIZE OF REVITALISED BROWNFIELDS IN PUBLIC OWNERSHIP.

In connection with the findings, the SAO recommended the following:

The SAO recommends that the Ministry of Regional Development ensure, in a procedure coordinated with the Ministry of Industry and Trade and CzechInvest, the mutual exchange of information leading to the updating of data in the NBD in the sense of removing already revitalised sites from the database owing to their new use for non-economic activities. This refers to land and buildings registered in the NBD that no longer meet the definition of a brownfield as a result of the regeneration work carried out thanks to subsidy support from the MoRD’s *Brownfields I* subprogramme or SFIS’s *Brownfields II* programme.

Between 2018 and 2023, the MoIT provided approximately **CZK 5.1 billion** in financial support from the five audited programmes, financially supported **415** projects implemented on brownfield sites, i.e. less than one tenth of the brownfields registered in the NBD.

In Audit No [23/16](#), the SAO audited the state and EU funds spent on brownfield regeneration projects for business use between 2018 and 2023. The aim of the audit was to verify whether the funds were spent

¹⁵¹ The objectives of the two programmes are based on the objectives of strategic documents in the field of regional development, e.g. the *National Strategy for Brownfields Regeneration 2019–2024*, or on analyses of the absorption capacity of potential beneficiaries etc. The objectives of both programmes were expressed by a single parameter, namely the number of contracts concluded.

¹⁵² It is in fact sub-programme *Support for regeneration of brownfields for non-business use* of MoRD programme No 117D082 *Support for revitalisation of territories*. The programme also encompasses two other sub-programmes: *Demolition of buildings in socially excluded localities* and *Creation of studies and analyses of possible uses for selected brownfields*.

¹⁵³ According to Government Decree No 496/2020, on the conditions for using funds of the State Fund for Investment Support in the form of subsidies provided for revitalisation of brownfield territories for purposes other than economic exploitation.

effectively, economically and in compliance with the law, and whether the financial support contributed to a reduction in the number of brownfields in the Czech Republic. The audit was carried out at the MoIT and its contributory organisation CzechInvest, Business and Investment Development Agency. Of the five¹⁵⁴ support programmes audited, the MoIT financed three from state funds and two from EU funds. The audited volume at the audited entities was **CZK 5.1 billion**. The SAO also audited 15 (financially) completed projects worth almost **CZK 351 million**.

In the audited period, the MoIT contributed to a reduction in the total number of brownfields (in the Czech Republic), but not to the extent originally planned by the MoIT. There was less interest in subsidies from the state budget than the MoIT had anticipated. Of the three national subsidy programmes audited, only one¹⁵⁵ was used to reduce the number of brownfield sites. There was markedly more interest in support in the case of EU-funded programmes, where the interest centred on support in the form of subsidies. In the case of financial support in the form of a financial instrument¹⁵⁶ (soft loan), only four projects were supported with an amount of CZK 118 million.

The SAO's other findings were:

- There was no interest at all in obtaining financial support for brownfield sites if the national programme also allowed support for greenfield sites. National programme 122D21 was only intended for projects on brownfield sites and the MoIT planned to support **30** brownfield regeneration projects with a total amount of approximately **CZK 2 billion**. By the end of 2023, the MoIT decided to support **31** projects and approved subsidies of **CZK 695 million** (approximately one-third of the originally planned allocation of **CZK 2 billion**). The MoIT will probably hit the targets by the end of the programme, but only as a result of changes made to the target indicators.
- The MoIT also included financial support for brownfield regeneration in areas financed from EU sources. Within the framework of the *National Recovery Plan* (NRP), the MoIT allowed its additional use for non-business purposes. This was one of the reasons¹⁵⁷ for the increased interest among regions and municipalities in these subsidies. In the case of the *Real Estate* programme (financed by OP EIC), the MoIT provided financial support in the form of both subsidies and financial instruments. Projects using subsidies predominated, however: specifically, **357** projects with a financial volume of about **CZK 4.2 billion**; about **CZK 155 million** was allocated for financial support in the form of a financial instrument (of which 4 projects utilised **CZK 118 million**, with the remainder earmarked for remuneration related to the provision of support, with **CZK 31.4 million** of that amount paid by the end of the audit.

THE MoIT AND CZECHINVEST FULFILLED MOST OF THE OBLIGATIONS LAID DOWN IN THE NATIONAL BROWNFIELDS REGENERATION STRATEGY 2019–2024. THE OVERWHELMING MAJORITY OF FINANCIAL SUPPORT IN THE AREA OF BROWNFIELD REGENERATION WAS IN THE FORM OF SUBSIDIES, WITH ONLY 4 OUT OF 415 PROJECTS FINANCED BY SOFT LOANS.

Impacts of previous audits in the field of brownfield support

In the case of the *Real Estate* programme, the SAO pointed out in Audit No **18/01**¹⁵⁸ that the MoIT did not monitor whether enterprises were registering the expected benefits after the projects had been implemented. In response to this finding, the MoIT adopted a corrective measure that consisted in widening the range of the required information to include data on the increase/change in production volume, the increase in the share of exports in outputs, the increase/change in the number of jobs as a result of the project, and the increase/improvement in production efficiency, which beneficiaries had to submit every year. In Audit No **23/16**, the SAO checked that the beneficiaries were providing the required information in their annual reports, based on a sample of ten projects. In this way, the MoIT fulfilled the adopted corrective action and had better information on the actual benefits achieved by supporting projects. In addition, the *Real Estate* programme supported the regeneration of **642,000 m²** of brownfield sites by the end of 2023, which was more than the target.

154 Programme 222 230 *Support for Business Real Estate and Infrastructure*, Programme 122D20 *Smart Parks For The Future*, Programme 122D21 *Brownfield Regeneration and Business Use*, *Brownfield Regeneration for Business Use* (National Recovery Programme) Programme, and *Real Estate* (OP EIC).

155 Programme 122D21.

156 Financial instruments are used to create financial products such as loans, guarantees or capital investments. Unlike subsidy support, this form of support is repayable.

157 Another reason was the change in the definition of a brownfield in the NRP and the possibility of utilising support in all regions of the Czech Republic.

158 Audit No 18/01 – *Support for business real estate and business infrastructure* (audit report published in the *SAO Bulletin* Vol. 6/2018).



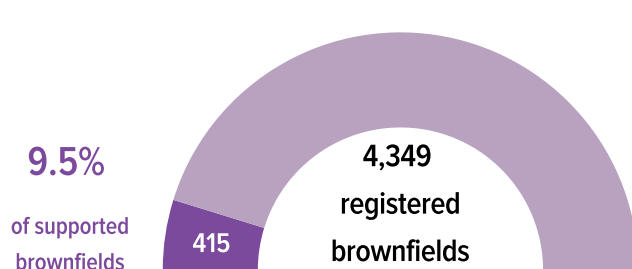
Brownfields failing to regenerate as planned

Regional
development



MoIT CONTRIBUTED TO A REDUCTION OF THE TOTAL NUMBER OF BROWNFIELDS BY LESS THAN A TENTH IN THE AUDITED PERIOD

Brownfields for business use



”

The MoIT provided financial aid in the amount of CZK 5.1 billion and financially supported 415 projects out of a total of 4,349 registered brownfield sites.

4 projects were supported by a financial instrument



A significant part of the expenditure was remuneration related to the provision of this financial aid. The SAO highlighted a risk of uneconomical conduct in the expenditure related to the remuneration of the financial intermediary, as the remuneration was calculated until the end of 2023 on an amount higher than the amount actually managed.

The remuneration amounted to CZK 31.4 million, i.e. 27% of the financial aid granted



MoRD HAS NOT BEEN VERY SUCCESSFUL IN IMPLEMENTING SOME MEASURES UNDER ITS OWN RESPONSIBILITY ACCORDING TO THE NATIONAL BROWNFIELDS REGENERATION STRATEGY (E.G. SIMPLIFICATION OF FINANCIAL AID FOR REGENERATION OF SPECIFIC BROWNFIELDS)

Brownfields for non-business use

Fulfilled on time

Not fulfilled on time



The MoRD fulfilled on time only two of the six measures entrusted to it in the National Strategy for Brownfields Regeneration 2019–2024.

”

The only parameter monitored by the MoRD and SISF as providers of financial aid is the number of contracts concluded with applicants for financial aid.

4.8 AGRICULTURE

According to the MoA's strategy¹⁵⁹, the objective of agricultural development is to ensure competitive and sustainable agriculture, long-term food security and adequate food self-sufficiency. At the same time, the strategy emphasises the sustainable use of natural resources, climate action, territorial development, job creation and boosting the recreational potential of rural areas.

The strategy's ambitions come with a significant financial burden, however, and the results of audits done to date show that the objectives have not always been fully achieved. The *Rural Development Programme 2014–2020* (RDP), whose budget was approximately **CZK 115 billion**, was a key instrument for implementing the strategy. The programme focused on restoring and improving agriculture-dependent ecosystems, promoting farmers' competitiveness, young farmers and countryside development. In addition, it was intended to contribute to the diversification of the rural economy and job creation.

The SAO has long focused on the RDP, especially with regard to its importance for the sustainable development of rural areas and the volume of financial support.

In 2024, the SAO completed two audits in which it examined:

- financial support for rural development (Audit No [23/06](#)),
- land consolidation (Audit No [23/31](#)).

In Audit No 23/06, the SAO examined state and EU funds spent on selected RDP 2014–2020 measures to support investments in agricultural holdings, diversification of non-agricultural income, transfer of knowledge and information and start-up of young farmers, and whether the funds spent contributed to rural development in the 2014–2022 period. In the case of the MoA and the SAIF, the audit mainly focused on the design and effectiveness of the system for providing subsidies from the RDP. A sample of 50 investment projects for the development of agricultural enterprises and non-agricultural business activities was selected. In addition, the SAO audited the implementation of 20 projects at six selected beneficiaries¹⁶⁰. The total amount of funds disbursed under the measures audited by the SAO was almost **CZK 15.7 billion**; the financial volume of the audited projects amounted to approximately **CZK 107 million**.

Erroneous data were reported by beneficiaries in the monitoring reports for **half of the 20 projects audited**. For example, they did not report revenues for the project, but for the enterprise as a whole. In another case, where they were drawing down a subsidy for non-agricultural activities, they stated that they did not achieve any revenues, though in fact they did.

The SAO found that the MoA did not define the objectives of the programme's individual measures and operations in a specific and measurable way that would allow the effectiveness of the spending and the benefits and impacts of the financial support provided for rural development to be monitored and evaluated. The MoA only monitored the number of supported projects and entities, the number of participants in training events, total expenditure on supported projects etc. Moreover, neither the MoA nor the SAIF required beneficiaries to set measurable objectives for their projects in their applications for financial support and to subsequently link them to data in monitoring reports, which were supposed to be used to evaluate the fulfilment of project objectives. That made it impossible to verify from the monitoring reports whether the projects achieved the expected results and intended objectives. Moreover, the SAIF did not scrutinise these reports and did not verify their accuracy and relevance. The SAIF merely monitored compliance with the deadlines for filing these reports: if a beneficiary failed to meet the deadline they were threatened with a penalty. In the SAO's opinion, this kind of monitoring does not fulfil its purpose and is an unnecessary administrative burden on the beneficiaries.

¹⁵⁹ Strategy of the Ministry of Agriculture of the Czech Republic with an outlook up to 2030, which was approved by Government Resolution No 392 of 2 May 2016.

¹⁶⁰ The sample of projects examined at beneficiaries was part of a sample of 50 projects examined at the SAIF.

- As regards the funds spent, the SAO audited seven projects supporting investments by agricultural holdings and 13 projects supporting non-agricultural activities. The SAO did not rate any of the 13 projects aimed at expanding the beneficiaries' non-agricultural activities and agro-tourism as fully effective because the beneficiaries did not achieve the expected revenues from the non-agricultural activities for which they received financial support from the RDP. For example, one beneficiary purchased a skid steer loader for construction purposes with the subsidy and envisaged annual revenues of **CZK 300,000** but actually reported a highest annual revenue of **CZK 44,240**, and even zero revenue in one year. The situation was better in the case of financial support for agricultural holding investments, with five out of seven projects rated as effective – how these investments contributed to, for example, higher farm productivity or better care for livestock was clear and verifiable.
- The SAO audited a sample of 15 projects in the case of which beneficiaries appealed against the decision not to grant subsidies and found that the SAIF had filed only one criminal complaint even though the appeals contained a description of circumstances indicative that a criminal offence had been committed in four cases. In this way, neither the SAIF nor the MoA fulfilled their legal obligation¹⁶¹, when in three cases they failed to notify the law enforcement authorities of circumstances indicative that a criminal offence had been committed by the subsidy applicant.

In 15 out of 20 (i.e. 75%) of the audited projects, the SAO found deficiencies in effectiveness, such as beneficiaries falling far short of the envisaged financial results of non-agricultural activities.

In the context of the findings, the SAO made the following recommendations for the 2023–2027 programming period:

- The MoA should set specific and measurable objectives at the level of the RDP and link these to indicators that would allow for evaluation of the achievement of the objectives, benefits and impacts of the financial support. At the same time, it should be obligatory for applicants to define specific and measurable objectives for projects so their effectiveness can be assessed;
- The MoA should review the required information and data provided by beneficiaries with a view to standardisation so that the data is comparable and usable for monitoring and evaluating the objectives, benefits and impacts of the financial support provided; where appropriate, the obligation for beneficiaries to prepare and submit monitoring reports should be cancelled;
- The MoA and SAIF should put in place effective procedures to ensure compliance with the statutory obligation to report circumstances indicative of a crime to the criminal justice authorities.

In response to the deficiencies identified in the audit, the MoA, inter alia:

- will analyse how the objectives of individual RDP measures or rural development interventions are defined in the *CAP Strategic Plan 2023–2027*, with particular regard to measurability and links to the set indicators;
- will analyse the necessity, effectiveness and verifiability of the data reported in application (project) forms and monitoring reports and examine the possibility of cancelling them or reducing the number of monitoring reports submitted;
- will revise and adjust or reduce the number of preferential criteria for project selection;
- will adopt a guideline governing the procedure to be followed if it learns of circumstances indicative of a crime within the meaning of Section 8 (1) of the Code of Criminal Procedure in connection with the activities of the managing authority for rural development.
- the SAIF will issue a methodological guideline setting out the procedures for reporting suspected crimes.

161

This obligation is regulated by Section 8 (1) of Act No 141/1961 Coll., on criminal procedure (Criminal Procedure Code).

The proposed measures have the potential to improve the system for providing subsidies for rural development co-financed by the EU and to reduce the administrative burden both for applicants and for the administering body, i.e. the SAIF.

The RDP also covers land consolidation, which was examined by the SAO in Audit No [23/31](#). The aim of the audit was to verify whether the state and EU funds earmarked for land consolidation were spent effectively, economically and in compliance with the law. The audit was carried out at the MoA as the body responsible for the management of funds for financing land improvements and the work of the managing authority of the RDP. The audit also scrutinised the SAIF, as the administrator¹⁶² and provider of subsidies from the RDP, and the State Land Office, which performs land consolidation and is the administrator and also a beneficiary of subsidies from the NRP. The SAO audited funds spent on planning and implementation of land consolidation for the years 2016–2023; the total audited funds amounted to **CZK 15.2 billion**.

According to the SAO's rough estimate, a minimum of **CZK 144.9 billion** will be needed to complete all the land consolidation that is required in 9,186 land-registry territories; and at the current rate of progress and with the current financing method, this will take **at least 50 years**.

The SAO rated expenditure of **CZK 3 million** on the preparation of 29 project documents as ineffective and uneconomical, because the SLO did not use these documents when implementing the planned land consolidation and removed them from its accounting records as out-of-date and surplus to requirements.

The SAO audit showed that the total amount spent on land consolidation for the years 1991 to 2023 amounted to CZK 36.2 billion. As at 31 December 2023, comprehensive land consolidation has been completed in 3,046 land-registry territories, i.e. 24.9% of the land-registry territories where land consolidation needs to be addressed. The SAO found that the MoA did not systematically monitor and evaluate the effectiveness and economy of spending on land consolidation and thus failed to fulfil its statutory¹⁶³ obligations. Neither the MoA nor the SLO have any estimates of the amount of funds required to complete all planned land consolidation in the Czech Republic.

- The MoA set generally defined and unmeasurable objectives for land consolidation, which makes it impossible to monitor the benefits and impact of implemented land consolidation measures, i.e. whether the supported projects and implemented measures sufficiently address environmental issues related to climate change. The MoA only has information on the number of projects, the number of plots of land and the area of land where land consolidation has been done, and information on the progress of the drawdown of funds under the RDP and the NRP.
- The SLO is supposed to prioritise measures supporting biodiversity and adaptation to climate change when planning and managing land management, as set out in the *Strategy of the Ministry of Agriculture of the Czech Republic with an outlook up to 2030*¹⁶⁴. The SAO found that from 2013 to April 2024, the SLO spent a total of **CZK 15.3 billion**, of which approximately **CZK 12 billion** went on land access measures (construction, repair or reconstruction of dirt roads), which amounts to almost **80%** of the available funds. It spent **CZK 3.3 billion** on environmental measures, which are one of the main priorities of land consolidation.
- The SAO evaluated expenditure of **CZK 6.1 million** for the creation and administration of the *Land Consolidation Overview* app as ineffective. The application was intended to serve for record-keeping, monitoring and evaluation of the land consolidation process in the Czech Republic. However, the SAO found that this app does not fulfil its purpose because it contains incorrect and incomplete data on the performed land consolidation. Incorrect and incomplete data accounted for **68.1%** of all data, even though the MoA uses these data for planning and management of land consolidation. The SLO has been preparing a new information system since 2020.

¹⁶² Administration, control and disbursement of funds from subsidy programmes.

¹⁶³ Section 39 (3) of Act No 218/2000 Coll., on the budget rules and amending certain related acts (Budgetary Rules), and Section 8 of Act No 320/2001 Coll., on financial control in public administration and amending certain acts (Financial Control Act).

¹⁶⁴ Approved by Government Resolution No 392 of 2 May 2016.

Impacts of previous SAO audits in the field of agriculture

As far as the provision of national subsidies from the MoA budget is concerned, significant shortcomings were found in the way subsidy conditions and the control system were set up, which negatively affected the effectiveness and economy of the public spending.

In response to the audit's results¹⁶⁵, from January 2020 the MoA transferred the administrative role, including the payment of national subsidies, to the SAIF, which is the accredited paying agency for the agricultural sector in the Czech Republic. This improved the quality of the administration of applications and made control work more rigorous.

In the context of audits Nos **18/08** and **21/33**¹⁶⁶, the SAO drew attention to the national investment subsidy programme for large food production companies that had profits in the millions of Czech crowns and would have implemented their projects even without public financial support. The MoA abolished this subsidy programme without a replacement.

As regards the provision of subsidies through the *Rural Development Programme 2014–2020*, the SAO found in audits Nos **17/26**¹⁶⁷ and **21/33** that the MoA gave insufficient support to small and medium-sized enterprises, despite the fact that the MoA had stipulated this objective in the *Strategy of the Ministry of Agriculture of the Czech Republic with the outlook to 2030* and in the RDP 2014–2020 programming document. In the new 2023–2027 programming period the MoA has focused more on micro, small and medium-sized enterprises. It has prepared wider subsidy opportunities for them and, under some interventions, these enterprises are favoured in the selection of applications for subsidies.

¹⁶⁵ Audit No 15/09 – *Funds spent on support for education, consultancy and promotion in the Ministry of Agriculture* (audit report published in the *SAO Bulletin* Vol. 4/2016); Audit No 17/06 – *European Union and State budget funds spent on support for forestry* (audit report published in the *SAO Bulletin* Vol. 1/2018); Audit No 18/08 – *Funds spent on support of the animal production sector* (audit report published in the *SAO Bulletin* Vol. 3/2019); Audit No 20/23 – *State budget and EU funds provided for food and material aid to the most deprived persons and earmarked to reduce food waste* (audit report published in the *SAO Bulletin* Vol. 6/2021).

¹⁶⁶ Audit No 21/33 – *State and EU funds spent by the Ministry of Agriculture to support the processing of agricultural products* (audit report published in the *SAO Bulletin* Vol. 1/2023).

¹⁶⁷ Audit No 17/26 – *Funds earmarked for the measure Cooperation under the Rural Development Programme of the Czech Republic for 2014–2020* (audit report published in the *SAO Bulletin* Vol. 3/2018).

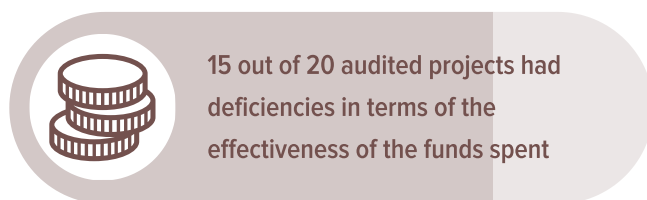


Shortcomings in the set-up, management and implementation of RDP 2014-2020 made it difficult to assess the effectiveness, evaluation of the results achieved and benefits of the financial aid

Agriculture



THE MoA DID NOT DEFINE THE OBJECTIVES OF THE AUDITED MEASURES AND OPERATIONS IN A VERY SPECIFIC AND MEASURABLE WAY IN ORDER TO MONITOR AND EVALUATE THE EFFECTIVENESS, THE RESULTS OF THE PROJECTS AND THE IMPACT OF THE FINANCIAL AID

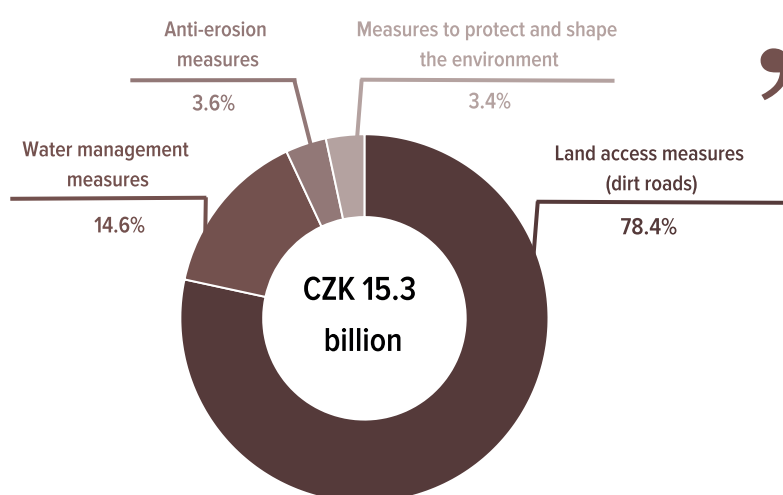


”

Monitoring reports are intended to evaluate the project. The SAO found that the beneficiaries often provided incorrect data in these reports and that the SAIF did not work with these reports at all. It only checked whether they were submitted on time. And while the beneficiary was threatened with a sanction for not submitting the report, there was no sanction for incorrect information.



NEITHER THE MINISTRY OF AGRICULTURE NOR THE STATE LAND OFFICE KNOW THE DATE OR THE AMOUNT OF FUNDS NEEDED TO COMPLETE THE PLANNED LAND CONSOLIDATIONS IN THE CZECH REPUBLIC, THE SAO HAS MADE A ROUGH ESTIMATE OF THESE FUNDS AT CZK 145 BILLION AND, AT THE CURRENT PACE OF IMPLEMENTATION, ESTIMATES THE IMPLEMENTATION TIME AT 50 YEARS



”

Since 2013, the State Land Office has spent almost 80% of the funds on the construction or reconstruction of dirt roads, i.e. CZK 12 billion. It has spent CZK 3.3 billion on environmental measures, which should be a priority.



The SAO pointed out that the requirements of municipalities, private landowners and other participants in land consolidations are fully covered by the state, although the law allows for their financial involvement.

4.9 CULTURE

Culture plays a key role in shaping national identity and strengthening social cohesion in the Czech Republic. A number of cultural activities take place with the financial support of the Czech state. These include cultural and artistic events, both professional and amateur. Support is channelled into the fields of dance, theatre, literature, classical and alternative music and visual arts, for example; publications are supported alongside exhibitions and art galleries activities.

Special attention is paid to the modernisation and accessibility of cultural resources, which includes the digitalisation of library collections and the development of electronic information resources. Digitalisation not only ensures the preservation of cultural heritage for future generations, it also enables wider public access to these resources.

In 2024, the SAO completed two audits of funds earmarked for:

- cultural activities financed from the budget chapter of the MoC (Audit No [23/15](#)),
- providing access to digital documents and electronic information resources in the network of libraries of the Czech Republic (Audit No [24/03](#)).

Audit No [23/15](#) examined whether the MoC provided financial support for cultural activities from its budget chapter in the years 2019–2022 in an efficient, effective and legally compliant manner and whether it had adopted sufficient measures to eliminate the deficiencies detected by previous audits¹⁶⁸. The audit was carried out at the MoC as the financial support provider, which spent almost **CZK 3.2 billion from the state budget on 9,300 cultural projects**. The SAO examined the subsidy administration process on an audit sample of 30 selected projects; the audited volume at the project level amounted to more than **CZK 48 million**.

The SAO found that the system for granting subsidies at the MoC was very unclear and complicated in the audited period. The MoC did not have a uniform procedure or uniform subsidy conditions; the benefits of the financial support provided are not known. The administration of subsidy provision was inefficient, and the ministry failed to put in place the right conditions for effective spending. The complex administrative process was a burden not only on the ministry but also on the applicants for subsidies. At the same time, the MoC did not fulfil a number of tasks it set itself in the area of setting up financial support and administration of cultural activities, and in some cases it also failed to act in accordance with legal regulations.

The SAO's other findings were:

- The lack of an information system and the inconsistent procedure for administering financial support for cultural activities meant that applicants had to submit the same documents several times for each application. As a result, a number of activities in the administration of the subsidies at the MoC were done more than once (e.g. checking of submitted documents), making it necessary to take on more staff. The MoC ineffectively spent almost **CZK 4.6 million** on the introduction of an IS for subsidy management which it terminated in 2020 without achieving anything. The SAO assessed this as a breach of budgetary discipline.
- The MoC laid down the conditions for the use of subsidies in an internal regulation but did not ensure that all its sections followed it uniformly. As a result, the MoC granted subsidies to **five** projects in violation of the set

Only one of the 24 calls audited contained all the required elements. In the case of 21 calls, the MoC also did not act in accordance with the Government Principles¹⁶⁹ and the Competences Act.¹⁷⁰

168 Audit No 14/10 – *State budget funds earmarked for the support of cultural activities from the budget chapter of the Ministry of Culture* (audit report published in *SAO Bulletin* Vol. 4/2014); and Audit No 18/19 – *Funds spent on cultural activities from the budget chapter of the Ministry of Culture* (audit report published in the *SAO Bulletin* Vol. 4/2019).

169 Resolution of the Government of the Czech Republic No 591 of 1 June 2020, on the Government Principles for the Provision of Subsidies from the state Budget of the Czech Republic to Non-Profit Non-Governmental Organisations by Central Government Bodies.

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

conditions to the total value of **CZK 572 thousand**. In addition, the subsidy award decisions issued did not contain all the required particulars.

WEAKNESSES IN THE SYSTEM OF FINANCIAL SUPPORT FOR CULTURAL ACTIVITIES HAVE PERSISTED FOR A LONG TIME. THE MoC AWARDED SUBSIDIES IN VIOLATION OF THE SET CONDITIONS AND, DESPITE SETTING UP A CONTROL DEPARTMENT, DID NOT INCREASE THE NUMBER OF PUBLIC ADMINISTRATION AUDITS; THE PROPORTION OF AUDITED PROJECTS ACTUALLY DECREASED. THE LACK OF A UNIFIED IS AND THE ADMINISTRATION OF FINANCIAL SUPPORT MAINLY IN PAPER FORM IS ANOTHER LONG-STANDING SHORTCOMING.

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

- revise, optimise and digitalise the subsidy process;
- introduce an evaluation of the benefits and impacts of spending;
- unify the process across the relevant sections and reduce administrative complexity;
- streamline the control work process before and after the disbursement of funds.

Technological advancements have made ICT-based innovations in public library information services very important. For that reason, in Audit No [24/03](#) the SAO examined how the MoC provided financial support for the digitalisation of library collections and the acquisition of electronic information resources between 2017 and 2023. The audit was carried out at the MoC as the financial support provider and at the National Library of the Czech Republic, Moravian Library and National Library of Technology¹⁷¹ as the largest public libraries in the Czech Republic and beneficiaries of subsidies. In the audited period, the MoC spent almost **CZK 447 million** from the state budget and EU funds¹⁷² to support the digitalisation of library collections and electronic information resources; the National Library of Technology (NLT) drew down¹⁷³ more than **CZK 1 billion** through the CzechELib¹⁷⁴ project to provide access to electronic information resources.

The SAO audit showed that, in the area of digitalisation of library collections and electronic information resources, the ministry directed the funds from the PISL¹⁷⁵ programme to cover the real needs of libraries. The objectives of digitalisation were only defined in very general terms, however, and the impact of the financial support provided was not monitored, making it impossible to evaluate the overall effectiveness and economy of the funds provided. The MoC also assessed applications in a non-transparent manner, provided subsidies in violation of the set conditions and failed to carry out sufficient public administration control of the PISL programme. Violations of legal regulations were found at the NLT in the area of archiving and filing services¹⁷⁶. The CzechELib project implemented by the NLT brought savings on the acquisition of electronic information resources and the related administrative work.

The MoC provided 100% of the subsidy to the **24** projects audited, although the maximum amount of the subsidy was supposed to equate to 70% of the budgeted project costs. The MoC thus paid out almost **CZK 13 million** above the defined threshold¹⁷⁷.

Other findings of the SAO from Audit No [24/03](#):

- Some of the members of the expert commissions had links to the applicants, but even so they too assessed applications for **29** projects. According to an internal regulation of the MoC, they should have been excluded from project assessment due to possible bias. The highest risk of bias was identified for the PISL 6 sub-programme in 2018 in relation to **five** applications for a total of **CZK 6.5 million**.
- The MoC provided almost **CZK 350 million** to beneficiaries of subsidies from the PISL programme in the audited period. However, in **seven** years it carried out just **one** audit of a single subsidy beneficiary. The SAO regards the MoC's public administration control

¹⁷¹ National Library of the Czech Republic (NL CR), Moravian Library in Brno (ML), National Library of Technology (NLT).

¹⁷² Specifically, from the National Recovery Plan.

¹⁷³ In the years 2017–2022.

¹⁷⁴ For the project entitled National Centre for Electronic Information Resources – CzechELib, the NLT utilised funds from the European Structural and Investment Funds and the state budget.

¹⁷⁵ *Public Information Services of Libraries* programme; the MoC provided subsidies worth almost CZK 350 million for this programme's projects in 2017–2023.

¹⁷⁶ Up till June 2024 (i.e. a period of 20 years), the NLT failed to perform filing services in electronic filing systems according to Act No 499/2004 Coll., on archiving and filing services; some documents were not signed, dated and labelled.

¹⁷⁷ The MoC violated Government Decree No 288/2002 Coll., laying down rules for the provision of subsidies to support libraries.

work on the PISL programme as inadequate, which means that this area of subsidy provision can be considered a risk. The SAO has repeatedly drawn attention to the low number of public administration audits carried out by the MoC: for example, in audits Nos **18/19, 21/16**¹⁷⁸ and **23/15**.

The MoC only audited 0.2% of the funds provided from the PISL programme, carrying out just one public administration audit in 2017 covering CZK 840,000 (out of a total of CZK 350 million provided).

- The NLT did not set priorities for the digitalisation of historical library collections or a specialised digitalisation unit, and its technical equipment is outdated. In contrast to the National Library of the Czech Republic (NL CR) and the Moravian Library in Brno (ML), the NLT does not regard digitalisation as one of its key activities¹⁷⁹, despite the fact that the preference for digitised documents is growing and it would be beneficial to speed up the digitalisation process.

THERE HAS BEEN PROGRESS IN THE DIGITALISATION OF LIBRARY COLLECTIONS AND THIS HAS HAD A POSITIVE IMPACT ON THE SERVICES PROVIDED BY THE LIBRARY NETWORK. TO DATE, HOWEVER, NO LAW HAS YET BEEN ADOPTED REGARDING THE INTRODUCTION OF MANDATORY COPIES OF ELECTRONIC PUBLICATIONS, EVEN THOUGH THE MoC HAS BEEN WORKING ON THIS ISSUE SINCE 2011.

Impacts of previous audits in the field of culture

Audits carried out by the SAO in the field of culture include Audit No **22/22**¹⁸⁰, which revealed deficiencies in the design, evaluation and administration of financial support for the preservation and restoration of cultural monuments. In response to the audit, the MoC drew up the *Concept of Monument Preservation in the Czech Republic for 2024–2028*, which sets out the objectives that the Czech Republic wants to achieve. The MoC took partial steps in the area of amending the Monument Care Act and in the area of digitalising the financial support provision process. The MoC also undertook to assess the condition of cultural monuments for the entire Czech Republic.

¹⁷⁸ Audit No 18/19 – *Funds spent on cultural activities from the budget chapter of the Ministry of Culture* (audit report published in the *SAO Bulletin* Vol. 4/2019); Audit No 21/16 – *State funds spent on the special-purpose support of research and development in the chapter of the Ministry of Culture* (audit report published in the *SAO Bulletin* Vol. 1/2022); Audit No 23/15 – *State funds earmarked for cultural activities from the budget chapter of the Ministry of Culture* (audit report published in the *SAO Bulletin* Vol. 3/2024).

¹⁷⁹ Act No 257/2001 Coll., on libraries and the conditions for the operation of public library and information services, requires the NLT to see the restoration and permanent preservation of library documents.

¹⁸⁰ Audit No 22/22 – *State funds provided for the preservation and restoration of cultural monuments through the budget chapter of the Ministry of Culture* (audit report published in the *SAO Bulletin* Vol. 4/2023).



The subsidy payment system was often unclear

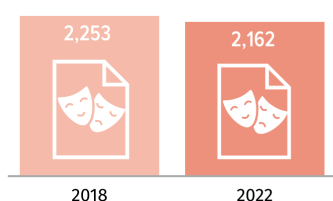
Culture



THE MINISTRY OF CULTURE HAS DISTRIBUTED OVER CZK 3 BILLION IN 2019–2022 FOR CULTURAL ACTIVITIES WITHOUT ANY CLEAR BENEFITS OF THIS FINANCIAL AID

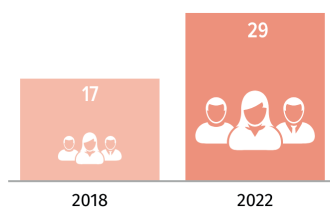
Number of projects

5% decrease



Number of employees

67% increase

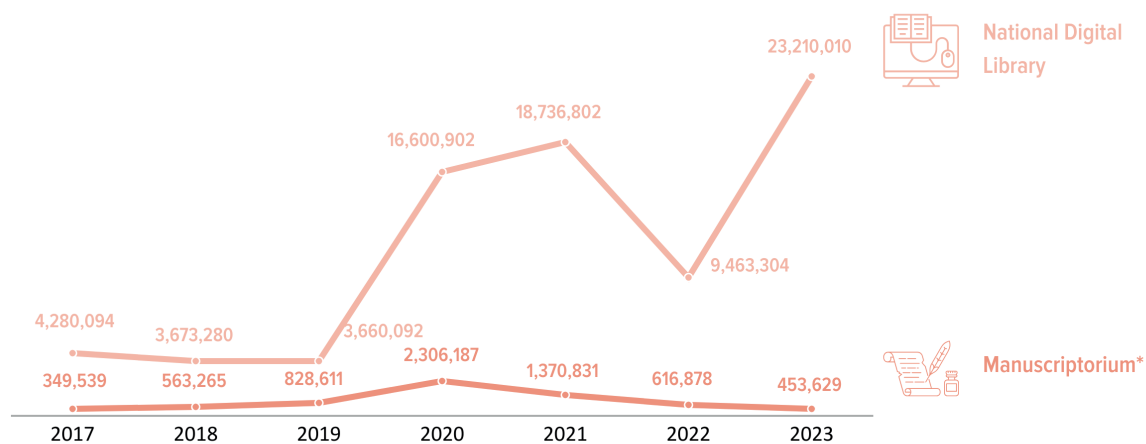


” MoC has supported a similar number of projects each year, but the number of employees to administer them has increased by two-thirds since 2018.



THE FINANCIAL AID PROVIDED BY THE PUBLIC LIBRARY INFORMATION SERVICES PROGRAMME WAS ADEQUATE TO THE NEEDS OF LIBRARIES, BUT THE GENERAL OBJECTIVES OF DIGITALISATION DID NOT ALLOW TO EVALUATE ITS EFFECTIVENESS AND ECONOMY

Trend of digital document usage in the NL CR in 2017–2023 (number of downloaded/viewed pages)



*Manuscriptorium is a freely accessible digital library that provides easy access to concentrated information on historical collections through sophisticated research tools.

” The Supreme Audit Office audited the PISL programme, from which the Ministry of Culture spent almost CZK 350 million in 2017–2023. However, only one public administration audit was carried out in seven years.

5. INSTITUTIONS' FINANCIAL MANAGEMENT

As part of its audit and analytical work, the SAO scrutinises the management of state property and funds by state institutions in addition to its focus on major expenditure policies. The SAO tries to draw the audited entities' attention to those areas of their management where it sees room for savings in the utilisation of budget funds, for improving the use of funds in terms of their effectiveness, efficiency and economy, and for increasing state revenues. This chapter summarises the shortcomings identified by the SAO in the audits and presented in the government expenditure areas of this Annual Report. Audits of state institutions' financial management are often also part of these audits.

The fact that there is still room for more efficient use of funds in the area of expenditure on the acquisition of assets and external services is demonstrated by the results of audits completed in 2024. Some audited entities did not respect the 3E principles when carrying out of their tasks. Specifically, they were guilty of ineffective, inefficient and uneconomical expenditure on purchases of ICT and related services that the audited entities did not need and did not or could not use.

- In Audit No [23/05](#), the SAO found that in the context of the upgrading of the basic national registers infrastructure, the MoI paid lump sums to suppliers for the provision of extended warranty support services that started on the date of receipt of the components. However, the MoI did not and could not use the extended warranty support services in the period from the receipt of the components to the time when the MoI launched their implementation in the environment of the various registers. The MoI thus paid **CZK 4.4 million** in uneconomical manner to suppliers for the provision of extended support services. On top of this, the SAO found that the NRA spent more than **CZK 1 million** in inefficient and uneconomical manner on expert opinions that were supposed to determine the prices of services for planned contracts to support the operation and development of the Register of Persons, the Register of Rights and Obligations and the Basic Registers Information System. These expert opinions were not available until after the contracts has been concluded, however.
- In Audit No [23/15](#), the SAO found that the MoC spent almost **CZK 4.6 million** on the introduction of a unified information system to support cultural activities without a functional information system, or even part of one, being produced. In the end, the MoC terminated the project without achieving anything. This spending was therefore neither effective, nor efficient, nor economical. The administration of subsidies consequently took place mainly in paper form, which increased its complexity. Although the number of supported projects has long remained largely unchanged (**3,000 applications** per year), the number of staff carrying financial support administration activities in 2022 was **two-thirds** more than in 2018.
- In Audit No [23/25](#), the SAO found that the MoLSA has an information system that is expensive to run¹⁸¹. Projects that were supposed to bring down the operating costs **from CZK 33 million to CZK 3 million** remained unfinished even after ten years. As a result, the MoLSA spent as much as **CZK 650 million** more on the operation of its existing information systems than the expected lower operating costs of the new IS.
- In Audit No [23/31](#), the SAO concluded that the MoA had ineffectively spent more than **CZK 6 million** on the creation of the *Land Consolidation Overview* app which contained incorrect and incomplete data on implemented land consolidation. Incorrect and incomplete data amounted to **68%** of the whole, yet the application is used for planning and management of land consolidation.

Some of the detected irregularities were caused by non-functioning internal control mechanisms of the various state organisations. As the results of the audits showed, some audited institutions had failed to put in place an effective internal control system that could identify, assess and minimise risks related to their activities in a timely manner. It is clear that if the audited entities' internal control systems had been functional, a number of deficiencies in their financial management that resulted in ineffective, inefficient and uneconomical use of funds might never have occurred.

- In Audit No [23/10](#), the SAO found that although the MoI had defined how contractual penalties were to be applied in its internal regulations and framework agreements / purchase contracts, the ministry failed to apply contractual

¹⁸¹ "OKwork" and "OKemergency/services".

penalties in the case of **two-thirds** of the selected framework agreements / purchase contracts without any objective reason. In the audit sample of **12** public procurement contracts for the acquisition of equipment for the Police of the Czech Republic, for example, it was found that in **eight** of the contracts the MoI did not apply and enforce contractual penalties totalling **CZK 3.9 million** for late delivery of equipment without any objective reason. The MoI only enforced the contractual penalties after the SAO audit, when some of the claims totalling **2.3 million** were already time-barred. The MoI thus failed to maintain an internal control system that puts in place the right conditions for the economical, efficient and effective performance of public administration.

- In Audit No [23/08](#), the SAO found that the MoD failed to carry out a preliminary check of operations under preparation when arranging the repair of a bridge vehicle and failed to check the amount of the discount offered by the supplier before paying the repair price of **CZK 1 million**; even so, it paid the billed amount. That is despite the fact that the amount of the discount was one of the evaluation criteria for assessing the bids of tenderers for the public contract in question. This procedure violated the Financial Control Act.
- In Audit No [23/15](#), which focused on financial support for cultural activities, the SAO followed up on the findings of its previous Audit No [18/19](#)¹⁸², where it flagged up the insufficient number of public administration audits done in 2016–2018. In response to this finding of the SAO, the MoC had set up an audit department in 2019 to strengthen its control mechanisms and carry out audits directly at subsidy beneficiaries. Despite this step, the MoC did not perform more inspections of cultural projects in the years 2019–2022; in fact, the number of inspections decreased. The total volume of funds audited in the **34** public administration audits during this period represented just **0.85%** of the total volume of subsidies awarded.

ALL THESE SHORTCOMINGS IN STATE INSTITUTIONS' MANAGEMENT SHOW THAT LONG-STANDING DEFICIENCIES IN THE MANAGEMENT OF STATE FUNDS AND IN THE STEWARDSHIP OF STATE PROPERTY ARE RECURRING OR PERSISTENT. THE SAO REGARDS ELIMINATING THESE SHORTCOMINGS AS A NECESSARY STEP IF THE CONCERNED STATE INSTITUTIONS ARE TO MAKE GOOD ON THEIR LEGAL OBLIGATION TO OPERATE AND MAINTAIN EFFECTIVE INTERNAL CONTROL SYSTEMS. THIS IS THE ONLY WAY TO PUT IN PLACE THE RIGHT CONDITIONS FOR ECONOMICAL, EFFICIENT AND EFFECTIVE PERFORMANCE OF PUBLIC ADMINISTRATION.

On the other hand, the SAO did carry out an audit which did not find any significant uneconomical spending.

In Audit No [23/27](#), the SAO examined whether the Czech Government Office (GO) and the Ministry of Foreign Affairs (MoFA) spent funds earmarked for the preparation and exercise of the Czech presidency of the Council of the EU in 2022 economically and in compliance with the legal regulations. The audit focused on three main areas: the planning and implementation of the budget; the procurement of supplies and services and compliance with the staffing conditions for the Presidency. The total amount audited was **CZK 398 million**.

Expenditure on the Czech Presidency of the Council of the EU totalled **CZK 2 billion**. Of this, the GO and the MoFA spent almost **CZK 914 million** on the Presidency.

The SAO concluded that both authorities planned and spent the funds for the Presidency in 2020–2023 in accordance with the defined priorities, in line with the approved expenditure structure and on the basis of actual and documented needs. The SAO found no significant deficiencies in the planning or spending of the audited funds. As regards personnel expenditure, the SAO concluded that the audited persons complied with the conditions laid down by the legislation. Temporary posts created to handle the preparation and implementation of the Presidency at the audited entities were cancelled after the Presidency came to an end.

182

Audit No 18/19 – *Funds spent on cultural activities from the budget chapter of the Ministry of Culture* (audit report published in the *SAO Bulletin* Vol. 4/2019).

- Using a sample of **23** public contracts, the SAO verified that the GO and MoFA had complied with the legal regulations. The only exception was one case where the GO spent **CZK 39 million** on technical equipment intended for an informal summit at Prague Castle without a public procurement procedure. The SAO also carried out an international comparison of expenditure on the preparation and exercise of the EU Presidency. It compared 15 selected Member States¹⁸³ that held the Presidency between 2013 and 2023. This was the SAO's own investigation based on information obtained from publicly available sources. Despite the limited comparability of the available data, it was clear that the expenditure on the Czech Presidency was just below the average of the EU countries assessed.

THE SAO WELCOMES THE FACT THAT THE GO AND THE MOFA FINANCED THE CZECH REPUBLIC'S EU PRESIDENCY WITHOUT SIGNIFICANT SHORTCOMINGS.

¹⁸³ These were Germany, Spain, France, Sweden, Austria, Croatia, Czech Republic, Slovenia, Romania, Estonia, Finland, Portugal, Lithuania, Slovakia and Bulgaria.

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

In 2024, the SAO completed a total of **11** audits focusing on expenditure paid out of the state budget together with financial support provided to the Czech Republic from the European Union budget (see Table 7)¹⁸⁴.

The SAO pointed out a number of irregularities related to the use of EU funds in the above-mentioned audits. The identified shortcomings were both systemic and procedural in nature and related mainly to the management of support by the relevant managing authorities or intermediate bodies. The principal procedural shortcomings were the failure of beneficiaries to respect the rules and commitments adopted for the use of financial support. The fundamental deficiencies can be divided into four basic groups.

- In almost all the audits carried out, the SAO found that the national strategic documents contained a number of ambiguities and their objectives, as reflected at the programme and project level, were not specific or measurable and were not based on real needs for improvements in the area concerned. Needless to say, this did not put in place the right conditions for addressing the actual priorities in the area in question.

For example, the MoA did not carry out any research into applicants' interest and included measures in the RDP 2014–2020 that applicants were not interested in; moreover, it failed to address this problem sufficiently for a long time (Audit No [23/06](#)). Similarly, the MoLSA provided a total of **CZK 2.8 billion** for projects whose impact on the situation of people living in socially excluded localities was limited and short-term. The financial support for social inclusion thus merely alleviated some of the consequences of social exclusion, without addressing its deeper causes (Audit No [23/29](#)).

- The system for evaluating project selection was not transparent and eligible expenditure limits were in many cases not set or were set unrealistically. This led to the financial support being spent on obviously ineligible expenditure in some cases.

One example was the method of evaluating applications for employment support subsidies: the MoLSA did not treat applicants equally, as in substantively identical or similar cases it made different decisions, approving activities for some beneficiaries that did not conform to the call. In this context, the SAO filed notifications with the tax authorities for a total value of more than **CZK 9 million**, including suspected violations of the principles of effectiveness and economy (Audit No [23/21](#)). When selecting projects for the construction and reconstruction of pedestrian walkways, the MoRD and SFTI based their selection on data and information provided by applicants without verifying it. Some of the criteria set for the selection of projects were ambiguous, and the assessment of fulfilment of the criteria was formal rather than substantive (Audit No [24/01](#)).

- The management and control systems for operational programmes were flawed in terms of their design and functioning. The set of monitoring indicators was insufficiently defined or was defined in such a way that it was not possible to systematically monitor and evaluate the projects' benefits. This created a situation in which the endeavour to use up all the available funding outweighed the consideration of achieving the desired changes through the projects.

When managing the provision of financial support from OPEm totalling CZK 2.8 billion, for example, the MoLSA mainly emphasised the utilisation of the allocated support and did not sufficiently monitor or evaluate whether the funds spent actually helped to address some of the fundamental causes of social exclusion among people living in socially excluded localities (Audit No [23/29](#)). Similarly, the MoE failed to monitor and evaluate the benefits of the New Green Savings Programme in terms of improving air quality (Audit No [23/07](#)).

184

The findings of the audits in the table are set out in the previous sections of this Annual Report in accordance with their primary focus on the relevant expenditure areas.

- The use of the provided subsidies often violated the 3E principles, so the projects' benefits fell short of the expected values in many cases. It was often the case that assessment of the effectiveness, efficiency and economy of spending was not done by the implementing bodies at all.

When auditing ten selected employment support projects, the SAO found that the beneficiaries spent the funds effectively in just one case, but even here the efficiency of spending was reduced. In two cases the beneficiaries spent all the funds inefficiently and ineffectively, as they supported people who did not belong in the target groups. In four projects the SAO found ineligible expenditure totalling **CZK 9.1 million** (Audit No [23/21](#)). As part of OPEm, the MoLSA approved projects that were repeatedly producing similar analytical and methodological outputs even though it was simultaneously producing equivalent national methodologies as part of its own project. The SAO concluded that as much as **CZK 203 million** spent on these projects was not fully effective. These projects' contribution towards achieving the objectives of transforming the system of care for children at risk was limited (Audit No [23/11](#)).

Table 7: Representation of characteristic deficiencies in the mentioned audits

Audit No	Programme	Shortcomings of strategic and management documents, programme documents were not based on real needs	Non-transparent assessment of application system, absence of limits on eligible expenditure	Deficiencies in the set-up and functioning of the Management and control system, incorrectly set monitoring indicators for monitoring and evaluating the achievement of objectives	Handling of subsidies in violation of the 3Es, errors in the procurement process
23/06	RDP	×		×	×
23/07	OPEn	×		×	×
23/11	OP HRE, OPEm, OPEm+	×		×	×
23/13	OPT	×		×	×
23/16	OP EIC, NRP	×		×	
23/21	OPEm	×	×	×	×
23/22	OPEm	×	×	×	
23/29	OPEm	×	×	×	
23/31	RDP, NRP	×			
24/01	IROP	×	×	×	×
24/03 ¹⁸⁵	OP RDE*				

Source: SAO, January 2025.

*Deficiencies were found only for costs financed from the state budget. The *National Centre for Electronic Information Resources - CzechELib* project, implemented by the NLT¹⁸⁶ in 2017-2022, was financed under the OP RDE¹⁸⁷. The SAO found that the project achieved all its objectives.

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

The total ESI funds allocation in accordance with the Partnership Agreement (PA) in 2024 was **CZK 655.3 billion** at the current exchange rate. The volume of funds in legal documents granting/transferring financial support reached **110.6%** of the total allocation (**CZK 724.2 billion**); **103.6%** of the allocation (**CZK 678.7 billion**) was paid out; interim payment applications sent to the European Commission stood at **102.7%** (**CZK 673.8 billion**).

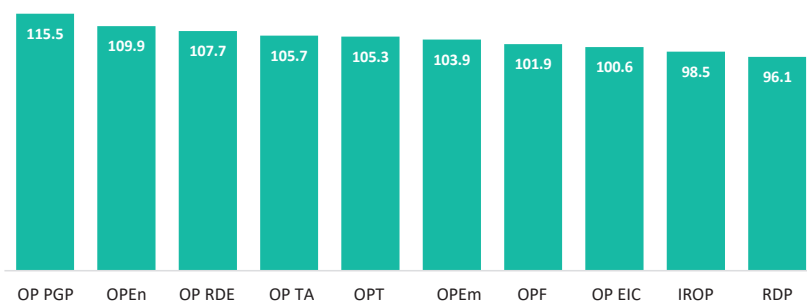
¹⁸⁵ The deficiencies identified in this audit related only to subsidies from national sources.

¹⁸⁶ National Library of Technology.

¹⁸⁷ Operational programme Research, Development and Education.

The current forecast for uptake of the allocation for each programme, expressed in terms of the value of interim payment requests sent to the Commission, is shown in the following chart.

Chart 23: Status of funds in interim payment requests sent to the Commission as at 31 December 2024 (%)



Source: *Monthly information on the implementation of ESI funds in the Czech Republic in the programming period 2014-2020 - December 2024*, data generated on 6 January 2025, published by the NCA-MoRD.

Note: The funds in the interim payment requests sent to the Commission include contributions to financial instruments.

According to information from the National Coordination Authority (NCA), the increase in the funds in interim payment requests in relation to the total allocation was mainly driven by OP PGP, whose monthly change relative to the programme allocation was more than **15%**, which also pushed it into the leading position among the programmes.

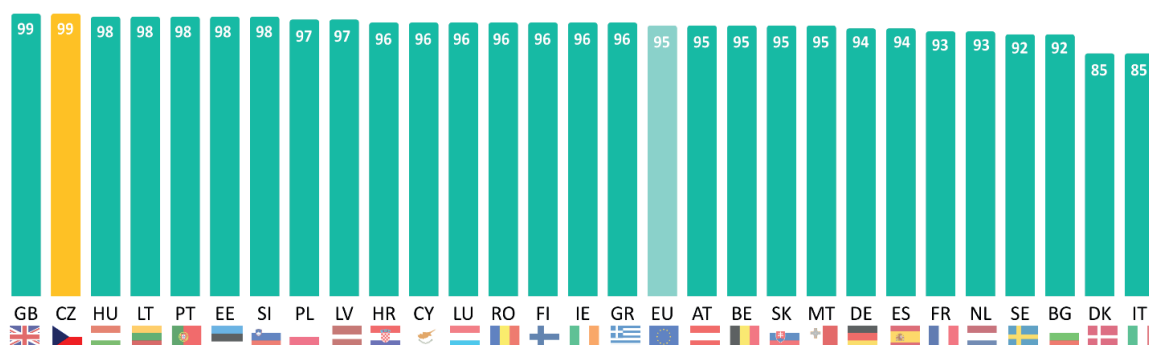
The evenly distributed drawdown of financial support from the ESI funds for most programmes in the last years of the 2014–2020 programming period has also been reflected in the Czech Republic’s ranking among EU Member States. The Czech Republic regularly ranked among the top ten Member States in terms of the rate of absorption of the total national allocation.

This fact also proves that most of the implementing bodies of the Czech Republic have already fully mastered the technology for drawing down the available allocation over the three programming periods. A persisting problem, however, is the actual benefit of the implemented projects, which is not reflected in the expected speed at which the Czech Republic is closing the gap on the EU average. This is mainly the result of a narrow approach of the ministries to setting priorities, which does not ensure mutual synergies for pushing through the actual needs crucial for the Czech Republic.

According to the aggregated data updated daily on the Commission’s website¹⁸⁸, the Czech Republic ranked second among Member States at the beginning of February 2025 with a national allocation absorption rate of **99.4%** (including pre-financing).

¹⁸⁸ European Commission. European Commission. Online. Cohesion Open Data Platform. Available from: <https://cohesiondata.ec.europa.eu/overview>. [cited 2025-02-07].

Chart 24: Proportion of ESI funds paid to EU Member States (including pre-financing) for the 2014-2020 programming period to the end of 2024 as a proportion of their total allocation (%)



Source: European Commission¹⁸⁹.

State of implementation of the ESI funds in the Czech Republic in the 2021–2027 programming period

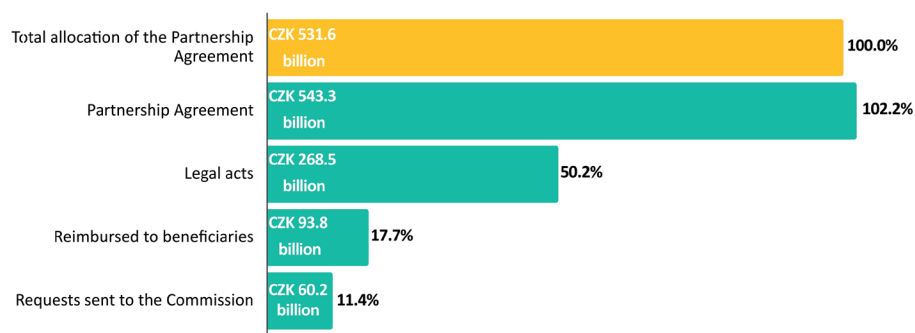
In accordance with the PA for the 2021–2027 programming period, the EU budget allocation for the Czech Republic is **EUR 21.084 billion**, which amounts to almost **CZK 531.587 billion**¹⁹⁰ at the December 2024 exchange rate. The lion's share of the EU contribution is to be financed through two funds, namely the *European Regional Development Fund* (**CZK 261.377 billion, i.e. 49%**) and the *Cohesion Fund* (**CZK 167.073 billion, i.e. 31%**). The remaining 20% or so will be shared between the European Social Fund, the *Just Transition Fund* and the *European Maritime, Fisheries and Aquaculture Fund*. Similar to previous programming periods, the adoption of key management documents was considerably behind schedule in the 2021–2027 programming period. As a result, calls for projects under the various programmes were not announced until the second half of 2022, more than a year after the start of the programming period.

The state of absorption can be seen in Chart 25. Relative to the total allocation, the volume of funds in legal documents (on the provision of financial support) stood at **50.5%**; **17.6%** of the allocation had been paid out; and interim payment applications sent to the European Commission represented **11.3%**.

¹⁸⁹ Source: [Evropská komise. European Commission](#). Online. Cohesion Open Data Platform. [cited 2025-02-7].

¹⁹⁰ Monthly information on the implementation of EU funds (2021–2027) – December 2024; MoRD-NCP.

Chart 25: Current drawdown of the allocation under the Partnership Agreement 2021-2027 in relation to the total allocation (CZK billion)



Source: Monthly information on the implementation of funds (2021-2027) - December 2024; NCA-MoRD.

THE CZECH REPUBLIC'S DELAY IN THE START OF DRAWDOWN OF THE ALLOCATED FUNDS WAS COMPARABLE TO THAT OF OTHER EU MEMBER STATES. ACCORDING TO DATA UPDATED DAILY ON THE COMMISSION'S WEBSITE¹⁹¹, THE CZECH REPUBLIC IS RANKED FIFTH AMONG EU MEMBER STATES IN THE 2021–2027 PROGRAMMING PERIOD IN TERMS OF NATIONAL ALLOCATION ABSORPTION RATES (FUNDS IN LEGAL DOCUMENTS AND APPLICATIONS SENT TO THE COMMISSION).

191 European Commission European Commission. Online. Cohesion Policy Overview. Available from: https://cohesiondata.ec.europa.eu/cohesion_overview/21-27. [cited 2025-01-22].

7. SAO OPINIONS ON THE STATE'S FINANCIAL REPORTING

7.1 OPINION ON THE DRAFT STATE CLOSING ACCOUNT

In 2024, the SAO gave its opinion on the accuracy of reported data¹⁹² in its *Opinion on the Draft State Closing Account of the Czech Republic for 2023*, i.e. its opinion on the completeness and accuracy of the state budget revenue and expenditure reported in the Draft State Closing Account.

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

The data on the chapters' budget management for 2023 in workbooks G and H were analytically verified on the basis of the State Treasury Integrated Information System (STIIS) sources, where no significant discrepancies were found.

ACCORDING TO THE SAO, THE DATA CONTAINED IN THE DRAFT STATE CLOSING ACCOUNT FOR 2023 CAN BE CONSIDERED CORRECT¹⁹³.

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

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

In 2024, the SAO completed four financial audits, in which it issued an opinion on the reported financial information and also commented on the internal control system in the examined areas (see Table 8). All of these audits were interim audits, where part of the audit takes place in the current accounting period, so the audited entity has the opportunity to make corrections during the audit.

¹⁹² These are the data presented in workbook G - Tabular part of the Draft State Closing Account of the Czech Republic and workbook H - Results of budgetary management of the chapters of the Draft State Closing Account for the year 2023.

¹⁹³ For more on the opinion on the accuracy of the State Closing Account data see:
[SAO opinion on the Draft State Closing Account of the Czech Republic for 2023 \(nku.cz\)](https://nku.cz/sao-opinion-on-the-draft-state-closing-account-of-the-czech-republic-for-2023).

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

			Results of FA-type audits in relation to the financial statements					Results of FA-type audits in relation to the financial statements and the final accounts						Results of FA-type audits in relation to internal control system
Audit No	Audited entity	Type of audit	Audited amount ¹⁹⁴	Materiality	Corrections during audit	Quantified errors	Opinion on financial statements	Audited amount ¹⁹⁵	Significance	Corrections during audit	Quantified errors	Reliability of financial reports	Reliability of data in final accounts	Evaluation of ICS efficiency
23/17 ¹⁹⁶	MoT	Ongoing	392,181.9	2,250.0	24,600.0 ¹⁹⁷	0.0	Financial statement is reliable	161,461.9	2,220.0	20.1	278.4	Financial reports are reliable	Misstatements without a significant impact on the overall reporting ability of the closing account	ICS can be considered effective after the measures taken
23/18 ¹⁹⁸	TA CR	Ongoing	30,462.5	120.0	15,600.0 ¹⁹⁹	0.2	Financial statement is reliable	6,937.7	120.0	0.6	0.0	Financial reports are reliable	Misstatements without a significant impact on the overall reporting ability of the closing account	ICS can be considered effective after the measures taken
23/19 ²⁰⁰	IPO	Ongoing	1,451.1	6.0	166.9 ²⁰¹	0.0	Financial statement is reliable	521.4	6.0	0.7	9.8 ²⁰²	Material isolated irregularity	Misstatements without a significant impact on the overall reporting ability of the closing account	ICS can be considered effective after the measures taken
23/20 ²⁰³	MoRD	Ongoing	139,636.6	600.0	2,651.0 ²⁰⁴	0.0	Financial statement is reliable	49,187.3	600.0	16.0	2.6	Financial reports are reliable	Misstatements without a significant impact on the overall reporting ability of the closing account	ICS can be considered effective after the measures taken
Total			563,732.1		43,017.9	0.2		218,108.2		37.4	290.8			

Source: Audit reports of individual audits.

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

195 Audited amount of financial reports = revenues + expenditures.

196 Audit No 23/17 – Closing account of the state budget chapter “Ministry of Transport” for the year 2023, financial statements of the Ministry of Transport for the year 2023 and data submitted by the Ministry of Transport for the evaluation of state budget implementation for the year 2023 (audit report was published in Vol. 3/2024 of the SAO Bulletin).

197 The most material corrections: correction of the accounting for contingent receivables from pre-financing of transfers of the Operational Programme Transport 2014-2020 and the Operational Programme Transport 2021-2027 (CZK 18,800 million) and accounting for contingent receivables from pre-financing of NRP transfers (CZK 3,200 million) - the value of corrections made during the audit exceeded materiality by almost 11 times.

198 Audit No 23/18 – Closing account of the state budget chapter “Technology Agency of the Czech Republic” for the year 2023, financial statements of the Technology Agency of the Czech Republic for the year 2023 and data submitted by the Technology Agency of the Czech Republic for the evaluation of state budget implementation for the year 2023 (audit report was published in Vol. 3/2024 of the SAO Bulletin).

199 The most material corrections: correction of the accounting for contingent liabilities on the basis of concluded aid contracts (CZK 11,200 million) and reduction of contingent receivables on the basis of NRP drawdown (CZK 3,400 million) - the value of corrections made during the audit exceeded materiality by almost 130 times.

200 Audit No 23/19 – Closing account of the state budget chapter “Industrial Property Office” for the year 2023, financial statements of the Industrial Property Office for the year 2023 and data submitted by the Industrial Property Office for the evaluation of state budget implementation for the year 2023 (audit report was published in Vol. 3/2024 of the SAO Bulletin).

201 The most material corrections: derecognition of the 2022 economic result from the account 431 - Economic result under approval procedure in case of unapproved financial statements (CZK 91.5 million), correction of accounting for income from community programmes and membership contributions to international organisations - the value of corrections made during the audit exceeded materiality by almost 28 times.

202 The most material irregularity: misclassification of foreign transfer revenue by type and place - the irregularity exceeded the materiality by almost 1.6 times.

203 Audit No 23/20 – Closing account of the state budget chapter “Ministry of Regional Development” for the year 2023, financial statements of the Ministry of Regional Development for the year 2023 and data submitted by the Ministry of Regional Development for the evaluation of state budget implementation for the year 2023 (audit report was published in Vol. 4/2024 of the SAO Bulletin).

204 The most material corrections: correction of incorrectly reported amount of contingent liabilities from transfers (CZK 853 million), correction of accounting related to the abolition of regional councils of cohesion regions (CZK 613.6 million) and correction of the amount of contingent receivables from pledge contracts (CZK 479 million) - the value of corrections made during the audit exceeded materiality by more than 4 times.

THE RESULTS OF THE FINANCIAL AUDITS SHOWED THAT INTERIM AUDITS, WHERE THE AUDITED ENTITIES HAD THE OPPORTUNITY TO CORRECT DEFICIENCIES IDENTIFIED DURING THE AUDITS, CONTRIBUTED SIGNIFICANTLY TO THE RELIABILITY OF THE REPORTED DATA. ON THE BASIS OF THE INTERIM AUDITS CARRIED OUT WITHIN THE 2023 AUDIT PERIOD, ERRORS THAT WOULD HAVE HAD AN IMPACT ON THE FINANCIAL STATEMENTS IN THE AMOUNT OF MORE THAN CZK 43 BILLION AND ON FINANCIAL STATEMENTS IN THE AMOUNT OF MORE THAN CZK 37 MILLION WERE CORRECTED. ONLY ISOLATED DEFICIENCIES WERE FOUND IN CLOSING ACCOUNTS, AND THESE DEFICIENCIES HAD NO IMPACT ON THE CONCLUSIVENESS OF THE CLOSING ACCOUNTS.

Measures to correct identified shortcomings

Another component of financial audits is the systematic verification of the implementation of measures to remedy shortcomings detected in previous audits.

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

Audit No	Audited entity	Previous Audit No	Number of measures taken to correct shortcoming	Number of measures fully and correctly implemented	Number of measures partially implemented	Number of measures not implemented	Number of measures no longer relevant (e.g. due to a change in regulation)
23/17	Ministry of Transport	19/08 ²⁰⁵	10	6	1	2 ²⁰⁶	1
23/18	Technology Agency of the Czech Republic	x ²⁰⁷	x	x	x	x	x
23/19	Industrial Property Office	x ²⁰⁶	x	x	x	x	x
23/20	Ministry of Regional Development	19/21 ²⁰⁸	20	20	x	x	x

Source: Audit reports of individual audits.

The above overview shows that in most cases the audited entities respond to the measures imposed.

Results of audit work with regard to the internal control system

One aspect of financial audit is scrutiny of the internal control system. The SAO verifies whether the audited entities' internal control system is designed in line with the relevant legislation in the case of the tested operations²⁰⁹; selected control mechanisms in the accounting systems are also tested. The effective and reliable functioning of the internal control system has a fundamental impact on the completeness, conclusiveness and correctness of information presented in financial statements and other reports.

The financial audits identified weaknesses and risks in the accounting, budgetary system and final accounts that were not identified by the internal control system but were duly corrected by the audited entity during the audit (Audit No [23/17](#), Audit No [23/18](#), Audit No [23/19](#) and Audit No [23/20](#)).

In two cases (Audit No [23/19](#) and Audit No [23/20](#)), circumstances indicating a breach of budgetary

²⁰⁵ Audit No 19/08 – Closing account of the state budget chapter “Ministry of Transport” for the year 2018, financial statements of the Ministry of Transport for the year 2018 and data submitted by the Ministry of Transport for the evaluation of the state budget implementation for the year 2018 (audit report was published in Vol. 3/2020 of the SAO Bulletin).

²⁰⁶ Incorrect reporting of funds provided to established contributory organisations for the acquisition of fixed assets and reporting of non-existent long-term contingent receivables from pre-financing of foreign transfers

²⁰⁷ Not relevant, this was the first FA-type audit.

²⁰⁸ Audit No 19/21 – Closing account of the state budget chapter “Ministry of Regional Development” for the year 2018, financial statements of the Ministry of Regional Development for the year 2018 and data submitted by the Ministry of Regional Development for the evaluation of the state budget implementation for the year 2018 (audit report was published in Vol. 6/2020 of the SAO Bulletin).

²⁰⁹ In particular, Section 3 of Act No 320/2001 Coll., on financial control in public administration and amending certain acts (Financial Control Act).

discipline with a total value of CZK 15.7 million which the internal control system had failed to prevent were ascertained.

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

Audit No	Audited entity	Facts suggesting a breach of budgetary discipline
23/17	Ministry of Transport	x
23/18	Technology Agency of the Czech Republic	x
23/19	Industrial Property Office	0,1 ²¹⁰
23/20	Ministry of Regional Development	15.6 ²¹¹
Total		15.7

Source: Audit reports of individual audits.

210 Failure to publish a contract in the register of contracts

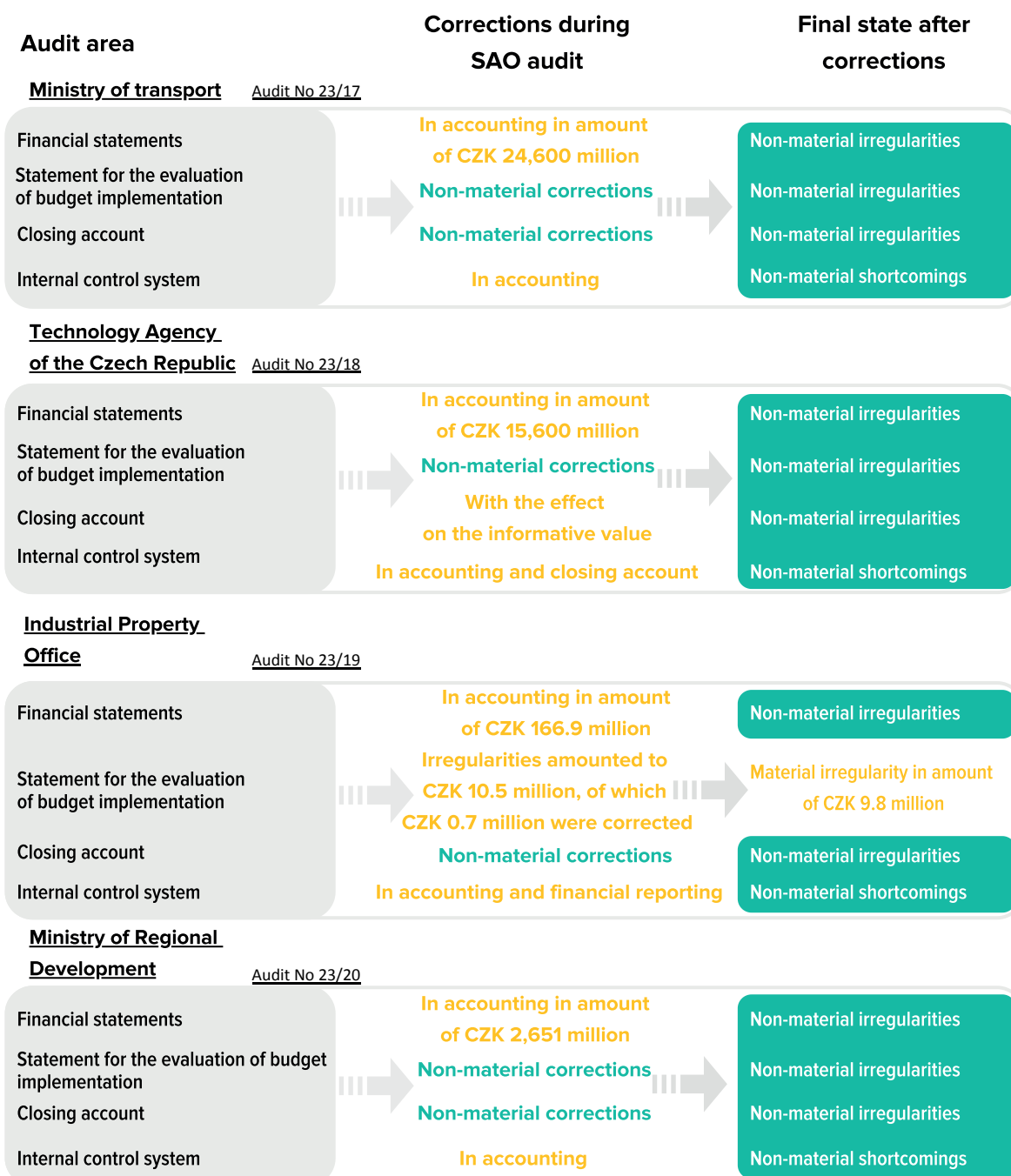
211 Failure to transfer funds from the foreign funds account to the state budget (these were returned funds from an already completed operational programme).



Financial audits **contribute to greater reliability** of financial information

Financial audit

MORE THAN CZK 43 BILLION WORTH OF IRREGULARITIES WERE CORRECTED IN AUDITS OF FINANCIAL INFORMATION



Legend:

■ Non-material irregularities /shortcomings identified

■ Material irregularities/shortcomings identified

7.3 PROMOTING GOOD ACCOUNTING AND AUDIT PRACTICE

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

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

- **interim audits**, during which the audited entities were able to correct the shortcomings identified (see Table 8);
- **repeated financial audits**, in which the SAO was able to evaluate the audited entity's response to the identified deficiencies in the form of corrective measures (see above under ***Measures to correct identified shortcomings***);
- **discussion of financial audit results** by the government and the CBC; audit reports are also available to both the professional and general public.

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

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

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

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

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

As part of the promotion of best practices, the SAO also carries out an analysis of the financial results from an accrual and cash perspective, including examples of the use of accrual accounting information (for more details, see the annexes to reports to Audits Nos [23/17](#), [23/18](#), [23/19](#) and [23/20](#)).

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

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

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

The SAO regards the following as persistent and significant problems affecting the comparability and reliability of the reported information:

Table 11: Persisting and significant methodological problems

Problem area	Description of the methodological problem
Funds from <i>National Recovery Plan</i>	<p>The National Recovery Plan is a reform and investment plan through which the Czech Republic can draw funds from the EU budget.</p> <p>The generally applicable methodologies issued for the implementation of the <i>National Recovery Plan</i> do not regulate the area of accounting and reporting.</p> <p>In the SAO's opinion, the National Recovery Plan should be methodologically unified in order to ensure uniform application of accounting procedures. One chief example of the degree of uncertainty in the substantive and accounting treatment of facts relating to the <i>National Recovery Plan</i> is the issue of the timing of the accounting of the claim for reimbursement of funds paid out and the settlement thereof.</p> <p>During some audits corrections were made to the accounts in order to ensure the correct and comparable presentation of these facts in the accounts (see, for example, the audit reports of Audits Nos 23/17 and 23/18).</p>
Financial instruments co-funded by the EU budget	<p>Financial instruments represent a form of funding, especially from the EU budget, whereby financial support is provided to beneficiaries in a REPAYABLE FORM (e.g. loans, guarantees, capital investments), thus differing from subsidies (transfers), which are NON-REPAYABLE.</p> <p>It is reasonable to expect that the proportion of financial instruments will increase to the detriment of subsidies.</p> <p>These are accounting cases on the borderline between transfers, receivables and financial assets for which no separate account or item is defined in the selected entities' financial statements. Nor is there a Czech accounting standard that would specifically regulate accounting procedures for financial instruments.</p> <p>In the SAO's opinion, these financial instruments can be reported on the basis of the accounting practice to date in the following ways:</p> <ul style="list-style-type: none"> – through account 069 – Other long-term investments (procedure of the MoIT published in the audit report of Audit No 20/34²¹²); – through account 471 – Long-term advance payments for transfers (procedure of the MoRD published in the audit report of Audit No 23/20). <p>Both approaches should be appropriately commented on in the notes to the financial statements.</p> <p>In general, however, other approaches to reporting cannot be ruled out in such cases, as it will always depend on the specific circumstances.</p>

212 Audit No 20/34 - Closing account of the state budget chapter Ministry of Industry and Trade for the year 2020, financial statements of the Ministry of Industry and Trade for the year 2020 and data submitted by the Ministry of Industry and Trade for the evaluation of the implementation of the state budget for the year 2020 (audit report published in the SAO Bulletin Vol. 4/2021).

Problem area	Description of the methodological problem			
Information reported in off-balance accounts	<p>Off-balance accounts are used for items that are not accounted for in the balance sheet accounts. These are known as contingent receivables, contingent payables and other off-balance assets and liabilities that relate to future increase or decrease of property or other assets or liabilities that may occur based on a specified term or terms.</p> <p>Contingent assets and contingent liabilities can be divided into three categories in terms of the probability that balance sheet assets and liabilities will arise:</p> <ul style="list-style-type: none"> • essentially certain and expected assets/liabilities – payment of the contingent asset or liability is already budgeted for and it is only a matter of time before the payment is made (e.g. from contracts and transfers); • assets/liabilities contingent on a specific risk – contingent receivables and liabilities associated with situations that may arise but where the outcome is not within the entity's control and therefore represent a monitored risk to the entity (e.g. litigation, guarantees given); • uncertain and not expected assets/liabilities – these are hypothetical contingent receivables and liabilities; their occurrence and hence settlement are not expected (e.g. potential compensation for possible destruction of borrowed assets). <p>It is clear from the financial audits completed in 2024 that, in terms of reported values, essentially certain and expected assets/liabilities are the predominant type:</p>			
	Categories of contingent assets/liabilities	Audit No 23/17	Audit No 23/18	Audit No 23/19
	essentially certain and expected	99.9%	100%	50.7%
	conditional on a specific risk that is not wholly under the accounting entity's control	0.1%	0.0%	49.1%
	uncertain, not expected	0.0%	0.0%	0.1%
<p>Data on facts conditional on a specific risk constitute valuable information. What is not clear, however, is whether and to what extent even essentially certain and expected assets/liabilities need to be tracked in off-balance accounts, since essentially the only condition that must be met for them to become balance sheet assets/liabilities is the passage of time.</p> <p>Moreover, the accounting regulations do not require information on off-balance facts to be commented on in the notes to the financial statements. This obligation (to present additional and explanatory information) explicitly applies only to assets, receivables and liabilities of the balance sheet type, which reduces the usability of the information reported in off-balance accounts.</p>				

Source: Audit reports from individual audits.

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

The SAO continued to cooperate with professional institutions during 2024. This cooperation took various forms:

- conclusion of a memorandum of cooperation with the **Union of Accountants** and follow-up working meetings on selected methodological topics, an analytical tool for risk detection and education of accountants in the public sector;
- working meeting with representatives of **the CSO** on an analytical tool for detecting risks arising from accounting and budget data and observer-status participation in the Eurostat mission to the CSO (EPD dialogue visit²¹³);
- cooperation with the **University of Economics** on mapping the use of accrual accounting information by the state – with particular regard to the preparation of questionnaire surveys for different groups of respondents and interviews with the Czech National Bank, the National Budget Council, the MoF and the CSO;

- participation in a meeting of the government statistics working group of the **Ministry of Finance** and the **Czech Statistical Office**.

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

The SAO's opinions contribute to modifications of the legal regulations concerning the state's accounting and reporting.

In 2024 the SAO applied its audit findings when commenting on draft amendments to legislation. These included:

- a draft legislative **act on the management and control of public finances and the related draft amendment act;**
- a draft legislative **act amending certain acts in connection with the adoption of the Accounting Act;**
- **an amendment to Decree No 412/2021 Coll., on the budget structure.**

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

The SAO regularly takes part in financial audits of international organisations. In 2024, the SAO was represented on the Audit Board of EUROCONTROL.

The SAO also sees to the translation of the *International Public Sector Accounting Standards* (IPSAS) from English into Czech and, with the consent of the International Federation of Accountants, publishes it on the SAO website.

III. FINANCIAL EVALUATION OF AUDIT WORK

1. OVERALL FINANCIAL EVALUATION OF AUDITS

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

The total value of audited finances and property was **CZK 83.2 billion**. This figure derives from audits whose audit report was approved in 2024. The figure does not include data from audits aimed at auditing the closing accounts of state budget chapters and data on finances assessed only at system level (e.g. in audits of strategic and policy materials, and in audits of programme funds as part of the scrutiny of their administrators' or intermediate bodies' work). Financial audits examined data reported by the audited entities in their financial statements totalling **CZK 563.7 billion** and data contained in financial reporting totalling **CZK 218.1 billion**. The value of funds assessed at the system level in the audits completed in 2024 was **CZK 1,627.2 billion**.

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

On the basis of its audit work, the SAO notifies the relevant tax administrations of identified deficiencies that are related to the audited entities' tax obligations. Specific audit findings can be used by the appropriate tax administrators to launch proceedings that could lead to a decision to impose a penalty for a breach of budgetary discipline.

In 2024, **32** notifications related to the administration of taxes arising from **18** audits were sent to tax administrators as part of the SAO's notification duty. The total amount of funds quantified in these notifications was over **CZK 1.2 billion**. The notifications related to breaches of obligations detected among beneficiaries of subsidies (18) and breaches of obligations by state organisational units (14).

IV. ASSESSMENT OF OTHER ACTIVITIES

1. COOPERATION WITH THE CRIMINAL JUSTICE AUTHORITIES IN 2024

In 2024, the SAO filed **six** notifications under Section 8 (1) of the Criminal Procedure Code based on the findings of **five** audits indicating that a criminal offence had been committed.

The notifications concerned suspected offences of fraud, subsidy fraud, breach of duties in the management of third-party assets, negligent breach of duties in the management of third-party assets and harming the financial interests of the European Union.

The criminal justice authorities requested the SAO's assistance in a total of six cases in 2024. Further to these requests, the SAO provided audit materials from seven audits.

2. OPINIONS ON DRAFT LEGISLATION IN 2024

According to Section 6 of the SAO Act, both chambers of the Czech parliament and their bodies may ask the SAO to provide an opinion on draft legislation concerning budgetary management, accounting, state statistics and the performance of audit, supervision and inspection activities. The above entities did not make use of this authorisation in 2024 in the sense of submitting a formal request for an opinion.

In inter-ministerial consultation under the *Government Legislative Rules*, the SAO gave its opinion on draft legislation touching on its competences or concerning it as a state organisation. The SAO examined a total of **187** legislative proposals and non-legislative materials in 2024. The SAO made specific comments on **25** proposals, mainly referencing its audit findings.

The SAO issued a fundamental comment on the draft act on the management and control of public finances submitted by the MoF. In its comment, the SAO requested that the definition of the principle of effectiveness as set out in Article 33 (1)(c) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council be adopted in the draft legislation and that the principle of sound financial management be supplemented by other definitions contained in this Regulation. The SAO's comment was accepted by the submitting party and the draft act was modified. The government bill was put before to the Chamber of Deputies in November 2024.

The SAO issued another fundamental comment on the draft act on state social aid benefits, which was submitted by the MoLSA. The SAO objected that the proposed method of setting normative rent was not systemically linked to the parallel bill on housing support, as it did not reckon with the use of price maps. This comment was not accepted by the submitting party on the grounds that price maps work with market prices for rental housing, which may be higher than the actually achieved prices. The government put the bill before the Chamber of Deputies in September 2024.

The SAO made a recommendation on the draft act amending Act No 134/2016 Coll., on public procurement, as amended, and some other related acts, submitted by the MoRD. The SAO's comment concerned part four of the act – a draft amendment to the act on the competence of the Office for the Protection of Competition, which newly enshrines the power of the President of the SAO to submit to the government a proposal for the appointment of one member of the evaluation commission for the selection procedure for the Office of President of the Office for the Protection of Competition. The SAO recommended adding another section to the bill containing the necessary related amendment to Act No 166/1993 Coll., on the Supreme Audit Office. The SAO's comments were accepted by the submitting party and the text of the bill was modified in accordance with the SAO's comments. The bill was placed on the agenda of the

Government Legislative Council in December 2024.

The SAO also made recommendations on a government bill amending Act No 166/1993 Coll., on the Supreme Audit Office, as amended, which aims to expand the current scope of the SAO's audit powers. The proposal was submitted by the Office of the Government of the Czech Republic. In its comments, the SAO argued that the draft did not include as audited entities other public institutions that manage public funds and pointed out errors in the deadline for filing objections to audit reports and in the provisions concerning the handling of audit findings containing classified information. The consultation process on the material has currently been completed, but the SAO has not yet been informed how its comments have been dealt with.

The SAO also sent a written statement on the proposal of deputies Jakub Michálek, Ivan Bartoš, Olga Richterová and Klára Kocmanová for an act amending Act No 166/1993 Coll., on the Supreme Audit Office, as amended. The SAO objected in its statement that the proposal did not extend its competence to the audit of territorial self-governing units, their contributory organisations or legal entities established by them. The SAO also drew attention to the absence of any rules on the SAO's competence in relation to other public institutions that manage public funds, such as public research institutions, public universities, public cultural institutions or health insurance companies. The SAO further objected that it was not clear from the explanatory memorandum what substantive reasons had led the submitters of the proposal to propose extending the SAO's remit only cover to audit of the management of public funds by Czech Television and Czech Radio. To conclude, the SAO recommended that the government reject the bill. At its meeting held on 15 January 2025, the government discussed the draft act and rejected it, presenting detailed reasoning for its decision.

The SAO issued further comments with recommendations in the inter-ministerial consultation process on, inter alia: a draft act amending Act No 289/1995 Coll., on forests and amending and supplementing certain acts (the Forests Act); a draft act amending Act No 226/2013 Coll., on the marketing of timber and timber products; a draft act amending certain acts in connection with the regulation of selected agendas within the scope of the DIA; a draft act amending Act No 48/1997 Coll., on public health insurance and amending and supplementing certain related acts; a draft act on data management and on controlled access to data; a draft act amending certain acts in connection with the adoption of the Accounting Act; a draft decree amending Decree No 530/2006 Coll. on the procedures of attestation centres when assessing the long-term management of public administration information systems.

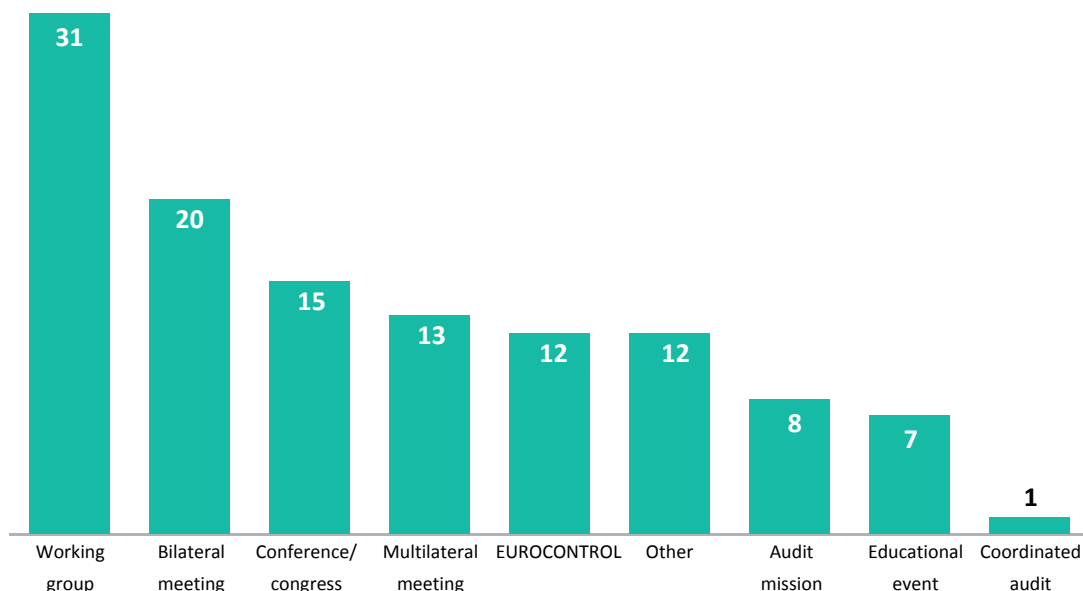
Of the legislative materials submitted to the inter-ministerial consultation procedure in 2023, the SAO issued a fundamental comment on a draft act amending Act No 219/2000 Coll., on the property of the Czech Republic and its representation in legal relations, submitted by the MoF. The SAO disagreed with the proposed authorisation of the Office for Government Representation in Property Affairs to inspect buildings and other related real estate or parts thereof which the SAO is responsible for managing or uses. This comment was accepted and the text of the bill was modified. The Act was debated on 18 December 2024 at the 4th session of the Senate of the Parliament of the Czech Republic and was returned by the Senate to the Chamber of Deputies with proposed minor amendments for further deliberation.

Among the non-legislative materials submitted for consultation procedure, the SAO commented on the *Draft State Closing Account of the Czech Republic for 2024*; the *Strategy for Data Management in Public Administration (2024–2030)*; the *Annual Report on Computerisation and the State of Public Procurement in the Czech Republic for 2023*; the *Implementation Plan for the Digital Czech Republic Programme for 2025*; the *Economic Strategy of the Czech Republic*; on a material entitled *Preferred Option for the Selection of the European Digital Identity Wallet Provider*; and on a material entitled *Waste Management Plan of the Czech Republic for 2025–2035*.

3. INTERNATIONAL COOPERATION

SAO representatives attended a total of 119 international events in 2024, 10 more than in 2023. The meetings were held online in 42 cases; 77 meetings were held in person.

Chart 26: Overview of international events with SAO participation



Source: chart prepared by the SAO

The first part of 2024 was mainly marked by intensive preparations for the end of the SAO's Presidency in the European Organisation of Supreme Audit Institutions (EUROSAI).

The Presidency ended at the end of May at the XII EUROSAI Online Congress. The President of the SAO officially handed over the Presidency of EUROSAI to his Israeli counterpart, bringing an end to three years' hard work, thanks to which the SAO made a significant contribution to improving cooperation between European audit institutions and confirmed its reputation as an erudite and reliable partner.

The three years of the Supreme Audit Office's Presidency of EUROSAI are summarised in a publication²¹⁴ published in May 2024.

The SAO's role in EUROSAI did not end there, however. In addition to active involvement in several project and working groups, the SAO remains a member of the EUROSAI Governing Board until 2027. The SAO was also nominated by the EUROSAI Governing Board as a EUROSAI candidate to join the Governing Board of the International Organisation of Supreme Audit Institutions (INTOSAI) for the coming strategic period.

Under the auspices of INTOSAI, SAO auditors participated in 17 events in the course of the year, one of which was a technical workshop for the entire EUROSAI region, known as *ClimateScanner*²¹⁵.

In addition, several working meetings with colleagues from the European Court of Auditors (ECA),

²¹⁴ See <https://www.nku.cz/assets/publications-documents/other-publications/euroesai-presidency-2021-2024.pdf>.

²¹⁵ See <https://www.environmental-auditing.org/projects/climatescanner/>.

Hungary, Austria and Slovakia took place at the SAO headquarters in Prague. The meetings concerned performance audits, quality control, asset management and cooperation in the area of the European Train Control System (ETCS).

Preparatory work has begun on a coordinated audit of the education of Ukrainian children in Lithuania, Poland, Slovakia and Ukraine, in cooperation with the audit institutions of those countries.

At the bilateral level, the SAO President held talks with nine of his counterparts. He met with some of them more than once, such as the President of SAI Slovakia and the President of the Spanish Court of Auditors.

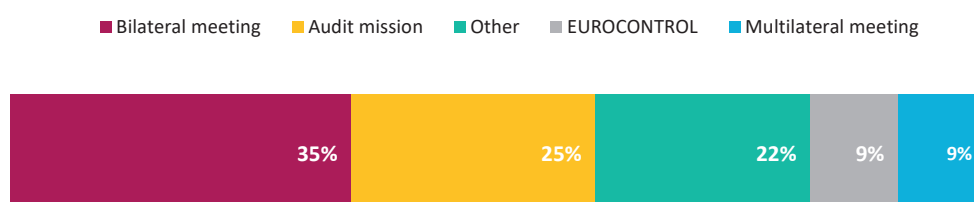
In 2024, the SAO President conferred the SAO President's Award on two of his foreign partners, namely the auditor general of the National Audit Office of the UK and the President of the Spanish Court of Auditors. And in October the SAO President himself received a prestigious award on the occasion of the 1956 Hungarian Revolution Memorial Day. He received this award from the President of SAI Hungary for his long-standing commitment to knowledge sharing and mutual exchange of experience as the President of EUROSAI.

International activities in 2024 also included audit missions and other activities of the ECA; meetings with the European Public Prosecutor's Office and representatives of the European Commission; the SAO's involvement in the activities of the European Organisation for the Safety of Air Navigation (EUROCONTROL); and cooperation with the International Board of Auditors of NATO and the INTOSAI Development Initiative (IDI).

The EU Contact Committee (CC) convened and most of the meetings of its initiatives and working groups took place in the second half of 2024

Due to the ongoing war in Ukraine, cooperation with the audit institutions of the Russian Federation and Belarus remains suspended.

Chart 27: International visits to the Czech Republic and meetings organised by the SAO



Source: chart prepared by the SAO



The first bilateral meeting at the highest level took place in Prague on 22 January 2024. The President of the SAO and the Auditor General of SAI UK, Gareth Davis, opened the first meeting of the EUROSAl project group on resilience and preparedness. On this occasion, the President of the SAO presented Gareth Davis with an award for his outstanding achievements in public audit and for his proactive approach to data sharing and collation.

A total of 47 participants from 17 countries discussed potential global threats such as natural disasters and other climate change-related disasters, cyber attacks etc. on 22–23 January 2024. A new EUROSAl project group led by SAI UK was established to focus on the readiness of audit institutions to respond to these global threats to audit work.





The traditional meeting of representatives of the Supreme Audit Office with Ambassadors of EU countries, representatives of the European Commission and the Ministry of Foreign Affairs took place on 21 February 2024 at the SAO headquarters in Prague. The President of the SAO and his staff presented the results of their audits of the use of EU subsidies.

On 11 April 2024, the SAO Vice-President welcomed the Vice-President of SAI Slovakia, Henrieta Crkoňová, and presented her with the SAO Annual Report for 2023.

Another major event at the SAO headquarters in terms of the number of participants was the *ClimateScanner* technical workshop. This was organised in cooperation with SAI Brazil and was attended by 43 auditors from 26 SAIs.

The workshop, which ran from 3–7 June 2024, aimed to provide practical guidance on how to use the *ClimateScanner* tool and how to systematically assess and monitor government action on climate change.



The 158th meeting of the EUROCONTROL Audit Board took place in Prague on 23 September 2024. The EUROCONTROL Audit Board was chaired by a representative of the SAO at this time.

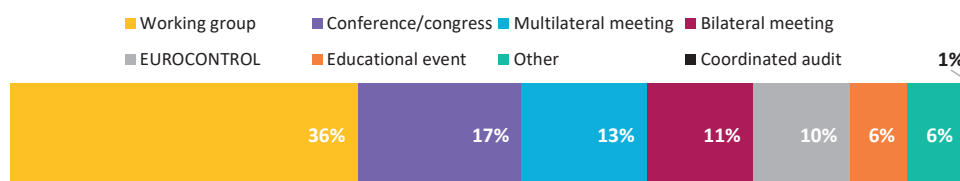


As the XII EUROSAT Congress was held online, it was not possible to meet in person with EUROSAT Secretary General Enriqueta Chicano Jávega to evaluate the SAO's three-year tenure as the Head of EUROSAT.



The President of the SAO therefore invited the Secretary General to a bilateral meeting in Prague. This took place on 2–3 October 2024, when the senior officials discussed the role and future tasks of the SAO in the EUROSAT Governing Board.

The President of SAT Spain, Enriqueta Chicano Jávega, also received an award from the SAO President for her significant contribution to the successful and smooth course of the Czech Presidency of EUROSAT in 2021–2024.

Chart 28: Participation of SAO representatives in international events and meetings abroad

Source: chart prepared by the SAO

The SAO's involvement in international working groups, task forces and project groups

The largest share (36%) of international activities comprised SAO representatives and auditors in working and project groups, most notably under the auspices of EUROSAT, ECA, CC and INTOSAI.

EUROSAT has four working groups: on information technologies, environmental auditing, funds allocated to disasters and catastrophes, municipality audit²¹⁶; plus a Network for Ethics²¹⁷. The SAO is a member of the first three of those working groups and the Network for Ethics.

Every year there are meetings of members of the working groups for EUROSAT's two strategic goals (Strategic Goal 1 on professional cooperation, and Strategic Goal 2 on institutional capacity development). The meetings are intended for sharing information on the implementation of the current EUROSAT Strategic Plan and ongoing projects and audits.

In May, a meeting of the EUROSAT Working Group on Environmental Auditing (WGEA)²¹⁸, led by SAI Poland, was held in Malta. The meeting was devoted to audit work relating to energy security.

For the second time, WGEA representatives met in Baku, Azerbaijan, on 3–4 October 2024 to discuss strategies for preparedness for extreme weather events.

The 17th meeting of the EUROSAT Information Technologies Working Group, chaired by SAI Estonia, was held in a hybrid format on 24–25 September 2024 in Oslo, Norway, with the focus on the use of artificial intelligence in audit work.



²¹⁶ See <https://www.tfma.eu/>.

²¹⁷ See <https://eurossai.revizija.hr/en>.

²¹⁸ See <http://www.eurosaiwgea.org/>.

The SAO is at the helm of three projects within EUROSAl: the information exchange platform (BIEP)²¹⁹, the EUROSAl audit database and the EUROSAl Secondment Programme.

SAO auditors were involved in the activities of EUROSAl project groups in the following areas in 2024:

- experts'/auditors' club (led by SAI Lithuania);
- data wrapping analysis method and other methods in audit activities (led by SAI Sweden);
- updating the EUROSAl website (led by SAI Spain);
- audit institutions' resilience and preparedness for future threats (led by SAI UK);
- review of EUROSAl rules and documents (led by SAI Spain);
- EUROSAl Strategic Plan 2024–2030 (led by SAI Israel);
- technical support for the SAI of Ukraine (led by SAI UK).
- real-time audit methodology (led by SAI Italy);
- population ageing (led by SAI Israel).

The ECA chairs an informal working group of experts on performance auditing in the transport sector. This group brings together 12 EU audit institutions. Its members, including the SAO, regularly inform each other about ongoing and upcoming audits in the field of transport infrastructure.

In 2024, SAO auditors participated in the following working groups under the auspices of the CC:

- Representatives of the NextGenerationEU recovery fund and the Recovery and Resilience Facility met five times during 2024 to address ongoing and planned audits of national recovery plans.
- On 24–25 September 2024 in Bonn, Germany, the members of the CC VAT Working Group exchanged the latest information on changes in VAT legislation, both at European and national level, as well as the results of VAT audit work and new developments in the use of artificial intelligence in this area.
- The new European fiscal rules and current audits targeting fiscal policy areas were the topics of the Network on Fiscal Policy Audit meeting in Rome on 2–3 October 2024.



219 See <https://biep.nku.cz/>.

Several meetings of the following working groups and committees were held under the auspices of INTOSAI with SAO representatives in attendance:

- The INTOSAI Working Group on Environmental Auditing (INTOSAI WGEA), whose secretariat is based in Helsinki, held its 22nd Steering Committee meeting in Rovaniemi, Finland, on 22–25 January 2024, launching new projects on climate change, biodiversity and the green economy. The Steering Committee of the INTOSAI WGEA, which features SAO representatives, held an online meeting on 28 October 2024.
- The INTOSAI Working Group on Evaluation of Public Policies and Programs met in Bucharest on 20–21 June 2024 to evaluate and select performance audit topics.
- The 17th meeting of the INTOSAI Working Group on the Fight Against Corruption and Money Laundering was held in Abu Dhabi on 3–5 September 2024. A representative of the SAO presented a paper entitled *SAO Role in Fighting Fraud*.

As an expert consultant, the SAO is involved in the INTOSAI IDI initiative aimed at strengthening legal departments in Supreme Audit Institutions (LEG SAI). The second meeting of the LEG SAI Working Group was held in Madrid on 23–25 April 2024.



Bilateral and multilateral meetings outside the Czech Republic

The year 2024 was replete with conferences often associated with important anniversaries, such as the 25th anniversary of the State Audit Office of North Macedonia, the 30th anniversary of the State Audit Office of the Republic of Croatia, the 30th anniversary of the Court of Audit of Slovenia and the 160th anniversary of the Court of Audit of Romania.

On the occasion of the celebration of the 105th anniversary of the founding of the Supreme Audit Office of Poland, the Vice-President of the SAO attended an international conference on 7 February entitled *The Role of Independent Supreme Audit Institutions in Improving the Functioning of Modern, Secure and Digital States*.



In 2024 SAO representatives also attended an international meeting of auditors in Bern, Switzerland, a conference for young auditors under 35 in Warsaw, Poland, and a conference for internal auditors in Budapest, Hungary. The 26th UN/INTOSAI Symposium was held in Vienna in April 2024.

On 8–10 April 2024, the 5th EUROSAI Governing Board meeting at technical level took place in Riga, Latvia, with the participation of 28 delegates from 11 audit institutions. The meeting was chaired by representatives of the SAO and, in addition to the traditional evaluation of the work of EUROSAI working groups, the meeting's main focus was the preparations for the XII EUROSAI Congress.

On 22–24 April 2024, a representative of the SAO presented lectures in Slovakia. A lecture at the University of Ss. Cyril and Methodius in Trnava on the work of the SAO, focusing on approaches to data analysis and interpretation, was followed by a workshop for colleagues from SAI Slovakia in Bratislava, again focusing on data processing and interpretation.



The President of the SAO joined the Heads of the audit institutions of Estonia, Lithuania, Latvia and Poland and met with the leadership of the Ukraine's Chamber of Accounting in Kiev on 1–5 June 2024. There they discussed the importance and specific aspects of parliamentary scrutiny in the area of public finance and the development of international cooperation. At the end of the meeting, the President of the SAO presented the chairman of the Supreme Council of Ukraine, Ruslan Stefanchuk, with a framed copy of the statement of the EUROSAI Governing Board on the suspension of cooperation with the audit institutions of the Russian Federation and Belarus.



On 24–25 June 2024, the President of the SAO met with the highest representatives of SAIs Poland, Hungary, Slovakia, Austria and Slovenia at the regular annual V4+2 meeting in Graz, Austria. The meeting was attended by the President of SAI Ukraine as an observer, as well as the highest representatives of SAIs Bosnia and Herzegovina and Montenegro, with the aim of establishing closer cooperation between V4+2 and the SAIs of the EU candidate countries. The President of SAI of Croatia was also invited. The meeting was called *Next Generation: Are we passing on more than just debt to the next generation?*



At the beginning of July, the President of the SAO gave a speech entitled *The Power of Questions: Navigating towards resilience, sustainability and adaptability* at the 10th OLACEFS–EUROSAI Joint Conference.

The President of the SAO made two consecutive bilateral visits at the beginning of September. First, he held talks with the President of SAI Slovenia, Jana Ahčin, in Ljubljana on 2–3 September 2024.



Then, on 4 September, he travelled to Bratislava, Slovakia, for a conference on current trends in ESG reporting. He gave one of the opening speeches at the conference. On 5 September 2024, he met with the President of SAI Slovakia. Their meeting focused on the transfer of experience from the Presidency of EUROSAI.



On 17–18 October 2024, 22 senior representatives of the EU audit institutions and ECA met in Paphos, Cyprus, for a meeting of the CC. The new *EU Pact on Migration and Asylum* and the results of migration-related audit work were discussed. The President of the SAO delivered a presentation on Audit No 20/10 – *State funds spent on the fulfilment of selected objectives of the migration policy of the Czech Republic*.

The meeting of the CC was preceded by a high-level conference on 15 October 2024, organised by SAI Cyprus and focusing on the independence of audit institutions. At the end of the conference, the Presidents of SAI Montenegro and SAI Poland addressed the meeting, and both publicly thanked the SAO President for his long-term support for their independence.



The 63rd meeting of the EUROSAI Governing Board was held in London on 30–31 October 2024. The meeting was chaired by the Head of SAI of Israel. In addition to the administrative agenda, the meeting featured thematic presentations on cyber security, artificial intelligence and recent audit reports by representatives of SAI UK.



The *Global Summit on SAI Audits Contributing to Digitalisation and Sustainability* was held in the Georgian capital Tbilisi on 18–19 November 2024.

On 8–12 December 2024, SAO auditors undertook a study visit to SAI Poland in Warsaw to learn about developments in the preparation and construction of rest areas on motorways and expressways in Poland.



The last international event of 2024 was the 160th meeting of the EUROCONTROL Audit Board, which took place in Brussels on 13 December 2024.

4. THE SAO'S PUBLIC OUTREACH

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

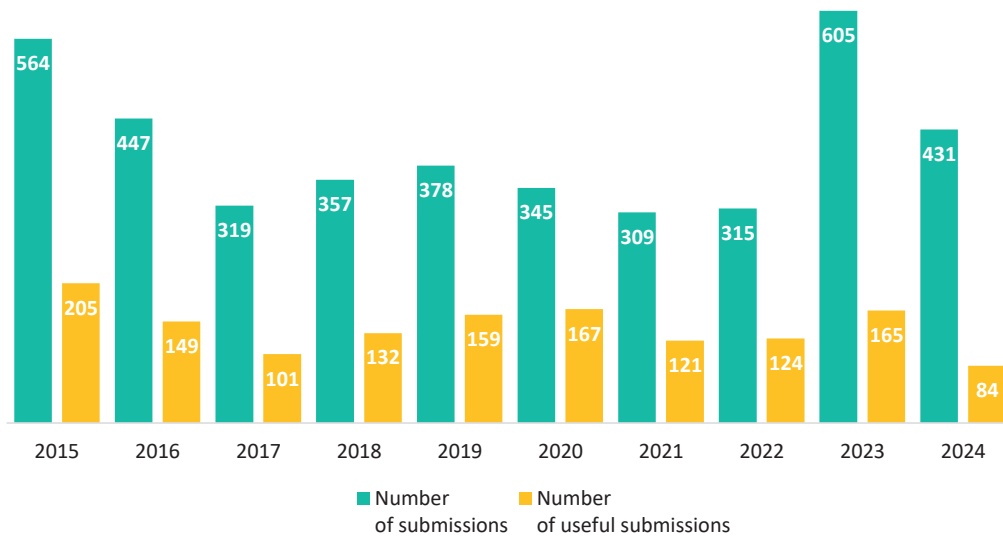
In 2024, the SAO received twenty-seven written requests for information pursuant to Act No 106/1999 Coll., on free access to information, as amended (Information Act). In response to fourteen requests, the SAO provided the requested information in its entirety, e.g. information on the results of audit work, audit reports (including declassified ones), salaries of SAO staff, personnel matters and information on the construction of the SAO headquarters. The SAO rejected four requests requesting information on the course of audits pursuant to Section 11 (4)(d) of the Information Act. In response to one request concerning an internal audit, the SAO provided part of the requested information and refused part of the request under Section 11 (1)(a) of the Information Act. The SAO issued three decisions rejecting requests under Section 2 (4) of the Information Act. These were requests to form an opinion or for new information. Specifically, there were questions about the purchase of vaccines for COVID-19, the lease of a property to a state-owned company and the transfer of a holiday cottage between ministries. One decision of the SAO was appealed. The appeal was decided by the Office for Personal Data Protection, which upheld the SAO's handling of the request. The SAO set aside five requests pursuant to Section 14 (5)(c) of the Information Act because the information requested did not relate to the SAO's competence.

All the requests for information were dealt with within the statutory time limits.

4.2 CITIZENS' SUBMISSIONS

In 2024, the SAO's Communication Department registered 431 written submissions (suggestions, complaints, requests, enquiries etc.) from citizens and legal entities. The content of all the submissions is evaluated with regard to the SAO's powers and in terms of the potential use of the information in audit work. Submissions concerning areas covered by the SAO's competence are used as a supplementary information source in the context of related planned audits and when preparing ideas for audits in the coming period. In 2024, the SAO received 84 external suggestions that could thus be acted on, i.e. 20% of the total number of submissions received. In its audit work, the SAO used the findings from submissions focusing mainly on the management of state property and state budget funds and on the use of special-purpose subsidies provided from national sources and European funds to various beneficiaries.

Chart 29: Overview of the total number of submissions and their usefulness for SAO's audit activities between 2015 and 2024



Source: chart prepared by the SAO.

Most communication from citizens to the SAO in 2024 was again in electronic form, primarily via email, data box and the to us application on the SAO website.

5. MANAGEMENT OF FINANCES ALLOCATED TO THE SAO BUDGET CHAPTER IN 2024

5.1 COMPLIANCE WITH MANDATORY INDICATORS OF THE SAO BUDGET CHAPTER

The approved budget of chapter 381 – *Supreme Audit Office* for 2024 was laid down by Act No 433/2023 Coll., on the state budget of the Czech Republic for 2024.

An overview of compliance with the defined mandatory indicators in 2024 is given in the following table:

Table 12: Overview of the fulfilment of the set mandatory indicators in 2024**(CZK)**

	Approved budget	Budget after changes (BaC)	Final budget (R3)	Real budget	% fulfillment to BaC	% fulfillment to R3
Overall indicators						
Total revenue	908,000	908,000	0	4,293,103	472.81	0.00
Total expenditure	590,376,060.00	590,376,060.00	702,021,667.74	621,454,537.94	105.26	88.52
Specific indicators - revenues						
Total non-tax revenues, capital revenues and transfers received	908,000.00	908,000.00	0	4,293,103.15	472.81	–
In which: Total revenue from the EU budget excluding Common Agricultural Policy	0.00	0.00	–	0.00	0.00	–
Total miscellaneous non-tax revenues, capital revenues and transfers received	908,000.00	908,000.00	0.00	4,293,103.15	472.81	–
Specific indicators - expenditures						
Expenditures on performance of SAO's duties	590,376,060.00	590,376,060.00	702,021,667.74	621,454,537.94	105.26	88.52
Cross-cutting indicators						
Staff salaries and other payments for work performed	366,875,024.00	366,875,024.00	357,499,244.00	352,532,243.00	96.09	98.61
Obligatory insurance premiums paid by the employer	124,003,758.00	124,003,758.00	120,057,346.00	117,735,882.00	94.95	98.07
Basic allocation of the cultural and social needs fund	3,338,862.00	3,338,862.00	3,222,101.00	3,215,535.00	96.31	99.80
Salaries of staff in active employment, excluding staff in official positions	333,886,230.00	333,886,230.00	323,710,450.00	321,522,711.29	96.30	99.32
Salaries of staff in official positions under the Civil Service Act	–	–	–	–	–	–
Salaries of staff in official positions according to Act No. 240/2000 Coll	–	–	–	–	–	–
Total expenditure co-financed in full or in part by the EU budget (excluding Common Agricultural Policy)	–	–	–	–	–	–
In which: from the state budget	–	–	–	–	–	–
EU budget share	–	–	–	–	–	–
Total expenditure registered in EDS/ SMVS programme financing information system	29,315,000.00	29,315,000.00	90,883,020.00	55,145,252.78	188.11	60.68

Revenue

Actual revenue in the SAO budget chapter were CZK 4,293.10 thousand, i.e. 472.81% of the approved budget revenue of **CZK 908,000**.

Expenditure

The approved expenditure of the budget chapter was CZK 590,376.06 thousand. Unused expenditure from previous years totalling CZK 127,384.56 thousand was carried forward and tied funds totalling of CZK

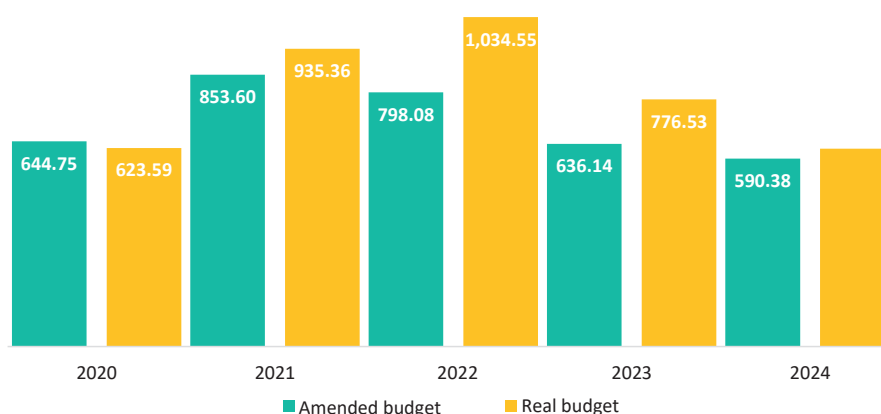
15,738.95 thousand were factored into the budget. The final expenditure budget was CZK 702,021.67 thousand. Actual expenditure was CZK 621,454.54 thousand, representing 105.27% of the approved budget and amended budget and 88.52% of the final budget.

The biggest expenditure item (CZK 470,359.48 thousand, i.e. 75.67%) relates to salary expenditures and other payments for work done (including expenditures on salaries of SAO officials) and related expenses, i.e. statutory insurance contributions.

All the mandatory indicators of the SAO budget chapter were complied with in 2024.

Chart 30 gives an overview of expenditure in budget chapter 381 – *Supreme Audit Office* from 2020 to 2024. The amended budget decreased by CZK 54,375 thousand between 2020 and 2024. The main reason for the decrease in the 2024 budget was the difference in funding for the construction of the SAO headquarters. Funds amounting to CZK 32,000 thousand were allocated for the construction and furnishing of the new headquarters in the budget for 2020, and none in 2024.

Chart 30: Summary of expenditure of Chapter 381 – *Supreme Audit Office* – according to the amended budget and budget implementation for 2020-2024 (CZK million)



Source: chart prepared by the SAO.

5.2 CLAIMS FROM UNUSED EXPENDITURE

Claims from unused expenditure stood at CZK 138,963.84 thousand as at 31 December 2024. In the year under review, claims from unspent expenditure totalling CZK 127,384.56 thousand were factored into the budget.

5.3 EXPENDITURE ON ASSET REPLACEMENT PROGRAMME FINANCING

The approved budget for expenditure on asset replacement programme financing was CZK 29,315 thousand. Claims from unused expenditure amounting to CZK 61,568.02 thousand were factored into the budget. The final budget thus amounted to CZK 90,883.02 thousand. CZK 55,145.25 thousand of the budget was utilised, i.e. 188.11% of the approved budget (and the budget after changes) and 60.68% of the final budget.

Programme **18101 – Development and Renewal of the Material and Technical Resources of the SAO from 2011** covers the years 2011–2020. In November 2020, the MoF approved an amendment to the programme documentation, which extended the implementation period until 31 December 2024 with regard to the SAO Headquarters Construction project. The amount of state budget participation in financing the programme was set at a maximum of CZK 1,518,512 thousand. The aim of the programme was to provide an efficient and effective working environment and conditions for the audit work of Supreme Audit Office staff. The total amount spent on the implementation of the programme in 2024 was CZK 39,418.55 thousand. From the start of the programme (i.e. from 1 January 2011) to 31 December 2024, a total of CZK 1,428,257.85 thousand was spent on the programme. The programme was terminated on 31 December 2024.

Programme **08101 – Development and Renewal of the Material and Technical Resources of the SAO from 2020** covers the years 2020–2026. The state budget's contribution to financing the programme is set at a maximum of CZK 154,812,20 thousand. A budget of CZK 29,315 thousand was approved for 2024. Unused expenditure amounting to CZK 8,647.15 thousand was factored into the budget. The final budget thus stood at to CZK 37,962.15 thousand. The programme's aim is to put in place the right material and technical conditions for the performance of audit activities and work of SAO staff. The amount spent on the programme in 2024 was CZK 15,726.70 thousand. From the start of the programme (i.e. from 1 January 2020) to 31 December 2024, a total of CZK 56,827,30 thousand was spent on the programme.

5.4 INFORMATION ON EXTERNAL AUDITS

The following audits were carried out by external bodies at the SAO in 2024:

- Inspection of the operation and functionality of HACCP²²⁰ in the training centre of the Supreme Audit Office, carried out by DW Hygiena, s. r. o., with its registered office at Vrážova 352, 664 61 Rajhrad, on 26 June 2024.
- Conclusion: The operator complies with all the hygiene requirements for catering operations. All employees conscientiously comply with the criteria stemming from the established HACCP system.
- External independent evaluation of the quality of internal audit conducted by the Audit Committee of the Chamber of Deputies of the Parliament of the Czech Republic together with experts from the Czech Institute of Internal Auditors in the period June to August 2024.
- Conclusion: The Internal Audit Department of the SAO was evaluated from an overall perspective in accordance with the binding parts of the International Framework for the Professional Practice of Internal Auditing, i.e. the main principles, the definition of internal audit, the Code of Ethics and standards of the Institute of Internal Auditors²²¹.
- Audit examining classified information conducted by the National Security Authority in conjunction with the National Cyber and Information Security Agency in November 2024.
- Conclusion: Security mechanisms are set up correctly and ensure the secure protection of the SAO's classified information. No deficiencies were found.

²²⁰ The Hazard Analysis and Critical Control Points (HACCP) system in food production is one of the basic tools to effectively prevent food safety hazards.
²²¹ See Certificate of Compliance of Internal Audit Activities with IIA Standards of 28 August 2024.

5.5 COMPULSORY AUDIT

The annual financial statements of the SAO were audited within the meaning of Section 33 (3) of Act No 166/1993 Coll., on the Supreme Audit Office, as amended. The auditor's statement was: *"In our opinion, the financial statements present a true and fair view of the Supreme Audit Office's assets and liabilities as at 31 December 2024 and its expenses and revenues and profit/loss for the year ended 31 December 2024 in accordance with the Czech accounting regulations."*

6. INTERNAL AUDIT DEPARTMENT

The Internal Audit Department is divided into governing and executive structures, is functionally independent and answers directly to the SAO President. The purpose, powers and responsibilities of the internal audit were set out in Guideline No 77, on ensuring internal audit at the Supreme Audit Office; its quality and effective performance is supported by the Internal Audit Department's documentation. The average annual converted number of employees carrying out internal audit in the year under scrutiny was 4.903. According to the approved annual plan, the Internal Audit Department carried out a total of four audits and three consultations²²².

Table 13: Number of activities implemented according to the internal audit plan for 2024

Number of completed internal audits included in the annual plan	Number of completed consultations included in the annual plan	Number of completed internal audits and consultations not included in the annual plan
4	3	0

The above-mentioned internal audits and consultations verified the functionality and effectiveness of the measures adopted on the basis of the recommendations of the Internal Audit Department, the compliance of the procedures followed by the SAO's units concerned with selected legal regulations, the compliance of the activities performed with their description in the internal regulations, the functionality of the fulfilment of the objectives and tasks of the audited units, the functionality and effectiveness of the internal control system, the economy and effectiveness of the funds spent on selected budget items and the efficiency of the SAO's processes and activities.

Recommendations were made by the Internal Audit Department to address the deficiencies identified by internal audits and consultations. The reports from the internal audits and consultations were submitted to the SAO President. In response to all the recommendations, the senior staff responsible for the management of the audited activities took appropriate and timely corrective actions to improve the effectiveness of the internal control system and the efficiency of the audited area. The choice of all measures took and takes into account the benefits, costs and side effects. It was not and is not possible for all measures, including those that are not effective, efficient or economical, to be applied to every single case, state or situation. The Internal Audit Department regularly assesses the implementation of adopted measures and monitors them until they are fully executed.

On 30 January 2025, the President of the Supreme Audit Office, Ing. Miloslav Kala, received and signed the *Annual Report on the Results of Internal Audit for 2024*. This report contains the following declaration on internal audit: *"Based on the results of the audits, we declare that in the selected areas of the internal operation and financial management of the SAO in the audited period the design of management and control mechanisms was proportionate and effective, with the exception of shortcomings of intermediate or low significance. These identified shortcomings, however, were not of such a nature as to materially affect the protection of public finances, the performance of financial management and the functionality*

²²² According to GIAS, this is an advisory service.

of the internal audit system. They are an aid to improving the quality of the control environment, updating and complying with internal regulations, employee training, and the protection of the SAO's rights and legitimate interests."

In 2024, the Internal Audit Department found no deficiencies with a significant risk of adversely affecting the SAO's activities or causing a decrease in the SAO's financial performance.

No significant findings within the meaning of Section 22 (5) of Act No 320/2001 Coll., on financial control in public administration and amending certain acts (Financial Control Act), as amended, or breaches of budgetary discipline within the meaning of Act No 218/2000 Coll., on budgetary rules and amending certain related acts (Budgetary Rules), as amended, were identified during the internal audits.

No risk of corruption or fraud was detected or reported that might indicate impropriety or abuse of office in decision-making and management processes or failings by individual SAO employees. At the same time, no breach of the SAO Code of Ethics was reported or detected.

In 2024, an external evaluation of the standard of the Internal Audit Department was carried out by the Audit Committee of the Chamber of Deputies of the Parliament of the Czech Republic and invited experts from the Czech Institute of Internal Auditors. Compliance with 52 international standards was assessed. In all cases, the SAO's internal audit received the best possible rating.

7. SECURITY DEPARTMENT

The Security Department administers security and fire protection systems for the SAO, including system measures, physical protection of buildings and protection of classified information in accordance with Act No 412/2005 Coll., on the protection of classified information and security clearance. The Security Department is responsible for occupational health and safety (OHS), crisis management and emergency preparedness. The Security Department is also responsible for the performance of cyber security tasks pursuant to Act No 181/2014 Coll., on cyber security and amending related acts (Cyber Security Act).

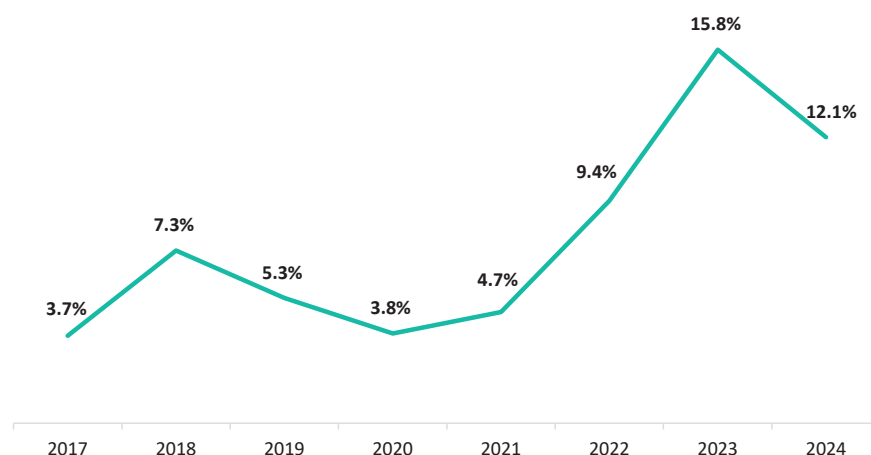
The Security Department has been involved in the establishment of a new emergency backup facility. In this area, it cooperates primarily with the MoI, the MoD, the National Office for Cyber and Information Security and other components of the integrated rescue system. The cooperation covers coordination in dealing with crisis situations, planning and implementation of exercises and emergency response training.

In 2024, the SAO was audited by the National Security Agency and the National Cyber and Information Security Agency. The audit focused on the protection of classified information and concluded that the protection systems are of a high standard and ensure the secure protection of classified information. The defined security strategy and perimeter protection system enable work with classified information in certified information systems.

8. SAO STAFFING

As at 31 December 2024, the SAO had 439 staff, 279 of whom worked in the Audit Section, i.e. 63.6% of the total number of employees (natural persons). Sixty new employees were recruited in 2024. A total of 66 employees ended their employment. The fluctuation rate in 2024 was 12.1%. Chart 31 shows how the annual employee fluctuation rate evolved in the SAO from 2017 to 2024.

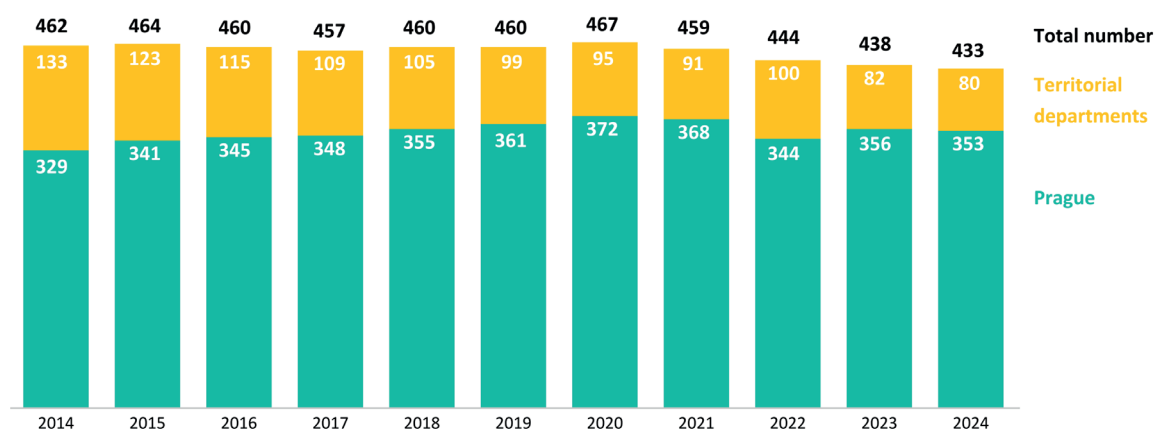
Chart 31: Development of the annual turnover rate of SAO staff for the period 2017–2024



Source: chart prepared by the SAO.

The converted average number of employees in the SAO for 2024 was 433.12; the converted average number of employees in the Audit Section for 2024 was 280.4. Chart 32 shows the converted average number of SAO employees and employees of the Prague and territorial departments for the 2014 to 2024 period.

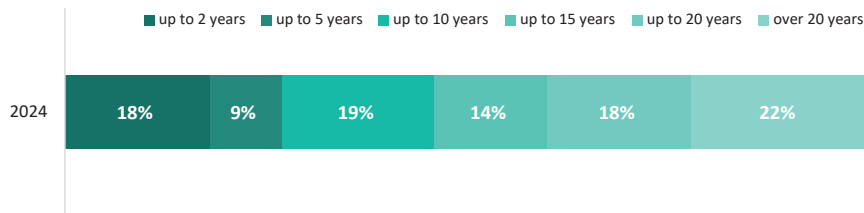
Chart 32: Development of the average number of SAO employees for the period 2014–2024



Source: chart prepared by the SAO.

Chart 33 shows the duration of SAO employees' employment as at 31 December 2024. On that date, 18.19% of the total number of employees had been employed by the SAO for less than two years. 21.86% of the total workforce had been employed by the SAO for over 20 years.

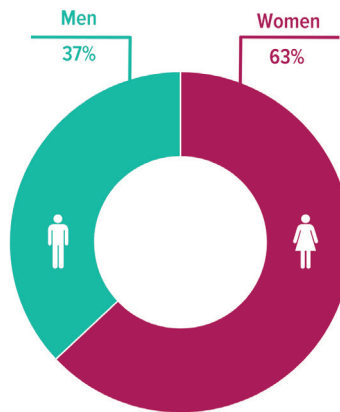
Chart 33: Overview of employment duration at the SAO as of 31 December 2024 (%)



Source: chart prepared by the SAO.

The SAO offers its employees equal working conditions and opportunities. Chart 34 shows the proportion of men and women employed at the SAO in 2024.

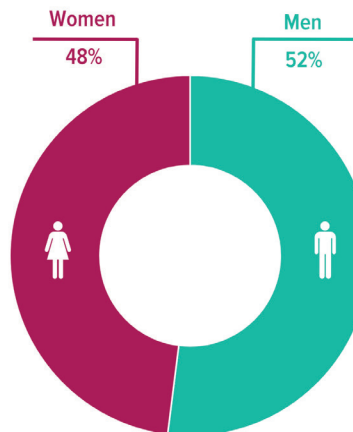
Chart 34: Proportional representation of men and women employed by the SAO in 2024 (%)



Source: chart prepared by the SAO.

Chart 35 shows the relative representation of men and women in the SAO's senior management positions as at 31 December 2024.

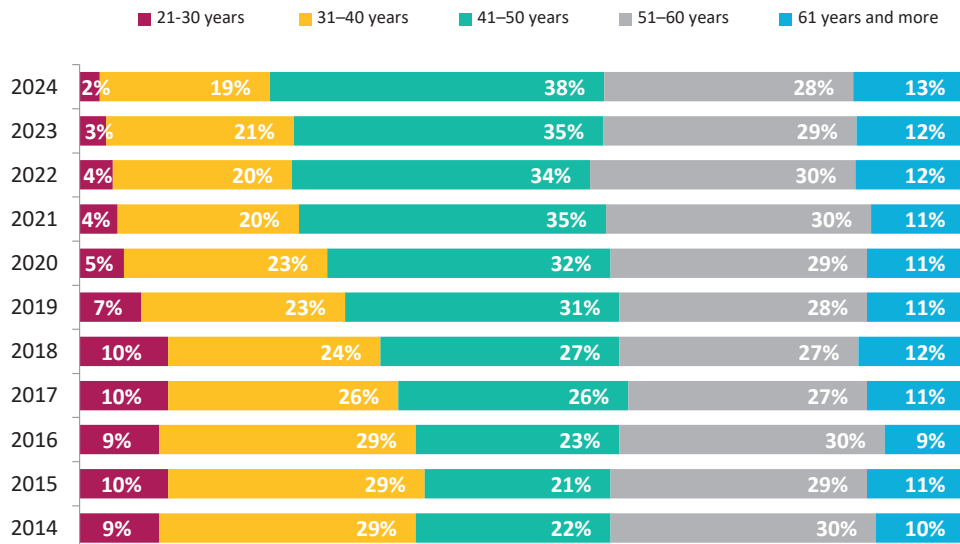
Chart 35: Representation of men and women in senior positions at the SAO, as of 31 December 2024 (%)



Source: chart prepared by the SAO.

The average age of SAO employees in 2024 was 49. The age structure of SAO staff as at 31 December 2024 and a comparison with the years 2014 to 2023 is shown in Chart 36.

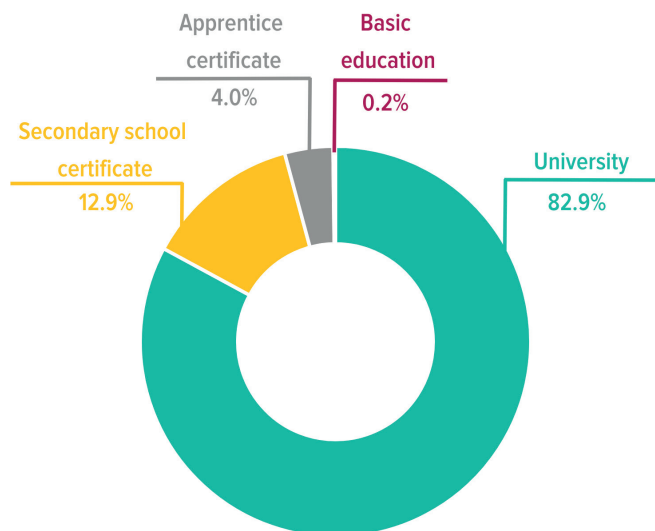
Chart 36: Overview of the age structure of the SAO staff for the period 2014–2024 (comparison of staffing levels as at 31 December 2014)



Source: chart prepared by the SAO.

82.93% of the SAO's workforce were university-educated as at 31 December 2024. Chart 37 breaks down the educational structure of SAO employees as at 31 December 2024.

Chart 37: Qualification structure of SAO employees by education as of 31 December 2024



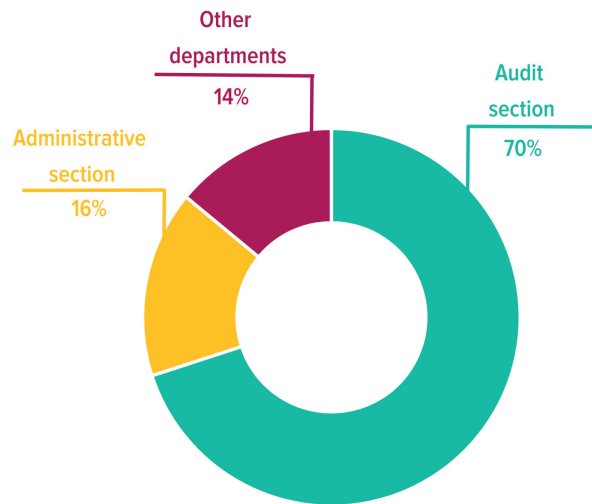
Source: chart prepared by the SAO.

Labour-law, salary and other demands of SAO employees were satisfied in accordance with the valid collective bargaining agreement.

Training and development

Training activities took place across the SAO in 2024 (see Chart 38). These activities took the form of courses, professional programmes, conferences, seminars, in-house training and workshops.

Chart 38: Employee participation in training activities by section (%)

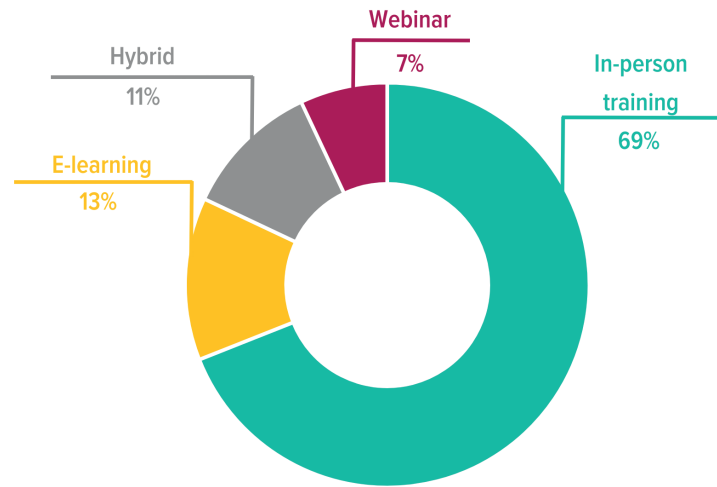


Source: chart prepared by the SAO.

The training activities took various forms: webinars, face-to-face training, e-learning courses and hybrid training combining face-to-face and online learning (see Chart 39).

Training was provided by both external experts and in-house specialists, mainly from the Audit Section. The main objective of the training activities was to broaden the expertise of staff, improve their professional skills and share best practices within the SAO's individual areas of competence.

Chart 39: Types of training activities in 2024 (%)

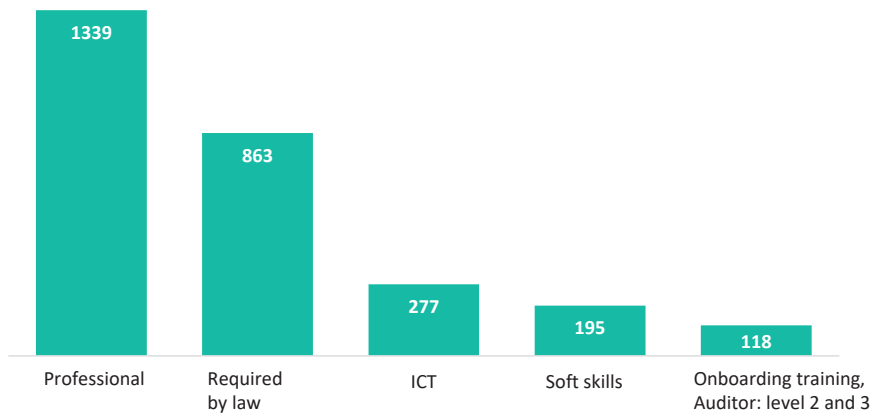


Source: chart prepared by the SAO.

The training system included:

- extensive initial training for new employees, which is an integral part of the adaptation process, and subsequent auditor training in Auditor II and Auditor III;
- training required by law;
 - occupational health and safety and fire protection;
 - legislation on classified information;
 - cybersecurity;
 - driver training;
- professional training and ad hoc training:
 - “critical thinking” courses:
 - breaking down complex statements;
 - evasive manoeuvres in arguments;
 - propositional logic;
 - logical deduction – syllogisms;
 - critical thinking and defence against manipulation;
 - the use of AI in practice;
 - NIS 2;
 - next-generation ASPI;
 - soft skills;
 - first aid;
 - assailants in the public sector;
 - detection of suspicious packages and objects etc.;
- soft skills training;
- ICT training.

Chart 40: Number of participants by type of training

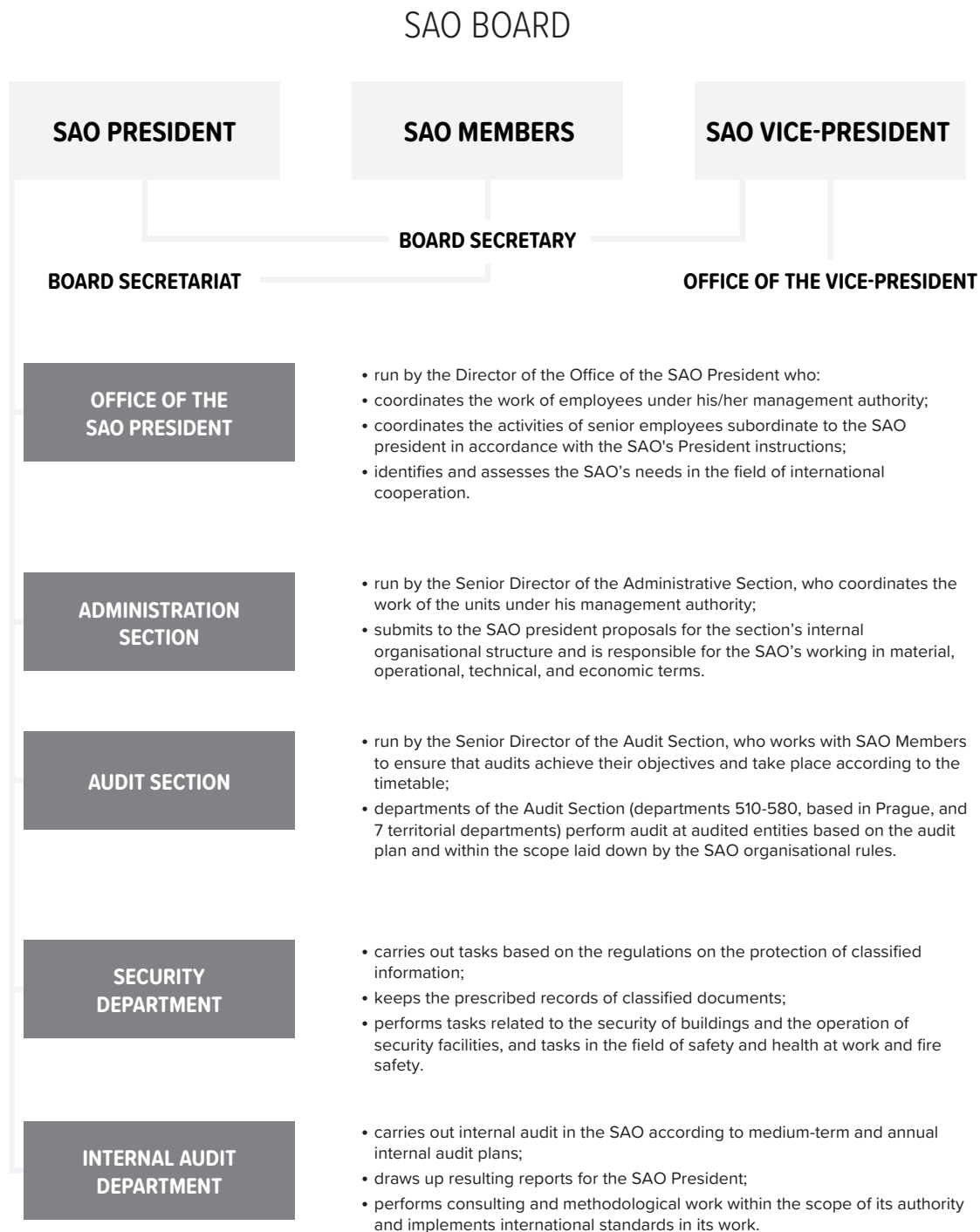


Source: chart prepared by the SAO.

At the same time, the professional development of employees was supported through cooperation with specialist institutions, universities and other academic institutions, which enabled staff to improve their qualifications and knowledge in the field of public audit and audit practice.

In line with its long-term strategy, the SAO is pushing ahead with and expanding its cooperation with the academia. It currently has a memorandum of cooperation with the Faculty of Economics and Administration of Masaryk University; a cooperation agreement with the University of Pardubice; and a framework cooperation agreement with the Faculty of Informatics and Statistics of the University of Economics in Prague.

9. ORGANISATIONAL STRUCTURE OF THE SAO



Annex 1: Audits included in the Audit Plan for 2024

Audits included in the Audit Plan for 2024						
Audit No	Subject of audit	Start of audit (month/year)	Submission of the audit report for approval (month/year)	Chapter administrator	The audit report is drawn up by SAO Member	Audit report approved by
24/01	State and EU funds earmarked for the construction and reconstruction of pavements and footpaths	1/2024	10/2024	MoT, MoRD	Ing. Kinšt	SAO Board
24/02	State property and funds earmarked for the activities of the Office for Foreign Relations and Information	1/2024	10/2024	Mol	Ing. Šmucr	SAO Senate
24/03	Funds earmarked for access to digital documents and electronic information resources in the network of libraries of the Czech Republic	1/2024	11/2024	MoC	Ing. Beznoska	SAO Board
24/04	Funds spent by the Ministry of the Interior on the project <i>Electronic Collection of Laws and International Treaties (e-Collection) and Electronic Legislation (e-Legislation)</i>	3/2024	3/2025	Mol, MoRD	Ing. Koucký	SAO Board
24/05	Funds spent under technical assistance on activities related to publicity and promotion of operational programmes and projects implemented in the 2014-2020 programming period	3/2024	2/2025	MoRD, MoIT	JUDr. Ing. Kalivoda	SAO Board
24/06	Funds of the Modernisation Fund earmarked to support renewable energy sources	4/2024	4/2025	MoIT, MoE	RNDr. Neuvirt	SAO Board
24/07	Funds spent on the creation and development of digital technical maps including related information systems	5/2024	3/2025	MoIT, COSMC	Ing. Kubiček	SAO Board
24/08	Funds spent on the activities of sports centres of the Ministry of the Interior and the Ministry of Defence	5/2024	3/2025	MoD, Mol	Ing. Stárek	SAO Board
24/09	Funds earmarked for the development and renewal of the material and technical base of university hospitals	5/2024	2/2025	MoH	RNDr. Koníček	SAO Board
24/10	Funds earmarked to support the infrastructure of regional social services	5/2024	3/2025	MoRD	Ing. Kinšt	SAO Board
24/11	Funds earmarked for check weighing of vehicles on motorways and Class I roads and revenue of the State Fund for Transport Infrastructure from fines imposed in connection with check weighing of vehicles	6/2024	4/2025	MoT	Ing. Kinšt	SAO Board
24/12	Funds spent by the Ministry of Defence on training centres of the Czech Armed Forces	6/2024	3/2025	MoD	RNDr. Neuvirt	SAO Board

Audits included in the Audit Plan for 2024						
Audit No	Subject of audit	Start of audit (month/year)	Submission of the audit report for approval (month/year)	Chapter administrator	The audit report is drawn up by SAO Member	Audit report approved by
24/13	Funds earmarked for the development and renewal of the material and technical base of public universities	6/2024	4/2025	MoEYS	Ing. Beznoska	SAO Board
24/14	Funds collected in the field of illegal employment	6/2024	4/2025	MoF, MoLSA	Ing. Kubiček	SAO Board
24/15	Assets and funds under the management of the Energy Regulatory Office	7/2024	4/2025	ERO	Ing. Šmucr	SAO Board
24/16	Funds earmarked to support forestry	7/2024	5/2025	MoA	Ing. Hrnčíř	SAO Board
24/17	Funds earmarked for the targeted support of research, development and innovation through the budget chapters of the Czech Science Foundation and the Technology Agency of the Czech Republic	7/2024	5/2025	GA CR, TA CR	RNDr. Neuvirt	SAO Board
24/18	Funds earmarked for the development and operation of rest areas on motorways and income of the Road and Motorway Directorate from the rental of rest areas	8/2024	5/2025	MoT	Mgr. Sklenák	SAO Board
24/19	Closing account of the state budget chapter Ministry of Labour and Social Affairs for the year 2024, financial statements of the Ministry of Labour and Social Affairs and data submitted by the Ministry of Labour and Social Affairs for evaluation of state budget implementation for the year 2024	8/2024	7/2025	MoEYS	Ing. Reisiegel, MPA	SAO Board
24/20	Closing account of the state budget chapter Ministry of Culture for 2024, financial statements of the Ministry of Culture for 2024 and data submitted by the Ministry of Culture for evaluation of state budget implementation for the year 2024	8/2024	7/2025	MoC	Ing. Steidlová	SAO Board
24/21	State property and funds managed by selected state enterprises in liquidation within the purview of the Ministry of Industry and Trade and the Ministry of Agriculture	9/2024	7/2025	MoIT, MoA	Ing. Hrnčíř	SAO Board
24/22	Closing account of the state budget chapter National Sports Agency for the year 2024, financial statements of the National Sports Agency for the year 2024 and data submitted by the National Sports Agency for evaluation of state budget implementation for the year 2024	9/2024	6/2025	NSA	Ing. Steidlová	SAO Board

Audits included in the Audit Plan for 2024						
Audit No	Subject of audit	Start of audit (month/year)	Submission of the audit report for approval (month/year)	Chapter administrator	The audit report is drawn up by SAO Member	Audit report approved by
24/23	Closing account of the state budget chapter Czech Telecommunication Office for the year 2024, financial statements of the Czech Telecommunication Office for the year 2024 and data submitted by the Czech Telecommunication Office for evaluation of state budget implementation for the year 2024	9/2024	8/2025	CTO	Ing. Reisiegel, MPA	SAO Board
24/24	Funds spent by the Ministry of Industry and Trade to promote energy efficiency and renewable energy sources	9/2024	7/2025	MoIT	RNDr. Neuvirt	SAO Board
24/25	Assets and funds under the management of the State Institute for Drug Control	9/2024	7/2025	MoH	Ing. Stárek	SAO Board
24/26	Funds related to information support for visa services and other consular activities	11/2024	8/2025	Mol, MoFA	Ing. Kubíček	SAO Board
24/27	Funds spent by the Ministry of Defence on air defence	11/2024	8/2025	MoD	Ing. Rychnovský	SAO Board
24/28	Funds spent in connection with the professionalisation and improvement of the quality of the civil service and the performance of the civil service	11/2024	9/2025	Mol	Ing. Koucký	SAO Board
24/29	Funds earmarked for information and advisory support for the participation of Czech research teams in the Horizon 2020 and Horizon Europe research framework programmes	11/2024	10/2025	MoEYS	Ing. Kubíček	SAO Board
24/30	Funds earmarked to support applied research, experimental development and innovation in the field of transport - TRANSPORT 2020+ programme	11/2024	9/2025	MoT, TA CR	RNDr. Koníček	SAO Board
24/31	Administration of court fees and collection of judicial claims	11/2024	9/2025	MoF, MoJ	JUDr. Ing. Kalivoda	SAO Board
24/32	Selected state property and funds under the management of the Labour Office of the Czech Republic	11/2024	8/2025	MoEYS	Mgr. Sklenák	SAO Board
24/33	Funds earmarked for the protection of soft targets	11/2024	8/2025	MoC, MoEYS, Mol, MoH	Ing. Beznoska	SAO Board

Annex 2: Overview of audits with an approved audit report during 2024

Overview of audits with an approved audit report during 2024						
Audit No	Subject of audit	Chapter administrator	The audit report is drawn up by SAO Member	Audit report approved by	Date of approval	Publication in the SAO Bulletin volume/year
23/05	Funds spent on a system of basic registers and selected information systems that obtain, collect and provide data based on special regulations	MoI, CSO, COSMC	Ing. Kubíček	SAO Board	20 May 2024	3/2024
23/06	State and EU funds spent on measures of the Rural Development Programme for the period 2014-2020	MoA	Ing. Kinšt	SAO Board	15 Jan 2024	1/2024
23/07	State and EU funds earmarked for improving air quality	MoE	RNDr. Neuvirt	SAO Board	29 April 2024	6/2024
23/08	State funds spent by the Ministry of Defence on the engineering troops of the Czech Armed Forces	MoD	Ing. Šmucr	SAO Board	4 March 2024	3/2024
23/09	State funds earmarked for selected measures against tax evasion	MoF	Ing. Kubíček	SAO Board	20 May 2024	3/2024
23/10	State budget funds spent by the Ministry of the Interior on the acquisition, storage and disposal of equipment of the Police of the Czech Republic	MoI	Ing. Šmucr	SAO Board	29 April 2024	1/2025
23/11	State and EU funds earmarked for the care system for children at risk and its transformation	MoLSA, MoEYS, MoH	Mgr. Sklenák	SAO Board	25 Nov 2024	6/2024
23/12	Funds collected on the basis of law in favour of the Health Insurance Company of the Ministry of the Interior of the Czech Republic	MoH	Ing. Stárek	SAO Board	20 May 2024	3/2024
23/13	State and EU funds earmarked for the development of combined freight transport	MoT	Ing. Hrnčíř	SAO Board	10 June 2024	3/2024
23/14	Funds intended for the regeneration of brownfields for non-business use	MoRD	Ing. Beznoska	SAO Board	20 May 2024	1/2025
23/15	State funds intended for cultural activities from the budget chapter of the Ministry of Culture	MoC	JUDr. Ing. Kalivoda	SAO Board	20 May 2024	3/2024
23/16	State and EU funds spent by the Ministry of Industry and Trade on brownfield regeneration	MoIT	Ing. Beznoska	SAO Board	1 July 2024	4/2024

Overview of audits with an approved audit report during 2024						
Audit No	Subject of audit	Chapter administrator	The audit report is drawn up by SAO Member	Audit report approved by	Date of approval	Publication in the SAO Bulletin volume/year
23/17	Closing account of state budget chapter Ministry of Transport for 2023, financial statements of the Ministry of Transport for 2023 and data submitted by the Ministry of Transport for evaluation of state budget implementation for the year 2023	MoT	Ing. Reisiegel, MPA	SAO Board	10 June 2024	3/2024
23/18	Closing account of state budget chapter Technological Agency of the Czech Republic for 2023, financial statements of the Technology Agency of the Czech Republic for 2023 and data submitted by the Technological Agency of the Czech Republic for evaluation of state budget implementation for the year 2023	TA CR	Ing. Steidlová	SAO Board	1 July 2024	3/2024
23/19	Closing account of state budget chapter Industrial Property Office for 2023, financial statements of the Industrial Property Office for 2023 and data submitted by the Industrial Property Office for evaluation of state budget implementation for the year 2023	IPO	Ing. Reisiegel, MPA	SAO Board	10 June 2024	3/2024
23/20	Closing account of state budget chapter Ministry of Regional Development for 2023, financial statements of the Ministry of Regional Development for 2023 and data submitted by the Ministry of Regional Development for evaluation of state budget implementation for the year 2023	MoRD	Ing. Steidlová	SAO Board	19 Aug 2024	4/2024
23/21	State and EU funds earmarked for competitive projects to support employment and adaptability of the workforce from the operational programme Employment 2014–2020	MoLSA	Ing. Koucký	SAO Board	5 Aug 2024	4/2024
23/22	State and EU funds spent in connection with shifting the focus of psychiatric care to the community	MoH, MoLSA	Mgr. Sklenák	SAO Board	5 Aug 2024	4/2024
23/23	State funds from the corporate income tax and the administration of this tax	MoF	RNDr. Koniček	SAO Board	30 Sept 2024	6/2024
23/25	Funds spent by the Ministry of Labour and Social Affairs on the digitalization of selected agendas	MoLSA	Ing. Koucký	SAO Board	10 June 2024	4/2024
23/26	State funds earmarked for repairs and maintenance of Class I roads	MoT	Ing. Hrnčíř	SAO Board	14 Oct 2024	6/2024
23/27	State budget funds earmarked for the preparation and securing the Presidency of the Czech Republic in the EU Council in 2022	MoFA, Office of the Government	Ing. Rychnovský	SAO Board	30 Sept 2024	6/2024

Overview of audits with an approved audit report during 2024						
Audit No	Subject of audit	Chapter administrator	The audit report is drawn up by SAO Member	Audit report approved by	Date of approval	Publication in the SAO Bulletin volume/year
23/28	State property and funds managed by selected testing institutes within the purview of the Ministry of Industry and Trade	MoIT	Ing. Šmucr	SAO Board	16 Sept 2024	Not yet published
23/29	State and EU funds earmarked for the support of social inclusion	MoLSA, MoRD	Ing. Stárek	SAO Board	14 Oct 2024	6/2024
23/30	Management of the state property and spending of funds from the Ministry of Defence chapter in the areas in which deficiencies were detected in audits No 18/02, No 18/17, No 19/13 and No 19/20	MoT	Ing. Kinšt	SAO Board	5 Aug 2024	4/2024
23/31	State and EU funds earmarked for land consolidations	MoE	Ing. Kubiček	SAO Board	14 Oct 2024	1/2025
24/01	State and EU funds earmarked for the construction and reconstruction of pedestrian walkways	MoT, MoRD	Ing. Kinšt	SAO Board	11 Nov 2024	1/2025
24/02	State property and funds earmarked for the activities of the Office for Foreign Relations and Information	Mol	Ing. Šmucr	SAO Senate	15 Nov 2024	The audit report was not published in accordance with Section 30(3) of the SAO Act
24/03	Funds earmarked for access to digital documents and electronic information resources in the network of libraries of the Czech Republic	MoC	Ing. Beznoska	SAO Board	16 Dec 2024	1/2025

Annex 3: Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2024

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2024						
Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
189	28 Nov 2024	40	22/14	792/23 270/24	878/23	The CBC notes: a) AR No 22/14, b) the opinion of the MoRD contained in Part IV of Government Material No 792/23, c) Government Resolution No 878/23, d) the information of the MoRD on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 270/24.
188	28 Nov 2024	40	22/04	373/23 147/24	652/23	The CBC notes: a) AR No 22/04, b) the opinion of the MoRD contained in Part IV of Government Material No 373/23, c) Government Resolution No 652/23, d) the information of the MoRD on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 147/24.
187	28 Nov 2024	40	22/31	1075/23 762/24	205/24	The CBC notes: a) AR No 22/31, b) the opinion of the MoF contained in Part III of Government Material No 1075/23, c) Government Resolution No 205/24, d) the information of the MoF on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 762/24.
186	28 Nov 2024	40	21/37	966/23 413/24	877/23	The CBC notes: a) AR No 21/37, b) the opinion of the MoT a RMD contained in Part IV of Government Material No 966/23, c) Government Resolution No 877/23, d) the information of the MoT on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 413/24.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2024						
Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
182	7 Nov 2024	39	21/28	91/23 889/23	245/23	The CBC notes: a) AR No 21/28, b) the opinion of the MoJ contained in Part IV of Government Material No 91/23, c) Government Resolution No 245/23, d) the information of the MoJ on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 889/23; II. requests the Minister of Justice to submit a report on the current status of the electronic monitoring system to the CBC by 31 March 2025.
181	7 Nov 2024	39	22/16	1052/23 724/24	204/24	The CBC notes: a) AR No 22/16, b) the opinion of the MoJ contained in Part IV of Government Material No 1052/23, c) Government Resolution No 204/24, d) the information of the MoJ on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 724/24.
180	7 Nov 2024	39	22/24	98/24 784/24	208/24	The CBC notes: a) AR No 22/24, b) the opinion of the MoA and MoE contained in Part III of Government Material No 98/24, c) Government Resolution No 208/24, d) the information of the MoA on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 784/24.
179	7 Nov 2024	39	22/05	38/24 761/24	206/24	The CBC notes: a) AR No 22/05, b) the opinion of the MoF, MoE, MoA, MoIT and COSMT contained in Part III of Government Material No 38/24, c) Government Resolution No 206/24, d) the information MoF, MoE, MoA, MoIT and COSMT on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 761/24.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2024						
Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
178	7 Nov 2024	39	22/02	544/23 257/24	654/23	The CBC notes: a) AR No 22/02, b) the opinion of the MoEYS contained in Part III of Government Material No 544/23, c) Government Resolution No 654/23, d) the information on the implementation of the measures from the opinion of the MoEYS on the AR contained in Part II of Government Material No 257/24.
177	7 Nov 2024	39	22/26	175/24 774/24	211/24	The CBC notes: a) AR No 22/26, b) the opinion of the MoT contained in Part IV of Government Material No 175/24, c) Government Resolution No 211/24, d) the information of the MoT on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 774/24.
174	10 Oct 2024	38	22/12	872/23 473/24	881/23	The CBC notes: a) AR No 22/12, b) the opinion of the MoI contained in Part IV of Government Material No 872/23, c) Government Resolution No 881/23, d) the information of the MoI on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 473/24.
173	10 Oct 2024	38	22/10	636/23 137/24	653/23	The CBC notes: a) AR No 22/10, b) the opinion of the MoLSA contained in Part IV of Government Material No 636/23, c) Government Resolution No 653/23, d) report of the MoLSA on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 137/24.
172	10 Oct 2024	38	21/29	487/23 375/24	900/23	The CBC notes: a) AR No 21/29, b) the opinion of the MoLSA contained in Part IV of Government Material No 487/23, c) Government Resolution No 900/23, d) report of the MoLSA on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 375/24.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2024						
Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
171	10 Oct 2024	38	21/30	331/23 159/24	649/23	The CBC notes: a) AR No 21/30, b) the opinion of the MoIT contained in Part IV of Government Material No 331/23, c) Government Resolution No 649/23, d) the information of the MoIT on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 159/24.
169	26 Sept 2024	36	22/09	700/23 90/24	657/23	The CBC notes: a) AR No 22/09, b) the opinion of the MoE contained in Part III of Government Material No 700/23, c) Government Resolution No 657/23, d) the information of the MoE on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 90/24.
168	26 Sept 2024	36	21/09	1303/22 701/23	72/23	The CBC notes: a) AR No 21/09, b) the opinion of the MoE contained in Part III of Government Material No 1303/22, c) Government Resolution No 72/23, d) the information of the MoE on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 701/23.
167	25 Sept 2024	36	22/15	1083/23	207/24	The CBC notes: a) AR No 22/15, b) the opinion of the MoA contained in Part III of Government Material No 1083/23, c) Government Resolution No 207/24.
	6 June 2024	34	23/04	898/24		Without resolution.
155	25 April 2024	32	21/23	563/23 97/24	655/23	The CBC notes: a) AR No 21/23, b) the opinion of the MoI contained in Part IV of Government Material No 563/23, c) Government Resolution No 655/23, d) the information of the MoI on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 97/24.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2024						
Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
154	25 April 2024	32	21/03	674/23 119/24	656/23	The CBC I. notes: a) AR No 21/03, b) the opinion of the MoT a Waterways Directorate contained in Part IV of Government Material No 674/23, c) Government Resolution No 656/23, d) the information of the MoT and Waterways Directorate on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 119/24; II. requests the Minister for Transport to provide the CBC with interim results of the implementation of the measures included in the opinion contained in Part IV of Government Material No 674/23 by 30 August 2024.
153	25 April 2024	32	20/33	1527/21 1502/22	465/22	The CBC notes: a) AR No 20/33, b) the opinion of the GA CR contained in Part IV of Government Material No 1527/21, c) Government Resolution No 465/22, d) the information on the implementation of corrective measures of the GA CR contained in Part II of Government Material No 1502/22.
148	14 March 2024	31	21/07	1388/22 907/23	74/23	The CBC notes: a) AR No 21/07, b) the opinion of the MoRD contained in Part IV of Government Material No 1388/22, c) Government Resolution No 74/23, d) the information of the MoRD on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 907/23.
146	1 Feb 2024	30	20/33	1527/21 1502/22	465/22	The CBC I. suspends the discussion of this item; II. requests the President of the Grant Agency of the Czech Republic to attend the CBC meeting in person during the discussion of AR No 20/33.
145	1 Feb 2024	30	21/22	1473/22 685/23	73/23	The CBC notes: a) AR No 21/22, b) the opinion of the MoLSA and MoRD contained in Part V of Government Material No 1473/22, c) Government Resolution No 73/23, d) report of the MoLSA and MoRD on the implementation of the measures referred to in the AR contained in Part II of Government Material No 685/23.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2024						
Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
144	1 Feb 2024	30	21/20	1196/22 450/23	969/22	The CBC notes: a) AR No 21/20, b) the opinion of the MoLSA contained in Part IV of Government Material No 1196/22, c) Government Resolution No 969/22, d) report of the MoLSA on the implementation of the measures taken to remedy the shortcomings referred to in the AR contained in Part II of Government Material No 450/23.
143	1 Feb 2024	30	20/34	689/23	651/23	The CBC I. notes: (a) AR 20/34, b) the opinion of the MPO contained in Part IV of Government Material No 689/23, c) Government Resolution No 651/23, by which the Government instructed the Minister of Industry and Trade to inform the Government by 30 June 2024 on the progress of the implementation of the measures; II. states that it sees a fundamental lack of clarity in the non-accounting for advances on transfers with financial settlement and the misclassification of expenditure by budget composition in the OP EIC, where the two sides remain in serious conflict; III. requests the Minister of Industry and Trade to submit to the CBC: a) by June 30, 2024, the information on the progress of the implementation of the measures included in the opinion contained in Part IV of Government Material No. 689/23, subject to a decision in principle by the MoF, b) by 31 May 2024 the information on the interim results of the implementation of the corrective measures; IV. requests the Minister of Finance to submit to the CBC by 31 March 2024 the binding information of the MoF on the correctness or incorrectness of the MoIT's practice of not accounting for the provision of the transfer as an advance payment until the obligation to account for it has been fulfilled, as well as the information on the issue of incorrect sectoral classification of OP EIC expenditure related to the implementation of Technical Assistance projects and the provision of support to the energy sector, in the light of the facts presented in the AR.
141	11 Jan 2024	29	21/16	528/22 1296/22	457/22	The CBC notes: a) AR No 21/16, b) the opinion of the MoC contained in Part IV of Government Material No 528/22, c) Government Resolution No 457/22, d) the information on the implementation of corrective measures of the MoC contained in Part II of Government Material No 1296/22.

Overview of audits whose approved audit reports were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic in 2024						
Committee Resolution	Date of session	Session No	Audit report	Government Material No	Government Resolution (No/year)	Summary of the Committee's Resolution
140	11 Jan 2024	29	21/10	1227/22 395/23	971/22	The CBC notes: a) AR No 21/10, b) the opinion of the MoC contained in Part IV of Government Material No 1227/22, c) Government Resolution No 971/22, d) the information on the implementation of corrective measures of the MoC contained in Part II of Government Material No 395/23.

Annex 4: Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2024

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2024						
Government Resolution No	Date of meeting	Government Material No	Audit No	Auditee informed the SAO about measures	Government-imposed measures	Date of measure
785	6 Nov 2024	885/24	23/17	No	The Government instructs the Minister for Transport: 1. to implement the measures contained in the opinion referred to in Part IV of material No 885/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	6 May 2025 (within six months)
784	6 Nov 2024	833/24	23/19	No	The Government instructs the President of the Industrial Property Office: 1. to implement the measures contained in the opinion referred to in Part III of material No 833/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution	6 May 2025 (within six months)
783	6 Nov 2024	681/24	23/15	No	The Government instructs the Minister of Culture: 1. to implement the measures contained in the opinion referred to in Part IV of material No 681/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	6 May 2025 (within six months)
782	6 Nov 2024	668/24	23/06	No	The Government instructs the Minister of Agriculture: 1. to implement the measures contained in the opinion referred to in Part III of material No 668/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	6 May 2025 (within six months)
781	6 Nov 2024	878/24	23/08	No	The Government instructs the Minister of Defence: 1. to implement the measures contained in the opinion referred to in Part IV of material No 878/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution	6 May 2025 (within six months)
780	6 Nov 2024	586/24	23/03	No	The Government instructs the Minister of Defence: 1. to implement the measures contained in the opinion referred to in Part IV of material No 586/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	6 May 2025 (within six months)
779	6 Nov 2024	507/24	23/02	No	The Government instructs the Minister of Regional Development: 1. to implement the measures contained in the opinion referred to in Part IV of material No 507/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	6 May 2025 (within six months)
778	6 Nov 2024	715/24	23/12	No	The Government instructs the Deputy Prime Minister and the Minister of Health to: 1. to carry out an inspection on the implementation of the measures contained in the opinion referred to in Part III of material No 715/24, 2. to inform the Government of the results of the inspection of their implementation within six months of the adoption of this resolution.	6 May 2025 (within six months)

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2024						
Government Resolution No	Date of meeting	Government Material No	Audit No	Auditee informed the SAO about measures	Government-imposed measures	Date of measure
452	3 July 2024	365/24	22/23	No	Without instruction.	—
451	3 July 2024	314/24	23/01	No	The Government instructs the Minister of Finance and the Minister of the Environment: 1. to implement the measures contained in the opinion referred to in Part III of material No 314/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Jan 2025 (within six months)
450	3 July 2024	229/24	22/29	No	The Government instructs the Minister of Transport: 1. to implement the measures contained in the opinion referred to in Part IV of material No 229/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Jan 2025 (within six months)
449	3 July 2024	301/24	22/27	No	The Government instructs the Deputy Prime Minister for Digitalisation and the Minister for Regional Development: 1. to implement the measures contained in the opinion referred to in Part IV of material No 301/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Jan 2025 (within six months)
448	3 July 2024	337/24	22/06	No	The Government instructs the 1st Deputy Prime Minister and Minister of the Interior and the Director of the Digital and Information Agency: 1. to implement the measures contained in the opinion referred to in Part III of material No 337/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Jan 2025 (within six months)
211	3 April 2024	175/24	22/26	No	The Government instructs the Minister of Transport: 1. to implement the measures contained in the opinion referred to in Part IV of material No 175/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
210	3 April 2024	174/24	22/08	No	The Government instructs the Minister of Transport: 1. to implement the measures contained in the opinion referred to in Part IV of material No 174/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
209	3 April 2024	173/24	22/18	No	The Government instructs the Minister of the Environment: 1. to implement the measures contained in the opinion referred to in Part III of material No 173/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
208	3 April 2024	98/24	22/24	No	The Government instructs the Minister of Agriculture: 1. to implement the measures contained in the opinion referred to in Part III of material No 98/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
207	3 April 2024	1083/23	22/15	No	The Government instructs the Minister of Agriculture: 1. to implement the measures contained in the opinion referred to in Part III of material No 1083/23, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)

Overview of audits whose approved audit reports were discussed by the Government of the Czech Republic in 2024						
Government Resolution No	Date of meeting	Government Material No	Audit No	Auditee informed the SAO about measures	Government-imposed measures	Date of measure
206	3 April 2024	38/24	22/05	No	The Government instructs: 1. the Minister of Finance, the Minister of the Environment, the Minister of Agriculture, the Minister of Industry and Trade and the Chairman of the Office for Technical Standardisation, Metrology and State Testing to implement the measures contained in the opinion referred to in Part III of material No 38/24, 2. for the Minister of Finance to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
205	3 April 2024	1075/23	22/31	No	The Government instructs the Minister of Finance: 1. to implement the measures contained in the opinion referred to in Part III of material No 1075/23, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
204	3 April 2024	1052/23	22/16	No	The Government instructs the Minister of Justice: 1. to implement the measures contained in the opinion referred to in Part IV of material No 1052/23, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
203	3 April 2024	221/24	22/28	No	The Government instructs the Deputy Prime Minister and the Minister of Labour and Social Affairs: 1. to implement the measures contained in the opinion referred to in Part IV of material No 221/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
202	3 April 2024	75/24	22/13	No	The Government instructs the Deputy Prime Minister and the Minister of Health to: 1. to implement the measures contained in the opinion referred to in Part III of material No 75/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
201	3 April 2024	72/24	22/20	No	The Government instructs the Deputy Prime Minister and the Minister of Health to: 1. to implement the measures contained in the opinion referred to in Part III of material No 72/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
200	3 April 2024	71/24	22/30	No	The Government instructs the Deputy Prime Minister and the Minister of Health to: 1. to implement the measures contained in the opinion referred to in Part IV of material No 71/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)
199	3 April 2024	45/24	22/19	No	The Government instructs the Chairwoman of the State Office for Nuclear Safety: 1. to implement the measures contained in the opinion referred to in Part IV of material No 45/24, 2. to inform the Government of their implementation within six months of the adoption of this Resolution.	3 Oct 2024 (within six months)

Annex 5: Sources of information for all infographic sheets

Public finances

Macroeconomic data; source: Eurostat, CSO, *Integrated Treasury Information System and Macroeconomic Forecast – January 2024*

Government revenues

State budget revenue implementation by class for 2023 and 2024;

source: <https://monitor.statnipokladna.gov.cz/statni-sprava/rozpocet/prijmy-druhovy?rad=m&obdobu=2408>

Selected measures to combat tax evasion; source: Audit No [23/09](#)

Administration of corporate income tax; source: Audit No [23/23](#)

Digitalisation

Specific examples of ICT use; source: <https://csu.gov.cz/ict-v-domacnostech-a-uzivatele-ict?pocet=10&start=0&podskupiny=402&razeni=-datumVydani>

Postponement of digital transformation; source: <https://www.psp.cz/sqw/historie.sqw?o=9&t=774>

System of basic national registers; source: Audit No [23/05](#)

Digitalisation of selected agendas in the Ministry of Labour and Social Affairs; source: Audit No [23/25](#)

The system of care for children at risk and its transformation; source: Audit No [23/11](#)

Cultural activities; source: Audit No [23/15](#)

Defence and security

Map of shelters; source: <https://terinos.izscr.cz/client/>

Updated website of the Fire Rescue Service of the Czech Republic;

source: <https://www.hzscr.cz/clanek/ukryti-obyvatelstva-v-ceske-republice.aspx>

Funds spent by the Ministry of Defence on the engineer troops of the Czech Armed Forces;

source: Audit no. [23/08](#)

Management of state property and spending of state budget funds in the MoD chapter in the areas where deficiencies were found in audits Nos 18/02, 18/17, 19/13 and 19/20; source: Audit No [23/30](#)

Funds spent by the Ministry of Interior on the acquisition, storage and disposal of equipment of the Police of the Czech Republic; source: Audit No [23/10](#)

State property and funds earmarked for the activities of the Office for Foreign Relations and Information; source: Audit No [24/02](#)

Transport

Support for the development of combined freight transport; source: Audit No [23/13](#)

Repair and maintenance of Class I roads; source: Audit No [23/26](#)

Support for the construction and reconstruction of pavements and footpaths; source: Audit No [24/01](#)

Social policy and employment

Interactive display of questionnaire survey results; source: <https://www.nku.cz/scripts/detail.php?id=14056>

The system of care for children at risk and its transformation; source: Audit No [23/11](#)

Support for employment and adaptability of the workforce; source: Audit No [23/21](#)

Support for social inclusion; source: Audit No [23/29](#)

Healthcare

HRI 2023; source:

<https://www.globsec.org/sites/default/files/2024-10/Healthcare%20Readiness%20Index%202023.pdf>

Management of the Ministry of the Interior Public Health Insurance Fund; source: Audit No [23/12](#)

Shifting the core of psychiatric care to the community; source: Audit No [23/22](#)

Environment

Government-approved environmental documents;

source: <https://mzp.gov.cz/cz/ministerstvo/politika-a-strategie-mzp/statni-politika-zivotniho-prostredi>

Air quality diagram; source: <https://www.eea.europa.eu/publications/europes-air-quality-status-2024>

Audit on the improvements in air quality; source: Audit No [23/07](#)

Data from the questionnaire survey; source: <https://www.nku.cz/scripts/detail.php?id=13866>

Report on the State of the Environment 2023; source: https://mzp.gov.cz/system/files/2025-03/Report%20on%20the%20Environment%20of%20the%20Czech%20Republic%202023_0.pdf

Regional development

Regeneration of brownfields for non-business use; source: Audit No [23/14](#)

Regeneration of brownfields for business use; source: Audit No [23/16](#)

National Brownfields Database; source: <https://www.brownfielddy.cz/o-brownfieldech/#kapitola-02>

Agriculture

Support for rural development; source: Audit No [23/06](#)

Land consolidation; source: Audit No [23/31](#)

Culture

Cultural activities financed from the budget chapter of the Ministry of Culture; source: Audit No [23/15](#)

Providing access to digital documents and electronic information resources in the network of libraries of the Czech Republic; source: Audit No [24/03](#)

LIST OF ABBREVIATIONS

3E	effectiveness, efficiency, economy
AI	artificial intelligence
AR	audit report
ASI	Agency for Social Inclusion
ATAD	Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market, as amended in 2017 by Council Directive (EU) 2017/952 of 29 May 2017 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries
ATIS	<i>Automated tax information system</i>
B[a]P	benzo[a]pyrene
BIEP	<i>Benchmarking Information Exchange Project</i>
<i>Brownfields I</i>	MoRD sub-programme <i>Support for regeneration of brownfields for non-business use</i> (part of MoRD programme No. 117D082 <i>Support for revitalisation of territories</i>)
<i>Brownfields II</i>	<i>Brownfields</i> programme of the State Investment Support Fund
BSLPC	Bodies of Social and Legal Protection of Children
CAF	Czech Armed Forces
CASEL	projects for a coordinated approach to socially excluded localities
CBC	Committee on Budgetary Control of the Chamber
CC	Contact Committee (assembly bringing together the European Union's Supreme Audit Institutions)
CDP CR	Chamber of Deputies of the Parliament of the Czech Republic
CNB	Czech National Bank
Commission	European Commission
COSMC	Czech Office for Surveying, Mapping and Cadastre
CR	Czech Republic
CSO	Czech Statistical Office
CSSA	Czech Social Security Administration
CTO	Czech Telecommunication Office
CzechInvest	CzechInvest – Business and Investment Development Agency
DAC6	Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements
DESI	Digital Economy and Society Index
DIA	Digital and Information Agency
ECA	European Court of Auditors
EEA	European Environment Agency
ERO	Energy Regulatory Office
ERS	electronic registration of sales
ESG	environmental, social, governance
ESI funds	European Structural and Investment Funds
ETCS	European Train Control System
EU	European Union
EUROCONTROL	European Organisation for the Safety of Air Navigation
EUROSAI	European Organisation of Supreme Audit Institutions
FA CR	Financial Administration of the Czech Republic
FA	financial audit
GA CR	Grant Agency of the Czech Republic
GDC	General Directorate of Customs
GDP	gross domestic product
GFD	General Financial Directorate
GO	Office of the Government of the Czech Republic

HRI	Healthcare Readiness Index
ICS	internal control system
ICT	information and communications technology
Information Act	Act No 106/1999, on free access to information
INTOSAI IDI	INTOSAI Development Initiative
INTOSAI WGEA	INTOSAI Working Group on Environmental Auditing
INTOSAI	International Organisation of Supreme Audit Institutions
IPO	Industrial Property Office
IROP	<i>Integrated Regional Operational Programme 2014–2020</i>
IRS	Integrated Rescue System
IS	information system
IT	Information technology
LDP	linked data pool
MHC	mental health centre
ML	Moravian Library in Brno
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 PHIF	Ministry of the Interior Public Health Insurance Fund
MoI	Ministry of the Interior
MoIT	Ministry of Industry and Trade
MoJ	Ministry of Justice
MoLSA	Ministry of Labour and Social Affairs
MoRD	Ministry of Regional Development
MoT	Ministry of Transport
NATO	North Atlantic Treaty Organization
NBD	<i>National Brownfields Database</i>
NCA	National Coordination Authority (part of the MoRD organisational structure)
NEP	<i>National Environment Programme</i>
NGS	<i>New Green Savings</i> (subsidy programme of the Ministry of the Environment)
NIS 2	cyber security (from Network and Information Security)
NL CR	National Library of the Czech Republic
NLT	National Library of Technology
NRA	National Registers Authority
NRP	<i>National Recovery Plan</i>
NSA	National Sports Agency
OECD	Organisation for Economic Co-operation and Development of Deputies of the Parliament of the Czech Republic
OGRPA	Office for Government Representation in Property Affairs
OHS + FP	occupational health and safety + fire protection
OLACEFS	Organisation of Supreme Audit Institutions of Latin America and the Caribbean
OP EIC	Operational Programme <i>Enterprise and Innovation for Competitiveness</i>
OP HRE	Operational Programme <i>Human Resources and Employment</i>
OP PGP	Operational Programme <i>Prague – Growth Pole</i>
OP RDE	Operational Programme <i>Research, Development and Education</i>
OP	operational programme
OPEm	Operational Program <i>Employment 2014–2020</i>
OPEm+	Operational Programme <i>Employment plus 2021-2027</i>
OPEn	Operational Programme <i>Environment 2014–2020</i>
OPF	Operational Programme <i>Fisheries 2014–2020</i>

OPT	Operational Programme <i>Transport 2014–2020</i>
OPTA	Operational Programme <i>Technical Assistance 2014–2020</i>
PA	Partnership Agreement (basic document for the use of EU funds)
PA2 OPEn	priority axis 2 of Operational Programme Environment 2014–2020: Improving air quality in human settlements
PISL	Public Information Services for Libraries subsidy programme
PPP	public-private partnership
RDP	Rural Development Programme 2014–2020
Reform Strategy	Psychiatric Care Reform Strategy (for 2014–2023)
RMD	Road and Motorway Directorate of the Czech Republic
RMS	roadway management system
SAI	Supreme Audit Institution
SAIF	State Agricultural Intervention Fund
SAO	Supreme Audit Office of the Czech Republic
SEF	State Environmental Fund
SEL	socially excluded localities
SFIS	State Fund for Investment Support
SFTI	State Fund for Transport Infrastructure
SLO	State Land Office
SLPC	social and legal protection of children
SRGIS	single registration and grant information system
STIIS	<i>State Treasury Integrated Information System</i>
UN	United Nations
V4	Visegrad Group (Czech Republic, Hungary, Poland, Slovakia)
V4+2	Supreme Audit Institutions of the Visegrad Group countries, Austria and Slovenia
VAT	value added tax
WGEA	EUROSAI Working Group on Environmental Auditing
WHO	World Health Organization